

CENTRAL EUROPE INDUSTRY PARTNERS

**ESG** ANNUAL REPORT

**2022**



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Our companies should be generating goodwill and respect in their communities and self-confidence in their employees.

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# Who are central Europe industry partners

**We are an investment company. Besides the investments of our team members, we manage resources on behalf of several reputable institutional investors and family offices. The expected rate of return for our investors is maintained at a reasonable level in order to allow us to develop the asset into a long-term investment. The size of CEIP investments into any one company is between CZK 50 and 250 million (EUR 2-10 million). In terms of enterprise value, the individual targeted assets can be worth up to CZK 1 billion (ca. EUR 40 million).**

For larger targets we consider co-investment with reputable investors from our network. We invest in industrial manufacturing and related service companies. We prefer a set up in which the initial owners keep a stake and further participate in the growth of the company. CEIP is made up of a group of „industrialists“, both former managers and owners of industrial companies.

Our team is composed of experienced businessmen with a strong track record of having increased the value of companies engaged in industrial production. Thanks to the CEIP Partner's previous engagements, expertise and established network of contacts, they have the ability to develop compa-

nies both in terms of business and operations. For each portfolio company, an Operating Partner from the CEIP team is appointed. This partner is then actively involved in the management of the company on a daily basis. CEIP develops companies together with their owners / founders; CEIP prefers a set up where initially the owners keep a stake and further participate in the growth of the company. Investment into a 100% share is not the preferred approach.

Depending on the specific situation, the management of the company may also be involved in the ownership structure. Contrary to many strategic investors, CEIP ensures continuity of the family brand and preservation of jobs in the region.

CEIP's intention is to develop top Czech and Central European companies and enable them to grow into major players on the domestic and international markets. This includes preserving their role within their region.

Since 2017 we have been building our reputation in the local market with a consistent and focused approach. We completed the deployment of our first fund in 2021 with investments into six Czech industrial businesses in line with our original strate-

gy. We have now commenced investment from our second fund and increased our portfolio to eight companies.

As we shall present in the report below, environmental, social and governance (ESG) factors are evaluated and managed in exactly the same way as all other operational activities in our portfolio companies. Some businesses will have higher levels of ESG risk and opportunity than others but we will apply similar rigour to all our investments because there is no company, which will not benefit from good ESG management.

In the report we will feature six companies from the first fund and a single investment in the second fund, which was acquired in September 2022 (the second investment was only acquired in February 2023).



# Summary of ESG at CEIP in 2022

With the impact of the Covid-19 pandemic finally receding at the beginning of the year, the invasion of Ukraine by Russia in February returned everybody to crisis management. The waves of refugees crossing into the countries bordering Ukraine in the weeks following the outbreak of hostilities created a social challenge not seen since the end of the Second World War II. The effect was immediate on the already stretched energy resources in Central Europe. The dependence on coal for power generation and Russian oil emphasised how vulnerable our energy supplies are. The ability of our companies to be able to self-generate at least some of their power requirements now had an additional justification beyond the ecological reasons.

The first solar panel installation was completed by Jihlavan already in 2022 and there are at least two major projects planned in the companies in 2023. We also have the first charging stations for electric vehicles in in VyvaPlast as well as in BMH, where the CEO is now driving an electric car. The plan to install charging stations at all companies in 2022 proved too ambitious but this goal should be achieved in 2023. Meanwhile CEIP's Managing Partner has bought a plug-in hybrid, adding to the fully electric car of one of our Operating Partners. Our Chief Risk Officer will not be using the charging facilities as he continues his monthly commute from Warsaw to Prague by rail!

The ability of the companies to provide basic data for measuring their carbon footprints (currently Scope 1 and 2) has given us an important tool to plan meaningful reductions in our emissions. Despite higher activity in 2022, the overall emissions have fallen year-on-year. The heightened awareness of energy consumption has helped to reduce electricity usage by 6%, gas by 16% and fuel for vehicles by 1% (2022 v 2021 for the six Fund I companies).

	CEIP Proprietary Risk Rating		Carbon Footprint (tons) (Scope 1/2)	
	2021	2022	2021	2022
<b>Roka</b>	8.0	8.2	900.1	990.8
<b>Elcom</b>	5.8	4.9	390.5	341.1
<b>BMH</b>	7.0	6.5	256.0	271.9
<b>KBNK</b>	8.1	7.8	115.3	112.5
<b>Jihlavan</b>	9.7	9.4	2,362.1	2,097.9
<b>Vyva Plast</b>	8.4	8.8	1,065.5	965.6
	<b>TOTAL</b>		<b>7,110.5</b>	<b>6,801.8</b>
	<b>Reduction year-on-year</b>			<b>4.3%</b>

The first comparison of carbon footprint showed a decrease of ca.4% year-on-year. The reduction was smaller than hoped due to increases at Roka and BMH. Following the year of reduced activity in 2021 (due to Covid), the 2022 result can still be regarded as satisfactory.



For a fund manager investing in industrial technology, health and safety must be a priority. It is therefore pleasing to report that four of the seven portfolio companies reported zero accidents in 2022, with three doing it for the second year running. Zero accidents overall is the target therefore in any investment where this is not the case, high priority will be given to correcting this situation in 2023.

Improving governance is regarded as business-as-usual in private equity but it is still a demanding element of ESG management. A new ERP system is being implemented at Roka and a full succession planning program is being executed in

ELCOM. For the first time in 2022 we have formally monitored employee complaints and cybersecurity breaches. Whilst it is pleasing to see zero employee complaints recorded across the portfolio, it raises some concerns that the processes may not yet be fully embedded in the companies. Any minor breaches of cybersecurity in companies were handled by firewalls and security processes.

# CEIP'S ESG management

## Why ESG is important for CEIP?

- E** - CEIP is active in sectors where it will encounter challenges with environmental issues but also find opportunities with new or existing customers.
- S** - The very low unemployment rate creates difficulties for HR management (recruitment and retention).
- G** - Governance is a key element of added value with the conversion of founder-run businesses to agile corporations.

Being industrial specialists, the CEIP team members are pragmatists and problem solvers. We are aware that good ESG management means good business and benefits all of our stakeholders. We are keen to conserve energy, reduce pollutants and improve waste management. We have ambitions to create an 'employer brand' at all of our companies. Our companies should be generating goodwill and respect in their communities and self-confidence in their employees. They should be well-run businesses focusing on continuous process improvement with a strong ethical backbone. We want to be as transparent as possible in our communication and in our relationships. Our processes should be rational and clearly understood and information should be presented clearly in adequate detail but with no unnecessary frills. For CEIP, ESG is simply another key business issue, which we need to address to the best of our ability.

### a. ESG Procedures

CEIP applies a standard process to analyse ESG risks and opportunities in all its portfolio companies. The process relates to all stages in the life of the investment. We would expect to address at least the specific issues mentioned in the table below:

GHG Emissions	Health & Safety	Internal Controls / Reporting
Energy Usage	Gender & Diversity	Cybersecurity / Data Protection
Water Usage	Employee Satisfaction	Transfer Pricing
Waste and resources management	Community relations	Anti-Bribery / AML
Toxic emissions	Human rights	Code of Conduct / Ethics
Environmental Operations	Supply Chain	Risk Management
Climate Risk Mitigation	Training/Career Development	Tax Policy



When one or more major risks are identified prior to our investment, we address them immediately to assess whether or not we are able to mitigate such a risk or if we need to withdraw from the transaction at an early stage. If we are prepared to accept the presence of an ESG risk we must be confident that we will be able to implement mitigating initiatives during our time in the business. Company management must be 'on the same page' as us and are given incentives to achieve ESG targets.

ESG actions, initiatives and targets are planned and executed in line with the priority level attributed to the specific issue. ESG must be included explicitly as part of the 100-day plan process. CEIP will assess the granular risk rating of each company based on a standard approach. The risk position will be measured on entry to the investment and an exit level risk will be agreed and set. Specific initiatives must be in place already at this stage to ensure that there is a clear road map from entry to exit.

It is important that each portfolio company should have an Environmental and Social Management System (ESMS). Transparent reporting of ESG is good practice and is expected by investors. Company board meetings include ESG as a specific agenda item at least twice per year. The CEIP Chief Risk Officer works with the ESG Officer to co-ordinate an annual ESG report, summarising reported KPI's, risk rating and a commentary including a progress report on all ongoing and new initiatives, and exceptional events or incidents.

Exceptional ESG issues should be included in the quarterly investor reporting (e.g., a new 'green' product or service, a retrenchment program, a non-critical fraud case). In the event of a major event, threatening the reputation of CEIP and its investors (e.g., a serious accident, a chemical contamination incident, a high-profile issue relating to a supplier) then an immediate communication should be issued to all investors.

## ESG Organisational Structure

- The Partner Team approves CEIP ESG Policy and the Chief Risk Officer executes the CEIP ESG strategy, assisted by the Fund ESG Officer.
- Operating Partners take responsibility for ESG at portfolio company level.
- ESG management is executed formally through the companies' boards but less formal co-operation with the companies takes place as well.
- At the company level, an ESG Officer is appointed to ensure that the ESMS is implemented if it did not already exist. He or she will be responsible for coordinating ESG initiatives to achieve the exit risk rating.
- ESG targets are included in management's and ESG Officers' remuneration (typically as part of bonus payments)



## Key Initiatives for 2023

**In 2023, there are several key portfolio initiatives in progress:**

- Net zero carbon strategy based on carbon footprint analysis and initiatives planned over an appropriate period.
- Implementation of renewable energy projects. As part of the net zero carbon strategy, all companies are carrying out feasibility studies for self-sufficient energy sources.
- Companies are also installing charging stations for electric vehicles.
- Employer branding is being implemented by portfolio companies
- Material is being created by the Fund to help portfolio companies raise ESG awareness among their employees.
- CEIP is planning to complete UNPRI reporting for the first time in 2023 (although it is not yet a mandatory obligation).



# CEIP portfolio companies ESG status





# ROKA

ROKA Industry is a manufacturer of welded steel and stainless-steel structures with almost 30 years' history. The company is based in Teplice in the west of the Czech Republic. The structures produced are mainly for construction and machine tools. ROKA Industry has a wide range of machinery including laser burning technology, horizontal machining and welding technology including welding robots.



## Relevant Sustainable Development Goals (SDG's)

### Primary



### Secondary



### Awareness



The primary SDG's being addressed at Roka relate to modernisation of the production process, which can lead to improved resource utilisation, and waste management related to metal scrap and hazardous waste. The secondary and awareness SDGs relate to renewable energy training and career development, general awareness of sustainability and improved corporate governance.

## Roka ESG KPI's

KPI		2021	2022	2022 target
Water consumption	m <sup>3</sup>	3,432	3,159	3,450
Electricity use	MWh	1,292.5	1,420.0	1,350.0
Share of renewable energy	%	N/a	6.8%	N/a
Gas consumption	m <sup>3</sup>	20,284	25,577	22,000
Toxic emissions	kgs	568	N/a	580
Hazardous waste	tons	7.2	N/a	7.5
No. of motor vehicles	number	8	8	8
Fuel consumption	litres	30,022	31,122	28,000
Green revenue	%	N/a	6.5%	N/a
Total no. of FTE's	number	109	93	125
Gender split	%	13.4%	14.0%	N/a
No. of disabled employees	number	6	6	6
No. of accidents	number	5	4	1
Absenteeism	%	10.5%	15.0%	9.0%
Staff rotation	%	24.7%	27.0%	15.0%
Overtime worked	hour	11,278	7,365	5,500
Average age of employees	age	43	45	43
Outstanding holiday	day	1458	502	350
Training costs (% of pers. costs)	%	0.5%	0.1%	1.0%
No. of employee complaints	number	N/a	0	N/a
No. of IT security breaches	number	N/a	2	N/a

# 2022 ESG Summary

## Environment

- Water / Energy Consumption: Similar or higher than 2021 and targets because production throughput was increased and there were only very limited possibilities to implement savings initiatives (due to cash flow restraints).
- Electricity: Sales in 2022 increased 28% year-on-year therefore the increase in the electricity consumption of 9.9% in this context is not excessive. Nevertheless the company will need to find alternative sources of energy if it is going to reduce its carbon footprint while increasing production. Solar panel installation is being considered but is unlikely to be realisable before 2024 at the earliest.
- Gas: Higher consumption in 2022 mainly because of increased use of the paint shop. Usage is expected to be lower in 2023. New gas-powered forklifts were purchased in 2022.
- Renewable energy: This has been reported for the first time. The 7% share relates to the amount of renewable energy in the electricity purchased from the grid. There is no renewable energy produced by the company at the moment.
- Green revenue: This has been measured for the first time with 6.5% of revenue relating to the production of energy-efficient lifts and agricultural equipment.

## Social

- Employees / Subcontracting: The number of employees fell by 15% in 2022, while subcontracted costs as a proportion of total personnel costs rose to 33%. This is a result mainly of the difficulty in retaining and recruiting full time welders. The subcontracted welders are typically not Czech (seven nationalities are currently represented including, Ukrainian, Indian, Vietnamese and Chinese). The Ukrainians have a Ukrainian foreman, who speaks Czech. The other nationalities speak either Czech or English and Roka line managers are able to converse in English.
- Gender: The gender split remains very male dominated with only 13 of the 93 FTE's being female. If subcontracted staff would be included in this KPI, the bias would be even clearer. The company will monitor the gender of candidates for jobs to demonstrate that there is no discrimination and that the statistic only reflects the heavy male-domination in the welding sector.
- Accidents: The pattern of accidents followed 2021 with 4 minor accidents in the first half year, involving cuts mainly to hands, and none in the second half year. The training and monitoring of safety need to be more consistent in 2023 to ensure that this pattern is not repeated.
- Staff Rotation: Rotation at 15% was closely aligned to the fall in the overall number of employees, with staff leaving generally not being replaced (by FTE's).
- Overtime: Overtime worked was higher than in the previous year and higher than planned as a result of increased production levels and requests to staff to perform additional tasks outside normal hours to improve the working environment (e.g. redecoration of social and production facilities, inhouse construction of fittings and equipment to be used in production, etc.)



- Average Age: The average age of the workforce remained high at 45. Staff rotation did not help this KPI as people leaving the company were generally not being replaced.

#### **Governance**

- Cybersecurity: There were two recorded security breaches in 2022 but these were both unsuccessful attacks from Russian websites on the company VPN. As a result non-Czech users are now excluded from the company network.
- ERP: A new accounting system was implemented at the end of 2022 / beginning of 2023. This replaces the old legacy system used by the previous owner for which support was no longer available. There should be a significant improvement in the quality of data management once the new system is fully up and running.

## Key Initiatives in 2023:

- Contract for frames for Swiss railways (green revenue);
- Project in initial phase to provide frames for solar panels in car parking (green revenue);
- Roka 30 year celebration;
- Employee satisfaction survey in H1/2023;
- Pictures of customers' products to be hung throughout the offices;
- Reduction of absenteeism;
- One day voluntary / community day for Roka employees (modelled on ELCOM's example)

**Risk Matrix - ROKA**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	3	2.6	7.9	4	2	5.3
Energy Usage	5	3.5	17.5	4	3	10.5
Water Usage	3	0.6	1.9	2	4	2.5
Waste management	3	2.3	6.8	3	2	4.5
Toxic emissions	3	1.5	4.5	2	3	4.5
Green Revenue	5	4.0	20.0	4	3	12.0
Climate Risk Mitigation	4	3.0	12.0	4	2	6.0
			10.1	4.0		6.5
<b>SOCIAL</b>						
Health & Safety	5	3.5	17.5	4	2	7.0
Gender & Diversity	5	3.0	15.0	3	4	12.0
Employee Satisfaction	5	3.0	15.0	4	3	9.0
Community relations	3	1.3	3.8	4	2	2.5
Human rights	2	0.8	1.5	1	2	1.5
Supply Chain	0	3.0	0.0	3	2	6.0
Training/Career Development	4	2.5	10.0	4	3	7.5
			9.0	3.3		6.5

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	3	3.0	9.0	4	3	9.0
Cybersecurity / Data Protection	3	1.8	5.3	4	2	3.5
Transfer Pricing	1	0.9	0.9	1	1	0.9
Anti Bribery / AML	3	1.8	5.3	3	2	3.5
Code of Conduct / Ethics	2	2.3	4.5	2	2	4.5
Risk Management	3	3.0	9.0	4	2	6.0
Tax Policy	2	2.3	4.5	2	2	4.5
			5.5	2.9		4.6
<b>Overall Average Rating</b>			<b>8.2</b>	<b>3.4</b>		<b>5.8</b>
<b>2021</b>			<b>8.0</b>	<b>3.4</b>		<b>5.8</b>

**ESG Responsibility:**

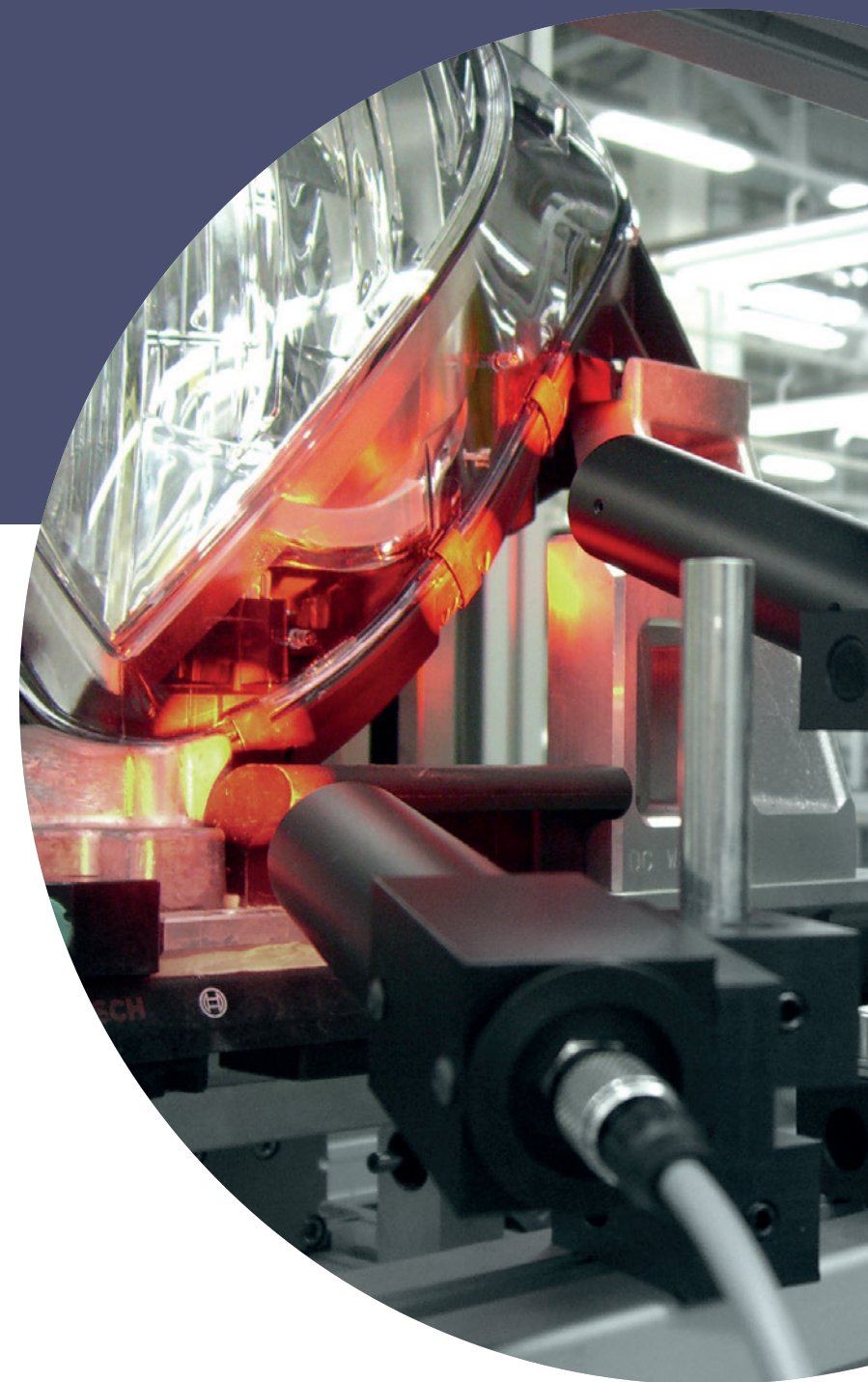
Ladislav Šimek, CEIP Operating Partner

Pavel Švihlik, Chief Executive Officer (ESG Officer)





ELCOM is a manufacturer and supplier of electrical engineering services. Besides the supply of energy measurement systems, the company focuses on industrial automation. ELCOM has unique technology for visual (Machine Vision), acoustic, vibrational and haptic testing. Production is located in Ostrava, Brno, Teplice, Dečín, Bystřice nad Pernštejnem and, since 2022 in Slovakia. Customers include companies such as ABB, Siemens or Škoda Transportation.



### Relevant Sustainable Development Goals (SDG's).

#### Primary



#### Secondary



#### Awareness



### The primary SDG's being addressed at ELCOM relate to:

- The modern, low energy usage main premises built and used by ELCOM;
- Potentially increased involvement in 'green' projects including e-mobility, renewable energy and energy efficiency;
- General modernisation impact at customers through the implementation of automation and robotisation, using ELCOM's expertise.

The secondary SDG relates to the emphasis ELCOM places on HR development and employee satisfaction. The awareness SDG's concern training, addressing the gender imbalance in the workforce and maintaining high levels of corporate governance.

## ELCOM ESG KPI's\*

KPI		2021	2022	2022 target
<b>Water consumption</b>	m <sup>3</sup>	N/a	N/a	N/a
<b>Electricity use</b>	MWh	341.5	319.8	350.0
<b>Share of renewable energy</b>	%	N/a	N/a	N/a
<b>Gas consumption</b>	m <sup>3</sup>	14,520	13,268	22,000
<b>Toxic emissions</b>	kgs	N/a	N/a	N/a
<b>Hazardous waste</b>	tons	N/a	N/a	N/a
<b>No. of motor vehicles</b>	number	37	39	8
<b>Fuel consumption</b>	litres	64,642	50,251	60,000
<b>Green revenue</b>	%	N/a	22.2%	N/a
<b>Total no. of FTE's</b>	number	173	156	185
<b>Gender split</b>	%	22.5%	24.8%	24.9%
<b>No. of disabled employees</b>	number	1	1	3
<b>No. of accidents</b>	number	0	0	0
<b>Absenteeism</b>	%	5.9%	3.9%	0.7%
<b>Staff rotation</b>	%	10.4%	7.3%	12.0%
<b>Overtime worked</b>	%	0.56%	0.52%	0.5%
<b>Average age of employees</b>	age	42.7	43.0	42.7
<b>Outstanding holiday</b>	day	N/a	N/a	N/a
<b>Training costs (% of pers. costs)</b>	%	1.3%	1.4%	2.0%
<b>No. of employee complaints</b>	number	0	0	0
<b>No. of IT security breaches</b>	number	0	0	0

\* Data for ELCOM a.s.

# 2022 ESG Summary

ELCOM continues the set trend of social responsibility and ecological sustainability and was ranked among the Top 5 companies in the Czech Republic in the evaluation of medium and small companies. It was assessed by the Association for Social Responsibility in cooperation with CEMS - The Global Alliance in Management Education / Master in International Management at the Faculty business administration of the University of Economics in Prague.

## Environmental

Energy-related KPI's have all shown reductions year-on-year (6% for electricity, 9% gas and 22% for fuel consumption) and against plan. Due to the increase in fuel prices, management insisted on more effective organisation of business trips and optimisation of logistics. The reductions in usage of gas and electricity were primarily weather-related.

- ELCOM's emission levels are quite low and the company has used heat pumps as its main source of heating at the main office in Ostrava for many years.
- A plan to implement photovoltaic panels on the roof of the Ostrava premises has already been prepared and is awaiting capex approval and selection of a supplier.
- An electric vehicle charging station is planned for installation in Ostrava in 2023.
- A project to install photovoltaic panels for heating at the Bystrice premises is still under consideration.
- Some limited analysis will be carried out to measure which parts/departments of the business, are consuming the most electricity and consider whether any savings may still be possible.

## Social

- Employees: FTE's fell by 16% in 2022 as a result of the disbanding of the industrial automation team, the release of 3 employees in the RH Tech subsidiary and 'natural wastage'. Group redundancy criteria were not triggered.
- Most of the other social KPI's showed positive movement or stability. There were no accidents. Absenteeism and staff rotation fell year on year. Training was at a low level in H2/2022 as a result of cost cutting actions. The average age of the workforce and the gender split remain systemic problems, which are difficult to resolve by the company unilaterally.
- Wellbeing: Another employee survey was carried out as planned at the end of 2022 and several conclusions are now being prepared in order to implement initiatives. In 2022 the previous survey resulted in small projects to
  - improve the reception area in Ostrava;
  - protect better the parking spaces for bicycles in Bystřice;
  - offer employees again the opportunity to participate in volunteering programs supported by the company and this should be repeated in future years.





### Governance

- Succession planning has continued with Leszek Wawrzyczek taking over as CEO at the end of 2022 and the previous CEO, Daniel Kaminsky, now heading business development. To complement this change, the previous Operating Partner, Ondřej Benáček, has moved to Supervisory Board Chairman and been replaced as Operating Partner by Aleš Krutina, who is able to bring more hands-on experience to business and product development functions.
- A full set of consolidated corporate governance processes (using the toolkit provided by CEIP) was established for ELCOM. The progress on fulfilling the missing processes was slowed during 2022, partly as a result of the acquisition project (Applied Precision in Slovakia) in the second half of the year. These gaps have been reassessed and a plan for realisation is in progress.

## Key Initiatives in 2023:

- Photovoltaic panels on ELCOM building roof in Ostrava;
- E-vehicle chargers in Ostrava;
- Solar heating in Bystřice manufacturing plant (conditional on feasibility);
- Volunteering (similar program to 2022);
- Employees feedback and implementation of selected proposals (from 2022 survey);
- Completion of corporate governance action plan to implement any relevant missing elements;
- Consideration of lease/purchase of an electric vehicle should company cars need to be replaced in 2023;
- ESG content in ELCOM newsletter to raise awareness of employees.

**Risk Matrix - ELCOM**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	1	2.3	2.3	2	2	4.5
Energy Usage	2	1.9	3.8	3	2	3.8
Water Usage	1	0.3	0.3	1	1	0.3
Waste management	3	0.4	1.1	2	2	0.8
Toxic emissions	2	0.4	0.8	2	2	0.8
Green Revenue	1	4.5	4.5	<b>4</b>	2	9.0
Climate Risk Mitigation	4	3.0	<b>12.0</b>	<b>4</b>	2	6.0
			3.5	3.0		3.6
<b>SOCIAL</b>						
Health & Safety	1	1.8	1.8	2	1	1.8
Gender & Diversity	4	3.0	<b>12.0</b>	<b>4</b>	3	9.0
Employee Satisfaction	2	3.0	6.0	3	1	3.0
Community relations	3	1.5	4.5	3	2	3.0
Human rights	1	0.8	0.8	1	1	0.8
Supply Chain	2	3.0	6.0	2	2	6.0
Training/Career Development	3	2.3	6.8	3	2	4.5
			5.4	2.6		4.0

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	3	3.0	9.0	<b>4</b>	2	6.0
Cybersecurity / Data Protection	3	1.8	5.3	3	2	3.5
Transfer Pricing	3	2.6	7.9	2	2	5.3
Anti Bribery / AML	2	0.9	1.8	2	2	1.8
Code of Conduct / Ethics	2	1.5	3.0	3	2	3.0
Risk Management	3	3.0	9.0	3	2	6.0
Tax Policy	2	2.3	4.5	2	2	4.5
			5.8	2.7		4.3
<b>Overall Average Rating</b>			<b>4.9</b>	<b>2.8</b>		<b>4.0</b>
<b>2021</b>			<b>5.8</b>	<b>2.8</b>		<b>4.0</b>

**ESG Responsibility:**

Aleš Krutina, CEIP Operating Partner

Hanuš Majer, ELCOM Head of Sales Department (ESG Officer)





BMH is a Czech industrial service company active in the area of trenchless water and sewage pipeline repairs. The Company employs best in class robotic technologies, key among them being inverse sleeve pipeline repairs. Trenchless methods have a number of unique selling points including lower price in urbanised areas and speed and ease of execution. Besides trenchless pipeline rehabilitation BMH offers also monitoring services using remotely controlled robots. The company has realised more than 1,000 projects.



### Relevant Sustainable Development Goals (SDG's)

#### Primary



#### Secondary



#### Awareness



### The primary SDGs being addressed at BMH relate to:

- The beneficial impact of BMH's activity in improving the wastewater infrastructure and conserving drinking water by upgrading piping. This also leads to serious energy savings for the water infrastructure providers.
- Innovation relating to various new projects both for wastewater, drinking water and storm water drainage.

The secondary SDGs concern personnel development, renewable energy, waste control and 'clean' business. The awareness SDGs signal the company's gender imbalance and raising consciousness of climate issues.

## BMH ESG KPI's

KPI		2021	2022	2022 target
Water consumption	m <sup>3</sup>	96	74	100
Electricity use	MWh	35.7	30.2	25.0
Share of renewable energy	%	0.0%	0.0%	0.0%
Gas consumption	m <sup>3</sup>	13,018	11,838	10,000
Toxic emissions	kgs	N/a	N/a	N/a
Hazardous waste	tons	12.4	11.6	N/a
No. of motor vehicles	number	39	41	39
Fuel consumption	litres	89,856	99,108	85,000
Green revenue	%	N/a	97.0%	N/a
Total no. of FTE's	number	32	32	34
Gender split	%	9.4%	9.0%	9.4%
No. of disabled employees	number	3	3	3
No. of accidents	number	1	0	0
Absenteeism	%	6.1%	6.2%	2.5%
Staff rotation	%	9.0%	9.0%	9.0%
Overtime worked	hour	3,060	3,413	2,000
Average age of employees	age	45.0	47.1	46.0
Outstanding holiday	day	263	171	250
Training costs (% of pers. costs)	%	0.06%	0.11%	0.10%
No. of employee complaints	number	0	0	N/a
No. of IT security breaches	number	1	0	N/a

# 2022 ESG Summary

## Environment

- **Electricity:** The 15% reduction in electricity consumption is more than expected. Completion of the replacement of the lighting in the production area and using thermal reflective film on the south facing windows. The latter had a significant impact on the use of the air conditioning over the summer.
- **Solar Power:** In 2023, if all goes according to plan, it is expected that the solar power installation should generate significantly more electricity than required by BMH (from 2024). The company could start to offset its emissions from other fuel consumption (primarily from use of vehicles) and potentially reach carbon neutrality by 2025. The plan is for an 80-90 kWp plant, which must be combined with the replacement of the roof sheathing and the replacement of the gas boiler with a new source of heat and hot water, i.e. a heat pump.
- **Gas:** Consumption was 9% below the previous year's level with no specific measures taken to reduce it. This implies that both gas consumption and most of the lower electricity consumption were due to better weather during 2022 (compared to 2021).
- **Water:** The Olomouc main water artery renewal project continued with BMH's participation in 2022. The main artery provides the basis of the water system for more than 300,000 people. A reservoir / dam project was completed. BMH provided piping between a river, being the main source of drinking water and a major reservoir. The water had previously used alternative pipes and the water had been contaminated with fertiliser from nearby agricultural activity. BMH's solution ensures that the water arrives at the reservoir in a non-contaminated state. These projects illustrate the company's contribution to a clean water supply for hundreds of thousands of people.
- **Styrene consumption:** The styrene KPI remains unreliable due to the vagueness of information available from the supplier. The consumption was lower in 2022 as a result of a change in product mix, i.e., lower volumes of INSAK and Vertiliner. The company is carrying research, which may be able to reduce proportionally the thickness of the installed pipes and thus reduce the consumption of resin and styrene.
- **Fuel / Vehicles:** Fuel consumption rose 10% year-on-year partly as a result of higher levels of production of material requiring heating equipment, which was replaced later than planned during the year. This was the reason for the increase in BMH carbon footprint in 2022. One petrol driven car was replaced by an electric vehicle and another was replaced with a mild hybrid. An electric vehicle charging station has been installed at the head office for the use of the two electric vehicles. Two aged tank trucks were replaced with the latest equivalent models. Fuel consumption could be up to 25% lower than for the existing trucks.
- **Green Revenue:** Green revenue has been assessed for the first time in 2022. It is assumed that all BMH's sales with the possible exception of monitoring of pipes prior to cleaning are green. This would mean that 97% of revenue is designated 'green' (either Tier 1 or 2).

## Social

- Gender: The gender split remains at only 9% female. The number of jobs that could be filled by women without restriction is 13. In these jobs the gender split is 23%, therefore also quite far from parity. Safety requirements restricting physical loads at work and manual handling of loads are set by government regulation.
- Disabled Employees: The number of disabled employees remained unchanged at 3.
- Accidents: There were no accidents recorded in 2022.
- Absenteeism: Absenteeism remained at the same level as 2021 (6%) but half of this is a single employee who is on long term medical leave.
- Overtime: The number of worked overtime hours reflects the fact that the increase of the workforce was not possible and the level of work remained the same or higher. The planned workforce increase is intended to reduce this KPI but this was also the intention in 2022.
- Average Age: The average age is concerning because it shows that the company recruited older employees than it lost in 2022 and now has the joint highest average age in the CEIP portfolio. This can have a number of impacts on the business including several workers reaching retirement age simultaneously (i.e., succession problems), higher levels of absenteeism and resistance to change.

## Governance

- The two governance KPI's have been recorded for the first time this year. The 2021 IT security breach related to a breach at the data centre managing BMH's cloud facilities. It resulted in an outage of IT access for a couple of hours. The provider took appropriate steps to address the breach and there was no repeat of such an incident. The company is still of a size where employee complaints are not usually very formal and no complaint has reached the level of CEO in the last 2 years. There are currently no formal whistleblowing procedures.
- A presentation was made to BMH by Rowan in Q4/2022, covering GDPR and more general compliance topics. Checklists have been provided and BMH is implementing new, improved processes.





## Key Initiatives in 2023:

- Complex renewable energy solution including implementation of a photovoltaic power plant, replacement of the roof sheathing and the exchanging the gas boiler for a heat pump;
- Replacement of the hot water transportable heater (major consumer of energy);
- Preparation for the introduction of ISO 19600 or 37001 certificate (no certification planned in 2023);
- Implementation of Primus Line technology and more use of Vertiliner;
- Accident-free operation;
- Evaluation of employee satisfaction (twice a year using a formal evaluation process measuring both effectiveness and satisfaction of each employee);
- 3 employee events;
- Employee training in the area of time and priority management;
- Planting 3 trees and 4 bushes on BMH land;
- Long-term land lease - project "landscaping". Feasibility of an offset program with BMH purchasing a cheap piece of land for planting trees together with customers;
- Punctual compliance with findings from audits.

**Risk Matrix - BMH**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	2	1.8	3.5	3	2	3.5
Energy Usage	1	1.9	1.9	2	1	1.9
Water Usage	1	4.0	4.0	<b>5</b>	1	4.0
Waste management	2	1.5	3.0	2	1	1.5
Toxic emissions	2	2.3	4.5	2	2	4.5
Green Revenue	1	5.0	5.0	<b>5</b>	1	5.0
Climate Risk Mitigation	3	3.5	<b>10.5</b>	<b>4</b>	2	7.0
		2.8	4.6	3.3		3.9
<b>SOCIAL</b>						
Health & Safety	1	2.3	2.3	2	2	4.5
Gender & Diversity	5	3.0	<b>15.0</b>	<b>4</b>	4	12.0
Employee Satisfaction	4	3.0	<b>12.0</b>	<b>4</b>	3	9.0
Community relations	4	2.6	<b>10.5</b>	<b>4</b>	2	5.3
Human rights	1	0.8	0.8	2	1	0.8
Supply Chain	2	1.3	2.5	3	2	2.5
Training/Career Development	4	3.5	<b>14.0</b>	<b>4</b>	2	7.0
		2.3	8.1	3.3		5.9

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	3	3.0	9.0	4	2	6.0
Cybersecurity / Data Protection	3	1.8	5.3	4	2	3.5
Transfer Pricing	1	0.9	0.9	2	1	0.9
Anti Bribery / AML	3	3.0	9.0	4	2	6.0
Code of Conduct / Ethics	3	2.3	6.8	3	2	4.5
Risk Management	3	3.0	9.0	4	2	6.0
Tax Policy	3	2.6	7.9	3	2	5.3
		2.4	6.8	3.4		4.6
<b>Overall Average Rating</b>			<b>6.5</b>	<b>3.3</b>		<b>4.8</b>
<b>2021</b>			<b>7.0</b>	<b>3.3</b>		<b>4.8</b>

**ESG Responsibility:**

Martin Seidler, CEIP Operating Partner

Jan Štefanek, BMH Chief Executive Officer (ESG Officer)



KBNK is one of the leading Czech specialists in wire and sheet metal processing and assembling for manufacturers of tools and consumer products. The company was established in 1994 in South Bohemia, where production facilities with an area of 4,000 m<sup>2</sup> were constructed. The company uses modern production CNC equipment ensuring high levels of production efficiency.

### Relevant Sustainable Development Goals (SDG's)

#### Primary



#### Secondary



#### Awareness



The primary goal relates to improvements to be carried out in the work force. The secondary goals include potential participation in renewable energy, investment in more modern equipment, better waste management (including hazardous waste), attention generally to the carbon footprint and improving the governance of the company. The company will also seek to offer more training opportunities and address gender and diversity.





## KBNK ESG KPI's

KPI		2021	2022	2022 target
Water consumption	m <sup>3</sup>	N/a	258,000	N/a
Electricity use	MWh	111.6	95.6	105.1
Share of renewable energy	%	N/a	24.8%	25.0%
Gas consumption	m <sup>3</sup>	11,238	11,860	11,623
Toxic emissions	kgs	0.2	0.1	0.1
Hazardous waste	tons	195.5	144.1	158.5
No. of motor vehicles	number	7	7	6
Fuel consumption	litres	13,708	13,965	13,965
Green revenue	%	0.0%	0.0%	0
Total no. of FTE's	number	24	39	29
Gender split	%	14.0%	51.0%	51.0%
No. of disabled employees	number	0	1	2
No. of accidents	number	1	3	1
Absenteeism	%	10.7%	18.0%	13.0%
Staff rotation	%	12.0%	4.0%	6.0%
Overtime worked	hour	0	0	0
Average age of employees	age	45.4	41.9	42.2
Outstanding holiday	day	1,119	1,406	1,120
Training costs (% of pers. costs)	%	N/a	N/a	N/a
No. of employee complaints	number	0	0	0
No. of IT security breaches	number	0	0	0

# 2022 ESG Summary

## Environment

- **Electricity:** Use fell 14% in 2022 compared to 2021 as a result of the change in product mix, which has impacted several of the KPI's. In 2022 a significant part of the revenue was generated from assembly work, which is more labour intensive and requires very little machine time or energy consumption. Installation of outdoor LED lights has also contributed to the overall electricity saving of 14% in 2022. KBNK has an unusually high share of renewable energy reported in its supplier's invoice. The information claiming 25% of energy produced by renewable energy is based on 2020 supplier data.
- **Waste:** The very positive change in volume of hazardous waste (more than 50% year-on-year reduction) is partly due to an effective KBNK initiative. KBNK has begun to use cloths in small baths beneath machines to catch oils and other fluids, which constitute most of the company's hazardous waste. The cloths are collected in dedicated containers and picked up by a service provider, which is able to recycle the material. There has been lower use of metal and therefore a proportionate fall in scrap.
- **Vehicles:** There is one more vehicle at the end of the year as the commercial vehicle, which was replaced by a new model in 2022 has not yet been sold. It can be expected that fuel consumption may improve in 2023 (2022 and 2021 were at very similar levels).
- **Roof reconstruction:** This was carried out partly in preparation for a potential photovoltaic panel installation but also as an enhancement to prevent leaks and improve insulation.

## Social

- **Employees/Gender:** The headcount of FTE's grew more than 60% in 2022 as a result of recruitment for the Murrelektronik assembly work. This has changed the culture of the business with the gender balance now being parity (close to 100% of new recruits are female) and different management challenges being created. KBNK has now recruited its first disabled employee as the nature of the work and at least part of the premises is suitable for access for disabled persons.



- Accidents: With a larger workforce, the management is aware that the health and safety risk is greater. There were two relatively minor laceration injuries in Q1/2022. Corrective measures ensured that there were no such injuries later in the year. The third recorded accident in 2022 related to a minor finger crushing injury in the assembly department.
- Absenteeism / Rotation: At 18% absenteeism is very high. The new structure is partly responsible as the new employees are lower paid than the other members of the workforce, being generally quite low-skilled. Increased absenteeism is built into the model but not at 18% and it is important for this to be reduced significantly in 2023. It is expected that staff rotation may rise in 2023 (from the exceptionally low level of 4% in 2022), while absenteeism must fall. The assembly department business model would typically generate higher rotation but not necessarily exceptional absenteeism levels.
- Overtime: There are zero overtime hours in KBNK. Remuneration is based on piece rates and not hourly rates. The piece rate is adjusted for experience of employees to ensure that new employees can earn the target salary within the eight hours working day but the increased efficiency acquired over time is built into adjusted norms. This means that more efficient workers earn higher remuneration and produce more in eight hours. There is no plan to introduce any policy for overtime. The assembly model is relatively flexible with the staff able to swap shifts with the approval of management.
- Average Age: The new assembly department has resulted in an 8% fall in the average age of employees, which on a staff rotation level of 4%, shows that the age profile of the new team is significantly lower than the existing workforce.
- Improvement of social area: The long-delayed (partly Covid-related) renovation was successfully completed in H1/2022 and the workforce now has modern conditions for changing, showering and refreshments. This has had an impact on water usage but is an important motivational element for the workforce.
- Employees from Ukraine: KBNK targeted the recruitment of 4 Ukrainian refugees but there are currently only 2 previous inhabitants of Mariupol working in the assembly team.
- Community: Active participation in the annual Zirovnice Unicorn Carnival was suspended during Covid but will be reinstated in 2023. In 2022 KBNK participated in a Child's Play / Firemen's Party initiative (organised by the local fire brigade).

## Governance

### There were a number of minor governance initiatives in 2022:

- A new firewall was implemented;
- Appointment of ISO auditor to help prepare process for recertification of ISO 9001 and possible new certifications;
- Risk map to be produced during the strategy exercise (in progress);
- Update of quality goals;
- Organisational charts extension (including alternates);
- Process landscape visualisation;
- Visualisation of complaints;
- 5S layout (process implemented and legacy methods modified).





## Key Initiatives in 2023:

- Carbon footprint reduction policy to be developed;
- Photovoltaic plant is key initiative but this is not practical to implement before 2024;
- Installation of LED lights - indoor: continuation of 2022 outdoor initiative;
- More focus on minor short term initiatives to ensure that the 2022 fall in energy consumption is not reversed;
- Vehicle replacement policy should consider emission levels;
- Electric vehicle charging station;
- Composter installation - currently in the process of supplier selection;
- Investigation of new initiatives for recycling of hazardous and non-hazardous waste.
- FTSE Russell classification should be incorporated into the pipeline development policy to identify possible sources of green revenue for KBNK;
- Usage of roof water for toilets (feasibility study);
- Bicycle stands installation;
- Company IT attack simulation;
- Employee training - substitutability (competency matrix), personnel/management skills development;
- EPS system installation



**Risk Matrix - KBNK**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	3	1.8	5.3	4	2	3.5
Energy Usage	3	2.3	6.8	4	2	4.5
Water Usage	2	1.0	2.0	2	2	2.0
Waste management	2	2.3	4.5	3	2	4.5
Toxic emissions	2	1.0	2.0	3	2	2.0
Green Revenue	4	4.0	16.0	4	2	8.0
Climate Risk Mitigation	4	3.5	14.0	4	2	7.0
			7.2	3.4		4.5
<b>SOCIAL</b>						
Health & Safety	5	2.3	11.3	3	1	2.3
Gender & Diversity	1	3.0	3.0	4	3	9.0
Employee Satisfaction	5	3.0	15.0	4	2	6.0
Community relations	3	1.9	5.6	4	2	3.8
Human rights	1	0.8	0.8	1	1	0.8
Supply Chain	3	2.3	6.8	3	2	4.5
Training/Career Development	4	3.5	14.0	4	2	7.0
			8.1	3.3		4.8

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	4	4.0	<b>16.0</b>	<b>5</b>	3	12.0
Cybersecurity / Data Protection	3	1.8	5.3	<b>4</b>	3	5.3
Transfer Pricing	1	0.9	0.9	2	1	0.9
Anti Bribery / AML	4	2.3	9.0	3	3	6.8
Code of Conduct / Ethics	3	2.3	6.8	3	3	6.8
Risk Management	4	3.0	<b>12.0</b>	<b>4</b>	2	6.0
Tax Policy	3	2.3	6.8	3	2	4.5
			8.1	3.4		6.0
<b>Overall Average Rating</b>			<b>7.8</b>	<b>3.4</b>		<b>5.1</b>
<b>2021</b>			<b>8.1</b>	<b>3.4</b>		<b>5.1</b>

**ESG Responsibility:**

Lucia Lerley, CEIP Operating Partner

Martin Walter, KBNK Chief Executive Officer



Jihlavan is a Central European leader in the development, production and maintenance of complete aircraft hydraulic systems, electromechanical actuators and wheels and brakes. It sells to leading super tier suppliers such as Safran Landing Systems and Heroux Devtek as well as to OEMs such as Cirrus or AERO Vodochody. It has a full chain of integrated competences relating to aerospace and other hydraulics systems production.



### Relevant Sustainable Development Goals (SDG's)

#### Primary



#### Secondary



#### Awareness



The primary goals relate to the reduction in the company's carbon footprint (including introduction of own sourced renewable energy) and hazardous waste. Secondary goals relate to investment in innovation, improvements to workforce conditions, and improving the governance of the company. The company will also seek to offer more training opportunities and address gender and diversity.

## JIHLAVAN ESG KPI's

KPI		2021	2022	2022 target
Water consumption	m <sup>3</sup>	5,441	4,867	Targets not set for 2022
Electricity use	MWh	3,089.0	2,780.3	
Share of renewable energy	%	N/a	6.6%	
Gas consumption	m <sup>3</sup>	222,122	184,262	
Toxic emissions (incl.CO2)	kgs	N/a	1,639	
Hazardous waste	tons	256.4	264.3	
No. of motor vehicles	number	11	11	
Fuel consumption	litres	17,761	17,052	
Green revenue	%	0.0%	0.0%	
Total no. of FTE's	number	167	168	
Gender split	%	19.0%	19.0%	
No. of disabled employees	number	2	2	
No. of accidents	number	0	0	
Absenteeism	%	9.5%	5.0%	
Staff rotation	%	6.6%	6.0%	
Overtime worked	hour	4,528	8,684	
Average age of employees	age	N/a	N/a	
Outstanding holiday	day	722.0	835.0	
Training costs (% of pers. costs)	%	0.15%	0.11%	
No. of employee complaints	number	untracked	untracked	
No. of IT security breaches	number	untracked	untracked	



# 2022 ESG Summary

## Environment

- Renewable energy: Jihlavan has by a significant margin the highest carbon footprint of any CEIP company and therefore it is no coincidence that it has been the first company to implement a major photovoltaic installation in 2022, with further phases due in 2023 and possibly 2024. The footprint has already been impacted and CEIP expects it to continue to fall significantly, despite increases in production as a result of the aerospace sector coming out of recession. The current status of the renewable energy initiative:
  - PV 1 installation fully operational already in Q4/2022 - 300kWp;
  - PV 2 installation - design study approved in Q4/2022 - approx. 130 kWp;
  - Cogeneration initiative has been suspended for the time being.
- Electricity: Consumption fell 10% year-on-year. This was partly due to the heat treatment activity being terminated but also because of the implementation of the first photovoltaic panels. It was estimated that the photovoltaic panels contributed only about 1% of total energy consumption in 2022 but this is expected to rise already in 2023 to 11%. The renewable energy share in the standard grid purchased electricity was 5.56% according to the most recent information available.
- Gas: Consumption fell 17% compared to 2021 as the main heating source for the heat treatment process was gas.
- Water: Consumption fell 11% in 2022, mainly because of the termination of the heat treatment activity. Consumption is expected to rise again in 2023 as a result of budgeted increase in throughput.
- Toxic emissions: The 2021 KPI included CO<sub>2</sub> and is therefore omitted. If CO<sub>2</sub> is included the 'toxic' emissions fell 11% in 2022 also due to the elimination of heat treatment. The majority of the toxic emissions were produced by the heating plant, although there are also toxic gases emitted during the galvanisation and other processes. There will be a number of key tasks to be performed in 2023 to address specifically chromium compounds in surface treatment technology, as the company prepares for REACH compliance.
- Waste: There are various initiatives underway relating to hazardous waste, including a complete action plan for reducing the levels of hydrocarbon solvents used in the business:
  - Preparation of an overall overview of the fluids used and their consumption;
  - Identification of hydrocarbon solvents and definition of items with the highest consumption;
  - Analysis of the necessity of their use and verification of the necessary consumption in relation to the actual consumption



The overall volume of hazardous waste volume was stable year-on-year. There is a non-hazardous waste reduction plan under the supervision of HR and the ESG Officer to raise awareness through a number of low level activities with employees.

- Fuel: Overall vehicle fuel consumption was down by 4% but diesel consumption fell by 26% (petrol rose 50% but from a low base). This means that the carbon footprint produced by fuel used in Jihlavan was reduced by 6%.
- The company has eliminated the usage of technical gasoline for cleaning. The management will ensure that there is no “relapse” in this policy.

### **Social**

- Gender: It is difficult to influence the gender split, given the sector, the character of the work being performed and the lack of female candidates. However, there is a potential female candidate for a top management role.
- Accidents: There were no accidents again in 2022 (also zero in 2021) but there has already been an accident in January 2023. A manager fell and broke his arm while walking in a corridor. Jihlavan has had a good safety record in recent years.
- Absenteeism: The fall in absenteeism (from 9% to 5% year-on-year) was mainly as a result of the Covid impact on the 2021 statistic.
- Staff rotation / Average Age: This remained at the relatively low level of 6%. With this level of rotation it will be difficult to reduce the average age of the workforce. With an average age of 47, Jihlavan has the oldest workforce in the CEIP portfolio. This can lead to some issues in the near future with a proportionately large number of staff approaching retirement age, not to mention the challenge for change management with a predominantly older workforce.
- Overtime: The number of overtime hours almost doubled between 2021 and 2022. Several factors influenced this including, higher production levels post-Covid, reduction in the workforce and difficulty in the recruitment of new specialist staff. Historically, quite high levels of overtime worked is typical for Jihlavan.

### **Governance**

- Given the relatively high level of various risks (regulatory, operational, sector, supply chain, environmental, etc.) it was agreed that risk management should be developed as a priority in Jihlavan. This will be addressed by the new CEO in 2023.
- It is planned that CEIP should provide access to training material to raise employee ESG awareness. The training should relate mainly to environmental awareness issues but there may also be social issues, where experience sharing between portfolio companies as well as training can be used.





## Key Initiatives in 2023:

- The key initiatives relate to the photovoltaic installations, specifically to the implementation of PV 2 and a feasibility study for PV 3. It is assumed that 15% of current electricity requirements can be supplied by the company's photovoltaic plants following the second PV installation.
- Internal KPI's measuring relative emissions (e.g., as a percentage of revenue or head-count) may be used but these will not be used as primary KPI's at fund level.
- An electric charging station is planned for 2023, which may be available as a public facility.
- A plug in hybrid has been procured for the CEO. The car fleet policy should include an objective to reduce the fuel consumption of the company vehicles.
- Actions to ensure that compounds used in surface treatment are in accordance with REACH requirements. This should reduce or eliminate a number of harmful compounds. This also eliminates contact between employees and harmful substances.
- Low level waste reduction initiatives.
- Electric vehicle charging station.
- Medium term energy consumption plan to estimate current energy requirements and possible low emission (or offset) solutions as well as potential emission reductions.
- Employee wellbeing - completion of a new motivation plan.
- Confirm and implement policy relating to employee appraisals.
- Proposal and implementation of enhanced business risk management (extend current certification risk reviews to incorporate more business risks (also ESG).

**Risk Matrix- Jihlavan**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	4	4.0	<b>16.0</b>	<b>4</b>	3	12.0
Energy Usage	5	3.5	<b>17.5</b>	<b>4</b>	3	10.5
Water Usage	5	2.6	<b>13.1</b>	3	3	7.9
Waste management	3	2.3	6.8	3	2	4.5
Toxic emissions	3	2.3	6.8	3	2	4.5
Green Revenue	5	4.0	<b>20.0</b>	<b>4</b>	4	16.0
Climate Risk Mitigation	3	4.0	<b>12.0</b>	<b>4</b>	2	8.0
			13.2	3.6		9.1
<b>SOCIAL</b>						
Health & Safety	1	2.6	2.6	3	2	5.3
Gender & Diversity	5	3.5	<b>17.5</b>	3	4	14.0
Employee Satisfaction	3	3.0	9.0	<b>4</b>	3	9.0
Community relations	4	1.9	7.5	<b>4</b>	3	5.6
Human rights	1	1.8	1.8	2	1	1.8
Supply Chain	3	2.6	7.9	3	3	7.9
Training/Career Development	4	3.0	<b>12.0</b>	<b>4</b>	2	6.0
			8.3	3.3		7.1



	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	3	2.6	7.9	4	2	5.3
Cybersecurity / Data Protection	3	2.6	7.9	4	3	7.9
Transfer Pricing	3	2.1	6.2	3	2	4.1
Anti Bribery / AML	3	1.8	5.3	3	2	3.5
Code of Conduct / Ethics	3	1.5	4.5	3	2	3.0
Risk Management	3	3.0	9.0	4	2	6.0
Tax Policy	3	2.3	6.8	3	3	6.8
			6.8	3.4		5.2
<b>Overall Average Rating</b>			<b>9.4</b>	<b>3.4</b>		<b>7.1</b>
<b>2021</b>			<b>9.7</b>	<b>3.4</b>		<b>7.1</b>

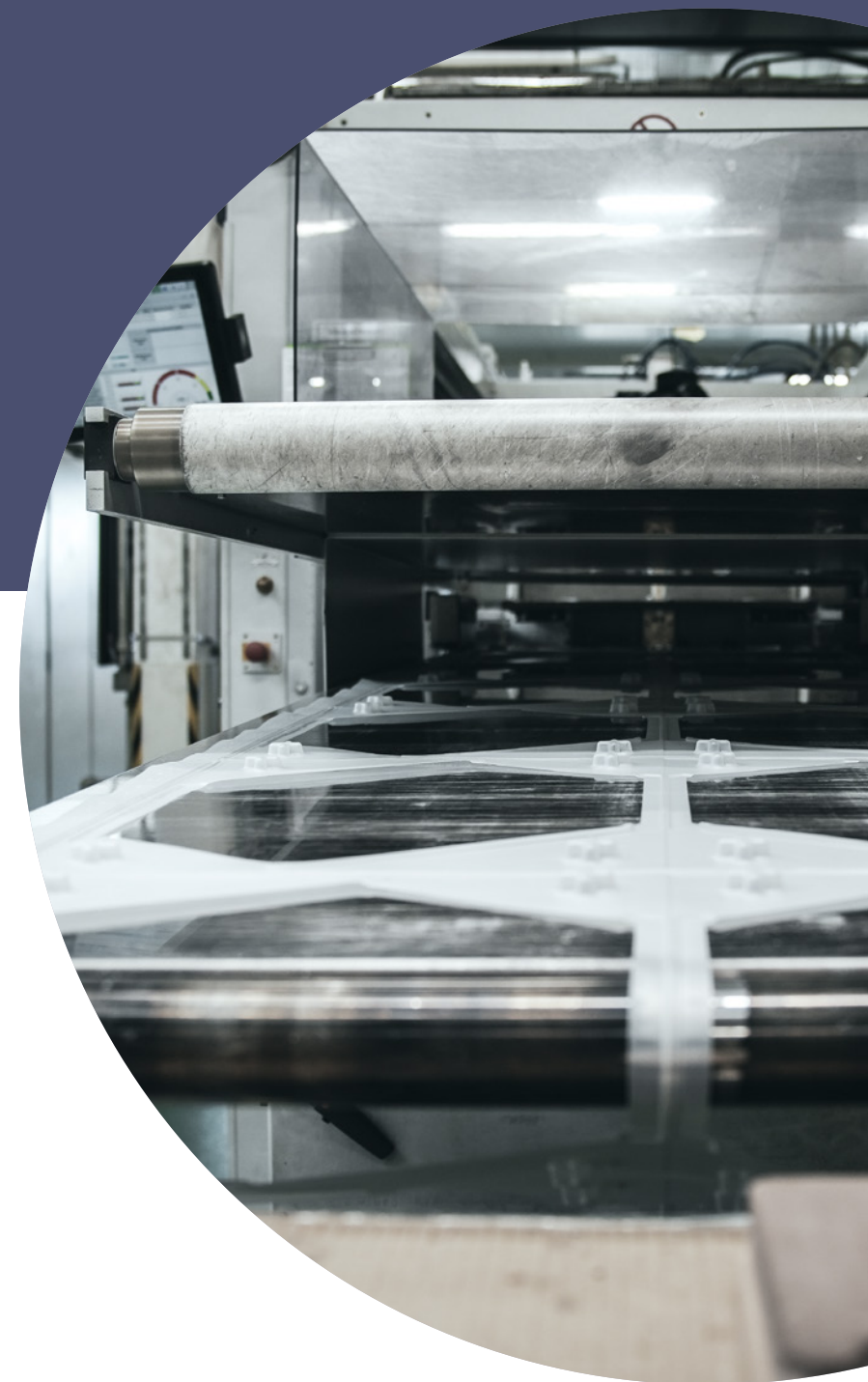
#### ESG Responsibility:

Ladislav Šimek, CEIP Operating Partner

Xenie Kurcová, CEO Assistant, ESG Officer



VYVA PLAST is an innovative manufacturer of plastic products for industrial logistics with 30 years' tradition in the segment. It has a high share of recycling and use of recycled primary materials in its production. It serves mainly industrial logistics and the bus and recreational vehicle industries. The company operates in a specific niche, plastic thermo-forming, manufacturing logistic trays for industrial use (mostly single sources and recycled) and body and interior panels for buses and recreational vehicles (ecological alternative to composite panels, which are not recyclable).



### Relevant Sustainable Development Goals (SDG's)

#### Primary



#### Secondary



#### Awareness



The primary goals relate to enhancements in the circularity of the plastic waste management and therefore improvements in general sustainability and health as a result of less microfibres released into the ecosystem. The secondary goals focus on to investment in innovation, attention to the carbon footprint (including renewable energy) and improving the governance of the company. The company will also seek to offer more training opportunities and address gender and diversity.

## VYVA PLAST ESG KPI's

KPI		2021	2022	2022 target
Water consumption	m <sup>3</sup>	14,898	14,748	Targets not set for 2022
Electricity use	MWh	1,553.6	1,418.1	
Share of renewable energy	%	N/a	N/a	
Gas consumption	m <sup>3</sup>	46,283	34,753	
Toxic emissions (incl.CO2)	tons	N/a	0.5	
Hazardous waste	tons	7.0	3.3	
No. of motor vehicles	number	7	8	
Fuel consumption	litres	11,027	13,257	
Green revenue	%	0.0%	0.0%	
Total no. of FTE's	number	71	74	
Gender split	%	40.7%	40.2%	
No. of disabled employees	number	0	0	
No. of accidents	number	4	8	
Absenteeism	%	N/a	7.8%	
Staff rotation	%	N/a	23.0%	
Overtime worked	hour	N/a	3,403	
Average age of employees	age	N/a	N/a	
Outstanding holiday	day	N/a	426.0	
Training costs (% of pers. costs)	%	N/a	0.15%	
No. of employee complaints	number	0	0	
No. of IT security breaches	number	0	0	

# 2022 ESG Summary

## Environmental

- Electricity: Measures taken to lower the electricity consumption include:
  - Lighting in the production hall changed to LED lights; dimmers and lighting sensors were installed.
  - A new compressor room in place, which should be more energy efficient.
- Renewable energy: In 2021 only 5% of the electricity was coming from renewable sources (based on suppliers invoices), but with change of electricity provider to ČEZ, the percentage may increase for 2022 and 2023. A solar panels installation (capacity of 220 KWp) project is to be prepared during 2023 with realisation to take place in the beginning of 2024. ČEZ has already provided permission for grid connection and the project documentation has been ordered.
- An electric vehicle charging station has been installed.
- Water: There are two separate water circuits. One for sanitary purposes (no re-use of grey water, drinking water used for sanitation) and another one for production, which is from a drill hole.
- Gas: Gas is only used only for heating. In 2022 there was a mild winter and the temperature in the company was lowered as one of the energy saving measures, reacting to the energy crisis.
- Waste: Overall plastic annual input into production was approximately 2,500 tons in 2022. About one third is scrap, which needs to be recycled before it is used again. The amount of scrap is difficult to decrease due to the character of the production technology. There is approximately 50 tons of mixed plastic communal waste, which is not currently recycled but might be partially recycled if it is separated. Suppliers do not always provide full details of the material ingredients. The company will address its five main suppliers to try to obtain more information on an annual basis. The company also needs to address the calculation of its percentage of materials, which undergo recycling.
- Fuel: The company acquired one new car in 2022. There is a continuous rise in fuel consumption due to the need to intensify business travels for new customer acquisition.





## Social

- Staff rotation: There has been some improvement regarding staff rotation but it remains high. The improvement from 29% in 2021 to 23% in 2022 was due to a policy to increase wages, improvement in onboarding training and the three shift regime was changed mainly to two shifts. In the long term it remains a challenge competing with other employers in the vicinity.
- Absenteeism: A flu vaccination is to be offered to employees in order to protect employees' health and reduce sick leave.
- Wellbeing: No employee survey satisfaction was performed in 2022 with the exception of a canteen satisfaction survey. The last complex survey (with selected production workers) took place three years ago and was performed by an external agency.
- Accidents: There was a significant increase in the number of accidents in 2022, mostly lacerations resulting from sharp tools. There is one long term absence due to back problems. Remedial measures taken included repeated training and acquisition of safer cutting tools. CEIP regards the current accident record as unacceptable and the management has been instructed to address this issue as a high priority.
- The company has made donations for war refugees.

## Governance

- Vyva Plast's governance was quite well developed on acquisition. As in other companies there is still room for improvement regarding documentation and transparency of internal controls, cybersecurity and risk management.
- No employee complaints or cybersecurity breaches were reported in 2022.

## Key Initiatives in 2023:

- Photovoltaic project;
- Segregation and recycling of municipal plastic waste;
- Offer of flu vaccination to employees;
- Employee satisfaction survey;
- Start monitoring use and reuse of plastics by volumes and not only by revenue;
- Set targets for green revenues and carry out monitoring;
- Installation of a charger for electric cars;
- +Finalising project for heat recovery station, which should decrease gas consumption.

**Risk Matrix - VYVA Plast**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	2	2.6	5.3	4	3	7.9
Energy Usage	5	2.3	11.3	4	3	6.8
Water Usage	5	1.3	6.3	3	2	2.5
Waste management	3	2.3	6.8	3	2	4.5
Toxic emissions	3	2.3	6.8	3	2	4.5
Green Revenue	5	4.0	20.0	5	3	12.0
Climate Risk Mitigation	4	4.0	16.0	4	2	8.0
			10.3	3.7		6.6
<b>SOCIAL</b>						
Health & Safety	5	3.0	15.0	4	2	6.0
Gender & Diversity	2	2.6	5.3	2	2	5.3
Employee Satisfaction	5	2.6	13.1	4	2	5.3
Community relations	3	1.3	3.8	4	2	2.5
Human rights	2	0.8	1.5	2	1	0.8
Supply Chain	3	2.6	7.9	3	2	5.3
Training/Career Development	4	3.0	12.0	4	3	9.0
			8.4	3.3		4.9

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	3	3.5	<b>10.5</b>	<b>4</b>	2	7.0
Cybersecurity / Data Protection	3	2.6	7.9	<b>4</b>	2	5.3
Transfer Pricing	2	0.9	1.8	2	2	1.8
Anti Bribery / AML	3	2.6	7.9	3	2	5.3
Code of Conduct / Ethics	3	2.3	6.8	3	2	4.5
Risk Management	4	3.0	<b>12.0</b>	<b>4</b>	2	6.0
Tax Policy	3	2.3	6.8	3	2	4.5
			7.6	3.3		4.9
<b>Overall Average Rating</b>			<b>8.8</b>	<b>3.4</b>		<b>5.4</b>
<b>2021</b>			<b>8.4</b>	<b>3.4</b>		<b>5.4</b>

**ESG Responsibility:**

Ladislav Šimek, CEIP Operating Partner

Martin Pintér, Head of Technical Department. ESG Officer



AMiT, spol. s r. o. is a traditional Czech manufacturer of electronics and systems for rolling stock and public transport, and electronics for industrial automation. AMiT embraces the principles of social responsibility, emphasising company sustainability development through corporate culture improvement and responsible behaviour towards society. Among its largest customers are companies such as Škoda Transportation, Stadler, PESA, Talgo, Durmazlar, ABB, Siemens, ČD Group, Regiojet, LEO Express, T-Systems, Newag, Cegelec, Wagner and Knorr-Bremse.

### Relevant Sustainable Development Goals (SDG's)

#### Primary



#### Secondary



#### Awareness



The primary goals relate to the company's ability to enhance sustainable living through its support for public transport and its contribution to smart cities through its automation products and services. The secondary goals relate to internal and external investment in innovation, waste management, attention to the carbon footprint and improving the company governance. The company will also seek to offer more training opportunities and address gender and diversity.





## AMiT ESG KPI's

KPI		2021	2022	2022 target
Water consumption	m <sup>3</sup>	4,853	N/a	Targets not set for 2022
Electricity use	MWh	1,752	N/a	
Share of renewable energy	%	N/a	N/a	
Gas consumption	m <sup>3</sup>	3,377	N/a	
Toxic emissions	kgs	N/a	N/a	
Hazardous waste	tons	0.6	1.3	
No. of motor vehicles	number	25	N/a	
Fuel consumption	litres	39,838	N/a	
Green revenue	%	N/a	N/a	
Total no. of FTE's	number	143	152	
Gender split	%	N/a	27.5%	
No. of disabled employees	number	0	0	
No. of accidents	number	0	0	
Absenteeism	%	N/a	N/a	
Staff rotation	%	2.7%	2.9%	
Overtime worked	hour	4,344	4,895	
Average age of employees	age	N/a	N/a	
Outstanding holiday	day	311.8	333.1	
Training costs (% of pers. costs)	%	4.42%	0.38%	
No. of employee complaints	number	0	0	
No. of IT security breaches	number	0	0	

# 2022 ESG Summary

AMiT behaves and manages its business according to its Corporate Social Responsibility policy, which is based on the general principles of responsible business and in accordance with the principles of a company's sustainable development in a given field of competence. These principles are reflected in the company's entire ecosystem in which AMiT company operates and over which it has an influence.

## The company policy includes the following areas:

- Business Ethics
- Quality and Environmental Protection
- Development and Growth of Employees
- Human Rights, Equal Treatment and Respect for Differences
- Occupational Health and Safety

Emphasis is placed on the use of the comprehensive expertise and experience of its staff, which enable customers to carry out projects with high quality, appropriate economy and with the best possible conditions in order to achieve the sustainable development. The principles are integrated and implemented in a wide range of corporate strategies and policies.

## Environmental

- Electricity: The company uses electricity in its factory as well as for the office premises. The usage is relatively high but there will be limited scope for major changes as long as the company remains in rented accommodation in Prague. This may change when the company moves to a new head office, which is currently in the planning stage.
- Renewable energy: The information regarding the renewable energy proportion of the total electricity consumption has not yet been provided by the owner of the premises.
- Water: The water consumption is being analysed. It would appear to be high for sanitary purposes and there is no industrial use.
- Gas: There is a very limited amount of gas used in the small premises outside Prague.
- Waste: The hazardous waste is mainly aqueous concentrate from the component production process. The potential for reducing or changing the chemicals used is being investigated. There are very limited quantities of other waste.
- Fuel: The company has a quite sizeable vehicle fleet. A policy regarding the vehicle replacement policy will be drafted in 2023.



## Social

- Staff rotation: Staff rotation is exceptionally low, even by Czech standards, demonstrating a high degree of loyalty and commitment of the workforce.
- Absenteeism: The absenteeism rate is currently not calculated but it is believed to be very low and has not impacted company operations.
- Accidents: There have been zero accidents throughout the recent history of the company.
- Community: The company does not have a coordinated policy regarding how it interacts with its community but they have been quite active with various initiatives.
  - AMiT has contributed regularly financially to a foundation to support children from socially and financially disadvantaged families attending school facilities, made donations to various schools and specific grants for equipment for disabled people;
  - In the past they have run an intern program for local school students.
- Employee wellbeing:
  - There is fresh fruit for office employees as well as free coffee and tea for all employees;
  - There are regular staff and grill parties;
- There is a 'sports day' every Thursday, when employees are encouraged to participate in any sport of their choice, which is we supported with a company Multisport card.
- Employer branding: AMiT has already taken the first steps with regard to creating knowledge of the company among potential candidates.
- Supply chain: The company already applies a Supplier Code to all its business partners.
- Gender: There is a significant male bias in the company, which is related to the shortage of female candidates for IT roles. There have not been any initiatives to address this issue to date but it would appear that this could be addressed at AMiT more easily than some of CEIP's other portfolio companies.

## Governance

Governance is strong and the management is more sophisticated than a typical founder-run business, however:

- A major shift from founder driven business has been done since CEIP acquired the business. The joint CEO / CFO / procurement role of one of the founders was replaced by three individuals.
- In line with CEIP practices, the new CEO has delegated much of the decision-making to the C-1 management team decreasing the key man risk and strengthening the management team decision making.
- There is an excellent ERP system for production and procurement but the accounting and financial management is weaker and needs to be addressed.
- The company holds certificates for ISO 9001 and EN 50155 (railway rolling stock).



## Key Initiatives in 2023:

- Bee apiary – on the roof of the manufacturing unit to help detect environmental quality - and to produce honey;
- AMiT Junior – secondary school cooperation initiative to be resumed;
- General cooperation with the University of Pízen;
- OHSAS certification – should be implemented in H1/2023;
- Overview of production process from the ESG perspective;
- Cyber security certification preparation (certification in 2024);
- Compressor recuperation – energy saving in Prague factory;
- Moisture control in production – employee wellbeing (also better machine performance);
- Employee wellbeing;
- Ladders in lounge room;
- Electronic darts;
- Increase food voucher from CZK 50 to CZK 100 per working day.
- A vehicle policy regarding the renewal of the cars and measures to reduce overall fuel consumption;
- 1 – 2 new chargers for electric vehicles;
- Confirm green revenue classification for AMiT; the classification should be used when constructing and updating the business development pipeline.



**Risk Matrix - AMiT (Preliminary)**

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>ENVIRONMENT</b>						
Carbon Footprint	2	2.6	5.3	2	2	5.3
Energy Usage	5	2.3	<b>11.3</b>	<b>4</b>	3	6.8
Water Usage	4	1.3	5.0	<b>4</b>	3	3.8
Waste management	2	2.3	4.5	3	2	4.5
Toxic emissions	2	2.3	4.5	3	2	4.5
Green Revenue	2	4.0	8.0	<b>4</b>	1	4.0
Climate Risk Mitigation	3	4.0	<b>12.0</b>	<b>4</b>	2	8.0
			7.2	3.4		5.3
<b>SOCIAL</b>						
Health & Safety	1	3.0	3.0	2	1	3.0
Gender & Diversity	4	2.6	<b>10.5</b>	<b>4</b>	3	7.9
Employee Satisfaction	3	2.6	7.9	3	2	5.3
Community relations	3	1.3	3.8	3	2	2.5
Human rights	2	0.8	1.5	2	1	0.8
Supply Chain	3	2.6	7.9	3	2	5.3
Training/Career Development	2	3.0	6.0	<b>4</b>	2	6.0
			5.8	3.0		4.4

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Opportunities 1-5	Target (Variable)	Target Net Risk
<b>GOVERNANCE</b>						
Internal Controls / Reporting	3	3.5	<b>10.5</b>	<b>4</b>	2	7.0
Cybersecurity / Data Protection	3	2.6	7.9	<b>4</b>	2	5.3
Transfer Pricing	2	0.9	1.8	2	2	1.8
Anti Bribery / AML	3	2.6	7.9	3	2	5.3
Code of Conduct / Ethics	3	2.3	6.8	3	2	4.5
Risk Management	4	3.0	<b>12.0</b>	<b>4</b>	2	6.0
Tax Policy	3	2.3	6.8	3	2	4.5
			7.6	3.3		4.9
<b>Overall Average Rating</b>			<b>6.9</b>	<b>3.2</b>		<b>4.8</b>

#### ESG Responsibility:

Aleš Krutina, CEO / CEIP Operating Partner  
 Ondřej Novotný, Chief Operating Officer, ESG Officer

# EU Taxonomy, Sustainable Finance Disclosure Regulation (SFDR) and other sustainable compliance issues.

CEIP has the same approach to the burgeoning compliance ESG requirements as it does to all its other compliance obligations, namely maximum transparency. Our approach is that where there is lack of clarity or even contradictory requirements then disclosure in a coherent way gives investors and other stakeholders the wherewithal to evaluate our behaviour.

**In applying compliance to the areas of sustainability, ESG, responsible investing and corporate social responsibility, CEIP considers the following regulations or guidelines:**

- EU Taxonomy
- Sustainable Financial Disclosure Regulation (SFDR)
- Non-Financial Disclosure Regulation (NFDR)
- Taskforce on Climate-related Financial Disclosures (TCFD)
- Sustainable Accounting Standards Board (SASB)
- Global Reporting Initiative (GRI)



CEIP is a financial market participant, which is small but with a very clearly defined objective regarding sustainability. We invest in businesses which typically operate in sectors, which are not directly active in environmentally sustainable activities. However, they either supply products and services to sustainable activities and/or actively seek to reduce their own environmental footprint in line with COP targets. This is intended to lead us on a path to an SFDR Article 8 compliant fund as we actively promote environmental and social objectives in our investment and portfolio management policy. We aim for all portfolio companies to not do significant harm in terms of the environment. Without falling under the current compliance regime, we treat the current fund as if would be an Article 6 compliant fund with the aim to manage the forthcoming second fund as if it were an Article 8 fund.

As a consequence of our strategy, we have already implemented robust processes to ensure that both the spirit and letter of EU taxonomy are applied in our fund reporting, disclosure policy and portfolio management. We have implemented a Sustainability Policy, which concisely sets out CEIP's objectives, how it intends to achieve them and how it will measure and report on them. In addition, there is a basic Remuneration Policy, which explains the philosophy to reward management for ensuring alignment with sustainability and ESG goals.

One aspect of the SFDR compliance is an analysis of Principal Adverse Indicators regarding sustainability. The key indicators relevant to the CEIP portfolio companies are assessed in the table below:





### CEIP Portfolio Company Principal Adverse Indicators Analysis

Theme	Indicator	ROKA	ELCOM	BMH	KBNK	JIHLAVAN	VYVA PLAST	Action
Greenhouse gas (GHG) emissions	GHG emissions + carbon footprint	√	√	√	√	√	√	Scope 1 + Scope 2 carbon footprint emissions measured
		√	√	√	√	√	N/a	Reduction targets in progress
	GHG intensity of investee companies	N/a	N/a	N/a	N/a	N/a	N/a	Carbon footprint per ton of production
		N/a	N/a	N/a	N/a	N/a	N/a	Measured from 2023
	Exposure to companies active in the fossil fuel sector	0%	0%	0%	0%	0%	0%	0% direct exposure to the fossil fuel sector
	Share of non-renewable energy consumption and production	93.2%	N/a	100%	75.2%	94.4%	N/a	Share of non-renewable energy consumption
		x	√	√	x	√	√	Companies with renewable energy projects in progress
	Energy consumption intensity per high impact climate sector	√	√	√	√	√	√	MWh consumed per million EUR turnover reported internally as KPI

Theme	Indicator	ROKA	ELCOM	BMH	KBNK	JIHLAVAN	VYVA PLAST	Action
Biodiversity	Activities negatively affecting biodiversity-sensitive areas	√	√	√	√	√	√	No negative impact identified affecting biodiversity-sensitive areas
Water	Emissions to water	√	√	√	√	√	√	Water usage per million EUR invested reported internally
Waste	Hazardous waste ratio	N/a	N/a	√	√	√	√	Tonnes of hazardous waste generated per million EUR invested reported internally
Social and employee matters	Violations of UN Global Compact	√	√	√	√	√	√	No violations
	Unadjusted gender pay gap	√	√	√	√	√	√	No pay gap
	Board gender diversity	0%	0%	0%	0%	0%	0%	Average ratio of female to male board members
	Exposure to controversial weapons	√	√	√	√	√	√	None

**The EU Taxonomy Regulation sets out a list of economic activities with performance criteria for their contribution to six environmental objectives, namely:**

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention, control and protection
6. Restoration of biodiversity and ecosystems (collectively the “Environmental Objectives”)

**In order for an activity to qualify as being ‘environmentally sustainable’, it must contribute substantially to one of the environmental objectives, while also complying with each of the following criteria:**

- No Significant Harm: The activity does no significant harm (DNSH) to any of the Environmental Objectives
- Technical Screening Criteria: The activity must comply with technical screening criteria for each relevant Environmental Objective
- Minimum Social and Governance Safeguards: The activity must comply with minimum social and governance contained in the Taxonomy Regulation

CEIP looks to satisfy the overall objectives of the DNSH disclosures to provide adequate information about their sustainable activities and any adverse impacts on environmental or social issues.

All CEIP companies are compliant with sanctions imposed on the Russian Federation including those by the EU and the Countering America’s Adversaries Through Sanctions (CAATSA). The CEIP team is also a significant donor supporting Ukrainian humanitarian and defence efforts.





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