



Disclosure statement

Operating principles for Impact Management

Investing for Development SICAV, October 2025

Investing for Development SICAV (IFORD) is a Luxembourg-based open-ended investment company (*Société d'Investissement à Capital Variable*) that operates as an umbrella fund with multiple sub-funds, including Luxembourg Microfinance and Development Fund (LMDF), Female Entrepreneurship Fund (FEF) and Forestry and Climate Change (FCCF) Sub-Funds.

IFORD mission is to channel capital into sustainable development initiatives, particularly in emerging markets, by investing in financial institutions and enterprises that promote social and environmental objectives. The Fund prioritises impact investing practices and aligns with EU regulations, aiming to support activities that contribute to female entrepreneurship, tropical forest restoration, and inclusive finance.

Investing for Development SICAV (the “Signatory”) hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the “Impact Principles”).

This Disclosure Statement applies to the following assets (the “Covered Assets”): The Forestry and Climate Change Sub-Fund (FCCF). The total assets under management of FCCF in alignment with the Impact Principles are USD 5.4m as of 31st March 2025.

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21th October 2025

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Principle 1:




Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.








FCCF's impact intent is rooted in the recognition that secondary and degraded forests are often undervalued by local communities and economic actors due to their limited perceived utility. The Fund seeks to transform this perception by demonstrating that, through sustainable management and fair value chain development, these forests can become economically viable and socially valuable assets.

By unlocking their potential to generate income and deliver environmental and social benefits, FCCF aims to foster greater local stewardship, reduce deforestation and degradation, and catalyse long-term forest restoration.

FCCF Theory of Change is articulated on three main axes: Natural Capital, Value Chains and Equity & Inclusion.

	 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 mobilization 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 compositions and carbon stocks.	Sustainable value chains for SDF wood developed. 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.				
							

The Fund's vision and mission have been translated into the following strategic impact targets consistent with the theory of change, investment strategy and social and environment goals of the Fund:

- **Natural capital from secondary and degraded forest increased, and deforestation and forest degradation were reduced.** This progress includes supporting biodiversity, enhancing carbon sequestration, and improving ecosystem services. The Sub-Fund tracks these improvements using indicators such as the number of hectares under sustainable management (SDG 15.1) and the total tonnes of CO₂ sequestered (SDG 13.1).
- **A fair and inclusive value chain for timber derived from secondary and degraded forests was established.** This approach encourages the use of lesser-known timber species, enhances market access, and supports the growth of local enterprises, all to ensure economic viability and community resilience. Progress is tracked using indicators such as the total volume of timber produced from these forests (SDG 11.c) and the total income generated from sustainably sourced timber (SDG 15.b).
- **Socio-economic opportunities and livelihoods derived from secondary and degraded forests for small forest owners, communities, indigenous peoples.** The Sub-Fund focuses on supporting forest-dependent and marginalised groups through investments that promote fair sourcing practices, community forestry, and the integration of a gender perspective across all operations. Progress is measured by indicators such as the number of communities directly and indirectly impacted (SDG 10.2 & 13.b), the number of landowners receiving investment (SDG 8.3), and the total jobs created (SDG 8.3).



These targets are not only aligned with the Sustainable Development Goals, but also support global and national initiatives such as the Bonn Challenge, FLEGT (Forest Law Enforcement, Governance and Trade), and country-specific objectives.

Principle 2

Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

The portfolio has been constructed in such a way that the impact of each project may help to strengthen the portfolio as a whole. For instance, the improvement of access to export for one product may have a broader beneficial impact on the creation of value chains, which enables other non-directly related projects to benefit. This means that it is essential for the Sub-Fund to monitor its strategic impact on a portfolio basis, in order to assess the efficacy of the Theory of Change.

FCCF has institutionalised a robust process to manage impact at the portfolio level, mirroring the rigour applied to financial performance.

1. Integrated Investment Process

FCCF's investment process is aligned with its impact intent at every stage, from screening and due diligence to exit.

It begins with a rigorous screening and due diligence phase, where potential investments are assessed for financial viability, ESG risks, and alignment with international sustainability standards such as the Forest Stewardship Council® Principles. Once a proposal passes this stage, it is submitted to the Investment Committee (IC), which evaluates the financial structure, whether equity or debt, and the expected impact outcomes. FCCF maintains close proximity to its investees through regional advisors, enabling continuous monitoring and timely risk management. The Sub-Fund also sits on the boards of its investees, ensuring governance oversight and the ability to respond swiftly to changes in financial or impact performance.

It is essential for FCCF operational model that each investment is assessed not only for financial viability but also for its contribution to the Sub-Fund's Theory of Change. This ensures that both financial and impact considerations are embedded throughout the investment lifecycle.

2. Portfolio-Level Impact Monitoring

The Sub-Fund defines key environmental and social indicators for each investment and aggregates these at the portfolio level. These indicators are reported biannually and reviewed by the fund management team as well as during the Investment Committee meeting. This allows FCCF to monitor how the portfolio as a whole is performing against strategic impact targets, and to identify trends, gaps, or areas for improvement. [Annual and semi-annual reports](#) are published on the Sub-Fund website.



3. Strategic Learning

FCCF's Theory of Change is not static; it is used as a strategic tool to assess the efficacy of the portfolio's impact. The Sub-Fund utilizes a systemic review of the projects financed and their results, both positive and negative, to support its strategic learning and ongoing adaptation process.

4. Staff Incentives Linked to Impact

The Sub-Fund's [remuneration policy](#) is such that the Fund Management team's variable remuneration is partly contingent on the Fund's environmental and social performance. This alignment of incentives ensures that impact is not just a reporting requirement but a performance driver.

Principle 3

Establish the Manager's Contribution to the achievement of impact.

The Manager shall seek to establish and document a credible, transparent narrative on the investor's contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels, and assessed for the individual investment, or from a portfolio perspective. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

FCCF establishes its contribution to impact through a transparent, evidence-based approach that combines both financial and non-financial support. As a blended finance vehicle, the Sub-Fund offers catalytic capital to forestry projects that often face obstacles accessing traditional investment, while also providing tailored technical assistance to enhance sustainable forest management, biodiversity conservation, and community engagement.

The Sub-Fund plays an active governance role by participating in investee boards, promoting strategic alignment with impact objectives. FCCF's contribution is systematically tracked through a three-pillar impact framework: natural capital, value chain development, and equity and inclusion. These are supported by robust monitoring systems and regular reporting, ensuring that both financial and impact considerations remain central throughout the investment lifecycle.

For each investment, a detailed baseline scenario is established, reflecting conditions prior to FCCF's involvement. This scenario is based on forest inventories and an analysis of local economic, environmental, and social factors. During due diligence, likely outcomes following Sub-Fund intervention are projected, allowing for a clear assessment of FCCF's added value. These projections are then used as benchmarks for ongoing monitoring after investment, helping to track progress against initial targets with measurable evidence.

In addition to capital and expertise, the Sub-Fund supports investees with continued technical assistance, strengthening their capacity and maximizing positive outcomes.





Through this integrated approach, FCCF ensures that its role and impact are not only clearly documented, but also continually assessed and improved to advance its strategic objectives.

Principle 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment, the Manager shall assess, in advance and, where possible, quantify the concrete positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact differing from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow international best practice conventions.

FCCF's investment file includes a comprehensive evaluation of each potential investment across financial, environmental, social, and governance dimensions.

Each project begins with a thorough screening and due diligence process, during which its financial viability, social and environmental risks, and alignment with international sustainability standards are assessed. This is followed by an in-depth feasibility study that includes site visits and detailed evaluations of environmental and social performance, utilizing structured checklists to confirm risk categorisation and the effectiveness of mitigation strategies. A baseline impact analysis is conducted to assess the investment's potential positive effects and to identify opportunities to maximize its impact, aligned the organisation's capacity to meet FCCF's environmental and social requirements. For projects involving community engagement, the assessment also examines governance structures, participatory processes, and benefit-sharing mechanisms, ensuring that both formal and informal leadership structures are considered and that the community organization genuinely represents local perspectives.

FCCF employs a structured risk assessment framework that ensures robust oversight at every stage of the investment process. Each investment undergoes a detailed evaluation, including country and asset-level risk ratings that take into account factors such as governance, operational environment, and market exposure. Environmental and social risks are categorised according to internationally recognised standards, with projects assigned risk categories (such as Category A for high risk) and appropriate mitigation





measures proposed for each. This process assesses the likelihood of achieving the intended impact and identifies potential barriers, such as weak governance structures, insufficient biodiversity monitoring, or limited technical capacity.

Oversight is further strengthened by the involvement of FCCF's Investment Committee and Risk Committee, which review all risk assessments in detail, and by maintaining board-level participation in investee companies to monitor progress and respond proactively to emerging risks.

Impact data at the level of each investee are recorded in the internal systems of the Sub-Fund and presented in an aggregated manner once a year in the [Annual Report](#). FCCF strives to align with best practices, such as those outlined by IRIS+, as much as possible in support of the ongoing development of industry standards.

Principle 5

Assess, address, monitor and manage potential negative impacts of each investment.

For all investments, the Manager shall seek to avoid, minimize, or mitigate potential negative effects by assessing and monitoring Environmental, Social and Governance (ESG) and other nonfinancial risks, as well as the performance of the investee in managing material ESG issues. Where appropriate, the Manager shall engage with the investee company to seek its commitment to take action to address potential gaps in current investee systems, processes, and practices, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, provide support where appropriate, and address unexpected events.

The Sub-Fund requires its investees to align with international sustainability standards, such as the Forest Stewardship Council® Principles and Criteria (FSC P&C), and encourages them to seek certification after investment. The Sub-Fund applies a precautionary approach, seeking to avoid or minimise harm through tailored mitigation strategies.

To address potential negative impacts, the Sub-Fund conducts a thorough social, environmental, governance, and financial risk and mitigation analysis during its initial due diligence. These guiding principles are detailed in the FCCF's [Environmental and Social Principles](#), which are publicly available on the Sub-Fund's website. Information about potential adverse impacts and mitigation measures is also disclosed on the Sub-Fund's [ESG page](#).

The ability to assess, address, monitor, and manage potential negative impacts is reviewed by the Investment Committee before approval. This ESG focus continues throughout the investment's life, with ongoing monitoring and, where needed, Technical Assistance to address areas of concern. In equity investments, the Sub-Fund takes board positions, providing greater oversight and control in managing and assessing negative impacts.

Monitoring is continuous and supported by local advisers and technical assistance. FCCF tracks key risk indicators and engages directly with investees to address any emerging issues or gaps in ESG performance. The Sub-Fund also reports on Principal Adverse Impacts (PAIs), as required



under EU regulation, and discloses how these are managed across its portfolio. This transparent and adaptive approach ensures that FCCF not only delivers positive impact but also actively safeguards against unintended harm.

Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

FCCF monitors the progress of each investment in achieving impact through a structured and transparent results framework that is embedded across the investment lifecycle. The baseline established during the due diligence serves as a reference point for projecting expected outcomes and defining measurable impact targets across FCCF's three strategic pillars: natural capital, value chain development, and equity and inclusion

Monitoring is conducted through a predefined process that includes regular data collection, reporting, and engagement with investees. Investment recipients are contractually required to provide performance data to FCCF's Investment Adviser, who conducts on-the-ground monitoring in collaboration with one FCCF staff based in Central America. The investees receive clear guidance on the indicators to be tracked, the frequency of reporting (typically biannual), and the methods and responsibilities for data collection. This information is aggregated into progress reports reviewed by the Fund Manager to assess alignment with predefined targets.

When monitoring reveals that an investment is not on track to achieve its intended impact, FCCF takes corrective action, which may include technical assistance, governance engagement, or strategic adjustments.

The Sub-Fund also uses the results framework to capture broader investment outcomes and lessons learned, which are fed back into portfolio management and shared across the organisation to enhance future performance. Any concerns are escalated to the managing bodies of the Fund, who will decide on the best course of action, to ensure that expectations can be reached.



Principle 7

Conduct exists considering the effect on sustained impact.

The Manager shall, in good faith and consistent with its fiduciary responsibilities, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

FCCF approaches exit strategies with a strong commitment to sustaining the positive impacts generated through its investments. At the heart of the Sub-Fund's approach is the recognition that the timing, structure, and process of its exit can significantly influence the durability of environmental and social outcomes, especially in the context of long-term forest restoration and community development. The Sub-Fund incorporates exit planning into the initial investment structuring and maintains a focus on impact through ongoing portfolio management.

To achieve this, FCCF employs a variety of financial instruments, such as loans with predefined terms and equity positions where exits are less certain. For equity investments, the Sub-Fund often holds board seats, enabling active governance and preparation for responsible transitions that preserve the investee's mission and impact objectives. The FCCF's Investment Committee (IC) plays a crucial role in approving investments, evaluating both financial recommendations and expected ESG outcomes. Debt arrangements, including senior and subordinated loans, are structured to mature in alignment with the Sub-Fund's lifecycle, while equity exits are governed by shareholder agreements detailing share sale mechanisms.

Throughout the investment period, FCCF maintains close engagement with investees, facilitated by regional advisers and board representation, allowing for regular monitoring and adaptive management. Should financial or extra-financial conditions deteriorate, the management team promptly reports to the IC for analysis, and any potential divestment is carefully assessed for its implications on both financial and environmental performance.

When planning exits, FCCF evaluates whether investees have developed the capacity, systems, and partnerships necessary to independently sustain impact. The Sub-Fund also documents lessons learned from each exit, using this knowledge to refine its strategies and align with international best practices, thereby safeguarding the long-term integrity of its impact objectives while fulfilling its fiduciary responsibilities.

By embedding responsible exit planning and systematic review into every stage of the investment lifecycle, FCCF ensures that both immediate and sustained impacts are realised, and that knowledge gained continuously enhances future investment processes and outcomes.





Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

The Sub-Fund is committed to continuously integrating lessons learned from its processes and investments into its evolving Environmental and Social Management System (ESMS).

FCCF keeps a log of all strategic issues in its Board Meeting minutes. These issues are reviewed on a regular basis, so that it can improve its processes. The Sub-Fund believes that its investment recipients should also be able to learn from the examples of other investments, and therefore, when feasible, workshops are organized by the Sub-Fund bringing together lessons learnt within the various projects.

The Sub-Fund enforces a structured approach when it comes to review and improve decision making based on the achievement of impact and lessons learned.

1. Continuous review and strategic learning

FCCF integrates a culture of continuous improvement into its impact management framework. The Sub-Fund systematically reviews the performance of each investment by comparing expected versus actual impact outcomes. This is done through a combination of quantitative KPIs and qualitative assessments. These findings are not only documented in internal reports and external disclosures but also used to inform strategic learning and portfolio-level decision-making.

2. Embedding learning into practice

The Sub-Fund's Theory of Change is treated as a living framework, regularly revisited, if needed, to reflect new insights and evolving realities on the ground. FCCF conducts systemic reviews of its financed projects, capturing both positive and negative outcomes. These reviews feed into an adaptive management process that allows the Sub-Fund to refine its investment criteria, technical assistance strategies, and environmental and social risk protocols.

3. Governance and feedback loops

FCCF's governance structure supports the ongoing learning process through regular engagement with its Investment Committee and Risk Committee. These bodies review impact performance data and ensure that lessons learned are translated into operational improvements.





4. Retrospective Impact Assessment

The [FCCF 2018–2023 Impact Report](#) was developed to reflect on the Fund’s foundational years, capturing both the achievements and challenges encountered across its portfolio. This retrospective analysis is essential not only for demonstrating accountability and transparency but also for informing future strategy. By comparing expected and actual impact outcomes, the Sub-Fund identifies what worked, what didn’t, and why; enabling it to refine its investment approach, strengthen ESG safeguards, and enhance its technical assistance model. Looking back is therefore not just a reporting exercise, but a critical step in building a more effective and resilient impact investment platform.

Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the extent to which impact management systems are aligned with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall be publicly disclosed, subject to fiduciary and regulatory concerns.

The Sub-Fund reaffirms its commitment to [publicly disclose its alignment](#) with the Impact Principles and to ensure regular, independent verification of this alignment.

To this end, the Fund engaged Luminis Advisors, LLC, an independent advisory firm headquartered at 6304 Blackwood Road, Bethesda, MD 20817, Maryland, to conduct a verification of its compliance with the Impact Principles. Luminis Advisors specialises in providing a range of solutions, including verifications based on the Operating Principles for Impact Management (OPIM). The results of this assessment, completed on 29 August 2024, are available on the Sub-Fund’s [website](#). The Sub-Fund will continue to conduct independent verifications on a regular basis, with the next verification planned for 2027.

FCCF published [semi-annual and annual reports](#) that provide up to dated information both on the financial and impact performance of the Fund.

At the end of 2024, FCCF published its first [Impact Report](#), a comprehensive reflection of the Fund’s progress and achievements in sustainable forestry and climate resilience. Covering the period from 2018 to 2023, it captures the foundational years of the Fund’s operations, when key strategies, partnerships, and impact frameworks were established and tested.

This timeframe is crucial as it marks the transition from early-stage investments to measurable outcomes, offering insights into how FCCF’s blended finance model and technical assistance have delivered both environmental and social value. The report not only demonstrates accountability and transparency but also serves as a strategic tool for learning and scaling future impact.

