



CORPORATE SOCIAL RESPONSIBILITY REPORT 2020



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1 INTRODUCTORY WORD



Dear friends,

we present to you the Corporate Social Responsibility Report of Kovárna VIVA for 2020 year. This publication is a summary of the company's key activities in the areas of economic management, social development and environmental care. As a responsible company, we are aware of the importance of the company's activities in each of these three areas.

The principles of social responsibility are an inseparable part of our corporate culture. We respect the interests of our employees, partners and the wider community of people in the region of which we are an important part. We are aware of how fundamentally CSR activities contribute to increasing the credibility of our company not only in the eyes of customers and business partners, but also in the perception of the company as a whole. Social responsibility is becoming an important indicator of a company's success. For socially responsible company is not only easier to retain existing customers, but also attracts new business partners, which in the long term contributes to increasing stability and competitiveness in the market. The principles of socially responsible behaviour strengthen the company's competitive advantages, increase its value and also affect its economic performance.

We firmly hope that this publication will be for you an interesting and beneficial source of information. We believe that, thanks to this report, we were able to emphasize the importance of the socially responsible behaviour of Kovárna VIVA, which, through its responsible and consistent operation, tends towards the sustainable development of society

Frantisek Cervenka,

Chief Executive Officer of Kovárna VIVA

2 INTRODUCTION OF THE COMPANY

<ul style="list-style-type: none"> We are a leading Czech industrial forging company founded in 1992 which follows up on the traditions of the Bata forging company which was founded in 1932. 		<p>Sales 80 mil.EUR/year</p>
<ul style="list-style-type: none"> We produce closed die forgings from steel with a good quality/cost ratio. Our products include forgings prepared with high precision and with complex geometry, in small as well as large series 		<p>Capacity 35 000 t/year</p>
<ul style="list-style-type: none"> Our strategy is based on working with leading European and global companies, with which we build stable and long-term partnerships. 		<p>Employees 408</p>
<ul style="list-style-type: none"> The core of our production is dedicated to the complete preparation of forgings for 4 areas: cars, trucks and utility vehicles, handling technology and hydraulic motors. Some of our production is intended for railways, agriculture, engineering etc. 		<p>CAPEX from 2012 55 mil.EUR</p>
<ul style="list-style-type: none"> The whole production process is monitored based on the requirements of IATF 16949, ISO 9001, ISO 14001,ISO 45001 and ISO 50001 		<p>Export 70%</p>
<ul style="list-style-type: none"> Ownership Kovárna VIVA Moravia Steel 66% and Čestmír Vančura 34% 		<p>Forging weight 0,1-30,0 kg</p>



2.1. Main products of Kovárna VIVA


 ZÁKAZNÍK
 ZAMĚSTNANEC
 ZODPOVĚDNOST
 ZLEPŠOVÁNÍ

2.2. Main customers of Kovárna VIVA

		 The Mark of Linear Motion
	 DRIVING VALUES FOR THE FUTURE	
		 Linde Hydraulics
		

2.3. Quality management

We have a strong quality system and all the modern methods in place to control the quality of the entire production process, from purchasing material through continuous production control to final inspection before shipment. As a manufacturer of so-called safety parts, we are fully equipped with the appropriate technology and process organization. The company holds following certificates. The field of CSR we regularly verify with internal and external audits



2.4. Strategy

Kovárna VIVA has been focused on the realization of its strategic goals. One of them is the technological development of the company, which is closely related to meeting the demanding requirements of our customers. In practice, this means that by controlling the technological process throughout the production flow, the required qualitative parameters of the manufactured semis are ensured. An important factor that increases the added value of final products is the validation, integration and implementation of modern, technologies that in particular significantly reduce production and processing costs or the environmental burden. Thanks to that, Kovárna VIVA ranks to the top forging company in Europe.

Development of our production base, technological and research activities are aimed at the improvement of products quality, an introduction of progressive production technologies and new products in order to:

- fulfil current as well as future quality of delivery requirements of the customers,
- reach effective utilization of raw materials, materials and energies, and reduction of their consumption,
- reduce the quantity of wastes produced and increase their recycling rate,
- reduce the total production of environmental impacts to health and lives of people, environment and the property,
- minimize the impacts of the serious accidents to health and lives of people, environment, property and business results.

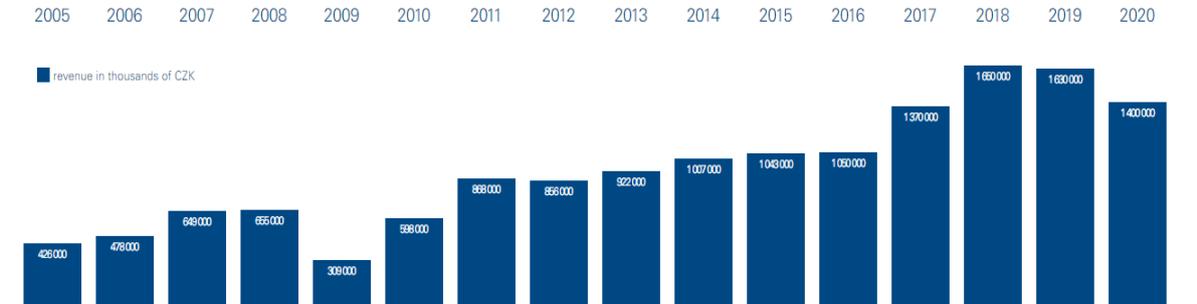
Year	2015	2016	2017	2018	2019	2020
mil.EUR	38	39	52	66	63	53

2.5. COMPANY VALUE

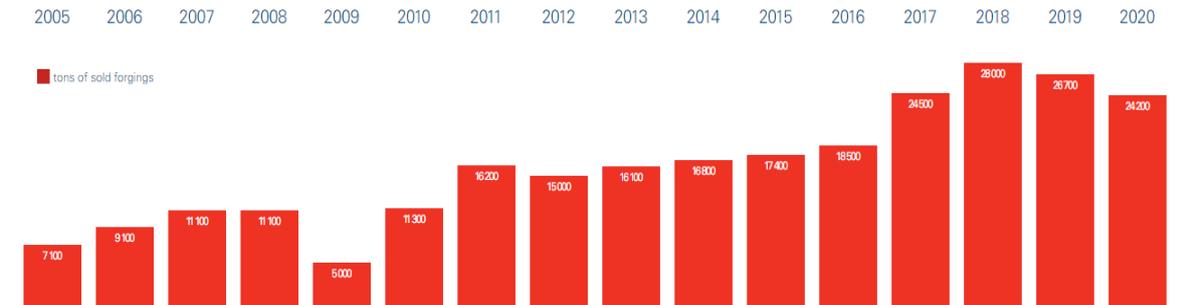


3 ECONOMIC GOVERNANCE

About company's plans, objectives, activities and results inform its customers and stakeholders through its websites. In order to ensure the competitiveness of the forging company, we must constantly struggle to improve the quality of our products while keeping costs down and further prudently allocating funds between renewal and modernisation projects, technology development and environmental protection. The forging industry is a very demanding manufacturing industry in terms of energy, technology and investment. The volume of funds directed to the construction of new facilities, renewal and upgrading of existing ones is therefore a necessity. In 2020, when the world was hit by coronavirus pandemic many steel companies had to face restrictions of production, staff shortages, declining demand and complications in the transport of goods. In addition, compared to other regions of the world, the competitiveness of European steel companies is adversely affected by very strict EU environmental legislation. Nevertheless, Kovárna VIVA strives for the sustainable development in the social, economic and environmental fields. ”



Viva forging company Performance 2005-2020



4 SOCIAL FIELD

4.1. We follow ethical principles and adhere to legal regulations

We follow ethical principles and adhere to legal regulations Ethical principles and respect for the law are the fundamental principles of our code of conduct and corporate culture. Our company is established and exists under the laws applicable in the Czech Republic; the legal regulations governing our activities and relations are systematically followed, recognized, respected and adhered to unconditionally and consistently. We act and take our decisions in accordance with the principles of corporate culture, social responsibility, employee collegiality and fair trade, and also in accordance with the laws and obligations ensuing from legal regulations, decisions of public authorities and the contractual relations in which we participate. Business partners' conduct in accordance with the law and ethical principles is considered an unavoidable condition for our cooperation. The compliance program, including management of business and procedural risks according to International Organization for Standardization (ISO) standards, international standards for Quality Management Systems (QMS) including IATF 16949 standard, principles of Corporate Social Responsibility (CSR) international standard SA8000 Social responsibility, is consistently enforced, its effectiveness is continuously evaluated and measures are taken to improve it. CSR report is assured by our customer and audits within the Moravia steel group

4.2. We are a socially responsible company

We are a socially responsible company In our visions, plans and decisions, we always take into account the interests of our business partners and employees, the impact on the regions in which we operate, and the impact on their inhabitants and the environment. We strive to make our relations with our business partners, public authorities, our employees, trade unions and the public long-established, stable and based on mutual respect and rightful trust in honest conduct. We support the regions in which we operate and we strive to contribute to further improving the quality of life of their inhabitants. Every year we issue a Corporate social responsibility report, which is published on our website www.viva.cz.

4.3. We respect our corporate SOCIAL FIELD culture

We are proud of our history which we build on through further development of our company as a place with lasting values, traditions and customs. The basic principles of our corporate culture are: • focus on the customers, forthcoming and complete satisfaction of their needs with the highest quality products and services, • consistent fulfilment of the obligations, • good interpersonal relations based on cooperation and mutual respect, • satisfaction and motivation of employees, • development and use of knowledge, abilities, skills and experience of employees, • teamwork, • a high level of work ethics, • entrepreneurial spirit of good economists – technological advancement based on systematic innovation, • continuous improvement of everything and everyone.

4.4. We respect our employees

Respect of human rights is commonplace in our company. We do not encourage nor tolerate any acts of discrimination and harassment. We respect employee privacy rights. We condemn any form of

violent and forced labour. We condemn the abuse of child labour. We only employ persons who meet the conditions provided by legal regulations. We provide specialized healing for pupils of secondary vocational schools and university students at our workplaces; we do so under the contracts with these schools in special mode appropriate to the age, knowledge and experience of pupils and students. We do not tolerate any form of illegal work, not even with our business partners. Procedures and conditions provided by legal regulations have always been the minimum standard in our relations with employees. This also applies to the conclusion and content of employment contracts or other labour-law contracts and agreements, length of working hours, work rest periods including breaks, setting overtime, remuneration, making wage deductions, and termination of labour-law relations. Our employees are properly rewarded for their work, including providing extra pay for work in the afternoons, at night, on weekends and public holidays, overtime, and other bonuses. Beyond the law we provide our employees with social and other benefits. In relation to our employees, but also in relation to public authorities, we fulfil all our statutory disclosure obligations. We respect our employees' rights, including the right to form unions and negotiate collectively. We respect the position of trade unions as representatives of our employees and consider them as our partners in social dialogue. We consistently communicate with our employees, including having meetings and consultations with top management and other executives, and informing our employees about current issues via effective means of communication. We regularly conduct surveys of employee satisfaction and motivation. We regularly evaluate all our employees every year

4.5. We apply a whistle-blowing policy

We enable our employees and other persons to practise whistle-blowing, make queries and complaints. All whistle-blowing reports, queries and complaints are consistently solved and used for further improvement. We guarantee all employees protection against any disciplinary action on account of bona fide practising whistle-blowing, making queries and complaints.

4.6. We consistently comply with occupational health and safety

Occupational health and safety of our employees is an integral part of all our activities and has the highest priority. We create the most favourable working conditions. We adhere to the accident prevention safety program; we ensure that every work activity is conducted according to safe working practices. We have developed and systematically evaluate and update the system for identifying and assessing the risks of potential health damage at work, including measures to eliminate the risks of health damage, Personal protective equipment, Machine safety, Emergency preparedness, Incident and accident management, Workplace ergonomics, Handling of chemicals and Fire protection.. We adhere to prevention. We constantly train and educate our employees to work safely and to protect their health. We provide our employees with personal protective equipment according to the list drawn up for each job. Employees at workplaces with increased heat or physical load are provided with protective beverages. We consistently provide assessment of our employees' medical fitness for work by means of occupational medical examinations; we do not permit performance of any work that does not meet employees' requirements for medical fitness. If a work accident occurs despite our best efforts, we employ our system comprising of providing first aid, reporting and investigating injuries or other unfortunate events, and taking measures to prevent their recurrence and to compensate for damages.



OŠETŘENÍ DROBNÝCH RAN

NARAŽENINA

- posad postiženého
- ověř naraženu/zlomeninu
- postižené místo chlad vodou, ledem
- vyžkej dokud neustoupí prvotní bolest
- případně zajisti rentgen

RÁNA S KRVÁCENÍM

- 1** **Zajisti si vlastní bezpečí**
 - zamez dalšímu poranění
 - nasad si sterilní rukavice
- 2** **Polohuj raněného**
 - posad nebo polož zraněného
 - zabraň pádu zraněného při jeho omdlení
- 3** **Očisti ránu**
 - odstraň nečistoty a volné předměty z rány
 - nanos na okolí rány dezinfekci

- 4** **Zamez dalšímu krvácení**
 - polož na ránu sterilní krytí, tláď do rány (cca 3min)
 - případně použij sprej na zástavu krvácení
- 5** **Ukončení ošetření**
 - krvácení ustalo – použij náplast na ránu
 - krvácení neustalo – zajisti zdravotnickou pomoc

POSKYTOVÁNÍ PRVNÍ POMOCI

4.7. We respect our business partners

We deal with all of our business partners honestly and transparently, with respect and fairness; we expect such conduct from them. We respect the interests and needs of our business partners, unless it is contrary to legal regulations and does not cause excessive risk or harm. We are committed to create value for our business partners. With regard to our products, we implement the principle of constant improvement, increasing their added value, while reducing the environmental burden. We practise the strategy of zero errors. We choose our suppliers with thorough care in order to maintain the quality of our products. We negotiate agreements with our suppliers regarding product quality and evaluate the fulfilment of their obligations. We ensure adequate supervision of compliance with labour and technological procedures and of solutions to potential complaints from business partners. We evaluate the satisfaction of our business partners. We want our business partners to work with us continuously or to come back to us for business. The success of our business partners is also our success. We recognize the unity of words and actions; we keep our promises. We support ethical business culture; we fulfil our duties thoroughly, fairly and honestly. We are ready to arrange an audit with our business partners in our company

4.8. We condemn any manifestations of corruption

We adhere to zero tolerance towards offering or accepting bribes. Our employees are strictly guided to refrain from any act of corruption; in connection with the performance of work for our company, acting on our behalf or with reference to us, no one may solicit or accept any services in exchange for granting or promising to grant any privileges, nor offer or provide such services.

4.9. We respect economic competition and intellectual property and also protect personal data

We advocate a free, honest and fair competition; we do not engage in any acts that would undermine such competition. We avoid any conflicts of interest and situations that may cause suspicion of such conflicts. We respect intellectual property rights and interest to protect the confidentiality of trade secrets and other confidential information, and we protect these rights and such information within the scope of legal regulations, contracts with business partners, data subjects' consents and business ethics. Personal data of our employees, as well as any other persons whose personal data have been provided to us, are always processed only in accordance with legal

regulations. All our employees, who in the course of their duties come into contact with personal data, information constituting a trade secret or any other confidential information, are obliged to maintain confidentiality of such data and information.

4.10. We protect the environment

Environmental protection is a fundamental part of our policy. The standard is no less than fulfilling all legal regulations and authorization requirements granted to us thereunder by public authorities. In the long term and conceptually, we strive to continually reduce the impact of our activity on the environment. Old environmental burdens are removed. To meet environmental protection principles, we have set up and implement waste management systems preferring recycling, closed water systems and industrial wastewater treatment plants, chemical treatment and energy management; The priority is to gradually reduce air pollutant GHS emissions.

4.11. We apply the Code of Conduct to all activities

- The Code of Conduct is the fundamental basis of our company's internal regulations, including:
- conditions of employment,
- social code,
- technical and organizational regulations and related internal standards that are specified in such a way as to ensure their consistent application. The Code of Conduct is respected and its compliance in our company is monitored and enforced.
- Freedom of association and collective bargaining
- We organise training for your employees on the Code of Conduct

5 ENVIRONMENTAL PROTECTION

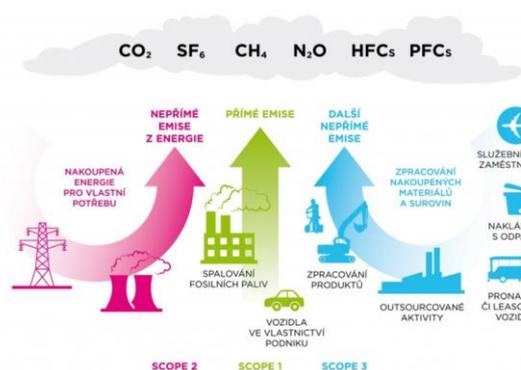
5.1. Emissions

THE PATH TO CARBON NEUTRALITY

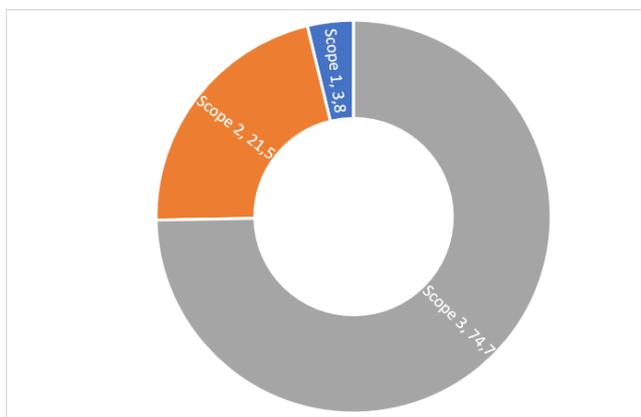
- We perceive the danger of climate change and its consequences. We intend to gradually reduce our carbon footprint and continue to take a responsible approach to environmental protection.
- We are preparing an integrated transformation project based on the use of energy from renewable sources, changes in steel production technology and the greening of primary production. We build on the principles of the circular economy and the gradual change of the portfolio towards the products of the industry that contributes to reducing the carbon footprint.

Proclamation of Kovárna VIVA

- We are fully aware of the danger of climate change and its consequences. We intend to gradually reduce our carbon footprint and continue to take a responsible approach to environmental protection.
- Thanks to investments in the latest technologies, our forging production has undergone significant changes and is one of the most environmentally friendly in Europe. We strive for maximum recycling and utilization of by-products and waste generated in production processes.
- At present, no commercially viable technology for producing steel without a carbon footprint is available. We are aware of this, and therefore we are preparing innovative projects for its reduction. At the same time, we implement partial actions compensating for the occurrence of emitted CO₂. On the road to carbon neutrality, our gradual goal is to reduce CO₂ emissions by 55% by 2030, compared to 1992 levels.
- We are constantly innovating our products in order to direct steel products from our production lines to the industry contributing to reducing the carbon footprint as much as possible. We sell 97% of our production on European markets, thus contributing to the reduction of the carbon footprint from transport.



Share of scope 1,2,3 in VIVA



5.2. Policy in place for the responsible sourcing of raw materials

As raw materials increase in scarcity and price, their efficient use is becoming even more crucial. Likewise, materials must conform to stringent quality and safety, as well as environmental and social, standards. Product-related environmental protection begins with responsible material selection. From the very start – during the product development phase – VIVA considers the total life cycle of a product, including factors such as the materials required to manufacture the product, its utilization phase, and its disposability and recyclability. VIVA continuously increases the recyclability of its products by, for example, keeping the variety of materials to a minimum and being consistent in the materials used to ensure that they can be easily separated. Regarding the control of prohibited and regulated substances as international laws and regulations, apply. Implemented in the VIVA supply chain, these requirements are tracked to ensure their conformity. As commodities, steel has the largest consumption share in the purchasing portfolio. Every year, the VIVA purchases approximately 33 000 tons of steel VIVA uses recycled materials in its production processes. In terms of weight, steel constitute VIVA's highest share of recycled materials. This includes steel from scrap steel In pursuit of the circular economy and the long-term goal of carbon-neutral products, projects to investigate the extended potential use of will be further discussed with customers in 2021.

VIVA	2018	2019	2020	2020/19
	t	t	t	%
Materiál	33 105	31 772	28 653	-10%
Šrot	6 342,90	6 072,25	4 983,29	-18%
Vykované tuny	26 484	25 418	22 923	-10%

5.3. Supply chain - CSR/Sustainability requirements towards suppliers

A steady supply of good materials and components lays the foundation for high-quality products and thus for customer satisfaction. Only professional supply chain management can ensure the high quality of VIVA's products and delivery performance. A trusting and reliable collaboration with its suppliers is therefore of utmost importance to VIVA. In 2020, VIVA introduced an additional sustainability criterion as a mandatory requirement for the approval of new suppliers and for ongoing sourcing. The sustainability criterion covers the topics of - Child labour and young workers, Wages and benefits,- Working hours,- Modern slavery (i.e. slavery, servitude and forced or compulsory labour and human trafficking),- Freedom of association, incl. collective bargaining,- Health and safety,- Harassment and non-discrimination,- Corruption, extortion and bribery, - Privacy and data protection, - Fair competition and anti-trust,- Conflicts of interest,- Whistleblowing and protection against retaliation,- GHG emissions, energy efficiency and renewable energy,- Water quality and consumption,- Air quality,- Sustainable resources management and waste reduction,- Responsible chemical management. Regarding the environmental management of its suppliers, VIVA also carefully reviews energy consumption, water usage, air emissions, waste management and the handling of restricted substances and chemicals. A corresponding questionnaire was developed based on the Self-Assessment Questionnaire on CSR and Sustainability

5.4. WASTE MANAGEMENT

VIVA's environmental management system aims at continuously reducing the volume of waste. To support the circular economy and close material circuits, VIVA set a new waste reduction target in 2021: Locations now need to reduce waste for disposal relative to value added by 1 percent on an annual basis, with 2019 as the base year. The previous target – that the amount of waste for disposal relative to sales will be lower than the previous year – has been met, with the economic downturn caused by COVID-19 as the primary factor. The reduction of hazardous waste is a general target in waste management. In addition to VIVA EHS management regularly undergo external audits to meet the ISO standard for energy management systems (ISO 14001).

VIVA	2018	2019	2020	2020/19
	t	t	t	%
Odpad	439,91	519,59	407,06	-22%
Šrot	6 342,90	6 072,25	4 983,29	-18%

5.5. Energy management

Energy management is a top priority for an industrial company such as VIVA and a core element within VIVA EHS management system. This means that all locations regularly evaluate their energy profiles and energy-related activities. This includes conducting audits, identifying potential for improvement and defining actions and measures for increasing energy efficiency and reducing consumption. In addition to VIVA EHS management regularly undergo external audits to meet the ISO standard for energy management systems (ISO 50001).

Energy consumption within the organization

VIVA		2017	2018	2019	2020	2020/19 %
Elektřina	MWh	28 138,55	30 442,25	28 795,33	25 391,52	
Plyn		6 366,49	6 583,80	6 303,15	5 386,91	
Vykované tuny	T	24 401	26 484	25 418	22 923	
Elektřina	MWh/t	1,15	1,15	1,13	1,11	-3,94
Plyn	MWh/t	26,09	24,86	24,80	23,50	-9,93

5.6. Water and Effluents

Water consumption for production in VIVA is considered an important environmental problem because the use of fresh water will be more and more limited in the future. Water is used in production for cooling induction heaters and cooling heat treatment lines and showering needs in changing rooms. VIVA is gradually implementing projects for an overall reduction water consumption. In addition to VIVA EHS management regularly undergo external audits to meet the ISO standard for energy management systems (ISO 14001).

VIVA	2018	2019	2020	2020/2019
	l/rok	l/rok	l/rok	%
Vodné	28 953	29 102	20 891	-28%

6 CARE FOR EMPLOYEES

6.1. Employee engagement survey

- Direct measurement of employee engagement through a questionnaire survey in Kovárna VIVA is performed in two-year periods and the last one took place in 2020. The conclusions of this questionnaire survey enabled the creation of a comprehensive picture of employee attitudes to individual company values. Out of four areas of corporate values (individual, social, customer and social), employees rated the social area the best – most of them perceive Kovárna VIVA as a socially responsible company with a good reputation. 51,2 % of the total number of employees was involved in the questionnaire survey.
- We have a grievance mechanism, which is available for our employees and for external stakeholders (e.g. suppliers, communities), and our whole supply chain.

6.2 Employment

In 2020, the development of the planned number of employees was influenced by minor organizational changes in order to increase labour productivity. On the other hand, the actual number of employees was negatively affected by increased turnover and thus a growing shortage of employees. Availability of individual units was also affected by the disease and quarantine because of the spreading of the virus covid-19. In 2020, a real average recalculated headcount reached 378 employees.

Year	2015	2016	2017	2018	2019	2020
employees	374	404	445	405	380	378
Agency	0	0	0	5	10	10

6.3. Education

Corporate education, as one of the company processes, is based on HR strategy of Kovárna VIVA therefore, its key role is to provide prepared and highly qualified employees for the fulfilment of strategic goals, especially with regard to demographic development. In general, education is an indefinite process, where employees are trained to maintain qualifications and also for further development in order to increase efficiency and competitiveness. Employees are trained mainly through external suppliers of educational services, but also by internal lecturers. An integral part of corporate education is the online VIVA Academy application, which is used mainly by implementers of periodic training in the workplace and internal lecturers who use the application to prepare and implement their training. The VIVA Academy application also enables the sharing of information, knowledge and experience, as well as a discussion on a selected topic. we cooperate with local schools and universities.



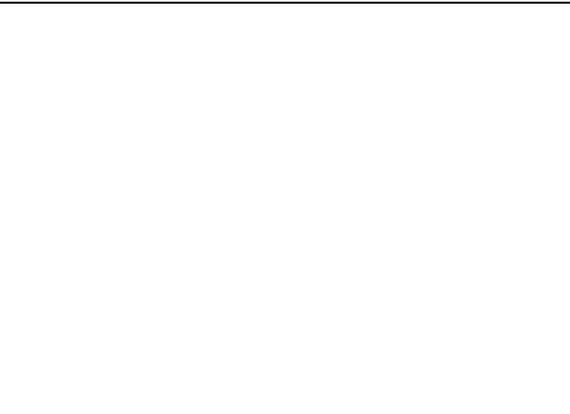
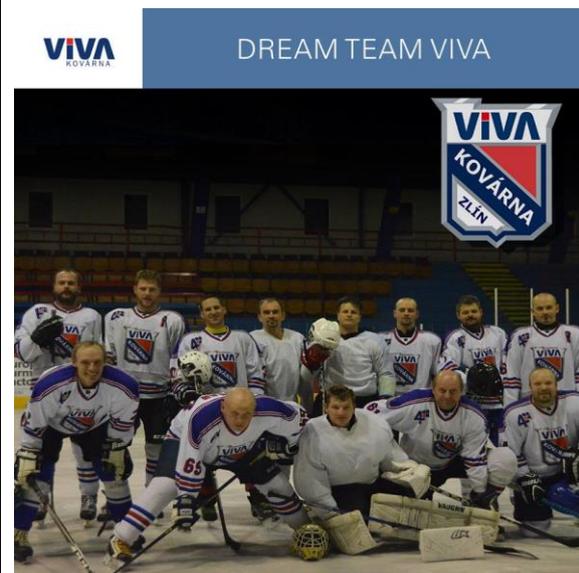
6.4. HEALTH SUPPORT

- covering the costs of medical examinations prior to employment
- covering the costs of preventive breast cancer screening and colorectal cancer check-ups
- organising of rehabilitation stays, ambulant rehabilitation care and additional rehabilitation care
- providing employees with contribution catering in the amount of 55% to one main meal
- providing employees with non-alcoholic drinks in the period of extremely hot days
- ensuring other activities to support health (providing with vitamins, health promotion benefits)

6.5. OTHER BENEFITS

- vacation extended by 1 week
- extended range of days off with remuneration in case of personal impediment
- providing social assistance and social credits in case of very serious life situations
- providing interest-free housing promotion loans
- providing contribution for supplementary pension provision and additional pension savings
- providing contribution for private life insurance
- providing donations to support education, culture, sports and physical education
- providing donations to support and protect young people
- providing optional staff benefits)
- providing curative stays for children in cooperation with the labour union
- support for kindergarten with prolonged service for employee's children

WE SUPPORT SPORT



WE SUPPORT CULTURE



WE SUPPORT SOCIAL FIELD



WE SUPPORT EVENTS FOR EMPLOYEES

