

Financial expertise
in the service of nature

2024

Sustainable French Forest Management Charter



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Editorial

As the forest is home to almost 70% of terrestrial biodiversity, the challenge of protecting and developing it is fully integrated into France Valley's management process, which aims to go beyond what is required by law in terms of silvicultural management. This management charter aims to pursue sustainable forest management, its integration into the local economy, and its social acceptance. Article L1 of the French Forestry Code states that "the development and protection of forests are recognized as being in the public interest". According to this principle, *"sustainable forest management guarantees the biological diversity of forests, their productivity, their capacity for regeneration, their vitality and their ability to satisfy, now and in the future, the relevant economic, ecological and social functions, at the local, national and international level, without causing damage to other ecosystems"*. The purpose of this roadmap is to formalize the sustainable management approach chosen for the forestry business and to set out its main principles. This commitment by the management company is part of a set of measurement tools and labels for its funds and forestry assets.

As required by forest management, which demands adaptability and pragmatism, the guidelines set out below are not set in stone. They are intended to evolve, particularly considering climatic and scientific constraints that are still superficial.

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GLOSSARY

GUIDING PRINCIPLES

Forest management goals

Following Article L1 of the French Forestry Code, forest management is designed to reconcile economic, environmental, and social objectives.

Silviculture is designed to ensure the economic viability of forestry activities in the short and long term and to strengthen the competitiveness of the timber industry. However, sustainable forest management also aims to preserve the forest, its biological diversity, capacity for regeneration, and vitality. This leads France Valley and the forest manager to implement a differentiated management approach that meets financial and non-financial objectives for all or part of the forest. In this way, the forest manager considers the various possibilities for adding value to the wood and optimizes interventions to maintain and increase the value of the heritage.

Improving wood quality is also central to forest management, to enhance the long-term value of products, which leads the manager to select the best trees capable of adapting to current and future climatic changes. In addition, participating in the development and implementation of other policies for the preservation of biodiversity, rural development, and the protection and promotion of employment is an integral part of the manager's activity.

In this way, France Valley organizes the sustainable management of its forests to make the most of its products (timber, hunting rentals, etc.), while integrating socio-environmental objectives into its implementation.



"Our financial performance model is primarily based on increasing the value of forest stands through natural growth and overall improvement in wood quality. The behavior of the species in place and the associated prospects dictate our interventions".

OUR FORMAL COMMITMENTS



Private certification is designed to promote sustainable forest management, by establishing a traceability system proving the sustainability of the wood product, from upstream at the owner's premises to downstream at the end consumer's premises. Owners who have their forests certified by PEFC commit to respecting the rules of sustainable management at the national level, which may evolve. The certificate issued by PEFC lasts for 5 years, during which the areas covered by it may be audited to verify that the rules to which the owner has committed have been properly applied.



Private certification aimed at preserving and sharing the value of forests to meet the needs of present and future generations. Like PEFC certification, owners who have their forests FSC-certified undertake to respect the rules of sustainable management at the national level, which may change over time. The certificate, issued by an independent FSC-accredited organization, lasts for 5 years, during which time the areas covered by it may be audited to verify that the rules to which the owner has committed have been properly applied.



France Valley's GFIs and Foncière Europe have been awarded the Greenfin label by Novethic (on behalf of the French Ministry of Ecological and Solidarity Transition).



France Valley is a signatory to the United Nations Principles for Responsible Investment (PRI), whose aim is to better align investor interests with broader societal objectives. France Valley is therefore committed to being an active investor and reporting on its ESG investment commitments, as well as participating in the mobilization of the financial sector on ESG issues...



ARTICLE 9 – SFDR

All France Valley forestry funds are classified as "Article 9", meaning they pursue an environmentally sustainable investment objective. This category includes the most virtuous assets as defined by Europe.

1.5°C CLIMATE TRAJECTORY

For all its investments, France Valley aims to offer portfolios that are consistent with a 1.5°C climate trajectory.

SUSTAINABLE DEVELOPMENT GOALS

The forestry funds managed by France Valley meet 5 of the 17 United Nations Sustainable Development Goals.



FOREST CARBON INDEX

Since 2020, France Valley has published an assessment of the amount of carbon sequestered in its forests, stored in the wood products it sells, and avoided as a substitute for other materials. For its Forestry Investment Groups, France Valley uses the methodology developed by ADEME as part of the Label Bas Carbone program. This index in no way gives entitlement to compensation.

EUROPEAN TAXONOMY

France Valley's forestry investment funds are financial products that are 100% aligned with the European Taxonomy (cash excluded). This means that they invest in activities considered "sustainable" in the European Union's sense of the term, that they make a substantial contribution to achieving environmental objectives while not significantly harming other environmental issues, and that they guarantee compliance with OECD and ILO minimum guarantees.



FOREST HEALTH

Risk of non-permanence of wooded area

Preventive and curative measures

Natural hazards threaten forest ecosystems and are becoming more pronounced because of climate change. Conversely, forest ecosystems are a key element in the prevention of natural hazards. Given this dual approach to risk, the question of forest insurance becomes central.

To protect itself against the impact and consequences of fire and other climatic risks that may affect the health of forests (storms, heavy snow, hail, frost, natural disasters, etc.), France Valley is committed to taking out financial insurance against fire and storm for the French forests in its portfolio.

Investments may also be considered in forests with a high fire-risk profile (improvement of trails, installation of water tanks and reservoirs, barriers limiting access, clearing of undergrowth, etc.).

MEASURES TO PROMOTE BIODIVERSITY

Mixed forestry with continuous cover

Cultivation methods must always give priority to continuous cover when the site, organizational, and economic conditions allow it.

Clear-cutting should not be a management objective and should remain the exception. If it must be carried out outside the sanitary context, it may not exceed 2 hectares, with the following space-time criteria:

- a minimum of 100m is required between two clear-cuts
- it is possible to carry out a clear-cut adjacent to an area where the height of the seedlings or regeneration reaches 6 meters.

Clear-cutting without regeneration should therefore be the last solution, unless there is a health requirement. This principle applies to all species and all locations, except poplars.

Micro-holes cut into the structure of the forest canopy to allow spontaneous natural regeneration to occur, or enrichment planting requiring light, is permitted and encouraged. They must be carried out sparingly, so as not to damage the forest atmosphere, which has become crucial as temperatures rise.

Frequent, low-volume felling is preferred to over-opening the canopy, except when creating pockets of regeneration with soil lighting or enrichment.

Whenever possible, we favor irregular silviculture. This type of management aims to allow trees of all ages and sizes to coexist within the same forest plot while encouraging natural regeneration through the development of young seedlings. However, this is not always possible due to the unsuitability of certain tree species for their environment (soil and climate), phytosanitary problems or the absence of spontaneous regeneration. Some transformations are also aimed at anticipating the consequences of global warming, necessitating clear-cutting, always followed by planting or enrichment. But whatever the management operations (felling, reforestation, works), they are always carried out in compliance with forestry regulations and environmental zoning to protect habitats and species (nesting period, respect for soils, maintenance of dead trees and edges, etc.).





SOIL PROTECTION

Partitioning is systematically installed in the forest (except in the case of extreme topographical constraints). Partitioning must be opened or reopened before management operations and must be permanent. The use of machinery outside forest partitions, tracks, and paths is prohibited.

Grinding periods are governed by current national regulations. Full plowing, uprooting, and stump removal are prohibited in forest stands.

The manager is responsible for preserving the soil during felling and silvicultural operations. He is free to prohibit the penetration of machinery during periods of thaw or in the absence of soil drainage, following the specifications for standing sales and work orders.

REFORESTATION AND ENRICHMENT

In terms of tree species, where conditions allow it, preference should be given to deciduous species.

Monospecific plantations (majority species representing more than 75% of the number of plants) of more than 2 hectares in a single block are prohibited. Two monospecific block plantations must be separated by zones at least 30m wide. Regarding planting techniques, subsoiling in strips (or furrows) is authorized. Soil preparation at the foot of the plants is preferable.

MAINTAINING THE SYLVO-CYNEGETIC BALANCE

The following measures are taken to help maintain the sylvo-cynegetic balance of the forests held:

- ensure that hunting plans are implemented
- feeding (in any form) at fixed posts is prohibited.

In the event of an imbalance being observed, or of hunting practices contrary to good morals, the manager informs France Valley, which usually has the option of unilaterally terminating the lease.

Article L. 425-5 of the French Environment Code specifies that "*the agro-sylvo-cynegetic balance consists in making compatible, on the one hand, the sustainable presence of rich and varied wildlife and, on the other hand, the sustainability and economic profitability of agricultural and forestry activities. (It) is sought through a combination of the following means: hunting, regulation, the prevention of game damage through the implementation of protection and deterrence systems, and, where appropriate, authorized destruction methods. (...) The sylvo-cynegetic balance aims to enable the regeneration of forest stands in satisfactory economic conditions for the owner, in the forest territory concerned*".

THE PROHIBITION OF SOIL CONDITIONERS AND UNNATURAL TREATMENTS

The use of phytosanitary products, fertilizers, pesticides, chemical repellents, and soil improvers is prohibited unless required by law. Products of natural origin are authorized and encouraged, on the sole condition that they do not harm species or soils.



PROMOTE REGENERATION

Natural regeneration should be favored when the parent stand is of good quality and adapted to the forest site, without however prohibiting planting, either to compensate for insufficient renewal or to enrich the forest with new species and provenances if necessary.

DEAD WOOD AND ISLANDS SENESCENCE

The establishment of senescence and aging islets is desirable, as the senescent, dead, and dying stages of trees play a major role in forest biodiversity. The aim is for these islets to represent at least 5% of the forest area. In addition, the number of dry and dying trees is set at 2 to 3 per hectare.

This principle is favorable to forest biodiversity, as old trees are often the most deficient in forests that have been recently exploited, whereas they are the ones whose presence benefits the maximum number of species, as well as being the ones that will provide dead wood in the medium term. A senescence island is left to evolve freely over the long term, whereas an aging island remains managed with a silvicultural objective, but the trees are managed up to twice their exploitable age. However, to minimize the impact of the presence of islets on forest management, they must be in such a way as not to interfere with the proper operation of the forest. The presence of certain features within islets can be perceived as an additional factor of interest, such as the proximity of open spaces or wetlands.

Finally, preference should be given to sites that are most representative of the geographical area concerned, as these are the most likely to host the most stable species in the medium term.

OPEN AND ASSOCIATED ENVIRONMENTS

Open and semi-open environments within forests, which are particularly rich in food resources for most forest species, will be preserved. These are semi-natural areas where the surface area occupied by trees is less than 25% and dominated by low herbaceous and/or shrubby plant formations. Operations aimed at reducing the closure of these environments may be recommended by the manager.

WETLANDS

Wetlands (pools, ponds, wet moors, swamps, streams, springs, seeps) will be preserved in good condition, constituting an important source of biodiversity in the forest when they are functional (good water supply, sufficient light, etc.). These environments considerably enrich the forest in terms of species and constitute corridors of ecological continuity that are essential for the exchange of populations.

Any potential source of wetland degradation must be avoided during forestry work, in compliance with current national regulations. Care must be taken not to cross watercourses and main ditches with machinery, to prevent their filling in and bank subsidence. The use of culverts, temporary crossing devices, or bypass roads are practices that should be considered.

SOIL ARTIFICIALISATION

The consumption of natural and forested areas, understood as the actual creation or extension of urbanized areas on the territory concerned, is limited to what is necessary for woodland use.



THE FOREST, A CARBON SINK

France Valley is fully committed to carbon sequestration and storage. Carbon storage can be further enhanced when forest managers adopt silvicultural methods that maximize the production of construction and furniture wood, which lasts longer than energy wood. Carbon storage does not stop with the life of the tree but continues in the wood materials.

Wood products also generate a substitution effect when preferred to concrete or steel, which are more energy-intensive to manufacture. Wood remains the only modern building material of renewable origin. By reforesting moorland, farmland, and forests that have suffered from climatic or phytosanitary hazards, Forestry Investment Groups can also increase carbon sequestration and storage.

To measure the increase in the carbon storage capacity of forests, the carbon footprint of forests is measured using a forest carbon index. This index ("Forest Carbon Index"), set up internally and audited by Novethic, is based on the methodology of the French Environment and Energy Management Agency (ADEME). It measures the carbon capture achieved by forestry assets, as well as the substitution effect observed (use of wood products to replace products requiring the use of fossil resources). This indicator thus makes it possible to precisely quantify the impact of the sustainable management of the assets held by France Valley.



ANTICIPATE CLIMATE CHANGE

Global warming is on everyone's lips these days, but foresters have been grappling with this issue for over ten years. The first step in implementing alternative management is a detailed study of the forest site, including soil, climate, and topography. This examination enables us to assess the capacity of existing forest species to withstand episodic rainfall and a general temperature rise.

Thanks to a nationwide network of surveys, we can now compare the response of forest stands to different growing conditions and, consequently, modify management orientations by favoring the most suitable species. This dynamic adaptation to climate change is achieved through a diversified selection of species best suited to site conditions (soil composition, water demand, etc.). On the other hand, species diversification must favor those that are ecologically complementary and compatible in terms of silvicultural management.

France Valley should therefore be offered all types of experimentation aimed at :

- testing new tree species and provenances
- soil preparation techniques to encourage plantation recovery or the appearance of spontaneous regeneration
- natural inputs to boost fertility, water retention, and mycorrhization
- new methods for predicting climate change, describing forests, etc.

POTENTIAL BIODIVERSITY INDEX

To assess the capacity of a forest stand to host biodiversity (plants, birds, insects) and identify possible areas for improvement during silvicultural operations, the manager of certain funds, at France Valley's request, measures the Potential Biodiversity Index (IBP) at the time of forest acquisition and every 10 years thereafter.

The calculation of this indicator, developed by the Centre National de la Propriété Forestière (CNPFF) and the Institut National de Recherche Agronomique (INRA), is based on surveys of 10 key factors for species diversity in forests (native species, vegetation structure, dead wood, living wood, micro-habitat trees, open environments, aquatic environments, and rocky environments). Its purpose is to measure the effects of forest management on this hosting capacity, over a 5- or 10-year timeframe, by summarizing the biodiversity potential of a forest at a given point in time. This indicator can then be used to assess the progression or regression of biodiversity in our forests.

ANNUAL FOREST MANAGEMENT RATING

To measure the impact of the forest management practiced, a rating system has been set up for each property. This internal reading grid, updated annually by feedback from the field from each forest manager concerned, provides quantifiable and verifiable factors summarized in a dynamic score, which will evolve every year according to the management practiced. This rating, which can be used as a functional guide by the forest manager, will reflect the human ecological footprint, past and future.

FOREST ATMOSPHERE AND LANDSCAPE

Forest management is approached to preserve the forest atmosphere and the landscape aspect, notions that involve a degree of human perception, both visual and auditory.

These notions are to be understood, among other things, as landscape and land-use issues, but also as economic and tourism issues. Preserving the forest atmosphere and landscape aspect means maintaining the balance between the dominant forest stratum and that of young stands, so as not to detract from the feeling of being in a forest ecosystem. It is therefore essential not to disrupt the growth dynamics of young stands and forest renewal by cutting large gaps, to control the amount of light they receive. In the forest, the sun's rays are filtered by the canopy and the light is filtered before reaching the ground. Any large-scale or linear break in the continuity of the forest canopy is a source of ecological fragmentation that can alter the forest microclimate.

For example, installing leafy borders (roads, paths, plot boundaries) or wooded borders near forest plots is a good practice for preserving the forest atmosphere. Similarly, the establishment of "buffer effect" zones when clear-cuts are made along forest edges is also a practice that should be generalized, so as not to detract from the visual and social aspects of sustainable forest management. These buffer zones are understood to be forest strips that limit the view of clear-cuts from the outside.

JOBS AND OUTLETS IN THE WOOD INDUSTRY

Forest management is carried out with respect for labor rights and commitments to the safety of forest workers. Local service providers are preferred for forestry, logging, and infrastructure work. Secondly, we are constantly striving to improve the traceability of the downstream timber industry.

Wood harvesting is carried out in such a way as to give priority to local outlets whenever possible:

- the development of partnerships within local markets is favored, as is the processing of wood in Europe before export, to promote the European circular economy.
- when competition between buyers allows it, local use of wood is favored, and the provision of lots to affouageists is organized.

Finally, industrial and energy wood must remain management by-products: they must never be forest management objectives.



PAST MANAGEMENT

The policy implemented by France Valley is to be understood as the result of a desire for sustainable forest management combining socio-environmental and economic interests. It is essential to remember that any current forest facies is the legacy of the choices made by previous owners and managers. The ecological value of the forest is indeed considered today in the context of forest management and protection, but it may have been overlooked in the past.

Implementing the multifunctional forest management desired by France Valley implies a reality on the ground tinged with this past heritage, resulting in a rather poor forest structure.

France Valley's role is therefore to improve the forest management practiced in its forests, considering them also as a reservoir of biodiversity and a source of carbon capture, in some cases starting from poor sites ill-suited to the new management objectives.

ROADMAP FOR THE MANAGER



Obligations

Encouraged practices



Orientation de gestion

- Clear-cutting without regeneration must be carried out as a last resort when none of the other solutions have been satisfactory. In such cases, clear-cuts may not exceed 2 hectares in area :
 - A minimum of 100m is required between two clear-cuts.
 - A clear-cut can be made adjacent to an area where the height of the seedlings or regeneration reaches 6 meters.
- Silviculture geared towards continuous cover, with the ideal objective of irregularizing stands in the short or very long term.
- Group strategy is geared towards capitalizing on standing timber and improving quality.
- More frequent cuttings that remove less wood should be encouraged to maintain the forest atmosphere.
- Renewal by natural regeneration should be favored if the species in place is adapted to climate change and its conformation is satisfactory.
- In the case of moderate dieback, unsuitability of the species in place or a desire for diversity, enrichment by gaps should first be considered.



Soil protection

- All stands must be permanently marked out before felling. The axes are marked on both sides to ensure that they can be used for each operation.
- Chemical inputs are strictly forbidden unless required by law.
- The penetration of forestry machinery into the plots has been validated beforehand by the manager, who is the sole judge of the sensitivity of the soil.



Dead and dying woods and islands

- A minimum of 5% of the surface area of each forest must be left in a natural evolution, dieback or aging zone.
- The threshold of dead or dying wood is set at a minimum of 2 per hectare, and these woods are identified by specific markings.
- Some woods in the process of dying off should be maintained in the plots.

Obligations

Encouraged practises



Forest-wildlife balance

- Agrarian feeding is strictly forbidden.
- The manager informs France Valley of any imbalances with the game that may exist.



Reforestation and enrichment

- No single-species (re)afforestation may exceed 2 hectares (a single-species afforestation is defined as one in which more than 75% of the plants are of the same species group).
- Two monospecific block plantations planted with the same species must be separated by at least 30m-wide intermediate curtains. Full tillage is prohibited.
- Digging up and exporting stumps is also forbidden.
- Windrowing of slash is scrupulously limited to complex slope and operating situations (shredding is preferred).
- Whenever possible given the site conditions, reforestation should give pride of place to deciduous and meliferous species.
- Natural and mechanical protection against the teeth of game is strongly encouraged.
- Working the soil on the planting line or at the foot of the plant.



Specific zones

- Operations can often be carried out in specific environments to maintain or even encourage the carrying capacity of environments such as wetlands or open areas.



Public visits

- In the event of requests from local people for visits, sporting events, archaeological digs, etc., the manager will inform France Valley.
- Roadsides and paths used by the public must be made safe by cutting down any trees that threaten them.

GLOSSARY

Soil amendment: soil amendment is a technique designed to improve the physical or chemical properties of soils (structure, composition, nutrient levels, pH) by incorporating a product, fertilizer or organic or inorganic matter.

Partitionings: partitionings are open passages within plots, allowing access to them. There are two types:

- silvicultural partitionings, with an average width of 2 m, every 5 to 10 m, to facilitate access during clearing and maintenance work on young stands. They are designed to be used mainly by silviculturists on foot, or by small-sized machines with limited overall dimensions and low tonnage.
- harvesting partitionings, 4 to 5 meters wide and spaced every 15 to 30 meters, are used to limit soil compaction when machinery is used to cut timber.

Forest canopy: Forest canopy refers to the canopy formed by the tops of trees in the forest, which blocks light from the lower storeys. This term differs from "canopy", which refers only to the top of a crop.

Enrichment: enrichment is a forest management practice that consists of introducing seedlings into a plot with a dense cover of coniferous or deciduous trees, to ensure renewal, increase species diversity, improve the productivity and quality of the plot, and prepare stands for global warming.

ESG: this acronym refers to the Environmental, Social, and Governance criteria considered as part of an extra-financial analysis of sustainable management. They complement conventional financial performance analysis by adding a responsible dimension.

ILO: the International Labor Organization is an agency of the United Nations (UN) specialized in the promotion of labor rights, the establishment of international labor standards, the encouragement of the creation of decent jobs, and the development of social protection and social dialogue in the field of labor.

Sylvo-cyenegetic balance: this notion reflects the idea that the presence of a rich and varied wild fauna must be ensured without compromising the sustainability and economic profitability of forestry activities. One of the main implications of preserving this balance in terms of forest management is the implementation of balanced game management, with the use of hunting methods that respect the balance of wildlife, to allow young tree stands to develop.

Islet of senescence: an islet of senescence is a zone where a forest stand is voluntarily left to evolve naturally, excluding all human intervention until the trees have completely collapsed. These "unmanaged" zones are an excellent tool for biodiversity, as the trees they contain become biological refuges for many species that depend on these environments.

Aging island: an area where forest management favors the presence of old wood by cutting down to twice the exploitable age commonly practiced in private forests or indicated in SRGSs.

OECD: the Organization for Economic Co-operation and Development is an international organization tasked with setting international standards in close collaboration with various stakeholders (governments, economic and social players, civil society, etc.), with a particular focus on improving economic performance, creating jobs, promoting efficient education systems and combating international tax evasion.

SFDR: the Sustainable Finance Disclosures Regulation or "SFDR" adopted by the European Parliament and the Council of the European Union represents the second pillar of the European "Green Deal". This regulation aims to increase the transparency of extra-financial information by requiring financial institutions to disclose information on the sustainability of their assets. In particular, the "Disclosure" regulation proposes a typology to help identify sustainable finance assets according to whether they have a sustainable investment objective.

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