

LIVONIA

PARTNERS

Environmental,
Social & Governance

Annual Report 2019

Attention to ESG matters to us

Why is it necessary to have an ESG angle in private equity investments?



Rain Lõhmus
Founding Partner

Private equity firms are in the best position to promote sustainability and green-thinking in the business world. Our investors - pension funds and development institutions - ultimately represent the people who trust them with their money. We do what we believe each individual contributor would want us to do - we invest in a sustainable society. When acquiring businesses, we come in with a new vision and a concrete plan, uniquely positioned to change the company's business strategy to reflect the expectations of our investors.

What type of companies does Livonia invest in?



Kristīne Bērziņa
Founding Partner

We are looking for companies that are motivated and able to improve their environmental and climate change footprint. We are happy to support the founders and management that have this ambition with our ideas and capital. Being a passive investor, buying an already 'green' company, and hoping that in a few years the next investors will pay a 'greenness' premium is not for us.

How does the current Livonia portfolio fit in your ESG philosophy?



Mindaugas Utkevičius
Founding Partner

Responsible investing and returns are not mutually exclusive. We see plenty of exciting investment opportunities for putting money to work, having a positive impact on the environment, and meeting the return expectations of our LPs.

Why has Livonia decided to publish an ESG report?



Kaido Veske
Founding Partner

ESG topics have been among the key investment considerations for Livonia from the onset, as we believe that environmental and social sustainability often leads to commercial sustainability. We are truly proud of what our portfolio companies have achieved. All have taken concrete steps in sustainability and governance, with Freor and Thermory building environmental sustainability into a key part of their competitive advantage. Naturally, we are delighted to report this publicly and we have tried to be genuinely transparent.

Livonia Partners ESG approach

Responsibility is part of who we are

LIVONIA PARTNERS is a Baltics-based investment team focused on identifying high-potential companies and providing them with the capital and expertise needed for further growth.

We believe that long-term success requires a sustainable strategy, and that we can deliver better returns to our investors by making responsible investments.

Livonia maintains clear ESG guidelines, which cover all stages of the investment process. We aim to create value by implementing our ESG policy across our portfolio, and ensuring that our investments echo our values and principles.



Livonia Partners is a signatory of the United Nations Principles for Responsible Investment

- 1 We incorporate ESG issues into investment analysis and decision-making processes.
- 2 We are active owners and incorporate ESG issues into our ownership policies and practices.
- 3 We seek appropriate disclosure on ESG issues from the entities in which we invest.
- 4 We promote acceptance and implementation of the Principles within the investment industry.
- 5 We work together to enhance our effectiveness in implementing the Principles.
- 6 We report on our activities and our progress towards implementing the Principles.



How we manage environmental, social and governance aspects at Livonia Partners

Sourcing & Screening

- ✓ Evaluate the level of ESG risks and potential issues at the sourcing and industry – screening stage.
- ✓ Filter out and exclude sectors that do not fit with our principles of responsible investment and our investment strategy.
- ✓ Assess the sustainability of an investment target, with its competitive advantages, business model, and processes.

Value Creation

- ✓ Use findings from the ESDD to address any urgent issues.
- ✓ Engage the company's management and other stakeholders in creating an appropriate and value-creating ESG policy.
- ✓ Implement the ESG policy to ensure business sustainability and enhance value creation.
- ✓ Monitor ESG risks, update policy, and ensure compliance with external and internal regulations.

Due Diligence Review

- ✓ Conduct environmental and social due diligence (ESDD) as appropriate for the industry in question, to review existing ESG policy and evaluate risks.
- ✓ Address due diligence findings and potential red flags.
- ✓ Include ESDD considerations in investment decision-making and in relevant materials.
- ✓ Identify key issues to be addressed post-investment.

Divestment

- ✓ Communicate ESG objectives and milestones to prospective buyers.
- ✓ Evaluate the alignment of interests and support the ongoing focus on sustainability and responsibility.

Principles for the implementation of Livonia Partners' ESG policy

Recognition

- We acknowledge the importance of adopting, updating, and implementing ESG objectives that ensure responsible investments in sustainable businesses.

Engagement

- We work closely with the management teams in our portfolio companies, and with external experts, to ensure that relevant and appropriate best practices are adopted across all our investments.

Implementation

- We provide sufficient resources for the implementation of our ESG objectives, both at the fund and the portfolio-company level.

Monitoring

- We monitor the progress of our portfolio companies to ensure effective ESG policy implementation and identify areas for further development.

Reporting

- We report both internally and externally about our ESG policies, the implementation milestones in the portfolio companies, and appropriate updates to the ESG policies.

Accountability

- We ensure accountability in the implementation of the ESG objectives and in the associated monitoring and reporting.

ESG Snapshot

Portfolio Level Key Performance Indicators in 2019

8	> €225 million	> 65%	> €35 million
Portfolio companies	Combined revenue of portfolio companies	Revenue from outside the Baltic countries	Combined EBITDA
€330 million	€23 million	€3 million	1,875 / 1,188
Combined enterprise value of the portfolio	Total capital expenditure	Capex for environmental initiatives	Full time employees 2019 / At entry
0	16	0	188
Nr of employees working for minimum wage	Nr of work related accidents	Nr of offshore corporate structures	Nr of new work places created organically
6 / 8	37%	> €28 million	0
Nr of companies reporting under IFRS	Women in management roles	Total taxes paid	Nr of companies with high sector E&S risk

The ESG Focus Begins Within Livonia

Our team of investment professionals share the vision and courage necessary for transforming companies, and our activities align with the principles necessary to achieve this vision.

All team members must adhere to the highest professional and ethical standards. Thoughtful and regular team-building activities, as well as frequent feedback sessions, ensure productive team dynamics and a close-knit and trusting team.

Lifelong education is highly encouraged, and Livonia provides significant financial support to all employees who wish to pursue professional training or further academic education, e.g. in an international MBA program.

All Livonia employees are provided with short-term and long-term financial incentive schemes that are aligned with the overall financial success of Livonia.

As the largest on-shore registered private equity fund in Latvia, Livonia is also dedicated to the improvement of the local investment environment. Kristīne Bērziņa is the Chairperson of the Board of LVCA, the Latvian PE&VC Association, and Hendrik Reimand and Mindaugas Utkevičius are Board Members of the respective associations in Estonia and Lithuania.



In order to contribute to the availability of world-class business and economics education in the Baltics, and to raise awareness of the private equity industry among university students, Livonia Partners has established a partnership with the Stockholm School of Economics in Riga and the university's Alumni Association.



In 2019, Livonia Partners funded four scholarships for a select group of talented SSE Riga Bachelor students, to help to cover their tuition fees. In 2019, Livonia representatives also participated in the SSE Riga Financial Economics course for Bachelor students, with a lecture on private equity and venture capital, and provided a summer internship opportunity to an undergraduate student.

Portfolio companies

Thermory



THERMORY is an Estonian-rooted wood processing company that has grown to become the global leader in the fast-growing thermally modified wood sector, exporting its products to more than 50 countries across the globe.

Thermal modification of wood involves using heat and steam to naturally modify wood, increasing its durability and longevity. As an industry leader, the company sets the bar for high quality and fully natural building materials made from real wood.

Thermory's products are used for exterior applications including decking, cladding, and flooring, as well as for interior applications, such as wall paneling and saunas. The products are not only highly durable, but create a warm, aesthetic feeling and have won various architectural awards in different countries.

Today, the company operates 8 production facilities, 2 sawmills, and 2 warehouses in Europe and North America, employing more than 600 employees and paying over €7.4 million in taxes in various countries. •

KEY FACTS ¹	
Revenue	€ 101.5 million
5-Year Revenue CAGR	N/A ²
Capex	€ 4.7 million
Nr of employees	621
Salaries paid	€ 15.8 million
Taxes paid	€ 7.4 million
Sector E&S risk	Medium

1 — Figures below reflect pro-forma financial
 2 — Not applicable due to acquisitions

What happened in 2019:

- The company made a significant investment into a sauna material production line, which increased production and energy efficiency by using the most up-to-date technology.



Thermory's Impact:

Thermory naturally modifies responsibly-harvested wood, preserving its beauty and enhancing its durability. This makes Thermory products ecologically superior to most alternatives - tropical hardwoods, plastic composite materials, or products treated with toxins.

Thermory places great importance on raw materials, using only wood from sustainably managed forests in North America and Europe. The company ensures that its product origins satisfy 3rd party standards for environmental forestry practices, such as the Swan Label and PEFC.

Thermory achieves its competitive advantage due to industry-leading production standards. The company has invested heavily in order to ensure that its products are of the highest quality and that the production process itself is as energy-efficient as possible.

Since 2018, the company has invested or committed to investing over €4.6 million specifically in environmentally conscious initiatives, such as new machinery that is significantly more energy efficient, and improved processing technology that reduces overall production waste. For these projects, the company has received several grants from the Estonian Centre for Environmental Investments with a combined worth of over €1.5 million.



Goals for 2020:

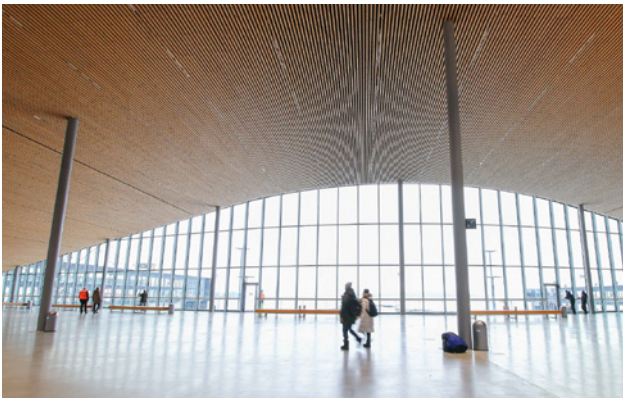
- Introduce environmental and social KPIs into management reporting.
- Initiate measurement of the CO2 footprint, and investigate opportunities for reducing the footprint further.

Thermory ESG Factsheet

Reporting Period: 2019

Thermory products have been used globally, in various prominent and award-winning projects. For example, Thermory's products were used for the exterior cladding and interior panelling of the NOA restaurant in Tallinn, which won the Estonian Architecture Award in 2015.

Thermory's products were also used in a residential project in Stavanger, Norway, which received two separate awards.



ENVIRONMENTAL

Capex spent on environmental initiatives	€ 2.8 million
Major raw materials used	Wood – 55,000+ m ³
Key waste items	Wood – 239 t, Metal – 43 t, General waste – 384 t, Hazardous waste – 9 t
Total energy usage	15,000+ mWh*
Total water usage	n.d.
Environmental accidents in 2019	None
Third-party Environmental and Social Due Diligence prior to Livonia investment	Yes
Number of production plants	8 production facilities, 2 sawmills, and 2 warehouses

* Only for Estonian facilities

Thermory ESG Factsheet

Reporting Period: 2019

SOCIAL	
Percentage of female employees	35%
Total taxes paid in 2019	€ 7.4 million
Increase in FTEs	119
Regular health & safety procedure and work environment assessment by the top management	Yes
Nr of work-related accidents in 2019	7
Employees working for the minimum wage	0
Number of hours and shifts per day in the factory	18 h / 2 shifts (varies across production units)
Employee / customer satisfaction measurement?	Yes / Yes
Employee turnover	30%

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Yes
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	No
Livonia seats on supervisory board	2 out of 4
Women in management roles	2 / 7
Major certificates / labels	ISO 9001, Swan label
Participation in Associations	No
Code of Ethics is formalized	Partial
ESG Policy is formalized	No
Regular internal / external audits	Financial audit, FSC, PEFC, and Swan Label audit
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	>25%

Portfolio companies

Hortes



HORTES is the best-known home and garden retail concept in Estonia and it was the first company to bring the popular ‘garden center’ concept to the Baltics. Hortes currently operates two centers in Tallinn and is working on opening its first store in Riga.

Hortes is a unique retail concept in the Baltics due to its merchandising mix and customer experience. Hortes differentiates itself by having both a wide and distinct assortment of goods, offering an inspirational shopping experience, and as a ‘one-stop-shop’ for all garden-related purchases.

Hortes’ key product line is the gardening segment, which includes outdoor and indoor plants, soils, fertilizers, and potting containers, representing over 50% of the company’s sales. During the Christmas season, Hortes operates the largest Christmas market in the Baltics.



As a company specializing in selling a wide variety of plants and related products, Hortes continuously works to promote gardening, planting, ‘growing your own’, and a greener lifestyle. A key pillar in the company’s strategy for the upcoming years has been to promote and benefit from the overall trend toward higher sustainability and a greener lifestyle.

As such, Hortes works to introduce new products and categories while also aiming to reduce its own ecological footprint. •

What happened in 2019:

- In 2019, Hortes opened its second Tallinn store in a brand new built-to-suit facility, that was constructed according to the latest energy efficiency standards.
- Hortes changed the halogen lamps to LED lamps in the Laagri store, reducing electricity consumption.

Goals for 2020:

- Introduce an annual employee and customer satisfaction measurement.
- Reduce employee turnover.
- Introduce paper bags from fully recycled paper as an alternative to plastic bags, and continue recycling incoming packaging by offering it free of charge to customers.

KEY FACTS – 2019	
Revenue	€ 4.7 million
5-Year Revenue CAGR	0,1%
Capex	€ 0.6 million
Nr of employees	57
Salaries paid	€ 0.6 million
Taxes paid	€ 0.7 million
Sector E&S risk	Low



Hortes ESG Factsheet

Reporting Period: 2019

ENVIRONMENTAL	
Capex spent on environmental initiatives	€0 million
Total energy usage	848 mWh
Total water usage	n.d.
Environmental accidents in 2019	None
Third-party Environmental and Social Due Diligence prior to Livonia investment	No
Number of stores	2

Hortes ESG Factsheet

Reporting Period: 2019

SOCIAL	
Percentage of female employees	86%
Number of jobs created	15
Breakdown of FTEs by type	8 – Admin; 49 – Sales and storage
Regular health & safety procedure and work environment assessment by the top management	Yes
Nr of work-related accidents in 2019	0
Employees working for the minimum wage	0
Number of hours and shifts per day in the stores	9 - 11h / 1 shift
Employee / customer satisfaction measurement?	No / No
Employee turnover	33%
GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Yes
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board member	No
Livonia seats on supervisory board	3 / 3
Women in management roles	2 / 2
Major certificates / labels	None
Participation in Associations	No
Code of Ethics is formalized	Yes
ESG Policy is formalized	No
Regular internal / external audits	Financial audit, package audit
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	0%

Portfolio companies

Santa Monica Networks

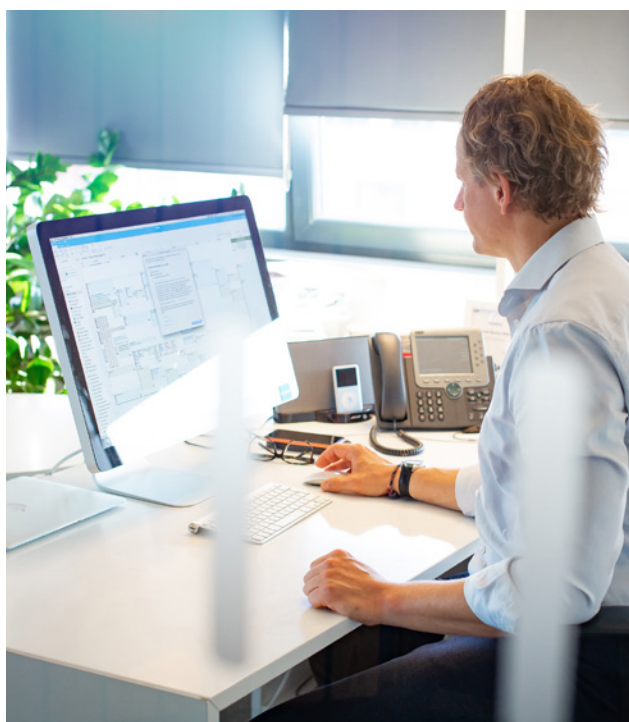


SANTA MONICA NETWORKS is the largest IT network and network security company in the Baltics. The company's key focus areas are the development and maintenance of business-critical data transmission networks, data center networking solutions, and network security solutions for large and medium organizations.

The company's services, including e.g. the digitalization of customer operations, designing infrastructure for remote work access and internet-of-things infrastructure for management of the electricity power grid, has a significant positive impact on reducing its customers' carbon footprint. The company's technological partners regularly develop energy saving equipment, for example Green Ethernet ports. Santa Monica Networks has begun the process of gradually upgrading its car fleet to electric vehicles.

Santa Monica Networks exhibits low Environmental and Social risk.

Recruiting, developing and retaining top talent is a critical success factor for Santa Monica Networks, and its key employees have earned a strong reputation among industry stakeholders. The company's annual expenditure on employee training is approximately €50,000, and the company achieves a very high level of employee loyalty by providing a dynamic work environment and an opportunity to work on the most technically challenging projects.



The seamless operations of the largest network operators, banks, utility companies, and government and other sectors rely on networks that are built and managed by Santa Monica Networks. Adding strategic business value to its customers, and uncompromised reliability are key to the company's success. Relationships with the largest customers all exceed 10 years. The company is also a crucial partner to its technology vendors such as CISCO, the world's largest networking equipment producer. Santa Monica Networks is the only independent CISCO Gold partner in the Baltics. In 2019, SMN Lithuania won the Cisco Partner Plus Champion's Club award. Company's specialists hold more than 30 professional certificates related to a wide range of world leading equipment vendors.

Livonia acquired majority equity stake in the company in 2017. •

KEY FACTS – 2019

Revenue	€ 22.2 million
5-Year Revenue CAGR	1%
Capex	€ 0.3 million
Nr of employees	55
Salaries paid	€ 2.6 million
Taxes paid	€ 3.5 million
Sector E&S risk	Low

What happened in 2019:

- CISCO Gold-partner status audit.
- First electric vehicles in the car fleet.

Goals for 2020:

- Formalize the Code of Ethics, and company's ESG Policy.
- Replace 25% of the car fleet with electric vehicles.
- Establish regular customer and employee satisfaction measurements
- Deliver IT infrastructure solutions to the nationwide EV charging stations network.

Santa Monica Networks ESG Factsheet

Reporting Period: 2019



ENVIRONMENTAL

Capex on environmental initiatives	€0 million
Key waste items	Cardboard and packaging materials: <10 t. IT equipment waste: <10 t. All waste is sorted and forwarded to specialized waste management firms.
Total energy usage	ca. 520,000 kWh
Total water usage	n.d.
Environmental accidents in 2019	0
Third-party E&SDD prior to investment	No

SOCIAL

Percentage of female employees	23%
Number of jobs created	0
Breakdown of FTEs by type	33 – engineers, technicians; 21 – sales and admin.
Regular work environment and health & safety procedure assessment by top management	Yes. Work with only low-voltage equipment. Regular trainings
Nr of work-related accidents in 2019	0
Employees working for the minimum wage	0
Employee / customer satisfaction measurement?	Irregular activities, not formalized
Employee turnover	7%

Santa Monica Networks ESG Factsheet

Reporting Period: 2019

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Yes
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	No
Livonia seats on supervisory board	Livonia exercises control via the governance procedures in the shareholder agreement
Women in management roles (%)	40%
Major certificates / labels	Vendor certificates, ISO 9001:2015 and ISO/IEC 27001:2013
Participation in Associations	Latvia's Telecommunication Association, Latvian ICT Association, Information and Communication Technology (ICT) Industry Association of Lithuania (INFOBALT)
Code of Ethics is formalized	Yes, in Lithuania
ESG Policy is formalized	Partially
Regular internal / external audits	Technology partner audits
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	36.5%

Portfolio companies

Cgates

```
root@odoo-crm-pgdb-node-1 pg_wal]#
root@odoo-crm-pgdb-node-1 pg_wal]#
root@odoo-crm-pgdb-node-1 pg_wal]#
root@odoo-crm-pgdb-node-1 pg_wal]#
root@odoo-crm-pgdb-node-1 pg_wal]#
root@odoo-crm-pgdb-node-1 pg_wal]#
total 33M
-rw-r--r-- 1 postgres postgres 16M Apr 11 13:13 00000001000000000000000006
-rwxr-xr-x 20 postgres postgres 4.0K Apr 11 13:14 ..
-rwxr-xr-x 3 postgres postgres 92 Apr 11 13:19 ..
-rwxr-xr-x 2 postgres postgres 6 Apr 11 13:19 archive_status
-rw-r--r-- 1 postgres postgres 16M Apr 11 13:20 00000001000000000000000005
total 33M
-rw-r--r-- 1 postgres postgres 16M Apr 11 13:13 00000001000000000000000006
-rwxr-xr-x 20 postgres postgres 4.0K Apr 11 13:14 ..
-rwxr-xr-x 3 postgres postgres 92 Apr 11 13:19 ..
-rwxr-xr-x 2 postgres postgres 6 Apr 11 13:19 archive_status
-rw-r--r-- 1 postgres postgres 16M Apr 11 16:35 00000001000000000000000005
root@odoo-crm-pgdb-node-1 pg_wal]#
root@odoo-crm-pgdb-node-1 pg_wal]# psql -U postgres -c "\l"
List of databases
Name | Owner | Encoding | Collate | Ctype | Access privileges
postgres | postgres | UTF8 | en_US.UTF-8 | |
template0 | postgres | UTF8 | | |
```

CGATES is Lithuania's largest independent pay TV and internet service provider. The company provides digital and interactive television, fibre-optic broadband internet, and fixed telephony. The company serves more than 250,000 revenue-generating units in all the largest cities across Lithuania. Livonia acquired significant minority stake in Cgates in 2017.

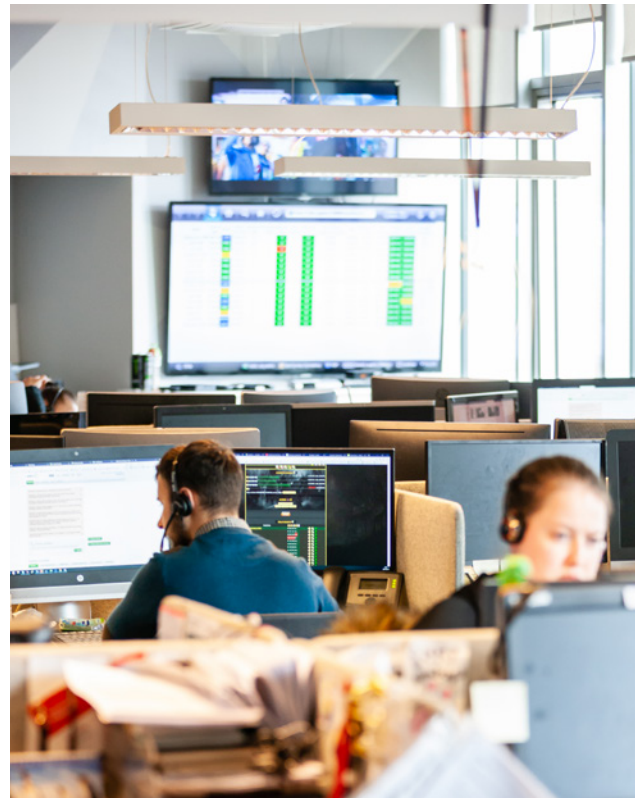
Cgates' organization is client-centric and seeks constant product improvement. The company's customer NPS has been steadily increasing since Livonia's investment, stood at +15 at the end of 2019 and has continued increasing in 2020. According to the Communications Regulatory Authority of Lithuania, Cgates customers, on average, have the highest internet browsing speed in Lithuania.

Cgates exhibits low environmental and social risk. The company's only activities with somewhat higher environmental impact are the deployment and maintenance of the cable network, electricity usage for operating the network, and operation and maintenance of the field technicians' car fleet. The total company energy usage in 2019 amounted to more than 5.3 million kWh. Cgates is undergoing a 3-year plan of gradual upgrading of the entire car fleet to more environment-friendly models.



The company has very high standards for internal procedures, to which all respective employees must adhere, e.g. a formalized IT policy, a data processing and data security policy, information systems user administration rules, and a business continuity plan.

Cgates technological network upgrades have a significant positive impact on improving the energy efficiency of network operations. Converting almost all of the customer base from analog to digital connections, as well as discontinuing the usage of outdated DOCSIS technologies, has reduced network electricity consumption, as well as the frequency of visits required by technicians. Cgates has also built the first passive optical network nodes that require no electrical power from the lines. ●



What happened in 2019:

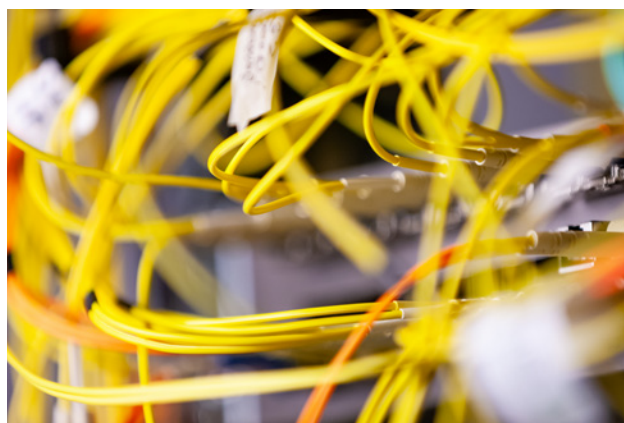
- Gradual modernization of the field technicians' car fleet.
- Customer NPS reached +15.
- Modernization of the cable network to reduce electricity consumption.

Goals for 2020:

- Continue modernizing the car fleet.
- Improve customer NPS.

KEY FACTS – 2019

Revenue	€ 25.3 million
5-Year Revenue CAGR	10%
Capex	€ 5.8 million
Nr of employees	295
Salaries paid	€ 7.1 million
Taxes paid	€ 6.2 million
Sector E&S risk	Low



Cgates ESG Factsheet

Reporting Period: 2019

ENVIRONMENTAL

Capex spent on environmental initiatives	Indirectly via improving network energy efficiency
Key waste items	17,500 electronic equipment devices
Total energy usage	5,330,000 kWh
Total water usage	n.d.
Environmental accidents in 2019	0
Third-party E&SDD prior to investment	Yes

Cgates ESG Factsheet

Reporting Period: 2019

SOCIAL	
Percentage of female employees	28%
Total taxes paid in 2019	€6.2 million
Number of jobs created	-7
Breakdown of FTEs by type	102 technicians, 193 office
Regular work environment and health & safety procedure assessment by top management	Yes. External consultants engaged
Nr of work-related accidents in 2019	0
Employees working for the minimum wage	0%
Employee / customer satisfaction measurement?	Employee: 3.9 / 5.0; Customer: NPS +15.2
Employee turnover	31%

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Yes
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	No
Livonia seats on supervisory board	2 / 5
Women in management roles	2 / 5
Major certificates / labels	None
Participation in Associations	Association of Cable Network Operators of Lithuania
Code of Ethics is formalized	No
ESG Policy is formalized	Yes
Regular internal / external audits	Financial audit
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	0%

Portfolio companies

Freor

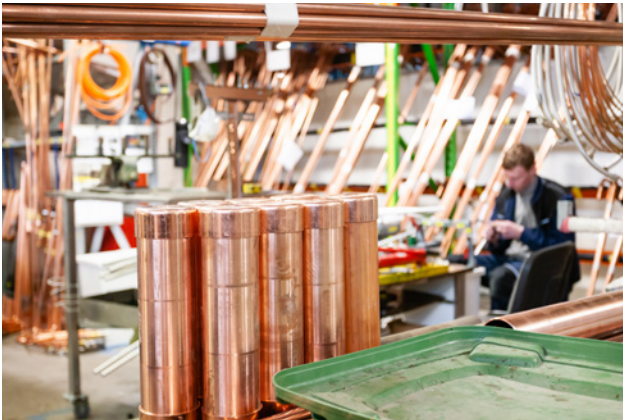


FREOR LT UAB is a manufacturer of commercial refrigeration equipment for stores and supermarkets with a focus on product durability and energy efficiency.

The company operates 2 production facilities, in Lithuania and Belarus, with a total production area of 24,000 m². The factories are equipped with modern, automated equipment including AMADA laser cutting machinery, a powder coating line, a hydraulic press, a panel bender, and other associated equipment. Freor produces over 10,000 refrigeration units per year. They are constantly upgrading their product design and machinery to reduce the negative environmental impact of the manufacturing processes, caused mostly from welding, painting, and the use of polyurethane insulation.

Freor exports over 90% of its sales, with products sold to more than 40 countries. Key export markets include Germany, Switzerland, Latvia, Finland, Spain, and Russia.

Livonia acquired a significant minority stake in Freor in 2017. •



KEY FACTS

Revenue	€ 39.2 million
5-Year Revenue CAGR	14.0%
Capex	€ 8.3 million
Nr of employees	491
Salaries paid	€ 7.5 million
Taxes paid	€ 5.4 million
Sector E&S risk	Medium



What happened in 2019:

- Construction of a new A+ energy-efficient production plant in Vilnius.
- SMETA audit
- €0.2 million investment in air pollution reduction equipment.

Goals for 2020:

- Map areas of improvement.
- Move to the more energy efficient factory.
- Invest in a dedicated laboratory to provide energy labels for all product lines.



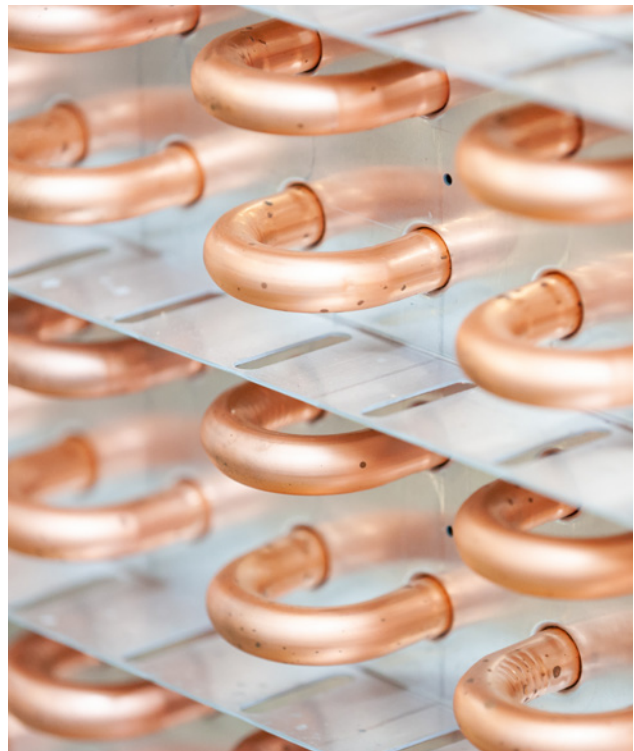
Freor's Impact:

Freor's slogan, "Thinking Green" encompasses every aspect of the company's operations, which are based on three key pillars – product development focused on durability and energy efficiency, reduction of the environmental impact of the manufacturing processes, and decreasing the amount of waste.

Freor's product design and construction results in products that remain useful longer than the competitors' products, and the company's first units, manufactured in 2005, are still functional today. EU directives on Ecodesign, energy labelling, and F-gas regulation set strict rules for companies involved with commercial refrigerators, and the EU is increasingly pushing for the adoption of more environmentally-friendly equipment.

Freor is a pioneer in energy-efficient technologies in the commercial refrigeration sector. In 2015, the company started replacing its product line and now has almost entirely discontinued production of freon gas based refrigerators, as they have a relatively high global warming potential (GWP). They have moved to mostly CO₂ and propane-gas based solutions, where the technology used by Freor is on par with technology leaders. Propane R290 is a natural refrigerant, which does not have any impact on the ozone layer and is not harmful to the environment. In addition, the company's R&D department has developed other energy-efficient technologies, such as the hydroloop system and dual air curtain technology. Internal tests show that Freor equipment can use up to 30% less energy than comparable equipment produced by other reputable manufacturers.

In 2019, Freor began construction of a new 16,300 m² factory in Vilnius that will replace the existing factory and will allow a substantial increase in production efficiency. The new production facility will be A+ energy-efficient, and will feature such solutions as capturing heat from the paint line in order to heat the production facility during the winter months.



The company has also recently replaced its car fleet with more environmentally-friendly cars. Freor aspires to reduce the amount of energy consumed annually by 5-10 percent, and to introduce new energy-saving technologies which reduce CO₂ emissions. 100% of the electricity purchased by Freor Lithuania comes from renewable sources.

Freor is highly focused on minimizing the amount of non-recyclable waste, including metal waste. In 2019, a full Sedex Members Ethical Trade Audit (SMETA) on Freor Lithuania was conducted, and it included a review of Labor Standards, Health & Safety, Environment, and Business Ethics. The report emphasized the company's efforts to minimize non-recycled waste.

Freor ESG Factsheet

Reporting Period: 2019

ENVIRONMENTAL	
Capex spent on environmental initiatives	€174 thousand; equipment for the reduction of air pollutants
Major raw materials used	Steel – 2,500 t; Wood for packaging – 500 t; Glass – 300 t
Key waste items	Iron and steel – 600 t; Wooden packaging – 85 t; Paper and cardboard – 30 t; All waste is sorted.
Total energy usage	6,500,000 kWh
Total water usage	4,400 m ³
Environmental accidents in 2019	None
Third-party Environmental and Social Due Diligence prior to Livonia investment	Yes
Number of production plants	1 in Vilnius, 12,000 m ² ; 1 in Belarus, 10,000 m ²

SOCIAL	
Percentage of female employees	21%
Total taxes paid in 2019	€5.4 million
Number of jobs created	110
Breakdown of FTEs by type	21% - Office, 79% - Production and other
Regular health & safety procedure and work environment assessment by the top management	Yes. Also external consultants have been engaged to manage processes related to health and safety.
Nr of work-related accidents in 2019	1; minor accident
Employees working for the minimum wage	0
Number of hours and shifts per day in the factory	24h / 3 shifts
Employee / customer satisfaction measurement?	No / No
Employee turnover	31%

Freor ESG Factsheet

Reporting Period: 2019

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Starting from 2020
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	No
Livonia seats on supervisory board	1 / 3
Women in management roles	1 / 3
Major certificates / labels	ISO 9001; ISO 14001; ISO 50001; CE certificates
Participation in Associations	Association of Refrigeration Engineers; Lithuanian Marketing Association; Association of microclimate and cold industry enterprises
Code of Ethics is formalized	Yes
ESG Policy is formalized	Yes, in Lithuania
Regular internal / external audits	ISO standard audits, SMETA ESG audits, air pollution audit, and internal audits (waste management, safety management, LEAN management)
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	67%

Portfolio companies

Scoro Software



SCORO is an Estonian all-in-one business management software for professional service firms. It combines project management with time and team management, as well as sales, billing, and automation of services. This enables users to streamline work, eliminate routine tasks, and track a company’s internal processes and entire workflow from one central location.

Scoro has more than 1,500 customers in more than 65 countries across the world. Scoro’s main clients are marketing and creative agencies, various consultancies, and service firms.

Today, the company has five offices in North America, the U.K., and the Baltic states, employing more than 100 people in various countries.

Livonia completed growth investment into Scoro in October 2018, to support the company’s rapid growth and expansion in the UK and the USA, as well as to develop the platform’s deep integration and machine-learning capabilities.

In 2019, the Estonian Ministry of Social Affairs awarded Scoro with the Golden Label of ‘Family-Friendly Company’. To achieve this award, Scoro demonstrated very high employee loyalty and family-friendly practices as a crucial aspect of company culture. Scoro was also granted a remote workplace label and nominated for ‘Dream Employer 2020’.

The company was listed as a ‘FrontRunner’ for Project Management Software on the Gartner review site, named as a Leader in Professional Services Automation Software by the review site G2 Crowd, and ranked as category leader by GetApp for Business Management and Project Management Software. •



KEY FACTS – 2019	
Revenue	€ 4.2 million
5-Year Revenue CAGR	58.4%
Capex	€ 1.2 million
Nr of employees	105
Salaries paid	€ 3.3 million
Taxes paid	€ 1.7 million
Sector E&S risk	Low



What happened in 2019:

- Completed the transition to International Financial Reporting Standards.
- Signed a “Tech Green Pledge” to become climate neutral by 2030.

Goals for 2020:

- Increase the attention to ESG aspects and to improvements in ESG reporting practices, including footprint measurement and reduction, while ensuring full alignment with practices within the organization.
- Formalize ESG Policy.
- Formalize the Code of Ethics.



Scoro ESG Factsheet

Reporting Period: 2019

ENVIRONMENTAL

Capex spent on environmental initiatives	n/a
Total energy usage	21,036 kWh
Total water usage	216.6 m ³
Environmental accidents in 2019	None
Third-party E&SDD prior to investment	No
Number of offices	5

Scoro ESG Factsheet

Reporting Period: 2019

SOCIAL	
Percentage of female employees	49%
Number of jobs created	38
Breakdown of FTEs by type	100% office
Regular health & safety procedure and work environment assessment by the top management	Yes
Nr of work-related accidents in 2019	None
Employees working for the minimum wage	0
Employee / customer satisfaction measurement	eNPS 76 / NPS 20
Employee turnover	24.5%

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Yes
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	1
Livonia seats on supervisory board	1
Women in management roles	1 / 3
Participation in Associations	Startup Estonia
Code of Ethics is formalized	No
ESG Policy is formalized	No
Regular internal / external audits	Financial audit; ISO 24001 audit
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	42.5%

Portfolio companies

Fenestra



Fenestra AS is one of the most efficient producers of wood, wood-aluminium clad, and aluminium windows and balcony doors in Scandinavia, and is the leader in the Baltic states.

The company operates in two locations and three different facilities. There is a 5,730 m2 window and balcony door production facility located near Tallinn airport, and a 14,900 m2 window and balcony door production facility and 3,500 m2 aluminium window factory in Finland, 150 km from Helsinki. The machinery and equipment used in production has been consistently maintained and upgraded to ensure high-quality products.

Fenestra produces wood and wood-aluminium clad windows and balcony doors with high energy-conserving and sound-insulating properties. Glass, wood, and aluminium are the main raw materials used in production.

Around 70% of the production is sold and exported to Scandinavia, mainly to Finland and Sweden, and the remainder of the production is sold in the Baltics.

Livonia acquired Fenestra in February 2019 and completed an add-on investment to acquire the manufacturing facilities of the defunct competitor, Domlux, in Finland in March of 2019. •

KEY FACTS – 2019	
Revenue	€ 18.8 million
5-Year Revenue CAGR	21.0%
Capex	€ 2.5 million
Nr of employees	158
Salaries paid	€ 4.6 million
Taxes paid	€ 2.3 million
Sector E&S risk	Medium



What happened in 2019:

- Livonia acquired Fenestra in February of 2019.
- Fenestra carried out third-party environmental due diligence ahead of the acquisition of the manufacturing facilities in Loimaa, Finland.
- Fenestra implemented and enhanced corporate governance practices, regular board meetings, and reporting capabilities.
- Completed the transition to International Financial Reporting Standards.
- Started using its own production waste, namely sawdust and wood waste, to produce heat for the factory.

Goals for 2020:

- Fenestra has begun the process of obtaining the environmental and sustainability certificate “Nordic Swan Ecolabel”.
- Establish a customer and employee satisfaction measurement survey.
- Establish a plan and strategy for reducing the company’s environmental footprint.

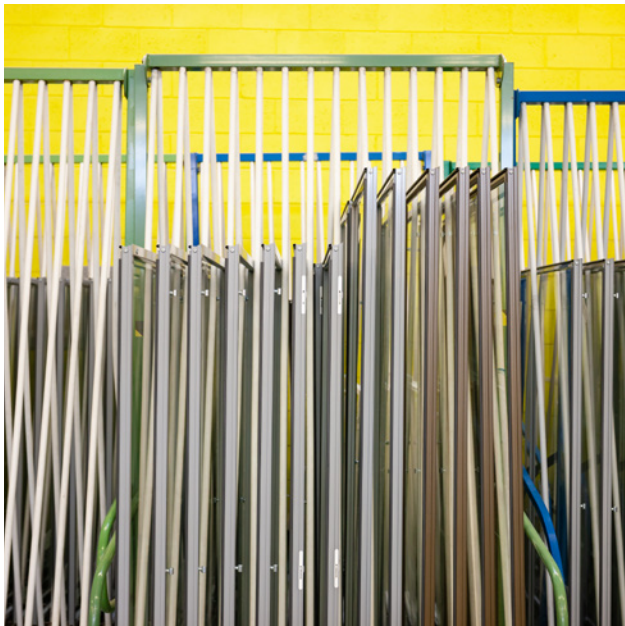


Fenestra's Impact:

Energy efficiency and environmental sustainability are key to Fenestra, as the company produces wood and wood-aluminium clad windows and balcony doors for residential apartment buildings and single-family homes. The majority of the production is sold to the Nordic countries, where the products must meet stringent local energy-conserving, heat, and sound-insulating standards.

Fenestra's manufacturing process preserves the wood's natural aesthetics, as well as the heat and sound insulating qualities, and enhances the products' durability. This makes the products superior to most alternatives – plastic, plastic composite materials, or metal products. The company's products are recognized with a high-standard sound isolation certificate from the VTT Technical Research Centre of Finland, and a health, safety, and environmental protection standard CE certification.

The company runs a highly-efficient production process and continuously strives to reduce their impact on the environment. Wood waste is reused for energy production on site, whereas paper, plastic, and aluminium waste is recycled through third-party service providers.



Fenestra has consistently invested in research and development, and in upgrading its production facilities and machinery, both to improve efficiency and to enhance its manufacturing capabilities for producing high-quality products. These developments also improve the environmental aspects and the sustainability of their products.

Fenestra is determined to continue investing into production excellence, efficiency, and sustainability. The company has already initiated processes in order to obtain additional environmental and sustainability-related certifications, and in 2020 will work to establish internal policies for better managing ESG-related issues and goals.

Fenestra is also an important part of the local community in Loimaa, Finland. It is the second-largest employer and taxpayer in the local Loimaa parish, and supports the local children's football and volleyball clubs in Tallinn.



Fenestra ESG Factsheet

Reporting Period: 2019

ENVIRONMENTAL

Capex spent on environmental initiatives	€0
Major raw materials used	Glass – 2,515 t; Wood – 1,390 t; Aluminium – 290 t
Key waste items	Wood, aluminium, packaging (paper and plastic), unused paints
Total energy usage	1,950 mWh
Total water usage	~3,300 m ³ per year
Environmental accidents in 2019	None
Third-party Environmental and Social Due Diligence prior to Livonia investment	Yes
Number of production plants	2; 1 in Estonia, 1 in Finland

SOCIAL

Percentage of female employees	36%
Total taxes paid in 2019	€2.27 million
Number of jobs created	45
Breakdown of FTEs by type	Office – 25; Production – 126; Installation – 7
Regular health & safety procedure and work environment assessment by the top management	Yes
Nr of work-related accidents in 2019	4
Employees working for the minimum wage	0
Number of hours and shifts per day in the factory	8h / 1 shift
Employee / customer satisfaction measurement?	No / No
Employee turnover	6%

Fenestra ESG Factsheet

Reporting Period: 2019

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	Yes
Big Four Auditor	Yes
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	No
Livonia seats on supervisory board	2 / 3
Women in management roles	1 / 3
Major certificates / labels	ISO 9001:2015
Participation in Associations	Estonian Chamber of Commerce and Industry
Code of Ethics is formalized	No
ESG Policy is formalized	No
Regular internal / external audits	Financial audit; ISO9001 audit by Bureau Veritas
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	40%

Portfolio companies

Klaasimeister



Klaasimeister AS is a leading float and specialty glass processor in the Baltic and Nordic countries, specializing in providing insulated glass units and other glass products to complex façade projects.

The company operates in a 10,000 m² production facility, located 30 km from Tallinn. The machine park has been consistently upgraded and contains state-of-the-art machinery, making Klaasimeister one of the most technologically advanced glass processors in the Nordics.

Klaasimeister’s glass processing capabilities include cutting, tempering, heat treatment, lamination, digital printing, coating, and wrapping of glass. Float glass, silicone, and polysulphide are the main raw materials. The production process requires electricity and water, and the latter is purified and recycled on site.

Around 70 – 80% of the production is sold to the Nordic countries, mostly as insulating glass units (IGUs), which are used for the glass facades of buildings. •



KEY FACTS – 2019	
Revenue	€ 15.6 million
5-Year Revenue CAGR	12.2%
Capex	€ 0.2 million
Nr of employees	88
Salaries paid	€ 1.7 million
Taxes paid	€ 1.3 million
Sector E&S risk	Medium

What happened in 2019:

- Third party environmental and social due diligence ahead of acquisition.
- Livonia acquired Klaasimeister in December of 2019.
- A new CEO joined the company to drive business development.
- Implementation of good governance principles, regular board meetings, good corporate housekeeping, etc.

Goals for 2020:

- Klaasimeister has launched the process for obtaining ISO 9001 (quality) and 14001 (environment) certificates.
- Engage third-party consultants to map out the strategy for improving environmental sustainability.
- Establish customer and employee satisfaction measurement systems.



Klaasimeister's Impact:

Energy efficiency plays a central role at Klaasimeister, as the company produces insulating glass units (IGUs) for façades and windows. Most of the production is sold to the Nordic countries, where IGUs must meet rigorous local building standards. Klaasimeister has specialized in complex projects and has provided glass for some of the most prominent buildings in the Nordic countries.

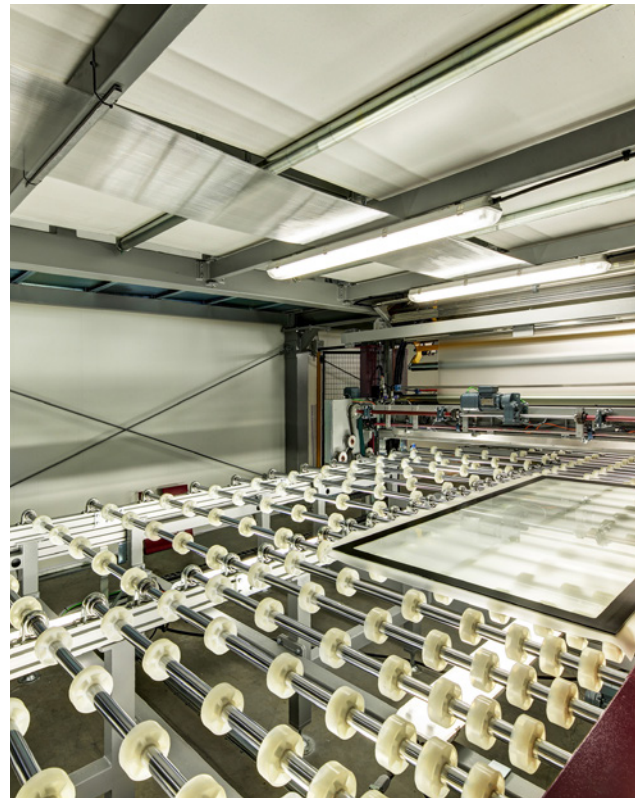
The company runs a highly efficient production process, as evidenced by consistent industry-leading profit margins. Waste is carefully monitored and minimized through advanced production software; 90% of the leftover glass is recycled, and the water used in the production process is purified and recycled on site.

Klaasimeister has consistently invested in upgrading its production facility and machinery, both to improve efficiency and to increase its capacity for producing better IGUs.

When it comes to specific environment-related initiatives, in 2018 the company invested €1.6 million into a new, highly energy-efficient tempering furnace, which was partially financed by the Estonian Centre for Environmental Investments. Over the past few years, the company has also invested over €250,000 into water purification devices and over €400,000 into advanced production software for increasing efficiency.

Klaasimeister is determined to continue investing into production excellence, efficiency, and sustainability. The company has already launched the processes for obtaining new environment and quality-related certificates, and will work throughout 2020 to establish internal policies for better managing ESG-related issues and goals.

Klaasimeister is also an important part of the local community. It is the largest employer and taxpayer in Kose parish, and supports the local children's football club.



Klaasimeister ESG Factsheet

Reporting Period: 2019

ENVIRONMENTAL	
Capex spent on environmental initiatives	€0 million
Major raw materials used	Glass – 500,000 m ² ; Silicone – 40 t; Polysulphide – 15 t
Key waste items	Glass: ~125,000 m; Silicone: ~10 t; Polysulphide: 3 t 90% of glass waste is recycled
Total energy usage	1,800 mWh
Total water usage	8,500 m ³ , 90% of water is purified & recycled
Environmental accidents in 2019	None
Third-party Environmental and Social Due Diligence prior to Livonia investment	Yes
Number of production plants	1 (Estonia); 10,000 m ²

SOCIAL	
Percentage of female employees	37%
Total amount of taxes paid in 2019	€1.33 million
Number of jobs created	-2
Breakdown of FTEs by type	17 – office; 71 – production
Regular health & safety procedure and work environment assessment by the top management	Yes
Nr of work-related accidents in 2019	4
Employees working for the minimum wage	0
Number of hours and shifts per day in the factory	17 h / 2 shifts
Employee / customer satisfaction measurement?	No / No
Employee turnover	15%

Klaasimeister ESG Factsheet

Reporting Period: 2019

GOVERNANCE	
Existence of any offshore corporate structures	No
IFRS reporting	No
Big Four Auditor	Since 2020
Frequency of preparation of full financial statements and supervisory board meetings	Monthly
Independent Board Member	No
Livonia seats on supervisory board	3 / 3
Women in management roles	0 / 3
Major certificates / labels	None; ISO 9001 and ISO 14001 application in process
Participation in Associations	None
Code of Ethics is formalized	No
ESG Policy is formalized	No
Regular internal / external audits	Financial audit, Production audit by largest customer
Absence of penalties to any regulatory authorities	Yes
Absence of any ESG related litigation	Yes
% of shares owned by the management team	<10%