

**PRE-CONTRACTUAL DISCLOSURE FOR FINANCIAL PRODUCTS REFERRED TO IN ARTICLE PARAGRAPHS 1 TO 4A, OF REGULATION (EU) 2019/2088 AND ARTICLE 5, FIRST PARAGRAPH, OF REGULATION (EU) 2020/852**

**Sustainable investment means** an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

**The EU taxonomy is** a classification system laid down in Regulation (EU) 2020/852, establishing a **list of environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with Taxonomy or not.

**Product name: SG Capital Partners Sustainable Forest and Land Fund I KS**  
**Legal entity identifier: 40203333070**

## Sustainable investment objective

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b>
<input checked="" type="checkbox"/> It will make a <b>minimum of sustainable investments with an environmental objective: 90%</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EUTaxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable according to the EU taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It promotes E/S characteristics but <b>will not make any sustainable investments</b>



### What is the sustainable investment objective of this financial product?

The Fund's sustainable investment or environmental objective is to *mitigate climate change*<sup>1</sup>, which will be achieved by ensuring the sustainable management of the forest land acquired by the Fund in accordance with:

<sup>1</sup> In line with the environmental objectives set out in Art.9 of Regulation (EU) 2020/852.

- FSC<sup>2</sup>® principles,
- the Fund's Sustainability Strategy,

thus, boosting carbon sequestration while supporting biodiversity conservation and rural development. The Fund's Investment strategy is to manage the acquired forests in accordance with the FSC principles and the criteria of the "FSC Interim National Forest Stewardship Standard for Latvia (FSC-STD-LVA-2023)" to ensure the sustainability of the forests and asset value growth.

In 2024, the Fund intends to implement the EU Taxonomy requirements for forest management and to ensure compliance with the technical criteria set, thus implementing forest management that contributes to the environmental objective of mitigating climate change.

In the meantime, while the Fund will implement compliance with the EU Taxonomy, the sustainability of the investments is ensured by investing in accordance with the requirements of Article 2(17) of Regulation (EU) 2019/2088:

1. ensuring that investments contribute to achieving the sustainable investment goal;
2. putting in place processes that ensure the principles of Do No Significant Harm;
3. implementing good governance practices to ensure compliance with minimum standards.

There is no reference benchmark for the Fund's sustainable investment objective.

The Fund does not aim to reduce carbon dioxide emissions. The Fund will contribute to carbon sequestration through sustainable forest management in accordance with FSC requirements.

● **What sustainability indicators are used to measure the attainment of sustainable investment objective of this financial product?**

The following indicators are used to measure the extent to which the sustainable investment objective has been met:

1. Amount of FSC-certified forest land acquired by the Fund (measured by percentage).
2. Area of afforested marginal land owned by the Fund<sup>3</sup> (measured as a percentage).
3. Proportion of protected areas that are free from commercial forest management and conserve biodiversity in the total forest land portfolio.
4. Carbon sequestered.
5. Scope 3 GHG<sup>4</sup> emissions.
6. Financial losses due to incidents caused by natural disasters in forest assets.
7. Number of strategic partners who have signed the Code of Conduct.

For evaluation and monitoring purposes, these indicators will be compared with the targets defined in the Fund's Sustainability Strategy on an annual cyclical basis.

● **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

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<sup>2</sup> Forest Stewardship Council® - a forest management certification body that certifies that a forest is managed to conserve biodiversity and benefit local people and workers, while ensuring that it remains economically viable. Read more: <https://fsc.org/en>

<sup>3</sup> Marginal land is land that meets the following criteria: 1) non-forest land (not registered in the State Forest Register); 2) agricultural land that is not in the Rural Block of the Rural Support Service or no tenant can be found; 3) land that is not reclaimed, not under water or other infrastructure and not subject to any nature protection conditions.

<sup>4</sup> GHG - greenhouse gas

----- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

**Principle adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery.

To ensure that sustainable investments do not cause significant harm to any environmental or social objective of the sustainable investment, the Fund takes into account the principle adverse impacts on sustainability factors.

In assessing the significance of the impact of the Fund's activities, the Fund will monitor and report annually on the following major adverse impacts:

- GHG emissions.
- Exposure to natural hazards.
- Exposure to climate risks.
- Sustainable forest management practices.
- Health and safety.
- Human rights, labour rights violations in the supply chain.
- Forest cover in protected areas.

The Fund Manager will monitor the impact of the Fund's investment activities on the environment, its resilience to climate risks, biodiversity, human rights, labour rights and occupational safety through an annual assessment of the extent of adverse impacts.

----- **How are the sustainable investment aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

The ESG Due Diligence Policy of SG Capital Partners AIFP Ltd (the Fund Manager), which also applies to the Fund and sets out the obligations for the Fund to carry out sustainability impact assessments and monitoring of the investments made, and the Human and Labour Rights Policy, which sets out guidelines for the respect of human and labour rights by the Fund Manager, the Funds it manages and its business partners, sets out the obligation to comply with international standards of good practice:

- OECD Guidelines for Multinational Enterprises.
- UN Guiding Principles on Business and Human Rights.
- International Labour Organisation Declaration on Fundamental Principles and Rights at Work.
- International Bill of Human Rights.

The obligation to comply with the principles set out in these standards is also laid down in the Code of Conduct to be signed with the partners of the special purpose vehicle (SPV) wholly owned by the Fund. In this way, the Fund will be able to monitor compliance with the Code of Conduct and report breaches in its annual sustainability reports.

The Fund is also subject to the Fund Manager's Whistleblowing Procedure, which sets out the procedure by which any employee or representative of the Company Group or business partner may raise a whistleblowing concern about an alleged criminal offence, administrative offence or other breach of law or breach of binding ethical or professional standards of the Fund Manager or the Fund that may harm the material interests of the Company.



## Does this financial product consider the principle adverse impacts on sustainability factors?

Yes, the Fund considers the principle adverse impacts on sustainability factors, and the Fund Manager publishes a statement on the company's website.



## What investment strategy does this financial product follow?

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

The Fund's main objective is to acquire uncertified forest land in Latvia; however, the Fund is considering expanding into the Estonian and Lithuanian markets depending on investment opportunities, expected returns and risks. Part of the portfolio will also be invested in agricultural land, as most forest properties also include some agricultural land. The share of agricultural land in the portfolio is expected to be no more than 30% of the total investment in the portfolio.

The Fund will focus on building an investment portfolio diversified by species, age structures and regions, with a focus on maximising the value of the portfolio's investments over the Fund's life cycle.

The Fund will consider all tree species characteristic of the region. Spruce, pine, birch, aspen, alder and white alder would dominate a typical portfolio. In terms of age structure, relatively more attention will be paid to less mature forests, which offer a higher growth rate. The Fund will build and consolidate the forest portfolio from smaller units, thus benefiting from a larger scale at the point of exit.

The Fund will invest through SG Capital Meža fonds SIA (reg. No 40203395757), a 100% owned special purpose vehicle (SPV), in the acquisition of forest, agricultural and other land properties.

When acquiring a Fund's assets, the potential asset will be assessed at the pre-acquisition stage for its fit with the Fund's Investment and Sustainability Strategies, as well as for its impact on sustainability. All investment decisions, including the assessment of the sustainability risk impact, will be made by the Fund's Investment Committee.

### ● **What are the binding elements of the investment strategy used to select investments to attain the sustainable investment objective?**

The Fund will acquire uncertified forest land and after acquisition will ensure forest management in accordance with the requirements of the legislation of the Republic of Latvia and FSC certification requirements in order to implement sustainable forest management and maximise forest value growth.

Sustainable forest management practices that follow FSC principles will ensure the long-term productivity and resilience of forests, promote carbon sequestration and support biodiversity conservation.

In addition, the Fund will cooperate with the society by establishing contacts with hunting associations and concluding hunting rights agreements with them in the forest areas owned by the Fund. In this way, hunters will be involved in the monitoring of the Fund's forest properties and will report natural events such as wind storm damage, fallen trees, etc. The Fund will also lease productive agricultural land to local farmers, thus supporting rural development.

**Good governance** practices include sound management structures, employee relations, staff remuneration and tax compliance.

### ● **What is the policy to assess good governance practices of the investee companies?**

The Fund will not invest in investee companies as the Fund's investment strategy is to acquire real estate - forest and agricultural land. The Fund's wholly-owned Special Purpose Vehicle (SPV) is considered as part of the investment structure, the

financial results of which will be reported in the Fund's annual consolidated financial statements.

The Fund Manager is directly involved in the management of the SPV through the Manager's representatives on the SPV's Board, thereby providing oversight of the SPV as set out in the Fund Manager's Engagement Policy, including monitoring the quality of the SPV's governance practices, including in relation to the SPV's management and staff remuneration principles, and the SPV's financial and non-financial performance and performance.



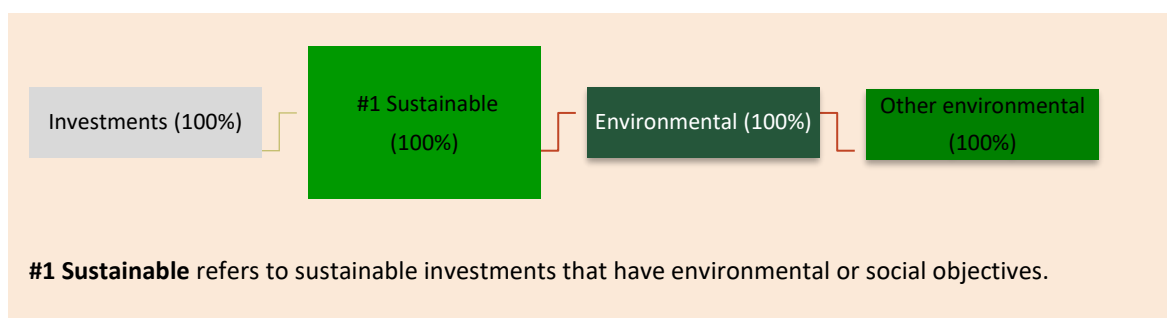
## What is the asset allocation and minimum share of sustainable investments?

**Asset allocation** describes the share of investments in specific assets

The Fund will invest through a 100% owned SPV in the acquisition of forest, agricultural and other land properties.

The Fund has not set a specific target but expects at least 90% or even 100% of its investments to be sustainable. In the initial period of operation (until 2025), these will be sustainable investments in economic activities that are not considered environmentally sustainable under the EU taxonomy.

In 2024, the Fund intends to implement the EU Taxonomy requirements for forest management and ensure compliance with the technical criteria.



### ● How does the use of derivatives attain the sustainable investment objective?

The Fund does not use derivatives.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue of green activities of investee companies.

- **capital expenditure** (CapEx), showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx), reflecting green operational activities of investee companies.

The Fund's sustainable investment or environmental objective is to *mitigate climate change*<sup>5</sup>, which will be achieved by ensuring the sustainable management of the forest land acquired by the Fund in accordance with the FSC principles and the Fund's Sustainability Strategy, thereby enhancing carbon sequestration while supporting biodiversity conservation and rural development.

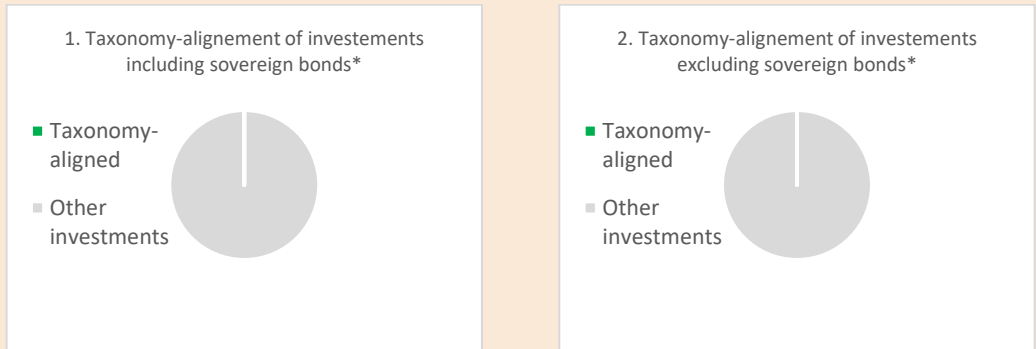
The Fund will start its activities by investing sustainably in economic activities that are not considered environmentally sustainable according to the EU Taxonomy. Consequently, the Fund will not have any investments that are compatible with the EU Taxonomy.

In 2024, the Fund intends to implement the EU Taxonomy requirements for forest management and to ensure compliance with the technical criteria set,

<sup>5</sup> In line with the environmental objectives set out in Art.9 of Regulation (EU) 2020/852.

thus implementing forest management that contributes to the environmental objective of mitigating climate change.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy in relation to all the investments of the financial product, including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation of the investments for financial product other than sovereign bonds.*



*\*For the purposes of these graphs, "sovereign bonds" consist of all sovereign exposures  
 \*\*The Fund does not invest in sovereign bonds, so the graph does not apply to the Fund's investment areas*

● **What is the minimum share of investments in transitional and enabling activities?**

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transition activities** are activities for which low-carbon alternatives are not yet available and among other have greenhouse gas emission levels corresponding to the best performance.

The Fund does not invest in transition and enabling activities.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

The Fund will have at least 90% of investments that are evaluated as sustainable, have an environmental objective but are not eligible for the EU taxonomy.



### **What is the minimum share of sustainable investments that have a social objective?**

The Fund will not make investments with a social objective.



### **What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental and social safeguards?**

The Fund does not intend to invest in the category "#2 Not sustainable".



### **Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable investment objective.

There is no reference benchmark for the Fund's sustainable investment objective.



### **Where can I find product-specific information online?**

Specific product information can be found on the following website:

<https://www.sgcapital.lv/sustainability>