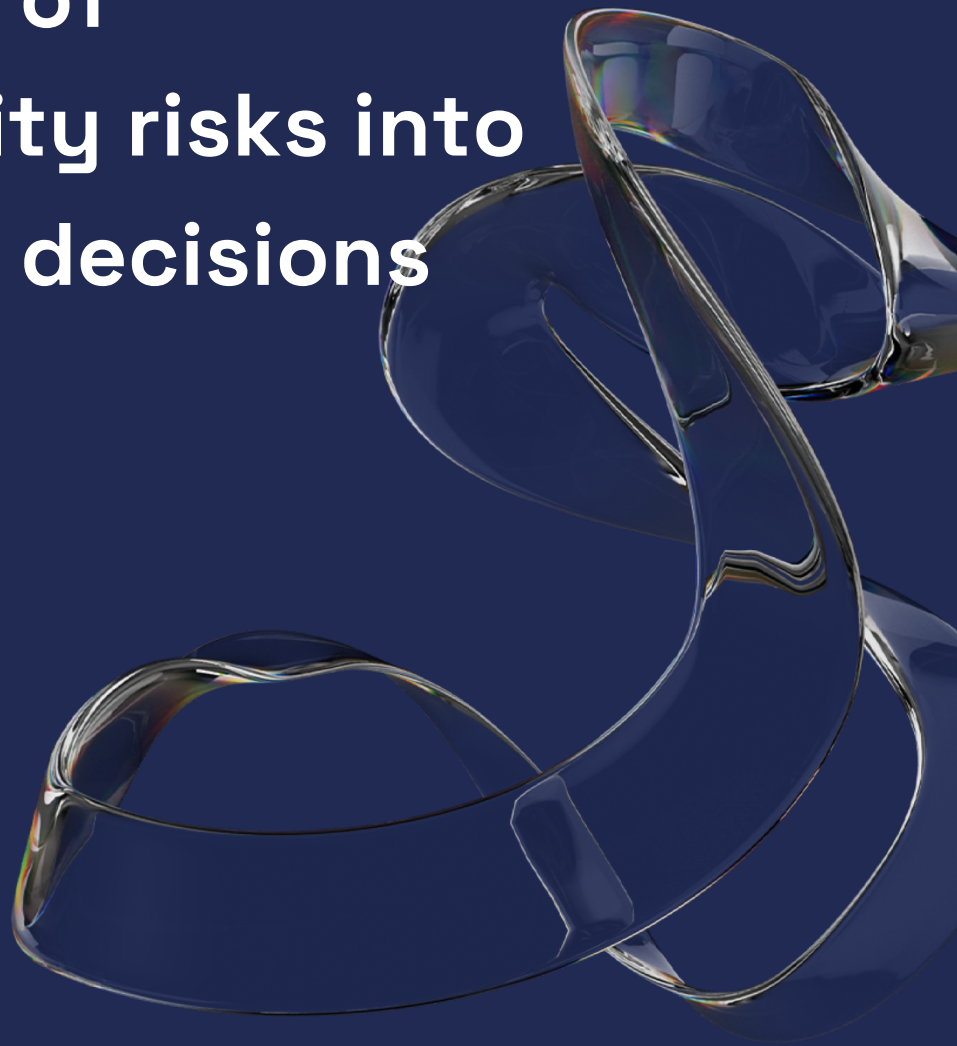


sg capital

Integration of sustainability risks into investment decisions

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SG Capital Partners AIFP SIA

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SG Capital Partners AIFP Ltd (hereinafter referred to as SG Capital or the Company), an alternative investment fund manager, manages SG Capital Partners Fund I, KS (hereinafter referred to as the Fund), which invests in commercial real estate. In this announcement, SG Capital provides information on integrating sustainability risks into the Fund's investment decisions in compliance with Article 6 of the Sustainable Financial Disclosures Regulation (SFDR) requirements.

Sustainability risks and their management

SG Capital defines *sustainability risks* as environmental, social or governance events or conditions that, if they occur or are triggered, could have an actual or potential material adverse effect on the value of an investment, in this case, the value of the commercial real estate assets managed by the Fund.

Sustainability risks can arise if a company's or its assets' sustainability impacts are not properly managed. Therefore, SG Capital's interest is to ensure that the sustainability impacts of the Fund's activities and investments are identified and avoided or minimised and controlled.

SG Capital assesses environmental, social and corporate governance or sustainability factors to identify potential material topics of impact.

In collaboration with key internal and external stakeholders, SG Capital then identifies the material topics of impact, the resulting sustainability risks inherent in the Fund's activities, and their potential impact on expected investment returns. This identifies the material topics of impacts and sustainability risks that must be addressed, managed, or mitigated.

For commercial real estate activities/investments, the following material topics of impact and associated sustainability risks have been identified:

	Material topic	Sustainability risk
1	Climate change mitigation	GHG emissions contributing to climate change due to the operations of the building portfolio.
2	Energy efficiency and energy consumption	Pollution due to fossil fuel energy use.
		Contribution to resource depletion caused by non-renewable energy resources

3	Waste management	Contribution to waste pollution via operation of the building portfolio: landfills, harm for biodiversity.
4	Materials and Circular Economy	GHG emissions due to production and transport of materials. Contribution to resource depletion due to use of raw materials (e.g. steel, concrete).
5	Supply chain management	Enabling negative impacts through the purchase of services and goods (e.g. violations of human rights or laws in supply chains, GHG emissions from the production and transport of products or the provision of services contribute to climate change).
6	Tenant and visitor satisfaction, health and well-being	Health hazards to tenants and visitors due to poor indoor quality and toxic materials used. Low accessibility of the building and its environment for diverse user groups. Accidents and threats to human health due to unsafe building environment.
7	ESG performance of investments	Significant negative impacts on the environment, economy and people due to unmanaged ESG issues.

The management of the above sustainability risks is further integrated into the Fund's Sustainability Strategy and Objectives. Regular monitoring of the strategy's objectives allows for minimising the impact and thus mitigating and managing the material risks. Otherwise, failure to manage these risks may lead to increased operational costs due to increased resource consumption and resource prices. Similarly, failure to manage risks concerning the procurement process increases the risk of cost increases. Customer (tenant) relationship risk undermines existing customer relationships and damages the market visibility of the investment property, thus reducing the likelihood of successfully acquiring new customers.

The Fund's Sustainability Committee monitors the implementation and delivery of the Fund's Sustainability Strategy and the achievement of the Sustainability Objectives.

The person responsible for implementing the actions required to manage the Fund's sustainability processes shall report regularly to the Fund's Sustainability Committee and to the SG Capital Board on the progress made towards achieving the sustainability objectives and the actions implemented and to be implemented. In this way, the Company monitors and controls the implementation of sustainability processes in the Fund.

The Fund's Investment Committee also considers sustainability risks and related issues when making investment decisions in the Fund and subsequently when monitoring the investment portfolio.

Integrating sustainability risks into investment decision-making

When investing in the Fund, sustainability risks are assessed in 2 steps:

1. during the pre-acquisition due diligence and decision-making process (see Figure 1);
2. post-investment, by regularly monitoring the performance of the Fund's investment portfolio and its sustainability impacts, taking appropriate decisions to adjust course of action where necessary if the performance and impact of investments made are not in line with SG Capital's and the Fund's objectives.

In the process of assessing potential investments and monitoring the investments made, SG Capital ensures that the principle of "do no significant harm" is respected, which includes compliance with minimum safeguards as set out in Article 18 of the EU Taxonomy Regulation (Regulation (EU) 2020/852), consideration and management of principal adverse impacts as set out in the SFDR (Regulation (EU) 2019/2088), and ensuring that investments are not made in contentious sectors or activities that are more likely to generate negative impacts on sustainability.

Figure 1. Investment due diligence stage

Investment strategy	Sustainability impact	Compliance assessment	Sustainability risk assessment	Decision making
<ul style="list-style-type: none"> •Alignment with the Sustainability Strategy and its objectives •Compliance with the "Do No Significant Harm" principle •Compliance with the List of Exclusions 	<ul style="list-style-type: none"> •Assessment of the actual and potential sustainability impacts of investments, taking into account the areas of significant impacts and the "do no significant harm" principle 	<ul style="list-style-type: none"> •Compliance with internal and external laws and regulations, international best practice standards 	<ul style="list-style-type: none"> •Assessing the impact of sustainability risks on the value of investments 	<ul style="list-style-type: none"> •Result of the pre-acquisition due diligence •Compliance with the "Do No Significant Harm" principle

The person responsible for the acquisition transaction shall prepare the due diligence information in accordance with the due diligence steps set out in Figure 1 and submit it to the Investment Committee for an investment decision.

After receiving the due diligence information on the investment from the responsible person, the Investment Committee shall decide on the investment, considering the following:

- The Company's strategy and objectives,
- The Fund's Investment Strategy,
- Sustainability strategy,
- the sustainability impact of the investment and a plan to avoid or mitigate it,
- the impact of sustainability risk on the value of the investment,
- the principle of "do no significant harm".

After investments are made, the Funds' Sustainability and Investment Committees monitor the performance and sustainability impact of investments within their respective areas of responsibility.

Version history of the document

Version No.	Date	Type	Content of changes
1.0	25.11.2024.	Original version	The original version was published.