LIVONIA PARTNERS

ESG Policy, including Sustainable Finance Disclosure Regulations (SFDR) Article 3 Disclosure

PURPOSE

The purpose of this ESG Policy is to describe Livonia Partners framework to responsible investment and sustainability. Livonia maintains clear Environmental (E), Social (S) and Governance (G) guidelines covering 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.

This policy also covers the required disclosure required according to Article 3 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR).

ESG GOALS

Livonia Partners is committed to creating a positive environmental change whilst growing socially responsible companies in the Baltic region. We have adopted United Nations Sustainable Development Goals (SDGs) framework and place emphasis on four sustainable development areas:

- SDG 13 Climate Action
- SDG 12 Responsible consumption and production
- SDG 8 Decent work and economic growth
- SDG 5 Gender equality

Please see our ESG strategy for more information.

SUSTAINABILITY RISKS INTEGRATION

Our approach to understanding sustainability risks within the investment context is twofold:

- How can sustainability risks affect the company's financial value – how unfolding environmental, social and governance fields could affect the market conditions, supply chain and operations of the companies in the funds; and

- How can the company affect society and environment in its ecosystem – what are the negative impacts of the companies on the environment and society and how effectively these could be managed or mitigated.

Sustainability risks can materialize on the company, market, industry or geography level. The risks considered go beyond legal compliance, and may include any factors that could materially impact an investment from an ESG perspective, for example, potential future regulation and marketplace factors, evolving consumer expectations and client requirements, as well as issues that could have a reputational impact.

Livonia Partners will leverage the analysis of the ESG and financial information, identifying material issues leveraging recognised standards: the Sustainability Accounting Standards Board (SASB), market, industry and product level information, as well as guidance from Greenhouse Gas Protocol and Life Cycle Assessments, and others. We make decisions based on these conclusions together with other financial material factors. Several investment opportunities have historically been disregarded purely based on ESG concerns.

The risk assessments are made at the point of investment, as well as during the holding period of a company, with necessary investments made to mitigate new information of potential sustainability risks.

INVESTMENT PRINCIPLES

Exclusion list

As responsible investors, we will not invest in companies that produce or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements. We have created a list of restricted sectors that Livonia Partners commits not to invest in, including, but not limited to:

- Production of arms or military equipment.
- Production or export of tobacco products or hard liquor.
- Casinos and other gambling facilities.

Please see the further excluded activities in Appendix I.

Judgment on a case-by-case basis will be applied for activities not on the list but which potentially carry similar risks, and for indirect exposure.

Principles of responsible investment

Livonia is also a signatory to the United Nations Principles for Responsible Investment (PRI) and adopted its key six principles in its active portfolio management approach. Please see Appendix II for further explanation how these principles are integrated into the investment process.

OWNERSHIP PRINCIPLES

Livonia Partners key principles are implemented during the ownership period in the portfolio companies to ensure appropriate ESG risk mitigation and ESG consideration in the decision making and value creation processes:

1. If any immediate and material ESG risks are identified in the screening or due diligence phase of the investment process, or any time during the holding period, the portfolio company, with the help of Livonia Partners, will come up with mitigation strategies;
2. ESG, with special focus on environment and climate, will be part of value creation for the companies, with goals or/and specific projects focused on advancing the ESG agenda;

3. All portfolio companies will appoint a person responsible for ESG project management as a point of contact with Livonia Partners and to drive sustainability dialogue within the organization;
4. All portfolio companies will periodically report progress across the material ESG topics, aligned with relevant legislation, and identified by Livonia Partners. In cases where data is not available, the companies will take action to establish a process to acquire the data and establish needed internal processes.

ESG RISKS

Environmental, Social and Corporate Governance (ESG) related risks are an ever more important category of risks, managing of which is becoming a prerequisite for success. Livonia Partners has defined its principles in a clear ESG policy and strives to implement these across its portfolio. We seek to identify the relevant risks and potential mitigants before the investment and implement improvements with a meaningful impact during our holding period.

Environmental risks

Livonia Partners recognises the importance of addressing global environment challenges and the urgency of the climate crisis. We work with portfolio companies to ensure that environmental considerations are addressed and taken into account in the decision-making, as well as monitoring processes. We encourage our companies to consider how through adoption of new technologies, optimization of current processes, and new initiatives, the negative impact towards the environment and carbon intensity of the production processes can be reduced, mitigating the ESG risks.

When approaching ESG risk towards the value of our portfolio, we take into the consideration of new legislation and environmental risks, such as: resource depletion, water scarcity, waste production, emissions to air, water, and land, energy use, biodiversity and habitat conversion, as well as climate change and future carbon costs. As our focus on Baltic businesses, with supply chains largely based in Europe that are less exposed to the risks, we currently do not conduct climate-related scenario analysis. However, discussing identified material risks and mitigating them during the ownership period builds the resilience of the portfolio companies and ensures consistent and the best returns to the investors.

Part of understanding ESG risks, Livonia Partners works with portfolio companies to collect qualitative and quantitative data and monitor key metrics in our portfolio companies. With the support of our ESG lead, we strive for all of our portfolio companies to establish a process to collect the data points below. Through this data based approach, companies are enabled to understand their footprint better and develop strategies and/or projects to minimize the negative, and growing positive impacts.

ENVIRONMENTAL INDICATORS

Environmental activities	Green capex[1] Environmental strategies, regarding energy efficiency measures, renewable energy, waste minimisation, switching to cleaner technology Environment related accidents Monitoring of air quality and noise levels in working spaces/factories Activities in biodiversity sensitive areas
Greenhouse Gas emissions	Greenhouse gas emissions and carbon footprint (scope 1, 2, 3)
Raw materials	Most significant raw materials being used Renewable materials Switch to more environmentally sustainable raw materials
Waste	Waste volume Recycled, reused, resold or used for energy production waste
Energy consumption	Electricity consumption Fuel consumption Heating consumption Production of electricity
Water	Water Usage Recycling of water Emissions to water

Social Risks

Livonia Partners strives to grow socially responsible businesses in the Baltic region, benefiting the workforce, customers, suppliers and communities of portfolio companies. That means any material risks related to safety, healthy workplace, fair wages, discrimination and harassment are taken seriously. To minimize the social risks, specific metrics are monitored, and the portfolio companies

[1] Green Capex or Environment-preserving Capex includes amounts spent on equipment that achieves the following goals : (1) Reduction or elimination of direct pollutants: air and water pollution, land contamination, waste management, hazardous materials; (2) Increase in efficiency: energy efficiency, management of scarce resources, waste reduction; (3) Climate change mitigation related efforts: impact on environment and climate change, increased use of renewable energy and materials; (4) Improving the sustainability of products and services to customers.

are supported to adopt code of conduct policies that would cover antidiscrimination, ethics, and respect to human rights policies. Health and safety management systems are reviewed for the companies with production operations.

Livonia Partners also consider the ESG risks of the product and the social value it creates to its clients and wider society. We believe that the products and services our portfolio companies produce should be products we see recommending to our friends and family. Any material social concerns are addressed by collecting more information from the target company, talking to industry experts and/or non profit associations working in the field, and having the open discussions with the whole team present.

We strive to collect and make publicly available the data on the below quantitative and qualitative metrics in our annual ESG report. We work towards filling in the gaps with the portfolio companies throughout the ownership period.

SOCIAL INDICATORS

Social activities and policies	Number of jobs created Employee turnover Number of employees on minimum salary Hours per day and shifts that company/factory is operational Breakdown of FTEs by type Social improvement strategies, such as occupational health and safety improvements, job creation, social investments (hospitals, schools, etc.) Code of conduct Human rights violation Values and mission of the company Employee satisfaction Customer satisfaction Good relationship with the local community Philanthropic donations
Diversity and inclusion	Breakdown of employees by gender Board members by gender Average gross hourly earnings for male/female employees Number of different nationalities
Health and safety	Measures to reduce health and safety risks Equipment maintenance and inspection rate Work related accidents, with qualitative information on the accidents

Corporate Governance

We strive to limit governance related risks to a minimum and implement principles of good corporate governance across our portfolio. The extent of corporate governance mechanisms used will partly depend on the size of the company and the complexity of ownership structure, but we follow the appropriate best-practice principles in all companies.

We engage third-party legal advisers to perform legal due diligence focusing on company corporate issues, major agreements, intellectual property, employees and management matters, regulatory issues, outstanding claims and litigations, real estate, and other appropriate aspects depending on the business specifics. Any potential risks and off-balance sheet liabilities that are identified are assessed and either are mitigated prior to the transaction, or in the investment documentation via sellers' representations and warranties, as reasonably practicable, or payment structures.

Throughout the ownership period, Livonia Partners observes the company's safeguards against fraud, bribery, corruption and other breaches of legal rules. We work with portfolio companies to strengthen internal financial control, quality assurance, risk and conflict management and transparent reporting and communication. We encourage the companies to develop or integrate into their existing policies statements on human rights protection, freedom of association, environment protection, anti corruption and bribery. The portfolio companies are also encouraged to adopt complaint mechanisms that could alert the management to any incidents.

The below governance indicators, practices and policies are monitored, together with the social and environmental governance questions mentioned in Environmental and Social Risks sections.

GOVERNANCE INDICATORS

Product governance	Major certificates and labels the company holds Excellence and other wards Membership of association
Governance risks	Penalties paid to regulatory authorities Ongoing litigations Cases relating to employment and industrial relations, environment, information disclosure, bribery, corruption, consumer interests, science and technology, competition, and taxation Existence of any offshore corporate structures

GOVERNANCE INDICATORS

ESG policies and financial reporting	Whistleblowing policies Internal or external audits List of policies in ESG fields Frequency of preparation of full financial statements IFRS reporting

ESG INTEGRATION IN THE INVESTMENT CYCLE

An environmental and social assessment is a customary part of our investment process, and covers all four stages of our investment cycle.

SOURCING & SCREENING > **DUE DILIGENCE REVIEW** > **VALUE CREATION** > **DIVESTMENT**

Sourcing and screening

During the sourcing and screening stage, Livonia Partners filter out any sectors or companies that do not fit with our principles of responsible investment and our investment strategy.

We assess the sustainability of an investment target, with its competitive advantages, business model and processes. That includes reviewing potential target companies from the lens of ESG risks based on the geography, industry, market, product/service and company history perspectives.

The key financial, commercial, legal, and sustainability information is presented to the whole Livonia Partners team. Open discussions are encouraged, and if a positive agreement is reached amongst partners, the company moves forward to the due diligence review.

Due diligence review

Livonia Partners conducts environmental and social due diligence (ESDD) as appropriate for the industry in question, to review existing ESG policy and evaluate risks. Unless the investment is specifically classified as low risk, we will use third party environmental due diligence providers to identify all relevant environmental risks. We use the European Bank for Reconstruction and

Development (EBRD) framework to evaluate the ESG risk level, and, if deemed necessary, an additional third party depth review of all the operations of the company is conducted.

We use the due diligence findings to identify potential red flags, and see if those can be mitigated. All ESDD findings and mitigation strategies are included in the investment decision making and relevant materials. The key issues are planned to be addressed post investment.

During the first discussions with the company, Livonia Partners ensures to align on ESG approach, and set expectations of ESG work through the holding period.

Value creation

During the ownership phase, the engagement starts with open conversation with the company's management and establishing the ESG contact for the portfolio company. Any urgent issues uncovered by ESDD are prioritized and addressed. The ESG policy is explained and is implemented within the portfolio company.
Livonia Partners continues to monitor ESG risks throughout the ownership period, and when necessary update ESG policy and ensure compliance with external and internal regulations.

Divestment

Livonia Partners works with a portfolio company to secure all ESG processes and documentation in place for the sale. We communicate ESG objectives and milestones to prospective buyers, to ensure that strong ESG performance is accounted for and valued correctly by potential buyers. We also explain the ESG mitigation strategies employed. Whilst in the exit stage, we continue to support continuation of focus on sustainability and responsibility.

UPDATES

Livonia Partners will seek to update this Policy regularly to reflect any changes in processes and practices.

APPENDIX I

Livonia Partners will not knowingly finance, directly, or indirectly, activities relating to the following:

1) The production of or trade in any product or activity deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements, or subject to international phase out or bans, such as:
   a) Production of or trade in products containing PCBs (Polychlorinated biphenyls). [2]
   b) Production of or trade in pharmaceuticals, pesticides/herbicides and other hazardous substances.[3]
   c) Production of or trade in ozone depleting substances.[4]
   d) Production or use of or trade in persistent organic pollutants.[5]
   e) Trade in wildlife or production of or trade in wildlife products regulated under CITES.[6]
   f) Transboundary movements of waste prohibited under public international law.[7]
2) Forced evictions.[8]
3) Thermal coal mining or coal-fired electricity generation capacity.
4) Upstream oil exploration.

[2] PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

[3] Reference documents: Regulation (EU) No. 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals as amended from time to time; United Nations Consolidated List of Products whose Consumption and/ or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); World Health Organisation Recommended Classification of Pesticides by Hazard.

[4] Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes'. The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme.

[5] Reference document: Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009

[6] CITES: The Convention on International Trade in Endangered Species of Wild Fauna and Flora. A list of CITES listed species is available from the CITES secretariat

[7] Reference documents: Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.

[8] "Forced eviction" refers to the acts and/or omissions involving the coerced or permanent or temporary involuntary displacement of individuals, groups and communities from homes and/or lands and common property resources which they occupy or depend on, thus eliminating or limiting the ability of an individual, group or community to reside or work in a particular dwelling, residence or location, without the provision of, and access to, appropriate forms of legal or other protection.

5) Upstream oil development projects, except in rare and exceptional circumstances where the proceeds of the project exclusively target the reduction of GHG emissions or flaring from existing producing fields.
6) Activities involving force-feeding of ducks and geese.

LIVONIA
PARTNERS

APPENDIX II

Livonia Partners adopts six United Nations Principles for Responsible Investment (PRI) principles in its active portfolio management approach:

We incorporate ESG issues into investment analysis and decision-making processes.

We consider environmental, social, and governance issues associated with potential companies during the sourcing and screening phase, due diligence, as well as during the full ownership phase, and in preparations of exit.

We are active owners and incorporate ESG issues into our ownership policies and practices

We actively engage with the companies and have an open and consistent dialogue on the ESG topics. With a dedicated ESG resource, we are committed to providing knowledge and support to develop ESG policies, targets, projects or/and data collection for the annual ESG reporting cycle. We apply a tailored approach for each company, based on their material topics, and meeting where portfolio companies are in their sustainability journey.

We seek appropriate disclosure on ESG issues by the entities in which we invest

From the start, our focus is to implement rigorous and transparent corporate governance standards. We work with companies to be a responsible point of contact for ESG topics, and establish a framework for reporting relevant KPIs.

We promote acceptance and implementation of the Principles within the investment industry

We communicate our commitment to ESG topics, and focus on environmental and climate issues, to the target companies in the early stages of the negotiation process. Through the initial discussions, we ensure to align on ESG approach, and our work through the holding period.

We work together to enhance our effectiveness in implementing the Principles

We continuously work and update our approach towards ESG risks management framework and policies, according to the best practices in the market and evolving legislation.

We report on our activities and progress towards implementing the Principles

We communicate transparently to our investors and other stakeholders on ESG progress of our portfolio companies.