

EMPOWER  
CAPITAL



Network Bulgaria

## Communication on Progress

Name of participant: Fund Manager "Empower Capital"

Country: Bulgaria

Sector: Fund Management

Period: September 2018 – September 2019

COMMUNICATION  
ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

10.09.2019

To our shareholders:

I am pleased to confirm that Empower Capital and the companies in our portfolio are firmly and unconditionally supporting the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this Communication on Progress, we describe our continuing efforts to improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders, partners and investees, using our primary channels of communication.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Elvin Guri".

Elvin Guri, CEO

## **Human Rights Principles**

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2: make sure that they are not complicit in human rights abuses

### **Assessment, Policy and Goals**

We, at Empower Capital, are fully supportive to the Universal Declaration of Human Rights. It is mandatory for our portfolio companies also to respect these human right principles throughout the entire life cycle of our common businesses. When hiring employees, Empower Capital strictly complies with the principles of the law on protection against discrimination, the law on personal data protection, as well as with the internal policies of our company – the professionals conducting the recruiting process are not and cannot be influenced by the nationality, racial and ethnic origin of the candidates, their age, gender and their beliefs.

### **Implementation**

When considering a potential investment opportunity, Empower Capital performs a rigorous and detail-oriented due diligence on the investment targets in order to ensure, amongst others, compliance with the Human Rights Principles of the UN Global Compact.

In general, Empower Capital aims to introduce an ESG Reporting system to all of our portfolio companies which shall ensure that Human Rights Principles are understood and adhered to by all of employees. Performance on ESG factors is included within the monitoring of the portfolio companies through both continuous interaction with management and with governing bodies such as Board of Directors or Supervisory Board. Empower Capital is considering the possibility to conduct annual ESG surveys on the investees, applying internal ESG appraisal system by which all portfolio companies will be compared, based on their ESG performance. Companies may be ranked based on the analysis of selected key ESG indicators for each company, a qualitative assessment of the company's policies and performances with regards to these ESG indicators, and an assessment of the company's overall progress in the field of ESG development. The primary objective of asking these questions is to increase awareness and improve ESG practices within both the portfolio companies and the investment teams. Empower Capital is encouraging its investees to develop their own code of conduct and procedures. Furthermore, Empower Capital advocates non-discrimination and encourages the project companies to promote gender equality.

Adherence to human rights principles is amongst Empower Capital's top priority.

Practical examples:

- Empower Capital is in a process of negotiating with the management of three companies the introduction of ESG reporting system. We are determined to do our best so that in the course of the next one or two years ESG Reporting will be implemented in all of our portfolio companies.

### **Measurement of outcomes**

Periodic review is conducted by our senior management at the sites of our portfolio companies in order to ensure that human rights are not violated. Employees are questioned by their employer evaluation and measures can be taken if necessary. As anticipated, no violation of Human Rights has been identified in the past year neither from Empower Capital nor from our portfolio companies.

## Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour;

Principle 6: the elimination of discrimination in respect of employment and occupation

## Assessment, Policy and Goals

Empower Capital, supports and adheres to the principles of the International Labour Organization (ILO) and particularly the conventions on the protection of workers, the prohibition of forced labour, as well as child labour. Despite the fact that these principles are being followed on a national level, we have got written policies that clearly define employee rights and responsibilities, their compensation and benefits in our company, and we follow them rigorously.

## Implementation

We raise awareness for employees on Labour Rights and policies and ensure that all employees, ours but also those in the portfolio companies, are properly and duly informed about their rights. Our company's human resources policies and procedures support and follow good Labour Principles and practices as well.

Empower Capital requires that all employees in the investee companies have the rights defined in the respective national legislation, and as a minimum the right to rest, reasonable limitation of working hours, periodic holiday, and adequate remuneration. If there are any suboptimalities identified with regards to labour law and human rights during the due diligence process, a special emphasis on facilitation of these weaker areas is put following the acquisition. We also insist that all social security contributions due are being paid in a timely manner and do not tolerate even the smallest deviations with that respect.

Moreover, Empower Capital has set procedures for regular independent monitoring and verification of compliance with its commitment to uphold labour rights standards.

Practical examples:

- Empower Capital is encouraging its employees to perform annual medical examinations, at the expense of the company, in order to monitor the health of our most valuable asset – our team.
- Prior to its acquisition by Empower Capital, Mundus Services has shown serious deficiencies with regards to internal labor practices – a large portion of employees has been paid cash and off the books, which was a usual practice for the facility management industry. Empower Capital's first action after the transaction was closed, was to bring all of employees' salaries on the books and to monitor the payment of the social security contributions. Due to the leading position of Mundus Service, this action had affected positively the whole sector, resulting in better overall working conditions for the employees in the industry.
- Empower Capital is introducing measures for labour safety and health regulation in all production companies we invest in. Furthermore, we require from the management to implement detailed KPI systems which are supposed to help tracking eventual labour incidents. In addition to it, some of the KPIs enable the regular monitoring of the environmental footprint.

## Measurement of outcomes

As a result of the periodic review of the KPIs and of the performance at both fund and portfolio companies' levels, we are happy to share that over the last year there were no incidents or violations of the Global Compact Labour principles reported. During board meetings labour issues (if any) are given special attention to, thoroughly reviewed, analyzed and ultimately solved with high priority.

## Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility;

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

## Assessment, Policy and Goals

Raising awareness within our portfolio companies and employees on environmental issues, including, but not limited only to prevention and management of environmental risks is part of our strategy and consequently amongst Empower Capital's top priorities.

## Implementation

- Introducing relevant environmental policies and performing activities in our portfolio companies aimed at raising consciousness and improving the overall energy efficiency of productions, services and internal processes.
- Introducing initiatives in our office and in our portfolio companies in order to optimize waste of materials (e.g. recycling plastics and paper) and consumption of resources (water, electricity, paper, etc.).

## Practical examples:

Empower Capital undertakes continuous actions to reduce company's negative environmental impact. Our team has undertaken the following steps to tackle this issue:

- Empower Capital has increased its efforts on reducing waste materials (e.g. recycling) and consumption of resources. The employees are taking all necessary measures for recycling print toners, Nespresso capsules, plastics (if any!), PET capsules and paper. We have a responsible approach towards reducing the use of paper, recycling it when possible and also limiting printing. Furthermore, we have substantially reduced the usage of plastic bottles in the office through the removal of plastic water bottles. This was achieved through the introduction of a water purifying system in the office that filters the tap water and makes it suitable for drinking and the partial use of water containers for multiple usage. Further initiatives undertaken within our company and our investees is the participation in annual campaigns for purchase of infant incubators for lightly populated areas in Bulgaria. The campaigns advocate people to gather bottle caps and submit them at specialized stations and in return for the caps a donation is made.

- Empower Capital insists that all of our companies take serious and responsible actions to reduce environmental footprint. As a fund manager, we require that the investee companies actively manage their environmental impact, and that they take actions to improve their environmental performance to the possible extent. The portfolio companies are encouraged to support any preventive and precautionary approach to environmental challenges.
- As a part of our environment friendly approach, Empower Capital has invested in a waste management company, Technoion. The latter owns a high-end technology and patents, already successfully applied in other countries, and is currently developing a plant for the recovery of metals and metals-based formulations from industrial waste and an installation for treatment of out of use electrical and electronic equipment up to 4800 tons per year. We expect the company to start operations by July next year.

#### Measurement of outcomes

- Periodic review of results by senior management.

#### **Anticorruption principles**

Principle 10: Businesses should work against corruption in all of its forms, including extortion and bribery.

#### **Assessment, Policy and Goals:**

The management and the employees of Empower Capital are firmly committed to conducting our business in a professional, lawful and ethical manner. We provide constant and continuous support to the UN Convention against Corruption and to other EU and international initiatives with that respect.

#### **Implementation:**

Empower Capital team does not accept corruption and bribery and this is a fundamental part of our philosophy. We raise awareness for our project companies, their representatives and middle management that they should not accept bribes in any form and should not provide improper benefits to customers, agents, contractors, suppliers, employers or to government officials. If necessary, we prefer to lose business opportunities, instead of making compromises with our beliefs and principles.

#### **Management of outcomes:**

Special audit resource was added to the management systems of all of our portfolio companies during 2018 and 2019, in order to assist the development and the implementation of adequate and satisfactory procedures for monitoring and managing complaints and fraud/theft investigation matters.

There were no corruption cases reported over the last 12 months.