

TABLE 1
STATEMENT ON PRINCIPAL ADVERSE(PAIs) IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

<p>Financial market participant Dasos Capital Oy, LEI 743700EFUH91LHVDQE04</p> <p>Summary</p> <p>Dasos Sustainable Forest and Wood III AIF (Fund), LEI 743700UD7391RW29GA39, considers principal adverse impacts (PAIs) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal PAIs on sustainability factors of the Fund manager <i>Dasos Capital Oy (Dasos)</i>.</p> <p>This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022. The statement applies to all the assets managed under the Fund and is in line with the requirements of the European Union’s Sustainable Finance Disclosure Regulation (SFDR) 2019/2088¹ on the disclosure of financial sector sustainability data, including the PAIs. The statement describes how Dasos considers the PAIs as part of its investment process and portfolio management. This statement is reviewed annually.</p> <p>Dasos applies the SFDR (EU 2019/2088) definition of the principal adverse sustainability impacts, the sustainability factors, the sustainability risks, and the ‘do no significant harm’ principle:</p> <ul style="list-style-type: none"> • ‘Principal adverse impacts’ are understood as those impacts of investment decisions and advice that may result in negative impacts on sustainability factors. • ‘Sustainability factors’ mean environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. • ‘Sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. • Sustainable investments do not significantly harm any environmental or social objectives as set out in regulation EU 2020/852 or 2019/2088, and the investee companies follow good governance practices, including respecting human and laborers’ rights and compliance with sound management structures, employee relations, remuneration of staff, and tax compliance. <p>The Fund wants to offer its clients the opportunity to make responsible and profitable investments and to increase its clients’ wealth in a responsible and sustainable way based on international good practices and consistent with policies and regulations governing sustainable finance. Responsible investment is at the core of Fund’s investment rationale, value creation, risk management, monitoring, and reporting. The Fund promotes sustainability as management objective and systematically integrates environmental, social and governance (ESG) issues into its portfolio management; ESG/Sustainability theme is addressed in 100% of the portfolio. The objective of investment activities is to attain optimal returns both in the long and short term while also ensuring environmental and social sustainability, including alignment with the goals of the Paris Climate Agreement.</p> <p>Dasos acknowledges the responsibility as fund manager towards climate change risks and other principal adverse impacts. For the purposes of the application of the SFDR (2019/2088), Dasos considers principal adverse sustainability impacts in accordance with Article 8: <i>The ‘do no significant harm’ principle is only applied to investments in a financial product that consider the EU criteria for environmentally sustainable economic activities</i>. The EU criteria for environmentally sustainable economic activities are not considered in regard to other investments included in this financial product. Dasos has conducted – using a service provider and combining internal responsible investment and sustainable forestry expertise and experience - a materiality assessment to identify most critical potential environmental and social impacts.</p> <p>Dasos reports on the 14 core PAI indicators, and in addition, on two voluntary environmental and social each under Table 2 and Table 3 . Most of the principal adverse impacts are assessed by third-party organizations.</p>
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¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Description of the principal adverse impacts on sustainability factors

In accordance with the SFDR, Dasos monitors and reports the PAIs using the indicators in Table 1 to the extent information is available, with special focus on carbon emissions and footprint as guided by materiality assessment. In addition, Dasos reports on additional indicators specified in Tables 2 and 3 (EU 2020/1288) of the EU RTS supplementing the SFDR.

- The Board approved the Forest Investment Policy and the Principles for Responsible Investment Policy on 25 May 2023.

- Allocation of responsibility

The allocation of responsibilities related to enhancement of sustainability of investment operations uses governance structures that enable appropriate decision-making, oversight, and management of risk and conflicts of interest. The identified roles and responsibilities cover the following functions and positions:

- the Board, Chief Executive Officer (CEO) the Investment committee and the Management team;
- internal control (compliance) and risk management; and
- internal and external ESG, legal and technical experts.

- Methodology

The PAIs are assessed using third-party service providers. The key PAIs have been determined through materiality assessment, which identified the key sustainability impacts during the life cycle of the investment product utilising key sustainability frameworks.

The forest carbon accounting methodology follows the good practices in estimating forest carbon emissions and removals which currently rely heavily on the IPCC Guidelines for National GHG Accounting (2006, and Refinement from 2019). Modelling of the biomass and soil carbon stock growth meets the general requirements of the highest level of accuracy (Tier 3). Similarly, the emissions along the supply chain are estimated in general according to the IPCC practice of combining activity data with relevant emission factors (IPCC, 2006).

Dasos uses metrics related to GHGs (CO₂) and forest cover. These are seen as most relevant and material from climate impacts perspective considering both the Dasos forestland investment risks and opportunities. It is essential to note here that sustainable forestry investments differ from all other investment categories or sectors, because of the important role they have in providing climate services. i.e., instead of being sources of carbon emissions they can act as valuable (forest) carbon sinks (negative emissions). The metrics and targets used to assess and monitor relevant/material climate-change related risks and opportunities are consistent with the TCFD recommendations and EC Sustainable Finance Disclosure Regulation (SFDR) indicators.

The adopted metrics are fully aligned with the IPCC carbon accounting methodology and with the recommended TCFD GHG emissions metrics. They cover Scope 1 and Scope 2 emissions and even most (not all) Scope 3 emissions focusing on the entire value-chain.

- Sources used

The PAIs are assessed using third-party service providers and their data combined with Dasos data on forest assets under its management.

Adverse Sustainability Indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES					
Greenhouse gas (GHG) emissions	1. GHG emissions	Scope 1 GHG emissions	-44,236 t/CO2/pa	Scope 1 GHG emissions are assessed annually consistent with the regulatory technical guidelines supplementing the SFDR (2020/1288) High materiality Note: there are no emissions; the forests act as carbon sinks	Target: zero emissions; long-term to enhance forest carbon stocks and sinks, i.e. negative emissions
		Scope 2 GHG emissions	931 t/CO2/pa	Scope 2 GHG emissions assessed annually consistent with the regulatory technical guidelines supplementing the SFDR (2020/1288) High materiality These emissions are marginal compared to the carbon sink, (i.e., negative Scope 1 emissions)	
		Scope 3 GHG emissions		Part of the Scope 3 emissions calculated annually but the methods, availability of data, and problems with the nature of the indicator do not allow comprehensive accounting. Medium materiality	
		Total GHG emissions	931 t/CO2/pa	See above. There are only Scope 2 emissions; in case of Scope 1 invested assets store carbon instead of emitting.	
	2. Carbon footprint	Carbon footprint	-43,304 t/CO2/pa	See above. This figure shows the direct (within the Fund's boundaries) net carbon impacts balancing the carbon sink impact and emissions. The assets act as a carbon sink, hence the negative sign.	
	3. GHG intensity of investee companies	GHG intensity of investee companies	Not applicable	Indicator not applicable. The investee companies invest in forest-based real assets which act as carbon storages and carbon sinks	
	4. Exposure to companies active in the fossil fuel sector	Share of investment in companies in the fossil fuel sector.	0	The Fund, through investee companies, invests 100% in forest-based real assets through holding companies. Low materiality	

Adverse Sustainability Indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Energy performance	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, expressed as percentage of total energy sources.	0	The Fund, through investee companies, invests 100% in forest-based real assets. Low materiality	
	6. Energy consumption intensity per high impact climate sector	Energy consumption GWh per million EUR of revenue of investee companies, per high impact climate sector.	0	The Fund, through investee companies, invests 100% in forest-based real assets. If reported, the impact is always zero (0). Low materiality	
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investment in investee companies with site/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas.	0	The Fund protects high conservation value forests. The area (in hectares) conserved is reported annually consistent with the UN/FAO SDG 15 requirements. High materiality	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	0	The Fund, through investee companies, invests only in forest-based real assets. Low materiality	
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average.	0	No hazardous waste will be generated; the production process is almost entirely biological. If reported, the impact is always zero (0). Low materiality	

Adverse Sustainability Indicator	Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
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 (UNGC) principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	0	The Fund, through investee companies, invests 100% in forest-based real assets which are certified independently as sustainably managed. Quality of social and employee matters in forestry operations, including violation of rights, is assessed independently as part of the forest certification process.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	0	The Fund, through investee companies, invests 100% in forest-based real assets which are certified independently as sustainably managed. Quality of social and employee matters in forestry operations, including violation of rights, is assessed independently as part of the forest certification process.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.	Not applicable	Low materiality	
	13. Board gender diversity	Average ratio of female to male board members in investee companies.	Not applicable	As of May 2023, no women in boards in investee companies. Low materiality	

Adverse Sustainability Indicator		Metric	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons.	0	The Fund, through investee companies, invests 100% in forest-based real assets.	

Other indicators for principal adverse impacts on sustainability factors				
TABLE 2				
ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Explanation
INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES				
Climate and other environment-related indicators				
Water, waste and material emissions	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	0	The fund invests 100% in forest assets with management plans and practices that are independently certified meeting international sustainability standards
	15. Deforestation	Share of investments in companies without a policy to address deforestation	0	The fund invests 100% in forest assets with management plans and practices that are independently certified meeting international sustainability standards.
TABLE 3				
ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact 2022	Explanation
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Indicators applicable to investments in investee companies				
Anti-corruption and anti-bribery	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery	0	The Fund, through investee companies, invests 100% in forest-based real assets which are certified independently as sustainably managed. Quality of social and employee matters in forestry operations, including violation of rights, is assessed independently as part of the forest certification process.
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies	0	The Fund, through investee companies, invests 100% in forest-based real assets which are certified independently as sustainably managed. Compliance with anti-corruption and anti-bribery laws, is assessed independently as part of the forest certification process.

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

The overarching approach to responsible investments is set out in the Principles for Responsible Investment Policy, which describes how sustainability considerations are integrated into all stages of the investment process. This policy is reviewed and updated regularly and approved by the Board. The identification and prioritization of the PAIs has been conducted at two levels:

- first, at the corporate level by conducting materiality assessments built around the SDG framework and the framework of the Task Force on Climate-Related Financial Disclosures (TCFD); and
- second, by integrating the ESG and PAI analysis in the routine investment decision-making across all the stages of the investment cycle.

The purpose of this sustainability factors analysis has been to recognize material environmental, social, and good governance risks of investment objects that may impact their returns in the short or long term, and to identify their principal adverse impacts (PAIs). Dasos has conducted materiality assessment to identify most critical potential environmental and social impacts/ PAIs using a service provider and combining internal responsible investment and sustainable forestry expertise and experience. The materiality assessment has identified the most significant links, considering the specific nature of the investment products (sustainable forestry), between the investments and potential impact on SDGs and especially on climate. The SDG materiality assessment guided Dasos to focus on monitoring impacts 6 SDGs and related 11 indicators, which are reported annually. Out of the 6, the SDG 15 Life on Land and SDG 13 Climate Action are directly connected to several PAI core indicators concerning climate and biodiversity.

Dasos is a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).

Engagement policies

The goal is to promote sustainable development of the investments in line with the principles of responsible investment, climate principles, and best international practices. Forest investment companies follow good governance practices in accordance with the Forest Investment Policy.

The Fund applies ESG-principles and the principle of *do-no-significant-harm* in the management of all its investees and assets and this applies also to the work carried out by the contractors. Dasos requires compliance with all applicable laws and regulations related to ESG issues in investments it manages: cooperating partners, external service providers involved with the management of individual forest assets are expected to meet this requirement. Compliance must include adherence to environmental and labour regulations, anti-corruption, and anti-bribery. Each Investment Director is responsible for monitoring and ensuring that the Forest Investment Policy, and related ESG principles, are being followed. He/she is to follow that the hired forest service management company adheres to local and relevant international legislation as well as the principles of sustainable forest management necessary for obtaining forest certification. The Investment Director monitors that asset is certified in a timely manner and approves the certification system and certifying organization.

The contractors used in forest management cooperation must follow the national legislation regarding labour rights, environmental management, and labour safety. If there are serious breaches, the Investment Director is to engage in dialogue to rectify the situation. If no solution is found and the breach is serious, the Board will consider the action to be undertaken on account of the breach in question. The objective of the engagement measures is to correct the breach and to build increasingly responsible business practices.

References to international standards

Dasos forest carbon accounting methodology follows the good practices in estimating forest carbon emissions and removals which currently rely heavily on the IPCC Guidelines for National GHG Accounting (2006, and Refinement from 2019). Similarly, the emissions along the supply chain are estimated in general according to the IPCC practice of combining activity data with relevant emission factors (IPCC, 2006).

Dasos bespoke reporting framework is aligned with the Global Impact Investing Network (GIIN) IRIS metric catalogue (<https://iris.thegiin.org/metrics>) and GRI (<https://www.globalreporting.org/resource/library/Linking-GRI-and-IRIS.pdf>).

Dasos adheres to international sustainability standards based on the Forest Stewardship Council (FSC®) and/or Programme for the Endorsement of Forest Certification (PEFC®) principles, criteria, and indicators of sustainability. Independent third-party audits are used regularly to assess and disclose sustainability performance. Information on related indicators is available on the FSC and PEFC web sites.

Dasos is committed to

- following the United Nations Principles for Responsible Investment (UN PRI) since 2011 and continuously developing its operations in accordance with these principles and reports on its operations to UN PRI annually; supporting the UN PRI Finance for Biodiversity Pledge;
- contributing to the objectives of the Paris Climate Change Agreement on climate change to reduce global greenhouse gas emissions and improve transparency of carbon reporting following the Task Force on Climate-related Financial Disclosures (TCFD) framework to improve and increase reporting of climate-related financial information;
- following the International Finance Corporation's (IFC) Performance Standards on Environmental and Social Sustainability, the European Union's (EU) environmental policies, and the Equator Principles;
- respecting for human rights, anti-corruption measures, and environmental factors as defined in the United Nations Global Compact corporate responsibility initiative, OECD's operating guidelines for multinational enterprises, the UN Guiding Principles on Business and Human Rights, and the ILO Core Conventions on principles and rights at work. Dasos seeks to actively identify human rights impacts of its activities in accordance with the UN Guiding Principles on Business and Human Rights;
- Dasos does not accept corruption and requires an active approach towards anti-corruption and the transparency of operations following all international anti-corruption instruments incl. the United Nations Convention against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.; and
- adhering to internationally recognized responsible business conduct codes and internationally recognised standards for due diligence and reporting.

Historical comparison

Not applicable this year. After the second reporting period, Dasos will provide a historical comparison of the reported period with respect to the previous reporting period.