

TARMETEC

SUSTAINABILITY REPORT

2022



OUR VISION & MISSION

COST EFFICIENCY

A well-thought-out design and the right decisions in the choice of technology prove to be especially important for medium and smaller production volumes.

QUALITY

We constantly monitor the quality of production inputs and processes, both our own and our suppliers' or sub-contractors'.

SPEED

We are fast in both product development and manufacturing, while regarding the high requirements set for product quality and complexity.

VERSATILITY

We own the majority of metalworking technology and can procure other components from anywhere in the world when necessary.

Our production facilities are modern.

We only invest in new and innovative technologies.

Our risks are well managed

We deal with problem prevention on a daily basis to ensure that we keep our promises to customers.

Our work develops us

When we aim to create more complex products with greater added value, we ourselves become smarter and earn more.

We are digital

We actively use IT opportunities to improve processes both in production areas and in the office.

We grow sustainably

Fast sales growth and higher profits cannot come at the expense of overburdening our people and the environment.

Our product development process is fast

We have smart engineers, technologists and tooling capabilities.

OUR CORE VALUES IN SUSTAINABILITY

RECYCLING



We sort all the waste generated as a result of our activities and direct it to recycling.

PREVENTING ACCIDENTS AT WORK



All of our employees are trained in occupational safety. We regularly carry out risk assessment in our workplaces and improve workplace ergonomics.

MINIMISING THE RISK OF POLLUTION



We assess the environmental risks related to our processes and plan preventive actions to minimise environmental damage in case of accidents.

INCREASING ENERGY EFFICIENCY



We are guided in our actions by energy-efficient work methods and appropriate use of residual energy generated in the production processes. Energy efficiency is also assessed and monitored for the adoption of new technology or constructing additional buildings.

VALUING THE PHYSICAL AND MENTAL HEALTH OF OUR EMPLOYEES

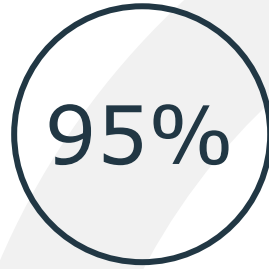


We guarantee a pleasant and safe working environment for our employees and support them in their personal goals with bonuses. We are open to help the employee achieve a balance between work and family matters.

TARMETEC IN FIGURES



Sales turnover 39mEUR



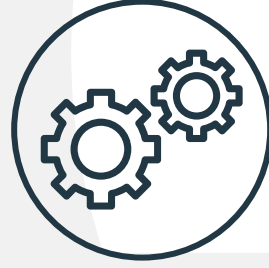
Export share 95%



Countries served 26



Employees total - 248
Engineers - 25



Production area total - 34,000 m²
Covers - 27,600 m²



Tarmetec since 1993



OUR CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT GOALS

We actively work towards UN Sustainable Development Goals to achieve climate neutrality by 2050 as a united Europe.





ENVIRONMENT

The whole world is contributing increasingly towards the transition to a more sustainable management. As we now have relevant legislation enacted in the field of sustainability, the companies are thereby expected to map and improve the results regarding sustainable management.



We are proud to say that Tarmetec has had the ISO14001 certificate for environmental management systems since 2010, meaning that describing environmental aspects and evaluating their impact is not something new for us. Furthermore, we are bound by various legal requirements and are also obliged to report on packaging, air and water quality. In addition, the company has separately described environmental guiding principles and shares a position that environmental conservation is not an additional cost for the company. We believe that with increasingly accurate impact mapping, we can shift the focus onto topics which would benefit us financially and help us preserve the environment.

ENVIRONMENTAL FACTORS



Energy Management



Waste and Hazardous
Materials
Management



GHG Emissions



Air Quality



Water and Wastewater
Management



Resource Use and
Circular Economy/
Energy Management



Resource Use and
Circular Economy



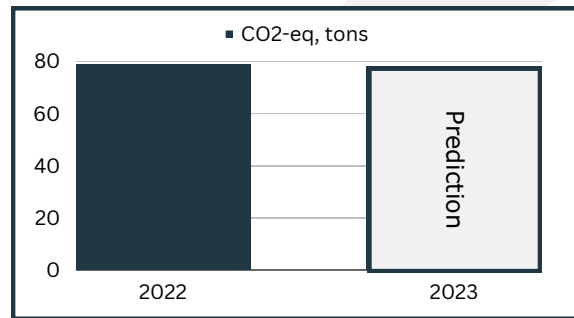


GHG EMISSIONS

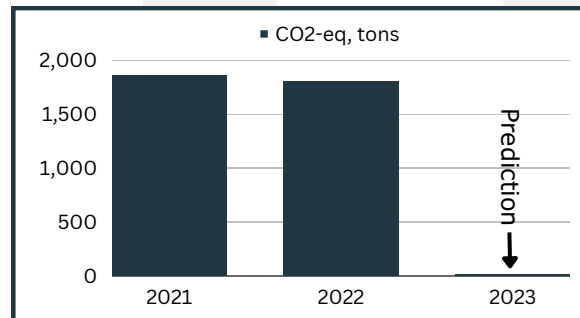
In order to achieve the SDE goals, all organisations must contribute to reducing the greenhouse gas footprint and thereby mitigating climate impacts. That is why we are actively contributing towards the 13. SDG goal - taking climate action.

We take measures to fight climate change and reduce its effects. Today, Tarmetec has the capability to calculate the CO2 footprint for scope 1 and scope 2, and we are working towards launching scope 3 mapping in 2024. Our goal is to reach zero emission in scope 2 by transitioning to sustainable energy in 2023.

Scope 1: direct emissions - emissions from our vehicles, forklifts etc.



Scope 2: indirect emissions - electric energy, heat energy



Actions in 2023

Scope 2 reduction by 99,5% by transitioning to renewable energy

Actions in 2024

Launching scope 3 measuring: indirect emissions - emissions linked to our operations

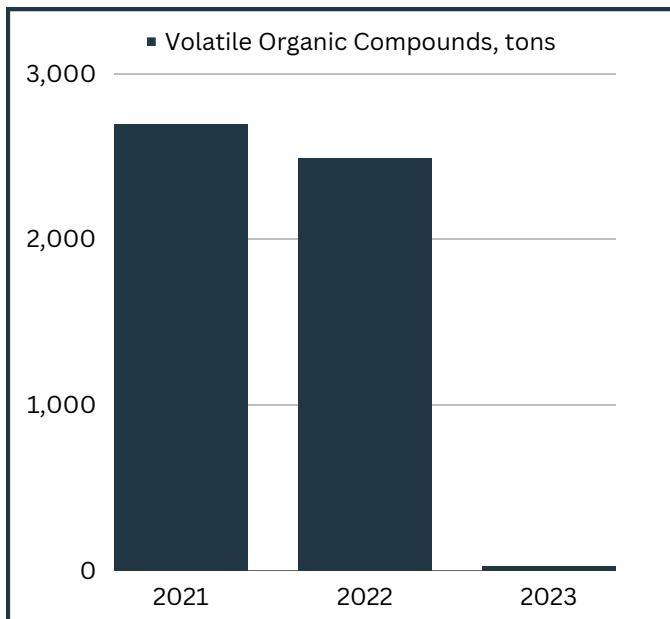


AIR QUALITY

The metal industry (including metal processing) is under strong supervision due to the air polluting nature of the field. We carry out regular environmental measurements and report the results accordingly - not only to comply with the law but also because we understand the impact that air quality has on the society.

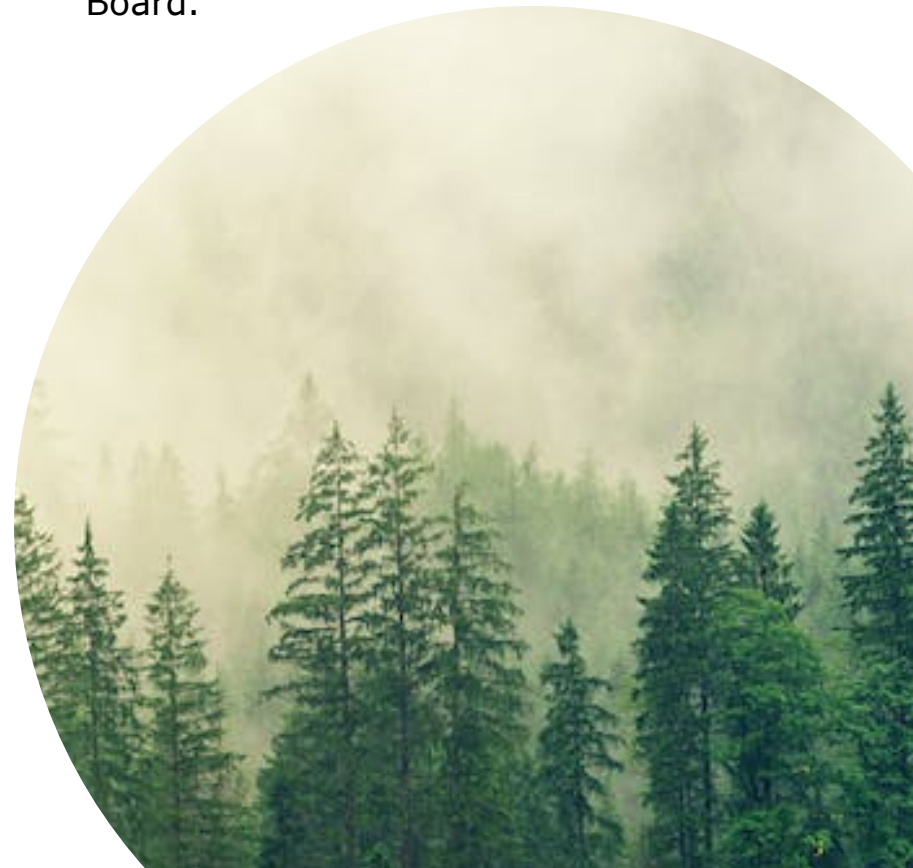
In order to comply with the permitted emissions of pollutants, the company has implemented the Permissible Emissions Project, which means that all chemicals, as well as the processes these chemicals are used in, have been mapped.

To prevent the emission of volatile organic compounds (VOCs), that are released into the air in certain processes, we are allocating more resources to improve the filtering systems in production areas affected. Moreover, we report the amount of VOCs emitted to the Environmental Board.



Actions in 2023

Improvement of local ventilation (advanced filtering systems) in the metal assembly department to achieve a lower emission of manganese into the air.





WATER AND WASTEWATER

Wastewater affects both the community around us and our employees. We take measures to ensure clean drinking water and sanitation and thereby support the 6th point of the SDG.

Tarmetec uses water from Tartu Veevärk for both domestic and technological purposes. Technological water is mainly consumed in the processes of electropolishing, powder coating, and washing, making up about 14% of the total water consumption.

The water pollution group assigned to us yearly is an important indicator for us and we wish to keep it at a good level.

Pollution groups through 2021-2023

2021	2022	2023
2	3	2

Actions in 2023

A new and more environmentally friendly neutraliser will be utilised in the powder coating line.
Regular cleaning of sediment pits.



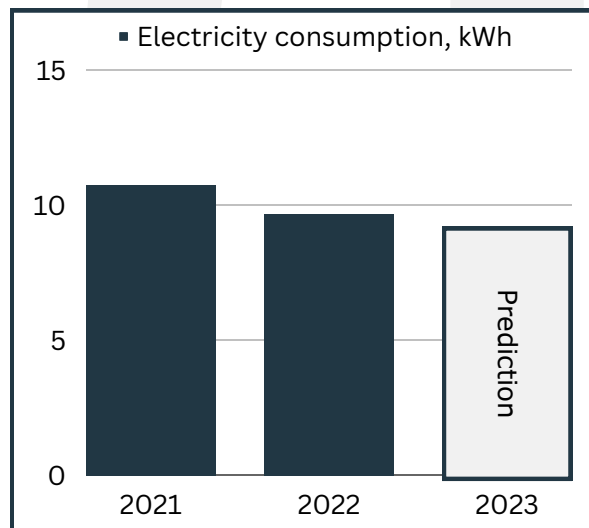
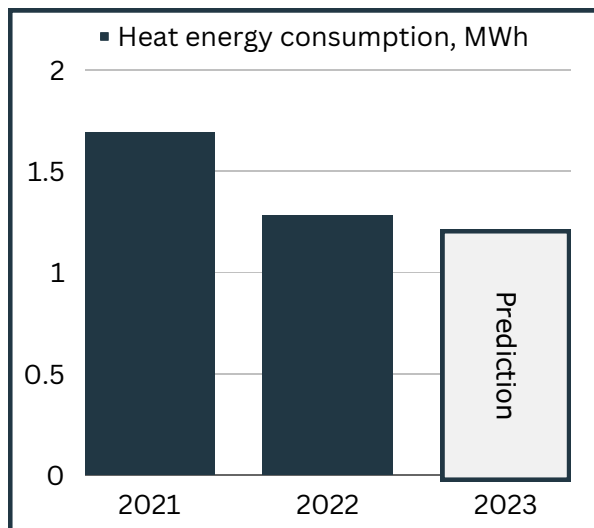


ENERGY MANAGEMENT

Saving energy is a goal for us at the highest management level. We monitor our use of electricity, heat and natural gas during working hours. In addition to cost savings, we pay more and more attention to the origin of energy so that the supplied energy is sustainable. All electricity purchased today is renewable energy.

Tarmetec deals with the continuous reduction of energy consumption in-house. In production areas, we control the ventilation wisely, and we have gradually switched to LEDs in our lighting systems. Our electricity usage efficiency has improved significantly.

As the use of heat energy is largely dependent on outdoor temperatures, the uncertainty makes it not possible to target the heat energy consumption. We are moving actively in the direction of controlling our heating systems as smartly as possible.



Actions in 2023

Electricity: Full transition to LED light, transition from gas lifts to electric lifts, cover balls for electropolishing bath.

Heat energy: smarter management of heating systems of the entire building (heating unit, radiators, ventilation heating).

WASTE AND HAZARDOUS MATERIALS MANAGEMENT

The waste management in our buildings is controlled. Our internal procedures regulate the types of waste and their sorting in the production area. We are obliged by the law to carry out packaging reporting.

Metal waste is sent into circulation and can therefore be considered recyclable, as the disposed metal goes to a collection point, where it is processed and resold for handling. It is also known that approx. 70% of the purchased material is made from re-alloys of scrap metal.

In order to manage hazardous waste, we have a specific accounting

procedure and also monitor the annual disposal amount.

To minimise the use of paper in production areas, a large investment was made in 2017 - digital terminals were mounted at each workstation. As a result, it was no longer necessary to print out work orders or route maps on paper, and our paper consumption reduced significantly.

We removed water barrels from production areas, where single-use plastic cups were used, and instead provide a refillable water bottle to every new employee.

Amount of hazardous waste in tons

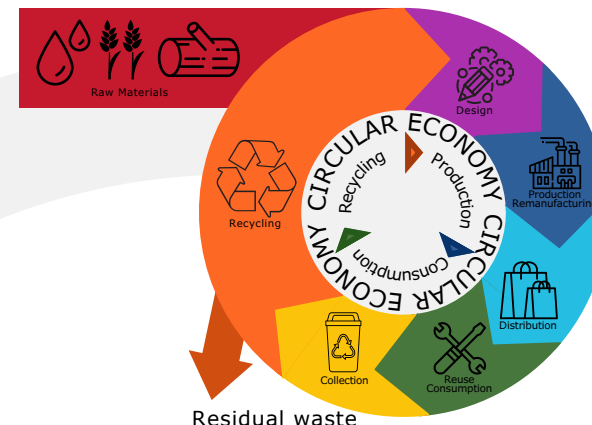
2021	2022	2023
NA	109	NA

Actions in 2023

We ensure the safe handling of hazardous waste through contractual partners.



RESOURCE USE AND CIRCULAR ECONOMY



Our goal is that our products meet the customers' expectations and that the design of the products follows sustainable principles. The basis of the design of our productline is the circular model. We have a separate procedure for material optimisation already in the raw material selection phase. We constantly monitor material consumption norms and are oriented towards their continuous reduction.

When choosing the packaging, we prefer solutions already implemented in the system and try to steer clear of special solutions with increased packaging material use.

Our road maintenance products have a C€ mark to prove that the product development procedures comply with the environmental protection, health and safety requirements established by the European Economic Area (EEA). All our own products are equipped with installation and maintenance manuals, and the documents also refer to the opportunities of complaints to keep the customers informed.

*Product design and life cycle management
Sheet material gross-net ratio, %*

2021	2022	2023
NA	14	13

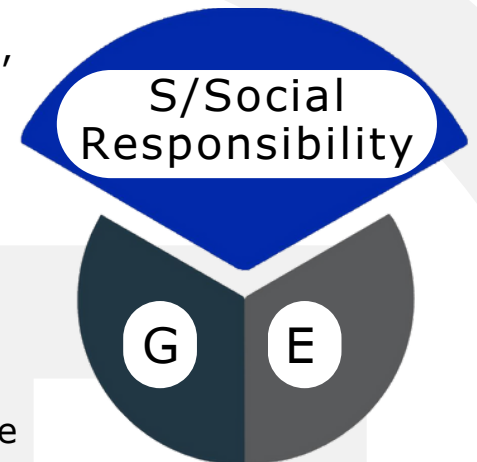
Actions in 2023

"Refresh" the packaging in use - if and how can we reduce the usage of bubble wrap?



SOCIAL RESPONSIBILITY

The events of recent years (COVID19 crisis, war in Ukraine) have changed the society and personal values. There are talks about a new reality where the salary number is no longer the most important thing for the employee.



A good employee experience is increasingly appreciated, instead. People want to feel good at work, to be cared for and valued. The employee wants to participate more and more in the achievement of the company's general goals, thereby feeling more valuable for the company. The employer is expected to invest in the employee (personal development opportunities), and to be keenly interested in the employee's development process (performance reviews). A prerequisite for the abovementioned is a strong and transparent organisational culture.

SOCIAL FACTORS



Employee Health and Safety



Training and Education



Community, Relations and Human Rights



Employee Welfare, Equality, Discrimination



Employee Welfare, Equality, Discrimination



Product Quality and Safety



3 GOOD HEALTH
AND WELL-BEING



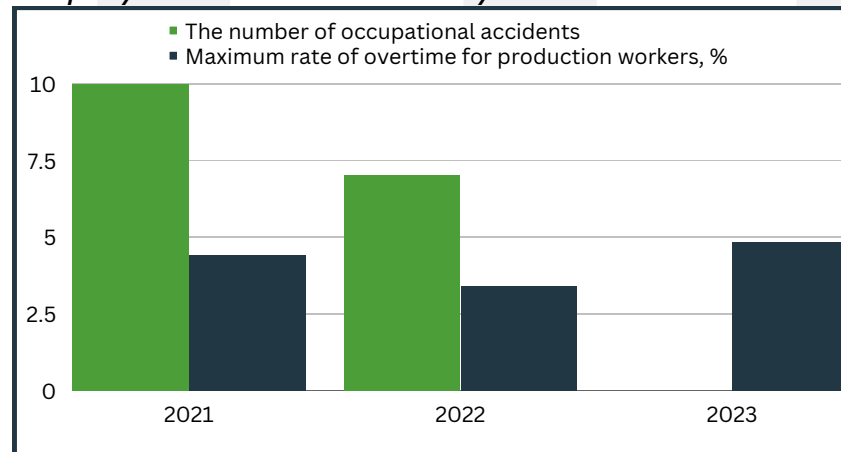
EMPLOYEE HEALTH AND SAFETY

Employees are our biggest value. The goal of Tarmetec is to take care of the physical and mental health of our employees. We guarantee a pleasant and safe working environment, good conditions for recovering during breaks and improve ergonomics at the workplace. We are also open to help the employee achieve a balance between work and family matters.

The company has mapped risks related to the working environment to prevent possible accidents. Every new employee is guaranteed an introductory safety manual training, overview of risk analysis at the workplace etc.



Employee health and safety



Actions in 2023

New equipment-based occupational safety trainings.

The company offers health insurance for employees.



TRAINING AND EDUCATION

Today, lifelong learning has become a reality, and employers are expected to embrace this concept. Additionally, employees are more motivated when opportunities for retraining are available. A change of position within the organisation is welcomed and educating the employees also affects the development of the community.

Tarmetec contributes to the personal growth of our employees. We have developed various in-house training programs and regularly send our people to external trainings. The company has an onboarding programme for new employees so that they feel guided and cared for. Various indicators confirm that our training programmes increase employee satisfaction and work efficiency.

The company is interested in a long-term employment relationship. In order to achieve this, regular performance reviews are held at all levels of the company. These conversations reveal whether the employee has the necessary skills and knowledge for the position, and in addition is a place to find common ground between the employee's long-term goals and the company's needs.

Actions in 2023

Updated training system and calculation of training hours.

Every employee had 10 hours of training in 2023.



COMMUNITY RELATIONS AND HUMAN RIGHTS

Tarmetec has been contributing to the development of culture and sports for many years. We support the activities of the Vanemuine Theatre and the University of Tartu Academic Sports Club. The company's goal is to improve the quality of life and to communicate the company's values to the community.

The company contributes to improving the quality of local technical education: we participate in the formation

and quality improvement of VOCO (Tartu Vocational College) curricula, and we are happy to offer diligent young people paid internships among our team.

We also promote metalwork and linked positions through television (ETV's new series "*Rauataltsutajad*"), which targets people even outside of our local community.

We regularly support the Children's Fund and have also donated to Slava Ukraini.

We have set the goal of distributing approx. 2.5% of the business profit to charity.





EMPLOYEE WELFARE, EQUALITY, DISCRIMINATION

The company treats all employees equally and states in the Code of Conduct that inequality, discrimination and harassment is strictly prohibited. We have established a set of good practices in daily communication, by which we expect friendly, dignified behavior and basic courtesy from all employees. We do not tolerate insults, mockery, or derogatory statements.

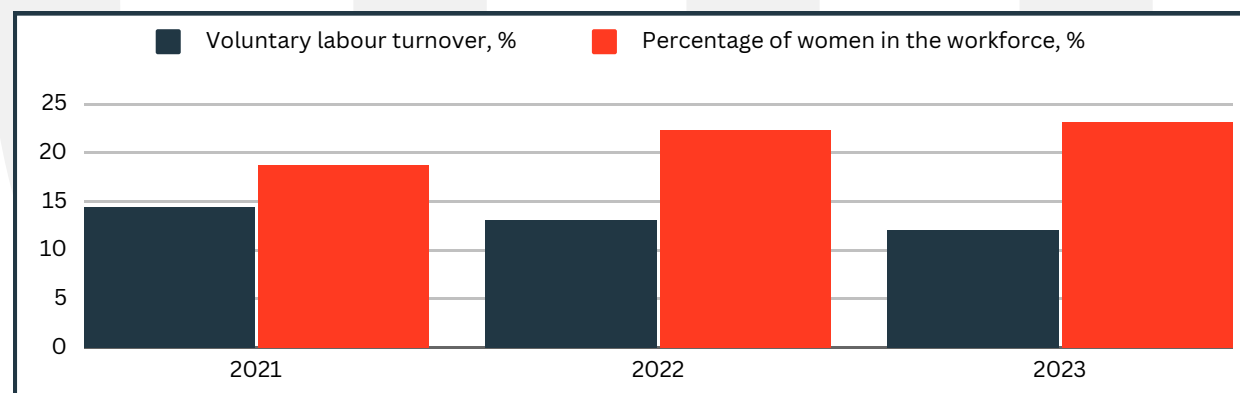
To improve the well-being of our employees, we provide them with various benefits. We support healthy lifestyles of employees through Sport-ID. The company also partially compensates lunch and distributes various grants for one-time events. The quality of benefits offered is a key factor in full-time employee retention.

We have created a set of rules for conflict resolution, which states the situations where employees have the right to turn to the 2nd level or HR manager, if communication with 1st manager is complicated. A specific process has been established for any suggestions for improvement.

Actions in 2023

Continuous communication of our principles, beliefs and ESG actions via internal channels.

Employee welfare, equality, discrimination issues



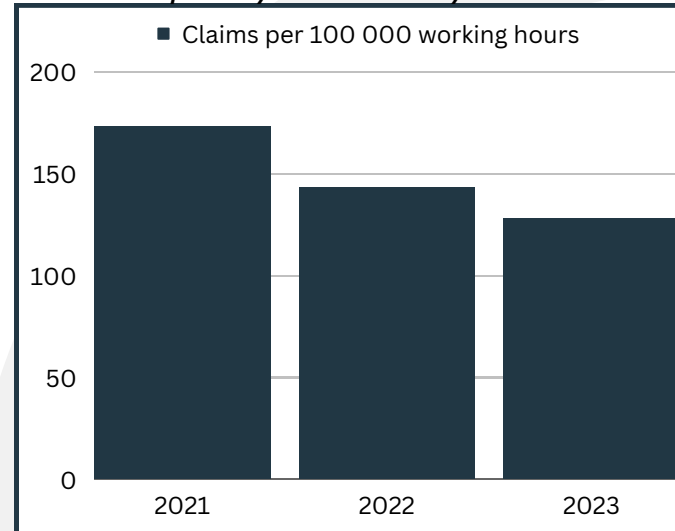
PRODUCT QUALITY AND SAFETY

Product quality is our top priority and we do everything in our power to ensure it to our customers. We also carefully monitor product safety.

The company has developed an IT system for registering non-conformities of different kind, such as product, procedural (violations of management system rules, work accidents, environmental accidents, etc.), and purchase non-conformities. A specific process containing positions responsible has been developed for the registration and further processing of complaints.

We monitor product safety and the relevant feedback from our customers daily, and prioritise the prevention of non-conformities.

Product quality and safety



Actions in 2023

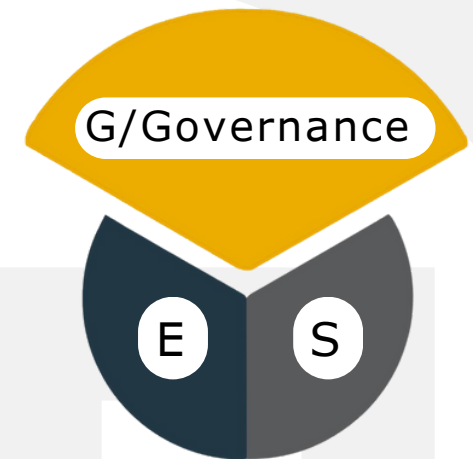
Continuous communication about our principles and beliefs through internal communication channels.





GOVERNANCE

At Tarmetec, ESG management influence factors are evaluated and managed at the highest management level.



The functions and competence of our shareholders' general meeting are determined by the EV Commercial Code and the company's statute. The general meeting of shareholders determines the company's strategic development directions for 3-5 years. When making decisions, the general meeting takes into account the strategic vision of the owners, the needs and demands of customers, the activities of competitors and the current legislative framework.

GOVERNANCE FACTORS



Business ethics and transparency



Business ethics and transparency



16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



17 PARTNERSHIPS
FOR THE GOALS



MANAGEMENT OF THE LEGAL AND REGULATORY ENVIRONMENT AND BUSINESS ETHICS

The company cooperates with various regulatory authorities daily and is subject to all laws and regulations established by the Republic of Estonia. Today, the company has been attributed various ISO certificates (ISO 9001:2015, ISO 14001:2015, EN ISO 3834- 2:2021, EN 15085-2:2007) and a credit rating, which prove compliance with the requirements.

We are a responsible company whose accounting processes are regularly audited by a third party. Our financial results are publicly available in the Business Register.

We keep our Quality Management System open to customers, who can access the production processes regarding their ordered products. We disapprove corruption, extortion and bribery.



SUPPLY CHAIN MANAGEMENT

We evaluate our suppliers and examine their activities in the field of ESG before signing contracts.

Background transparency, operating within the framework of effective legislation and ensuring that the guiding principles are not contradictory to ours are all important factors when considering potential suppliers.

It is still important to note that as of today we do not refuse cooperation if the supplier does not (yet) have an ESG strategy.



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