TEKNOS

NON-FINANCIAL STATEMENT 2022

TEKNOS

NON-FINANCIAL STATEMENT 2022

CONTENT

3–10

BUSINESS OVERVIEW

CEO's review 4
Strategy 2019–2025 6
Operating Environment 6
Operating Year 2022 8
How we create value 10

11–14

SUSTAINABILITY MANAGEMENT

Governance 12
Materiality and Stakeholder Engagement 12
Sustainability Risk Management 12
Third-Party Rating 13
Teknos CSR Programme and Progress 2022 . . 14

15–21

ENVIRONMENTAL MATTERS

Our Commitment 16
Principal Impacts and Risks 16
Management Approach 16
Key Activities and Outcomes 2022 17

22–28

EMPLOYEE AND SOCIAL MATTERS

Our Commitment 23
Principal Impacts and Risks 23
Management Approach 23
Key Activities and Outcomes 2022 25

29–30

HUMAN RIGHTS, ANTI-BRIBERY, AND ANTI-CORRUPTION

Our Commitment 30
Principal Impacts and Risks 30
Management Approach 30
Key Activities and Outcomes 2022 30

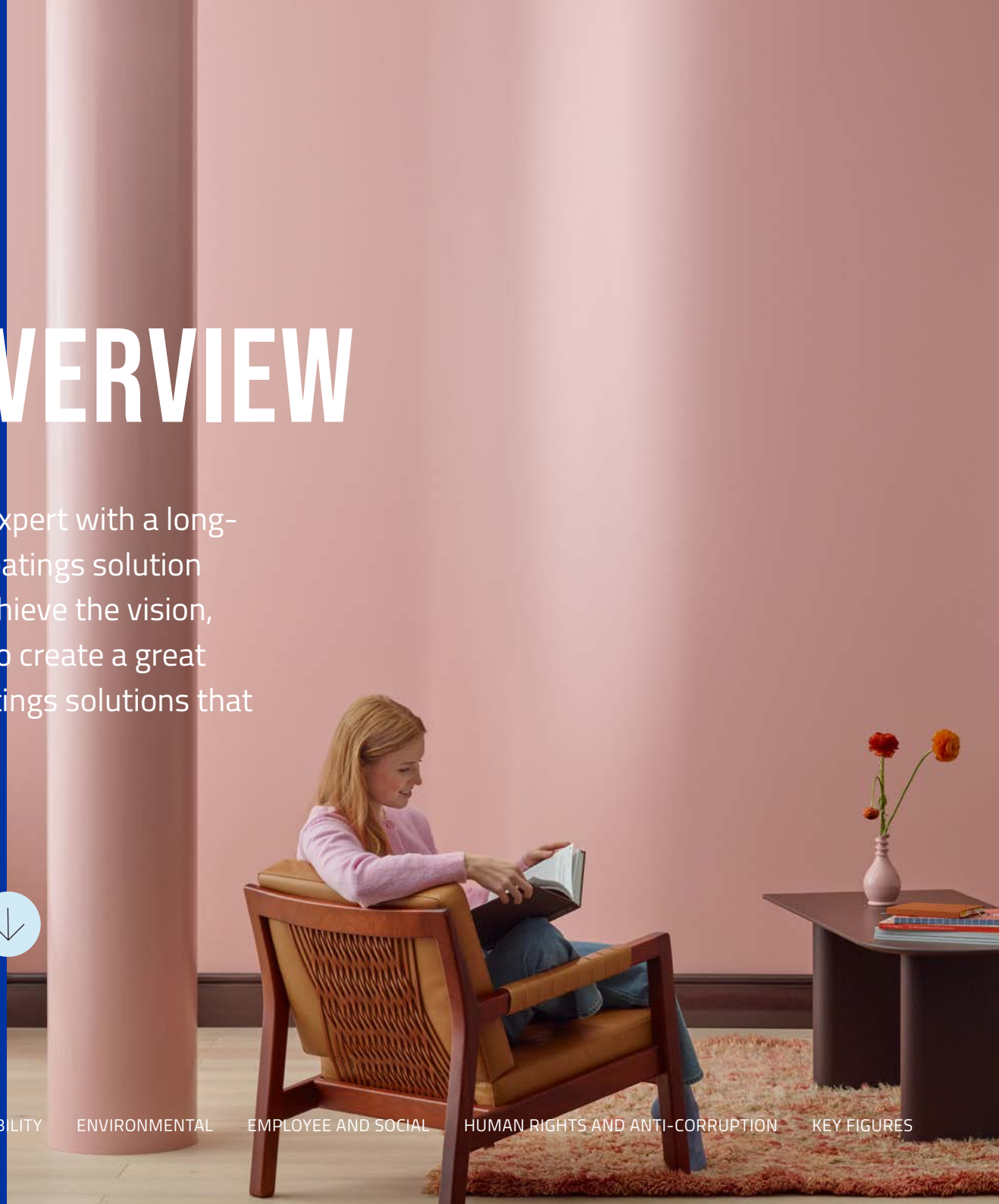
31–38

KEY FIGURES 2020–2022

Independent Assurance Statement 38

BUSINESS OVERVIEW

Teknos is a global coatings industry expert with a long-standing vision to be a sustainable coatings solution provider close to its customers. To achieve the vision, Teknos stays close to its customers to create a great customer experience and unique coatings solutions that help its customers succeed.



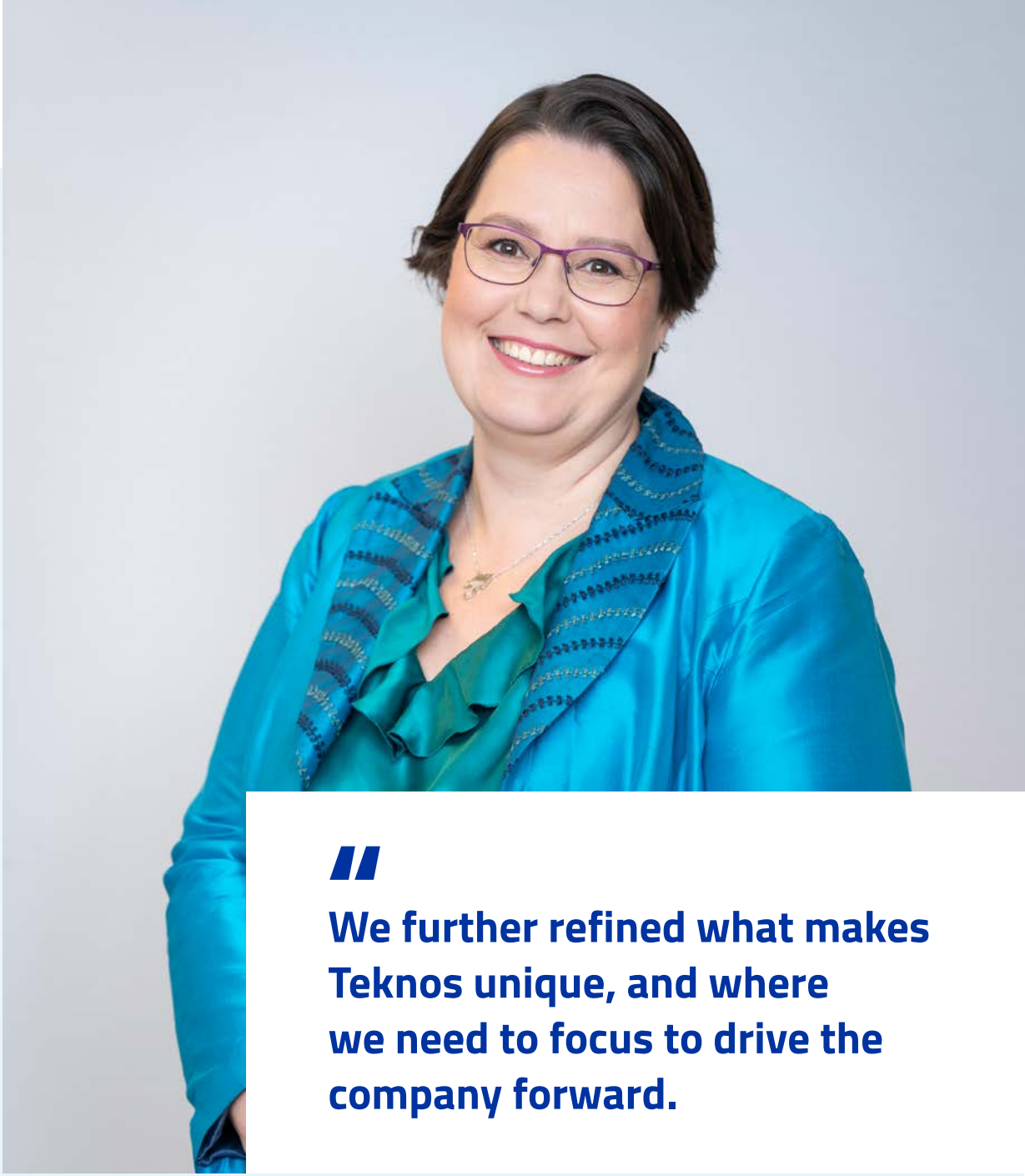
CEO'S REVIEW

Making the world last longer for future generations
One of the most important and interesting elements of running a 75-year-old family company is to constantly review our approach to sustainability and the business as a whole. For me, as the 4th generation owner of Teknos, it gives a different perspective to taking care of the generations to come. For us at Teknos, a quarter isn't three months but 25 years, and we are collectively committed to leaving the company and the world in a better state for the generations to come. This is best described through our collective company purpose: 'We make the world last longer'.

In 2019, we defined a new strategic period for Teknos, and 2022 was the mid-point of this period. We recommitted ourselves to our vision of being a sustainable coatings solutions provider close to our customers, reviewed how far we have come towards that vision, and defined how we would go forward. After all, the world had changed significantly during the first half of the strategic period.

We further refined what makes Teknos unique, what our strengths are, and where we need to focus to drive the company forward. Sustainability considerations were clearly at the core of everything; from our use of resources, how we work, our ethics, the culture we want to foster, our impact on the environment, and the communities we operate in.

One clear conclusion was to develop our approach to responsibility and update the strategic pillar, with a clear focus on scarcity, security, and climate change. We also committed ourselves to enhancing our unique approach to engaging with



> **"We further refined what makes Teknos unique, and where we need to focus to drive the company forward.**

the communities around us, building on our values with an emphasised focus on people development, family culture, and enhancing our ways of working. Ultimately, the work carried out in this updated base of our strategy house will ensure we are holding ourselves responsible for the world around us and the influence we have.

Pivoting in times of crisis

The impact of the war in Ukraine has been felt across the coatings industry, and Teknos has not been immune. The war in Ukraine – after ensuring the safety of our people – forced us to rethink our ongoing business in Russia and, ultimately, we made the difficult decision to conduct a controlled exit from the country, selling our Russian companies on July 11, 2022. Additionally, international sanctions that impact our business elsewhere, the growing energy crisis, and the ongoing global financial instability meant we had to put some of cultural development actions to one side to allow time and space for us to realign the business to this new reality.

The second half of the year saw us focusing on finding ways to simplify how we work and our structures while creating the financial head room to ensure the fundamentals of the company remain strong in the long term. We called this 'Teknos: fit for future'. This work is not complete and will form a significant area of focus for us throughout 2023.

Concrete actions to build a sustainable company

In many ways, the crises experienced this year have placed an even greater need to focus on sustainable practices. To that end, we've continued our investment in alternative energy sources by investing in solar panels in our Lichtenstein and Polish factories, for example. Additionally, the 600 solar panels in our Rajamäki factory in Finland continue to significantly contribute to our move towards sustainable energy sources.

In the coatings industry – like in all industries – reducing our climate impact is a necessity. In 2022, we worked to understand our emissions in Scope 3 and defined a baseline for this. We also set targets for our Scope 1, 2, and 3 emissions.

Although we have only just set the Scope 3 target in 2022, we have been providing services to our customers throughout the history of the company to optimize their coating lines to use materials more efficiently, optimizing paint consumption, and minimizing waste creation, all while advising on reducing energy consumption. This is a good example of how we will contribute to emission reduction in Scope 3.

People at the core

Being a family-owned company, people are everything to us; with safety being our top priority. In 2022, we continued our focus on strengthening our HSEQ (Health, Safety, Environment and Quality) programme. Through ongoing training, communications, and engagement across the organisation we are seeing the results pay off. In fact, we had our most successful reduction in lost time incidents in 2022. One positive aspect carried over from the COVID pandemic has been our continuation with hybrid working, which we've successfully and permanently adopted throughout our company. This has allowed us to attract the best talent to the company irrespective of our employee's work location. By adopting this approach, we have also been able to significantly reduce our reliance on travel.

We have put a lot of effort into mental health and well-being. This can be seen in the wide range of trainings, shared tips and tricks on coping in a home office, and the continued community spirit maintained through virtual coffee breaks and hybrid events, for example. We also strive to make an extra effort in ensuring that our people have a balance between work and other activities in their life, as it is all too easy to get consumed by the work.

In 2022, we continued to see significant personnel relocations, retirements, and individuals leaving the company. As we move into 2023, our focus is directed at refining our family culture in the hybrid working model and continuing to emphasise attracting and having the right talent in the best roles, efforts that will continue in the years to come.

Looking to the future

The last three years have been the most turbulent in many peoples working lives. We've lived through a once-in-a-century pandemic, war in Ukraine, an energy crisis, and constant strain on the availability of raw materials. Over the last 12 months, Teknos has been agile in our response to the consequences of this new reality.

We are on an ongoing journey, and change is constant. We are committed to supporting all our employees, customers, and other stakeholders to navigate this change. With our expanded understanding of responsibility, we will foster our inclusive and family-orientated culture while supporting the communities in which we operate. We will also continue our journey to mitigate the impact we have on the climate throughout our entire value chain. At Teknos, we take care of our responsibility to protect the world we live in and understand the influence we have on it. Together we will make the world last longer.

In this non-financial statement, I invite you to read more about Teknos' progress during 2022 and our future focus in sustainable business.

Paula Salastie
CEO, Teknos Group

STRATEGY 2019–2025

Teknos adapts and responds effectively to the world around it while cherishing the unique Teknos Family culture and values.
Teknos revised its company strategy in mid-2022. While the vision remains the same – 'to be a sustainable coatings solution provider close to our customers' – Teknos has renewed its approach to achieve this vision.

The renewed strategy aims at ensuring balanced and profitable growth. Teknos has simplified the strategy through four key adaptations:

- **Culture:** Focus on the unique Teknos Family Culture. It's the foundation of all Teknos' activities and creates a coherent space for company growth, professional development, global and local cooperation to achieve the goals.
- **Balance:** Focus on profitability with value-based selling to drive sustained profitable growth.
- **Innovation & Continuous Improvement:** Focus on creating the right culture and mindset to develop new solutions and improve Teknos' ways of working at all levels of the organisation.
- **Responsible:** Clarified focus on scarcity, security, and climate change to ensure Teknos is holding itself responsible for the world around it and the influence it has.

With these adaptations, Teknos has defined three strategic focus areas:

- **Customer Experience:** Strengthening the position as a high-value brand with a local presence
- **Innovative:** Establishing a culture of innovation and continuous improvement
- **Responsible:** Longer-lasting world for future generations through responsible operations

All strategic focus areas are underpinned by the Teknos Family culture as the basis of all decision-making, leading to overall profitability to achieve the vision.

Read more about our Strategy

Operating Environment

Market Development

Globally, the coatings market is highly competitive and consists of several major players. However, some local markets are highly fragmented and have numerous regional players. The market is moderately consolidated but expected to consolidate heavily in the years to come. Currently Teknos is the 31st largest coatings company globally and the eighth largest based in Europe.

New business opportunities arise from innovations, geographical and product expansions, collaboration with start-ups, acquisitions, and sustainable business. Sustainability plays an important role in shaping the global coatings market, driven by both growing customer demand and increasing regulation.

In 2022, global supply chains faced significant challenges due to ongoing uncertainty caused by the war in Ukraine, inflationary pressures, and the energy crisis following international sanctions imposed on Russia.

The direct impact of global financial instability can be seen in increased interest rates and decreasing consumer confidence. These impacts have negatively impacted customer groups, with a direct link to consumer spending. Moreover, we have witnessed a significant decrease in the construction industry. Meanwhile, energy, infrastructure and machinery customer groups offer growth opportunities, partly due to back-logs from the 2021 component shortage, changing energy demands and related infrastructure developments, and a growing emphasis on defence spending.

Regulatory Development

In the European Union (EU), some of the most important chemical regulations that apply to the coatings industry are REACH (1907/2006), the Classification, Labelling and Packaging (CLP) Regulation (1272/2008), and the Biocidal Products Regulation (528/2012). Under these regulations, regulated substances are heavily restricted and require coatings companies to fulfil specific obligations.

The European Commission has committed to tackling climate crisis and other environmental challenges. In line with this and under the European Green Deal, regulatory changes are gradually being proposed, discussed, and introduced via the regulatory processes.

Directives intending to standardise sustainability reporting, for example, the Corporate Sustainability Reporting Directive (CSRD) and Directive on substantiation and communication of explicit environmental claims (Green Claims Directive), will require Teknos to review its reporting and communication approach to ensure compliance.

A substantial impact on the coatings industry comes from the European Commission Chemical Strategy for Sustainability. Chemicals used within the industry will be subject to new methods of hazard characterisation and additional use restrictions, including the introduction of mixture assessment factor (MAF), essential use, and one-substance-one-assessment concepts.

Finally, several changes are already proposed in the chemicals regulations that will demand significant focus in the future. These include, for example, new hazard classes for endocrine disruptors and environmentally persistent substances, PFAS restrictions, minimum font sizes for hazard labelling, and ECOdesign criteria for chemicals.

While the tangible impacts of these changes are yet to materialise, Teknos anticipates the EU's Green Deal, revised regulations, and new directives will redefine the sustainability criteria in the chemical industry, bringing new requirements for Teknos.

HOW WE SUPPORTED OUR PEOPLE IN UKRAINE

As soon as the war started, Teknos suspended its operations in Russia and paused operations in Ukraine for three months. However, we continued paying our employees' salaries in both Ukraine and Russia to ensure their financial stability.

The safety and security of our people are our number one priority. Teknos supported its Ukrainian employees and their families with transportation to the border and final destinations in neighbouring countries. We also provided support by providing temporary housing where necessary, support with associated costs, and helped our people and their families navigate necessary refugee procedures. All our employees remained safe, and we remain in constant contact with them to ensure their well-being.

Teknos also donated 50 000 euros through the Family Business network to support the people of Ukraine through access to medicine and other humanitarian assistance. We provided opportunities for our employees to participate in aid work by contributing their time and effort for crisis-affected communities.

OPERATING YEAR 2022 - KEY HIGHLIGHTS

The war in Ukraine and exit from Russia

As with the rest of the industry, the war in Ukraine, international sanctions against Russia and the resulting energy crisis, inflation and demand uncertainty have directly and indirectly impacted the Teknos business environment.

Teknos' market position in Ukraine and Central Asia

Teknos LLC's operations in Ukraine have continued in a reduced capacity despite the war. Teknos moved its office from Kyiv to the western part of the country to ensure its employees' safety and the business's continuity in the long term. Teknos currently employs 14 people in Ukraine, and turnover for 2022 was EUR 1.3 million. Following Teknos' controlled exit from Russia, the company established a new export structure for its existing customers in Central Asia to export products from its other facilities and ensure business continuity in countries that were not part of the war.

Expanding the presence in Southeast Asia

On September 13, 2022, Teknos opened its new Commercial and Competence Centre with a technical application laboratory, training, and warehouse facilities in Dong Nai Province, Vietnam. Vietnam is an important growth market for Teknos and, to be close to its customers, Teknos has invested in and is committed to the region and the existing and future customers.

As Teknos' focus is both on social and environmental sustainability, employee health and well-being, in addition to environmental matters, were thoroughly considered in the design solutions of the new premises in Vietnam.

Project Eagle – Teknos exit from Russia

Teknos suspended business in Russia on March 4, 2022, and announced its intention to withdraw from Russia completely in mid-April. As a result of the completion of 'Project Eagle', the shares of our Russian legal entities – OOO Teknos and OOO Trading Company Massco, owned by Teknos Group Oy, were sold on July 11, 2022, and the exit was completed.

Compliance with international sanctions

Following the Russian invasion of Ukraine at the end of February 2022, the international community imposed a series of restrictions and sanctions. The sanctions focus on trading, banks and several individuals. Teknos complies with all sanctions regardless of the marketplace.

Teknos: Fit for future – Building a platform for sustainable long-term growth

In December 2022, Teknos Group launched 'Teknos: Fit for future'. The programme will improve business outcomes by clarifying and simplifying group structures, improving the decision-making, speed of implementation, end-to-end process optimisation, and cost efficiency, especially fixed costs.

At the time of writing, Teknos simplified its organisational structure in the consolidated Teknos Group and reduced the headcount at Teknos by more than 150 FTEs.

As part of the programme, Teknos has decided to close the Fulda site in Germany and transfer production to Brüggen. At the same time, the project to build a new factory unit in Steinau an der Strasse was cancelled. Teknos will continue the 'Teknos: Fit for Future' programme throughout 2023.

TEKNOS' GLOBAL PRESENCE

PRODUCTION AND SALES:

- Finland, in Pitäjänmäki, Helsinki and in Rajamäki, Nurmijärvi
- Denmark in Vamdrup
- Germany in Fulda, Alzenau and Brüggen
- Poland in Gdynia
- China in Shanghai
- USA in Charlotte
- Malaysia In Johor Bahru
- Liechtenstein in Bendern

SALES:

- UK
- Netherlands
- India
- Latvia
- Lithuania
- Norway
- Ireland
- Sweden
- Slovenia
- Switzerland
- Czech Republic
- Ukraine
- Vietnam
- Estonia

How we create value

Teknos creates value for customers, employees, suppliers, and society on many levels. The value creation model below depicts the most important resources Teknos uses to implement its mission, vision, and strategy, and the main outputs and value Teknos' activities create for its 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.

INPUTS

Intellectual
- Knowledge of raw materials, formulation, application technologies, and substrates
- Expertise from suppliers
- Innovative partner in the coating industry
- Stakeholder trust

Human
- 1543 employees
- Investments in developing employees' competences
- Investments in occupational health and safety

Natural
- Raw materials
- Water consumption
- 53623 m³
- Energy consumption:
- 43 GWh

Infrastructure
- Operations in 24 countries: 14 factories plus offices and warehouses

Financial
- Investments MEUR 11.7 (*)
- Equity ratio 39.2%

ACTIVITIES

Our vision:

Sustainable coating solution provider close to our customers

- R&D and Innovation
- Customer Experience Management & Sales
- People Development
- Production & Continuous Improvement
- Procurement & Purchasing
- Marketing & Communications

OUTPUTS

Coating Solutions
- Safe and durable
- Low VOC: waterborne, powder, UV
- Solutions for healthy home environment
- Services e.g. coating line design, application training, waste reduction, environmental regulation compliance
- Health and safety

Workplace
- Extensive opportunities for learning & development
- LTIFR 7.76
- Wages & salaries MEUR 82.4

Environmental
- Waste 6152 t
- GHG emissions Scope 1 and 2 plus business travel 6614 tCO_2e

Economic
- Net sales MEUR 398
- EBITDA MEUR 11

VALUE

Customers and Consumers
- Protected and prolonged product life and extended maintenance intervals
- Safe application
- Improved living comfort and well-being
- Optimized time, materials, and energy use
- Increased competence in coating application
- Meeting regulations and sustainability goals

Employees
- Meaningful jobs: Employee enthusiasm 4.02/5 (**)
- Improved competences

Suppliers
- Profitable business with Teknos
- Knowledge of raw material usage transferred from Teknos
- Increased reputation as a supplier to Teknos

Wider Society & Local Communities
- Direct employment: 1543 jobs
- Opportunities for early career movers and future generations
- More functional and safer living environment and surroundings
- Income tax MEUR 2.3
- Community projects and donations

SUSTAINABLE DEVELOPMENT GOALS

All figures are as at 31.12.2022, unless otherwise stated. (*) Additions to non-current assets (**) Scores measured in Employee Opinion Survey in 2021

SUSTAINABILITY MANAGEMENT

The Teknos vision is to be a sustainable coatings solution provider close to our customers. Following the 2022 strategic review, Teknos expanded the definitions of the four sustainability focus areas and updated targets and key performance indicators.

SUSTAINABILITY MANAGEMENT

The Teknos vision is 'to be a sustainable coatings solution provider close to our customers'. In 2018, Teknos established the Corporate Social Responsibility (CSR) Programme. The CSR Programme defines Teknos' sustainability aims for 2025. Following the 2022 strategic review, Teknos expanded the definitions of the four focus areas and updated its targets and key performance indicators (KPIs) (see page 14).

Governance
At Teknos, the Chief Executive Officer has the overall responsibility for sustainability. The Teknos Management Team approves and oversees the implementation of the CSR Programme and sustainability activities. The Board of Directors is duly informed about the progress and strategic decisions.

In 2021, Teknos tied its sustainability targets to its loan margin. The loan margin is adjusted in accordance with Teknos Group's performance in line with set sustainability targets. The loan is tied to three indicators: Lost Time Injury Frequency Rate (LTIFR), a share of volatile organic compounds (VOCs) in total raw material consumption, and an EcoVadis CSR assessment coverage of Teknos Group's suppliers.

Materiality and Stakeholder Engagement
The principal materiality topics do not change on an annual basis within Teknos or the industry. Therefore, Teknos' CSR Programme and the targets are long-term measures. To gain a deeper understanding of stakeholder expectations, Teknos maintains a dialog with its key stakeholders and carries out materiality surveys at relevant intervals. The most recent materiality survey was conducted during 2019–2020. This report addresses the identified material topics to Teknos based on the results of the most recent survey. Teknos plans to renew the Materiality assessment in 2023.

Read more about our Materiality Assessment

Sustainability Risk Management
Sustainability risk management is part of Teknos' overall risk management framework. At Teknos, risk and opportunity management are part of daily work and decision making and are, therefore included, in management, team, and project meeting agendas on a regular basis. The Chief Executive Officer is responsible for the execution of appropriate risk and opportunity management in the Group. The Chief Financial Officer is responsible for development of the risk and opportunity management and the reporting framework. Risk and opportunity registers, management process and performance are fully reviewed at least annually in each function and country to ensure the process in question is working adequately. Managing sustainability-related risks ↘

and opportunities forms part of the company's risk management procedures. Certain areas of sustainability, such as environmental, occupational health and safety, as well as 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 16, 23, and 30.

Key Group policies relating to sustainability

The Teknos Code of Conduct, Teknos Risk and Opportunity Management Policy, Teknos Group HSEQ Policy and topic-specific policies (listed on pages 16, 23, and 30) 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 and managing sustainability and enhance the risk and opportunity management. At Teknos, certification decisions and systems are managed at the 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 BY PRODUCTION SITE

Production site	ISO 14001	ISO 9001	ISO 45001
1. China, Shanghai	x	x	
2. Denmark, Vamdrup	x	x	
3. Finland, Helsinki	x	x	x
4. Finland, Rajamäki	x	x	x
5. Germany, Alzenau		x	
6. Germany, Brüggen		x	
7. Germany, Fulda		x	
8. Liechtenstein, Bendern	x	x	
9. Malaysia, Johor	x	x	
10. Poland, Gdynia		x	
11. US, Charlotte		x	
Share of all production sites	**55%**	**100%**	**18%**

THIRD PARTY RATING

In late 2021 and early 2022, Teknos conducted the EcoVadis assessment for the second time. EcoVadis assesses companies' sustainability practices related to the environment, labour and human rights, ethics, and sustainable procurement. Teknos has made improvements in many areas since the last assessment. As a result, Teknos received a score of 72 (out of 100) and was awarded the Gold recognition level for being in the top 5 percent of EcoVadis assessed companies.

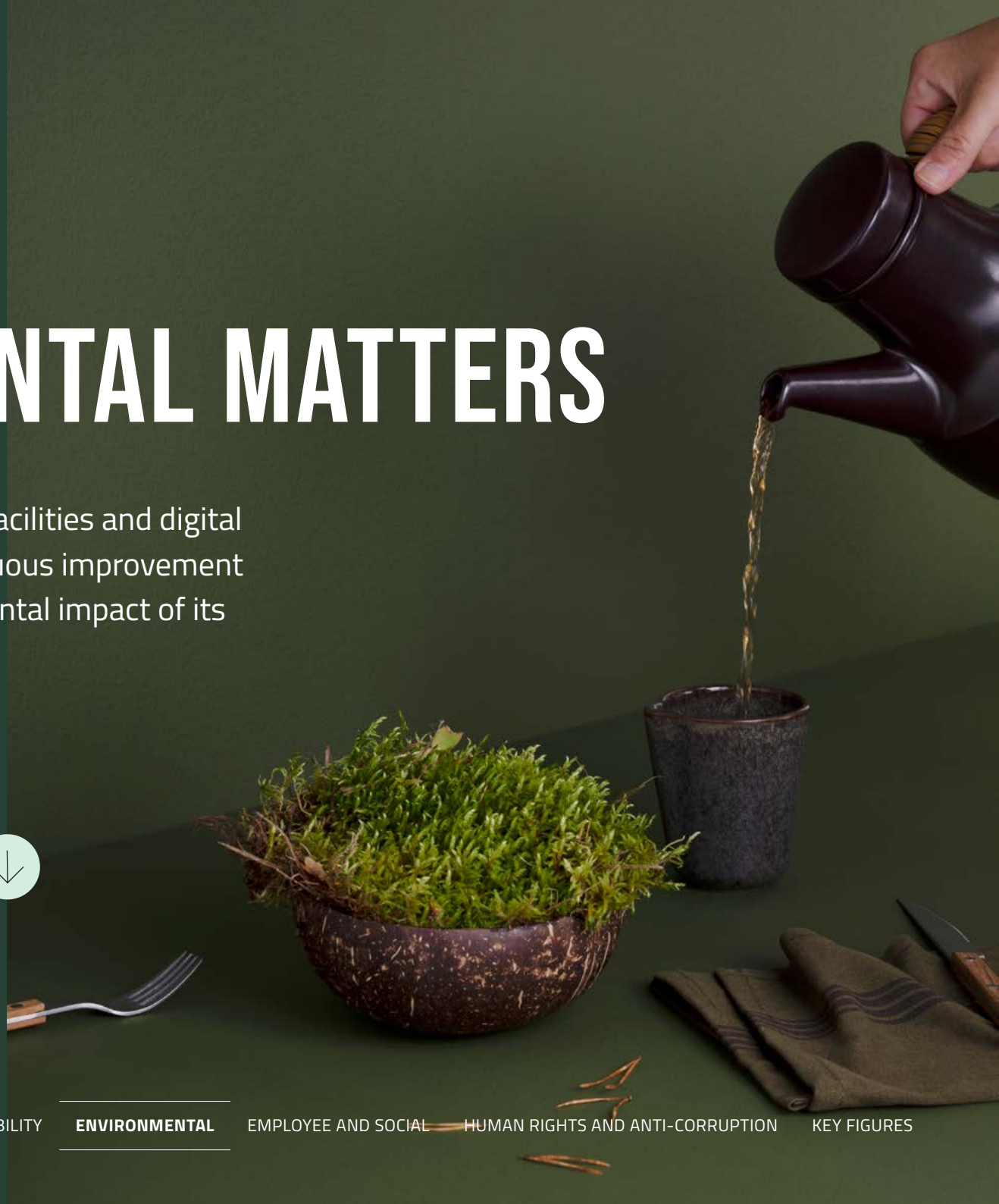
Teknos CSR Programme and Progress 2022

Teknos Group CSR Programme includes four focus areas, KPIs, and targets for the 2019–2025 strategy period. The country and function roadmaps are aligned with the Group CSR Programme. The table below summarises the progress. Read more about KPI definitions and multi-year performance on pages 31–35.

Our CSR focus areas	Our commitment	Target 2019–2025	Target 2022	Result 2022	Status 2022	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.	• 5% annual reduction of the amount of VOCs relative to total raw material consumption (2020 baseline)	7.7% of the total raw material consumption	8.2% of the total raw material consumption	Not achieved	
		• Phase out >80% of the amount of REACH SVHC relative to total raw material consumption by 2025 (2018 baseline)	25% reduction (vs. 2018)	75% reduction (vs. 2018)	Achieved	
		• Zero MIT intentionally added to products by 2025	0.1 metric ton	0.4 metric ton	Not 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.	• 10% annual reduction in LTIFR	5.83	7.76	Not achieved	
		• 5% annual reduction in energy intensity (MWh/metric ton produced) of production countries	0.42 MWh/metric ton	0.48 MWh/metric ton	Not achieved	
		• 5% annual reduction in waste intensity (kg/metric ton produced) in production countries	52 kg/metric ton	67 kg/metric ton	Not achieved	
		• 95% of direct procurement spend covered by Supplier Code of Conduct by 2025	95% coverage	97% coverage	Achieved	
		• 80% of direct procurement spend assessed by EcoVadis by 2025	75% coverage	86% coverage	Achieved	
3. People development	Creating long-term success for our employees and Teknos by developing employee competences and skills.	• 100% of line managers received Teknos leadership training by 2025	85% of line managers	58% of line managers	Not achieved	
		• 100% of employees have annual appraisal discussion by 2025	85% of employees	71% of employees	Not 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.	• 100% of Teknos entities offer opportunities for early career movers by 2025	60% of entities	67% of entities	Achieved	
		• 100% of Teknos entities support or engage in local community activities by 2025	75% of entities	38% of entities	Not achieved	

ENVIRONMENTAL MATTERS

Teknos invests in its manufacturing facilities and digital technologies and implements continuous improvement initiatives to minimise the environmental impact of its operations.



ENVIRONMENTAL MATTERS

Our commitment
Teknos invests in its manufacturing facilities and digital technologies and implements continuous improvement initiatives to minimise the environmental impact of its operations.

Teknos aims to produce long(er)-lasting products, increase the use of sustainable raw materials, and develop innovative, non-conventional surface treatment solutions.

Principal Impacts and Risks
Teknos has identified its principal impacts on the environment and the risks relating to these. The risk management activities are described in Management Approach and Key Activities and Outcomes. The impacts and risks that have been identified are:

- The use of materials, water, energy, and the waste generated in Teknos' operations affect 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, part of the VOCs contained in raw materials are released into the air, affecting the air quality.
- Evolving chemical regulatory requirements can cause public concerns to change and force Teknos to change its product formulas, manufacturing processes, or product demand. Teknos sees these requirements as both risks and opportunities for new sustainable business.

Management approach
Key policies: Teknos Group HSEQ Policy; Teknos Risk and Opportunity Management Policy, Code of Conduct, 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. Teknos works to reduce its negative environmental and social impacts and risks by actively managing its HSEQ practices, the CSR focus area 1 and CSR focus area 2. On the other hand, Teknos increases its positive impact by means of innovative partnerships and by helping its clients to reach their sustainability goals.

Local Teknos organizations are responsible of the environmental risk management activities and the compliance of the operations. The local organizations are supported by the Teknos Group HSEQ function. Additionally, the R&D environmental team is responsible for environmental issues linked to products and ingredients and actively monitors the development of chemical regulations.

Key activities and outcomes 2022

Responsible operations

During 2022, Teknos further strengthened the management and organisation of HSEQ matters. Teknos defined on a Group level health, safety, and environmental development programmes and, within this work, set targets for improvements in country organisations.

Waste management

Teknos' target is to reduce waste intensity by 5% annually from the 2019 levels in production during the 2019–2025 strategy period.

In 2022, Teknos generated 67 kg of waste per tonne of production, which was 8% lower compared to 2021 (72 kg/tonne). However, Teknos did not achieve the target for 2022, which was 52 kg of waste per tonne of production.

The waste management programme will further analyse waste streams and find opportunities to reduce waste quantity (e.g., by reusing materials at risk of becoming waste) or improve end treatment methods (e.g., from incineration to recycling) to ensure Teknos meets the target in the future. For example, Teknos Liechtenstein reduced paint waste by 44% during 2019–2022. These learnings have been shared with other Teknos countries to help them follow Liechtenstein's efforts in waste management.

Teknos' Quality Improvement programme supports reduction of paint waste by focusing on learning from deviations thru systematic reporting and root cause analysis.

Energy efficiency

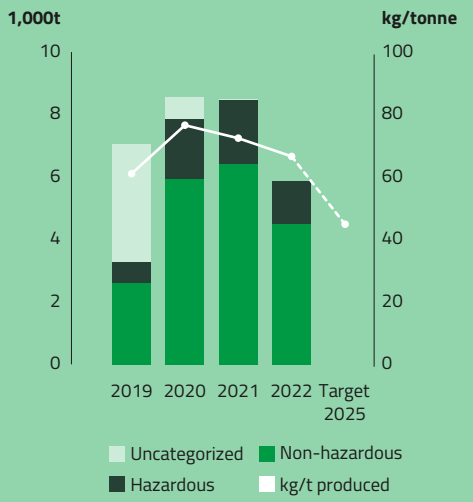
Teknos aims to reduce energy intensity by 5% annually from the 2019 levels in production during the 2019–2025 strategy period.

Energy intensity in 2022 decreased by 10%, reaching 0.48 MWh/tonne of production (0.53 MWh/tonne in 2021). However, Teknos did not achieve the target for 2022, which was 0.42 MWh per tonne of production.

Teknos will continue to find opportunities to optimise energy use, implementing energy monitoring systems and replacing old equipment with more energy-efficient options. Teknos is also consolidating manufacturing sites, which is expected to make the production more energy efficient, with fewer sites in total.

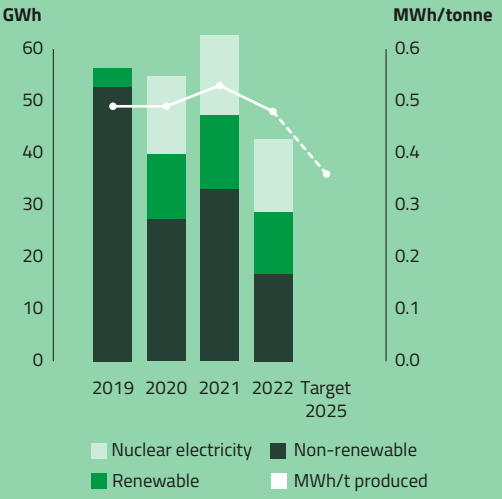
During 2022, we started several energy-saving initiatives in Teknos countries. For example, Liechtenstein, Denmark, the US, and Poland reduced their energy intensity significantly.

WASTE



Waste: Generated in 11 production sites – excluding: Sweden and Russia production sites (closed) and sites that have only sales offices or warehouses.

ENERGY CONSUMPTION



Energy: Consumption in 11 production sites – For 2022 this figures cover 11 production sites – excluding Sweden and Russia production sites (closed) and sites that have only sales offices or warehouses. More detailed energy figures are disclosed in KPI table.

Responsible operations

Scope 1 and 2 emissions

In 2021, Teknos started measuring the greenhouse gas emissions of its global operation in accordance with the Greenhouse Gas Protocol standards (GHG) and the Paris agreement. The measurement covered emissions from Scope 1–2 and partly from Scope 3.

During 2022, Teknos set targets for reducing Scope 1 and 2 emission intensity (kg CO_2e/tonnes produced) by 55%. The aim is to reach this target by 2033 and to use the 2021 figures as a baseline. Several action plans were initiated to reach this target, for example, improving the energy efficiency of the operations, favouring renewable diesel in the fleet, and buying green energy where possible.

In 2022, total emissions from Scope 1 and 2 were 5 285 metric tonnes. Approximately 44% of the measured emissions came from the direct consumption of fossil fuels and refrigerants (i.e., Scope 1), approximately 56% from purchased electricity, district heating and district cooling (i.e., Scope 2).

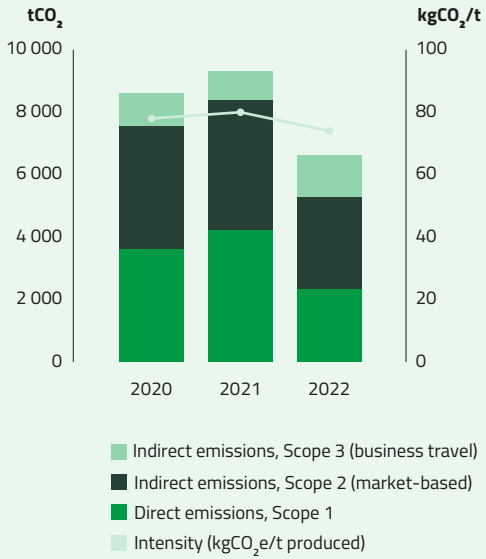
Teknos reduced the emission intensity (kg CO_2e/ tonnes produced) of Scopes 1 and 2 (market-based) by 18% from 2021. Approximately 3 800 tonnes of CO_2e were avoided by purchasing electricity and heating from renewable and nuclear energy sources in Finland, Denmark, Poland, and Sweden. Our 2022 figures exclude emissions from Russia.

In 2023, Teknos will continue improving its energy efficiency, sourcing zero-emissions energy, and investing in renewable energy.

Scope 3 emissions

During 2022, Teknos carried out an extensive project to map our Scope 3 emissions for the entire value chain.

GREENHOUSE GAS EMISSIONS



The figures includes Scope 1 and 2 plus business travels and covers all sites – production and non production – excluding Russia (closed)

This analysis shows that industrial application and curing processes have the most significant share of emissions, followed by purchased raw materials.

Teknos' estimated total emissions from Scope 3 in 2022 were approximately 450 000 metric tonnes. Scope 3 emissions represent 99% of Teknos' total CO_2 emissions and give a valuable perspective on where the efforts should be concentrated moving forward.

INVESTMENTS IN SOLAR ENERGY
Teknos invested in and commissioned solar panels in the Rajamäki factory in Finland. We have installed almost 600 powerful solar panels on the roof of the factory, which each year cover a total capacity of 210kW and produce 180MWh renewable domestic energy for the direct usage of the factory. In 2022, Teknos also approved investments into solar panels in our factory in Poland.

In 2022, Teknos set a target of reducing Scope 3 emission intensity (kg CO_2e/tonnes sold) by 33% by 2033, using 2022 figures as the baseline. During 2023 Teknos will, among other measures, focus on the following:

- Improving data quality and collect primary product carbon footprint data (PCF) from raw material suppliers for more accurate calculations. In the future, this data will serve as a platform for starting to work on replacing CO_2-intensive raw materials with low-emission alternatives (e.g., biomass-balanced or biobased resins).
- Mapping the customer processes and collect primary data to identify the most energy-intensive processes and, according to these results, continue the work with energy-saving technologies and services.
- Gathering primary data from logistics partners.

Water

Water is an essential resource for paint manufacturing and is used in finished products and Teknos' cleaning processes, for example.

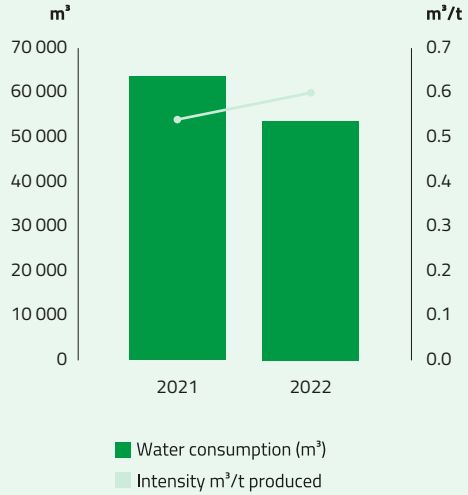
In 2022, Teknos' total water consumption was approximately 53 623 m³ (63 618 m³ in 2021) used in production facilities and offices or 0.60 m³ per tonnes of produced paint (0.54 m³ per tonne in 2021).

Teknos helps its customers to move from solvent-borne products to water-borne products, which will affect the total water intensity in future. Therefore, Teknos also measures wastewater, excluding water used as raw material, to better understand the water consumption for cleaning and utility water that Teknos targets to reduce. Both figures are accounted for in the KPI table.

Teknos has no production in areas where the current level of water stress is high or extremely high and aims to avoid establishing production in such areas.

Wastewater treatment and water discharge are subject to strict regulations and local discharge requirements. Where possible, Teknos strives to reuse and recycle water to reduce consumption and discharge. Wastewater is always treated at Teknos' water treatment facilities or external treatment plants.

WATER



Water: The figures cover all sites – excluding: Russia (closed) and includes both waste/processwater and water that goes into products.

PROJECT VOLVO CE - CLIMATE EFFICIENT AND CIRCULAR PAINT PROCESS

Teknos entered a sustainability project with our customer Volvo Construction Equipment for "Climate Efficient and Circular Paint Process" approved and partly funded by Vinnova (Sweden's innovation agency).

There is now a combination of opportunities for technology change in Volvo´s painting process that can drastically reduce energy use, stop flows of water and chemicals, and improve environmental performance. The target is to reduce the climate effects of gas use in ovens by at least 80% and increase the energy efficiency of the painting shop by 10%

As a part of the project, Teknos is developing solutions for low curing powder and process solutions.

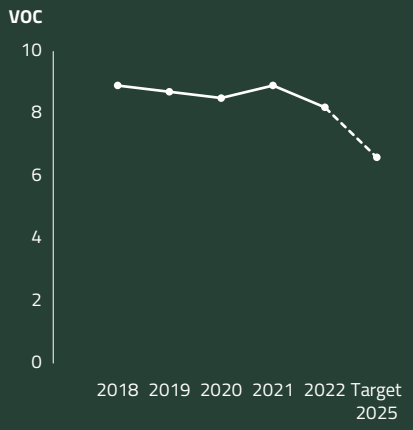
Sustainable Solutions and Services

VOC content in products

Volatile Organic Compounds (VOCs) are used in paints and coatings, both solvent-borne and water-borne, to produce the required functionality. VOCs account for about 8.2% 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 Teknos' annual net sales.

In 2022, the share of VOCs used in Teknos' products went down by 8% compared to 2021. This reduction was primarily driven by the exit from the Russian market. In addition, Teknos has identified other measures such as introducing water-borne and high solids alternatives to products with the highest VOCs. Throughout 2022, the salesforce was trained with new sales approaches to encourage customers to switch to these alternative products. Teknos identified new ways to reduce the amount of solvent used in the production of its products and continued awareness raising both internally and externally through ongoing communication and trainings. These activities will be continued in 2023.

VOC'S IN THE TOTAL RAW MATERIAL CONSUMPTION, %



VOC: The figures cover 6 (out of 10) production countries producing about 90% of group volumes: Finland, Denmark, Germany, Poland, Sweden and Russia – excluding Liechtenstein, China, Malaysia, and the U.S

Hazardous substances

Teknos is committed to reducing and phasing out the use of substances on the EU's Candidate List of substances of very high concern (SVHC) for human health and the environment.

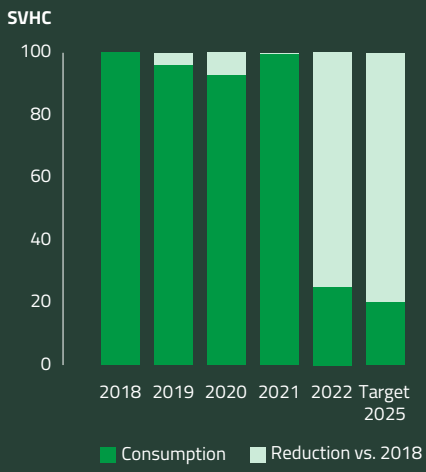
Substances included on the Candidate List are not necessarily banned, and Teknos' aim for phase-out is to proactively improve product safety and recyclability and go beyond the minimum requirements set out in regulations.

The phase-out strategy is not limited to the EU area. The target is to phase out 80% of the amount of REACH SVHC substances relative to total raw material consumption by 2025. The measurement includes 6 out of 10 production countries covering 90% of Teknos total raw material consumption..

In 2022, the relative amount of SVHC in the total raw material consumption was reduced by 75% from the 2018 baseline. This is partly due to the continued phase-out in the EU production sites, but mainly due to the cease of production in Russia.

The identification of new SVHC substances is an on-going process, due in part to the REACH evaluation process that can result in many chemicals receiving new hazard classifications. At Teknos, there is now an increased focus on substituting substances that may become SVHC in the future.

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 raw material consumption in 6 out of 10 production countries covering 90% of total raw material consumption

Renewable and recycled raw materials

In 2022, Teknos introduced a product with recycled content: EPINOX 87–01. It is an epoxy primer which was created in accordance with principles of circular economy. In the start-up phase, the recycled material is recovered from Teknos' production and used as filler material in the epoxy primer, thus replacing juvenile material. Following several years of testing, the product is now commercialised and will serve as a pilot, where the final target is to use material recovered from customer processes.

Innovations and new solutions for sustainability

Sustainability is at the heart of all innovation development at Teknos. New innovations are evaluated from the viewpoint of sustainability and against their impact on Teknos' sustainability targets. In 2022, Teknos continued working with several innovation projects related to sustainable solutions, energy saving products, new circular and bio-based materials, and sustainability-focused services, such as technical support for energy saving in customer processes.

Teknos has been constantly screening new bio-based and recycled raw material alternatives to find replacement for virgin fossil materials. During 2022, the Group R&D Innovation team tested over 20 new raw materials that could be used in coatings applications in the future.

Product innovations

In 2022, Teknos worked with several customer groups to develop new products with increased sustainability aspects. For example, the IKEA Better Carbon initiative was responded to with the development of new Uvilux Harmonia products, which are 100% UV Topcoats, and contain a Biomass Balanced resin that complies with the requirements of the REDcert2 certification scheme of sustainable material flows in the chemical industry. Moreover, radiation curing technology has been tested using energy efficient LED-lamps to reduce the energy consumption of curing processes.

Sustainable support services

As a coating solution provider, the unique combination of products and services is what differentiates Teknos from its competitors. To this extent, Teknos continued to develop sustainability services for its customers during 2022. These services range from consulting customers on sustainable coating application to the curing of coating systems. One focus area has been helping Teknos' customers optimise their coating lines to enable more efficient use of materials, reduce overuse and waste, and to advise them how to reduce energy consumption.

Regarding life cycle services, Teknos published multiple Environmental Product Declarations that offer particular support for its customers in the construction field in relation to their sustainability work. The year brought an increasing demand for energy efficiency in which Teknos' professionals also support its customers. Additionally, there will be an increased focus on creating a more sustainable future through services in 2023.

Packaging

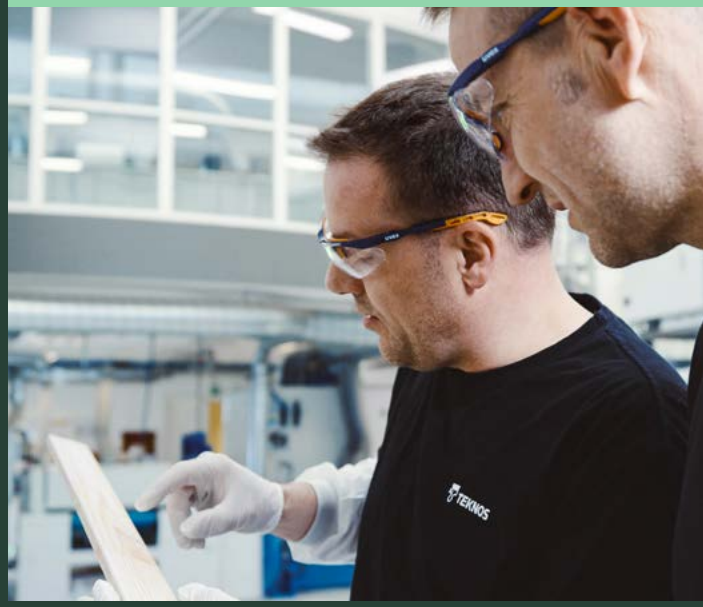
Teknos aims to increase the use of packaging that is recyclable or contains recycled or renewable materials. A large amount of Teknos' packaging is made of steel and tinplate, which are highly recyclable.

During 2022, Teknos tested (intensively) the use of plastic packaging made of post-consumer recycled (PCR) plastic with a minimum recycled content of 60%, and some selected product lines were already changed to use PCR containing plastic packaging. Teknos now has three product lines that have been converted to this package: Salamaa Joy, Teknofloor Boja, and TeknosPro R filler. Teknos aims to increase the use of PCR packaging across its products.

In Powder coatings, Teknos uses cardboard packaging that contains 47% recycled fibres.

EXTERNAL COLLABORATION WITH BIOPROT AND SUSBINCO

In 2022, Teknos participated in two consortium projects with high sustainability targets. SusBinCo (Sustainable Binders and Coatings) aims to achieve new polymeric coating materials with 80–100% renewable content. BioProt (Bio-based Protection) is developing bio-based and bio-degradable materials for facemasks and other applications. Teknos is responsible for finding new bio-based materials that could be used as anti-microbial coating solutions. Both projects will continue in 2023.



EMPLOYEE AND SOCIAL MATTERS

Providing a safe and healthy workplace for employees is a top priority for Teknos. Teknos aims to be a fair, just, and responsible employer and to retain and attract talents and ensure the continuity of the family business.

EMPLOYEE AND SOCIAL MATTERS

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

Teknos creates long-term success for its employees and the company by developing employee competences and skills.

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

Teknos continuously practices 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 in local communities.

Principal Impacts and Risks
Teknos has identified social impacts and the risks relating to them. Risk management is described in Management Approach and Key Activities and Outcomes. The identified impacts and risks 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.
- Increased remote working may increase the risks related to physical ergonomics and the mental well-being of employees.
- Obstacles to retaining employees and attracting the talent needed to ensure the company's ongoing success include increased competition for limited talent pools in the 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 HSEQ Policy, Teknos Supplier Code of Conduct, Teknos Sustainable Procurement Policy, Teknos Risk and Opportunity Management Policy and Teknos Policy for Sponsorship and Donations.

In addition to the key policies, the CSR focus areas 2, 3, and 4 shape the actions regarding managing risks, as well as increasing value for employees, suppliers, and local communities. Additionally, 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 behaviour expected at Teknos. To ensure the fair treatment of employees and to provide development opportunities and motivation, Teknos has the People Processes in place, including development discussions, individual target setting, and personal development planning. Teknos' 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 engagement and satisfaction are measured every second year in the Employee Opinion Survey (EOS) and discussed with employees in the People Processes.

Employee health and safety is maintained by daily safety management practices and supported through health and safety improvement programmes and Teknos Life Saving Behaviours. Examples of daily safety management practices include safety observations, safety walks and discussions, safety inspections and tours, safety trainings, audits, risk assessments and raising awareness through monthly communication of Health, Safety, Environment and Quality Moments globally. Some of Teknos' locations are working toward the ISO 45001 Occupational Health and Safety management system to improve local practices.

Local country organizations have the overall responsibility regarding compliance with health and safety practices. Teknos' Group HSEQ function develops global health and safety performance improvement programmes and provides support for the country organisations in health and safety management. Examples of global improvement programmes are Teknos Safe Journey programme for Sales and Technical service, Personal Protective Equipment standards for different work activities, Logistics safety programme, implementation of common HSEQ reporting system, and the Teknos Safety Concept, which sets minimum safety requirements for Teknos countries.

Sustainable procurement: The Teknos Sustainable Procurement Policy describes Teknos' approach and processes for identifying, monitoring, and minimising the negative environmental and social impacts of our supply chain while balancing this against the financial and quality requirements of purchasing processes. All Teknos' procurement processes – including new supplier approval, supplier evaluation, category management, and preferred supplier selection – include sustainability checks and criteria. Since 2018, Teknos has systematically worked to ensure its 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 the measures taken by the company 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 2022

Employee health, safety, and well-being

Keeping the employees safe and healthy continued to be Teknos' top priority in 2022.

Teknos strongly encourages all employees to be responsible for a safe working environment and to report their observations and improvement ideas. Teknos' monthly Health, Safety, Environment and Quality Moment communication is present in all meetings at all organisational levels and throughout the internal communication channels.

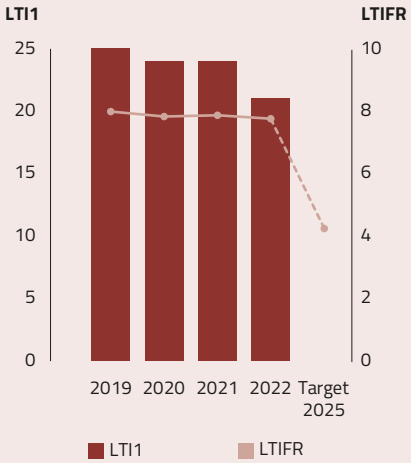
Lost Time Injury Frequency Rate (LTIFR) is the main KPI used in measuring safety progress at Teknos, the target being 10% annual reduction in LTIFR by 2025. Teknos did not achieve the target in 2022: the LTIFR of Teknos employees was 7.76, which is 1.5% lower compared to 2021 (7.87%). The number of injuries decreased to 21 (24 in 2021), with one serious injury related to driving a forklift, which occurred at our Danish production site.

The Teknos Incident learning programme focuses on thorough investigation of all incidents, sharing incident learnings globally, and monitoring that all relevant improvement actions are completed at all Teknos sites to ensure similar incidents do not reoccur.

Teknos' extensive Health & Safety programme, launched in 2021, has put focus on safety and contributed to the improvement of the safety culture in 2022. However, strong continuous focus must be maintained to reach the LTIFR targets for 2025.

In 2022, Teknos invested in a new HSEQ tool, which will cover all HSEQ reporting in the Group. When fully implemented in 2023, the tool will also simplify incident reporting, investigation, and monitoring of incident learning actions across all Teknos countries.

NO. OF LOST TIME INCIDENT AND LOST TIME INCIDENT FREQUENCY RATE



LTIFR: the number of incidents resulting in at least one full day of absence (i.e. LTI1) per one million hours worked.

People development

In 2022, Teknos piloted the new 'Leadership Recipe' concept with 16 leaders and HR employees from across Teknos' global locations. The concept equips the leaders across the organisation to lead their teams effectively. It has been developed in-house to allow Teknos' HR organisation to deliver the material flexibly moving forward.

In 2022, 58% of Teknos line managers have participated in Leadership recipe or other leadership training since 2019. The number increased by 16% from 2021. The target for 2025 is that 100% of line managers have received Teknos leadership training.

Creating long-term success and developing employee competencies are key topics of importance at Teknos. Teknos has set a target of 100% of employees having yearly appraisal discussions by 2025. The target for 2022 was 85% of employees having appraisal discussions, however, only 71% of our employees had a development discussion during the year. The deviation from the target is explained by the number of organisational changes that occurred during 2022.

NEW HIRES, LEAVERS, AND TURNOVER RATE

	2022	2021
New hires, as of 31 December	151	279
Voluntary leavers, as of 31 December	168	116
Average number of personnel	1 578	1 807
Turnover rate, voluntary basis	10.7%	5.3%

The change in average personnel is affected by Teknos exit from the Russian market

During the 2022 strategic roadmap development, Teknos implemented the Business Capability development process, which allows the organisation to link strategic goals with the people capabilities and resources available to deliver them.

As part of the strategy development in 2022, Teknos expanded its sustainability statement to include equality and inclusion. The Teknos family comprises of individuals from 68 Nationalities. In 2023, Teknos will develop activities to further foster an inclusive environment, with equality at the core, and will establish KPIs to measure progress in this regard.

EMPLOYEES BY GENDER AND EMPLOYMENT TYPE; 31 DECEMBER

	2022	%	2021	%
Total personnel (31.12.)	**1 543**		**1 859**	
Permanent	1 484		1 700	
Fixed term	59		159	
Females total	**510**	**33%**	**621**	**33%**
Permanent	487		562	
Fixed term	23		59	
Males total	**1 033**	**67%**	**1 238**	**67%**
Permanent	997		1 138	
Fixed term	36		100	

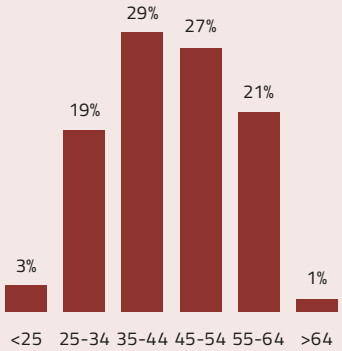
LEADERSHIP BY GENDER; 31 DECEMBER

	2022	%	2021	%
Line manager	**290**		**299**	
Female	93	32%	98	33%
Male	197	68%	201	67%
Managing Director	**19**		**16**	
Female	9	47%	6	38%
Male	10	56%	10	63%
Teknos Management Team	**7**		**9**	
Female	3	43%	4	44%
Male	4	57%	5	56%

Finally, Teknos implemented a new HR Information System to simplify ways of working and centralise the people process as target setting, development discussions, learning platform and recruiting.

In 2023, the focus will be on increasing collaboration across the company and supporting Teknos employees and managers lead during change and ambiguity. Targeted training will be offered to support leaders and teams in change. Teknos will also listen to its employees through the new People Pulse survey to build sustainable solutions for a better employee experience and well-being at Teknos.

EMPLOYEES BY AGE DISTRIBUTION, 31 DECEMBER



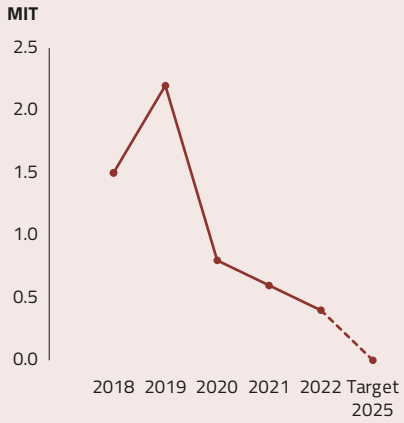
Product safety

Teknos strives to improve product safety and puts special focus on the safe use of chemicals classified with sensitization hazard. This focus is due to the increased awareness and hazard classification of some of the most widely used and most efficient in-can preservatives.

In Teknos' CSR programme, a target has been set to phase out the addition of methylisothiazolinone (MIT) to all Teknos' products by the end of 2025. MIT is an effective preservative

used in water-borne products. It also has a high potential for skin sensitisation. In 2022, Teknos continued decreasing the amount of MIT added to the products. The amount was decreased by 0.2 tonnes from 2021, achieving a level of 0.4 tonnes in 2022.

MIT INTENTIONALLY ADDED TO PRODUCTS, TONNE



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

In 2022, Teknos focused on the implementation of the restriction of sensitising di-isocyanates. The work will continue in 2023 to ensure all relevant employees will receive the required training.

Sustainable procurement

Teknos is committed to 80% of direct procurement spend being assessed by EcoVadis by 2025. This target was achieved in 2021, and further progress was made during 2022, reaching a result of 86%. The direct procurement spend is for 6 (out of 10) production countries: Finland, Denmark, Germany, Poland, Sweden and Russia who represent about 90% of our total spend.

In 2022, Teknos used the EcoVadis assessment to assess its indirect suppliers (suppliers who supply everything other than raw materials and packaging). In total, 25 indirect suppliers were assessed in 2022.

Most of the suppliers assessed present a low sustainability risk (scoring 45 and above in the EcoVadis assessment). Teknos requested corrective actions from suppliers who had any theme score (environment, human rights, ethics, sustainable procurement) below 45 and closely monitored their development. In 2022, a target of 50 corrective actions requested from suppliers was set and achieved.

In 2022, Teknos focused on increasing stakeholder communication about sustainable procurement. The 'Suppliers' page on Teknos' website was published in early 2022 to make sustainable procurement-related materials and communication better available to suppliers and other stakeholders. Teknos continued training its local buyers in sustainable procurement practices. A total 57% of buyers participated in the live training session. Others were given the opportunity to learn from the meeting recordings. In the coming years, Teknos will place emphasis on identifying risks and collecting CO_2 data from suppliers.

Society and future generations

Opportunities for early career movers

Being a family-owned company means that Teknos highly values continuity and wants to make sure that today's decisions also benefit future generations. To include future generations, early career movers were offered different opportunities around Teknos' locations in 2022. This year, students and graduates were especially targeted by supporting their employment through various traineeships and summer job positions. These opportunities give young talent a possibility to gain valuable work experience that supports their studies. In addition, early career mover opportunities included events and activities for future generations still in a younger age.

The target for 2025 is that 100% of Teknos countries will offer early career mover opportunities. For 2022, the intermediate target was set to 60% of Teknos entities. This target was exceeded, with 67% of entities offering different opportunities. In 2023, Teknos' aim is to have 70% of its entities offering such opportunities. With continuous concept development, Teknos is well on track to reach this goal and to offer interesting opportunities to future generations.

Local community activities

During 2022, Teknos countries continued to engage and support local communities. The target for 2025 is that all local organisations support and engage in local community activities. For 2022, the target was set for 75% of all the entities; however, this was not met due to changes in local organisations. During 2022, 38% of Teknos entities engaged and supported local communities in different ways, such as supporting local children's sport teams and engaging with schools and students of various ages. The work will continue in 2023 with an aim to increase the collaboration across all Teknos entities.

In 2022, the Teknos Policy for Sponsorship and Donations was applied to all sponsoring decisions.

HUMAN RIGHTS, ANTI-BRIBERY, AND ANTI-CORRUPTION

Teknos has a zero tolerance of child labour, forced labour, or involuntary work in its own operations and its supply chain. Teknos does its utmost to respect workers' rights and human rights. Teknos forbids all forms of bribery and corruption within its value chain.

HUMAN RIGHTS, ANTI-BRIBERY, AND ANTI-CORRUPTION

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

Teknos forbids all forms of bribery and corruption within its value chain.

Principal Impacts and Risks
Teknos has 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 have been identified are:

- The human rights issues most relevant to Teknos relate to the health and safety aspects of Teknos' workplaces and of the chemicals used.
- Teknos operates mostly in Europe, where the risk of serious human rights violations in the operations relating to freedom of association and possible use of forced labour is considered to be low.
- The human rights issues in Teknos' supply chain, based on monitoring via EcoVadis, most likely 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 Labour 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 its operations and supply chain. These policies and the Teknos culture and values lay the foundations for the expected behaviour of employees, suppliers, business partners, and other stakeholders. Teknos employees receive training on respecting human rights, as well as ethical and legal business conduct, via a mandatory Teknos Code of Conduct e-learning course.

To monitor risks in the supply chain, Teknos uses the EcoVadis supplier sustainability assessment, which includes human rights and business ethics topics (read more on EcoVadis on page 13).

Violations of the Code of Conduct (CC) are reported using the Teknos escalation model, as described in the Code of Conduct, or directly to the online whistleblowing channel. 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 2022
Teknos Code of Conduct was updated and re-introduced in 2021. The training was continued in 2022 and 86% of all employees had completed the Code of Conduct e-learning course by the end of 2022. In 2023, Teknos will continue the training and increase the percentage of employees completing the e-learning.

During 2022, Teknos ran a communication and engagement campaign to encourage its employees to report any concerns relating to violations of our Code of Conduct.

Online whistleblowing channel
The online whistleblowing channel, launched in 2021, is open to all Teknos' stakeholders and guarantees confidentiality and anonymity.

In 2022, the Code of Conduct Committee received eight incident reports. One case remained under investigation at the end of 2022. Teknos has no pending or completed legal cases relating to violations of human rights or to bribery and corruption.

KEY FIGURES 2020–2022

KEY FIGURES 2020–2022

Key performance indicator	2020	2021	2022	% change 22/21	Target 2019–2025	Contribution to SDGs	Note
Economy							
Net sales, million euros	384	419	**398**	-5%			
EBITDA, million euros	35	26	**11**	-57%			
People							
Personnel, 31.12	1 814	1 859	**1 543**	-17%			
Nationalities	53	55	**49**	-			
Female to male ratio	33:67	33:67	**33:67**	-			
Turnover rate (voluntary basis)	5.3%	6.4%	**10.6%**	-			1
Employees responded to EOS, % of employees	n/a	89%	**n/a**	-			2
Average EOS score for employee enthusiasm	n/a	4.02	**n/a**	-			2, 3
Average EOS score for fair treatment	n/a	4.28	**n/a**	-			2, 3
Average EOS score for working conditions	n/a	3.72	**n/a**	-			2, 3
Focus area 1: Sustainable solutions and services							
VOCs in products, % of the total raw material consumption	8.5	8.9	**8.2**	8%	Reduced by 5% annually (2020 baseline)		4, 5
SVHC in products, % change in kg SVHC per kg of raw material consumption vs. 2018 baseline	-7.4%	-0.5%	**-75%**	-	Reduced by >80% by 2025 (2018 baseline)		4, 6
MIT intentionally added to products, metric ton	0.8	0.6	**0.4**	-33%	0 by 2025		4, 7

Key performance indicator	2020	2021	2022	% change 22/21	Target 2019–2025	Contribution to SDGs	Note
Focus area 2: Responsible operations and supply chain							
Occupational health and safety							
LTIFR	7.83*	7.87*	**7.76**	-1%	Reduced by 10% annually (2019 baseline)		8
LTI1	24	24	**21**	-12%			8
ISO 45001 certified sites	2	3	**2**	-			14
% of production sites	13%	21%	**18%**				
Environment							
GHG emissions Scope 1, metric ton of CO_2e	3 600*	4 222*	**2 325**	-45%			10
GHG emissions Scope 2 (market-based), metric ton of CO_2e	3 959*	4 150*	**2 960**	-29%			10
GHG emissions Scope 2 (location-based), metric ton of CO_2e	7 429*	7 929*	**5 695**	-28%			10
GHG emissions Scope 1 and 2 (market-based), metric ton of CO_2e	7 559*	8 372*	**5 285**	-37%			10
kg CO_2e per metric ton of production	68	71	**58**	-18%			10
GHG emissions, Business travel, metric ton of CO_2e	1 031*	950*	**1 329**	40%			10
GHG emissions Scope 1 and 2 (market-based) plus business travel, metric ton of CO_2e	8 590*	9 322*	**6 614**	-29%			10
kg CO_2e per metric ton of production	78	80	**74**	-6%			10
Energy consumption (all sites), GWh	57	65	**49**	-25%			10
Energy consumption, MWh per metric ton of production	0.51	0.55	**0.55**	-0.2%			10
Energy consumption (production), GWh	55*	63	**43**	-32%	Reduced by 5% annually (2019 baseline)		9
Energy consumption, MWh per metric ton of production	0.49*	0.53	**0.48**	-10%			9
Certified green electricity, GWh	5.8	6.1*	**4.1**	-32%			9
Nuclear electricity, GWh	14.8	15.3	**13.8**	-9%			9

Key performance indicator	2020	2021	2022	% change 22/21	Target 2019–2025	Contribution to SDGs	Note
Certified green district heating, GWh	6.8	8.3	**7.8**	-6%			9
Renewable and nuclear energy % of production sites energy consumption	50%	47%*	**61%**	30%			9
Certified green electricity all sites, GWh	5.8	6.1*	**4.8**	-21%			10
Renewable and nuclear energy % of all sites energy consumption	48%	46%	**54%**	17%			10
Waste (all sites), metric ton	8 591	8 546	**6 152**	-28%			10
Waste, kg per ton of production	77	73	**69**	-5%			10
Waste (production sites), metric ton	8 571	8 493	**5 867**	-31%	Reduced by 5% annually (2019 baseline)		9
Waste, kg per ton of production	77	72	**67**	-8%			9
Water consumption, m³, process water, wastewater and household			**35 317**				10
Water consumption process water, wastewater and household, m³ per metric ton of production			**0.40**				10
Water consumption, m³, used in products (= raw material)			**18 306**				10
Water consumption all sites, m³	n/a	63 618*	**53 623**	-16%	-		10
Water consumption total, m³ per metric ton of production	n/a	0.54	**0.60**	11%			10
ISO 14001 certified sites	7	8	**6**	-	100% by 2025		14
% of production sites	47%	57%	**55%**				14
ISO 9001 certified sites	14	14	**11**	-	100% by 2025		14
% of production sites	93%	100%	**100%**				14
Responsible supply chain							
Suppliers signed Supplier Code of Conduct, % of direct procurement spend	86%	93%	**97%**	-	95% by 2025		11
Suppliers assessed by EcoVadis, % of direct procurement spend	72%	80%	**86%**	-	80% by 2025		11, 12

Key performance indicator	2020	2021	2022	% change 22/21	Target 2019–2025	Contribution to SDGs	Note
Low sustainability risk suppliers (score 45+), % of EcoVadis assessed suppliers	95%	95%	**94%**	-			
Number of supplier corrective actions requested in the EcoVadis platform	n/a	51	**111**	-	50 annually		
Buyers trained on sustainable procurement, % of buyers	80%	81%	**57%**	-			
Supplier audits	1	0	**1**	-			13
Focus area 3: People development							
Employees had an appraisal discussion, % of employees	73%	82%	**71%**	-	100% by 2025		
Line managers participated in leadership training, % of line managers since 2019	42%	49%	**58%**	-	100% by 2025		
Leadership training in working days	207	177	**159**	-			
Focus area 4: Future generations							
Entities provided opportunities to early career movers, % of entities	50%	41%	**67%**	-	100% by 2025		
Entities supported or engaged with local communities, % of entities	n/a	62%	**38%**	-	100% by 2025		
Business ethics, human rights, and anti-bribery and corruption activities							
Employees trained on Teknos Code of Conduct, % of employees	100%	67%	**86%**	-	100% by 2019		

NOTES

***** The figures have been corrected due to improvements in data accuracy during the reporting period.

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 two years. The recent survey was conducted in 2021.

3. Employee rating on a scale from 1 (strongly disagree) to 5 (strongly agree) for measuring statements.

4. The figures cover 6 (out of 10) production countries producing about 90% of group volumes: Finland, Denmark, Germany, Poland, Sweden and Russia – excluding Liechtenstein, China, Malaysia, and the U.S.

5. VOC: Volatile organic compounds as defined in Directive 2010/75/EU

6. SVHC: Substances published in the Candidate List of substances of very high concern for Authorization in accordance with Article 59(10) of the REACH Regulation; (EC) No 1907/2006.

7. 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.

8. LTI: the number of incidents resulting in at least one full day of absence. LTIFR calculation: LTI per one million hours worked.

9. The figures cover 11 production sites – excluding: Sweden and Russia production sites (closed) and sites that have only sales offices or warehouses.

10. The figures cover all sites – excluding: Russia in 2022 figures (closed).

11. The direct procurement spend is for 6 (out of 10) production countries: Finland, Denmark, Germany, Poland, Sweden and Russia – excluding Liechtenstein, China, Malaysia, and the U.S. and accounting for approximately 90% of Teknos' direct procurement spend globally. The result is 89% if we also exclude Russia and Sweden which were closed during 2022. Our Target of 75% is achieved either of.

12. 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.

13. Supplier audits cover the following topics: quality, environment, occupational safety, CSR-related policies

14. End of year figures excluding Sweden and Russia sites. During 2022 there were 3 production sites closed, 2 in Sweden and 1 in Russia. That impacted the number of certifications with 2 less of ISO9001, 2 less of ISO14001 and 1 less of ISO 45001. Malaysia however achieved certification for ISO14001 thus adding one.

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.

May 2023

Paula Salastie
CEO and Owner
Teknos Group Oy

INDEPENDENT ASSURANCE STATEMENT

Teknos Group's Sustainability Data on selected KPI's in 2022

To the Management and Stakeholders of Teknos Group
Ecobio Oy (hereafter Ecobio) has been commissioned by Teknos Group to perform a limited third-party assurance engagement regarding selected KPIs linked with their loan agreements to their banks for the period January 1st to December 31st, 2022.

Teknos Group's Responsibility
Teknos Group was responsible for the collection, preparation and presentation of the sustainability information related to the to the loan agreements. Ecobio, as an independent assuror, was not involved in the preparation of any disclosures, apart from the independent assurance engagement.

Assurance provider's Responsibility
Ecobio's responsibility was to present an independent conclusion on the key performance disclosures subject to the limited assurance engagement.

The scope of work included assurance of completeness and correctness of the information underlying the following key performance indicators:

- Share of volatile organic compounds in total raw material consumption
- The percent of the direct procurement spend assessed by EcoVadis
- Lost time injury frequency rate

Ecobio disclaims any liability or responsibility for any third-party decision based upon this assurance statement.

Methodology
Ecobio based the assurance process on the following guidelines and standards: the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Concerning limited assurance engagements, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained. This assurance engagement was conducted from March to April 2023.

The assurance process included:

- Interviewing employees responsible for data collection and reporting at Teknos Group.
- Evaluating procedures for gathering, analysing, and aggregating quantitative data as well as performing cross-checks and calculations on a sample basis.
- Performing cross-checks on a sample basis concerning the reported data.
- Evaluating internal guidelines for data collection.
- Evaluating the sufficiency of documentation of the data gathering process.

Conclusions
Based on the work described in this statement, nothing has come to our attention that would cause us to believe that the information presented by Teknos Group on its sustainability performance is not fairly stated, or that it would not comply with the reporting guidelines stated before.

Assurance provider's Independence and Qualifications
Ecobio is an independent sustainability consulting company with more than 30 years of history. Ecobio's assurors are skilled and experienced in environmental and corporate responsibility assurance and have good knowledge of industry related sustainability issues.

Ecobio has no financial dependencies on Teknos Group beyond the scope of this engagement. Ecobio has conducted this assurance independently and impartial from Teknos Group, and there has been no conflict of interest.

Helsinki, 21st of April 2023
Ecobio Oy

Taru Halla (M.Sc.)
Managing Director

Katrine Hoset
Senior Consultant (Ph.D.)

TEKNOS

WE MAKE THE WORLD LAST LONGER

TEKNOS GROUP OY TAKKATIE 3
P.O. BOX 107 FI-00371 HELSINKI
TEL. +358 9 506 091