

1. Summary

<i>Strategy</i>	<i>All forests acquired and managed by the Baltic Green Fund are managed in accordance with the strictest requirements of the FSC (Forest Stewardship Council). FSC establishes requirements for environmentally appropriate, socially beneficial and economically viable forest management. BGF promotes environmental or social characteristics but does not have sustainable investment as its objective.</i>
<i>Due diligence</i>	<i>Each time before purchase of the forest land it is assessed whether the forest is already FSC compliant or have the capacity to become FSC compliant.</i>
<i>DNSH ('do no significant harm')</i>	<i>BGF considers the universal mandatory principal adverse impacts (PAIs) on other sustainability factors which are broader (GHG emissions, energy consumption, activities negatively affecting biodiversity-sensitive areas, emissions to water, hazardous waste ration, gender pay gap, etc.).</i>
<i>Data collection and reporting</i>	<i>BGF management will collect data and report on PAIs as per the standard EU requirements each year until June.</i>
<i>Proportion of sustainable investments</i>	<i>Proportion of investment of Baltic Green Fund into sustainable investments will be disclosed in the Annex to the Prospectus of the Fund.</i>
<i>Monitoring of environmental or social characteristics</i>	<i>An FSC-accredited certification body performs a forest inspection at the request of the forest owner or operator. All FSC Certification bodies are accredited and audited by ASI (Assurance Services International) on a regular basis.</i>

2. No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have sustainable investment as its objective.

Explanation how the sustainable investment does not significantly harm any of the sustainable investment objectives:

Indicators for adverse impacts to sustainability are taken into account. *Baltic Green Fund considers the universal mandatory principal adverse impacts (PAIs) on other sustainability factors which are broader (GHG emissions, energy consumption, activities negatively affecting biodiversity-sensitive areas, emissions to water, hazardous waste ration, gender pay gap, etc.). BGF management will collect data and report as per the standard EU requirements. The reported data will be assessed as to how could be improved over time or choose a particular threshold or tolerance level from which divestment would occur against certain indicators.*

Other additional indicators for principal adverse impacts on sustainability factors are considered and prioritized by the investment teams based on materiality of the impact, investment strategies and nature of activities within the financial products, promoting social and/or environmental characteristics or having sustainable investment as their objective. At least one additional indicator shall be taken from the environmental area and at least one from social.

The assessment of mandatory PAIs was carried by assessing each impact and categorizing its status based on the fact whether a negative impact in the investee companies is presently occurring ('Actual'), could potentially occur ('Potential') or is not occurring at all based on the nature of activities ('Not occurring'). Such PAI screening was necessary to understand what kind of data Baltic Green Fund needs to collect and what indicators to calculate for year 2021 and shall be reported in June 2023 for the first time and until June each year onwards.

Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work and the International Bill of Human Rights. *The ESG policy of I Asset Management that applies to the Baltic Green Fund defines the due diligence principles indicates that identification, prioritization, and assessment of principal adverse*

impacts on sustainability factors is exercised by ensuring the compliance with UN Guiding Principles on Business and Human Rights, Principles for Responsible Investment (PRI) and principles of UN Global Compact on human rights, labor, environment, and anti-corruption. I Asset Management ensures alignment with the standards via engagement with investee companies and via regular reviews of the investee companies that may be provided by external experts.

3. Environmental or social characteristics of the financial product

Baltic Green Fund is investing in forests that are FSC compliant and certified or are capable of becoming Forest Stewardship Council (FSC) compliant and certified. FSC establishes requirements for environmentally appropriate, socially beneficial, and economically viable forest management. For more information, please follow the link <https://fsc.org/en>.

4. Investment strategy

All forests acquired and managed by the Baltic Green Fund are managed in accordance with the strictest requirements of the FSC (Forest Stewardship Council). FSC is an international non-profit, multistakeholder organization that promotes responsible management of the world's forests via timber certification. Forest management certification is a voluntary process for verifying responsible forest practices according to 10 principles to ensure that forest is managed in a way that it is:

Principle 1: Compliance with Laws; **Principle 2:** Workers' Rights and Employment Conditions; **Principle 3:** Indigenous Peoples' Rights; **Principle 4:** Community Relations Principle; **5: Benefits from the Forest;** **Principle 6:** Environmental Values and Impacts; **Principle 7:** Management Planning; **Principle 8:** Monitoring and Assessment; **Principle 9:** High Conservation Values; **Principle 10:** Implementation of Management Activities.

The principles can be found here: <https://connect.fsc.org/document-centre/documents/resource/392>

The ESG policy of I Asset Management that applies to the Baltic Green Fund sets a principle for managing its impacts via active ownership of the investee companies. That entails monitoring investments, participating in identifying and managing strategic or ESG issues, exercising voting in accordance to set guidelines in the Investment Decision Making Policy, engaging with fund managing teams or investment/property managers and other key stakeholders to properly manage ESG issues or if not possible to achieve the desired result in addressing principle adverse impact on sustainability factors, consider divesting from the holding. Besides the management and monitoring of investee companies include good governance practices, employee relations (low number of employees thus low complexity so far) remuneration of staff and tax compliance.

5. Proportion of investments

The proportion of investment of Baltic Green Fund into sustainable investments will be disclosed in the Annex to the Prospectus of the Fund.

6. Monitoring of environmental or social characteristics

An FSC-accredited certification body performs a forest inspection at the request of the forest owner or operator. Certificate holders are charged an annual fee to renew their accreditation, and continuous compliance is expected.

The FSC certificate holder has outsourcing service agreements with external experts, who are responsible for environmental and social characteristics monitoring in forest management companies. Experts have elaborated the system for recognition of important cultural and environmental sites, they perform monitoring in the field. In the monitoring system different kinds of experts are involved - for example, for cultural and social values- cultural value expert, for rare species - more than 10 different experts (bird experts, lichen experts, reptile experts, etc.), all involved experts perform monitoring in accordance with the elaborated monitoring system and provide their opinions on particular situations and cases in the field, and necessary actions are performed by the forest management company in response to these opinions. All monitoring data is stored by the forest management company. The annual

environmental report, which includes an analysis of monitoring results, is elaborated by experts, and contains all information on environmental and cultural values, and social characteristics. The FSC Certification body (third-party auditors) annually check the correctness of performed activities, actions of experts, and general environmental and social monitoring system performance.

Before the audits, the stakeholder consultation process is applied (social, environmental, and economical stakeholder chambers are represented by various organizations, companies, NGO etc.). Annual audits include checking documentation (in the office) and field audits (in forest sites). In most cases, FSC audit takes c.a. 6-8 days (including preparation for an audit by the auditor). In cases when there are non-conformities detected, the forest management company performs corrective actions to maintain the certificate. Audit reports are published annually in the FSC database.

All FSC Certification bodies are accredited and audited by ASI (Assurance Services International) on a regular basis.

7. Methodologies

FSC standards consist of Principles and Criteria. Forest management company prepares all necessary documentation and performs the activities which are listed in the Principles and Criteria of the FSC Standard. FSC Certification body annually performs on-site audits and checks compliance with each clause of the standard. If the non-conformities are detected during the audit - the corrective actions and proofs of them are requested by the auditor, if forest management performs the corrective action - the certificate is maintained, if not -it will be suspended, terminated, or canceled.

8. Data sources and processing

VMD data (Forest state data) is used for general knowledge on forest growth conditions, ages, timber volumes etc. OZOLS database for environmental, cultural, and social value basic determination, on-site checks by experts for environmental, cultural, and social value data collection and monitoring.

All data is official and provided by state Agencies, all experts are certified according to local (Latvian) legislation and their opinions are legitimate in response to Latvian legislation. Forest data taken from databases are checked in the field (in the forest) on a regular basis by competent workers (taxation experts, environmental and social experts etc.), in cases when mistakes are detected, they are corrected.

Data is processed by Forest management companies and outsourcing experts using MS Office, LVM GEO (database where all information on the forest is stored), ArcGIS (for geodata), R package, and SPSS statistics (for statistical analysis of monitoring results). Also, the privacy statement declaration is signed by all outsourcing companies who work with forest management company data.

All forest data is analyzed annually. On-site checks (in the forest) annually are done for at least 20% of the total area (100% of all forest sites in a 5-year period). In urgent cases, additional data on-site is estimated.

9. Limitations to methodologies and data

We do not find any limitations to methodologies and data.

10. Due diligence

Each time before purchase of the forest land it is assessed whether the forest is already FSC compliant or has the capacity to become FSC compliant.

11. Engagement policies

The companies managed by the Fund actively participate in the activities of forest associations in each country, promoting the development of sustainable forestry and various environmental initiatives, for example 1. Co2 and

greenhouse gas emission reduction through improved management and planting new areas, 2. Ural owl protection in Latvia, 3. Eagle owl protection in Latvia.