Focus on community forestry

The essential role communities play in forest conservation

Audited annual report as at 31 March 2022

Forestry and Climate Change Fund

In collaboration with

For clarification purposes: The information presented in this report refers only to Investing for Development SICAV and its sub-fund, the Forestry and Climate Change Fund (FCCF), unless otherwise explicitly stated. The Luxembourg Microfinance and Development Fund (LMDF) sub-fund is not covered by this report.

Contents

FCCF Theory of Change

	Natural Capital	Wood Value Chains	Equity & Inclusion
Baseline	SDF* are not sufficiently valued economically, leading to deforestation and degradation, particularly for young SDF	The lack of markets and demand for SDF wood, including lesser known species and lesser qualities, inhibits their sustainable management	Small and medium forest owners, local and indigenous communities lack fair access to formal forest value chains
Input	Investment and mobilization of finance for entities providing financial and technical resources for sustainable management and restoration of SDF	Investments in processing industries & commercialization and financing of equipment for the transformation of wood from SDF	Technical assistance and investment policies focused on benefit sharing and fair sourcing along the value chain
Output	Investees have access to financial and technical resources for sustainable management and restoration of SDF	Investees market products based on wood from SDF Investees commit to use lesser-known and lesser quality wood	Fair sourcing policies are implemented by investees Investees provide decent, inclusive employment
Outcome	SDF of local forest owners are under management and deforestation rates are reduced. Active management improves forest growth, biodiversity value, species composition and carbon stocks	Sustainable value chains for SDF wood develop. Value chains finance the sustainable management of SDF and renumerate forest owners in line with opportunity costs	The value generation in the SDF value chain is distributed, fairly, including to small and medium forest owners & local and indigenous communities The share of women in the investee workforce increases
Impact	SDF become permanent natural forests with high biodiversity and significant carbon stocks *SDG 13 - Climate Action* *SDG 15 - Life on land*	The sustainable management of SDF is a scalable, economically attractive land use option sustained by wood as a valued material *SDG 8 - Decent Work & Economic Growth* *SDG 9 - Industry, Innovation & Infrastructure* *SDG 12 - Responsible Production & Consumption*	Socio-economic opportunities provided by an inclusive SDF sector lead to cohesive and resilient rural communities *SDG 1 - Poverty reduction* *SDG 5 - Gender Equality*

Central America investment map

Report of the Board of Directors

The Fund is fast approaching October 2022 when its initial investment period ends. In the lead up to this, and following the hiatus caused by Covid-19, the investment team have been hard at work and net assets have grown from USD 7.1m to 10.5m over the financial year. The Fund now has eight partner companies compared with six at the end of the previous financial year.

As we continue to work with our partners, it is exciting to see validation of our initial investment thesis. Interest flows are beginning to come through on our existing investments and amounted to USD 223k during the financial year. However, we are also noting that many have fallen behind in their initially envisaged investment plans: this principally results from Covid-19 and its impact on global value chains. This has led to the Fund taking an additional USD 1.1m of impairments. Following these impairments, Class J shares have remained stable, while Class I shares have declined by 22.1%.

The past year has been a significant one from an environmental and social performance stance. The Fund has recently finalised a revised Theory of Change and Environmental and Social Principles which provides strong frameworks for impact management: this is being consolidated in an Environmental and Social Report which will be released later in the year. These efforts have been rewarded after the Fund underwent a formal verification of its impact management practices, in the context of IFC's Operating Principles of Impact Management. The results of Luminis' evaluation are very positive and can be found on the Fund's website. Yet the best way to understand the impact of our projects is to see them directly: in this report, we are pleased to present one of our new investments in the Carmelita Cooperative, which shows how the Fund supports both local communities and responsible forest management.

As the new financial year starts, the Fund has a lot of important work to complete before the initial investment phase concludes. This means that a key priority is disbursement to new partners, and the Fund has developed an exciting pipeline in both Guatemala and Southern Mexico. The other priority will be supporting existing partners in the development of their businesses as the world emerges from the impact of the Covid-19 pandemic.

The Board has selected and retained UNIQUE land use GmbH (UNIQUE) as the investment adviser to FCCF. UNIQUE has developed a sound monitoring and reporting framework for the Fund, which also demonstrates the climate impact of the projects. UNIQUE and our management team have both spent the time required on the ground to develop the trusting relationship required for a constructive and efficient cooperation with the investees.

The Board has established the following committees whose role is to support and make recommendations to the Board, or take decisions within certain limits determined by the Board, in their areas of activity:

Carmelita community located on the edge of the Mayan Biosphere Reserve - Guatemala // Cooperativa Carmelita

- The **Investment Committee**, which has nine members, is authorised, within the limits of the investment policy and objectives of the Sub-Fund as defined by the Board of Directors, to decide upon the acquisition or disposal of investments on the basis of a proposal by the Investment Adviser, and to take all other decisions relating to the management of the Sub-Fund's portfolio.

- The **Risk Committee**, which has five members, provides direction, advice and oversight with regard to FCCF's risk management and reporting framework, including risk policies, processes and controls.

- The **Marketing Committee,** which has four members, oversees the Fund's marketing strategy including the development of the shareholder base.

- The **Employment Committee**, which has three members, reviews the objectives, performance and remuneration of management.

- The **Appointments Committee**, which has three members, assists the Board in ensuring that its composition is aligned with the objectives of the Fund.

The members of the Board do not receive any remuneration as directors, apart from the reimbursement of expenses incurred for Fund business and approved in advance by the Board.

In this report, we hear how interlinked the lives of local communities are with the forests. Alejandro Santos, the Director of Rainforest Alliance in Guatemala notes "if they (community forest concessions) prosper, so will the forests because their lives depend on it." In Luxembourg, we would also do well to take time to remember how interconnected the world is and how interdependent the environment and our own well-being are.

The Board wishes to thank its shareholders for their continued support.

The Board of Directors
June 20th, 2022

Raymond Schadeck
Chairman

Management report

Dear Shareholder,

In this report the Forestry and Climate Change Fund (FCCF) reports on the financial year ended on 31 March 2022.

// Two new investments

The last annual and semi-annual reports described the impact of Covid-19, not only on existing investments, but also on the ability of the Fund to conduct thorough due diligence processes for new investments. The second half of the financial year finally saw the first new investments made post Covid: Forestal Naj Ché and Cooperativa Carmelita, both in Guatemala.

Forestal Naj-Ché, Guatemala
Forestal Naj-Ché is a company led by a team of experienced foresters from the Petén region in Northern Guatemala. FCCF had a first investment in this region in the NGO, Naturaleza para la Vida (NPV) which was discontinued in 2019 due to governance weaknesses. Forestal Naj-Ché ensures a continuation of the mission of FCCF in this landscape, which concentrates close to half of the remaining forests in Guatemala.

Forestal Naj-Ché has a business plan encompassing working with community owned or managed forests in the Mayan Biosphere Reserve and to work with small and medium sized forests owners South of the Reserve. Wood processing (milling, drying, molding) will initially be outsourced until markets and market needs and the attractive niches are clearer. The company has internalised FCCF's guidelines for sustainable management of secondary and degraded forests and developed a first forest management plan for a community forest of 2,661 hectares (which was approved by the forest authorities post year-end).

FCCF has structured this investment in line with the Alternative Route (as described in the Prospectus). The initial equity commitment is for USD 150k in common equity for a 50% stake in the newly formed company and USD 300k in preference shares dependent on reaching certain milestones. Debt instruments can be used once forests are legally under management and their natural capital assessed.

Cooperativa Carmelita
Through its work over the last years, FCCF has increasingly recognised the essential roles communities play in forest conservation. FCCF has also recognised that many communities struggle to access adequate and responsible sources of finance to develop and expand their activities. Alejandro Santos, Director of the NGO Rainforest Alliance (RA) in Guatemala puts very clearly why this matters in the section of this report describing FCCF's collaboration with RA: "The support for community forest concessions is essential for their members to generate legal income for themselves and their families, while conserving the forests. If they prosper, so will the forests, because their lives depend on it."

As a response to this situation, FCCF has developed a community forest credit product with a specific due diligence methodology. One of the pillars of this new product categories is collaboration, for example with an NGO such as Rainforest Alliance having a very long and successful working

relationship with communities in the Mayan Biosphere Reserve. Another pillar is a close and local monitoring process (through the appointment of monitoring agents) ensuring FCCF received very timely and accurate information.

The first community financed in this new product category is the Cooperativa Carmelita, one of the pioneers of sustainable forest management and protection in Guatemala. Carmelita is currently expanding its annual harvest activities through a change in its forest management plan for the 54,000 hectares concession they control. This required working capital which FCCF provided through a flexible, USD 400k credit line (of which USD 300k has been drawn as at year-end) as a first step in the collaboration.

This report features an interview with the President of the Board of the Cooperative Carmelita, Carlos Crasborn. On the relationhip with FCCF, Carlos states that "FCCF has provided the Carmelita Cooperative with a new opportunity compared with the traditional banking system."

// Management of the challenges of the current portfolio

As already indicated in the semi-annual report, the consequences of the Covid-19 disruptions are felt unequally across the portfolio. Those companies focused on forest management and primary transformation have benefitted from higher prices and higher transportation costs (rendering timber imports from far away countries expensive). Companies focused on finished products have suffered more through delays in developing markets. The recent developments, above all the increase in energy costs, have had additional impacts across the portfolio.

The Fund conducts a systematic valuation process in line with its Valuation Guidelines each semester. In this report, FCCF has greatly expanded the disclosure of the valuation of its investees in a new Table 5. Despite the challenges outlined before, many partners are on track to build their businesses. This part of the report focused on the "problematic" cases and the Fund's responses:

In the Woods by Fundecor
The largest impact is in the valuation of the investee In the Woods by Fundecor, based in Costa Rica. The Fund's 49% equity stake in the company has no residual value and – applying the weighted cost of capital originally established for the project on the expected future cash-flows – part of the debt instruments are impaired.

The implementation of the business plan of In the Woods by Fundecor was significantly delayed due to quality issues of the production and a lack of a clear and executed commercialisation strategy. In early 2021, the company's board of directors (where FCCF has 2 of 4 seats) has decided to terminate the employment of the original CEO. FCCF and the joint venture partner, Fundación Fundecor, agreed on a turn-around plan during an 18-month period ending in December 2022. A new CEO, Juan Quintanilla – part of Fundecor - was appointed. The plan has resolved most of the

production issues and is now focused on the commercialisation and revision to the original product mix. FCCF remains confident that the turn-around can be successful.

Operaciones Forestales Sostenibles S.A.
Operaciones Forestal Sostenibles S.A. (OFS) is a second entity where the original business plan did not gain traction. FCCF took similar action at the end of 2021 by ending the employment of the original CEO and terminating the CEO's 50% equity stake in the company. FCCF is the sole shareholder during this turn-around phase. The Fund focused on reducing operating costs strongly and allowing for time to work on two main business goals: The expansion of forest area under management from the current 211 hectares and the realisation of the first timber sales to establish market linkages.

The full control and sole ownership of FCCF is a transitory situation and FCCF is exploring strategic options.

The business activities of Simplemente Madera Marketplace in Nicaragua have been put on hold following the deterioration of the political situation in the country. The company is in the process to liquidate all its assets.

// External OPIM evaluation confirms strong impact focus

The Fund is a signatory to the Operating Principles for Impact Management (OPIM), an initiative pioneered by the International Finance Cooperation (IFC). As part of its commitment, FCCF needs to undergo an external evaluation of its compliance with the eight OPIM principles, from strategic impact intent, to implementation in origination and structuring, portfolio management and exits. The independent evaluation was conducted by the firm Luminis from the USA and resulted in FCCF exceeding expectations in 3 areas and full alignment in the remaining 5 areas, a strong result for a first evaluation.

FCCF's strength are its "clear theory of change", "backed by research", its "excellent progress reporting and monitoring" including "systematic impact monitoring". The evaluation is an encouragement to further develop FCCF's impact management as an integral part of its investment and monitoring practices. The full evaluation report is available on the Fund's website (www.fccf.lu).

In line with the previous announcement, FCCF has now completed the work on Key Performance Indicators and will start to report results systematically to investors from the next report on. The Fund is also preparing a dedicated environmental and social impact report to be published during the next financial year.

// Financial results

The Fund continued its strong growth with total net assets growing by 48% in one year to USD 10.5m. Total investments earmarked to the current investees exceed USD 10m, indicating that the Fund is approaching the end of the period when it accepts new investees and will focus on the scaling of its successful projects. Total investments at current value increased from USD 3.9m end of the financial year 2020-21 to USD 4.4m end of this financial year, a growth of 13%. Looked at based on investment at costs, the portfolio grew from USD 4.0m to USD 5.5m, or by 38%.

Wood processing machinery - Guatemala // Cooperativa Carmelita

Financial income on the debt portfolio grew by 49% to USD 223,383 or 38% of total fund annual costs. In a low-interest environment in USD, the Fund did not generate any interest income on liquid assets. Total fund costs increased by 17%, mainly due to an increase in advisory fees caused by a larger portfolio.

The net variation in unrealised losses, detailed above, is the principle component of the result of operations of the year reaching a loss of USD 1.45m. In line with the Fund's waterfall, Class I shares absorbs the loss to protect the initial investment value of Class J shares and end the financial year with a NAV per share of USD 50.82 whereas Class J shares NAV is USD 100.00.

// Outlook

The Fund has gone through a difficult year having observed a sever and negative evolution of several investees undergoing a turn-around process. This has depressed the current valuation of the portfolio.

At the same time, other investees have developed to the point of requiring additional investments to scale their functioning business models. The Fund retains significant cash and uncalled commitments allowing it to focus increasingly on the development and scaling of successful investees.

The Fund has until October 2022 to complete its portfolio of partners and is currently developing a number of projects, including in the South of Mexico.

The community credit product is a significant development, giving FCCF a tool and methodology to engage with communities playing a vital role in the protection of tropical forests. Among the ambitions of FCCF are an expansion of this portfolio to include more communities.

We always knew that the journey we embarked on was not going to be easy. As this report illustrates clearly, both the challenges but also the opportunities are becoming increasingly visible. We would like to believe that this confirms that we are on the right track to realising our mission.

As always, we welcome your questions and comments,

Kaspar Wansleben
Executive Director

Risk report

The Fund's Risk Committee oversees the various risks which the Fund faces. Following a very busy year in 2020/21, during which the Committee was convened 7 times, principally to take COVID-related decisions, 2021/22 has been a quieter year, although credit risk remains elevated in the forestry sector. The Committee has a broad remit, the main focus being credit risk, but the Committee also reviews market, operational, country, liquidity, distribution, regulatory, ESG and AML risks. AML risks and sanctions monitoring have been a particular concentration since the Russian invasion, but these have had limited impacts on the Fund given its geographical remit.

// Credit risks

The impact of COVID is still certainly felt in the forestry sector. The challenges in global supply chains have particularly impacted our partners which focus on value chains, and this has been compounded by higher costs resulting from inflation. This means that several partners are now running considerably behind on their initially anticipated business plans and the Fund has taken the decision to make additional impairments totaling USD 1.1m, in accordance with the Fund's Valuation Guidelines.

The largest loan impairments of USD 369k have been taken against outstanding loans in In the Woods by Fundecor S.A.; the equity is fully written down. This company focuses on the development and commercialisation of products from lesser-known timber species. It has seen severe delays in its business plan, production issues and a change of CEO. This has led to challenges meeting the originally agreed loan schedules, which have, in turn, led to the current valuation. Under new leadership, the company has focused on resolving its production issues, and the Fund will work closely with the institution to support its turnaround.

Operaciones Forestales Sostenibles S.A. has seen similar challenges and a failure to execute its original business plan: this has led to the decision to take a USD 151k impairment against outstanding loans and write equity down to zero. Following discussions, the CEO was replaced and the Fund took full ownership of the company. This allows the Fund to have greater autonomy to take the actions required to reduce operating costs and turn around the company.

Following the challenges facing the country, the Fund's first investment in Nicaragua, Simplemente Madera Marketplace S.A., continues to focus solely on selling the remaining stock of wood. The Fund has increased the provisions towards the entity to USD 146,000 against the remaining outstanding loan of USD 156,000, while maintaining the equity valuation at zero.

The Fund continues to impair fully its investment of USD 20,767 in Fundación Naturaleza para la Vida, owing to uncertainty inherent in the position.

Entrance to the Carmelita Community concession - Guatemala // FCCF

The Fund is also processing a restructuring agreement for its loans to BluWood in Costa Rica. Although the loans are secured, this uncertainty, together with setbacks caused by COVID, has led to an additional USD 40k provision on the institution's outstanding equity which is now held at 13% cost price.

// Country risks

FCCF has a limited geographical remit and is invested in three countries. Its highest exposure continues to be to Costa Rica, where the holding constitutes 24% NAV. Meanwhile holdings in Guatemala total 18% NAV. An increase in diversification is expected in the coming year, as the pipeline in Mexico and Guatemala is realised.

The Fund continues to maintain a limited exposure of 0.1% NAV to Nicaragua, a country which, besides its political risks, is monitored by the Financial Action Task Force (the entity evaluating money laundering and terrorist financing risks). Further details are found in Note 12.

// ESG Risks

The Fund is in the process of producing its first Environmental and Social report which will be released in the new financial year. This provides a clear picture of the evolution of the Fund's impact investment thesis and is supported by the other developments which have been noted in the Chair's report, including the revised Theory of Change and the development of Environmental and Social Principles.

The Fund had one material adverse social event in the reporting period, involving the prolonged use of short-term employment contracts. The Fund engaged with the institution in question and this concern has now been fully addressed.

We look forward to receiving your thoughts and comments.

Yours faithfully,

Apricot Wilson
Head of Risk

Carmelita, Traditions and the Future

An interview with Carlos Crasborn, Cooperativa Carmelita

Carlos Crasborn is the President of the Board of Cooperativa Integral de Comercialización Carmelita R.L. ("Carmelita"). Carmelita has 120 years of history, located in the subtropical forests of Northern Guatemala.

Carmelita today has now received a stewardship concession from the Guatemalan State over an area of 55,000 ha in the Mayan Biosphere Reserve, a protected area. FCCF supports Carmelita through a working capital credit line, allowing the Cooperative to finance the harvesting cycle under FCCF's forest community credit initiative. FCCF's credit analysis process has been supported by the NGO Rainforest Alliance and ACOFOP, the local community forest association.

The Cooperative

The Cooperativa Carmelita is a traditional community from the Petén Region, located in northeastern Guatemala. The cooperative was originally founded as a chicle (a tree providing a natural rubber) camp and adopted strong principles of equal participation and community self-governance. Key to its work was the sustainable management of natural and cultural resources.

In 1994, Carmelita started to manage a Guatemalan government forestry concession: certain areas were granted to local communities for their use and protection. An official grant was given to the community in 1997, for an initial 25 years, and given its success, this was renewed for a further 25 years in 2022. Even before the official grant in 1997, the Community's forestry management practices enabled the development and maintenance of the area's resources: it worked with non-timber products in a traditional way and later commercialised these at an international level. With the arrival of the Concession, this became more formalised and the Community continued to develop, leading to its growth.

The Concession

Community Forest Concessions in Guatemala are one of the main reasons why a large number of hectares of forest have been preserved in the country. This has led to the conservation of natural habitats and many species of animals and plants. This fight against deforestation began in the 1990s with the concession of more than 500,000 hectares of forest to local communities for their management and it has become one of the country's best guarantees of conservation.

Cooperativa Carmelita was one of the communities that received such a concession and has since managed the forest and taken care of the community that lives in it (currently 470 people). It is worth mentioning the important work that is done on a social level, since the Cooperative is not only responsible for the forest, but is also in charge of providing an educational

Road to Carmelita Concession - Guatemala// Rainforest Alliance

system for the 100 children who live there, a health service and medical care, as well as taking care of basic infrastructure. These "community care" tasks account for approximately 25% of the Cooperative's budget.

Community Forest Concessions in Guatemala are one of the main reasons why a large number of hectares of forest have been preserved in the country.

Forest protection

The Guatemalan system establishes various resources for forest conservation: this starts with what is known as the core zone, the protected park area, the Maya Biosphere Reserve. Around this core protected zone is a barrier area, known as the buffer zone. Unfortunately this area still sees extensive agricultural and farming activities showing that the conservation objective has not yet been achieved. Illegal exploitation of these areas is still profuse and resources continue to be exploited without a consideration of sustainability.

In contrast, areas which are controlled by communities, under the concession system, have proved to be successful in preventing deforestation. This is because the concessionaires live by and for the forest: they work their land because they live from it and therefore they are aware of the importance of caring for and protecting it. They carry out monitoring and fire prevention activities, actions that do not generate per se a direct economic benefit, but which do demonstrate a commitment to the forest and its conservation. This is just one aspect of the activities conducted by those in concessions, but they are involved in all aspects of forest care, management and commercialisation of forest products.

Challenges and development

At the beginning of the Concession, the Community needed to focus both on management and on regulation and legal authorisations. In this context, Cooperativa Carmelita receives advice and management support from an entity outside the

Community, but this has not been sufficient to cover all the Cooperative's responsibilities.

The second Concession period brings with it many changes. The Cooperative has developed and become increasingly independent in managing its activities. Its members have also received more academic support for the management of natural resources: following the support of external agents, the Community is now much better equipped for self-management. In addition, budgets are larger thanks to the extension of the territories under management, improvements to the industry and an increase in remunerated activities, as well as a decrease in social expenses (as a result of government support in this area).

Complementary activities

During the Covid-19 crisis, Carmelita faced border closures and the consequent challenges this caused for exports. At this time, the Community was strongly affected, but this period was also used to develop activities to ensure that the Cooperative could become more self-sufficient and independent.

This involved the diversification of income sources through activities such as:

- the production of non-timber goods such as xate;
- Carpentry workshops focused on construction;
- Archaeological and adventure tourism;
- Poultry farming for the community;
- Agriculture - agroforestry systems: quick harvest trees, fruit trees, corn plantations... On an area of 40 hectares;
- Landscape restoration in a 10 hectares area.

The concessionaires live by and for the forest: they work their land because they live from it and therefore they are aware of the importance of caring for and protecting it.

At the moment, the agroforestry production is fully destined for the local community, but there is a development plan. In coming years, the community will be able to generate enough surplus to market its products to surrounding municipalities and thus have another source of income.

It should be noted that some activities were already being carried out prior to the crisis, but were transformed or boosted during this period.

The Cooperative and FCCF

FCCF has provided the Carmelita Cooperative with a new opportunity compared with the traditional banking system. The Fund has enabled Carmelita to develop a pre-feasibility plan, allowing planning and coordination before starting forestry work. This has proved to be a

Residential area in the Carmelita Community - Guatemala // Cooperativa Carmelita

good facilitator for the efficient use of forestry resources and Carmelita had also benefited from the complementary advice and knowledge of forestry that the Fund provides (particularly given that the area is not covered by traditional financial services).

This discipline established by the Fund is also favourable for the operation of the Concession. The strategy goes beyond purely offering a financial loan and this way of thinking could be of interest to other communities in the region.

The most obvious commonality between FCCF and the Cooperative is the breadth of vision in terms of species harvesting and cutting diameters. In the future, Carmelita hopes to establish new joint projects that will allow new machinery to be purchased for the treatment of wood, to generate more efficient and higher quality industrial processes.

Responsible forest managment

Ronnie de Camino Velozo, Senior adviser, FCCF

The community of Carmelita has now entered a new phase in its development and history. After beginning as a rubber camp, it obtained a first government concession over the forest area for a period of 25 years. During this time, the Carmelita Cooperative has been managing the area in a sustainable way, avoiding deforestation and fires, despite the difficulties that have occurred. These include: political instability, insecurity over the contract, conservative forestry authorities (setting cutting limits at levels much lower than the forest's sustainable potential), economic precariousness and a weak welfare system, among others.

During all this time, the Cooperative has worked to fulfil various objectives at the forestry level, not to mention other tasks carried out within the community. Now, if we look to the future, the path is clear: improve the management of the forest to bring it closer to business criteria. The concession is managed under a unique formula which consists of setting a long cutting cycle and minimum diameters. This means that the annual harvest volume is very low, lower than what could be sustainably harvested. This results in low operating profitability.

Another important challenge, applicable not only to Carmelita, but to all concessions in Petén, is that harvesting is based on a few species of high commercial demand, leaving more than half of the harvestable volume unextracted, preventing optimal forest management and integrated harvesting.

The third challenge is the value chain. Currently, only the sale of sawn timber is contemplated. It would therefore be desirable for Carmelita to apply silvicultural processes to collect a larger annual volume and to complete the production chain, to add more value to its final products, invest in new product designs and be proactive in timber markets.

Carmelita Cooperative's work opens up the possibility of changing the traditional management system. As it has been in place for a long time and worked collaboratively, there is an understanding that the best way to establish and improve livelihoods in the community is through sustainable and certified forest management. This concession is the first to be renewed (an extension for a further 25 years was recently granted) and it is vital that this is a success. It is for this reason that the establishment of the relationship with FCCF has been of such significance this year. The Fund has been a significant contributor: following the renewal of the concession and the doubling of the timber production potential, the Cooperative needed a substantial increase in working capital in a short time frame. Now that financing has been obtained, higher production targets can be envisaged.

In addition, FCCF is supporting the community of Carmelita in the development of a comprehensive, long-term business plan which emphasises improvements to the value chain and the utilisation of hitherto uncommercial timber. This stands to increase the volume of business, creating more jobs and increasing the income of the community.

Working together
The NGO Rainforest Alliance and FCCF

Since 2019, the Rainforest Alliance, an international non-profit organisation, and the Forestry and Climate Change Fund, the Luxembourg-based impact fund, have explored ways to effectively collaborate to support community forestry operations. The Rainforest Alliance aims to facilitate an increase in adapted financial products helping to strengthen the value chains of communities, cooperatives, and small producers.

This field of mutual interest led to the signing of a global Memorandum of Understanding to collaborate in September 2021.

The first results of the collaboration are the financing by Rainforest Alliance of a pre-feasibility study exploring financial needs and business cases for two community forestry organisations in the Mayan Biosphere Reserve in Petén, Guatemala. In the case of the Cooperative Carmelita, the study allowed FCCF to formulate a credit proposal enabling Carmelita to access a working capital credit line in a year of record production.

The pre-feasibility study summarised critical data such as forest landscape and inventories, the management plan, FSC certification, governance and organisation, management, expected harvest in the next year, operating and overhead costs, transformation and commercialisation strategies and an evaluation of expected impacts and risks. It allowed the Fund to build its credit proposal which was approved by the Fund's Investment Committee in January 2022.

"Thanks to the funds received, Carmelita community, which administers the first concession granted by the State of Guatemala in 1997, was able to finance timber harvesting operations this year. The support for community forest concessions is essential for their members to generate legal income for themselves and their families, while conserving the forests. If they prosper, so will the forests, because their lives depend on it."

Alejandro Santos,
Director of Rainforest Alliance in Guatemala

Statutory information

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Board of Directors and Committees

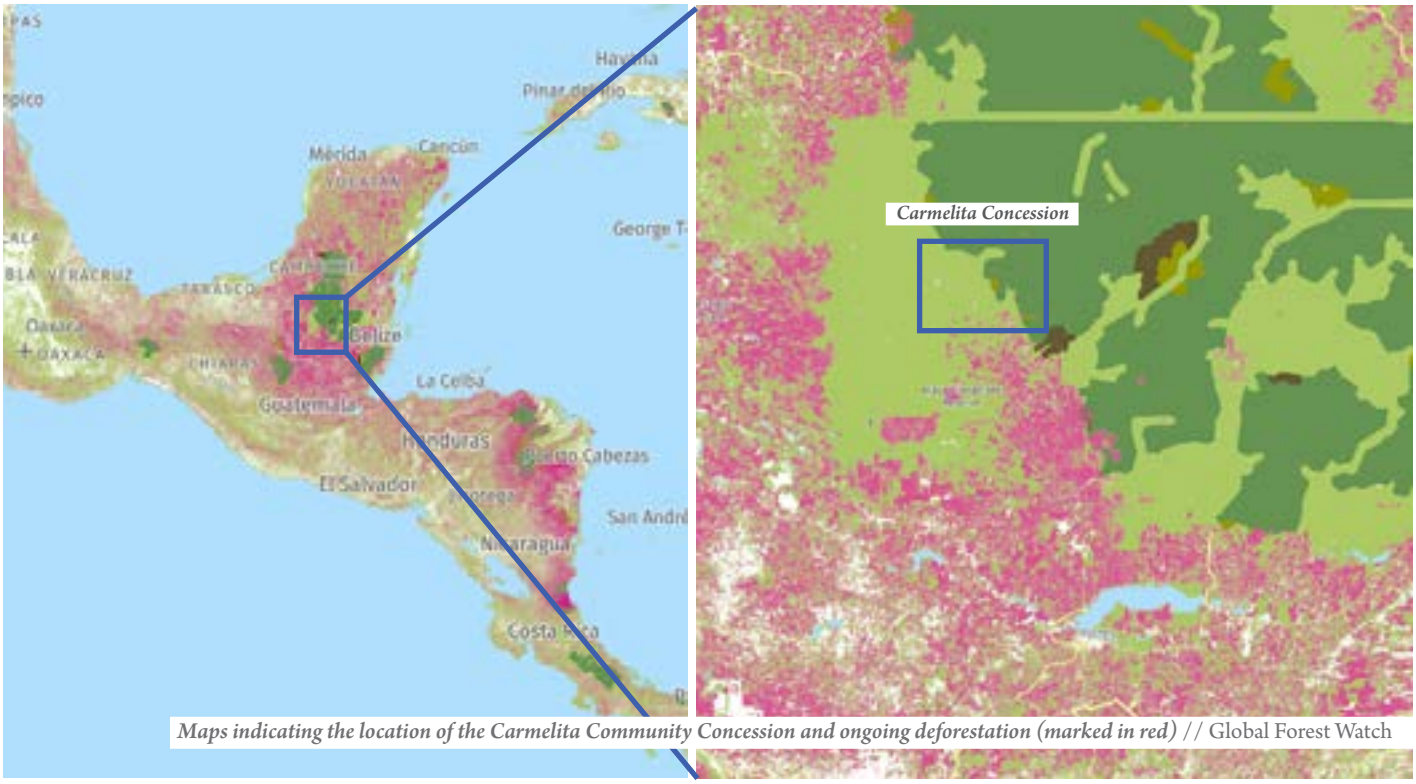
Chair	
Raymond Schadeck	Independent
Members	
Ernstine Kornelis (from 15/07/2021)	Development Cooperation Department Ministry of Foreign and European Affairs (MAEE)
Michel Haas	Ministry of Finance
Patrick Losch	Independent
Marie-Anne Marx (until 15/07/2021)	Development Cooperation Department, Ministry of Foreign and European Affairs (MAEE)
Michel Maquil	ADA - Appui au Développement Autonome
Natalia Oskian	Independent
Raoul Stefanetti (until 16/12/2021)	Belair House
Olivier Goemans* (from 07/02/2022)	Banque Internationale à Luxembourg (BIL)
Monica Tiuba	Independent
Dzemal Tomic	Banque et Caisse d'Épargne de l'État (BCEE)
Kaspar Wansleben	Executive Director

Investment Committee FCCF**
Peter Carter - Independent, Committee Chair
Jennifer de Nijs - Ministry of Finance
Renaud Durand - Foyer Group
Georges Gehl - Ministry for the Environment
Patrick Losch - Independent
Marcos Saldaña - Independent
Monica Tiuba - Independent
Frank Wolter - Independent
Kaspar Wansleben - Executive Director

Marketing Committee
Natalia Oskian - Independent, Committee Chair
Patrick Bilbault - Independent
Viviane Clauss - BdL
Didier Richter - BIL

Risk Committee
Dzemal Tomic - BCEE, Committee Chair
Raymond Schadeck - Independent
Yves Speeckaert - Independent
Jane Wilkinson - Independent
Apricot Wilson - Head of Risk

Appointments Committee
Ernstine Kornelis - MAEE, Committee Chair (from 15/07/2021)
Marie-Anne Marx - MAEE, Committee Chair (until 15/07/2021)
Michel Haas - Ministry of Finance
Raymond Schadeck - Independent



Maps indicating the location of the Carmelita Community Concession and ongoing deforestation (marked in red) // Global Forest Watch

Employment Committee
Michel Haas - Ministry of Finance, Committee Chair
Raymond Schadeck - Independent
Dzemal Tomic - BCEE

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L-2954 Luxembourg

Administrative Agent, Registrar and Transfer Agent
European Fund Administration S.A.
2, rue d'Alsace
L-1017 Luxembourg

Auditors
KPMG Luxembourg, Société anonyme
39, Avenue John F. Kennedy
L-1855 Luxembourg

Legal Advisers
Elvinger Hoss Prussen
2, place Winston Churchill
L-1340 Luxembourg

*Pending non-objection from the CSSF

**A separate investment committee has been constituted for LMDF

Report of the réviseur d'entreprises agréé

To the Shareholders of
Investing for Development SICAV
Forestry and Climate Change Fund
39, rue Glesener
L-1631 Luxembourg

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Forestry and Climate Change Fund ("the Sub-Fund"), a sub-fund of Investing for Development SICAV ("the Fund"), which comprise the statement of net assets and the statement of investments and other net assets as at 31 March 2022 and the statement of operations and the statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Forestry and Climate Change Fund as at 31 March 2022, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion
We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the Audit of the Financial Statements » section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter
Without qualifying our opinion, we draw your attention to the fact that the Sub-Fund does not constitute a separate legal entity.

Other information
The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Board of Directors of the Fund and Those Charged with Governance for the financial statements
The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with

Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the financial statements
The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or any of its sub-funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Luxembourg, June 20th, 2022

KPMG Luxembourg
Société anonyme
Cabinet de révision agréé
39, Avenue J.F. Kennedy
L-1855 Luxembourg

Pia Schanz

Audited financial statements

// 1 Statement of net assets

as at 31 March 2022

Assets	Notes	USD
Shares (and equity-type securities)	6, 12	223,610
Loan agreements	6, 12	4,073,147
Formation expenses	5	23,007
Cash and savings at banks		6,010,168
Interest receivable on portfolio		110,887
Receivable on matured investments		109,014
Other receivables & assets	7	29,887
Receivables on shares subscriptions		40,000
Total assets		**10,619,720**

Local tourist guide at the Cooperative - Guatemala // Cooperativa Carmelita

Liabilities	Notes	USD
Accrued expenses	7	133,582
Other payables and liabilites		5,608
Total liabilities		**139,190**
Net assets at the end of the year		**10,480,530**
I Class shares outstanding		96,972.129
Net asset value per I Class share		50.82
J Class shares outstanding		55,526.141
Net asset value per J Class share		100.00

// 2 Statement of operations and other changes in net assets

from 1 April 2021 to 31 March 2022

Income	Notes	USD
Interest on loan agreements		223,383
Total income		**223,383**
Expenses		
Fund management costs		
Salary and wages of fund management	3	101,075
Travel and representation fees		50,910
Rent and information technology fees		24,571
Total fund management costs		**176,556**
Advisory fees	3	144,320
Sub-advisory fees	3	122,700
Central administration costs		41,278
Depreciation charges (formation expenses)	5	32,423
Audit fees		20,447
Custodian fees		19,780
Other administration costs	8	13,907
Expert fees		5,649
Legal fees		2,660
Banking charges and other fees		2,457
Subscription tax	4	2,391
Interest on bank accounts		967
Total expenses		**585,534**
Net investment income		**(362,151)**

Net realised gain / (loss)	Notes	USD
On investments	6	-
On foreign exchange transactions		(28,097)
Realised result		**(28,097)**
Net variation of the unrealised gain/(loss)		
On investment portfolio		
Variation of impairment on loans	6	(572,474)
Variation of valuation of equity investments	6	(491,218)
Variation due to changes in the foreign exchange rate		-
Total variation on investment portfolio		**(1,063,692)**
On foreign exchange transactions		-
Unrealised result		**(1,063,692)**
Result of operations		**(1,453,939)**
Subscriptions		4,864,690
Redemptions		-
Total changes in net assets		**3,410,751**
Total net assets at the beginning of the year		**7,069,779**
Total net assets at the end of the year		**10,480,530**

// 3 Statistical information

as at 31 March 2022

Total net assets	USD
As at 31/03/2022	10,480,530
Number of I Class shares	
Outstanding at the beginning of the year	65,786.030
Issued during the year	31,186.099
Redeemed during the year	-
Outstanding at the end of the year	**96,972.129**
Net asset value per I Class share	
As at 31/03/2022	50.82
Number of J Class shares	
Outstanding at the beginning of the year	27,753.850
Issued during the year	27,772.291
Redeemed during the year	-
Outstanding at the end of the year	**55,526.141**
Net asset value per J Class share	
As at 31/03/2022	100.00

"Thanks to the funds received, Carmelita community, which administers the first concession granted by the State of Guatemala in 1997, was able to finance timber harvesting operations this year. The support for community forest concessions is essential for their members to generate legal income for themselves and their families, while conserving the forests. If they prosper, so will the forests, because their lives depend on it. "

Alejandro Santos,
Director of Rainforest Alliance in Guatemala

// 4 Statement of investments and other net assets

Instrument // Partners	Note	Country	Maturity	Ccy	Nominal value	Cost price (in ccy)	Cost price (in USD)	Total value (in USD)	% of Commited Capital*
Financial instruments not admitted to an official stock-exchange listing nor dealt in on another regulated market									
Shares and equity-type securities									
Forestal Naj-Ché S.A.		Guatemala		USD	149,980	149,980	149,980	149,980	1.0%
Fundecor Bosques S.A.	6	Costa Rica		USD	147,000	147,000	147,000	41,081	0.3%
Izabal Wood Company S.A.	6	Guatemala		GTQ	400	40,000	5,216	19,876	0.1%
BluWood Industries S.A.	6	Costa Rica		USD	98,000	98,000	98,000	12,673	0.1%
In the Woods by Fundecor S.A.	6	Costa Rica		USD	205,800	205,800	205,800	-	0.0%
Simplemente Madera Marketplace S.A.	6, 12	Nicaragua		NIO	25,398	2,540,000	81,386	-	0.0%
Operaciones Forestales Sostenibles S.A.	6	Costa Rica		USD	75,000	75,000	75,000	-	0.0%
Sub-total							**762,382**	**223,610**	**1.5%**
Loan agreements									
BluWood Industries Capex Loan 1		Costa Rica	28/06/31	USD	800,000	800,000	800,000	809,642	5.4%
Izabal Wood Company Capex Loan 2		Guatemala	30/10/26	USD	330,000	330,000	330,000	358,829	2.4%
Izabal Wood Company Natural Capital Loan 1		Guatemala	28/10/22	USD	310,000	310,000	310,000	320,746	2.1%
Cooperativa Carmelita R.L Working Capital Loan 1		Guatemala	30/12/22	USD	300,000	300,000	300,000	301,408	2.0%
Fundecor Bosques Working Capital Loan 1		Costa Rica	31/10/23	USD	250,000	250,000	250,000	256,837	1.7%
Fundecor Bosques Capex Loan 1		Costa Rica	30/04/32	USD	200,000	200,000	200,000	204,796	1.4%
Izabal Wood Company Capex Loan 1		Guatemala	30/04/30	USD	170,000	170,000	170,000	174,455	1.2%
Izabal Wood Company Subordinated Loan 1		Guatemala	30/04/23	USD	123,461	123,461	123,461	130,238	0.9%
Izabal Wood Company Working Capital Loan 1		Guatemala	28/04/23	USD	125,000	125,000	125,000	128,032	0.9%
BluWood Industries Working Capital Loan 6		Costa Rica	30/04/22	USD	110,000	110,000	110,000	112,650	0.8%
Izabal Wood Company Natural Capital Loan 2		Guatemala	28/10/22	USD	100,000	100,000	100,000	103,467	0.7%
Izabal Wood Company Capex Loan 3		Guatemala	30/04/26	USD	100,000	100,000	100,000	102,638	0.7%
In The Woods Working Capital Loan 3		Costa Rica	30/04/21	USD	100,000	100,000	100,000	102,425	0.7%
In The Woods Capex Loan 1		Costa Rica	30/04/21	USD	100,000	100,000	100,000	102,414	0.7%
BluWood Industries Working Capital Loan 1		Costa Rica	30/04/22	USD	100,000	100,000	100,000	102,409	0.7%
BluWood Industries Capex Loan 2		Costa Rica	30/04/25	USD	100,000	100,000	100,000	102,409	0.7%
BluWood Industries Working Capital Loan 7		Costa Rica	30/10/22	USD	90,000	90,000	90,000	92,158	0.6%
BluWood Industries Working Capital Loan 2		Costa Rica	30/04/22	USD	85,000	85,000	85,000	87,048	0.6%

Instrument // Partners	Note	Country	Maturity	Ccy	Nominal value	Cost price (in ccy)	Cost price (in USD)	Total value (in USD)	% of Committed Capital
BluWood Industries Working Capital Loan 8		Costa Rica	30/10/22	USD	80,000	80,000	80,000	81,918	0.5%
Izabal Wood Company Working Capital Loan 2		Guatemala	28/10/22	USD	75,000	75,000	75,000	76,800	0.5%
BluWood Industries Working Capital Loan 3		Costa Rica	31/10/21	USD	75,000	75,000	75,000	76,787	0.5%
BluWood Industries Working Capital Loan 5		Costa Rica	30/04/22	USD	70,000	70,000	70,000	71,686	0.5%
Operaciones Forestales Sostenibles Working Capital Loan 1		Costa Rica	30/04/22	USD	50,000	50,000	50,000	51,213	0.3%
BluWood Industries Working Capital Loan 4		Costa Rica	30/06/21	USD	50,000	50,000	50,000	51,199	0.3%
Operaciones Forestales Sostenibles Natural Capital Loan 1		Costa Rica	28/10/22	USD	50,000	50,000	50,000	51,178	0.3%
Operaciones Forestales Sostenibles Working Capital Loan 2	6	Costa Rica	30/10/22	USD	55,000	55,000	55,000	48,778	0.3%
BluWood Industries Working Capital Loan 9		Costa Rica	28/04/23	USD	40,000	40,000	40,000	40,966	0.3%
In The Woods Working Capital Loan 2	6	Costa Rica	30/04/21	USD	100,000	100,000	100,000	30,908	0.2%
Simplemente Madera Marketplace Working Capital Loan 1	6, 12	Nicaragua	18/08/19	USD	156,000	156,000	156,000	10,000	0.1%
In The Woods Working Capital Loan 4	6	Costa Rica	30/10/22	USD	120,000	120,000	120,000	-	0.0%
In The Woods Working Capital Loan 1	6	Costa Rica	30/04/26	USD	100,000	100,000	100,000	-	0.0%
In The Woods Working Capital Loan 5	6	Costa Rica	28/10/22	USD	80,000	80,000	80,000	-	0.0%
Operaciones Forestales Sostenibles Working Capital Loan 6	6	Costa Rica	28/10/22	USD	45,000	45,000	45,000	-	0.0%
Operaciones Forestales Sostenibles Working Capital Loan 4	6	Costa Rica	28/04/23	USD	40,000	40,000	40,000	-	0.0%
Operaciones Forestales Sostenibles Working Capital Loan 3	6	Costa Rica	30/10/22	USD	30,000	30,000	30,000	-	0.0%
Operaciones Forestales Sostenibles Working Capital Loan 5	6	Costa Rica	28/10/22	USD	30,000	30,000	30,000	-	0.0%
Fundación Naturaleza Para la Vida Natural Capital Loan 1	6	Guatemala	31/12/30	USD	20,767	20,767	20,767	-	0.0%
Sub-total							**4,759,868**	**4,184,034**	**28.0%**
Total financial instruments							**5,522,251**	**4,407,644**	**29.5%**
Cash at banks, term deposits and savings accounts								**6,010,168**	**40.2%**
Other net assets / liabilities								**22,718**	**0.2%**
Total Net Assets								**10,440,530**	**69.8%**

* Total Committed Capital as at year-end amounts to USD 14,953,175. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.4322.

// 5 Statement of investments by investee and type *

Investee	Notes	Instrument type	Cost Price (in USD)	Total Value (in USD)	Difference (in USD)	% of Committed Capital**
BluWood Industries S.A.						
	6	Equity	98,000	12,673	(85,327)	0.1%
		Capex Loan	900,000	912,051	12,051	6.1%
		Working Capital Loans	700,000	716,822	16,822	4.8%
Sub-total			**1,698,000**	**1,641,546**	**(56,454)**	**11.0%**
Izabal Wood Company S.A.						
	6	Equity	5,216	19,876	14,660	0.1%
		Subordinated Loan	123,461	130,238	6,777	0.9%
		Natural Capital Loan	410,000	424,213	14,213	2.8%
		Capex Loan	600,000	635,921	35,921	4.3%
		Working Capital Loans	200,000	204,832	4,832	1.4%
Sub-total			**1,338,678**	**1,415,081**	**76,403**	**9.5%**
Fundecor Bosques S.A.						
	6	Equity	147,000	41,081	(105,919)	0.3%
		Capex Loan	200,000	204,796	4,796	1.4%
		Working Capital Loans	250,000	256,837	6,837	1.7%
Sub-total			**597,000**	**502,714**	**(94,286)**	**3.4%**
Cooperativa Integral de Comercialización Carmelita R.L						
		Working Capital Loans	300,000	301,408	1,408	2.0%
Sub-total			**300,000**	**301,408**	**1,408**	**2.0%**
In the Woods by Fundecor S.A.						
	6	Equity	205,800	-	(205,800)	0.0%
	6	Capex Loan	100,000	102,414	(2,414)	0.7%
	6	Working Capital Loans	499,640	133,333	(366,307)	0.9%
Sub-total			**805,440**	**235,747**	**(569,693)**	**1.6%**
Forestal Naj-Ché S.A.						
		Equity	149,980	149,980	-	1.0%
Sub-total			**149,980**	**149,980**	**-**	**1.0%**
Operaciones Forestales Sostenibles S.A.						
	6	Equity	75,000	-	(75,000)	0.0%
		Natural Capital Loan	50,000	51,178	1,178	0.3%
	6	Working Capital Loans	250,000	99,991	(150,009)	0.7%
Sub-total			**375,000**	**151,168**	**(223,832)**	**1.0%**
Simplemente Madera Marketplace S.A.						
	6	Equity	81,386	-	(81,386)	0.0%
	6, 12	Working Capital Loans	156,000	10,000	(146,000)	0.1%
Sub-total			**237,386**	**10,000**	**(227,386)**	**0.1%**
Fundación Naturaleza Para la Vida						
	6	Natural Capital Loan	20,767	-	(20,767)	0.0%
Sub-total			**20,767**	**-**	**(20,767)**	**0.0%**
Total			**5,522,251**	**4,407,644**	**(1,114,607)**	**29.5%**

* Any difference with the subtotals or subtotals and the sum is due to the rounding of the figures to zero decimals.
** Total Committed Capital as at year-end amounts to USD 14,953,175. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.4322.

// 6 Statement of investments by instrument type

Type of Instrument	Cost Price (in USD)	Total Value (in USD)	Difference (in USD)	% of Committed Capital*
Equity	762,382	223,610	(538,772)	1.5%
Subordinated Loan	123,461	130,238	6,777	0.9%
Natural Capital Loan	480,767	475,391	(5,376)	3.2%
Capex Loan	1,800,000	1,855,183	55,183	12.4%
Working Capital Loan	2,355,640	1,723,223	(632,417)	11.5%
Total	**5,522,251**	**4,407,644**	**(1,114,607)**	**29.5%**

* Total Committed Capital as at year-end amounts to USD 14,953,175. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.4322.

The instruments by type in which FCCF invests are classified as follows:

- **Equity:** Common or Preferred Shares in entites engaged in secondary and degraded forest management activities.
- **Subordinated Loan:** Unsecured subordinated loan instruments with or without convertible options with specific conditions.
- **Natural Capital Loan:** Unsecured or Secured loan instruments used to finance forest management activities and forest owners requirements.
- **Capex Loan:** Secured loan instruments to finance Property, Plant and Equipment (PPE), supply chain infrastructure and harvesting vehicles.
- **Working Capital Loan:** Unsecured or Secured loan instruments to finance corporate and working capital needs of investees.

// 7 Geographical breakdown of investments*

Country	Notes	Cost Price (in USD)	Total Value (in USD)	% of Committed Capital**
Costa Rica		3,475,440	2,531,175	16.9%
Guatemala		1,809,425	1,866,469	12.5%
Nicaragua	12	237,386	10,000	0.1%
Total		**5,522,251**	**4,407,644**	**29.5%**

* Any difference with the subtotals or subtotals and the sum is due to the rounding of the figures to zero decimals.
** Total Committed Capital as at year-end amounts to USD 14,953,175. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.4322.

First harvest of 2022 in Cooperativa Carmelita - Guatemala // Forestal Naj-Ché

// 8 Evolution of NAV

	NAV/Share as at 31 March 2022 in USD	NAV/Share as at 31 March 2021 in USD	NAV/Share as at 31 March 2020 in USD	Initial subscription price in USD
Class I Shares	50.82	65.28	67.80	100.00
Class J Shares	100.00	100.00	100.00	100.00
Total Net Assets	**10,480,530**	**7,069,779**	**4,137,799**	**2,062,375**

	Performance financial year 2021 - 22	Performance financial year 2020 - 21	Performance financial year 2019 - 20	Performance since inception
Class I Shares	(22.1%)	(3.7%)	3.9%	(49.2%)
Class J Shares*	0.0%	0.0%	0.0%	0.0%

* J Class Shares were issued for the first time on 1 April 2019

// 9 Notes to the audited financial statements

as at 31 March 2022

GENERAL INFORMATION

/ A Structure of the SICAV
The Forestry and Climate Change Fund (the "FCCF" or "Fund") is a compartment of the Investing for Development SICAV (the "SICAV").

The SICAV is an investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualified as a "société d'investissement à capital variable" (SICAV). The SICAV is internally managed and has been registered on 31 January 2014 by the CSSF as an Alternative Investment Fund Manager ("AIFM") falling under the de minimus rule of Article 3 of the Luxembourg law of 12 July 2013 ("AIFM Law").

The SICAV was incorporated in Luxembourg on 7 October 2009 with an initial capital of EUR 31,000 divided into 1,240 fully paid-up shares with no par value. The capital of the SICAV is equal at all times to its net assets. The Articles were published in the Mémorial on 2 November 2009 and the SICAV is registered under trade register number L.B.R. B 148826. The SICAV is incorporated for an unlimited period.

The SICAV is an umbrella fund and as such may operate separate Sub-Funds, each of which is represented by one or more classes of shares (each, a "Class"). The Sub-Funds are distinguished by their specific investment policy or any other specific features. As at 31 March 2022, the SICAV had two Sub-Funds, the Forestry and Climate Change Fund and the Luxembourg Microfinance and Development Fund.

/ B Structure of the FCCF
The Fund is authorised as an undertaking for collective investment ("UCI") under Part II of the law of 17 December 2010 relating to undertakings for collective investment (the "Law"). The Fund is a closed-ended fund with commitments to subscribe shares from a limited number of shareholders. The Fund was launched on 20 October 2017.

The Fund has accepted commitments for two classes of shares, namely Class I shares and Class J shares, each targeting different types of investors and evidencing a different level of risk. The Fund may accept commitments during an 18-months period following its launch.

The base currency of the Fund is the U.S. dollar and the financial statements of the Fund are presented in U.S. dollar. The financial year of the Fund ends on 31 March of each year.

Copies of the Articles, Prospectus, the latest financial reports and the latest annual report may be obtained without cost on request from the Fund.

Copies of the material agreements mentioned in the Prospectus may be reviewed during normal business hours on any business day at the registered office of the Fund.

/ C Investment Objective
The Fund aims at investing in a diversified portfolio of unlisted forestry management companies and operations for secondary and degraded forests. The Fund seeks a triple bottom-line: environmental impact, social progress and financial returns. The Fund seeks in particular to mitigate climate change through the sequestration and preservation of carbon in forest biomass. The Fund balances economic considerations with forest management models adapted to the different ecological conditions of secondary and degraded forests to ensure long-term sustainability of its interventions. The Fund aims at financing and developing entrepreneurial activities in the forest sector and as such will not acquire directly forests or land.

The Fund invests in equity or quasi-equity instruments including convertible debt, secured and unsecured senior or sub-ordinated debt instruments and guarantees.

The Fund invests primarily in Central American countries.

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

/ A Presentation of Financial Statements
The financial statements are prepared in accordance with Luxembourg legal and regulatory requirements relating to investment funds.

/ B Valuation of Financial Instruments

The Board of Directors aims to base the valuation of the SDF Investment Instruments on the probable realisation value which shall be estimated with care and in good faith, in accordance with article 99 (5) of the Law.

The choice of a valuation methodology will be driven by the availability of the relevant information. There is no certainty that the fair market value determined by the Fund using its valuation policy is equal to the sales price of an investment obtained in an arm's length transaction with a third party.

Debt instruments valued at nominal value of the loan plus accrued interest represents its fair value except in case of major changes in the interest rate environment and in case of impairments. The Fund assesses periodically whether a significant change in the environment, performance or financial position of the investee indicates that the loan instrument is impaired. To assess impairments of debt instruments, each investee is monitored through the reporting of financial, operational data and key performance indicators, review of its activities, audit and other reports. The review specifically covers whether one or more events have occurred which will have a significant impact on the instrument's future cash flows.

If the Fund concludes that there is evidence that a financial instrument is impaired, it will determine the impairment loss as the amount between the carrying amount (including accrued interest, commissions, where applicable) of the instrument prior to impairment and the probable realisable value. The Fund usually does not consider any reduction in value in the instruments that results from the depreciation of the investment currency vis-à-vis the U.S. dollar to be an impairment, such reduction being accounted for as a realised or unrealised exchange loss.

In case the Fund contracts currency hedging instruments, these are valued separately from the underlying loans. However, cross-currency swaps and currency forwards which are linked in notional, spot exchange rates, interest rates, maturities and other terms to any investment are valued considering the economic substance of the transaction.

For investments in the form of equity participations the Fund may use different fair market value methodologies in determining the fair value:

(i) Following the Fund's acquisition and up to the first year of holding, the equity stake will be valued at cost, i.e. at the Fund's acquisition price and without acquisition costs. A different valuation approach will be taken if material changes in the investee or in its operating environment occur during the first year following acquisition;

(ii) After the first year of holding, the value of the equity stake will be estimated with reference to prices of equity transactions or issues of new shares involving the same investee within a reasonable time of the Valuation Date. Such time is determined by an assessment by the Fund as to whether material changes within the investee or in its operating environment have occurred since the date such transaction took place;

(iii) If such transactions are not available or deemed not representative of fair value, the value of the equity stake should be estimated based on an income approach, using a discounted cash-flow model ("DCF"). The use of a DCF model requires the application of judgement and DCF models are likely to be sensitive to a number of critical variables.

Whenever possible, valuations derived using one of the above methods are cross-checked by industry ratios contained in comparable transactions and ratios obtained from comparable quoted companies, if and when such data is available or become available in the future

/ C Allocation of Net Asset Value Among Share Classes

The two Classes of Shares offered by the Fund correspond to different levels of risk, as Class I Shares are subordinated to Class J Shares for which they provide risk coverage.

The risk coverage provided by Class I Shares is structured as a capital protection mechanism whereby the net loss of Class J Shares (i.e. decrease of the Net Asset Value of Class J Shares ("Class J NAV") below the sum of the subscription price of each Class J Share (the "Class J Protected Value") shall be covered by Class I Shares by allocating to Class J Shares as at each Valuation Day a portion of the Net Asset Value otherwise attributable to Class I Shares ("Reallocated Class I NAV"), until the Class J NAV becomes equal to the Class J Protected Value or Class I NAV becomes nil. Such mechanism will be applied as at each Valuation Day. An account will be maintained of the total re-allocation of NAV from Class I Shares to Class J Shares ("Class I Loss Coverage"). As at each Valuation Day, if (i) the Class J NAV is greater than the Class J Protected Value and greater than the Class J NAV as at the previous Valuation Day; and (ii) Class I Loss Coverage is not nil, 50% of the amount of the difference between the Class J NAV and the Class J NAV at the previous Valuation Day, adjusted for subscription or redemptions of Class J Shares, shall be restored to Class I Shares as at such Valuation Day. Such mechanism shall be applied at each Valuation Day until the Class I Loss Coverage is nil.

/ D Dividends

The Board of Directors may decide at its sole discretion to distribute dividends at any time, in accordance with the Prospectus and the Articles, out of realised income derived from the Fund's investments (for the avoidance of doubt excluding capital gains as a result of the realisation of an investment) net of all interest and other sums payable.

The Board of Directors intends to make such dividend distributions once a year, as soon as practicable after the completion of the Class J Investment Period.

NOTE 2
SHARES AND NOTES

The Sub-Fund presents a diversified and differentiated capital structure, encompassing the public sector, private institutions and private individuals.

Two Classes of Shares are issued by the Fund, namely Class I Shares and Class J Shares, each targeting different types of Investors, reflecting a different level of risk. In addition, the Fund may issue Notes. The two Classes of Shares and the Notes form one single portfolio for investment.

The Board of Directors may issue additional share classes and/or Notes with different risk and/or return characteristics at its sole discretion.

Class I shares:
Class I shares are reserved for Public investors seeking a developmental impact and wanting to leverage their investment with resources from the private sector.

- Risk profile: Junior

Class J shares:
Class J shares are aimed at Foundations, development finance institutions, other institutional investors and high net worth individuals. The minimum commitment amount for Class J shares is USD 200,000.

- Risk profile: Senior

Notes:
The Fund may issue Notes aimed at High Net Worth Individuals and institutional investors in one or several tranches with a nominal value per Note of USD 1,000, a maximum eight-year maturity and an interest rate equal to USD 6 month LIBOR plus 1% - 2% plus an additional performance dependent annual return between 2% and 4%. The aggregate notional value of Notes issues shall not exceed 30% of the committed share capital of the Fund.

- Risk profile: Senior to shareholders

NOTE 3
ADVISORY FEES AND MANAGEMENT / TEAM REMUNERATION

/ A Advisory fees
On 20 October 2017, the Fund concluded an investment advisory agreement with UNIQUE land use GmbH, located in Freiburg, Germany.

The investment advisory agreement has been modified with effective date 1 March 2020. The modification mainly concerns the base of the remuneration of the adviser, which was amended from invested capital to capital committed to projects.

In consideration of the advisory services rendered to the Sub-Fund, the Investment Adviser is entitled to receive a fee (the "Investment Advisory Fee") as follows:

- Up to one year after the end of the Class J Investment Period (as defined in the Prospectus) 2.0% p.a. of the Committed Investment Capital, computed and payable at the end of each semester; plus

- During the Class J Investment Period up to 0.8% of the Committed Investment Capital as a variable advisory fee compensating the performance of the Investment Adviser. The amount of remuneration in excess of 2% of the Committed Investment Capital shall be payable in Class J Shares of the Sub-Fund and is contingent on reaching certain performance criteria established by the Board of Directors.

- Starting one year after the end of the Class J Investment Period, 1.5% of the Committed Investment Capital until the end of the Fund's life.

Total investment advisory fees amount, for the year ended on 31st March 2022, to USD 144,320 or 1.0% of total commitments of the Fund.

/ B Management/team remuneration
The Management and the Support Team are entitled to receive a fee of a maximum of 2% of the Sub-Fund's Committed Capital, except for the first two years following the Initial Closing date where this fee shall be a maximum of 2% of Total Commitments (each time excluding the Investment Advisory fee). This fee shall be inclusive of the Management's and the Support Team's wages, salaries, bonuses and benefits, but shall not comprise other organisational and operating expenses incurred by the Fund.

During the reporting year, Management's and the Support Team's wages, salaries, bonuses and benefits amounted to 1.2% of the Fund's Total Commitments. Combined with the sub-advisory costs, the fees amount to 2.0% of the Fund's Total Commitments.

NOTE 4
SUBSCRIPTION DUTY

The Fund is governed by Luxembourg tax law.
The Fund is liable to pay a subscription tax ("Taxe d'Abonnement") in Luxembourg at a rate of 0.05% per annum on its net asset value, such tax being payable quarterly and calculated based on the total net assets of the Fund at the end of the relevant quarter. Classes of Shares held exclusively by institutional investors are subject to a reduced rate of 0.01%.

NOTE 5
FORMATION EXPENSES

As at 31 March 2022, the formation expenses are composed as follows (in USD):

Formation expenses:	
At the beginning of the year	162,204
Additions during the year	-
At the end of the year	**162,204**
Amortisation of formation expenses:	
Total amortisation at the beginning of the year	(106,774)
Amortisation during the year	(32,423)
Total amortisation at the end of the year	**(139,197)**
Net book value at the end of the year	**23,007**
Expenses linked to formation expenses	-
Amortisation for the year	(32,423)
Total expenses of the year	**(32,423)**

NOTE 6
REALISED AND UNREALISED GAINS/(LOSSES) AND IMPAIRMENTS OF FINANCIAL INSTRUMENTS

In aplication to the principles described in Note 1 of the valuation principles, the financial instruments are valued and tested for impairment twice annually.

The valuation process is based on Unique's semi-annual monitoring report and the latest business projections received from investees. Business plans of investees are assessed by the Fund for accuracy and reasonableness. Based on these elements, the Fund projects free cash-flow to the firm ("FCFF"). FCFF are discounted using the Weighted Average Cost of Capital ("WACC"), to determine each investee's Enterprise Value ("EV"). Enterprise Values are then compared with and allocated to the outstanding financial instruments – equity and debt - in order of seniority. A strong impairment indication is presumed if the investee's EV is less than the total notional value of all debt instruments. If the EV is greater than the notional value of debt, the part of the EV exceeding the notional value of all debt instruments is allocated to the equity and the proportional holding of each shareholder, allowing for a fair valuation of the Fund's equity participations. If feasible, valuation cross-checks using other methods are also conducted.

The Fund has made a 94% impairment provision on the amount of Simplemente Madera Sawmills Marketplace (Nicaragua), primarily driven by the uncertainty in the country and the consequent challenges in repaying its debt. The Fund also made impairment provisions of 61% and 50% on total debt amounts to In The Woods by Fundecor and Operaciones Forestales Sostenibles respectively. These impairments are caused by the challenges the investees are currently facing to develop their business models. The fund has also made a full provision for its outstanding debt with Fundación Naturaleza para la Vida (Guatemala), in accordance with the uncertainty of a process to transfer this debt to another entity.

As at 31 March 2022, the realised and unrealised gains/(losses) and impairments of financial instruments are composed as follows (in USD):

Variation of impairments of loans	31/03/2022	31/03/2021
Fundación Naturaleza para la Vida Natural Capital Loan 1	(20,767)	(20,767)
Simplemente Madera Sawmills Working Capital Loan 1	(146,000)	(93,480)
In the Woods Working Capital Loan 2	(69,092)	
In the Woods Working Capital Loan 1	(99,640)	
Operaciones Forestales Sostenibles Working Capital Loan 2	(6,222)	
In the Woods Working Capital Loan 4	(120,000)	
Operaciones Forestales Sostenibles Working Capital Loan 3	(30,000)	
Operaciones Forestales Sostenibles Working Capital Loan 4	(40,000)	
Operaciones Forestales Sostenibles Working Capital Loan 5	(30,000)	
In the Woods Working Capital Loan 5	(80,000)	
Operaciones Forestales Sostenibles Working Capital Loan 6	(45,000)	
Sub-total	**(686,721)**	**(114,247)**
Net variation of impairments on loans	(572,474)	(114,247)

Variation of unrealised gains/(losses) of equity-type securities	31/03/2022	31/03/2021
Simplemente Madera Sawmills S.A.	(81,387)	(81,386)
Bluwood Industries S.A.	(85,327)	(45,864)
In The Woods by Fundecor S.A.	(205,800)	(3,234)
Operaciones Forestales Sostenibles S.A.	(75,000)	311
Izabal Wood Company S.A.	14,660	31,950
Fundecor Bosques S.A.	(105,919)	50,668
Sub-total	**(538,773)**	**(47,555)**
Net variation of impairments on equity	(491,218)	(33,852)

Net realised gains/(losses)	31/03/2022	31/03/2021
Fundación Naturaleza para la Vida Working Capital Loan 1	-	(16,980)
Total	**-**	**(16,980)**

Carlos Crasborn, president of the Board of Cooperativa Carmelita, signing the contract with FCCF // FCCF

NOTE 7
DETAILS OF EXPENSES, ACCRUED CHARGES AND OTHER ASSETS

As at the reporting date, accrued and payable expenses consisted of the following (in USD):

Advisory fees	71,962
Administration fees	28,488
Audit fees	20,041
Transfer agency fees	3,867
Correspondant charges	3,087
Custodian fees	2,472
FATCA fees	2,120
Wages and salaries	1,706
Securities transaction fees	1,113
Subscription duty	1,013
Expenses of rent	954
Domiciliation fees	696
Other comm & fees	533
Good and Services Tax	(4,470)
Total	133,582

As at the reporting date, other assets consisted of the following (in USD):

Taxes and VAT receivable	19,978
Receivable from LMDF sub-fund	4,470
Prepaid expense of CSSF annual fees	3,672
Other receivables	1,767
Total	29,887

NOTE 8
OTHER ADMINISTRATION COSTS

As at the reporting date, the other administration costs consisted of the following (in USD):

Post & communication fees	9,619
CSSF annual fees	2,596
Other fees	1,111
Membership fees	490
VAT services	91
Total	13,907

NOTE 9
FOREIGN EXCHANGE RATES

The principal exchange rates rounded to two decimals applied at the reporting date are as follows:

1 USD =	0.89	Euro
1 USD =	35.79	Nicaraguan Cordoba
1 USD =	7.69	Guatemalan Quetzal

NOTE 10
STAFF

The SICAV employed five full-time staff and one part-time staff member for the reporting year ended on 31 March 2022. The Fund's Board of Directors adopted a Remuneration Policy for the fixed and variable remuneration of the Fund's staff, and which is available for public consultation on the website www.fccf.lu or at the registered office of the Fund.

During the reporting year, the Board of Directors decided on a target time allocation of 20% of the working time of staff to the Forestry and Climate Change Fund.

NOTE 11
COMMITMENTS OF SHAREHOLDERS FOR SHARE SUBSCRIPTION

Commitments in currencies other than the U.S. dollar are converted into U.S. dollar once received.

Called upon and remaining capital commitments, converted into USD with the year-end rates, amount to USD 14,953,175.

The amount of USD 14,953,175 correspond to the Fund's commited capital as of 31st March 2022.

Remaining subscription commitments by Share class and commitment currency	
	2022
Class J Shares	
EUR	900,000
USD	380,000

NOTE 12
POSITIONS IN MONITORED JURISDICTIONS

The Fund's portfolio includes an investment in Nicaragua. This country is currently listed as a Monitored Jurisdiction by the Financial Action Task Force ("FATF"). The position is therefore considered as a high-risk instrument from a money laundering and terrorist financing perspective with additional measures taken accordingly. The investment decision was taken before FATF's decision to consider this territory as a Monitored Jurisdiction. Generally the Fund does not invest in jurisdictions which are either Monitored or subject to a Call for Action by FATF.

The below table indicates the Fund's exposure to such geographies:

Geographical classificationn	Amount (USD)	% total net assets
Nicaragua	10,000	0.1%

NOTE 13
RELATED PARTY TRANSACTIONS

The Fund considers each shareholder controlling 20% or more of total voting rights or any entity forming part of the key management of the Fund, including its directors, as a related party. During the reporting year, the Fund conducted the following material transactions with related parties, excluding subscription of shares and commitments to subscribe for shares in the future:

- The Fund sub-leases an office and contracts services in the “Maison de la Microfinance”, a building leased by Appui au Développement Autonome asbl (ADA) - investment adviser to the other Sub-Fund, Luxembourg Microfinance and Development Fund at 39, rue Glesener, L-1631 Luxembourg. IforD's Board of Directors estimate the rent to correspond to a rent agreed in an arm’s length transaction with an unrelated party.

NOTE 14
SUBSCRIPTION AGREEMENTS WITH DIRECTORS

Two directors have signed subscription agreements: one on October 20th 2017 and one on 19th February 2019. Their shares have been drawn down in line with commitments from other Class J Shareholders, with the first commitment calls occurring on 1st April 2019.

NOTE 15
SUBSEQUENT EVENTS BETWEEN THE YEAR-END UNTIL 20 JUNE 2022

The receipt of additional commitments, mainly in the Sub-Fund Luxembourg Microfinance and Development Fund renders it probable that the assets under management of the SICAV, calculated in accordance with EU Delegated Regulation No 231/2013 exceed EUR 100 million at a forthcoming Valuation Day.

Owing to this evolution, the Fund has submitted amendments to its Prospectus to the CSSF for approval, to comply both with its new regulatory status and with new processes and decision-making procedures which are required following the appointment of an external Alternative Investment Fund Manager.

The pending USD 40,000 in subscriptions of Class J shares have been received by the Fund on 6 April 2022.

Imprint

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