



Enterprise
Investors

The United Nations Global Compact Communication on Progress, 2020/21

Enterprise Investors

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UN GLOBAL COMPACT

COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

Joint statement by the company's president and vice president



Jacek Siwicki
Chairman and
President



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The global business community faced unprecedented challenges in 2020. Not only did the rapidly spreading Covid-19 pandemic bring many industries to a hurried halt, it also made us all revisit our priorities both in our commercial activities and in our private lives. This was the time for us to step up as entrepreneurs and investors: looking after our employees, protecting jobs and ensuring the sustainability of our businesses.

More than a year has passed since the onset of the pandemic and the challenges it brought are far from over. However, we look to the future with optimism and reflect with pride on what we have accomplished in these turbulent times. We have stayed true to our commitment of making a positive impact on the environment, society and the individuals that our firm and its portfolio companies interact with or influence.

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. This document represents our fifth annual Communication on Progress (CoP) report. It provides an update on the development of our responsible investment practices in the spirit of the UNGC's principles. We share examples on how we have embedded this approach in our deal-making and value creation processes at our portfolio companies. We have also included examples of the measurable impact achieved through these initiatives.

We look forward to delivering a continued positive contribution in the years to come, working alongside the UNGC community.

Practical actions undertaken to implement the UN Global Compact principles

Enterprise Investors is the oldest and one of the largest private equity firms in Central and Eastern Europe. Since its founding in 1990, our firm has raised nine funds with total capital exceeding EUR 2.5 billion. The funds managed by EI have invested in 146 companies across a range of industries. This figure includes 122 companies in Poland and 24 companies in other countries of the CEE region. As of the date of this report our portfolio includes 11 companies in Poland, Romania, Slovenia and Croatia. With such a wide footprint, we exert a significant impact on the economies and societies of the region. Since our inception we have spared no effort in making this a positive contribution.

In 2020 and 2021, unforeseen developments related to the Covid-19 pandemic added new challenges and complexities to what was already an ambitious goal. The health and safety of our employees, customers and business partners needed to be protected as fully as possible despite the epidemic's rapid spread. At the same time, we had to assure business continuity and sustain operations while adhering to dynamically changing and often inconsistent local lockdown regimes. In retrospect, we can be proud of the outcome. All our portfolio companies maintained uninterrupted operations within the limitations imposed by their respective countries' regimes. We have protected jobs, created efficient solutions for employees working remotely and ensured safe conditions for those working at our portfolio companies' premises.

Importantly, our efforts to embed sustainable business practices across the entire investment process have continued uninterrupted. We have remained committed to reducing the environmental and climate impact of our business activities, maintaining our regular schedule of environmental auditing of our portfolio and identifying new opportunities to improve performance in this area. We have also made progress with regard to our social and governance responsibilities. In 2020 and 2021 we have worked alongside all our portfolio companies on improving codes and procedures regulating compliance and business ethics topics such as diversity and inclusion, managing conflict of interest, handling confidential information, preventing corruption, anti-money laundering, privacy assurance and data protection.

Below, we present examples of the practical actions undertaken by our firm and portfolio companies over the last 18 months to implement responsible investment standards. It is also our ambition to propagate ESG¹ standards beyond our direct area of influence. We therefore advocate the adoption of responsible investment principles in the broader private equity community. Enterprise Investors' vice president and ESG initiative leader chairs the ESG committee of the Polish Private Equity Association (PSIK). We have also joined the program council of the UNGC's Network Poland and look forward to attracting new members to our growing community of enterprises committed to delivering a positive non-financial impact.

¹ Environmental, social and governance

Human rights

Enterprise Investors' ESG Due Diligence and Monitoring guidelines specify how our investment teams should assess the protection of human rights at companies we consider investing in. We are also committed to the continuous development of standards in this regard at our current portfolio companies. Specifically, we expect all our investment targets and portfolio companies to:

- / Not engage in any form of exploitation including but not limited to child labor, forced labor and human trafficking;
- / Promote fair and non-discriminatory treatment with regard to employees, business partners and customers;
- / 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;
- / Avoid business activities that are harmful or detrimental to the local and global environment, community or economy.

Consideration for human rights was a key aspect in a number of initiatives implemented by EI's portfolio companies:

- / During the pandemic blood and blood-derived medical supplies have been in increasingly short supply. **Anwim**, Poland's leading independent chain of petrol stations, has actively promoted blood donations among its employees, petrol station agents, franchisees and customers, to help address this pressing need. The company has also shown its gratitude to medical staff fighting the pandemic, offering free snacks and drinks to ambulance crews. And it has helped alleviate poverty by donating PLN 0.50 from every cup of coffee sold in its MOYA Caffes to "Szlachetna Paczka" – a scheme offering disadvantaged people parcels containing food items, hygiene products and basic home equipment.
- / **Noriel**, a leading Romanian chain of toy stores and an e-commerce shop specialized in toy and baby products, is promoting healthy eating habits among young children. In March 2021, working in partnership with a local NGO, the company developed an educational game on this topic targeted at children in Romania's kindergartens. Noriel is also actively involved in charitable initiatives that address the needs of children with special needs, those with medical conditions and youngsters from disadvantaged families.
- / **Nu-Med Grupa**, a Polish chain of radiology clinics, actively encourages preventive oncological diagnostics. The company organizes or participates in events at which members of the general public are offered diagnostic screening for specific cancers. Recent examples include early detection of breast cancer (465 diagnosed patients), gynecological cancer (50 patients), skin cancer (88 patients), head/neck cancer (543 patients) and lung cancer (109). More than 100

patients have been redirected for follow-up diagnostics or oncological care. The company has also provided free training to caregivers of cancer patients (both individuals and institutions). Nu-Med Grupa assists patients in financial difficulty (e.g. by co-financing wigs and other products for chemotherapy patients).

- / **PAN-PEK**, a large Croatian producer and retailer of bakery products, was among the first companies to provide humanitarian aid to the regions of Croatia affected by the 2020 earthquake. The company supported Red Cross employees and residents of affected areas (Petrinja, Sisak and Glina) by donating more than 200,000 food items. The company has also created jobs for migrants from Syria and India (39 employees).
- / **Unlink**, the largest Polish insurance multi-agency, has provided 1,000 personal hygiene sets to three hospitals treating Covid-19 patients.

Labor

Enterprise Investors' investment portfolio currently includes 11 portfolio companies, which employ more than 11,000 workers in Poland, CEE countries and beyond. In 2020 and 2021, our top priorities with regard to managing the workforce included ensuring safe working conditions, protecting jobs and securing reliable income for our employees. At the same time, we stayed true to our commitment of maintaining the regular 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.

Our commitment to ensuring our employees have a favorable working environment is also evident in initiatives pursued by our portfolio companies:

- / **Intersport ISI**, the largest sports equipment and apparel retailer in countries of the Adria region, has introduced new internal regulations aimed at increasing the transparency of its labor-related practices. The company has redefined its structures and job descriptions, making them less complex. It has made changes to its pay scheme for operational workers, replacing the prior discretionary approach to bonuses with a transparent model for linking pay to performance. Also, Intersport has introduced a system allowing employees to give feedback on the work environment created by their superiors. In 2020, the company adjusted its labor

practices in response to the pandemic. Intersport provided its employees with protective equipment, disinfectants, clear guidance for maintaining a safe working environment, Covid-19 testing regimes, and – whenever possible – remote working solutions. These measures were reflected in the updated internal regulations.

Environment

We remain committed to minimizing the impact of our business activities on the climate and environment. 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 the provision of necessary organizational and financial resources.

To perform such reviews we commission the services of an independent specialized environmental auditor, Ramboll, just as we have done consistently for the last three decades. The most recent reviews were performed in February–May 2019 and February–June 2020. They provided us with a set of practical observations and recommendations that function as an action list for our portfolio companies to follow up on.

Recent examples of activities aimed at reducing the environmental and climate impact of our portfolio companies include:

- / **Anwim**, which operates more than 300 petrol stations across Poland, strives to minimize the impact of its retail operations on the climate and environment. By mid-2021 more than 80% of the lighting fixtures at the company's MOYA filling stations were changed to the energy-efficient LED technology. The company is also rolling out a BMS (building management system) solution across its network. This helps automate energy use, frequently in conjunction with newly installed renewable energy sources (mainly photovoltaic). All Anwim's carwash installations have been switched to the closed-loop model, which reduces water consumption and drastically cuts waste. In parallel, the company has started replacing the traditional HVAC solutions in its retail stations with energy-efficient heat pumps. This technology features in all Anwim's newly constructed stations, as do low-emission glazing and motion-sensor activated

light sources; the new stations are also predesigned to allow for seamless installation of EV charging infrastructure.

- / Sports retailer **Intersport ISI** has stopped using plastic bags in its stores in Slovenia, replacing them with recycled paper ones. To promote further reduction in production of packaging waste, customers are no longer offered the bags for free. The company has also fully modernized the lighting in its central warehouse, switching to energy-efficiency LED light sources.
- / **JNT Group**, a Polish producer and distributor of wines and wine-based beverages, continues to upgrade its fleet of vehicles to make it compliant with the latest emission standards. Following recent upgrades, the entire fleet of passenger cars – which are used primarily by the company's mobile sales force and administrative staff – is now Euro 6 compliant. As for commercial vehicles (delivery vans and heavy trucks), 78% of the fleet also now meets this standard.
- / **Noriel**, Romania's largest toy retailer, continues to develop its electrical and electronic equipment waste (EEE) collection capabilities. In 2020 and 2021 the company introduced modernized EEE collection boxes and stands in all its stores. The company has also signed a partnership with a specialized company that collects EEE from across the Noriel chain (consumers can bring EEE toys to Noriel stores irrespective of their source). In parallel, Noriel is upgrading the other waste collection processes (paper/cardboard, plastic and household waste) in its retail chain.
- / In early 2021 **PAN-PEK** initiated an investment program aimed at improving noise suppression in its main production facility. The program assumes an upgrade of bearings used in cooling fans, a switch from rubber to neoprene for dampers, replacement of refrigeration compressors and/or installation of noise barriers around existing ones and moving evaporators away from nearby residential buildings.
- / **PragmaGO**, a Polish financial services firm, continues its fleet renewal program. New cars acquired by the firm are powered by efficient hybrid engines. Cumulative fuel consumption fell by 21% in 2019 and by a further 7% in 2020.
- / **Studenac**, the largest grocery retailer on Croatia's Adriatic coast, contributed to the UN's sustainable development goal #14, Life Below Water. The company organized a series of events called "Korak bliže prirodi" aimed at removing waste from Croatian coastal waters. Studenac employees were joined by members of the local divers' associations and between them collected more than 70 m³ of waste from the seabed. This includes more than 400 vehicle tires, boat and vehicle components, construction structures, furniture, batteries, nets, ropes, household waste and plastic bags. The company launched dedicated microsites aimed at educating the general public about the need to maintain clean marine ecosystems.

Anti-corruption

During the last year we have engaged all our portfolio companies in developing corporate governance codes and procedures addressing compliance. Our objective is to ensure that all our investee businesses match and exceed the industry standards and regulatory obligations with regard to:

- / Prevention of corruption;
- / Prevention of money laundering and tax evasion;
- / Prevention of fraud;
- / Prevention of anti-competitive behaviors;
- / Compliance with trade regulations;
- / Privacy assurance and data protection;
- / Reflection of compliance in contract clauses;
- / Adoption of mechanisms for reporting compliance incidents;
- / Propagation of the above standards through training and education.

Compliance is also subject to detailed scrutiny during the review of every investment target. 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 our Compliance Manual. Both these documents are reviewed annually.

Examples of a diligent approach to business transparency can be also observed at our portfolio companies:

- / **JNT Group** takes pride in its top compliance and transparency standards. For the last 15 years it has participated in the Fair Play Company ("FP") program which recognizes enterprises with a scrupulous approach to corporate governance and fair business practices. In 2020, following a multi-stage verification, the company's FP certificate was prolonged for another year. JNT was also awarded a diamond FP prize in recognition of its particularly high standards.

Measurement of outcomes

Our business activities, spanning many industries and having a broad geographic footprint, can deliver a positive impact that is both tangible and measurable. The following example of such quantifiable outcomes is but a small sample of our achievements in this area during the last 18 months.

JNT Group

- / The company diligently monitors a set of KPIs that help quantify the environmental footprint of its production processes. In 2020 JNT reduced the production of liquid waste by 2.6% (measured in m³ of waste per m³ of final product). Additionally, it increased the utilization ratio of such waste (used for agricultural purposes) from 54% to 63%; consequently, the volume of waste sent to local sewage treatment plants dropped by 9%. Thanks to continued investment in energy-efficient production processes and machinery, the consumption of energy per unit of final product dropped by 10% compared to 2019.

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