

Legal entity identifier: 40203333070

Sustainable investment objective

Did this financial product have a sustainable investment objective?	
<div> <input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> </div> <div> <input checked="" type="checkbox"/> Yes </div>	<div> <input type="radio"/> <input type="radio"/> <input type="checkbox"/> </div> <div> <input type="checkbox"/> No </div>
<div> <input checked="" type="checkbox"/> It made sustainable investments with an environmental objective: 98% </div>	<div> <input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and, while it did not have as its objective a sustainable investment, it had a proportion of ____% sustainable investments </div>
<div> <input checked="" type="checkbox"/> in economic activities that qualify environmentally sustainable under the EU Taxonomy </div>	<div> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy </div>
<div> <input checked="" type="checkbox"/> in economic activities that do not qualify environmentally sustainable according to the EU Taxonomy </div>	<div> <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy </div>
<div> <input type="checkbox"/> It made sustainable investments with a social objective: ____% </div>	<div> <input type="checkbox"/> with a social purpose </div>
	<div> <input type="checkbox"/> It promoted E/S characteristics but did not make any sustainable investments </div>



The sustainable investment or **environmental objective** of SG Capital Partners Sustainable Forest and Land Fund I, KS (the "Fund") is **climate change mitigation**¹, which is achieved by ensuring the sustainable management of forest land acquired by the Fund in accordance with the FSC²® principles, the EU

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

2 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>

Taxonomy Technical Criteria¹ and the Fund's Sustainability Strategy, thereby enhancing carbon sequestration while supporting the conservation of biodiversity and rural development.

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

The Foundation received FSC® certification in 2023 and ensures that all acquired forest land is managed in accordance with FSC principles and the "FSC Interim National Forest Stewardship Standard for Latvia (FSC-STD-LVA-2023)". An independent audit is carried out each year to certify the additional forest areas acquired in the reporting year. Also at the end of 2024, another FSC® audit took place, and the Fund received a positive audit opinion, so as of 31.12.2024 all forest areas in the Fund's portfolio (6641,89 ha) are FSC® certified.

During 2024, the Fund implemented the EU Taxonomy requirements for forest management to meet the technical criteria of the EU Taxonomy, thus ensuring that the Fund implements forest management that contributes to the environmental objective of climate change mitigation. Compliance with the EU Taxonomy is evidenced by the independent auditor's opinion, which the Fund received on 3 February 2025, following an audit carried out in December 2024.

● ***How did the sustainability indicators perform?***

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

The performance of the sustainability indicators for the reference year (2024) is presented in the Annex to this report, Table 1.

● ***... and compared to previous years?***

The Fund has provided periodic reports on the Sustainable Investment Objective in 2023 and 2024, with information on the sustainability indicators achieved in 2022 and 2023 respectively.

The Annex to this report, Table 1, summarises the performance of the sustainability indicators in previous years and in the reporting year.

● ***How did sustainable investment not cause significant harm to any sustainable Investment objective?***

Principal 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, anticorruption and anti-bribery matters.

In its forest management, the Fund follows the "Do No Significant Harm" or DNSH principles set out in the EU Taxonomy Technical Criteria, which require certain measures that do not significantly harm any of the other environmental objectives set out in Article 9 of Regulation (EU) 2020/852.

— — — *How were the indicators for adverse impacts on sustainability factors taken into account?*

During 2024, the Fund took the following actions to mitigate the negative impact on sustainability factors:

- Prior to making investments, i.e. acquisitions of forest, agricultural and other land, it was assessed whether these properties, given their specific characteristics, had the potential to have negative impacts on sustainability factors or FSC® certification requirements and whether any sustainability risks could arise during their management and how these could be managed. Accordingly, the Fund's Investment Committee also considers these risks associated with property acquisitions when making investment decisions.
- During 2024, a Climate Hazard Analysis was carried out for the forest portfolio, which identified potential risks and methods for their management. Accordingly, in 2025 the Forest Management Plan will be updated with measures to help manage climate change risks.

¹ Refer to the technical verification criteria for forest management activities of Regulation (EU) 2021/2130 (4 June 2021) (1.3

- In 2024, regular monitoring of forest properties continued as part of forest management, not only to ascertain the natural state of the properties, to plan the necessary management actions, but also to identify in time damage to forest properties caused by natural hazards¹.
- To ensure that forest management practices are in line with FSC® certification requirements, forestry service providers received appropriate training when contracting services, and performance checks were carried out during the execution of works.
- In order to manage the risks associated with supply chains, in particular human rights and labour rights violations, the signing of Codes of Conduct with service providers was launched in 2024. The Code of Conduct is part of the forestry works contract.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

SIA SG Capital Partners AIFP (Fund Manager) ESG Due Diligence Policy (ESG Due Diligence Policy, v.1.0 of 26.01.2023), which also applies to the Fund and sets out the obligations of the Fund to carry out sustainability impact assessments of the planned investments and monitoring of the investments made, as well as the Human Rights and Labour Rights Policy (v.2.0 of 25.07.2024), which sets out guidelines for the respect of human and labour rights not only in the Manager and the Funds it manages, but also in relation to its business partners, establishes 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 enshrined in the 2023 Code of Conduct. It is to be signed with the partners of the SPVs owned by the Fund and will allow the Fund to monitor compliance with the Code of Conduct and report on breaches in annual sustainability reports.



How did this financial product consider principal adverse impacts on sustainability factors?

The Fund considers the principal adverse impacts on sustainability factors, while the Manager monitors the impact of the Fund's investment activities on the environment, its resilience to climate risks, biodiversity, respect for human rights, labour rights and occupational safety, by assessing the extent of adverse impacts on an annual basis.

In assessing the materiality of the impact of the Fund's activities, the Manager shall use the indicators set out in Regulation (EU) 2022/1288 applicable to real estate investments as well as other indicators on the principal adverse impacts on sustainability factors specific to the Fund's investments in forest, agricultural and other land to assess the adverse impacts of the Fund's investment decisions. These negative impact indicators are as follows:

- GHG Emissions;
- Exposure to Natural Hazards;
- Exposure to Climate Risks;

¹ 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.

- Sustainability of Forest Management Practices;
- Health and Safety;
- Human Rights and Labour Rights Violations in Supply Chains;
- Forest Management in Protected Areas.

If the Manager finds in its annual review that an impact indicator has deteriorated, it will plan appropriate actions to mitigate the negative impact. Where necessary, appropriate investments shall also be planned.

The Manager publishes a Statement of Principal Adverse Impacts of investment Decisions on sustainability factors with the annual consolidated annual report of the Fund.

The Manager has developed and continues to develop internal rules and regulations that set out the responsibilities and commitments for the management of the principal adverse impacts both within the Manager and the Fund.

- Sustainability Risk Management Policy (v.1.0 as of 26.01.2023)
- ESG Policy on Due Diligence (v.1.0 from 26.01.2023)
- Environmental Policy (v.1.0 of 04.12.2023)
- Engagement Policy (v.2.0 from 22.08.2024.)
- Human Rights and Labour Policy (v.2.0 of 25.07.2024)
- Tenant Satisfaction Policy (v.2.0 from 25.07.2024)
- Whistleblowing procedure (v.1.0 of 13.12.2023.

The Manager, through its ownership of the Fund and representation on the SPV Board, shall exercise oversight of the SPV, including in sustainability, in accordance with the principles set out in the Engagement Policy.



What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments of the financial product** during the reference period, which is: 2024.

Largest investments	Sector	% Assets	Country
SIA SG Capital Meža Fonds (acquisition of forest, agricultural and other land)	68.11 Buying and selling your own real estate¹	92,75%	Latvia

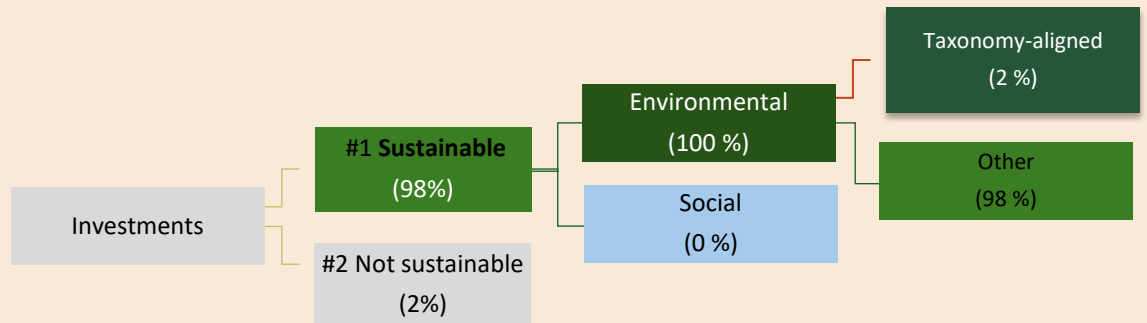
¹ In accordance with the statistical classification of economic activities NACE 2.1



What was the proportion of sustainability-related investments?

What was the asset allocation

Asset allocation describes the share of investments in specific assets.



#1 Sustainable refers to sustainable investments that have environmental or social objectives.

#2 Not sustainable includes investments that do not qualify as sustainable investments.

In which economic sectors were the investments made?

All investments made by SIA SG Capital Meža fonds in 2024 were related to the acquisition of forest, agricultural and other land, as well as forest biological assets.

The Fund invested through its 100 % owned SPV, SIA SG Capital Meža fonds, by acquiring the relevant land and biological assets. These investments are attributable to investments in the real estate sector (NACE 2.1: 68.11 Buying and selling of own real estate).



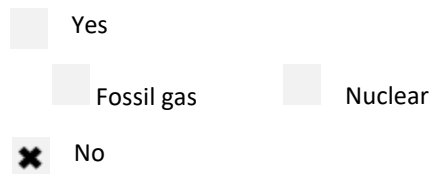
To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

In 2024, 2% of all sustainable investments made were in line with the EU Taxonomy. These are investments in forest management implemented in a way that meets the technical criteria of the EU Taxonomy and can be considered as an environmentally sustainable economic activity contributing to the environmental objective of mitigating climate change.

Did the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?¹

No investments in fossil gas or nuclear power have been made and are not planned in the future, as the Fund is focused on sustainable investments in forest management.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy if they contribute to limiting climate change ("climate change mitigation") and do not cause significant harm to any of the objectives of the EU Taxonomy - see explanation to the left. All criteria for fossil gas and nuclear economic activities that are eligible for the EU Taxonomy are set out in Commission Delegated Regulation (EU) 2022/1214.



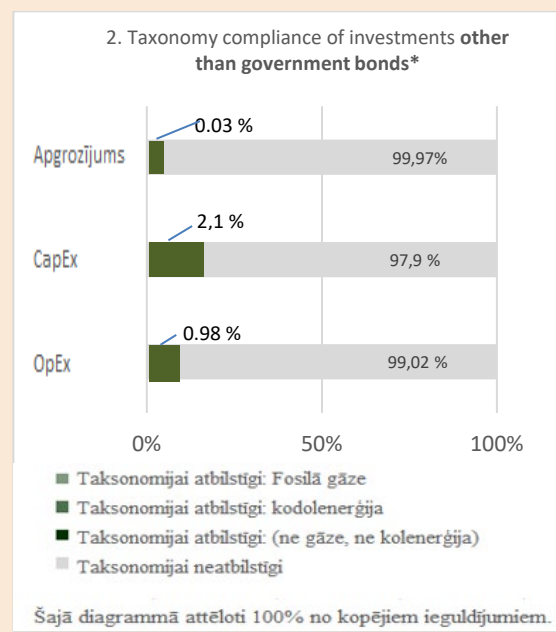
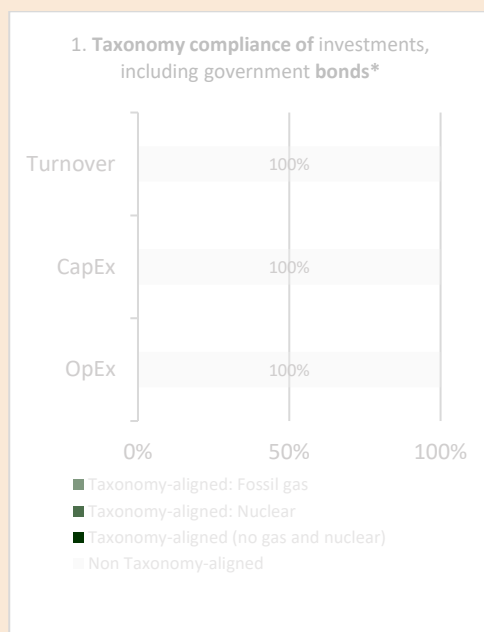
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from 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 graphs below show in green the percentage of investments that were 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 alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*

As the Fund does not invest in government bonds, Chart 1 is not applicable to the Fund's investment areas and is not populated.

Chart 2 shows Taxonomy-compliant (neither gas nor nuclear) and Taxonomy-incompatible investments




*For the purposes of these charts, "sovereign bonds" includes all exposures to sovereign entities

What was the share of investments made in transitional and enabling activities?

In 2024, the Fund has not invested in transition or enabling activities

How did the percentage of investment eligible for the EU Taxonomy compare with previous reference periods?

The Fund did not have any EU Taxonomy-eligible investments in the previous reference periods 2022 and 2023. From this reference period, 2024, when the Fund has implemented the EU Taxonomy requirements and ensured compliance with the EU Taxonomy technical criteria for forest management activities, the Fund will start reporting EU Taxonomy compliant investments.

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



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

98% of the investments made by the Fund in 2024 were not in line with the EU Taxonomy. This is due to the continued active acquisition of real estate in 2024, such as forest, agricultural and other land, as well as forest biological assets, which are necessary for the Fund to implement sustainable forest management that meets the requirements of FSC® certification and the EU Taxonomy.



What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

Of all the Fund's investments in 2024, 2% were unsustainable. This category includes the costs associated with the acquisition of properties (surveys, registrations, fees, etc.) necessary to research the transaction (asset) and subsequently register the asset and consolidate ownership.

In relation to this investment, the Fund and the SPV shall comply with the Human and Labour Rights Policy. Also, the Manager, through its ownership in the Fund and representation on the SPV Board, ensures that good governance practices are implemented in both the Fund and the SPV. The Manager shall exercise oversight of the SPV in accordance with the principles set out in the Engagement Policy.



What actions have been taken to attain the sustainable investment objective during the reference period?

All investments in 2024 were made in accordance with the Fund's Investment and Sustainability strategies. This includes the fact that sustainability risks and their impact were already assessed before the acquisition of the asset. Compliance with FSC® certification requirements was also assessed.

In 2024, the Fund's Sustainability Committee continued its work, acting as a platform to properly manage sustainability impacts and mitigate risks that could be associated with adverse impacts or significant harm that could result from the Fund's investments.

In 2024, the Fund introduced compliance with the EU Taxonomy and its technical criteria for forest management. Compliance with the EU Taxonomy is confirmed by an independent auditor's opinion, which the Fund received on 3 February 2025 following an audit carried out in December 2024.

In order to identify and manage climate change risks, a Climate Risk Analysis for the Fund's portfolio of forest properties was developed in 2024. In addition, an assessment of the impact of forestry on water was carried out in accordance with Directive 2000/60/EC. And as forests are also a significant carbon sink, a long-term projection of GHG emissions and CO₂ sequestration was developed for the Fund's forest properties. All the conclusions and recommendations of these assessments will be considered by the Fund in its future forest management planning.

The forest land acquired during 2024 by the Fund was FSC® certified (certificate code: SCS-FM/COC-009366) as a result of the application of sustainable management practices in these areas.

In December 2024, SG Capital Forest Fund's Forest Management Plan 2022-2032 (hereafter - FMP) was updated to include the EU Taxonomy requirements for forest management. The FMP describes all existing and planned forest management activities to ensure compliance with FSC® certification and EU Taxonomy requirements and to contribute to sustainable forest management in Latvia. The FMP is publicly available on the Foundation's website <https://mezi.sgcapital.lv/>.

In the context of forest management, the Fund not only complied with the requirements of the forest management legislation but also carried out additional voluntary measures such as reforestation through planting (artificial regeneration), coppicing and agrotechnical management. In addition, non-forest land was also afforested. Such activities contribute to the increase in the value of forest assets and the amount of carbon sequestered.

In 2024, the Fund also ensured the collection of waste found in several forest properties and the dismantling of degraded structures.

During the reporting year, the Fund also monitored the network of FSC®-certified protected areas (hereinafter - NPAs), thus identifying and monitoring the natural and cultural heritage values found in its forest areas. The monitoring of the NPAs was carried out by an external service provider, which engaged competent natural and cultural heritage experts for this purpose. For example, as part of the NPAs monitoring, a new site of a rare and protected species at European level - *Ligularia sibirica*¹ was found on the Foundation's property in the Apes municipality of Smiltene district.

In 2024, contracts with hunting collectives to lease hunting areas continued to be concluded. A total of 972 ha of forest land (19.8% of the portfolio) was contracted to hunting collectives during the reporting year. Cooperation with hunters indirectly helps to monitor the forest estate and its activities. For example, hunters report the effects of weather events such as windstorm damage, fallen trees, etc. In the long term, it is therefore planned that hunting rights agreements will cover most of the areas in the Fund's portfolio. During 2024, contracts were concluded for the lease of 110 ha of agricultural land.

In addition, all forest properties owned by the Fund provide free access for berry picking and mushroom picking, as well as other forms of recreation, which is not in contradiction with the existing regulatory framework or FSC® certification requirements.

¹ <https://nra.lv/latvija/regionos/467392-latvija-atklata-jauna-eiropa-retas-un-apdraudetas-augu-sugas-atradne.htm>

ANNEX

Table 1 Performance of sustainability indicators

No.	Sustainability Indicator	Metric	Target	Performance 2022	Performance 2023	Performance 2024	Explanation
A. Ensure that the Fund's investment activities contribute to climate change mitigation							
1	Amount of CO ₂ sequestered	t, CO ₂	Account, monitor and report	15 000	19 782	33 403	The amount of CO ₂ sequestered is calculated for the entire forest portfolio owned by the Fund at year-end. The calculation model (developed for 2023) assumes an average biomass increase of 3.6 t/ha/year and an average CO ₂ sequestration of 6.6 t/ha/year.
2	Scope 3 GHG emissions	tCO ₂ eq.	Accounting, monitoring and reporting	173	51	67	<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 purchased¹; -waste from operations². <p>In 2024, the amount of Scope 3 GHG emissions has increased, mainly due to a significant increase in forest management activities (forest maintenance, planting, soil preparation, etc.) in 2024. Forest management work was carried out by service providers.</p>

¹ 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 1, 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>.

² Emission factors are from the EPA database.

3	Afforested marginal land	%	50% of all marginal land afforested during the Fund's lifetime	0	13	26	<p>The area of marginal land¹ owned by the Fund as at 31.12.2024 was 435 ha. 26% of this area, or 113.2 ha, is counted as afforested. Afforestation has been carried out by the Fund itself after acquisition (34.5 ha), some of the properties (47.5 ha) were afforested before acquisition and some of the land was naturally afforested (31.2 ha).</p> <p>In the coming years of the Fund, afforestation of marginal land will continue in order to achieve the objective.</p>
B. Ensure sustainable forest management practices							
4	FSC® certified forest areas	%	100% by 2023 and 100% within one year of purchase	0	100	100	<p>During 2024, the Fund acquired 2105 ha of uncertified forest land. As a result of the application of sustainable management practices on these areas, they have all been FSC® certified.</p> <p>Therefore, as of 31.12.2024, all forest land areas of SIA SG Capital Meža fonds with an area of 6642 ha were FSC® certified (FSC® certificate code: SCS-FM/COC-009366).²</p>
5	Forest area under protection without commercial forest management	% of total forest area	At least 10% of the total FSC® certified area managed by the Fund	11,94	11,8 (HCV 1-3)	11,6 (HCV 1-3)	<p>The Fund has established a network of protected areas (NPA). The main elements of the NPA are the categories of High Conservation Values (HCV) 1-6³.</p> <p>For each of the categories of HCV, the methods of identification, the potential threats and the conservation measures identified are defined. All HCV categories have restrictions on forest management, but HCV categories 1 and 3 prohibit forestry activities, HCV category 2 - forestry activities are partially allowed, except clear-cutting (only selective or coppice harvesting can be carried out).</p>

¹ 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.

² <https://search.fsc.org/en/certificate/a024y00000jqp4FAAQ/>

³ 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.

							In areas with HCV 1-3, the Fund does not carry out commercial forest management and ensures the objective of protected areas without commercial forest management is met.
					8,6 (HCV 4-6)	8,5 (HCV 4-6)	In HCV categories 4-6, forestry activities are allowed with restrictions. If any of the HCV categories include areas that are also State Protected Areas (as defined by law or Cabinet of Ministers regulation), the Fund will comply with the statutory requirements for restrictions on forest management.
C. Securing and maintaining the resilience of forests to hazards with minimal negative impacts on the environment							
6	Financial losses due to natural hazards in forest assets ¹	EUR /ha	0 EUR /ha	0	0	0	<p>No losses due to natural hazards have been identified in forest assets during 2024.</p> <p>In 2024, as part of the EU Taxonomy compliance requirements, a Climate Hazard Analysis was carried out, identifying the risks and benefits of climate change and future adaptation actions that the Fund will take into account in its forest management and include in the Forest Management Plan.</p> <p>As of 2025, the Fund has revised this target and set the amount of losses caused by natural disasters not to exceed 0.1% of the book value of biological assets in EUR /year. The Fund will report on the achievement of this indicator in the future.</p>

¹ 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.

D. Ensure that business relationships are established with suppliers that adhere to ethical standards and manage the sustainability impacts of their suppliers

7	Strategic partners who have signed the Code of Conduct	% of strategic suppliers	100	0	0	8 Codes of Conduct	<p>In 2024, the implementation of the Code of Conduct in the Fund's SPVs was launched by signing it with suppliers.</p> <p>A total of 8 Codes of Conduct have been signed, 7 of them by forestry service providers (there are 18 such providers in total). In 2024, none of the suppliers is to be considered as a strategic partner (i.e. the volume of services delivered per year has not exceeded €100,000).</p> <p>Given the specific nature of the Fund's activities, for and beyond, the Fund has clarified this target by requiring at least 90% of forest service providers to sign the Code of Conduct. Accordingly, the Fund will report on the achievement of this indicator in the future.</p>
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