

STATEMENT ON PRINCIPLE ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

*Sustainable finance disclosures regulation (“SFDR”) article 4 - Transparency of
adverse sustainability impacts at the entity level*

Background and purpose

This disclosure is applicable to the investment management company SG Capital Partners AIFP (SG Capital). This statement describes how we consider principal adverse impacts (PAI) of our investment decisions on sustainability factors, as per Article 4 of the SFDR. The information disclosed here shall be reviewed and updated annually.

1. Summary:

SIA SG Capital Partners AIFP (registration number: 40103946854) considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the entity level statement on principal adverse impacts on sustainability factors of SG Capital.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January until 31 December of the year 2022.

2. Description of the principal adverse impacts on sustainability factors

Principal adverse impacts are defined as negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions performed by the legal entity.

SG Capital shall consider the universal mandatory principal adverse impacts on sustainability factors of the investment decisions for its managed funds that promote social and/or environmental characteristics or have sustainable investment as its objective. The mandatory principal adverse impact indicators that shall be considered based on the current nature of the financial products are indicated in the table provided (Table 1). Additional opt-in principal adverse impact indicators shall be assessed and prioritised as described in section 3 of this document.

NB: SG Capital does not carry out investments in sovereigns or supranationals. Therefore, no adverse indicators shall be considered in those categories.

Table 1. PAI considered in the investment decisions

Impact area	Adverse Sustainability Indicator	Metric
Climate and other environment- related indicators		
Greenhouse gas emissions	1. GHG emissions	Scope 1
		Scope 2
		Scope 3
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity- sensitive areas.	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Water	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises in investee companies	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints mechanisms to address violations of those standards
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Indicators applicable to investments in real estate assets		
Fossil fuels	15. 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
Energy efficiency	16. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets

3. Other indicators for principal adverse impacts on sustainability factors

Other additional indicators for principal adverse impacts on sustainability factors are considered and prioritised by the SG Capital's ESG committee. The selection of the additional indicators is carried out from a list provided in the Regulatory Technical Standards¹ Annex I, based on the 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 considered from a list of "Additional climate and other environment-related indicators" and in addition at least one from a list of "Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters".

4. Actions planned to address principal adverse impacts on sustainability factors

SG Capital's ESG Due Diligence policy defines the principles of monitoring investment of the company's managed funds and addressing principal adverse impacts on sustainability factors. In accordance to the policy, during the ESG due diligence process, SG capital assesses planned investments and monitored investments against principal adverse impacts and should significant adverse impacts occur, alternative investments would be considered or the impact prevention and mitigation plan would be developed.

5. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

¹ Regulatory Technical Standards (Commission delegated regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council)

SG Capital has developed an ESG Due Diligence Policy (ESG due diligence principles were documented in ESG Due Diligence Policy and latest version approved on January 2023) that defines the principles of assessing planned investments' impacts and monitoring the impacts of the actual investments. In accordance with the policy, during the pre-investment phase of ESG due diligence process, SG Capital assesses adverse sustainability impacts, including all mandatory principal adverse impacts of the planned investments. Moreover, the company identifies additional material principal adverse impacts. The identification is carried out from the list of non-mandatory indicators specified in Regulatory Technical Standards, by using impact materiality methodology, that takes into account impact severity and likelihood of occurrence.

SG Capital identifies and monitors the performance of investments using good quality data that would allow making well-informed decisions about the investments and that could be collected from a variety of reliable sources. The responsibility for ensuring functioning process and implementation of those policies lies with a responsible person allocated by the board of the company, company's ESG and Investment committees.

6. Engagement policies

The SG Capital sets a principle for managing its impacts via active ownership of the investee companies. That entails monitoring investments, participating in identifying and managing strategic and sustainability issues, exercising voting in accordance to set principles in the Engagement Policy, and engaging with fund managing teams or investment/property managers and other key stakeholders to properly manage sustainability issues. If such actions are not possible to achieve the desired result in addressing principal adverse impact on sustainability factors, SG Capital may consider divesting.

7. References to international standards

In accordance with the ESG due diligence policy SG Capital carries out an assessment of the sustainability impacts of the planned investments and monitoring of the occurring investments by ensuring the implementation of Do No Significant Harm principle and adhering to the following international good practice standards:

1. The OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines)
2. The UN Guiding Principles on Business and Human Rights (UNGPs)
3. The Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work
4. The International Bill of Human Rights