

INL

BALTIC SEA GROWTH FUND



Annual ESG Report – 2022

May 2023



INVL Baltic Sea Growth Fund: overview

GENERAL			INVESTMENT STRATEGY FOCUS			
€164.7m TOTAL COMMITMENTS	2019 VINTAGE YEAR	Lithuania DOMICILE	 GEOGRAPHY Focus: Baltic Sea region Opportunistically: selected investments in other EU countries	 INDUSTRIES Industry-agnostic and diversified	 COMPANY SIZE Late-stage SME, Small- Cap and Mid-Cap companies	 EQUITY TICKET SIZE €10m – €30m Larger deals with co-investment
MANAGEMENT COMPANY			Starting from the Baltics as a steppingstone we strive to develop regional market leaders			
 INVL Asset Management	<ul style="list-style-type: none"> 100% subsidiary of the leading Lithuanian asset management group Invalda INVL. Active since 1991 and with a solid track record, Invalda INVL group boasts 30 years of experience in managing private equity assets in the Baltic countries and CEE landscape while developing companies into best-in-class market leaders. 	300 000 CLIENTS				
INVESTMENT COMMITTEE						
 Darius Šulnis MANAGING PARTNER	 Deimantė Korsakaitė EXECUTIVE PARTNER	 Nerijus Drobavičius PARTNER	 Vytautas Plunksnis PARTNER	 Vidas Venckus PARTNER	 Ashwin Roy NON-EXECUTIVE PARTNER	 Alvydas Banyš SENIOR ADVISOR
SUPERVISION						
REGULATOR		AUDITOR		DEPOSITORY		

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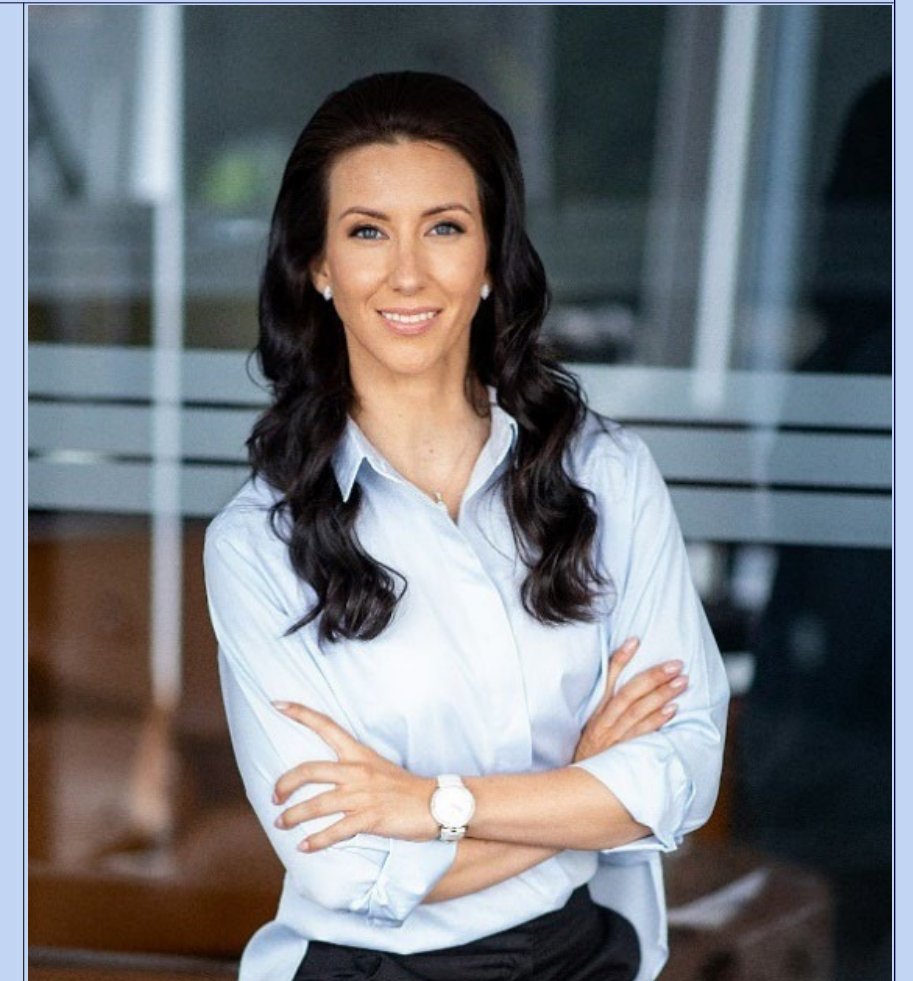
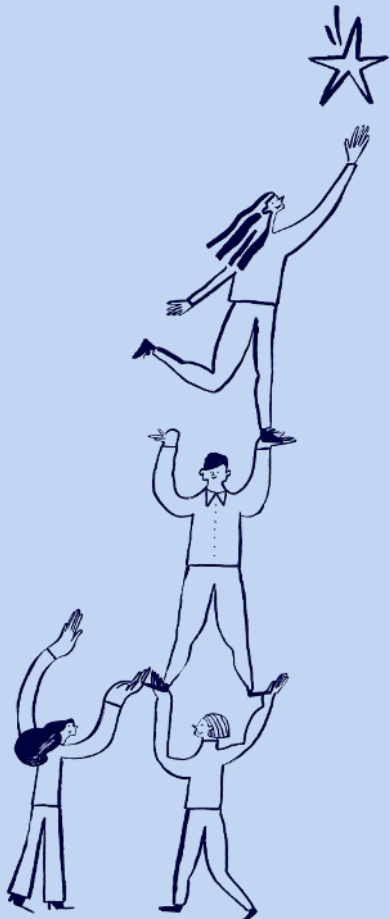
Dear Investors,

The year 2022 was marked with staggering geopolitical events and continued increasing economic shocks, acting as a reminder for the importance of focus and resilience. In this challenging environment, we have further continued with our commitment to sustainable investment practices, building upon the foundation since strengthening our internal ESG processes last year.

With three new portfolio companies having joined in 2022, the practical implementation of the determined ESG procedures has been further tested in full flow, covering both the pre-investment assessment phase as well as active engagement throughout the holding period, addressing ESG related risks and opportunities.

Looking ahead, we remain dedicated to strong ESG practices and will continue to collaborate with the portfolio companies and key stakeholders with the aim of creating enduring value for our investors while contributing to the broader social and environmental well-being.

We are very excited to share the second edition of our annual ESG report, detailing the positive progress of our ESG Index, dynamics of featured KPIs as well as some of the highlights of ESG initiatives carried out in 2022.



Deimantė Korsakaitė
EXECUTIVE PARTNER

A stylized, handwritten signature in black ink, appearing to read 'Deimante'.



INVL Baltic Sea Growth Fund: portfolio overview

CURRENT PORTFOLIO

7 PORTFOLIO INVESTMENTS	€499m REVENUE 2022 pro-forma	€52m NORMALIZED EBITDA 2022 pro-forma, excl. IFRS 16	7 997 EMPLOYEES
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- Largest healthcare clinics chain in Lithuania.



- Producer of natural cosmetics and hygiene products in Latvia.
- Stepping stone for further sector consolidation.



- Leading civil engineering company in Lithuania.



- Small chain of two veterinary clinics in Lithuania, acquired as stepping stone for veterinary care industry consolidation.
- Expanded to Poland via minority investment.



- Largest environmental management group in the Baltics by sales, based in Latvia.
- Expanded into Lithuania and Czech Republic.

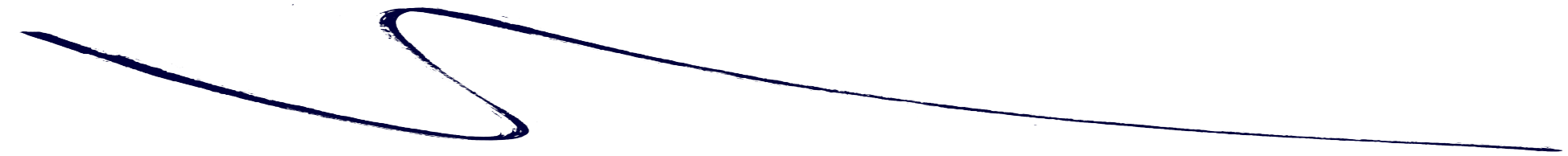


- Largest post-acute, recovery treatment and medical rehabilitation service provider in the Baltics, based in Lithuania.










- Leading European contract manufacturer of medical mobility devices.
- HQ in Denmark and facilities in Poland and China.




HEALTHCARE SERVICES	ENGINEERING / CIVIL CONSTRUCTION	WASTE MANAGEMENT & PLASTIC RECYCLING	HEALTHCARE APPLIANCES	BEAUTY & COSMETICS	VETERINARY CARE	REHABILITATION / HEALTHCARE
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Portfolio overview (1/3)

  <p>InMedica</p>	<ul style="list-style-type: none"> The largest private healthcare provider in Lithuania, operating 82 clinics, 4 medical testing labs and 5 lab sample collection sites in 27 cities across the country. Provides services in all three levels of medical care, including general practice, specialist consultations, outpatient and inpatient surgery, odontology, laboratory checks, and more. The largest merger in Lithuanian healthcare clinic history to date completed with MediCA Group in March 2022. <table border="1" data-bbox="786 465 3215 727"> <tr> <td data-bbox="786 465 1712 589">INDUSTRY Healthcare services</td> <td data-bbox="1712 465 2462 589">COUNTRY Lithuania</td> <td data-bbox="2462 465 3215 589">DATE OF ENTRY February 2019</td> </tr> <tr> <td data-bbox="786 589 2089 727">ANNUAL REVENUES (2022) €101 million <small>pro-forma</small></td> <td colspan="2" data-bbox="2089 589 3215 727">EMPLOYEES (2022) 3 049</td> </tr> </table>	INDUSTRY Healthcare services	COUNTRY Lithuania	DATE OF ENTRY February 2019	ANNUAL REVENUES (2022) €101 million <small>pro-forma</small>	EMPLOYEES (2022) 3 049	
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ANNUAL REVENUES (2022) €101 million <small>pro-forma</small>	EMPLOYEES (2022) 3 049						
  <p>Montuotojas</p>	<ul style="list-style-type: none"> One of the largest engineering solutions, industrial equipment manufacturing, construction and installation companies in Lithuania. Provides general contractor, engineering solutions, design, manufacturing, mounting, consulting and other services to industrial and energy companies operating in Lithuania and throughout the European Union. <table border="1" data-bbox="786 958 3215 1234"> <tr> <td data-bbox="786 958 1712 1097">INDUSTRY Engineering / Civil construction</td> <td data-bbox="1712 958 2462 1097">COUNTRY Lithuania</td> <td data-bbox="2462 958 3215 1097">DATE OF ENTRY June 2019</td> </tr> <tr> <td data-bbox="786 1097 2089 1234">ANNUAL REVENUES (2022) €36 million</td> <td colspan="2" data-bbox="2089 1097 3215 1234">EMPLOYEES (2022) 358</td> </tr> </table>	INDUSTRY Engineering / Civil construction	COUNTRY Lithuania	DATE OF ENTRY June 2019	ANNUAL REVENUES (2022) €36 million	EMPLOYEES (2022) 358	
INDUSTRY Engineering / Civil construction	COUNTRY Lithuania	DATE OF ENTRY June 2019					
ANNUAL REVENUES (2022) €36 million	EMPLOYEES (2022) 358						
   <p>Eco Baltia</p>	<ul style="list-style-type: none"> The largest environmental management group in the Baltics, providing the full cycle of waste management and plastic recycling. #1 PET and PE/PP recycler in the Baltics, #2 privately-owned municipal waste collection business in Latvia and #1 player in Lithuania (Eco Baltia acquired add-on Ecoservice in August 2021) as well as #1 in organization of waste recovery ("green-dot") in Latvia. Expanded outside of the Baltics in September 2022, acquiring a leading Czech polyester fibre producer TESIL Fibres. <table border="1" data-bbox="786 1468 3215 1746"> <tr> <td data-bbox="786 1468 1712 1607">INDUSTRY Waste management & Plastic recycling</td> <td data-bbox="1712 1468 2462 1607">COUNTRY Latvia / Lithuania / Czechia</td> <td data-bbox="2462 1468 3215 1607">DATE OF ENTRY June 2020</td> </tr> <tr> <td data-bbox="786 1607 2089 1746">ANNUAL REVENUES (2022) €240 million <small>pro-forma</small></td> <td colspan="2" data-bbox="2089 1607 3215 1746">EMPLOYEES (2022) 2 216</td> </tr> </table>	INDUSTRY Waste management & Plastic recycling	COUNTRY Latvia / Lithuania / Czechia	DATE OF ENTRY June 2020	ANNUAL REVENUES (2022) €240 million <small>pro-forma</small>	EMPLOYEES (2022) 2 216	
INDUSTRY Waste management & Plastic recycling	COUNTRY Latvia / Lithuania / Czechia	DATE OF ENTRY June 2020					
ANNUAL REVENUES (2022) €240 million <small>pro-forma</small>	EMPLOYEES (2022) 2 216						

Portfolio overview (2/3)

 MBL	<ul style="list-style-type: none"> • Leading European contract manufacturer of medical mobility devices, specializing in wheelchairs, rollators, aged care beds and other rehabilitation equipment. • Headquartered in Denmark with manufacturing facilities in Poland and China. 		
	INDUSTRY Healthcare appliances	COUNTRY Denmark / Poland / China	DATE OF ENTRY August / September 2020
	ANNUAL REVENUES (2022) €89 million	EMPLOYEES (2022) 1 510	
 B2Y	<ul style="list-style-type: none"> • Growth-stage Latvian-based beauty and cosmetic manufacturer and brand owner. • Develops and manufactures natural skincare, oral care, hair care and other hygiene products with a strong focus on quality and innovation. • B2Y brand is targeted towards people with sensitive or problematic skin and is especially known for its anti-ageing product range. 		
	INDUSTRY Beauty and cosmetics	COUNTRY Latvia	DATE OF ENTRY February 2022
	ANNUAL REVENUES (2022) €1.3 million	EMPLOYEES (2022) 33	
 MiniVet	<ul style="list-style-type: none"> • Boutique Lithuanian veterinary chain, currently operating in two locations in Vilnius. • In October 2022, became a minority shareholder in LuxVet Group, one of the largest networks of veterinary care providers in Poland, operating more than a dozen veterinary clinics as well as offering such services as pet health plans, telemedicine platform and a vet training centre business. 		
	INDUSTRY Veterinary care	COUNTRY Lithuania / Poland	DATE OF ENTRY June 2022
	ANNUAL REVENUES (2022) €0.2 million <small>Lithuanian business</small>	EMPLOYEES (2022) 5 <small>Lithuanian business</small>	

Portfolio overview (3/3)

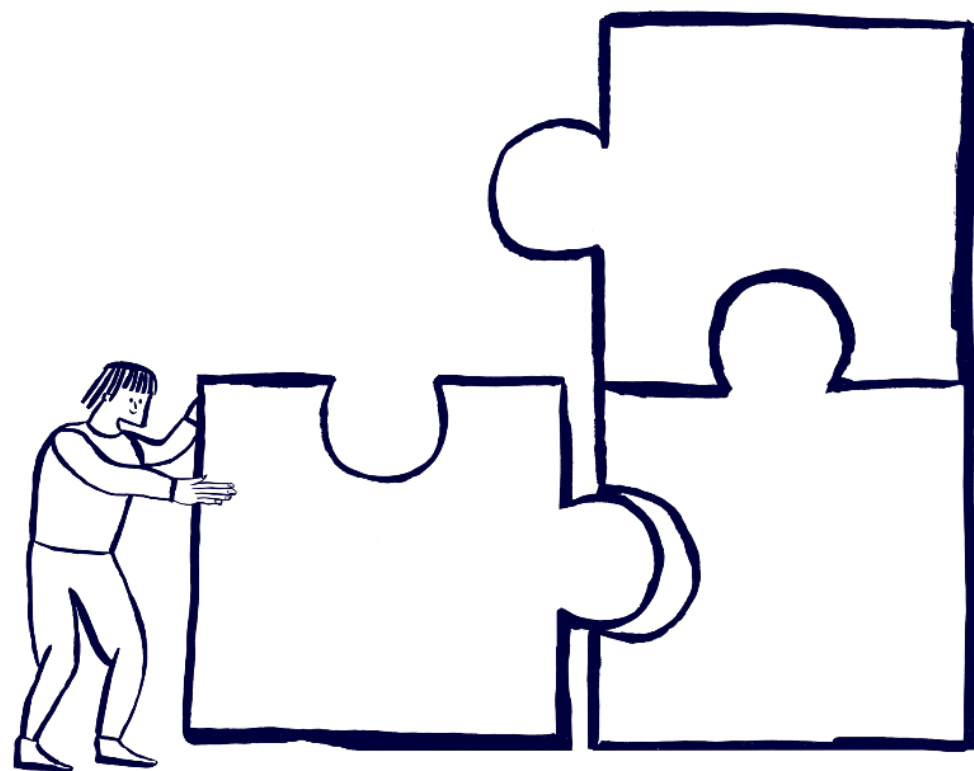
FDRC **nemunas**



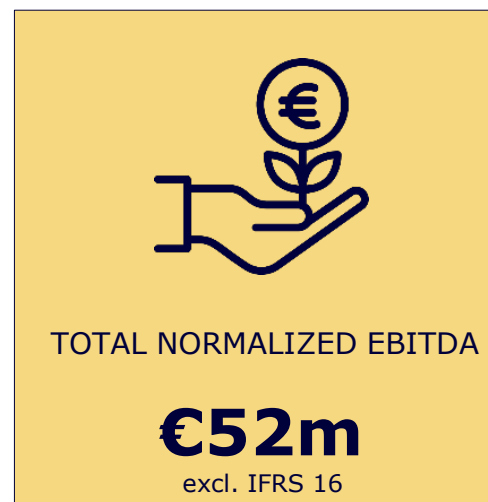
Namita / Eglės sanatorija

- Largest post-acute, recovery treatment and medical rehabilitation service provider in the Baltics.
- Operates 1 200 rooms in 2 resorts located in Druskininkai and Birštonas.
- Guests are offered a wide variety of therapeutic and wellness procedures, from traditional mud and mineral water practices to innovative physiotherapy and kinesitherapy procedures.

<p>INDUSTRY Rehabilitation / Healthcare</p>	<p>COUNTRY Lithuania</p>	<p>DATE OF ENTRY December 2022</p>
<p>ANNUAL REVENUES (2022) €32 million</p>		<p>EMPLOYEES (2022) 826</p>



INVL BALTIC SEA GROWTH FUND PORTFOLIO IN 2022



CHANGE VS 2021

+€220m

+€13m

+3 158

WHOLE PORTFOLIO

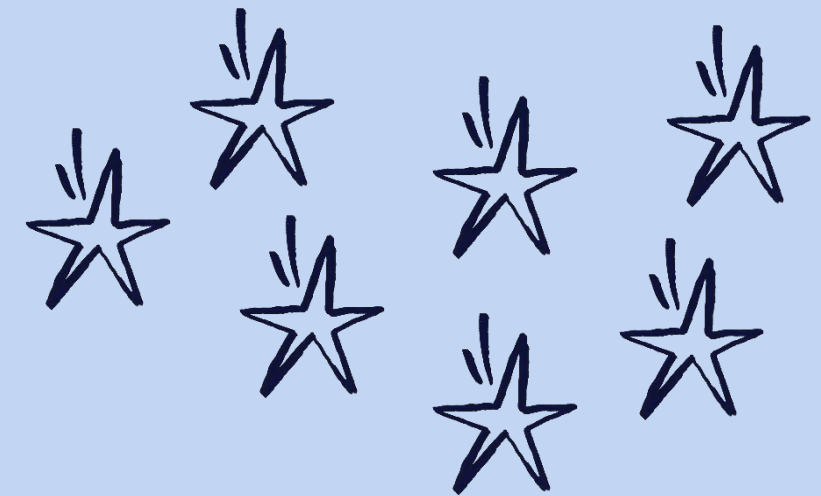
+€187m

+€8m

+2 294

2021 PORTFOLIO

**INVL Baltic Sea Growth Fund
ESG Index**

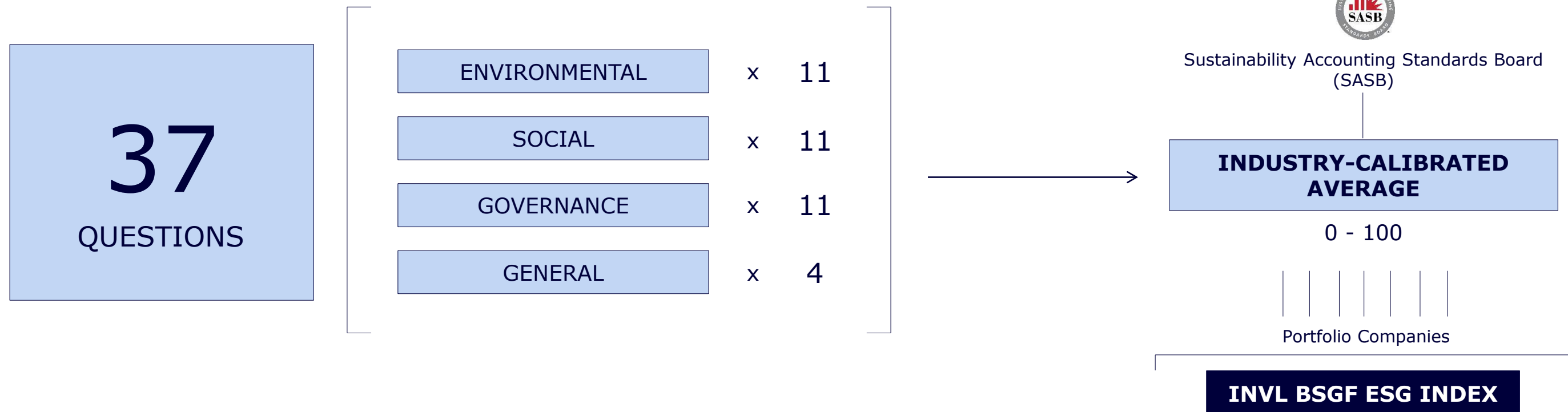


ESG KPIs & ESG Initiatives



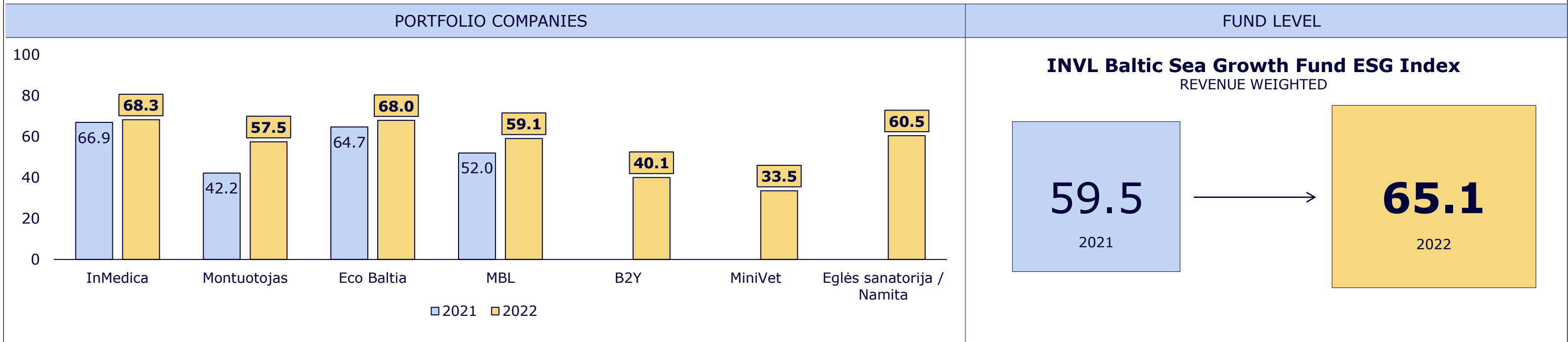
BACKGROUND

- INVL Baltic Sea Growth Fund has developed a proprietary ESG toolkit (questionnaire) grounded on international ESG frameworks which provides the ability to quantitatively measure and compare the ESG development progress at each portfolio company in a universal way.
- The toolkit consists of 37 questions: 11 questions each on the environmental, social and governance aspects of the company, as well as 4 general questions.
- Each question is provided with 4 possible answers to choose from, on a scale of 0 (worst) to 3 (best), summing up to a company's ESG score of 0 (worst) to 100 (best).
- The weightings of the categories (E/S/G) that form the overall score are calibrated based on the ESG risk areas most applicable to the particular industry of the company in question, based on the provisions of the global SASB standards.
- The questionnaires are completed by the portfolio companies' management and validated by the respective deal teams to ensure the robustness of the results.
- Overall, the toolkit provides a useful roadmap of the key underlying ESG issues at the portfolio companies which forms a strong foundation for attribution of ESG development focus areas.

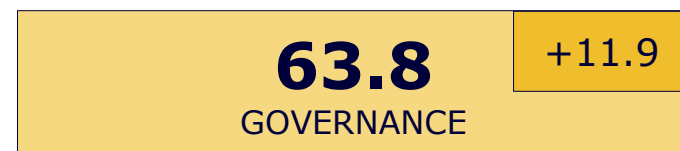
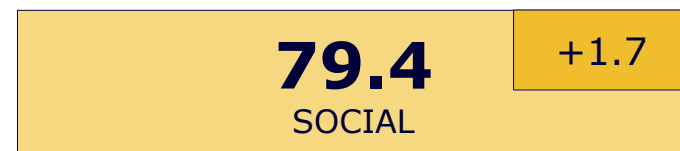
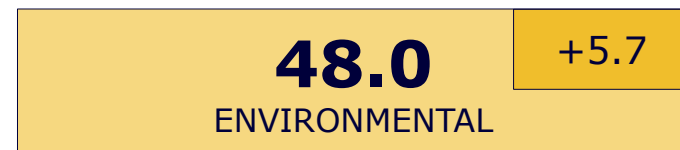




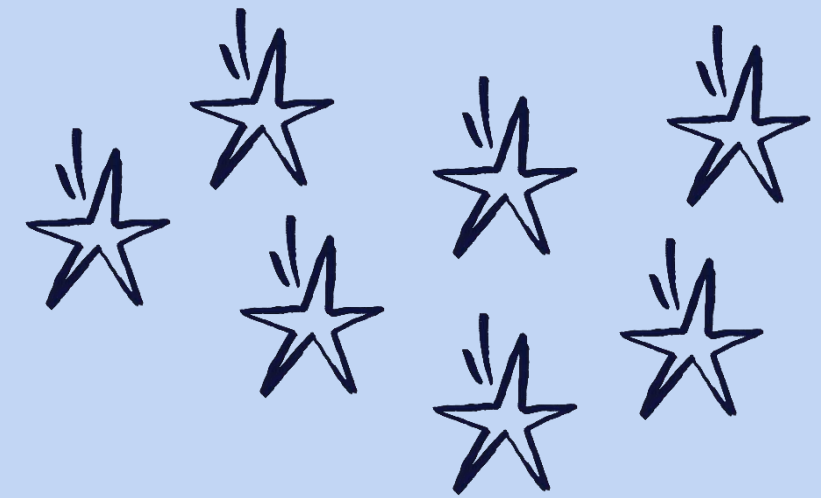
INVL Baltic Sea Growth Fund ESG Index: 2022



INSIGHTS



HIGHEST SCORING SUB-CATEGORIES	LOWEST SCORING SUB-CATEGORIES
Health and safety	Global ESG management initiatives
Legal compliance/enforcement	Supply chain management
Occupational accidents monitoring and mitigation	Extensiveness of ESG reporting and auditing
Fairness and transparency in way of doing business	Environmental management policy/procedures
Community and stakeholder engagement programmes	Resource efficiency measures



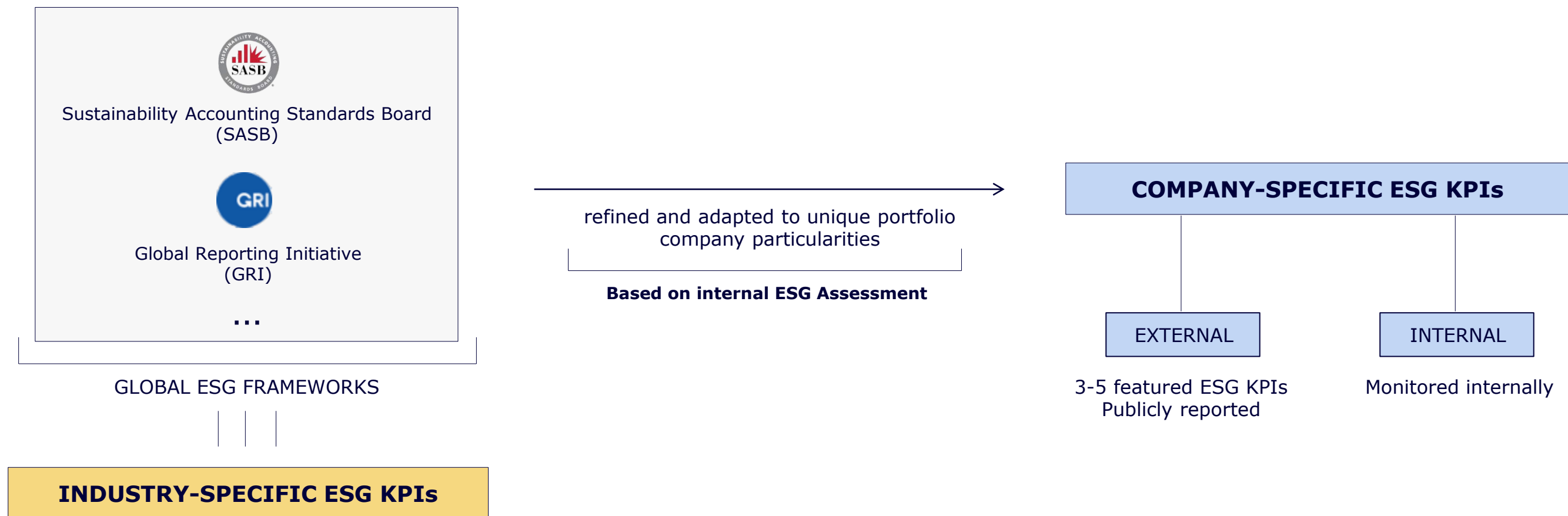
**INVL Baltic Sea Growth Fund
ESG Index**

**ESG KPIs
&
Featured ESG Initiatives**



BACKGROUND

- To strengthen our commitment towards the ESG development progress we have set individual ESG KPIs for each portfolio company based on the identified ESG profile given the ESG assessment carried out during the pre-investment stage.
- The KPIs stem from global ESG frameworks (such as SASB, GRI) and take into account both industry specifics as well as are adapted to individual company particularities.
- Each portfolio company has 3 to 5 ESG KPIs designated to be reported annually as part of INVL Baltic Sea Growth Fund’s ESG reporting, while a set of other ESG KPIs are monitored internally.
- The provided annual KPI values stand as a reference for future periods, with a goal of aiming to improve the relevant indicators (or ensure the highest standards are maintained) throughout the holding period.

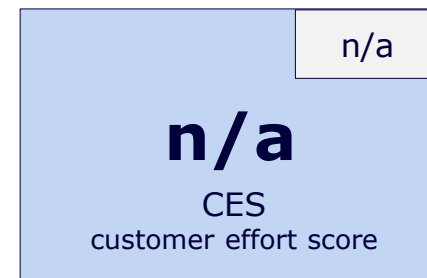
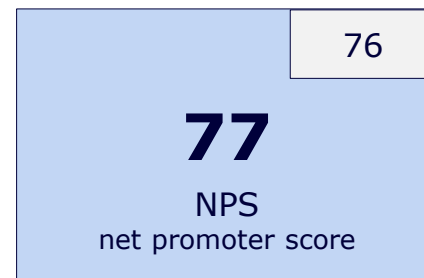


2022 ESG KPIs & Featured ESG Initiatives: InMedica

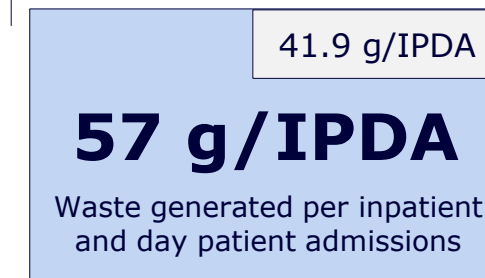
2022
2021

ESG KPIs

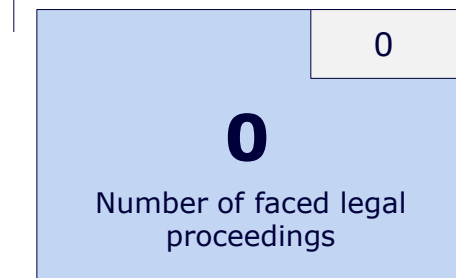
CUSTOMER WELFARE



WASTE MANAGEMENT



BUSINESS ETHICS



CES was intended to be introduced as a customer welfare metric since December 2021, however, given the merger with MediCA group completed in March 2022, it was decided to use only the CSTA and NPS metrics.



FEATURED ESG INITIATIVE

World Aorta Day 2022

- InMedica group takes serious commitment to addressing health issues affecting the general society through public events.
- Under its secondary care brand Kardiolita, the group organized a **campaign to mark the annual World Aorta Day** (September 19th), together with the Endovascular Specialists Association, in Vilnius city centre, next to the acclaimed MO art museum.
- As part of the event, the country's population is invited to undergo a **preventive aortic echocardiogram for free by highly qualified Kardiolita professionals**.
- The event, which has become a long-standing tradition, with Kardiolita organizing it and offering free-of-charge check-ups for 4 consecutive years, **not only raises public awareness of preventive health care but also saves lives**.
- Aortic aneurysms are often regarded as **"silent killers"** as they usually don't have any symptoms until they rupture or dissect, with an extremely high (60-80%) mortality rate once that happens.



2022 ESG KPIs & Featured ESG Initiatives: Montuotojas

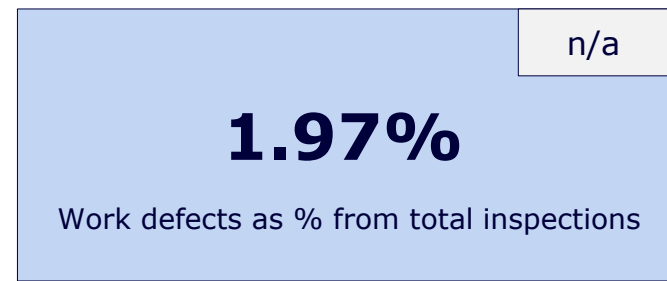
2022
2021

ESG KPIs

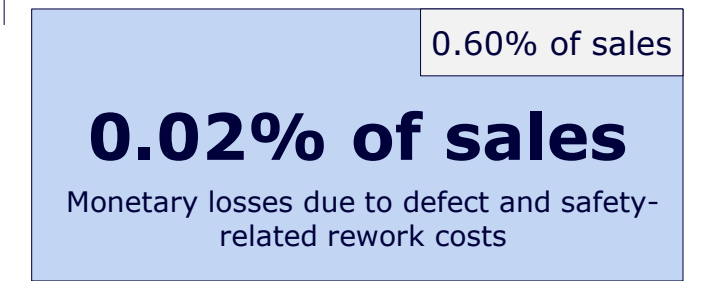
HEALTH & SAFETY



WORK QUALITY



STRUCTURAL INTEGRITY



FEATURED ESG INITIATIVE

LEAN implementation



- In July 2022, Montuotojas' management in collaboration with an external expert initiated the **implementation of LEAN system protocols in its production activities**.
- The main goal of the concept is to improve efficiency and effectiveness by **reducing the time spent on non-value-adding activities and optimising the workflows**.
- **Regular quality control procedures** have been implemented, focusing on ensuring that **check-ups are done as early in the production process as possible** to reduce the impact of potential manufacturing defects.
- **Clear quality specifications** were defined and formalized, workers participated in a training program. Other initiatives include **stock management optimization**, including the implementation of the just-in-time inventory system.

5% → 3%
Actual defects ratio
(calculated by working hours)

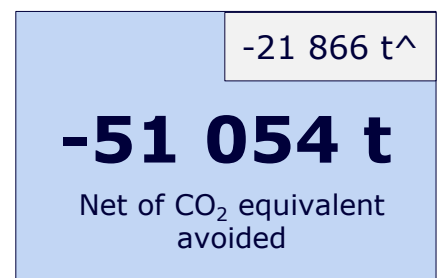
+12%
Turnover of inventories in the
production facilities



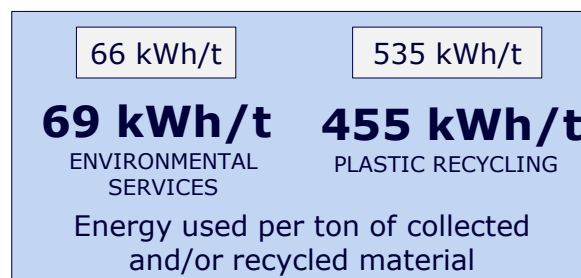
2022 ESG KPIs & Featured ESG Initiatives: Eco Baltia

ESG KPIs

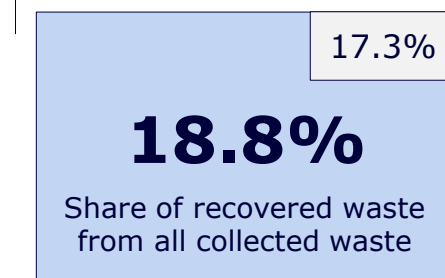
GHG EMISSIONS



ENERGY MANAGEMENT



RECOVERY



HEALTH & SAFETY



[^] excl. Ecoservice impact as no comparable data for this KPI was available for year 2021 (given the August 2021 closing)

FEATURED ESG INITIATIVE

Textile sorting infrastructure & social campaigns in Latvia



- Fast fashion and consumerism leaves a major impact on a large part of society and environment as the amount of textiles is increasing, with an average of **30% of clothes in Europeans' wardrobes ending up unused.**
- Since 2019 **Eco Baltia has been creating infrastructure in Latvia** to ensure textile sorting options for the society **to reduce the amount of landfilled textile** and has been educating about the impact of the textile industry and necessity to sort textile separately from other materials through **social campaigns.**
- **Public awareness of textile sorting possibilities has increased significantly** – while in 2021, 53% of respondents admitted that they don't sort textile waste because they did not know where to do it, in 2022 the share of such respondents **decreased to 43%.**
- Finally, aided by Eco Baltia's social and public affairs campaigns, **Latvia is one of the first countries in the EU where separate textile sorting must be provided from 2023** (requirement in the rest of EU – 2025).



140
Eco Baltia's textile sorting points created in Latvia

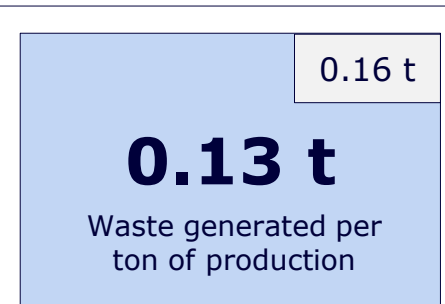
2 700 t
Textile collected by Eco Baltia

2020: 21% → 2022: 33%
Share of respondents who dispose of textiles in special sorting containers

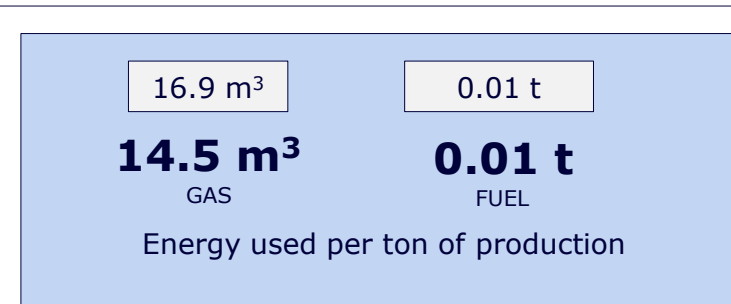
2022 ESG KPIs & Featured ESG Initiatives: MBL

ESG KPIs

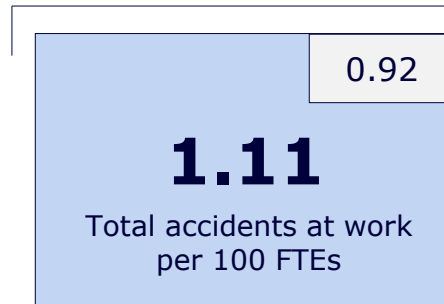
WASTE MANAGEMENT



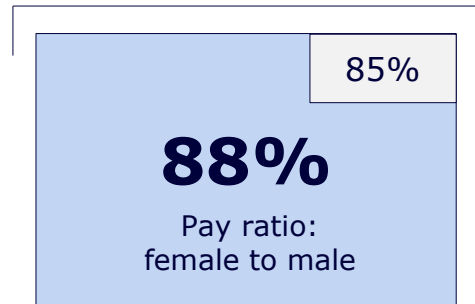
ENERGY MANAGEMENT



HEALTH & SAFETY



GENDER PAY EQUITY



2022
2021



FEATURED ESG INITIATIVE

Sustainable office and business practices

- MBL has been implementing various measures to facilitate the transition towards more sustainable operations, including **setting greenhouse gas emissions reduction goals**.
- **MBL's office have been transformed to be environmentally friendly** with recycled materials, eco-friendly furniture, and green features such as a green roof and wall.
- MBL encourages its employees and customers to adopt sustainable practices and has launched the "Produce & Protect" project to reduce their environmental impact, starting with the **switch from industrial pallets to EURO pallets, which can be reused, in product supply**.
- The company has also been **investing into its energy efficiency**, including new generation compressors and LED fittings.

4 units → 60 MWh

Annual electricity savings with 4 units of new generation compressors

58 fittings → 6 MWh

Annual electricity savings with replacement of 58 old generation light fittings to LED sources

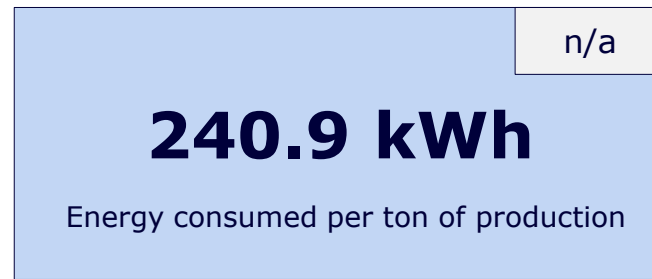
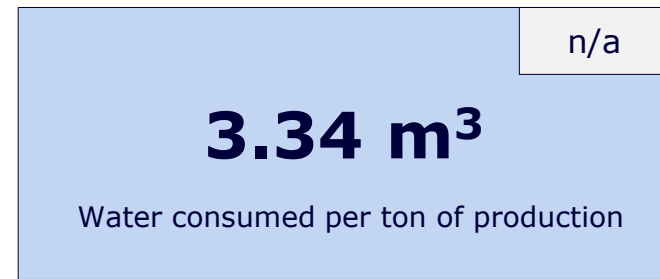


2022 ESG KPIs & Featured ESG Initiatives: B2Y

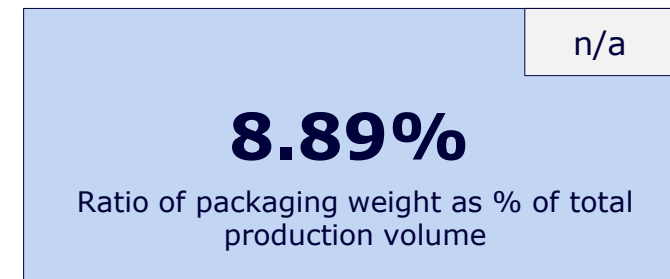
2022
2021

ESG KPIs

ENERGY MANAGEMENT



RESOURCE MANAGEMENT



Note: 2021 values not applicable given B2Y was not part of the Fund's portfolio in 2021.

FEATURED ESG INITIATIVE

Powder products: saving packaging and water



- Innovative ingredients, comfort of use and nature-friendly products are increasingly favored by clients.
- In 2022, **B2Y started producing shower gels and shampoos in powder form** which does not contain water.
- Customers are able to mix these products with water at home and prepare shower gels and shampoos by themselves – this means that the company can **reduce its usage of plastic packaging containers** as well as **decrease the total weight of the end-products**.
- A similar product just in a **tablet form** has already been in the assortment which has also been contributing to the reduction of total waste.
- In addition, B2Y has launched a project of **toothpaste production in nature friendly recyclable aluminum tubes**.



167 819 → **42 t**
Shower flakes (powder) produced in 2022 Tonnes of water saved

303 930 → **15 t**
Single-use tablets produced in 2022 Tonnes of water saved

2022 ESG KPIs & Featured ESG Initiatives: MiniVet

ESG KPIs

WASTE MANAGEMENT

2022	n/a
2021	n/a

8.6 g/IPDA
Waste generated per inpatient and day patient admissions (IPDA)

CUSTOMER WELFARE

2022	1
2021	n/a

1
No. of customer complaints

BUSINESS ETHICS

2022	0
2021	n/a

0
No. of faced legal proceedings

Note: 2021 values not applicable given MiniVet was not part of the Fund's portfolio in 2021.

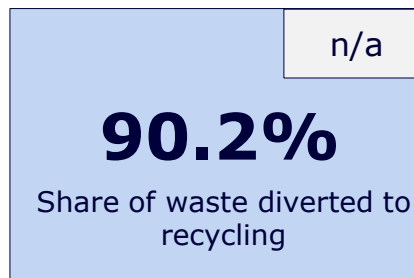


2022 ESG KPIs & Featured ESG Initiatives: Namita / Eglės sanatorija

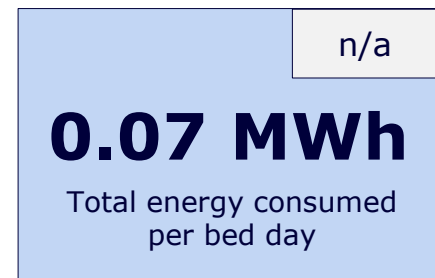
2022
2021

ESG KPIs

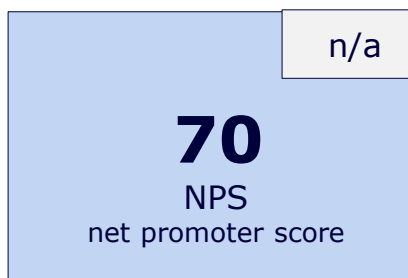
WASTE MANAGEMENT



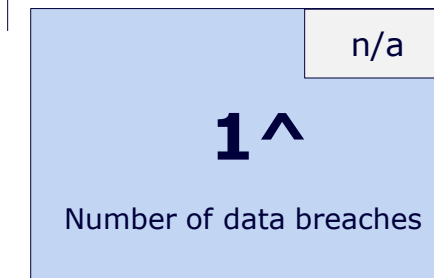
ENERGY MANAGEMENT



CUSTOMER WELFARE



DATA SECURITY



HEALTH & SAFETY



[^] Technical breach related to cookies selection on the website. No breaches of personal data

Note: 2021 values not applicable given Namita/Eglės sanatorija was not part of the Fund's portfolio in 2021.

FDRC **nemunas**



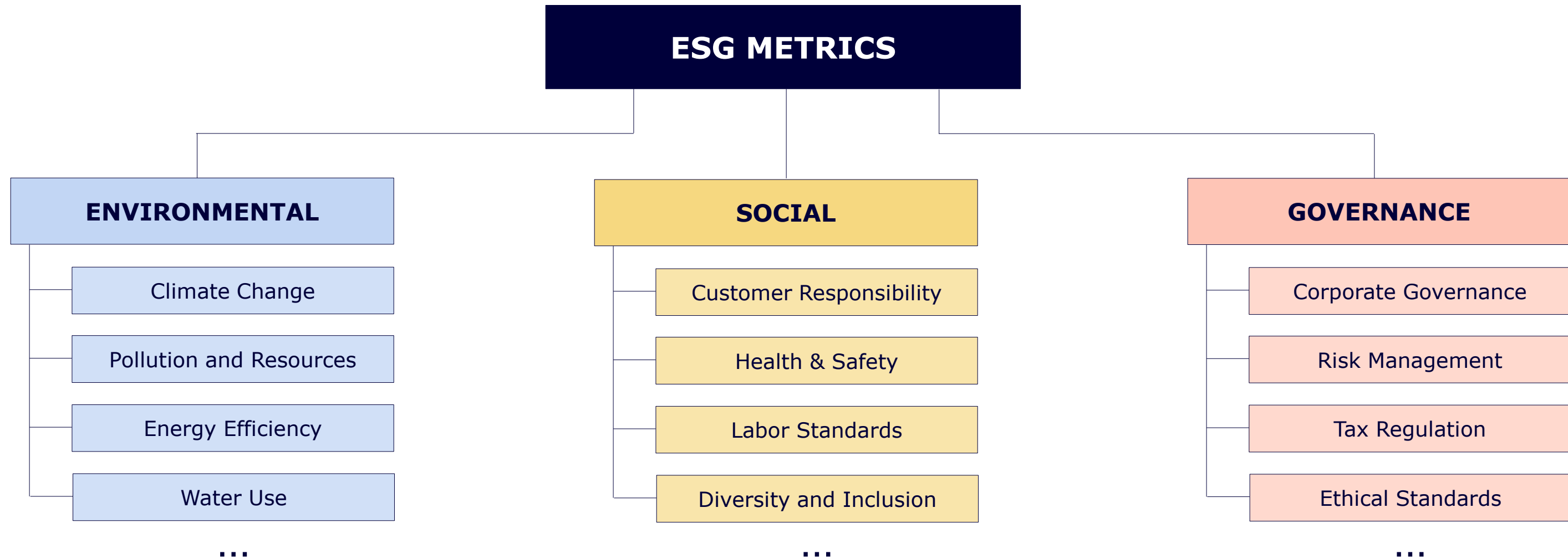
FEATURED ESG INITIATIVE

Druskininkai SPA 50th anniversary: local community engagement

- The first construction workers came to the forest site on the outskirts of Druskininkai in 1968 while the Medical SPA Eglės sanatorija welcomed its first guests in June 1972, thus **2022 marked its 50th anniversary**.
- Eglės sanatorija has become a true staple of its hometown of Druskininkai, including being a workplace of many local families throughout the decades.
- As part of the celebrations, Eglės sanatorija organized various activities **engaging the company's alumni and the whole local community** throughout the year.
- Eglės sanatorija **gifted the concert of the singer Monika Liu**, who represented Lithuania at this Eurovision Song Contest 2022, as part of the Druskininkai Resort Festival 2022.
- Various other initiatives included **free invitations to all present and past employees to use SPA facilities, weekly competitions, historic photo galleries**, as well as a **documentary film** featuring the thoughts and memories of former employees, managers and city mayors.



- We believe that good ESG practices go hand-in-hand with long-term value creation.
- We aim to build lasting value in the businesses we invest in by fostering fundamental performance improvements through our active engagement in portfolio companies. By taking into account environmental, social and governance factors in our investment process and ownership practice, we strive to create sustainable value for all our stakeholders.
- Our ESG policy adopts the internationally recognized standards for ESG risk management. The assessment of the performance standards is integrated into our investment analysis with the aim of improving portfolio performance.



MEMBERSHIPS OF INVL ASSET MANAGEMENT



Signatory of **Principles for Responsible Investment**



Member of **Invest Europe**



Member of **Lithuanian Private Equity and Venture Capital Association**



Member of **Lithuanian Financial Markets Institute**

More information about INVL Baltic Sea Growth Fund's ESG practices as well as further regulatory disclosures can be found on our website: <https://bsgf.invl.com/sustainability/>