

Sustainability-related disclosures

Product name: Silvestica Forest AB

Legal entity identifier: 549300URJF2YKCEUUY23

Summary

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

Silvestica Forest AB (the "**fund**") will indirectly through Subsidiaries invest in forest assets focusing on forest real estate with potential for value appreciation and stable cash yields in Sweden, Finland and the Baltic states.

The Fund promotes, among other things, environmental characteristics by notably:

1. managing any forest in a sustainable manner to achieve a positive CO₂ balance in relation to the forest portfolio as a whole over time;
2. managing any forest in a sustainable manner complying with forest certification systems Forest Stewardship Council® ("**FSC®**") and Programme for the Endorsement of Forest Certification ("**PEFC**"), if available and applicable, e.g. setting areas aside from commercial forest management; and
3. renting land areas to set up wind farms or solar cells.

The forest serves as carbon sink when the harvested volume and the CO₂ emissions caused by forest management and transport related to the forest management are less than the annual growth of the forest.

The following sustainability indicators are used to measure the attainment of the above-mentioned environmental characteristic promoted by the Fund:

1. Carbon balance calculations in accordance with the Intergovernmental Panel on Climate Change's ("**IPCC**") calculation standards. Such calculations shall be annually quantified as captured and released carbon from forestry operations in ton CO₂e.
2. Compliance evaluation against FSC-criteria and PEFC-criteria if available and applicable. This shall be quantified as the number of major non-compliances from the annual certified third party reviews of forestry operations.
3. Percentage of the Fund's assets that are rented to solar and/or wind farms. This shall be reviewed on an annual basis and be quantified as installed electric power in Mega Watts on landowner by the Fund.

Active management of the forest assets in line with the FSC- and PEFC-criteria is an integral part of the investment strategy and in that respect the forest investment advisors engage with suppliers and forestry management partners.

No sustainable investment objective

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

Environmental or social characteristics of the financial product

The Fund promotes, among other things, environmental characteristics by notably:

1. managing any forest in a sustainable manner to achieve a positive CO₂ balance in relation to the forest portfolio as a whole over time;
2. managing any forest in a sustainable manner complying with the forest certification systems FSC and PEFC, if available and applicable, e.g. setting areas aside from commercial forest management; and
3. renting land areas to set up wind farms or solar cells.

The forest serves as carbon sink when the harvested volume and the CO₂ emissions caused by forest management and transport related to the forest management are less than the annual growth of the forest.

In connection with logging, suitable tree species will be planted on the logged area and the plant population shall be conducted in accordance with the recommendations for good forest management. From a carbon sequestration perspective, timely felling and maintenance measures are essential to the growth of the tree population.

The FSC and PEFC certificates set requirements for the forest management in order to ensure that the harvest of timber and non-timber products maintains the forest's biodiversity, productivity and ecological processes and social and governance requirements with respect to the environment, local communities, forest workers and supply chain. Such requirements include among other:

- Workers' rights and employment conditions exceeding the statutory law and collective agreement requirements,
- Indigenous peoples' rights,
- Community relations,
- Environmental values and impacts, and
- High conservation values.

The Fund has rented areas to wind power companies. The projects to set up wind turbines are currently in the permission process stage.

Investment strategy

Silvestica Forest AB shall indirectly through Subsidiaries invest in forest assets focusing on forest real estate with a potential for value appreciation and stable cash yields in Sweden, Finland and the Baltic states.

Investments shall be made in Sweden (40% +/- 20%), Finland (30% +/- 20%) and the Baltic states (maximum 30%). The percentages are linked to aggregate Commitments at the date of each investment.

Investments in Sweden may not be made in Södermanland, Närke or Västergötland, or south of these provinces.

Investments shall primarily be made in forest real estate in normal or good condition, and no investments shall be made in forest real estate requiring extensive forest care measures, unless there are particular investment reasons motivating such an investment. Investments shall be long-term investments, so-called buy and hold.

Investment may neither be made in companies which are traded on a regulated market, nor in forest funds, real estate funds or any other similar collective investment funds or investment companies.

The Fund shall comply with and all Investments shall be made in accordance with relevant international frameworks and conventions such as for example Global Compact, UN Guiding Principles on Business and

Human Rights, indigenous people's rights according to the FPIC (Free Prior and Informed Consent) and the UN's global goals according to Agenda 2030.

The fully owned subsidiaries of the Fund should be managed in a way that is consistent with good governance practices, especially with regards to sound management structures, employee relations, remuneration of staff and tax compliance. This is done by assessing the companies' compliance with international labour law conventions, such as the ILO Declaration on Fundamental Principles and Rights at Work. This is also ensured throughout the structure by complying with FSC setting certain requirements with regards to workers' rights and employment conditions, particularly under condition 2, which is also audited on a regular basis.

Proportion of investments

Silvestica Forest AB intends to directly or through Subsidiaries, invest in real estate forest assets and other Investments located in Sweden, Finland and the Baltic states. All of the Fund's real asset investments comply with the Silvestica Sustainability Policy. The Fund does not intend to make any sustainable investments in the meaning of Art. 2(17) of SFDR.

Monitoring of environmental or social characteristics

The following sustainability indicators are used to measure the attainment of the abovementioned environmental characteristic promoted by the Fund:

1. Carbon balance calculations in accordance with the Intergovernmental Panel on Climate Change's ("IPCC") calculation standards. Such calculations shall be annually quantified as captured and released carbon from forestry operations in ton CO₂e.
2. Compliance evaluation against FSC-criteria and PEFC if available and applicable. This shall be quantified as the number of major non-compliances from the annual certified third party reviews of forestry operations.
3. Percentage of Fund's assets that are rented to solar and/or wind farms. This shall be reviewed on an annual basis and be quantified as installed electric power in Mega Watts on landowner by the Fund.

Methodologies for environmental or social characteristics

Managing any forest in a sustainable manner to achieve a positive CO₂ balance in relation to the forest portfolio as a whole over time – All forest is described in stands with relevant parameters for reflect growing stocks (tree volume m³) of the different tree species, tree age and the soil productivity, i.e. the stand register. Those data sets are updated for forestry operations, e.g. silviculture and logging operations. They are also renewed with new inventories after certain time periods. Based on the forest description, the long term forest growth and yield is modelled and logging levels are planned accordingly. Based on the stand register third parties are annually calculating the growth of the forest and based on reported harvesting volumes calculating the CO₂ uptake by the growth and the emissions from the removals by harvesting. An estimate of the Fund's net CO₂ footprint is provided to the board of directors of the Fund's wholly owned subsidiary annually.

Complying with the forest certification systems FSC and PEFC, if available and applicable - The Fund's assets are registered as FSC certified, and PEFC certified if available and applicable, as soon as possible after acquisition. The forest asset manager and investments advisor agrees with the operational managers to follow the FSC standard, and PEFC if available and applicable, in contracts so that the requirements get forwarded to the operational level, i.e. into the forest operations. For example, stands that are set asides of forests to promote biodiversity are marked in the stand register, harvesting operations are followed up to see they are conducted according to instructions. The FSC and PEFC systems contain regular independent third party audits of the operations. The advisor collects the outcome of the FSC audits to correct deviations and report the results to the board of directors of the Fund's wholly owned subsidiary annually.

Renting land areas to set up wind or solar power generation – The forest investment advisor is seeking cooperation with developers to provide land setting up such facilities. The Fund's role is only to provide the land. The developers are taking care of the formal and technical process to establish the facilities. This process takes time and there are yet no installations on the Fund's land, but several ongoing projects.

Data sources and processing

As the Fund invests in real assets and not listed instruments, data is collected by the forest manager of the Fund and its partners.

a) Data sources:

- Carbon balance – Stand wise description of the forest collected and updated by the forest investment advisor.
- Forest certification – Independent third party review of operations. Forest manager review of operations.
- Land for renewable energy – documented by the forest manager annually.

b) The measures taken to ensure data quality:

- Carbon balance - Update and regular new inventories to keep stand registers accurate. Rely on independent third party. Regular visits by forest manager to operational managers and reviews of operations.
- Forest certification – Forest manager review of operations.
- Land for renewable energy – There is currently no advisor verification of data.

c) How data is processed:

- The basic stand register data is modelled with tree growth functions by third party and converted to CO₂e by third party with alignment to IPCC requirements.

d) The proportion of data that is estimated:

- Carbon balance – Half
- Forest certification – Actual observations by third party. Set asides according to information in the stand register.
- Land for renewable energy – Actuals given by developer.

Limitations to methodologies and data

Carbon balance: Forestry operations stretch over large areas and there are limitations in resources to how much of the land that can be visited and controlled. There is thus a limitation to data accuracy of +/-10% in the stand register. Calculations of carbon balances also involve other parameters that contains scientific knowledge that has been derived recently during a relatively short time period and therefore have limitations in terms of generalisation and accuracy. For that reason the Fund has limited the scope and excluded the soil carbon in the carbon balance calculations for now.

Due diligence

- Carbon balance:
 - Before acquisition: field checks of growing stocks and soil productivity to ensure carbon stock and productivity.

- In possession: update of stand register based on forest asset manager field checks and collection of new data through inventory.
- Forest certification:
 - Before acquisition: checks of official register to identify legally protected areas and key habitats.
 - In possession: Forest asset manager and investment advisor review of operations. Third party FSC certification audit is conducted on regular basis in all countries of operation.
- Land use for renewable: Control of agreement and installations prior to acquisition.

Engagement policies

Active management of the forest assets in line with the FSC and PEFC criteria is an integral part of the investment strategy and in that respect the forest investment advisors engage with suppliers and forestry management partners.

Due to the investment strategy (forest assets) the Article 3g of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies with respect to engagement policies, are not applicable to the Fund.

Designated reference benchmark

No index has been designated as reference benchmark to meet the environmental or social characteristics promoted by the Fund.

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