

NON-FINANCIAL STATEMENT

2020



TEKNOS NON-FINANCIAL STATEMENT 2020

This Non-Financial Statement for the calendar year 2020 has been prepared in accordance with EU Directive 2014/95/EU and the Swedish Annual Accounts Act. The Statement covers all of Teknos' 35 legal entities in 23 countries and excludes Teknos' outsourced manufacturing. The Statement is published separately from the Financial Statement. Teknos is in the process of establishing its sustainability reporting procedures at group level and, therefore, some metrics cover part of its global operations. In these cases, a description of the scope is provided.

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BUSINESS OVERVIEW

Teknos is a global coating solutions provider, headquartered in Helsinki. We are one of Finland's largest family-owned businesses and are among Europe's leading providers of industrial coatings.

Our mission is to make the world last longer by providing smart, technically advanced coating solutions to protect and prolong. Our portfolio includes a comprehensive range of paint and coating systems and services for industrial, professional, and domestic customers. Our largest target customer groups include machinery, energy, construction, exterior and interior building materials, professional and DIY painters, and distributors. A best-in-class customer experience, industry-driven product quality, an uncontested heritage, and committed people form the basis for Teknos' success.

At the end of 2020 Teknos had achieved net sales of 384 million euros and employed an average of 1776 people in 23 countries. Teknos was ranked as the 37th largest coatings company in the world and the 10th largest in Europe, by annual net sales.

OPERATING YEAR 2020

An exceptional year: COVID-19 pandemic

The rapidly evolving and unprecedented global COVID-19 crisis has shaped 2020 and our operating environment. Mitigating the impact of COVID-19 was central to our operations, with the aim of safeguarding the health and safety of our employees and customers and the continuity of our business. At the beginning of the pandemic, a global crisis management team was established to put in place risk management and

mitigation measures and to coordinate between the group and the countries concerning preventive actions, contingency plans, temporary closures of premises or restricted areas, and rules for reopening.

The health and safety of employees and customers remained the main concern throughout the year for Teknos. We recommended that our employees should work from home whenever possible. At the time of writing this report, the recommendation remains in place. Support was given for working and managing people in a hybrid model in the form of virtual leadership training events and regular information flows. Social collaboration was encouraged in virtual coffee breaks and regular team meetings. Our employees' well-being was followed up through risk assessments. (Read more about our actions on [page 14](#).)

The impact on the sales and operations of Teknos' business areas and geographical areas varied. For example, our decoration business boomed, whereas sales in some of the industrial sectors, such as oil and gas and machinery, were hard hit. To balance the loss of sales, strict cost controls were maintained throughout the year. Measures such as furlough schemes were available for our staff in several countries. Governments adopted different approaches in order to support companies during the pandemic. In some countries, Teknos was entitled to claim from government support programs.

Customer contacts were kept up mainly through virtual channels. Virtual training events and service delivery replaced the traditional ways of meeting face to face. New ways of

working and collaborating, such as the use of virtual reality technology, have increased efficiency and generated new service ideas. These new working methods will remain important in the coming years.

Changes in our operations

In line with its customer-centric strategy and commitment to driving profitable growth, Teknos continued its efficiency improvement projects by strengthening its manufacturing footprint. During the year, Teknos released its plans to invest in a new site in Germany and transfer its operations from the existing three factories to one new site. Teknos also published its plans to transfer its production from the Netherlands and Sweden to other Teknos sites and invest in new sites in both countries. In addition, Teknos closed its depot in Crissier in Switzerland. As a result of these changes, restructuring measures were implemented in those countries. The employees affected were informed as early as possible. Social packages were provided in accordance with the regulations in the relevant countries. People were given help to find a new job.

Other changes led by regulatory movements

With the European Green Deal, the European Commission has restated its commitment to tackling climate and environmental challenges. During 2020, the Commission presented a package of initiatives under the Green Deal. The New Circular Economy Plan and the Chemicals Strategy for Sustainability are among those that will be highly relevant to the coatings industry in the coming years. Teknos is closely monitoring developments and collaborating with industry associations to work within the framework of the Green Deal.

Toward the end of the year, we prepared for Brexit by increasing stock levels. An intermediary was appointed to deal with customs paperwork. Our presence both inside and outside the EU allowed us to find the best supply solution and mitigate logistical problems. To ensure regulatory compliance, we have spent a lot of time evaluating UK regulations. In 2021, substance import notifications and biocide dossier submissions will have to be completed, for example.

Picture: Teknos' global presence 2020

OUR STRATEGY

The Teknos Strategy for 2019-2025 aims to ensure fast and profitable growth. We want to be perceived as the most innovative partner and the most sustainable company in the coatings industry. Our target is to reach net sales of 1 billion euros in 2025 through organic growth and acquisitions. Our strategy consists of five initiatives: balance, customer experience, sustainability, continuous improvement culture, and innovations. Read more about our [Strategy >](#)

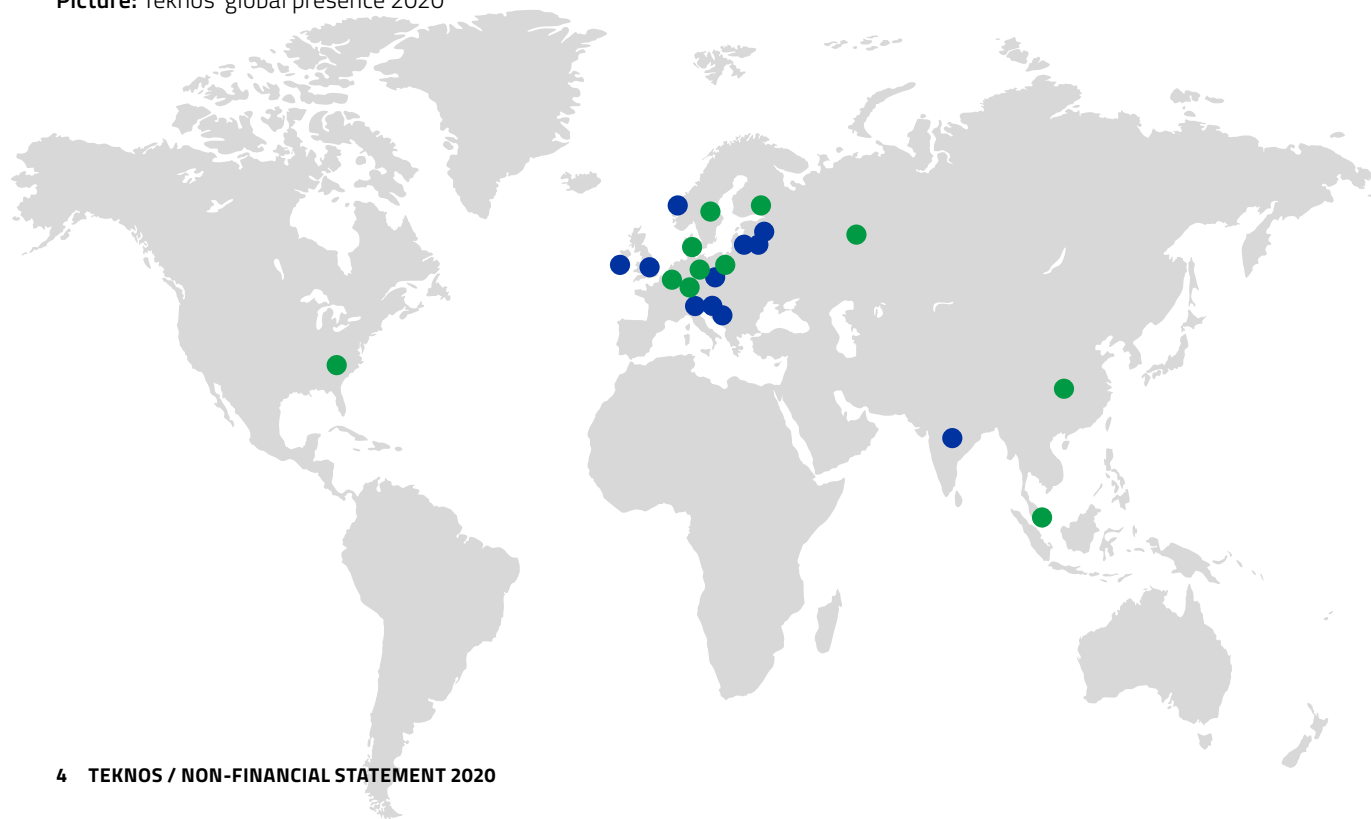
OPERATING ENVIRONMENT

The coatings industry is highly competitive and shaped by evolving chemical regulatory and global sustainability drivers.

Market Development

Globally the coatings market is moderately consolidated with several major global players. Yet, some local markets are highly fragmented with numerous regional players. New business opportunities arise from innovations, geographical and product expansion through collaboration with startups and acquisitions, and sustainable business.

In recent times the growth of investments in infrastructure has raised opportunities for coatings demand in emerging markets, whilst the European market has slowed down due to less investments and economic instability. In addition, the availability and price volatility of raw materials hinder the coatings market growth globally.



Production and Sales

Finland	Liechtenstein	Sweden
China	Malaysia	The Netherlands
Denmark	Poland	USA
Germany	Russia	

Sales

Croatia	Ireland	Slovenia
Czechia	Latvia	Switzerland
Estonia	Lithuania	UK
India	Norway	Ukraine

For Teknos, we aim to grow profitably through both organic growths and acquisitions. One of the initiatives in our Strategy is to gain balance between different target customer groups and geographical balance of Teknos operations.

Regulatory Environment

In the European Union (EU), some of the most important chemical regulations that apply to our industry are REACH (1907/2006), the Classification, Labelling and Packaging (CLP) Regulation (1272/2008), and the Biocidal Products Regulation (528/2012). Under these regulations, the use of regulated substances is heavily restricted and requires coatings companies to fulfill obligations which include registering the use of chemicals, providing information concerning the safety of chemicals, substituting hazardous chemicals, and training downstream users.

Outside the EU, moves are being made in some countries to introduce chemical regulatory systems similar to those in the EU.

In recent years, there has been a shift in the legislation on volatile organic compounds (VOCs). VOC regulations in the EU and the U.S. have been relatively stable, whilst China has become the most active area. VOCs are regulated by means of the VOC content of products and limits on VOC emissions from certain industrial activities. The VOC content of Teknos products complies with the regulations in our sales markets. With regard to VOC emissions, the increasingly strict controls in China have required measures to be taken quickly in our Chinese factory and have led us to provide greater support for our customers in China to help them move to lower VOC alternatives.

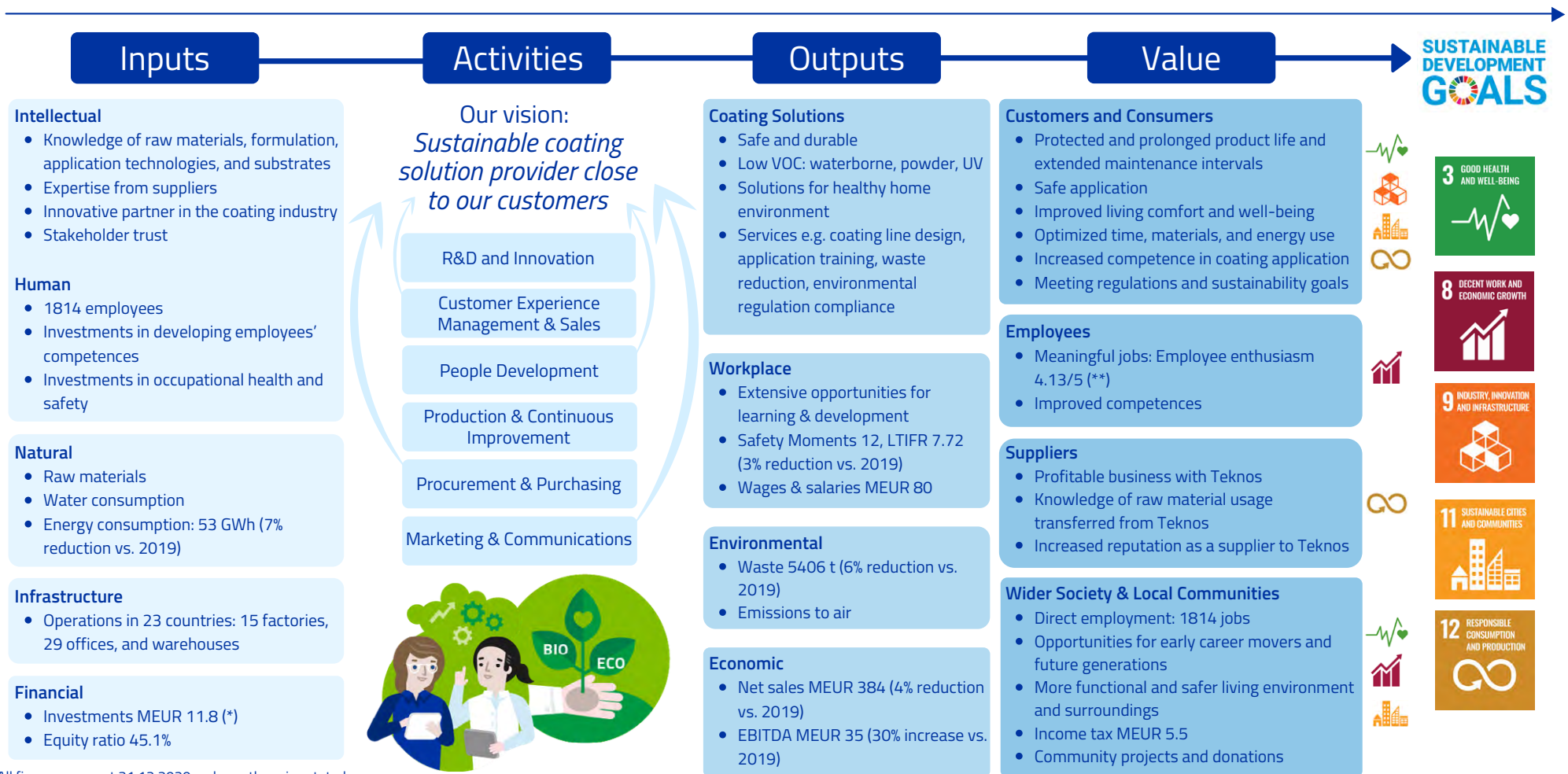
In its chemical strategy, Teknos takes a proactive approach to phasing out substances of high concern and reducing the VOC content of its products. We have set ourselves specific targets in the [Teknos CSR Program](#). At Teknos we believe that our proactive approach will allow us to stay one step ahead of future regulatory requirements and to benefit from the market opportunities that follow the ban on a substance.



HOW WE CREATE VALUE

Teknos creates value for customers, employees, suppliers, and society on many levels. Our value creation model below depicts the most important resources we use to implement our mission, vision, and strategy, and the main outputs and value our activities create for our key stakeholders.

We are on our mission to make the world last longer by providing smart, technically advanced paint and coating solutions to protect and prolong.



All figures are as at 31.12.2020, unless otherwise stated.

(*) Additions to non-current assets (**) Scores measured in Employee Opinion Survey in 2019

SUSTAINABILITY MANAGEMENT

Our objective is to become the most sustainable company in the coatings industry. Our strategy was revised in 2018 and we established the Teknos Corporate Social Responsibility (CSR) Program. The CSR Program defines our aims for 2025 and focuses on four areas, which have specific key performance indicators (KPIs) and targets (see [page 9](#)).

GOVERNANCE

The Teknos Management Team, headed by the CEO, oversees and approves the implementation of the CSR Program and the sustainability activities. The Board of Directors is duly informed about the progress and strategic decisions. The Chief Procurement Officer has overall responsibility for the strategic sustainability initiative.

Everyday sustainability issues are managed by a designated CSR team in collaboration with all the functions globally. The team consists of experts from key group functions including R&D, HSEQ (health, safety, environment, and quality), human resources, commercial, procurement, product management, and marketing and communications.

The CSR KPIs are included in personal targets tied to the short-term incentive plans of the relevant people on different levels.

MATERIALITY AND STAKEHOLDER ENGAGEMENT

The principal materiality topics do not change on an annual basis within our company or our industry. Therefore, our CSR Program and our targets are long-term measures.

To gain a deeper understanding of stakeholder expectations, we maintain a dialog with our key stakeholders and carry out materiality surveys at the relevant intervals. The most recent materiality survey was conducted during 2019–2020. Over 250 responses were received from our management teams, customers, and suppliers. Most of the issues addressed in our CSR Program are in line with the survey results, which confirms that the Program is moving in the right direction. Read more about our [Materiality Assessment](#) >.

RISK MANAGEMENT

Risk management is a company-wide activity which is the responsibility of the Teknos Group and country management. Managing sustainability-related risks and opportunities forms part of the company's risk management procedures. Country management teams assess risks and monitor risk management processes in annual management review meetings. In addition, certain key sustainability topics, such as environmental, occupational health and safety, and supplier sustainability, have their own risk management processes owned by the respective functions. The principal risks and management procedures for sustainability-related topics are discussed on [pages 10, 13, and 17](#).

Key group policies relating to sustainability

The [Teknos Code of Conduct](#) and topic-specific policies (listed on [pages 10, 13, and 17](#)) cover all areas of Teknos' operations and define the framework for its sustainability activities. All the policies have specific owners and revision intervals. Training is also provided if deemed necessary to ensure effective implementation. In addition to group-level policies, some countries have local environmental and safety policies to accommodate national requirements.

ISO management system standards

The ISO management system standards support an efficient way of working, form the basis for managing sustainability, and enhance risk and opportunity management at Teknos. In June 2020, our strategy for obtaining management system certification was renewed. Certification decisions and systems are managed at a country level. The aim is for all Teknos production facilities to be certified to the Environmental (ISO 14001) and Quality (ISO 9001) Management System Standards by 2025. Some sites may be certified to other management system standards if this is considered to add value.

Management system standard by production site			
Production site	ISO 14001	ISO 9001	ISO 45001
1. China, Shanghai		x	
2. Denmark, Vamdrup	x	x	
3. Finland, Helsinki	x	x	x*
4. Finland, Rajamäki	x	x	x*
5. Germany, Alzenau**		x	
6. Germany, Brüggem**		x	
7. Germany, Fulda**		x	
8. Liechtenstein, Bendern	x	x	
9. Malaysia, Johor		x	
10. Netherlands, Enschede**			
11. Poland, Gdynia		x	
12. Russia, St. Petersburg	x	x	
13. Sweden, Tranemo**	x	x	
14. Sweden, Vedeåå**	x	x	
15. US, Charlotte		x*	

*Newly obtained during 2020

**Future changes: Three German sites will be moved to one new site. Production in the Netherlands and Sweden will be transferred to other Teknos countries.















THIRD-PARTY RATING

In 2020, Teknos conducted the EcoVadis assessment for the first time on a group level. We scored 47 (out of 100) and were awarded the Bronze recognition level for being in the top 50% of 75,000 rated companies. EcoVadis assesses companies' sustainability practices related to the environment, labor and human rights, ethics, and sustainable procurement. Based on the assessment, the strengths and gaps in our current practices were identified. The gaps are covered in our action plans so that we can further develop our approach and our practices.



TEKNOS CSR PROGRAM AND PROGRESS 2020

Our Group CSR Program includes four focus areas, KPIs, and targets for the 2019–2025 strategy period. Our country and function roadmaps are aligned with the Group CSR Program. The table below summarizes our progress. Read more about KPI definitions and multi-year performance on [pages 18–20](#).

Our CSR focus areas	Our commitment	Target 2019–2025	Target 2020	Result 2020	Progress 2020	Contribution to SDGs
1. Sustainable solutions and services	Offering competitive technologies and services that meet the needs of customers while using fewer resources or more sustainable resources.	<ul style="list-style-type: none"> 5% annual reduction in the proportion of VOCs in the total raw material consumption 	5% reduction	2% reduction (vs. 2019)	Not achieved	
		<ul style="list-style-type: none"> Phase out >80% of the amount of REACH SVHC relative to total raw material consumption by 2025 (2018 baseline) 	Phase out 4.5%	Phased out 7.4% (vs. 2018)	Achieved	 
		<ul style="list-style-type: none"> Zero MIT intentionally added to products by 2025 	54% reduction	64% reduction (vs. 2019) Completed the phase-out in decorative coatings produced in Finland	Achieved	 
2. Responsible operations and supply chain	Acting responsibly within the entire value chain, from the sourcing of raw materials to the manufacture and delivery of the finished product safely and on time.	<ul style="list-style-type: none"> 10% annual reduction in LTIFR 	10% reduction	3% reduction (vs. 2019)	Not achieved	
		<ul style="list-style-type: none"> 5% annual reduction in energy use (kWh/L) of production countries 	5% reduction	Same as 2019	Not achieved	
		<ul style="list-style-type: none"> 5% annual reduction in waste (kg/L) in production countries 	5% reduction	1% increase (vs. 2019)	Not achieved	
		<ul style="list-style-type: none"> 95% of direct procurement spend covered by Supplier Code of Conduct by 2025 	85% coverage	86% coverage	Achieved	 
		<ul style="list-style-type: none"> 80% of direct procurement spend assessed by EcoVadis by 2025 	60% coverage	72% coverage	Achieved	 
3. People development	Creating long-term success for our employees and Teknos by developing employee competences and skills. Attracting the best talents.	<ul style="list-style-type: none"> 100% of line managers received Teknos leadership training by 2025 	75% coverage	42% coverage	Not achieved	
		<ul style="list-style-type: none"> 100% of employees have annual appraisal discussion by 2025 	70% coverage	73.4% coverage	Achieved	
4. Future generations	Building a company which future generations will be proud to lead and be a part of. Supporting entrepreneurship education and approach in society. Investing in local communities.	<ul style="list-style-type: none"> 100% of Teknos sites offer opportunities for early career movers by 2025 	30% coverage	50% coverage	Achieved	 
		<ul style="list-style-type: none"> 100% of Teknos sites support or engage in local community activities by 2025 	-	(KPI defined)	Starts from 2021	

ENVIRONMENTAL MATTERS



OUR COMMITMENT

We invest in our manufacturing facilities and digital technologies and implement Kaizen to minimize the environmental impact of our operations.

We aim to produce longer-lasting products, increase the use of sustainable raw materials, and develop innovative, non-conventional surface treatment solutions.

PRINCIPAL IMPACTS AND RISKS

We have identified principal impacts on the environment and the risks relating to it. Our risk management activities are described in **Management Approach** and **Key Activities and Outcomes**. The impacts and the risks that have been identified are:

- The use of materials, water, and energy in our operations affects the environment and may impact people.
- Mishandling of hazardous materials and accidental releases into the environment can cause significant harm.
- During production and use phases, VOCs contained in raw materials are released into the air, which affects the air quality and can pose a potential health risk.
- Evolving chemical regulatory requirements can cause public concerns to change and force us to change our product formulas, manufacturing processes, or product demand. We see these requirements as both risks and opportunities for new sustainable business.

MANAGEMENT APPROACH

Key policies: [Teknos Group QEHS Policy](#); country-specific environmental and quality policies

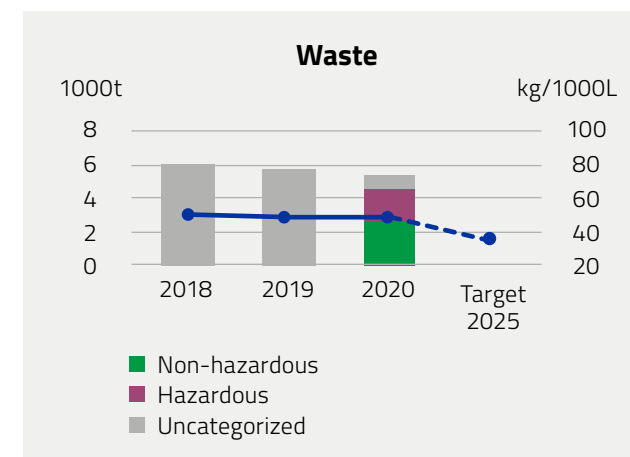
Compliance with environmental regulations and conformance to the ISO 14001 and ISO 9001 standards form the basis of Teknos' environmental management activities. We work to reduce our environmental impacts and risks by actively managing our HSEQ practices, the [CSR focus area 1](#) and [CSR focus area 2](#). On the other hand, we increase our positive impact by means of innovative partnerships and by helping our clients to reach their sustainability goals.

Our environmental risk management activities and the compliance of our operations are led by our group HSEQ function. Additionally, our R&D environmental team is responsible for environmental issues linked to products and actively monitors the development of chemical regulations.

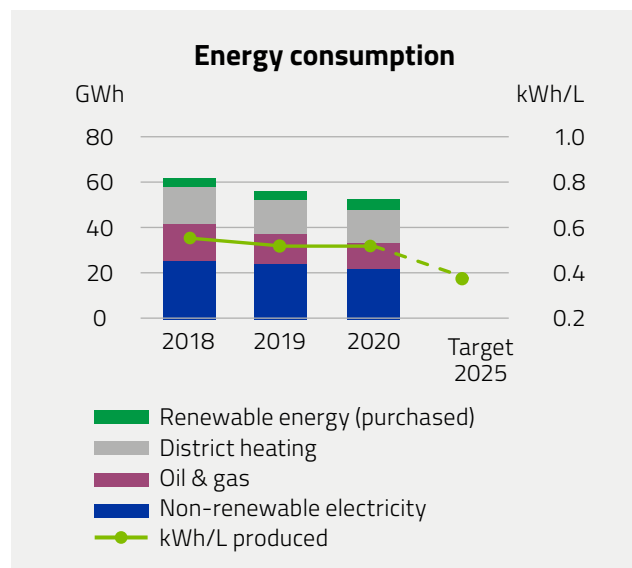
KEY ACTIVITIES AND OUTCOMES 2020

Responsible operations

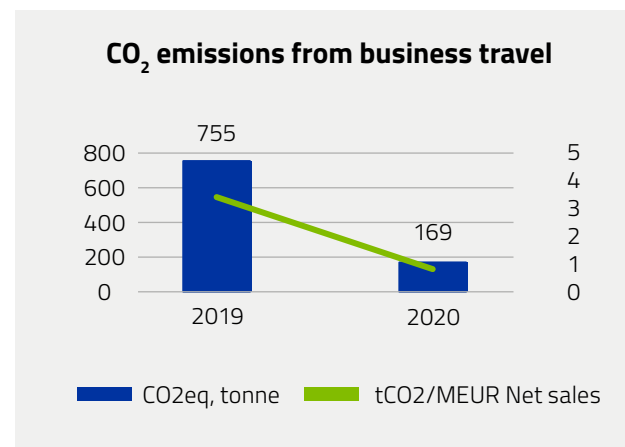
Waste: Teknos' target is to reduce waste amounts relative to production volumes by 5% annually during the 2019-2025 period. In 2020, our relative waste amount went up slightly by 1% compared to the 2019 level. The waste amount in tonnage fell by 6% due to lower production. Our factories in Germany, Liechtenstein, Russia, and China achieved reductions in relative waste amounts. Our focus in the coming years is to analyse waste streams in our operations in order to identify optimization opportunities and to continue R&D projects in utilizing side streams from our production.



Energy: Teknos aims to improve energy efficiency and reduce energy consumption in relation to production by 5% annually during the 2019–2025 period. Our energy consumption (GWh) fell by 7% largely due to lower levels of production compared to 2019. However, energy use relative to production volume, i.e. energy intensity, remained at the same level as 2019. Our production sites in Denmark, Russia, Sweden, China, and Malaysia achieved reductions in energy intensity levels. In 2020, our site in Poland started to purchase renewable electricity. This is in addition to our Danish site, which has operated on renewable electricity since 2018. The renewable electricity that we purchased accounted for 9% (6% in 2019) of our energy consumption. To ensure we will achieve our energy efficiency target in the future, we will invest in energy efficient technologies in our new premises. At the same time, we will continue energy efficiency improvement activities in our current premises. We will also evaluate options to produce or purchase renewable energy.



Carbon emissions: In 2020, we started to gather CO₂ emissions data from business travel from two of our main entities, Finland and Denmark. The emissions were down by 78% from the previous year due to declines in international business travel caused by COVID-19. The circumstances positively accelerated the adoption of online meeting solutions and digital collaboration tools throughout our global operations. These new ways of working will carry on and are expected to reduce our need for business travel in future. We intend to measure carbon emissions from our own operations during 2021.

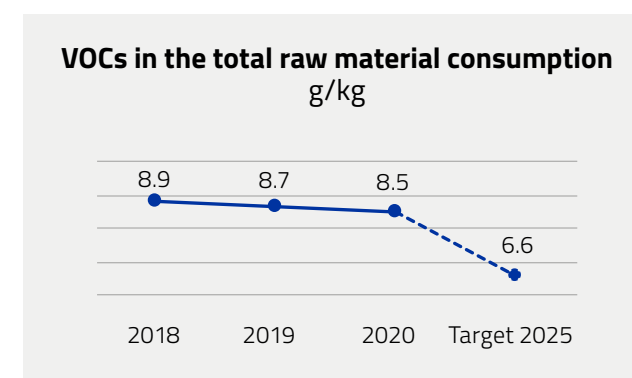


The figures cover only Finland and Denmark, which accounted for over 62% of group net sales.

Sustainable solutions and services

VOC content in products: VOCs are used in paints and coatings, both solvent-borne and water-borne, to produce the required functionality. VOCs account for about 8.5% of the raw material consumption in Teknos countries in Europe.

Most of the VOCs are used to produce industrial coatings that make up approximately 80% of our annual net sales. In 2020, the proportion of VOCs was 2% lower than the 2019 level – a downward trend that continued from previous years. Several actions contributed to the reduction. We identified the top 20 products with VOCs, which made up around 23% of the total VOC consumption. We started designing optimization plans for these products. This helped us identify areas where we could actively promote low-VOC alternatives and support our customers in their transitions. Additionally, our R&D department continued to develop and adjust products to meet low-VOC requirements in demanding markets, such as China. However, the COVID-19 pandemic disrupted our plan to reach the 5% reduction target in several ways. Some customer water-borne transition projects were postponed. Approximately 9 tonnes of VOCs were used for disinfectant production to aid local communities during the pandemic (read more on [page 16](#)).



The figures cover the consumption in countries in Europe.

Renewable and recycled raw materials: Our R&D department continued to develop products using bio-based raw materials and industrial by-products. For example, in 2020 we launched HYDRO WAX – a waterborne coating for parquet and wooden flooring with around 30% of its total carbon content made up of bio-based carbon (in accordance with EN 16440, based on C14 analysis).

Innovations and new solutions for sustainable development: Several innovation projects and new solutions which aim to tackle sustainability challenges are in the pipeline at Teknos. The COVID-19 pandemic accelerated the development of a new remote service based on virtual reality technology. In terms of product innovation, we focused on the development of barrier coatings for paper-based packaging with the goal of reducing plastic use and increasing packaging recyclability. Another highlight was the introduction of BIORA® AIR with proven technologies that enhance indoor air quality.

Packaging: We started work on streamlining our packaging portfolio and collecting sustainability data on the material origins of our decorative paint packaging. A large majority of the packaging is made of recyclable materials (i.e. metal and cardboard) and contains a proportion of recycled materials. This work will continue in 2021 to lay the foundations for improving the sustainability of our packaging.

Waste in end-use: Educating consumers and developing services were the key actions in 2020 for reducing waste in end-use. For example, we rolled out a consumer guide for responsible painting which provides tips for minimizing leftover paint and handling it correctly. The guide was actively communicated via various channels. For industrial customers, we started to conceptualize services that aim to help them reduce waste from the use of our products. These developments will continue in the coming years.



EMPLOYEE AND SOCIAL MATTERS

OUR COMMITMENT

Providing a safe and healthy workplace for our employees is a top priority for Teknos.

We create long-term success for our employees and our company by developing employee competences and skills.

Teknos aims to be a fair, just, and responsible employer in order to retain and attract talents and ensure the continuity of the family business.

We continuously practice the responsible use of chemicals to safeguard human health and the environment.

As a family-owned company, Teknos aims to support entrepreneurial thinking and education in society, offer opportunities for early career movers, and make a positive contribution to local communities.

PRINCIPAL IMPACTS AND RISKS

We have identified social impacts and the risks relating to them. Risk management is described in **Management Approach** and **Key Activities and Outcomes**. The impacts and risks that we have identified are:

- The mishandling of chemicals contained in products or used in production may pose risks to employees and product users. Heavy lifting and an incorrect working posture can result in musculoskeletal disorders for employees.
- Changing work environments in remote working due to COVID-19 may increase the risks related to physical ergo-

nomics and the mental well-being of employees.

- Obstacles to retaining employees and attracting talents to ensure the company's success include increased competition for limited talent pools in our industry.
- Teknos' expansion and growth may increase the risk of a fractured Teknos culture and give rise to the need for more internal communication.
- As a global company with a local presence, Teknos makes a positive social contribution through local employment and tax contributions.

MANAGEMENT APPROACH

Key policies: [Teknos Code of Conduct](#), [Teknos Group QEHS Policy](#), [Teknos Supplier Code of Conduct](#), Teknos Sustainable Procurement Policy, and Teknos Policy for Sponsorship and Donations.

In addition to the key policies, the [CSR focus areas 2, 3 and 4](#) shape our actions with regard to managing risks as well as increasing value to employees, suppliers, and local communities, while initiatives in the [CSR focus area 1](#) drive improvements in product safety for customers and consumers.

Responsible and motivational workplace: The [Teknos Code of Conduct](#) provides a guide to the behavior expected at Teknos. To ensure the fair treatment of our employees and to provide them with development opportunities and motivation, we have put in place the People Process, which includes appraisal discussions, individual target setting, and personal development planning. Our expanding training portfolio, which is designed to develop employees' competences and

skills, includes the Teknos Leadership Academy (providing training for leaders and managers), the Professional Toolbox (providing training for all employees), and the Teknos e-Academy (e-learning courses). Employee satisfaction and treatment are measured every second year in the Employee Opinion Survey (EOS) and annually in the People Process.

Employee health and safety is maintained by daily safety management and accident prevention measures in our workplaces. Examples are management safety walks, safety training and onboarding, safety observations, and raising awareness through monthly communication of Safety Moments. Some of our locations are working toward the ISO 45001 Occupational Health and Safety management system to improve local practices. Our group HSEQ function has overall responsibility for occupational health and safety practices globally.

Sustainable procurement: The Teknos Sustainable Procurement Policy describes our approach and processes for identifying, monitoring, and minimizing the negative environmental and social impacts of our supply chain, while balancing this against the financial and quality requirements of our purchasing processes. All our procurement processes – including new supplier approval, supplier evaluation, category management, and preferred supplier selection – include sustainability checks and criteria. Since 2018, we have systematically worked to ensure our suppliers' commitment to the Teknos Supplier Code of Conduct and, using the EcoVadis global rating system, to assess supplier sustainability risks and drive improvements.

Engagement with future generations and local communities:

The Teknos Policy for Sponsorship and Donations describes our measures to ensure that sponsorship and donation activities are carried out in an ethical and legal manner, are aligned with Teknos' values, and deliver value for society.

KEY ACTIVITIES AND OUTCOMES 2020

Employee health, safety, and well-being

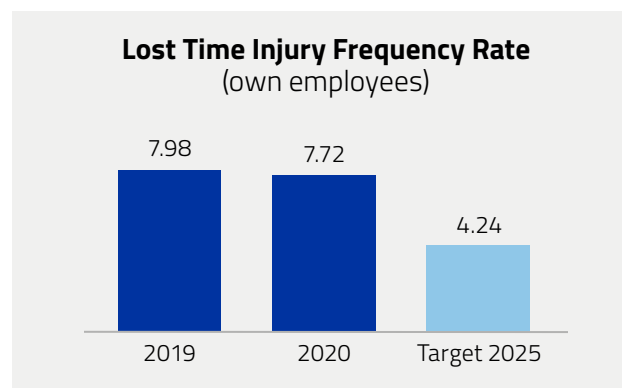
During 2020, keeping our employees safe and preventing the spread of COVID-19 in our workplaces was our top priority. We took precautionary measures such as early bans on international business travel, recommending remote working, reducing physical interactions, providing protective and hygiene equipment, and continuous and timely communication with employees at all levels. Due to these measures, outbreaks in our workplaces were effectively minimized.

To support our employees during these extraordinary times, we launched numerous self-awareness campaigns and videos on maintaining effectiveness and physical, mental, and social well-being while working remotely.

Teknos' first two production sites in Finland were certified to the ISO 45001 standard. Some other sites also started preparing for the certification process and are aiming to meet the requirements of the standard in the next few years.

Lost Time Injury Frequency Rate (LTIFR) is the main KPI we use for measuring safety progress at Teknos. In 2020, the

group LTIFR was 7.72 which was 3% lower than 2019. We have created an action plan to improve our safety performance and further reduce the LTIFR. The actions include establishing an incident learning program and strengthening the coordination of our health and safety practices globally.

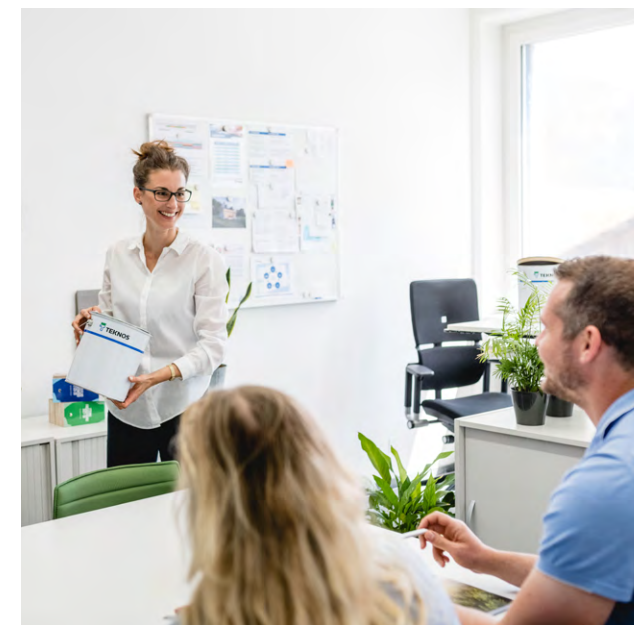


People development

Despite restrictions and disruptions due to the pandemic, we continued to deliver our leadership training to a high standard of quality, transformed our training to adapt to the new situations, and maintained good progress toward ensuring that all of our line managers receive Teknos leadership training by 2025. Some actions included transforming our leadership training from on-site to a virtual format and focusing training on remote leadership to support our leaders and managers.

We also achieved our target for 2020 in implementing the Teknos People Process: 73.4% of all employees had an appraisal discussion.

In May 2020, our global HR team kicked off the Knowledge Management program. One goal of the program, among others, is to provide a clear overview of skills and knowledge in the company worldwide, in order to foster knowledge sharing practices, resource optimization, and planning. The roll-out is planned for 2022.



New hires, leavers and turnover rate		
	2019	2020
New hires at 31.12.	239	146
Leavers at 31.12.	122	94
Average number of personnel	1812	1776
Turnover rate (voluntary basis)	6.7	5.3%

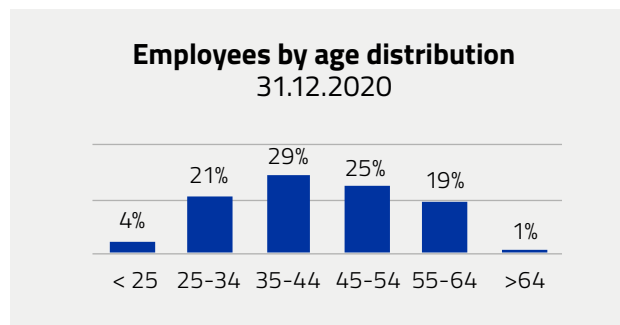
New hires: permanent and fixed-term employees. Excluding seasonal workers and trainees.

Leavers: permanent employees resign voluntarily or by mutual consent.

Turnover rate: (leavers / average number of personnel) × 100

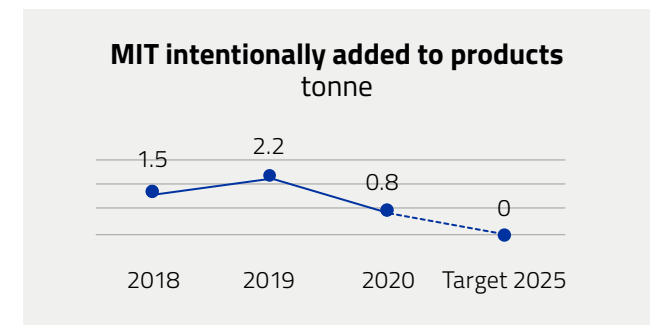
Employees by employment contract and gender 31.12.				
	2019	%	2020	%
Total personnel	1856		1814	
Permanent	1724		1704	
Fixed-term	132		110	
Females total	606	33%	598	33%
Permanent	559		554	
Fixed-term	47		44	
Males total	1250	67%	1216	67%
Permanent	1165		1150	
Fixed-term	85		66	

Leadership by gender 31.12.				
	2019	%	2020	%
Line manager	272		278	
Female	83	31%	91	33%
Male	189	69%	187	67%
Country Managing Director	17		16	
Female	5	29%	5	31%
Male	12	71%	11	69%
Teknos Management Team	9		9	
Female	2	22%	2	22%
Male	7	78%	7	78%



Improving product safety for users

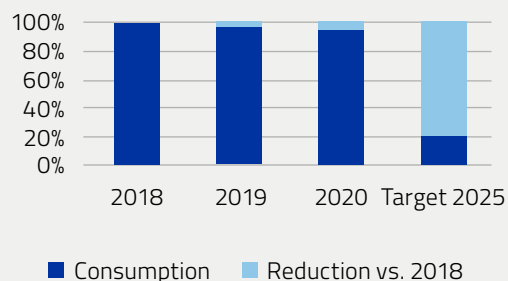
Teknos strives to improve product safety and puts special focus on skin sensitization due to the increased awareness and hazard classification of some of the most widely used and most efficient in-can preservatives, for example the isothiazolinones. Since 2018, we have been working toward our goal of completely phasing out the addition of methylisothiazolinone (MIT) to all our products by the end of 2025. MIT is an effective preservative in water-borne products, but it has a high potential for skin sensitization. Stopping the use of an effective preservative like MIT required both product reformulations and stricter factory hygiene controls to prevent contamination and the possible growth of microbes in products. We made good progress in 2020: MIT was phased out and replaced by safer preservatives in all our consumer products produced in Finland, which accounted for approximately 92% of the total consumer products produced globally. As a result, the amount of MIT that Teknos used fell by 64% from the 2019 level. In the coming years, we will focus on industrial products.



The figures include the amounts of MIT that Teknos added to products, excluding traces of MIT possibly contained in raw materials that Teknos purchased.

Another initiative to improve our product safety is the phase-out of substances on the EU's Candidate List of substances of very high concern (SVHC) for human health and the environment. Substances included on the Candidate List are not necessarily banned. However, Teknos wants to be proactive and stay ahead of the regulations. The amount of SVHC in the total raw material consumption was reduced by 7.4% from the 2018 baseline. Due to regulatory changes in the EU, Teknos suppliers reduced the amounts of residual monomers D4/D5/D6 in defoamers. Nonylphenol ethoxylates (NPEOs) were removed from raw materials used in certain industrial coatings. We also actively used less bisphenol A.

Phase-out of substances of very high concern % change vs. 2018 baseline



SVHC: Substances of very high concern as defined in the EU REACH regulation. The consumption of SVHC is measured relative to total raw material consumption.

Sustainable procurement

We continued our consistent work to implement sustainable procurement practices and develop our processes. A total of 93 suppliers, accounting for 72% of our direct procurement spend, have gone through the EcoVadis sustainability assessment since 2018. Of those assessed, 88 suppliers scored 45 and above. This means that most of the suppliers assessed present a low sustainability risk. For medium- to high-risk suppliers scoring below 45, we requested improvement actions and closely monitored their development.

During 2020, we created the Sustainable Procurement Policy to harmonize our ways of integrating sustainability into Teknos procurement. The policy describes various procurement processes and how sustainability criteria are integrated in them. For example, the supplier's EcoVadis score is among the criteria when onboarding new suppliers and selecting preferred suppliers. Additionally, we continued training our local buyers on Teknos' sustainable procurement practices. A total of 20 buyers (80% of all our buyers) were trained during 2020.

Investing in society and future generations

Teknos continued to offer work opportunities, such as apprenticeship, thesis work, and summer jobs, to early career movers, despite COVID-19 challenges. Some initiatives such as hiring trainees, sponsorship, and donations were suspended due to cost-saving measures.

Support for local communities to help them get through these challenging times was much needed in 2020. There-



fore, we actively contributed to this in different ways. For example, in February, Teknos China assisted the China-Malaysia Chamber of Commerce in the process of transporting medical supplies from China to Malaysia. In Liechtenstein, we produced disinfectants and distributed them at cost price to compensate for product shortages in the region at the beginning of the pandemic. At the end of the year, instead of buying Christmas gifts for our customers, Teknos Sweden, Finland, UK, and Denmark donated to local charities with the aim of helping vulnerable people during these difficult times. Read more [on our website](#) >.

The Teknos Policy for Sponsorship and Donations was rolled out in 2020. The policy aims to ensure that sponsorship and donations from Teknos are ethical and in line with Teknos' values and support sustainable development in society.

HUMAN RIGHTS AND ANTI-CORRUPTION AND BRIBERY MATTERS

OUR COMMITMENT

Teknos has a zero tolerance of child labor, forced labor, or involuntary work in our own operations and our supply chain. Teknos does its utmost to respect workers' rights and human rights.

Teknos forbids all forms of bribery and corruption.

PRINCIPAL IMPACTS AND RISKS

We have identified the principal impacts and risks relating to human rights, anti-corruption, and bribery. Risk management is described in **Management Approach** and **Key Activities and Outcomes**. The impacts and risks that we have identified are:

- The human rights issues most relevant to Teknos relate to the health and safety aspects of our workplaces and of the chemicals we use.
- Teknos operates mostly in Europe where the risk of serious human rights violations in our operations relating to freedom of association and possible use of forced labor is considered to be low.
- The human rights issues in our supply chain, based on monitoring via EcoVadis, are most likely to relate to occupational health and safety and working conditions.
- The risks of corruption and bribery are low.

MANAGEMENT APPROACH

Key policies: [Teknos Code of Conduct](#), [Teknos Supplier Code of Conduct](#), Teknos Policy for Detecting Child Labor at Suppliers, Teknos Sustainable Procurement Policy, Teknos Sponsorship and Donation Policy

Teknos has put in place the policies and processes listed above to manage human rights and bribery and corruption risks in our operations and supply chain. These policies and the Teknos culture and values lay the foundations for the expected behavior of employees, suppliers, business partners, and other stakeholders. Teknos employees receive training on respect for human rights and ethical and legal business conduct via a mandatory Teknos Code of Conduct e-learning course.

To monitor risks in our supply chain, we use the EcoVadis supplier sustainability assessment, which includes human rights and business ethics topics (read more on EcoVadis on [page 16](#)).

Violations of the Code of Conduct are reported using the Teknos escalation model, as described in [the Code](#), or directly to the Code of Conduct Committee at ccc@teknos.com. Additionally, issues relating to working conditions, such as the workload balance, discrimination, and fair treatment, are measured in an Employee Opinion Survey every second year. Improvement actions based on the survey results are followed up in every team and by management.







KEY ACTIVITIES AND OUTCOMES 2020









All employees have completed the Code of Conduct e-learning course. The process of updating the Code has been started. The updated Code will be introduced to employees in 2021.







In June 2020, the Malaysian Government adopted a new anti-corruption law which holds companies liable for acts of corruption committed by their employees. To ensure compliance with the new legislation, Teknos Malaysia has planned local implementation measures that follow the Malaysian Ministerial Guidelines and are in addition to the group's procedures. The plan will be implemented in 2021.

In 2020, the Code of Conduct Committee received one incident report concerning unfair treatment. The case was investigated and resolved. Teknos has no pending or completed legal cases relating to violations of human rights or to bribery and corruption.

KEY FIGURES 2018-2020

Key performance indicator	2018	2019	2020	% Change 20/19	Target 2019-2025	Contributing to SDG	Note
Economy							
Net sales, million euros	408	398	384	-4%	1 billion euros by 2025		
EBITDA, million euros	25	27	35	30%			
People							
Staff, 31.12.	1,770	1,856	1,814				
Nationalities	38	44	53				
Female to male ratio	32:68	33:67	33:67				
Voluntary employee turnover rate	8.0%	6.7%	5.3%				1
Employees responded to EOS, % of staff	-	86%	-				2
Average EOS score for employee enthusiasm	-	4.13	-				2, 3
Average EOS score for fair treatment	-	3.90	-				2, 4
Average EOS score for trust and respect	-	4.25	-				2, 5
Focus area 1: Sustainable solutions and services							
VOCs in products, g VOC per kg raw materials consumed	8.9	8.7	8.5	-2%	Reduced by 5% annually (2020 baseline)		6, 7
SVHC in products, % change in kg SVHC per kg raw materials consumed vs. 2018 baseline	0%	-4.0%	-7.4%		Reduced by >80% by 2025 (2018 baseline)	 	6, 8
MIT intentionally added to products, tonne	1.5	2.2	0.8	-64%	0 by 2025	 	6, 9

Key performance indicator	2018	2019	2020	% Change 20/19	Target 2019-2025	Contributing to SDG	Note
Focus area 2: Responsible operations and supply chain							
Occupational health and safety							
LTIFR	-	7.98	7.72	-3%	Reduced by 10% annually (2019 baseline)		11
LTI1	-	25	24	-4%			11
ISO 45001 certified sites % of all production sites	0	0	2 13%				
Environment							
Energy consumption in production sites, GWh	62	56	53	-7%			12
Energy intensity, kWh/L	0.55*	0.52*	0.52	0%	Reduced by 5% annually (2019 baseline)	 	12
Energy purchased from renewable sources, % of total energy consumption	6%	6%	9%				12
Waste, tonne	6,114	5,745*	5,406	-6%			12
Waste relative to production volume, kg/1000L	55	53*	54	1%	Reduced by 5% annually (2019 baseline)		12
ISO 14001 certified sites % of all production sites	6 40%	7 47%	7 47%		100% by 2025		
ISO 9001 certified sites % of all production sites	13 87%	13 87%	14 93%		100% by 2025		
Responsible supply chain							
Suppliers signed Supplier Code of Conduct % of direct procurement spend	58%	81%	86%		95% by 2025	 	13
Suppliers assessed by EcoVadis % of direct procurement spend	35%	51%	72%		80% by 2025	 	13, 14

Key performance indicator	2018	2019	2020	% Change 20/19	Target 2019-2025	Contributing to SDG	Note
Low sustainability risk suppliers (score 45+) % of EcoVadis assessed suppliers	-	95%	95%				
Buyers trained on sustainable procurement % of all buyers	-	86%	80%				
Supplier audits	8	11	1				15
Focus area 3: People development							
Employees had an appraisal discussion % of staff	-	59%*	73%		100% by 2025		
Line managers participated in leadership training % of all line managers since 2019	-	44%	42%		100% by 2025		
Leadership training in working days	-	299	207				
Focus area 4: Future generations							
Entities provided opportunities to early career movers % of all entities	-	-	50%		100% by 2025	 	
Entities supported or engaged with local communities % of all entities	-	-	-		100% by 2025		16
Business ethics, human rights, and anti-bribery and corruption activities							
Employees trained on Teknos Code of Conduct % of staff	81%	100%	100%		100% by 2019		
Employees completed Sustainability e-learning course % of staff	-	61%	60%				

NOTES

* The figures have been corrected and are different from the ones reported in the Non-Financial Statement 2019.

- 1 Employee turnover rate: (number of leavers based on voluntary and mutual consent/ average number of staff) x100
- 2 The Employee Opinion Survey (EOS) is conducted every second year. The recent surveys were conducted in 2019 and 2017.
- 3 Employees' rating on a scale from 1 (strongly disagree) to 5 (strongly agree) for the statement "I am enthusiastic about my work".
- 4 Employees' rating on a scale from 1 (strongly disagree) to 5 (strongly agree) for the statement "All employees are treated fairly at my workplace".
- 5 Employees' rating on a scale from 1 (strongly disagree) to 5 (strongly agree) for the statement "My manager treats everyone with trust and respect".
- 6 The figures cover 7 (out of 11) production countries producing about 90% of group volumes: Finland, Sweden, Denmark, Germany, Poland, Russia, and the Netherlands – excluding Liechtenstein, China, Malaysia, and the U.S.
- 7 VOC: Volatile organic compounds as defined in Directive 2010/75/EU
- 8 SVHC: Substances of very high concern that are currently identified and will be identified in 2025 in accordance with the REACH Regulation
- 9 MIT or methylisothiazolinone: a preservative classified as an allergen in mixtures under the CLP legislation. The figures count only MIT that is added to products by Teknos – excluding possible traces of MIT contained in raw materials that Teknos purchases.
- 10 The figures cover 8 (out of 11) production countries producing over 90% of group volumes: Finland, Sweden, Denmark, Germany, Liechtenstein, Poland, Russia, and the Netherlands – excluding China, Malaysia, and the U.S.
- 11 LTI: Lost Time Injury which is any work-related injury resulted in at least one full day of absence from work.

LTIFR: Lost Time Injury Frequency Rate calculated as number of lost time injuries per one million hours worked.

In previous years, we reported on the Lost Time Accident Frequency (LTAF) of our own production employees in Europe only. From 2020, we have changed the metric to LTIFR which covers all of our employees in all Teknos countries.
- 12 The figures cover 15 production sites – excluding sites that have only sales offices or warehouses.
- 13 The direct procurement spend is for 7 (out of 11) production countries: Finland, Sweden, Denmark, Germany, Poland, Russia, and the Netherlands, accounting for approximately 90% of Teknos' direct procurement spend globally.
- 14 EcoVadis is a third-party CSR assessment of suppliers covering the following topics: environment, labor practices and human rights, fair business practices, and sustainable procurement.
- 15 Supplier audits cover the following topics: quality, environment, occupational safety, CSR-related policies
- 16 The KPI and target were defined in 2020. Measuring will start from 2021.

This statement has been reviewed and approved by the Board of Directors of Teknos Group.
The report has been signed by the CEO and Owner of Teknos Group, Paula Salastie, on behalf
of the Teknos Group Board.

June 2021

Paula Salastie
CEO and Owner
Teknos Group Oy

WE MAKE THE WORLD LAST LONGER

Teknos is a global coatings company with operations in more than 20 countries in Europe, Asia, and the USA. It employs approximately 1,800 people and the net sales for 2020 was EUR 384 million. Teknos is one of the leading suppliers of industrial coatings with a strong position in retail and architectural coatings.

Teknos wants to make the world last longer by providing smart, technically advanced paint and coating solutions to protect and prolong. Teknos always works in close cooperation with its customers. It was established in 1948, and is one of Finland's largest family-owned businesses. For further information, visit www.teknos.com

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