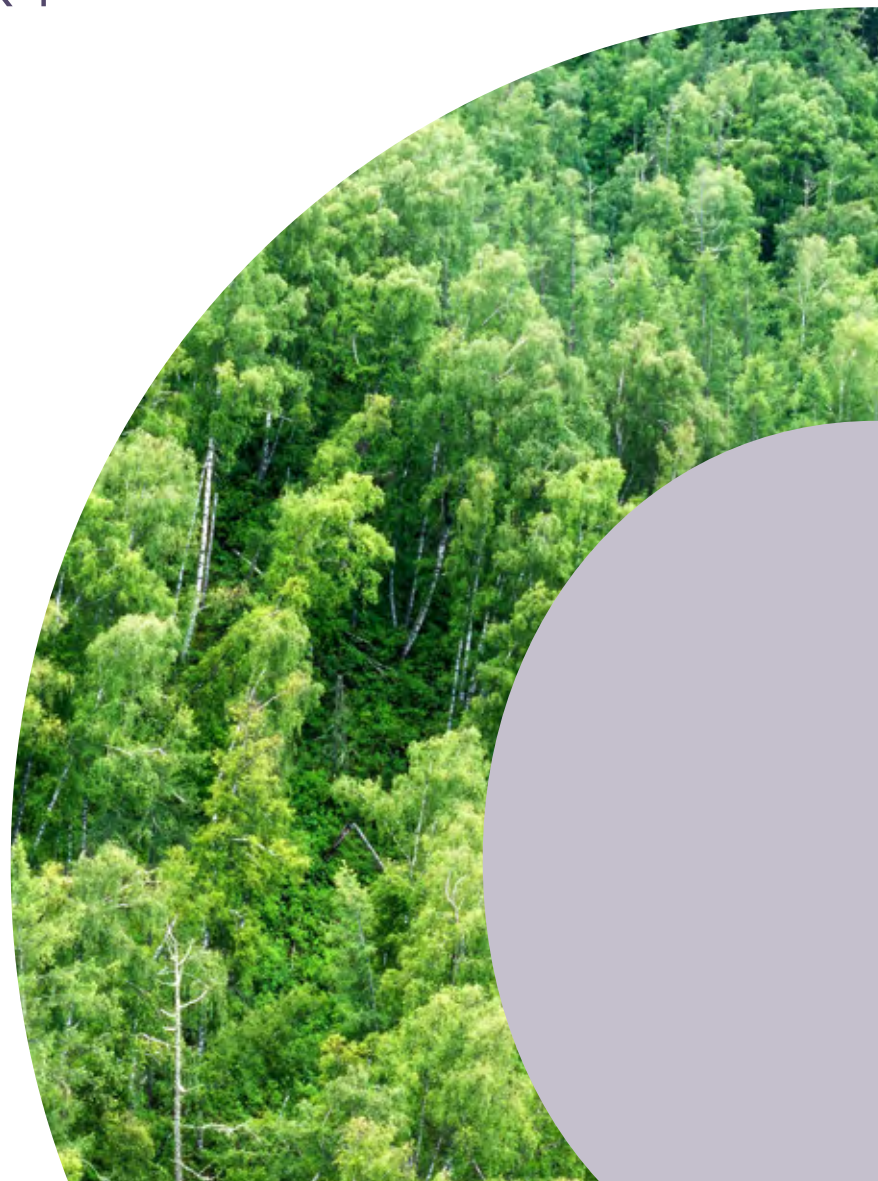


CENTRAL EUROPE INDUSTRY PARTNERS

**ESG** ANNUAL REPORT

**2023**



”

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

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# 1. MESSAGE FROM CEIP'S MANAGING PARTNER

CEIP's ESG policy and basic procedures were created already several years ago. Rather than wasting this message in our annual report with too many details of ESG compliance, I would like to use it for setting out our rationale for taking ESG in CEIP to the next level. The main arguments for enhancing our ESG function are to increase value creation, make the Fund and its companies better places to work and contribute to the green transition.

## We perceive that this value is created by:

1. Giving CEIP a competitive ESG advantage compared to other investors in companies;
2. Portfolio companies being able to meet or exceed ESG expectations of key customers;
3. Providing a basis for developing 'green' revenue in the portfolio companies;
4. Employer branding helping with recruitment and retention of managers and other staff;
5. Adding value at exit, with both financial and strategic investors.

We need to address the risk that, despite our long term commitment to ESG, we are still only seeing quite a lower than desired level of activity and progress in companies, which are held back by a lack of more expert and committed guidance. We are leaving money on the table by not exploiting the opportunity presented by doing ESG better.

Our recent ESG achievements are mentioned below

in the Summary of ESG at CEIP in 2023 but I am particularly satisfied that we took the challenging decision to implement full carbon footprint measurement at all our companies. I had some doubts if this would be feasible in our relatively small companies but we have substantially achieved our goal. We still have ambitious developments targeted in 2024:

- **Fund level assistance with ESG projects in portfolio companies / provide more regular specific training to companies:** (e.g., corporate governance implementation, community projects, carbon footprint calculation, net zero strategy). Specialist ESG knowledge being provided from CEIP and selected external experts.  
**Objective:** Upgrade ESG knowledge and motivation in the companies.
- **ESG database of service providers:** (e.g., renewable energy solutions, waste management, employee surveys, technical environmental consultants). Finding service providers is a problem in Central Europe given the stage of ESG development.. This is slowly changing and CEIP is looking to build a useful tool for the portfolio.  
**Objective:** Provide a competitive advantage to companies by giving them easy access to a range of ESG services and products.
- **ESG best practices tool:** This can be coordinated by the Fund but is intended for use by portfolio companies. It would select both CEIP companies' and external companies' best practices (e.g.,

photovoltaic installations, volunteer schemes, corporate governance processes).

**Objective:** A standardised, easy-to-digest format to be used as a reference source for companies with either weaknesses or big ambitions.

- **ESG awareness program for portfolio companies' employees:** Raising technical and general awareness programs for all employees. Newsletters, datasheets and other internal communication and training can be made available to spread the word.

**Objective:** Raise ESG awareness in line with CEIP's UN Sustainable Development Goals obligations (without alienating employees).

I hope that the above demonstrates clearly the level of commitment, which the whole team at CEIP has to the pragmatic application of our ESG strategy and continuous approval. We are working also on the steady improvement of ESG procedures and reporting standards. We acknowledge and confirm all of our ESG compliance responsibilities. The CEIP Partner Team confirms the Fund ESG Policy and offers strong support for sustainability management and reporting while focusing primarily on added value and demonstrable ESG impact in our businesses.

## Ondřej Benáček, Managing Partner

On behalf of Central Europe Industry Partners

## 2. Who are Central Europe Industry Partners

**We are an investment company. Besides the investments of our team members, we manage resources on behalf of a number of 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 investors we know from our network. We invest in industrial manufacturing and related service companies. We prefer a situation where the initial owners keep a minority stake and further participate in the growth of the company. Investment into a 100% share is not the preferred approach.

Our team is composed of experienced businessmen with a strong track record of having increased the value of companies engaged in industrial sectors. Thanks to the CEIP Partners' previous engagements, expertise and established network of contacts, they have the ability to develop companies 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. The management of the company would typically also be involved in the ownership structure. Contrary to many strategic (and some financial) investors, CEIP looks to ensure 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 existing 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 strategy. 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.

# 3. Summary of ESG at CEIP in 2023

The information in this report relates to investments in Central Europe Industry Partners a.s. (CEIP I) and Central Europe Industry Partners II SCSp.

2023 has been a tough year for ESG proponents. There is a backlash against underperforming and overmarketed sustainability investment vehicles and increasing compliance is threatening to stifle genuine ESG impact, Coupled with an economic downturn, this has created an ESG headwind, for the first time in several years. CEIP has never been a follower of ephemeral trends as we act in line with our long-term values therefore we carry on with business as usual.

## Carbon Footprint

The greatest single ESG challenge for CEIP and its companies in 2023 has been the commitment to a full carbon footprint calculation. For a fund of industrial SMEs this was ambitious. Having prepared inhouse Scope 1 and 2 calculations for the last two years, we identified a Czech business, CI3 and its application CarbonFix, which was able to offer a solution for a full calculation process and some assistance with implementing and customising the methodology for individual portfolio companies. The CEIP ESG Forum in October focused on this implementation with the objective of completing a full Scope 1,2 and 3 calculation for all companies for 2023 and, where possible, also for 2022 (to give us comparable data immediately). We have not achieved full compliance with this target but the full status of carbon footprint measurement in the portfolio is shown in the data table below:



CEIP Carbon Footprint Data (tons CO <sub>2</sub> e)	Carbon Footprint (Scope 1/2)			Carbon Footprint (Scope 1/2 & 3)		Tons of CO <sub>2</sub> e* / EUR 1 million revenue	
	2021	2022	2023	2022	2023	2022	2023
<b>Company</b>							
Roka	900.1	990.8	926.1	N/a	N/a	111.5	108.2
Elcom	390.5	341.1	<b>412.1</b>	N/a	<b>2,118.1</b>	21.0	23.7
BMH	256.0	<b>328.3</b>	<b>313.9</b>	<b>1,860.6</b>	<b>2,477.0</b>	57.9	44.7
KBNK	115.3	112.5	<b>366.2</b>	N/a	<b>1,613.0</b>	51.1	185.5
Jihlavan	2,361.7	<b>2,204.9</b>	<b>1,822.8</b>	<b>3,400.5</b>	<b>2,933.2</b>	216.1	165.5
Vyva Plast	1,065.5	965.6	<b>833.9</b>	N/a	<b>8,458.6</b>	72.7	81.8
Amit	N/a	<b>434.0</b>	<b>400.6</b>	<b>3,169.8</b>	<b>3,144.2</b>	22.6	17.9
Kosyka	202.2	205.9	188.4	N/a	N/a	17.1	18.4
<b>TOTAL</b>	5,291.3	5,583.1	5,264.0			2,592.0	2,668.6
<b>CEIP Fund Manager</b>	N/a	N/a	4.2	N/a	49,1	N/a	2.5



In the table above the numbers in bold have been calculated using the CarbonFix application, while the other cells are calculated using the previous inhouse methodology. It can be seen that there is some inconsistency with data from the two calculation sources. We will be able to measure progress better when all companies have the full data for at least two years. We have opted to present the full data available in the interests of transparency. The information for Roka has been extrapolated from H1/2023 information. Still in the first half of 2024, we expect to have established a sound basis for all elements of the carbon footprint for each of the companies. This will give us the required information to start work on



net zero carbon strategies. This will be a complex process, given that indirect Scope 3 emissions comprise up to 90% of total footprints for individual companies, most of which relate to purchases. As relatively small contributors to most of our suppliers' revenue, the companies will only be able to exert limited pressure on this key element of the footprint. We have already done some preparatory work regarding the possible cost of Scope 1 and 2 net carbon zero and this should be applicable to all companies in 2024.

While some of the data in the table above may be difficult to interpret at this stage, it demonstrates that 4 companies (ELCOM, BMH, AMIT and Kosyka) have less of a problem with emissions than the other 4 companies (Roka, KBNK, Jihlavan and VYVA Plast). On the other hand, one of the companies with the highest footprint in relation to revenue, Jihlavan, has carried out the most initiatives to address the issue and has already been successful in this regard with a 23% decrease in its revenue adjusted emissions in 2023.

CEIP will maintain its policy of full carbon footprint information disclosure as we believe that this is the single best indicator of impact, difficult as it may be to calculate and influence.



## Portfolio Company ESG KPIs

KPI	UNIT	Roka	ELCOM	BMH	KBNK	Jihlavan	VYVA Plast	AMIT	Kosyka
Carbon footprint Scope 1 + Scope 2	tons CO <sub>2</sub> e	926.1	412.1	313.9	366.2	1,822.8	1,399.4	406.3	188.4
Carbon footprint Scope 1 + Scope 2 + Scope 3	tons CO <sub>2</sub> e	N/a	2,118.1	2,477.0	1,613.0	2,933.2	9,578.0	4,673.8	N/a
Water usage	m <sup>3</sup>	3,160.0	1,200.0	100.0	269.0	4,284.0	751.0	N/a	N/a
Toxic emissions	kgs	1,140	-	36,609	-	1,595	N/a	-	-
Hazardous waste	tons	11.5	-	10.0	-	318.7	4.1	0.7	0.1
Green revenue	%	5%	N/a	98%	3%	0%	N/a	N/a	N/a
Total no. of FTE's	#	93	224	32	37	177	83	158	144
Gender split (female %)	%	14%	16%	9%	46%	21%	37%	22%	85%
Gender pay gap	%	9%	N/a	3%	N/a	10%	26%	35%	38%
No. of accidents	#	2	-	-	1	2	2	-	-
Days lost due to injury	days	28	-	-	N/a	-	135	-	-
Absenteeism	%	4%	4%	5%		5%	10%	2%	10%
Staff rotation	%	8%	2%	22%	32%	17%	24%	15%	21%
% of staff participating in an employees' survey	%	50%	N/a	N/a		N/a	67%	71%	N/a
Average age of employees	age	45.0	42.5	45.7	45.4	47.2	45.0	43.3	46.0
Training hours per employee	hours	20.0	N/a	11.4		N/a	24.0	N/a	N/a
No. of GDPR reported incidents	#	-	-	-	-	-	-	-	-
No. of whistleblowing incidents	#	-	-	-	-	-	-	-	-
No. of IT security breaches	#	-	-	-	-	3	-	-	-

Green numbers represent improved performance 2023 v 2022.

Red number represent worse performance 2023 v 2022.

Black numbers represent unchanged performance 2023 v 2022 or unavailable data for one of the periods.

The table above is intended to give a single source of information for the key ESG KPIs, which CEIP monitors on a regular basis to manage the businesses and ensure that they are compliant with the information CEIP needs to have available as a fund manager.

**Specific issues highlighted in KPIs are commented in the companies' section below but the overall comments are:**

- The carbon footprints illustrate the different character of the companies. There are production companies such as Roka, Jihlavan and Vyva Plast, which have processes requiring relatively high energy levels. In the portfolio there are companies where the work is more assembly related (Elcom, Amit, Kosyka) and these require significantly lower energy levels (which in the case of Elcom and Kosyka is provided largely by heat pumps).
- For the 6 portfolio companies, which have also measured Scope 3 emissions, the complexity of the Amit product base and supply chain is reflected in the relatively high proportion of Scope 3 emissions in the overall footprint, while in Vyva Plast the production of the primary plastic input has a high energy content.
- With the exception of Roka and Jihlavan, portfolio companies do not have significant requirements for water in their production processes. Usage is for sanitary purposes and related to the number of employees. Several companies are introducing water saving initiatives as part of ESG awareness efforts.
- Four of the companies generate toxic emissions below the statutory level requiring reporting. At BMH the emissions relate to styrene production. At Jihlavan and Roka the emissions are generated by gas usage and from some of the processes such as galvanisation and the paint shop.
- Hazardous waste is only a material issue at Jihlavan where several of the processes generate such waste. The REACH initiative is addressing waste generated by the surface treatment.
- Green revenue is a CEIP concept where portfolio companies estimate the revenue generated for products and customers which are EU Taxonomy aligned (the FTSE Russell Green Revenue Classification is used as a proxy for EU Taxonomy). The % of green revenue ranges from 0% at aerospace supplier Jihlavan to ca.98% at BMH, which specialises in water treatment and supply.
- An increase in the number of FTEs is defined as a positive development for number of employees. Only half of the portfolio companies have increased their workforce in 2023.



- The gender split and the gender pay gap are structural issues for most portfolio companies. Even the two companies closest to employee gender parity score poorly with the gender pay gap because there are very few female managers in the companies. This is a legacy problem in Czech industry and the companies are not seeing any significant increase in the number of females applying for open positions at the companies. In some cases, heavy physical work means that there are statutory barriers to women carrying out the work. The issue of lack of diversity is recognised at fund and company level but solutions in the short term are difficult to find.
- There is zero tolerance for workplace accidents and this is reflected in the generally low accident rate for our industrial businesses. Those companies experiencing accidents in 2023 have all implemented additional measures to avoid repeats of the incidents,
- Absenteeism and staff rotation are both problems, which are being addressed with employee well-being and employer branding initiatives. Several of the portfolio companies are working with local schools and technical colleges to attract new, younger recruits to the businesses and reduce the dependence on staff approaching retirement age.
- We have started measuring the level of participation in employee satisfaction surveys as a means of tracking the success of these initiatives and measuring the engagement of employees.
- Training hours per employee is another new indicator introduced in 2023, which not all companies have tracked for this period. Previously training costs were recorded but this omitted inhouse training.
- For the three governance indicators, there were just 3 minor cybersecurity incidents in Jihlava, which did not breach the firewall.
- CEIP implemented a centralised whistleblowing procedure for all portfolio companies in 2023. There are central reporting facilities, independent of individual company management and available to every employee in the companies.





## Key Initiatives for 2024

**In 2024, there is a number of key initiatives planned across the portfolio:**

- With the full carbon footprint calculation completed or close to completion in most portfolio companies, we are now able to proceed to the next stage of preparing net carbon zero strategies.
- Implementation of renewable energy projects. All companies have run photovoltaic panel feasibility studies and, with the suspension of the main subsidy program being lifted, CEIP is hoping to move ahead with at least 3 major projects in 2024.
- Companies continue the process of installing charging stations for electric vehicles.
- There will be further analysis of green revenue potential in the context of business development for portfolio companies.
- Further employer branding implementation in portfolio companies – formulation of the employee wellbeing offers for each portfolio company.
- Provision of additional ESG material (and access to third party material) for portfolio companies.
- Database of ESG service providers
- ESG best practices tool
- Double materiality analysis in all companies

# 4. CEIP'S ESG management

**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 for all of our stakeholders. Conserving energy, reducing pollutants and improving waste management are all fully rational operational targets. We have ambitions to create employer brands at all of our companies to aid recruitment and retention of staff. 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	Diversity & Inclusion	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 the 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, ensuring compliance and reporting at company and fund level.
- ESG targets are included in management's and ESG Officers' remuneration (typically as part of bonus payments).

## 5. 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. .



# ESG Summary

## Environment

- Roka's ESG Officer changed at the beginning of the year therefore some data has been difficult to obtain including carbon footprint. The CarbonFix application has not yet been completed for Roka. For the data in the tables, the H1/2023 energy consumption was extrapolated. This will need to be corrected in the next annual report when data is available. It is believed that usage and emissions are stable year-on-year, with only minor savings initiatives being implemented (e.g., upgrading of lighting systems).
- Toxic emissions and hazardous waste both increased significantly in 2023 compared to 2022. This is explained by much more extensive use of the paint shop and a general increase in production levels. Customers are reluctant to change paint specifications if more ecological solutions would impact the cost, which generally it does. Recycling certain of the waste was also attempted but has not been successful to date.
- Green revenue decreased in line with the drop in sales to the client, which is a producer of advanced agricultural equipment.
- New LED lighting has been installed in the entrance hall.

## Social

- There were 2 accidents in 2023. In 2024 an initiative has already been implemented to raise awareness regarding accidents at work. Accident-free periods will be celebrated with free company lunches for all employees. The intention is to remind workers and managers of safety at work on a daily basis.
- Absenteeism and staff rotation were at much more manageable levels in 2023 than in 2022. In the employee satisfaction survey, one of the highest values was attributed to the social relationship element of working at Roka.
- There was 40% more training carried out per employee in 2023, mainly focused on the implementation of the new ERP system.
- In addition to a presentation to students at the local technical college, 4 pupils completed their working practice at Roka and in 2024 Roka staff will be dedicated to training potential students.
- Special first aid training was organised for a group of about 30 Roka managers.
- The Cycle to Work initiative (run by an NGO twice per year) has been a success. Having started in Roka, it has now spread to a number of other CEIP portfolio companies and is a well-supported project. Roka employees participated in May and November 2023.
- Vodafone is offering Roka employees corporate rates for their personal telephone accounts.
- Loyalty bonuses were introduced for 5/10/15/20/25 years' service.

### Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- The implementation of the new ERP system was completed.
- No employee complaints, cybersecurity breaches or GDPR incidents were reported in 2023.

## Key Initiatives in 2024:

- Feasibility of photovoltaic panels will be reconsidered depending on the availability of capex.
- New trees to be planted in the spring on the premises.
- Decrease water usage. Although the level of water usage at Roka is quite modest, this is still an environmental issue and an initiative to decrease consumption will also boost general environmental awareness.
- Increase school collaboration – extending the initiative to increase the awareness of Roka in local schools and technical colleges.
- A repeat of the successful first aid training for employees, run by ambulance staff.
- A defibrillator unit (AED) is to be deployed in the entrance area.
- Change lighting system in changing rooms to enhance these social facilities.
- Two Cycle to Work events in May and September.
- The anniversary award program for long-serving employees should be able to celebrate 4 employees reaching 25 years' service in 2024.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
Roka	8.0	8.2	8.0

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

An increase in toxic emissions was more than compensated in the risk rating by improvements in the accident record, absenteeism and internal controls / reporting (resulting from the completed implementation of the new ERP).

### ESG Responsibility:

Michal Flídr, 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 Bratislava in Slovakia. Customers include companies such as ABB, Siemens and 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.

# 2023 ESG Summary

## Environmental

- Electricity usage was 17% above 2022 consumption. The main reason for this was a failure of a heat pump in Ostrava, which meant that purchased electricity needed to be used to heat the building. The pump was out of commission for more than a month at the beginning of the year.
- Gas usage fell by 16% in 2023. The only premises using gas are in Bystrice. The solar heating installation in Bystrice was completed in March and the saving in Elcom's gas consumption was a result of this installation. One of the two 1,600l litre tanks was replaced with a 300l tank, which will act as the back-up boiler in the winter when solar power is insufficient to provide all the necessary hot water. Additional solar panels are being considered in 2024 to improve the efficiency of the system.
- E-vehicle charging station: Preparatory work was undertaken internally by Elcom technicians and the station is ready for installation.
- Fuel consumption for company vehicles rose 19% year-on-year. This was the result of the location of key projects in 2023, requiring significantly more travelling by many team members.
- The planned photovoltaic installation at Ostrava has been delayed. In 2023 the grant program for which the project was eligible was suspended and the investment will be reconsidered in 2024.

## Social

- Although the gender split worsened slightly in 2023 (mainly due to changes in the production unit at Bystrice), there was positive news that Elcom was able to recruit two new female IT specialists in Ostrava.
- There were no accidents recorded in the Elcom Group in 2023.
- Employees donated blood as part of a company initiative. As well as the joint actions, individual employees donate blood supported by the company. In total, in 2023, 18 employees from all branches gave blood.
- Elcom staff participated in the Cycle to Work program in September.
- A volunteering project, "Clean Forest" involved Elcom volunteers in a project, which maps and helps to improve Czech woodland.
- A 'health' day to promote various aspects of a healthy lifestyle.

## Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- All Elcom Group companies are now incorporated into the ESG reporting process.
- No employee complaints, cybersecurity breaches or GDPR incidents were reported in 2023.

# Key Initiatives in 2024:

ELCOM has been divested in early 2024, therefore there is no disclosure of forward-looking data.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
Elcom	5.8	4.9	5.7

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

The ELCOM risk rating has risen because of a misclassification of green revenue in 2022 and a small increase in absenteeism in 2023. All other risk levels were static.

### 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.



# 2023 ESG Summary

## Environment

- The warmer winter and relatively cooler summer required less heating and air conditioning. Last year there were no specific changes but the heat-reflective foils on the windows of the headquarters building, which were installed during 2022 and in place for the whole year in 2023 is likely to have impacted usage. Similarly to electricity consumption, the fall in gas usage was probably attributable to weather conditions.
- The reduction in styrene usage was due to the product mix and also the fact that there was more subcontracting in sales, as well as sales of Primus Line, which are pressure pipes not using styrene. Hazardous waste relates primarily to styrene usage therefore the lower sales of styrene products has influenced the reduction in hazardous waste. There was only one minor error in production in 2023. It is planned that this improvement should be sustainable.
- During the summer there was an accident with the tank/technology tractor. If the old vehicle had been sold then BMH would have stopped production. The old vehicle is less environmentally friendly than the new one.
- Vehicle fuel consumption was expected to fall because of the new production vehicle purchased in 2022 but also the replacement of the main water heating truck in 2023, which has not yet been realised. Despite the significant increase in activity in 2023, fuel consumption remained similar year-on-year. This should fall in 2024 following the planned exchange of the main water heating truck.
- Green revenue remains at close to 100% with only some monitoring / diagnostic services not being classified as 'green'.

## Social

- Expanding the workforce remains difficult with recruitment to maintain the existing level of staffing exhausting the supply of potential new candidates available.
- The gender split remains unchanged with only 3 women in the company and any improvement is unlikely without a significant change in the type of work carried out by BMH.
- The company maintained its zero accident rate in 2023 (2022 was also accident free).
- The staff rotation of 22% represents the turnover of two brigades and is one of the reasons for the difficulty in expanding the team. Wages were increased significantly across the company in 2023.
- Actual training expenditure was double the planned amount partly due to the use of a more generous training grant, which resulted in five training days per employee.
- Subcontracting costs were almost 60% above planned levels of expenditure, mainly as a result of volume of work being higher than planned and also the nature of some of the additional work not being normal activity carried out by BMH.

### Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- No employee complaints, cybersecurity breaches or GDPR incidents were reported in 2023.

## Key Initiatives in 2024:

- Regular safety management and fire safety training
- Construction of a 72m long green anti-noise wall made of mature trees between the company premises and the local residential area (with city council cooperation).
- Implementation of a photovoltaic plant with an output of approximately 50 kWp, a new roof covering and heat pump. 60% of the project financing will be company capex and 40% using a subsidy.
- New Reinco resin mixing line: currently one mixing station is used for two different resins, each having a different mixing procedure and other additional media or glass dust are added. In future errors in production should no longer occur due to unexpected reaction and sudden hardening of the resin resulting in less hazardous waste and a more efficient production process.
- Three employee events are planned.
- Evaluation of employee satisfaction twice a year.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
BMH	7.0	6.5	6.5

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

The BMH risk rating has remained unchanged year-on-year at a relatively low level. Installation of photovoltaic should influence the environmental element of the risk rating.

### 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. In 2024 a welding robot has been installed.



### 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 (such as the welding robot), 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.

# 2023 ESG Summary

## Environment

- Electricity consumption rose 9% year-on-year. The main reason for the increase was that the volume of assembly business fell and was partly replaced by increased production of pressed metal products. The pressing machines require significantly more electricity than is required for the mainly manual assembly work.
- Gas is the main energy source for heating and usage was the same in 2023 as in 2022.
- Hazardous waste was always minimal relating mainly to oil residues from the machines. This is now fully collected and handed over to a service provider for recycling, resulting in a zero recording of hazardous waste.
- The reduction in metal scrap was unexpectedly high year-on-year (almost 40%) and was a result of (i) clearance of old residual scrap in 2022 (and 2021), (ii) lower production of metal products with holes, which result in more scrap and (iii) one less metal collection in 2023 (scrap is only recognised as such on removal from KBNK).
- The use of fuel for cars fell 9%, caused mainly by transport of metal sheets by company vehicles being reduced from 4 times monthly to 3 times.
- The installation of LED lights in the indoor working area was completed achieving a saving of CZK 120k, although the impact was not visible on electricity consumption.

## Social

- The gender split remains close to parity although at year end, unlike in 2022, there were more men than women in the workforce (due to the changes in assembly production).
- There were no accidents in the second half of the year (one in H1), meaning that the company had 10 months without any accidents.
- Earplugs for company visitors have been made available.
- Staff rotation was particularly high as a result of redundancies in the assembly team. Only about 5pp of the 32% total was the result of employees resigning from the company.
- The average age rose quite significantly again in 2023 to over 45 years reflecting the higher average age of employees in the metal production team.
- The bicycles stands' installation was completed in H1/2023. KBNK employees participated in the national Cycle to Work initiative for the first time in September.
- Training levels were higher in 2023 as a result of additional subsidised programs and training related to the new ERP system. Other than ERP, training related mainly to substitutability (expanding the competency matrix) and personnel skills development.

## Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- A company IT attack simulation was successfully carried out and the protection systems were found to be effective.
- Automation of the production system was successfully completed during the year.
- No employee complaints, cybersecurity breaches or GDPR incidents were reported in 2023.



## Key Initiatives in 2024:

- Photovoltaic power plant: The state subsidy program has been reopened in 2024 and the plan for the installation of a system with a potential of producing either 50 or 99 kWp will be prepared. If the plan is feasible then an installation can be commenced in 2024, impacting on energy consumption in 2025.
- Charging station installation: A supplier has been selected and this should be installed in H1/24 at a cost of approximately CZK 50k.
- Installation of LED lights in the offices is planned, being the second phase of the lighting project commenced in 2023.
- Cycle to Work: KBNK employees will participate again in this initiative in May and September 2023, supported by the company.
- Zirovnice community day participation: KBNK will return to participate in the local community day in May both as a financial contributor and with the company's employees being present at the event.
- A summer teambuilding exercise on company premises is a new initiative to build teamwork and strengthen company culture.
- A 'greening' initiative for the company car park will be proposed.
- Company vegetable garden: This initiative should use some of the company property to grow vegetables. This is an integration project as well as encouraging a healthy lifestyle and demonstrating KBNK products (e.g., frames for tomato plants).
- A welding robot will be installed in 2024. This should be more efficient than the manual equipment and is likely to require slightly less energy in its operation than existing tools.
- Training will be focused on the new welding robot and further coaching related to enhancing substitutability.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
KBNK	8.1	7.8/8.1	8.1

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

The KBNK risk has remained the same following a reclassification of the rating for 2022, resulting from underestimation of the green revenue and health and safety indicators last year.

### 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.

# 2023 ESG Summary

## Environment

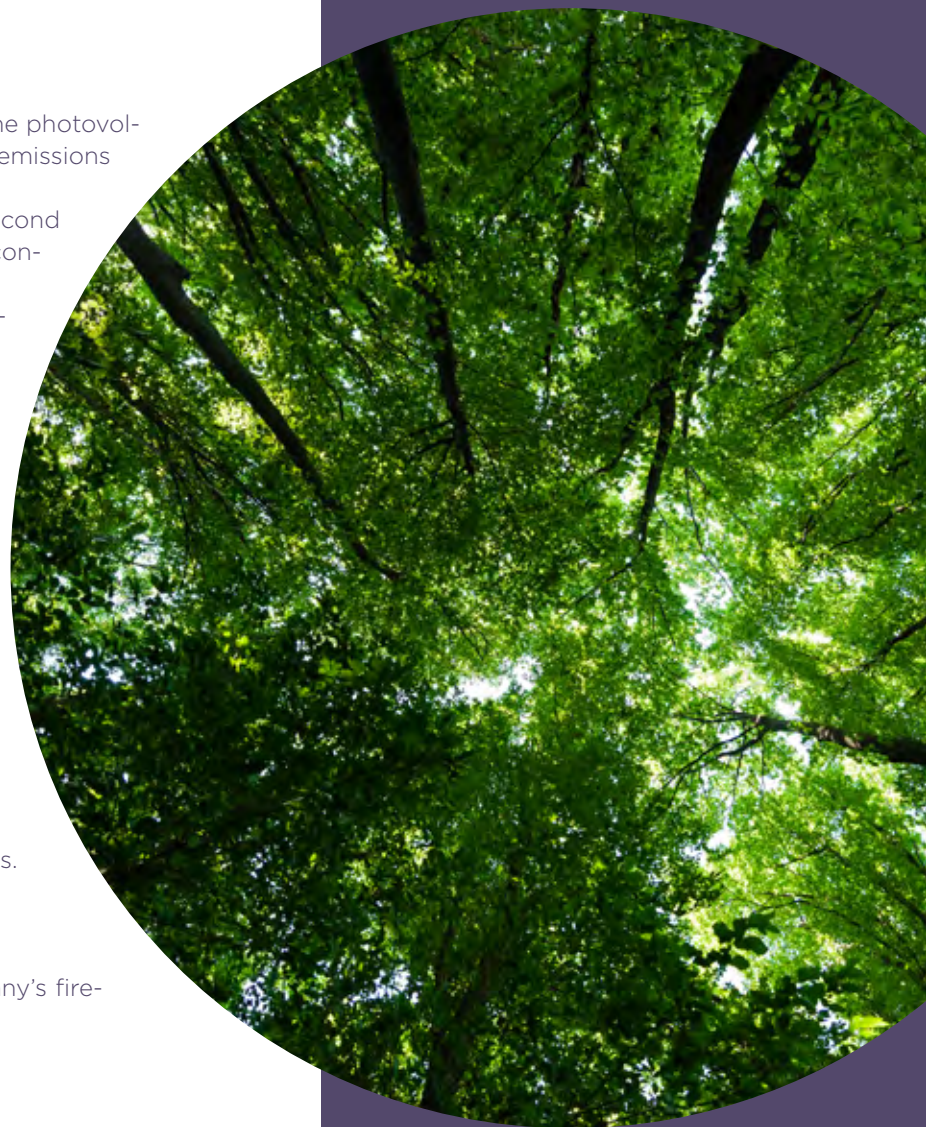
- Jihlavan has one of the most active carbon emission reduction programs in the portfolio. The photovoltaic panel installations have contributed significantly to the 17% fall in Scope 1 and Scope 2 emissions year-on-year.
- The fall of 12% in toxic emissions was mainly a result of reduced gas consumption (as the second hall did not need to be heated) and the wash machine was not cleaned, resulting in a lower consumption of chlorine.
- The main contributors to hazardous waste in 2023 were rinsing agents, waste cutting emulsion and oil sludge. The first photovoltaic installation (300 kWp) has been online since October 2022, while the second (130 kWp) was installed in August 2023. A third project to install solar panels on a frame over the company parking was rejected as uneconomic.
- As part of the preparatory work for a net carbon strategy, the cost of purchasing green energy only was estimated to increase electricity costs by CZK 700k annually.
- Work on REACH compliance (relating to surface treatment regulation) is ongoing and should be completed in line with the statutory deadline of the end of 2024.
- An electric vehicle charging station was installed at Jihlavan in H2/2023.

## Social

- The two recorded accidents in 2023 were both 'white collar' accidents to management team members. Neither resulted in lost workdays.
- Staff rotation became a problem in 2023 (17%) with 15% of leavers retiring, 35% being released and 50% resigning.
- The most recent employee survey was carried out in January 2023 but with a low participation rate of 32% of all employees.
- The average age of employees was reduced by 1 year but remains at the high level of 47 years.

## Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- The 3 recorded IT security incidents related to unsuccessful attempts to breach the company's firewall.
- No employee complaints or GDPR incidents were reported in 2023.



## Key Initiatives in 2024:

- 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.
- 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 (also ESG).

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
Jihlavan	9.7	9.4	9.2

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

The reduction in the risk rating was mainly a result of the fall in carbon footprint and the improvement of the governance rating following completion of the implementation of the new ERP system.

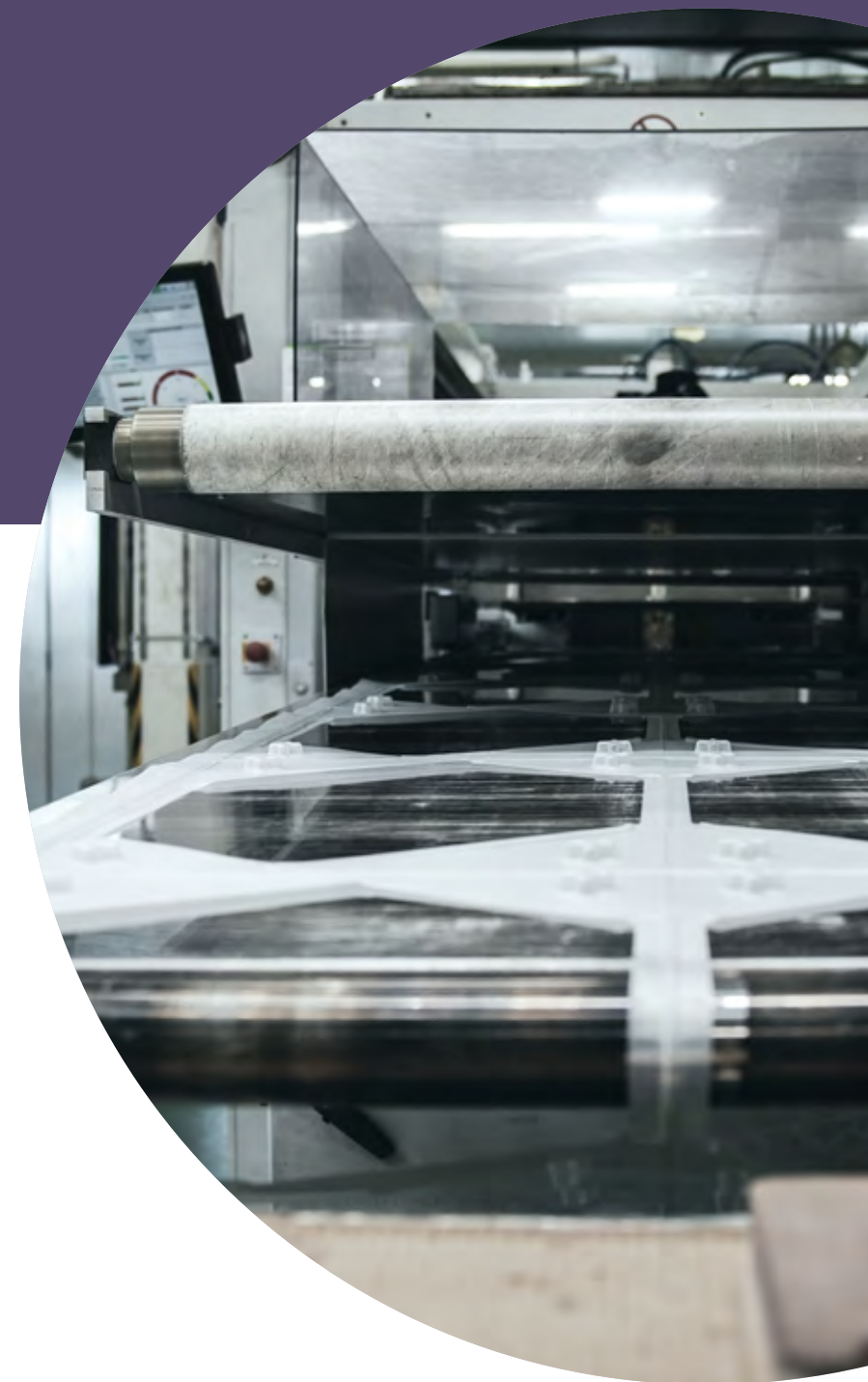
### ESG Responsibility:

Michal Flidr, CEIP Operating Partner

Petr Jirásek, Chief Financial Officer, 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 thermoforming, 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 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.

# 2023 ESG Summary

## Environmental

- The carbon footprint measurement at Vyva Plast using CarbonFix resulted in a significant increase in the calculated Scope 1 and Scope 2 emissions. Scope 3 emissions were also estimated at significantly higher levels than expected. Any work on a net carbon zero strategy will need to take into account supply chain factors.
- The photovoltaic project is in the planning process. Individual points that must still be fulfilled include roofing repair, conclusion of the work on a building permit, installation of the photovoltaic panels and a new lightning conductor, revision of the company's electrical installations and commissioning of the system. . If the work required on the roof is too extensive then this could still jeopardise the feasibility of the project.
- The implementation of the heat recovery Hoval controlled ventilation system was completed in Q1/2024 to help reduce gas consumption.
- The plastic volume by reuse category is monitored. Approximately 30% of total input volume is consistently scrapped and sold to a third party, which reuses 100% of it.
- Vyva Plast produces about 50 tons of composite plastic waste annually, which is currently utilised as municipal waste. The company is negotiating with its waste management provider to see if it would be feasible to recycle any of this plastic.
- Regarding green revenue, heat exchange components comprise approximately 20% of sales. Sales to bus producers are another significant category of revenue, which in certain circumstances could be classified as green (but has not yet been analysed in these terms). Tree protectors contribute less than 1% of total sales value. Depending on the classification of bus-related sales, the green revenue is between 20% and 60% of total sales.
- An adaptor is available at Vyva Plast for charging electric vehicles. This can charge a vehicle in about 7 hours compared with 20 minutes for a dedicated charger.

## Social

- A flu vaccination program for employees was already introduced in 2022 and was made available again in 2023. Unfortunately the uptake by employees was zero this year.
- The catering service was replaced following a survey of employee satisfaction.
- There were 2 accidents resulting in loss of working days. One of these accidents has been questioned by the company as to whether the injury was work-related.
- Staff rotation remained at the high level of 24%, partly related to the release of 9 employees as a result of lower production volumes in 2023. Absenteeism also remains high.
- 24 hours training per employee were recorded including training in accounting, business skills, regular safety and forklift operation.



## Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- No employee complaints, cybersecurity breaches or GDPR incidents were reported in 2023.

## Key Initiatives in 2024:

- Implementation of the photovoltaic project (details above);
- Certification of 14001
- Monitoring of use and reuse of plastics by volumes and not only by revenue;
- Set targets for green revenues and carry out monitoring;
- Finalising project for heat recovery station, which should decrease gas consumption.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
Vyva Plast	8.4	8.4/8.8	8.4

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

Following revision of the 2022 risk rating, the 2023 level remains at the same level as for the last 2 years.

## ESG Responsibility

Zdeněk Hurský, CEIP Operating Partner

Tomáš Veselý, 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. The company 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.



# 2023 ESG Summary

- In March 2023 the operation was started of the first humidifier unit in production. In future, the number will be increased depending to the success of this first installation.
- Heat recovery from compressors in both “winter” and “summer” versions has been completed. In summer, the heat is actively dissipated outside the building and the need for air-conditioning is reduced. In winter, the heat is transferred to the production area and heating costs are reduced.
- 2 new wallboxes for charging electric vehicles were installed in the underground parking facilities at the headquarters of Amit.
- One mild hybrid and a fully electric Škoda replaced two normal fossil fuel vehicles in 2023.
- The acquisition of an apiary was recommended for the HQ building and has been acquired and installed.
- The owners of the Amit HQ building in Prague purchased a new segregation container not only for plastic and paper, but also for glass.
- An electrical waste collection point has been set up in the building along with a special bin for dead batteries.
- There has been a packaging initiative to optimise large product boxes, which were being used with unnecessarily large amounts of empty space.
- The number of printers has been reduced.
- Hazardous waste remains at very low levels but the 30% increase in 2023 was directly related to the increase in production levels. Every product is washed, and wastewater generated by this process contains hazardous waste (which is captured and utilised by a licenced service provider).

## Social

- Staff rotation rose to just over 15%, which is quite high for a Czech business. The company is introducing exit interviews, reacting to comments from employee satisfaction surveys. Benefits are being consistently reviewed and enhanced.
- The absenteeism rate at 1.7% is one of the lowest among portfolio companies.
- There have been zero accidents throughout the recent history of the company.
- Employee wellbeing:
  - Sports training equipment has been installed at headquarters and in production – unfortunately there was no space in Brno;
  - Coffee machines with universally free coffee for production and offices;
  - Various varieties of candies were made freely available to employees.
- Employer branding:
  - Introduction of medals for new recruits;
  - Improved induction process for new employees;
  - Introduction of staff breakfasts at irregular intervals as an opportunity for staff to meet with top management in a less formal setting;
  - Special breakfast and gift presentation to two employees who have been with AMiT for 30 years.

### Governance

- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.
- No employee complaints, cybersecurity breaches or GDPR incidents were reported in 2023.

## Key Initiatives in 2024:

- Universal testbed platform, which should save material amounts of waste as to date test bed frames were constructed for each test and then became waste.
- Confirm green revenue classification for AMiT to be used when constructing and updating the business development pipeline, particularly for Automation.
- Packaging: The current methodology of shipping and warehouse management is not optimized with various types of materials, disproportionate quantity of packaging samples, various filling materials and no use of recyclables or secondary raw materials. Improved practices to reduce waste and achieve savings are in preparation.
- AMiT Junior – expansion of the secondary school cooperation initiative.
- Health and safety OHSAS ISO 45001 certification.
- Employer Branding:
  - “We open AMiT” PR program with podcasts and other means to create a better dialogue with employees and potentially other stakeholders.
  - AMiT branded workwear (including AMiT hat to be used for photo opportunities!).
- A social responsibility program has been set up and will target specific cases of hardship to be supported by the company.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
Amit	N/a	N/a	6.9

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

The risk rating was carried out for the first time in 2023. The highest rated risks include gender and diversity, training / career development, reporting and risk management.

### ESG Responsibility:

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



KOSYKA, s.r.o. is oriented towards the production of wire harnesses for the automotive industry, industrial machines, medical devices, and other sectors. It is also the distributor of connectors in the Czech Republic for Japanese company JST, one of the global leaders in the industry. The company is located in modern, purpose-built premises on the outskirts of Jihlava.



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

#### Primary



#### Secondary



#### Awareness



Kosyka plays an important role in modernising and upgrading various products, which contribute to infrastructure and a generally more efficient society. The secondary goals cover a wide range of sustainable goals, which the business can address internally. These include clean energy consumption (helped by the company's long-term commitment to heat pumps), and a proactive HR management strategy to create equality in the workplace with development opportunities for staff. Kosyka will seek to raise ESG awareness both inside and outside the company.

# 2023 ESG Summary

Kosyka is still in the first stages of its journey to ESG management. Having entered the portfolio in February, the process was kicked off in Q2/2023 but unfortunately the first ESG Officer left the business in Q4/2023. This meant that some of the key initiatives, including the carbon footprint project were suspended until the new ESG Officer was appointed in January this year.

## Environmental

- Electricity / renewable energy: Kosyka has used heat pumps for heating and cooling the building since its construction approximately 15 years ago. This accounts for the very low level of emissions and use of third party energy (electricity).
- Hazardous waste: There is a limited amount of chemicals used, mainly for various cleaning processes. Possible alternatives will be sought but the quantities are small (total hazardous waste in 2023 was a little over 100kg).
- Soil contamination: There is a small amount of oil used by the company but the risk of any contamination is minimal. Soil contamination is not an issue.
- Non-hazardous waste: There are limited amounts of non-hazardous waste (ca.20 tons annually). The main categories of waste by volume are cardboard packaging (≈40%), cables (≈20%) and plastics (≈15%). More than 90% of the waste is recycled and municipal mixed waste, which is the main element of non-recyclable waste, fell 4.5% in 2022 compared to the previous year.
- Fuel: There are 5 vehicles currently operated by the company. They are all petrol or diesel engines. The fuel consumption is monitored on a regular basis.

## Social

- Gender balance: There is a heavy bias in the company towards female employees. Approximately 85% of the 144 full time employees are female. The company works two shifts, 5 days per week. This is quite an attractive policy for female employees with children. There is no conscious bias in the recruitment process and all recruitment is carried out on the basis of merit. The candidates for jobs consistently reflect the gender split currently in the company. At management level, there are no female directors. The gender split at management level is not easy to justify but is very typical for CEIP companies. There is a small number of Ukrainian employees in the company employed on identical terms as all other workers.
- Health & safety / accident record: The company recorded 6 accidents in 2022 prior to the acquisition, only one of which resulted in more than 3 days time off work. This was reduced to zero in 2023. In the case of any injuries, a review of procedures is carried out and recommendations and additional training are recommended.
- Staff rotation / absenteeism: Both indicators were high in 2023 and HR policy is a key element being addressed by the new management. All companies need to pay competitive salaries in Jihlava, which has a buoyant, employee-driven market. Maternity leave can increase disproportionately the absenteeism rate and an adjusted rate should take this into account. There has been no formal employee satisfaction survey carried out but all employ-

ees should be subject to evaluation by their line manager including the agreement of a training and career development plan for the following period. The company offers all employees a subsidised card giving access to sport and health services (including certain prophylactic medication).

- Community programs / Donations: Kosyka has a low profile in the community. To date there has been no active PR policy and the company is little known in Jihlava. In the past financial donations were made to sport- or health-related charities at the discretion of the previous owner but without any coordinated strategy.
- Supply chain: Kosyka has a small number of larger suppliers, reflecting the fact that part of the business is Czech distribution for Japanese (JST) or German (Binder) companies. The supplier relationships have been established over many years and therefore exist mainly on the basis of trust rather than control. No major risks have been identified.

### Governance

- Code of conduct: The existing code of conduct is a brief and functional document, which should act as “a guide for the correct behaviour of the company’s employees”. It covers references to confidentiality, conflicts of interest, corruption and gifts. This should be expanded or supplemented by reference to the company’s mission and values and a number of other standard elements.
- Board meetings: CEIP is responsible for the best practice conduct of board meetings. The operational company management is obliged to execute the meetings and tasks or resolutions to the best of their ability and with due care. The Portfolio Development Meeting is organised on a quarterly basis.
- Internal audit: Internal audit relates mainly to operational quality and is the responsibility of the Quality Director. This includes the supervision of the certification process for the existing ISOs (9001 and 14001) and other certification such as IATF 16949 (automotive sector quality maintenance standard). A risk map is used for setting the annual internal audit plan but this does not cover the full scope of business risk (e.g., commercial, financial, some elements of ESG).
- Risk management / insurance: Risk management is currently limited to internal audit and the processes built into the ISO and other certification. An insurance review has been carried out post-acquisition. Developing more sophisticated risk management processes is a secondary objective.
- Whistleblowing was implemented in Q3 in line with all other CEIP portfolio companies.



## Key Initiatives in 2024:

2024 key ESG initiatives still need to be confirmed with the new ESG Officer and management but they may well include:

- Completion of the carbon footprint calculation and commencement of work on a net carbon zero strategy;
- Green revenue classification and policy for addressing green revenue sectors;
- Vehicle replacement policy considering fuel consumption reduction;
- Installation of electric vehicle charging station;
- Employee satisfaction survey;
- Support of the Cycle to Work initiative;
- Active community program to raise the profile of Kosyka locally and provide a potential additional motivational tool for employees;
- Expand the company code of conduct;
- Feasibility study for the implementation of ISO 45001;
- Risk management.

## Risk Rating

CEIP Proprietary Risk Rating*			
Company	2021	2022	2023
Kosyka	N/a	N/a	7.6

\*The application of the risk rating model is explained in the CEIP ESG Risk Rating Model section at the end of this report

The risk rating was carried out for the first time in 2023. The highest rated risks include absenteeism, training / career development, reporting and risk management.

### ESG Responsibility:

Petr Řehoř, CEIP Operating Partner

Roman Krejčí, Quality Director, ESG Officer



# 6. Fund Manager ESG Status

The Fund Manager is a small operation compared to even the smallest portfolio company but for the sake of completing the ESG picture in 2023, an analysis has also been carried out for the first time.

## Fund Manager KPIs

KPI	UNIT	2023	2024 Target
Carbon Footprint	tons CO <sub>2</sub> e	49.1	44.0
Electricity use	kWh	2,458	2,300
Share of renewable energy	%	N/a	tbc
Gas consumption	m <sup>3</sup>	1,543	1,500
Total no. of FTE's	#	9	11
Gender split	%	20%	26%
Gender pay gap	%	N/a	N/a
No. of accidents	#	-	-
Days lost due to injury	days	-	-
Absenteeism	%	0%	0%
Staff rotation	%	11%	10%
% of staff participating in an employees' survey	%	0%	100%
Average age of employees	age	43.5	42.1
Training hours per employee	hours	35	40
No. of GDPR reported incidents	#	-	-
No. of whistleblowing incidents	#	-	-
No. of IT security breaches	#	-	-



The Fund Manager has measured its carbon footprint for the first time in 2023:

<b>Carbon Footprint Analysis (tons CO<sub>2</sub>e)</b>	<b>2023</b>	<b>2024 Target</b>
<b>Scope 1 – Gas Consumption</b>	<b>3.1</b>	<b>3.0</b>
<b>Scope 2 – Electricity Consumption</b>	<b>1.1</b>	<b>1.0</b>
<b>Scope 3:</b>	<b>44.9</b>	<b>46.7</b>
Purchases	10.9	10.0
Business Travel	24.3	26.7
Commuting	3.5	3.5
Home Office	5.7	6.0
Other	0.5	0.5
<b>TOTAL</b>	<b>49.1</b>	<b>50.7</b>

The carbon footprint represents 2.5 tons of CO<sub>2</sub>e per EUR 1 million of revenue or 5.3 tons CO<sub>2</sub>e per FTE. The average estimated carbon footprint per capita in the Czech Republic in 2022 was 9.3 tons CO<sub>2</sub>e (Global Carbon Budget (2023); Population based on various sources (2023) – with major processing by Our World in Data). The carbon footprint target for 2024 is 3% above the 2023 footprint but there is 20% additional planned activity and this would decrease the footprint per FTE to 4.6 tons CO<sub>2</sub>e.

The Fund Manager recognises that there is a problem with the gender balance. CEIP has made efforts to recruit new female members to the team but the response rate for open positions has been disappointing. CEIP offers flexible working time and other potential benefits for female applicants.

The 11% staff rotation in 2023 represents one person leaving the team.

An employee satisfaction survey is planned in 2024 for the first time. Also in 2024, training hours per employee will be logged for the first time.

There were no whistleblowing, data protection or IT security breaches reported in 2023.

# 7. ESG and sustainability compliance

CEIP has a similar approach to ESG compliance as it does to all its other compliance obligations, namely maximum transparency. There is often a lack of clarity or even contradictory requirements, given the nascent stage of ESG regulation, therefore 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)
- Corporate Sustainability Reporting Directive (CSRD)

CEIP is a financial market participant, with a 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. CEIP actively promotes environmental and social objectives in our investment and portfolio management policy. We aim for all portfolio companies to “do no significant harm” in terms of the environment.

As a consequence of this strategy, we have already implemented robust processes to ensure that both the spirit and letter of sustainability regulation are applied in our fund reporting, disclosure policy and portfolio management. We have implemented an ESG 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 simple remuneration policy, which rewards management for ensuring alignment with sustainability and ESG goals. Given that our typical investment is not a ‘green transition’ business, an important aspect of SFDR compliance is the analysis of Principal Adverse Indicators. The key indicators relevant to the CEIP portfolio companies are assessed in the table below and several of the optional ones are reported in our standard ESG KPIs:



CEIP Portfolio Company Principal Adverse Indicators Analysis (below)

Theme	Indicator	ROKA	ELCOM	BMH	KBNK	JIHLAVAN	VYVA PLAST	AMIT	Kosyka	Action	
Greenhouse gas (GHG) emissions	GHG emissions + carbon footprint	N/a	412	N/a	366	1,823	1,238	406	188	Scope 1 + Scope 2 carbon footprint emissions (tons CO <sub>2</sub> e)	
		N/a	2,118	N/a	1,613	2,933	N/a	4,674	N/a	Scope 1 + Scope 2 + Scope 3 carbon footprint emissions (tons CO <sub>2</sub> e)	
		X	X	√	√	√	√	X	X	Reduction targets in progress	
		X	X	X	X	X	X	X	X	X	Net carbon zero strategy (2024)
	GHG intensity of investee companies	N/a	23.66	N/a	185.5	165.5	121.5	18.12	18.45	Scope 1/2 carbon footprint tons per EUR m revenue (as proxy for production)	
	Exposure to companies active in the fossil fuel sector	0%	0%	0%	0%	0%	0%	0%	0%	0%	0% direct exposure to the fossil fuel sector
	Share of non-renewable energy consumption and production	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	N/a	Not yet generally measurable, information from electricity suppliers is unreliable (unexplained fluctuations year-on-year). 2 companies have heat pumps, 2 have photovoltaic panels
	Energy consumption intensity per high impact climate sector	√	√	√	√	√	√	√	√	√	No portfolio companies are classified as high impact sector

<b>Biodiversity</b>	Activities negatively affecting biodiversity-sensitive areas	√	√	√	√	√	√	√	√	No negative impact identified affecting biodiversity-sensitive areas
<b>Water</b>	Emissions to water	25.61	7.13	0.63	8.23	142.8	6.95	N/a	N/a	Water usage (m <sup>3</sup> ) per million EUR invested
<b>Waste</b>	Hazardous waste ratio	2.3	-	1.6	-	262.6	0.9	0.1	0.0	Tonnes of hazardous waste generated per million EUR invested
<b>Social and employee matters</b>	Violations of UN Global Compact	√	√	√	√	√	√	√	√	No violations
	Unadjusted gender pay gap	9.0%	N/a	3.0%	N/a	9.5%	26.0%	34.5%	38.0%	Difference between average salary of female employees and male employees
	Board gender diversity	0%	0%	0%	0%	0%	0%	0%	0%	Average ratio of female to male board members
	Exposure to controversial weapons	√	√	√	√	√	√	√	√	No exposure

# EU Taxonomy

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 sustainable activities and any adverse impacts on environmental or social issues. We have assessed that despite all companies doing no significant harm, with the exception of BMH, none of the portfolio companies are EU Taxonomy eligible or aligned.

# Climate Risk and Vulnerability

CEIP applies a high level risk assessment methodology to consider significant climate change risks. Currently the risks are generally low but deterioration of various climate conditions may lead to greater exposure to climate change risk. Potential generic hazards are assessed and how they might apply to individual companies. Particular sectors impacted by climate change are also reviewed to see if there is any exposure to these. The sectors assessment is carried out from the perspective of both the companies and customers.



Hazard type	Acute / Chronic	Observed climate hazards	Roka	ELCOM	BMH	KBNK	Jihlavan	VYVA Plast	AMIT	Kosyka	Fund Mger
Water	Acute	Drought	M	L	M	L	L	L	L	L	L
		Flood	L	L	M	M	L	L	L	L	L
		Heavy precipitation	L	L	L	L	L	L	L	L	L
	Chronic	Changing precipitation patterns and types	M	L	M	L	M	L	L	L	L
		Precipitation hydrological variability	M	M	M	M	M	M	M	M	M
		Sea level rise	L	L	L	L	L	L	L	L	L
Solid mass	Acute	Landslide	L	L	L	L	L	L	L	L	L
	Chronic	Coastal erosion	L	L	L	L	L	L	L	L	L
		Soil degradation	L	L	L	L	L	L	L	L	L
Temperature	Acute	Cold wave frost	L	L	L	L	L	L	L	L	L
		Heat wave	M	M	M	M	M	M	M	M	M
		Wildfire	L	L	L	L	L	L	L	L	L
	Chronic	Changing temperature	M	M	M	M	M	M	M	M	M
		Temperature variability	M	M	M	M	M	M	M	M	M
Wind	Acute	Storm	L	L	L	L	L	L	L	L	L
	Chronic		M	M	M	M	M	M	M	M	M

### Climate Vulnerability by Key Affected Sectors

Company Customer Impact	Roka		ELCOM		BMH		KBNK		Jihlavan		VYVA Plast		AMIT		Kosyka	
	Company	Customer	Company	Customer	Company	Customer	Company	Customer	Company	Customer	Company	Customer	Company	Customer	Company	Customer
Transport	L	L	M	M	L	:	L	L	L	L	L	L	L	M	L	L
Urban Life	L	L	L	M	L	L	L	L	L	L	L	L	L	M	L	L
Health	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Agriculture	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Energy	M	L	L	M	L	L	L	L	M	L	M	L	L	M	L	M
Forestry	L	M	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Water	M	L	L	L	H	H	L	L	M	L	L	L	L	L	L	
Biodiversity	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Coastal zone	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L

## Sanctions imposed on the Russian Federation

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.





# 8. CEIP ESG RISK RATING MODEL

Below is an example of the output of the CEIP risk rating process:

	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Oppor- tunities 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	4	0.6	2.5	2	4	2.5
Waste management	3	2.3	6.8	3	2	4.5
Toxic emissions	5	1.5	7.5	2	3	4.5
Green Revenue	4	4.0	16.0	4	3	12.0
Climate Risk Mitigation	4	3.0	12.0	4	2	6.0
			10.0	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	3	3.0	9.0	4	3	9.0
Community relations	2	1.3	2.5	4	2	2.5
Human rights	2	0.8	1.5	1	2	1.5
Supply Chain	2	3.0	6.0	3	2	6.0
Training/Career Development	3	2.5	7.5	4	3	7.5
			8.4	3.3		6.5



	Current (Variable) 1-5	Importance (Fixed) 1-5	Net Risk	Oppor- tunities 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>8.0</b>	<b>3.4</b>		<b>5.8</b>

### Importance Levels

Two elements of the Importance of the risk are considered: financial and reputational:

- Financial: Potential financial cost / opportunity costs / penalties:  
Zero = 1, 1% of EBITDA = 2, >1% < 2% = 3, >2% < 3% = 4, >3% = 5
- Reputational:  
No risk = 1, Some reputational risk = 3, Critical reputational risk = 5

The two elements should be added together, divided by two and multiplied by the probability of the risk having such an impact in the life of the investment. The probability is a subjective estimate of the likelihood of either element of the risk materialising during the life of the investment. This value should be 100% unless there are specific reasons to reduce this (already on entry). This should arrive at the Importance risk level.

An example is shown in the table below:

	Financial	Reputational	Probability	IMPORTANCE
<b>ENVIRONMENT</b>				
GHG emissions	3	4	50%	1.75
Energy usage	2	3	75%	1.88
Water usage	4	4	100%	4.00
Waste management	2	2	75%	1.50
Toxic emissions	2	4	75%	2.25
Green revenue	5	5	100%	5.00
Climate risk mitigation	3	4	100%	3.50
				2.84
<b>SOCIAL</b>				
Health & Safety	1	5	75%	2.25
Gender & Diversity	3	3	100%	3.00
Employee Satisfaction	4	4	75%	3.00
Community relations	3	4	75%	2.63
Human rights	1	5	25%	0.75
Supply Chain	2	3	50%	1.25
Training/Career Development	4	3	100%	3.50
				2.34
<b>GOVERNANCE</b>				
Internal Controls / Reporting	3	3	100%	3.00
Cybersecurity / Data Protection	4	3	50%	1.75
Transfer Pricing	4	3	25%	0.88
Anti Bribery / AML	4	4	75%	3.00
Code of Conduct / Ethics	3	3	75%	2.25
Risk Management	4	4	75%	3.00
Tax Policy	4	3	75%	2.63
				2.36
<b>Overall average</b>				<b>2.51</b>



The product of the current risk and the importance risk gives the overall net risk of a business. While the Criticality of a risk may vary over time, the main focus for CEIP will be on the impact, where it should be possible to influence the risk levels to some extent.

The Importance element of the risk remains fixed throughout the life of the investment.

### **Current Levels**

The current risk is a variable element of the risk and can be impacted by risk mitigation or changes of circumstances. The measurement of the current risk is carried out in accordance with the following guidelines:

<b>ENVIRONMENT</b>	
Carbon footprint (Scope 1/2)	1 = Carbon footprint <25 ton per EUR million of sales, 5 = >300 tons per EUR million of sales
Electricity usage	1 = Electricity < 50,000 KWh per year, 5= > 1 GW per year
Water usage	<1,000m <sup>3</sup> per year = 1, >5,000m <sup>3</sup> = 5
Waste management	Total waste < 1 ton per employee = 1, Total waste > 10 tons = 5
Toxic emissions	<0.1 tons = 1, >1 ton = 5
Green revenue	1 = 80-100% green revenue, 3= 40-60% green revenue, 5= 0-20% green revenue
Climate risk mitigation	1 = Full Climate Risk Mitigation Policy, 5 = No policy
<b>SOCIAL</b>	
Health & Safety	1 = Zero accidents annually, 5 =>2 accidents per 100 employees (accidents > 3 days work absence)
Gender & Diversity	1 = 50/50, 5= >80/20
Employee Satisfaction	1 = Absenteeism < 2.5%, 5= Absenteeism >7.5%
Community relations	1 = High level charity/community activity / 5= zero activity
Human rights	1 = No human right issues / 5= More than 2 human right breaches
Supply Chain	1 = No at risk suppliers, 5 = >20% of suppliers at risk
Training/Career Development	1 = training hours per employee > 30 hours, 5 = zero hours
<b>GOVERNANCE</b>	
Internal Controls / Reporting	1 = Listed company standards, 5 = No documented internal controls
Cybersecurity / Data Protection	1 = Full Cybersecurity / DP policy, 3 = 1 policy, 5 = no policy
Transfer Pricing	1 = No intragroup transfers, 3 = transfers and documentation, 5 = transfers and no documentation
Anti Bribery / AML	1 = Full ABC/AML policies, 3 = One policy, 5= No policies
Code of Conduct / Ethics	1 = Fully implemented policy, 5= No policy
Risk Management	1 = Fully implemented policy, 5= No policy
Tax Policy	1 = No tax penalties (5 years), 5 = Significant penalties

**The product of the Current risk and the Importance risk result in the Net Risk. This can have a theoretical value between 1 and 25. Any value above 10 should be regarded as red risk and mitigation initiatives should be planned over the life of the investment.**

**Opportunities:**

Opportunities are measured purely subjectively and are not built into the overall net risk rating or targets. The level of opportunity is measured on a scale of 1-5, with 1 being low level opportunity and 5 being high level. When rating each category, the following factors should be considered:

- The ease of applying initiatives to reduce the net risk level for this risk category;
- The possible cost savings resulting from risk reduction (e.g., waste management, improved employee productivity, more efficient governance);
- Potential revenue opportunities in products or services which create positive environmental or social impact (e.g., renewable energy, resource conservation, decarbonisation);
- Enhancing the brand or reputation of the company.

**Target**

The target is set on entry to the investment and should reflect the estimated Current risk rating level on exit. This should consider all risk mitigating initiatives agreed between CEIP and the portfolio company management. The Target Net Risk is produced by multiplying the Target risk by the Importance risk, which remains fixed.

The key objectives of the risk rating process are:

1. To create specific ESG objectives for portfolio company management to achieve during the life of the investment.
2. To provide data for the ESG risk materiality matrix required by the Corporate Sustainability Reporting Directive.



# 9. DISCLAIMER

The information provided in this ESG Annual Report is based on unaudited data and internal assessments. It represents management's assessment and internal reporting. While we have made reasonable efforts to ensure accuracy, it may be subject to change. Investors and stakeholders should exercise caution when relying on this information. Some ESG metrics are sourced from third-party providers. While we believe these sources are reliable, we cannot guarantee their accuracy. Users should verify such data independently. Our ESG disclosures focus on material issues relevant to the businesses. Some topics may not be covered comprehensively. For a more complete understanding, users may contact us to obtain more information regarding ESG disclosure.



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