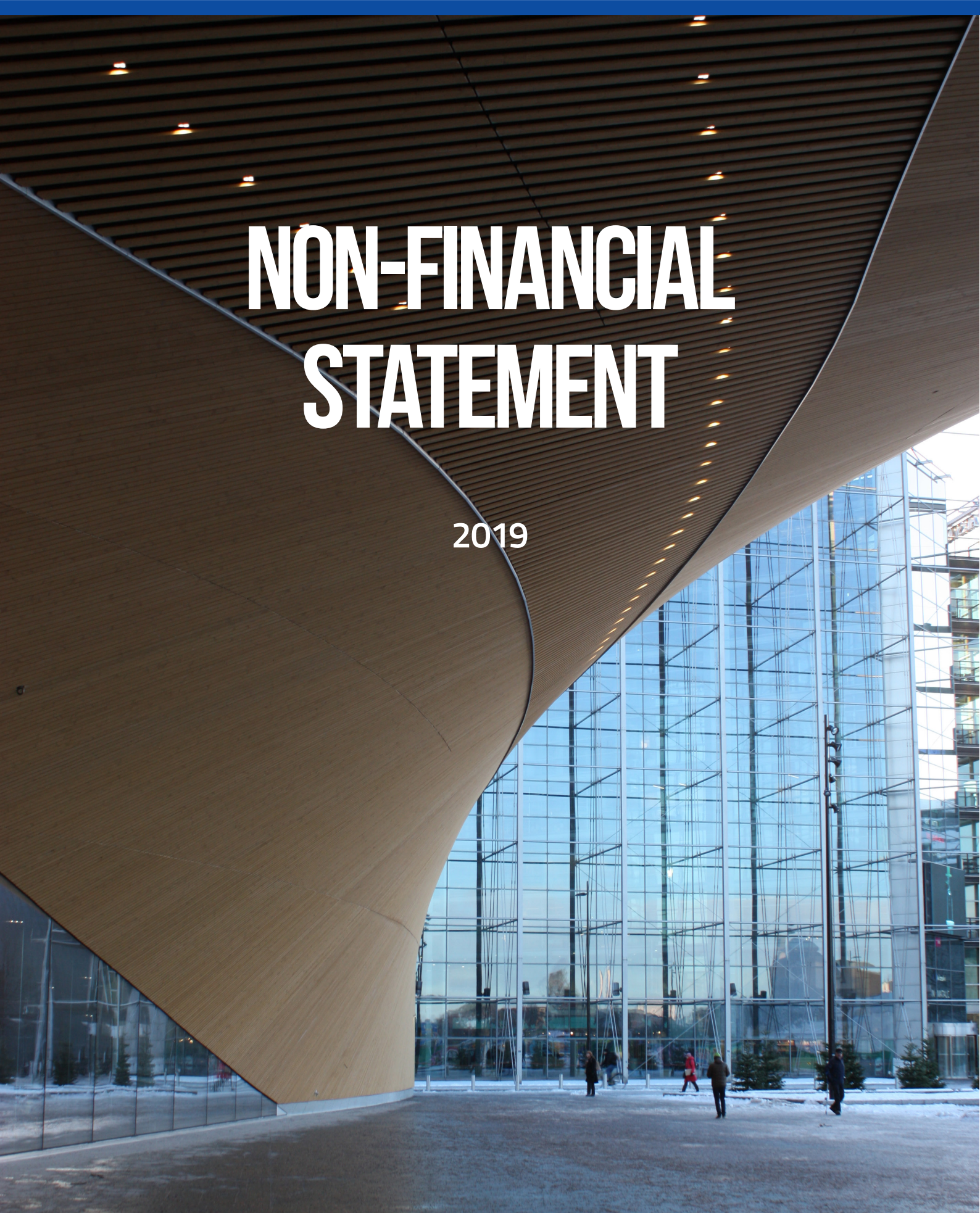


# NON-FINANCIAL STATEMENT

2019



# TEKNOS NON-FINANCIAL STATEMENT

This Statement of Non-financial information 2019 is written in accordance with the requirements stated in the EU Directive 2014/95/EU. The report covers Teknos' own sites and operations and excludes Teknos branded products and operations where Teknos outsources manufacturing. The report has been published as a separate report from the financial

statement. Due to recent acquisitions and mergers, Teknos is still in the process of building its sustainability reporting procedures and tools on group level, and thus, some data covers only specific Teknos countries. In such cases, the data includes a detailed scope description.

## CONTENTS

<b>TEKNOS NON-FINANCIAL STATEMENT</b> .....	<b>2</b>
<b>1. OVERVIEW</b> .....	<b>3</b>
1.1. TEKNOS MISSION AND BUSINESS MODEL .....	3
1.2. OPERATING ENVIRONMENT .....	3
1.3. OPERATING YEAR 2019 .....	3
<b>2. SUSTAINABILITY MANAGEMENT</b> .....	<b>5</b>
2.1. MATERIALITY .....	5
2.2. TEKNOS CSR PROGRAM.....	5
<b>3. NON-FINANCIAL RISKS</b> .....	<b>6</b>
3.1. RISK MANAGEMENT .....	6
<b>4. ENVIRONMENTAL IMPACT</b> .....	<b>7</b>
4.1. ENVIRONMENTAL MANAGEMENT .....	7
4.2. ENVIRONMENTAL OUTCOMES 2019.....	8
<b>5. EMPLOYEE AND SOCIAL IMPACT</b> .....	<b>10</b>
5.1. EMPLOYEE AND SOCIAL MANAGEMENT .....	11
5.2. EMPLOYEE AND SOCIAL OUTCOMES 2019 .....	11
<b>6. HUMAN RIGHTS AND ANTI-BRIBERY IMPACT</b> .....	<b>13</b>
6.1. HUMAN RIGHTS AND ANTI-BRIBERY MANAGEMENT .....	13
6.2. HUMAN RIGHTS AND ANTI-BRIBERY OUTCOMES 2019 .....	13
<b>7. KEY PERFORMANCE INDICATORS 2019</b> .....	<b>14</b>



# 1. OVERVIEW

## 1.1. TEKNOS MISSION AND BUSINESS MODEL

Teknos is a sustainable coating solutions provider and a family-owned company headquartered in Helsinki. The company is one of Europe's leading provider of industrial paints with a mission to make the world last longer. Teknos offers a comprehensive range of paints, coating solutions and services for industrial, professional, and household customers.

Teknos long-lasting customer relationships form the base for the company success. The company works in close cooperation with its clients to maintain a constant customer dialogue and to increase customer satisfaction. To keep track of the changing customer needs and operating environment, the company conducts regular customer satisfaction surveys and brand research. Close customer relationships, heavy investments in R&D and the company's extensive knowledge and history of providing industry-leading quality for decades makes Teknos confident that it can solve any coating challenge whatever the situation. Teknos' customer promise is: technically superior surfaces, unique technical service, reliable supply, consistent quality and local presence.

## 1.2. OPERATING ENVIRONMENT

Teknos operating environment is highly competitive and shaped by fluctuating raw material costs, public and customer concerns regarding potentially hazardous substances, and evolving client needs. At the same time, new business opportunities arise from new innovations, geographical and product expansion, and sustainable business.

On a global level, the coatings market is moderately consolidated with a number of well-known big players. Yet, in many countries there are also numerous regional players, making some of the local markets highly fragmented. Teknos is ranked as the 34th largest coatings company in the world, and as number 9 in Europe.

During recent years, growth of investments in infrastructure and construction have raised opportunities in emerging markets, whilst the European coating market has faced some slowdown due to less investments in construction and economic instability.

Also, legislation has a strong impact on the operations of the companies in the industry. EU and national level legislation is putting more pressure on coating companies and requiring them to react quickly. Changes in the classification of raw materials, such as the titanium dioxide classification that entered into force in 2020, require to seek for alternative raw materials and update labels and safety data sheets, sometimes on a very short schedule. In addition, in recent years, companies have been required to play a greater role in communicating regulatory changes to end users or customers.

At the national level, climate measures, such as the VOC emission limits imposed in China 2019, have impact on company operations. However, as the VOC content of Teknos products manufactured in China are already low, the restrictions mainly apply to the manufacturing process and thus the climate measures have led to a tighter control of VOC emissions, including third-party periodical monitoring, elimination of unorganized VOC emissions, isolation of the working space to ensure VOCs can be completely captured, and the treatment of VOCs through a separate VOC facility.

Brexit's impact on the economic area has been reflected to some general extent in the UK economy's decline and some stock-piling, but has not yet directly affected the demand for coatings, nor has it significantly changed business practices at Teknos.

At the time of writing, the effects of the COVID-19 pandemic on Teknos operating environment, market situation or demand for Teknos are yet unclear. The COVID-19 situation increased remote work and decreased work travel, impacting positively on sustainability.

## 1.3. OPERATING YEAR 2019

In 2018, Teknos launched its strategy for 2019-2025 with the ambition to grow the company to a EUR 1 billion net sales by 2025. During 2019, Teknos worked on its five strategic initiatives: balance, customer experience, sustainability, innovations, and continuous improvement. In 2019, Teknos completed the acquisition of Drywood Norge AS, a company

operating in architectural coatings business in Norway and strengthened its position on the Czech market by acquiring the Czech paint distributor Finnproduct s.r.o. During the year, Teknos closed its representative office in Belarus and invested in an expansion project in Charlotte in the US. The application centre in Urdorf (Switzerland), the warehouse in Riga (Latvia) and the office in Bicester (UK) were moved to new locations.

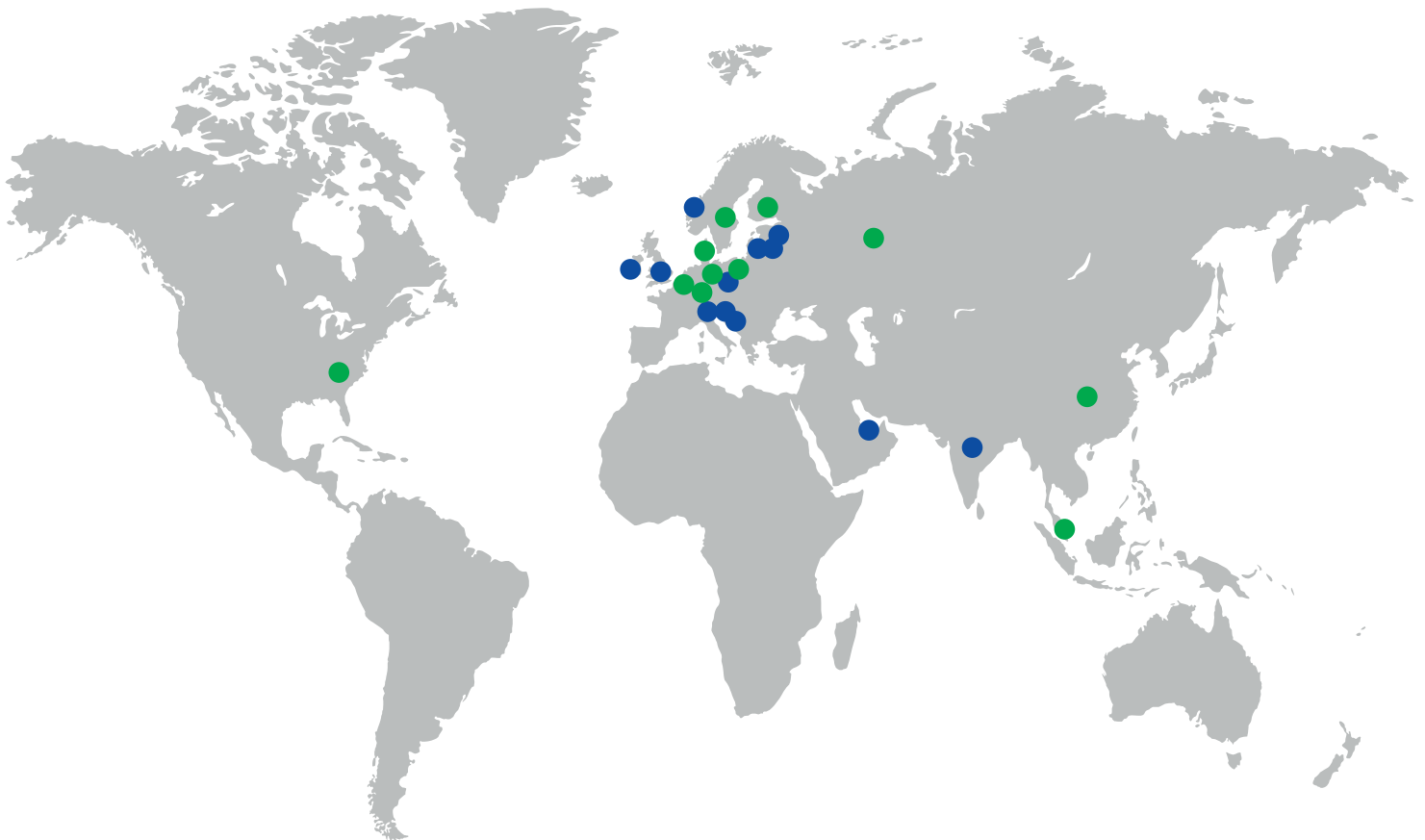
At the end of 2019, Teknos net sales (total – all countries) were 398.4 M EUR with an average workforce of 1812 people employed in over 20 countries.

**Production and Sales**

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

**Sales**

- |         |             |                      |
|---------|-------------|----------------------|
| Croatia | Latvia      | UK                   |
| Czech   | Lithuania   | Ukraine              |
| Estonia | Norway      | United Arab Emirates |
| India   | Slovenia    |                      |
| Ireland | Switzerland |                      |



Picture 1: Teknos operations 2019

# 2. SUSTAINABILITY MANAGEMENT

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Sustainability is an integrated part of Teknos strategy and business model. The company aims to become the most sustainable coating solutions provider in the world. Teknos has set group level targets and defined key performance indicators (KPIs) in its sustainability strategic initiative (Corporate Social Responsibility, CSR program). A dedicated team of experts (CSR Team) meet monthly and are responsible for everyday sustainability topics at Group level. A CSR Steering group, containing six members of the Teknos Management Team and led by Chief Procurement Officer, act as the decision body for sustainability topics and hold the responsibility for the successful implementation of the CSR program. The CSR Steering group meet quarterly and report to the Company CEO. To ensure sustainability is incorporated at all levels in the company, country and function roadmaps are aligned with the Group's CSR program.

## 2.1. MATERIALITY

The definition of materiality started in 2018 with internal interviews and workshops including over 130 people leading to the formulation of the Teknos CSR program. In 2019, the definition of materiality continued through customer interviews, internal workshops, and online surveys sent to key customers and suppliers. The survey was extended to country management teams in early 2020. The assessment defines materiality based on two aspects: 1) the level of importance to Teknos external stakeholders (key customers and suppliers) and 2) the internal view of Teknos's impact on society.

In 2019, Teknos also evaluated its own sustainability performance through the EcoVadis tool. The assessment includes 21 sustainability criteria covering the protection of the environment, labour and human rights, ethics, and sustainable procurement.

The outcomes of the materiality and EcoVadis assessments are analysed in 2020, after which Teknos will initiate improvement actions and discuss on re-evaluating its materiality topics and CSR program targets.

## 2.2. TEKNOS CSR PROGRAM

Teknos CSR Program (Corporate Social Responsibility) directs Teknos sustainability work. It has four focus areas:

- 1) Sustainable solutions and services
- 2) Responsible operations and supply chain
- 3) Developing people, and
- 4) Future generations.

### 1. Sustainable solutions and services

Developing and offering competitive products, technologies, and services that meet the needs of customers while using fewer or more sustainable resources and materials.

### 2. Responsible operations and supply chain

Acting responsibly within the entire value chain, from the procurement of raw materials to the manufacture and delivery of the finished product to customers safely and on-time.

### 3. Developing people

Creating long-term success for Teknos people and the company's business by developing employees' competences and skills, attracting the best talents, and creating an environment in which ideas and initiatives flourish. The backbone of People Development are the People Process (individual target setting, appraisal discussion, and development) and the Teknos Academy.

### 4. Future generations

Building a company that the future generations will be proud to lead and be a part of, supporting entrepreneurship education and thinking in the society, as well as investing in local communities.

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# 3. NON-FINANCIAL RISKS

Teknos non-financial risks are mainly related to compliance, brand and reputation, quality, environment, health and safety, as well as possible human and labour rights risks in the supply chain.

The biggest environmental risks are related to hazardous substances, which, if mishandled, might harm either people, the environment or both. Environmental releases or contamination might lead to costs in terms of compliance and claims, and turn into a reputational factor affecting Teknos business. Also, public concern and increased chemical regulatory over hazardous substances can result in forced changes in product formulas, raw materials, manufacturing process or the demand for Teknos products. Teknos sees increased regulation and public concerns both as a risk and an opportunity in terms of new sustainable business. The most significant procurement risks (such as e.g. price volatility, single source, and regulatory risks) have been identified, and are constantly addressed as part of category management. Teknos's biggest employee risks are related to occupational health and safety issues, such as handling potentially hazardous chemicals, developing work-related musculoskeletal disorders, and accidents leading to absence. As the competition to hire a professional workforce from a limited supply increases, retaining employees and attracting talent to the company are further key for the company success. The company expansion and growth may increase the risk of a fractured Teknos culture and raise the need for internal communication.

Teknos operates mostly in countries where labour and working conditions are expected to be high (Europe), and expects the risk for serious Human Rights violations inside the group to be low. More significant Human Right risks might exist in the supply chain and could be related to working conditions or labour issues. The company sees the risk of serious anti-corruption and bribery issues inside the company to be low.

## 3.1. RISK MANAGEMENT

The responsibility for risk management is divided between the Group, country companies, and production sites to ensure that risks are identified and addressed immediately.

Teknos country management teams assess risks and monitor the implementation of risk management annually in management review meetings. Further, every Teknos employee is responsible for reporting risks in their daily work as stated in the Teknos Code of Conduct. Teknos has a reporting process for misconduct and violations, overseen by the Teknos Code of Conduct Committee. All violations are encouraged to be addressed directly or if not applicable, they may be reported to the line manager, manager's manager or the Code of Conduct committee. Anonymity is granted to the extent possible.

Relevant policies, guidelines, and processes support risk management inside Teknos. Also, Teknos culture, close collaboration between countries, the matrix organisation, and regular personal visits to all sites by people from different functions and hierarchical levels ensure that breaches inside the company have a high chance of being detected. A team of environmental experts actively monitor the development of chemical legislation (REACH compliance, etc.) to ensure that the company can respond proactively to changing regulatory requirements. Preventing employee risks in each country varies and includes proactive labour protection, such as the early intervention model. To minimise the risks in terms of reputational damage, Teknos has implemented separate Crisis Communications guidelines in all countries.

Teknos Group policies and guidelines:

Teknos Group policies and guidelines:

- Teknos Code of Conduct
- Teknos Supplier Code of Conduct
- Teknos Group QEHS Policy
- Teknos Crisis Communications Guideline
- Teknos Policy for detecting child labour at Supplier
- Teknos Privacy Statement
- Non-commercial sponsorship policy
- Country specific: environmental policies, quality policies, occupational health and safety policies.

# 4. ENVIRONMENTAL IMPACT

Teknos main environmental impact comes from manufacturing processes and raw material usage, including raw materials handling, waste handling, VOC emissions, and handling hazardous chemicals. The environmental impact in the supply chain is primarily related to the production of raw materials by suppliers and the transportation of raw materials or finished goods.

Teknos is committed to reducing its environmental impact by investing heavily in R&D for longer-lasting products, using more sustainable raw materials, and innovating new non-conventional surface solutions. The company has a long history of reducing the amount of hazardous chemicals and VOC in its products.

In its own operations, Teknos aims to continuously improve processes, invest in energy efficiency and waste management. At Group level, the aim is to establish a comprehensive and reliable reporting system and processes for environmental reporting. Implementing Kaizen helps to minimize any non-valued added activities, increase operational efficiency, and optimize internal transportation and resources.

Through innovative partnerships, training and by helping its clients to reach their sustainability goals, Teknos aims to increase its positive environmental impact. This means developing services and solutions that help clients to save energy, improve productivity, increase safety, reduce risk for malfunction, and prolong the lifespan of customers products, to name a few.

In its CSR program, Teknos aims to reduce environmental impact by developing sustainable solutions and services (CSR focus area 1) and managing responsibility within its operations and supply chain (CSR focus area 2).

## 4.1. ENVIRONMENTAL MANAGEMENT

The environmental management of Teknos sites is based on national legislation and global ISO standards. Teknos manufacturing and R&D operations have been certified to comply with the ISO 14001 Environmental Management System in 7 production sites. The ISO 9001 Quality Management System certificate is held in 13 production sites out of 15.

In the supply chain, Teknos wants to ensure that its suppliers meet the standards set by the company through its supplier

selection process, supplier self-assessments, supplier audits and monitoring, and developing its suppliers' sustainability performance with EcoVadis platform. Critical suppliers are identified and audited on a regular basis.

Compliance is an important criterion for supplier selection and non-compliance or unwillingness to sign the Teknos Supplier Code of Conduct can be a reason for terminating the supplier relationship.

### Management system standard by production site

Production site	ISO 14001	ISO 9001
1. China, Shanghai	x	
2. Denmark, Vamdrup	x	x
3. Finland, Helsinki	x	x
4. Finland, Rajamäki	x	x
5. Germany, Alzenau		x
6. Germany, Brügggen		x
7. Germany, Fulda		x
8. Liechtenstein, Benden	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, Vedevåg	x	x
15. US, Charlotte		

## 4.2. ENVIRONMENTAL OUTCOMES 2019

In 2019, Teknos focused on building internal awareness and implementing and aligning country and function roadmaps with the Group CSR program.

To increase awareness and commit employees to sustainability, an extensive Sustainability e-learning course was launched and incorporated as part of the Teknos onboarding.

In December 2019, Teknos evaluated its own sustainability performance through EcoVadis. Teknos is committed to improving the areas highlighted in the assessment during the next years.

### Sustainable solutions and services

In 2019, the company continued to replace hazardous chemicals and to decrease the amount of VOC, SVHC, and MIT in its products. Replacing MIT faced some challenges due to global raw material scarcity of the alternative biocide.

Teknos continued to invest in R&D of renewable and secondary raw materials and launched a biobased furniture wood oil and a primer containing secondary raw material. Investments in sustainable innovations were continued. For example, the company is developing a paper bottle as an alternative to plastic bottle in cooperation with various industry players. To understand customers' sustainability goals, their needs for sustainable coating solutions and find new ways for collaboration, Teknos also conducted interviews and workshops on sustainability with selected key customers.

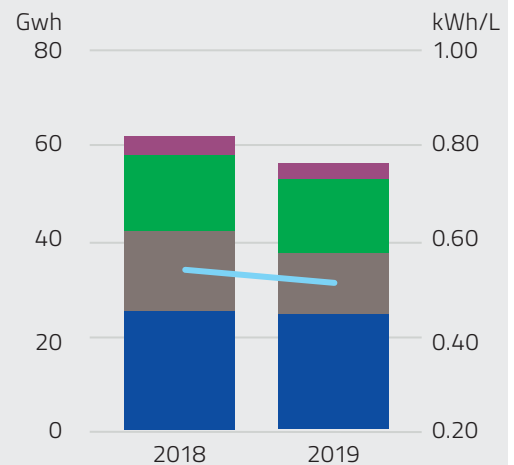
### Responsible operations

In many Teknos countries, local actions were taken to reduce the amount of waste and improve energy efficiency. As an example, in Russia, a project to decrease electricity-consumption has been running since 2018, with actions of changing electricity-consuming lamps to LEDs in all premises and monitoring production time to avoid unnecessary electricity consumption. As a result, the energy intensity was decreased by 20% since 2018. In Poland, the amount of waste was reduced by 13% since 2018 through various reduction activities such as recycling waste from powder coating production and distilling solvent from solvent-borne waste paints. The know-how of converting waste from powder coating production to

a secondary raw material is being transferred to Finland with the aim to increase the waste utilization rate in Teknos products and production, enabling a circular economy. The amount of waste was also lowered significantly in Denmark by 21% for hazardous waste, and 19% for combustible non-hazardous waste, for example by reworking paint instead of scrapping it, optimizing production, recipes and storage, as well as improving internal instructions.

219 Kaizen projects were implemented, many with either a direct or indirect environmental impact.

### Energy consumption



Renewable energy (purchased)	3.50	3.50
District heating	16.07	15.25
Oil & gas	16.52	13.05
Electricity	25.52	24.44
kWh/L produced	0.54	0.51





**Responsible supply chain**

In 2019, Teknos focused on auditing suppliers, implementing the Supplier Code of Conduct in its supply chain, and inviting suppliers to complete the EcoVadis CSR assessment. 95% of Teknos’s suppliers assessed by EcoVadis in 2019 received a score of 45 and above, meaning that at a minimum their sustainability approach is structured, addresses major topics, and has basic reporting in place. Teknos also trained its group procurement managers and local buyers in sustainable procurement.



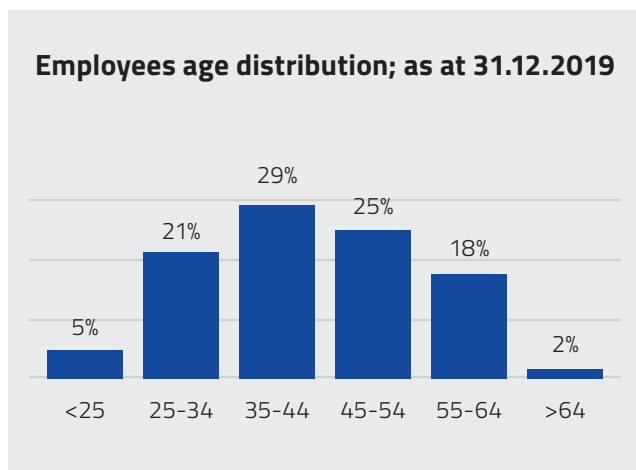
# 5. EMPLOYEE AND SOCIAL IMPACT

Ensuring a safe and healthy workplace for its employees is key for Teknos, and retaining and attracting talents is important for the company's success. Further, as a global company with local presence, Teknos plays an important social role in the countries where it operates by contributing to local employment.

As a family-owned company, Teknos encourages its country units to support local communities, entrepreneurial thinking and education in society, and offers to young people the possibilities to get to know the working life.

Teknos wants to be a fair, just and responsible employer, and has a zero tolerance for discrimination. At year-end, 67% of the total headcount were male and 33% were female. In total, there were 44 different nationalities working for the company.

In its CSR program, the company focuses on increasing its positive impact by developing people (CSR focus area 3) investing in future generations and local communities (CSR focus area 4) and ensuring responsible operations (CSR focus area 2).



## Employee distribution by employment contract and gender; as at 31.12.

	2019	%	2018	%
<b>Total personnel</b>	<b>1856</b>		<b>1770</b>	
Permanent	1724		1653	
Fixed-term	132		117	
<b>Females total</b>	<b>606</b>	<b>33%</b>	<b>530</b>	<b>32%</b>
Permanent	559		523	
Fixed-term	47		40	
<b>Males total</b>	<b>1250</b>	<b>67%</b>	<b>1207</b>	<b>68%</b>
Permanent	1165		1130	
Fixed-term	85		77	

## New hires, leavers and turnover rate; as at 31.12.

	2019	2018
New hires	239	139
Leavers	122	138
Average number of personnel	1812	1719
Voluntary employee turnover rate	6.73%	8.03%

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

Leavers: permanent employees resign at their own request or by mutual consent.

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

### Leadership position distribution by gender; as at 31.12.

	2019	%	2018	%
<b>Line manager</b>	<b>272</b>		268	
Female	83	31%	84	31%
Male	189	69%	184	69%
<b>Country Managing Director</b>	<b>17</b>		17	
Female	5	29%	6	35%
Male	12	71%	11	65%
<b>Teknos Management Team</b>	<b>9</b>		9	
Female	2	22%	2	25%
Male	7	78%	6	75%

## 5.1. EMPLOYEE AND SOCIAL MANAGEMENT

Safety is top priority to Teknos. The company has started with the external GAP assessments in its manufacturing sites in order to be able to evaluate and implement the necessary corrective actions to meet the requirements of the Occupational Health and Safety Management System ISO 45001.

The standard prevents work-related accidents or diseases by helping organisations to improve employee safety, reduce workplace risks, and create better and safer working conditions.

Safety is nurtured also by daily safety management, safety walks by Teknos management, arranging safety training, and onboarding and raising awareness through monthly Safety Moments. Safety is measured through the number of safety observations, the number of lost-time accidents and lost-time accident frequency (LTAF).

Teknos Code of Conduct sets forth the expected behaviour at Teknos. To ensure fair treatment of the employees and to support their development, Teknos has written and adapted policies and procedures that cover the People Process (individual target setting, appraisal discussion, and development) and trainings (Teknos Leadership Academy and the Professional toolbox). Employee satisfaction and treatment of employees are measured bi-annually through the Employee Opinion Survey, and through the People Process.

Teknos non-commercial sponsorship policy ensures that all non-commercial sponsorships and donations are ethical and legal, and aligned with Teknos values.

## 5.2. EMPLOYEE AND SOCIAL OUTCOMES 2019

### Occupational health and safety

In 2018-2019, Teknos conducted a total of 11 ISO 45001 gap audits. These gap analyses revealed in detail which actions Teknos must take in order to ensure the compliance with the standard. In 2020, Teknos continues with gap audits in the rest of its manufacturing sites.

In 2019, safety improvements and safety knowledge were supported by internal audits, management safety walks, onboarding training, encouraging employees to safety observations, and through monthly Safety Moments. As some of the key highlights for the year, the lost-time accident rate in Teknos Denmark, Teknos Netherlands and Teknos Liechtenstein was zero in 2019.

### People development

In 2019, Teknos communicated and trained its staff in the People Process (individual target setting and appraisal discussion) and working with its goal to ensure all employees have an annual high quality appraisal discussion with their line manager. The company focused on leadership training. Several online training courses as well as on-site and local training sessions were held to support professional training.

The Teknos management model was reviewed and launched in all countries. The implementation of the Code of Conduct continued from year 2018 and was made a mandatory part of the onboarding process.

Employee satisfaction and well-being were measured by the Group-level personnel survey (EOS), which achieved a response rate of 86%. The development ideas that emerged from the results of the survey were discussed at different levels in the organization, from the management to individual teams, and were included in action plans for the coming years.

### **Investing in society and future generations**

During the year, various charity, social, and donation projects were initiated in Teknos countries such as supporting the childhood cancer foundation in Sweden, donating paint in for charity in Finland, and supporting the Danish government in planting 1 million trees.

To support young people's work life skills, Teknos offered summer work, apprenticeships, traineeships, as well as project and thesis work for hundreds of young people. In late 2019, Teknos established a non-commercial sponsorship policy to ensure donation and sponsorship are aligned with Teknos values. The policy is communicated and launched in 2020.

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# 6. HUMAN RIGHTS AND ANTI-BRIBERY IMPACT

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Teknos does its utmost to respect Human Rights. Teknos does not permit nor accept any kind of child labour, forced labour or any other kind of involuntary work in any of its own operations or in its supply chain. As an employer, Teknos is committed to providing fair and equal opportunities to its employees. Teknos has a zero tolerance for bribery and corruption.

## 6.1. HUMAN RIGHTS AND ANTI-BRIBERY MANAGEMENT

Business practice, treatment of employees, respect for Human Rights, and how to act legally and ethically if faced with corruption, bribery or unfair competition are all described in the Teknos Code of Conduct and the Supplier Code of Conduct. Both policies are aligned with the Ten Principles of the UN Global Compact and ILO International Labour Standards. If any kind of child labour is noticed in the supply chain by either Teknos or its supplier, the Teknos Policy of Detecting Child Labour at the Supplier describes the process and corrective actions to follow. These policies, together with the Teknos culture and values, set forth the expected behaviour at the company, in the supply chain, and by the business partners or other important stakeholders.

Misconducts are reported through the Code of Conduct reporting system. The treatment of employees is measured bi-annually through the Employee Opinion Survey.

## 6.2. HUMAN RIGHTS AND ANTI-BRIBERY OUTCOMES 2019









In 2018, the company rolled out its renewed Code of Conduct and a related e-learning course with practical examples in all Teknos countries addressing also Human Rights and anti-bribery issues. The roll out continued in 2019. By year-end 2019, 100% of Teknos employees had either conducted the e-learning or gone through a live training.







In 2019, Teknos continued to assess its suppliers through EcoVadis. The assessment includes aspects on labour and human rights. Committing suppliers to Teknos Supplier Code of Conduct and supplier audits (11) were further actions to monitor the supply chain.



In calendar year 2019, the company did not receive any reports of incidents of bribery or corruption that would violate its anti-corruption and bribery guidelines, and had no pending or completed legal actions on anti-competitive behaviour in 2019.

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## 7. KEY PERFORMANCE INDICATORS 2019

Key performance indicator	2019	2018	Change 19/18	Target 2019-2025	Contributing to SDG	Note
<b>Economy</b>						
Net sales, M EUR	398	408	-2%	1 BEUR by 2025	SDG8 	
EBITDA, M EUR	27	25	+8%			
<b>People</b>						
Personnel as at 31 December	1 856	1 770	+5%			
Nationalities	44	38				
Female : male ratio	33:67	32:68				
Voluntary employee turnover rate	6.73%	8.03%	-16%			1
<b>Focus area 1: Sustainable solutions &amp; services</b>						
VOC content in products, % of total raw material consumption	8.66%	8.85%	-2%	Reduced by 5% annually during 2019-2025	SDG3 	2, 4
SVHC content in products, % of total raw material consumption	0.064%	0.067%	-4.5 %	Reduced by 80% by 2025 from the 2018 level	SDG3 	2, 5
Methylisothiazolinone (MIT) added to products, metric tons	2.20	1.58	+39%	0 by 2025	SDG3 	2, 6, 18
<b>Focus area 2: Responsible operations &amp; supply chain</b>						
<b>Occupational health and safety</b>						
Lost-time accident frequency (LTAF) (rolling 12 months)	19	-		Reduced by 10% annually during 2019-2025	SDG3 & 8  	3, 7
Safety observations	940	636	+48%			3
Production sites underwent an ISO 45001 gap audit % of all production sites since starting in 2018	8 73%	3 21%				8
<b>Environment</b>						
Energy consumption, GWh	56.24	61.61	-9%			19
Energy intensity, kWh/L produced	0.51	0.54	-5%	Reduced by 5% annually during 2020-2025	SDG13 & 12  	19

Key performance indicator	2019	2018	Change 19/18	Target 2019-2025	Contributing to SDG	Note
Electricity purchased from renewable sources, % of total purchased electricity	14%	14%	0			19
Waste, metric tons	5 666	6 114	-7%			19, 20
Waste relative to production volume, g/L produced	51	53	-4%	Reduced by 5% annually during 2019-2025	SDG13 & 12  	19, 20, 21
Production sites holding ISO 14001 % of all production sites	7 47%	6 40%				
<b>Quality, process, and material efficiency</b>						
Production sites holding ISO 9001 % of all production sites	13 87%	13 87%	0			
First pass yield, % of total produced batches	73%	71%		90% by 2025	SDG12 	3, 9
Lean/Kaizen events implemented during the year	219	107				3, 10
<b>Supply chain</b>						
Supplier audits	11	8				11
Suppliers committed to Teknos Supplier Code of Conduct, % of direct procurement spend	81%	58%		95% by 2025	SDG12 	12
Suppliers assessed on sustainability by EcoVadis, % of direct procurement spend	51%	35%		80% by 2025	SDG12 	12, 13
Buyers trained on sustainable procurement, % of all buyers	86%	-				
<b>Focus area 3: People development</b>						
Line managers participated in leadership training, % of all line managers	44%	-		100% by 2025	SDG8 	
Leadership training in workdays	299	-				
Employees responded to Employee Opinion Survey (EOS) 2019, % of personnel	86%	-				14
Average EOS score for employee enthusiasm	4.13	-				14, 15

Key performance indicator	2019	2018	Change 19/18	Target 2019-2025	Contributing to SDG	Note
Average EOS score for fair treatment	<b>3.90</b>	-				<a href="#">14, 16</a>
Average EOS score for trust and respect	<b>4.25</b>	-				<a href="#">14, 17</a>
Employees responded in EOS that they had an appraisal discussion, % of personnel	<b>67%</b>	-		100% by 2025	SDG8 	<a href="#">14</a>
<b>Focus area 4: Future generations</b>						
(not defined)	<b>Created Teknos Group non-commercial sponsorship policy</b> <b>Sponsored and donated to various activities in local communities</b>	-		Actively support local communities and entrepreneurial spirit and thinking in the society Provide opportunities for young people to develop in their careers	SDG 11 	
<b>Business ethics, anti-bribery &amp; anti-corruption, and human rights</b>						
Employees trained on Teknos Code of Conduct, % of personnel	<b>100%</b>	81%		100% by 2019		<a href="#">14</a>
Employees completed Sustainability e-learning, % of personnel	<b>61%</b>	-				<a href="#">15</a>



## NOTE

- 1 Employee turnover rate calculation: (number of leavers based on voluntary and mutual consent bases/average number of personnel) x 100
- 2 The scope of the noted metrics covers 7 (out of 11) production countries producing about 90% of Teknos's volume: Finland, Sweden, Denmark, Germany, Poland, Russia, and the Netherlands – excluding China, Liechtenstein, Malaysia, and USA.
- 3 The scope of the noted metrics covers 8 (out of 11) production countries producing over 90% of Teknos's volume: Finland, Sweden, Denmark, Germany, Liechtenstein, Poland, Russia, and the Netherlands – excluding China, Malaysia, and USA.
- 4 VOC: Volatile Organic Compounds as defined in the Directive 2010/75/EU
- 5 SVHC: Substances of Very High Concern that are currently identified and will be identified in 2025 in accordance with the REACH Regulation
- 6 Methylisothiazolinone (MIT): an in-can preservative classified as an allergen in mixtures under the CLP Legislation.
- 7 LTAF calculation: number of lost-time accidents per one million hours worked.  
Lost-time accident: accident that results in an employee being absent from the workplace for a minimum of one full workday.
- 8 ISO 45001 gap audit of production sites: on-site assessment done by a third-party auditor against the ISO 45001 Occupational Health and Safety management system standard and EHS compliance. The objective is to benchmark the sites against the standard in the preparation for the certification process.
- 9 First pass yield calculation: number of batches coming out without adjustment/total number of produced batches. The aim is to improve material efficiency.
- 10 Lean/Kaizen events: events lasting from one day to several weeks, aiming to achieve the goal of maximising value and minimising non-value adding activities.
- 11 Supplier audits cover topics: quality, environment, occupational safety, CSR related policies
- 12 The direct procurement spend is of 7 (out of 11) production countries: Finland, Sweden, Denmark, Germany, Poland, Russia, and the Netherlands, accounting for approximately 90% of Teknos's direct procurement spend globally.
- 13 EcoVadis is a third-party CSR assessment of suppliers covering topics: environment, labour practices and human rights, fair business practices and sustainable procurement.
- 14 Employee Opinion Survey (EOS) is conducted bi-annually. The recent surveys were conducted in 2019 and 2017.
- 15 Employees rated on a scale 1 (strongly disagree) to 5 (strongly agree) for the statement "I am enthusiastic about my work".
- 16 Employees rated on a scale 1 (strongly disagree) to 5 (strongly agree) for the statement "All employees are treated fairly at my workplace".
- 17 Employees rated on a scale 1 (strongly disagree) to 5 (strongly agree) for the statement "My manager treats everyone with trust and respect".
- 18 The increase in the MIT usage amount in 2019 was due to a global supply shortage of an alternative.
- 19 The scope of the noted metrics covers 15 Teknos production sites.
- 20 All types of waste disposed (i.e. hazardous and non-hazardous waste) are included.
- 21 In Teknos's non-financial statement 2018, the target was specified as "5% annual reduction in paint waste". In 2019, Teknos made a modification: the scope of the target extends to all waste in Teknos operations.

This statement has been reviewed and approved by the Teknos Board and is presented as a separate report from the annual report. The report has been signed by the company CEO and Owner, Paula Salastie, on behalf of the Teknos Board.

Tuesday 2nd of June, 2020

Paula Salastie  
Board member  
CEO & Owner

# 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 2019 was EUR 398 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](http://www.teknos.com)