



Project Midgard Q4 update

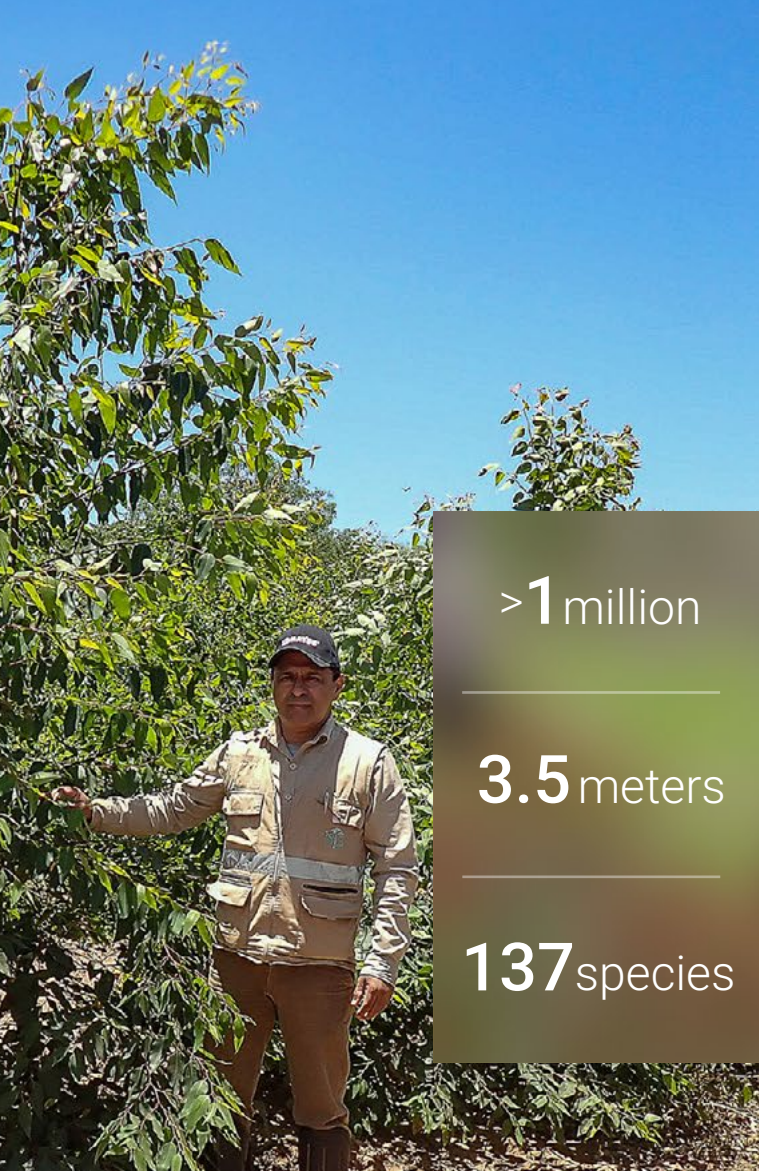
Welcome to the Project Midgard Q4 Newsletter, which covers the latest updates on the project's development.

Highlights include continued progress with planting; an introduction to our monitoring and verification agent; Paraguay reaching an S&P investment-grade rating; and our partnership with Decarbo Engineering as part of Project Alfheim, our large-scale decarbonization initiative in Paraguay.

FLS Project Midgard Q4 Newsletter

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Midgard milestones

Planting progress on first property

After 9 months of planting, FLS silviculture team and the forestry operator have successfully planted more than 1 million trees.

>1 million

trees planted

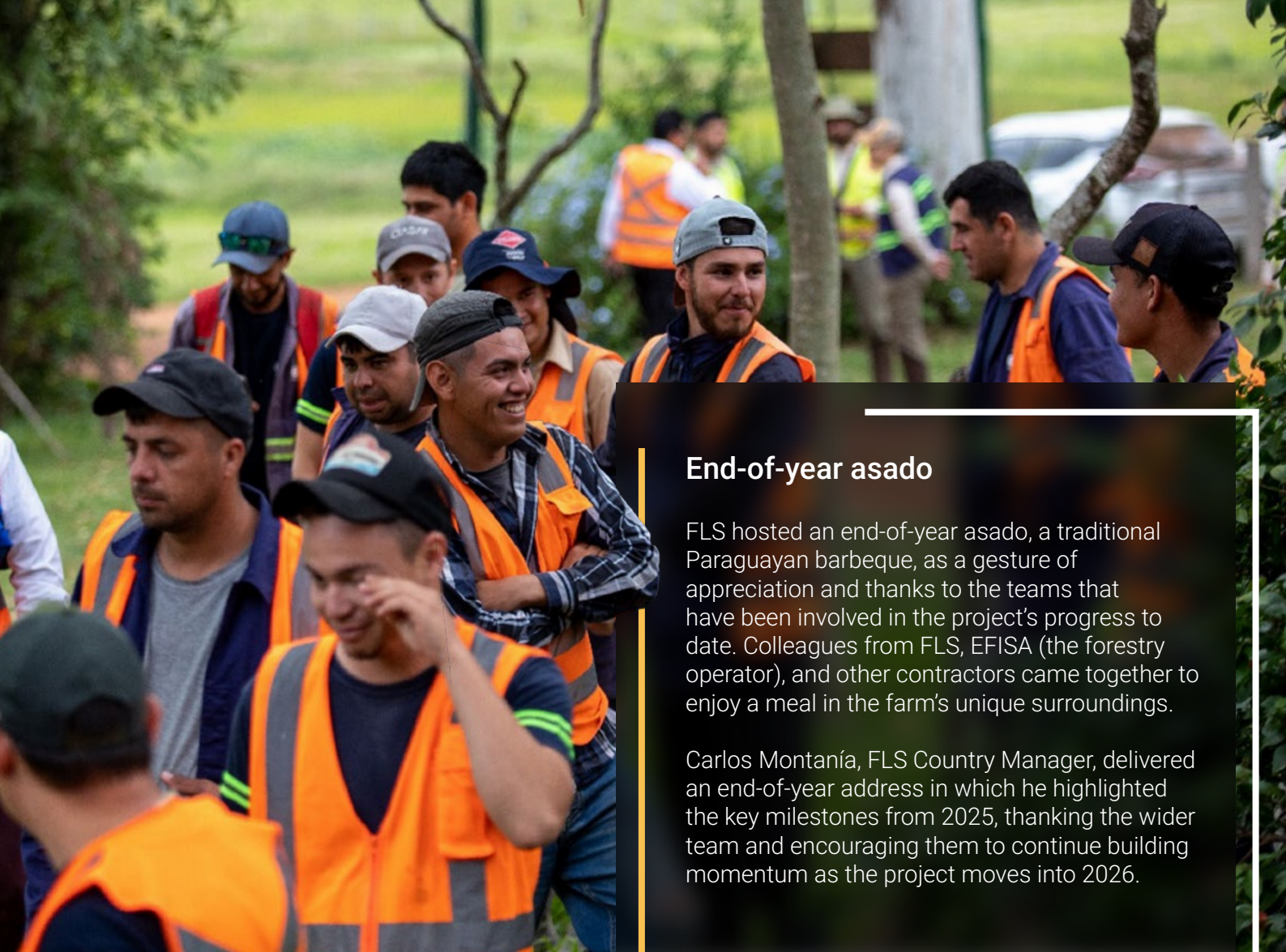
3.5 meters

height of trees
9 months after planting

137 species

of bird identified
on the property





End-of-year asado

FLS hosted an end-of-year asado, a traditional Paraguayan barbeque, as a gesture of appreciation and thanks to the teams that have been involved in the project's progress to date. Colleagues from FLS, EFISA (the forestry operator), and other contractors came together to enjoy a meal in the farm's unique surroundings.

Carlos Montanía, FLS Country Manager, delivered an end-of-year address in which he highlighted the key milestones from 2025, thanking the wider team and encouraging them to continue building momentum as the project moves into 2026.



Monitoring and Verification Agent: F&W Forestry, Uruguay

A key differentiator for Project Midgard is its enhanced focus on governance, monitoring, and accountability. As part of this, the project is monitored by an independent third-party Monitoring and Verification Agent (MVA). The MVA is responsible for providing independent guidance and technical expertise on all forestry operations to safeguard long-term value. This includes defining and updating key benchmarks to ensure consistently high performance.

FLS went through a comprehensive selection process to appoint F&W Forestry, Uruguay. F&W is a US-headquartered global forestry consulting company, with a team of over 250. The firm provides its monitoring and verification services on approximately 1 million hectares of timberland across the US, South America, and Europe.



F&W
Forestry

F&W's role:

- To conduct physical checks and audits as part of the inventory management and verification process. Initial checks are carried out by the forestry operator, with F&W providing independent verification in close cooperation with FLS Paraguay.
- To advise on setting up and improving a monitoring system of key performance indicators (KPIs) as well as benchmarking FLS plantations against comparable assets in its global portfolio and critically assessing any deviations from expected performance or from assertions made by the forestry operator.
- To advise and support FLS in monitoring and managing technical and commercial aspects of all relevant activities performed by the forestry operator and other suppliers of seedlings, fertilizers, supplies, machinery, and other equipment.
- To review and advise on establishing, maintaining, and closely monitoring all operational activities in compliance with FSC Standards.

Biodiversity management and monitoring

FLS conducts regular monitoring of the plants and wildlife on our properties, as part of our continued commitment to biodiversity conservation and protection.

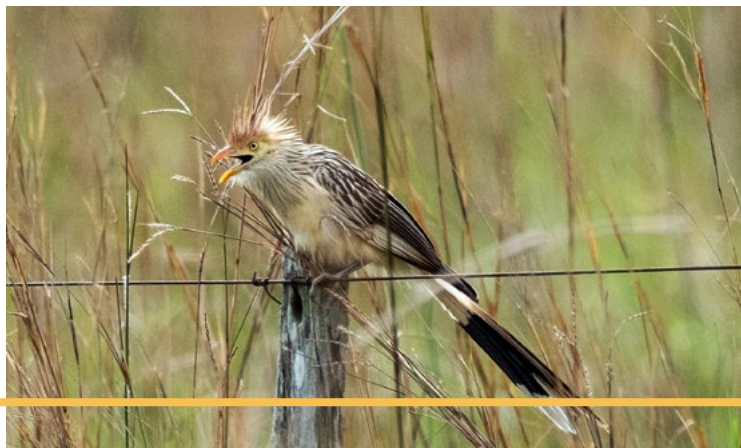
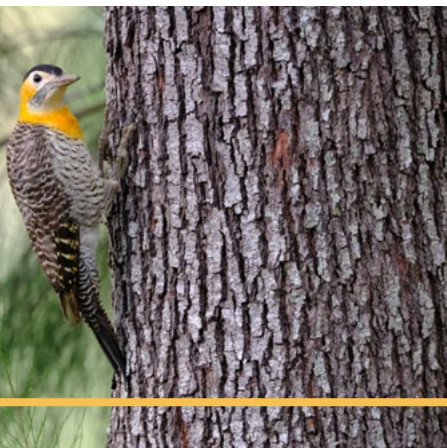
This includes systematic surveys of terrestrial and aquatic fauna, including birds, amphibians, mammals, reptiles, and fish. These studies determine the presence and density of local species, allowing us to assess ecosystem health over time – and guide appropriate land management.

Of particular note are the bird surveys on the property, which have revealed a high level of diversity. A total of 137 species have been recorded, belonging to 18 orders and 37 families. These results reflect a structurally complex and ecologically diverse community, highlighting the environmental value of the area.

The most abundant species include the monk parakeet (*Myiopsitta monachus*), the yellow-rumped marshbird (*Pseudoleistes guirahuro*), the roseate spoonbill (*Platalea ajaja*), the Brazilian teal (*Amazonetta brasiliensis*), the chopi blackbird (*Gnorimopsar chopi*) and the bare-faced ibis (*Phimosus infuscatus*).

While some common species were recorded, most were only seen a few times. This suggests the site provides a good mix of habitats and resources, supporting many different species, even if most are present in low numbers. None of the animal species recorded are classed as threatened nationally or internationally (including vulnerable, endangered or critically endangered).

As part of our Biodiversity Management and Monitoring Plan, we run targeted monitoring programs for native forests and natural grasslands – habitats that are essential to conservation onto the property. This ensures our actions are informed by evidence and focused on long-term ecological health. At a broader level, it supports our contribution to the UN's Sustainable Development Goal 15: Life on Land, one of our guiding principles for sustainability.





Paraguay reaches investment-grade by S&P

In late 2025, S&P Global Ratings upgraded Paraguay's long-term sovereign credit rating to BBB- with a stable outlook, meaning that Paraguay now has investment-grade status. This was a one-notch uplift from BB+ and reflects stronger fiscal and economic performance.

This took place on the back of Moody's earlier upgraded investment-grade status, rating Paraguay Baa3 with a stable outlook.

Fitch currently rates Paraguay at BB+ but has upgraded the outlook to 'positive', suggesting a possible future move to investment grade if macroeconomic performance remains strong.

The main drivers behind this positive trend are Paraguay's macroeconomic stability. The country has maintained consistent growth, kept inflation at moderate levels, and followed a prudent approach to monetary policy. This is reinforced by strong fiscal discipline, with relatively low public debt and a credible fiscal responsibility framework in place. The outlook is also supported by policy continuity: economic policy has remained broadly predictable, alongside gradual improvements in institutional capacity. Finally, Paraguay's external position adds resilience, underpinned by adequate foreign exchange reserves and manageable external financing needs.

These factors distinguish Paraguay positively within Latin America, particularly among smaller, commodity-exporting economies.

Paraguay's achievement of dual investment-grade status marks a structural shift in its risk profile. For foreign investors, it signals lower sovereign risk, broader market access, and improved long-term visibility, while still offering yield and growth premiums relative to larger Latin American investment-grade peers.

Project Alfheim: Partnership with Decarbo Engineering

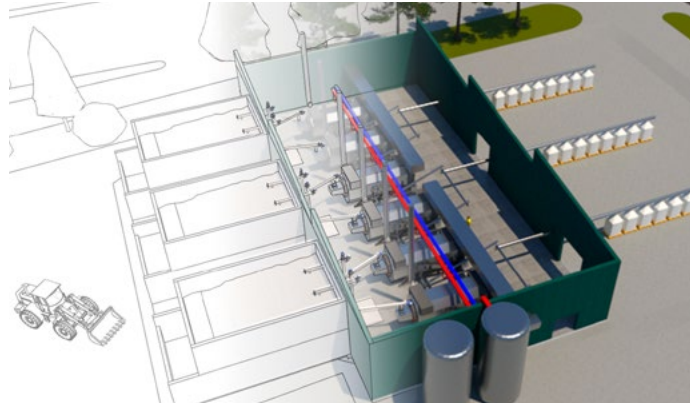
FLS has entered into a strategic partnership with Decarbo Engineering to deploy large-scale carbonization projects in Paraguay – as part of Project Alfheim.

Decarbo Engineering will contribute its deep technical expertise across the carbonization value chain, supporting FLS in the selection of optimal project designs, technologies, and operational configurations. Decarbo Engineering will also work closely with FLS's broader ecosystem of carbonization partners to ensure delivery of best-in-class, scalable, and high-performance solutions.

The first initiative under the partnership, dubbed Project Alfheim, will focus on converting approximately 35,000 tons of waste biomass per year into around 13,000 tons of high-quality, World Biochar Certificate compliant biochar, intended for use in nearby agricultural plantations. The project is expected to sequester approximately 25,000 tons of CO₂ annually, while simultaneously generating clean, renewable energy to support local industrial partners.

Project Alfheim will demonstrate how advanced engineering, technology transfer, and appropriate system design can enable local stakeholders to convert biomass waste streams into meaningful climate impact while creating tangible local economic benefits.

Additional projects are already under evaluation as part of the partnership, reinforcing both companies' commitment to accelerating the deployment of climate-positive infrastructure in emerging markets.



COP30: Belém, Brazil

FLS was in Belém, Brazil for COP30, and the mood was clear: this year was about turning ambition into action. That focus on implementation is completely in step with FLS's vision.

Across the conference, discussions had turned decisively beyond targets and pledges and onto what it will take to deliver at scale – particularly within emerging markets. Nature-based solutions, particularly in Latin America, were positioned as investable climate solutions. A key theme running across the sessions was how to unlock more private capital for the sector, alongside ongoing debate about the role carbon finance can play. What came through strongly is that quality, integrity, and investibility remain paramount.

Through participation in CDR30, FLS engaged in several focused discussions on the role of biochar within durable carbon removal, highlighting its potential to combine scalable climate impact with robust commercial applications.



COP30
BRASIL
AMAZÔNIA
BELÉM 2025

