



The trusted engineering partner for outstanding value

# 2023 ESG Report

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## Executive Statement

It is with great pleasure that we present Knots and Gear's inaugural Environmental, Social, and Governance (ESG) Report, we wish to convey our commitment to responsible business practices and sustainable operations at Knots and Gear.

Embarking on this journey, we initiated a comprehensive assessment of our processes, laying the foundation for robust ESG compliance and sustainability goals. This report encapsulates our initial steps, progress made, and outlines our strategic vision for future initiatives.

In alignment with our core values, we are committed to implementing comprehensive initiatives to minimize our ecological footprint, enhance social responsibility, and uphold the highest standards of governance. This report also serves as a transparent overview of our progress, challenges, and ongoing efforts to integrate ESG principles into the operations of our organization.

Throughout this journey, we remain dedicated to fostering innovation, diversity, and ethical conduct. We recognize the importance of collaboration with our stakeholders in achieving meaningful ESG outcomes, and we welcome your insights and feedback.

Thank you for your continued support as we navigate the path towards a more sustainable and responsible future.



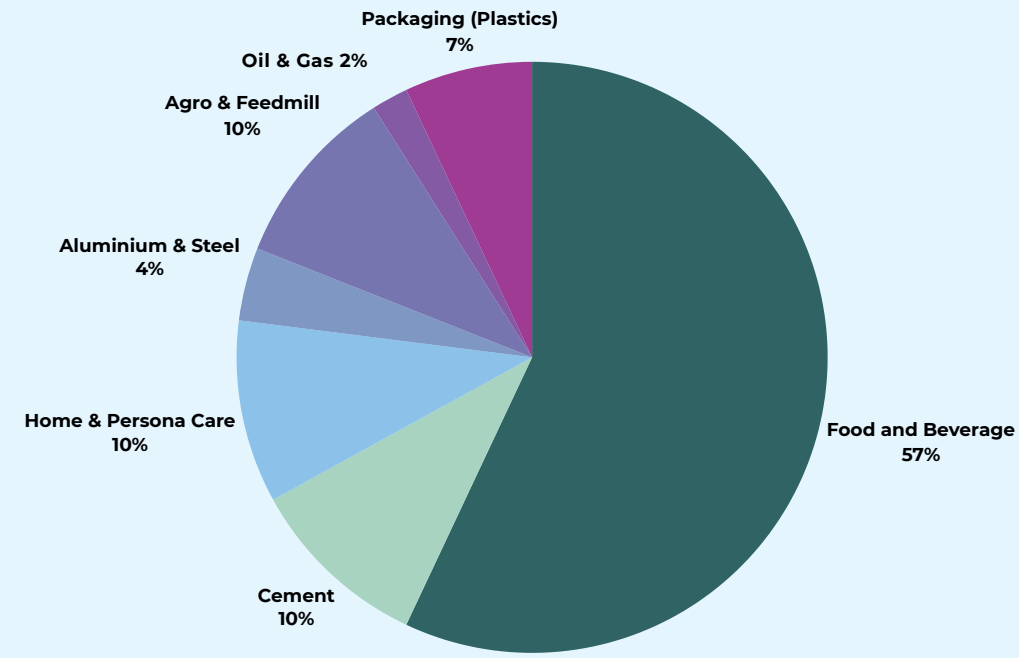
**Adejumoke Benson**  
MD/Chief Executive Officer



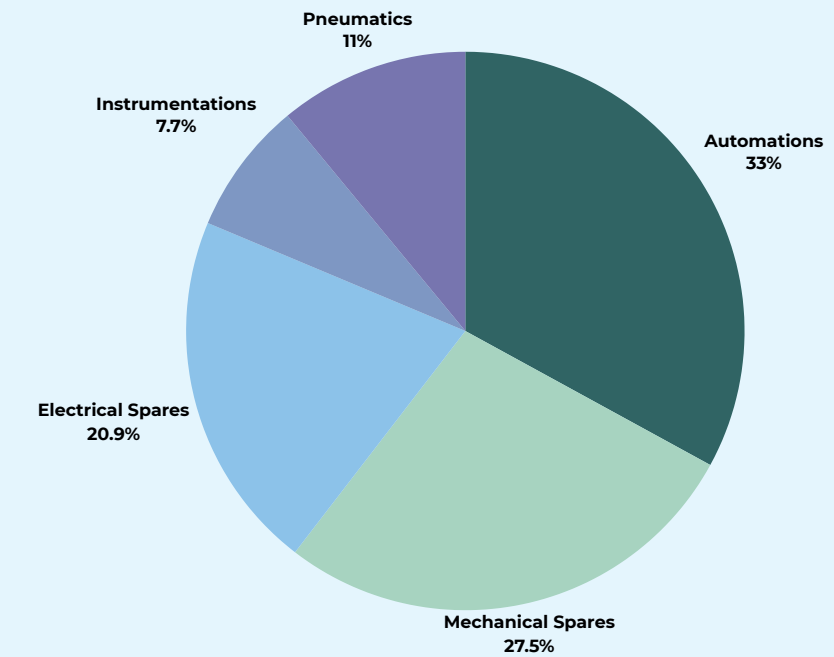
### Company overview and purpose

Knots & Gear's core purpose is to offer exceptional engineering solutions and procurement services, driving industrial growth in emerging markets, facilitating import substitution, creating sustainable jobs, and promoting employee personal development. Our core values encompass innovation, integrity, customer satisfaction, ownership, excellence, sustainability, diversity, and inclusion. These principles guide us as we contribute to the overall economic growth and sustainable development of the countries in which we operate.

As an ISO 9001:2015 certified company, we envision a sustainable business model that continues to serve industries while eliminating our direct and indirect contributions to environmental degradation to offer opportunities for future generations.



CUSTOMERS WE SERVE



PRODUCTS WE PROCURE



WHERE WE OPERATE

- Operational Base
- Customer Base

## ESG In Knots & Gear

At Knots and Gear, we wholeheartedly embrace Environmental, Social, and Governance (ESG) principles, viewing them not just as guiding principles but as integral to our pursuit of sustainable excellence.

### Environmental

Our commitment to environmental stewardship is evident in initiatives such as import substitution, aligning with our mission to minimize the ecological footprint associated with global supply chains. We actively contribute to preserving the environment through sustainable procurement practices.

### Social

Our dedication to social impact is a testament to the transformative power of ESG. By driving industrial growth in emerging markets, we create economic opportunities that extend beyond our operational boundaries, fostering job sustainability within local communities. Additionally, our commitment to gender equality is tangibly realized through initiatives like training aspiring female engineers, breaking gender barriers, and promoting inclusivity in traditionally male-dominated field.

### Governance

Governance excellence forms the bedrock of our ESG commitment, reflecting our dedication to transparency, accountability, and ethical conduct. Knots and Gear prioritizes these principles not only as regulatory requirements but as foundational elements that build trust among our diverse stakeholders. Our commitment to governance excellence ensures the resilience and ethical standing of our business in the ever-evolving industry.

As we embark on our 2023 ESG reporting, Knots and Gear proudly showcases the transformative power of ESG in shaping our identity and future trajectory. Our commitment to ESG is not just about compliance; it's a strategic imperative driving us to create lasting value for our stakeholders, foster sustainable growth, and contribute meaningfully to a world defined by ethical business practices and inclusivity.





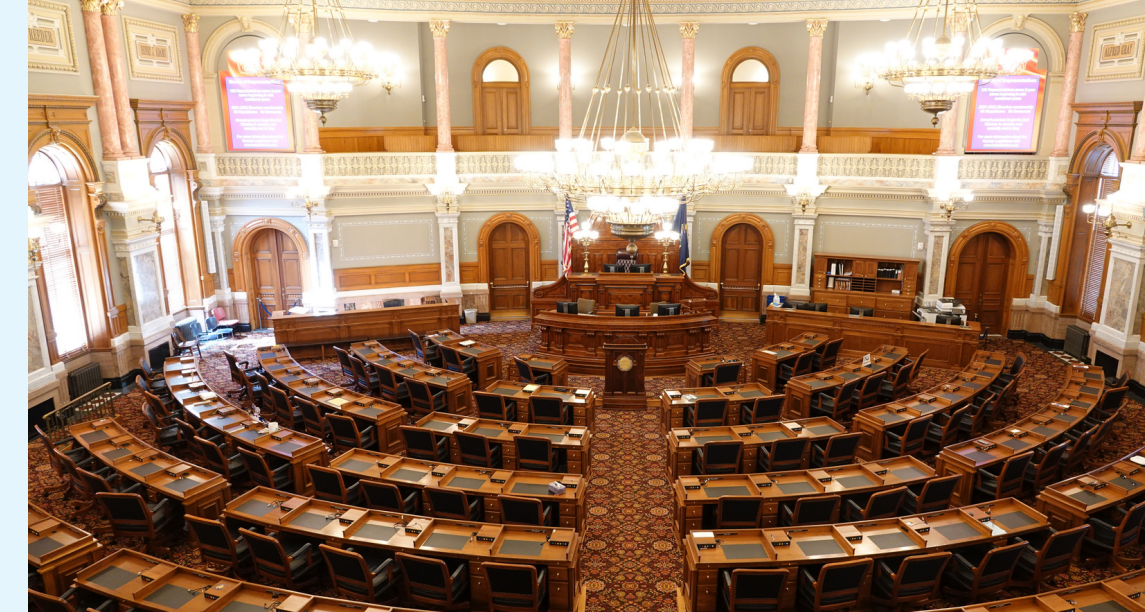
### **ENVIRONMENTAL Objectives and Commitment**

At Knots and Gear, we recognize that we have a direct and indirect impact on the natural environment as a business and therefore actively engage our stakeholders, especially employees and clients to be environmentally conscious. The company pledges to enhance its environmental assessment performance, starting from a 2023 baseline of 34% and aiming for 60% by the close of 2024. We will also sustain a yearly minimum performance improvement of 10% towards a net-zero target and maintain a zero direct negative impact on biodiversity. Conducting annual assessments of our environmental performance and reporting the results accordingly will be adhered to.



### **SOCIAL Responsibility**

Knots and Gear is committed to equal opportunities for all employees, ensuring fairness in terms of training, development, and employment. We are dedicated to promoting gender diversity by hiring minority gender, provide equal learning opportunities for all staff, aligning HR policies with ESG commitments for staff welfare, and shaping the future of the industries by training aspiring female engineers in a traditionally male-dominated field. Additionally, we actively engage in social donations and support the advancement of girls in engineering. We commit to report on our social performance annually.



### **GOVERNANCE Commitment**

We recognize the pivotal role that governance and values play in our company's operations and service delivery. K&G is dedicated to upholding the highest standards of ethical business conduct, including responsible tax payments, in our interactions with clients and all stakeholders. A commitment to conduct an annual review of our ethics policy, ensuring that employees reaffirm their steady dedication to ethical conduct.

In 2023, we took concrete steps to integrate ESG best practices into our operations and strategy, commencing with a company-wide awareness of ESG importance, hiring an ESG consultant to support the company in developing its ESG policy, strategic action plan, and conducting a baseline assessment of our ESG performance and carbon footprint.

Adopting the Basic Sustainability Assessment Tool (BSAT), a widely accepted SME-friendly sustainability self-assessment tool developed by the Sustainability Advantage Organization [Accessed at: <https://sustainabilityadvantage.com/assessments/bsat/>].

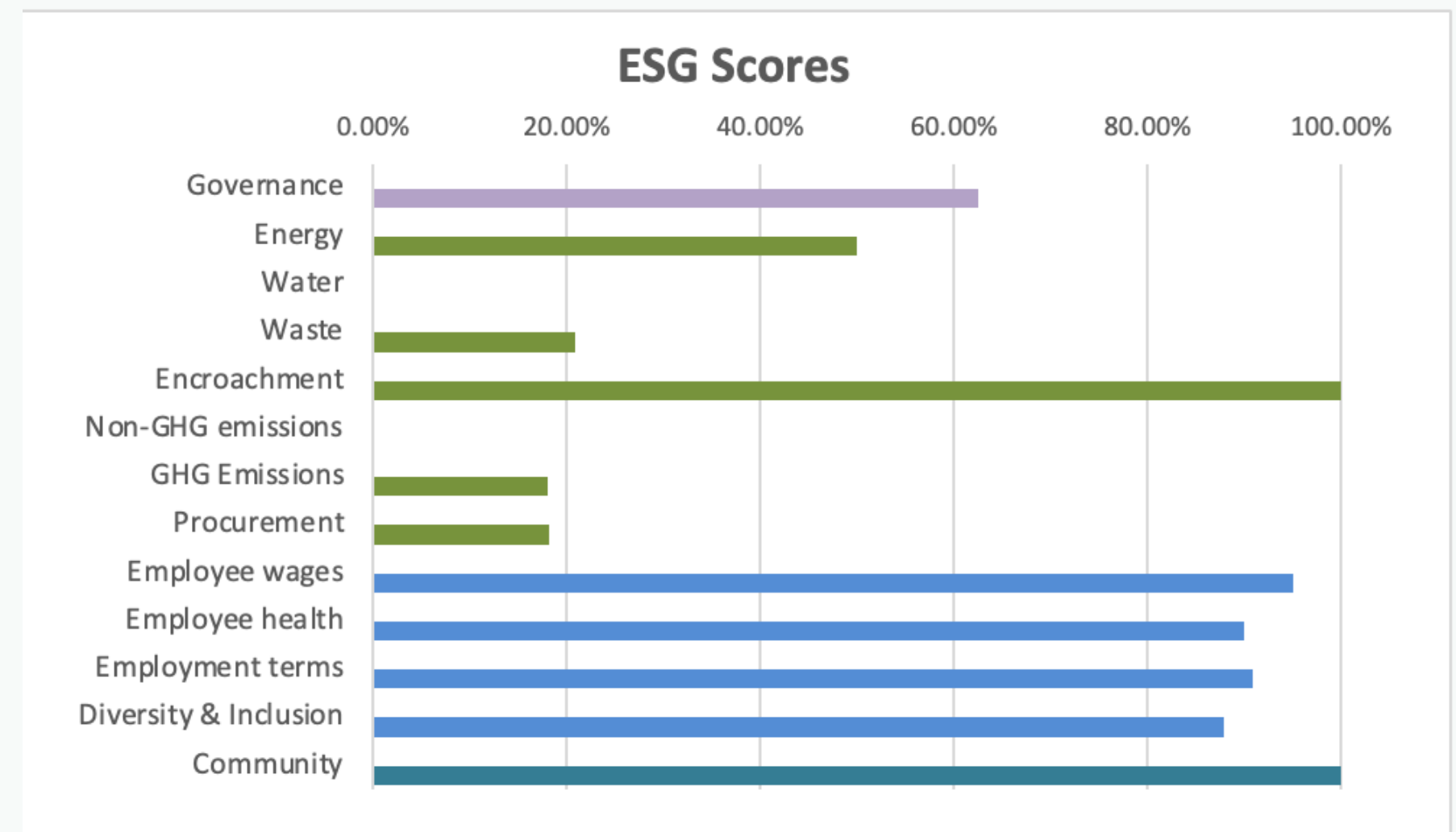
Table 1 and Figure 1 report Knot & Gear's ESG performance according to the BSAT. As a company, our average performance for the year under review was 67%, and the best performance was in the aspect of social impact at 83%, followed by governance at 63% progress with environmental performance recording the lowest score of 34%.

In Table 1, Scores on ESG issues are proxies for scores on aligned non-financial capitals. This table shows how ESG scores are mapped to the three non-financial capitals. Governance scores are always factored in, to reinforce that improving governance improves everything.

**Table 1: Knots & Gear ESG Performance Report: The Basic Sustainability Assessment Tool**

Core ESG Issues	ESGScores	NaturalCapital	HumanCapital	SocialCapital
<b>Governance</b>	63%	63%	63%	63%
<b>Energy</b>	50%	50%		
<b>Water</b>	0%	0%		
<b>Procurement</b>	18%	18%		
<b>GHG emissions</b>	18%	18%		
<b>Non-GHG emissions</b>	0%	0%		
<b>Waste</b>	21%	21%		
<b>Encroachment</b>	100%	100%		
<b>Employee wages</b>	95%		95%	
<b>Employee health</b>	90%		90%	
<b>Employment terms</b>	91%		91%	
<b>Employee diversity &amp; Inclusion</b>	88%		88%	
<b>Community</b>	100%			100%
Progress scores		34%	85%	81%
Average performance		67%		

**Figure 1: Knots & Gear ESG Performance Report: The Basic Sustainability Assessment Tool**



## Environmental Performance

In our commitment to environmental sustainability, we've implemented key initiatives. We prioritize sustainable supply chain practices, including responsible sourcing and waste reduction. Collaborating on environmental projects with communities is integral to our ethos.

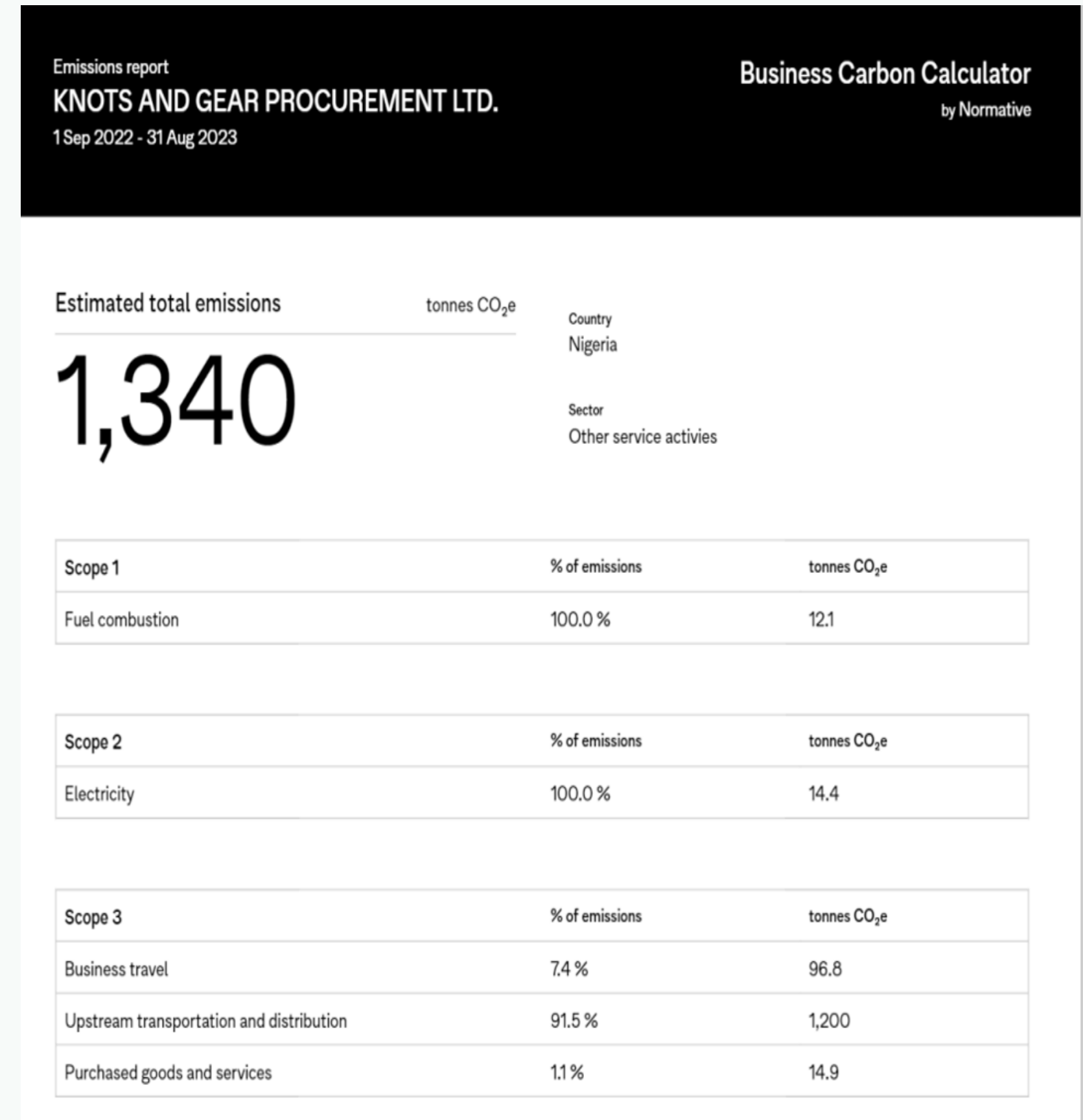
Recognizing the need for improvement, we've initiated water efficiency and waste reduction measures. The introduction of a hybrid work mode has curtailed energy consumption. Striving for carbon neutrality by 2030, encompassing operations, employee commuting, business travel, and overall business impact, reflects our ambitious environmental goals.

The Business Carbon Calculator, powered by Normative and offered through the SME Climate Hub [<https://smeclimatehub.org/start-measuring/>] was adopted to measure our carbon footprint from 1st September 2022 to 31st August 2023.

The total emissions of Knots & Gear were estimated at 1,340 tonnes of CO<sub>2</sub> equivalent.

Figure 2 depicts the details of our carbon footprint as calculated and reported by the Business Carbon Calculator.

Figure 2: Knots & Gear 2023 Carbon Footprint





**Social Performance**

With an average “S” score of 83% progress in ESG performance, we have a daily commitment to cultivating a healthy, safe, and supportive work environment for our entire staff. Continually devising new strategies, we actively nurture the growth and development of our teams, fostering innovation and teamwork. We provide competitive pay and comprehensive benefits, holding our suppliers to the highest sustainability standards and prioritizing working closely with those who are committed to sustainability practices. Beyond our immediate workforce, we advocate gender balance, diversity, equity, and inclusion by sponsoring school fees and mentoring 20 girls with engineering aspirations in low-income schools within our local community.

**Positive Impacts on Stakeholders:**

**1. Employees:**

- Improved job satisfaction and engagement through ESG-focused employee initiatives.
- Enhanced professional development opportunities and upskilling programs.

**2. Customers:**

Positive feedback on the company's commitment to sustainable and ethical practices.

**3. Suppliers:**

- Encouraged suppliers to adopt responsible and sustainable sourcing practices.
- Collaborative initiatives to reduce the overall environmental impact of the supply chain.

**4. Society:**

- Participation in community development projects, contributing to local well-being.
- Partnership with training institutions to provide employment for students.
- Increased awareness and adoption of sustainable practices within the communities where the company operates.
- Mentorship and training for female students with Engineering aspirations in schools in our local community.

**Table 2: Mapping of Knots & Gear’s ESG Scores to SDGs- Basic Sustainability Assessment Tool**

Mapping of ESG Scores to SDGs

Scores on ESG issues are proxies for scores on aligned SDGs. These tables show how ESG scores are mapped to their primary SDGs. Governance scores are always factored in, to reinforce that improving governance improves everything.

Environment-related SDGs							
Core ESG Issues	ESG Scores	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	6 CLEAN WATER AND SANITATION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	14 LIFE BELOW WATER	15 LIFE ON LAND
<b>Governance</b>	63%	63%	63%	63%	63%	63%	63%
<b>Energy</b>	50%	50%					
<b>GHG Emissions</b>	18%		18%			18%	18%
<b>Water</b>	0%			0%			
<b>Non-GHG Emissions</b>	0%				0%	0%	0%
<b>Waste</b>	21%				21%	21%	21%
<b>Procurement</b>	18%				18%	18%	18%
<b>Encroachment</b>	100%					100%	100%
<i>Progress scores</i>		56%	40%	31%	25%	37%	37%
Employee-related SDGs							
Core ESG Issues	ESG Scores	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	5 GENDER EQUALITY	4 QUALITY EDUCATION	8 DECENT WORK AND ECONOMIC GROWTH
<b>Governance</b>	63%	63%	63%	63%	63%	63%	63%
<b>Employee wages</b>	95%	95%	95%	95%		95%	95%
<b>Employment terms</b>	91%					91%	91%
<b>Employee diversity &amp; inclusion</b>	88%				88%		
<b>Employee health</b>	90%			90%			
<i>Progress scores</i>		79%	79%	83%	75%	83%	83%
Society-related SDGs							
Core ESG Issues	ESG Scores	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS	
<b>Governance</b>	63%	63%	63%	63%	63%	63%	
<b>Community</b>	100%	100%	100%	100%	100%	100%	
<i>Progress scores</i>		81%	81%	81%	81%	81%	

## Performance on Governance

Knots & Gear's governance performance on the Basic Sustainability Assessment Tool score for 2023 was 63% and as a company, we adopt management systems in every business stage and prioritize accountability and transparency. K&G board and governance foster work ethics, informed decision-making, and rigorous performance and compliance monitoring. Our resilient, agile business model acknowledges sustainability dependencies.

The board comprises 40% women, 60% men, while the management team is 50% women, 50% men, accommodating diverse religious views. However, Persons with Disabilities (PWDs) are not represented, and as of November 2023, environmental considerations are not embedded in policies. We're committed to ethical, truthful operations, addressing anti-corruption, bribery, and developing policies for environmental issues and equity employment. Achievements in 2023 in governance to improve our ESG performances included:

### 1. ESG Policy and Strategic Action Plan:

Developed the company's first ESG policy and a 7-year strategic ESG action plan to align business operations with sustainability principles.

#### Implementation:

- Disseminate the ESG policy internally to all employees and externally to stakeholders including suppliers and customers.
- Conducted a comprehensive ESG assessment to identify areas of improvement.
- Developed an ESG policy outlining the company's commitment to environmental stewardship, social responsibility, and good governance.

### 2. Formation of ESG Committee and Appointment of ESG Lead:

Recognizing the importance of dedicated oversight, formed a cross-functional ESG Committee.

#### Implementation:

- The committee oversees the integration of ESG principles into decision-making processes.
- Regularly conducts internal audits to ensure compliance with the established ESG policy.

### 3. Hiring of 3rd Party ESG Consultant:

Committed to gaining external expertise, the company engaged a 3rd party ESG consultant.

#### Implementation:

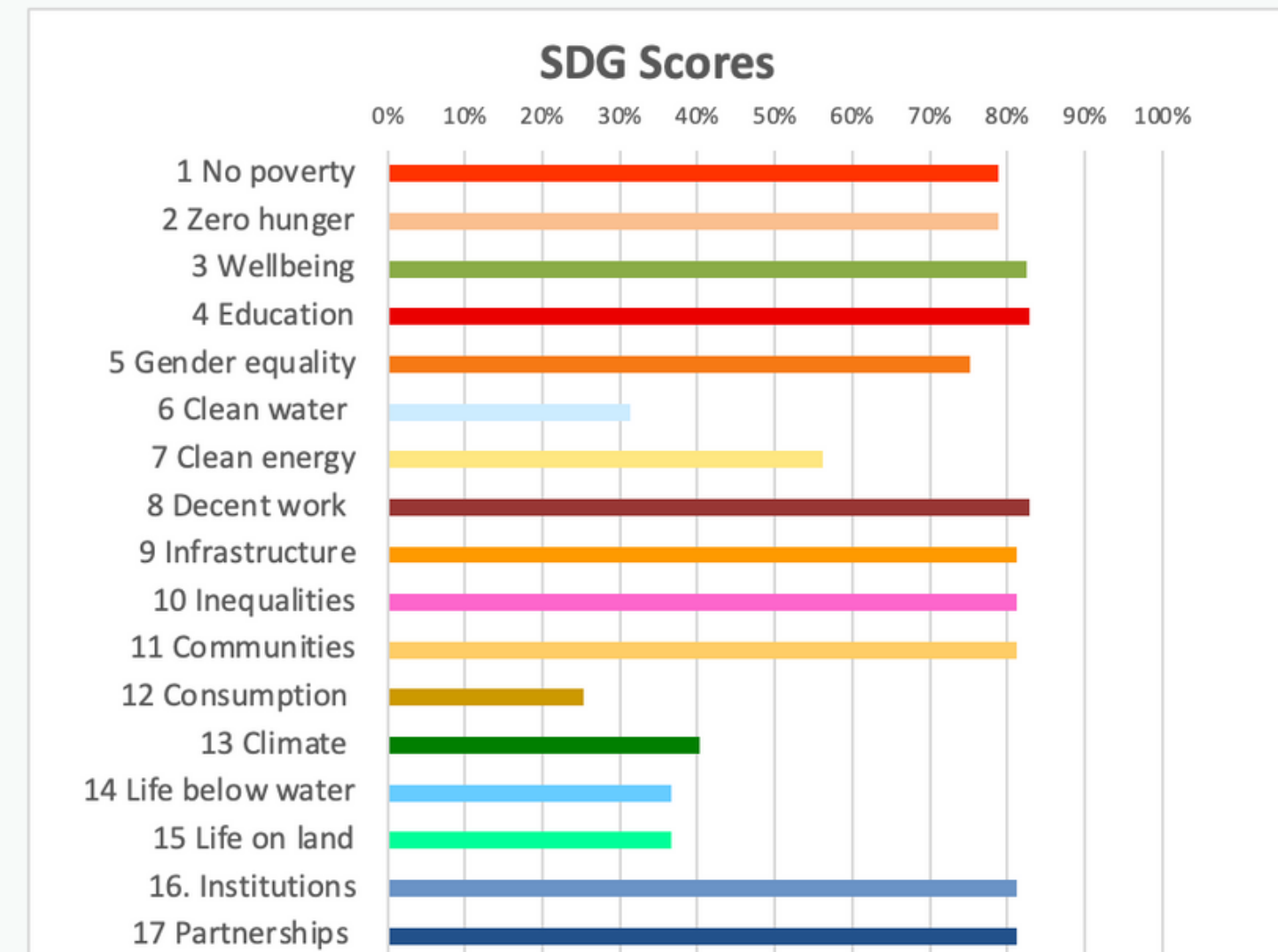
- The consultant facilitated the development of a robust ESG strategy, tailored to industry best practices.
- Provided ongoing guidance to ensure continuous improvement in ESG performance.

### 4. ESG Training Programs:

Prioritized capacity building, and initiated ESG training programs for employees at all levels.

#### Implementation:

- Conducted workshops to enhance awareness and understanding of ESG principles.
- Integrated ESG considerations into employee performance evaluations.



## Year 1 Targets (2024):

- Implement energy-efficient technologies in operations.
- Disseminate sustainable procurement methods to suppliers to bolster their sustainability commitment
- Achieve a 10% reduction in waste generation.
- Conduct diversity and inclusion training programs and increase community engagement initiatives to support local causes.
- Launch a supplier sustainability program/events.
- Attain a diverse board composition, meeting or exceeding the 30% target.



## Performance Indicators for 2024

2023 is the base year for the commencement of ESG best practices integration in our business strategy and operations.

### 1. Environmental Metrics:

**Objective:** Reduce Carbon Footprint

**KPI:** Decrease greenhouse gas emissions by 10% compared to the year 2023.

**Metric:** Track fuel consumption and upstream operations and transportation.

**Objective:** Improve Water Efficiency

**KPI:** Achieve a 10% reduction in water usage.

**Metric:** Measure the quantity of water produced and implement water saving initiatives

**Objective:** Improve Energy Efficiency

**KPI:** Reduce energy consumption by 5% in operations.

**Metric:** Monitor monthly energy consumption.

**Objective:** Waste Reduction

**KPI:** Achieve a 10% reduction in waste generation.

**Metric:** Measure the quantity of waste produced and promote recycling initiatives.

### 2. Social Metrics:

**Objective:** Employee Well-being

**KPI:** Enhance employee satisfaction, targeting a 5% improvement in the annual employee engagement survey.

**Metric:** Conduct regular employee surveys and assess feedback.

**Objective:** Diversity and Inclusion

**KPI:** Increase diversity in the workforce, aiming for a 5% increase in underrepresented groups.

**Metric:** Monitor demographic data and implement targeted recruitment strategies.

**Objective:** Community Engagement

**KPI:** Contribute to community development with at least 1 impactful initiative annually.

**Metric:** Track participation in community projects and measure positive outcomes.

### 3. Governance Metrics:

**Objective:** Ethical Supply Chain

**KPI:** Ensure at least 50% of suppliers adhere to ethical and sustainability standards.

**Metric:** Conduct regular supplier audits and assessments.

**Objective:** Transparency and Reporting

**KPI:** Publish an annual ESG report that meets industry disclosure standards.

**Metric:** Evaluate the comprehensiveness and transparency of the ESG report.

**Objective:** Board Diversity

**KPI:** Achieve a diverse board composition with at least 30% representation from different genders and backgrounds.

**Metric:** Monitor and report on board composition.



## Future Goals and Strategies for Knots and Gear

By establishing future ESG targets, implementing strategic initiatives, and integrating ESG principles into core business strategies, K&G aims to create a sustainable and responsible business model that contributes positively to the environment, society, and governance practices.

### Short-Medium Term ESG Targets and Ambition:

#### **Environmental:**

- Explore alternatives to plastic, sorting waste.
- Collaborate with third-party logistics companies utilizing no-carbon emission vehicles/trucks
- Explore alternative shipping modes
- Implement alternative transportation methods for client visitation

#### **Social:**

- Foster collaboration on gender-balanced projects
- Ensure a minimum of 5% equity-deserving population as part of the company workforce
- Foster alliances with green energy and climate impact organizations for resource support
- Launch a community engagement platform to involve employees in local volunteering and charitable activities.
- Establish partnerships with educational institutions to offer training programs and internship opportunities.
- Set up an engineering training centre for small and medium manufacturing companies

#### **Governance:**

- Conduct regular ESG training for board members and employees to reinforce a culture of responsibility.
- Enhance whistleblower protection mechanisms to encourage ethical reporting and compliance.

### Long-Term ESG Targets and Ambitions:

#### **Environmental:**

- Invest in renewable energy sources and low energy equipment for company operations.
- Achieve carbon neutrality by 2030, implementing sustainable energy sources and offsetting remaining emissions.
- Planting trees to offset staff commuting and business travels carbon emission.
- Using low fuel consuming/low carbon emitting/electric vehicles for staff commuting.
- Manufacture in accordance with environmental sustainability standards
- Attain zero-waste-to-landfill status through enhanced recycling and waste reduction initiatives.

#### **Social:**

- Establish a comprehensive employee well-being program, including mental health support and professional development opportunities.
- Increase diversity in leadership positions, aiming for a team composition that reflects gender and ethnic diversity.
- Train 5,000 people (80% women and 20% PWD) through established excellence center for job positions across manufacturing industries by 2030.
- Optimize 1000 Small and Medium factories by 2030.

#### **Governance:**

- Strengthen governance practices through regular board diversity assessments and transparency in executive compensation.
- Enhance ethical supply chain management, ensuring all suppliers align with sustainability and ethical standards.

**Integration of ESG Principles:****Core Business Strategies:**

- Embed ESG considerations into services, procurement processes, and operations, prioritizing environmentally friendly and sustainable solutions.
- Integrate ESG metrics into performance evaluations, tying executive and employee incentives to sustainable practices and outcomes.

**Decision-Making Processes:**

- Establish an ESG Committee comprising cross-functional teams to guide and oversee ESG initiatives.
- Ensure ESG factors are systematically considered in strategic decision-making, including investments, business development, partnerships, and acquisitions.

**Innovative Solutions and Partnerships:****ESG Data Management Platform:**

- Implement an innovative ESG data management platform for real-time monitoring and reporting.
- Enhance transparency and accountability through accessible ESG performance metrics.

**Circular Economy Partnership:**

- Establish partnership with OEMs to promote circular economy practices in technical spares manufacturing.
- Facilitate the recycling, refurbishment of technical spares, and reallocation of nonperforming inventory to reduce waste.

**Sustainable Design Collaboration:**

- Introduced eco-friendly materials and energy-efficient designs in technical spares procurement and delivery as well as office operations.

**Continuous Improvement:**

- Foster a culture of continuous improvement, encouraging feedback from employees, customers, and external stakeholders.
- Regularly benchmark against industry standards and best practices to ensure alignment with global sustainability goals.
- Participate in industry ESG awards schemes to showcase achievements and benchmark against peer organizations.



**1. Third-Party Verification Process:**

To enhance credibility and transparency, Knots and Gear engaged a third-party consultant for the development and verification of its ESG practices

*Process:*

- The basic sustainability assessment tool was employed
- Collaborated with reputable ESG consultant to conduct thorough assessments of ESG policies, processes, and performance.
- External verification ensured an unbiased evaluation of the company's adherence to established ESG principles.

**2. Methodology for Data Collection and Reporting:***Data Collection:*

- Quantitative and qualitative methods are utilized to capture comprehensive information.
- Data from business operations and department.
- Financial data

*Reporting:*

- Adoption of a transparent reporting framework, clearly outlining the metrics, targets, and achievements in the ESG field.
- Ensuring consistency in reporting formats to facilitate stakeholder understanding.
- The BSAT and Business Carbon Calculator tools to assess ESG baseline performance and calculate carbon footprint respectively.

**3. Compliance with Recognized ESG Reporting Frameworks and Standards:***Framework Selection:*

- Alignment of ESG reporting with globally recognized frameworks such as GRI (Global Reporting Initiative) and SASB (Sustainability Accounting Standards Board).
- Ensuring that the chosen frameworks correspond to the industry's unique ESG challenges and opportunities.

*Standards Adherence:*

- Complies with specific reporting standards within chosen frameworks, guaranteeing a comprehensive and standardized approach.
- Regularly reviews and updates reporting methodologies to stay current with evolving ESG reporting standards.



**Summary of Key Achievements and Milestones:**

As we conclude this ESG report, Knots and Gear reflects on significant achievements and milestones in our sustainability journey. Our commitment to environmental, social, and governance (ESG) principles has guided our actions, fostering positive impacts on our stakeholders and the communities we serve. Key achievements include the engagement of an ESG consultant, assessment of ESG components, development of ESG policy, implementation of our ESG action plan, the formation of a dedicated ESG committee, appointment of ESG and safety lead, and the integration of third-party verification processes, enhancing transparency and credibility in our sustainability initiatives.

**Acknowledgment of Challenges and Plans for Improvement:**

While celebrating our successes, we acknowledge the challenges encountered along the way. Navigating the complexities of sustainable business practices requires continuous effort and adaptation. Challenges such as supply chain sustainability, environmental sustainability particularly in water efficiency and waste reduction, carbon emissions reduction, and diversity and inclusion initiatives have provided valuable insights. In the spirit of transparency, we openly recognize these challenges and affirm our commitment to developing targeted improvement plans. By addressing these areas, we aim to fortify our ESG performance and contribute meaningfully to a more sustainable future.

**Commitment to Continuous Improvement and Transparency:**

At Knots and Gear, we are dedicated to a journey of continuous improvement, recognizing that sustainability is a constantly evolving subject. Our pledge is to remain transparent in our ESG practices, regularly monitoring performance and updating stakeholders on progress, setbacks, and lessons learned. By embracing transparency, we aim to foster trust and collaboration with our valued partners, investors, employees, and the broader community.

In conclusion, Knots and Gear Ltd. reaffirms its commitment to the principles of environmental responsibility, social impact, and sound governance. Our continuous efforts to align our business practices with a sustainable and responsible future are demonstrated by the ESG report. We express gratitude to our stakeholders for their support and engagement in this collective endeavor, and we look forward to the continued growth and positive impact of our sustainability journey.

# **Knots & Gear 2023 ESG Report**