

<b>DATE:</b> 2017/05/15	<b>12Tree Sustainability Approach</b>	 <b>1·2·TREE</b>
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<b>Object:</b>	Self-assessment for evaluating sustainability at the operational level
<b>Further applicable documents:</b>	12Tree Sustainability Approach Presentation

**1 - How do you currently consider and promote sustainability (ethics, ecology, social responsibility, good corporate governance) within the investment processes that you manage?**

We promote sustainability through a holistic view on our farm management activities and a consideration of synergies between the environmental, economic, social, and governance dimensions.

First, the farm's use of resources is measured to reduce or boost certain impacts – not only on the farm's territory but in the wider community. The collection of farm data focuses on aspects such as social and human capital, land use history, soil characteristics, soil conservation practices, irrigation system, use of fertilizer/nutrients, compost, biodiversity, electric energy and fuel use, etc.

Second, for each of the key environmental and social issues relevant at farm level, Key Performance Indicators will be presented on a yearly basis. The metrics reflect our actions regarding the protection and the improvement of habitats for biodiversity, the energy use, the soil quality monitoring, the livelihood, the water quality (and quantity) use, our waste management. The aim is to arrive at more uniform criteria for measuring and reporting on farm sustainability. These indicators will allow us to track the performance of each farm and to compare between farms in the same region (or country) and over the years.

Third, social measures implemented by the company will be adapted to the specific human and local contexts. This step is about building practices that will help us foster more inclusive economic development and to improve livelihoods, while, at the same time, to protect natural resources and the physical and human environment of the region. This does not only concern the 12Tree Finance plantations and workforce. Our action should be, wherever possible, also of benefit to the wider region and community.

More than just listing good practices, we consider the synergies of usages based on the principles of the circular economy. This includes for example the re-usage of water, the use of cocoa bean shells for creating a landcover and the recycling of organic waste.

By no means, this indicator framework pretends to replace international certifications such as Gold Standard, UTZ, Organic Certification (this certification will be considered for some of the agricultural projects) which we will try to obtain for our projects.

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## 12Tree Sustainability Approach



### **2 - How do you help motivate the management in your target investments to comply with ESG factors?**

At 12Tree we are fully aware that the challenge of managing natural resources sustainably is fundamentally a social one, which requires:

- collective action. The employees will only identify with and fully commit to the project (and thus make the project a sustainable one) if the working conditions are good. Paying acceptable salaries and additional social benefits (with special focus on gender equality throughout all ranks) is not only vital for the farm workers to lead a good life but also translates into lower staff rotation.
- the sharing of knowledge between the company and regional farmers to improve land use and better agricultural and forestry practices.
- employing people, who understand and appreciate the benefits of a sustainable approach to agriculture and who have the knowledge to implement it. The long-term objective for all forestry investments under the mandate is to establish permanent cover forest or to create the conditions that this can be achieved in the future. This is partially also the case for cocoa development projects that are transitioned to a higher diversity and share of trees towards the end of their productive life.

Where 12Tree is not directly in charge of implementing the projects, the company 12Tree selects an operator who has to implement management processes that consider environmental protection measures wherever feasible and actively supervise them. 12Tree specifies how to manage the projects. These requirements need to be respected by the field operators and will be evaluated on a regularly basis.

Finally, the external "Social Forestry" expert firm Kinomé has been contracted by 12Tree management to visit the projects every other year and to make recommendations to constantly improve the field activities. Kinomé will pay particular attention to land tenure, social benefits, inclusion of small holding family farmers, infrastructures, minorities, women and youth groups, etc.