

## Statement on Principal Adverse Impacts of Investment Decisions on Sustainability Factors for SG Capital Partners Fund I<sup>1</sup>

**Financial market participant** SIA SG Capital Partners AIFP (legal entity ID 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 Fund I, KS, managed by SIA SG Capital Partners AIFP, and its subsidiaries: SIA NORDO, SIA Skanstes City, and SIA SG Capital Partners 1.

SG Capital Partners Fund I, KS invests in commercial real estate and considers the principal adverse impacts on sustainability factors in its investment activities.

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

SG Capital Partners Fund I, KS (hereinafter referred to as "the Fund") reports on the mandatory indicators applicable to real estate investments in accordance with Regulation (EU) 2022/1288. Based on a materiality assessment conducted during the development of the Fund's sustainability strategy, the Fund also considers two other climate-related and environmental indicators relevant to real estate asset investments, namely, greenhouse gas emissions and energy consumption intensity.

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<sup>1</sup> 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	0%	0%	0%	The Fund has not invested in real estate assets involved in the extraction, storage, transportation or production of fossil fuels.	The Fund will continue to maintain a 0% investment weighting in fossil fuel real estate assets. Such investments are also not permitted under the list of excluded activities of the SG Capital Partners AIFP ESG Due Diligence Policy.
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of investment in energy-inefficient real estate assets	34,45 %	34,64 %	32,61 %	<p>All buildings in the Fund's portfolio acquired during the lifetime of the Fund were built by 31.12.2020.</p> <p>Based on the gross asset value<sup>2</sup>, which was determined on the basis of the EBITDA of the assets in 2024, 65.55% of the investments are valued as investments in energy efficient assets (buildings with energy efficiency class A+, A or B), while 34.45% are valued as investments in energy-inefficient assets (buildings with energy efficiency class C).</p>	<p>The Fund completed the renovation of 2 office buildings during 2024. After the renovation, the buildings have not yet been recertified as the existing energy certificates are valid. The re-certification of the buildings is planned for 2027. As a result, the renovated buildings are expected to have an energy performance class of at least B and the investment rate is expected to improve.</p> <p>In addition, in 2025 and 2026, further capital investments in office buildings are planned, which could potentially improve the</p>

<sup>2</sup> The gross asset value is used only to calculate the share of specific buildings and does not reflect the actual value of the buildings.

						The 2024 indicator is equivalent to the 2023 indicator. The small change is only due to the change in asset EBITDA.	energy efficiency classes of the buildings.
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## 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	700,5 tCO <sub>2</sub> eq.	716,4 tCO <sub>2</sub> eq.	1067,6 tCO <sub>2</sub> eq.	<p>Scope 1 GHG emissions are calculated using the Carbon Risk Real Estate Monitor tool v2.05<sup>3</sup>. These are direct emissions from the consumption of natural gas to provide heat in industrial buildings. In addition, emissions<sup>4</sup> from fuel consumed in the management of industrial buildings are included.</p> <p>Scope 1 GHG emissions have decreased slightly compared to 2023. This is due to lower heat consumption in industrial buildings in 2024 compared to 2023.</p>	<p>During 2024, industrial building management systems (BMS) that monitor building energy consumption, indoor temperature and other parameters were linked into a single system to monitor and regulate energy consumption in buildings as efficiently as possible.</p> <p>In 2025, centralised monitoring and consumption management of BMS will continue. This will ensure that energy consumption is in line with the occupancy of the rented premises and the requirements of the tenants, as well as to meet the objective of the Fund's Sustainability Strategy not to exceed Scope 1 emissions compared to the base year (2022).</p>
		Scope 2 GHG emissions	603,6 tCO <sub>2</sub> eq.	641,2 tCO <sub>2</sub> eq.	1020,6 tCO <sub>2</sub> eq.	Scope 2 GHG emissions data are calculated for the entire portfolio of the	In 2024, renovation work on two office buildings (Skanstes Street 54 and 54A)

<sup>3</sup> <https://www.crrem.eu/tool/>

<sup>4</sup> Fuel emissions are calculated according to The GHG Protocol Corporate Accounting and Reporting Standard. Emission factors obtained from <https://co2emissiefactoren.nl/>

		generated by real estate assets				<p>Fund's buildings using the Carbon Risk Real Estate Monitor tool version v2.05. These are indirect emissions from electricity received and consumed in office and industrial buildings and from heat received and consumed in office buildings. Heating in office buildings is provided by AS "Rīgas Siltums".</p> <p>Scope 2 emissions in 2024 have reduced due to the overall reduction in heat and electricity consumption in the buildings of the Fund's portfolio.</p>	<p>continued, with only a few tenants occupying the premises. As a result, heat energy consumption in these buildings significantly decreased, which in turn affected GHG emission levels.</p> <p>The Fund already purchases electricity for its assets exclusively from renewable sources through AS "Latvenergo," as confirmed by green energy certificates.</p> <p>In 2024, the NORDO solar power plant (with a capacity of 1200 kW) was completed and put into operation in October. The electricity it generates will be used for daily consumption in some of the industrial buildings. This will have a positive impact on the reduction of Scope 2 emissions in the future.</p> <p>In 2025, the Fund will continue to implement energy efficiency measures in real estate assets to reduce energy consumption in buildings, as well as continue to purchase electricity generated from renewable energy sources and increase the amount of electricity generated from solar energy.</p> <p>The Fund's Sustainability Strategy sets a target for Scope 2 GHG emissions of no more than this compared to the base year (2022).</p>
		Scope 3 GHG emissions generated by real estate assets	431,2 tCO <sub>2</sub> eq.	413,8 tCO <sub>2</sub> eq.	432 tCO <sub>2</sub> eq.	<p>In 2022, Scope 3 GHG emissions were calculated using the <i>GHG Protocol Scope 3</i> valuation tool, which approximated Scope 3 emissions based on a monetary value. In the following, the same methods and main expenditure categories were used for both 2023 and 2024 to maintain consistency in the</p>	<p>In 2025, the Fund will continue to monitor and report on its Scope 3 GHG emissions, as required by the Fund's Sustainability Strategy. If a significant increase in emissions is detected, an emission reduction plan will be developed accordingly.</p>

						<p>calculations as the tool was no longer available.</p> <p>The following categories are included in the calculation of Tier 3 GHG emissions:</p> <ul style="list-style-type: none"> <li>-goods and services purchased<sup>5</sup>;</li> <li>-waste generated by the business<sup>6</sup>.</li> </ul> <p>They cover the Fund's major sources of GHG emissions and environmental impacts.</p> <p>In 2024, compared to 2023, the volume of emissions has increased because SIA NORDO purchased 2160 solar panels for the construction of the NORDO Solar Energy Park. Their emissions<sup>7</sup> associated with this purchase increased Scope 3 GHG emissions by 59 tCO<sub>2</sub> eq. However, the total Scope 3 GHG emissions in 2024 do not exceed the baseline year (2022) level.</p>	
		Total GHG emissions generated by real estate assets	1735,3 tCO <sub>2</sub> eq.	1771,4 tCO <sub>2</sub> eq.	2520,2 tCO <sub>2</sub> eq.	<p>Total GHG emissions are calculated as the sum of Scope 1, Scope 2 and Scope 3 GHG emissions.</p> <p>Total GHG emissions in 2024 have decreased slightly, driven by reductions in Scope 1 and Scope 2 GHG emissions, which were able to offset the increase in Scope 3 GHG emissions.</p>	In 2025, the Fund will continue investing in its assets to improve building energy efficiency, including replacing engineering communications, upgrading lighting fixtures, installing additional meters and other measuring devices, expanding the use of renewable energy sources, and implementing other infrastructure improvements.

<sup>5</sup> The quantities of goods and services procured and the monetary value of purchases in the year under review include the respective data of SIA NORDO, SIA Skanstes City and SIA SG Capital Partners 1, which were extracted from their accounting and data management systems. Emission factors were obtained from databases such as Ecoinvent 3.10, EXIOBASE.

<sup>6</sup> Waste generated from operations was accounted for at the cash value paid to waste management companies in 2024 by SIA NORDO, SIA Skanstes City and SIA SG Capital Partners 1. Emission factors were obtained from the EXIOBASE database.

<sup>7</sup> Emissions generated during the life cycle of a product, from the extraction of raw materials until the product is ready to be transported from the factory.

Energy consumption	Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square metre	0,00171568 GWh/m <sup>2</sup>	0,00182227 GWh/m <sup>2</sup>	0,00187694 GWh/m <sup>2</sup>	<p>Energy consumption intensity is calculated for the entire Fund's building portfolio, taking into account electricity and heat energy consumption.</p> <p>In 2024, energy intensity decreased due to lower energy consumption in both office buildings and industrial buildings.</p>	<p>The Fund will continue to implement its overall business strategy in line with the Sustainability Strategy and its objectives, in particular working towards an energy consumption of 150 kWh/m<sup>2</sup> (0.00015 GWh/m<sup>2</sup>) per year for office buildings and 49 kWh/m<sup>2</sup> (0.000049 GWh/m<sup>(2)</sup>) per year for industrial buildings.</p>
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SG Capital Partners Fund I, KS does not invest in investee companies as the Fund's strategy is to invest in real estate assets. We consider wholly owned subsidiaries of the Fund to be components 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 Regulatory Technical Standards ((EU) 2022/1288) relate to investments in real estate assets. However, SG Capital Partners Fund I, KS and the Fund's subsidiaries are bound by the Human and Labour Rights Policy introduced in April 2023 (v2 July, 2024), 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, SG Capital Partners AIFP SIA (the "Manager"), approved on 26 January 2023, 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 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, the Manager integrates the consideration of principal adverse impacts into the investment decision-making process, where appropriate, to identify, manage and mitigate negative impacts. Where the 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.

SG Capital Partners AIFP SIA considers the principal adverse impacts at asset and fund level by measuring and monitoring the overall negative impact of investment decisions on sustainability performance, by collecting data from the subsidiaries of the Fund, 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 impacts always depends on the availability and quality of data. SG Capital Partners AIFP SIA 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 policy**

SG Capital Partners AIFP SIA, through its ownership of the Fund and representation on the boards of the Fund's subsidiaries, ensures its influence in investment decision-making, including the mitigation of 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 key principles of how SG Capital Partners AIFP SIA 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 teams, investment/asset managers and other key stakeholders to properly manage sustainability issues. If such actions fail to achieve the desired result in addressing the key negative impacts on sustainability factors, the Manager may consider divestment and, if deemed necessary, adjust the Engagement Policy to ensure that the key negative impacts are sufficiently managed.

### **References to international standards**

In accordance with the ESG Due Diligence Policy, SG Capital Partners AIFP SIA assesses the sustainability impact of its 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 standards of good practice:

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.

### **BREEAM certification<sup>8</sup>**

SG Capital Partners Fund I, KS, committed to sustainable practices, uses BREEAM certification for its real estate assets to validate its efforts to improve energy efficiency and serve as a benchmark for excellence. These certifications serve as evidence of responsible environmental stewardship and a standard against which property performance and sustainability are measured.

### **Paris Agreement**

In line with global initiatives to combat climate change, SG Capital Partners AIFP SIA is committed to contributing to climate change mitigation by actively reducing carbon dioxide (CO<sub>2</sub>) emissions associated with its portfolio of real estate assets. This commitment is underlined by the commitment to support the goal of achieving net zero greenhouse gas emissions by 2050 or earlier in line with the Paris Agreement targets to limit global warming to 1.5°C.

To monitor progress towards this goal, SG Capital Partners AIFP SIA uses the CRREM (Carbon Risk Real Estate Monitor) tool<sup>9</sup>. This allows the Company to calculate the Scope 1 and Scope 2 GHG emissions of real estate assets, as well as to monitor total energy consumption and its compliance with the Paris Agreement targets.

### **Historical comparison**

The first Principal Adverse Impact Statement was published in 2023<sup>10</sup> 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.

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<sup>8</sup> <https://breeam.com/>

<sup>9</sup> <https://www.crrem.eu/tool/>

<sup>10</sup> Statement published on Fund's home page, section Statement on Principal Adverse Impacts of investment Decisions on sustainability factors: <https://sgcapital.lv/lv/ilgtspeja/>