

**Statement on principal adverse impacts of investment decisions on sustainability factors for KS Livonia Partners Fund II AIF
(Livonia Partners GP AIFP SIA)**

Version 1, May 2025

! 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 the 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 2023, 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 fulfil 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 2024 to 31 December 2024.

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 2023. gada 1. janvāra līdz 31. decembrim.

Description of the principal adverse impacts on sustainability factors						
Adverse sustainability indicator		Metric	Impact [2024]	Impact [2023]	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	31.21	40.75		In 2024, all of our portfolio companies measured full three scopes of their emissions, and working to identify key steps to reduce it in the short term. The focus for next year will be driving up the renewable electricity purchase, where energy efficiency is not possible, and exploring ways to reduce emissions through circular materials or initiatives. Please see our Sustainability Strategy for how we work with the companies and our latest Sustainability report for company specific actions.
		Scope 2 GHG emissions	53.62	41.83		
		Scope 3 GHG emissions	6,297.43	11,003.39	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.	
		Total GHG emissions	6,382.26	11,085.97		
	2. Carbon footprint	Carbon footprint tons CO2e	66.21	290.21		

	3. GHG intensity of investee companies	GHG intensity of investee companies	4,784.65	5,185.70		In addition to the energy efficiency and promotion of green energy, the carbon intensity fell as we have added more ICT companies to our portfolio, which, on average, have lower carbon emissions.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	We do not invest in the fossil fuel sector, as per our exclusion policy	Fossil fuel sector is in our exclusion list, meaning there is no plan to invest in the sector in the future.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources expressed as a percentage of total energy sources	67.23%	61.27%		We are actively working to increase the share of renewable energy in the portfolio. the drop is to do with two factors: we have captured more energy consumption data this year that goes beyond electricity (and is harder to find renewable alternatives) and the newest additions to portfolio companies have low percentage of renewables

	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 0.05GWh per EUR million per sector according to NACE codes: NACE 4674 0.02GWh per EUR million NACE 2229 0.07GWh per EUR million NACE 1395 0.08GWh per EUR million"	Total 0.05 GWh per EUR million; per sector according to NACE codes: NACE 1395 0.12GWh per EUR million; NACE 2229 0.075GWh per EUR million; NACE 4674 0.006GWh per EUR million		Investing in energy efficiency measures in the companies	
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%	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	0	None of these companies have emissions into 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	0.09	0.17	Approximately, 30% comes from paints, and other volumes come from containers that held or otherwise came into contact with paints	We are working with companies to reduce the hazardous waste to a minimum, nevertheless, there are some applications where it is hard to substitute some paints.	
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	0	No violations have been recorded.	The target is 0.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational	14.52%	29.51%		Two portfolio companies have yet to formalise their code of conduct or whistleblowing channels; these gaps have been identified and are	

	Compact principles and OECD Guidelines for Multinational Enterprises	Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				scheduled to be addressed in 2025.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	37.79%	23.62%		We are actively working to understand the unadjusted gender paygap in our portfolio, and to ensure a plan is set to mitigate any risks related to it.	
	13. Board gender diversity	The average ratio of female to male board members in investee companies expressed as a percentage of all board members	11%	3%		With new additions to portfolio, the metric has improved. Two more portfolio companies have assigned a woman on their board in 2025.	
	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%	0%	We do not invest in weapons as per our exclusion policy.		

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

As per our [ESG policy](#), we apply ESG integration throughout the investment process, with a focus on what's most relevant for each company's size, sector, and stage of growth.

Sourcing & Screening: ESG risks and opportunities are flagged early, using our internal tools and, when needed, outside experts.

Due Diligence: We take a focused look at material ESG topics, working with management to spot both red flags and improvement areas.

Ownership: ESG goals are built into company plans, and we support delivery through hands-on engagement, shared tools, and regular check-ins.

Exit: We assess ESG performance before exit and use it to inform our positioning — it often plays a role in how buyers view the business..

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.

We also follow EBRD Environmental and Social Policy.

The prioritization of the adverse impacts aligns 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 that 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

Historical comparison (table 2 and 3)

Table 2

Additional climate and other environment-related indicators

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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	1. 30	1. 113	Current portfolio companies have limited usage of water; water is not used as a process resource or input	
		2. Weighted average percentage of water recycled and reused by investee companies	2. 0.00	2. 0.00		
	2. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	5.0	3.6	Waiting to confirm the recycling of Bagfactory waste, which grew with production growth.	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

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [2024]	Impact [2023]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	1. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	0.51	0.03	Four accidents were recorded in Bagfactory, however, all were minor with no lost time	The target is 0.