

# Environmental, Social and Governance Report 2020

BaltCap



# Table of Contents

Portfolio impact in 2020 in brief	3
Message from the Managing Partners	6
About BaltCap	9
Portfolio companies	12
Investment strategy	18
Approach to Environmental, Social and Governance Matters	21
About this Report	27
Overview of 2020 ESG Performance	31
Category Summaries	37
Category Summary: Workplace Management	38
Category Summary: Environmental Management	44
Category Summary: Product, Service and Marketplace	51
Category Summary: Governance and Company Values	54
Category Summary: Societal Impact	57
Category Summary: ESG Leadership	62
Appendix 1. BaltCap Code of Responsible Behaviour	66



# Portfolio impact in 2020 in brief

Our total impact and contribution to society lies in generated and distributed financial value (revenue, taxes, salaries, and payments to suppliers and providers of capital), providing employment and development opportunities, mitigating environmental footprint, innovation and new knowledge created for the market, an extra contribution made to societal initiatives, and many more activities by our portfolio companies.



## Total all time investments <sup>1</sup>

100 + platform investments

## Overall portfolio impact in 2020 <sup>2</sup>



€714 million

revenue of portfolio companies

(2019: €709 million)

(2018: €649 million)

(2017: €615 million)

(Entry: €326 million)

(Entry: €326 million)



€90 million

In EBITDA

(2019: €77 million)

(2018: €67 million)

(2017: €60 million)

(Entry: €37 million)



8,866

employees

(2019: 8,720)

(2018: 8,000)

(2017: 7,533)

(Entry: 5,802)

<sup>1</sup> As at 31.12.2020.

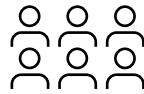
<sup>2</sup> Aggregate figures of 53 companies of BaltCap managed funds BIF III (Intrac only), BPEF I, BPEF II, BPEF III, LSMEF, BLVCF, BGF, BInF out of which 22 had been exited before the end of 2020. For exited companies latest available data before exit is used. 31 companies are active in the portfolio as at 31.12.2020.

## Current portfolio development in 2020 <sup>3</sup>



€73 million

paid in salaries



≈ 200

new job positions created<sup>4</sup>



€38 million

Invested in capital expenditure and R&D



€79 million

taxes paid



12,000

hours of training provided for employees in total



€204,000

financial support to local community and societal initiatives



30 / 0

work related accidents / fatalities



0

major non-compliances with applicable regulations



117,741

tons of CO2 emissions saved<sup>5</sup>

<sup>3</sup> Data provided for 31 portfolio companies.

<sup>4</sup> Not including mergers and acquisitions.

<sup>5</sup> Based on BaltCap Infrastructure Fund portfolio. Principle of evaluation: replacing gas-fired combined heat and power capacities to produce electricity and heat.

# Message from the Managing Partners



2020 was a year like no other. Businesses all over the world faced turbulent change, uncertainty, and found themselves adapting to unprecedented challenges from Covid-19. The changing demand for services, dynamics of employee and customer relations and community practices put environmental, social and governance issues in spotlight more than ever. BaltCap portfolio was no exception.

**Today, we can humbly say that most our portfolio companies have found a safe way out of the crisis.** Still, the impact of Covid-19 is well mirrored in our 2020 Environmental Social and Governance (ESG) report.

All our portfolio companies reported increased focus on workplace and employee management and in particular workplace health management. Furthermore, increasing attention was paid to supply chain management, product and process innovation, and customer orientation. **This reflects adaption to crisis related changes and search for new ways of working and service provision.**

The management of environmental aspects also continued to improve in BaltCap portfolio companies. Last year our Infrastructure Fund portfolio saved 117 741 tons of CO2 emissions, which is equivalent to ca 500 million kilometers driven by an average car.

**We were happy to observe that our long-time focus and consistency to build BaltCap portfolio companies into good citizens resulted in several impact initiatives** despite the challenging times. Among others, crowdfunding and sourcing of critical medical equipment as well as supporting the crisis management capacity of the local authorities in the Baltic countries.

Without doubt, the Covid-19 pandemic put ESG and sustainability topics in a new perspective. It proved that resilient businesses are defined by sustainable

business practices that consider employees, customers, community and environment. It also proved the critical role of timely action and leadership of top management teams.

## Looking forward

In terms of sustainability, 2020 was a year of reflections for BaltCap. In addition to Covid-19 related aspects, several other milestones provided impetus to look at BaltCap ESG approach and give it a fresh perspective.

Firstly, the EU Sustainable Finance Disclosure Regulation (SFDR) came into force in March 2021. SFDR will define the sustainability initiatives for all financial institutions and fund managers in Europe in the foreseeable future. Though currently we face a lot of ambiguity regarding the details and applicability of the regulation, it will make a monumental shift in how we think and talk about sustainable investing.

**BaltCap will commit to the EU's common climate and social goals** by offering its investors ESG-promoting and sustainable funds in the future and will continue its role as the long-time leader of responsible investment movement in our region.

Secondly, **2021 marks ten years of ESG reporting in BaltCap portfolio.**

This is a proof of our long-term commitment to responsible investment and portfolio-wide ESG integration. In 2020, we launched several pilot projects to test new materiality based ESG tools and established internal sustainability working group in BaltCap to review our current ESG practices. Both initiatives resulted in learning valuable lessons and gaining inspiring insights for the next steps.

continues on next page >>

## Our focus in 2021

**We at BaltCap seek to make positive impact with each investment** and are committed to building business champions. We believe the foundation of sustainable businesses is mindset – a way of thinking where achieving positive impact and financial returns go hand in hand.

In 2021 we will continue with active stewardship activities among the portfolio and other stakeholders. We focus on ESG trainings and seminars for our team and portfolio companies to further increase the ESG awareness and provide a platform for discussion, debate and sharing best practices. In addition, 2021 will be a year of adapting to the SFRD-related changes and integrating the initiatives of BaltCap internal ESG working group.

We are happy to share our 2020 ESG report, the tenth consecutive annual report for BaltCap highlighting the main ESG-related activities and developments in our portfolio.



Peeter Saks



Martin Kõdar



Dagnis Dreimanis



Simonas Gustainis



# About BaltCap

BaltCap is the largest and most experienced private equity investor dedicated to the Baltic region, covering buyout, growth capital, venture capital and infrastructure investments.



Since its foundation in 1995, BaltCap has raised multiple generations of private equity funds with aggregate capital of over €700 million and invested in more than 100 companies across a wide range of industry sectors and stages of development.

Our team has a shared strategic vision, a strong and consistent track record, and experience in investing across different industry sectors. We partner with top management teams and entrepreneurs, helping them achieve their ambitions and deliver transformational growth, both regionally and internationally. BaltCap has always strived to build Baltic companies into internationally recognized business champions. We work closely with our portfolio companies and provide hands-on support, unlocking value and driving sustainable growth in order to achieve the best possible results and deliver superior returns for our investors over the long term. We value teamwork and share responsibility for the growing success of our companies.

We are backed 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), the European Investment Bank, and the largest pension funds in the Baltics. In cooperation with a Japanese firm JBIC IG Partners, BaltCap recently added Japan Bank for International Cooperation, Honda, Panasonic and Omron to its investor base.

BaltCap has a strong presence in all three Baltic countries with local offices and experienced investment teams in Tallinn, Riga, Vilnius, Warsaw, Helsinki and Stockholm.

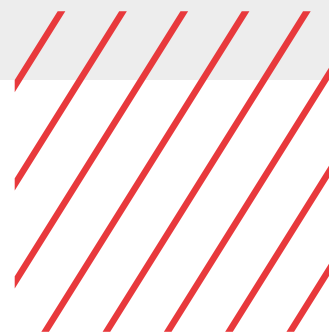
*BaltCap closes the third buyout fund at record size*

*BaltCap Private Equity Fund III (BPEF III) held the final close at hard cap in March 2020, raising €177 million (incl. co-investment facility) being now the largest Baltic private equity fund.*

*BPEF III contributes to further integration of the New Nordics as it has the mandate to invest both in the Baltics and the Nordics. BPEF III commits to sustainability – positive environmental and social impact is set as top priority across investment portfolio.*

*The fund aims to make up to 10 platform investments in the New Nordics and continues the proven buy-and-build strategy of its predecessor funds. BPEF III targets mature enterprises in the Baltics and Nordics with enterprise values between €10 to €100 million.*

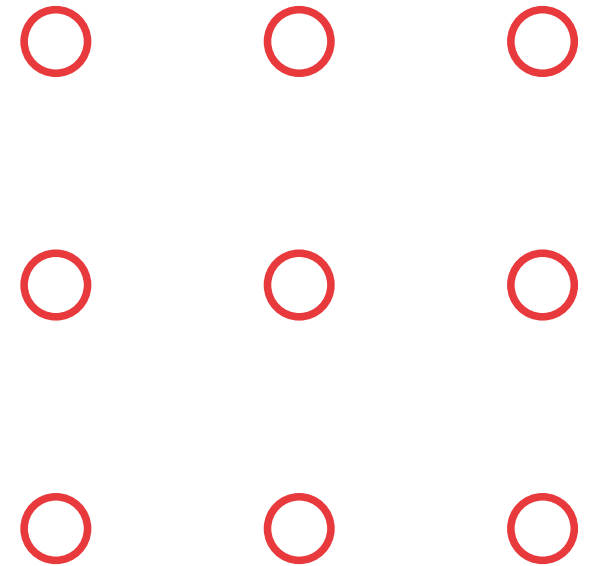
*The support of BaltCap's longstanding investors was complemented by a significant number of new investors encompassing top-tier international institutional investors, fund-of-funds and family offices. For the first time in BaltCap's buyout funds history, high-net-worth individuals committed to the fund.*



Main countries of operation	Estonia, Latvia, Lithuania, Poland, Finland, Sweden
BaltCap Funds	<p>BaltCap Private Equity Fund III Usaldusfond</p> <p>BaltCap Infrastructure Fund Usaldusfond</p> <p>BaltCap Growth Fund EuVECA Usaldusfond</p> <p>BaltCap Private Equity II SCSp</p> <p>BaltCap Private Equity Fund L.P.</p> <p>BaltCap Latvia Venture Capital Fund K.S.</p> <p>Lithuania SME Fund KUB</p> <p>Baltic Investment Fund III L.P.</p> <p>Baltic Investment Fund III C.V.</p> <p>JB Nordic Ventures Fund SCSp</p>
Contact person for questions	Triinu Oll, triinu.oll@baltcap.com
Homepage	<a href="http://www.baltcap.com">www.baltcap.com</a>















# Portfolio companies



# Portfolio companies







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

	Type of business	Number of employees	Turnover (€ million)	Environmental & social risk classification <sup>6</sup>
	Property management	50	3.4	Medium
	Dental care provider	376	20.3	Medium
	Waste management	855	34.4	Medium/High
	Waste management	659	49.0	Medium/High
	Directional media company	293	41.4	Low
	Machinery trade	250	61.7	Low
	Occupational health care	243	9.4	Medium
	Pumping systems rental	89	7.9	Medium/High
	Coffee and vending services	289	26.4	Low
	Meat Processing	905	118.1	Medium/High
	Information and Communication Technology	82	10.3	Low
	Real estate services	23	3.2	Medium

<sup>6</sup> Here and in the following tables of portfolio companies according to EBRD Environmental and Social Risk Categorisation List.








# Portfolio companies

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

	Type of business	Number of employees	Turnover (€ million)	Environmental & social risk classification
	Metal components producer	31	2.0	Medium/High
	Data interchange solutions	19	1.0	Low
	Garden furniture production	224	13.1	Medium
	Gym and health clubs operator	241	13.1	Low
	Laboratory supply provider	55	12.6	High
	Chocolate manufacturer	48	2.8	Medium
	Monitoring systems for vending machines	24	2.5	Medium
	Volumetric 3D monitor developer and supplier	43	0.5	Low







# Portfolio companies

**Growth fund portfolio** – including the companies of BaltCap Growth Fund

	Type of business	Number of employees	Turnover (€ million)	Environmental & social risk classification
	Network of fuel stations and convenience stores	67	13.8	High
				
	Elderly homes and private ambulance	583	15.8	Medium
				
	Organic product retail stores	71	7.4	Low
	Elderly care	127	3.6	Medium
	E-commerce	40	10.9	Low

# Portfolio companies













**Infrastructure fund portfolio** – including the companies of BaltCap Infrastructure Fund

	Type of business	Number of employees	Turnover (€ million)	Environmental & social risk classification
	Biogas plants in Latvia	51	8.7	High
	Biomass-fired combined heat and power plant	9	7.4	High
	School development project in Vilnius	1	0.9	Low
	Biomass plant in Vilnius	1	6.6	High
	IZIM Energy efficiency PPP in Poland	0	0.01	Medium
	Education infrastructure	2	0.3	Low



# Portfolio companies

**Nordic Ninja** (these companies were not in the scope of the ESG survey)

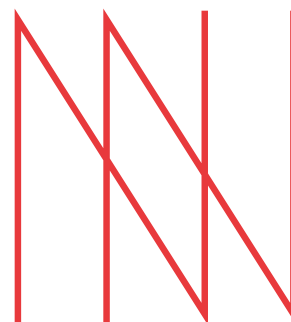
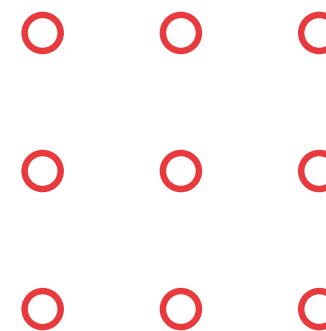
	Type of business	Number of employees	Turnover (€ million)	Environmental & social risk classification
	Mobility-as-a-Service operator	70	5.0	Low/Medium
	Augmented audio	10	0.2	Medium
	Ride hailing	1800	286.1	Medium
	Electric road freight	69	0.5	Medium
	AI diagnostics	14	0.8	Low
	Automation system developer	92	1.7	Low
	Data logging service	23	0.2	Low
	Identity verification	300	0.9	Low
	Urban last mile deliveries	50	0.9	Low
	Micromobility	330	44	Low/Medium
	VR/AR platform	122	7	Low
	Emotion analysis	74	4.3	Low

# 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 and build businesses through acquisition.

BaltCap's primary purpose as a business is to create long-term value for our shareholders and investors. We can only achieve this goal by combining excellent financial performance with responsible and sustainable business practices that take into consideration employees, business partners and society.

We invest in equity or equity-related instruments, and like to support strong, ambitious management teams with whom we enjoy a good cultural fit.



# Investment strategies deeply rooted in market opportunity

## Buyout



- Focus: well established companies with leading positions in their field
- Buyout, buy and build opportunities (incl. crossborder)
- Initial EV > €10m
- Primarily majority ownership stakes
- €5-20m equity tickets

## Growth



- Focus: small-size companies with proven and profitable business model
- Growth capital for expansion, M&A, shareholder liquidity or MBO events
- Initial EV < €10m
- Majority or influential minority stakes
- €1-10m equity tickets

## Infrastructure



- Focus: low risk economic and social infrastructure assets with predictable cash flows
- Development and operating stage projects with yields of 10-15%
- Long term develop and hold approach reducing exit and valuation risk
- €3-15m equity tickets

## NordicNinja vc



- Focus: Series A-B venture capital investments
- Joint venture with Japanese JBIC IG
- Partners
- Start-ups with innovative technologies supporting the interest of Japanese investors
- Minority stakes
- €1-6m equity tickets

## Multi-asset fund manager

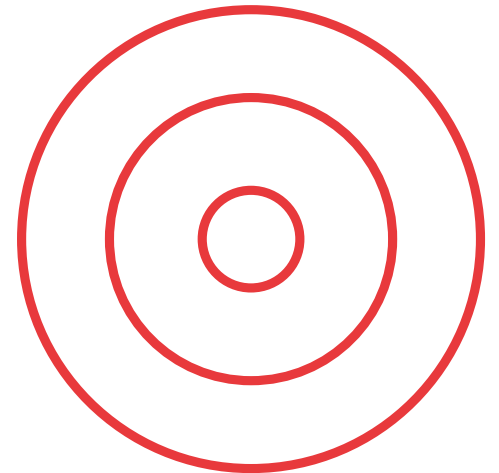
Four complementing strategies enable BaltCap to leverage its deep local market knowledge and resources.

Potential conflicts of interest avoided through clear differences in investment size and/or strategy.

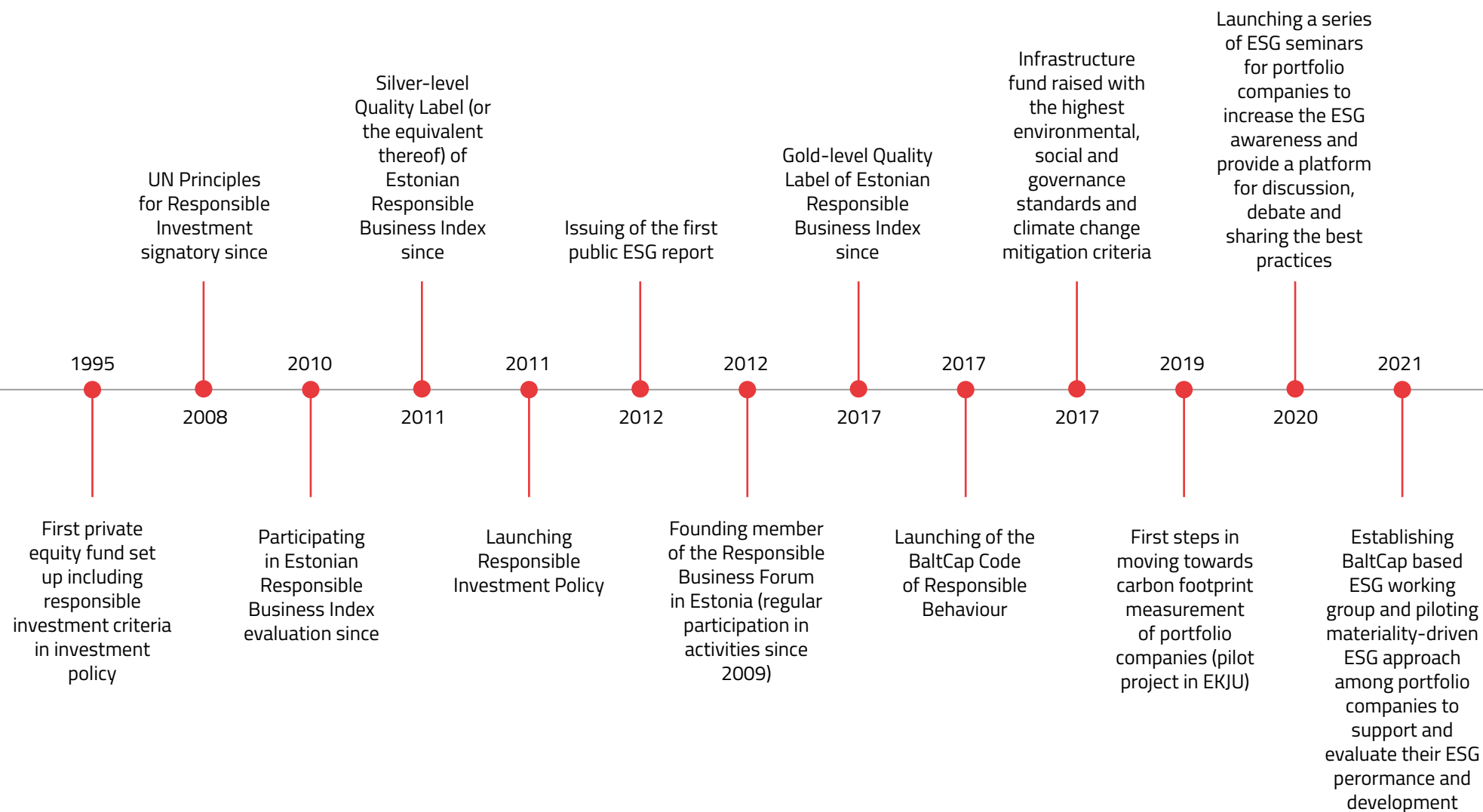
Each fund strategy has a dedicated team.



# **Approach to Environmental, Social and Governance Matters**



# ESG History in BaltCap



## Our approach to ESG matters

### We follow internationally recognized responsible investment principles

As a signatory of the United Nations Principles for Responsible Investment (UNPRI), an investor initiative in partnership with the UNEP Finance Initiative and the UN Global Compact, BaltCap follows the policies and practices of responsible investment and has incorporated ESG considerations into its daily operations. BaltCap also compiles and carries out an annual self-assessment regarding its environmental, social and governance procedures as well as performance based on the UN PRI Initiative. The results are published by UN PRI in their Report on Progress.

As an active member of Invest Europe BaltCap also abides by Invest Europe's Professional Standards and other guidance including on ESG matters.

### As an investment firm we are committed to:

- Participating actively in the strategic management of portfolio companies through Council and Board memberships;
- Carrying out the identification, credit analysis and supervision of portfolio investments with due regard to ecological and environmental factors;
- Not investing in companies that are engaged in arms manufacturing, the manufacture of tobacco, hard spirits, gambling, human cloning, genetically modified organisms and illegal economic activity;
- Not proceeding with any investment transaction without first knowing who the beneficial owner of the counterparty is;
- Carrying out relevant due diligence (including environmental and social due diligence) in all investment cases;
- Ensuring that appropriate standards of corporate governance are in place or will be implemented within a reasonable period of time in all portfolio companies, in compliance with the OECD Corporate Governance Principles;
- Ensuring 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;
- Managing our business affairs sustainably and reducing our overall exposure to risk;
- Complying with EBRD's Environmental and Social Risk Management Manual;
- Complying with all applicable laws, regulations and best practice principles of the private equity industry, abiding by Invest Europe Professional Standards.

## We take leadership in promoting responsible business behaviour:

BaltCap actively contributes to local market development by being a founding member of the Estonian, Latvian and Lithuanian Private Equity and Venture Capital Associations.

BaltCap is an active member of the Responsible Business Forum in Estonia. Also, we actively engage in public policy making at the European level, through our team members' participation in several high-level Invest Europe working groups. Martin Kõdar is a member of the MidMarket Council and Professional Standards Committee in Invest Europe, which are driving best practices for the whole private equity industry across Europe. Infrastructure Fund Partner Sarunas Stepukonis is a member of Infrastructure Roundtable.



Each year, BaltCap fills in the questionnaire of the Responsible Business Forum in Estonia. The results of the self-assessment are evaluated, ranked and published by the Responsible Business Forum in the annual national index. For several years already, BaltCap has been rewarded with a gold-level Quality Label (the highest level) of Estonian Responsible Business Index.



## We encourage and raise awareness of portfolio companies:

In January 2020, we launched a series of seminars on ESG and sustainability for BaltCap team and our portfolio companies. The event was well received and we plan to proceed with the seminars on different ESG topics to share the best practices, and discuss and debate on ESG matters with our portfolio companies.

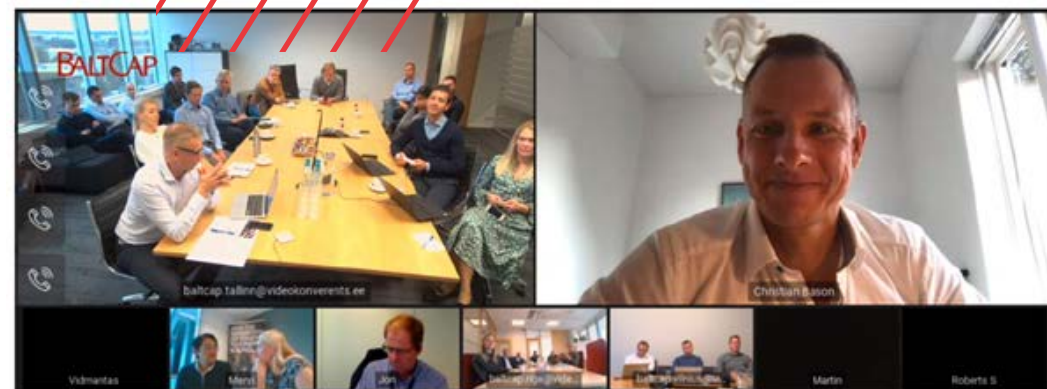


## ESG seminar for the portfolio companies

In September 2020, we organized a seminar on change management and responses to covid-19 crisis for BaltCap and NordicNinja portfolio company managers. Christian Bason, the CEO of Danish Design Centre, a leading international authority on design, innovation and leadership gave a keynote speech „Building anti-fragile organisations“. Thereafter the CEOs of BaltCap portfolio companies shared case studies and best practices on responding to covid-crisis.

The seminar was well received by the participants:

- “It was good to learn from both theoretical and practical sides”
- „It was interesting to see how other portfolio companies have faced COVID19 and what was their real time experience of dealing with it”
- “I did very much enjoy the stories of how other companies have and are dealing with COVID19 and what is the effect on their companies”
- “I enjoyed getting a different perspective. All this was probably relevant also before covid or would be relevant if there was no covid”
- “The main takeaway for me was advice on the specific traits of people that can resist crises better”
- „I learned that adequate timely reaction is the key for coping”
- „A great lesson was the trial and error approach for business development”
- „I think key takeaway was that we all need to keep our calm, as panicking doesn't help and we need to react fast enough in difficult situations to make sure we succeed or minimize our fall”



**Workshop for portfolio company managers**

**17 September 2020**

Video bridge Tallinn-Riga-Vilnius-Helsinki

**NordicNinja**  
By 28 Nordic Ventures

**BALT CAP**

## We ensure transparency and communication:

ESG progress regarding portfolio companies is reported to our investors regularly. Material ESG issues are covered in the quarterly investor reports.

Since 2011, we annually carry out an ESG survey among our portfolio companies in order to follow up and measure progress in ESG matters. Our aim is to ensure that our environmental, social and governance principles are fulfilled. The results of the most recent survey are presented in the current report.

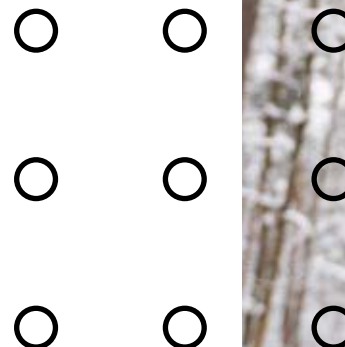
## We are committed to our Code of Responsible Behaviour

This Code, developed in 2017 jointly with portfolio companies, defines our values and principles which BaltCap's team and our portfolio companies commit to follow in daily operations. It is a guide helping us all manage risks and become more sustainable.

The Code embraces five aspects of responsible behavior that our people are expected to follow

- Be honest and ethical;
- Keep your house in order and apply good governance principles;
- Care about people;
- Encourage collaboration for a more advanced society;
- Respect the natural environment.

Please refer to the full text of the Code in Appendix 1 to the Report.



# About this Report

This is our 10th annual report presenting BaltCap's principles and performance in Environmental, Social and Governance (ESG) matters. Our preceding ESG report was published in May 2020. The current report is the main point of reference for our stakeholders regarding the annual ESG performance of our portfolio companies.

## **A transition phase in BaltCap portfolio ESG management and reporting**

In 2020, we piloted new materiality-based tools to screen and define relevant ESG risk and sustainability impact areas for each portfolio company. We have applied the approach to new companies acquired as of 2020. The aim of using the new tools is to help our portfolio in ESG-related goal setting and to make ESG management more business relevant.

The new portfolio companies engaged in the new company-specific ESG approach did not fill the universal ESG questionnaire which is the basis of the current ESG report. ESG performance overview within current report reveals the results of 21 companies that completed the universal annual ESG survey (see more about the methodology within this chapter below) if not stated otherwise.

The new materiality-based performance overview will be phased in during upcoming years.



The purpose of carrying out an ESG survey among portfolio companies is to measure their progress in ESG matters, highlight the importance thereof and raise their awareness regarding responsible entrepreneurship. We hope that the questionnaire helps companies to identify the material aspects and relevant actions they can undertake to strengthen their businesses, reputation and reduce their overall risk exposure.

The main focus of the survey is to provide an ESG performance overview that meets the expectations of our investors. It allows assessing and presenting current situation and dynamics of ESG management of our portfolio to all external stakeholders. The questionnaire is designed to fully comply with the latest requirements of the European Bank for Reconstruction and Development for annual environmental and social reporting.



Each category includes four types of questions: (1) system of the management approach, (2) self-assessment, (3) practical implementations, and (4) performance data (the latter not used in ESG Index calculation)

Figure 1. Structure of the questionnaire

<sup>7</sup> % of overall index

## Methodology

Our ESG questionnaire allows comparing the management approach of different ESG aspects in a universal way in different portfolio companies with diverse background. The survey enables to measure the progress and present the results as the BaltCap ESG Index.

The questionnaire consists of five major categories, plus ESG leadership as an overall category (Figure 1). As the number of judged questions is different in each part, each category is given a fixed percentage of the final result – workplace, environment, marketplace and governance as the most important categories receive 20% each, while community and ESG leadership receive 10% each.

Each category is divided into ESG aspects to cover the major ESG topics that should be relevant among all companies despite their field of activity. Every aspect consists of four different types of questions addressing: (1) system of the current management approach, (2) a self-evaluation of the actual adherence to the management approach, (3) the level of practical implementation, and (4) quantitative performance data of some major measures within the aspect.

Answers on the management approach, self-assessment, and practical implementation are judged and scored later by neutral sustainability experts (Estonian based sustainability advisory firm Sustinere), based on simple methodology – more conscious, systematic and strategic practices receive a higher score.

Based on the results received in 5+1 categories, the overall ESG index is calculated for each respondent and as an average of the whole portfolio (100% scale).

The scope of the questionnaire is based on EBRD Environmental and Social Policy, paired with other recognized sustainability management and reporting frameworks (e.g. ISO 26000, UN Global Compact, UN SDG, GRI), and topics which take into account the specifics of the portfolio companies and their home markets.

The survey was carried out in an online self-evaluation form from January until March 2021, signed by management/executive officer of each participating portfolio company.

## Respondents

A total of 21 out of 31 currently active portfolio companies responded to the questionnaire. The response rate was 68% (2019: 83%; 2018: 93%; 2017: 94%; 2016: 97%; 2015: 88%).

A total of 11 out of 11 portfolio companies in the BaltCap Private Equity Fund I&II responded to the survey. Participation was voluntary for JEREMIE initiative funds' companies (BaltCap Latvia Venture Capital Fund and the Lithuania SME Fund) and in total 8 out of 12 of those companies responded to the survey. Also, 2 out of 3 Growth Fund companies and 3 of 5 Infrastructure Fund companies responded.

Disclaimer: portfolio companies acquired since 2021 do not complete the universal annual ESG questionnaire anymore. Instead, they are engaged to company-specific materiality-based approach (see more at the beginning of "About this report"). As a result of that, the number of respondents has decreased compared to the previous year, and lower proportion of portfolio companies is covered.

Out of 21 final respondents there were:



9 industrial sector companies (manufacturing, energy, waste, maintenance and machinery,) and 12 service sector companies



8 micro or small businesses (49 or fewer employees), 10 medium (50-249 employees) and 3 large companies (250 or more employees) in terms of the number of employees



1 newcomer participated for the first time

# Overview of 2020 ESG Performance





In 2020, 21 portfolio companies scored an average of 53% (2019: 52%) in the BaltCap ESG Index –the same level as a year before. The average scores increased in four of the six categories (workplace; environment; product/ service and marketplace; and ESG leadership).

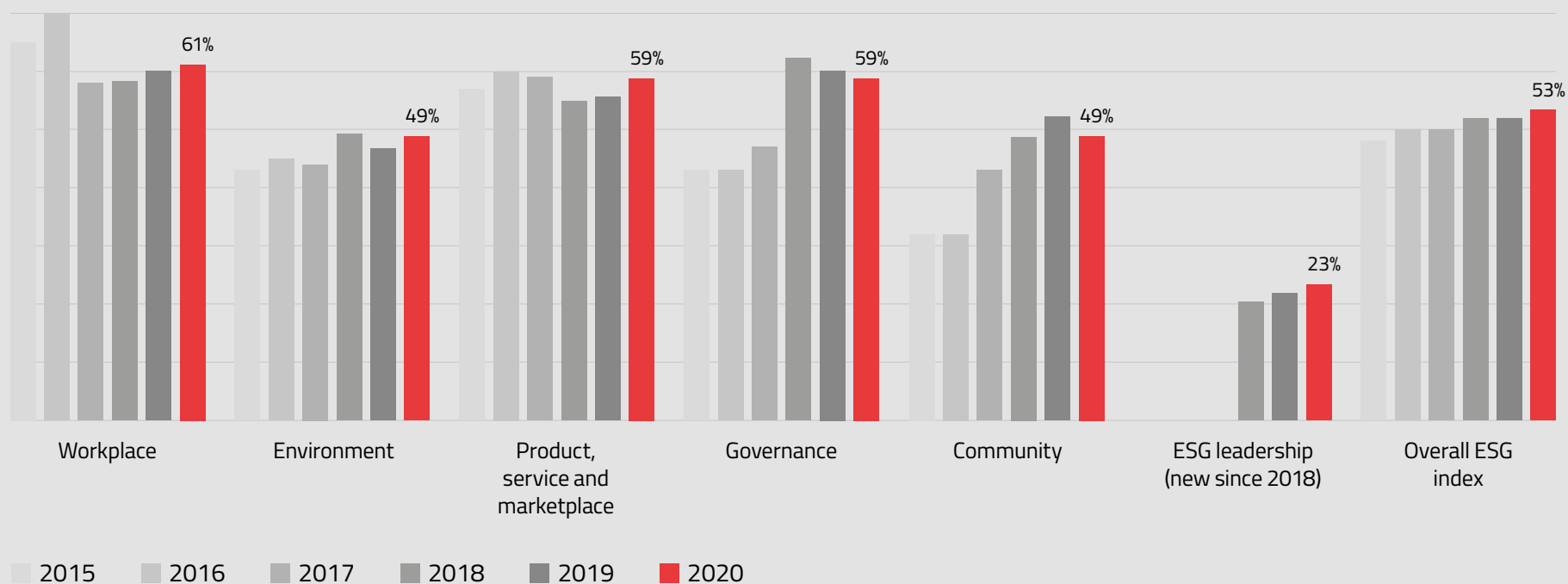


Figure 2: Average results of all respondents in each reporting year



The survey evaluated a total of 25 aspects in six categories. The average total score of each aspect consists of three inputs from each respondent: (1) a score of systematic management approach, (2) a self-evaluation of the actual adherence of the management approach, and (3) the level of practical implementation of some major measures within the aspect.

### Five aspects with the highest average score in 2020:

1	Employee health and safety	71%
2	Employee training	70%
3	Innovation and R&D	68%
4	Customer experience	67%
5-6	Values and principles of behaviour	65%
5-6	Compliance and fair competition	65%

### Five aspects with the lowest average score in 2020:

21	Climate resilience and greenhouse gas emissions	40%
22	Supplier ESG management	38%
23	ESG communication, reporting, and grievance mechanisms	33%
24	ESG impact, risk and opportunity assessment	24%
25	ESG membership and external recognition on ESG performance	10%

## Drivers behind the dynamics

The following factors could be considered to affect the results of the different ESG categories:

- **Workplace issues** are one of the best managed topics according to the survey, but still the biggest challenge in terms of ESG management, greatly due to the work force shortage on the Baltic labor markets. Covid-19 related pandemics affected various employment matters strongly and contributed to the dynamics in different aspects of workplace management .
- **Environmental category** witnessed slight increase in total score, which is a proof that despite the challenges posed by the global Covid-19 related pandemic, the climate issues and other environmental impacts have gained even more relevance among business community.
- The total score of **product and service responsibility category** has **increased too – almost all ESG aspects evaluated gained higher scores among portfolio firms when compared to last year (quality, innovation, and customer experience the most).**

- Though the score of **governance category** dropped in the total score, the impact of introducing BaltCap's Code of Responsible Behaviour (launched in 2018) can still be seen – more companies have introduced principles of responsible behaviour within their own teams.
- The changed score in **community category** is explained by **decreased attention to wider societal engagement, and more focus on improving direct impact in neighbourhoods and contribution to own business sector.**
- There are indications about positive development in **ESG leadership category** – a trait BaltCap has tried to encourage by raising the general ESG awareness of the portfolio companies.

Nevertheless, portfolio companies could integrate ESG factors more into their daily operations and make ESG initiative increasingly business relevant.

It is important for us that our portfolio companies not only recognize the challenges related to ESG, but also acknowledge the new business opportunities when creating value for customers.



## 5 major findings and 2 bottom-line conclusions

1. **Confirming the trend of the previous years, the results between major categories are more equal than in previous years** and prove a growing understanding about the relevance of the holistic approach to ESG.
2. **Aspects that are more closely related to company operations are more consciously managed**, but wider social and environmental impact of the whole value chain considered to a lesser extent.
3. **The primary aspects of ESG lagged behind the secondary aspects of ESG in terms of average score in these aspects, but experienced higher growth** in relation to the average score as a whole.
4. **Similarly to previous years, in 2020, environmental matters gained increasing importance.**
5. **Companies are better in the actual and operational management of ESG aspects** than in implementing official strategic management systems or respective certificates and standards.

Our portfolio companies have room for improvements in terms of becoming more systematic in strategic ESG Management. Our ESG fundamentals have remained solid - no major accidents or serious non-compliances have occurred in the portfolio companies in more than five years – **no fundamental contradictions related to environmental pollution, human rights or discrimination, supply chain violations, fatal health and safety, business ethics and regulatory compliance.**

Rather consistent results of BaltCap portfolio companies in the overall ESG index over the last five years refer that **the portfolio has reached a certain maturity level in ESG management. Major ESG related risks are mitigated, and fundamental aspects well managed** (e.g. safety, non-discrimination, anticorruption). **Although organic development is likely to continue, the next leap forward would require more strategic involvement in turning ESG matters purposefully into business related opportunities and benefits.**

## Results in the light of Covid-19 related pandemic:

- **Without any doubt the global pandemic affected directly workplace and employee management, and posed risks to the continuity of business operations (different by sectors). The results of our ESG survey reveal that while it involved challenges in employee competence development and required more attention in workplace health management or supply chains, it also made companies to contribute increasingly to product and process innovation and quality, and customer orientation.**
- **The results of the ESG survey also reveal that the performance in managing environmental aspects continued to improve even during the challenging times bringing along uncertainty about the future. This gives a clear signal that climate impact and other environmental issues will significantly determine the business landscape in the coming future .**

## Outlook on the relevance of ESG in BaltCap portfolio:

57% of all portfolio companies see challenges for their organization in the coming years related to the following aspects (respondents could choose one or more categories):

- 48% in environmental impact management (38% in 2019; and 25% in 2018),
- 43% in human resources and workplace related issues (50% in 2019),
- 24% in societal impact matters (21% in 2018),
- 14% in product and service responsibility topics (25% in 2018),
- 14% in governance and values (17% in 2018).

There is a clear pattern that BaltCap companies increasingly recognize environmental challenges and a rising need to tackle these issues at company management level. For the first time, our portfolio companies consider environmental topics as the most important ESG-related challenges. It is not surprising when considering the intensified public debate on environmental topics and increasingly strict requirements from the market and regulators.

**As much as 91% of companies believe they are better positioned to meet the challenges of the market by virtue of proper ESG management** (10% are certain, and 81% believe it to some extent).

**24% of companies consider ESG policies important in today's business environment.** Additional 67% consider those somewhat important. Shortly, 90% of portfolio companies consider proper ESG management relevant in market competition.

# Category Summaries



## Category Summary: Workplace Management

In the light of Covid-19 impacts on workplace matters, employee management remained the best managed category with 61% average score (2019: 60%). Employee health and safety, and training aspects remain the most systematically managed, whilst the conscious approach to employee engagement and satisfaction, and human rights and diversity scored a bit lower. A positive trend can be seen in the use of externally recognized management frameworks, the use of various relevant frameworks has increased to 33% (2019: 21%).

### Overview of workplace management tools

A total of 95% (2019: 96%) of portfolio companies have written guidelines, a strategy or action plan in at least one of the observed workplace management aspects (health, safety, training, engagement, satisfaction or human rights and diversity). 67% (2019: 71%) of companies have set goals for some of these aspects.

Ecoservice and Eesti Keskkonnateenused have implemented ISO 45001 / OHSAS 18001 standard.

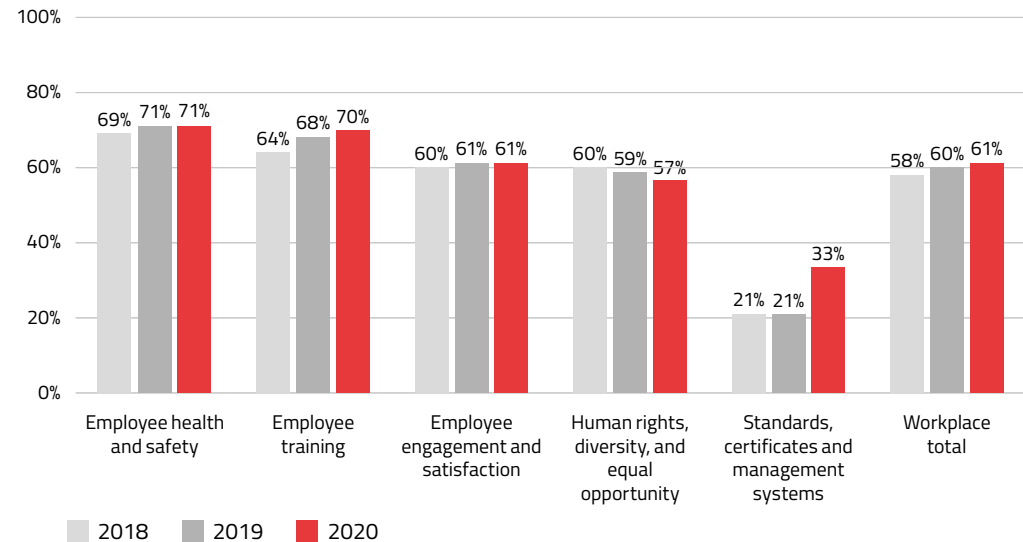


Figure 3. Average Index of all respondents in workplace management aspect



Figure 4. Overview of different workplace management tools in portfolio companies

## Employee health and safety

**In one sentence:** Similarly to 2019, employee health and safety issues score the highest out of all ESG aspects evaluated in the survey and received increasing attention among portfolio companies also in 2020.

Occupational health and safety (OHS) management has gained similar attention among portfolio companies compared to 2019. A total of 90% (2019: 92%) of companies have set written guidelines, a strategy, action plans or targets for health and safety management. 2 companies out of 21 do not implement these measures (2019: 2 out of 24).

Out of all companies 76% (2019: 75%) have written guidelines, 48% (2019: 50%) have a written strategy or action plan in place, but still only 24% (2019: 29%) have set measurable goals in this aspect. At the same time only two companies (10%) apply ISO 45001 or OHSAS 18001 health and safety related standard.

The share of companies implementing any of these conscious management approaches has remained the same. Only two companies did not have their own OHS management measures in place.

Yet, in self-assessment on adhering to these guidelines, strategies, goals and/or agreements during the reporting year, companies were more positive than a year ago – 4.43 on a 5 point scale (2020: 4.26). Compared to all other ESG aspects OHS saw the biggest rise in the assessment of implementing the measures. Based on that, portfolio companies may be considered as more aware in management of health and safety aspects. This might be a result of higher attention to employee health and safety aspects due to the Covid-19 pandemic.

Work-related accidents occurred in six (2019: 5) portfolio companies. In total 30 (2019: 32) accidents happened, including four (2019: 6) severe accidents.

This equals 8.8 (2019: 8.4) accidents per 1000 employees. 97% of accidents happened in industrial companies, and only one minor accident among service companies.

A majority of the accidents were caused by careless handling of equipment. All accidents have been investigated pursuant to legislation. Workers received additional instruction. There were no work-related fatalities in 2020 (2019: 0).

During 2020, almost 26,800 (2019: almost 16 000) workdays were lost because of health-related incapacities of all kinds, e.g. illnesses, workplace accidents, and occupational diseases. This makes 7.8 workdays in average per each employee (2019: 4.2). The increased rate could be caused by Covid-19 pandemic related absences.

30

work-related accidents in six companies, including zero fatalities

26,800

workdays lost because of health-related incapacities

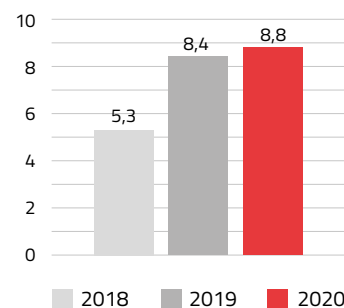


Figure 5. Number of work related accidents per 1000 employees (sum of all portfolio companies which completed the ESG questionnaire).

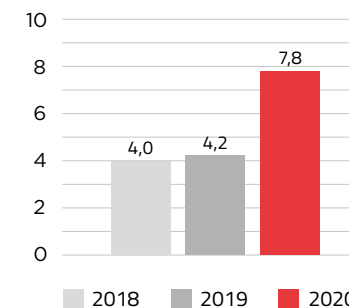


Figure 6. Average number of workdays lost per employee because of health-related incapacities of all kinds, e.g. illnesses, workplace accidents, and occupational diseases (sum of all portfolio companies which completed the ESG questionnaire).

## Human rights, diversity, and equal opportunity

**In one sentence:** In most companies human rights, diversity and equal opportunity management is based on mutual agreements and common sense, and is not covered in formal strategies and/or policies.

Human rights, diversity and equal opportunity remain the least systematically managed people-related ESG aspect in BaltCap portfolio. Only 19% (2019: 33%) of companies have set their own guidelines for managing human rights, diversity and equal opportunity aspects. Another 23% have made oral agreements within their teams. For 19% of the companies the aspect gets attention on compliance level only.

To ensure equal opportunities within their organizations mostly gender and age based diversity is addressed – 67% of portfolio companies include either of these issues in guidelines, strategy, targets, oral agreements or compliance. Only 29% state to consider mental or physical disabilities as a relevant part of human rights, diversity and equal opportunity.

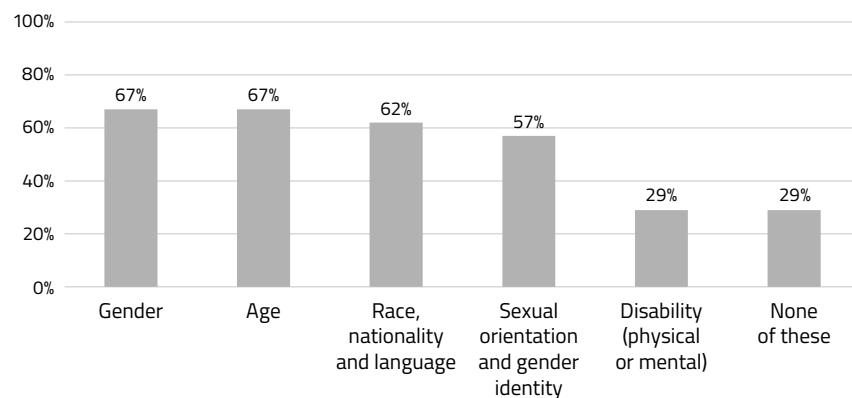


Figure 7. Percentage of companies addressing different aspects of diversity in their management systems to ensure equal opportunities for all.

81% (2019: 88%) of all portfolio companies believe at least some of their employees (up to 30% of all employees in some portfolio companies with the highest rate) belong to any disadvantaged/vulnerable groups in the labor market<sup>8</sup>.

The ratio of men and women in Management Boards and Supervisory Councils of portfolio companies has become slightly more balanced compared to previous year – 5 to 1 or 83% and 17% respectively. Several companies in our portfolio have female CEOs and in a number of companies at least half of the executive management board members are women.

More than half (56%) of the companies in the BaltCap portfolio have female representation in the Management Boards and Supervisory Councils (excluding companies where there is only one person in the board or council). Including one person management boards and supervisory councils, the percentage is even larger (68%). There were no officially registered cases of discrimination at work (2019: 0).

Human rights issues in supply chain management has also received low attention: 29% of companies (2019: 42%) have set human resources related criteria for their suppliers, but probably fewer address human rights issues as a part of human resources criteria for suppliers.

<sup>8</sup> Estimate was used, because exact data is not available due to the protection of personal data. Persons below age 25, old-age pensioners, disabled persons, single parents, maintainers of a household led by children, refugees, and persons with three or more underaged children were considered as vulnerable groups.

88%

of the companies in the BaltCap portfolio have female representation in the Management Boards and Supervisory Councils

0

Zero registered discrimination cases at work



## Employee engagement and satisfaction

**In one sentence:** employee engagement and satisfaction is one of the aspects where portfolio companies see the most potential for further improvement.

A total of 62% (2019: 63%) of companies have set guidelines, a strategy, action plans or targets for employee engagement and satisfaction management.

In self-assessment on adhering to the guidelines, strategies, goals and/or agreements, 4.2 on a 5-point scale average was given. It is one of the lowest-scored aspect by portfolio companies in the ESG questionnaire together with the assessment on training and development. It refers that companies believe they can contribute more in employee engagement and satisfaction management.

In 2020, only 19% (2019: 21%) of all portfolio companies measured employee satisfaction annually. An additional 38% have done so in previous years.



## Upgrading educational infrastructure in Lithuania

BaltCap portfolio company Knowledge Investment and Kaunas District Municipality entered a 15-year public-private partnership project in 2020.

During the project, two schools will be renovated, sport facilities expanded and modernized, and a brand-new school building and swimming pool constructed.

The project aims to increase the energy class of the existing buildings and related facilities. The project creates an additional capacity for serving 500 pupils in the neighboring districts and allows local schoolchildren avoid daily commuting to faraway schools.



# Employee training

**In one sentence:** attention to training and development decreased due to the implications of Covid-19 pandemic.

A total of 62% (2019: 71%) of companies have agreed systematic approach for managing employee training and development issues – it means either specific guidelines, a strategy, action plans or targets. 76% of companies have made oral agreements within the organization (either as a part of systematic approach or instead of that).

Companies see training and development as an ESG aspect with one of the greatest potential for development (their self-assessment to current adherence was 4.19 on 5-point scale) together with employee engagement and satisfaction.

In total, over 12,000 (2019: 38,000) hours of training was offered to the employees of portfolio companies (excluding internal informational meetings, instructions and the like). This equals 3.5 hours in average per each employee (2019: 10.0). This is a considerable decrease from previous years, linked to the fact that due to the Covid-19 pandemic many training sessions were postponed or cancelled.

>12,000  
hours of training  
offered to employees

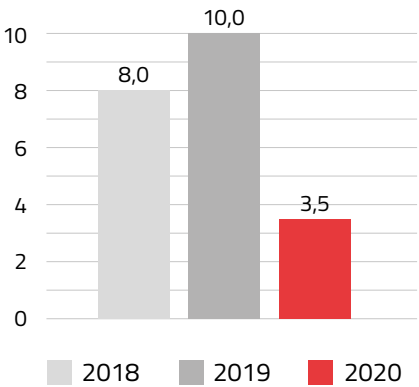


Figure 8. Average number of hours of training offered per employee (sum of all portfolio companies which completed the ESG questionnaire).



## Category Summary: Environmental Management

Although the relevance of environmental impact management among portfolio companies has increased, the systemic approach is still lagging behind other major ESG categories (workplace, product/service, and governance) – 49% as an average score for environmental impact management is similar to previous year (2019: 47%). New progressive examples could be noticed, but no major improvements in systematic management approach occurred. Waste, materials and packaging related topics remain the best managed environmental aspects, most of the other aspects have caught-up a bit.

### Overview of environmental management tools

A total of 43% (2019: 46%) of portfolio companies have written guidelines, a strategy or an action plan at least in one of the observed environmental aspects (either materials, energy, waste, biodiversity, or climate and emissions). A total of 33% (2019: 33%) of companies have set goals for some of these aspects.

Six companies apply some environmental management certification schemes, standards, or management systems – this equals to 38% (2019: 25%) of all companies. ISO 14001 is the most widely used standard, others include sector-specific environmental frameworks.

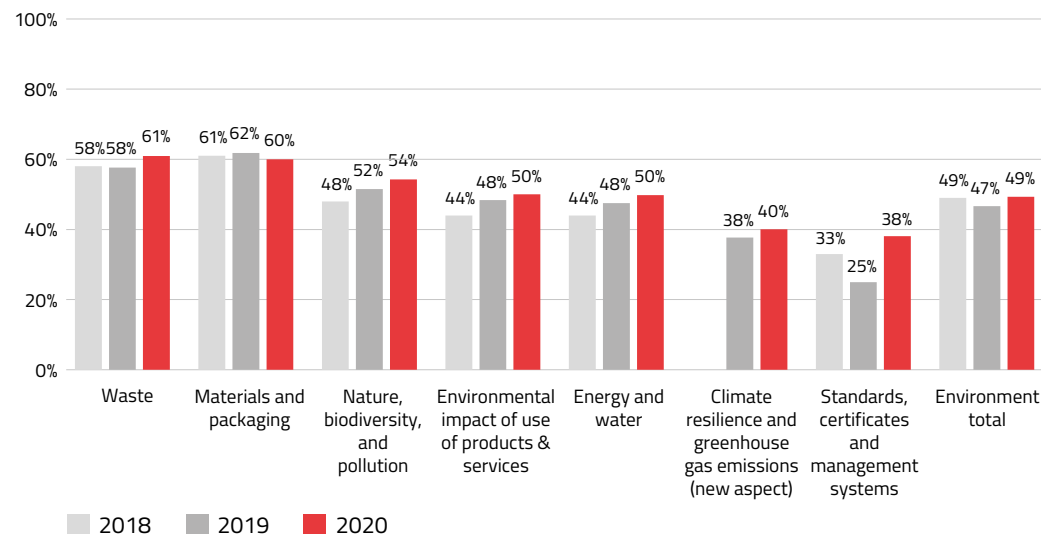


Figure 9. Average Index of all respondents in environmental management aspects

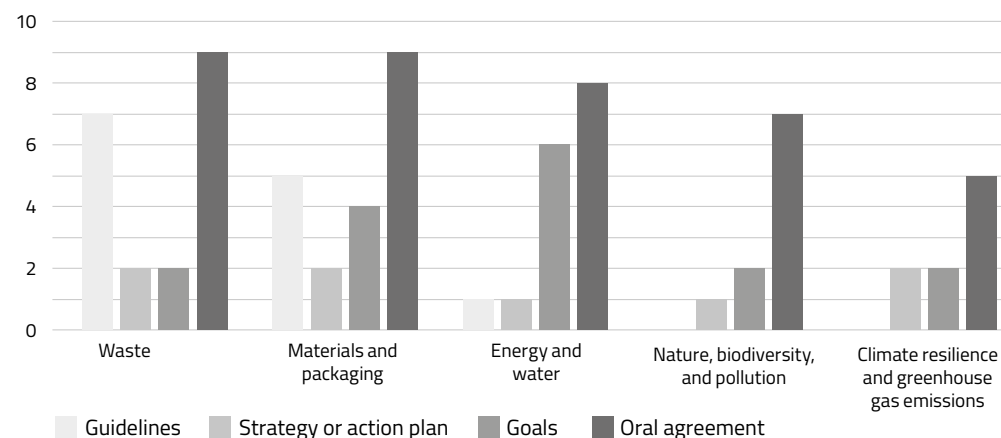


Figure 10. Overview of different environmental management tools in portfolio companies

# Product and service development

**In one sentence:** 81% of portfolio companies consider environmental effects in product and service development and seek opportunities to reduce the impact of the usage period.

A total of 81% (2019: 88%) of our portfolio companies consider environmental effects in product and service development and seek opportunities to reduce the impact of the usage period.

The usage of environmentally friendly materials has been the most widely practiced approach. Extending service life has become more prevalent, as this approach has seen a considerable rise compared to previous year. Besides that, industrial companies still consider improved design to optimize transportation.

**81%**  
of companies consider environmental impacts in product and service development

Livin, leading specialized healthy food and non-food product retailer in the Baltics, promotes the consumption of organic food and zero-waste non-food. This is Livin’s way to contribute to creating a cleaner environment and more sustainable tomorrow for the future generations. Livin has launched a zero-waste product category and is committed to introducing new products to the category.

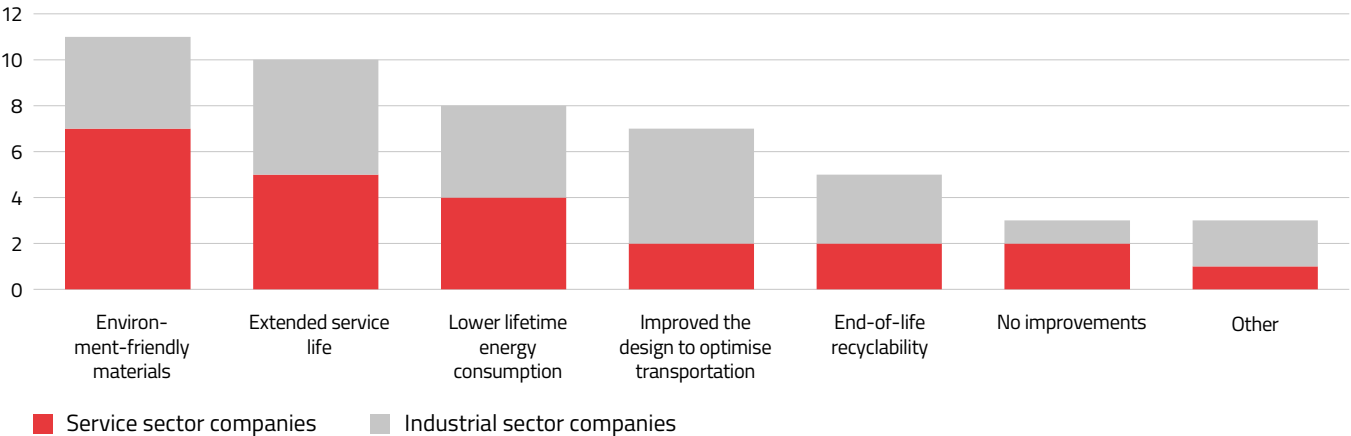


Figure 11. Number of companies that made certain environmental improvements in 2019 in product and service development

## Materials, packaging and waste

**In one sentence:** Materials, packaging and waste has received increasing attention and remains the most systematically managed environmental topic.

Although less than half of portfolio companies have agreed systematic approach in materials, packaging, and waste related aspects, still, similarly to previous year these remained the most systematically managed topics compared to other environmental topics. 38% (2019: 33%) of companies have set written guidelines, a strategy, action plans or targets for the management of materials or packaging, similarly 38% (2019: 46%) of companies having them also for waste management.

Though only 19% of the companies have set measurable goals for the consumption of materials and packaging, the measure witnessed 6% rise in 2020. In waste management category only 10% of companies have set goals for it (amounts, recycling etc.).

90% of companies claim at least part of their materials and packaging came from environmentally friendly sources (either recycled, eco-labelled, etc.), on average accounting for around 46% (2019: 40%) of all materials and packaging used in the reporting year (based on their estimate).

76% (2019: 79%) of companies claim that at least part of their waste was recycled or reused – on average 67% (2019: 60%) of their waste (based on their estimate).

**76%**

of companies recycle or reuse waste

**90%**

of companies use environmentally friendly materials and packaging

Companies which claim that at least part of their...

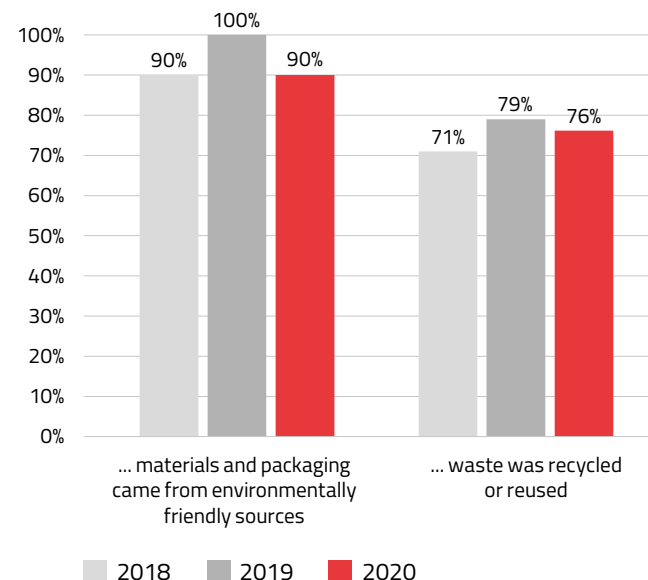


Figure 12. Percentage of companies who claim that at least part of their materials and packaging came from environmentally friendly sources, and at least part of their waste was recycled or reused



## Innovative home compostable wrapping material at Pure

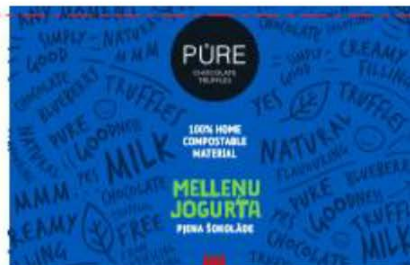
In 2020, Pure launched a novel ecological packaging solution using home compostable material for wrapping the products.

Home compostable plastics are designed to biodegrade in the conditions of a well-managed home composter at lower temperatures than in industrial composting plants.

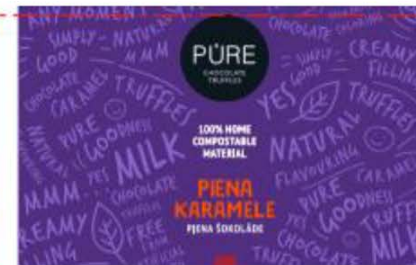
For now, the new packaging material is used for six products. This is an innovative solution for the whole industry, and it received recognition from the Latvian Packaging Association.

### NEW GENERATION OF PACKAGING

MILK CHOCOLATE MIX



NEW INNOVATIVE 100% HOME COMPOSTABLE WRAPPING MATERIAL



## Energy, water, climate resilience, and greenhouse gas emission

**In one sentence:** In energy and climate impact management, companies mostly undertake steps driven by operational and resource-efficiency (vs addressing fundamental opportunities for climate impact reduction).

Energy and water consumption remain less systematically managed than materials and waste matters. Only 33% (2019: 29%) of companies have agreed on written guidelines, a strategy, action plan or targets for the management of energy and water consumption. Most of them are industrial companies, meaning that 60% of portfolio companies operating in industrial sectors have set such systematic energy or water management approach.

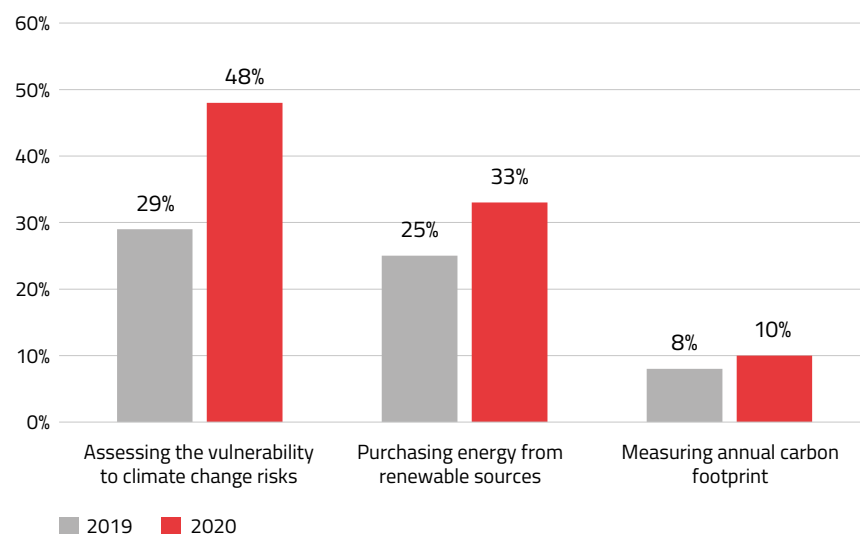


Figure 13. Percentage of companies who have taken certain steps to better manage the reduction of climate impact.

Issues related to climate impact (resilience to climate change and reduction of own impact) got even less conscious attention – 14% (2019: 17%) of companies reported about having any written guideline, strategy, action plan or targets in place. Majority of portfolio companies remain on compliance level in climate related issues. However, this was one of the leading aspects where companies self-assessed that they could do more in following corresponding management frameworks or regulations.

Main measures that portfolio companies have taken to better meet climate related developments:

- For two companies energy production from renewable sources is the primary core business (Anaerobic Holding and EnergiaVerde).
- 24% (2019: 29%) of all companies have conducted an assessment of the vulnerability of their business to risks caused by the climate change.
- Additional 19% (2019: 13%) have considered specific measures in product development and service delivery.
- 33% (2019: 25%) of companies purchased energy from renewable sources.
- Some companies reported about raising environmental awareness internally, using new more efficient technologies or innovative materials.
- Two (2019: 2) companies measured their annual carbon footprint.

Besides two companies who had calculated their carbon footprint, additional 13 claimed that they had not done it specifically, but were aware of the dynamics. Out of these 15 companies 10% said that compared to the previous year their carbon footprint per output unit reduced, for 5% it increased, and for the rest remained the same.

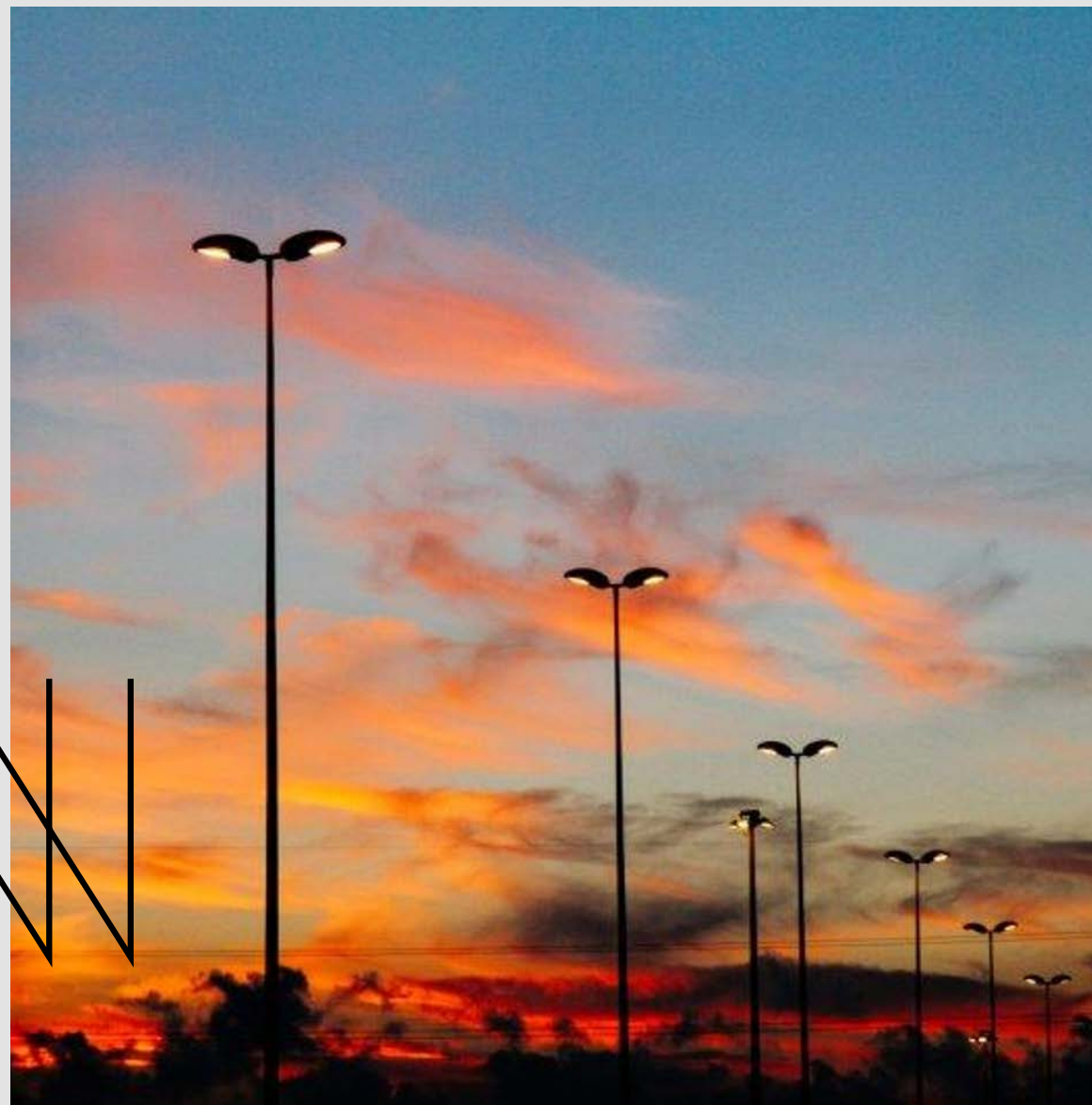
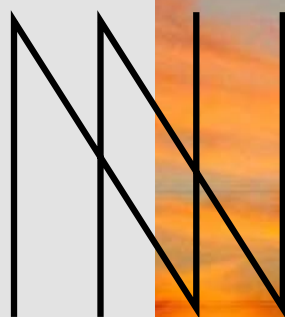


## Energy efficient street-lighting in Poland

In 2020, BaltCap portfolio company IZIM signed a public-private partnership with the municipality of Kobylnica to establish energy-efficient LED lighting in the municipal roads.

During the project, modern streetlighting will be built in 12 areas of Kobylnica. More than 800 modern LED lighting fittings will be installed along 30km of roads.

The project will significantly improve the safety and comfort of residents and other road users.



## Living nature, biodiversity, and pollution

Only 10% (2019: 13%) of companies have set guidelines, a strategy, action plans or targets for managing biodiversity, pollution, and air emission concerns. One company reported about one major disturbance of nature during the reporting year (related to wastewater spill). Additional measurements were taken.

In 2020, Ecoservice renewed its fleet and introduced 20 new garbage collection trucks that meet Euro 6 emission class. The new trucks secure the stability of service and allow economical, safe and timely service provision to the clients.

EKJU has been dedicated to systematical reduction of the companies' carbon footprint. One of the latest initiatives adding to carbon emissions reduction includes buying 10 electric forklifts that replace the diesel-based machines. The electric forklifts not only allow to save carbon emissions, but also significantly improve working environment for factory workers when used indoors.



## Category Summary: Product, Service and Marketplace

The responsible management of product, service, and marketplace is continuously rather well managed compared to some other ESG categories. Also in 2020 innovation and R&D, quality and customer experience management remained the most consciously managed aspects among portfolio companies. Safety of products/services and supplier ESG management as ESG-specific aspects within the category showed slight improvement compared to previous year, but are still behind the other topics.

### Overview of product, service and marketplace management tools

86% (2019: 83%) of portfolio companies have written guidelines, a strategy or action plans in at least one of the observed aspects in this category (either customer experience, quality management or innovation and R&D), with 67% (2019: 67%) of companies having set goals for some of these aspects.

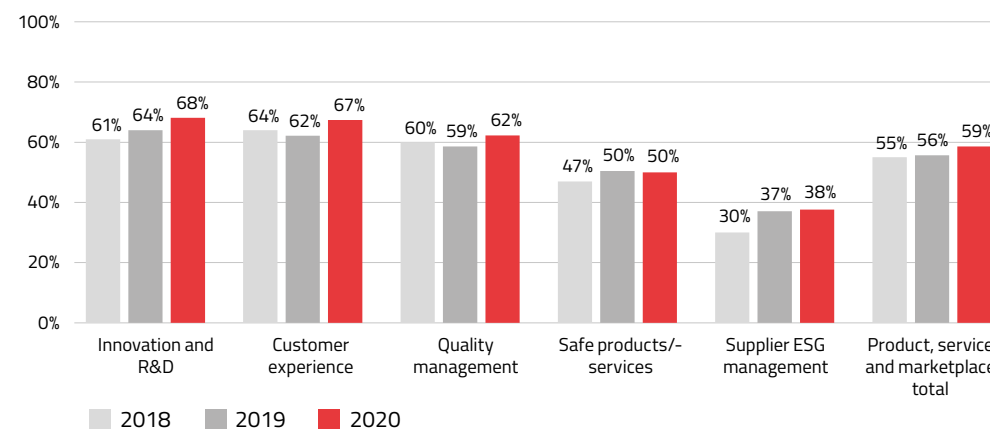


Figure 14. Average Index of all respondents in product, service and marketplace aspects

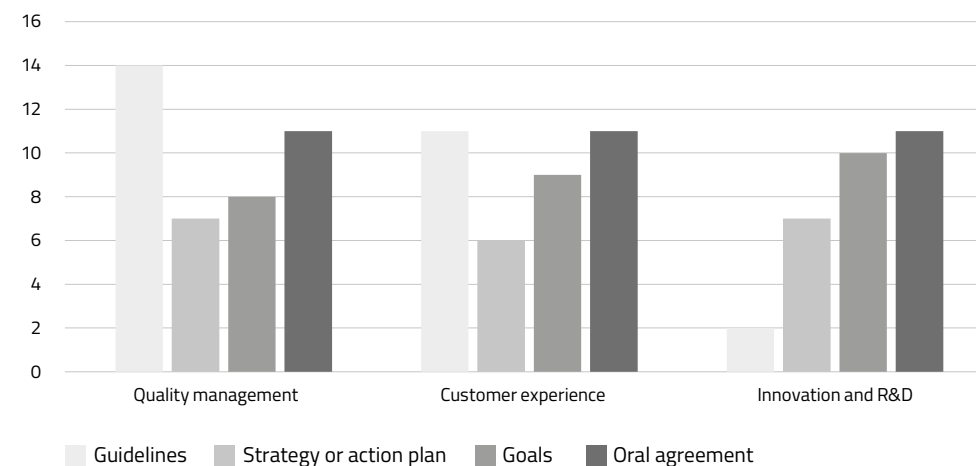


Figure 15. Overview of different product, service and marketplace tools in portfolio companies

## ESG management among suppliers

**In one sentence:** Every second company has set environmental, social or governance related preconditions for their suppliers and subcontractors.

86% (2019: 83%) of companies claim that they have set written or unwritten preconditions for their suppliers and subcontractors, including:

- 48% of governance related;
- 29% of workplace and personnel management related;
- 33% of environmental impact related factors.

89% of these portfolio companies who have set written or unwritten preconditions for their suppliers and subcontractors have communicated their ESG related expectations or requirements to suppliers and subcontractors too – 40% have simply informed, one third have additional fixed ESG aspects in contracts, and again one third do even more through occasional visits or audits among suppliers and subcontractors.

In 2020, two companies detected in total five (2019: 3) major non-conformities among their suppliers. These products were removed from the market, or suppliers obliged to significantly change the situation.

## Safe products and services (consumer safety)

**In one sentence:** In providing safe products and services, companies mostly contribute to improving the communication of user instructions and introducing safer input materials.

76% (2019: 83%) of companies claim they consider health and safety factors, and seek opportunities to improve customer/consumer health and safety when developing new products and services. 71% (2019: 71%) of portfolio companies made improvements in 2020 to increase service-life safety for consumers.

Service sector companies focused on improving the communication of user instructions, and promoting reasonable consumption or use of the service.

Companies operating in industrial sectors mostly introduced safer or more health-friendly input materials.

In total 31<sup>9</sup> (2019: 6\*) incidents that affected customer health were reported. These were all cases from one fitness portfolio company where majority of the incidents occurred due to slipping. Preventive measures were taken such as trainers were trained to encourage clients to exercise at their own pace, also non-slippery mats were used in the swimming pools.

**76%**

of companies consider health and safety factors in product and service development

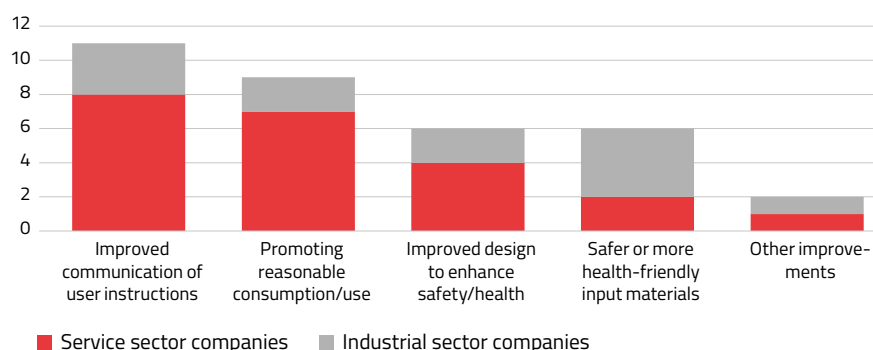


Figure 16. Number of companies that made certain improvements in 2018 to increase health and safety for consumers

<sup>9</sup> In 2019 the fitness portfolio company did not submit the questionnaire and their performance was not included in previous year's report.

## Quality management, innovation and R&D

**In one sentence:** Quality, innovation and R&D are among the most systematically managed aspects in portfolio companies, also widely and well recognized quality management guidelines are used systematically.

Quality management remains one of the most systematically managed aspect among portfolio companies. A total of 76% (2019: 83%) of companies have agreed written guidelines, a strategy, action plans or targets for quality management. 2/5 of them have agreed annual quality goals to be achieved.

43% (2019: 42%) of portfolio companies have built their quality management system on some external standard, management system or widely recognized approach. ISO 9001 standard is used by five companies, Lean Six Sigma is used in two companies, and 5S method in three companies.

62% (2019: 50%) of companies have agreed their own guidelines, strategy, action plan or targets for innovation and R&D management. 86% (2019: 88%) of all portfolio companies reported at least some product, service or process innovation in 2020.

## Customer experience

**In one sentence:** Ca 40% of companies measured customer satisfaction in 2020, the same share of companies have set annual targets for the desirable level of customer experience.

67% (2019: 63%) of companies have written guidelines, a strategy, action plans or targets in place for conscious management of the customer experience. Yet only 2/5 of them have set annual targets in this matter.

At the same time, 38% of all portfolio companies measured customer satisfaction in 2020 (2019: 46%). 63% (2019: 82%) of them witnessed an increase in customer satisfaction.

**38%**

of companies measured customer satisfaction

Vendon produces monitoring systems and solutions for vending machines. In 2020, new product was added to the portfolio - contactless card payments. The scope includes payment gateway, payment application and servicing portal development fully developed without third party integration. Vendon is also in process of adding mobile card payments as part of already released mobile closed loop payments application. Following the industry trends and requirements, also touchless product dispensing support has been integrated that allows the clients to select products using mobile applications only.

## Category Summary: Governance and Company Values

Governance and Company Values was in TOP3 managed categories, with its 59% (2019: 60%) average score, equal to product and marketplace category, but falling a bit short from the workplace category. In this category, all substantive aspects received quite equal average scores.

### Overview of governance management tools

52% (2019: 58%) of portfolio companies have written guidelines, a strategy or action plans in at least one of the observed governance aspects (either ethics and anti-corruption, or compliance and fair competition). At the same time, only 14% (2019: 8%) have set goals for some of these aspects.

The BaltCap Code of Responsible Behaviour is accepted by all of the portfolio companies. 48% of companies claim that they follow either BaltCap Code of Responsible Behaviour in practice and/or some other external corporate governance standard, code or guideline.

**48%**

of companies follow external corporate governance standard, including BaltCap's code

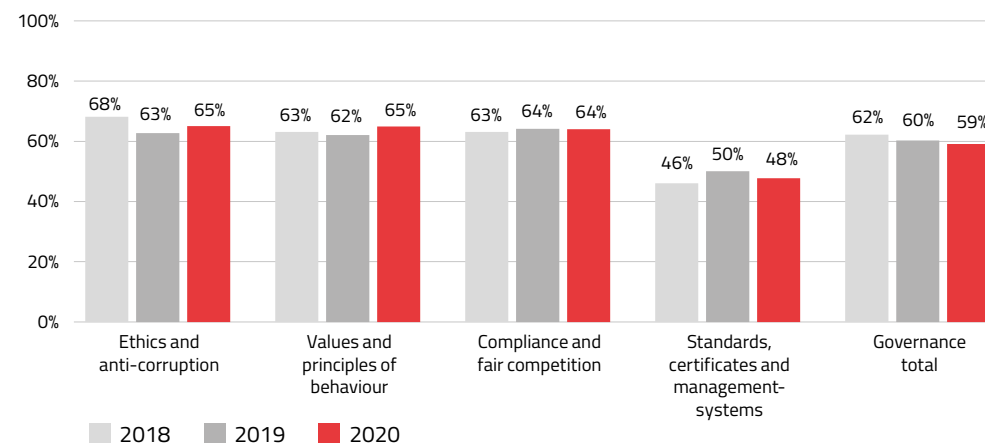


Figure 17. Average Index of all respondents in aspects of values and governance

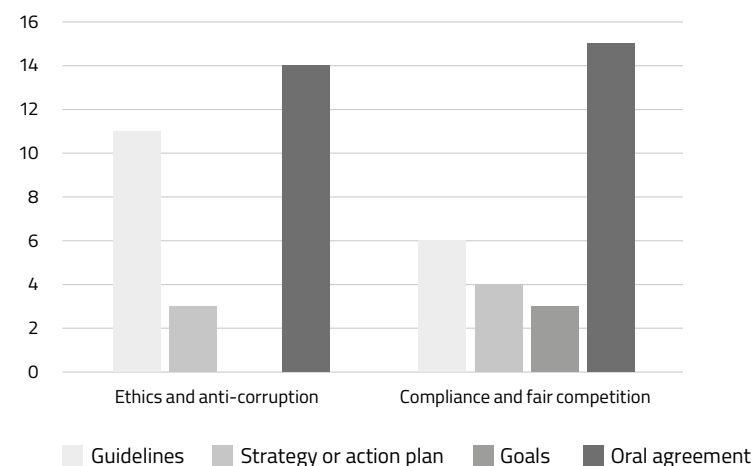


Figure 18. Overview of values and governance management tools in portfolio companies values and governance

## Ethics, anti-corruption, compliance and fair competition

**In one sentence:** Ethics, anti-corruption, compliance and fair competition is a systematically led ESG aspect and the average score has remained at the same level compared to previous year.

52% (2019: 54%) of companies have set guidelines, a strategy, action plans or targets to regulate ethics and anti-corruption behaviour. 38% (2019: 42%) of all portfolio companies have done the same for compliance and fair competition issues.

67% of companies have orally agreed principles within the organization about ethics and anti-corruption, 86% about regulatory compliance.

Similarly to two previous years, these were also the aspects where, based on their self-assessment companies consider the actual adherence level of their management approach the highest across the whole questionnaire – 4.71 for the ethics and anticorruption and 4.81 for compliance topics (on 5-point scale).

Among portfolio companies there were 0 major cases (2019: 0) of either monetary or nonmonetary sanctions imposed by regulatory or other authorities for non-compliance with laws and regulations or because of any other incidents in 2020. 21 (2019: 6) minor cases of such non-compliances took place. These were related to waste management, and safety of some sold products – all could be considered as very minor cases.

0

Zero major noncompliances with laws and regulations

## Values and principles of behaviour

**In one sentence:** Values and principles of behaviour received highest average scores placing it among the most systematically led governance aspects.

43% (2019: 38%) of companies have clearly defined values, 24% (2019: 21%) own conduct code, and additional 24% (2019: 29%) both – 90% in total have at least one of these (2019: 88%).

Yet the actual adherence received relatively low self-assessment score – 4.21 on 5-point scale.

90%

Company values or rules of conduct are slightly more often implemented compared to previous year and the communication of these principles to company stakeholders has increased.

of companies have established values or code of behaviour

80% (2019: 58%) of companies who had a code of conduct have communicated these principles to their stakeholders too. While external communication indicates an increase throughout recent year, introducing the rules of conduct to employees remains also popular – all companies that had such rules in place have also provided appropriate training for their employees, making 100% (2019: 92%).



## **“BeActive” - increasing the physical activity of Vilnius residents**

Impuls/LemonGym in cooperation with Vilnius municipality and ActiveTraining launched a community program “BeActive”. More than 200 participants successfully completed the program.

The program aimed to attract adults (+55) who have never exercised to a healthier and more active lifestyle. 12 training programs were developed and carried out by the coaches.

In groups of up to 10 people the basic principles of physical activity, group trainings and fitness equipment were introduced. Participants received both theoretical information and practical assignments.





## Category Summary: Societal Impact

Management of a company's broader societal impact is continuously one of the less systematically managed categories, with the average result being 49% (2019: 52%).

### Overview of societal impact management tools

38% (2019: 33%) of portfolio companies have written guidelines, a strategy or action plans for at least one of the observed societal aspects, while only 19% (2019: 13%) have set goals for one of these aspects.

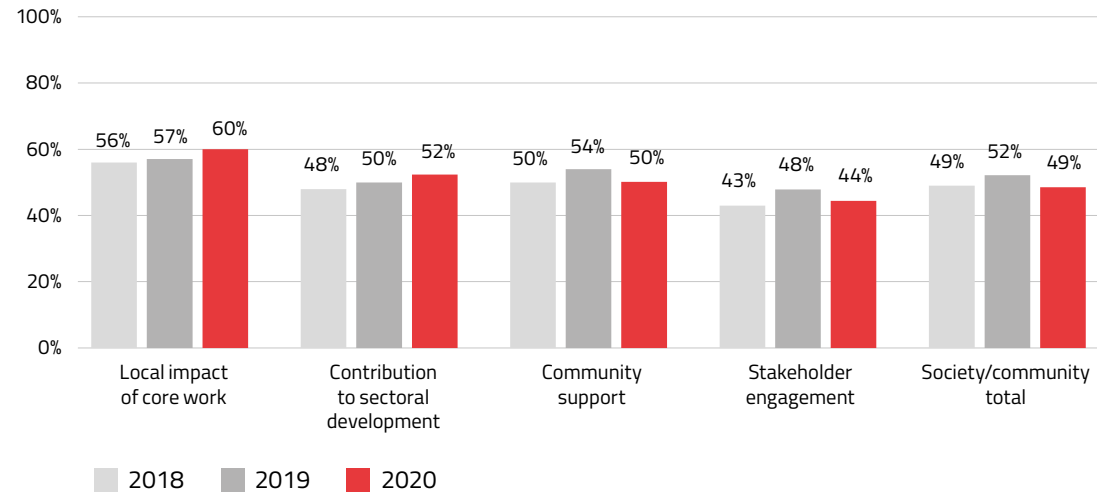


Figure 19. Average Index of all respondents in societal and community aspects

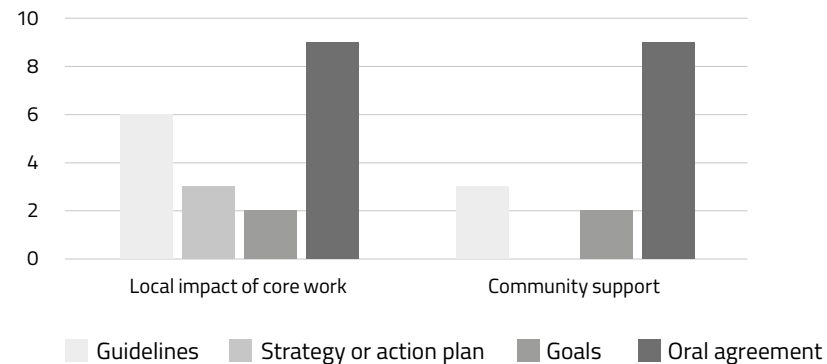


Figure 20. Overview of different workplace management tools in portfolio companies

## Local impact of core activities and stakeholder engagement

**In one sentence:** 57% of companies hold open dialogue with local residents, and a bit more with other external stakeholders.

24% (2019: 29%) of portfolio companies have set specific guidelines, a strategy, action plans or goals for managing their impact in local neighbourhoods – health, safety, noise, vibration, odours, or transportation issues caused by its business activities.

57% (2019: 50%) of companies have held an open dialogue with local residents regarding adverse impacts, controversial matters, or sensitive issues reported during 2020. One company (2019: 28%) initiated the dialogue proactively, and 75% (2019: 57%) reactively, in response to signals from stakeholders.

76% (2019: 75%) of portfolio companies engaged other major stakeholder groups (e.g. consumers, suppliers, regulators, media entities, and academia) during 2019 for the purposes of discussing their expectations regarding responsible social, environmental, and business behaviour. 67% (2019: 67%) of them did so on their own initiative proactively, and 19% (2019: 17%) reactively, in response to signals from stakeholders.

79% of companies had established mechanisms for expressing grievances or concerns about the company's activities for at least some stakeholder groups:

- 81% for employees,
- 67% for clients and customers,
- 43% for suppliers,
- 10% for local residents and wider public.

None of the portfolio companies received official significant complaints or grievances expressed by local residents in 2019.

---

3

out of four companies  
engage actively with  
external stakeholders

## Support for community initiatives and development of the sector

**In one sentence:** Though less companies contributed to giving back to the society with financial support than in 2019, the total sum was considerably larger.

33% (2019: 21%) of companies have defined any guidelines, a strategy, action plans or target for their community support activities. 38% (2019: 58%) of all portfolio companies gave financial support to the local community or to projects relevant for society. The average sum donated was €7,846 (2019: €9,000), ca €204,000 (2019: €115,000) in total.

71% (2019: 67%) of portfolio companies worked in collaboration with other organizations during the reporting year to address ESG, sustainability, or responsible-entrepreneurship issues. 43% (2019: 63%) of them claimed they took an active role in doing so.

---

71%

of companies  
cooperate with  
others on ESG and  
sustainability issues

## BaltCap and Labochemia mobilised medical equipment for the Baltics

In spring 2020, BaltCap Infrastructure Fund (BInF) portfolio companies with partners and Labochemia supplied 50,000 respirators, 75,000 3-ply masks, over 100,000 gloves, 5,000 rapid tests and other personal protection equipment to the Baltic countries.

In Estonia, recipients of the donation were national Covid-19 treatment hospital North Estonia Medical Centre and Kuressaare Hospital in Saaremaa. In Latvia, donations addressed 70 municipalities and their social workers, municipal police and elderly homes. In Lithuania, the personal protection measures were supplied to numerous Vilnius healthcare institutions.

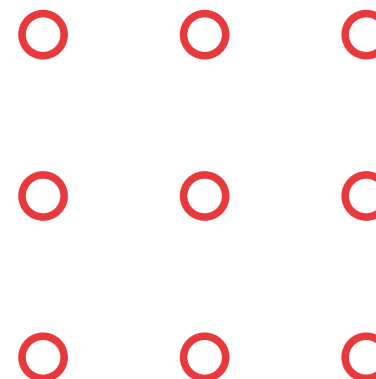
BInF portfolio companies and other infrastructure companies in the Baltics acted as market makers to Labochemia and helped to mobilize EUR 338,000 worth of supplies by donating EUR 153,000.



*Matiss Paegle, Investment Director of BaltCap Infrastructure Fund, helping to deliver the medical supplies. Photo: BaltCap.*

## Examples of business networks and other organizations where portfolio companies act as members:

- **Anaerobic Holding** in a biogas association;
- **Bluebridge Technologies** in Latvian Healthcare Employers' Association;
- **BPT Real Estate** in electric vehicle charging station providers network;
- **Ecoservice** Lithuanian Association of Public Utilities and Waste Managers, and Lithuanian Confederation of Industrialists
- **EKJU** in Latvian Chamber of Commerce and Industry
- **Eesti Keskkonnateenused** in Estonian Association of Environmental Management, Estonian Association of Circular Economy Companies, and The Estonian Employers' Confederation
- **EvoGrupa** in firefighters association, and water management association;
- **FCR Media** in SIINDA (international association for local search, digital advertising, media, mobile and "on demand" industries).
- **Forest Investment** in association of independent heat producers;
- **Impuls** in IHRSA (International Health, Racquet and Sports Club Association), Europe Active - Association uniting fitness federations in Europe, LSKA (Lithuanian Association of Fitness Clubs), and LDK (Lithuanian Employers Confederation);
- **Intrac** in Estonian Forest and Wood Industries Association, Latvian Tractor Trade Association, Latvian Chamber of Commerce and Industry, BNI Latvija, Lithuanian Quarry Association, and Lithuanian Biomass Producer's Association
- **Pure Chocolate** in Latvian Chamber of Commerce and Industry
- **Workland** in local chambers of commerce, StartupEstonia, and Invest Lithuania.



## Important social contribution by Unimed and Qvalitas

After the outburst of Covid-19 crisis in spring 2020, Unimed was among the few emergency clinics in Estonia and launched a nation-wide helpline for patients. In partnership with Estonian Dental Association, Unimed played an active role in developing Estonian protocol for safe dental care.

Qvalitas Arstikeskus had a crucial role in setting up the Estonian Covid-19 testing network right after the outburst of the pandemics. Today, Qvalitas is among the key players carrying out the Covid-19 vaccination in Estonia.





# Category

## Summary: ESG Leadership

In BaltCap, above all we value the practical contributions of portfolio companies in avoiding negative ESG effects and impacts, and maximizing opportunities from social and environmental aspects and good corporate governance. Paying increasing attention to directed sustainability management and ESG leadership gains higher relevance each year, but should depend on the specificity of the sector, market and value chain, and also on the possible added value it could give.

ESG leadership could be expressed through:

### **Learning and contributing to sustainability and responsible business related networks**

- BaltCap itself is one of the founding members of Responsible Business Forum in Estonia, and Martin Kõdar has served as a Board Member since 2013. None of portfolio companies participated in such networks, except Eesti Keskkonnateenus in Estonian Association of Environmental Management (founding member since 2003).

### **Taking a holistic view on own impacts, e.g. in relation to the framework of UN Sustainable Development Goals (SDG)**

- Elaborating business strategies and explaining their societal impact through SDGs would be an opportunity for businesses to put their core work into a wider context.

According to the ESG survey, portfolio companies consider SDGs number 3, 8, 9, 12, 13 and 17 the most relevant for them (those for which they either have the greatest influence through core business, products or services, or in relation to which they are influenced most).

Similarly to previous year, the major connection is seen in health (SDG3), economic and employment growth (SDG8), industrial development and innovation (SDG9) and responsible production and consumption (SDG12), and climate impact (SDG13).

Compared to previous year, SDG-s number 7, 9 and 13 gained more relevance for portfolio companies – two of them are clearly related to environmental impacts.

---

Environmental SDG-s number 7 (sustainable energy) and 13 (climate action) gained the most relevance compared to previous year

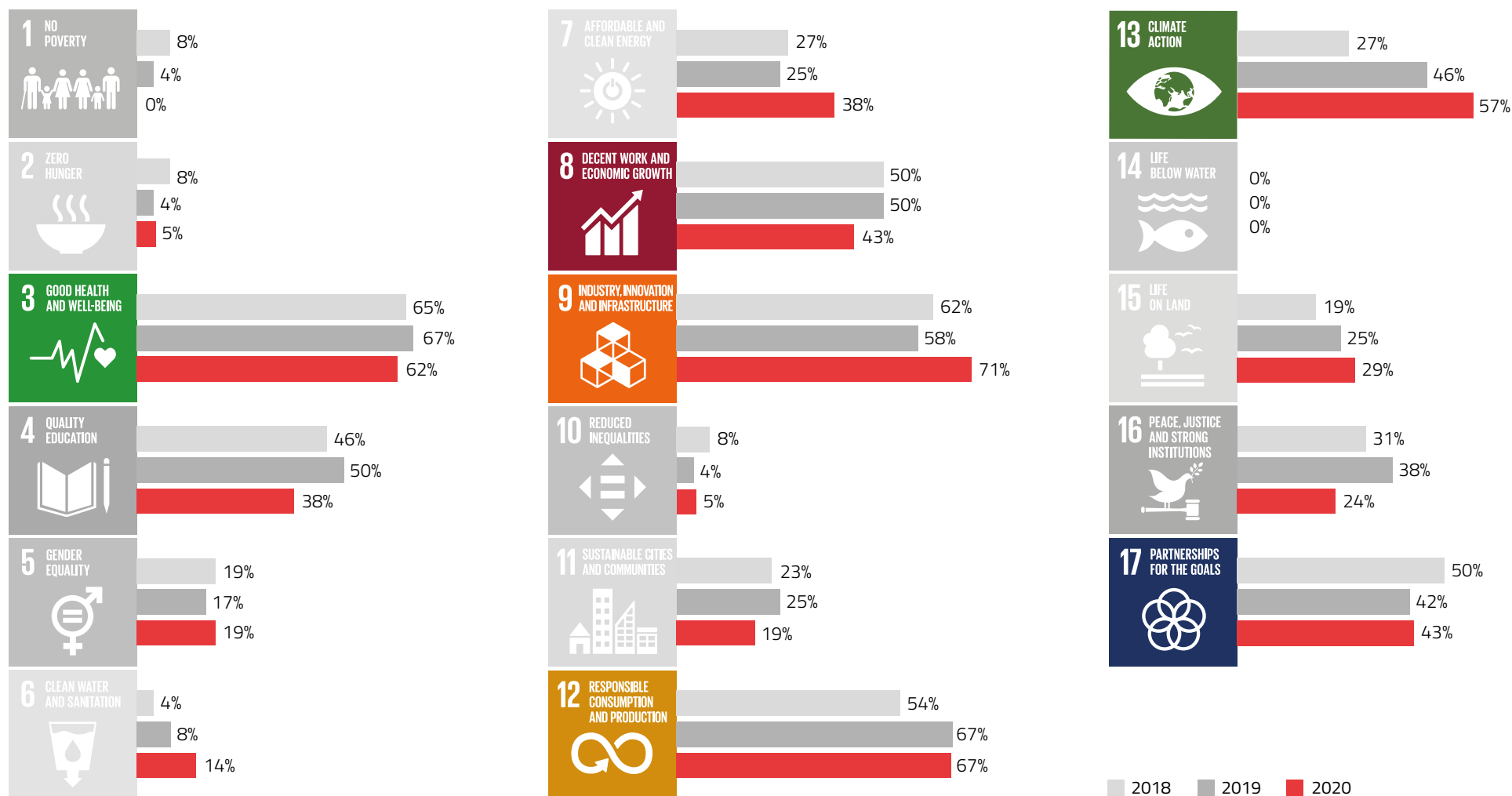


Figure 21. Percentage of companies that consider each SDG among five most relevant for them

## Clean Water Hackathon sought to improve the quality of the Baltic waters

The Hackathon drew attention to water quality issues in the Baltics and sought actionable solutions for mitigating the problem.

Seven pan-Baltic expert teams participated, and two winners were announced. EkoDrena provided a solution for mitigating the negative environmental effects of farming. PurOcean developed a unique technology for cleaning the bottom of water bodies.

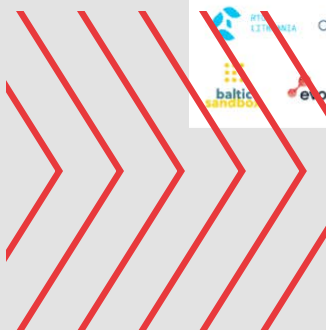
Clean Water Hackathon was organized by BaltCap, innovation consultancy Katalista Ventures, and backed by Nefco. The event lasted for a record-long 12 days, including 85 team meetings with mentors and partners.



The banner features a blue ocean background with the title "CLEAN WATER HACKATHON" in large white letters. Below the title is a white water drop icon and the text "LET'S CLEAN BALTIC STATES WATERS TOGETHER". The banner also includes event details: "INTRO DAY: JUNE 18" and "ONLINE HACKATHON: JUNE 29". It lists the organizers as "BALT CAP" and "KATALISTA VENTURES", and the sponsor as "POWERED BY: NEFCO".

Below the banner is a grid of logos for the event's partners and sponsors. The logos include: ORGANISED BY: KATALISTA VENTURES, BALT CAP; POWERED BY: NEFCO; HACKATHON FRIENDS: RACE FOR THE BALTIC, KTH, ENVIRONMENTAL INVESTMENT CENTRE 20, Nordic Council of Ministers Office in Lithuania; and other partners like ChangeMakers ON, KPMG, CO BALT, SAULETEKIO SLENO, baltic sandbox, evolvery, Rockit, Vilniaus vandens, SUSTINERE, and Startup Lithuania.

To the right of the logos is a grid of 24 small video call windows showing participants and mentors in a virtual meeting.





## Engaging employees in ESG matters and communicating progress to relevant stakeholders:

- 86% (2019: 83%) of companies engaged their employees with regard to ESG in 2020. Most often the following measures were taken:
  - 12 companies informed employees as a part of usual internal communication,
  - 9 companies introduced the BaltCap Code of Responsible Behaviour,
  - 8 companies integrated ESG aspects into individual development talks, and
  - 6 companies involved employees in development of the ESG approach.
- 52% (2019: 50%) of the portfolio companies covered ESG related topics in their external communication. Most tackled issues included:
  - human resources and workplace – 29%
  - environmental topics – 24%
  - product or service-related responsibility – 24% of all portfolio companies.

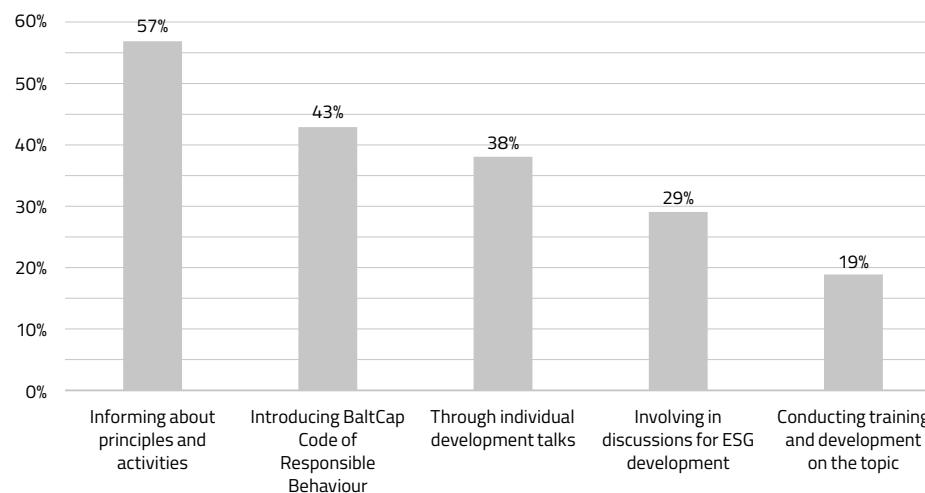


Figure 22. Percentage of companies that engage employees with regard to ESG topics in certain ways

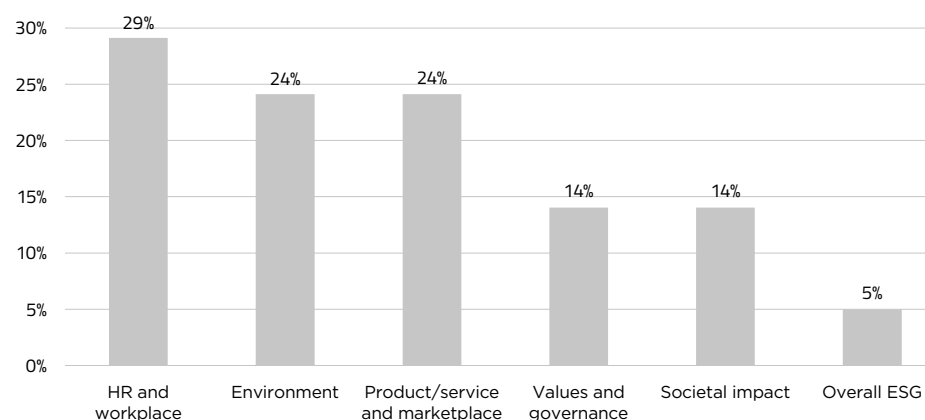


Figure 23. Percentage of companies that cover certain ESG aspects in external communication

# Appendix 1. BaltCap Code of Responsible Behaviour

We recognize that our actions and decisions influence a large number of people around us. Our primary purpose as a business is to create long term value to our shareholders and investors. But it cannot be done by “cutting corners”. We can only achieve this goal by combining excellent financial performance with responsible and sustainable business practices that take into account employees, business partners and society as well.



This is a joint code for managers and employees of BaltCap and its portfolio companies defining our values and principles which we commit to follow in our daily operations (the “Code”). This Code is not meant to be a definitive list of do’s and don’ts but rather a guide helping all of us to reduce risks and become more sustainable.

In case you face dilemmas in interpreting the Code or witness any relevant stakeholders behaving against these principles and are not sure how to act, turn to BaltCap and/or your company’s board for assistance.

A possible litmus test for application of these principles is personal conviction that your actions would stand up to public scrutiny (e.g. would be discussed on the front page of a national newspaper).

## 1. Be honest and ethical

Ethics, honesty and integrity are fundamental building blocks of trust in business relationships. We are committed to:

- Acting in good faith
- Building trust in all business relationships
- Keeping promises
- Maintaining confidentiality
- Complying with applicable laws and regulations
- Upholding the highest standards of professionalism
- Having zero tolerance for and never engaging in any form of bribery and corruption
- Keeping company’s business interests above personal interest
- Ensuring ethical handling of personal and professional conflicts of interests
- Not providing or accepting unsuitable gifts and payments that may affect the independence of decision making
- Avoiding to express personal political and/or religious preferences when representing employer

## 2. Keep your house in order and apply good governance principles

Good governance and leadership provide vital framework for the companies to operate successfully. We always aim to:

- Foster transparency
- Be open-minded and encourage each other to create an open and honest dialogue
- Compete fairly and make sure competitors do as well
- Ensure that our activities do not jeopardise the company’s reputation and brand
- Practise responsible communication and marketing
- Ensure that best practice governance standards are followed in all corporate bodies
- Communicate openly about efforts and achievements in being a responsible business
- Ensure that our products and services are safe and with good quality
- Be responsible leaders (not only as technical managers)
- Require co-operation partners to follow responsible business principles

### 3. Care about people

People are of highest value to us and have to be respected with care. We do our best to:

- Treat everyone with care, courtesy, dignity, fairness, and respect
- Not to discriminate or harass anyone
- Support motivation and ensure well-being of employees
- Provide a safe and healthy workplace to all employees
- Facilitate development and professional growth of each individual
- Share knowledge and experiences with colleagues and partners

### 4. Encourage collaboration for more advanced society

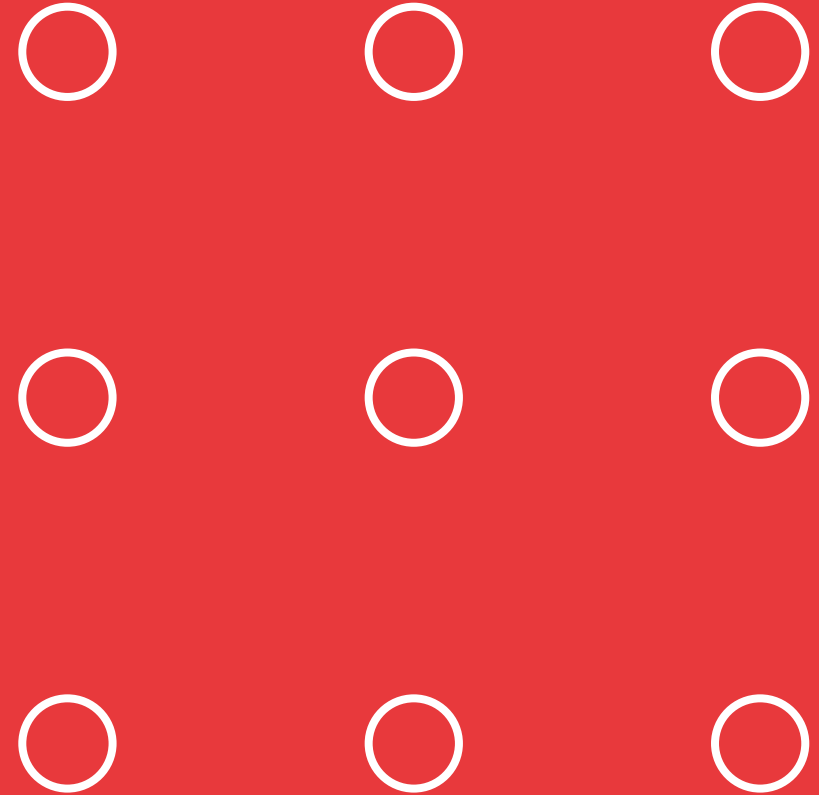
The increasing interconnection of business and society is something that all companies have to deal with to build long term success. We make an effort to:

- Consider wider societal impact of every business decision
- Promote dialogue and collaboration with peers in our industry and local business community
- Organize activities in a manner that consider the interest of the communities around us
- Devote resources and support initiatives that lead a shift to a more sustainable society

### 5. Respect natural environment

We respect the limits of our planet and take our responsibility towards environment seriously. We seek to:

- Consider environmental impact of all our actions and decisions
- Strive beyond the minimum requirements of environmental regulations and standards
- Adopt new technological solutions to improve our efficiency and reduce the use of resources, waste and emissions
- Support innovation that results in smarter use of natural resources in our own activities and also for our cooperation partners and customers



BaltCap