



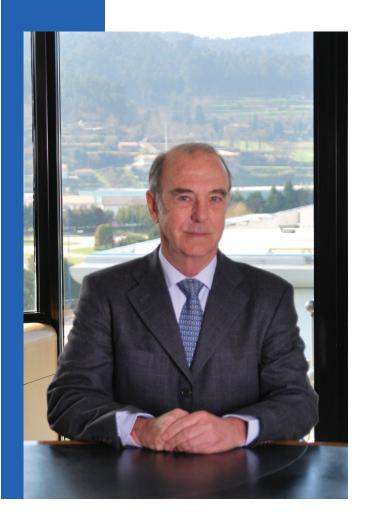
### 2018 Sustainability Report



### CONTENT

- **03.** Message from the President
- **05.** Message from the CEO
- **07.** Highlights 2018
- **09.** TMG Group and TMG Automotive
- 11. Our Market
- 12. TMG Automotive's Strategic Vision
- 13. How much do we sell?
- 14. Stakeholders Interaction & Communication Channels
- 15. Materiality
- 17. TMG Automotive & the Sustainable Development Goals
- **18.** Challenge 1: Innovation as a driver for Sustainable Development
- 21. Challenge 2: Reduce environmental impact through sustainable products
- 23. Challenge 3: Efficient Use of Resources in Value Creation
- 27. Challenge 4: Ensuring Corporate Ethics and Legal Compliance
- 29. Challenge 5: Enhance Workplace Wellbeing
- **30.** Challenge 6: Boost Sustainable Sourcing
- **32.** Challenge 7: Life after Waste
- 33. Challenge 8: Tackling Global Warming through Climate Protection
- 34. GRI Table
- 41. Contacts

### Message from the President



Founded in 1937 with just 6 manual weaving looms, Fábrica de Fiação e Tecidos do Vale de Manuel Gonçalves, soon became the largest textile company in Portugal. In the 60s was renamed to Têxtil Manuel Gonçalves S.A. a private, family owned textile group, still distinguished by the philosophy of its founder: "Technology and Quality go hand in hand".

This strategic vision has been the key factor in the evolution of the company that, through the continuous investment in state of the art technological equipment, has effectively talented its industrial platforms, thus sustaining growth and competitiveness, a determining factor in the current context.

Initially focused on the industrial textile business, the company soon began a process of diversification into other business areas.

TMG Automotive, a manufacturer of interiors for the automotive industry is supplying major OEMs (Original Equipment Manufacturers) since 1971. The company started with SAAB and the Swedish market but rapidly has grown to other OEMs, being nowadays the second biggest supplier in the European market.

This pursuit comes from the long defined pillars instituted of the founder - Manuel Gonçalves - and deeply rooted in the company's DNA:

- Focus on quality through Sustainable Innovation and Development;
- Boost employee well-being;
- State of the art infrastructure investment.

A client diversification and an investment in R&D activities both at process and at product level were two of the most relevant levers for the success of such strategy.

TMG Automotive's enthusiastic involvement with national and international scientific and technological entities, in order to stimulate creativity and growth, the establishment of surveillance routines and membership of open innovation circles are part of vanguard strategy rooted in Portugal's competences.

Promoting Portugal as a modern and versatile country is also one of TMG Automotive's goals in its sustainable development agenda. In order to achieve this, TMG Automotive is fully committed and involved, in a pro-active manner, to share our international expertise, as well as our technological and industrial knowhow with our fellow Portuguese peers and incorporating, more and more, national scientific and technological content in our R&D activities.

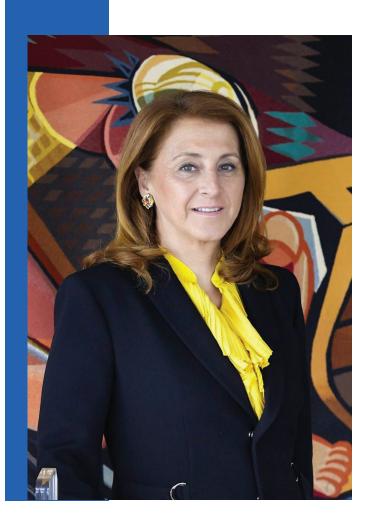
The heightened growth is one of the major challenges in the near future as our connection with strongly internationalized OEMs and their non-European market growth sets us with a new set of priorities:

- Expansion strategy to North America and China;
- Secure profitability, taking into account our global competition, specifically Asian competitors with increasing presence in European markets;
- CO<sub>2</sub> footprint reduction, waste management and overall sustainable operations;
- Human capital valorization and innovation culture dissemination throughout all group levels.

With great expectations that this report will be a privileged mean for communication and transparency of our policy and strategic vision to our stakeholders and to work as a reinforcement to our sustainability commitment,

#### **António Gonçalves**

### Message from the CEO



TMG Automotive is a well-established leading company in its sector, born in a country typically unknown for this type of business and situated in a peripheral location to an industry highly concentrated in central Europe. What could be a threatening drawback, made us focus on the constant pursue for Excellence to outcome any barriers.

Throughout the years TMG Automotive has foreseen some major impacts which will continue to be challenging in the near future:

- New clients and market share increase in premium markets, allowing TMG Automotive to materialize strategic business in medium-long term;
- Increased international recognition;
- Increased flexibility and production efficiency, in terms of solutions, quality and time to market;

- R&D activities treated with strategic privilege;
- Increased awareness related to ecologic footprint.

Highly determinant to this successful path, were the investments in new productive technologies and innovative solutions, only possible due to the strategic and efficient allocation of resources and management.

Therefore it is necessary a profound and balanced attention to TMG Automotive's global presence, acting on the social, environmental and economic elements, as a way of anticipating and minimizing the risks and uncertainties inherent to the market's complexity.

The path defined for the next years integrates the three pillars of sustainability through the following guidelines:

- Progressive increase in premium markets as a way of materializing strategic business goals;
- Non-European markets presence consolidation;
- Sustainable production aligned with national and international demands and targets, implementing the best available techniques in waste management and reducing, increasingly more, the environmental impact of our products through continuous life cycle assessments;
- Differentiation of TMG Automotive products by including and promoting innovative content, allowing thus a safe distance from low-cost competitors;

- Resource allocation and creation of strong corporate culture to face the difficult talent retention in the actual highly globalized market;
- Continually upgrading employee wellbeing and social responsibility strategy.

The growth that we have achieved and the activities that we plan to carry out, are the result of the dedicated and committed will of all TMG Automotive stakeholders, who have always supported and challenged us to do more and better for our company, with a strong sense of responsibility and determined to deliver TMG Automotive to the next generations.

#### **Isabel Furtado**

### **Highlights 2018**

### First Life Cycle Assessment Study

In line with TMG Automotive's strategy of increasing sustainability of its products, there is the need to establish a methodology to quantify their environmental impacts. Life Cycle Assessment (LCA) was the tool chosen to determine the environmental impacts of our materials. Since product use and end of life phases are especially difficult to cover as a great amount of reliable data is needed, most of it not available to TMG Automotive, it was decided to use the company's exit gate as a system boundary (cradle to gate). It is expected that LCA will evolve to become an ubiquitous tool in the product design phase to ensure environmental impacts are taken into account when developing new products.

### Subscription of Global Compact and its 10 Principles

Global Compact is the world's biggest initiative encouraging and helping businesses around the world to improve their sustainability and social agenda making a better world for all. TMG Automotive already had in its core policies all of the Global Compact's ten principles so joining Global Compact appeared to be the obvious path to follow.

### Sustainable Products

The growing demand for leather replacement has driven the R&D department to study more sustainable options within its product families, therefore hiring and allocating new staff to initiatives such as phthalate-free PVC backed with recycled fabrics; ADCA-free foamed products and an enlarged polyurethane product range. The following years will see a continued effort to provide more options aligned with our product sustainability policy.

### New Plant - Auto II

A new plant initiated production in Vila Nova de Famalicão. This plant was installed in an existent unoccupied infrastructure previously used for industrial purposes by the TMG Group, preventing their eventual degradation.

When planning and building the infrastructures needed for this new site, environmental impacts and environmental protection were some of the major players to have the most environmental friendly site possible.

### First Sustainability Report Published

As a way to increase transparency with stakeholders the company decided to publish, for the first time, its sustainability report. It was an opportunity to summarize all that is already being done and create leverage to future improvements. TMG Automotive purpose is that this yearly reports becomes a novel way for communication with all TMG Automotive's stakeholders, serving as a base for enlightenment, discussion and improvement.

### Decarbonization – Investing in Cleaner Energy

Low carbon economy is a goal that all sectors should have and contribute to as climate change is among the world's major challenges today. In order to reduce CO<sub>2</sub> emissions, TMG Automotive is now investing in cleaner energy sources. A photovoltaic park is set to begin installation in TMG Automotive grounds in 2019 with an installed peak capacity of about 1 MW, accounting for 8% of TMG Automotive annual electricity consumption.

### \_\_\_ Life after Waste

Industrial symbiosis is often an overlooked concept that has the potential to become a relevant player towards circular economy. TMG Automotive is now incorporating waste residues – ranging from cork dust to coconut fibers – from several industries in its finished products. Incorporating waste residues that would normally be eliminated, allowing them to be useful in a new life cycle is one of the ways TMG Automotive is approaching – and continually evolving – its industrial symbiosis.

### TMG Group and TMG Automotive

TMG – Têxtil Manuel Gonçalves is a family owned industrial group with its headquarters in Vila Nova de Famalicão specialized in textiles, including knitting, weaving, dyeing and finishing, garment manufacturing and distribution.

All began in 1937 with TMG Group foundation under the name Fábrica de Fiação e Tecidos do Vale de Manuel Gonçalves, evolving to a S.A. fully owned by the Group.

In the late 50s production of PVC coated fabrics was launched as the first step to a later established TMG Automotive. In the beginning, the market was more disperse in terms of end use and clients, but nowadays TMG Automotive solely supplies the automotive industry. In 1985, TMG diversified its business, extending to other activities not enlisted until then in its core business. TMG Automotive was formally established in 1996 resulting from an organizational restructuring dividing TMG Group in different business areas strategically independent.

In 2018, TMG Automotive expanded its capacity with a new operating site, Auto II, in Vila Nova de Famalicão.



Before taking this challenge, TMG Automotive studied a wide number of factors with different environmental, economic and social impacts, ranging from increased traffic, gas emissions, waste management and regional unemployment, to name a few. Auto II was installed in an existent infrastructure previously used for industrial purposes (an old spinning mill), and owned by TMG Group, which allowed a reuse and

re-qualification of unoccupied facilities, thus preventing their eventual degradation.

For environmental reasons, it was decided to install a Regenerative Thermal Oxidizer (RTO), a noteworthy investment, to bring VOC emissions to 75% lower than the established emission limit value.



A pollution incident response plan and adequate employee training were also implemented in order to reduce – or even eliminate – possible negative impacts resulting from emergency scenarios that may occur in the course of TMG Automotive activities.

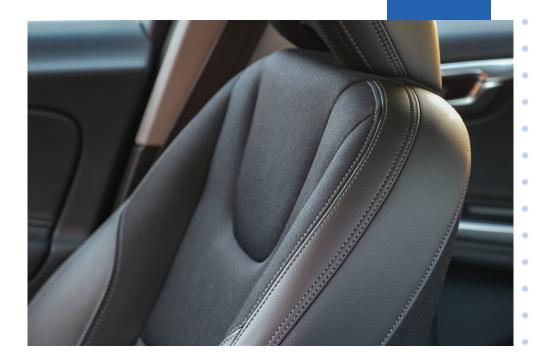
In an area where unemployment is still an issue, Auto II is viewed as of great socioeconomic importance to the region creating, in less than 2 years, 160 new jobs that will lead to an increased life quality and also contribute to the direct and indirect economical chain involving its activities. This importance however is not limited to a regional level, but also national, as TMG Automotive exports 99% of its production, in a county (Vila Nova de Famalicão) that comes third in national exports volume.

TMG Automotive's mission can be divided in three fundamental pillars: 1) sustainable growth, 2) market-orientation and 3) cost consciousness.

The product range relies on three main materials, distinguished by its base polymeric matrix: polyvinyl chloride (PVC), polyurethane (PUR) and thermoplastic elastomers (TPE). These three types of polymers, alongside with plasticizers, textiles and flexible foams account for TMG Automotive main supply chain.

TMG Automotive supplies mostly international markets with the majority of its production being shipped to European markets. To the remaining markets, TMG Automotive developed specific strategies to broaden its product range and contact network through specialized technical service and continuous innovation.

TMG Automotive is now the second biggest supplier in Europe, supplying the main premium original equipment manufacturers like BMW, Daimler, Toyota, Volvo *etc.* 



### **Our Market**



### **NORTH AMERICA**

8,0%

### **SOUTH AMERICA**

0,2%

### **EUROPE**

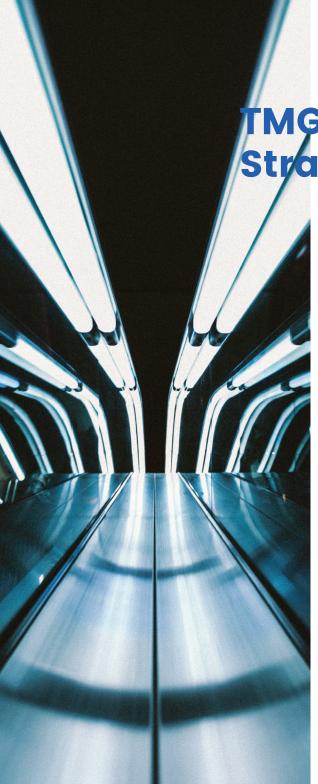
77,0%

### **AFRICA**

2,2%

### **ASIA**

12,6%





The strategic vision has been a preeminent key factor in the company evolution that, through continuous state of the art equipment acquisition, has effectively endowed its industry platforms, guaranteeing their competitive capability, a determining factor for TMG Automotive's success in its business areas.

In any of its businesses, TMG Automotive reinforces its legacy with a long term vision: human capital valuation, innovate in technologies and processes, promote sustainable development respecting the environment and promote excellence assuming an intervening role in social responsibility.

TMG Automotive's ambition is to develop, produce and supply high quality products, always respecting the environment. Thus, the company has been implementing an Environmental Management System, being a registered company according to ISO 14001 since 2006. Through this system, TMG Automotive has been continuously improving its performance, with regard to





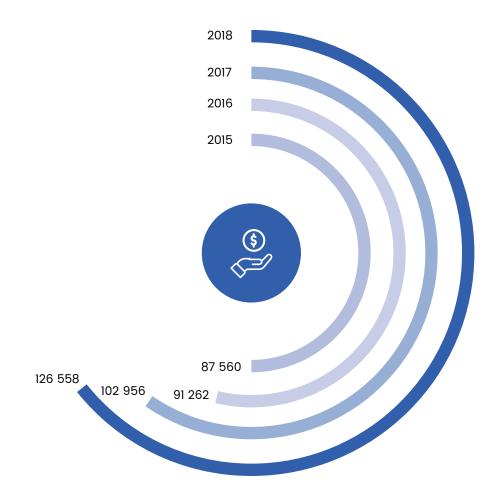
energy consumption, CO<sub>2</sub> emissions and solvent consumption, where reside TMG Automotive's biggest environmental impacts.

2018 was the year chosen by TMG Automotive to publish its first Sustainability Report and, through this way, report all that is being done regarding sustainable development.

TMG Automotive commits itself to publish, annually, a sustainability report so its stakeholders may be aware of its performance both socially, environmentally and economically aiming to enhance transparency and disseminating good practices.

### How much do we sell?

### Sales in x1000€





# Stakeholders Interaction & Communication Channels

TMG Automotive considers its relationship with stakeholders of extreme importance to success. There are several groups that interact with TMG Automotive through different communication channels. Is one of TMG Automotive's goals to intensify and optimize its communication channels, both externally and internally, making TMG Automotive a more active and voiceful company in its market.



Shareholder

Customers

Community

General meetings, council meetings, financial report, activity reports, executive boards operational meetings, sustainability report

Customer Satisfation surveys, audits, complaints, open days, fairs and conferences, development and followup meetings

Fairs and conferences, factory visits, cooperation protocols

Partners follow

Fairs and conferences, development and follow-up meetings, cooperation protocols

**Employees** 

Intranet, performance evaluation, periodic employee meetings

**Suppliers** 

Supplier qualification, supplier evaluation, supplier visits, open days

Official Entities Environmental licensing (RAA), inspections and audits

### **Materiality**



Materiality can be used as a tool for gathering information from an extensive list of stakeholders and aggregate it as key topics that a company should address. Reporting on how the materiality matrix was made and the respective results denotes transparency and builds a path for discussion both internally and externally. For this year's report, only department managers and the CEO were interviewed due to time constraints and the general difficulty of elaborating the company first sustainability report.

The stakeholders were selected so that every department and what they represent was embodied:

**Purchasing Department**;

Research, Development and Innovation Department;

Sales & Marketing Department;

Financial Department;

Human Resources Department;

Logistics Department;

Quality, Environment, Safety and Health Department;

Production Department;

Investment & Maintenance Department.



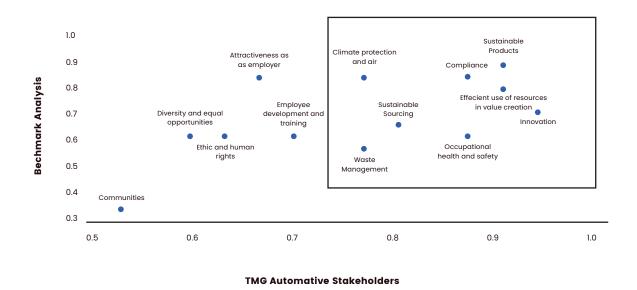
The stakeholders interviewed were asked about a variety of topics related to social, environmental and economic context and TMG Automotive's Sustainability topics were the results of these interviews and thus are considered the key topics in the company current situation and the ones addressed in the present report.

Although all topics presented in the materiality matrix are of extreme importance to TMG Automotive, the topics in the black

square were selected for reporting. These topics were then converted into Challenges and the report was built on how to tackle these and cover topics from all three sustainability pillars, although mostly focused on the environmental issues.

The goal for the following years is to extend these interviews to a greater and more diverse number of employees and stakeholders. A survey will also be sent to all the employees not interviewed personally.

### **Materiality Matrix**





# TMG Automotive & the Sustainable Development Goals

TMG Automotive fully endorses the UN Sustainable Development Goals (SDG) and, as a way to contribute for these goals fulfilment, aligned its own Challenges with the Global Challenges, specifying the targets where it feels it can act. Furthermore, TMG Automotive Challenges, as the Sustainable Development Goals, are fully aligned with Global Compact Principles and the result can be a powerful tool for improvement.

Build resilient infrastructure, promote sustainable industrialization and foster innovation, Sustainable Development Goal number 9, relates directly with TMG Automotive culture and how it approaches business. As our number 1 challenge, Innovation as a driver for Sustainable Development, TMG Automotive continues to invest in highly trained and specialized employees to develop increasingly better products, backing its human force with state-of-the-art equipment and resilient infrastructure thus promoting sustainable industrialization.







# **Challenge 1:** Innovation as a driver for Sustainable Development













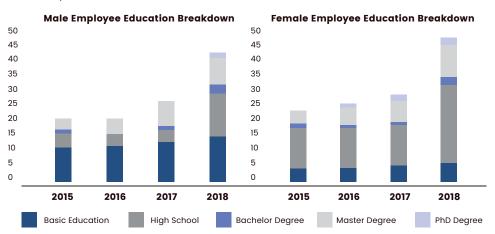


TMG Automotive business is focused in the car interior, ever more considered as a living space. TMG Automotive materials are, by excellence, noble and comfortable and demand a deep know-how in formulation definition with environmental-friendly products with an appellative design.

Automotive industry is known as one of the most dynamic and demanding sectors in the definition of new standards and work methodologies in areas such as Quality Management System and Development & Approval of new products. As a consequence the innovation and product development processes are the most crucial areas throughout the supply chain of this industry. In order to improve the innovation and product development processes, TMG Automotive was a Portuguese pioneer in the innovation management system certification by NP4457:2007. The certification is a holistic approach for a company to improve its resources management through a more systematic process. In the context of this

certification, R&D contribution on sales is determined as the products sold resulting directly from R&D within the last 5 years. The R&D investment represents 4 - 8% of annual revenue and has a contribution on sales of *ca.* 23%.

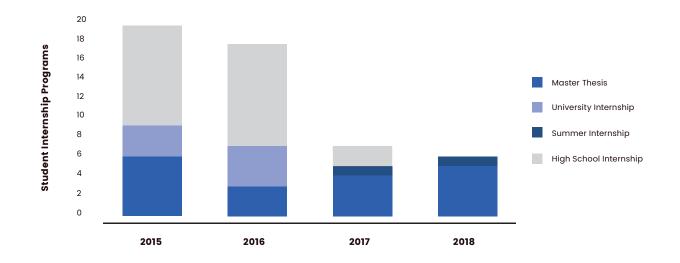
Sustainability and the SDGs are a key driver for innovation that demands a mindset change for creating new and/or improved products, processes or methods that produce not only economic value but also environmental and social benefits. Eco-design starts with raw materials selection, with all the process development being made in a close collaboration with clients and suppliers, so all expectations can be balanced. In order to achieve a wide knowledge base, the R&D department is composed by multidisciplinary teams working together. R&D workforce increased around 50% since 2015 and the purpose is to invest increasingly more in knowledge-based capital which is crucial to fulfil TMG Automotive strategy for innovation.



Being TMG Automotive a company that centers its activity in quality and technology, it is of extreme relevance its involvement with the community where it acts, namely through partnerships with the scientific community and technology centers. The company seeks to strengthen its relationship with the community and promote dialogue through student internship programs, student visits, fairs and workshops participation, client and supplier open-days. TMG Automotive has

roughly 20 partnerships with the scientific and technological community and organizes Student Internships Programs every year. These programs have many benefits such as attracting to the organization highly motivated pre-professionals with fresh ideas and new perspectives. It also provides a community service element by giving students the opportunity to acquire valuable working experience and expertise that are also beneficial for the scientific community.

TMG Automotive considers participation in fairs, symposiums, seminars, workshops and related events of vital importance to keep abreast of the latest innovations in the automotive sector and also to enhance the company's principal innovating products. Identifying new technological challenges is an important factor to create innovation and as so TMG Automotive actively makes technology scouting and patent scanning as an integral part of new product development process.

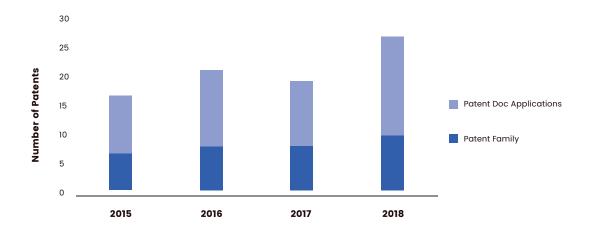






Patent scanning process is one of the dimensions of the intellectual property management, a major challenge for TMG Automotive and a source of competitive advantage, being a crucial part of the corporate strategy in order to ensure the protection of our products and technologies in core competence areas. TMG Automotive growth has been underpinned by an increasing patent portfolio.

TMG Academy is an initiative where TMG clients and suppliers have the opportunity to visit our facilities, learn about our products and production processes. Academy to Business sessions, organized by University of Porto, was dedicated to the discussion of innovation needs, ideas and business development projects seeking for R&D competences and new technological solutions.





# Challenge 2: Reduce environmental impact through sustainable products





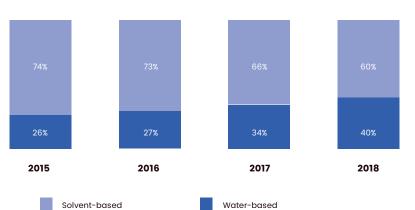


TMG Automotive ambition is to provide high quality products that help reducing the global-scale environmental impact by developing innovative materials focusing on light weight, use of renewable sources and design for performance. Although renewable sources may seem like an obvious path towards a better environmental performance, that is not always the case. As so, TMG Automotive is implementing Life Cycle Assessment to its product range to better decide what a more sustainable product truly is. There are currently several initiatives taking place:

- Environmental friendly PVC materials which are not using phthalate-based plasticizers and laminated with recycled polyester textiles for coated fabric versions;
- ADCA-free foamed products in PVC, TPE and PUR;

- Enlarged product range – all butanonoxyme free – from coated high-solids to extruded TPU with minimized smell and emissions and superior performance and haptic perception. Also available are full plant-based materials in this range; - Lightweight materials with included aesthetic features such as polymer/textile surface hybrids and optional features such as digital printing.





TMG Automotive maintains a careful surveillance related to potential harmful substances and is constantly trying to design new and safer products. Despite not having our own restricted substance list, TMG Automotive follows some official and much entrusted lists such as REACH and GADSL. Design for dismantling can also be an important means to achieve a reduced environmental impact regarding end of life and disposal. However, this product phase is quite distant from TMG Automotive occupation area, being mostly managed by end-of-life vehicles directives. Nonetheless, this can unveil as suitable and executable path on the long run.

Solvent-based lacquers are one of the main sources of VOC emissions associated with TMG Automotive's activities as TMG

production consumes organic solvent both in product formulation and as a cleaning agent. TMG Automotive is tackling this issue through the use of cleaner alternatives, such as water-based lacquers.

Between 2015 and 2016, not much has changed in water-based lacquer usage. However, starting from 2017, water-based lacquers increased significantly due to tighter emission laws and automotive industry's green initiatives. Nonetheless, a significant volume of organic solvents are still being used till this day. To reduce its adverse environmental impacts, cleaning solvent residues are vacuum loaded to 200 liter distiller where it is then heated, also under vacuum, to evaporate. Vapors are then condensed and transferred through

a liquid ring pump to a drum where are collected for future use.

TMG Automotive is covered by the Special Provisions for installations and activities using organic solvents, included in IED – Industrial Emissions Directive and elaborates yearly a Solvent Management Plan that demonstrates the compliance with limit values for residual gas emissions, diffuse emission values and total emissions limit.

Moreover, TMG Automotive has a surveillance team responsible for its raw-materials harmfulness so the VOC emissions can be diminished or eliminated. To accomplish this, there is a list of prohibited substances and substitutes to potential harmful substances are constantly being investigated.







### Challenge 3: Efficient Use of Resources in Value Creation





















As previously stated, TMG Automotive is deeply committed in a more efficient use of resources in value creation. Producing high-quality products while protecting the environment and focusing in resource depletion prevention can be achieved by lighter products, energy and water efficiency, waste reduction and through a thorough selection of raw-materials suppliers, maintaining (or, better yet, improving) product functionality.

A methodological selection of raw material suppliers is also of crucial importance due to several factors, including used production technologies and raw-material delivery. Transportation can be of high significance when carbon footprint is concerned, considering on where the raw material is coming from and how - and how often - this raw-material is delivered. As so, TMG Automotive chooses, whenever possible, national suppliers for a reduced transportation carbon footprint.

Inside TMG Automotive grounds, and since a small quantity of water is used in our process, our main focus areas are energy efficiency and waste reduction. One may say that if a business produces waste, then most likely is wasting money.

Carbon emissions are one - or the ubiquitous topic while discussing sustainable development and can be tackled on various

fronts, from small initiatives as becoming a paperless company to huge savings as installing your own (renewable) energy production facility.

As mentioned. TMG Automotive is continuously undertaking several initiatives and projects to improve energy and water efficiency as well as waste reduction and waste management.



### 1. Addressing resource and energy issues

TMG Automotive is an energy intensive consumer, being continuously upgrading its facilities and technology in order to achieve a high efficient use of resources and consequently reduce its environmental impacts. In 2012 an energy audit was performed that resulted in a 5 years' plan with several initiatives to reduce energy consumption:

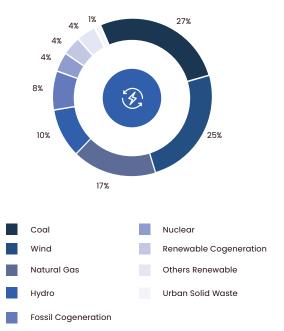
- Implementation of an energy management system allowing online monitoring of the energy consumption;
- Rationalization of the air treatment unit (Regenerative Thermal Oxidation);
- Increase of lightning efficiency in the production facilities, a contribution to the goals of *Sustainable Energy for All* (SE4ALL) initiative:
- Increase of energy efficiency of several equipments by the installation of electronic frequency variators.

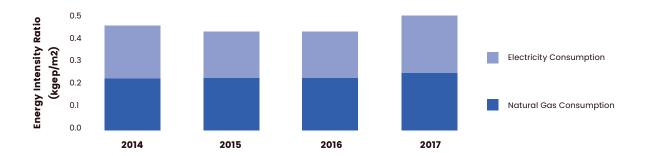
All these initiatives led to a reduction in energy intensity ratio of 8.4% between 2014 and 2017. In its activity, TMG Automotive consumes essentially electricity and natural gas.

Electricity consumption is distributed by 3 major consumers: Process equipment, utility units and climatization. The biggest consumers of natural gas are the boilers to produce thermal energy and the Regenerative Thermal Oxidation (RTO) unit used for treatment of the air emissions from the plant. The boilers will be equipped with a heat recovery system that uses the heat from the combustion gases for the inlet air preheating. Both electricity and natural gas intensity ratio increased due to the start-up optimizations on the new plant.

The energy sources for the electricity production are outside TMG Automotive's control and are represented in the following figure:

The renewable sources of electricity accounts for 39% of total electricity consumed.





### 2. Managing water resources

Water in TMG Automotive comes from three different sources: municipal water, surface and ground water. Municipal water is consumed for human usage and in the laboratory. Surface and ground water are mainly associated with cooling water, representing over 95% of water consumption. Surface water is withdrawn from the river and used in TMG Automotive's main plant, while ground water is used at Auto II. Both surface and ground water are fairly abundant in this region and as so, no risks of water shortage are foreseen.

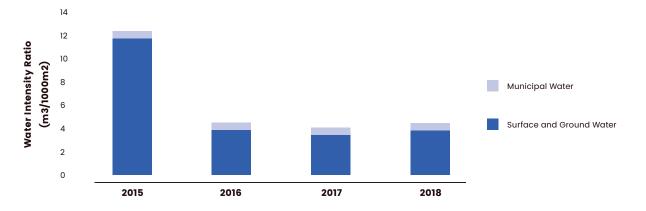
The cooling systems consist of cold water and a circuit of chilled water dedicated to the more demanding processes (with higher requirements in terms of temperature). The surface water is also used in the equipment's' washing.



As a result of continuously monitoring and initiatives for managing water resources at TMG Automotive facilities, specific water consumption has been decreasing in the last years. In 2016, TMG Automotive specific consumption decreased by 69%. The biggest impact resulted from the replacement of an

open loop system by a closed loop system of chilled water.

TMG Automotive target is to continuously monitor water consumption in order to keep our specific water consumption as low as it is today.





#### 3. Initiatives for waste reduction

Waste streams are one of the outputs from the industrial activity of TMG Automotive and are managed accordingly, ensuring environmental and human health protection.

TMG Automotive generated residues are selectively collected by type and harmfulness (hazardous and non-hazardous), stored in eco-points and then forwarded to the respective licensed waste disposal operators. All the qualitative and quantitative information about waste is reported to the Portuguese Environmental Agency through the integrated map of waste registration.

The hazardous waste is mainly constituted

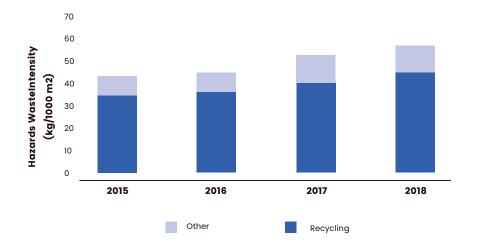
by adsorbents, filters, cleaning cloths, protective clothing contaminated by hazardous substances and solvent and water based liquors. The hazardous waste is predominantly treated and recycled. The hazardous waste increase is due to water based liquors originated from the equipment cleaning process.

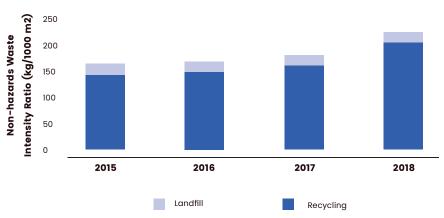
The non-hazardous waste is the most critical due to their significant intensity ratio and is mainly composed of composite plastic residues, constituted mainly by plasticized PVC, textile and foam. The complexity of dealing with these residues is due to the general difficulty to separate the composite in its forming layers. The increase of non-hazardous intensity ratio is explained by a change in the type of products as there was

an increase in foamed laminated products resulting in an increase in PUR foam residues.

The goal of TMG Automotive is to minimize the waste generated and specifically the waste that goes to landfill. The main initiatives to improve waste and water management are the following:

- Reduce water usage for water-based lacquering systems cleaning;
- Improve waste collection by polymeric matrix type (e.g. PVC, PUR and TPO), with or without textile/ foam *etc*;
- Identify partnerships to reuse our most critical waste materials through waste valorization (upcycling).





# Challenge 4: Ensuring Corporate Ethics and Legal Compliance



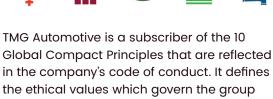












in the company's code of conduct. It defines the ethical values which govern the group in its compromise with Portuguese and European Union labor laws compliance, in a way that promotes health, safety and the best work condition for all its employees.

The code of conduct addresses the following themes:

Child Labor: Child labor is not permitted.

**Forced Labor:** Forced labor is not permitted, whether in the form of forced labor imposed by physical force or in the form of threats, intimidation and/or any other means of coercion.

**Health and Safety:** TMG Automotive considers the industry's prevailing knowledge and all associated risks in order to ensure that the working environment is safe, healthy and that adequate measures

are taken to prevent accidents and personal injury that may arise during work, minimizing, as far as possible, danger causes inherent to the work environment, taking into account the country's prevailling laws. TMG Automotive has appointed a management representative responsible for aspects of the company. Employees receive regular training on essential issues and this training is given to all new employees and those who change their function on workplace.

Access to sanitary facilities with adequate hygiene conditions are available to all employees. Access to drinking water and, where appropriate, adequate food storage is ensured.

Production sites are maintained in accordance with applicable laws and regulations and procedures are in place ensuring protection for all employees against risk of fire, accidents and contact with toxic substances. Lighting, ventilation and heating/cooling systems must be adequate.



**Discrimination:** Discrimination in hiring, remuneration, access to training, promotion, termination or retirement based on criteria of race, social class, origin, religion, disability, gender, sexual orientation, trade union membership or political affiliation is not allowed.

Harassment and abuse: The use of corporal punishment, threat of physical, sexual, verbal abuse or other types of harassment are not tolerated.

**Working Hours:** Working hours must be in accordance with national laws and specific to the industrial activity or with that which offers greater protection.

In all cases, employees are not required to work regularly for more than 48 hours per week and are entitled to at least one rest day for each 7-day period.

Overtime will be voluntary, and may not exceed 12 hours per week and will not be required on a regular basis. Overtime will be compensated according to the applicable legislation or better.

**Remuneration:** Wages are paid directly to employees in full compliance with all applicable laws.

Freedom of association and right to collective bargaining: Employees have the right to join or form trade unions by their own choice and to conduct collective bargaining without any form of penalty as a result.

The points referred in this code of conduct constitute minimum standards and are understood by TMG Automotive as a step forward in continuous improvement in working conditions and protection of its employees.







### **Challenge 5: Enhance Workplace Wellbeing**

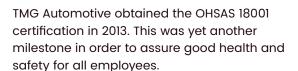












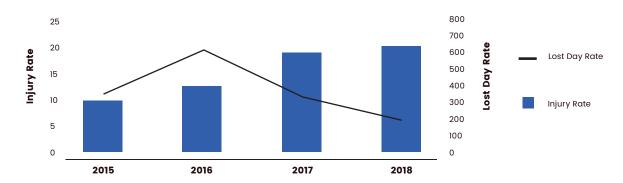
Several health and safety tools are employed in TMG Automotive's facilities to continuously improve performance in this area, such as:

- 1. Risk Assessment:
- 2. Occupational healthcare;
- 3. Health and Safety Training;
- 4. Health Promotion Campaigns.

Employees' health and safety is of vital importance for TMG Automotive as we believe that healthy, accomplished and motivated employees are the base ground for a successful and thriving company. Having an effective Health and Safety Department has innumerous advantages ranging from employee commitment to higher productivity. There are several benefits for TMG Automotive employees as life insurance and childcare cost coverage to all female employees till a defined threshold.

Also, TMG Automotive believes that by assuring a strong and fruitful health and safety program, other companies, both clients and suppliers, by peer pressure, will improve their health and safety agenda. As mentioned, a good health and safety plan will lead to a higher productivity due to several factors, ranging from higher employee commitment and cooperation, more productive employees allied to more effective work techniques and also a higher talent retention and recruitment. In order to continuously improve employee's health and safety, TMG Automotive monitors key performance indicators such as injury rate and lost day rate.

2016 was a turning point regarding employee number, with a great number of new unexperienced employees starting work at TMG Automotive. Although inexperience should not be an excuse for higher injury rates and consequently days lost, there is in fact a higher work accident probability with new employees, especially regarding minor injuries as knife cuts and pinched fingers. Although TMG Automotive believes in a preventive approach, every accident was used as a learning lesson and adequate measures were taken.



### **Challenge 6:** Boost Sustainable Sourcing

















TMG Automotive, in the last couple years, has been integrating sustainability practices in its supply chain, emphasizing the alignment between suppliers' practices with TMG Automotive's sustainability agenda and compliance with UN Global Compact principles is expected.

There is a Purchasing Policy, transversal to all TMG Group that contains, inter alia, the following: Ethical Principles, Conflict of Interests and Supplier Evaluation.

#### **Ethical Principles:**

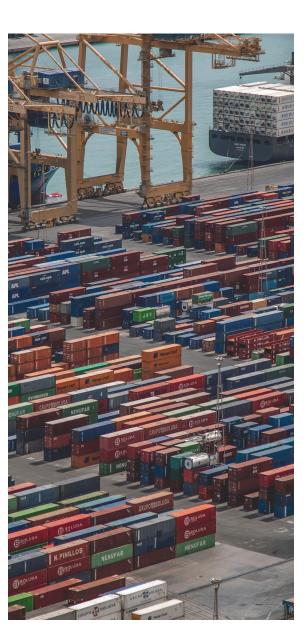
In contact with suppliers, each element of the the Purchasing Department is representing all TMG Group and should act accordingly, using standards of conduct and ethical principles that assure a long-term professional relation based on the search for better and more affordable solutions, based on the grounds that TMG Automotive is a responsible and fair company.





#### **Conflict of Interests:**

Any form of acquisition that can benefit directly any collaborator is forbidden, unless that the purchasing process is completely transparent and obtains full approval from three elements of the Purchasing Group being the Purchasing Department Director necessarily one of the intervenients.



### **Supplier Evaluation:**

Supplier evaluation and selection are done differently according the service/product type offered.

There are two critical moments involved:

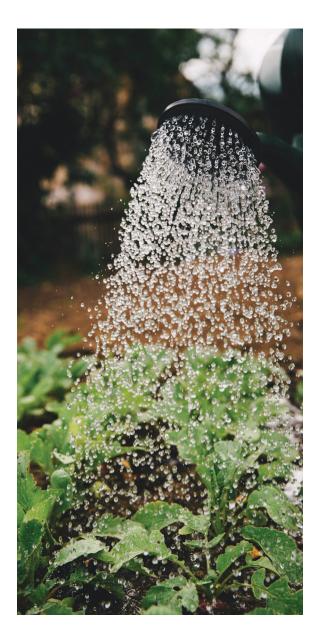
- 1. Initial Supplier Evaluation (Qualification) determines the inclusion or exclusion from TMG Automotive's supplier list. It is based on a questionnaire sent to the potential supplier that covers quality, social and environment issues. According to the questionnaire answers, the supplier is then placed in one of the following groups: approved, provisional/under surveillance and disapproved.
- 2. Continuous Supplier Assessment evaluation done to the approved suppliers over time. Evaluates suppliers' performance and their maintenance in the supplier list. An analysis to the suppliers' quality, deadlines and supplied quantities, organizational level, quality management, environment, social, documentation and competitiveness. This evaluation is done by three different departments: Research & Development, Logistics and Purchasing Departments, being the last responsible for all the evaluation process and with 4 criteria in mind:

- Day to day performance (logistic performance regarding deadline and quality deviations);
- Technical Information (raw material composition and approval standards compliance);
- Management System (quality and environmental certifications);
- Organizational Performance (claims, competitiveness, delivery quality and technical support).

Along with what has been described, TMG Automotive performs audits where environmental and social criteria are used to evaluate suppliers.

### **National supplier Preference:**

Whenever possible, TMG Automotive opts for national suppliers, seeking to boost and develop the Portuguese economy. Also, since TMG Automotive is located in Portugal, Portuguese suppliers will be characterized by a lower carbon footprint regarding product transportation.



### Challenge 7: Life after Waste









Addressing waste is becoming ever more a prominent topic inside TMG Automotive. When dealing with waste upcycling, knowing the quantity and waste types produced is of essential importance. This information can be used to find and negotiate waste recycling services that fit our sustainability agenda. Also, appropriate reuse and recycling techniques will reduce the need of new raw materials extraction, contributing then to halt resource depletion and reduce greenhouse gas emissions.

As TMG Automotive's waste is mostly composed of highly complex polymeric matrices, coupled with textiles and foams, there is often the need of a deep know-how in composite recycling. So TMG Automotive can meet its goals teams up with several initiatives and institutions to continuously improve its waste impact. It is also of vital importance to scrutinize waste production and TMG Automotive is tackling this issue by better characterize its residues (e.g. by polymeric matrix) so it can have a better control of its own waste in order to promote

more efficient solutions and accelerate future developments.

Besides contributing for environmental performance, waste reduction programs and projects can have several benefits inside an organization such as cut disposal costs and improve a company's bottom line.

There are several working initiatives in which TMG Automotive is involved, e.g in the scope of EATS – European Automotive Trim Suppliers, TMG Automotive joined VinylPlus in 2013. This project aims to establish together with European PVC producers a 10 year long commitment to the sustainable development. Proposes to face environmental challenges regarding PVC and institute a long term board to the continuously sustainable development in the PVC supply chain.

The VinylPlus initiative has its core in 4 key goals for the PVC Industry:

- 1. Controlled-loop management
- 2. Organochlorine emissions
- 3. Sustainable use of additives
- 4. Sustainable Energy & Climate Stability

Together with its partners, TMG Automotive is continuously scouting for waste upcycling initiatives and partners in order to upgrade its waste disposal methods and create *life after waste*.





# **Challenge 8:** Tackling Global Warming through Climate Protection











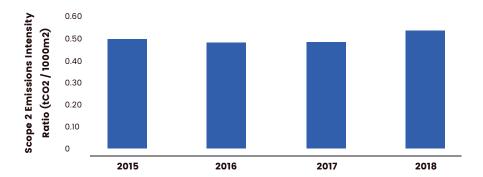


Climate Protection and Global Warming are one - or the - major topic when environment protection is mentioned as it is a multidecade global challenge. As climate change is a global issue, and to limit global warming to only 2°C above pre-industrial days, industries should serve as examples of how to act. The industry global warming share comes mainly from energy and raw material consumption and production processes. There is a lot industry can do to mitigate climate change, ranging from reforestation to energy efficiency. One possible way to fight global warming is dematerialization - achieving a product with the same quality and functionality but using increasingly less energy and raw materials. This action line is completely congruent with TMG Automotive's line of thinking.

Despite energy reduction and increasingly energy efficiency, some energy is going to be used anyhow. In order to minimize energy consumption environmental impacts including global warming, clean renewable energy sources should be preferred.

TMG Automotive, as by now, does not produce its own energy and is fully dependent on energy suppliers for its electricity needs. Although not an energy producer, TMG Automotive can still choose its supplier based on its environmental performance and energy source and thus influence its Scope 2 carbon emissions.

Since 2006 gas effluents are treated in an equipment developed to treat gas emissions by thermal regenerative oxidation (Regenerative Thermal Oxidizer – RTO). This system uses a high-temperature ceramic material bed to eliminate organic compounds.



### **GRI Table**

<b>Disclose Number</b>	<b>Disclose Title</b>	Disclose Description	Information	Page
102-1	Name of the organization	a. name of the organization	TMG Automotive - Tecidos Plastificados e Outros Revestimentos para a Indústria Automóvel, S.A	
102-2	Activities, brands, products, and services	<ul> <li>a. a description of the organization's activities</li> <li>b. primary brands, products, and services, including an explanation of any products or services that are banned in certain markets</li> </ul>		09, 10
102-3	Location of headquarters	a. location of the organization's headquarters	Rua Comendador Manuel Gonçalves, nº 25, São Cosme Do Vale, 4770-590 Vila Nova de Famalicão, Portugal	
102-4	Location of operations	<ul> <li>a. number of countries where the organizations operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report</li> </ul>	The production facilities are all located in norther Portugal.	
102-5	Ownership and legal form	a. nature of ownership and legal form		09
102-6	Markets served	a. markets served, including:     i. geographic locations where products and services are offered;     ii. Sectors served;     iii. Types of costumers and beneficiaries	Automotive Industry. 77% European, 2.2% African, 12.6% Asian, 8.0% North America and 0.2% South America.	
102-7	Scale of the organization	a. scale of the organization, including: i. total number of employees; ii. Total number of operations; iii. Net sales (for private sector organizations) or net revenues (for public sector organizations) iv. Total capitalization (for private sector organizations) broken down in terms of debt and equity; v. quantity of products or services provided.	As of 31.12.2018: 605 employees, 2 production sites. Net Sales 2017: € 126.6 Million with a Compound Annual Growth Rate (CAGR) of 8.4%.	
102-8	Information on employees and other workers	a. total number of employees by employment contract (permanent and temporary), by gender. b. total number of employees by employment contract (permanent and temporary), by region. c. total number of employees by employment type (full-time and part-time), by gender. d. whether a significant portion of the organization's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees. e. Any significant variations in the number reported in 102-8-a, 102-8-b and 102-8-c. f. an explanation of how data have been compiled, including any assumptions made.	As of 31.12.2018: 605 employees, 21% female, and 41% temporary. All employees reside in northern Portugal.	

<b>Disclose Number</b>	Disclose Title	Disclose Description	Information	Page
102-9	Supply chain	<ul> <li>a. a description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products and services.</li> </ul>		10
102-10	Significant changes to the organization and its supply chain	a. significant changes to the organization's size, structure, ownership, or supply chain, including: i. changes in the location of, or charges in, operation, including facility openings, closing, and expansions; ii. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations); iii. changes in the location of suppliers, the structure of the supply chain, or relationship with suppliers, including selection and termination.		09, 10
102-11	Precautionary Principle of approach	a. whether and how the organization applies the Precautionary Principle or approach.	Planned for 2019	
102-12	External Initiatives	<ul> <li>a. A list of externally-developed economic, environmental and social charters, principles, and or other initiatives to which the organization subscribes, or which it endorses.</li> </ul>	United Nations Global Compact and the United Nations 17 Sustainable Development Goals	
102-13	Membership of associations	<ul> <li>a. a list of the main memberships of industry or other associations, and national or international advocacy organizations.</li> </ul>	Planned for 2019	
102-14	Statement from senior decision- maker	<ul> <li>a. a statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy for addressing sustainability.</li> </ul>		03, 04
102-16	Values, principles, standards, and norms of behavior	a. a description of the organization's values, principles, standards, and norms of behavior.		
102-18	Significant changes to the organization and its supply chain	a. Governance structure of the organization, including committees of the highest governance body.     b. Committees responsible for decision-making on economic, environmental, and social topics.	Meeting Table Of Shareholders: D. Maria Helena Ferreira da Costa Gonçalves Folhadela de Oliveira - President, Dr. Horácio da Costa Azevedo - Secretary.  Administration Council: Dr. António Manuel Ferreira da Costa Gonçalves - President, Dr. Isabel Maria Gonçalves Folhadela de Oliveira Mendes Furtado - Vice-President, DR. Manuel António Carvalho Gonçalves - Vowel, Price Waterhouse Coopers & Associados, SROC, Lda. Represented by Sr. Dr. António Joaquim Brochado Correia or by Dr. José Pereira Alves, Dr. Hermínio António Paulos Afonso - substitute.  The management teams consists of the CEO, Marketing and Business Manager, R&D Manager, Quality, Environment, Safety and Health Manager, Maintenance Manager, Production Manager, Financial Manager, Procurement Manager, Logistics Manager and IT Manager.	

. .

. .

• •

Disclose Number	Disclose Title	Disclose Description	Information	Page
102-40	List of stakeholders groups	a. a list of stakeholders groups engaged by the organization	Owners/shareholders, directors, employees.	
102-41	Collective bargaining agreements	a. percentage of total employees covered by collective bargaining agreements.	ca. 1%.	
102-42	Identifying and selecting stakeholders	a. the basis for identifying and selecting stakeholders with whom to engage	Owners/shareholders, directors, employees.	
102-43	Approach to stakeholder engagement	<ul> <li>a. the organization's approach to stakeholders, including frequency of engagement by type and stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.</li> </ul>		14
102-44	Key topics and concerns raised	a. key topics and concerns that have been raised through stakeholder engagement, including:     i. how the organization has responded to those topics and concerns, including through its reporting,     ii. The stakeholders groups that raised each of the key topics and concerns		15
102-45	Entities included in the consolidated financial statements	<ul> <li>a. a list of all entities included in the organization's consolidated financial statements or equivalent documents.</li> <li>b. whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.</li> </ul>	TMG Automotive - Tecidos Plastificados e Outros Revestimentos para a Indústria Automóvel, S.A.; TMG - Tecidos para Vestuário e Decoração, S.A.; Lightningsbolt Europe, S.A.; TMG - Acabamentos Téxteis, S.A.; SPE - Sociedade de Produção de Electricidade e Calor, S.A.; GPSA - Têxteis, S.A.; ARCO JMRG, Lda.	
102-46	Defining report content and topic Boundaries	<ul><li>a. an explanation of the process for defining the report content and the topic boundaries.</li><li>b. an explanation of how the organization has implemented the Reporting Principles for defining report content.</li></ul>		15, 16
102-47	List of material topics	a. a list of the material topics identified in the process for defining report content.	Efficient Use of Resources in Value Creation; Innovation; Sustainable Products; Compliance; Occupational Health and Safety; Climate Protection and Air; Sustainable Sourcing; Waste Management; Employee Developing and Training; Ethic and Human Rights; Attractiveness as an employer, Diversity and Equal Opportunities; Communities.	
102-48	Restatements of information	<ul> <li>a. the effect of any restatements of information given in previous reports, and the reasons for such restatements.</li> </ul>	n/a	
102-49	Changes in reporting	a. significant changes from previous reporting periods in the list of material topics and topic boundaries.	n/a	
102-50	Reporting period	a. reporting period for the information provided.	2017	

<b>Disclose Number</b>	Disclose Title	Disclose Description	Information	Page
102-51	Date of most recent report	a. If applicable, the date of the most recent previous report.	n/a	
102-52	Reporting cycle	a. reporting cycle.	Annual	
102-53	Contact point for questions regarding the report	<ul> <li>a. The contact point for questions regarding the report or its contents.</li> </ul>		
102-54	Claims of reporting in accordance with the GRI Standards	<ul> <li>a. The claim made by the organization, if it has prepared a report in accordance with the GRI Standards, either:</li> <li>i. 'This report has been prepared in accordance with the GRI Standards: Core option';</li> <li>ii. 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'.</li> </ul>	This report has been prepared in accordance with the GRI Standards: Core option.	
102-55	GRI content index	a. The GRI content index, which specifies each of the GRI Standards used and lists all disclosures included in the report; b. For each disclosure, the content index shall include: i. the number of the disclosure (for disclosure covered by the GRI Standards); ii. the page number(s) or URL(s) where the information can be found, either, within the report or in the other published materials; iii. if applicable, and where permitted, the reason(s) for omission		34-40
102-56	External assurance	a. a description of the organization's policy and current practice with regard to seeking external assurance for the report. b. if the report has been externally assured: a. a reference to the external assurance report, statements, or opinions. If not included in the assurance report accompanying the sustainability report, a description of what has and what has not been assured and on what basis, including the assurance standards used, the level of assurance obtained, and any limitations of the assurance process; ii. the relationship between the organization and the assurance provider; iii. whether and how the highest governance body or senior executives are involved in seeking external assurance for the	Planned for 2019.	
302-3	Energy	a. Energy intensity ratio for the organization; b. Organization-specific metric (the denominator) chosen to calculate the ratio; c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all; d. Whether the ratio uses energy consumption within the organization, outside of it, or both	Only fuel and electricity were considered as TMG Automotive does not use heating, cooling or steam	

• •

. .

. .

. .

<b>Disclose Number</b>	<b>Disclose Title</b>	Disclose Description	Information	Page
302-4	Energy	a. amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples; b. types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all; c. basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it; d. Standards, methodologies, assumptions, and/or calculation tools used; d. Standards, methodologies, assumptions, and/or calculation tools used.	Information present in Relatório Auditoria Energética.	
303-1	Water and Effluents	a. Total volume of water withdrawn, with a breakdown by the following sources; i. Surface water, including water from wetlands, rivers, lakes, and oceans; ii. Ground water; iii. Rainwater collected directly and stored by the organization; iv. Waste water from another organization; v. Municipal water supplies or other public or private water utilities; b. Standards, methodologies, and assumptions used; c. Specific consumption of surface water; d. Specific consumption of municipal water; e. Surface Water Percentage.		25
305-4	Emissions	a. GHG emissions intensity ratio for the organization; b. Organization-specific metric (the denominator) chosen to calculate the ratio; c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3); d. Gases included in the calculation; whether CO2, CH4, N20, HFCs, PFCs, SF6, NF3, or all.	Only Scope 2 emissions were considered. Scope 2 emissions were calculated with the energy mix provided by the electricity provider.	

Disclose Number	Disclose Title	Disclose Description	Information	Page
306-2	Effluents and Waste	a. total weight of hazardous waste, with a breakdown by the following disposal method where applicable: i. reuse; ii. Recycling; iii. Composting; iiv. Recovery, including energy recovery; v. Incineration (mass burn); vi. Deep well injection; vii. Landfill; viii. On-site storage; ix. Other (to be specified by the organization); b. Total weight of non-hazardous waste, with a breakdown by the following disposal method where applicable: i. reuse; ii. Recycling; iii. Composting; iv. Recovery, including energy recovery; v. Incineration (mass burn); vi. Deep well injection; vii. Landfill; viii. On-site storage; ix. Other (to be specified by the organization); c. How the waste disposal method has been determined: i. Disposed directly by the organization, or otherwise directly confirmed; ii. Information provided by the waste disposal contractor; iii. Organizational defaults of the waste disposal contractor;	Waste disposal methods were provided by the waste disposal contractors.	
307-1	Environmental Compliance	<ul> <li>a. Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in terms of:</li> <li>i. total monetary value of significant fines;</li> <li>ii. total number of non-monetary sanctions;</li> <li>iii. cases brought through dispute resolution mechanisms;</li> <li>b. if the organization has not identified any non-compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.</li> </ul>	There were no significant fines; only two non-compliance situations were identified and both were related with miscommunication and not with environmental legal targets.	
308-1	Supplier Environmental Assessment	a. Percentage of new suppliers that were screened using environmental criteria	All potential suppliers are screened using environmental criteria prior to becoming actual suppliers.	
403	Occupational Health and Safety	a. types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: i. region; ii. Gender; b. types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: i. region; ii. gender; c. the system of rules applied in recording and reporting accident statistics.		29

<b>Disclose Number</b>	<b>Disclose Title</b>	Disclose Description	Information	Page
414-1	Supplier Social Assessment	a. Percentage of new suppliers that were screened using social criteria.	All potential suppliers are screened using social criteria prior to becoming actual suppliers.	
416-2	Customer Health and Safety	The reporting organization shall report the following information:  a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by: i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. b. If the organization has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.	TMG Automotive did not identified any non-compliance with regulations and/or voluntary codes.	

### **Contacts**



catarina.dias@tmgautomotive.pt



andre.pereira@tmgautomotive.pt

### **Cautionary Statement:**

The present sustainability report took a lot of time and effort to write, especially because it was the first from TMG Automotive and so many fronts were tackled in just one year. Although accuracy was one of the main purposes when gathering all the data necessary, error cannot be fully excluded and could be present in various forms throughout the report. This report was built to enhance transparency with TMG Automotive stakeholders and to disseminate what we think are good practices; it is therefore not meant to be used as a base for any third party decisions and TMG Automotive does not assume responsibility regarding these decisions.

