

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

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

### Summary

SIA SG Capital Partners AIFP (registration number: 40103946854) is the manager of the alternative investment fund SG Capital Partners Sustainable Forest and Land Fund I, KS (registration number: 40203333070). 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. Each year, SIA SG Capital Partners AIFP assesses the extent of adverse impacts and monitors how the Fund's investment activities affect the environment, its resilience to climate risks, biodiversity, human rights, labor rights, and compliance with occupational safety requirements.

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 (the "Fund"), and its subsidiary SIA SG Capital Meža Fonds (registration number: 40203395757). By December 5, 2025, the Fund had made investments through a special purpose vehicle wholly owned by the Fund (SPV) – SIA SG Capital Meža fonds – by acquiring forest, agricultural and other land properties. As of December 6, 2025, investments will continue to be made by the Fund, as on December 5, 2025, the SPV and the Fund were merged, with the SPV being added to the Fund through reorganization. In accordance with the provisions of Section 335, Paragraph 5 of the Commercial Law, all pre-existing obligations have been taken over by the acquiring company, SG Capital Partners Sustainable Forest and Land Fund I, KS, from SIA SG Capital Meža Fonds on the basis of the law.

This principal adverse impact statement covers the reference period from 1 January 2025 to 31 December 2025.

The Fund reports on the minimum indicators applicable to real estate investments under Regulation (EU) 2022/1288, as well as other indicators on principal adverse impacts on sustainability factors specific to the Fund's investments in forest, agricultural and other land. These other indicators have been selected because Annex I of the Regulatory Technical Standards ((EU) 2022/1288) does not contain indicators on principal adverse impacts

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<sup>1</sup> The Statement on Principal Adverse Impacts of investment Decisions on sustainability factors reflects unaudited data for 2025.

relevant to the Fund's activities. Consequently, these indicators have been identified on the basis of an assessment of the materiality of the Fund's impacts during the development of the Fund's Sustainability Strategy.

Thus, the Fund has identified the following as the most important indicators of adverse impacts related to investments in forest assets:

- Greenhouse gases (GHG) emissions
- Exposure to natural hazards
- Exposure to climate risks
- Sustainability of forest management practices
- Health and safety
- Human rights, labour rights violations in the supply chains
- Forest management in protected areas

## Description of the principal adverse impacts on sustainability factors

### INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse sustainability indicator		Metric	Impact [2025]	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 [2025]	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken and actions planned, and targets set for the next reference period
Greenhouse Gas Emissions	1. GHG emissions	Scope 1 GHG emissions generated by real estate assets	2085 tCO <sub>2</sub> e	13 tCO <sub>2</sub> e	1639 tCO <sub>2</sub> e.	n/a	Scope 1 GHG emissions comprise direct emissions from fuel consumption in vehicles used for forest property inspections and monitoring, as well as emissions arising from logging activities	Actions taken: The Fund carried out regular on-site inspections and monitoring of forest properties, as well as supervision of logging operations during their execution, using vehicles. Inspection visits were optimised by

							<p>carried out as part of forest management and regeneration.</p> <p>In 2025, Scope 1 GHG emissions increased due to logging activities. In 2024, when no logging was carried out, the emissions indicator reflected only direct emissions from fuel consumption.</p>	<p>combining neighbouring properties, and drones were used for monitoring larger areas in order to reduce transport-related emissions.</p> <p>Planned actions and targets: The Fund will continue the supervision and management of forest properties. In light of the planned increase in logging activities, Scope 1 GHG emissions are expected to increase accordingly. The Fund will continue to monitor and report these emissions on a regular basis.</p>
		Scope 2 GHG emissions generated by real estate assets	0 tCO <sub>2</sub> e.	0 tCO <sub>2</sub> e	0 tCO <sub>2</sub> e	n/a	<p>Scope 2 GHG emissions comprise indirect emissions from the generation of purchased and consumed electricity, heating, steam or cooling.</p> <p>During the reporting period, investments in forest assets did not generate Scope 2 GHG emissions; therefore, no negative impact was identified.</p>	<p>The Fund does not anticipate the occurrence of Scope 2 GHG emissions, as forestry activities are not associated with such emissions.</p>
		Scope 3 GHG emissions generated by real estate assets	81 tCO <sub>2</sub> e	67 tCO <sub>2</sub> e	51 tCO <sub>2</sub> e	173 tCO <sub>2</sub> e	<p>Scope 3 GHG emissions for 2022 were calculated using the GHG Protocol Scope 3 evaluation tool, applying a spend-based methodology. To ensure consistency, a similar methodology and the same material expense categories were applied for 2023–2025, as the aforementioned tool was no longer available. Due to methodological differences, the 2022 data are not directly comparable with subsequent years.</p> <p>The Scope 3 GHG emission calculations include the following categories: purchased goods and services (Category 1) and waste generated in operations (Category 5).</p> <p>In 2025, the increase in Scope 3 GHG emissions was primarily attributable to</p>	<p>Actions taken: In 2025, the Fund commenced lease payments for a vehicle used in forest management, arranged for the removal of construction waste from 11 forest properties, and implemented upgrades to the forest management system LVM Geo, including integration with the accounting system Horizon. Third-party service providers were engaged for forest maintenance, soil preparation, planting, and forest inventory activities.</p> <p>Planned actions and targets: The Fund will continue to monitor and report Scope 3 GHG emissions. In the event of a material increase in emissions, and where deemed necessary, a GHG</p>

							higher volumes and costs of services used, including property registration and certification costs, the removal of construction waste from forest areas, vehicle rental expenses, and increased IT service and system costs.	emission reduction plan will be developed.
		Total GHG emissions generated by real estate assets	2166 tCO <sub>2</sub> e	80 tCO <sub>2</sub> e	1690 tCO <sub>2</sub> e	173 tCO <sub>2</sub> e	<p>Total GHG emissions are calculated as the sum of Scope 1, Scope 2 and Scope 3 GHG emissions.</p> <p>In 2025, the increase in total GHG emissions was primarily attributable to the commencement of logging activities and the increased volume of services utilised.</p>	<p>Actions taken: During the reporting period, the Fund aggregated and monitored total GHG emissions, calculated as the sum of Scope 1, Scope 2 and Scope 3 emissions, ensuring consistent accounting and reporting in accordance with the applicable methodology.</p> <p>Planned actions and targets: In 2026, the Fund intends to continue forest management activities, including logging, as part of the sustainable forest regeneration cycle. Accordingly, Scope 1 GHG emissions may be comparable to or slightly higher than in 2025, which may also affect total GHG emissions. The Fund will continue to monitor the trend in total GHG emissions and, where relevant and considered material, assess the need to implement GHG emission reduction measures.</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 [2025]	Impact [2024]	Impact [2023]	Impact [2022]	Explanation	Actions taken and actions planned, and targets set for the next reference period

Exposure to Natural Hazards	1. Damages caused by natural hazards <sup>2</sup>	Financial losses due to natural hazards in forest assets	26 323 EUR/year	0 EUR/year	0 EUR/year	0 EUR/year	<p>Losses caused by storms, floods, forest fires, drought, extreme temperatures, invasive species, etc.</p> <p>In 2025, the Fund identified timber losses of 97 m<sup>3</sup> due to windthrow and isolated dead trees, with a total value of EUR 1,141. In addition, a grass fire was recorded at one property, resulting in approximately 19 hectares of young forest stands being burned. The related losses (value of prior maintenance works and estimated reforestation costs) amounted to EUR 25,182.</p> <p>Total losses from the above incidents amounted to EUR 26,323, representing 0.003% of the carrying value of the Fund's biological assets.</p>	<p>Actions taken: As part of its forest management activities, the Fund conducted regular monitoring of forest properties and maintained ongoing communication with relevant stakeholders (including service providers, land tenants and forest wardens) to ensure timely awareness of developments, in particular any incidents.</p> <p>Planned actions: In 2026, the Fund will continue regular monitoring of forest properties and engagement with relevant stakeholders to ensure the timely identification of natural damage and the implementation of appropriate mitigation measures.</p>
Climate Risk Exposure	2. Forests vulnerable to climate risks	% of the Fund's forest assets by area exposed to high physical climate risks	2,2%	n/a	n/a	n/a	<p>To identify forest areas owned by the Fund that are exposed to high climate change risks, the Fund uses geospatial climate risk data available in Latvia. Based on flood risk information published in 2025 by the Latvian Environment, Geology and Meteorology Centre, the Fund identified forest properties exposed to flood risk within a 10-year and 100-year return period.</p> <p>Currently, flood risk is the only climate risk category in Latvia for which sufficiently detailed geospatial data are available to determine high-risk areas. Such forest areas amount to 198.05 hectares, representing 2.2% of the Fund's forest land.</p>	<p>Actions taken: At the end of 2024, the Fund carried out a portfolio-level climate risk assessment, identifying climate change-related risks and necessary adaptation measures to be integrated into forest management practices and the Forest Management Plan. In 2025, flood risk data (10- and 100-year return periods) published by the Latvian Environment, Geology and Meteorology Centre were integrated into the Fund's forest management system LVM Geo, enabling the identification and monitoring of assets exposed to flood risk.</p> <p>Planned actions: In 2026, a flood risk area management plan will be</p>

<sup>2</sup> 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.

								developed and subsequently integrated into the Forest Management Plan.
Sustainability of Forest Management Practices	3. Forest areas not managed sustainably	Percentage of the Fund's forest assets by area that are not FSC® (FSC-C182247) certified <sup>3</sup>	0%	0%	0%	100%	In 2022, the Fund initiated the FSC® certification process and obtained the FSC® certificate in February 2023 (valid until 08.02.2028). Thereafter, an independent audit is conducted annually to certify additional forest areas acquired during the reporting year (interim audit).  As at the end of the reporting period (31.12.2025), 100% of the Fund's forest land area is FSC® certified <sup>4</sup> .	Actions taken: In December 2025, an FSC® interim audit was conducted, resulting in a positive conclusion confirming compliance with FSC® certification requirements.  Planned actions: In line with the Sustainability Strategy, the Fund will continue to ensure sustainable forest management in accordance with FSC® requirements and will ensure that forest land acquired in 2026 is FSC® certified.
Health and Safety	4. Health and Safety Incidents	Number of health and safety incidents in forestry operations per year	0	0	0	0	The Fund's supply chain primarily consists of forestry service providers. The Fund enters into contracts with service providers requiring compliance with environmental, nature protection and occupational health and safety requirements, the implementation of which is monitored by the Fund's representative during the execution of works. Service providers that have signed the Code of Conduct for Cooperation Partners are obliged to inform the Fund of any breaches of the Code's requirements.	Actions taken: In 2024, the Fund initiated the implementation of the Code of Conduct. In 2025, 59% of forestry service providers had signed the Code of Conduct.  Planned actions: The Fund will continue engaging with service providers to ensure that 90% of forestry service providers sign the Code of Conduct. In 2026, the Fund will also continue conducting on-site inspections of service providers during the execution of works to identify any potential breaches related to health and safety, human rights or labour rights.
Human Rights and Labour Rights Violations	5. Human Rights violations in Supply Chains	Number of serious human rights violations identified in supply chains	0	0	0	0	During the reporting year, no health and safety incidents or violations of human rights or labour rights were identified in forestry operations.	
	6. Labour Rights violations in Supply Chains	Number of labour rights violations and incidents identified in supply chains	0	0	0	0		
	7. Forest Area under Protection	Forest area under protection	873,05 ha (İSV 1-3)	771,2 ha (İSV 1-3)	453,8 ha (İSV 1-3)	229,4 ha	The Fund has established a network of protected areas (PAT), based on High	Actions taken: Since 2023, in accordance with the monitoring

<sup>3</sup> 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>

<sup>4</sup> <https://search.fsc.org/en/certificate/a024y00000jqp4FAAQ/>

Forest Management in Protected Areas		without commercial forest management					<p>Conservation Value (HCV) categories 1 to 6<sup>5</sup>. For each category, identification methods, potential threats, conservation measures and forest management restrictions have been defined.</p> <p>In areas classified as HCV categories 1–3, the Fund does not carry out commercial forest management and ensures that these areas are designated and recorded as protected areas.</p> <p>In 2025, following the expansion of the Fund’s portfolio, areas classified under HCV categories 1–3 accounted for 9.9% of the Fund’s FSC® certified area under management, while the overall protected area network represented 17.2% of the FSC® certified area managed by the Fund.</p>	<p>programme for the key elements of the protected area network and HCV areas (2023–2032), the Fund has conducted annual HCV monitoring carried out by external experts in nature conservation and cultural heritage. In addition, specific identifiers for HCV categories have been implemented in the forest management system LVM Geo.</p> <p>Planned actions: In 2026, the Fund will continue HCV monitoring in line with the programme and will ensure that these areas are managed in accordance with FSC® requirements, taking into account ecosystem and habitat needs.</p>
	8. Logging in protected areas	Harvested Forest Area in protected areas as defined by national legislation	0 ha	0 ha	0 ha	0 ha	<p>In all forest areas, the Fund carries out only activities that are permitted under applicable national legislation and/or FSC® standard requirements.</p>	<p>Actions taken: The Fund conducts forest management activities in accordance with the laws and regulations of the Republic of Latvia and FSC® standard requirements.</p> <p>Planned actions: The Fund will continue to ensure responsible compliance with these requirements in its forestry operations.</p>

SG Capital Partners Sustainable Forest and Land Fund I, KS does not make investments in investee companies, as the Fund’s strategy provides for investments in other real estate assets. Until the reorganisation, the Fund’s SPV was considered part of the investment structure, and the consolidated data of the Fund and the SPV are reflected in the Fund’s consolidated financial statements for both previous and the reporting period. The Fund does not invest in sovereign or supranational entities. Consequently, the indicators listed in Table 3 of Annex I to Commission Delegated Regulation (EU) 2022/1288 are not applicable to the Fund’s investments in other real estate assets.

<sup>5</sup> 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.

At the same time, the Fund, and until the reorganisation also the SPV, is subject to the Human Rights and Labour Rights Policy introduced in April 2023 (and updated in July 2024), which establishes the obligation to respect internationally recognised human rights and labour standards.

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

SIA SG Capital Partners AIFP (hereinafter – the Manager) has approved the Investment Due Diligence Procedure (v.2.0 of 05.12.2025) and the ESG Due Diligence Policy (v.2.0 of 30.06.2025), which ensure the identification, assessment and integration of principal adverse impacts on sustainability factors into the Fund’s investment decision-making process. ESG assessment is carried out prior to asset acquisition and within the framework of post-investment monitoring, verifying alignment with the Fund’s investment and sustainability strategy, the exclusion list, the “do no significant harm” principle and minimum safeguards. Where a material actual or potential adverse impact is identified, alternative investments are considered or a mitigation plan is developed. All investment decisions are taken by the Fund’s Investment Committee. Following the execution of investments, the Fund’s Sustainability and Investment Committees oversee investment performance and sustainability impacts within their respective mandates.

At the Fund level, the Manager measures and monitors the overall adverse impact of investment decisions on sustainability indicators. The calculation of adverse impact indicators is based on data from the Fund’s accounting records and forest management system LVM Geo, as well as other reliable sources, including public databases, internal and external studies, expert assessments and reports from EU or national authorities.

GHG emissions are calculated in accordance with the Intergovernmental Panel on Climate Change (2006) AFOLU Guidelines and the GHG Protocol standard. Emission factors are derived from the United States Environmental Protection Agency and CO2emissiefactoren databases.

The methodology applied depends on data availability and quality. Material methodological changes, data limitations or the use of publicly available tools are disclosed in the relevant reports. The Manager undertakes reasonable efforts to ensure the use of reliable data to the greatest extent possible.

### **Engagement policies**

SIA SG Capital Partners AIFP, as the Fund’s manager (and its authorised representative partner), exercises its influence in the investment decision-making process, including the mitigation of principal adverse impacts of investment decisions, as well as in the management and oversight of investments. This is undertaken with the objective of increasing the value of the Fund’s assets and achieving the targets set out in the Fund’s investment and sustainability strategies.

### **References to international standards**

In accordance with the ESG Due Diligence Policy, the Manager assesses the sustainability impact of planned Fund investments and monitors investments made by the Fund, ensuring good governance and the application of the “Do No Significant Harm” (DNSH) principle, while adhering to the following internationally recognised 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<sup>®6</sup> standard**

SG Capital Partners Sustainable Forest and Land Fund I, KS is firmly committed to the responsible management of acquired forest assets. The Fund complies with the principles and criteria set out in the FSC<sup>®</sup> standard, as defined in the FSC Interim National Forest Stewardship Standard for Latvia (FSC-STD-LVA-2023). This commitment constitutes a prerequisite for ensuring the sustainability of the forest assets under the Fund’s management and for supporting long-term value creation.

The FSC<sup>®</sup> certificate confirms compliance with the principles of sustainable forest management. Furthermore, compliance with FSC<sup>®</sup> requirements constitutes a cornerstone for meeting the requirements of the EU Taxonomy.

An independent audit is conducted annually to certify additional forest areas acquired during the reporting year. Information on the FSC<sup>®</sup> certificate (FSC-C182247) and the certified forest areas under the Fund’s management is available in the FSC<sup>®</sup> certificate database at: [FSC Public Certificate Search | FSC Connect](#)

#### **EU taxonomy**

In 2024, the Fund implemented the requirements of the EU Taxonomy<sup>7</sup> in relation to forest management in order to comply with the applicable technical screening criteria<sup>8</sup>. This ensures that the Fund carries out forest management activities contributing to the environmental objective of climate change mitigation and that its activities comply with the Do No Significant Harm (DNSH) criteria.

Compliance with the EU Taxonomy requirements was confirmed by an independent auditor’s assurance opinion received by the Fund in February 2025, following a compliance audit conducted in December 2024. In accordance with EU Taxonomy requirements, the compliance audit was performed

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<sup>6</sup> The Forest Stewardship Council<sup>®</sup> or FSC<sup>®</sup> 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>

<sup>7</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020

<sup>8</sup> In accordance with the technical screening criteria for the economic activity of forest management (1.3) set out in Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021.

within two years of the commencement of forest management activities under the Fund's management. The next audit in accordance with EU Taxonomy requirements will be due in ten years.

### **Historical comparison**

The first Principal Adverse Impact statement was published in 2023, covering the 2022 indicators. This statement includes the indicators for 2025, as well as comparative data for 2022–2024, as presented in the previously published table.