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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, June 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 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 2025 to 31 December 2025. **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 2025. gada 1. janvāra līdz 31. decembrim.

Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator		**Metric**	**Impact [2025]**	**Impact [2024]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Greenhouse gas emissions	1. GHG emissions tons CO_2e	Scope 1 GHG emissions	43.38	32.21	Methodology updated to take into account F-gas leakage	Total reported GHG emissions decreased by approximately 25% in 2025, mainly driven by lower Scope 3 emissions. Carbon footprint decreased by approximately 51%, and GHG intensity improved by approximately 15%. Scope 1 and Scope 2 emissions increased from a low base, so direct emissions and purchased energy remain areas for monitoring. During the year, Livonia supported renewable electricity procurement, energy efficiency, circular and recycled materials, and production process improvements. Renewable electricity increased to 82.1% (not
		Scope 2 GHG emissions	86.94	53.62		
		Scope 3 GHG emissions	4,635.15	6,297.43	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	4,765.47	6,382.26		
	2. Carbon footprint	Carbon footprint tons CO_2e	32.26	66.21		
	3. GHG intensity of investee companies	GHG intensity of investee companies	4,089.77	4,784.65		

LIVONIA PARTNERS

						adjusted by the weighted average). Year on year changes should be read alongside portfolio composition, business growth, improving data coverage and the practical limitations of SME emissions data.
	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	65.80%	67.23%		The share of non-renewable energy consumption decreased slightly from 67.23% to 65.80%. Progress remains gradual because the weighted average is affected by portfolio composition, including newer investments with high energy consumption and lower renewable energy share. Livonia continues to engage with

						higher consuming companies to increase renewable energy use over time. Several portfolio companies have taken action to improve their energy mix, including renewable electricity procurement and renewable energy certificates where direct procurement is not possible.
	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 0.05 GWh per EUR million; per sector according to NACE codes: NACE 4674 0.01GWh per EUR million NACE 2229 0.07GWh per EUR million NACE 1395 0.07GWh per EUR million	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		The metric remained largely the same, with Bestair using more non-renewable energy per revenue spent, and CSUB less, as the company switched to 100% renewable electricity.
Biodiversity	7. Activities negatively	Share of investments in investee companies with	0%	0%	None of the activities of	

LIVONIA PARTNERS

	affecting biodiversity-sensitive areas	sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas			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 our portfolio 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	0.11	0.09		Hazardous waste is not a primary impact driver for most current portfolio companies. The slight increase reflects portfolio activity and improved data collection. Waste related indicators are monitored where relevant through ESG due diligence and annual ESG data collection. Livonia will continue to focus on waste minimisation, recycling, responsible materials use and circularity where material

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 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 Guidelines for Multinational Enterprises	22.61%	14.52%		The increase from 14.52% to 22.61% reflects portfolio composition and remaining formalisation gaps in a small number of companies, including newer investments. These gaps relate mainly to formal Code of Conduct, whistleblowing or equivalent grievance mechanisms. The gaps have been identified and are scheduled to be addressed in 2026.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	31.55%	37.79%		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	20.35%	6%		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

In accordance with Livonia's ESG policy, we identify and assess material risks and opportunities throughout the investment process. At screening stage, we assess whether a potential investment is aligned with our exclusion policy, review any actual or potential breaches of applicable laws, regulations and internationally recognised standards, and consider ESG risks linked to the company's sector, geography, operations and supply chain.

During ESG due diligence, we assess the company's existing policies, processes, governance arrangements, environmental performance and social practices. Many of the companies we invest in are small and mid sized businesses and may not track all quantitative PAI indicators at the time of investment. In such cases, we form an initial view based on the company's business model, inputs, outputs, operating processes and available ESG information, and then work with the company to improve data collection during the holding period.

During ownership, portfolio companies are required to report relevant ESG and PAI related metrics to the Fund. This enables us to assess adverse impacts in greater detail, monitor progress over time and engage with portfolio companies on actions to reduce or manage those impacts where material.

In addition to our ESG Policy, we refer to the EBRD Environmental and Social Policy where relevant, particularly in relation to environmental and social risk assessment, labour and working conditions, health and safety, pollution prevention, resource efficiency, stakeholder considerations and exclusion requirements.

The prioritisation of adverse impacts is aligned with Livonia's sustainability strategy and the areas where we have the greatest ability to influence portfolio company performance. These include climate action, responsible consumption and production, decent work and economic growth, gender equality and good governance. In practice, this means prioritising impacts related to greenhouse gas emissions, energy use, resource efficiency, waste, employee wellbeing, health and safety, diversity, business ethics, human rights and governance systems.

Engagement policies

1. The Fund's engagement approach is embedded in Livonia's ESG Policy and applied throughout the ownership period. Engagement is used to ensure that material ESG risks and adverse impacts are identified, mitigated and, where relevant, turned into value creation opportunities.

2. Livonia's engagement starts before ownership. Material ESG findings identified during screening and due diligence are discussed with the investment team, company management and, where relevant, external advisers. These findings are translated into company specific ESG action plans, post acquisition priorities, value creation initiatives and, where appropriate, commitments in the shareholder agreement or equivalent investment documentation.
3. During the holding period, ultimate management accountability for ESG implementation sits with the portfolio company CEO. The CEO is responsible for ensuring that ESG actions agreed with Livonia, including those reflected in shareholder agreement commitments, board approved plans or ESG action plans, are implemented within the company. Functional leaders are responsible for delivery in their respective areas, such as operations, HR, health and safety, compliance, cybersecurity, finance, procurement or environmental management. Each portfolio company is also expected to appoint an ESG point of contact responsible for coordination, reporting and follow up with Livonia.
4. Livonia supports management teams in defining practical mitigation actions and value creation projects. These may include policy upgrades, governance improvements, energy efficiency measures, renewable electricity procurement, GHG emissions measurement, health and safety improvements, employee

engagement, pay equity reviews, cybersecurity improvements, supply chain reviews, external audits or other company specific actions. Priorities are determined by materiality, company maturity and the Fund's Sustainability Strategy, with particular focus on climate action, responsible consumption and production, decent work and economic growth, gender equality and good governance.

5. Progress is monitored through portfolio company reporting, board discussions, ESG KPI collection and follow up by Livonia's investment team and Head of Sustainability. Where appropriate, agreed actions include responsible owners, timelines, milestones and evidence requirements. Where data is not yet available, the company is expected to establish internal processes to collect, monitor and report the relevant information over time.
6. If material ESG risks, adverse impacts or serious incidents are identified during ownership, Livonia engages with the company to define remediation actions and escalation steps. Depending on the severity of the issue, this may include CEO and board level review, external expert support, additional reporting, revised action plans, enhanced monitoring or other measures available under the Fund's governance and investment documentation.
7. Livonia's engagement approach is designed to make ESG implementation operational, accountable and measurable. The objective is not only to manage adverse impacts, but also to strengthen portfolio company resilience, governance quality, operational performance and exit readiness.

References to international standards

The Fund's ESG Policy and investment process are informed by internationally recognised standards, including the United Nations Universal Declaration of Human Rights, the International Labour Organization's core labour standards, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

The Fund does not invest in companies where screening or ESG due diligence identifies material violations of these standards, or where the company is unwilling or unable to address identified risks within an appropriate timeframe. These standards are reflected in the Fund's exclusion approach, ESG due diligence, investment decision making and post investment engagement.

During the holding period, Livonia works with portfolio companies to strengthen governance processes, policies and controls in line with the OECD Guidelines for Multinational Enterprises and other relevant international standards. This includes, where material, improvements to business ethics, labour practices, health and safety, human rights, grievance or whistleblowing mechanisms, supply chain oversight and environmental management.

The Fund also considers climate related international frameworks, including the objectives of the Paris Agreement, where relevant to climate risk assessment and decarbonisation work. However, portfolio companies are not currently required to set GHG reduction targets formally aligned with the Paris Agreement.

Historical comparison

LIVONIA PARTNERS

The 2025 PAI results should be read in the context of portfolio composition, business growth, improving data coverage and methodology updates. The PAI indicators are calculated using the required weighted average methodology and are therefore not directly comparable with non-weighted portfolio KPIs disclosed in Livonia's ESG Report.

Total reported GHG emissions decreased from 6,382.26 tCO_2e in 2024 to 4,765.47 tCO_2e in 2025, a reduction of approximately 25%. The decrease was mainly driven by lower Scope 3 emissions, which decreased from 6,297.43 tCO_2e to 4,635.15 tCO_2e. Scope 3 remains the largest part of the reported footprint and includes both upstream and downstream emissions. In line with the GHG Protocol, lifecycle emissions from sold goods are included where relevant, including for portfolio companies distributing electronic goods.

Scope 1 emissions increased from 32.21 tCO_2e to 43.38 tCO_2e, and Scope 2 emissions increased from 53.62 tCO_2e to 86.94 tCO_2e, both from a relatively low base. The Scope 1 methodology was updated to take into account F-gas leakage, improving completeness of reporting. Direct emissions and purchased energy therefore remain areas for continued monitoring and reduction.

Carbon footprint improved materially, decreasing from 66.21 tCO_2e to 32.26 tCO_2e, while GHG intensity of investee companies improved from 4,784.65 to 4,089.77. During the year, Livonia continued to support portfolio companies through renewable electricity procurement, energy efficiency measures, circular and recycled materials, and production process improvements.

The share of non-renewable energy consumption decreased slightly from 67.23% to 65.80%. Progress remains gradual because the weighted average is affected by portfolio composition, including newer investments with higher energy consumption and lower renewable energy share. Several portfolio companies have taken action to improve the energy mix, including purchasing renewable energy certificates where direct procurement is not possible. Livonia will continue to engage with higher consuming companies to increase renewable energy use over time.

Energy consumption intensity in high impact climate sectors remained broadly stable at 0.05 GWh per EUR million revenue. Within the relevant NACE sectors, intensity improved in some areas, including NACE 4674, which decreased from 0.02 to 0.01 GWh per EUR million, and NACE 1395, which decreased from 0.08 to 0.07 GWh per EUR million. NACE 2229 remained stable at 0.07 GWh per EUR million.

The portfolio had 0% exposure to companies active in the fossil fuel sector in both 2024 and 2025. Livonia's exclusion policy restricts investment in the fossil fuel sector, and there is no intention to invest in this sector in the future. Exposure to controversial weapons also remained 0%, in line with the Fund's exclusion policy.

No portfolio company activities were identified as negatively affecting biodiversity sensitive areas, and the relevant PAI indicator remained 0%. Emissions to water also remained 0, as no portfolio companies reported emissions to water.

The hazardous and radioactive waste ratio increased slightly from 0.09 to 0.11 tonnes per EUR million invested. Hazardous waste is not a primary impact driver for most current portfolio companies, but waste related indicators are monitored where relevant through ESG due diligence and annual ESG data collection. Livonia will continue to focus on waste minimisation, recycling, responsible materials use and circularity where material.

There were no recorded violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises in either 2024 or 2025. The target remains zero. The share of investments lacking processes and compliance mechanisms to monitor compliance with the UNGC principles or OECD Guidelines increased from 14.52% to 22.61% on a portfolio value weighted basis. This mainly reflects portfolio composition and remaining formalisation gaps in a small number of companies, including newer investments. The relevant gaps have been identified and are scheduled to be addressed through Code of Conduct, whistleblowing and governance policy improvements.

The unadjusted gender pay gap improved from 37.79% to 31.55%. Livonia continues to monitor pay equity across the portfolio and works with companies to understand the drivers of pay gaps and develop mitigation actions where relevant. Board gender diversity improved significantly, from 6.00% to 20.35%, supported by new portfolio additions and the appointment of women to portfolio company boards during 2025.

LIVONIA PARTNERS

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 [2025]**	**Impact [2024]**	**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 2. Weighted average percentage of water recycled and reused by investee companies	1. 0 2. 0.00	1. 0 2. 0.00	Current portfolio companies have limited usage of water; water is not used as a process resource or input	Water consumption is not material for the current portfolio. The PAIS were preselected based on Fund I composition, nevertheless, fund II portfolio companies do not use water as a significant process resource or production input. Under the PAI methodology, water consumption per EUR million of revenue rounds to 0.

	2. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	1.2	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

	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 [2025]**	**Impact [2024]**	**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	1.61	0.51	Two small accidents were recorded in portfolio, with people fully recovered within a week to previous condition	The target is 0. The incident rate increased as more minor accidents are logged due to better monitoring system.