

Statement on Principal Adverse Impacts of investment Decisions on sustainability factors for SG Capital Partners Sustainable Forest and Land Fund I ¹

Financial market participant SIA SG Capital Partners AIFP (legal entity Identifier: 984500AEF71A86CECC14)

Summary

SIA SG Capital Partners AIFP (registration number: 40103946854) considers the principal adverse impacts of its investment decisions on sustainability factors. This statement is a consolidated statement of the principal adverse impacts on sustainability factors related to SG Capital Partners Sustainable Forest and Land Fund I, KS, managed by SIA SG Capital Partners AIFP, and its subsidiary SIA SG Capital Meža Fonds.

SG Capital Partners Sustainable Forest and Land Fund I, KS invests in forest land, agricultural and other land, and considers the principal adverse impacts on sustainability factors.

This principal adverse impact statement covers the reference period from 1 January 2024 to 31 December 2024.

SG Capital Partners Sustainable Forest and Land Fund I, KS (the "Fund") reports on the minimum indicators applicable to real estate investments under Regulation (EU) 2022/1288, as well as additional indicators on principal adverse impacts on sustainability factors specific to the Fund's investments in forest, agricultural and other land. These additional indicators have been selected because Annex I of the Regulatory Technical Standards ((EU) 2022/1288) does not contain impact indicators relevant to the Fund's activities. Consequently, these indicators have been identified on a materiality assessment conducted during the development of the Fund's Sustainability Strategy.

The Fund has determined that the key adverse impact indicators relevant to its investments in forest, agricultural and other land assets include:

- Greenhouse Gas (GHG) Emissions
- Exposure to Natural Hazards
- Exposure to Climate Risks
- Sustainability of Forest Management Practices
- Health and Safety
- Human Rights and Labour rights Violations in Supply Chains
- Forest Management in Protected Areas

¹ The Statement on Principal Adverse Impacts of investment Decisions on sustainability factors reflects unaudited data for 2024

Description of the principal adverse impacts on sustainability factors

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken and actions planned, and targets set for the next reference period
Fossil Fuels	1. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	-	-	-	The Fund does not invest in real estate assets involved in the extraction, storage, transport or production of fossil fuels.	The Fund does not and will not in the future make such investments as they are not in line with the Fund's investment strategy.
Energy Efficiency	2. Exposure to energy-inefficient real estate assets	Share of investment in energy-inefficient real estate assets	-	-	-	The Fund does not invest in energy inefficient real estate assets.	The Fund does not and will not in the future make investments of this type as they are not in line with the Fund's investment strategy.

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Indicators applicable to investments in real estate assets

Adverse sustainability impact	Adverse impact on sustainability factors	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken and actions planned, and targets set for the next reference period
Greenhouse Gas Emissions	GHG emissions	Scope 1 GHG emissions generated by real estate assets	13 tCO ₂ eq.	1639 tCO ₂ eq.	n/a	<p>Scope 1 GHG emissions originate from the fuel consumed by vehicles used for property inspections and management. The car is used for on-site surveys of properties before they are purchased or for property monitoring.</p> <p>This category also includes emissions from logging activities, but there were none in the reporting year. This is the main reason why the 2024 Scope 1 emissions are significantly lower compared to the previous year. In 2023, GHG emissions from fuel consumption were 12 tCO₂ eq.</p>	<p>The Fund will continue to monitor and report on Scope 1 GHG emissions as set out in the Fund's Sustainability Strategy.</p> <p>As property acquisitions will continue in 2025, property surveys are inevitable. They are also an integral part of daily forest management. However, survey visits will be planned to cover as many neighbouring properties as possible at the same time. In addition, drone camera data will continue to be used to survey larger properties.</p> <p>In 2025, logging is planned as part of forest management to ensure effective forest regeneration and carbon sequestration and storage on forest estates. Although this work generates GHG emissions, when measured against the forest portfolio, these emissions will be offset by the amount of CO₂ sequestered.</p>

		Scope 2 GHG emissions generated by real estate assets	0 tCO ₂ eq.	0 tCO ₂ eq.	n/a	No negative impacts were generated as the investments in forest assets did not result in Scope 2 GHG emissions. ²	The Fund does not foresee any future Scope 2 GHG emissions, as this is not specific to forestry activities
		Scope 3 GHG emissions generated by real estate assets	67 tCO ₂ eq.	51 tCO ₂ eq.	173 tCO ₂ eq.	<p>In 2022, Scope 3 GHG emissions were calculated using the GHG Protocol Scope 3 valuation tool, which approximated Scope 3 emissions based on a monetary value. In the following, the same methods and main expenditure categories were used in both 2023 and 2024 to maintain consistency in the calculations, as the tool was no longer available. Due to the different methodology, the data for 2022 and the other years are not comparable with each other.</p> <p>The following categories are included in the calculation of Scope 3 GHG emissions:</p> <ul style="list-style-type: none"> -goods and services purchased;³ -waste from operations.⁴ <p>In 2024, the amount of Scope 3 GHG emissions has increased,</p>	<p>The Fund will continue to monitor and report on Scope 3 GHG emissions as set out in the Fund's Sustainability Strategy.</p> <p>In the event of a significant increase, and if deemed necessary, a GHG reduction plan will be developed.</p>

² Scope 2 GHG emissions are indirect emissions from the generation and consumption of electricity, steam, heating or cooling.

³ The quantities of goods and services purchased and the monetary value of purchases in the year under review include the relevant data of SIA SG Capital Meža fonds, which were extracted from the company's accounting and data management systems. Emission factors for goods were obtained from manufacturers' databases and for services from the US database: <https://catalog.data.gov/dataset/supply-chain-ghg-emission-factors-for-us-commodities-and-industries-v1-1>.

⁴ Emission factors are from the EPA database.

						mainly due to a significant increase in forest management activities in 2024 (forest maintenance, planting, soil preparation, etc.). Forest management work was carried out by service providers.	
		Total GHG emissions generated by real estate assets	80 tCO ₂ eq.	1690 tCO ₂ eq.	173 tCO ₂ eq.	<p>Total GHG emissions are calculated as the sum of Scope 1, Scope 2 and Scope 3 GHG emissions.</p> <p>As forest harvesting was carried out in 2023, this is also the year with the highest total GHG emissions</p>	<p>The Fund plans to carry out forest clearing in 2025, which is expected to result in an increase in Scope 1 and hence total emissions.</p> <p>The Fund will continue to monitor overall GHG emissions and, in the event of a significant increase, will develop a GHG reduction plan if deemed necessary.</p>

OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Indicators applicable to investments in forest assets

Adverse sustainability impact	Adverse impact on sustainability factors	Metric	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken and actions planned, and targets set for the next reference period
Exposure to Natural Hazards	Damages caused by natural hazards ⁵	Financial losses due to natural hazards in forest assets	0 EUR/ha	0 EUR/ha	0 EUR/ha	<p>Damage caused by storms, floods, forest fires, droughts, extreme temperatures, invasive species, etc.</p> <p>No losses due to natural disasters have been identified in forest assets during 2024.</p>	Regular monitoring of forest properties will continue in 2025 as a part of forest management to ascertain the condition of properties in the field and to identify damage caused by nature in time and take the necessary actions to prevent it.
Climate Risk Exposure	Forests vulnerable to climate risks	% of the Fund's forest assets by area exposed to high physical climate risks	n/a	n/a	n/a	In order to identify the forest areas owned by the Fund that are exposed to high climate change risks, an assessment of the Fund's portfolio of forest assets in relation to climate risks is required.	<p>In its Sustainability Strategy, the Fund is committed to monitoring and addressing physical climate risks through the implementation of adaptation measures identified during the climate risk assessment.</p> <p>As the Fund was active in property acquisitions in both 2023 and 2024, the Climate Risk Assessment was carried out at the end of 2024 to cover as much of the portfolio as possible. The Climate Risk Assessment identified the risks and benefits of climate change and future adaptation actions that the Fund will consider in its forest</p>

⁵ Natural hazards include, but are not limited to, those defined in the European Environment Agency's Technical Report 13/2010 "Mapping the impacts of natural disasters and technological accidents in Europe": storms, extreme temperatures, forest fires, droughts, floods.

							management and include in the Forest Management Plan. Forest areas at high risk from climate change will also be identified during 2025.
Sustainability of Forest Management Practices	Forest areas not managed sustainably	% of FSC® ⁶ uncertified forest assets by area owned by the Fund	0 %	0 %	100 %	In 2022, the Fund started the FSC® certification process. At the end of the reporting year (31.12.2024), all forest land is FSC® certified. This is confirmed by the certificate issued by FSC® (code: SCS-FM/COC-009366) ⁷	In line with the Sustainability Strategy, the Fund will continue to ensure sustainable forest management practices in line with FSC® certification requirements and will ensure that forest land acquired in 2025 will be FSC® certified.
Health and Safety	Health and Safety Incidents	Number of health and safety incidents in forestry operations per year	0	0	0	No health and safety incidents occurred in forestry operations during the year under review.	The Fund will continue to monitor health and safety incidents through reports from forest management service providers.
Human Rights and Labour Rights Violations	Human Rights violations in Supply Chains	Number of serious human rights violations identified in supply chains	0	0	0	No incidents have been reported in the suppliers' operations, nor have any such reports been received from suppliers.	In 2024, the implementation of the Code of Conduct in the Fund's SPVs was launched by signing it with suppliers. The Code of Conduct obliges the supplier to report violations, including human rights and labour violations. In 2025, the Fund will continue to carry out inspections of forestry service providers during the execution of works to detect, among other things, human rights
	Labour Rights violations in Supply Chains	Number of labour rights violations and incidents identified in supply chains	0	0	0		

⁶ Forest Stewardship Council® - a forest management certification organisation that certifies that forests are managed to conserve biodiversity and benefit local people and workers, while ensuring that the forest is economically viable. Read more: <https://fsc.org/en>

⁷ <https://search.fsc.org/en/certificate/a024y00000jqp4FAAQ/>

							or labour rights violations. It will also require these service providers to sign Codes of Conduct.
Forest Management in Protected Areas	Forest Area under Protection	Forest area under protection without commercial forest management	771,2 ha (HCV 1-3)	453,8 ha (HCV 1-3)	229,4 ha	<p>The Fund has established a Network of Protected Areas (NPA) and ensures that they represent at least 10% of the total FSC® certified area managed by the Foundation.</p> <p>The main elements of the NPA are the categories of High Conservation Values (HCV) 1-6⁸.</p> <p>For each of the categories of HCV, the methods of identification, the potential threats and the conservation measures identified are defined. Forest management restrictions have been identified for all HCV categories.</p> <p>In areas with HCV 1-3, the Fund does not carry out commercial forest management and provides them with protected area status.</p> <p>In 2024, the area of protected areas increased as the Fund continued to acquire assets. At the end of the year under review, these areas (HCV 1-3) represent 11.6% of the total</p>	<p>In 2025, the Fund will continue to monitor and report on the forest area under protection to ensure that these areas are managed in accordance with FSC® requirements and taking into account the needs of ecosystems and habitats.</p> <p>If any of the HCV categories include areas that are also national protected areas (as defined by law or Cabinet Regulation), the Fund will comply with the statutory requirements regarding forest management restrictions.</p>

⁸ Areas containing micro-reserves, beech trees, large ecosystems of scenic value, rare and threatened species, Natura 2000 etc. protected areas, rare, threatened or endangered ecosystems, habitats or refugia. Sites and resources important for meeting the basic needs of local communities or indigenous peoples, heritage sites, etc.

						FSC® certified area managed by the Fund.	
	Logging in protected areas	Harvested Forest Area in protected areas as defined by national legislation	0 ha	0 ha	0 ha	All forest areas are restricted to activities that are permitted under national and/or forest management standards.	The Fund will continue to comply with national laws, regulations and standards and the FSC® forest management standard for forestry activities.

SG Capital Partners Sustainable Forest and Land Fund I, KS does not invest in investee companies, as the Fund's strategy is to invest in other real estate assets. We consider the Fund's wholly owned subsidiary to be part of the investment structure, and we present consolidated data for these entities in the Fund's consolidated financial statements.

The Fund also does not invest in sovereign or supranational entities. Therefore, none of the indicators listed in Table 3 of Annex I to the Regulatory Technical Standards ((EU) 2022/1288) apply to real estate asset investments. However, SG Capital Partners Fund I, KS, and the Fund's subsidiary are bound by the Human and Labour Rights Policy introduced in April 2023, which requires them to comply with internationally recognised standards on human and labour rights.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

In addition to the ESG Due Diligence Policy of the Fund Manager, SIA SG Capital Partners AIFP (the "Manager"), approved on 26 January 2022, which sets out the general framework for assessing the impact of planned investment decisions on sustainability factors, in November 2023 the Manager approved the Pre-Acquisition Due Diligence Procedure and Annexes for Managed Fund Investments, which also sets out the specifics of due diligence for SG Capital Partners Sustainable Forest and Land Fund I, KS, including the ESG issues to be assessed depending on asset specificity.

In accordance with the ESG Due Diligence Policy, ESG review is carried out prior to the acquisition of an asset, assessing the suitability of a specific investment for the Fund's investment and sustainability strategy, including with regard to the list of excluded activities (activities that have a negative impact on sustainability, including human rights abuses) and in line with the principle of "Do No Significant Harm" and minimum safeguard requirements. In addition, SIA SG Capital Partners AIFP integrates the consideration of principal adverse impacts into the investment decision-making process to identify, manage and mitigate negative impacts where appropriate. Where an assessment indicates a significant negative potential or actual sustainability impact, alternative investments are considered, or an avoidance and mitigation plan is developed.

All investment decisions, including the assessment of ESG factors and sustainability risk, are taken by the Fund's Investment Committee.

The Manager shall consider the principal adverse impacts at asset and Fund level by measuring and monitoring the overall adverse impact of investment decisions on sustainability performance, by collecting data from the Fund's subsidiary and by using data from other reliable sources such as public databases, internal research, third party analysis, expert opinion, EU or national authorities' reports. The methodology for identifying the principal adverse impact always depends on the availability and quality of data. SIA SG Capital Partners AIFP makes every effort to provide the most reliable data possible. If new calculation methods are applied, existing methodologies are improved or if data are not available for an indicator, this is disclosed. If any publicly available tools are used in the calculations, this is also disclosed in the relevant reports.

The Manager's Head of Sustainability, the Fund's Head of Sustainability and the Head of the Investment Committees are responsible for ensuring that these policies are operational and implemented.

Engagement policies

SIA SG Capital Partners AIFP, through its ownership of the Fund and representation on the Board of the Fund's subsidiary, ensures its influence in investment decisions, including the mitigation of the principal adverse impacts of investment decisions, investment management and control with the objective of maximising the investment value of the Fund's assets and achieving the objectives set out in the Fund's Investment and Sustainability strategies.

The main principles of how the Manager exercises its influence in the above matters are set out in the Engagement Policy (v.2.0 approved on 22 August 2024). The Engagement Policy sets out, inter alia, the principles for engagement with the Fund's management team, investment/property managers and other key stakeholders to properly manage sustainability issues. If such actions fail to achieve the desired result in addressing the principal adverse impacts on sustainability factors, the Manager may consider divestment and, if deemed necessary, adjust the Engagement Policy to ensure that the principal adverse impacts are sufficiently managed.

References to international standards

In accordance with the ESG Due Diligence Policy, SIA SG Capital Partners AIFP assesses the sustainability impact of planned investments and monitors the investments made to ensure good governance and the implementation of the principle of "Do No Significant Harm (or DNSH)", as well as the following international best practice standards:

1. OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines).
2. UN Guiding Principles on Business and Human Rights (UNGPs).
3. International Labour Organisation Declaration on Fundamental Principles and Rights at Work.
4. International Bill of Human Rights.

FSC®⁹ standard

SG Capital Partners Sustainable Forest and Land Fund I, KS is strongly committed to the responsible management of the acquired forests. The Fund adheres to the principles and criteria of the FSC® Standard as set out in the "FSC Interim National Forest Management Standard for Latvia (FSC-STD-LVA-2023)". This commitment is a prerequisite for ensuring the sustainability of the forest assets managed by the Fund and promoting asset appreciation.

FSC® certification certifies that the principles of sustainable forest management are being followed. In addition, FSC® compliance is a cornerstone for meeting EU taxonomy requirements.

Each year, the Fund conducts an independent audit to certify the additional forest areas acquired in the year under review. Information on the FSC® certificate (SCS-FM/COC-009366) and the certified forest areas managed by the Fund is available here: <https://search.fsc.org/en/certificate/a024y00000jqp4FAAQ/>.

EU taxonomy

During 2024, the Fund implemented the requirements of the EU Taxonomy¹⁰ for forest management to meet the technical criteria of the EU Taxonomy¹¹, thus ensuring that the Fund implements forest management that contributes to the environmental objective of climate change mitigation¹² and that its activities meet the criteria of the DNSH.

Compliance with the EU taxonomy is evidenced by the independent auditor's opinion received by the Fund in February 2025 following a compliance audit in December 2024. In line with the EU taxonomy requirements, the compliance audit was carried out within two years after the commencement of the management of the forest assets under the Fund's management. The next audit will be required after 10 years in accordance with the EU taxonomy.

Historical comparison

⁹ The Forest Stewardship Council® or FSC® is an independent, non-governmental, non-profit organisation that advocates environmentally sound, socially beneficial and economically viable forest management practices. Read more: <https://fsc.org/en>

¹⁰ Regulation (EU) 2020/852 (18 June 2020)

¹¹ Refer to the technical verification criteria for forest management activities of Regulation (EU) 2021/2130 (4 June 2021) (1.3)

¹² In line with the environmental objectives set out in Art.9 of Regulation (EU) 2020/852.

The first Principal Adverse Impact Statement was published in 2023 and reported on the 2022 principal adverse impact indicators. This Statement publishes figures for the reference year 2024, the previous reference period 2023 and 2022. Please see the table above for a comparison of the indicators.