

ESTANC SUSTAINABILITY REPORT 2022



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ABOUT ESTANC

In Estanc we deliver process equipment to most demanding industries, starting from design and engineering to documentation, delivery and installation. We work closely with our partners, and take the needed role to achieve the results that specific industry and case demands.

The history of Estanci begins in 1992, when the Estonian-Finnish cooperative company started production simple containers. Over the years, we have developed and acquired a wide range of experience in the field. Today's Estanc specializes in complex full service large-scale process equipment production. We have grown into the largest and most successful process engineering company in the Nordic and Baltic countries.

Over these years we have grown physically and also mentally. Our employees have a clear purpose and accountabilities, which help them to be self-managing. And this, in turn, helps the whole company to achieve greater results and be more efficient and productive.

Sustainable thinking is implemented in Estanc's mindset, we focus on making an increasing contribution to the environment and its preservation. Our people-centered culture and core values enable us to be such kind of a partner and employer. For us, it is important to create better lives for all our employees, their families, and other stakeholders with whom we are cooperating.

We are a leading production service partner for our customers, creating value with product design, process engineering solutions, and great partnerships. It means we are more than a regular supplier, we are the partner.

PURPOSE

We are inspired by our purpose and vision. The equipment we manufacture have their own purpose in the larger process. Every customer relationship and contact have a purpose. Each of our projects has an agreed deadline and an expected result. We plan and evaluate our daily activities based on our purpose.

PEOPLE

Good relationships are important and every person has a valuable role to play. We value good management and excellent specialisation. We care about our employees and their families. Their health and well-being is a priority. We value people's lust to learn. We care for the environment so that future generations could enjoy the world as we know it. Even in a serious field, we stay human and value humor.

PASSION

We enjoy what we do. We are committed and we care. We feel it together and our clients feel it.

PROCESS

Our products are part of a process and it is an important input for us. We believe in process-based operations that supports the achievement of the objectives. Our company development is a process. Customer relationship is a process. People's careers are a process.

Vision:
to be a part
of building a
sustainable world
while creating
better lives for
everyone.

Mission:
to offer
process equipment
engineering and
manufacturing services
on the highest level.

**WHO
WE ARE?**
Passionate and process-
driven engineers, technical
specialists, welders, assemblers,
project designers, sales personnel
and leaders who are driven by our
purposeful existence and our
ability to manufacture special and
huge equipment for world-
class and worldwide
clients.

**WE ARE COMMITTED TO THE 6 UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS,
THESE SIX GOALS DEFINE OUR WAY OF DOING BUSINESS**



Our team is happy, healthy and works in a safe working environment that promotes well-being for employees of all ages.



The products we manufacture are energy efficient and integrate cleaner use of energy in the industrial and transport sector.



We use sustainable technologies and working methods that ensure a safe and high-quality final result. We continuously look for innovative ways to improve the existing procedures.



We plan, procure and use materials in a sustainable manner, optimizing the use of natural resources and minimizing production waste generated as a result of our activities.



We raise awareness of sustainability in society and integrate the awareness of climate change.



We work with other stakeholders in society to promote awareness and activities for sustainability.



CEO STATEMENT

I'm happy to recognize that this is the most detailed Sustainability Report in our history. Estanc's strategy is built on sustainability – we believe that the only way to do business is to do it sustainably. It is at the forefront of our corporate policy and influences all aspects of our business activities.

The 30th year of operation for Estanc has sure been full of challenges. The difficulties of 2022 began with the Russian invasion to Ukraine. The sequence of events following the start of the war has been truly complex. As a multicultural company we have lot of people who are indirectly involved with the situation through family and relatives. We have done most that we could do support our own people and all other that have been affected by these unfortunate events.

Regardless of difficult times, we have continued to develop our sustainability strategy. In August we went through an Ecovadis audit and got a silver medal! After receiving the scorecard, we saw what needs to be worked on more. We issued a Human Rights Policy and Suppliers Code of Conduct. In 2023 our main focus lies on our supply chain. We plan to send to all our key suppliers a self-assessment survey, and also do some on-site audits.

Our Human Resources department has been working tirelessly to ensure that everyone feels good and included at Estanc. Estonian Human Rights Centre awarded us with the quality label "Respecting Differences" for the third time. At the end of the last year, we got a Family-friendly Employer gold badge from the Estonian Ministry of Social Affairs. I think that these recognitions, and also a good level of employee satisfaction, shows that we are moving in the right direction.

For me personally, among top priorities is safety of all our employees. Our goal has always been zero work accidents. And in 2022 we finally achieved this goal! Estanc is truly committed to the zero-harm mindset, and we plan to continue our hard work to keep our people safe and happy!

Estanc has always tried to operate as environmentally friendly as possible. We plan, procure and use materials in a sustainable manner, optimizing the use of natural resources and minimizing production waste generated as a result of our activities. We consume green energy, use and store environmentally hazardous substances in a safe manner and organize waste management responsibly.

2022 was the first year we measured our carbon footprint, and we have set an ambitious target for 2023 – we want to reduce our footprint by 30%. Estanc is constantly striving to reduce its footprint. For example, in 2022 when we discovered a problem of wastewater pollution with neutralized acid residues, we acted fast, and now all the acid waste is collected and neutralized before being sent to a waste plant. As we really do care about our environment we also direct all of our employees to be more environmentally friendly.

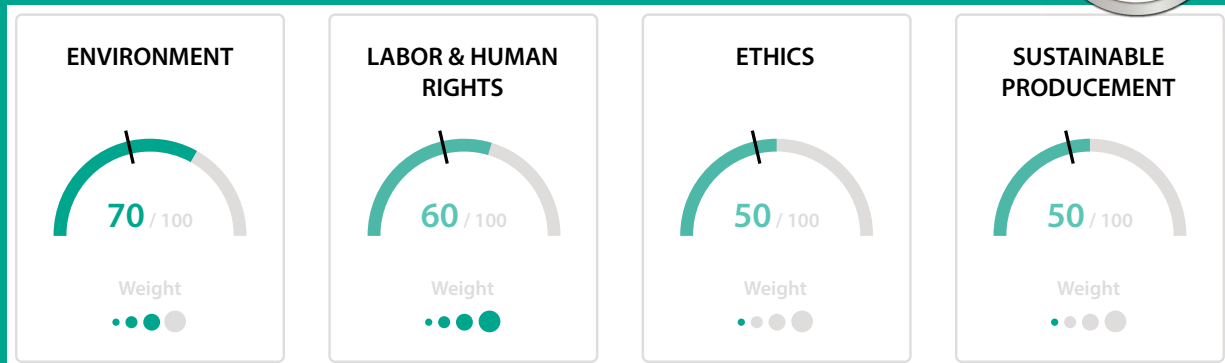
We live in a rapidly changing world, we must adapt quickly and constantly seek new, more sustainable solutions. Considering that our products help to contribute to the alleviation of some of the industries and world's greatest sustainability challenges, we believe that we have an important part to play for the greener world!



CEO Priit Haldma

HIGHLIGHTED ACTIONS 2022

We have now also undergone an audit by the EcoVadis – The World's most trusted business sustainability ratings. And we are in the top 8% in our sector!



SUSTAINABLE ENTERPRISE TOP 10

Estanc believes that the only right way to do business is in a sustainable manner. It is at the forefront of our corporate policy and influences all aspects of our business activities. We are proud to say that this year we were selected as one of the ten most sustainable companies in Estonia.



MISSION DAY 202

Sustainable world is all about preserving and restoring nature. Every year we have organized one collective event to give something back to the society. This year we decided to clean Paldiski - a little town on the Pakri peninsula, in Harju County, known for its beautiful views and lighthouses. Cleaning Paldiski was certainly not easy, but all participants did it with incredible enthusiasm and a sense of mission!

RESPECTING DIFFERENCES

On September 15, Estanc was recognized for the third time with the "Respecting Differences" label. The label is administered by the Estonian Human Rights Centre, in cooperation with the Ministry of Social Affairs. The main goal of Estanc's diversity strategy is to ensure that all our employees are valued, and we're working hard to make our work environment more diverse and including.

respecting
differences



FAMILY FRIENDLY GOLD

At the end of December Ministry of Social Affairs confirmed to us that Estanc is a gold-level employee- and familyfriendly company! As a family business, one of Estanc's goals has always been to be an employer that values the reconciliation of work and family life. For the past 4 years, the goal of the HR department has been to create and develop a work culture that would provide an enriching experience.



HUMAN RIGHTS POLICY

In 2022, we launched a stand-alone Human Rights Policy aligned with our values and our Code of Conduct. The Policy is based on the principles of the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), the two human rights principles and four labor principles of the United Nations Global Compact, Guiding Principles on Business and Human Rights, The OECD Guidelines for Multinational Enterprises, Convention on the Elimination of all forms of Discrimination Against Women and the Estonian Human Rights Guide. We are committed to respect and promote human rights and acknowledges that promoting human rights is fundamental for carrying out its business in a responsible manner.

SUPPLIERS CODE OF CONDUCT

In 2022, we issued Estanc Suppliers Code of Conduct to help ensure that we can more effectively implement our mission and take responsibility for our words and actions. It describes the values and behavioral norms we are committed to as a company on a daily basis and that we expect from our suppliers. The principles of the code of conduct form an integral part of all contracts entered into between suppliers and Estanc. By complying with this agreement, everybody behaves responsibly and contributes to the creation of a cleaner and healthier environment.

ENVIRONMENT

We are really lucky to live in Estonia, where global warming at the moment means warmer summers. Nonetheless we are worried. In Estanc, we know that we must act fast to avoid the most significant effects of climate breakdown.

In 2022 we measured and analyzed our CO2 footprint. We have set some very ambitious targets – our goal is to be climate neutral by 2030. Estanc's strong point is our very energy efficient factory. And we are continuously looking for more innovative ways to improve the existing procedures.

We know that we can't save the world alone. Estanc is committed to ensure that the climate change topic is discussed and advanced. We believe that we have an important part to play in building a more sustainable world.

For energy management we use ISO 50001. It helps us manage our energy use, thus improving productivity. We have an energy policy, achievable targets for energy use, and action plan to reach them and to measure progress.



We have our own solar power station installed on factory roof

All electricity is purchased from 100% renewable sources



LED lighting

Our Handling of hazardous substances and also our piling facility complies with ISO14001



Sustainable floor heating in the whole building

Estanc's hazardous waste

	2021	2022	Goal
Hazardous waste (kg)	5455	4620	< 5000

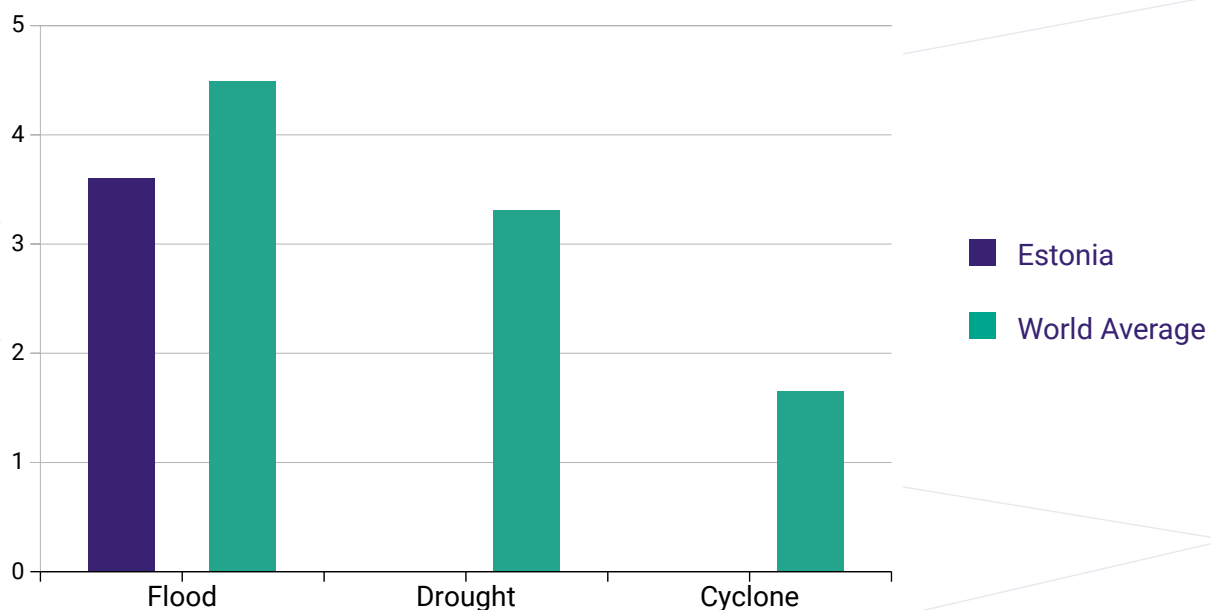
CLIMATE RISK

Although climate change in Estonia is not as extreme as in many other countries of the world, we can also expect some changes. There has been already alarming rise in temperatures and increase in the number of storms.

Floods are especially worrying for us. Very intensive rain periods, which due to the limited capacity of storm water collectors, may bring some problems to us. We have a 550 000l rainwater pool under our factory, which can start to flood, causing power outages and work interruptions.

Estonia's average annual precipitation is 15% higher than in 1951, still staying well below the world average. Climate projections show a continued increase in precipitation, with some spatial and seasonal differences. Overall precipitation could be as much as 14% higher in 2041-2070.

Level of floods, drought and tropical cyclones in Estonia, 2000-2020



Source: IEA. License: CC BY 4.0

CIRCULAR ECONOMY

We seek for opportunities to reuse production residues and products upon the end of their service life as new material. We are stepping up when it comes to sustainability and contribute to the development of awareness and actions on sustainability subject in business relations, industry and in the society as a whole.

We manage resources through ERP system Microsoft Dynamics AX. Thanks to the accurate resource monitoring option in ERP we can use all residual materials in our future projects. We plan, procure and use materials in a sustainable manner, optimizing the use of natural resources and minimizing production waste generated as a result of our activities.

Estanc always seeks for opportunities to reuse production residues and products upon the end of their service life as new material. We have our own scrap metal sorting system in house, which helps us to decrease our CO₂ footprint and have a more efficient process.

ENVIRONMENTAL POLLUTION

Estanc is constantly striving to reduce its footprint. This year we discovered the problem of wastewater pollution with neutralized acid residues. A complete inspection and cleaning of the company's sewage system was carried out to prevent contamination and avoid potential risks. A strict process was put in place to dispose of all acidic waste. The process is designed so that all acid waste is collected and neutralized before being sent to a waste plant. Our employees have now received advanced training and undergo annual training to avoid the risk of recontamination.



550000l
Rainwater
pool. We collect rainwater to perform pressure tests - saving millions of liters drinking water every year!

Estanc's water consumption

	2021	2022	Goal
Water (m ³)	3917	3393	< 3500

ESTANC CARBON FOOTPRINT

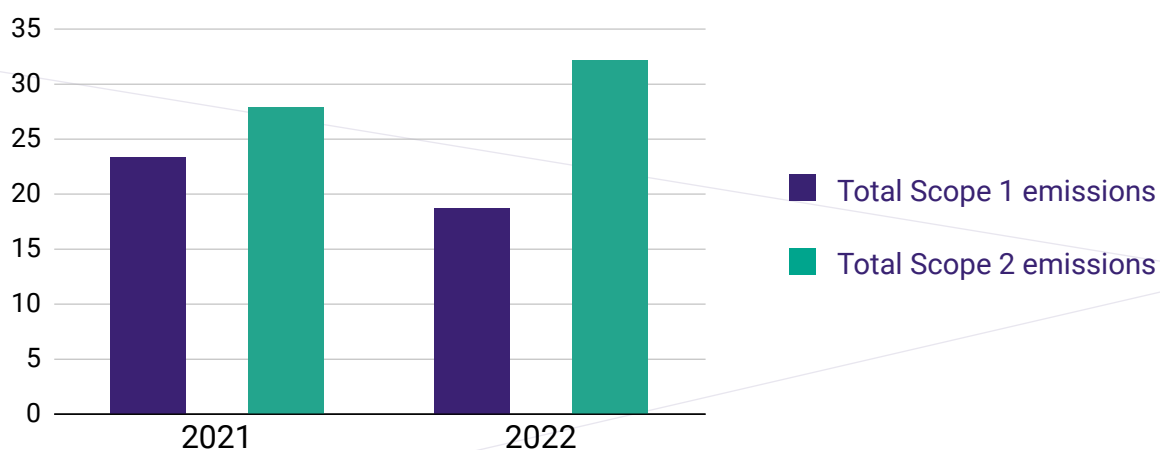
Estanc started to measure its footprint in 2021, over the last two years our focus has been to measure, analyze and reduce our own emissions. For 2023, we have first time set a target – we want to reduce our footprint by 30%.

The data needed to measure the carbon footprint of Estanc comes from the register of purchase invoices. Information about diffuse emissions comes from Forus maintenance logs. The largest source of emissions is vehicle fuel, which accounts for more than half of our scope 1 footprint. The largest emitter in scope 2 was natural gas. Estanc buys electricity, which comes only from 100% renewable sources, so it has no impact on our GHG footprint.

In 2022, 50,87 tons of CO₂ were released into the air as a result of our activities. In 2023 we plan to use 100% biodiesel, that should reduce our company's footprint by 30%. It is initially not possible to reduce the use of natural gas, because it's used for heat treatment of products, but in the future, we will try to replace it with biogas.

ESTANC CO2 FOOTPRINT (t CO2)			
SCOPE	ACTIVITY	2021	2022
Scope 1	Direct emissions from stationary combustion	0,00	0,00
	Direct emissions from mobile combustion sources	22,43	18,10
	Direct fugitive emissions	0,92	0,64
	Total Scope 1 emissions	23,35	18,74
Scope 2	Purchased electricity	0,00	0,00
	Purchased heat	27,81	32,13
	Total Scope 2 emissions	27,81	32,13
ESTANC CO2 FOOTPRINT (t CO2)		51,16	50,87

Estanc CO² footprint (tCO²)



Total of consumption (MWh)	2021	2022
Diesel / petrol	117,50195	76,23174
Electricity	1325,1782	1229,576
Natural gas	124,47965	143,8778
Heat	871,92	983,58

SOCIAL

In Estanc we're focusing on creating and maintaining a work environment and team based on the company's values, where each employee understands his role and purpose in achieving the company's goals. At the same time, we pay the average or higher market salary for the position and the sector (according to the salary survey). We offer a diverse benefits package based on the employee and the company's values. Training and development activities support the continuous development of the individuals, organization and leadership quality.

We also organize joint events for both employees and their families. We always consider the family and private life of our employees, helping them to balance work and free time through flexible work arrangements - we offer flexible working hours and home office possibilities. Having a golden label as Family Friendly company proves that our contribution to human-centric HR policy has justified itself.

We believe that a satisfied employee is engaged to the organization, and a engaged employee also ensures the company's financial success and efficiency. We also understand that employee engagement and satisfaction are directly related to management quality. That's why we regularly (at least twice a year) evaluate the level of engagement and satisfaction of employees with the Q12 survey, after which a 1:1 engagement conversation is held with each employee, and a team engagement meeting with every team.

	2021	2022	Goal
Satisfaction level	3,85	3,9	4
Engagement	24%	26%	40%



RECRUITMENT POLICY

As an employer, Estanc's aim is to enrich the experience of life through a value-based management approach. Our employees value and enjoy the autonomy of their roles, motivating salary and benefits package, different collective activities and the opportunity to be part of a world-class team.

In Estanc we use values-based recruitment, what means that we look for people in our organization whose values and attitudes are similar to those of Estanc. It is important to understand that we are

recruiting people for the organization, not just for the job. With this approach, we can ensure that Estanc is joined by people who share similar values with the necessary skills and experience for the job - this creates the basis for effective teamwork and a development-oriented organization.

When recruiting a new person to Estanc, and assessing their suitability, the decision is formed from two levels - values and technical skills. It is important to understand that each Estanci employee is a whole of these two almost equal levels, of which the worldview level has a slightly greater weight in the decision-making process. If an employee's personal values are significantly different from the organization's values, it is very difficult, if not impossible, to get him to hold and share the values important to the organization.

By following the principles of value-based recruitment, we can ensure that all people are the right fit with Estanc and its values. We believe that values and personality traits are more effective than skills in recruiting, because skills can be developed, and it is more important to evaluate the candidate's potential to cope with complex and difficult tasks in a diverse team and in a changing business environment.



	2021	2022
Employees	134	138
New employees	41	33
Left employees	24	26

	2021	2022	Goal
Voluntary Turnover	8,27%	13,78%	<11%

DIVERSITY, INCLUSION, EQUAL TREATMENT

As a value-based organization, we value every person who works at Estanc. All our people have different goals and responsibilities based on their role, but at the company level, we all work towards a common goal.

We have developed a Diversity Plan, through which we implement Estanc's diversity strategy. Diversity for Estanci is above all valuing each person exactly as they are. As an employer, we evaluate what are employee's strengths, and what value he creates for the organization – it's not important what is the person background in terms of culture or history.

We have created employee roles according to individuals, so that everyone can spend the maximum amount of time doing what suits them well and fills them with positive energy. We believe that each role makes an important contribution to the big company goal, including offering everyone role-oriented autonomy.

We employ people from different nationalities, we speak three or even four foreign languages on a daily basis. Daily internal communication is trilingual. We employ a lot of parents who have small children at home - we offer them suitable conditions and opportunities. We have employees aged 18+ and 65+. Our industry – engineering and manufacturing – is a masculine field, but we have increased the proportion of our female employees year after year and will continue to do so.



	2021	2022
Women		10,59%
Different nations		13

TRAINING AND DEVELOPMENT

We value self-improvement and the desire to acquire new knowledge. Estanc, by its very nature, has been in constant development, so it is important that we also have people who are committed to develop. We believe that all skills can be learned, and we support the learning and development wishes of our employees.

In cooperation with our employees, we prepare an Estanc's training plan for each year, which supports the professional development and sustainability of our employees. Each employee's work results, and new professional development goals are set in 1:1 conversations that take place between each employee and his/hers direct manager at least twice a year. The purpose of these conversations is to give mutual feedback, value their work and set new goals.

Unfortunately, in manufacturing, there is still no ability to hold 1:1 conversations, but we are developing Production Managers and Foremen so that such a result-feedback conversation could



Two Estanc's employees graduated this year with honors cum laude. Our Project manager Aleksander Nikitin graduated from Tallinna Tehnikakõrgkool and our Project Engineer Christen Haamer completed his master's program in TalTech – Tallinn University of Technology. Estonian President Alar Karis congratulated them at the Kadriorg Rose Garden.

be held with each production employee at least twice a year.

Every year, joint internal trainings are held for the office staff based on the current year's strategic directions. In addition, short trainings for general education and everyday well-being are held as part of the quarterly information days (minimum 2x a year). Mandatory and periodical trainings are organized annually for new employees and those in need of additional training. Personal training plans and training needs are revealed in 1:1 conversations and are individual.

	2021	2022	Goal
Training hours (total)		2242	
Training hours (per employee)		13,1	15

OCCUPATIONAL HEALTH AND SAFETY

Health and safety of our employees is of utmost importance to us, and for this, we have created a health-promoting and safe work environment. We have a Work Environment and Safety Specialist, the Working Environment Council has been called into action, and employee representatives – Working Environment Commissioners, contribute to ensuring daily safety. Our biggest goal is to prevent every work accident and keep their number to zero.

In addition, we ensure a safe environment for everyone on Estanc's premises. We have mapped all the risks and risk factors of the working environment in the Office and Manufacturing Risk Analysis, for which an action plan has also been created to mitigate all possible risks.

	2021	2022	Goal
Fatalities	0	0	0
Injuries	3	0	0
LTIF	8,94	0	0
TRIF	1,79	0	0
Sick days	57	0	0

2022
0 WORK
ACCIDENTS

WORKING ENVIRONMENT OBJECTIVES 2023:

- 0 occupational accidents per year;
- Development and implementation of safety visits and reporting system;
- Promotion of safety communication and implementation of a system of safety conversations;
- At least 1 health promotion event per year and at least 1 health promotion solution in the company;
- Implementation of the 6S system;
- Improving safety conditions when working at height (0 violations).

GOVERNANCE

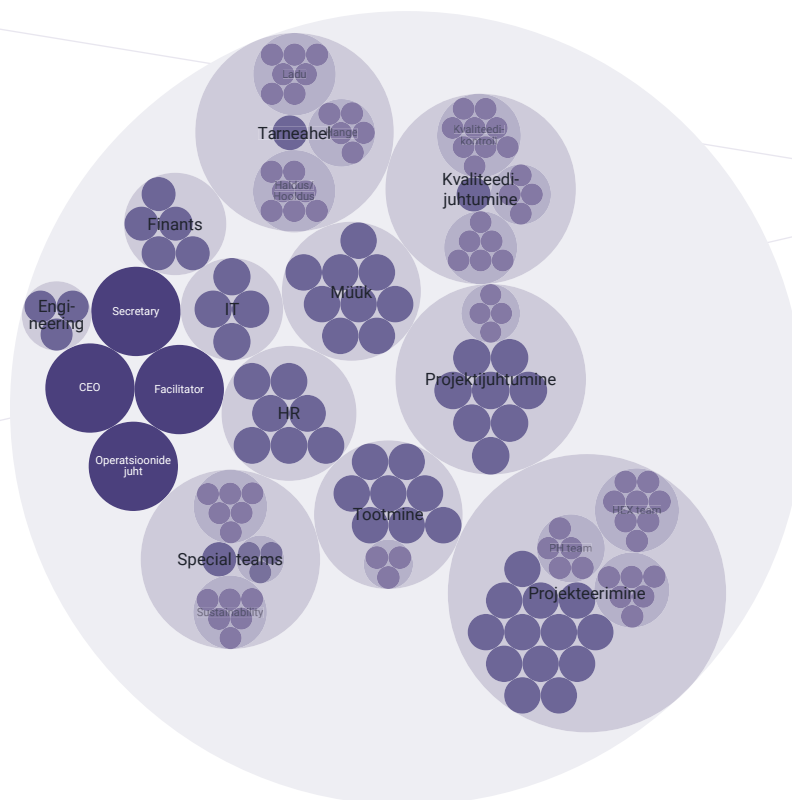
Sustainability is an integrated part of all our business processes. We work with other stakeholders in society to promote awareness and activities for sustainability - engagement with our stakeholder is an essential part of our approach. Strong governance and transparency is of utmost importance to fulfill our sustainability targets.

HOLACRACY

Holacracy is the management practice that most closely describes Estanc's management culture. Holacratic leadership is based on accountability and goal achievement. Trust and giving freedom to employees are the key factors to succeed. We expect every employee to be ready and willing to take responsibility for his/her role and the realization of his/her goals.

Each role has its own purpose that derives from the team's purpose, and each team's purpose derives from the organization's purpose. All of the organization's goals are driven by Estanc's mission - to offer process equipment engineering and manufacturing services on the highest level. It is the responsibility of every employee to contribute to our mission.

The management structure of Estanc is based on a hierarchy of purpose instead of a hierarchy of power. Giving employees their own purpose with clear targets and supporting them in value creation has shown us that employee satisfaction and engagement grow. With an engaged team, you can always reach higher goals.



SUPPLY CHAIN

We are committed to sustainability, and we seek to ensure that our own company and our supply chain operates in accordance with sustainable development requirements and expectations. We purchase components, details and services from various suppliers around the world, adhering to fair trade and anti-discrimination principles. If necessary, we involve partners in projects to solve problems that are beyond our capacity or expertise. Our goal is to create innovative solutions that support sustainable delivery of our operations.

Estanc has around 200 key suppliers, most of them come from Europe, and other low sustainability risk countries. Our main purchases are metal-based products, and the biggest sustainability risk in our supply chain is health & safety related. We have issued a Human Rights policy, which all our suppliers must sign in 2023.

Our focus on sustainability in our supply chain is aligned to our goals on human rights and carbon reduction. We're trying to influence our suppliers to act on these issues, ensures we continue to protect and respect the people and places we impact, whilst working together on a shared vision of a low carbon future.

During 2022 we sent to all of our key suppliers a self-assessment questionnaire, which is designed to give us a better understanding of possible sustainability challenges related to our supply chain. It aims to identify existing and potential adverse sustainability issues/impacts. When our supplier has a poor result in the self-assessment, then in 2023, we will do a sustainability audit to these suppliers.

Estanc strives to develop the transparency and traceability of its entire value chain from sourcing of raw materials to recycling of our products. In 2023 we continue to develop our approach and embed sustainable practice in our procurement processes.

Goal of 2023

We will ask all our suppliers to sign Estanc Suppliers Code of Conduct

	2021	2022	Goal
Suppliers, who have answered our self-assessment questionnaire and signed our Code of Conduct.		25%	50%



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