



Enterprise  
Investors

# The United Nations Global Compact Communication on Progress, 2019

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## Document contents

i.	Joint statement by the company's president and vice president expressing continued support for the UN Global Compact and renewing the participant's ongoing commitment to the initiative and its principles	3
ii.	Description of practical actions the company has taken to implement the UN Global Compact principles in each of the four areas	4
	a. Human rights	5
	b. Labor	6
	c. Environment	7
	d. Anti-corruption	8
iii.	Measurement of outcomes	9
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	Contact information	10



## i. Joint statement by the company's president and vice president



**Jacek Siwicki**  
CHAIRMAN AND  
PRESIDENT



**Dariusz Pietrzak**  
VICE PRESIDENT  
ESG INITIATIVE LEADER

At Enterprise Investors we always aspire to make a positive impact on the environment, society and individuals that our firm and its portfolio companies interact with or influence. In our 30th year of operations – which makes us the region's oldest and one of its largest private equity firms – we can proudly look back on our track record of delivering on that objective.

We express our continued support for the ten principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption. Throughout the last year, we have continued to develop our responsible investment practices in the spirit of the UNGC's principles, embedding them even more firmly in our deal-making and value creation processes.

This document is our fourth annual Communication on Progress (CoP) report. We are pleased to share an update on our latest efforts to develop and implement responsible investment practices in compliance with the UNGC's ten principles. As in our prior reports, we provide short case studies of specific initiatives pursued by EI and its portfolio companies.

Reflecting on the progress made during the last year, we look forward to future opportunities for delivering continued positive impact in line with the ten principles.

## ii. Practical actions undertaken to implement the UN Global Compact principles

Enterprise Investors is one of the largest private equity firms in Central and Eastern Europe. Active since 1990, the firm has raised nine funds with total capital exceeding EUR 2.5 billion. These funds have invested EUR 1.9 billion in 144 companies in buyout and expansion financing transactions. Given that we operate across 11 markets and a broad spectrum of industries, our business decisions have a material impact on the local economies and societies. We are dedicated to ensuring that such impact is positive, building this objective into every stage of Enterprise Investors' investment process.

While we are proud of our achievements to date, we continue to develop our business responsibility standards. Earlier this year we presented to our investment team a set of revised ESG\* Due Diligence and Monitoring Guidelines. This document places a formal obligation on all team members to thoroughly assess the ESG compliance of contemplated investment opportunities and to implement our high standards in this area as part of the value creation effort following an investment. The current iteration of the document significantly expands the scope of our ESG review, the most extensive additions being in the areas of responsible and sustainable sourcing, diversity and inclusion practices, data privacy and cyber security. We have also introduced new ESG-related obligations for the deal monitoring teams with regard to ESG governance and compliance at portfolio companies, ongoing monitoring of ESG performance and ESG reporting. On the following pages we present examples of practical actions undertaken by our firm and portfolio companies to implement responsible investment standards compliant with these new revised guidelines.

Our commitment to delivering a positive impact extends beyond internal policies and business practices. Just as importantly, we advocate the adoption of high business responsibility standards across the Central European private equity industry. Four years ago our firm became the UNGC's first private equity signatory in CEE. Since then we have introduced the Global Compact framework to industry participants, and are pleased to see that other firms have chosen to adopt the format and to embed the Global Compact's principles in their investment decisions.

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\* Environmental, social and governance responsibility

## Human rights

Enterprise Investors' ESG Due Diligence and Monitoring guidelines specify how deal teams are to assess the protection of human rights at companies we consider investing in. Specifically, we expect all our investment targets to:

- / Promote fair treatment with regard to employees, business partners and customers;
- / Not engage in any form of exploitation including but not limited to child labor, forced labor and human trafficking;
- / Develop and implement diversity and inclusion policies;
- / Follow responsible consumer protection practices to prevent product mis-selling and guarantee product safety and reliability;
- / Introduce strict data protection and privacy measures;
- / Ensure that human rights protection is followed through also by the firm's suppliers;
- / Have a positive impact on local communities and population groups.

El's portfolio companies consistently demonstrate consideration for human rights protection:

- / Novaturas, the largest tour operator in the Baltic States, actively supports local communities. The company regularly provides support to animal shelters in Vilnius and Kaunas, partners with a tree-planting program and participates in the Lithuanian national project of funding holidays for children from disadvantaged families.
- / Noriel, Romania's largest toy and baby products retailer, adds to its supplier contracts a "Good Manufacturing Process" annex stipulating that child labor must be fully eliminated and that compensation policies are to be transparent and just. With the growing scale of its online business and increasing popularity of Noriel's loyalty program, the company pays particular attention to data protection and cyber security. Noriel is currently implementing the ISO 27001 standard and expects to be fully certified in December 2019, which would set it apart from most of the retailers active on the Romanian market. The firm also supports the communities in which it operates. As an example, during the last 12 months the firm donated 30 computers to IT labs at local schools and regularly gives toys to Red Cross-managed initiatives targeting disadvantaged children.
- / Polish fuel retailer and distributor Anwim, which offers fresh food products to customers visiting its fuel stations, has introduced the HACCP system. This set of guidelines sets high standards for handling fresh food products, tool and equipment cleaning and personal hygiene. The initiative will enable Anwim to prevent potential health risks for consumers of its food products. The company also pays particular attention to delivering a positive impact for the communities in which it operates. During the last year Anwim funded the construction of sidewalks and bike paths leading to a small primary school, supported the funding of a new fire engine for a local fire station, delivered charitable donations to an animal shelter and supported local hospitals and NGOs.
- / PAN-PEK, a large Croatian producer and retailer of bakery products, was the first company on the local market to create a very inclusive work environment. Since 2018 the firm has been generating work opportunities for Syrian, Middle-Eastern and African refugees fleeing war, crime and poverty in their home countries, and has been

systematically expanding the diversity of its workforce. Today, PAN-PEK employs workers from India, Syria, Congo and Egypt, offering them a safe environment in which their cultural and religious affiliations and practices are fully respected.

## Labor

Through its portfolio companies and activity across 11 markets in Central and Eastern Europe, Enterprise Investors is among the largest private employers in the region. We understand the impact our business decisions have on the lives of thousands of workers, and pay particular attention to protecting the high labor-related standards our firm has undertaken to implement, including:

- / Freedom of association and collective bargaining;
- / Fair living wage;
- / Work conditions including occupational health and safety, employee accommodation and worker oversight practices that respect the wellbeing of employees and are compliant with or exceed the applicable regulations;
- / Compliant and respectful non-employee worker practices;
- / Respectful employee recruitment, retention and retrenchment policies;
- / Professional labor-management relations;
- / Grievance mechanisms.

Consideration for worker wellbeing is reflected in practical actions taken by EI's portfolio companies:

- / In 2018 Anvim set up an Occupational Health and Safety Committee that includes employee representatives, a work physician and a dedicated H&S expert with emergency first response qualifications. The committee identifies opportunities to improve occupational health and safety standards at the firm across all areas of its operation. To that end, the company launched an emergency first response training program for all its employees using professional equipment such as phantoms (incl. child phantoms), Act Fast vests and defibrillators. As of now, more than 30% of the firm's employees have been trained and are ready to provide first response assistance.
- / PAN-PEK has made significant investments in improving work conditions in its factories. The company upgraded the plant insulation and internal HVAC systems. PAN-PEK also developed its social infrastructure, including upgrades to changing rooms, showers and toilet facilities and a break area (with a food storage and consumption space for employees). For those working in controlled temperature regimes (e.g. -18°C warehouse for frozen goods), the company supplies protective uniforms and gear and provides them with regular breaks and hot beverages.

## Environment

At Enterprise Investors we are committed to minimizing the impact of our business activities on the environment. To this end, our ESG Due Diligence and Monitoring Guidelines obligate our deal teams to review all investment targets for compliance with the following objectives:

- / Sustainable use of resources and energy;
- / Zero or reduced production of hazardous materials, waste and emissions;
- / Minimized contribution to climate change;
- / Consideration for animal welfare, local flora and natural landscape;
- / Environmental emergency preparedness;
- / Supply chain management to assure same high standards throughout the value chain;
- / Professional management of environment-related topics through establishing of appropriate structures, processes, systems and provision of necessary organizational and financial resources.

Environmental compliance of EI's investment targets continues to be assessed with the support of an independent specialized environmental auditor, Ramboll-Environ. In May 2019, Ramboll-Environ completed its annual environmental review of EI's portfolio companies. As in the previous iterations, this comprehensive report delivered a set of actionable recommendations that have been shared with the companies and will be followed up on in next year's review.

Practical measures taken by Enterprise Investors and EI's portfolio companies confirm our commitment to limiting any negative impact business might have on the environment:

- / Unlink, the largest Polish insurance multi-agency, has stopped buying drinking water in plastic packaging, replacing it with distributors connected directly to the city water system. The same initiative has been implemented by Wento, a leading developer of green energy projects in Poland, and by Enterprise Investors' office in Warsaw.
- / Anwim, a Polish fuel distributor and operator of fuel stations, pays particular attention to maintaining the highest levels of fuel transportation safety. All newly hired drivers of fuel tankers undergo 2-week introductory training that in large part focuses on environmental safety and occupational health and safety topics. The company also limits the environmental footprint of its large tanker fleet – all the trucks it buys comply with the Euro 6 emission standard and are equipped with a customized EcoFuel system. This system, developed specifically for use with liquid-transporting tanker trailers, maximizes fuel use efficiency and helps reduce emissions. Anwim also invests in improving the environmental footprint of its fuel station chains, and has introduced a series of measures based on the results of an external energy use audit. In particular, it has begun to modernize the lighting systems used across the chain (switching to automated LED systems with dusk and motion sensors), invested in thermo-insulation improvements for existing stations and raised standards for newly developed ones, started to propagate across the network eco-friendly heat-pumps and is replacing traditional water taps with motion activated ones to limit water use. This process is expected to be completed by 2021.

- / Novaturas operates a fleet of coaches that is fully Euro 6 emissions compliant. The firm has also financed external training for its employees in ecodriving techniques, with the goal of reducing fuel consumption and minimizing generation of exhaust emissions.
- / Intersport ISI, a highly successful network of sports-equipment and sportswear shops active across the former Yugoslavia region, continues to reduce its generation of packaging waste (mainly plastic, paper/cardboard and wood). All packaging waste is now separately collected, temporarily stored in containers at the place of generation and then removed by authorized entities. Intersport is also further developing and diversifying its own packaging materials. In September 2018 the company introduced new, 100% recyclable e-commerce shipping boxes to replace the existing cardboard ones. Also, the company is planning to replace offline retail plastic bags with bags made of paper or other 100%-recyclable material.
- / Wento successfully reduced its usage of printing paper by recycling single-sided printed material for printing internal documents.
- / JNT Group, a Polish producer of wine-based alcoholic beverages, performs a quarterly review of key environmental metrics including waste generation, water usage and energy usage efficiency. The company has allocated responsibilities for managing environmental footprint KPIs to managers within the organization.

### Anti-corruption

We take pride in successfully propagating professional corporate governance standards within our investment portfolio. We strive to reduce the risk of corrupt practices, and we assure business transparency and compliance with all applicable regulations. This area is subject to detailed scrutiny during the review of every investment target and remains a critical element of monitoring duties following our investments. EI's specific requirements in this field include:

- / Professional, compliant and transparent management structures, accounting standards and executive compensation schemes;
- / Positive corporate values, preferably supported by compliance-enforcing mechanisms and the countering of anti-competitive practices, bribery and corruption;
- / Transparency and acting in good faith by the company's owners and top management;
- / Business practices consistent with the law;
- / High ethical standards.

All members of the Enterprise Investors' deal team are required to act in accordance with our firm's Code of Ethics and Compliance Manual. Both of these documents are reviewed annually. High standards in this regard are also observed by our portfolio companies. As an example, the insurance multi-agency Unilink introduced formal anti-money-laundering and anti-terrorism-financing policies. It has also developed a set of procedures to mitigate conflicts of interest and corrupt behavior.



### iii. Measurement of outcomes

At any one time numerous responsible business initiatives are being pursued across EI's investment portfolio. The presented examples of measurable outcomes of such activities should be treated as a narrow sample of the overall achievements in this area during the last year.

#### Anwim

- / The company developed a proprietary system of monitoring its tanker fleet's fuel usage at individual driver level. Through a system of bonuses, Anwim encourages its tanker drivers to develop a driving style that is more fuel-efficient and generates lower emissions. Over the last year the average fuel consumption for employed drivers fell by 6.8%.

#### Intersport ISI

- / The company continues to improve the energy efficiency standards in its stores. During the last 12 months the company opened and/or refurbished 14 stores with a total area of 5,700 sqm. By equipping all of them with LED lighting and efficient heating solutions, Intersport achieved savings in energy consumption that reduced the stores' carbon footprint by 30%.

#### PAN-PEK

- / The firm, which is one of the largest bakery product producers and retailers in the Balkan region, seeks to almost entirely eliminate production of non-recyclable waste. During the last year bio-waste supplied by PAN-PEK was used to produce approximately 74 MWh of electricity. Currently 98% of the firm's waste is reused and/or recycled.

#### Wento

- / The firm continues to be one of the most active Polish developers of wind farm and photovoltaic projects. In 2018 and 2019 the projects developed by Wento produced more than 214 GWh of green energy. In an economy that relies very strongly on coal-based electricity generation, this is equal to eliminating 167,000 tonnes of CO<sub>2</sub> emissions, 156 tonnes of SO<sub>2</sub> emissions and 159 tonnes of NO<sub>x</sub> emissions.

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