



# ESG REPORT

2023



**CEECAT Capital**

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# Disclaimer

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- The content of this document is strictly confidential and exclusively intended for CEECAT Capital.
- This document has been prepared by Reporting 21, an ESG consulting firm, on the basis of the information provided by CEECAT Capital's portfolio companies and by CEECAT Capital.
- The information collected covers the years 2023, from 01/01/2023 to 31/12/2023.

# 01 .

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## **THE IMPORTANCE OF ESG PRINCIPLES AND A UNIFIED APPROACH TO INVESTING**

# Foreword

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CEECAT Capital is a small investment company, comprised of 12 seasoned professionals with extensive experience investing in emerging markets. With primary offices in Istanbul, Bucharest, and Belgrade, we have been investing in Turkey and SE Europe since 2005 across a number of strategies including Private Equity and Private Credit. In 2021 we raised CEECAT Fund II, targeted at growth buyout investments with majority control or minority with strong control rights. Key themes of the fund are driven by core convergence of this region with the more developed markets of Western Europe. To date, the Fund has made investments across a number of sectors including packaging, grocery retail, IT services, deep tech, and building materials. The Fund targets small and medium cap companies as they transition from family ownership and we aim to build the platform for continued growth and development. The key foundations of this are good corporate governance, a focus on sustainable market practices, good corporate citizenship, and a strong sense of local community.

We believe that with control we are able to effect positive change in our communities through active management. Each of our investments must meet strict criteria – a willingness to effect change and an ability to execute this change. As well as standard financial, legal, and commercial due diligence, we conduct extensive diligence across our key ESG goals – climate impact, inclusivity, and social responsibility. We do not seek to judge the past but rather examine how our investments can make positive changes in each of these areas. For each investment, we identify critical areas of change needed, both immediate and over time, and we develop plans to implement the changes we seek to make. Finally, we seek to buy in from management through incentive programs specifically targeted at achieving specific ESG goals.



2023 was a year of great progress, some challenges, and of course much change. Overall, I am extremely proud of the progress we have made across the portfolio. Change starts with a mindset and here we have been positively surprised, not only by the willingness of our companies to adopt new policies but also the building blocks that already existed at most all our companies. Rather than single out individual names, I would prefer to highlight key areas of progress:

1. ESG is now adopted as an important strategic policy matter in all our Board meetings with KPIs established and measured
2. Half of our portfolio companies now have independent board members, helping to provide greater scrutiny of governance
3. We have actively addressed the issue of gender equality across the portfolio, both in terms of the gender pay gap and senior women in the workplace. I can confidently say that all gender pay issues have been dealt with while the proportion of women in senior positions has substantially increased
4. Education and social responsibility are critical areas of focus for the Fund and here I believe we can proudly state that huge progress has been made. Two of our companies have active and growing educational programs focused on young people and a third company will open its own academy by the end of 2024.

Of course, there is much to be done. Not only do we need to expand and build upon what has been achieved, but we start to turn our attention to meaningful long-term change, especially in carbon neutrality. While two of our companies have made significant progress in reducing carbon emissions in the workplace and have implemented initiatives to offset their emissions, much work to be done in this critical area. 2023 was a year to establish priorities and build measurement tools as well as to strategically identify areas where investment in climate is needed. This work is ongoing and I hope and believe we can make great progress in the next 12 months.

Anthony Stalker



Partner

# 02.

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## **CEECAT CAPITAL'S ESG APPROACH**

Sustainability is a key part of our investment thesis at CEECAT Capital. ESG considerations are integrated into all stages of the investment process, from the initial screening process to the final exit.

During 2023, CEECAT Capital has further developed and enhanced its ESG Policy to align with the SFDR regulation. For CCL CEECAT Fund II SCSp (“CEECAAT II” and/or “the Fund”), CEECAT Capital has taken a further step and enhanced its accountability and dedication to sustainable growth by classifying this product as Article 8.

CEECAAT Fund II has adopted a 2-level strategy that aims to promote common characteristics for all investments as well as specific characteristics per sector. The strategy encompasses strategic targets from a portfolio point of view and then drills down into targets based on sector considerations taking into account the specific circumstances of each company.

## **Portfolio-wide objectives**

- Mitigating global warming by promoting initiatives to monitor and reduce greenhouse gas emissions
- Ensuring a better representation of women in governance bodies by implementing diversity and gender policies
- Promoting the involvement of portfolio companies in local community development

## **Sector-specific objectives\***

- Manufacturing / Industry:
  - ✓ Promote the use or production of renewable energy and improve energy efficiency
  - ✓ Promote health & safety for employees and subcontractors
- Healthcare:
  - ✓ Ensuring employee loyalty, satisfaction and retention through value-sharing
  - ✓ Promote health & safety and well-being at work
- Tech & Business Services:
  - ✓ Promote the integration of young employees and support their promotion
  - ✓ Promote eco-responsible digital or green IT to reduce the social, economic and environmental footprint of digital processes

\*CEECAAT has expanded its portfolio with two new companies: Endurosat (Manufacturing/Industry sector), and another new company which is anonymized in the report and called ‘Company 7’.

## **Sector-specific objectives**

- Consumer goods:
  - ✓ Improving the sustainability in purchasing (raw material sourcing, other purchases)
  - ✓ Promoting the revaluation of products
- Consumer services/retailers:
  - ✓ Promoting waste reduction
  - ✓ Promote health & safety and well-being at work



# Mitigating Global Warming

- We aim to promote change to mitigate and aid the problem of global warming through our investments. Global warming is accelerated by the constant use and increase of fossil fuels and greenhouse gases.
- A healthier and cleaner planet is one of our top priorities. This will not only affect us but also generations to come. Our goal is to reduce the carbon footprint of all portfolio companies and support them in establishing roadmaps to carbon neutrality
- With our continuous monitoring and reporting grid, we identify where each investment stands in terms of their emissions, and then establish areas for improvements for each of them

*"Preserving the environment is a shared responsibility, especially in regions like Eastern Europe, where awareness is still unfolding. Through sustainable investment practices, we aim to leave a positive footprint, safeguarding the natural resources that are essential for the prosperity of future generations."*

- Ensuring better representation of women in governance bodies by implementing diversity and gender policies is one of our main priorities. We are committed to the principle of equal pay for equal work, as well as a level playing field for all
- Our reporting grid directly addresses diversity and equal opportunity through relevant questions. We make sure that each of our investments upholds those principles of fair and balanced proportion of men to women in the workplace, ensuring representation of duly qualified women in managerial positions and the elimination of pay gaps that may exist
- We ensure that all our employees have equal opportunities to grow and develop on the job
- Women represent 50% of almost all societies. The achievement of gender neutrality can be one of the biggest drivers of growth in our region

*"As we navigate the dynamic markets of Eastern Europe, we recognize the transformative power of empowering women in business. Our commitment to diversity not only drives better decision-making but also serves as a catalyst for positive change in societies where gender equality is an emerging frontier."*

# Social Responsibility

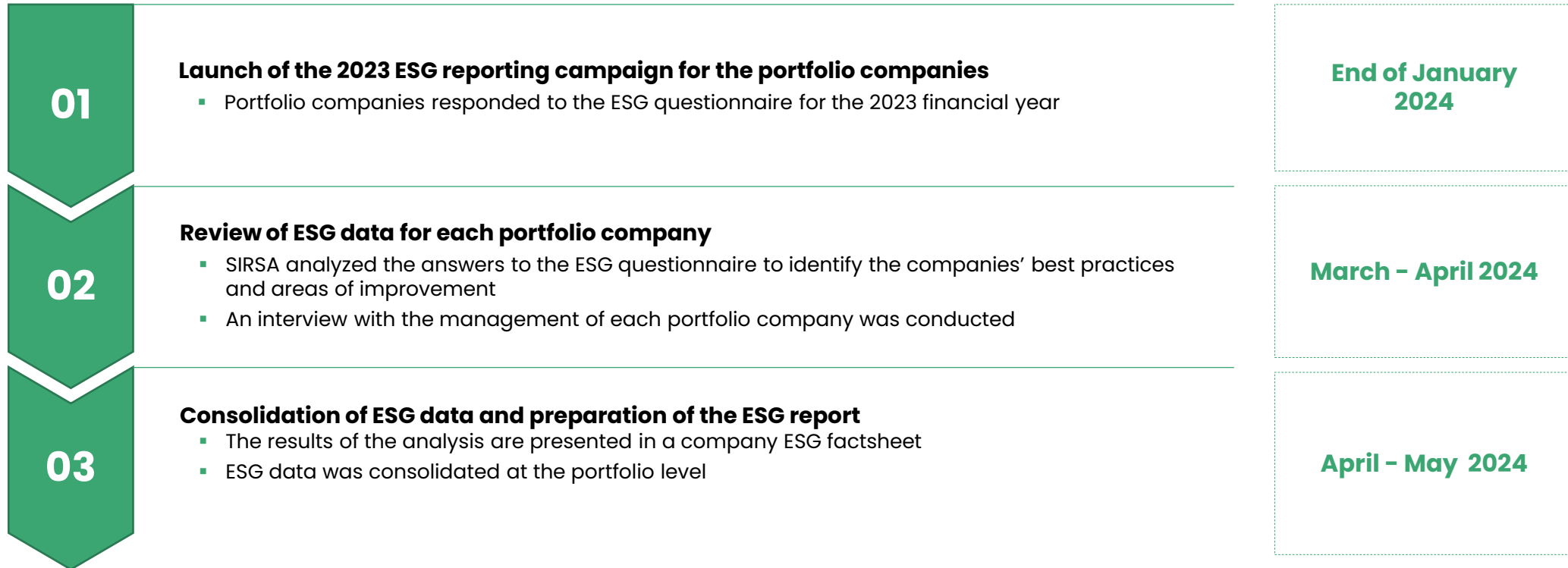
- Contribution to society is one of our core values
- We believe that giving back to society is another way of making a positive impact to community
- CEECAT Fund II promotes the involvement of its portfolio companies in local communities' development through their various initiatives
- Our reporting grid has been designed to capture those social projects and initiatives, quantify their impact and guide the portfolio companies through best practices

*"Eastern Europe's progress presents us with a chance to uplift communities and create lasting social value. We are committed to actively investing in projects that strengthen the bond between our companies and their local communities, empowering those communities to thrive and prosper."*

# 03.

## **ESG REPORTING AND METHODOLOGY**

# Campaign Schedule



# Description of the Analysis Grid

CEECAT Capital's portfolio companies responded to an ESG questionnaire containing **145 common indicators and 30 specific indicators**. The ESG questionnaire is composed of quantitative, qualitative, yes / no and MCQ indicators and covers 3 main topics : governance, environment and social



## Governance

- › Board diversity
- › Board independence
- › Business ethics
- › Data privacy
- › Sustainable governance
- › Disclosure practices
- › External assurance



## Environment

- › Biodiversity
- › Environmental operations
- › GHG Emissions
- › Energy
- › Water usage
- › Waste management
- › Sustainable digital practices



## Social

- › Employees
- › Age breakdown
- › Executive pay ratio
- › Gender Pay Ratio
- › Gender Diversity
- › Hires and leavers
- › Compensation & Benefits
- › Social policies
- › Health and safety
- › Training
- › Social projects
- › Local development

# Reporting Scope

100% of companies completed the ESG questionnaire

8

Portfolio companies  
Including 2 new  
companies

100%

of respondents

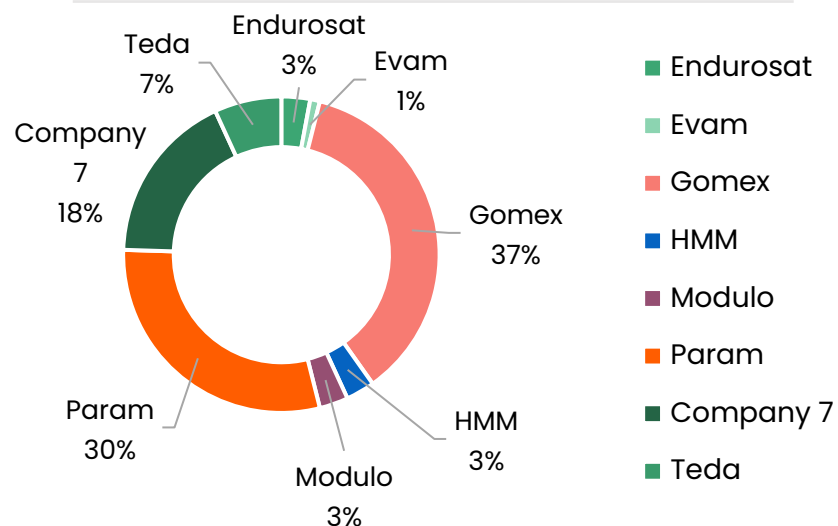
100%

Interviews conducted  
with the companies'  
management teams

145

consolidated indicators  
at Fund level

## Breakdown by revenue



Companies	Sector	Turnover in M€ (compared to 2022)	Employees (compared to 2022)	Location
<b>Endurosat</b>	Manufacturing / Industry	13.5 (+96%)	141 (+41%)	Bulgaria
<b>Evam</b>	Tech & Business Services	3.1 (+24%)	101 (+17%)	England
<b>Gomex</b>	Consumer services / retail	186 (+16%)	2 589 (+6%)	Serbia
<b>HMM</b>	Manufacturing / Industry	13.3 (+29%)	309 (+9%)	Turkey
<b>Modulo</b>	Manufacturing / Industry	13.3 (-17%)	188 (-5%)	Romania
<b>Param</b>	Tech & Business Services	150.8 (+224%)	210 (+58%)	Turkey
<b>Company 7</b>	Not disclosed	Not disclosed	Not disclosed	Not disclosed
<b>Teda</b>	Manufacturing / Industry	34.1 (+41%)	251 (+12%)	Bulgaria

# 04.

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## **CONSOLIDATION OF THE CEECAAT CAPITAL PORTFOLIO**



## ✓ Consolidation of data

The data presented on the following pages is the consolidated data at the level of the CEECAT Fund II, on all the responding portfolio companies for the financial year 2023 (over the year or as of 12/31).

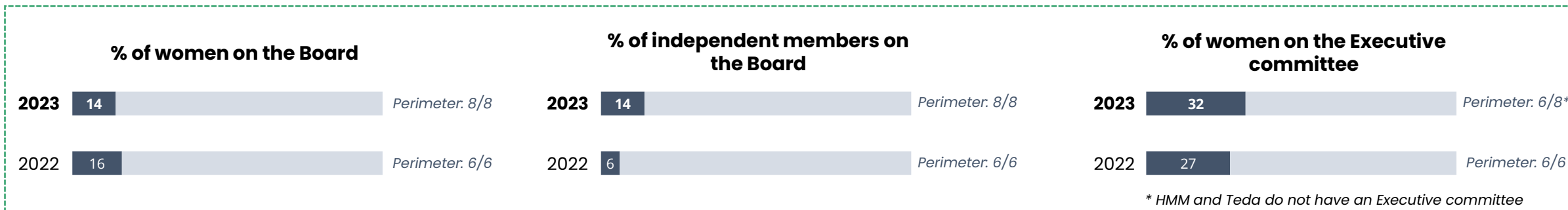
They concern Environment, Social and Governance topics.

## ✓ Reporting perimeter

The data reported in the following pages covers the perimeters indicated below:

- **Endurosat:** 100% of the company
- **Evam:** 100% of the company
- **Gomex:** 100% of the company
- **HMM:** 100% of the company
- **Modulo:** 100% of the company
- **Param:** 100% of the company
- **Company no.7:** 100% of the company
- **Teda:** 100% of the company

## DIVERSITY IN GOVERNANCE BODIES



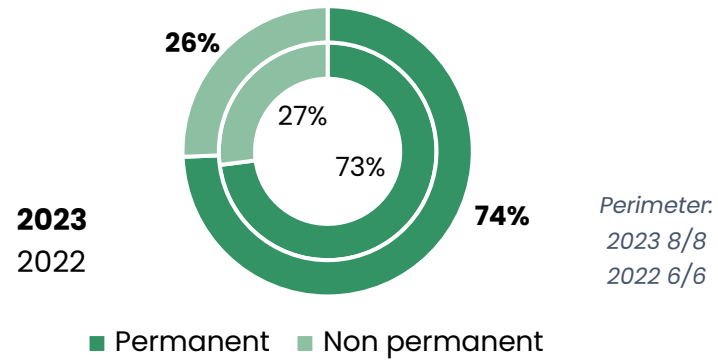
INDICATORS	UNIT	CONSOLIDATED VALUE 2023	PERIMETER 2023	CONSOLIDATED VALUE 2022	PERIMETER 2022
Ethics and/or Anti-corruption policy	Yes/No	75% Yes ; 25% No	8/8	50% Yes ; 50% No	6/6
Data privacy policy	Yes/No	75% Yes ; 25% No	8/8	80% Yes	5/6
Dedicated team/person responsible for ESG	Yes/No	75% Yes ; 25% No	8/8	40% Yes ; 60% No	5/6
Management of environmental risks at Board level / Senior management level	Yes/No	88% Yes ; 12% No	8/8	100% Yes	5/6
Focus on SDGs (Sustainable Development Goals)	Yes/No	38% Yes ; 63% No	8/8	20% Yes ; 80% No	5/6

### Best Practices

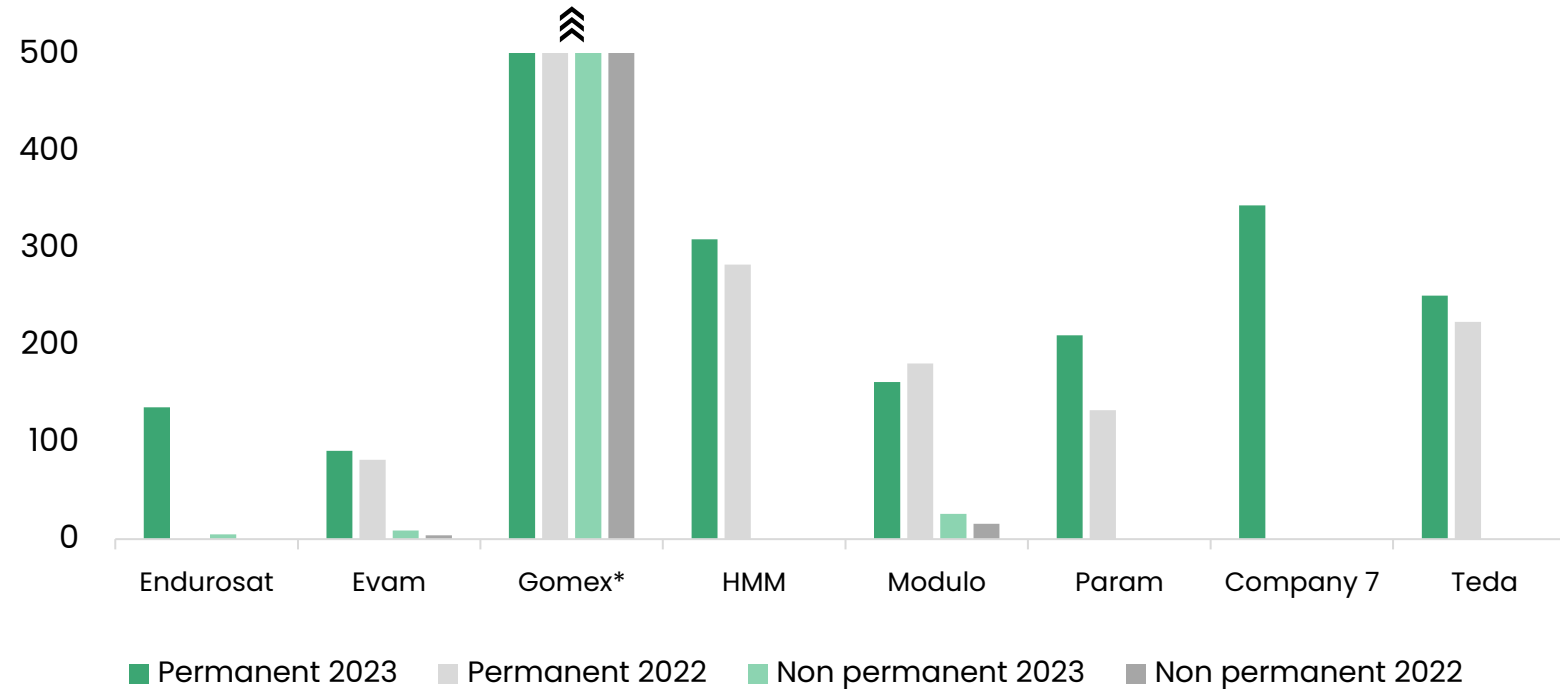
- ✓ HMM's ESG issues are managed by 4 people, 2 of whom are members of the Board of Directors
- ✓ ESG issues are discussed every week at Modulo's senior management meetings
- ✓ EnduroSat shares its Ethics and/or Anti-Corruption policy with all employees and plans to organize training on these issues
- ✓ Gomex has managers responsible for ESG issues in different departments of the company

## EMPLOYMENT

**Breakdown by type of contract  
(consolidated view)**



**Breakdown by type of contract  
(view by company)**



Gomex has :

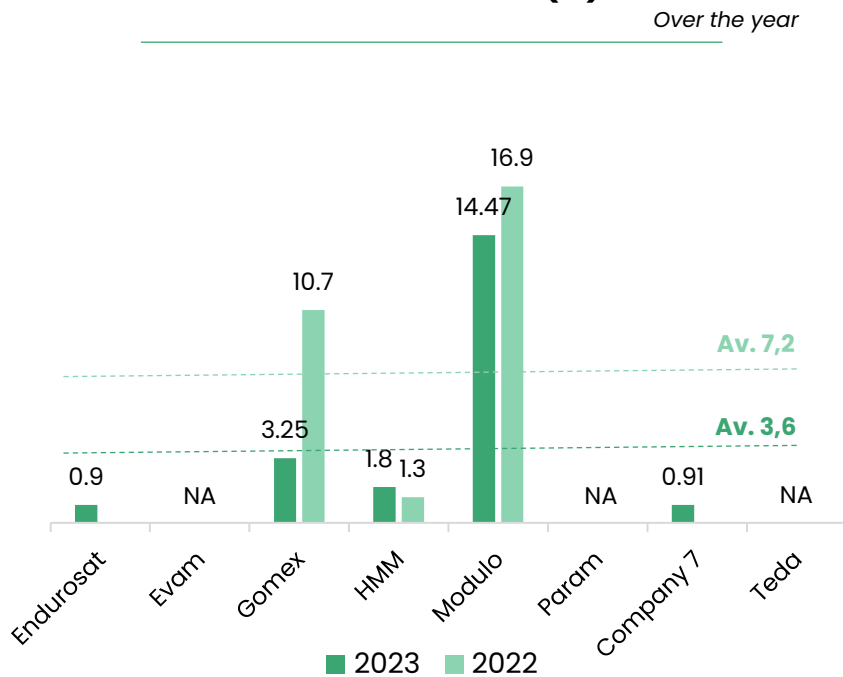
In 2023 : 1 561 permanent employees and 1 028 non-permanent employees

In 2022 : 1 563 permanent employees and 888 non-permanent employee

## EMPLOYMENT

### Absenteeism rate (%)\*

Over the year



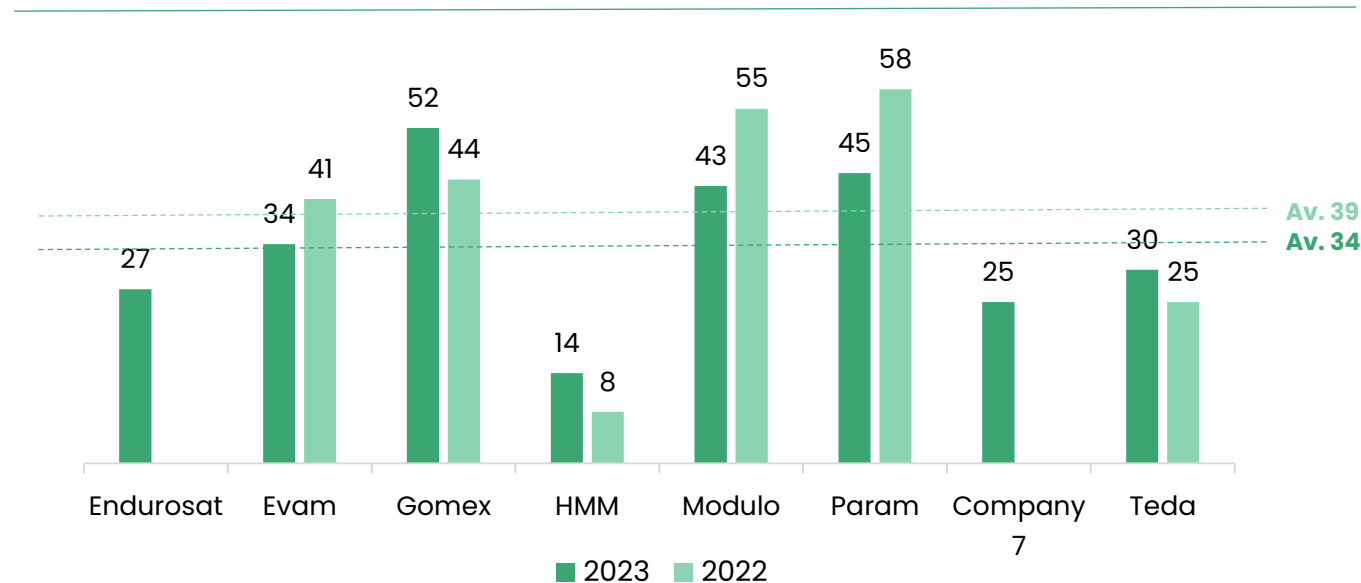
#### Comments

Modulo's high staff turnover and absenteeism are due to the use of seasonal workers.

\*Please refer to the report's annex for additional information on calculation methodology

### Employee turnover \*\* (%)

Over the year



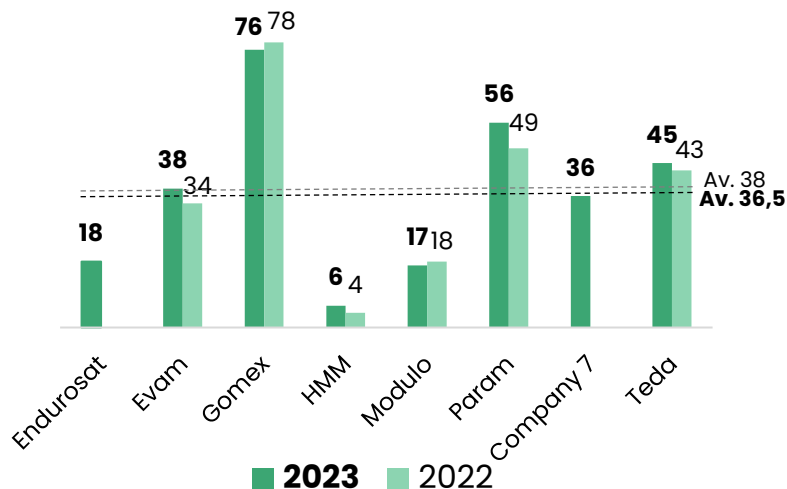
INDICATORS	UNIT	CONSOLIDATED VALUE 2023	PERIMETER 2023	CONSOLIDATED VALUE 2022	PERIMETER 2022
Accident frequency rate*	%	0.56%	8/8	2.70%	6/6
Accident severity rate*	%	0.04%	8/8	0.03%	6/6

\*\*The formula used to calculate the turnover is:  $(Hirings + Departures) / 2 / total\ number\ of\ employees * 100$

## DIVERSITY

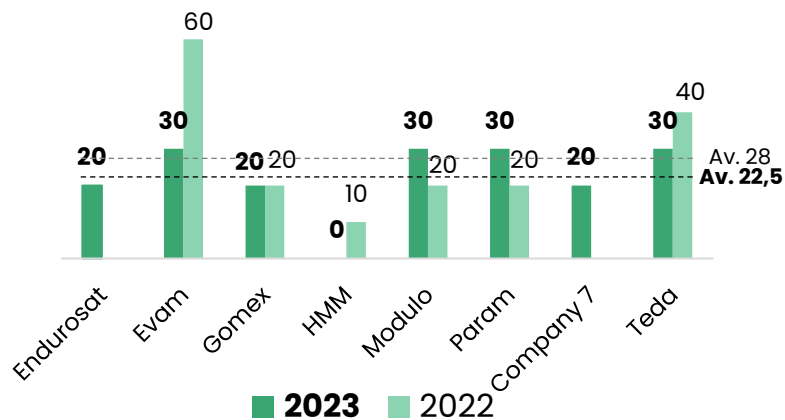
### Female employees (%)

Over the year



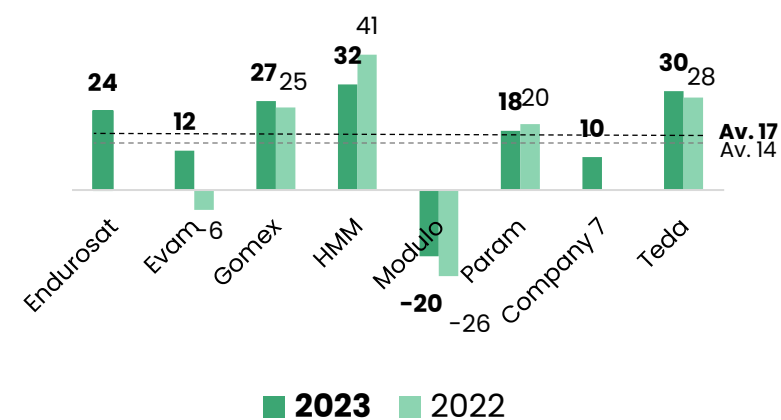
### Women in the 10 highest paid profiles (%)

Over the year



### Unadjusted gender pay gap\* (%)

Over the year



**5 COMPANIES OUT OF 8**  
(1 in 2022)

have implemented **policies to promote diversity** at the management level

**3 COMPANIES OUT OF 8**  
(1 in 2022)

organize **training** to avoid **gender bias** in recruitment

**4 COMPANIES OUT OF 8**  
(2 in 2022)

have integrated **diversity issues in Board** meetings

**5 COMPANIES OUT OF 8**  
(2 in 2022)

have implemented **long term plans** to promote **diversity**

\*Please refer to the report's annex for additional information on calculation methodology\*

## HEALTH & SAFETY



**All companies**  
(as in 2022)

have an **occupational health and safety** policy

*Perimeter: 8/8*



**All companies**  
(as in 2022)

monitor the **work** related-**accidents**

*Perimeter: 8/8*

## SOCIAL CONTRIBUTION



**7 companies**  
(3 in 2022)

have donated for **social projects** for a total of 8.01 M€

*Perimeter: 8/8*



**386 hours**  
(153 hours in 2022)

were devoted to **charitable activities** and voluntary work

*Perimeter: 8/8*



**All companies**  
(83% in 2022)

have used **local service** providers and companies

*Perimeter: 8/8*




**63% of companies**  
(75% in 2022)

have **employed trainees** from schools in the **region**

*Perimeter: 8/8*

## PROFIT SHARING & WELL-BEING AT WORK

**38%**   
(33% in 2022)

of companies have implemented a profit-sharing mechanism.

*Perimeter: 8/8*



Employee satisfaction surveys were conducted by


**3 companies**  
(2 in 2022)

*Perimeter: 6/8*

INDICATORS	UNIT	CONSOLIDATED VALUE 2023	PERIMETER 2023	CONSOLIDATED VALUE 2022	PERIMETER 2022
Activities negatively affecting biodiversity sensitive areas	Yes/No	<b>100% No</b> —	<b>8/8</b>	100% No	6/6
Environmental policy	Yes/No	<b>38% Yes ; 63% No</b> ↗	<b>8/8</b>	33% Yes ; 67% No	6/6
Carbon footprint assessment	Yes/No	<b>38% Yes ; 63% No</b> ↘	<b>8/8</b>	50% Yes ; 50% No	6/6
Initiatives to reduce GHG emissions	Yes/No	<b>75% Yes ; 25% No</b> ↗	<b>8/8</b>	50% Yes ; 50% No	6/6
Initiatives to reduce energy consumption	Yes/No	<b>63% Yes ; 38% No</b> ↘	<b>8/8</b>	67% Yes ; 33% No	6/6
Waste generated monitoring system	Yes/No	<b>63% Yes ; 38% No</b> ↘	<b>8/8</b>	67% Yes ; 33% No	6/6

## Best Practices

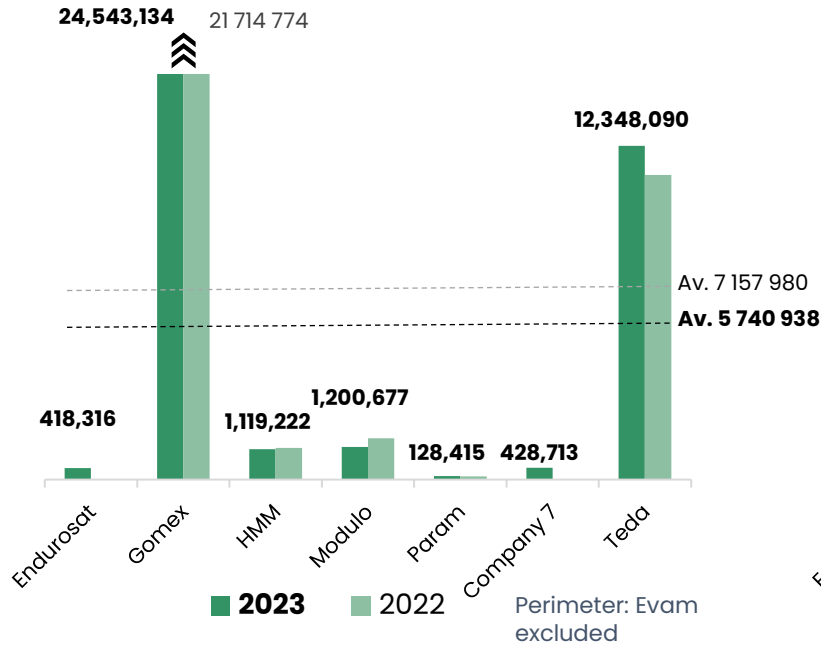
- ✓ Evam has created an IT Team to develop Green IT and uses Amazon’s responsible data hosting solution
- ✓ Endurosat is a member of the Space Sustainability Rating, which assesses the sustainability practices of space companies, and pledges to reduce their carbon footprint and adopt eco-responsible practices
- ✓ HMM plans to comply with the ISO 14001:2015 standard, which certifies effective and systematic environmental management aimed at reducing the impact of activities on the environment

**100%**   
 (83% in 2022)  
 of companies monitor their energy consumption.

*Perimeter: 8/8*

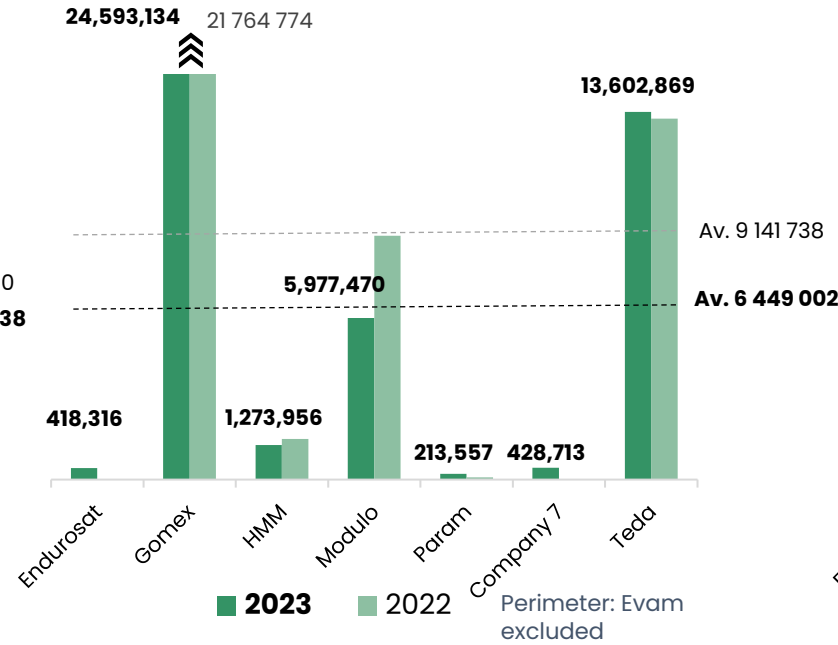
## Electricity consumption (kWh)

Over the year



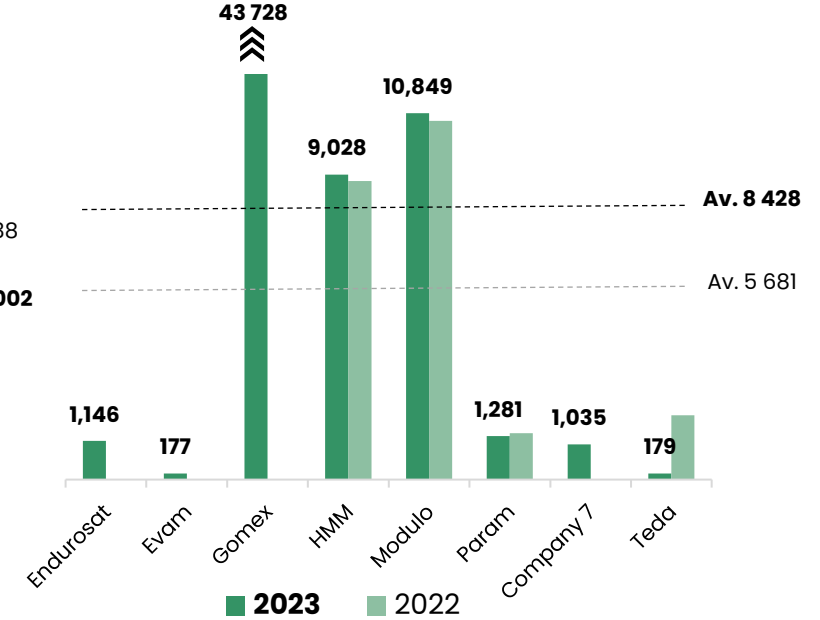
## Energy consumption (kWh)

Over the year



## Water consumption (m3)

Over the year



### Comments

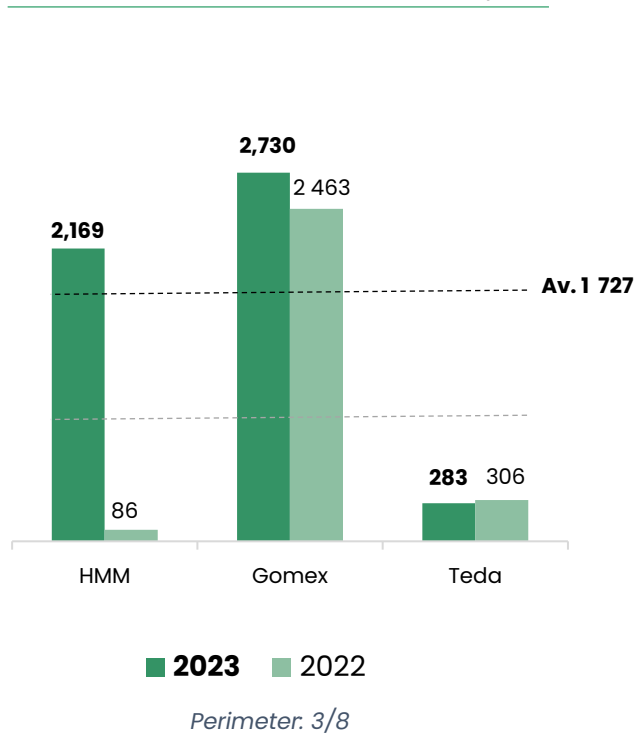
- Energy consumption includes consumption of electricity, which is one type of energy, diesel, natural gas consumption, gasoline, propane, butane, fuel oil, heating, cooling, air-conditioning and refrigerant gas leaks and consumption of other renewable and non-renewable energies
- In terms of types of energy consumed (measured or converted in kWh/PCI), diesel and natural gas consumption are the two most widely used energy sources. Teda is the only company to use butane and Modulo the only one to use propane

### Best Practices

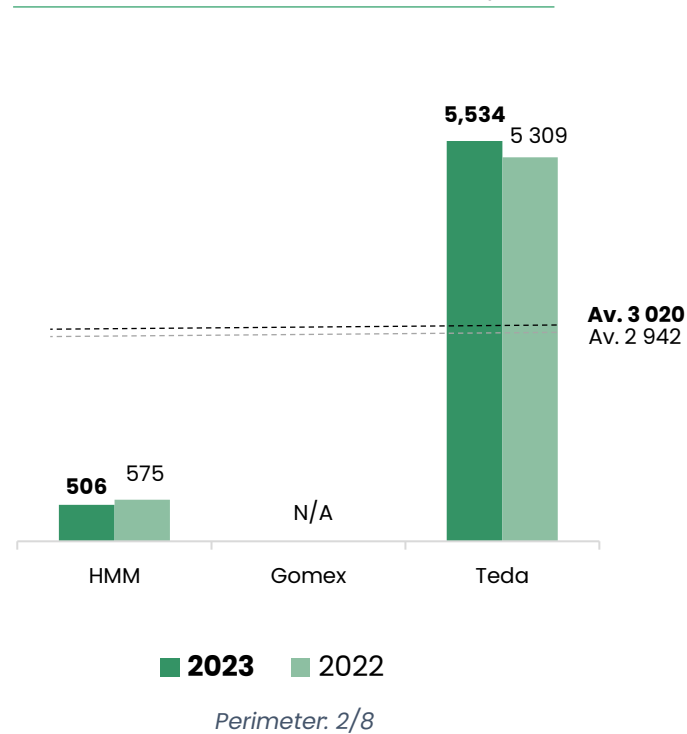
- ✓ HMM has changed the lighting of the manufacturing sites to optimize its energy consumption
- ✓ Gornex has replaced lighting, doors, and windows to save energy



## CO2 emissions – Scope 1 (tCO2eq) *Over the year*



## CO2 emissions – Scope 2 (tCO2eq) *Over the year*



### Comments

To date, only 3 companies collect their carbon data. None of the companies calculate their Scope 3 emissions

Modulo's GHG emissions calculation is in progress

Teda's carbon footprint has been calculated internally

### Best Practices

- ✓ Gomex plans to hire external consultants to calculate its Scope 3 emissions
- ✓ HMM focuses on reducing greenhouse gas emissions through various initiatives, such as investing in renewable energy, preferring EURO 6 engine vehicles or supporting Subcontractor Companies' Carbon footprint studies



05.

**PERSPECTIVES FOR 2024**

# Perspectives for 2024

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Challenges arise and challenges abate, and 2024 is no different. In 2023 we talked about the challenge of inflation on our portfolio. Inflation is now easing and with it an ability to better control our input prices and stabilize margins. One of the biggest challenges in 2024 will be global political change, with 2024 being the year of greatest potential change in democratic countries. Already we have seen change in India with the ruling party there not securing a majority. In the UK we have had a change in government, in France and across Europe clear change in voter preferences, and of course the biggest election yet to come – the US election in November. Political change at the top always flows down and ultimately to the corporate sector as goals are watered down or priorities change. We have chosen to establish certain key principles at our companies, built on the foundation of good corporate governance. As discussed earlier, and hopefully demonstrated in the company reports, we have spent the past 18 months building the foundations of lasting change, change beyond our participation in the journey of our portfolio. Great progress was made in 2023 and this will continue. So it is important to remain focused on what we do and to steer a steady course in the midst of turmoil and change at the government level. Our job in 2024 is to have a boring year continuing to meet the goals we have laid out for each of our companies.

Anthony Stalker

Partner

# 06 .

## ANNEX



The Sustainability Accounting Standards Board is a US not-for-profit organization engaged in the development and dissemination of accounting standards for ESG and sustainable development.

Founded in 2011. SASB offers a benchmark of more than 195 ESG stakes spread over 77 business sectors and classified. sector by sector, according to their degree of materiality.

To establish its standards in terms of information to be provided on sustainable development, the SASB takes into account the following five dimensions : environment; share capital; human capital; innovation and business model; leadership and governance.

## Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Ecological Impacts

## Leadership & Governance

- Business Ethics
- Competitive Behavior
- Management of the Legal & Regulatory Environment
- Critical Incident Risk Management
- Systemic Risk Management



## Business Model & Innovation

- Product Design & Lifecycle Management
- Business Model Resilience
- Supply Chain Management
- Materials Sourcing & Efficiency
- Physical Impacts of Climate Change

## Social Capital

- Human Rights & Community Relations
- Customer Privacy
- Data Security
- Access & Affordability
- Product Quality & Safety
- Customer Welfare
- Selling Practices & Product Labeling

## Human Capital

- Labor Practices
- Employee Health & Safety
- Employee Engagement, Diversity & Inclusion

→ Some ratios are automatically calculated based on the data reported by the portfolio companies. The formulas used are presented below. These formulas may differ from the formulas used internally by the portfolio companies but are used to standardize the computation rule in order to compare and consolidate the data.

## Absenteeism rate

- ✓ -  $100 * \text{Number of hours of absence} / \text{Number of theoretical annual hours worked}$

## Turnover ratio

- ✓ -  $100 * (\text{Number of hires} + \text{Number of departures}) / 2 / \text{Total employees}$

## Accident frequency rate

- ✓ -  $1,000,000 * \text{Number of work accidents with lost time} / \text{Number of theoretical annual hours worked}$

## Accident severity rate

- ✓ -  $1,000 * \text{Number of lost days due to a work accident} / \text{Number of theoretical annual hours worked}$

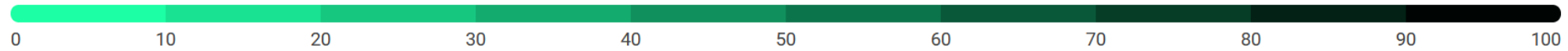
## Unadjusted gender pay gap

- ✓ -  $100 * (\text{Gross hourly earnings of men} - \text{Gross hourly earnings of women}) / \text{Gross hourly earnings of men}$

# High Risk Countries - Human Rights

Very Low Risk

Very High Risk

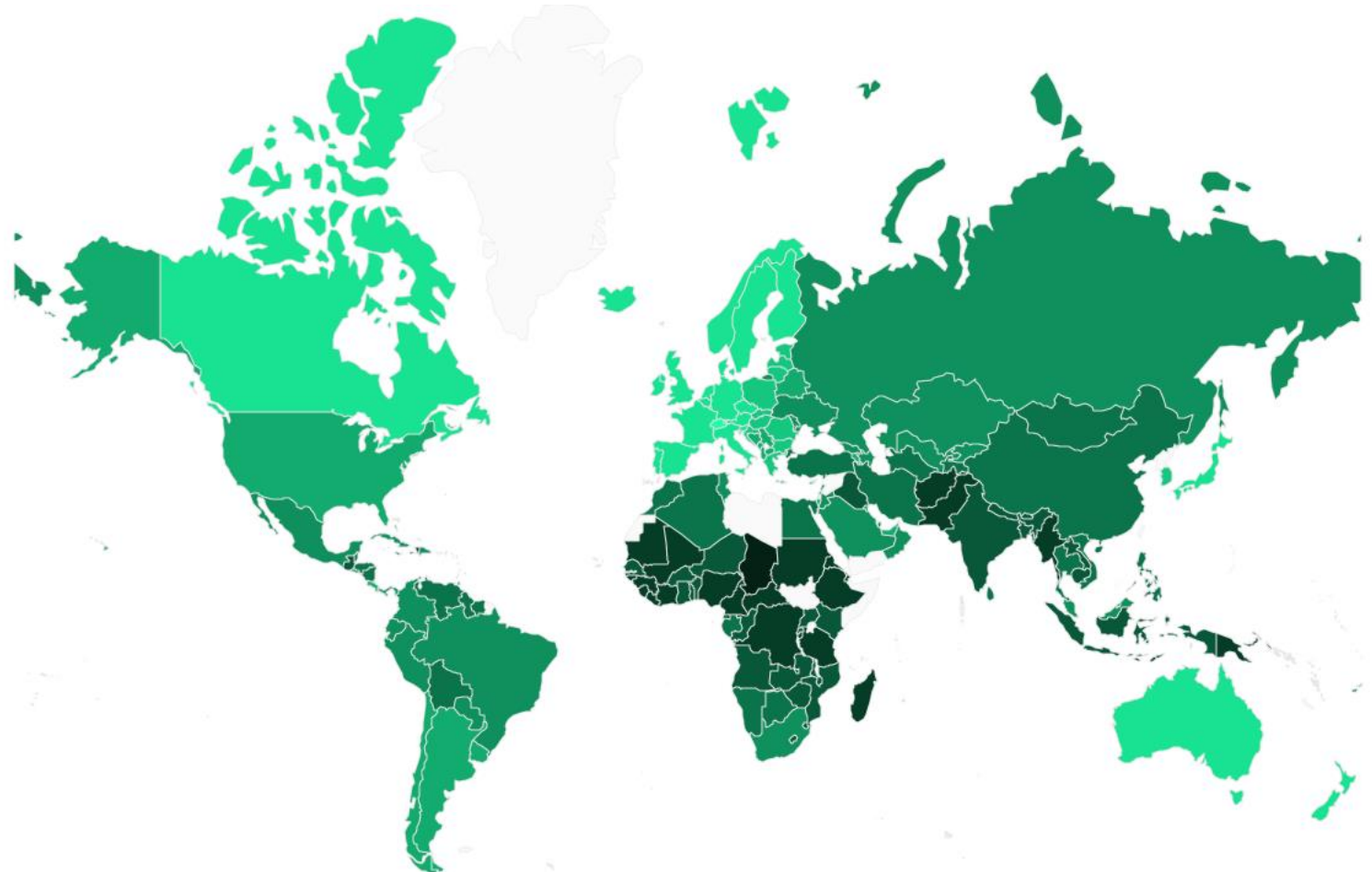


With a global coverage of 176 countries and territories the ESG Index (ESGI) is dedicated to measuring risks related to the environment, human rights and health & safety based on 44 variables.

Country results are presented on a 0-100 scale, where 0 corresponds to the lowest risk and 100 corresponds to the highest risk.

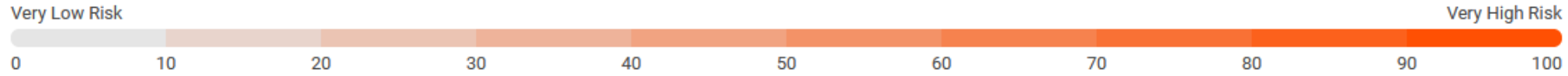
Human rights risk assessment is notably measured according to the ratification status of 18 key conventions, social rights indicators (level of slavery, child labour, education, access to housing), civil and political rights indicators (freedom of the press, minority rights, etc.), and collective rights indicators (level of peace, right to self-determination of peoples, etc.).

Source: <https://risk-indexes.com/esg-index/>





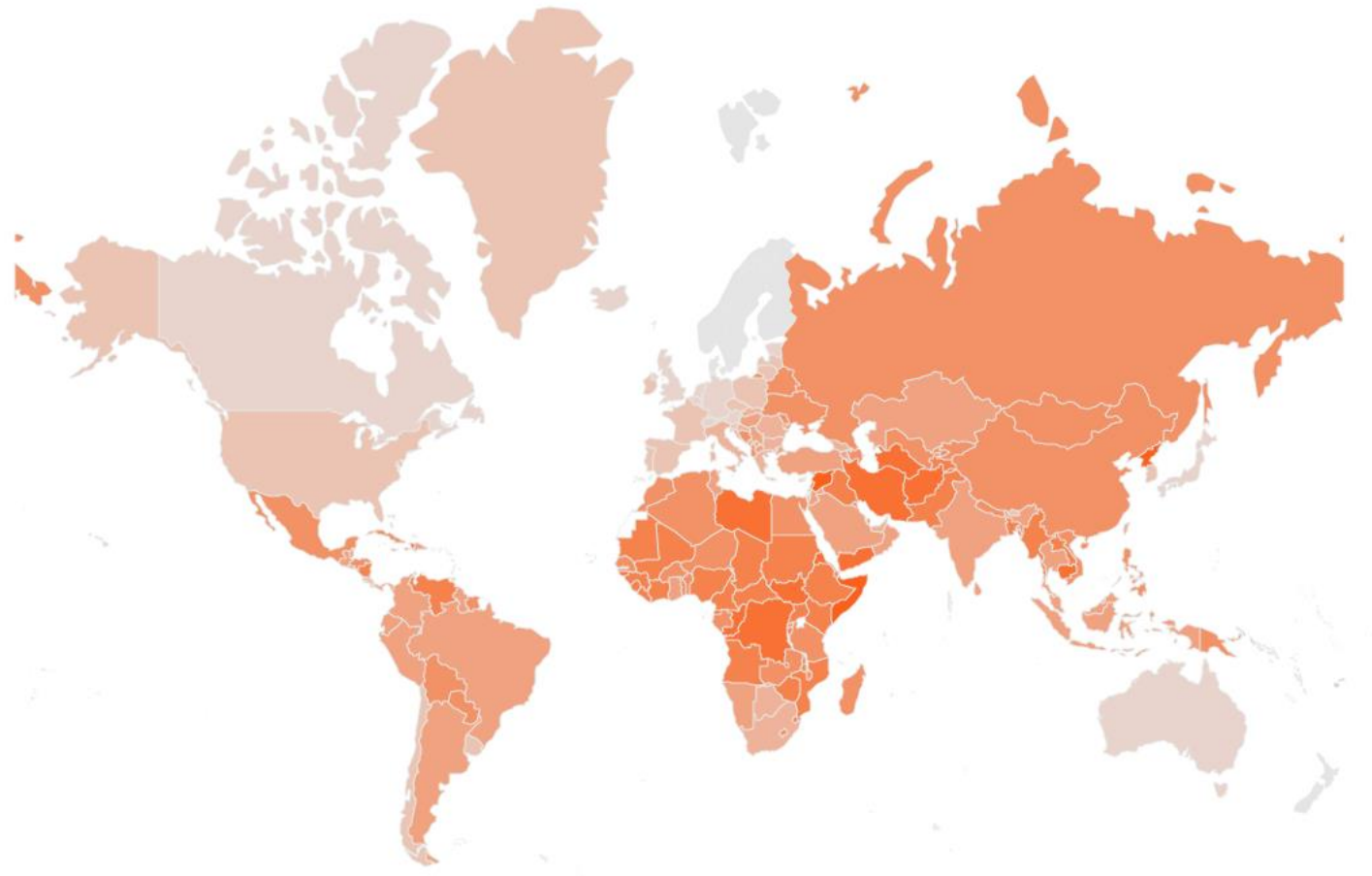
# High Risk Countries - Corruption



Covering 198 countries and territories the Global Corruption Index (GCI) provides a comprehensive overview of the state of corruption around the world based on 28 variables.

Country results are presented on a 0-100 scale, where 0 corresponds to the lowest risk and 100 corresponds to the highest risk.

Source: <https://risk-indexes.com/global-corruption-index/>







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