

ESG REPORT OF ZPS - FRÉZOVACÍ NÁSTROJE A.S. FOR THE YEAR 2024 (prepared in accordance with VSME)

1 Introduction

This document presents the first voluntary ESG report of ZPS - FRÉZOVACÍ NÁSTROJE a.s., prepared in line with the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME), published by EFRAG.

Our goal is to transparently share information on the environmental, social, and governance aspects of our business. We see ESG as an integral part of responsible business conduct and an area of growing importance not only for ourselves, but also for our business partners – especially customers, financial institutions, and other actors across the supply chain.

ZPS - FRÉZOVACÍ NÁSTROJE a.s. is a traditional Czech manufacturer of metal cutting tools (e.g. milling cutters, drills, countersinks), and provider of specialized metal heat treatment services such as vacuum hardening, ion nitriding, and cryogenic processing. As of 31 December 2024, our company employed 103 people and reached an annual turnover of CZK 230 million.

This ESG report has been prepared on a voluntary basis – not due to any legal obligation – and represents the first step toward a systematic approach to sustainability. The report will be publicly available on our corporate website under the Sustainability section.

Looking forward, we plan to repeat and further develop this reporting process, including historical comparisons and progress tracking across ESG areas. We believe that transparency and continuous improvement in sustainability will contribute to long-term stability, innovation, and trust among our partners.

2 Basic Company Informations (B1)

Item	Value
Company name	ZPS - FRÉZOVACÍ NÁSTROJE a.s.
Registered address	třída Tomáše Bati 5334, 760 01 Zlín, Česká republika
Company ID (IČ)	46966650
VAT ID (DIČ)	CZ46966650
Legal form	Joint-stock company (a.s.)
Year of incorporaton	19.8.1992
Number of employees (as of 31.12.2024)	103
Turnover in 2004	230 million CZK
NACE classification	25.73 – Manufacture of tools
Main activities	Manufacture and sale of metal cutting tools (e.g. mills, drills, countersinks), including DIN, ČSN, and custom-made tools. Heat treatment services: vacuum hardening, ion nitriding, cryogenic processing.
Certification	ISO 9001:2015
Website	www.zps-fn.cz
Contact e-mail	info@zps-fn.cz
Contact phone	+420 576 777 510

The ESG report is published on the company website in the Sustainability section.

3 Sustainability Practices, Policies and Initiatives (B2 + C2)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. has long been committed to responsible business practices that take into account not only financial goals but also environmental, social, and community impacts. Although this ESG report is our first, several sustainability principles have already been formalized and implemented in practice.

Established practices

Active waste sorting in cooperation with certified partners.

Participation in the "Green Company" program for responsible disposal of e-waste and batteries.

Optimization of energy and material consumption, especially in heat treatment operations.

Measurement of our carbon footprint (Scopes 1, 2, 3) according to the GHG Protocol (first report issued in 2023).

Policies and commitments

Publicly available Code of Ethics outlining standards of conduct in business integrity, respect, and accountability.

Leadership Commitment to Sustainability expressing our intent to strengthen ESG across the business.

Policy on responsible sourcing of materials, especially conflict minerals, in line with customer requirements.

Personal data protection (GDPR) and whistleblower protection policies are in place and compliant with legislation.

Employee and community support

Support for employee and family activities (sports, culture, education).

Regular donations to organizations supporting disadvantaged groups, seniors, and people with disabilities in the Zlín region.

Safe and respectful working environment based on fair treatment and occupational health and safety.

Future direction

This first ESG report serves as a starting point for a structured approach to sustainability.

We plan to expand data monitoring, assess developments, and identify improvement opportunities in areas with the most significant impact.

4 Environmental area (E)

Energy and Greenhouse Gas Emissions (B3)

In 2023, we launched carbon footprint measurement using the GHG Protocol and repeated it in 2024 to understand our environmental impact and provide a foundation for potential future improvements.

a) Energy consumption

Energy Type	2023 (MWh)	2024 (MWh)	Note
Electricity	3716	3431	Sole source of energy used
Natural gas	-	-	Not used
Other fuels	-	-	Not used

The company does not use gas, liquid, or solid fuels. All energy consumption is covered by electricity.

b) Greenhouse gas emissions

Scope	2023 (t CO ₂ e)	2024 (t CO ₂ e)
Scope 1	165	98
Scope 2	1407	1195
Scope 3	1771	1335
Total	3344	2628

Emissions were calculated in line with the GHG Protocol and ISO 14064, covering direct and indirect emissions from purchased electricity.

c) Emission intensity relative to turnover

Indicator	2023 (t CO ₂ e) / mil. CZK	2024 (t CO ₂ e) / mil. CZK
Total emissions / turnover	15,34	11,43

These values enable us to track trends in efficiency and carbon intensity of our operations. In the coming years, we plan to continue measuring and reporting in order to monitor developments and any changes resulting from organizational or technological shifts.

Pollution (B4)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. operates designated stationary sources of air pollution as defined by Act No. 201/2012 Coll., on Air Protection, Annex No. 2.

One of these sources is the grinding of metals and plastics with a total electric input exceeding 100 kW (code 4.13). Compliance with emission limits was last verified through control measurements in August 2024. The next measurement will take place in accordance with the legally required three-year interval.

The company also operates a blasting device, specifically the carousel blasting machine K-ZPS 16 with a dust extractor OFJ1-F 2.2 kW. This is classified as a stationary source under point 4.12 of Annex No. 2 of the Act – surface treatment of metals and plastics without an exhaust to the external environment. The equipment is sealed to prevent emission leakage, and the air is continuously recirculated into the working space.

In accordance with § 17 paragraph 3 letter c) of the Air Protection Act, the company maintains operational records and annually reports data via the ISPOP integrated reporting system.

Biodiversity (B5)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. does not own, lease, or manage any land located in or near protected areas with the presence of sensitive species or habitats.

Our production and administrative facilities are situated in the built-up area of the city of Zlín, within an industrial zone. We have no direct impact on natural ecosystems or sites of significance for biodiversity.

For this reason, no quantitative or qualitative data are currently reported in this area.

Water (B6)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. uses water primarily for technological purposes in its heat treatment facility, specifically for furnace cooling. During this process, the water evaporates rather than generating wastewater.

The water is sourced from the public water supply system in the city of Zlín, which is not classified as a water-stressed area.

The company has not identified any significant impacts on aquatic ecosystems and does not pollute water sources.

a) Quantitative data on water consumption

Indicator	2023 (m³)	2024 (m³)	Note
Total water withdrawal	4565	4358	All sourced from the public water supply
Withdrawal in water-stressed areas	-	-	Zlín is not classified as a water-stressed area
Volume of wastewater	4363	4366	Water used for furnace cooling evaporates; rainwater is included in wastewater calculations

The data is based on invoicing for water supply and sewage services.

Materials and Waste (B7)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. generates waste primarily in connection with its production activities, including metal machining, heat treatment, machine maintenance, and office operations. All waste is carefully sorted and handed over to authorized entities for further processing, recovery, or disposal, in compliance with applicable legislation.

a) Circular economy principles

Wherever possible, we apply the principle of reuse — for example, by regrinding tools or recycling metal shavings.

We cooperate with partners in the take-back of electrical equipment and batteries (as part of the Green Company initiative).

Within our internal processes, we strive to minimize waste generation already at the production planning stage by optimizing material inputs.

b) Waste generation and handling

Indicator	2023 (t)	2024 (t)	Note
Hazardous waste	29,3	25,1	e.g. oils, contaminated packaging, sludges
Other waste (general production + municipal)	7,14	6,7	
Waste sent for recycling or reuse	16,06	15,1	Mostly metal shavings, solid metal waste, and sorted materials

The data is based on the company's waste records in accordance with Act No. 541/2020 Coll., and/or data provided by contracted waste management partners.

5 Social Area (S)

Employees - Demographics (B8)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. is a long-standing employer in the Zlín region. As of 31 December 2024, the company employed a total of 103 full-time employees. All employees have employment contracts governed by the Czech Labour Code.

a) Number of employees by contract type

Contract type	2023	2024
Permanent	92	95
Fixed-term	14	8
Total	106	103

b) Number of employees by gender

Gender	2023	2024
Male	79	75
Female	27	28
Total	106	103

c) Employees by country

All employees are employed under contracts within the Czech Republic. The company does not act as an employer abroad.

d) Employee turnover

Indicator	2023 (%)	2024 (%)
Employee turnover rate	12	9

Calculated as number of employee departures / average headcount × 100.

Health and safety (B9)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. places strong emphasis on ensuring safe working conditions and preventing workplace injuries. Occupational health and safety (OHS) is managed by a designated officer in cooperation with the employee union, which actively participates in inspections and reviewing related documentation.

All employees undergo regular OHS training and medical check-ups. The working environment is continuously monitored with a focus on protecting employee health.

a) Overview of health and safety incidents

Indicator	2023	2024
Number of recorded work injuries	2	1
Number of fatal work accidents	0	0
Registered occupational diseases	0	0

Compensation, collective bargaining, training (B10)

ZPS - FRÉZOVACÍ NÁSTROJE a.s. complies with all legal requirements related to remuneration, working conditions, and employee training. All employees receive wages at or above the levels required by legislation or the applicable collective agreement.

A trade union operates within the company and is a party to the collective agreement, which regulates various aspects of wages, employee benefits, and working conditions.

a) Overview of key indicators

Indicator	2023	2024
Compliance with minimum wage	Yes	Yes
Gender pay gap	-	-
Employees covered by collective agreement (%)	100 %	100 %
Average training hours per employee – men	-	6,3
Average training hours per employee – women	-	4,1

Average training hours per employee have been tracked since 2024.

6 Governance and Ethics (B11)

Anti-Corruption and Bribery

ZPS - FRÉZOVACÍ NÁSTROJE a.s. has long upheld the principles of honest and transparent business conduct. Clear standards of behaviour are established within the company and are outlined in our Code of Ethics, which is actively applied in day-to-day operations.

a) Overview for the reporting period

Indicator	2023	2024
Number of convictions for corruption and bribery	0	0
Total amount of fines imposed	0 Kč	0 Kč

There were no cases of corruption or unethical conduct within the company during the reporting years. As in the past, we continue to emphasize prevention and integrity in all our operations.

7 Conclusion and next steps

This ESG report of ZPS - FRÉZOVACÍ NÁSTROJE a.s. for the year 2024 is our first formal document summarizing the environmental, social, and governance aspects of our business in accordance with the EFRAG VSME standard.

The purpose of this report is to provide an open and transparent view of how we approach responsible business conduct and what concrete steps we are already taking in the area of sustainability. At the same time, it serves as a starting point for further development of ESG topics both within the company and in relation to our business partners, employees, and the surrounding community.

The report will be updated regularly and published as an annex to the annual report and on the company's website. It will be expanded in line with the ongoing development of our sustainability goals, responsibilities, and indicators, in accordance with the capabilities of our enterprise.

We believe that this approach will allow us to better manage our impacts, strengthen the trust of our partners, and prepare for future market and regulatory expectations in the field of sustainability.