



Sustainable forest management

FCCF Looking back to move forward

Annual audited report as at 31 March 2024



**Forestry and Climate
Change Fund**



In collaboration with



The information presented in this report refers only to the necessary information concerning Investing for Development SICAV and its compartment Forestry and Climate Change Fund (FCCF), the compartment Luxembourg Microfinance and Development Fund (LMDF) is not included in this report.

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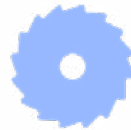
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FCCF's Theory of Change



Natural Capital



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 mobilisation of finance for entities providing financial and technical resources for sustainable management and restoration of SDF

Investments in processing industries and commercialisation 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 remunerate 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

The sustainable management of SDF is a scalable, economically attractive land use option sustained by wood as a valued material

Socio-economic opportunities provided by an inclusive SDF sector lead to cohesive and resilient rural communities



*SDF: Secondary and Degraded Forests

FCCF in Numbers

As at 31 March 2024

Fund Profile

USD 9.2m

Total net assets

USD 14.8m

Capital committed by investors

11

Partners financed

4

Countries

Natural Capital

USD 4.2m

Committed to sustainable forest management

10,511 ha

Area of SDF secured for management

108,463 tCO₂

Sequestration of greenhouse gases (cumulative)

2xFSC

Forest management certification achieved

Value Chains

USD 5.6m

Committed to value chain companies

39,134 m³

Roundwood volume processed to date

USD 3.9m

Group revenue to date

29

Lesser-known species commercialised

3xFSC

Chain of custody certification

Equity & Inclusion

128

Jobs created

93%

Of people employed from the communities

8

Landowners FCCF invested in

15%

Of employees are women

7

Communities directly and / or indirectly impacted

Note: The figures stated in this section of the report relate to information received from investees as at 31 March 2024 and are largely based on unaudited information.



Trees of Tropical forest

Central America investment map



*Successfully exited

**Investments discontinued

Report of the Board of Directors



The Board of Directors is pleased to report on its activities during the financial year 2023-24.

FCCF went through a lot of changes! Our investment period ended in October 2022 and now we're focusing on helping our investees succeed. This hasn't been easy with all the inflation, political challenges, and construction slowdown. One of our investees, BluWood Industries in Costa Rica, went through a major restructuring resulting in a new operating company called Woodpecker to turn the investment around. Meanwhile the joint ventures with Fundecor saw major challenges and the difficult decision was taken to end operations. On the positive side, FCCF's partner Forestal Naj-Ché worked together with the indigenous Biotza community in Guatemala to successfully apply to the forest concession "Lechugal" of 25,000 ha in the Mayan biosphere reserve, opening a new scale for sustainable forest management facilitated by the Fund.

FCCF continued to deploy its capital with USD 9.1m in investments made since inception, a marked increase compared to the end of March 2023. The total net assets of USD 9.2m saw a decrease (from USD 10.9m at the end of March 2023) reflecting the valuation of assets in a difficult environment. All the commitments from shareholders have been fully drawn down.

During the last six months, FCCF's forest management area stabilised from 11,925 ha to 10,511 ha due to loan repayments and project development in Guatemala and

Mexico. The Fund's climate impact reached 108,463 tons of CO₂e, and we prioritise the development of investees.

Corporate governance

The Board of Directors was responsible, in accordance with the terms of the Articles of Association and the Prospectus, for the overall management and control of the Fund and for implementing the Investment Objectives and Policy of the Fund. The day-to-day management of the Fund was delegated to Kaspar Wansleben, Executive Director. Effective 15 December 2023, the Fund appointed BIL Manage Invest S.A. as the Alternative Investment Fund Manager (AIFM), effectively assuming the management of the Fund. This change was reflected in an updated Prospectus dated December 2023. The Fund internal team assumed the role of administrative team as described in the Prospectus.

The Fund and AIFM have 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 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. The following list reflects the governance after the appointment of the



Biotza's Private Reserve First Harvesting

AIFM which impacted the Investment and Risk Committees of the Fund and excluding committees advising the AIFM:

- The **Strategy Committee** and **Strategy Implementation Committee** assisting the Board in assessing and revising the strategies of the LMDF and FCCF Sub-Funds.
- The **Marketing Committee**, advising on marketing and distribution strategies for the Fund.
- The **Employment Committee**, which has three members, reviews the objectives, performance and remuneration of the administrative team.
- The **Appointments Committee**, which has three members, assists the Board in ensuring that its composition and the composition of committees are aligned with the objectives of the Fund.

The Board has resolved that membership of the above Committees may be open to non-directors. 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.

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

The Board of Directors
June 20th, 2024

Raymond Schadeck
Chairman

Management report

Dear Shareholder,

In this report the Forestry and Climate Change Fund (FCCF or Fund) reports on the financial year 2023-24 ending on 31 March 2024. The Fund was self-managed until 15 December 2023, date of the appointment of BIL Manage Invest as external AIFM. This report is drafted by the Administrative Team and the AIFM to cover both the period prior and post AIFM appointment.

// Focus on developing investees

The Fund ended its investment period end of October 2022. The focus of the team and the investment adviser is on the development of investees, in a challenging context marked by high levels of inflation, turbulent political environments and a marked cooling off of the construction sector in countries such as the US.

In this context, the Fund, together with its investees and local co-investors had to make difficult decisions. FCCF's investment in BluWood Industries S.A., Costa Rica saw an extensive restructuring involving the replacement of the senior management team and local equity holder, the split into a real estate holding company and the creation of a new company, Woodpecker de Nandayuré S.A. (Woodpecker). The scaling of the operations of Woodpecker is ongoing and receives close attention by the Fund's team.

FCCF, together with its local partner Fundecor, Costa Rica, took the difficult decision that the operations of the jointly owned company, Fundecor Bosques S.A. are not viable in their present form and need to be closed down. The wind-down of the company is ongoing with assets pledged

to FCCF in the process of recovery and subsequent sale.

In terms of sustainable forest management, Forestal Naj-Ché has expanded its work with the Bio-Itzá indigenous community and celebrated a major achievement in the form of the granting of the Lechugal forest concession in the Mayan Biosphere reserve of Guatemala for a 26-year period. The concession has a 24,640 ha extension bordering with the Mirador National Park and is an important cultural and ecological area. A sustainable forest management plan has been elaborated in November 2023 and is approved by the forest authorities.

The Conjunto Predial community forest operation has progressed in the implementation of their forest management and value aggregation plan successfully. An expansion of activities in terms of forest area and deepening of wood transformation activities is in the planning stage.

OFS executed its first harvest of a dry tropical forest in the Guanacaste region. Experience gained through this process will feed back to its business planning for the coming years.

During the financial year, a new phase of the Technical Assistance Programme (TAP) to assist investees in this difficult environment was launched. The team associated with the TAP has started their work in collaboration with the FCCF.

// A difficult path to reaching scale

As an impact fund, we provide an update on the key performance indicators (KPIs) linked to our Theory of Change, featured at

the beginning of this report. Compared to six months ago, the Fund:

- saw a stabilisation of forests under management from 11,925 ha to 10,511 ha, mainly caused by the repayment of the loan by the Coop. Carmelita in Guatemala and the corresponding reduction of forest management area accountable to the FCCF. Going forward we see a very significant increase in scale from projects of current investees under development in Guatemala and Mexico. The Fund's climate mitigation impact lags the expansion of the forest management area and is a cumulative 108,463 tons of CO₂e compared to 45,925 tons of CO₂e during the previous financial year 2022-23.
- As outlined above, the development of value chains to connect forests and wood to markets remains a priority in the Fund's actions in this financial year through close involvement in the development of investees Izabal Wood Company and Woodpecker.
- Eight communities and eight small and medium-sized forest owners benefit from FCCF's financing. A total of 116 jobs have been created, 16% of which are occupied by women and 75% by the local community.

The disclosure of valuations at the end of March 2024 indicates which partners are in difficulty (detailed in section 5 of the financial statements). The valuation approach relies on forward looking financial projections and in some cases such information may be hard to update in volatile market environments and

for smaller companies in a growth phase. We also believe that the valuations will only reflect acquired market access and know-how acquired with a time lag.

// Financial results

The Fund continued its growth with USD 9.1m in investments made to date, an increase of 26% over the USD 7.2m end of March 2023. Total net assets decreased to USD 9.2m (compared to USD 10.9m end of March 2023), reflecting downward valuations and the decision to wind down the Fundecor Bosques entity.

The net variation in unrealised losses amounts to USD 1.9m (compared to USD 0.8m loss during the previous financial year). This leads to a loss on operations of USD 1.7m, mainly driven by the valuations.

As the Fund has reached the end of the investment period, management and advisory charges have decreased and will continue to decrease further in the coming months (notably through a further reduction in advisory fees). Yet the Fund's investees require an active management, notably through a role on the board of directors of investees which we believe continues to be in the Fund's shareholders' interest.

In line with the Fund's waterfall, Class I shares absorb the loss to protect the initial investment value of Class J shares and end the financial year with a NAV per share of USD 24.19 whereas Class J shares NAV is USD 100.00.



Forest landscape in the Izabal region of Guatemala

// Outlook

On the one side, the Fund has gone through a difficult period. The restructuring of BluWood into Woodpecker and the difficult decisions regarding Fundecor Bosques are evidence of that. Yet the Fund retains close to USD 3.4m in liquid assets ready to scale successful investees.

The community credit product is an interesting development by closely aligning the Fund's impact objectives with a standardised financial product which can be deployed at a larger scale. FCCF's Strategy Committee is reviewing the future of this programme.

We always knew that the journey we embarked on was not going to be easy. As this report clearly illustrates, 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, questions and comments are most welcome.

The AIFM and the Administrative Team.

Risk report

The Fund was self-managed until 15 December 2023, date of the appointment of BIL Manage Invest as external AIFM. This report is drafted by the Administrative Team and the AIFM Risk Management function to cover both the period prior and post AIFM appointment.

Overall, the Fund continues to face uncertain sentiment due to contained economic growth impacting the forestry sector, heightened interest rates, persistent inflation levels, increased geopolitical risks, supply-chain disruptions and more disruptive climate events. These challenges have come at a time when most of the Fund's partners remain in fragile financial situation and start-up phase, hence resulting in a significant impact on their business and growth evolution.

// Credit risks

The forestry sector depends on economic growth as a key driver of demand for tropical wood products, as it affects housing, construction activity, and consumer spending, which in turn influences the demand for products made from wood. Furthermore, high interest rates and inflation, along with uncertainties on global supply chains, add to the uncertainties in the sector. These challenges have coincided with most of the Fund's partners still being in their early stages of launch/ growth, which has affected their businesses and development considerably. This means that several partners show higher credit risks and lower valuations.

In accordance with the Fund's Valuation Guidelines, the Fund has made additional impairments during the financial year of USD 1.9m for a total impairment of USD 3.9m, representing 43% of the total invested.

The largest impairment by investee amounts to USD 1.08m in relation to outstanding loans and equity to Izabal Wood Company S.A. (Guatemala). The company is focused on wood transformation, value chain and commercialisation. The company has seen delays in its business plan since the onset of the COVID-19 pandemic and by the end of 2022 it established a turnaround business plan. To support this plan and ramp-up operations, the company received further funding of USD 0.2m. However, besides the efforts to develop market presence and sales, the company was unable to reach its targets only achieving two thirds of the sales and accumulating large amount of wood inventories. This resulted in the resignation of the CEO in December 2023, with the operations manager taking up the role.

In the Woods by Fundecor S.A.(Costa Rica) was conceived as a company focused on the commercialisation of timber and products from lesser-known local species in Costa Rica. In 2022, the company faced severe difficulties in scaling its business to a meaningful level that could ensure its "going concern" resulting in the dissolution of the company and the transfer of the remaining viable assets to partially net its liabilities with the Fund. The company is now in a voluntary liquidation process, with recoverability values mainly expected from the remaining

inventory of timber products. Based on the valuation guidelines, the fund has impaired a total of USD 0.68m in relation to equity and outstanding loans instruments.

Fundecor Bosques S.A (Costa Rica), an investee focused on forest management and primary transformation, and initially conceived as a supply partner to In the Woods by Fundecor S.A., has also been affected by the challenges in the sector. As a consequence of these challenges, the company struggled to achieve meaningful sales urging management to stop the milling operations outsourced with a local partner. This has resulted in a compensation liability towards the local partner and the consequent resolution by the management to initiate a voluntary liquidation. Based on the Funds' Valuation Guidelines, the Fund has estimated the recoverability values of Fundecor Bosques from the CAPEX investments and the remaining inventory of timber products; resulting in a total impairment of USD 0.71m.

Operaciones Forestales Sostenibles S.A. (Costa Rica) has seen similar challenges. Facing difficulties in scaling the business, the company has managed to reduce operating costs and develop a turnaround plan including alternative sources of revenues from forest management services. Based on the Funds' Valuation Guidelines, the Fund

has provisioned a total impairment of USD 0.54m against outstanding loans and equity.

Forestal Naj-Ché S.A (Guatemala) is dedicated to the development of a sustainable forest sector involving private and communal-owned secondary or degraded forests in the department of Petén in Northern Guatemala. The first project of the company suffered a 6-month delay due to the short summer dry season of 2022. The project has undergone the harvesting stage, however the initial delays and the difficulties encountered to sell products from the less-know wood species has translated into a total impairment of USD 0.66m.

The Fund's only investment in Nicaragua, Simplemente Madera Marketplace S.A., has not been able to liquidate the remaining inventory, resulting in the Fund fully provisioning the outstanding loan for a total of USD 0.24m. FCCF continues to fully impair its investment of USD 21k in Fundación Naturaleza para la Vida, owing to the uncertainty inherent in the position.

In relation to BluWood Industries S.A., in Costa Rica., the turnaround business plan is underway with the new venture Woodpecker de Nandayuré S.A. which launched its operations in summer 2023. This has allowed BluWood Industries S.A. to remain the owner



Forest log yard with registration numbers allowing tracability of harvested wood

of the buildings and land of the industrial site in Guanacaste, while Woodpecker pursues the wood transformation and commercialisation operations. Based on the Funds' Valuation Guidelines, the Fund has booked an unrealised gain of USD 3,314 on the equity of the company.

To diversify its credit risks, the Fund applies a limit exposure to a specific investee no more than 20% of the shareholder's committed capital. As of the end of the year, the Fund largest exposure, BluWood Industries S.A. represents 13.4% of shareholder's committed capital.

// Country risks

At the end of the financial year, FCCF remained actively invested in Costa Rica, Guatemala and Mexico. The Fund's highest

exposure continues to be Costa Rica, where the holding constitutes 24% of the net assets, compared to 26% in the previous year. Meanwhile, holdings in Guatemala and Mexico represent 11% and 0.9% of net assets respectively.

As of the reporting date, no country in FCCF's portfolio is part of the jurisdictions included in FATF's list of High-Risk or Monitored Jurisdictions or the EU List of High-Risk Countries.

We look forward to receiving your thoughts and comments.

Yours faithfully,
The AIFM and the Administrative Team.

Looking back to move forward: a pause for strategic reflection

In the impact investing world, long-term investing is like a forest journey. While finance thinks 3-5 years is long-term, nature focused investors sometimes need to look decades ahead, much like forests which may have shaped over centuries to their present form.

Today the FCCF stands at a pivotal juncture, where a retrospective examination of the Fund's endeavors since 2017 is imperative. This comprehensive evaluation, and strategic planning, is crucial for paving the way for to include lessons learned in the strategy for the next years and decades.

This is the time to look at the results achieved so far, the challenges encountered, and understand how to design an effective, sustainable and inclusive strategy for the next stage of the Fund.

To understand the results achieved so far, the Fund assesses a set of key performance indicators (KPIs) linked with the three main axes of the Theory of Change: Natural Capital, Value Chains, and Equity & Inclusion. For each dimension, the KPIs are evaluated and tracked to monitor and measure the alignment with strategic objectives.

Secure growing areas of secondary degraded forest and boost carbon sequestration

Natural capital encompasses the global reserves of ecological assets. For the Fund, this specifically includes forests and their inherent biomass. As shown in the following table, the Fund's initiatives are incrementally enhancing the stock of natural capital.

Presently, the scope of forest areas under stewardship is modest, reflecting the Fund's current size and phase of investment. However, with plans to broaden and intensify

the forest management efforts, the Fund has witnessed, as demonstrated in the last two years, a considerable expansion in the area of forest and expects such growth to continue.

Similarly, as the Fund sees the scope of resulting ecosystem services, such as carbon sequestration, enhance.

Carbon sequestration in tropical forests is an essential service to mitigate climate change. This metric has shown a consistent upward trend. The increase is attributable not only to the expanding forest areas under management but also to the adoption of improved management practices. Under the Fund's carbon accounting standards, we measure the incremental, carbon sequestration over a business as usual scenario marked by both ongoing forest degradation but also natural growth of biomass.

As the Fund progresses into its expansion phase the natural capital impact is set to grow.

	2019	2020	2021	2022	2023
Area of SDF secured for management (ha)	502	301	493	11,925	10,511
Carbon sequestration (tCO ₂)	1,434	2,300	6,024	45,925	108,463

An intricate and expansive value chain presents a challenging landscape for small forest owners to navigate

Originally, the Fund aimed to invest primarily in the initial segments of the value chain, focusing on sustainable forest management and harvesting. However, it quickly became evident that there was a lack of facilities to

support these stages, posing significant obstacles for small-scale forest proprietors. In response, the Fund evolved its strategy to include wood processing projects while fostering a network of collaborative partnerships.

This strategic shift has enabled forest management initiatives to sell timber to allied enterprises at a more equitable price. Moreover, the synergy among the companies is set to strengthen. With intergroup sales already underway, the Fund anticipates the emergence of more sophisticated and remunerative connections as the projects reach maturity.

	2021	2022	2023
Total volume of timber produced (m ³)	NA	34,965	39,134
Total revenue of investees (USD)	950,000	2,540,012	5,726,100

Another aspect of FCCF's investment approach is to champion the use of lesser-known tree species to enhance the value of secondary and degraded forests, which are often at risk of clearance due to the scarcity of popular timber. By establishing market recognition and demand for these species, which may possess properties akin to commercialized timbers, FCCF aims to unlock their commercial potential and support sustainable forest management. Several efforts have been made to promote lesser-known species while protecting the local ecosystems.

Promoting equity and inclusion while preserving communities

The FCCF is dedicated to empowering

rural regions that have historically been overlooked in terms of development, where poverty persists at higher rates. In these areas, forests are predominantly in the hands of smallholders and community groups, who may own from as little as 25 hectares up to several thousands in the case of certain communities. These custodians of the land face significant challenges in accessing financing, which in turn restricts their ability to enhance and enlarge their forestry projects.


To address this, the Fund dedicates its efforts to providing financial support to smallholders and communities, while ensuring their endorsement and participative decision-making frameworks.

Thanks to the Fund's initiative, a growing number of new job opportunities have been created, mainly in value chain projects. On the contrary, the inclusion of women in forest sector, remains still limited and challenging. As the companies move into more mature phases, it is hoped that the support the Fund has provided will begin to ensure changes in this area.

	2020	2021	2022	2023
No. of communities directly impacted	0	3	8	7
Employment created - FTE	31	64	116	128
%female employees	16%	18%	16.5%	15%

Conclusions for looking head

The Fund's initiatives offer the potential to significantly improve small forest owners' and community forest management, reducing deforestation and forest




degradation, and opening employment opportunities. By funding sustainable practices, battling the informality of the wood trade, and advocating for lesser-known species, the Fund plays a pivotal role in conservation endeavors.

The array of projects within forestry and wood industry development underscores a commitment to sustainability, job creation, and conservation, yielding positive effects on both environmental safeguarding and economic development

Looking ahead, the Fund will be focusing on revising its Theory of Change to better reflect the intricacies of natural capital, value chains, and ecosystem services. It plans to recalibrate the FCCF forest management model's goals based on market insights, shift financial resources towards forest management, and conduct an in-depth study on the integration of voluntary carbon and other ecosystem services into business models.

Additionally, the Fund will consider broadening its investment in community credit operations to solidify this innovative financing scheme and reassess its unique position and advantages within the industry, while continuing to be open towards diverse partnerships with private, non-for-profit and public entities.



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Imprint

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Statutory information

Registered Office

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Trade Register Number

R.C.S. Luxembourg B 148.826

Alternative Investment Fund Manager

BIL Manage Invest S.A.
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Board of Directors and Committees

Chair

Raymond Schadeck

Independent

Members

Geneviève Hengen

Development Cooperation Department,
Ministry of Foreign and European Affairs (MAEE)

Christina Pinto

Ministry of Finance

Patrick Losch

ADA - Appui au Développement Autonome

Michel Maquil

Independent

Natalia Oskian

Independent

Olivier Goemans

Banque Internationale à Luxembourg (BIL)

Monica Tiuba

Independent

Dzemaal Tomic

Banque et Caisse d'Épargne de l'État (BCEE)

Kaspar Wansleben

Executive Director

Risk Committee

(Active until appointment of AIFM)

Investment Committee FCCF*

Peter Carter - Independent, Committee Chair

Dzemaal Tomic - BCEE, Committee Chair

Pierre Oberlé - Ministry of Finance

Raymond Schadeck - Independent

Renaud Durand - Foyer Group

Yves Speeckaert - Independent

Georges Gehl - Ministry for the Environment

Jane Wilkinson - Independent

Patrick Losch - ADA

Alejandro Vazquez Ortega - Head of Risk

Kaspar Wansleben - Executive Director

Appointments Committee

Geneviève Hengen - MAEE

Christina Pinto - Ministry of Finance

Raymond Schadeck - Independent

Strategy Committee

Peter Carter - Independent, Committee Chair

Jenny de Nijs - Ministry of Finance

Renaud Durand - Foyer Group

Georges Gehl - Ministry for the Environment

Patrick Losch - ADA

Marcos Saldaña - Independent

Monica Tiuba - Independent

Frank Wolter - Independent

Kaspar Wansleben - Executive Director

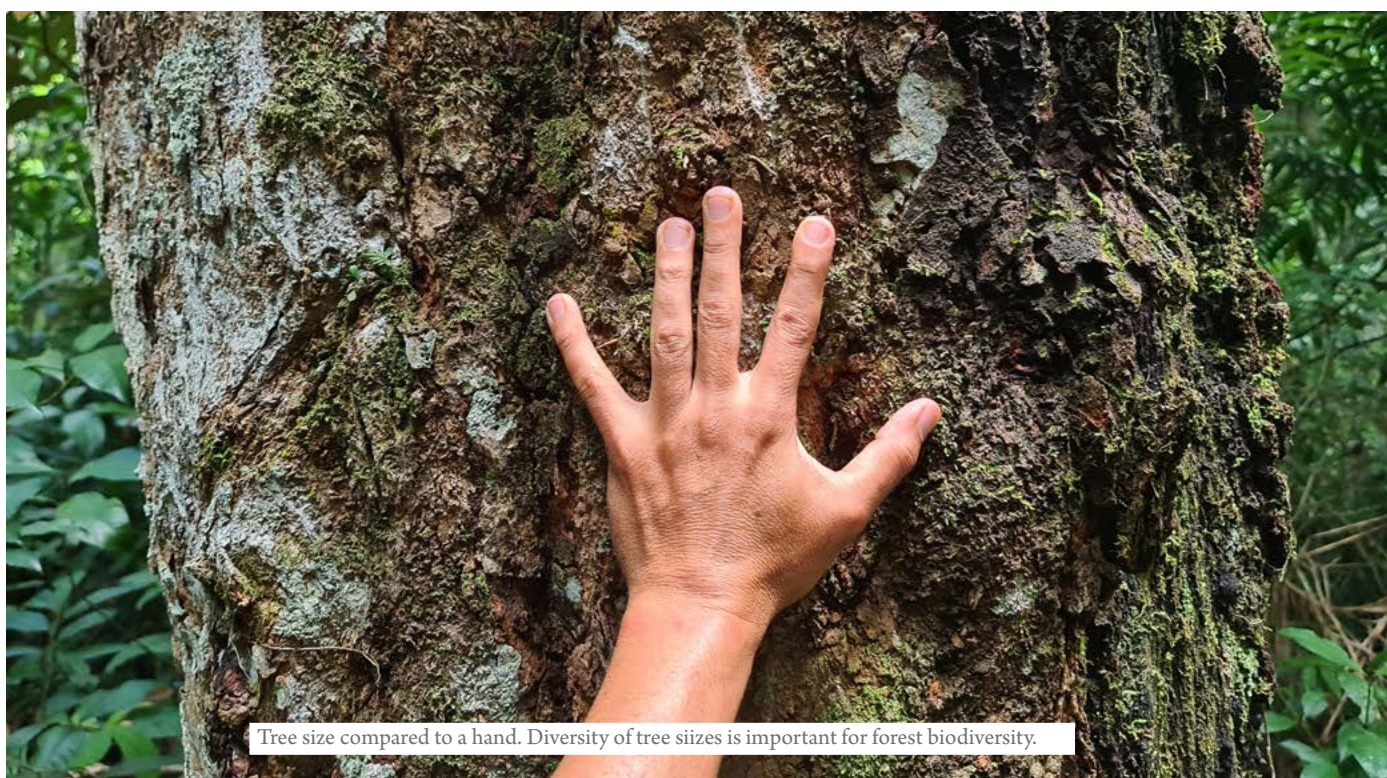
Marketing Committee

Natalia Oskian - Independent

Alice Martinou - BGL BNP Paribas

Apricot Wilson - Independent

Manon Loison - Independent



Tree size compared to a hand. Diversity of tree sizes is important for forest biodiversity.

Employment Committee

Christina Pinto - Ministry of Finance
Raymond Schadeck - Independent
Dzemal Tomic - BCEE

Investment Adviser

UNIQUE land use GmbH
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Administrator of the Technical Assistance Programme

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L-1022 Luxembourg

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L-2954 Luxembourg

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L-1855 Luxembourg

Legal Advisers

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

*A separate investment committee has been constituted for LMDF

Report of the réviseur d'entreprises agréé Rapport du réviseur d'entreprises agréé



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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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 2024, 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 2024 and of the result 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 the 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 the 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 (except for the sub-fund(s) where a decision or an intention to close exists) 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, 24 June 2024
KPMG Audit S.à r.l.
Cabinet de révision agréé



P. Schanz
Partner

Audited financial statements

// 1 Statement of net assets

as at 31 March 2024

Assets	Notes	USD
Shares (and equity-type securities)	6, 12	928,964
Loan agreements	6, 12	4,240,777
Cash and savings at banks		3,387,278
Interest receivable on portfolio		162,781
Interest receivable on bank accounts and term deposits		4,408
Receivable on matured investments		554,642
VAT receivable		41,680
Deferred charges and other receivables and assets	7	7,616
Total assets		9,328,146



Liabilities	Notes	USD
Accrued expenses	7	166,868
Other payables and liabilities	7	3,603
Total liabilities		170,471
Net assets at the end of the year		9,157,675
I Class shares outstanding		96,972.129
Net asset value per I Class share		24.19
J Class shares outstanding		68,118.241
Net asset value per J Class share		100.00

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

from 1 April 2023 to 31 March 2024

Income	Notes	USD
Interest on loan agreements		521,642
Interest on term deposit		131,903
Interest on current account		55,692
Total income		709,237
Expenses		
AIFM fees	3	6,355
Advisory fees	3	183,711
Salary, wages and compensation of Administrative Team	3	134,980
Depositary fees		33,038
Administrative Agent, Registrar and Transfer Agent fees		43,258
Banking charges and other fees		2,414
Audit fees		35,104
Legal fees		32,843
Travel and representation fees		28,726
Rent and Information technology fees		20,379
Other administration costs	8	9,134
Subscription tax	4	3,325
Total expenses		533,267
Net investment income		175,970

Net realised gain/(loss)	Notes	USD
On investments		350
On foreign exchange contracts		
On foreign exchange transactions		(201)
Realised result		149
Net variation of the unrealised gain/(loss)		
On investment portfolio		-
Variation of impairment on loans	6	(1,386,502)
Variation of valuation of equity investments	6	(506,844)
Variation due to changes in the foreign exchange rate		8,450
Total variation on investment portfolio		(1,884,896)
On foreign exchange transactions		944
Unrealised result		(1,883,952)
Result of operations		(1,707,833)
Subscriptions		-
Redemptions		-
Total changes in net assets		(1,707,833)
Total net assets at the beginning of the year		10,865,508
Total net assets at the end of the year		9,157,675

// 3 Statistical information

as at 31 March 2024

Total net assets	USD
As at 31/03/2024	9,157,675
Number of I Class shares	
Outstanding at the beginning of the year	96,972.129
Issued during the year	-
Redeemed during the year	-
Outstanding at the end of the year	96,972.129
Net asset value per I Class share	
As at 31/03/2024	24.19
Number of J Class shares	
Outstanding at the beginning of the year	68,118.241
Issued during the year	-
Redeemed during the year	-
Outstanding at the end of the year	68,118.241
Net asset value per J Class share	
As at 31/03/2024	100.00



Large trees harbour many plants and diversity of fauna

// 4 Statement of investments and other net assets

Instrument // Partners	Note	Country	Maturity	Ccy	Quantity // Nominal value	Cost price (in ccy)	Cost price (in USD)	Total value (in USD)	% of Committed Capital*
Financial instruments not admitted to an official stock-exchange listing nor dealt in on another regulated market									
Shares and equity-type securities									
Woodpecker de Nandayuré S.A.		Costa Rica		USD	712,650	712,650	712,650	712,650	4.8%
BluWood Industries S.A.		Costa Rica		USD	200,000	213,000	213,000	216,314	1.5%
Simplemente Madera Marketplace S.A.	6	Nicaragua		NIO	25,398	2,540,000	81,386	0	0.0%
Operaciones Forestales Sostenibles S.A.	6	Costa Rica		USD	180,237	180,237	180,237	0	0.0%
Izabal Wood Company S.A.	6	Guatemala		GTQ	400	40,000	5,216	0	0.0%
Forestal Naj-Ché S.A.	6	Guatemala		USD	399,980	399,980	399,980	0	0.0%
Fundecor Bosques S.A.	6	Costa Rica		USD	147,000	147,000	147,000	0	0.0%
In The Woods by Fundecor S.A.	6	Costa Rica		USD	205,800	205,800	205,800	0	0.0%
Sub-total							1,945,270	928,964	6.3%
Loan agreements									
BluWood Industries Consolidated Capex Loan		Costa Rica	30/05/31	USD	1,460,426	1,460,426	1,460,426	1,512,690	10.2%
Izabal Wood Company Forest Management 2		Guatemala	30/10/28	USD	350,000	350,000	350,000	361,900	2.4%
Izabal Wood Company Machinery Loan 2		Guatemala	30/10/26	USD	330,000	330,000	330,000	346,002	2.3%
Fundecor Bosques Machinery Loan 1		Costa Rica	30/04/32	USD	200,000	200,000	200,000	194,000	1.3%
Izabal Wood Company Machinery Loan 1		Guatemala	30/04/30	USD	170,000	170,000	170,000	178,215	1.2%
Forestal Naj-Ché Forest Management 2		Guatemala	29/10/27	USD	170,000	170,000	170,000	175,780	1.2%
Forestal Naj-Ché Forest Management 1		Guatemala	28/10/27	USD	150,000	150,000	150,000	155,200	1.0%
Woodpecker Working Capital 4		Costa Rica	30/10/24	USD	150,000	150,000	150,000	154,088	1.0%
BluWood Industries Consolidated Working Capital 2		Costa Rica	29/10/27	USD	140,000	140,000	140,000	146,432	1.0%
Forestal Naj-Ché Machinery Loan 1		Guatemala	30/01/30	USD	140,000	140,000	140,000	142,567	1.0%
Conjunto Predial Capex Loan 1		Mexico	29/10/27	MXN	2,179,114	2,179,114	107,714	134,798	0.9%
Forestal Naj-Ché Working Capital 1		Guatemala	28/06/23	USD	380,000	380,000	380,000	133,953	0.9%
Woodpecker Working Capital 1		Costa Rica	30/04/24	USD	100,000	100,000	100,000	105,925	0.7%
Woodpecker Working Capital 2		Costa Rica	30/04/24	USD	100,000	100,000	100,000	105,150	0.7%
BluWood Industries Consolidated Working Capital 1		Costa Rica	29/10/27	USD	100,000	100,000	100,000	104,564	0.7%
Woodpecker Working Capital 3		Costa Rica	30/10/24	USD	100,000	100,000	100,000	103,900	0.7%
Izabal Wood Company Infrastructure Loan		Guatemala	30/04/26	USD	100,000	100,000	100,000	101,866	0.7%
Operaciones Forestales Sostenibles Forest Management 2	6	Costa Rica	30/10/24	USD	100,000	100,000	100,000	70,771	0.5%
Izabal Wood Company Machinery Loan 3	6	Guatemala	29/10/27	USD	65,000	65,000	65,000	68,158	0.5%
Operaciones Forestales Sostenibles Forest Management 1	6	Costa Rica	28/10/22	USD	50,000	50,000	50,000	51,722	0.3%
Izabal Wood Company Working Capital 4	6	Guatemala	29/02/24	USD	29,650	29,650	29,650	29,854	0.2%
In The Woods Capex Loan 1	6	Costa Rica	29/04/22	USD	100,000	100,000	100,000	26,024	0.2%
Izabal Wood Company Working Capital 3	6	Guatemala	29/10/27	USD	610,000	610,000	610,000	0	0.0%

Instrument // Partners	Note	Country	Maturity	Ccy	Nominal value	Cost price (in ccy)	Cost price (in USD)	Total value (in USD)	% of Committed Capital
Fundecor Bosques Forest Management 1	6	Costa Rica	30/06/23	USD	310,000	310,000	310,000	0	0.0%
Operaciones Forestales Sostenibles Working Capital 9	6	Costa Rica	30/04/26	USD	275,386	275,386	275,386	0	0.0%
Fundecor Bosques Working Capital 1	6	Costa Rica	30/10/23	USD	250,000	250,000	250,000	0	0.0%
Izabal Wood Company Working Capital 3-2	6	Guatemala	29/10/27	USD	192,000	192,000	192,000	0	0.0%
Simplemente Madera Working Capital 1	6	Nicaragua	18/08/19	USD	156,000	156,000	156,000	0	0.0%
Izabal Wood Company Subordinated Loan 1	6	Guatemala	30/04/23	USD	149,490	149,490	149,490	0	0.0%
Izabal Wood Company Subordinated Loan 2	6	Guatemala	30/10/25	USD	121,862	121,862	121,862	0	0.0%
In The Woods Working Capital 4	6	Costa Rica	30/10/22	USD	120,000	120,000	120,000	0	0.0%
In The Woods Working Capital 2	6	Costa Rica	28/10/22	USD	100,000	100,000	100,000	0	0.0%
In The Woods Working Capital 1	6	Costa Rica	30/04/26	USD	99,640	99,640	99,640	0	0.0%
In The Woods Working Capital 5	6	Costa Rica	28/10/22	USD	80,000	80,000	80,000	0	0.0%
Operaciones Forestales Sostenibles Working Capital 7	6	Costa Rica	31/10/23	USD	30,000	30,000	30,000	0	0.0%
Fundación Naturaleza Para la Vida Forest Owner Loan 1	6	Guatemala	31/12/30	USD	20,767	20,767	20,767	0	0.0%
Operaciones Forestales Sostenibles Working Capital 8	6	Costa Rica	30/10/24	USD	20,000	20,000	20,000	0	0.0%
Sub-total							7,127,934	4,403,558	29.7%
Total							9,073,204	5,332,522	36%
Cash at banks, term deposits and savings accounts							3,387,278	3,387,278	22.8%
Other net assets / liabilities							437,874	437,874	3.0%
Total Net Assets							9,157,675	9,157,675	61.7%

* Total Committed Capital as at the end of the year amounts to USD 14,830,865. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.61950. Any difference with the sub-totals or sub-totals and the sum is due to the rounding of the figures to zero decimals.

// 5 Statement of investments by investee and type

Investee	Instrument type	Note	Cost Price (in USD)	Total Value (in USD)	Difference (in USD)	% of Committed Capital**
BluWood Industries S.A.						
	1. Equity		213,000	216,314	3,314	1.5%
	4. Capex Loan		1,460,426	1,512,690	52,264	10.2%
	5. Working Capital		240,000	250,996	10,996	1.7%
Sub-total*			1,913,426	1,980,000	66,574	13.4%
Izabal Wood Company S.A.						
	1. Equity	6	5,216	-	(5,216)	0.0%
	2. Subordinated loan	6	271,351	-	(271,351)	0.0%
	3. Natural Capital Loan		350,000	361,900	11,900	2.4%
	4. Capex Loan		665,000	694,240	29,240	4.7%
	5. Working Capital	6	831,650	29,854	(801,796)	0.2%
Sub-total*			2,123,217	1,085,995	(1,037,223)	7.3%
Woodpecker de Nandayuré S.A.						
	1. Equity		712,650	712,650	-	4.8%
	5. Working Capital		450,000	469,063	19,063	3.2%
Sub-total*			912,650	914,575	19,063	8.0%
Forestal Naj-Ché S.A.						
	1. Equity	6	399,980	-	(399,980)	0.0%
	3. Natural Capital Loan		320,000	330,980	10,980	2.2%
	4. Capex Loan		140,000	142,567	2,567	1.0%
	5. Working Capital	6	380,000	133,953	(246,047)	0.9%
Sub-total*			1,239,980	607,499	(632,481)	4.1%
Fundecor Bosques S.A.						
	1. Equity	6	147,000	-	(147,000)	0.0%
	3. Natural Capital Loan	6	310,000	-	(310,000)	0.0%
	4. Capex Loan	6	200,000	194,000	(6,000)	1.3%
	5. Working Capital	6	250,000	-	(250,000)	0.0%
Sub-total*			907,000	194,000	(713,000)	1.3%
Conjunto Predial Agrosilvicultores de Nuevo Becal, S.P.R. DE R.L.						
	4. Capex Loan		107,714	134,798	27,084	0.9%
Sub-total*			107,714	134,798	27,084	0.9%
Operaciones Forestales Sostenibles S.A.						
	1. Equity	6	180,237	-	(180,237)	0.0%
	3. Natural Capital Loan	6	150,000	122,493	(29,000)	0.8%
	5. Working Capital	6	325,386	-	(317,217)	0.0%
Sub-total*			655,623	122,493	(533,130)	0.0%

Investee	Instrument type	Note	Cost Price (in USD)	Total Value (in USD)	Difference (in USD)	% of Committed Capital**
In The Woods by Fundecor S.A.						
	1. Equity	6	205,800	-	(205,800)	0.0%
	4. Capex Loan	6	100,000	26,024	(73,976)	0.2%
	5. Working Capital	6	399,640	-	(399,640)	0.0%
Sub-total*			705,440	26,024	(679,416)	0.2%
Simplemente Madera Marketplace S.A.						
	1. Equity	6	81,386	-	(81,386)	0.0%
	5. Working Capital	6	156,000	-	(156,000)	0.0%
Sub-total*			237,386	-	(237,386)	0.0%
Fundación Naturaleza Para la Vida						
	3. Natural Capital Loan	6	20,767	-	(20,767)	0.0%
Sub-total*			20,767	-	(20,767)	0.0%
Total*			9,073,204	5,332,522	(3,740,681)	36.0%

* Any difference with the sub-totals or sub-totals and the sum is due to the rounding of the figures to zero decimals.

** Total Committed Capital as at the end of the year amounts to USD 14,830,865. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.61950.

// 6 Statement of investments by instrument type

Type of Instrument	Cost Price (in USD)	Total Value (in USD)	Difference (in USD)	% of Committed Ca- pital*
Equity	1,945,270	928,964	(1,016,306)	6.3%
Subordinated loan	271,351	-	(271,351)	0.0%
Natural Capital Loan	1,150,767	815,373	(335,394)	5.5%
Capex Loan	2,673,140	2,704,319	31,180	18.2%
Working Capital	3,032,676	883,866	(2,148,810)	6.0%
Total	9,073,204	5,332,522	(3,740,681)	36.0%

* Total Committed Capital as at the end of the year amounts to USD 14,830,865. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.61950.

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	Note	Cost Price (in USD)	Total Value (in USD)	% of Committed Capital**
Costa Rica		5,344,139	3,504,230	23.6%
Guatemala		3,383,964	1,693,494	11.4%
Mexico		107,714	134,798	0.9%
Nicaragua		237,386	-	0.0%
Total*		9,073,204	5,332,522	36.0%

* Any difference with the sub-totals or sub-totals and the sum is due to the rounding of the figures to zero decimals.

** Total Committed Capital as at the end of the year amounts to USD 14,830,865. The % of Committed Capital can be converted to % of Net Assets by multiplying it by 1.61950.

// 8 Evolution of NAV

	NAV/Share as at 31 March 2024 in USD	NAV/Share as at 31 March 2023 in USD	NAV/Share as at 31 March 2022 in USD	Initial subscription price in USD
Class I Shares	24.19	41.80	50.82	100.00
Class J Shares	100.00	100.00	100.00	100.00
Total Net Assets	9,157,675	10,865,508	10,480,530	

	Performance financial year 2023 - 24	Performance financial year 2022 - 23	Performance financial year 2021 - 22	Performance since inception
Class I Shares	(42.1%)	(17.7%)	(22.2%)	(75.8%)
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 2024

GENERAL INFORMATION

/ A Structure of the SICAV

The Forestry and Climate Change Fund (the “FCCF” or “Fund”) is a compartment of 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). As of 15 December 2023, the SICAV has appointed BIL Manage Invest S.A. as Alternative Investment Fund Manager (“AIFM”) to the Fund. The SICAV was self-managed prior to the appointment of the AIFM.

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 2024, 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 (SDF). 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

AIFM 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. AIFM 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 financial, and operational reporting data and key performance indicators, the review of its activities and 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 AIFM 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. AIFM 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 AIFM 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") or the cost approach. 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. The cost approach considers reproduction or replacement cost of the assets as an indicator of fair value. Based on the assumption that a prudent investor would pay no more for an instrument than the amount for which he could replace or recreate it.

Whenever possible, valuations derived using one of the above methods are cross-checked and weighted 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 DOFR rate 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 AND AIFM FEES / ADMINISTRATIVE 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 (22/10/2023), 1.5% of the Committed Investment Capital until the end of the Fund's life.

Total investment advisory fees amount, for the period ended on 31st March 2024, to USD 183,711 or 1.2% of total commitments of the Fund.

/ B AIFM fees

On 15 December 2023, the Fund concluded a management agreement with BIL Manage Invest S.A. The following fees are due for the services provided by BIL Management Invest S.A. as AIFM to the Fund.

- 8 basis points on total net assets below EUR 50m
- 7 basis points on total net assets between EUR 50m and EUR 100m
- 6 basis points on total net assets above EUR 100m subject to a minimum annual fee of EUR 20,000.

/ C Administrative team

These fees shall be inclusive of salary, wages and compensation of the administrative team, including bonuses and benefits but shall not comprise other organisational and operating expenses incurred by the Fund.

During the reporting year, Administrative Team's wages, salaries, bonuses and benefits amounted to 1.0% of the Fund's Total Commitments. Combined with the sub-advisory costs, the fees amount to 1.2% 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

The formation expenses of a total of USD 162,204 have been fully amortised by the end of 31/03/2023. No further amortisation expense has been recorded for the period reported.

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

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

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 cashflow to the firm ("FCFF"). FCFF are discounted using the Weighted Average Cost of Capital ("WACC"), to determine each investee's Enterprise Value ("EV"). If feasible, valuation is cross-checked using other valuation methods including the reproduction cost approach. The Fund will judge the pertinence of the different other valuation methods to determine the weighted average 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 full impairment provision on the amount of Simplemente Madera Sawmills Marketplace (Nicaragua), primarily driven by the uncertainty in the recoverability of its debt. The Fund made impairment provisions of 52%, 95%, 74%, 75%, and 30% on total debt amounts to Izabal Wood Company S.A., In The Woods by Fundecor S.A., Fundecor Bosques S.A., Operaciones Forestales Sostenibles, and Forestal Naj-Ché S.A. respectively. The Fund also made a 100% impairment provision on the subordinated loan to Izabal Wood Company S.A.. These impairments are caused by the challenges the investees are currently facing in developing 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.

In terms of equity, the Fund has recognised unrealised gains of USD 3,314 from the BluWood equity investment and a total of USD 1,019,620 in unrealised losses linked to equity positions with other investees.

As at 31 March 2024, the realised and unrealised gains/(losses) and impairments of financial instruments are composed as follows (in USD):

Variation of impairments of loans	31/03/2024	31/03/2023
Fundación Naturaleza Para la Vida	(20,767)	(20,767)
Simplemente Madera Marketplace S.A.	(156,000)	(156,000)
In The Woods by Fundecor S.A.	(99,640)	(67,370)

Variation of impairments of loans	31/03/2024	31/03/2023
Operaciones Forestales Sostenibles S.A.	-	(45,535)
In The Woods by Fundecor S.A.	(120,000)	(120,000)
Operaciones Forestales Sostenibles S.A.	-	(30,000)
Operaciones Forestales Sostenibles S.A.	-	(40,000)
Operaciones Forestales Sostenibles S.A.	-	(30,000)
In The Woods by Fundecor S.A.	(80,000)	(80,000)
Operaciones Forestales Sostenibles S.A.	-	(45,000)
In The Woods by Fundecor S.A.	(75,238)	(83,250)
In The Woods by Fundecor S.A.	(100,000)	(100,000)
Fundecor Bosques S.A.	(250,000)	(250,000)
Izabal Wood Company S.A.	(121,862)	(95,496)
Izabal Wood Company S.A.	(2,934)	-
Izabal Wood Company S.A.	(610,000)	-
Izabal Wood Company S.A.	(192,000)	-
Fundecor Bosques S.A.	(310,000)	(170,819)
Fundecor Bosques S.A.	(6,000)	-
Izabal Wood Company S.A.	(149,490)	(140,271)
Operaciones Forestales Sostenibles S.A.	(30,000)	(30,000)
Operaciones Forestales Sostenibles S.A.	(20,000)	(20,000)
Forestal Naj-Ché S.A.	(257,150)	-
Operaciones Forestales Sostenibles S.A.	(34,543)	-
Operaciones Forestales Sostenibles S.A.	(275,386)	-
Sub-total	(2,911,009)	(1,524,508)
Net variation of impairments on loans	(1,386,501)	(1,524,508)
Variation of unrealised gains/(losses) of equity-type securities	31/03/2024	31/03/2023
Simplemente Madera Marketplace S.A. (Equity)	(81,386)	(81,386)
Bluwood Industries S.A. (Equity)	3,314	249,210
In The Woods by Fundecor S.A. (Equity)	(205,800)	(205,800)
Operaciones Forestales Sostenibles S.A. (Equity)	(180,237)	(180,237)
Izabal Wood Company S.A. (Equity)	(5,216)	(5,216)
Fundecor Bosques S.A. (Equity)	(147,000)	(147,000)
Forestal Naj-Ché S.A. (Equity)	(399,980)	(139,031)
Sub-total	(1,016,305)	(509,460)
Net variation of impairments on equity	(506,845)	(509,460)
Variation of Write Offs	31/03/2024	31/03/2023
Fundación Naturaleza Para la Vida	(16,980)	(16,980)
Net variation of Write Offs	0	(16,980)



Forest management needs to benefit small farmers to create forest conservation incentives

NOTE 7
DEFERRED CHARGES AND OTHER RECEIVABLES AND ASSETS

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

Advisory fees	74,795
Audit fees	38,610
Administration fees	31,867
AIFM Fees	6,355
Transfer agency fees	4,031
Custodian fees	4,011
FATCA fees	2,709
Securities transaction fees	1,236
Salaries and wages paid	964
Subscription Duty	761
Fees on VAT serv	556
CSSF	499
Domiciliation fees	474
Total	166,868

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

Representation fees	1,739
Legal fees	972
Telecommunication exp	710
Correspond. charges	127
Other fees	55
Total	3,603

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

Interest receivables from Bank accounts	2,960
Receivables and Other Assets	2,660
CSSF Tax	1,996
Total	7,616

NOTE 8
OTHER ADMINISTRATION COSTS

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

Communications fees	2,809
CSSF Tax	2,216
Fees on VAT service	1,689
Post & Communication	1,403
Other fees	636
Membership fees	381
Total	9,134

NOTE 9

FOREIGN EXCHANGE RATES

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

1 USD =	0.93	Euro
1 USD =	36.81	Nicaraguan Córdoba
1 USD =	7.80	Guatemalan Quetzal
1 USD =	16.56	Mexican Peso

NOTE 10

STAFF

The SICAV employed three full-time staff, one part-time staff member plus one consultant at the reporting year ended on 31 March 2024. 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 period, 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

As at the reporting date, the Fund has no outstanding commitments of shareholders for share subscriptions.

NOTE 12

POSITIONS IN HIGH RISKS OR MONITORED JURISDICTIONS

As at the reporting year, no country in FCCF's portfolio is part of the jurisdictions included in FATF's list of High Risk or Monitored Jurisdictions or the EU List of High Risk countries.

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 24 JUNE 2024

In April 2024, the Fund invested USD 100k in working capital for Woodpecker de Nandayuré S.A. and in May 2024, USD 50k in preferred equity shares in Forestal Naj-Ché S.A..

On 24 May 2024, the SICAV launched a third compartment, the Female Entrepreneurship Fund.

Imprint

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**Forestry and Climate
Change Fund**



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