



# ESG REPORT

2022



# 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.



# Foreword

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Barack Obama once said, “Change will not come if we wait for some other person or some other time. We are the one’s we (have) been waiting for. We are the change that we seek”. CEECAT Capital operates in markets less advanced than many more developed economies in terms of its legislation or judicial control over ESG issues. We operate in economies and societies that have gone through dramatic evolutionary social change within the last 40 years. This is ongoing, and driven by younger generations we see a great willingness to effect meaningful and lasting change to improve society for future generations. Progress is fast and we believe that it is our responsibility to foster this change through our beliefs, the way we act, and the way we operate our companies. We want all our constituents to feel proud of what we can build together.

Anthony Stalker



Partner

# 02.

## OUR 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 (“CEECAT 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.

CEECAT 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 communities' 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

## **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 thorough 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."*



- 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

# 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



## 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

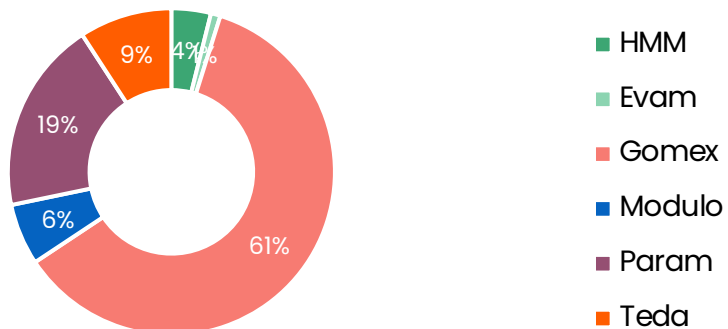
**6**  
Portfolio companies

**100%**  
of respondents

**100%**  
Interviews conducted with the company management teams

**145**  
consolidated indicators at Fund level

**Breakdown by revenue**



Companies	Sector	Turnover (M€)	Employees	Location
<b>HMM</b>	Manufacturing / Industry	10.3	283	Turkey
<b>Evam</b>	Tech & Business Services	2.5	86	England
<b>Gomex</b>	Consumer services / retailers	160.4	2 451	Serbia
<b>Modulo</b>	Manufacturing / Industry	16	197	Romania
<b>Param</b>	Tech & Business Services	50.3	616	Turkey
<b>Teda</b>	Manufacturing / Industry	24.2	224	Bulgaria

# 04.

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## **CONSOLIDATION OF THE CEECAT 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 2022 (over the year or as of 12/31).

They concern Environment, Social and Governance topics.

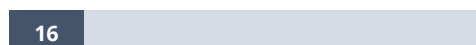
## ✓ Reporting perimeter

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

- **HMM:** 100% of the company
- **Evam:** 100% of the company
- **Gomex:** 100% of the company
- **Modulo:** 100% of the company
- **Param:** 100% of the company
- **Teda:** 100% of the company

## DIVERSITY IN GOVERNANCE BODIES

### % of women on the Board



Perimeter: 6/6

### % of independent members on the Board



Perimeter: 6/6

### % of women on the Executive committee



Perimeter: 6/6

Data by year-end 2022

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

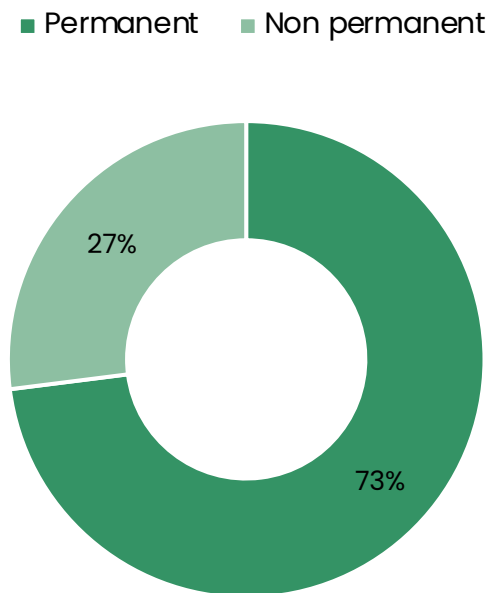
### Best Practices

- ✓ ESG issues are discussed every week at Modulo's senior meetings
- ✓ Gomex has managers responsible for ESG issues in different departments of the company
- ✓ Modulo has designated an ESG responsible manager
- ✓ All companies manage environmental risks at Board or Senior Management level

## EMPLOYMENT

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

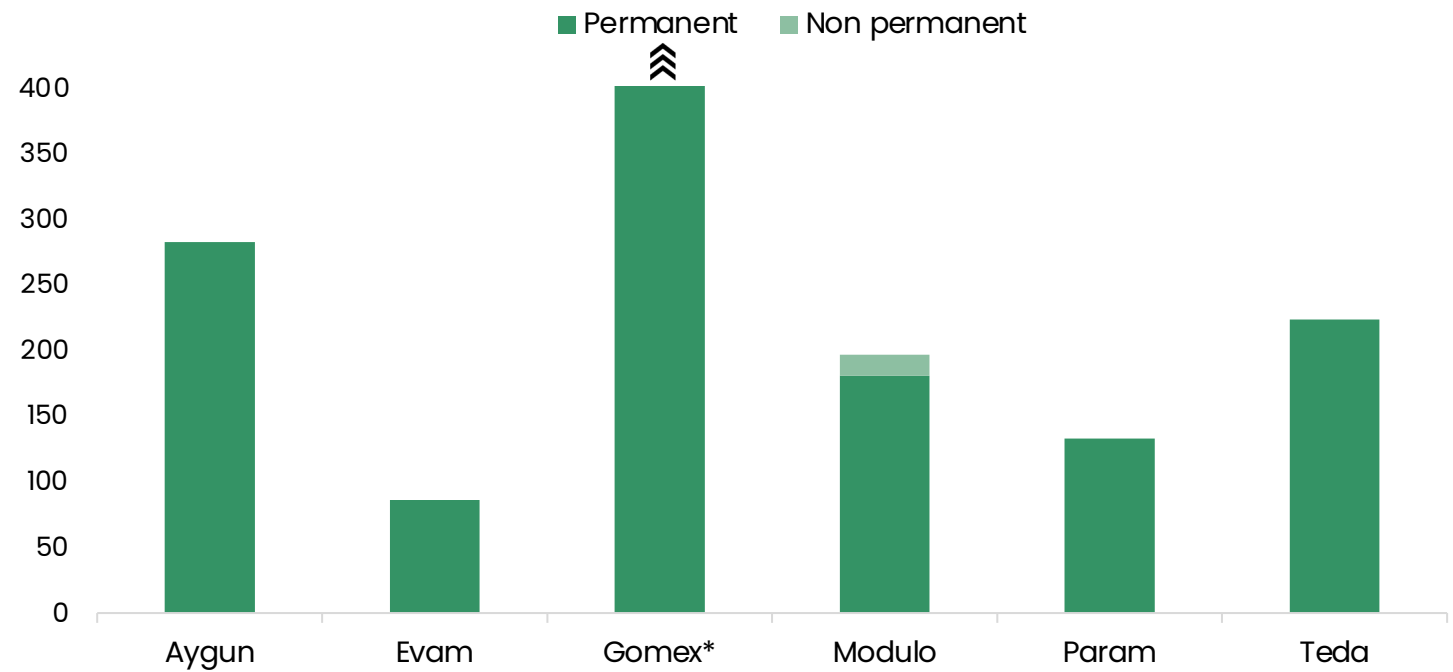
Data by year-end 2022



Perimeter: 6/6

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

Data by year-end 2022



Perimeter: 6/6

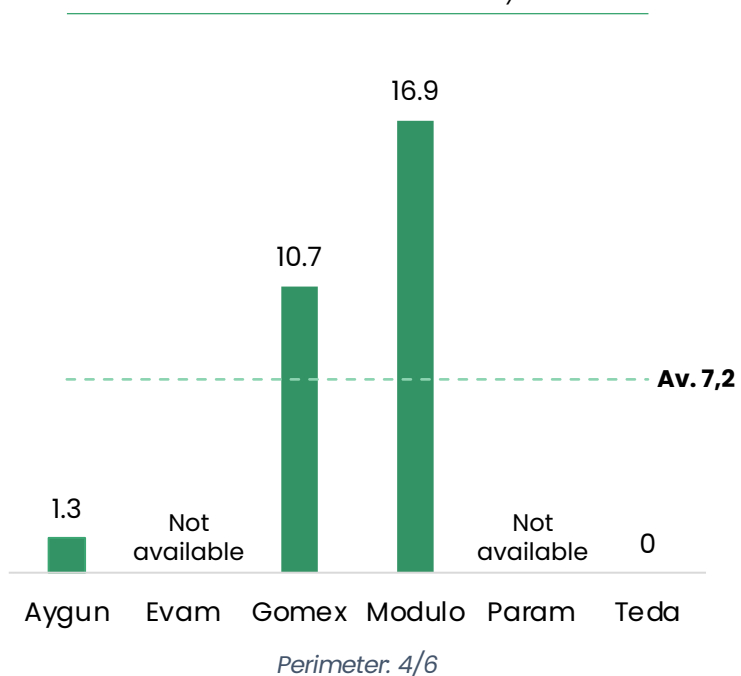
\* Gomex has 1 563 permanent employees and 888 non-permanent employees



## EMPLOYMENT

### Absenteeism rate (%)\*

Over the year



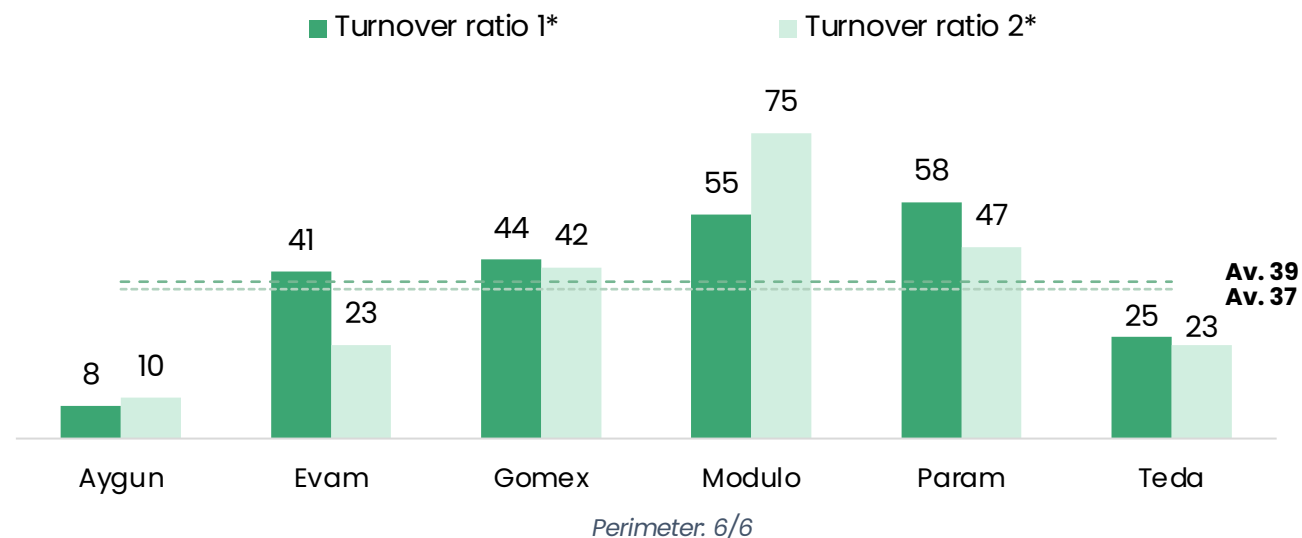
#### Comments

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

\* See the annex

### Employee turnover (%)

Over the year



#### INDICATORS

#### UNIT

#### CONSOLIDATED VALUE 2022

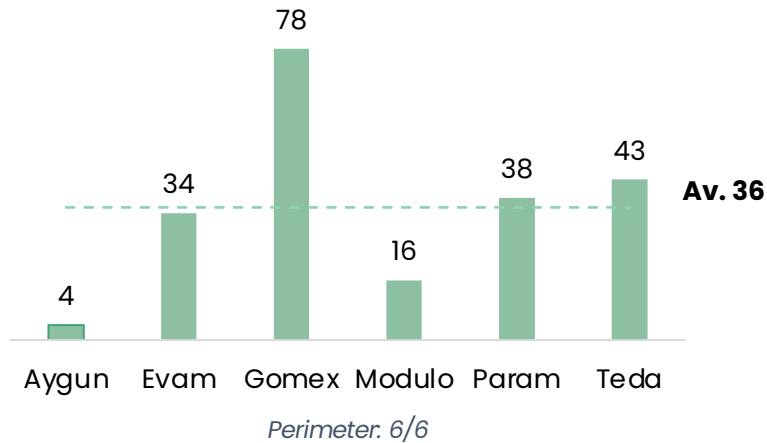
#### PERIMETER 2022

Accident frequency rate*	%	<b>2.70%</b>	6/6
Accident severity rate*	%	<b>0.03%</b>	6/6
Unadjusted gender pay gap*	%	<b>14.11%</b>	5/6

## DIVERSITY

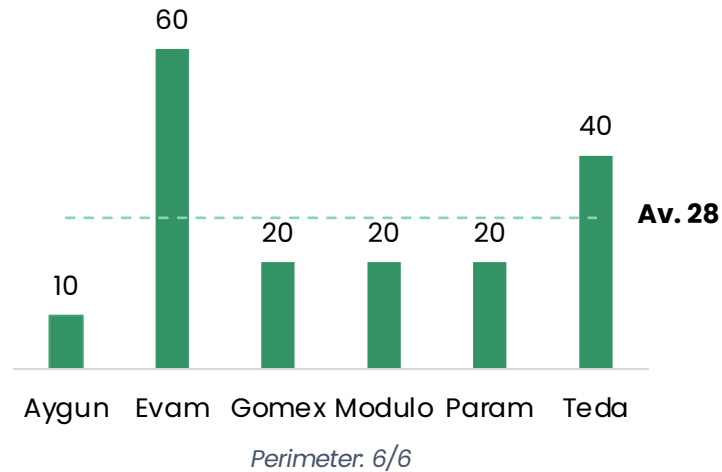
### Female employees (%)

Over the year



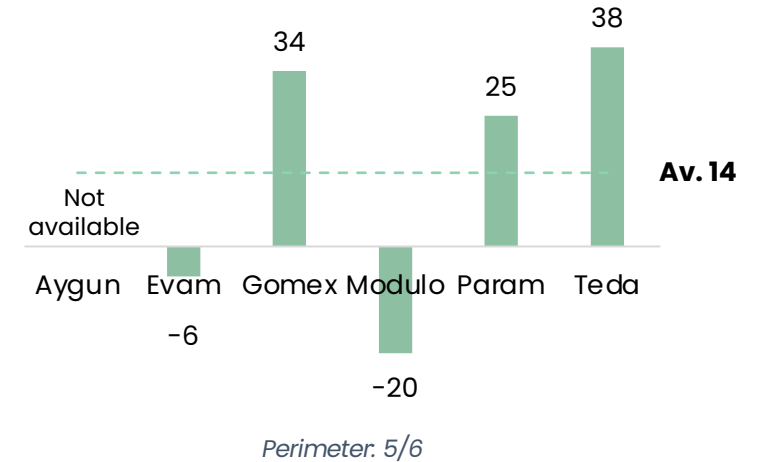
### Women in the 10 highest paid profiles (%)

Over the year



### Unadjusted gender pay gap (%)

Over the year



**1 COMPANY (EVAM) OUT OF 6 RESPONDING**

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

**1 COMPANY (EVAM) OUT OF 6 RESPONDING**

organizes **trainings** to avoid **gender bias** in recruitment

**2 COMPANIES OUT OF 6 RESPONDING**

have integrated **diversity issues in Board** meetings

**2 COMPANIES OUT OF 6 RESPONDING**

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

## HEALTH & SAFETY



**All companies**

have an **occupational health and safety** policy

*Perimeter: 6/6*



**All companies**

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

*Perimeter: 6/6*

## SOCIAL CONTRIBUTION



**3 companies**

have donated for **social projects** for a total of €20,355

*Perimeter: 6/6*



**153 hours**

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

*Perimeter: 6/6*



**83% of companies**

have used **local service** providers and companies

*Perimeter: 6/6*



**75% of companies**

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

*Perimeter: 6/6*

## PROFIT SHARING & WELL-BEING AT WORK

**33%**

of companies have implemented a profit-sharing mechanism.

*Perimeter: 6/6*



Employee satisfaction surveys were conducted by

**2 companies**

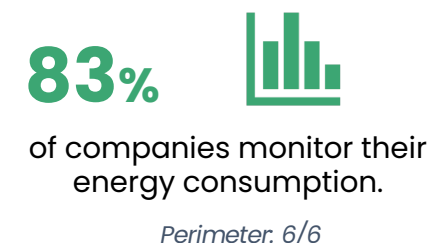
*Perimeter: 3/6*

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

Data by year-end 2022

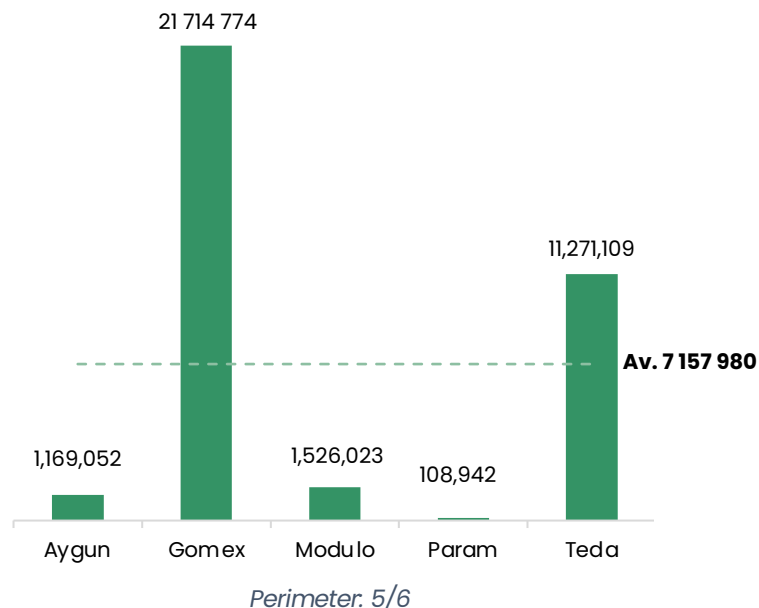
## Best Practices

- ✓ Modulo has a formalized an environmental policy and is in the process of carrying out a carbon footprint assessment with an external service provider.
- ✓ Teda has changed the production machinery to improve its energy efficiency
- ✓ Aygun is in the process of defining environmental objectives related to new manufacturing technologies and complying with ISO 14001 certification. Aygun has changed the lighting of the manufacturing sites to optimize its energy consumption
- ✓ Gomex has replaced lighting, doors, and windows to save energy. The company has also implemented a waste sorting and recycling policy with an outsourced recycling system.



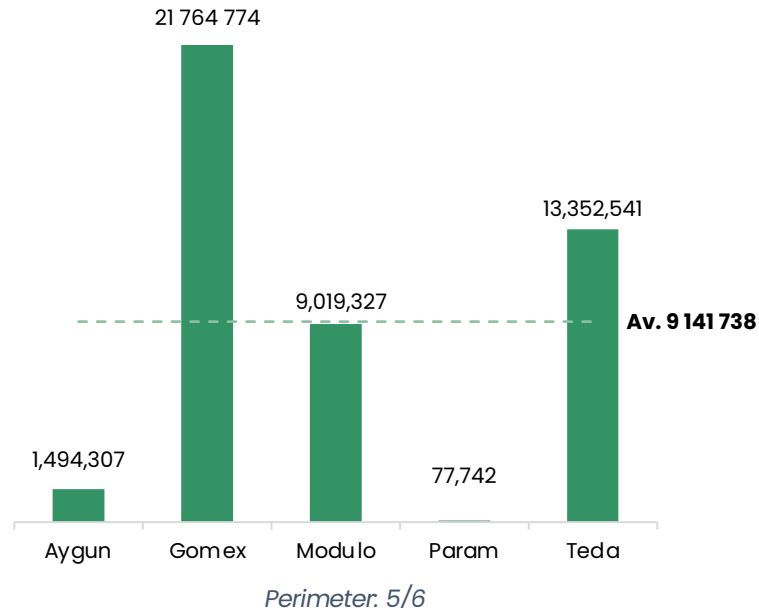
## Electricity consumption (kWh)

Over the year



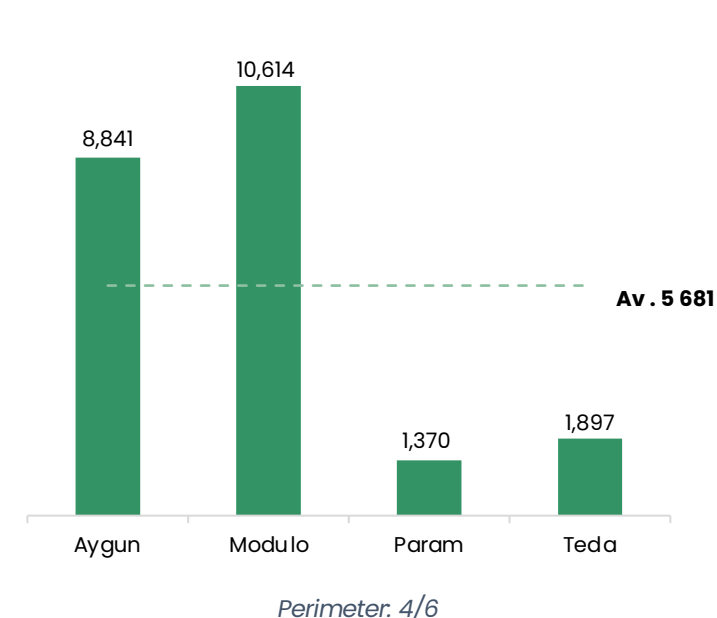
## Energy consumption (kWh)

Over the year



## Water consumption (m3)

Over the year



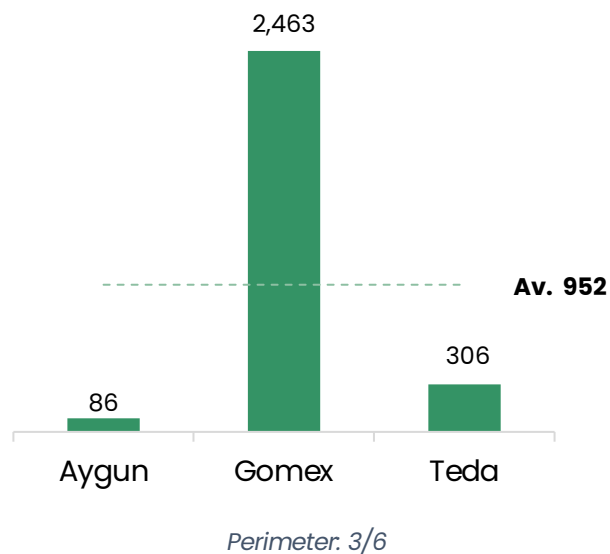
### Comments

- 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.

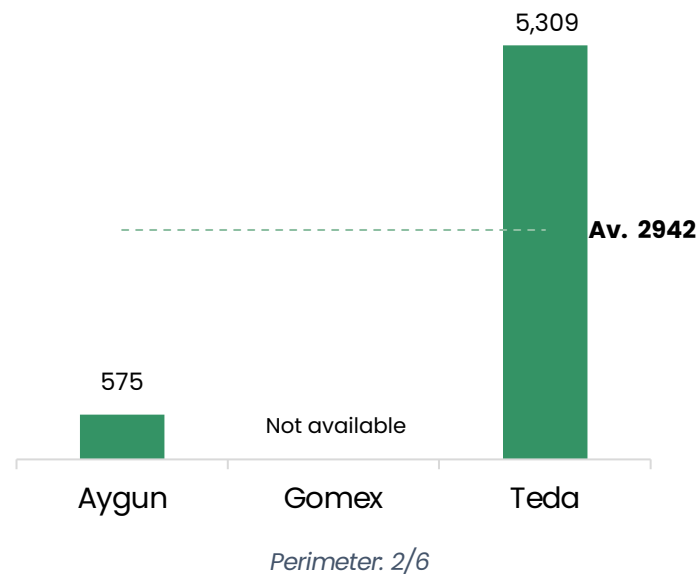
### Best Practices

- ✓ Teda produces and consumes renewable energy, especially solar energy
- ✓ Aygun is assessing the feasibility of using renewable energies
- ✓ Modulo is in the process of installing solar panels

## 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.

Aygun has calculated its Scope 1 and Scope 2 emissions internally.

### Best Practices

- ✓ Modulo plans to calculate its carbon footprint.
- ✓ Gomex plans to calculate its Scope 2 emissions.

05.

**PERSPECTIVES FOR 2023**

2023 is proving to be a challenging year as the global economy recovers from the shocks brought on by the pandemic and the universal rise in interest rates as Central Banks deal with the threat of inflation. Inflation brings with it connotations of the 1920s and the consequences thereof but has largely been absent for the past 35 years, to the point where for many in society it is not a factor that they have had to deal with. There are the odd exceptions, of which Turkey is one. Dealing with inflation at the corporate level requires understanding and a mastery of all aspects of one's business. In times like these, where corporations and individuals face so much uncertainty, ESG can become a less "immediate" problem, and it is human nature to push such problems down the road. This makes the importance of reinforcing our goals at our invested companies even more prescient.

Within the existing portfolio, we continue to build ESG reporting into the DNA of our management teams. We are seeing good traction here, especially in the area of carbon offset and inclusivity. We have just approved the construction of solar paneling at one of our facilities which will reduce carbon input, and we are engaging in a feasibility study to do the same at another of our companies. At Gomex we have reconstructed our pallets to allow for full utilization of our delivery trucks and this has reduced our carbon footprint per pallet quite significantly. We also continue to examine waste management and make improvements there. Our focus on inclusivity has yielded results with the appointment of a female CFO at one of our companies who is now the second most critical part of the management team. Allied to our production manager, two of the top four positions in the company are now female. In short, we hope to be able to demonstrate progress across the existing portfolio when we do our year-end reviews.

During 2023 the Fund has made two additional investments to date – both in Bulgaria, and both in the tech/deep tech space. These two companies are young, dynamic, and open to change. We have identified long-standing societal issues around the education of women in technical subjects such as Maths, Further Maths, Physics, and advanced computer science. Simply stated there are not enough women graduating with the appropriate qualifications that are required in both companies. This is not a short-term fix and so with the help of each company, we are focussing on using our employees to spread the message to young girls entering secondary education. This will be a long-term challenge, the results of which may not be realized for a few years, but the benefits could be very substantial for societies as a whole.



# 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

# Computation of Ratios on Social Data - Methodology

- 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 1

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

## Turnover ratio 2

- ✓ -  $100 * \text{Number of departures} / \text{Total employees}$

## Accident frequency rate

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

## Accident severity rate

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

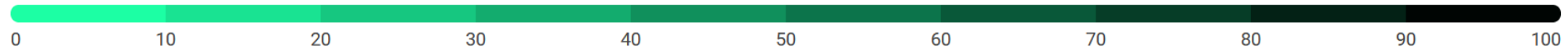
## Unadjusted gender pay gap

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

# High Risk Countries - Human Rights

Very Low Risk

Very High Risk

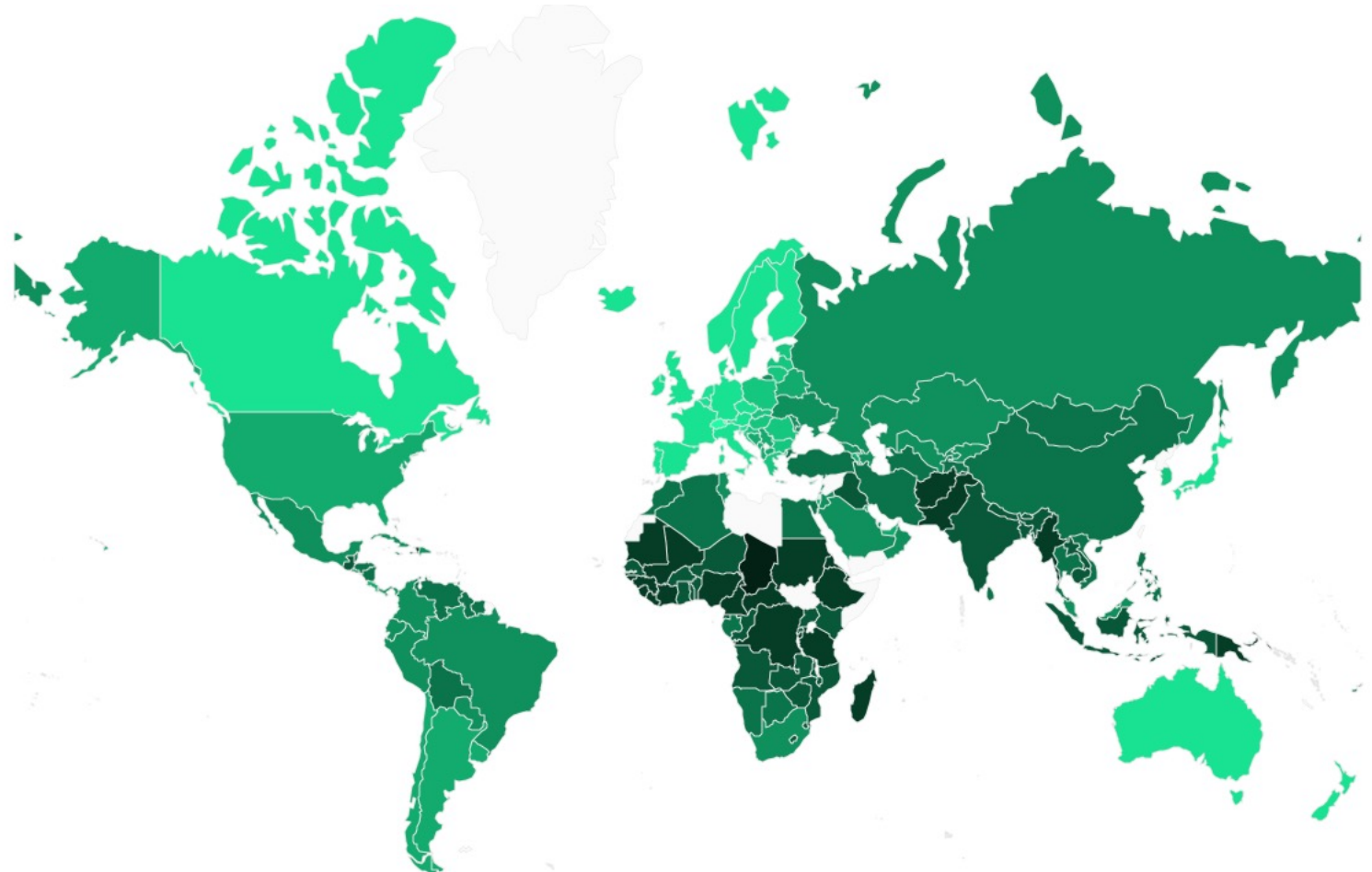


With a global coverage of 176 countries and territories the ESG Index (ESGI) is dedicated to measuring risks related to the environment, human rights and health & safety based on 44 variables.

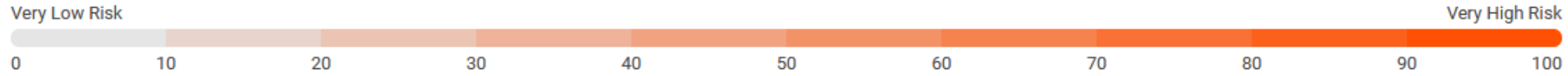
Country results are presented on a 0-100 scale, where 0 corresponds to the lowest risk and 100 corresponds to the highest risk.

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/>



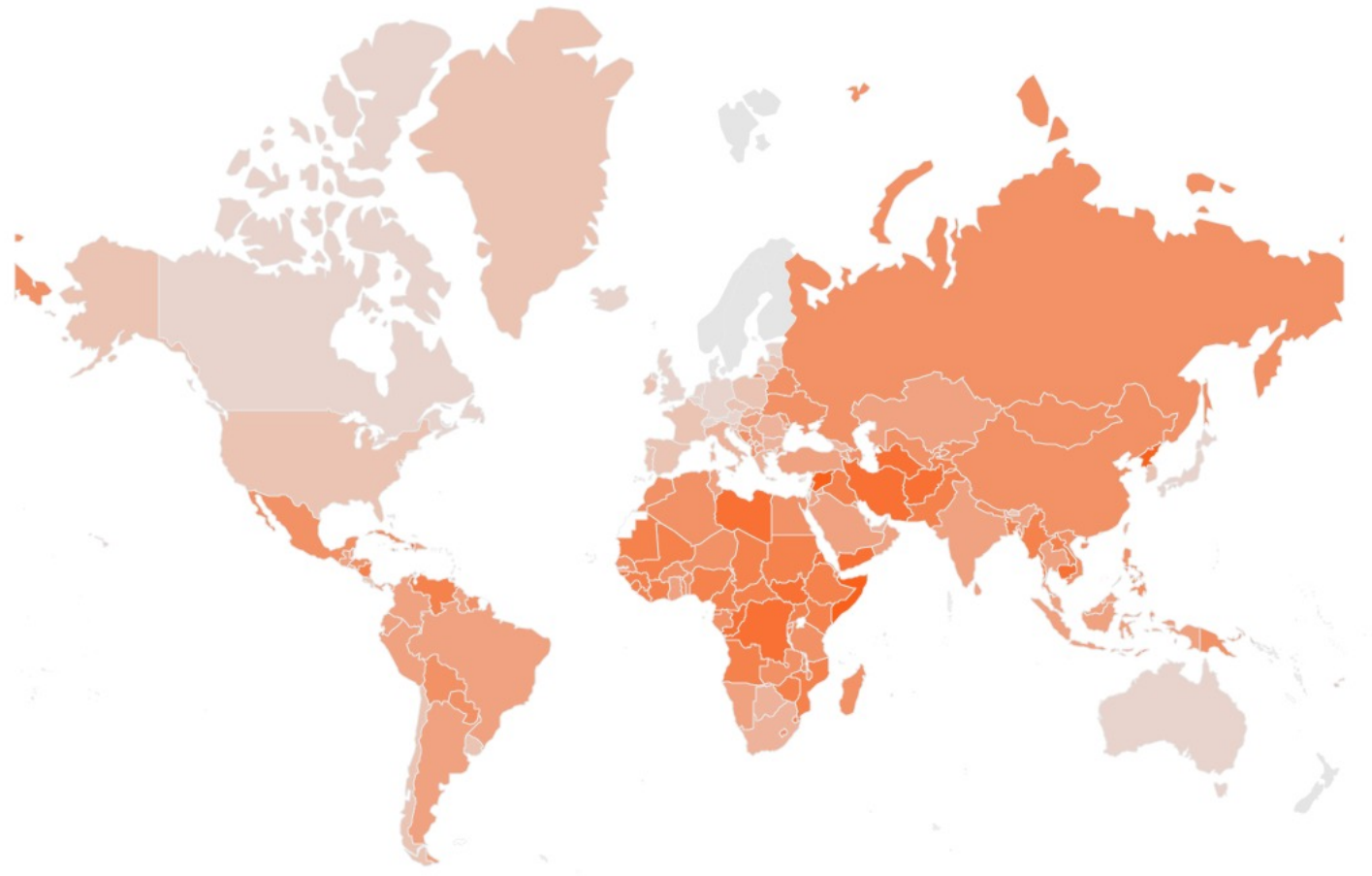
# High Risk Countries - Corruption



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/>







## Contacts

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