

**Statement on principal adverse impacts of investment decisions on sustainability factors for KS Livonia Partners Fund II AIF**

**! Note:** KS Livonia Partners Fund II AIF (the "Fund") (LEI 9845006558BBOB6CC523) **does not consider** the principal adverse impacts (as defined in this Annex) of its investment decisions on sustainability factors throughout the whole investment cycle. This is because Fund mainly invests in small and medium-sized companies, which necessitates additional data collection efforts to adequately assess the relevant indicators. Presently, private small and medium-sized companies are not mandated to disclose such data and lack established processes for its provision.

Nonetheless, as of 2022, the Fund initiated the process of gathering the principal adverse impact indicators. The objective behind this disclosure is to facilitate that Fund's investors, who are obligated to report this data as large financial institutions, could fulfill their reporting obligations.

The Fund continues to consider ESG risks and opportunities throughout its entire investment process as described in the pre-contractual agreement and periodic disclosure.

**Financial market participant** KS Livonia Partners Fund II AIF

**Summary**

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of KS Livonia Partners Fund II AIF (the "Fund") (LEI 9845006558BBOB6CC523).

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

**Kopsavilkums**

Šis paziņojums ir konsolidētais pārskats par galvenajām nelabvēlīgajām ietekmēm uz Fonda ilgtspējas faktoriem.

Šis paziņojums par galveno negatīvo ietekmi uz ilgtspējības faktoriem attiecas uz pārskata periodu no 2022. gada 1. janvāra līdz 31. decembrim.

**Description of the principal adverse impacts on sustainability factors**

Adverse sustainability indicator		Metric	Impact [2022]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	1. GHG emissions tons CO2e	Scope 1 GHG emissions	37	We take full scope 3 (upstream and downstream emissions); as we have a distributor of electronic goods, the lifecycle emissions of those sold goods are included as per GHG emissions Protocol	All portfolio companies are working to identify climate emission reduction steps, and set budgets and timelines for the steps. Please see our <a href="#">Sustainability Strategy</a> for how we work with the companies.
		Scope 2 GHG emissions	46		
		Scope 3 GHG emissions	21,577		
		Total GHG emissions	21,639		
	2. Carbon footprint	Carbon footprint tons CO2e	548		
	3. GHG intensity of investee companies	GHG intensity of investee companies	5,780		
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	We do not invest in the fossil fuel sector, as per our exclusion policy		
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from	79.95%		All portfolio companies are working to identify climate emission reduction steps, and set budgets and timelines for the efforts.	

		non-renewable energy sources compared to renewable energy sources expressed as a percentage of total energy sources			Please see our <a href="#">Sustainability strategy</a> for how we work with the companies.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high-impact climate sector	Total 0.03GWh per EUR million; per sector according to NACE codes: NACE 4674 0.002GWh per EUR million; NACE 2229 0.09GWh per EUR million		All portfolio companies are working to identify projects that allow them to reduce the consumption of the energy used in the production process
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	None of the activities of these companies are affecting biodiversity sensitive areas	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	None of these companies have emissions to water	

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.22	Approximately, 30% comes from paints, and other volumes come from containers that held or otherwise came into contact with paints	Currently there are no possible alternatives to the paints, nevertheless, the company is looking into minimization of the waste
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (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	No violations have been recorded.	Target is 0.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD	59.51%	Calculated as % of your portfolio value (portfolio value as of 31.12.2022). If counted on number of investments, it is only 1 company (our most recent investment) that is lacking some policies	We are working with the company to establish whistleblowing policy and process

		Guidelines for Multinational Enterprises			
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	26.91%		All companies are to work to identify key reasons for gender paygap in a methodological way.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	0%		By the end Q2 2024, the Fund commits to appoint at least one female board member in the portfolio companies
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	We do not invest into weapons as per our exclusion policy.	

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

According to our [ESG policy](#), we identify adverse impacts throughout our investment process: in the screening phase, we ensure the companies align with our exclusion policy, do not have violations of national, international regulations and agreements, and evaluate the ESG risks based on the industry, location of operations, and supply chain. During ESG due diligence phase, the companies are evaluated on their current processes and policies, and environmental and social performance. Whilst most of our investments do not track some of the PAI quantitative metrics at the time of investments, the Fund would form an opinion based on the inputs, outputs, and processes of the company, and work towards collecting this data throughout the holding period. Throughout the holding period, the companies have the obligation to report the metrics to the Fund, which enables us to assess the adverse impacts in more detail and work with companies to reduce them.

We also follow EBRD Environmental and Social Policy.

The prioritization of the adverse impacts are aligning with our [sustainability strategy](#). The Fund actively collaborates with portfolio companies to enhance their performance in climate action, sustainable consumption and production, good governance, and gender equality.

### **Engagement policies**

The engagement policy is part of the Fund's [ESG policy](#). Fund's 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 a special focus on climate, sustainable production, and consumption, decent work for all, and gender equality, 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.

**References to international standards**

The Fund does not invest in companies that are found during the ESG DD process to violate the principles which are in accordance with the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises.

Throughout the holding period, the Fund works with companies to align their governance processes to OECD Guidelines for Multinational Enterprises.

No alignment of GHG reduction targets with the Paris Agreement is currently required of the companies.

**Historical comparison**

No historical comparison is available.

Table 2

**Additional climate and other environment-related indicators**

<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
<b>Adverse sustainability impact</b>	<b>Adverse impact on sustainability factors (qualitative or quantitative)</b>	<b>Metric</b>	<b>Impact [2022]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Water, waste and material emissions	1. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies  2. Weighted average percentage of water recycled and reused by investee companies	1. 0 2. 0	Current portfolio companies have limited usage of water; water is not used as a process resource or input	
	2. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	3.0		As part of the Fund's strategy, all portfolio companies are working to identify steps to reduce waste.



Table 3

**Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters**

<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>					
<b>Adverse sustainability impact</b>	<b>Adverse impact on sustainability factors (qualitative or quantitative)</b>	<b>Metric</b>	<b>Impact [2022]</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Social and employee matters	1. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	0	No accidents have been recorded in 2022.	The target is 0.