



Responsible Investment in Timberland and Farmland

GMO Renewable
Resources
2017

Since its founding in 1997, GMO Renewable Resources (GMORR) has been dedicated to the acquisition and sustainable management of globally diverse portfolios of timberland and farmland for the benefit of our institutional clients. Our philosophy of managing for the long term – rather than for immediate and sometimes volatile gain – informs our stewardship of the land and forests with which we have been entrusted. Fundamental to GMORR's investment policies and practices is our belief that there need not be conflict between promoting sustainability and our fiduciary duty to maximize client returns.

Core tenets of our rural land investment strategy from the outset have included supporting and obtaining third-party environmental certification for forestry investments, seeking out projects that are environmentally beneficial as well as profitable, and declining projects that we believe do not meet developed-world standards of environmentally sound practice. While consistent standards for third-party agricultural certification beyond organic remain much less developed than those for timber, GMORR is exploring ways to codify and track beneficial environmental practices in our farmland portfolio.

In affirmation of this long-standing approach to forestry and agriculture investing, we are a signatory to the United Nations-supported Principles for Responsible Investment ("PRI"). In addition to Environmental practices, the PRI Six Principles require investment managers to demonstrate commitment to management of Social and Governance issues, collectively termed "ESG." Our primary focus in ESG issues falls under the Environmental category, not because Social and Governance issues are not important,

but because we believe that, given the nature and structure of our investments, we can have the greatest potential impact, both positive and negative, on environmental issues. As part of our commitment under the PRI Principles to report on our activities and progress toward implementing the Principles, this report highlights a number of policies and practices that comprise our "ESG" focus and describes how they advance our commitment to the Six Principles of Responsible Investment. At GMORR, we view our ESG approach as evolutionary, building on our historical foundation of responsible investment, first in timberland and then in farmland. This third edition of our report updates information on a number of ongoing ESG-related projects and initiatives underway and includes new projects and additional areas of ESG-related focus as part of our continuous improvement efforts. We will continue to revisit this document from time to time to include updates on new initiatives and to report on our progress in responsible investing.



Eva Greger

Founder and Managing Director of GMO Renewable Resources, LLC

PRINCIPLES FOR RESPONSIBLE INVESTMENT

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time). We also recognize that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

GMORR's Approach

To ensure that our timberland and farmland investment management activities incorporate ESG factors in addition to client return objectives, GMORR seeks to both document our current policies and practices and set future goals related to ESG issues. While we have always strived to invest responsibly and sustainably, believing that sustainable management makes sense from both a client return and forest and land stewardship perspective, documenting and reporting on our approach has become a more recent focus. Writing about ESG-related expectations and actions helps prioritize ESG factors both amongst our staff and with third-party managers, tenants, and service providers.

As a framework for reporting on our current efforts, we have articulated how GMORR is fulfilling each of the Six Principles of Responsible Investment promulgated by PRI (see Appendix). In our last report, we noted the formation of an internal ESG Oversight Committee tasked with overseeing our progress on and reporting about Environmental, Social, and Governance issues, including reporting to the PRI. In this issue, GMORR can report that the Committee now meets approximately quarterly to review ESG initiatives and issues and to direct committee members to appropriate resources in the resolution of ongoing issues.

Annually, PRI signatories are asked to complete relevant modules of a reporting framework for their asset class. The results feed into a Transparency Report, which is then evaluated and scored by PRI in the annual Assessment Report. GMORR completed the Strategy and Governance module, the available module for timberland and farmland managers, and achieved the highest possible score of A+ on the Strategy & Governance module in the 2016 PRI reporting and assessment process. The PRI assessment is based on a public Transparency Report which is available at: <https://www.unpri.org/organisation/gmo-renewable-resources-llc-142840>

In striving to further enhance the incorporation of ESG principles into our investment approach, GMORR draws on relationships with a wide range of conservation, forestry, agriculture, ethics, and regulatory organizations. GMORR's memberships, partnerships, consultations, and other forms of collaboration include current and prior engagements with the PRI initiative, Field To Market®, the Sustainable Forestry Initiative (SFI), the Forest Stewardship Council (FSC), the National Alliance of Forest Landowners (NAFO), Ceres, Manomet Center for Conservation Science, American Society of Farm Managers and Rural Appraisers (ASFMRA), Society of American Foresters (SAF), the National Council for Air & Stream Improvement (NCASI), the USDA's Natural Resource Conservation Service (NRCS), New Zealand Institute of Forestry, New Zealand Society of Animal Production, New Zealand Grasslands Association, and many others.



Environmental

Given that we are investing over a long time horizon in renewable, land-based resources, our environmental policies and practices across forestry and agriculture investing are particularly relevant. We strive to manage farms and forests sustainably, and require that property managers and lessees we work with do the same. We have developed a “GMORR ESG Policy Statement for Third Parties,” that outlines GMORR’s overall ESG philosophy and asks property managers and lessees to acknowledge the general principles and work, in consultation with GMORR staff, to develop management approaches that support these principles. Below, we detail a number of these principles and practices that we believe demonstrate our commitment to environmental sustainability.

Invest and manage for the long term

As long-term investors, we believe that careful stewardship can enhance long-term total returns for our clients. Given that we target both timber and farmland assets for their biological yield and productive capacity, sustainability truly matters to our business’ viability. We avoid investing in regions and asset classes with ongoing poor environmental management, and also avoid investing in specific properties where the likelihood of future environmental problems is identified in our due diligence. Environmentally irresponsible management of soil resources (allowing soil degradation resulting in loss of organic matter, high rates of erosion, nutrient leaching or soil compaction, etc.) may soon be reflected in depressed crop yields, pasture growth, or tree growth. These can negatively affect returns from direct operation as well as leasing, as farmers are less willing to lease properties with a history of declining yields. The negative impact of poor management will also impact the sale of a property, because a recent track record of reduced crop yield or tree growth can be expected to affect the offer prices received from potential buyers.

As value investors, we do consider properties for acquisition where we are able to buy at a favorable price and then mitigate the effects of poor prior management. For example, on some of our farm properties, we have been able to mitigate erosion with practices such as stream bed remediation, establishment of cover crops along riparian zones, conversion of flood irrigation to center pivot irrigation, and reduced tillage practices. Moreover, we recognize value can be generated by investing in a series of improvements and efficiencies to amplify the performance of the underlying asset. These improvements can be classified as: ecosystem service improvements, infrastructure and scale improvements, and farm management improvements, as defined below:

- **Ecosystem Service Improvements:** By optimizing ecosystem function, we can improve soil health, fertility, water retention, biodiversity, and overall productivity. Examples of these improvements include: cover cropping, rotational grazing, no-till farming, and silvopasture (practice of combining forestry and grazing of domesticated animals in a mutually beneficial way) operations. By enhancing ecosystem services, GMORR seeks to externalize costs to the ecosystem.



- **Infrastructure and Scale Improvements:** GMORR emphasizes on-farm production for these improvements. We recognize the long-term benefits of improved irrigation efficiency, enhanced vegetative filter strips, and comprehensive fuel storage and containment policy.
- **Farm Management Improvements:** The right farm management team is essential to success. On the ground third-party management teams need to understand and know when, where, and how to implement the strategies described above. Furthermore, tacit local knowledge can help identify alternative revenue streams (e.g. hunting leases, onsite power generation) and/or public incentives (e.g. conservation easements).

Optimize land use appropriately

GMORR considers a comprehensive understanding of local ecology paramount to successful land management. Understanding of a property’s nutrient endowment and hydrology informs our analysis of row and permanent crop viability, as well as projected yields for forestry investments. Innovative nutrient analysis allows our property managers to accurately identify portions of land best suited for specific varieties, and in some cases, can inform irrigation patterns.

Since GMORR’s first acquisition in 1998 of a 5,900-hectare New Zealand sheep and beef station, we have sought to optimize land use, enhancing value through improved management, with thorough consideration of ESG factors. In the sheep/beef station acquisition, for example, we optimized the land use by intensifying farming on the third of the property with the best soils, planting a third of the property with poorer soils to pine forest, and retiring a third of the property into native bush and recreational use. The pine forest benefitted the soil and also served to shelter livestock during bad weather. Within five years, we sustainably increased the stock units on one-third of the property beyond the level that had ever been carried on the whole property. We added value through the increased stock carrying capacity and the planted pines, and we also leased the native bush for recreational use, optimizing both environmental benefits and client returns.

Use water and other resources prudently, seek to improve water management, and prevent erosion



The presence of ample and secure access to water is always a key due diligence item for GMORR in acquisitions. Where GMORR investments draw on surface or groundwater resources, we ensure that all water use is properly permitted by all relevant government agencies. We seek economically feasible opportunities to improve water use efficiency and reduce waste. For example, GMORR has installed a network of climate data stations and soil moisture sensors on a farm in Uruguay to facilitate data-driven irrigation. This system allows us to apply water precisely when it is needed, optimizing the use of the water resource.



On the same farm in Uruguay, during the past year, we established a “shelterbelt” for wind protection, consisting of rows of fast-growing *Eucalyptus grandis*. When wind direction is relatively consistent, the planting of a shelterbelt can alleviate evapotranspiration to the leeward side of the planting, thus reducing plant stresses, benefitting plant growth and reducing irrigation requirements. Our modeling suggests that we may



realize a 10% reduction in irrigation expenses on these fields due to the reduced evapotranspiration. Given the fast growing nature of the *Eucalyptus grandis* species, we hope to have meaningful results to report about the magnitude of irrigation reduction achieved within five years. Efforts like these reduce investment operational costs while enhancing the sustainability of our operations.

We seek to monitor water usage and improve water quality and aquatic ecosystem health where possible. For example, on a New Zealand dairy farm, we have increased water use efficiency by developing a fixed irrigation system that applies lower rates of water more frequently to reduce waste and potential run-off, and we have developed a management plan to improve stream health. Recent capital improvements to the property, including fencing to keep cows away from the stream and associated wetlands and introducing native plants near the stream, have improved water quality and reduced erosion. The native plants provide a wide riparian strip to filter nutrients and provide shade (preventing excessive weed growth) while an extra buffer strip of pasture between the riparian zone and feed crops helps reduce run-off (containing sediment) from entering the stream. In addition, pivot bridges prevent physical disturbance to the creek bed while reducing contamination from dung on the pivot wheels. We continue to monitor water quality on the property to ensure that water exiting the property is cleaner than water entering the property.

Kakahi mussels indicate improving stream quality

In 2015, we were fortunate to have found a small population of Kakahi freshwater mussels on this dairy farm. We can report that the population is growing, which is a strong indicator of the improving stream health. To supplement existing practices, additional native plantings have been put in place to further improve habitat. Lastly, a new wetland reserve has been fenced off for protection and planted with additional native grasses.

Similarly, a riparian fencing program is in process on our organic beef farm in Queensland, Australia, which borders the McKenzie River, with the goal of improving water quality. The project received funding from the Reef Rescue Program, designed to improve the quality of water flowing into the Great Barrier Reef. We also utilize buffer areas of native vegetation along waterways at our farms in Uruguay.

Our use of cover crops in our directly operated farms, and our promotion of their use by our lessee farmers in the U.S., prevents soil erosion during the fallow season (see box on following page for detail).

GMORR'S COVER CROPPING INITIATIVE

Cover cropping produces crop residues that increase soil organic matter and help control weeds. Roots from cover crops also reduce soil compaction. When properly implemented, cover crop programs can not only reduce erosion, but also increase crop yields, sequester carbon dioxide, and increase on-farm biodiversity. These practices can also reduce the need for inputs such as irrigation and herbicides, thus also potentially improving operating margins while increasing sustainability. GMORR continues to promote implementation of cover cropping on targeted U.S. farms and all cropland hectares in Uruguay (where the practice is mandated) with the goal of refining best practices and expanding implementation in the near future. GMORR strives to harness agricultural processes such as nutrient cycling, biological nutrient fixation, and silvicultural modifications, such as closer spacing to inhibit weed growth as means of reducing inputs.



Where possible, favor low-tillage techniques and reduced synthetic chemical inputs

On our leased U.S. farms, no-till and reduced tillage practices are utilized on the majority of the land. We also use no-till for all row cropping on our directly operated investments in Uruguay (where no-till is government mandated) and on the row crop portion of our organic beef farm in Queensland, Australia.

Our managers strive to reduce chemical inputs, such as fertilizers and pesticides, as well as herbicides used in row crop harvest and forestry site preparation, and we support innovation in such efforts. We utilize crops that are resistant to insects and broad spectrum herbicides, reducing our overall insecticide and herbicide use. GMORR's property manager for sugarcane projects in Queensland is accredited under the SugarCane BMP ("Best Management Practices") based on reducing nitrogen applications by 20%. The accreditation was awarded on January 5, 2017 and is renewable every five years. This recognition is helpful in showcasing the contribution of best practices to our primary goal of improving long-term financial performance of the plantations by implementing sustainable management systems.

The organic beef operation is managed with pasture and forage crops that don't include agrichemical and fertilizer inputs, and animal husbandry is managed without the use of synthetic animal health products and growth hormones. While organic is an economically viable management technique for certain specialized properties like this beef station, on many of our conventionally managed properties in both the Northern and Southern Hemispheres, we strive to minimize inputs where possible.

ORGANIC BEEF WITH IMPROVED PASTURE

At GMORR's organic beef station in Australia, extensive plantings of leucaena, a leguminous shrub, aid in maintaining soil health on pasturelands – reducing erosion, fixing nitrogen, and providing nutritious forage for cattle.

Efforts are underway to measure soil characteristics and track changes in soil health over time under the improved pasture regime, in comparison to unimproved pasture.





Where proper conditions are present, such as in our greenfield mahogany plantations, further reductions in herbicide application can be achieved utilizing a silvopasture system: by allowing neighboring landowners to graze livestock on our developing forest properties, our managers save resources that would otherwise be devoted to weed removal. The system also allows for reductions in herbicide application, while the cattle or sheep benefit from feed variety and thermal cover within the forest canopy.

Dispose of effluent in an environmentally appropriate manner that meets or exceeds all legal and regulatory guidelines

In addition to meeting legal requirements with our standard practices, GMORR seeks opportunities to enhance effluent management, providing both environmental and economic benefits. In 2016, we constructed three large gravity-fed effluent filter and storage ponds on our New Zealand dairy farm to increase the number of days that the effluent can be stored so that it can then be applied to the pasture at the optimum time to avoid runoff into the stream and leaching into the water table. The effluent green-water is now applied to a larger area of pasture via a well-monitored and carefully controlled irrigation system and the solids are spread mechanically twice per year ensuring that the nutrients from the effluent are returned to the soil, which adds consistent fertility to the soil while reducing future fertilizer requirements. This new system is best-in-class and ensures that the farm's effluent has a positive effect on the environment.



Maintain and enhance soil fertility

GMORR's soil scientist, Dr. Jed Waddell, assesses soil conditions on prospective agricultural acquisitions and assists managers and tenants in determining best practices to maintain and improve soil fertility.

Dr. Waddell works to find economically viable management techniques that help us fulfill four key tenets of soil health:

1. Keep the soil covered as much as possible;
2. Disturb the soil as little as possible;
3. Keep plants growing throughout the year to feed the soil; and
4. Diversify as much as possible using crop rotation and cover crops.

The use of cover crops on GMORR properties, as described earlier, is one example of a farming practice that can help maintain and improve soil fertility. Because gathering key on-the-ground information is critical to managing soil fertility, GMORR employs third-party experts where needed to obtain data that can facilitate better decision-making. For example, on a 1,000-hectare farm in Uruguay, GMORR commissioned a detailed soil compaction study to accurately guide remediation efforts. In the U.S., we ensure our tenant farmers are not depleting soil nutrients by conducting pre- and post-lease soil tests.

Seek to conserve energy, utilize renewable energy sources where possible, and facilitate development of new renewable energy facilities where consistent with rural land management objectives

On recently-acquired U.S. farms, GMORR is replacing diesel irrigation well pumps with cleaner and more efficient electric pumps, where it is economically viable to do so. An additional benefit of this change is a reduced potential for fuel spills.

On certain farms and forests deemed to be suitable for renewable energy production, GMORR has worked with third parties to facilitate development of alternative energy sources. For example, we allowed the installation of wind turbines on land GMORR previously owned in New England and sold options to lease acreage for the development of a solar farm in Georgia.

Across a range of investment regions, GMORR has actively supported the development of biomass power and has been a supplier to biomass plants, which can reduce the environmental impact of power generation and make the most efficient use of forest resources.

Maintain third-party forestry certification where economically feasible

GMORR has over 1.4 million acres of forests and farms (as of 12/31/16) under management for the benefit of our clients. Eighty-three percent of our forest acreage in eight countries is certified under the SFI, FSC, NAFO, and AFS environmental standards. Overall, when the land associated with our USDA and Australian Certified Organic Beef investment is included, eighty-two percent of total GMORR farm and forest acreage is certified. We typically seek certification for our timberland assets under a national or international standard except in situations where we do not have full control of the assets (such as a joint venture partner in a structured investment) and in greenfield projects, which do not yet have cash flow to support the cost of certification.

Regardless of certification status, we work with our managers to ensure local best management practices (BMPs) are used on both timber and agricultural properties. In the U.S., our timber property managers require all parties performing work on GMORR properties to use the state-designated BMPs in all harvesting and forestry site preparation, beyond what is required under state forestry law.

Steward natural areas within investments

GMORR is committed to the stewardship of natural areas and other parts of our properties reserved from harvest due to the area's particular species, topography, wildlife, or wetlands delineation. For the majority of our natural tropical forest holdings, avoiding disturbance is a primary objective. Other examples of active GMORR stewardship of natural areas include conducting flora and fauna surveys on our Uruguayan properties, participation in a Michigan public-private workgroup to better manage deer wintering areas on a landscape level, and adding shade and erosion buffer strips to stream areas where the Kentucky Arrow Darter has been found on a GMORR property in Kentucky. This fish species has been proposed as threatened under the Endangered Species Act by the U.S. Fish and Wildlife Service. We also work cooperatively with both

PRIORITIZE CERTIFICATION WHERE ECONOMICALLY FEASIBLE

GMORR certifies 83% of our forest acreage across eight different countries, under the Forest Stewardship Council (FSC), the National Alliance of Forest Landowners (NAFO), and the Programme for the Endorsement of Forest Certification (PEFC) national standards including the Sustainable Forestry Initiative (SFI) and the Australian Forestry Standard (AFS).



STEWARDSHIP OF NATURAL AREAS IN CHILE

On a portion of native forest acreage in Chile, GMORR is working with the Chilean government on a voluntary program to conduct “ecological thinning.” This work stimulates a multi-story forest structure, with selective removals of overrepresented species facilitating a more diverse forest ecosystem. Ultra low-impact log extraction with traditional methods (animal-drawn) provides employment for the local community and helps maintain regional cultural heritage while achieving the ecological effects targeted by the government’s initiative.



federal and local wildlife and natural resource agencies to minimize the impact of our forestry and farming operations on wildlife and wildlife habitat.

In Australia, we partner with the government to steward 4,000 hectares of state forest reserve within our organic beef property, using controlled grazing by our cattle to keep the understory open and reduce catastrophic wildfire risk. In Chile, GMORR is participating in a voluntary program established by the Chilean government for improving stewardship of native forestlands (see box for detail).

In New Zealand, we adopted several management practices to improve falcon habitat as part of a local initiative to help preserve the rare New Zealand bush falcon.

In addition to stewarding native areas and wildlife within its properties, GMORR has begun piloting a farm-level Environmental Improvement Project (EIP) at a row crop farm in South Carolina. The goal is to test implementation of a set of complimentary environmental improvement strategies – whose positive impacts have been clearly demonstrated by scientific research – that could be replicated across GMORR’s U.S. Southeast row cropping portfolio. The four strategies selected and their objectives along with updates on 2016 progress are described in the following table:

Environmental Improvement Project (EIP)

Strategy	Primary Environmental Objectives
<p>1. Native grass ditch buffers Plant and maintain buffer strips of native grasses along ditches that drain cropland (similar to the native plant ditch buffers planted at GMORR’s New Zealand dairy property)</p>	<p>Reduce negative impacts of farming operations on downstream water quality. By establishing grasses with strong rhizome growth along stream beds, we can significantly improve habitat quality, reduce topsoil depletion, and strengthen filtration.</p>
<p>2. Nest box program Install and monitor bat and bird nest boxes along field edges and in non-cropped areas</p>	<p>With help from the National Audubon Society, we established 38 nest boxes, supporting cavity-nesting bird and bat populations.</p>
<p>3. Pollinator plots Establish and maintain insecticide-free plantings of diverse native wildflowers and grasses in delineated wetlands and other non-cropped areas</p>	<p>During the spring and summer of 2016, we established a two-acre pollinator plot on one property, providing year-round food and shelter for native pollinators and other beneficial insects. Site selection and preparation continues on several other properties, where additional plot establishment is being evaluated.</p>
<p>4. Longleaf pine forest establishment Plant and manage native longleaf pine on suitable non-cropped areas to improve wildlife habitat quality on farm landscapes</p>	<p>Contributing to regional ecosystem restoration, we established 11 acres of long-leaf pine stands on one of our properties. Efforts to expand the long-leaf initiative continue on our other properties, pending site preparation and testing.</p>

Along with potential environmental improvements, supporting ecosystem health across agricultural landscapes through the strategies above can also reduce the use of farming inputs, enhance sustainability, and increase return potential. For example, ditch buffers that help improve downstream water quality can simultaneously help avoid erosion of productive soil over time; nest boxes supporting insectivorous birds and bats can contribute to the control of agricultural pests; pollinator plots adjacent to farm fields can improve seed set of crops; and longleaf pine stands can both provide incremental revenue from straw raking and enhance the property's attractiveness as leasable hunting ground.

Over the past year, GMORR has built relationships with a local environmental non-profit and a university extension service that have assisted with planning and field work for the EIP pilot. To date, GMORR has installed the nest boxes and completed establishment for the ditch buffer, pollinator plot, and longleaf stand initiatives.

Pinus palustris, commonly known as the longleaf pine, is a pine native to the southeastern United States, found along the coastal plain from eastern Texas to southeast Virginia, extending into northern and central Florida. Once present in vast swaths of forest, today only a small fraction of the original longleaf pine forest remains, and little new stock is planted given preferences for faster growing varieties. We will continue to explore opportunities to expand longleaf pine plantings on other South Carolina properties throughout 2017.



Promote afforestation of plantation versions of high-value timber species

By demonstrating the economic viability of plantation versions of high-value timber species through our investment in the development of reliable sources of certified teak, mahogany, and sandalwood, GMORR supports the efforts of consumers and corporations to redirect their consumption away from non-sustainable sources. In Western Australia, we are growing native Australian sandalwood along with wheat and other annual crops. In Australia's Northern Territory, we are growing African mahogany with grazing and hay crops; and in Central and South America, we are growing plantation teak. By planting trees on the lower quality soils in these areas, we are not only optimizing land use, but we are also adding organic matter and canopy cover, thus restabilizing highly erodible soils previously planted completely to row crops. Knowledge and skills gained by our local managers and shared with others facilitates the engagement of other landowners in afforestation.



Support environmental research

GMORR and our local third-party property managers provide study sites, in-kind contributions, and/or financial support for a variety of university and governmental research programs. We support research aimed at solving environmental issues and improving farm and forest management. Supporting research is one way we demonstrate our role as good citizens and good neighbors, as the results can benefit both rural livelihoods and the forestry and agriculture industries. Examples of GMORR contributions to research related to current and former investments include:

- ▶ Financial support for the Purdue Hardwood Tree Improvement & Regeneration Center Cooperative and the National Council for Air and Stream Improvement; Forest Modeling Research Cooperative; Plantation Management Research Cooperative;
- ▶ Participating in a Queensland, Australia Department of Agriculture and Fisheries trial of biological control agents to combat woody Parkinsonia weeds on our organic beef farm;
- ▶ Study sites for the Watershed Health Monitoring Program conducted by the Washington State Department of Ecology;
- ▶ Financial support and study sites for research conducted by Michigan Technological University on maple decline;
- ▶ Study sites and financial support for black bear population research by the Maine Department of Fisheries & Wildlife;
- ▶ Financial support and study sites for a long-term, multi-disciplinary watershed study in northern Michigan; this research focuses on the winter forest ecosystem to understand watershed hydrology through monitoring long-term trends; and
- ▶ Volunteering data from permanent sample plots on our forest plantations to the National Agricultural Research Institute of Uruguay for use in their efforts to develop the country's first national eucalyptus and pine growth model.

Partner with conservation organizations to negotiate conservation easements and land sales where appropriate

Sustainable forestry and agriculture activities can be compatible with a variety of ecosystem services such as water filtration and carbon sequestration by forests, and recreation such as bird-watching and hunting on fallow agricultural fields. In addition, financial and other inducements are available to landowners willing to forego future development in favor of setting land aside for permanent conservation. GMORR has partnered with conservation organizations to establish easements on our lands and has acquired and managed a variety of properties with conservation easements in place at acquisition.

In addition, GMORR also has permanently preserved valuable habitat through land sales. One example is the permanent preservation of 300+ acres of boreal wetlands, fern gullies, and headwater forest in northern New Hampshire that GMORR provided to parties seeking mitigation for a nearby wind power project. We welcome opportunities to optimize conservation value for our investors while protecting land through easements and land sales.



Social

Our investments comprise a small part of the overall markets and societies in which we participate, and we respect the sovereignty of the people in each location where we invest. Foresters and farmers reside at the core of long-term sustainability for GMORR properties, so it is essential that we respect their rights as well as those of the local communities. We are, of course, committed to an overall policy of following applicable laws in the countries where we operate, including laws with extra-territorial effect, such as those dealing with anti-corruption issues. Our commitment to addressing social considerations in our investing includes the following tenets.



Require that property managers and other service providers observe all labor laws, treat workers humanely, and follow best practices

Prevailing forestry certification schemes require labor best practices, including, under certain schemes, compliance with conventions of the International Labour Organization. While not all of our properties are certified, particularly our agricultural properties for which such types of certification are not generally available, we apply similarly rigorous standards and strive to follow best labor practices on all of our properties. Such practices include respecting workers' rights to organize and collectively bargain, preventing forced and child labor, and implementing high standards for worker health and safety. Although our investment entities do not directly employ local workers, we require our property managers and other service providers to follow such labor best practices in connection with any work performed on our properties. We require managers to provide reporting on operational labor matters as they arise, and we audit compliance through regular site visits by our staff and, where appropriate, through third-party audits.



Invest in regions where land ownerships rights are well developed; make sure that acquisitions are completed legally, properly

GMORR invests in countries and regions where clear title to properties can be obtained and where farmland and timberland investing are established industries, with a competitive market for high quality property managers and lessees. We follow all requirements for government acquisition approval prior to purchase.

Avoid projects that convert high-conservation value forests

High conservation value forests as defined by the Forest Stewardship Council (FSC) are forests of outstanding or critical importance because they support extremely important environmental or social values (High Conservation Values). Such forests can be managed and portions may be harvested in accordance with FSC requirements, but additional care must be taken in the process. We would decline to participate in any efforts to change or remove such a designation.

Work cooperatively with traditional landowners

We have a history of working cooperatively with local landowners, including indigenous populations. In New Zealand, where much of the land is Maori-owned, we have successfully grown several rotations of timber on Maori land. GMORR has participated in joint ventures with two different Maori groups to acquire blocks of land from the New Zealand Government. GMORR grows trees for a rotation and then transfers full control of the properties to the Maori tribes at end of the rotation, thus facilitating Maori reclaiming ownership of native lands. These joint ventures have allowed GMORR to share knowledge and experience in this asset class in a way that provides a broader perspective and benefits the Maori land owners. Throughout New Zealand, GMORR has collaborated with the government and local Maori landowner groups to go above and beyond legal requirements in preserving historic sites. We have fully protected from disturbance a number of ancestral sites and opened access to the native people to visit these sites.

In Chile, GMORR has signed a cooperation agreement with a local indigenous community to allow community use of GMORR land, facilitate the community's development of ecotourism business, and provide technical assistance to the community in their own land management efforts (see box for detail).

WORKING COOPERATIVELY WITH THE PUELMAPU INDIGENOUS COMMUNITY IN CHILE

A cooperation agreement signed with the Puelmapu indigenous community in Chile has allowed for Puelmapu use of GMORR land to support community livelihoods. For example, GMORR lands are opened to cattle grazing by community members, and the agreement delineated an area for horse trekking along GMORR's native forest to support development of ecotourism business. GMORR also donated knitting machines to set up a small weaving facility for the community to produce handcrafted garments. We have also put our particular forestry expertise to use for the community, advising them on technical presentations to the Chilean Forestry Agency and hiring a facilitator to help the community access government subsidies for tree planting on their land.



Seek additional opportunities to contribute positively to communities

We strive to contribute positively to the communities in which our investments are located. Examples of such community engagement include:

- ▶ Allowing controlled public access to GMORR properties for running, hiking, hunting, snowmobiling, fishing, and a variety of other recreational activities;
- ▶ GMORR provides the land for more than 80% of the course of the annual Copper Dog 150 Sled Race in Michigan's Keweenaw Peninsula (see box below);
- ▶ Providing annual financial support for a local high school environmental competition for high school students and teachers interested and involved in conservation, natural resources, and environmental studies;
- ▶ In a number of developing countries, forestry and agriculture activities on GMORR lands provide employment for local people. For example, a small teak plantation in Panama provides as many as 60 jobs during planting season; and
- ▶ GMORR operations often voluntarily contribute to the maintenance and improvement of local infrastructure, which benefits local communities alongside our own operations. For example, we have collaborated on public road and bridge repairs with municipalities and neighbors. We have also helped with storm damage recovery in local communities.

THE COPPER DOG 150 SLED RACE draws thousands of people to the communities from all over the country and has become an important part of local tourism business. Without the relationship with GMO, this race would not be possible. As race photographer Adam Johnson notes,

"I can attest not only to the benefit of land use for the race, but to the community as a whole. A personal and professional thank-you to GMO."



- ▶ Following several local major earthquakes of magnitudes 5 to 7.5 last November, our New Zealand dairy farm (which was not damaged but benefitted from having an electrical generator during the ensuing power outage) subsequently took on an additional 129 cows from a local farmer whose milking shed was damaged beyond repair. The cows are being fed and cared for until the farmer can take them back, in return for which we have been allocated the milk receipts from the cows we are boarding.
- ▶ In Uruguay we support environmental education in the schools near our properties (See box below.)

ENVIRONMENTAL EDUCATION PROGRAM

As part of an initiative associated with our forestry properties in Uruguay, we sponsor environmental educators who visit regional public schools to introduce themes of social and environmental responsibility. Lectures range from biological science to encouraging environmentally friendly habits.



Governance

As a PRI signatory, we are committed to fulfilling the six principles of responsible investment and to making continuous incremental improvement on the specific policies and practices that comprise our commitment.

Because our portfolios invest directly in land and trees and not through passive investments in companies, traditional concerns around governance, and the methods of addressing those concerns, such as shareholder voting and setting reporting standards for direct managers of investments, are not precisely relevant to us. However, we are committed to maintaining either direct control or veto power over land use and operations in the majority of our portfolio, and to having a meaningful voice in governance in those operations not solely in our control. We consistently exercise any voting rights in funds or other structured entities in which we invest.

Additionally, our approach to Governance issues includes:

A firm-wide commitment

All employees have responsibility for ESG issues, including: the Investment Committee when selecting and evaluating investments; senior management when serving on boards of investment companies and reviewing property manager selection; forestry and farmland professionals when monitoring environmental and health and safety outcomes; and accounting and client service professionals when encountering information that should be conveyed to investors. Our ESG Oversight Committee is charged with overseeing GMORR's progress and reporting around ESG issues. Quarterly, the ESG Oversight Committee reviews ESG activity





reported by our investment managers through the quarterly reporting process. Annually, the Committee summarizes its oversight activities in a report to the Investment Committee.

Documenting expectations for environmental and social considerations with managers, tenants, and third-party service providers

Good stewardship of the land, awareness of environmental impact, and oversight of outside managers are inherent in our management and operations of the land. Our existing contracts require service providers to follow all relevant environmental laws, and all newly signed contracts explicitly require compliance with GMORR’s ESG policies. We monitor these issues as part of our overall forest and farm management, which includes strict oversight of our third-party property managers (including regular site visits by GMORR, monthly reporting, and quarterly reviews) and, where appropriate, compliance (and audit thereof) with third-party certification standards.

Participating in the development of policy, regulation, and standard setting through industry organizations and monitoring our own efforts to achieve the PRI goals

Through our participation in industry organizations, we advocate for development of policy, regulation, and standard setting in both forestry and agriculture. Internally, through our ESG Oversight Committee, we maintain an ongoing review process of our progress toward our ESG goals and standards, and complete the annual PRI report. This report serves as an overview of GMORR’s ESG activities. We continue to update this document annually to showcase additional initiatives and progress toward longer-term goals.



Future GMORR ESG Goals & Projects

While certification schemes (such as SFI and FSC) have long provided a structure within which to address ESG factors in the forestry sector, agriculture currently lacks a widely accepted, holistic certification scheme with relevant ESG standards and metrics appropriate for a wide range of agricultural investments. A long-term goal for GMORR is to develop more quantitative standards and measures of ESG factors relating to agricultural practices and management of institutional farmland.

We are currently developing and piloting a Sustainable Agriculture Standard, using our experience across a wide range of agriculture strategies as well as insights gained from years of forest certification management and development. Such a standard will serve as a common benchmark that can be applied across regions, crops, and livestock and will assist us in monitoring our property managers and lessees for ESG compliance. Once the general standard is in place, we will focus on refining details of the standard by agriculture type and geography. When complete, the standard will serve as GMORR's core resource for guiding our staff, property managers, tenants, and service providers with regards to ESG considerations in all agriculture-related activities.



We are also evaluating and testing potential data collection services and software to help track the indicators we identify. We have joined Field to Market: The Alliance for Sustainable Agriculture <http://fieldtomarket.org/>. The Alliance provides a common framework for sustainability measurement that farmers and the supply chain can use to better understand and assess performance at the field, local, state and national levels. Our membership enables us to fully utilize the Fieldprint® Platform, <http://fieldtomarket.org/our-program/fieldprint-platform/> a pioneering assessment framework that enables us to measure the environmental impacts of commodity crop production and identify opportunities for continuous improvement. Under the direction of Dr. Jed Waddell, we have begun a number of Fieldprint® projects to assess the environmental performance of our management practices against local, state and national benchmarks for key sustainability indicators. We hope to be able to report on the results of these projects in the next version of this report.



We are also testing a number of different types of software to facilitate and track our sustainable agricultural operations. Equipping operators with data on soil moisture and weather, as well as encouraging adaption to the data, facilitates more efficient resource utilization. Models such as the Fieldprint® Calculator, integrate soil, climate, and management into a few key environmental metrics around water, air, soil and biodiversity. Such feedback data informs management practices and helps GMORR track progress on efforts such as erosion mitigation, nutrient recycling, and moisture retention. Similar to the Fieldprint® calculator, we employ an algorithmic approach in Uruguay developed by FUCREA (The Uruguayan Federation of the Regional Consortiums for Agricultural Experimentation). Although we are in the early stages of implementation, we look forward to reporting on results of these projects.

While much testing and exploration of alternatives is still needed, and questions about ownership and management of data associated with any metrics we choose need to be addressed, the application of quantitative methods for tracking performance on environmental indicators will ultimately inform our agricultural investment acquisition and management. We will update our progress on the Sustainable Agricultural Standard in subsequent versions of this document.

Summary

GMO Renewable Resources is committed to managing forestry and farmland assets for our clients sustainably, taking into consideration environmental, social, and governance factors. We appreciate the trust clients place in us to meet their investment goals while acting as responsible stewards of the land and trees under our management and incorporating social and governance considerations in our procedures and initiatives. Our commitment to ESG issues informs all aspects of our business, and while we are proud of the many positive stories presented in this document, we continue to aim for incremental improvement as we work toward the development of an agricultural sustainability standard.



Appendix: How GMORR Fulfills the Six Principles

As a signatory of the PRI, GMORR is committed to the following six principles. Bullets under each principle describe GMORR's approach to fulfilling this commitment.

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

As evidenced by our signing of the PRI, we are committed to incorporating ESG issues into investment analysis and decision-making.

- Include commitment to ESG in investment policy statements.
- Include ESG section in investment committee acquisition write-ups.
- Include ESG section in due diligence write-ups, documentation.
- Report to investment committee annually on any relevant ESG issues relating to GMORR investments.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

By virtue of the fact that we primarily make direct real asset investments, we are, by definition, active owners.

- If we do not control the asset, we make sure that we have an active voice on the associated board or similar management structure.
- Support initiatives and resolutions to implement ESG efforts on boards on which we serve.
- Ask lessees and property managers to integrate ESG factors into work they do for us
- Include ESG factors in contracts, leases, etc., as appropriate.
- Ask property managers to undertake and report on ESG improvement efforts.
- Revisit relationships with service providers that fail to meet ESG expectations.
- Support the development of tools for benchmarking ESG integration.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

As managers of direct investments primarily, we generally have direct control and/or input.

- Ask for disclosure of ESG issues by sellers, lessees, and property managers.
- Where we invest indirectly, support disclosure of ESG issues and efforts, including asking for integration of ESG issues and efforts within annual management reports.
- Continue to develop ESG-related tools, metrics, and analyses for our agricultural investments.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

- Highlight to clients our participation in the PRI initiative.
- Dedicate resources to participate in PRI events.
- Collaborate with other forestry and agriculture investors/managers in efforts to develop benchmarks for Principles implementation in our industry.
- Support environmental research to help improve management of rural land assets.
- Participate in the development of policy, regulation, and standard setting through industry organizations such as The National Alliance of Forest Owners (NAFO), Sustainable Forestry Initiative (PEFC – North America), and others.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

- Dedicate resources to review and improve our approach to implementing the Principles.
- Collectively address any relevant emerging issues through working groups and conferences.

Principle 6: We will each report on our activities and progress toward implementing the Principles.

- Disclose how ESG issues are integrated into investment practices by completing annual PRI report.
- Create annual report that highlights GMORR ESG activity and progress in fulfilling the Principles.
- Include ESG section in internal quarterly investment data collection questionnaire, completed by GMORR investment managers.
- Disclose any relevant ESG issues in quarterly client reporting process.

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