

## PROJECT SUMMARY

### **SEMBREMOS FUTURO: A FUND FOR FORESTRY INNOVATIONS (RG-Q0041 & RG-T3064)**

This project seeks to fill the financing gap for innovative companies in the forestry sector and its value chain by supporting the creation of the *Sembremos Futuro* Fund. This Fund will address several challenges faced by impact investing in the forestry industry in the South American region: (i) the deforestation rate and its impact on the environment and population; (ii) the lack of specialized support and access to financial resources for the forestry sector's innovation ecosystems; and (iii) the lack of corporates venturing for impact.

This venture capital fund will provide long-term financing as well as operational and strategic advice to 10-12 early- and growth-stage companies that are related to the wood and forestry value chain, have a positive impact on the environment, mitigation and/or adaptation to climate change, and are ready to expand to achieve their full growth potential. The investments will support the emergence of new business models and products throughout the forestry value chain, counter climate change by introducing new knowledge, technologies and entrepreneurship skills that provide better tools within the sector to adapt to and mitigate climate change effects, and address land use change (LAC's largest contributor to greenhouse gas emissions). By the time the fund closes, the companies supported by *Sembremos Futuro* are expected to have created at least 240 direct jobs and nearly 600 indirect jobs in rural areas by hiring small producers and suppliers, as well as generating important benefits in adaptation and mitigation of climate change effects.

This is the *first impact investment fund with a regional reach for investments in forestry value chain innovations* that has a reputable and global corporate partner, Arauco (fifth largest forestry product manufacturer in the world by market capitalization), as anchor investor. Arauco is new to the impact investing and VC industry, and the MIF is already being instrumental in sharing its lessons learned as an investor for 20 years in the region. Arauco's participation represents the second of MIF's initiatives in corporate venturing in Chile and the South American region, the first being with Aurus Fund (CH-M1059) in the copper sector. *Sembremos Futuro* will target companies mainly in Chile, but also in Argentina, Brazil, Uruguay, Colombia and Peru.

*Sembremos Futuro* will seek a triple bottom line of financial, social and environmental benefits: (i) financial impact through an attractive return on investment to investors and the Fund Manager; (ii) social impact through employment and income generation for investee companies and their suppliers, as well as local communities; and (iii) environmental benefits through the capture of carbon, reduction in greenhouse gases (GHGs), increase in forests managed sustainably and/or increase in productivity and efficiency in use of energy, water or other inputs.

*Sembremos Futuro* will be managed by Ranco Capital S.A., a new fund manager based in Chile with a solid investment team comprised of investment and finance professionals with over 23 years of combined experience in several countries, and who fit the profile that MIF has identified for first-time fund managers.

To support *Sembremos Futuro*, the project will provide USD 3 MM in equity investment and USD 70.000 in non-reimbursable funding. The Fund is expected to reach a capitalization of USD 30 MM and begin operations with a minimum of USD 15 MM in equity commitments.