

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: KS Livonia Partners Fund II AIF (the "Fund")
Legal entity identifier: 9845006558BBOB6CC523

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

<p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___%</p> <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<p><input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments</p> <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%</p>	<p><input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment. Whilst there is no strict % target, the fund might invest partially in economic activities with social objectives, and/or environmental objectives, for instance, qualified as sustainable according to the EU classification.



What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics by investing in companies that do not have a significant negative impact on the environment and society. In addition, the Fund collaborates with portfolio companies to improve performance in climate, sustainable consumption and production, good governance, and gender equality topics. Finally, the Fund promotes capital investments within portfolio companies into projects during the holding period to better the environmental and climate impact. The Fund also monitors a range of metrics to ensure that high standards are upheld. ESG considerations are taken throughout all stages of the investment process to ensure the Fund attains environmental and social characteristics.

The Fund shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities whose business activity consists of:

- 1) an illegal activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant Portfolio Company or entity, including without limitation, human cloning for reproduction purposes);
- 2) the production of or trade in tobacco or distilled alcoholic beverages and related products;
- 3) the financing of the production of or trade in weapons or ammunition of any kind or other military-related activities;
- 4) casinos or equivalent enterprises or other gambling activities;
- 5) the research, development or technical applications relating to electronic data programs or solutions, which:
 - a) aim specifically at:
 - i) supporting any activity referred to under (1) to (4) above;
 - ii) internet gambling and online casinos; or
 - iii) pornography; or
 - b) are intended to enable the user to illegally:
 - i) enter into electronic data networks; or
 - ii) download electronic data.

In addition, when providing support to the financing of the research, development, or technical applications relating to (i) human cloning for research or therapeutic purposes, or (ii) genetically modified organisms (“GMOs”), the Fund shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

The Fund shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities which are on the EBRD’s List of Ineligible Entities.

The Fund focuses on four sustainable development objectives linked to the United Nations Sustainable Development Goals (SDGs): climate action, responsible consumption and production, decent work and economic growth, and gender equality. The fund aims to reduce the impact/improve the situation in the selected SDGs by setting measurement and monitoring of relevant selected impact indicators and encouraging companies to engage in activities to better the metrics.

The Fund ensures these characteristics are promoted by implementing its exclusion policy; working with portfolio companies within the focus areas of selected UN Sustainable Development Goals (SDGs); and by pushing companies to make dedicated investments throughout the holding period that reduces their climate and environmental impact (“Dedicated Investments”).

The fund aims to reduce the negative environmental and social impact by striving to achieve the following goals within Fund’s lifetime:

Goal	Related SDGs
80% of companies have set GHG emission reduction targets in accordance with the Science Based Target Initiative (SBTi) methodology and are on track to achieve them	SDG 13 Climate action
50% of energy used by Fund II companies combined is derived from renewable energy sources	SDG 13 Climate action; SDG 12 Responsible consumption and production
Zero high-consequence ¹ work-related injuries	SDG 8 Decent work and economic growth
100% of companies monitoring employee satisfaction	SDG 8 Decent work and economic growth
100% of companies are on track with their gender pay gap reduction commitments	SDG 5 Gender equality
25% representation of the underrepresented gender in companies' boards	SDG 5 Gender equality
100% of companies have a Code of Conduct or a set of ESG Policies that cover material ESG topics	SDG 13 Climate action; SDG 12 Responsible consumption and production; SDG 8 Decent work and economic growth; SDG 5 Gender equality
100% of companies have a Whistleblowing mechanism	SDG 13 Climate action; SDG 12 Responsible consumption and production; SDG 8 Decent work and economic growth; SDG 5 Gender equality

While these goals are addressed, the Dedicated Investment value of the Fund is committed to promoting environmental objectives within the portfolio companies.

The General Partner of the Fund will use commercially reasonable endeavors to identify areas of improvement within its Portfolio Companies from an environmental and social responsibility perspective (including climate change-related risks and opportunities) during the period of its ownership of such Portfolio Companies, and if relevant, will identify actions, operational changes and investments to improve the environmental position and social responsibility of the Portfolio Company. To the extent that the General Partner is in a position to exert influence and/or direct policies of a Portfolio Company, then the General Partner shall use reasonable endeavors to implement actions, operational changes, and investments (as an example, through energy and resource efficiency measures, sustainable products, etc.) where such measures are considered viable as part of the value creation plans for that Portfolio Company.

The Fund shall use commercially reasonable endeavors to procure that across the Portfolio Companies in which the Fund invests, such portfolio companies endeavor to deploy amounts of at least 10% of total fund commitments into projects that have a positive impact on the environment and/or climate change.

¹ work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months (source: [gri-403-occupational-health-and-safety-2018.pdf](https://www.globalreporting.org/~/media/2018/04/gri-403-occupational-health-and-safety-2018.pdf) ([globalreporting.org](https://www.globalreporting.org/)))

A reference benchmark has not been designated to promote the characteristics, as each company would make improvements based on its material topics.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of the environmental and social characteristics promoted by the Fund are:

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- Dedicated investments, €000s
 - The percentage of companies on track with reductions of GHG emissions according to their reduction targets set in accordance with the SBTi methodology, %
 - Renewable energy, % of total energy
 - Total number of high-consequence work-related injuries
 - The percentage of companies monitoring employee satisfaction, %
 - The percentage of companies on track with their gender pay gap reduction commitments, %
 - Board gender diversity, % of underrepresented gender
 - The percentage of companies that have a Code of Conduct or ESG policies that cover material topics, %
 - The percentage of companies that have whistleblowing mechanisms, %

Furthermore, the holding period, the Fund implements a collection cycle of the below metrics from the portfolio companies.

Environment:

- Amount of dedicated investments to make operations and processes more environmentally and climate friendly²
- 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 (scope 1, 2, 3) and carbon intensity
- GHG emission reduction targets and progress
- Most significant raw materials being used
- Renewable materials
- Switch to more environmentally sustainable raw materials
- Waste volume
- Recycled, reused, resold or used for energy production waste
- Electricity consumption
- Fuel consumption

² Dedicated Investments should aim to contribute to the positive impact or decrease the negative impact within either of these environmental sustainability areas: Greenhouse Gas (GHG) emissions, freshwater consumption, air pollution, water pollution, biodiversity and prevention of nature loss, solid waste, and resource use (including increased use of circular and renewable materials and energy sources).

- Heating consumption
- Production of electricity
- Water Usage
- Recycling of water
- Emissions to water

Social:

- 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
- Breakdown of employees by gender
- Board members by gender
- Average gross hourly earnings for male/female employees
- Gender pay gap reduction targets and progress
- Number of different nationalities
- Measures to reduce health and safety risks
- Equipment maintenance and inspection rate
- Work related accidents, with qualitative information on the accidents

Governance:

- Major certificates and labels the company holds
- Excellence and other awards
- Membership of association
- 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
- Whistleblowing policies
- Internal or external audits
- List of policies in ESG fields
- Frequency of preparation of full financial statements
- IFRS reporting
- Amount of taxes paid

The Fund reviews any available ESG information before the investment as part of ESG due diligence, and implements a collection cycle of below metrics from the portfolio companies. The ESG metrics list has been updated according to the Regulation EU 2019/2088 (SFDR) to cover metrics for consideration of principal adverse sustainability impacts . The Fund is committed to working with

portfolio companies to identify the current data gaps and collect the information throughout the holding period.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, _____

- ✘ No. While we continue to consider ESG factors in our investment process, we do not currently consider all Principal Adverse Impacts (PAI) as defined in ANNEX I supplementing the Regulation (EU) 2019/2088 of the European Parliament and of the Council. This is primarily due to the fact that we invest in small and medium-sized companies, and additional data collection is needed as small and medium-sized companies are currently not required to report this data and lack the processes for doing so. Nevertheless, during the holding period, the Fund is committed to implementing principal adverse impact indicators and building processes to provide the required transparency regarding the specified metrics.

What investment strategy does this financial product follow?

The Fund invests in small to mid-sized companies mainly in Latvia, Lithuania, and Estonia with significant growth potential and operational value creation opportunities. The Fund aims to construct a diversified portfolio of investments.

One of the core principles of the Fund's investment strategy is a meaningful positive impact on the environment and society. The Fund focuses on bettering environmental sustainability and lessening the climate footprint of its portfolio.

The Fund applies an active management approach to its portfolio companies to increase value, expand growth ambitions, drive operational efficiency, and implement responsible and sustainable environmental, social, and corporate governance decisions.

The Fund promotes social and environmental characteristics throughout the whole investment cycle, including in the following steps:

- Evaluation of the level of ESG risks and potential issues at the sourcing and industry screening stage
- Filtering out and exclusion of sectors that do not fit with our principles of responsible investment and our investment strategy
- Sustainability assessment of an investment target, with its competitive advantages, risks, business model and processes included in considerations in the investment decision process
- Engagement the company's management and other stakeholders in creating an appropriate and value-creating ESG roadmap
- Implementation of the ESG policy and metrics to ensure business sustainability and enhance value creation, with periodic progress report
- Guiding the portfolio companies to reduce their negative sustainability impact and identify opportunities during the holding period

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Fund uses Livonia Partners ESG policy to select the investments. The conclusions drawn from ESG due diligence findings are considered in the investment decisions, and investment opportunities might be disregarded purely based on ESG concerns.

The Fund does not invest in companies with a poor environmental and social risk management track record. Also, the Fund does not invest in the specified industries described on the first page of this pre-contractual disclosure. Finally, the Fund does not invest in companies that produce or trade in any product or activity deemed illegal under host country laws, regulations, international conventions, or agreements.

The Fund commits to work with portfolio companies within the four SDGs: climate, sustainable consumption and production, decent work and economic growth for all, and gender equality, depending on the materiality of these goals to the investee companies. The promotion of these social and environmental goals entails: measurement and setting up reduction targets and an action plan on GHG emissions; tracking inputs and outputs of the production process and identifying investments to increase efficiency and renewable resource use; reviewing policies and internal policies against the OECD Guidelines for Multinational Enterprises, and working with companies on improving and filling in gaps in the governance, as well as setting up monitoring of the key metrics and action plans (employee satisfaction, accident rates, any violations of the OECD guidelines); setting up measurement of gender pay gap, working towards transparent pay ranges and gender pay gap reduction; and increased women representation in the management positions.

The Fund also commits to identify projects that would improve the climate and environmental performance of the portfolio companies, and work towards implementing these projects throughout the ownership period.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not commit to the minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

● ***What is the policy to assess the good governance practices of the investee companies?***

Third-party legal advisers are engaged 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. The Fund does not invest in companies that 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.

During the ownership phase, the engagement starts with an open conversation with the company's management and establishing the ESG contact for the portfolio company.

Throughout the ownership period, the Fund will work to ensure the portfolio companies implement appropriate safeguards against fraud, bribery, corruption, and other breaches of legal rules. The internal financial controls, quality assurance, risk, and conflict management, and transparent reporting and communication processes are assessed and updated if needed. Based on the best practice guidance of OECD Guidelines for Multinational Enterprises, we work with companies to develop and update processes and policies to cover human rights, environment, anti-corruption, supply chain, whistleblowing, labor, data privacy, and fair competition policies. These policies can be adapted one by one or as part of the holistic code of conduct, depending on the topic relevance and size of the company.

As part of the continuous assessment of governance, the Fund issues an ESG survey that collects ESG metrics (such as accidents, and any instances of misconduct in the areas mentioned above), as well as information on the development of the relevant mechanisms, policies, and any incidents that do not align with good governance practices. Any incidents are discussed directly with the company's management.

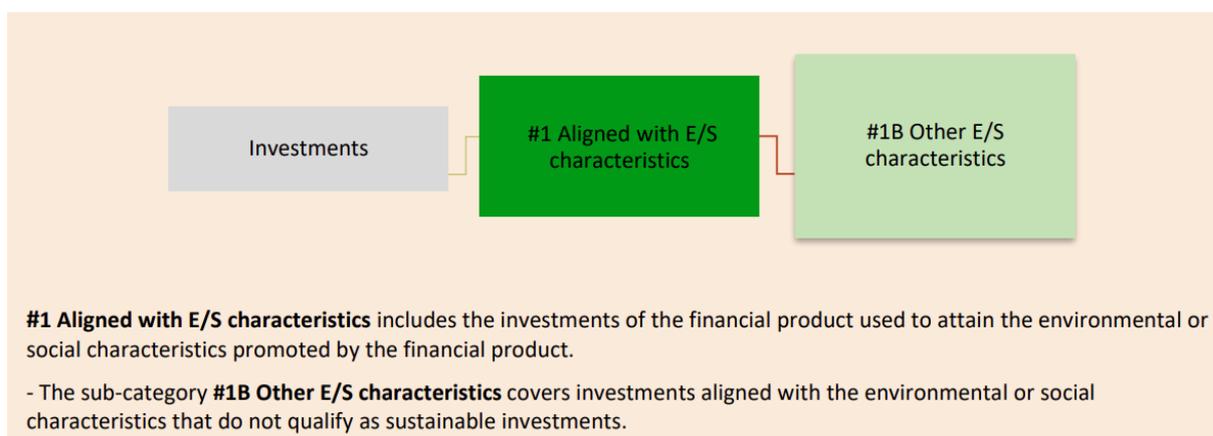


What is the asset allocation planned for this financial product?

From all the investments the Fund will make, close to 100% will be allocated to companies that promote E/S characteristics (#1B in the graph below).

The Fund may invest in companies that may not match the Fund's ESG criteria in its entirety in the investment stage. In these cases, the companies would still need to have adequate minimum safeguards. The Fund would commit to aiming to influence relevant ESG changes within the holding period and categorize them as "#1 Aligned with E/S characteristics.

The Fund does not commit to, but might make investments that qualify as Sustainable Investments.



● How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The Fund does not intend to make use of derivatives for investment purposes or promote the environmental or social characteristics promoted by the Fund.

The Fund does not engage in speculative investment activities such as real estate, commodities, commodity contracts or forward currency, or other derivative contracts.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund does not commit to making sustainable investments with an environmental objective. However, the Fund might invest partially in economic activities with an environmental objective aligned with the EU Taxonomy. In these cases, the Fund will work with the companies to align with EU Taxonomy on a best-effort basis.



What is the minimum share of socially sustainable investments?

The Fund does not commit to making sustainable investments with a social objective. However, the Fund might invest partially in economic activities with social objectives.

What investments are included under “#2 Other”, what is their purpose, and are there any minimum environmental or social safeguards?

No investments are included under “#2 Other”.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No specific index is designated as a reference benchmark to determine whether the Product is aligned with the environmental and social characteristics promoted.



Where can I find more product-specific information online?

More product-specific information can be found on the website:

<https://www.livoniapartners.com/vision>

This document was updated on December 20, 2023