

LIVONIA
PARTNERS

Sustainability strategy

2022 Update

Our Sustainability Approach

OUR COMMITMENT TO SUSTAINABILITY

Livonia Partners is a Baltics-based investment team focused on identifying high-potential companies and providing them with 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 covering all stages of the investment process. We aim to create value by implementing our sustainability

strategy and ESG policy across our portfolio and ensuring that our investments echo our values and principles.

Our team's vision is to make positive changes in order to build companies that we are proud of after 10 years. Not only does it mean delivering the best financial returns across all investments, consistently, but also achieving an actual positive impact on the environment and society, while also growing the Baltic economies.

VALUE CREATION

Livonia Partners are delivering value to companies and management teams beyond providing equity capital. By leveraging the team's deep operational experience, guiding management teams in strategy execution, recruiting key employees and developing management teams, Livonia helps the companies to drive sustainable growth.

At Livonia Partners, we employ these value creation strategies, amongst others:

- **Growth Strategy:** actively develop, monitor and help implement the growth strategy through increasing market share in existing markets, geographical expansion, product and services development, vertical integration and other.
- **Operational Improvements:** ensure the highest quality management team and carefully review product mix, asset utilization, supply chain management, cost structures and operational processes of investee companies.

- **Market Consolidation:** advance market-leading companies in fragmented industries in their pursuit of international growth and / or local market leadership strategies.
- **Financial Management and Capital Structure Optimisation:** optimize the capital structure and cash flow of the portfolio companies.
- **Focus on Sustainability:** identify clear areas of improvement for all target companies that can then be addressed during the holding period.
- **Modernisation and Digitalisation:** improving and modernizing the operations of our portfolio companies lies at the heart of our value-add strategy.

Our Focus

FOCUS ON CORE SECTORS AND GEOGRAPHIES

Livonia Partners investment focus consistent with our previous experience and applicable strong track record. Our core sectors are:

- Speciality manufacturing of industrial and consumer products
- Business services
- Telecoms, media and technology (TMT)
- Consumer and retail
- Healthcare
- And other selected sectors

Livonia Partners make investments primarily into companies established and/or operating in the Baltic countries, where we build on our competitive advantages in terms of local presence, operational expertise and exceptional networks.

Livonia Partners firmly believes in the active management of its portfolio companies to increase value, expand growth ambitions, drive operational efficiency, and implement responsible and sustainable environmental, social and corporate governance decisions. This is one of the key factors to long-term success in private equity investing and particularly in the Baltic region.

OUR TARGETS AND STANDARDS

Livonia Partners have joined regional private equity associations and strategic partnerships to formalize and underline our ESG commitment, and use the guidance and reporting frameworks to increase transparency.

United Nations' Sustainable Development Goals

We have prioritized four ESG topics linked to [United Nations Sustainable Development Goals](#) (SDGs) to guide our ESG work.



SDG 13: CLIMATE ACTION

13.2 Integrate climate change measures into national policies, strategies and planning

Livonia Partners supports portfolio companies to develop their business practices to reduce the carbon intensity in their production processes by optimizing resource and energy use, and utilizing the waste generated. This may be obtained through the use of new technology and the implementation of more sustainable business procedures.

We are working with our portfolio companies to establish Greenhouse Gas accounting, estimating the climate impact of the companies' operations, and, where possible, covering a company's entire value chain emissions, i.e., including those produced by their own processes (scope 1), purchased electricity and heat (scope 2), and generated by upstream and downstream supply chain operators (scope 3).

SDG 8: DECENT WORK AND ECONOMIC GROWTH

8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Livonia Partners, by investing in the businesses and supporting the growth of the companies, strive to create good job places for people. We recognise that all workplaces should be safe and secure, and provide fair wages to its employees.

Livonia does not tolerate discrimination or harassment of any type. This includes discrimination or harassment based on, but not limited to, age, race, gender, religion, sexual orientation, or disability.

We promote a safe work environment in all portfolio companies. We strive for our portfolio companies to have zero fatalities, zero high-consequence work-related injuries or ill health in the operations.

SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

12.2 Achieve the sustainable management and efficient use of natural resources

12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse strategy and ESG policy across our portfolio and ensuring that our investments echo our values and principles.

We believe that one key to addressing climate and environment is to move towards more sustainable production. Livonia Partners actively works with the portfolio companies to optimize the resource use, promote circularity in their supply chains, minimize waste, and reduce any pollution released to air, water and soil.

SDG 5: GENDER EQUALITY

Goal 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making

Livonia Partners strives to create an inclusive culture, and is committed to equal pay for equal work. Livonia puts an emphasis on gender diversity in employee recruitment and staffing of leadership positions for portfolio companies.

Our Engagement in the Ecosystem

PRINCIPLES FOR RESPONSIBLE INVESTMENT

Livonia is a signatory to the United Nations Principles for Responsible Investment and is committed to the following six key principles:

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

Signatory of:



ASSOCIATIONS

Livonia is a member of the Baltic private equity and venture capital associations, actively contributing to the development of a thriving and sustainable investment ecosystem in the Baltics.



SFDR

Livonia Partners is working with portfolio companies to present sustainability-related information with respect to the funds performance and the investment process. We are committed to adhering to all relevant legislation, including to the EU's Sustainable Finance Disclosure Regulation (SFDR) ((EU) 2019/2088).

Please find the relevant disclosures for Article 3, Article 4, Article 5 on [our website](#).

Our Principles for the ESG Policy Implementation

Livonia Partners abides by these key principles for ensuring that our ESG policy is implemented and followed across all portfolio companies and at the fund level:

RECOGNITION

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

ENGAGEMENT

We engage with the management of portfolio companies and external experts regarding the adoption of relevant and appropriate best practices across all our investment activities.

IMPLEMENTATION

We provide sufficient resources and attention 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 internally and externally about our ESG policy, implementation milestones at portfolio companies and appropriate updates to the ESG policy.

ACCOUNTABILITY

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

Our Approach to 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 use our holding period to implement improvements with a meaningful impact.

ENVIRONMENTAL AND SOCIAL RISKS

An environmental and social assessment is a customary part of our investment process. 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 avoid investments into industries in our exclusion list, and we do not invest in companies with a poor environmental and social risk management track record.

Furthermore, we strive to find areas of improvement that can be addressed during our holding period. While we address several angles – climate change and environment at large, well-being and health, sustainable, fair and socially responsible communities – it is environmental sustainability that has become an integral part of strategy for many of our current investments.

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.

Please see our [ESG Policy](#), which provides more detail into ESG risk integration into decision making.

PRACTICES FOR MANAGING ESG ISSUES

We apply risk management through all four stages of our investment process: sourcing, due diligence, value creation and exit. Through engagement in different stages, Livonia Partners can ensure consistent approach to environmental, social, and governance topics and risks integration in the decision making process.

Our Practice to Manage ESG Risks

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, risks, business model and processes

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 relevant materials
- Identify key issues to be addressed post-investment

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

EXIT

- Secure all ESG processes and documentation is in place
- Communicate ESG objectives and milestones to prospective buyers
- Ensure that the strong ESG performance is accounted for and valued correctly by a potential buyer
- Evaluate alignment of interests and support continuation of focus on sustainability and responsibility

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