

Sustainable Procurement Policy

Introduction

Teknos' vision is to be a sustainable coating solutions provider close to customers. Sustainability is one of the key strategic initiatives for Teknos Group and our target is to be the most sustainable coating solutions provider in the world. Other key strategic initiatives include financial balance, improving customer experience, creating culture for continuous improvement and innovations.

Teknos Group's Procurement function is committed to Teknos' sustainability targets and is ensuring that sustainability is considered in all procurement processes. Sustainable procurement is closely connected to two of the Teknos Group's sustainability program focus areas: Responsible operations & supply chain and Sustainable solutions & services. Teknos procurement function contributes to these focus areas by ensuring and improving sustainability of its suppliers and by sourcing more sustainable raw materials. Procurement function contributes to financial balance targets by creating savings and controlling working capital, innovations are encouraged with selected partners and continuous improvement culture is seen through process improvements, for example related to Supplier Relationship Management.

Purpose and scope of application

This document aims to provide alignment between Teknos strategical initiatives and procurement activities. This policy is applied in procurement of direct raw materials and packaging.

Aim and objectives

Procurement function aims to identify, monitor and minimise negative environmental and social impacts of Teknos supply chain while ensuring that best possible economic conditions are met, and a high-quality level is maintained.

Specific targets (Key performance indicators)

Supplier code of conduct coverage: 95% by end of 2025, of direct raw material spend.

EcoVadis assessment coverage: 80% by end of 2025, of direct raw material spend.

Savings: target to be set annually, percentage of direct raw material spend.

Working capital; consignment stock, payment terms: target to be set annually.

Supplier Code of Conduct

Teknos has set clear expectations towards its suppliers and these expectations are communicated to the suppliers with Teknos Supplier Code of Conduct. All suppliers are expected to comply with the Supplier Code of Conduct.

Teknos Supplier Code of Conduct sets expectations regarding

- Environment: suppliers should minimise their environmental impact and strive for more efficient use of resources
- Health and safety: suppliers should provide healthy and safe working environment for employees and prevent injuries and accidents
- Labour and human rights: suppliers should respect internationally recognised human rights. Child labour, bonded labour and forced labour are strictly prohibited.

- Decent employment
- Business ethics and integrity
- Chemical legislation
- Management system and commitment

Compliance with Supplier Code of Conduct is monitored by supplier self-assessment questionnaires and by on-site audits.

Working principles

Teknos has integrated sustainability into procurement processes, including new supplier approval, preferred supplier criteria, supplier evaluation and category management. In all the decisions, impact to sustainability, quality and economics will be considered.

New supplier approval

Teknos has set requirements for new supplier approval. Minimum criteria for new suppliers are:

- Teknos Supplier Code of Conduct signed
- Supplier self-assessment filled in
- ISO 9001 certification for manufacturing site
- Information of manufacturer is shared, in case new supplier is a distributor
- EcoVadis assessment, if expected spend is > 50 000 €

Preferred suppliers

Teknos has preferred supplier program for certain strategic raw material categories. Preferred supplier criteria combine sustainability, financial and operational aspects. The criteria are:

- Signed/approved Teknos Supplier Code of Conduct
- EcoVadis score 65 or above
- Payment terms 60 days or above and/or consignment stock possibility
- Existing Group supplier (not a distributor)
- Direct dedicated technical contact person for Teknos R&D sites exists
- Operational performance: On time delivery (OTD) ability > 90% (average of all the Teknos sites)

Supplier evaluation

Teknos supplier evaluation combines sustainability, operational performance, quality and financial aspects.

Teknos is monitoring suppliers' performance regularly by supplier self-assessment questionnaires and sustainability performance is monitored by EcoVadis assessment tool.

Minimum expected score levels for EcoVadis assessment are: overall score min. 45/100, environmental score min. 45/100 and labour & human rights score min. 45/100.

Operational performance, like on time delivery ability and quality of incoming goods, is monitored from ERP system data by internal tools.

Teknos is also performing supplier audits covering both operational and sustainability related topics. If any improvements are found necessary, either from EcoVadis assessment or from an audit, a corrective action plan is made and followed up regularly by a responsible procurement manager.

Category management

Teknos procurement function uses category management approach for efficient management of different types of raw materials. Category management process aims to ensure that Teknos uses the most relevant raw materials from best suppliers and it addresses risk management (both operational and sustainability) and contributes to financial balance targets by improving commercial conditions. Request for quotation approach can be used in categories where appropriate and suppliers with accepted Teknos Supplier Code of Conduct and existing EcoVadis score get advantage in the bidding process.

Policies

Additional to this Procurement policy, procurement function works according to Teknos Code of Conduct and Teknos policy for detecting child labour at supplier.

Responsibilities

Chief procurement officer and procurement managers are responsible to act according to this policy and defined processes and principles. Chief Procurement Officer is responsible of reviewing this policy minimum once per year.