

ENVIRONMENTAL, SOCIAL &  
GOVERNANCE (“ESG”)  
REPORT FOR 2015

**BALTCAP**

February 2016



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**RESPONSIBLE  
BUSINESS INDEX 2015  
SILVER LEVEL**

## MESSAGE FROM MANAGING PARTNERS



We are pleased to present BaltCap Environmental, Social and Governance Report 2015. BaltCap has been a signatory of the United Nations Principles for Responsible Investment since 2008 and responsible investment is a natural part of our business. We are committed to conduct our operations in accordance with the highest legal and ethical standards and promote the use of best corporate governance practices in our portfolio companies.

We are always striving to find the best solutions not only for our investors and portfolio companies, but also for the Baltic economy, society and region at large. Sustainable development means for us contributing to the capacity building of the communities we are operating through providing the local businesses we invest in the necessary tools and helping them in achieving their targets.

For example, during 2015 BaltCap completed two significant renewable energy projects by its portfolio companies: 18MW wind farm in Estonia (Tuuleenergia OÜ) and 24MW wind farm in Lithuania (UAB Eurakras). Both wind farms are using currently best available technology and will jointly produce enough electricity per year to cover the power consumption of nearly 40,000 households (136,000 MWh). In January 2016 both wind farms were acquired by the Lithuanian state-owned energy group Lietuvos energija.

Further, in 2015 our portfolio company Ecoservice, the leading waste management company in Lithuania, started to install a line for sorting secondary raw materials (SRM) in Siauliai. Total investment is around €0.5 million will enable sorting of 5 thousand tons of SRM per year. An even bigger facility is planned in Vilnius with investment of up to €1 million. Both plants will start operations by middle of 2016. Secondary raw materials are increasing in importance as collected amounts are growing and sorting of municipal waste is being shifted to state funded MBT plants. Sorting lines will increase the value of the sorted waste and increase the rate of final recycling benefiting environment.

Participating in Estonian Sustainable Business Index has now become a tradition for BaltCap, in 2015 we participated for the 6th consecutive year. We are delighted to report that BaltCap has been awarded a silver-level Quality Label in the 8th Estonian Sustainable Business Index.

In order to ensure that ESG policies remain at the forefront of industry thinking, every year we ask our portfolio companies to complete a rigorous self-assessment. This report is intended to provide a picture of our latest ESG

screening results. We are encouraged to report that the majority of businesses have shown a healthy development over the past 12 months.

We recognize that while the average score across all respondents and all ESG categories has increased this year much remains to be done and it is our steadfast ambition that we will continue to 'walk the talk' of a sustainable future. If you have any questions or comments about this report or our ESG Principles (to be found on page 4), please do not hesitate to contact us.



*Tuuleenergia windmill*

*Peeter Saks   Martin Kõdar   Dagnis Dreimanis   Simonas Gustainis*



## BALTCAP



BaltCap is the leading private equity and venture capital investor in the Baltic countries focusing on small and midmarket buyout, expansion and growth capital investments. We partner with ambitious management teams, helping them to deliver transformational growth through active operational engagement. We aim to create strong partnerships with the companies we work with, allowing us to take a hands-on role in strategic development and value creation.

BaltCap has strong presence in all three Baltic countries with local offices and experienced investment team. Since 1995, BaltCap has been managing several private equity and venture capital funds with total capital of over €260 million and has made more than 70 investments.

We are supported by a broad blue-chip investor base that includes both international and local institutions like the European Investment Fund, the European Bank for Reconstruction and Development (EBRD) and the largest pension funds in the Baltics.



*Magnetic MRO hangar*

## Investment strategy

BaltCap's investment philosophy is based on value creation delivered through active ownership. We focus on working in partnership with management teams to deliver long-term revenue and profit growth, as well as building businesses through acquisition. We invest equity or equity-related instruments, and like to support strong, ambitious management teams with whom we have a good cultural fit.

## Facts about us

Main countries of operation	Estonia, Latvia and Lithuania
Number of Investments	72 (of which current 32)
BaltCap Funds	<a href="#">BaltCap Private Equity II SCSp</a> <a href="#">BaltCap Private Equity Fund II L.P.</a> <a href="#">BaltCap Private Equity Fund L.P.</a> <a href="#">BaltCap Latvia Venture Capital Fund K.S.</a> <a href="#">Lithuania SME Fund KUB</a> <a href="#">Baltic Investment Fund III L.P.</a> <a href="#">Baltic Investment Fund III C.V.</a>
Contact point for questions	Triinu Oll, <a href="mailto:triinu.oll@baltcap.com">triinu.oll@baltcap.com</a>
Homepage	<a href="http://www.baltcap.com">www.baltcap.com</a>

## BALTCAP'S APPROACH TO ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS



### Our environmental, social and governance principles

As a signatory of the United Nations Principles for Responsible Investment (UNPRI), an investor initiative in partnership with UNEP Finance and the UN Global Compact, BaltCap follows the policies and practices of responsible investment and has incorporated ESG considerations into daily operations.

### BaltCap is committed to the following

- Participating actively in the strategic management of portfolio companies through Council and Board memberships;
- Identification, credit analysis and supervision of portfolio investments will be carried out with due regard to ecological and environmental factors;
- Not to invest in companies, which are engaged in arms manufacturing, manufacture of tobacco, hard spirits, gambling, human cloning, genetically modified organisms and illegal economic activity;
- Not to proceed on any investment transaction without knowing who the beneficial owner of the counterparty is;
- Carry out relevant due diligence (including environmental and social due diligence) in all the investment cases;
- Ensure that appropriate standards of corporate governance are in place or will be implemented within a reasonable time period in all portfolio companies in compliance with the OECD Corporate Governance Principles;



- Ensure that all Portfolio Companies comply with the health, safety, worker protection and environmental regulations and standards applicable in the country where the investment is situated;
- Manage our business affairs sustainable and reduce our overall exposure to risk;
- Comply with EBRD's Environmental and Social Risk Management Manual;
- Comply with all applicable laws, regulations and best practice principles of the private equity industry, abiding by the Invest Europe Professional Standards

BaltCap is actively contributing to the local market development by being a founding member of the Estonian, Latvian and Lithuanian Private Equity and Venture Capital Associations. BaltCap is also an active member of Responsible Business Forum in Estonia.

## Implementation and monitoring

In order to provide necessary training and ensure environmental and social awareness among BaltCap team, the members are regularly attending conferences and trainings where ESG, sustainable development and corporate social responsibility topics are part of the agenda.

BaltCap also carries out and compiles an annual self-assessment regarding its environmental, social and governance procedures as well as performance based on the UNPRI reporting tool and Responsible Business Forum Estonia questionnaire. The results of this self-assessment are in turn evaluated, ranked and published by the Responsible Business Forum in the annual Corporate Sustainability and Responsibility Index and by UNPRI in its Report on Progress.

In order to ensure that our environmental, social and governance principles are fulfilled, we monitor portfolio companies' environmental and social performance through our own ESG survey, which is presented in this report.

## Communication and transparency

Active co-operation through business associations mentioned above is an important part of our communication activities to address the issues of responsible entrepreneurship and encourage the development of corporate responsibility in the Baltic region.

The ESG progress regarding the portfolio companies is reported to our investors regularly. Material ESG issues are covered in the quarterly reports to investors. In addition, an annual report is published based on the annual ESG screening results. Furthermore, there is of course daily communication and co-operation with our business partners.



*TREV-2 road construction*

## ABOUT THIS REPORT



This is our 5th annual report presenting BaltCap's principles and performance in Environmental, Social and Governance (ESG) matters. Our previous ESG report was published in February 2015. This report is the main point of reference for our stakeholders regarding our annual Environmental, Social and Governance performance.

### Background

BaltCap is a signatory of the United Nations Principles for Responsible Investment (UNPRI) initiative and thus committed to implement the principles and communicate on the progress. Since 2011 we are annually carrying out an ESG survey among our portfolio companies in order to follow up and measure the progress in ESG matters.

The purpose of the survey is also to highlight the importance and raise awareness regarding responsible entrepreneurship. We hope that the questionnaire helps companies to identify the material aspects and relevant actions they can take to strengthen their businesses, reputation and reduce their overall risk exposure.

### ESG survey 2015

The survey carried out during the period December 2015 - January 2016 had the same scope and was identical with the questionnaire used in ESG survey 2014. The main focus of the survey is to provide an ESG performance overview that meets the expectations of our investors and the latest developments in the private equity industry. The questionnaire is designed to fully comply with the latest requirements of European Bank for Reconstruction and Development for annual environmental and social reporting.






28 out of 32 currently active portfolio companies responded to the questionnaire. Compared to 2014, the share of respondents decreased from 89% to 88%. All portfolio companies of BaltCap Private Equity Fund I&II responded to the survey. The participation was voluntary for JEREMIE initiative funds' (BaltCap Latvia Venture Capital Fund and Lithuania SME Fund) companies, however in total 89.5% of those companies responded to the survey, demonstrating the increasing interest in ESG issues.

## Methodology in brief







	Profile indicators	Risk management	Performance indicators
Workplace policies	Assesses the policy & management system of the portfolio company	Assesses the portfolio company's approach to manage risks	Examines the portfolio company's performance and transparency
Environmental policies			
Marketplace policies			
Company values & anti-corruption			
Community			

## Overview of respondents

The scope and boundaries of this report include the following companies presented below.

	Type of business	Employees	Turnover (€000)	Environmental & social risk classification*
	Property management	85	4 270	Medium
	Dental care provider	254	6 773	Medium
	Waste management	607	24 572	Medium/High
	Natural gas distribution networks operator	11	4 135	Low
	Directional media company	967	61 371	Low

*Private equity (PE) portfolio - including the companies of BaltCap Private Equity II SCSp, BaltCap Private Equity Fund II L.P., BaltCap Private Equity Fund L.P., Baltic Investment Fund III L.P. and Baltic Investment Fund III C.V.*

	Machinery trade	258	56 577	Low
	Transport infrastructure engineering	297	12 050	High
	Aircraft maintenance, repair and overhaul	297	12 050	Medium
	Business process outsourcing service provider	777	18 526	Low
	Road construction and maintenance	379	51 369	High
	Wind farm development	2	1 618	High
<b>Subtotal</b>		<b>3 934</b>	<b>253 311</b>	

*Portfolio of JEREMIE initiative funds - including the companies of-BaltCap Latvia Venture Capital Fund K.S., Lithuania SME Fund KUB*

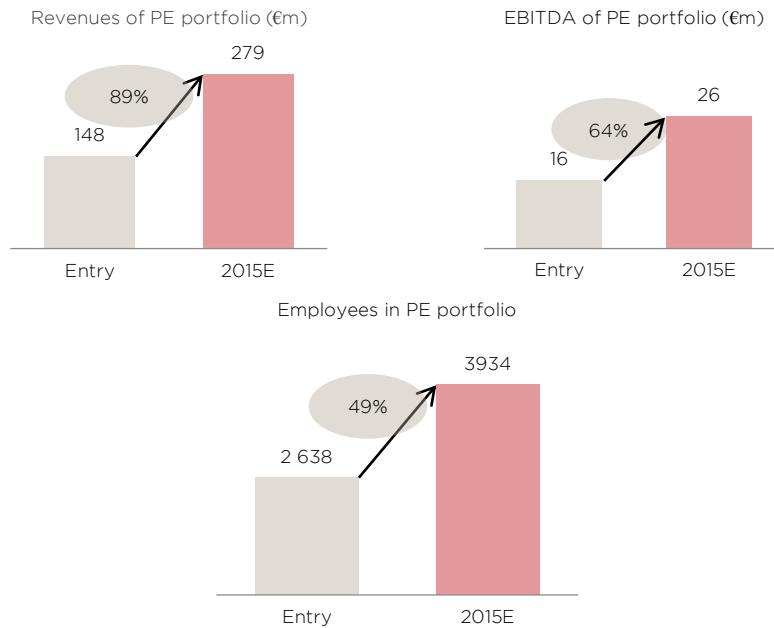
	Software development	28	925	Low
	Metal components producer	35	2 073	Medium/High
	Data interchange solutions	14	466	Low
	Postal operator	22	1381	Low
	Ultra-fast database management system	33	404	Low
	Chain of branded coffee shops	245	6695	Medium
	Garden furniture production	191	6 984	Medium
	Wind farm	1	25	High
	Liquid crystal display producer	25	1 717	Medium

	Gym and health clubs operator	323	11 137	Low
	Medical care services provider	408	4 879	Medium
	Laboratory supply provider	53	15 599	High
	Chocolate manufacturer	70	3 706	Medium
	Cosmetics producer	200	7 569	High
	Urban journey planning application	29	1	Low
	Monitoring systems for vending machines	9	652	Medium
	Building technical system maintenance	42	1 228	Medium
	<b>Subtotal</b>	<b>1 728</b>	<b>65 441</b>	
	<b>Grand total</b>	<b>5 662</b>	<b>318 752</b>	

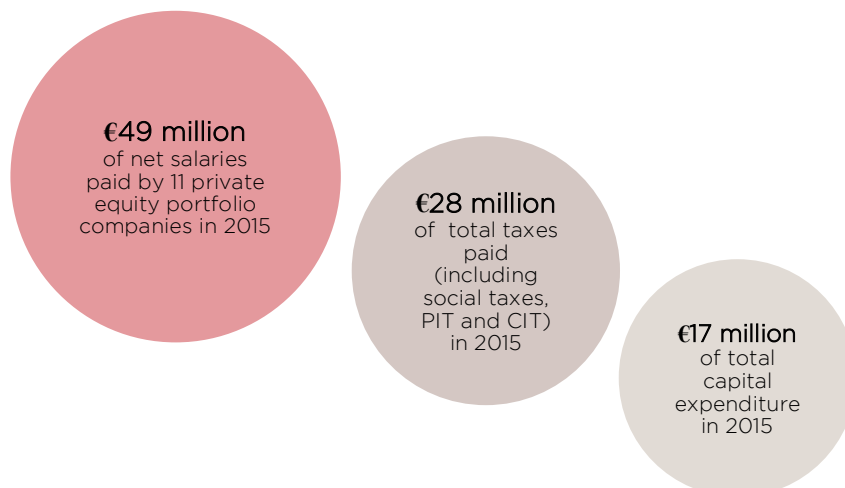


*Intrac forestry equipment*

## Overview of private equity portfolio companies



Each year the portfolio companies also pay significant amounts in salaries, taxes and invest in the development of the business.



Major CAPEX investments in 2015 included acquisitions of new equipment - mobile asphalt concrete plant (Trev-2), rental machines (Intrac), waste collection related machinery (Ecoservice) and refurbishments of existing facilities - painting hangar (Magnetic MRO), Tallinn dental clinic (Dental Invest Estonia).





*Magnetic MRO hangar in Tallinn*

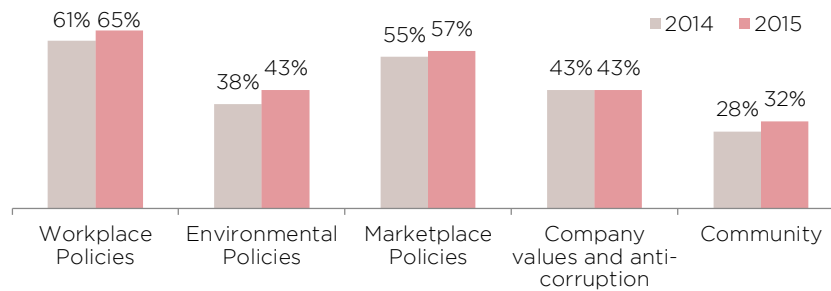




## OVERVIEW OF THE 2015 SURVEY FINDINGS



### ESG Survey results 2014-2015



### Summary

In 2015 the ESG performance improved on the overall level and almost in every category, except company-values & anti-corruption, where the score remained on the same level as the year before.

The average score across all respondents and all ESG categories increased from 45% in 2014 to 48% in 2015.

As the year before the portfolio companies continue to perform best in the category Workplace policies (average score 65%), reflecting that the portfolio companies place a strong emphasis on the health and safety issues as well as employee

satisfaction. Companies' relatively strong performance in this category compared to the other topics is also the result of the effective legislation regarding the occupational health and safety.

Another category where the general performance scored above average was Marketplace Policies (57%). Service quality and customer satisfaction, which are some of the questionnaire topics in this category, have naturally been key issues in private sector, why companies in general demonstrate strong performance in this section.

The category where portfolio companies' management systems in average were least mature was Community. However, the Community category was the second best improver, climbing from 28% to 32% in average score. Community engagement has so far been relatively new topic in the private sector and in general considered secondary to day-to-day business issues. Nevertheless, as the governments' and public interest in businesses contributing to local community capacity building and social responsibility is increasing, this category has a potential to become important in the near future.

Certified management systems for managing ESG issues such as ISO 90001, ISO 14001 and OHSAS1800 are becoming more common among portfolio companies. However, the small-size enterprises still apply instead a practical approach based on team members' common values and goals for the business rather than documented procedures and policies.

**68%**

Consider ESG policies important in the business environment where they operate

**48%**

Average score 2015

—  
—

**45%**

Average score 2014

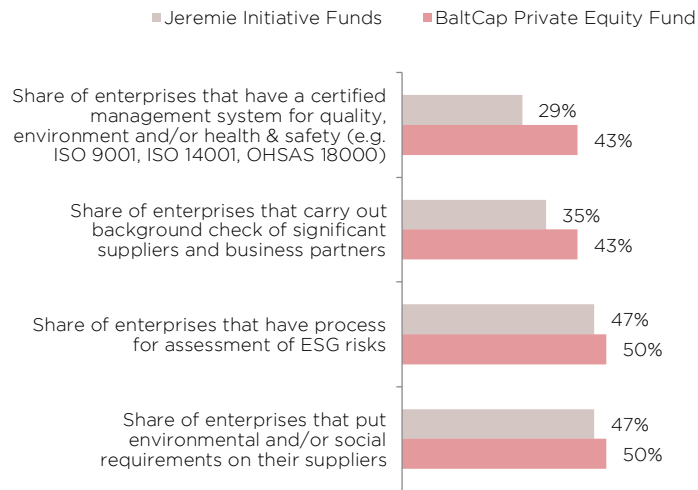
Among the specific issues covered in the survey the common practice among all respondents and all business sectors are promoting equal opportunities at work including process for countering all forms of discrimination, ensuring occupational health and safety, and resolving complaints from customers, suppliers and business partners.

Risk management remains a major challenge although respondents in average perform better in this section compared to 2014. Comparing the risk assessment in all categories, the occupational health and safety risk assessment is most frequently mentioned procedure. Risk assessment of potential negative impacts on society and/or environment in the supply chain is rare and still applied by only a small share of respondents.

To sum up, no major ESG-related negative incidents were reported during 2015 in BaltCap or in the portfolio companies.

Based on the survey in ESG in 2015, FCR, Magnetic MRO and TREV-2 were among the best performers.

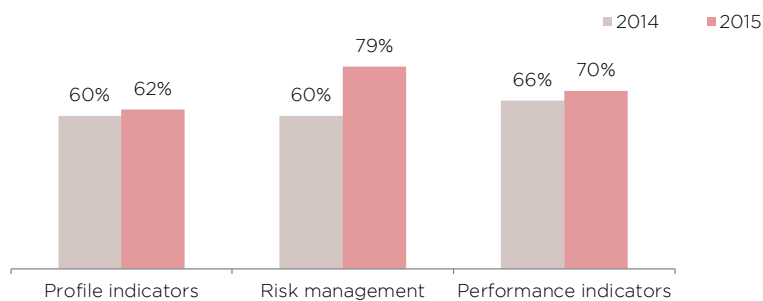
## ESG Management in portfolio companies (2015)



TREV-2 site

## CATEGORY SUMMARY: WORKPLACE POLICIES

### Workplace policies overview 2014-2015

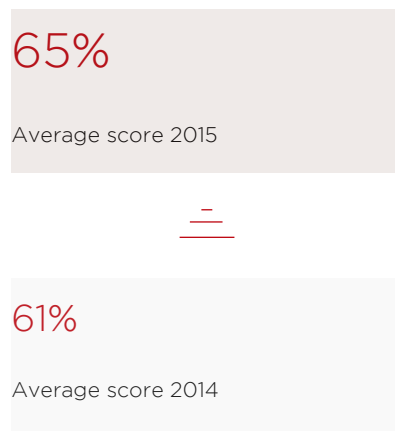


### Achievements and challenges 2015

In the same way as the year before the good common practice within Workplace policies continues to be:

- Promoting employees to develop real skills and long-term careers for instance via a performance appraisal process and/or a training plan (96% of respondents),
- Ensuring necessary arrangements for health, safety and welfare to provide sufficient protection for employees (96%),
- Seeking and taking into account employees' views regarding important issues for the business (96%),
- Promoting equal opportunities within the

workforce (93% of respondents).





Other examples of common practise are: zero tolerance against all forms of discrimination in recruitment process as a formal policy or non-formal code of conduct, occupational health and safety training for employees, work environment audits, and non-formal policies for flexible working hours.

Examples of important achievements include among others: improved offices/working environment (BPT Real Estate, Bluebridge Technologies, Clusterpoint, Dental Invest Estonia, Ecoservice, EKJU, Kelprojektas, Intrac, Runway, Stenders, Trafi), workplace risk assessment (Ygle pastatu valdymas), improved occupational health and safety measures in case of emergency (Magnetic MRO, Euro LCD), and carrying out teambuilding activities and training fostering teamwork (Clusterpoint).

The main topics where companies in general score low are quantitative targets for job satisfaction and/or occupational health and safety, and also risk assessment procedures. Nevertheless risk assessment is relatively common among industrial/high-impact companies.

The challenges for the future reported by the participants comprise mainly working environment and skilled workforce. For example, FCR reports providing better work environment that is environmentally friendly as an important challenge. Further, TREV-2 has decreased work related accidents by 75% in 2015 and has an ambition to bringing this number to zero. Ensuring high employee satisfaction (Agroup, Coffee Inn, Labochema, Vendon) and improving training and qualification of employees (Ecoservice, Kelprojektas, Vendon, Ygle pastatu valdymas) are

other examples of the reported challenges.

100%

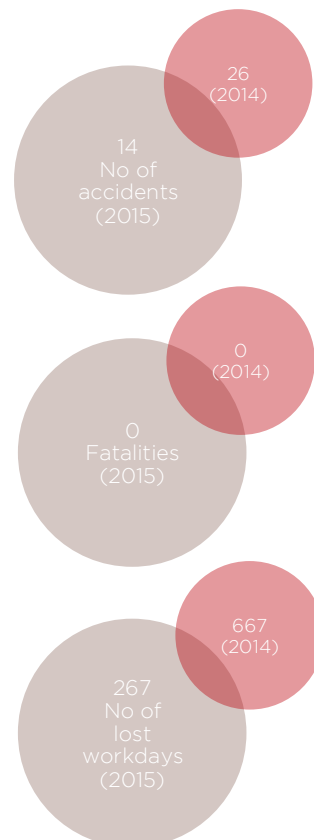
Companies confirm that there were no cases of discrimination at work in the reporting period

89%

Companies actively offer a good work-life balance for its employees

96%

Companies have suitable arrangements for health and safety to provide sufficient protection for employees

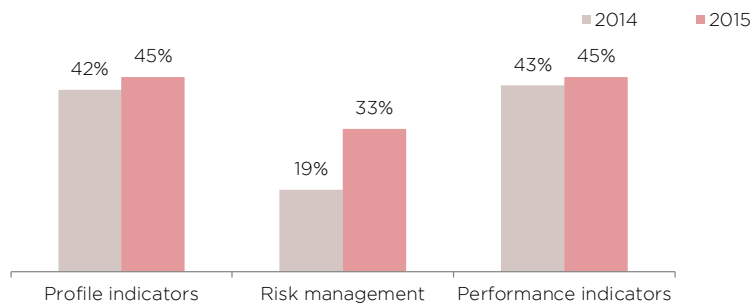




*Ecoservice multi-segment truck*

## CATEGORY SUMMARY: ENVIRONMENTAL POLICIES

### Environmental policies overview 2014-2015



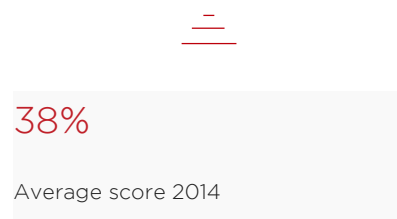
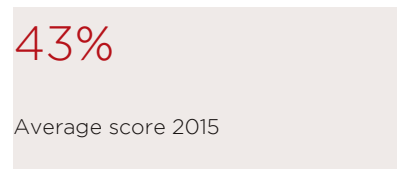
### Achievements and challenges

The good common practice includes:

- Clearly defined highest level of direct responsibility for environmental performance (71% of respondents),
- Considering the potential environmental impact when developing new products and services (68%).

Furthermore, 54% of companies confirm that their goods and/or services directly enable avoiding negative environmental impact by customers or a third party. Many companies (43%) have also identified ways how to use the sustainability of

its products/services as a competitive advantage.





Waste recycling (35% of reported improvements) was the most common environmental measure applied by survey participants. For example, our portfolio company Ecoservice, the leading waste management company in Lithuania, started to install a line for sorting secondary raw materials (SRM) in Siauliai. Total investment is around €0.5 million will enable sorting of 5 thousand tons of SRM per year. An even bigger facility is planned in Vilnius with investment of up to €1 million. Both plants will start operations by middle of 2016. Secondary raw materials are increasing in importance as collected amounts are growing and sorting of municipal waste is being shifted to state funded MBT plants. Sorting lines will increase the value of the sorted waste and increase the rate of final recycling benefiting environment. Examples of other environmental measures mentioned by respondents are: waste minimization (19%), purchasing eco-labelled office supplies (16%) and producing or purchasing energy from renewable sources (14%). For instance, FCR has reported annual waste reduction 10 tons of paper thanks to waste minimization measures.

Only a few companies report that they have a certified environmental management system, ISO 14001: Amateks, Ecoservice, Kelprojektas, TREV-2, and Ygle pastatu valdymas. Nevertheless, 36% of the respondents confirm that they have an environmental policy for their business.

During 2015 zero cases of environmental accidents were reported, however, one case of

environmental non-compliance was reported. This case regarded lack of waste treatment permit, the necessary corrective actions were taken at once (e.g. permit application and procedure renewal) and the non-compliance is now resolved.

In Environmental category, the areas where companies received in general rather low results were: defining and measuring quantitative environmental targets for the business, environmental risk assessment, and reducing greenhouse gas emissions from business operations.

Highlights from 2015 regarding environmental achievements among portfolio companies include improved waste management (Amateks, FCR, Ecoservice, Magnetic MRO, and Intrac), and improved resource efficiency (EKJU, Euro LCD and TREV-2). For instance, Ecoservice reports among other accomplishments: 96% reduction in the amount of mixed municipal waste entering the landfill and 48% increase in the amount of secondary raw materials prepared for recycling compared to the year 2014.

Further, many portfolio companies also mention energy efficiency improvements as their most important environmental accomplishment from 2015 (EKJU, EuroLCD, Impuls, FCR, Magnetic MRO, and Amateks). Respondents have estimated their annual cost savings thanks to the energy efficiency measures over €11 000 per year.

**71%**

Companies have clearly defined highest level of direct responsibility for environmental performance

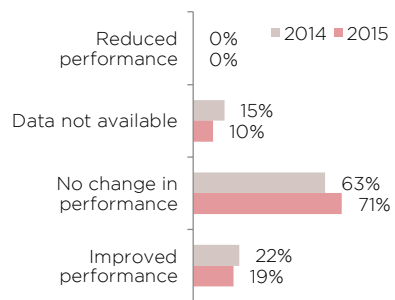
**50%**

Companies need and have a legal permit to operate

**46%**

Companies were visited by the local authorities to monitor their environmental and/or social performance during 2015

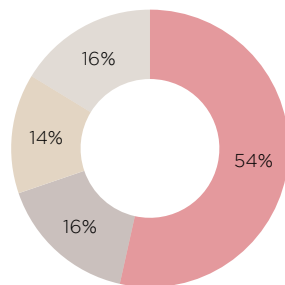
**Environmental performance compared to the previous year:**



Other: reducing greenhouse gas emissions, renewable fuels, energy efficiency

Purchasing/producing electricity from renewable sources

Purchasing eco-labelled office supplies

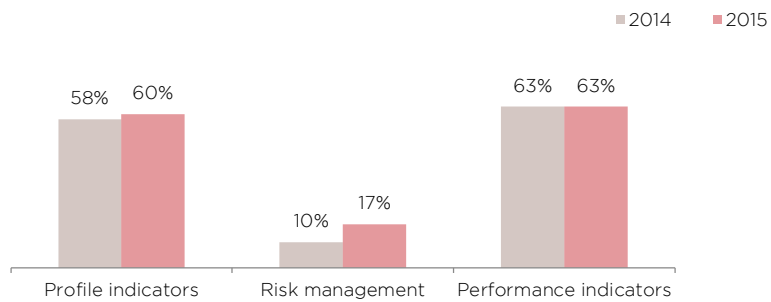


Waste minimization and recycling

## CATEGORY SUMMARY: MARKETPLACE POLICIES



### Marketplace policies overview 2014-2015

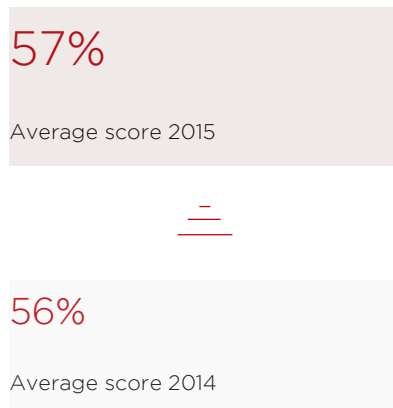


### Achievements and challenge

The common practice in Marketplace category continues to include:

- Process for documenting and resolving complaints from customers, suppliers and business partners (96% of respondents),
- Timely payment of suppliers' invoices (96%),
- Process to ensure effective feedback, consultation and/or dialogue with customers, suppliers and the other business partners (86%), and
- Providing clear and accurate information and labelling about products and services,

including the after-sales obligations (75%).



Many companies also have quantitative targets for service quality and/or customer satisfaction (61%) and a written policy for quality management (57%). In addition, certified quality management system (ISO 9001 or similar) is applied among 36% of the respondents.

Compared to 2014 the share of businesses that put environmental requirements on their suppliers has increased from 38% to 46%. Share of enterprises that put social requirements on their suppliers has also increased from 21% to 25%.

Risk assessment of potential negative impacts on society and/or environment in the supply chain remains to be one of the main challenges in the marketplace category. Other challenges reported by the participants are improving service quality management and customer satisfaction.

Among important accomplishments are for example Coffee Inn that has developed business partnership with socially responsible companies and started follow up of such contracts; and Kelprojekta that has contributed in award winning infrastructure and project ViaBaltica (Road project of the Year 2015 in Lithuania) and Palanga bypass (Product of the Year 2015 in Lithuania). Ygle pastatu valdymas, Trafi, Runway, Impuls, TREV-2, and Intrac report the improved customer satisfaction as the most important accomplishment for 2015. Finally, the successful third party audit of the quality management system is the important achievement for Dental Invest Estonia, Labochema, and Stenders.

61%

Companies confirm that their targets for service quality and/or customer satisfaction in 2015 were achieved in time

96%

Companies registered and resolved complaints from customers, suppliers and business partners during 2015

75%

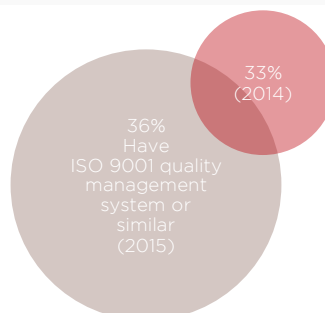
Companies have a formal or non-formal policy to ensure honesty and quality in all its contracts, dealings and advertising

46%

Companies put environmental requirements on their suppliers

25%

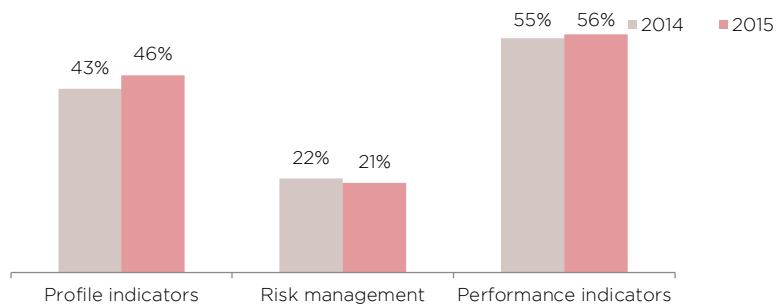
Companies put social requirements on their suppliers



## CATEGORY SUMMARY: COMPANY VALUES & ANTI-CORRUPTION



### Company values and anti-corruption overview 2014-2015

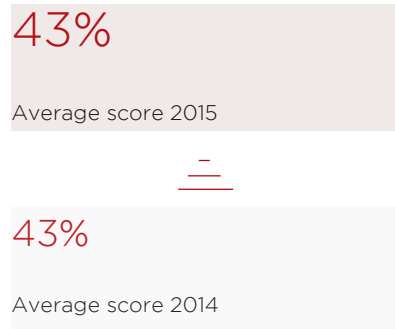


### Achievements and challenges

The common practice in the category Company values and anti-corruption includes:

- Clearly defined values and written rules of conduct including principles for countering bribery and corruption (61%)
- Communicating enterprise's rules of conduct including anti-corruption principles to customers, business partners, suppliers and other interested parties (68%)
- Performance and background check of your

significant suppliers and business partners (46%)



In total 32% of the companies have internal reporting procedures for countering bribery and corruption (e.g. whistle-blowing procedures). This is an improvement compared to 2014 where only 25% of the respondents reported having such procedures in place. Documented risk assessment of business operations regarding risks related to corruption is still rather rare practice among respondents and needs to be improved. Training for employees regarding company's rules of conduct and anti-corruption principles was carried out by 29% of respondents, which is also a slight improvement compared to 25% in 2014.

Examples of important achievements from 2015 comprise: Ygle pastatu valdymas that held a discussion with employees about values and what to do in case of suspicion of corruption; Labochema that carried out a training for employees regarding company values and anti-corruption; Agroup that has now included anti-corruption policy section in a part of customers agreements' standard templates; and Magnetic MRO that developed a Code of conduct for the business, including among other topics anti-corruption principles.

Challenges for the future reported by the companies include improving internal communication and reporting methods for anti-corruption (Clusterpoint, TREV-2, Ygle pastatu valdymas), develop written rules of conduct (Agroup), improved transparency (Impuls), and follow up of suppliers and ensuring zero tolerance of corruption in supply chain (FCR and TREV-2).

61%

Companies have clearly defined values and written rules of conduct including principles for countering bribery and corruption

95%

Companies confirm that they did not experience any difficulties in implementing the anti-corruption procedures in 2015

46%

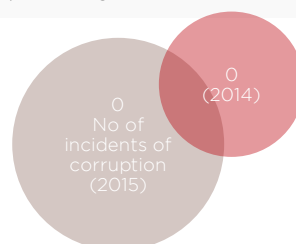
Companies carry out performance and background check of significant suppliers and business partners

29%

Companies carried out training for employees regarding principles for countering bribery and corruption during 2015

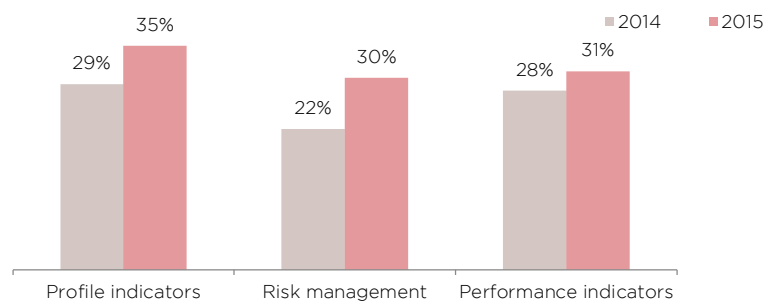
32%

Companies have internal reporting procedures for countering bribery and corruption (e.g. whistle-blower)



## CATEGORY SUMMARY: COMMUNITY POLICIES

### Community policies overview 2014-2015



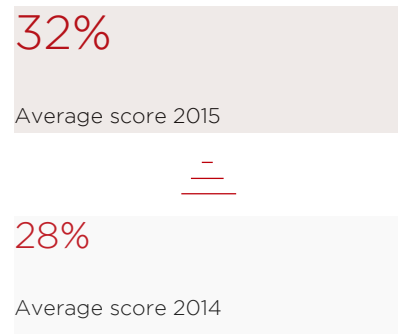
### Achievements and challenges

The portfolio companies in general have least experience in Community category related management systems and activities; some of the more frequently reported procedures are:

- Policy for purchasing locally (54%)
- Encouraging employees to participate in local community activities, e.g. providing employee time and expertise, or other practical help (50%)
- Providing regular financial support to local community activities and projects, e.g.

charitable donations or sponsorship (46%)

However, the average score (32%) in Community category has developed notably compared to 28% in 2014.



Other Community category activities mentioned by the portfolio companies are: dialogue with the local community on adverse, controversial or sensitive issues that involve the business (Eurakras, FCR, Impuls, Intrac, Magnetic MRO, Labochema, TREV-2, Tuuleenergia,); and funding non-governmental organizations and/or programs to aid vulnerable social groups in the local community (Dental invest Estonia, Eurakras, Impuls, Intrac, Pure Chocolate) by supporting local sports clubs, providing internships for students, and making donations to aid to disadvantaged groups.

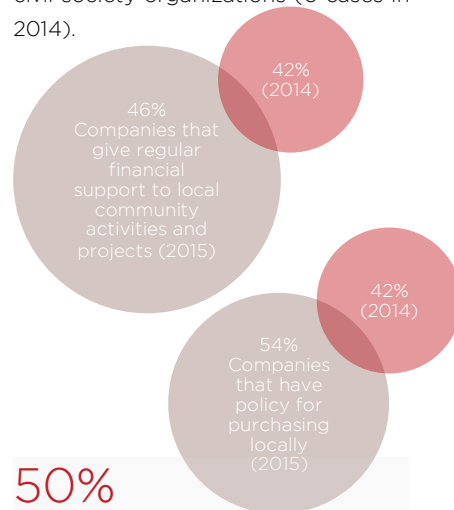
Participating in pollution prevention programs was the least prevalent community engagement activity among the companies.

Examples of important achievements from 2015 include: offering free service for local children's homes (Ygle pastatu valdymas); open and welcoming public consultation and dialogue process (Tuuleenergia); participating in starting up the non-profit organisation Nordic Association for Myofunctional Therapy (Dental Invest Estonia); and supporting local municipality business environment improvement program (EuroLCD).

The challenges in Community category comprise among other topics: improved community dialogue and identifying mutual interest partnership programs with the local community (TREV-2, Tuuleenergia); and continuing the health outreach program (Dental Invest Estonia).

During 2015 there was one reported case of complaints and/or grievances from the members of the public or

civil society organizations (0 cases in 2014).



50%

Companies encourage employees to participate in local community activities

29%

Companies have dialogue with the local community on adverse, controversial or sensitive issues that involve the business operations

46%

Companies consider that they are better placed to meet the challenges of the market thanks to the ESG policies they have in place

14%

Companies participated in national/international policy programs for ESG in 2015 (8% in 2014)



## ABOUT THE SURVEY METHODOLOGY



The survey was carried out during the period December 2015 - January 2016. 17 out of 19 currently active Jeremie Initiative portfolio companies responded to the questionnaire, and 11 out of 13 currently active BaltCap Private Equity portfolio companies responded to the questionnaire. Compared to the last year, the response rate has improved and interest in ESG issues has increased among the portfolio companies.

The content and number of questions in the current survey were revised and upgraded compared to the previous years. The included categories and the framework for screening ESG performance is presented on page 7. Further, the questionnaire was prepared in two versions based on the health & safety risk level and environmental impact of the businesses. Based on the type of business, companies were divided into two groups and received a group specific questionnaire: service sector questionnaire – office-based service companies, 18 (14 in 2014); or industry sector questionnaire – companies providing maintenance, construction, infrastructure, transportation and technology services, 10 (10 in 2014).

The scoring system for responses was revised compared to the previous surveys. The purpose of changing the scoring system was to be able to take into account and promote respondents for additional information and comments regarding their working methods and performance. In the current survey, each answer received score from 0 to 5, where 0 was given for insufficient/lack of information and 5 was maximum score given for an answer including additional information describing work procedures, achievements and/or other performance data. Finally, the total score was converted to percentages by dividing each company's result with the maximum possible score.