

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

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

**Product name: SG Capital Partners Sustainable Forest and Land Fund I KS**

**Legal entity identifier: 40203333070**

## Sustainable investment objective

Did this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>No</b>
<input checked="" type="checkbox"/> <b>It made sustainable investments with an environmental objective: 97%</b> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> in economic activities that qualify environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify environmentally sustainable according to the EU Taxonomy</li> </ul>	<input type="checkbox"/> <b>It promoted Environmental/Social (E/S) characteristics</b> and, while it did not have as its objective a sustainable investment, it had a proportion of ___% sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social purpose</li> </ul>
<input type="checkbox"/> <b>It made sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> <b>It promoted E/S characteristics but did not make any sustainable investments</b>



### To what extent was the sustainable investment objective of this financial product met?

The sustainable investment or **environmental objective** of SG Capital Partners Sustainable Forest and Land Fund I, KS (the "Fund") is **climate change mitigation**<sup>1</sup>, which is achieved by ensuring the sustainable management of forest land acquired by the Fund in accordance with the FSC® (FSC-C182247)<sup>2</sup>

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

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

principles, the EU Taxonomy Technical Criteria<sup>1</sup> and the Fund's Sustainability Strategy, thereby enhancing carbon sequestration while supporting the conservation of biodiversity and rural development.

By December 5, 2025, the Fund made investments through a special purpose vehicle wholly owned by the Fund (SPV) – SIA SG Capital Meža fonds (reg. no. 40203395757) – by acquiring forest, agricultural and other land properties. Starting on December 6, 2025, the Fund will continue to make investments, as on December 5, 2025, the SPV and the Fund were merged, with the SPV added to the Fund through reorganisation. In accordance with the provisions of Section 335, Paragraph 5 of the Commercial Law, all pre-existing obligations have been transferred from SIA SG Capital Meža Fonds to the acquiring company, SG Capital Partners Sustainable Forest and Land Fund I, KS, based on the law.

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 2025, another FSC® audit took place, and the Fund received a positive audit opinion, so as of 31.12.2025 all forest areas in the Fund's portfolio (8842 ha) are FSC® certified.

The Fund also ensures that forest management complies with EU taxonomy requirements, as confirmed by an independent auditor's (SIA BM Certification) opinion received on February 3, 2025.

### ● **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 (2025) is presented in the Annex to this report, Table 1.

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

The Fund has provided periodic reports on its Sustainable Investment Objective starting in 2023. Table 1 in the appendix to this report summarizes the performance of sustainability indicators in previous years and in the reporting year.

**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.

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

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 2025, 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.
- To manage climate risks, in 2025, the Fund implemented a project in the LVM Geo forest management and administration system to integrate information and data from the Latvian Environment, Geology

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

and Meteorology Centre (LEGMC) on flood risk areas in Latvia, including flood risk in the next 10 and 100 years. Following this project and in the future, LVM Geo will have access to data on areas with increased flood risks included in the Fund's portfolio. At the end of 2025, the Fund identified these areas, and a flood risk area management plan will be drawn up during 2026.

- In 2025, 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 hazards<sup>1</sup>.
- 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 initiated in 2024 and continued in 2025. 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 (v.2.0 as of 30.06.2025.), 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 as 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 stipulated in the Code of Conduct, which, where possible, is signed by the Fund's cooperation partners – forestry service providers – when a cooperation agreement is concluded.



### **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

<sup>1</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.

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;
- 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.2.0 as of 19.11.2025)
- ESG Due Diligence Policy (v.2.0 as of 30.06.2025)
- Environmental Policy (v.2.0 as of 09.10.2025)
- Human Rights and Labour Policy (v.2.0 as of 25.07.2024)

The Fund is also subject to the Whistleblowing Policy approved by the Manager on 13.12.2023, which sets out the procedure by which any employee or representative of the Manager's group or cooperation partner may raise the alarm about a possible criminal offense, administrative violations or other violations of legal norms or binding ethical or professional standards within the Manager or the Fund that may harm significant public interests. Information on raising concerns is also available on the Fund's website at <https://www.sgcapital.lv/corporate-governance>, in the Raising Concerns section.



## What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
<i>Acquisition of forest, agricultural and other land</i>	<i>68.11 Buying and selling your own real estate<sup>1</sup></i>	<i>95%</i>	<i>Latvia</i>

The list includes the investments constituting the **greatest proportion of investments of the financial product** during the reference period, which is: 2025.

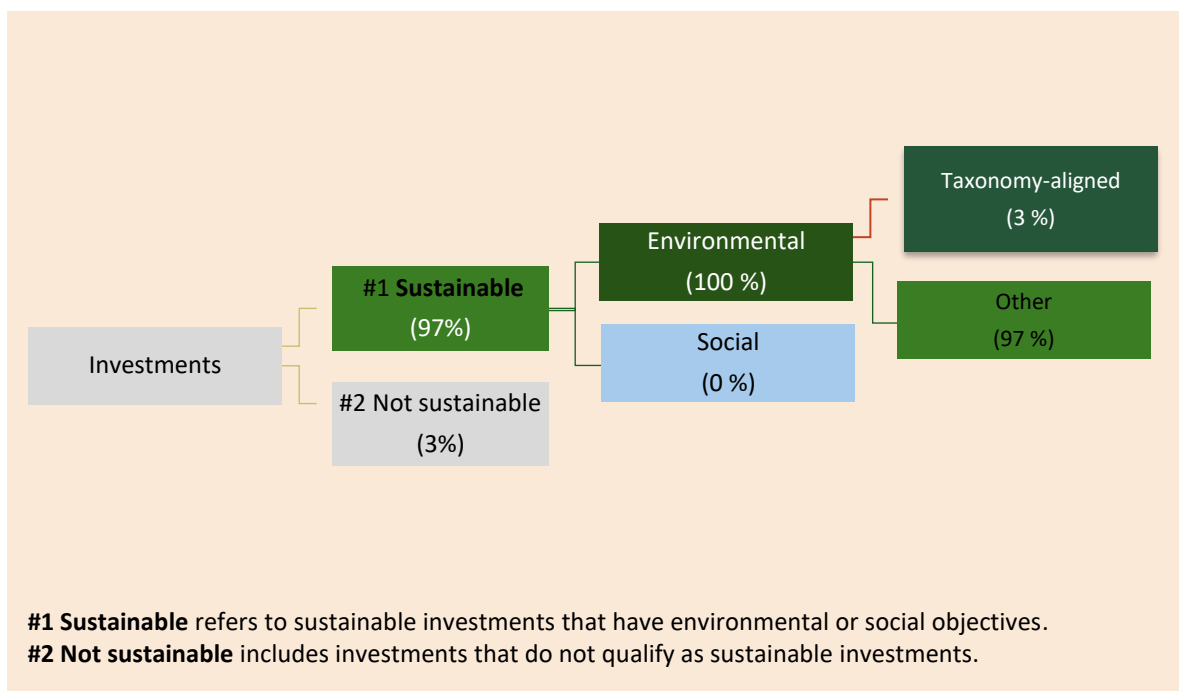
<sup>1</sup> In accordance with the statistical classification of economic activities NACE 2.1

## What was the proportion of sustainability-related investments?



### What was the asset allocation?

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



### In which economic sectors were the investments made?

In 2025, 97% of the Fund's investments were attributable to the real estate sector (NACE 68.11 – purchase and sale of own real estate), as the Fund mainly acquires forest, agricultural and other land, as well as forest biological assets. In turn, 3% of investments were related to forest management and attributable to the forestry sector (NACE 02.10 – forestry and other forestry activities).



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

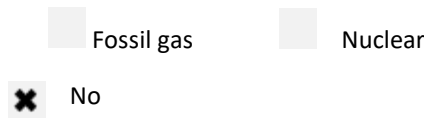
In 2025, 3% of all sustainable investments made were compliant with the EU taxonomy. These are investments in forest management that is carried out in such a way as to meet the technical criteria of the EU taxonomy and can be considered an environmentally sustainable economic activity that contributes to the environmental objective of climate change mitigation.

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

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.

Yes

<sup>1</sup> 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.

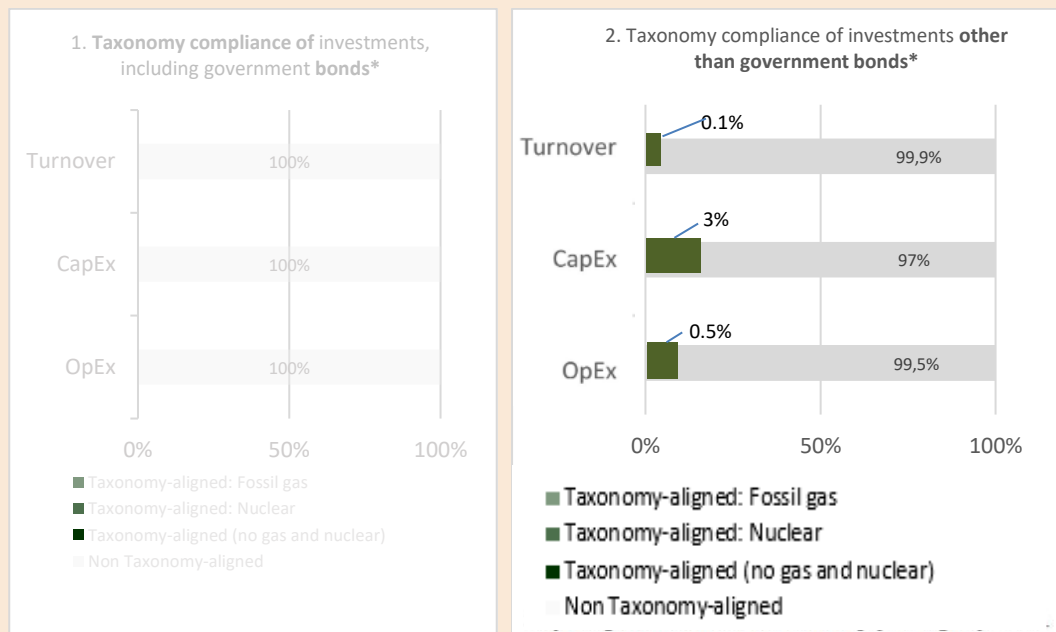
- **capital expenditure (CapEx)**, showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **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.



This graph represents 100% of the total 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 2025, 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?**

In previous reference periods (2022 and 2023), the Fund did not have any investments that complied with the EU taxonomy. Starting in 2024, the Fund ensures compliance with the technical criteria of the EU taxonomy for forest management economic activities and has accordingly started reporting on investments that comply with the EU taxonomy. In 2024, such investments accounted for 2% of all sustainable investments, while in 2025 they accounted for 3%. This moderate growth is in line with the Fund's specific activities during the investment period, when investments are mainly made in the acquisition of forest, agricultural, and other land.

 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?**

In 2025, 97% of the Fund's investments were not compliant with the EU taxonomy. This is explained by the continued acquisition of real estate assets (forest, agricultural and other land) and forest biological assets during the investment period. These investments are necessary for the Fund to implement sustainable forest management in accordance with FSC® certification requirements and EU taxonomy technical criteria, and thus qualify as sustainable investments with an environmental objective, but are not compliant with the EU taxonomy.



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

In 2025, 3% of the Fund's investments were classified as "not sustainable." This category includes costs related to property acquisition (e.g., property surveys, legal research, registration, and fees) that are necessary for preparing transactions, acquiring assets, and securing property rights. The purpose of these investments is to ensure the successful and legally correct implementation of investment transactions.

With regard to these investments, the Fund complies with the principles set out in the Human Rights and Labour Rights Policy, and the Manager ensures the implementation of good governance practices, thereby applying minimum social and governance safeguards.



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

All investments in 2025 were made in accordance with the Fund's investment and sustainability strategies. This also means that sustainability risks and their impact were assessed prior to the acquisition of the asset. Compliance with FSC® certification requirements was also assessed.

In 2025, the Fund's Sustainability Committee continued its work, serving as a platform for the proper management of sustainability impacts and the mitigation of risks that could be associated with adverse impacts or material harm that could be caused by the Fund's investments.

In 2024, the Fund implemented compliance with the EU taxonomy and its technical criteria requirements for forest management. During 2025, the Fund continued to ensure that forest management complied with the EU taxonomy.

During 2025, the forest land properties acquired by the Fund were FSC® certified thanks to the application of sustainable management practices in these areas.

During the reporting year, the Fund also ensured the monitoring of the FSC®-certified protected area network (hereinafter – ATT), thus identifying and monitoring the natural and cultural-historical values found in its forest areas. The ATT monitoring was carried out by an external service provider, which engaged competent natural and cultural-historical experts for this purpose.

In December 2025, the Fund's Forest Management Plan for 2022-2032 (hereinafter referred to as the FMP) was updated. The FMP describes all existing and planned forest management activities to ensure compliance with FSC® certification and EU taxonomy requirements and to promote sustainable forest management in Latvia as a whole. The FMP is publicly available on the Fund's website <https://mezi.sgcapital.lv/>.

In 2025, the Fund also ensured the collection of waste found in several forest properties and the dismantling of degraded buildings.

As part of forest management, the Fund not only fulfilled the requirements set out in the regulatory enactments on forest management, but also carried out additional voluntary measures, such as reforestation by planting, voluntary early non-commercial thinning of young stands. In addition, non-forest land was also afforested. Such activities contribute to an increase in the value of forest assets and the amount of carbon sequestered.

Continuing its work on identifying the risks posed by climate change, in 2025, the Fund took the opportunity to integrate LEGMC's updated information and data on Latvian flood risk areas with a flood risk in the next 10 and 100 years into the LVM Geo forest management and administration system. The availability of this data will help to plan forest management activities in the future and to implement risk mitigation measures depending on the potential flood risk threats to specific Fund properties.

In July 2025, the Fund signed an agreement with EcoBase (Project Spruce OÜ) on the possibility of receiving carbon credits obtained as a result of sustainable forest management, the compliance of which with the Verified Carbon Standard Program will be confirmed by the organisation Verra<sup>1</sup>. In practical terms, this means that by implementing climate-responsible forestry practices and reducing the volume of timber harvested, the Fund can receive certified carbon credits in exchange, which can be converted into cash on the voluntary carbon credit market. The first carbon credits are expected to be approved and allocated at the end of 2026.

In 2025, agreements continued to be concluded with hunting collectives for the leasing of hunting grounds. In total, agreements were concluded during the reporting year for the leasing of 1,853 ha of forest land to hunting collectives. Cooperation with hunters indirectly helps to monitor forest properties and what is happening in them. For example, hunters report on the consequences of weather conditions, such as wind damage, fallen trees, etc. Therefore, in the long term, it is planned to ensure that hunting rights agreements cover most of the Fund's property portfolio. Agreements have also been concluded with local farmers for the leasing of agricultural land. In 2025, agreements were concluded for the leasing of 80 ha of agricultural land.

In addition, all forest properties owned by the Fund provide free access for berry and mushroom picking, as well as other types of recreation that do not conflict with existing regulations or FSC® certification requirements.

---

<sup>1</sup> <https://verra.org/>

## ANNEX

**Table 1 Performance of sustainability indicators**

NO.	Sustainability Indicator	Metric	Target	Performance 2022	Performance 2023	Performance 2024	Performance 2025	Explanation
<b>A. Ensure that the Fund's investment activities contribute to climate change mitigation</b>								
1	Amount of CO <sub>2</sub> sequestered	t, CO <sub>2</sub>	Account, monitor and report	15 000	19 782	33 403	45 892	<p>The amount of CO<sub>2</sub> sequestered is calculated by determining the annual CO<sub>2</sub> sequestration for the entire Fund portfolio as at the end of the reporting year (data compiled on 23 January 2026).</p> <p>The calculations are based on a model developed in 2023, which is aligned with the 2006 <i>IPCC Guidelines for National Greenhouse Gas Inventories</i> (AFOLU).</p> <p>Based on the 2025 data analysis, the average CO<sub>2</sub> sequestration amounts to 5.1 tonnes per hectare per year.</p>
2	Scope 3 GHG emissions	tCO <sub>2</sub> eq.	Accounting, monitoring and reporting	173	51	67	81	<p>Scope 3 GHG emissions for 2022 were calculated using the GHG Protocol Scope 3 evaluation tool, applying a spend-based methodology. To ensure methodological consistency, a similar approach and the same material expense categories were applied for the period 2023–2025, as the above-mentioned tool was no longer available. Due to differences in methodology, the 2022 data are not directly comparable with data for subsequent years.</p> <p>The calculation of Scope 3 GHG emissions includes the following categories: purchased goods and services<sup>1</sup>, as well as waste generated in operations.</p> <p>In 2025, the increase in Scope 3 GHG emissions was primarily driven by higher volumes of services used and increased related costs, including property registration and certification expenses, costs related to the removal of construction waste identified in forest areas, vehicle rental expenses, as well as increased IT service and system costs.</p>

<sup>1</sup> Emission factors are determined using the databases of the United States Environmental Protection Agency and CO2emissiefactoren.

3	Afforested marginal land	%	50% of all marginal land afforested during the Fund's lifetime	0	13	26	30	As of 31 December 2025, marginal land <sup>1</sup> accounted for 525.78 hectares, representing 5.1% of the Fund's total portfolio area. By the date of preparation of this report, the Fund has afforested 160 hectares of marginal land, corresponding to 30% of the marginal land area within the portfolio as of 31 December 2025. The Fund will continue afforestation activities on marginal land in the coming years.
<b>B. Ensure sustainable forest management practices</b>								
4	FSC® certified forest areas	%	100% by 2023 and 100% within one year of purchase	0	100	100	100	During 2025, the Fund acquired 2,200 hectares of non-certified forest land. Following the implementation of sustainable forest management practices in these areas, the entire acquired area obtained FSC® certification. As a result, on 31 December 2025, 100% of the Fund's forest land — totalling 8,842 hectares — was FSC® certified.
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)	9,9 (HCV 1-3)	The Fund has established a network of protected areas (NPA), comprising forest land containing High Conservation Values (HCV), classified into categories 1 to 62. Within HCV categories 1–3, the Fund does not carry out commercial forest management activities, and these areas are designated and recorded as protected nature territories. In 2025, the proportion of forest areas classified as HCV 1–3 decreased slightly (by 1.7 percentage points compared to 2024), with 99% of the target achieved. The decrease is attributable to the expansion of the Fund's portfolio. As the Fund continues to acquire forest land, including areas with HCV 1–3 values, the indicator is expected to increase in the coming years.
					8,6 (HCV 4-6)	8,5 (HCV 4-6)	7,3 (HCV 4-6)	Forest areas classified under HCV categories 4–6 also form part of the Fund's protected area network. In these areas, forestry activities are permitted only subject to specific restrictions, which the Fund consistently observes when planning and implementing forest management measures. Where areas classified under any HCV category also fall within state-designated protected territories (established by law or by regulations of the Cabinet of Ministers of the Republic of Latvia),

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

<sup>2</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.

the Fund complies with all legally prescribed forest management restrictions applicable to such areas

**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 <sup>1</sup>	EUR /year	Maximum 0.1% of the carrying amount (EUR) of biological assets per annum.	0	0	0	26 323	<p>Until 2025, no natural damage events resulting in losses to the Fund had been identified. As of 2025, the Fund has revised this target and established that losses caused by natural hazards must not exceed 0.1% of the carrying amount of biological assets (EUR) per year (previously: 0 EUR/ha). Going forward, the Fund will report on the achievement of this indicator.</p> <p>In 2025, the Fund recorded timber losses of 97 m<sup>3</sup> due to windthrow and individual dry trees, with a total value of EUR 1 141. In addition, a grassfire was identified on one property, resulting in damage to approximately 19 hectares of young stands; the related losses (value of tending works and estimated restoration costs) amounted to EUR 25 182.</p> <p>The total losses from the above incidents amounted to EUR 26 323, representing 0.003% of the carrying amount of biological assets.</p>
---	---	-----------	---	---	---	---	--------	--

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

7	Forestry service providers that have signed the Code of Conduct.	% of forestry service providers.	90	0	0	39	59	<p>In 2024, the Fund initiated the implementation and signing of the Code of Conduct with its suppliers — forestry service providers.</p> <p>In 2025, 59% of forestry service providers had signed the Code of Conduct.</p> <p>Efforts to achieve the target indicator remain ongoing.</p>
---	--	----------------------------------	----	---	---	----	----	--

<sup>1</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.