

Communication on Progress

Name of participant: Fund Manager "Empower Capital"

Country: Bulgaria

Sector: Fund Management

Period: September 2020 – September 2021



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.

25.08.2021

To our shareholders:

Empower Capital is pleased to share our UN Global Compact Communication on Progress. The report reviews our progress as a fund manager, committed to the transition to a more sustainable global economy and also identifies our actions, taken during the reporting period to implement the UN Global Compact principles in the four issue areas. I am pleased to reaffirm 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 ongoing efforts to improve the integration of the Global Compact and its principles into our business strategy, corporate 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 be "Elvin Gurt".

Elvin Gurt, CEO

About us, mission and values

Established by dedicated corporate builders – Empower Capital is a EUR 21 million fund financed by the European Investment Fund – JEREMIE Initiative Bulgaria with the mandate to provide unique access to equity and quasi-equity funding to growing Bulgarian companies. All of our investments integrate environmental, social and governance (ESG) analysis into portfolio construction. We sought to create positive social and environmental impact through shareholder engagement and public policy advocacy on issues, ranging from climate change to gender inequality.

We are convinced that equity and capital markets would be profoundly shaped by global sustainability challenges, especially climate change, environmental pollution, natural resources limitations, demographic and human capital issues such as diversity, inclusion and gender inequity. These trends will inevitably drive growth for the well-positioned companies and respectively create risks for those unable or unwilling to adapt. Consequently, we believe that detailed analysis incorporating long-term risks, including ESG factors, enhances investment decisions. Therefore, we invest in companies with solid track record and strong business models that are well-positioned to benefit from the transition to a more sustainable global economy, and demonstrate sound management of risk.

Empower Capital strives to provide stimulating, collaborative and supportive workplace for our staff. At the same time, during the current COVID-19 pandemic crisis has also created more interest in social factors as a key consideration in ESG integration. This is particularly true in relation to business ethics and the treatment of the labour force. Our core focus and motivation is to offer solutions. It shapes the investment approach we offer to our investees and partners, the contribution we make to the community and the attitude we bring to work. We believe we can do more and far better, working as a team. True collaboration means treating others as we want to be treated. We value and respect our colleagues, clients and partners. We are all interconnected and cannot succeed alone. We also have a responsibility to promote prosperity while protecting the planet. We are committed to sustainable development and to stewarding our environmental and social impact for the benefit of present and future generations.

Addressing global sustainability challenges

ESG integration refers to investment methodologies that embrace sustainability factors as a means of helping to identify companies with superior business models. ESG factors offer investors added insight into the quality of the company's management, culture and risk profile. By adding this increased level of scrutiny, associated with ESG analysis, we seek to identify and invest in companies that have potential for regional leadership position on the long term, meet sustainability standards and are better managed and more forward-thinking. Empower Capital recognizes the importance of environmental stewardship and therefore we seek to invest in companies with competitive business models, in which ecological commitment plays a large role. Recognizing that our own operations have an impact on the communities and environments in which we operate, Empower Capital strives to hold ourselves to the same standards that we expect from the companies in our portfolio. As part of this commitment, we endeavor to conduct business in a way that minimizes our environmental footprint while enhancing stakeholder value for our customers, employees, suppliers and communities. We seek to analyze and optimize our contribution to global climate change and consumption of natural resources. We also engage our employees on reducing their environmental impact at work, at home and while travelling. Empower Capital is supporting initiatives and public policies that seek to promote sustainable conservation of our natural resources.

UN Global Compact Communication on Progress

Description of Actions: Human Rights – Principles 1-2

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

Empower Capital embraces the values of responsibility, integrity, respect, honesty, compassion and fairness throughout our relations with shareholders, employees, business partners and community. We believe this includes the basic human rights of our employers and stakeholders. In addition to it, we require and 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, 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 – when conducting the recruiting process, we are not and cannot be influenced by the nationality, racial and ethnic origin of the candidates, their age, gender and their beliefs.

Implementation

Empower Capital has adopted policies and procedures to ensure our employees are provided with a safe work environment and are protected from workplace harassment and discrimination. In addition, human rights issues are recognized as an essential matter across our portfolio and their consideration is incorporated into the investment process. 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, one of Empower Capital long-term targets is to introduce ESG Reporting systems to all of our portfolio companies which shall ensure that Human Rights Principles are understood and adhered to by everyone in our investment universe. Performance on a number of 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 would 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.

Measurement of outcomes

Periodic review is conducted annually 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.

Description of Action: Labour – Principles 3 - 6

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

Being a responsible, equal opportunity employer, Empower Capital strives to ensure for its employees a friendly, collegial, professional work environment. Our company 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

Empower Capital follows a policy of administrating all employment decisions without regard to sex, age, race, marital status, religion or national origin, or any other category. We value equal opportunity, gender empowerment, workplace health and safety, and 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.

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.

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, one of our investees, 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, a result we are very proud of.

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.

We also believe that any form of gender inequality is a major human capital issue for our society. To address this issue, we focus on diversity in our hiring process and insist the same principles to be adopted in the policies, applied by our investees.

Description of Actions: Environment – Principles 7 - 9

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. We recognize the importance of environmental stewardship throughout our business. Realizing that our own operations have an impact on the communities and environments in which we operate, we strive to conduct business in a way that optimizes our footprint while enhancing value for our customers, employees, and partners.

It is the policy of Empower capital to support recycling programs like office waste, food waste, water conservation and energy consumption optimization. All our employees are encouraged to actively participate in the company's conservation and environment protection activities.

Implementation

Apart from integrating environmental issues in our investment process, we endeavor to:

- Introduce relevant environmental policies and perform activities in our portfolio companies, aimed at raising consciousness and improving the overall energy efficiency of productions, services and internal processes;

- Procure goods and services predominantly from suppliers who demonstrate sound environmental practices;
- Support public initiatives and policies that promote the sustainable conservation of natural resources;
- Reduce, to the possible extent, our contributions to global climate change and consumption of natural resource;
- Introduce initiatives in our office and in our portfolio companies in order to optimize waste of materials (e.g. recycling plastics and paper).

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. It is part of our corporate culture to 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 and donation 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 4,800 tons per year. We expect the company to start operations next year.

Measurement of outcomes

Periodic review of results by senior management. Information regarding our efforts to manage our environment impact is being regularly provided to our shareholders, investors and partners.

Description of Actions: Anticorruption – Principle 10

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

Assessment, Policy and Goals:

Empower Capital is firmly committed to the highest standards of ethics, business integrity and corporate governance. With this respect, our corporate governance practices are designed to establish and preserve transparency and accountability, while avoiding conflicts of interests. The management and the employees of Empower Capital are 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:

In support of this policy, 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. In addition to the above, our company would endeavor to periodically review all relevant policies with our employees, including but not limited to policies regarding AML, communications and integrity.

Management of outcomes:

Special audit resource was added to the management systems of all of our portfolio companies during 2019 and 2020, in order to assist the development and the implementation of adequate and satisfactory procedures for monitoring and managing complaints and fraud/theft investigation matters. Empower Capital conducts regular compliance trainings and tests for all employees.

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