



# JOTUN

Jotun Protects Property



GROUP  
REPORT  
2021

# Our Values

## RESPECT

- Value differences in people
- Be honest and fair
- Build diverse teams across culture and gender
- Follow laws and regulations
- Treat others the way they expect to be treated

## LOYALTY

- Reliable and trustworthy
- Long-term relationships between customers, Jotun and colleagues
- Commitment to Jotun's values, strategies, policies and decisions

## CARE

- Help and support others
- Display trust and empathy
- Appraise and judge fairly
- Protect internal and external environment

## BOLDNESS

- Take initiatives to create the future
- Initiate and nurture change
- Communicate openly, honestly and with integrity
- Be proactive
- Address difficulties constructively

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# Spirit of **collaboration**

Jotun works together across borders and in partnership with end users and industry stakeholders to help customers manage challenges in a rapidly changing world.

With more than 10 000 employees working at 67 companies in different countries, Jotun has emerged as one of the fastest growing paints and coatings companies in the world. For such a large, global organisation to operate effectively, Jotun actively encourages close cooperation between different segments, functions, and inter-regional companies. This internal collaboration is grounded in Jotun’s values and culture and is enabled by continuous investments in IT systems, the development of common standards and leadership and teamwork training.

### **BUILDING RELATIONSHIPS**

Externally, Jotun’s success relies on the company’s ability to build strong, long-term relationships with customers to better understand and anticipate their needs. Rather than position itself as a supplier, Jotun seeks to work in partnership with customers to create solutions to help them achieve both

business and sustainability ambitions. In this way, customers play a vital role in Jotun’s innovation process. In areas where Jotun does not have the in-house expertise, Jotun collaborates with selected suppliers to gain access to the technologies required to develop new products or services. Jotun also participates in various global and local trade groups, joint industry projects or research alliances to share expertise, influence regulations or solve common challenges.

### **COLLECTIVE ACTION**

The global pandemic and the growing threat of climate change are potent reminders that solving big challenges requires both individual responsibility and collective action. By working as one organisation and in partnership with customers and key stakeholders in every segment, Jotun can continue to grow the business and have a positive impact on the environment and society at large.

## Profitability

(%)

**21.7 %**

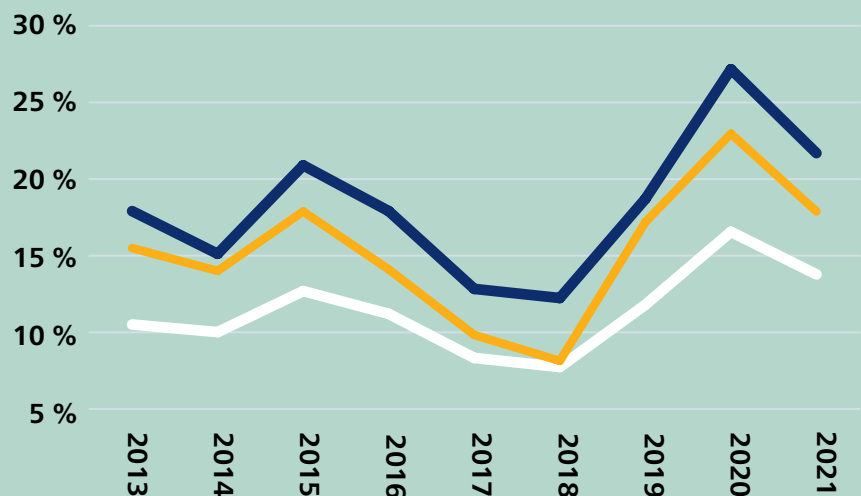
Return on capital employed

**17.9 %**

Return on equity

**13.8 %**

Operating margin



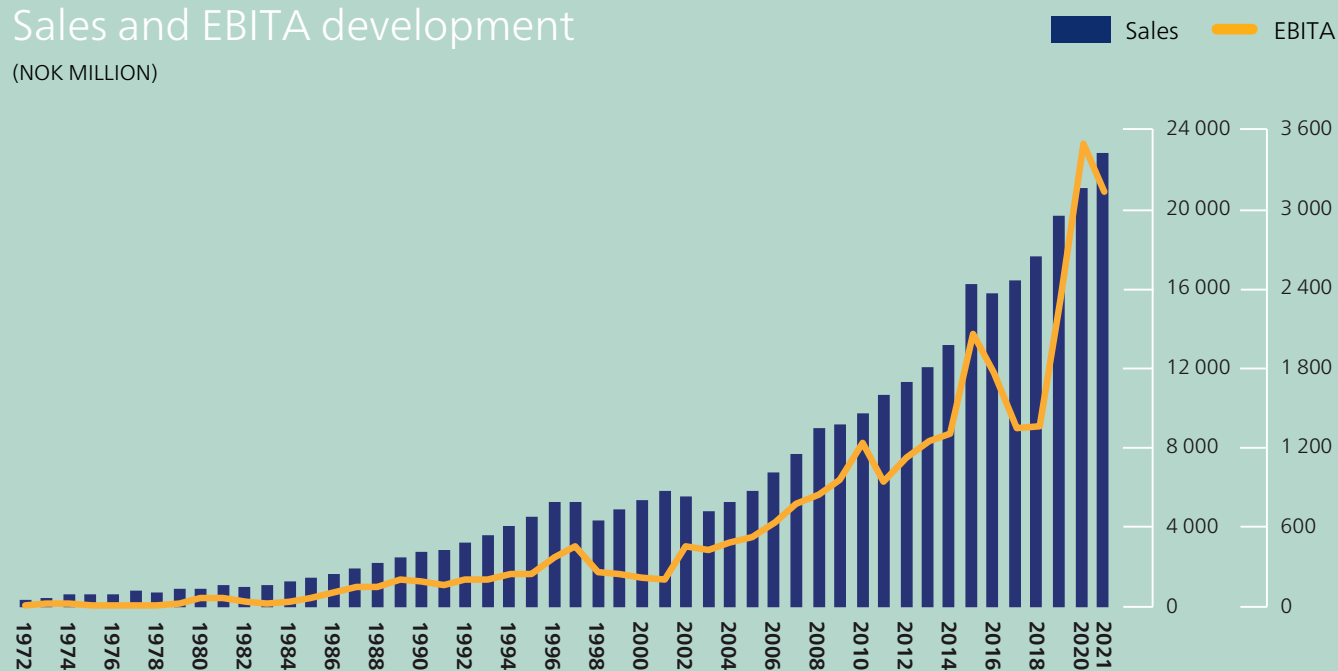


# Group key figures

(NOK million)	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Profit/loss</b>									
Operating revenue	<b>22 809</b>	21 070	19 652	17 660	16 401	15 785	16 282	13 171	12 034
Sales revenue outside Norway, in %	<b>90</b>	89	89	88	88	88	88	85	83
Operating profit	<b>3 138</b>	3 489	2 320	1 361	1 354	1 763	2 064	1 314	1 258
Profit before tax	<b>2 890</b>	3 158	2 079	1 115	1 236	1 594	1 918	1 301	1 191
Net cash flow from operating activities	<b>1 968</b>	3 272	2 448	1 018	1 097	2 027	1 500	919	819
<b>Year-end financial positions</b>									
Total assets	<b>23 432</b>	20 574	19 136	16 715	15 708	15 158	15 187	13 300	10 799
Investments in intangible and fixed assets	<b>1 363</b>	1 407	1 464	1 089	967	1 133	922	911	733
Total equity	<b>12 468</b>	11 128	9 584	8 469	8 254	8 035	7 932	6 739	5 515
Equity / assets ratio, in %	<b>53.2</b>	54.1	50.1	50.7	52.5	53.0	52.2	50.7	51.1
Number of employees in the Group including 100 % in associates and joint ventures	<b>10 293</b>	9 855	10 007	9 872	9 789	9 819	9 842	9 676	8 991
<b>Profitability</b>									
Return on capital employed, in %	<b>21.7</b>	27.2	18.7	12.2	12.8	17.9	20.9	15.1	17.9
Return on equity, in %	<b>17.9</b>	23.0	17.2	8.1	9.8	14.1	17.9	14.0	15.5
Operating margin, in %	<b>13.8</b>	16.6	11.8	7.7	8.3	11.2	12.7	10.0	10.5

## Sales and EBITA development

(NOK MILLION)



# Jotun at a glance

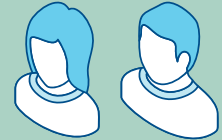
**100+**  
Countries



**39**  
Factories

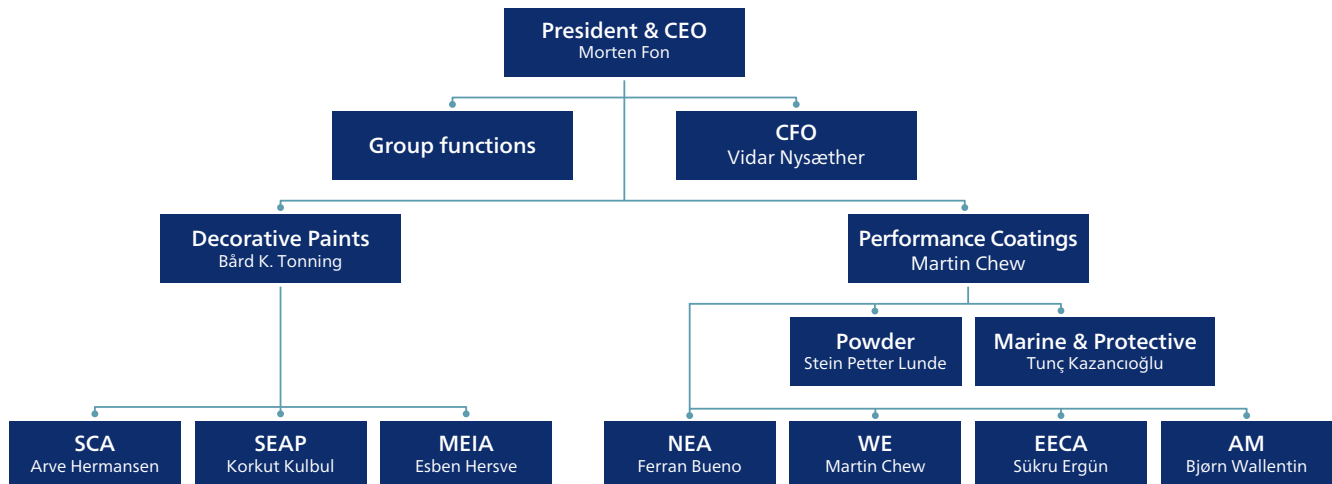
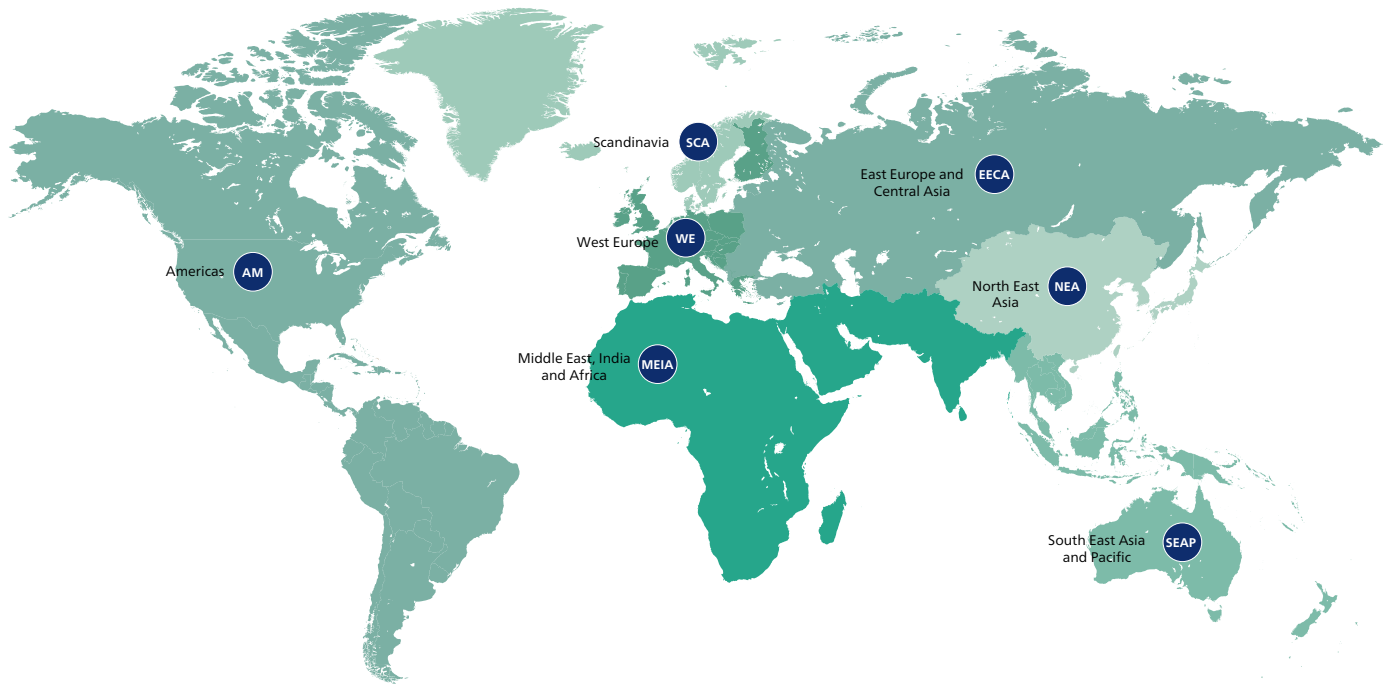


**10 293**  
Employees

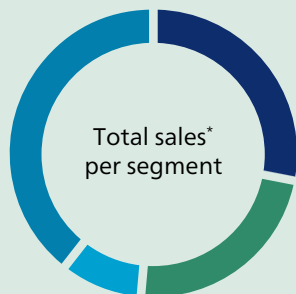


The Jotun Group is a matrix organisation with sales of Decorative Paints and Marine, Protective and Powder Coatings organised into seven regions.

The company has 39 production facilities in 23 countries, with 67 companies in 47 countries, and is represented in more than 100 countries worldwide.



# Four segments



28 %

Protective Coatings

24 %

Marine Coatings

9 %

Powder Coatings

39 %

Decorative Paints

*\* Incl. 100 % of sales in associates and joint ventures*

## MARINE COATINGS

Jotun Marine Coatings is the market leader in high performance hull solutions for the global shipping industry, delivering high quality coatings for newbuilds, drydocking, seastock, tanks and cargo holds. Jotun also supplies premium coatings to mega yachts and leisure yachts.



## PROTECTIVE COATINGS

Jotun Protective Coatings is a leading supplier of high quality coatings for on- and offshore oil and gas, power generation, renewable energy and infrastructure, projects including intumescent coatings, metallic finishes, high temperature coatings and state-of-the-art anticorrosive protection.



## POWDER COATINGS

Jotun Powder Coatings is a leading supplier to companies active in industries related to building components, general industries, pipeline, appliances and furniture.



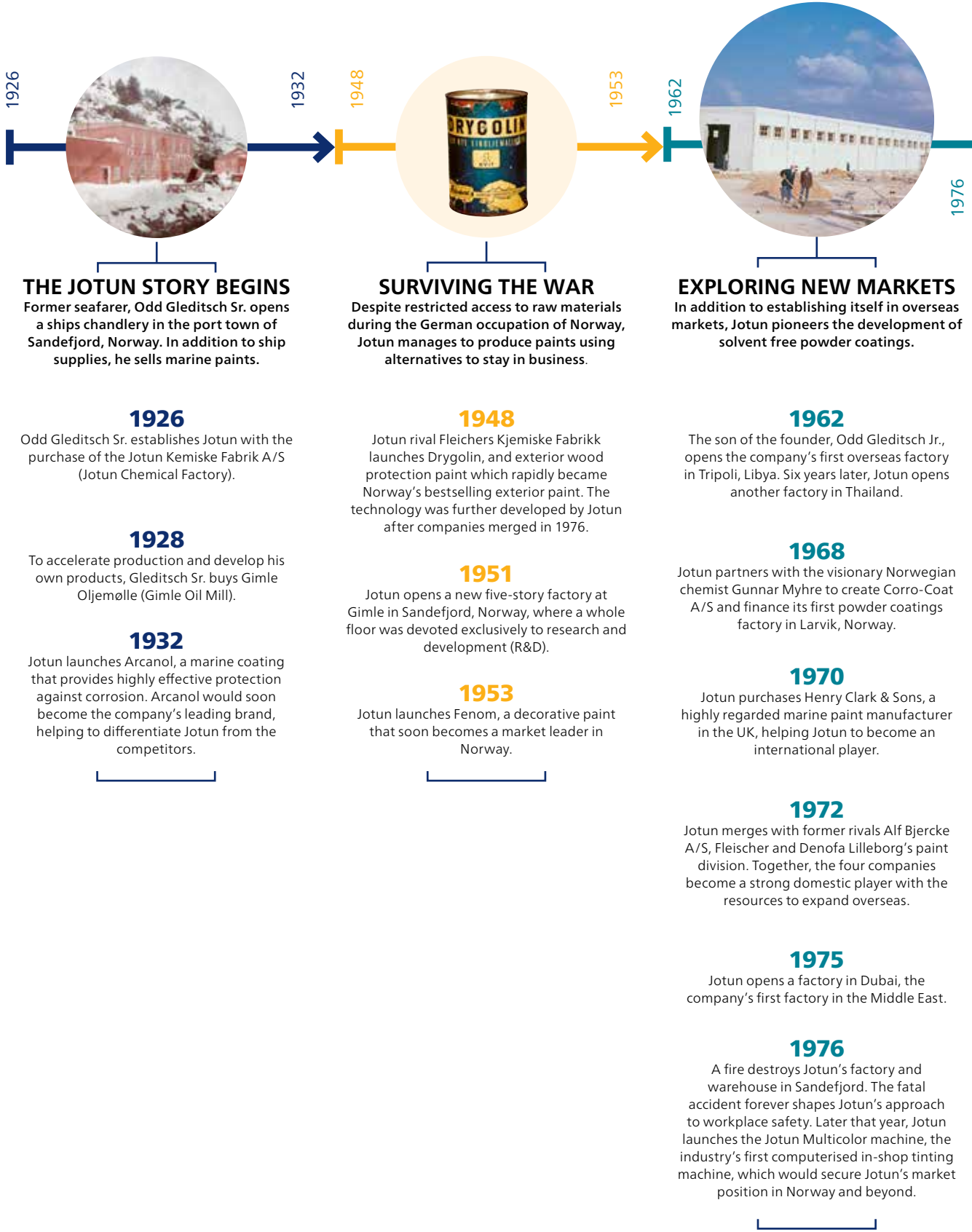
## DECORATIVE PAINTS

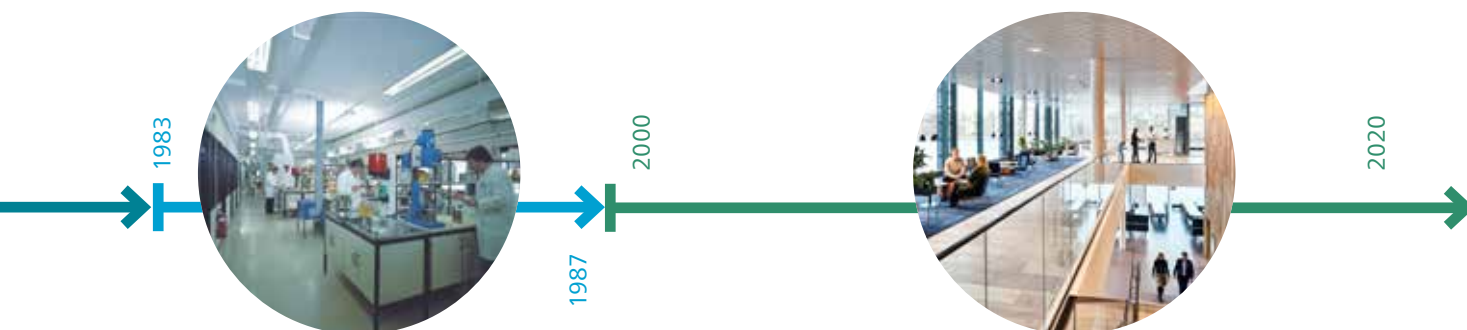
Jotun Decorative is a leading paint supplier to commercial buildings, public buildings and homes, serving both professionals and home owners, directly and through a substantial network of Jotun Multicolor centres.



# A legacy of innovation

Now in its 96th year, Jotun's has grown from a small paint supplier serving the local merchant fleet based in the port town of Sandefjord, Norway, into one of the fastest growing paints and coatings manufacturers in the world. Now active in more than 100 countries on five continents, Jotun's remarkable history is grounded in the company's core mission: Jotun Protects Property.





### INTERNATIONAL EXPANSION

Jotun's success as an international company was made possible by its deep roots in the global maritime industry and investments in R&D.

#### 1983

Jotun introduces Lord & Lady, a new line of interior paint to the Norwegian market. Lady would go on to become Jotun's top selling domestic brand.

#### 1984

Jotun develops Jotashield, a highly durable, solvent free exterior decorative paint in South East Asia and later in Turkey and the Middle East. Today, Jotun factories produce about 50 million litres of Jotashield a year.

#### 1985

Jotun launches Fenomastic in the Middle East, eventually becoming the region's top selling premium interior paint. At the same time, Jotun launches Majestic, another market leading premium interior paint in South East Asia.

#### 1987

Jotamastic, a high solid, two-component protective coating that can be applied to surfaces in almost any condition, was launched and was an almost immediate success.

#### 1998

Jotun introduces its international HSE (Health, Safety, Environment) standard at all production facilities.

### ACCELERATED GROWTH

Jotun continues to enter new markets and invest in R&D to grow the business and meet increasing demand for more sustainability.

#### 2000

With the launch of SeaQuantum, Jotun emerged as a pioneer of tin-free, self-polishing antifoulings.

#### 2005

Jotun reaches an agreement with COSCO, the state-controlled Chinese shipping company, to form a joint venture, Jotun COSCO Marine Coatings (JCMC).

#### 2011

Jotun launches Hull Performance Solutions, a concept that includes premium anti-foulings and measurement tools to help shipowners reduce fuel costs and corresponding emissions.

#### 2013

Jotun introduces Jotachar JF750, the industry's first mesh-free epoxy intumescent coating for all hydrocarbon fire scenarios. A year later, Jotun launches Jotachar 1709, a mesh-free solution for hydrocarbon pool fires in the hydrocarbon processing industries.

#### 2013

Jotun's state-of-the-art Vindal factory in Sandefjord, Norway opens.

#### 2015

Jotun opens a cold climate test station in Svalbard, an island archipelago located above the Arctic Circle.

#### 2017

Jotun launches the company's largest-ever digital marketing campaign for Lady, Jotun's premium interior decorative paint brand.

#### 2020

Jotun announces the launch of Jotun Hull Skating Solutions, the industry's first proactive hull cleaning system using the Jotun HullSkater, an advanced underwater automated hull cleaning robot.

Jotun also completed construction of a new headquarters and R&D centre in Sandefjord. The R&D centre is one of the largest privately owned research facilities in northern Europe.









# Our business

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# Resilience and adaptability

Jotun recorded positive growth in sales value, driven by good results in most segments and regions, despite the high cost of critical raw materials that impacted profitability.

While Jotun was not able to reproduce its record-setting profitability last year, 2021 reaffirmed the company's resilient business model. Escalating prices for raw materials, rising transportation costs and business interruptions in many markets related to the coronavirus pandemic tested Jotun like never before. But thanks to the organisation's ability to adapt quickly to changing circumstances, and implement price increases and manage costs, Jotun not only managed to retain solid liquidity, but strengthened its market position in many regions.

## REGIONAL DIVERSITY

Core elements of Jotun's strategy have proven to be highly effective during a time of rapid change. Although a steep decline in newbuilding orders impacted results in the Marine Coatings segment, the company experienced growth in the Decorative Paints and Protective and Powder Coatings segments. Likewise, the company's regional diversity served as a hedge against rolling lockdowns that slowed business in some important markets. For example, slow growth in Scandinavia, North East Asia and South East Asia was partially offset by positive results in the Middle East, East Europe and the Americas. By empowering regions, local managers have the flexibility to adjust to changing market conditions to ensure business continuity. This strategic "differentiated approach" has served Jotun well.

Jotun also continued to invest in the future. Ongoing or planned construction projects, which include new production facilities, warehouses, R&D centres and factory expansions are underway in Norway, the UK, Indonesia, Vietnam, Egypt, Algeria, Qatar, Bangladesh, India and Pakistan. At the same time, Jotun's investments in competence development and recruitment, with a renewed focus on diversity and inclusion, are ongoing. Finally, Jotun restructured its existing sustainability activities to align with new reporting requirements.

## CAUTIOUS OPTIMISM

Jotun will continue to rely on its strategy and the strength of the company's organisation in 2022. The effect of high raw material prices and transportation costs are not expected to ease before the second half of the year, and the threat of coronavirus variants may continue to impact business continuity in some markets. However, Jotun is confident that the company's investments, combined with a highly experienced and skilled workforce, will help the company thrive when the pandemic subsides. In fact, Jotun not only managed to retain existing personnel, but continues to grow as an organisation, leaving the company with an intact and motivated workforce to seize opportunities when markets improve.

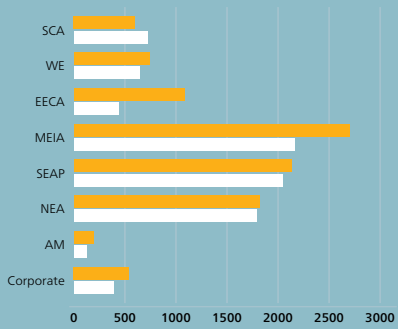


Morten Fon  
President & CEO



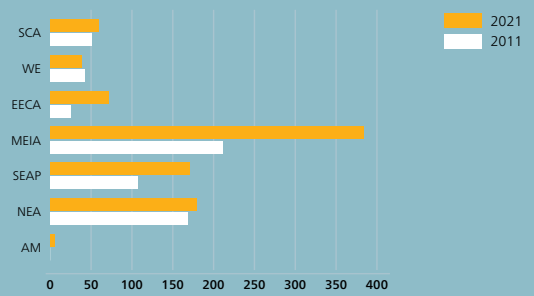
*Jotun Group Management (from left): Morten Fon, President & CEO, Martin Chew, Group Executive Vice President – Performance Coatings; Bård K. Tønning, Group Executive Vice President – Decorative Paints and Vidar Nysæther, Group Executive Vice President/CFO.*

### Full time employees

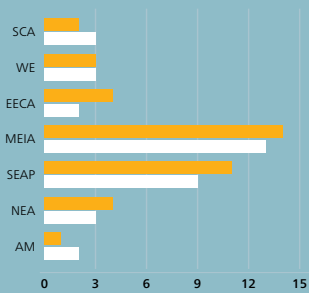


### Production volume

Litres/kilos (1 000 tonnes)

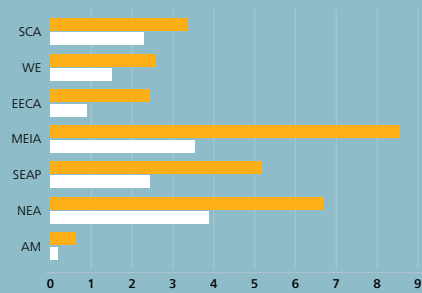


### Production facilities



### Total sales (100 %)

Sales in NOK billion

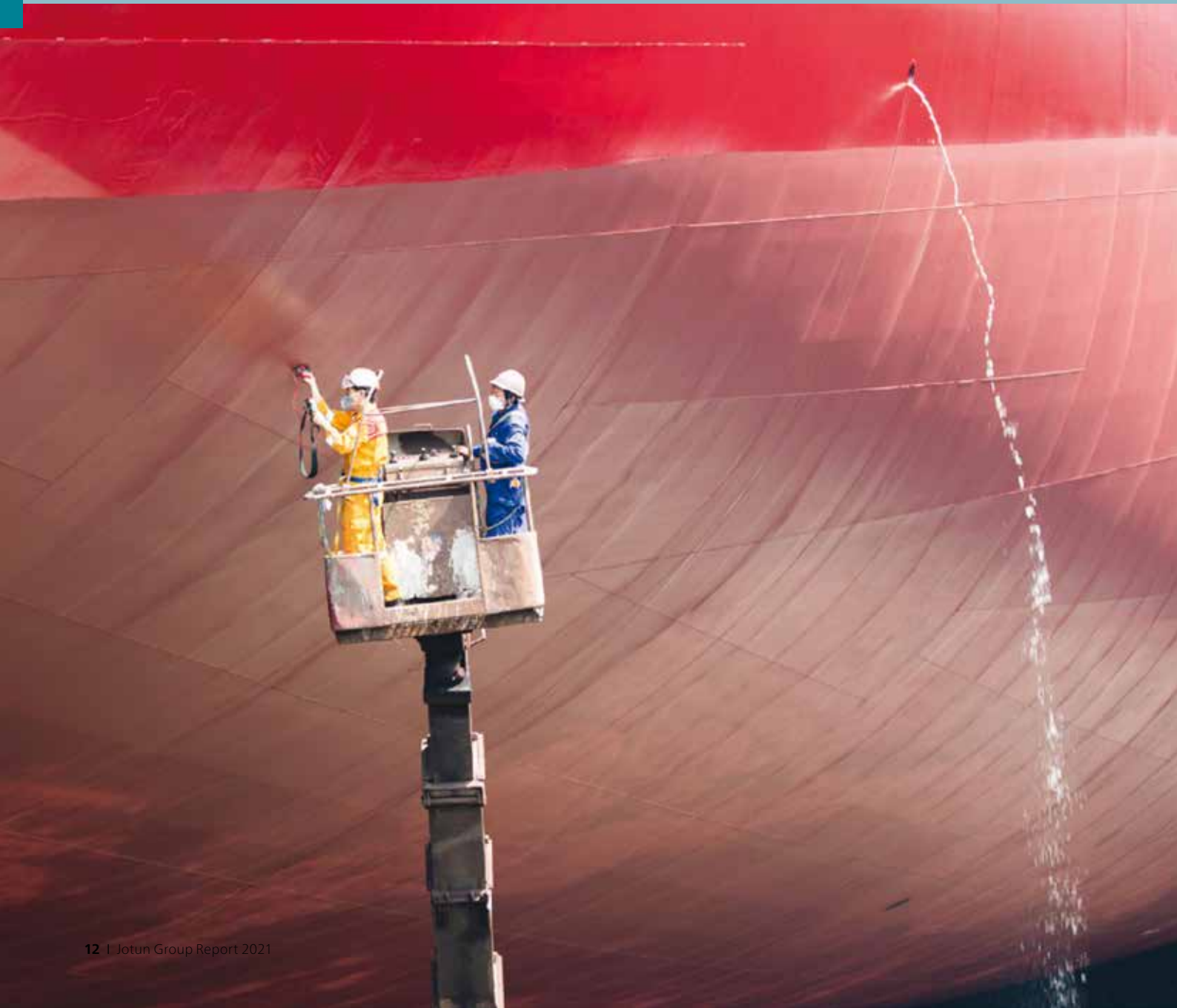
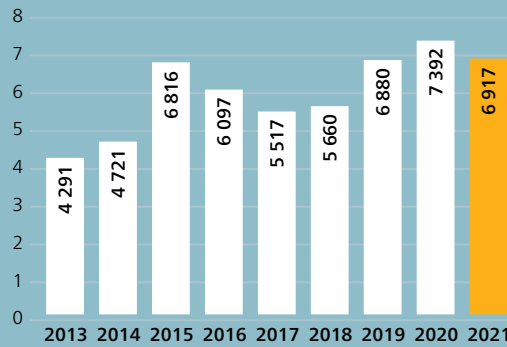


# Jotun Marine Coatings



- 5 % SCA
- 22 % WE
- 8 % EECA
- 7 % MEIA
- 13 % SEAP
- 42 % NEA
- 3 % AM

Sales in NOK million





*Jotun's premium antifouling, combined with digitalised data services and related technologies, make it possible for vessel owners and operators to reduce fuel costs, comply with regulations and improve their environmental performance.*

## Riding the waves

A decline in newbuilding orders has slowed Jotun's growth in the Marine Coatings segment but improvement in the drydock and seastock markets may signal better business conditions going forward.

The global pandemic has disrupted the shipping industry, creating challenges for Jotun Marine Coatings in 2021. Rising steel prices have depressed newbuilding orders and soaring freight rates have encouraged many owners to postpone scheduled maintenance to keep vessels in service. At the same time, Jotun's work to implement price increases was not enough to keep pace with high raw materials costs. Despite these market obstacles, the organisation performed well in a difficult year, thanks in part to Jotun Coating Advisors, who often worked under challenging conditions during lockdown periods.

### MITIGATING BUSINESS RISK

Jotun's focus on the seastock and drydock business in select markets helped to offset losses in the newbuilding market. Jotun's global presence also enabled the company to mitigate business risk. For example, positive growth in the Middle East, South East Asia and Turkey partially compensated for some of the losses the company experienced in West Europe and North East Asia, two of Jotun's most important markets.

With global supply chain disruptions likely to persist into 2022, the shipping industry is also facing increasingly strict global and regional regulations on emissions. To help customers meet this challenge, Jotun has taken steps to develop digitalised data services and related technologies that make it possible for owners and operators to reduce fuel costs, comply with existing and pending regulations, and improve their environmental performance.

### FOCUS ON SOLUTIONS

Data-driven services include Hull Performance Solutions (2011), Jotun Voyager (2017), Jotun Hull Skating Solutions (2020) and Jotun HullKeeper, a programme introduced in 2021 that enables customers to take full control of their operations through hull monitoring, fouling risk alerts, inspections and advisory services. While Jotun will continue to develop quality primers, antifouling and topcoats, these digital solutions help strengthen Jotun's leadership role in hull efficiency management that will be an increasingly important factor in the industry's efforts to decarbonise in the years ahead.

## The power of data analytics

A strong focus on data capture and performance analytics has helped position Jotun as the industry leader in hull performance, which will play an important role in the shipping industry's efforts to decarbonise.

With increasingly strict global and regional regulations targeting Greenhouse Gas (GHG) emissions, and growing pressure from cargo owners and the public for more transparency, the shipping industry is under pressure to decarbonise. To help shipowners improve their environmental performance, Jotun has not only developed premium antifouling solutions that reduce fuel consumption and corresponding emissions, but has also invested in digital solutions and related after sales technologies. These solutions help owners save money, comply with stringent reporting requirements, win the confidence of cargo owners and, for some, qualify for "green financing" loans.

### WHAT CAN BE MEASURED CAN BE MANAGED

Jotun's digital journey began in 2011 with the launch of Hull Performance Solutions. Data collected from multiple sensors installed on vessels allows Jotun to calculate speed loss over time based on ISO 19030, a standardised method to measure hull and propeller performance. Over the past decade, Jotun has collected the industry's most complete historical data on hull performance, which the organisation has used to develop fouling risk algorithms and performance analytics tools to enable other solutions.

In 2017, Jotun introduced Jotun Voyager, a service using information from multiple sources to recommend the best coating solutions for individual vessels based on historical trades. In 2020, Jotun launched Hull Skating Solutions, developed in collaboration with other industry leaders, to offer the industry the first proactive hull inspection and cleaning solution. And in 2021, Jotun launched HullKeeper, which includes inspection drones and advanced ROV monitoring technology to help owners optimise hull performance. All these solutions are based on Jotun's proprietary fouling risk algorithms, offering customers valuable insights on hull performance.

### THE BUSINESS OF DECARBONISATION

While emissions related to biofouling represent only a small fraction of the industry's total greenhouse gas (GHG) output, fouling control will play an expanding role in managing emissions from existing tonnage in the years ahead. Jotun remains committed to providing the products and solutions, grounded in our industry leading expertise on hull performance, to support our customers' business objectives and help the industry decarbonise.





## Accelerating growth and profitability

Jotun implemented a new structure for Performance Coatings in 2021, helping to put the company in a stronger position to generate more profitable growth.

In 2020, Jotun announced plans to reorganise Performance Coatings, a strategic move that represented a new way of thinking about the business. Now fully implemented in all regions, the new structure utilises synergies within the Marine and Protective Coatings segments to increase efficiency and empower the regions to create a more customer and market-focused organisation. This also allows Jotun to better support customer business activities, develop long-term customer relationships, and increase focus on innovation.

### **SALES AND MARKETING**

The new structure focuses on two primary functions: Products and Solutions (Marketing) and Customers (Sales). This approach allows for more seamless communication between functions and regions, enabling Jotun to concentrate more on developing customers, not just projects. For example, a major oil & gas project might include a refinery or gas processing plant, tank farms, pipelines, port infrastructure and a fleet of tankers. Rather than approaching key stakeholders with separate tenders from marine, protective and powder coatings, Jotun can offer specification support and product solutions for the whole project.

The Marketing function is responsible for developing products and solutions, communicating their benefits and building the Jotun brand. By aligning marketing functions at a regional and local level, Jotun is better equipped to gain more direct and precise customer insights, capture synergies and operate more efficiently. In addition, the new set up enables more collaboration across borders. For example, Jotun is working to develop ultra-high solid primers, a project that involves personnel in China, the Middle East, West Europe and Scandinavia.

### **BUSINESS SUPPORT FUNCTIONS**

Other elements of the new structure include a unit devoted to “breakthrough” innovations, a dedicated Digital & Data function, and systems to enhance training and competence development, among other business support elements. While it may take more time to optimise, the new structure has already created a leaner, nimbler and more responsive organisation that has put Jotun in a stronger position to seize opportunities among different customer groups in different markets.





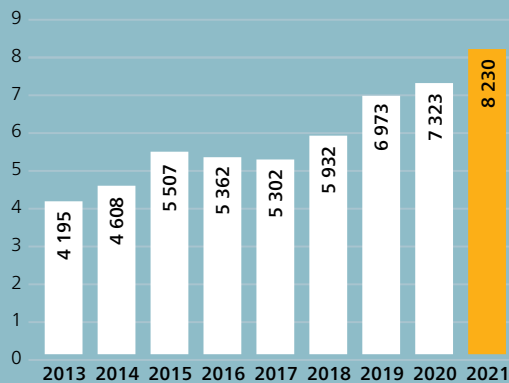


# Jotun Protective Coatings



- 2 % SCA
- 7 % WE
- 9 % EECA
- 21 % MEIA
- 14 % SEAP
- 43 % NEA
- 4 % AM

Sales in NOK million





*Jotun's rapid growth in the Protective Coatings segment has been driven by strong products and the company's experience in managing large and complex oil & gas, energy and infrastructure projects.*

## Growth trend continues

Excellent results in the Protective Coatings segment follow a long-term growth trend that has helped propel Jotun into the top tier of multinational coatings suppliers.

In a year characterised by rolling lockdowns, global supply chain disruptions and project delays, Jotun nevertheless was able to achieve record-high sales in the Protective Coatings segment. Higher sales have been driven by success in all regions where Jotun is active, including China where it is the market leader. While gross margins were impacted by high raw materials costs, the company's implementation of price increases and a focus on manageable costs helped the segment achieve modest year-end profits.

### **A RELIABLE SUPPLIER**

Jotun's success owes much to the skill and dedication of its personnel, who were able to secure cross-border contracts, strengthen relationships with key stakeholders and provide high-quality technical service to existing projects, often during lockdown periods. Their work has bolstered Jotun's reputation for reliability and its experience in managing large and complex oil & gas, energy and infrastructure projects. Jotun's results were also supported by double-digit sales achieved through the company's global network of dealers who now have access to "myJotun", a dedicated full-service web portal launched last year.

To accelerate expansion in the infrastructure market, Jotun will leverage its R&D expertise in specialised intumescent coatings, such as the SteelMaster range of products, and provide stakeholders with the products and data they need to achieve "green building" certification. Jotun will continue to pursue contracts in oil & gas-related industries, with a special focus on maintenance projects in the hydrocarbon processing industry (HPI) to achieve more predictable growth. Jotun has also identified opportunities in the growing wind energy sector where the company has developed "single-source" coatings solutions for towers, nacelles and, in some markets, blade coatings.

### **PREPARED FOR THE FUTURE**

Jotun anticipates the increasing sales trend in the Protective Coatings segment will continue in 2022, but profitability is likely to be impacted by persistently high raw material prices, at least for the first half of the year. Nevertheless, Jotun's new Performance Coatings structure, which empowers regional personnel and enables more seamless cooperation between functions, combined with the scheduled launch of exciting new products, will put the company in a strong position to accelerate growth in the years ahead.

## Keeping ahead of the energy transition

Jotun's success in the Protective Coatings segment has been driven in part by experience gained from serving large, complex energy projects and a strong focus on renewable energy infrastructure.

From oil refineries to windfarms, gas processing plants to offshore units, Jotun has emerged as a leading supplier of coatings solutions for a broad range of energy-related projects. Furthermore, the implementation of a new structure that enables a more coordinated approach to sales and marketing has put Jotun in a stronger position to build relationships across the entire sales value chain, including asset owners, engineering companies, contractors, yards, fabricators and applicators.

### PROTECTING THE VALUE CHAIN

Jotun is currently tendering for a number of high-profile oil and gas projects in the Middle East, South East Asia, North East Asia, East Europe and Central Asia. By working with key stakeholders involved in the exploration, production, refining, storage and transportation of oil and gas via pipeline or shipping, Jotun can offer "single source" coatings solutions to the whole project. In addition, Jotun has developed specialised coatings that add value to different components, from tank coatings to passive fire protection, pipelines to maintenance solutions.

While these (and other) new construction or expansion projects represent promising opportunities for Jotun, the company is seeking to boost sales in the maintenance market

in all regions, either through direct sales or through the company's global dealer network. Jotun is also working to secure contracts in the offshore industry where higher oil prices have resulted in orders for new buildings including jack-ups, FPSOs and other offshore units.

### RENEWABLE SUCCESS

Over the past decade, growing concerns about climate change have resulted in significant investments in renewable energy, such as solar, hydro, biomass and wind. Jotun is a leading coating manufacturer in the wind energy market, offering specialised coatings systems for both onshore and offshore windfarms. The company has identified significant growth opportunities in Europe, North America and North East Asia. For example, in China, the world leader in wind energy, Jotun is providing high-quality coating solutions to developers, original equipment manufacturers and fabricators for different components, including towers, nacelles, blades and offshore structures. As well as adding value, these solutions enable customers to comply with increasingly strict regulations, helping Jotun to strengthen its brand as a supplier of innovative coatings solutions to energy companies seeking to reduce costs and improve their environmental performance.





## Intumescent expertise

Jotun's focus on intumescent coatings has helped the company emerge as the "supplier of choice" for an increasing number of high-profile infrastructure and energy projects around the world.

Jotun's fire protection offerings are organised into two product ranges: SteelMaster and Jotachar. Jotun's SteelMaster range is designed to protect the steel structures of buildings from the effects of cellulosic fires for up to 180 minutes. Jotachar is formulated to protect steel structures and equipment in the energy and petrochemical industries from fires fuelled by oil and gas hydrocarbons. The primary function of both product ranges is to provide structural fire protection by slowing the rising temperature rate of steel exposed to fire, allowing safe evacuation, prevention of early collapse and a reduced risk of incident escalation.

### EVOLVING SOLUTIONS

In addition to providing fire protection, both products have been engineered to provide value-added features with clear advantages for different customer groups. For example, SteelMaster is designed with a superior aesthetic finish, allowing architects to showcase attractive and complex steel design elements often utilised in airports, shopping malls and skyscrapers. For building owners seeking to improve their environmental performance, Jotun offers SteelMaster 1200WF and SteelMaster 600WF, two waterborne coatings that help project owners earn points towards "green building" accreditation. For steel structures fabricated offsite, Jotun offers SteelMaster 1200HPE, a highly durable, solvent-free epoxy coating that can withstand damage related to transport and rough handling, reducing the amount of repair required after steel erection.

The same customer-focused approach applies to the Jotachar range of hydrocarbon intumescent fire protection coatings. In 2013, Jotun launched Jotachar JF750, the industry's first

mesh-free application intumescent coating capable of protecting against both hydrocarbon pool and jet fires in the oil, gas and petrochemical industries. Jotachar JF750 eliminates the need for additional mesh reinforcement, reducing complexity, while saving asset owners and operators time and cost. Jotachar 1709, engineered to meet the requirements of standards and codes used within the petrochemical and refining industries, was launched in 2016. Jotachar 1709 can protect steel against hydrocarbon fires for up to four hours and is specified as an alternative to traditional cementitious-based fire protection systems, which often do not meet client requirements for the prevention of corrosion during the life of the asset.

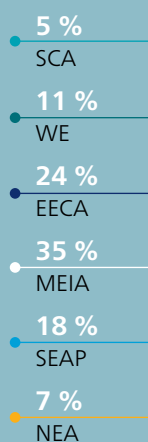
### GLOBAL R&D CAPABILITY

Jotun's intumescent expertise is grounded in the company's global network of specialised R&D laboratories and testing facilities. In 2016, Jotun opened a state-of-the-art Global Intumescent R&D centre in Flixborough, UK, joining the company's existing testing and development facilities in Dubai, UAE. In 2021, a new Intumescent Technology centre was opened at Jotun's R&D centre in Sandefjord, Norway. To ensure Jotun has the capability to develop, test and certify products to meet both global and local fire protection standards, the company's Intumescent research, development, testing and technology centres are also supported by regional laboratories across the Jotun network. Where local conditions or regulatory requirements require country-specific features or certification, Jotun's global intumescent R&D organisation is now well-positioned to strengthen the company's growing market reputation as a leader with acknowledged "best-in-class" products and unique solutions.

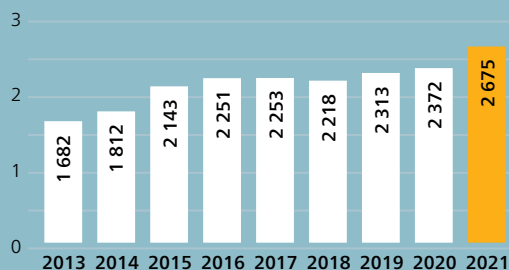




# Jotun Powder Coatings



Sales in NOK million





*Jotun is confident that growing concerns about the environment will generate higher demand for powder coatings.*

## Outstanding performance

Investment by Jotun in the development of innovative products to meet increasing global demand for coatings solutions free of Volatile Organic Compounds (VOCs) resulted in record sales growth in the Powder Coatings segment.

Despite business interruptions related to the coronavirus pandemic in the first half of the year, Jotun not only achieved sales growth in every region where the company is active but also recorded double-digit growth in every market category except for the pipeline customer group, which ended the year with more modest results. As in other segments, record-high raw materials costs outpaced the company's efforts to raise prices, thus impacting profitability.

### EMPOWERING THE REGIONS

The performance of the Powder Coatings segment was supported in part by Jotun's decision, implemented in 2020, to empower local sales and marketing teams to make decisions closer to the markets they serve and concentrate product innovations on meeting the evolving demands of different customer groups. For example, the development of powder coatings that deliver metallic finishes helped Jotun boost sales in the Appliances, Furniture and Building Components customer groups, while growth in General Industries was driven by highly durable coatings developed to protect exterior units, such as electrical cabinets.

Jotun has also expanded its range of colour selections for different customer groups, which now includes Reveal Edge and five different colour collections for Building Components. In addition to showcasing Jotun's highly durable products in different finishes, Jotun's "colour library" allows Jotun to approach architects, designers and manufacturers directly to ensure Jotun products are specified at an early stage.

### NEW PRODUCTS, NEW MARKETS

Over the past decade, Jotun has invested significant resources in the development of powder coatings solutions that cure at lower temperatures, which can be used on non-metal substrates. Other promising markets include battery housings for electric cars and durable powder coatings for components found in agriculture and construction equipment. Jotun is also seeking to expand in the highly demanding pipeline market where the company has developed Fusion-Bonded Epoxy (FBE) powder coatings that provide superior, long-lasting steel protection engineered to reduce storage and installation risk.

While raw materials prices are likely to impact the Powder Coatings segment into the first half of next year, Jotun remains confident that growing concerns about the environment will continue to encourage customers to seek coatings solutions free of VOCs in the years ahead.

## Opportunities in pipeline

To generate more sales in the dynamic pipeline market, Jotun has developed high performance powder coatings that meet or exceed project requirements and provide peace of mind during installations in challenging climates.

Jotun offers both liquid coatings and hard wearing, anti-corrosive powder coatings engineered for pipelines used to transport oil, gas, water, refined hydrocarbon products and slurries used by the mining industry. Because pipelines are often installed in harsh environments, Jotun has engineered a range of Fusion-Bonded Epoxy (FBE) powder coatings that provide superior, long-lasting steel protection in any climate.

### **GAINING VALUABLE INSIGHTS**

Developing powder coatings solutions for the highly conservative oil & gas industry, which is especially sensitive to business risk, requires close working relationships with different stakeholders. Jotun's cooperation with project owners, fabricators and contractors has helped Jotun gain valuable insights into various challenges, including those related to prolonged onsite storage of pipelines, when they are most vulnerable to the elements. Under such conditions, the integrity of pipeline coatings may be compromised prior to assembly or during operation.

To manage this issue, Jotun developed Jotapipe AC 1003 XT, an FBE powder coating engineered to maintain its flexibility, even after prolonged exposure to challenging weather

conditions. To verify its performance, the solution was subject to a year-long test conducted in the harsh desert conditions in the Middle East. Jotun's technical personnel also worked closely with fabricators to manage surface preparation, a critical element for pipe coatings. Launched in 2021, Jotapipe AC 1003 XT exceeds the ISO 21809-2 requirements for adhesion, disbondment and flexibility, providing project owners peace of mind before, during and after installation.

### **OPPORTUNITIES IN RENEWABLE ENERGY**

Looking ahead, Jotun is investigating opportunities for specialised powder coatings for pipelines with higher operating temperatures and for the transportation of other liquids and gasses. For example, growing concerns about climate change have encouraged some energy majors to invest in the production and transportation of biogas and liquid or hydrogen gas, while others require pipelines to transport captured CO<sub>2</sub> to underground or subsea storage sites. Jotun's powder coatings, and work to develop solvent-free liquid coatings, will not only help owners to comply with increasingly strict regulations on the use of VOCs, but improve operational flexibility and performance.





## Efficiency innovations

By developing low-cure powder coatings solutions, Jotun can offer customers alternatives to solvent-based paints, helping them to minimise waste and comply with increasingly strict environmental regulations.

Growing concerns about climate change have encouraged more customers to seek opportunities to convert from solvent-based liquid paints to powder coatings. And with the development of a new generation of powder coatings that cure at lower temperatures, customers have more opportunities than ever to use powder coatings to protect and beautify heat-sensitive non-metal substrates.

### **OFFERING SOLVENT-FREE ALTERNATIVES**

For example, Jotun Powder Coatings has developed a range of game-changing powder coatings products for natural and engineered wood for the Furniture customer group. These include Ultra Lite, a clear coat solution for natural wood, Ultra One, a one-layer powder coating solution for engineered wood, and Primax Excel, a primer solution for engineered wood that gives an excellent base to apply wet or powder coatings as a topcoat. In addition to helping customers improve environmental performance, the use of powder coatings reduces process time, minimises waste and offers superior humidity resistance, reducing swelling risk related to moisture.

While these solutions have generated significant interest among globally recognised furniture manufacturers, there aren't many applicators who have the expertise or equipment to apply them properly. In 2021, Jotun partnered with equipment suppliers to construct a demonstration line at the company's facilities in Larvik, Norway. In addition to helping Jotun to build the necessary technical competence, the new facility allows Jotun to share results with applicators and collaborate with furniture manufacturers to develop new solutions.

### **A LOW-CURE FUTURE**

The development of low-cure powder coatings engineered to protect and beautify both metal and non-metal substrates will also enable Jotun to offer coatings solutions to other market segments. For example, Jotun powder coatings can be used to protect components found in automobiles, construction and agricultural equipment, consumer electronics, industrial appliances and exercise equipment, among many applications. Development of these low-cure solutions will help Jotun gain an increasing share of existing markets and encourage manufacturers in other industries to convert to powder coatings, which will not only enable them to comply with environmental regulations but offer superior performance.



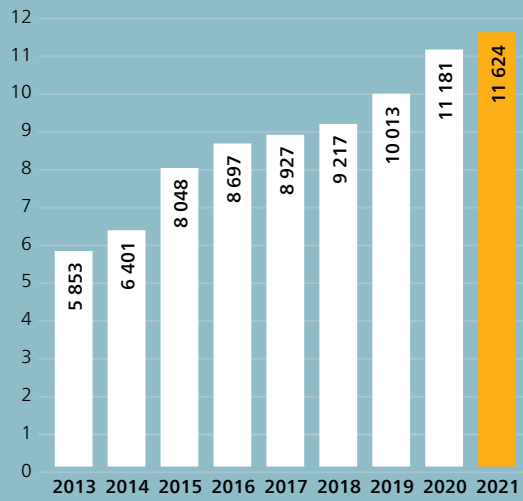


# Jotun Decorative Paints



- 24 % SCA
- 1 % WE
- 4 % EECA
- 47 % MEIA
- 23 % SEAP
- 1 % NEA

Sales in NOK million



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GIỚI THIỆU SẢN PHẨM

## JOTASHIELD

### SẠCH VƯỢT TRỘI







*Jotun's growing reputation as a globally recognised colour expert helped the company achieve outstanding sales growth in the Decorative Paints segment.*

## Adapting for success

Despite continued margin pressure and easing profitability, Jotun achieved double-digit sales growth in the Decorative Paints segment, resulting in the second-best earnings in the company's history.

Government responses to the coronavirus pandemic impacted sales of interior and exterior decorative paints in different countries at different times in 2021. For example, in the Middle East, border closures created labour shortages resulting in project delays early last year, followed by a robust recovery when travel restrictions were eased. In South East Asia, excellent results in the first months of the year were slowed by movement control orders implemented in the spring, which depressed sales in the consumer and project markets. In Scandinavia, sales growth was flat compared to the record volumes experienced the year before, while in Turkey, Jotun achieved record profitability.

### ADAPTABLE WORKFORCE

While Jotun's regional diversity and a differentiated approach (which enables local companies to adapt quickly to local conditions), helped mitigate business risk, the company's results in the segment owes a lot to the skill and dedication of its workforce. Despite challenging circumstances in some countries, the company continued to develop and launch innovative, regionally focused products, such as Fenomastic Wonderwall Lux, a unique matt paint with a luxuriously smooth finish in the Middle East and Jotashield Ultra Clean, an exterior decorative paint with AntiDirt Technology in South East Asia, among others.

To reach key stakeholders stuck at home, Jotun utilised digital tools and social media engagement. In countries where in-person events were limited or discouraged, Jotun organised launches online, or combined live events with digital presentations. In some markets, Jotun invited architects, designers, and dealers to "pop up" shops, which featured digital presentations of new products or Jotun's 2022 Global Colour Trend Collection, "Together." The company also continued to work with social media influencers and encouraged user-generated content.

### STRENGTHENING THE BRAND

Jotun strengthened Jotun's digital engagement with dealers. In addition to organising hybrid events or virtual meetings and webcasts, Jotun provided them with support to improve profitability, digital training for shop sales staff, and tools to enable consumers and professionals to view and place orders for decorative paints online when shop visits were not possible. While Jotun values live interactions with all stakeholders, the experience gained during this period will enable Jotun to reach more people and has helped the company strengthen its brand as a quality, reliable supplier of premium paints.

## Collaborative colours

By building Jotun's brand as the industry's leading colour expert, the company has positioned itself as a global trendsetter in home décor and interior design.

First introduced in 2013, Jotun's Global Colour Trends, a collection of handpicked colour schemes selected to reflect a different theme each year, has become one of the Jotun's main sales drivers in the Decorative Paints segment. By providing consumers, designers and architects access to the latest colour trends and presenting them in a way that makes colour selection easier, Jotun helps guide them to the colour schemes that best reflect their personal style.

### TEAM EFFORT

The annual development, production and marketing of Global Colour Trends requires the active collaboration of Jotun personnel in different departments, regions, and countries. Jotun also works closely with top designers, photographers, and event organisers to maximise the impact of each launch. The process begins with a multinational team of Jotun colour specialists tasked with identifying emerging trends in colour and interior design. Each colour they select is then individually formulated by Jotun's in-house Colourant Technology department. The colour schemes are assembled in an attractive brochure, featuring interiors prepared by top designers and translated into 15 different brand and language versions. Each year, Global Colour Trends are presented to interior designers, architects, the press, social media influencers and consumers via carefully staged gala events, gatherings and online presentations.

The 2022 collection, organised around the theme "Together", combines newly developed colours complemented by timeless hues carefully selected from the company's extensive archives. Designed to be mixed and matched, the 28 shades can be deployed in countless combinations to create 21st century interiors that relax, energise, and inspire. While events connected to the launch of Colour Trends 2022 were impacted by the coronavirus pandemic in some regions, the new collection helped reinforce Jotun's growing reputation as an industry specialist on colour.

### ADAPTING TO CONSUMER PREFERENCES

Over the past two years, government mandated "stay at home" orders have changed consumer buying habits. To reach key stakeholders in their homes, Jotun has invested in various digital tools and social media engagement initiatives to inspire consumers. For example, in 2020, Jotun launched a global consumer website that allows consumers to customise their search preferences by colour and product, view different colour schemes in different settings, scroll through design blogs, and find their nearest dealer through a store locator. In 2021, Jotun added a "chatbot" function in some markets, providing consumers the opportunity to interact with Jotun colour specialists or technical personnel via live chat. These online decision support tools, working in combination with the Jotun Global Colour Trends concept, not only strengthen Jotun's role as a colour specialist, but help simplify, guide and shape consumer buying habits.



## Premium strategy

Jotun's carefully executed strategy in China has helped the company expand in the highly competitive premium decorative paints market.

While Jotun is recognised as a leading provider of performance coatings in China, the company has struggled to compete with low-cost competitors in the decorative paints market. In 2018, the company decided to focus exclusively on the premium interior retail market. Now selling through dealers operating about 90 shops in first and second-tier cities, retail sales in China recorded a growth rate of 35 per cent in 2021.

### TARGETING HIGH-END CONSUMERS

Growth in the premium paint market has been driven by the rise of young, urban professionals who are increasingly interested in contemporary home décor and are willing to pay for quality. Because these consumers perceive locally produced paints as being inferior, many insist on buying imported brands from the US and Europe – especially Scandinavia. To target this market, Jotun developed the Nordic Shop Concept, carefully designed shops with beautiful paint samples and comfortable seating areas where visitors can select colours, feel different finishes and find inspiration.

Jotun also partnered with carefully selected dealers who already network with designers, influencers and home decoration companies, and were willing to "buy in" to the Jotun system. While most paint in China is sold at small hardware shops or building supply stores, Jotun encouraged dealers to open Nordic Shops at high-end home decoration malls where consumers go shopping for the latest design concepts.

### DEALER SUPPORT

In addition to providing the design and renovation of the Nordic Shop concept, Jotun supports dealers with shop staff training, marketing materials and business guidance through the Jotun Dealer Profitability Programme, which helps dealers focus resources to maximise profit. The company also supplies dealers with both imported products from Norway and locally produced premium paints, sold under the LADY brand. Finally, Jotun develops content to be shared on social media platforms, collaborates with key opinion leaders to influence consumers and hosts annual launch events to celebrate Jotun's Global Colour Trends. While Jotun remains a relatively small player in the Chinese decorative paints market, its growth in the premium segment represents an important first step in the company's plans to expand the business.











# Sustainability

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## Sustainability at Jotun

In 2021, Jotun restructured its existing sustainability activities to align with new reporting requirements and capture long-term business opportunities.

Jotun recognises that its business activities have an impact on the environment and in the communities where the company is active. As a responsible corporate citizen, Jotun works to maintain a solid governance framework guided by defined business principles and a strong corporate culture based on the company's core values: Loyalty, Care, Respect and Boldness.

In 2020, Jotun announced its commitment to all UN Sustainable Development Goals (UNSDGs). Jotun will focus on four goals where the company can have the greatest impact.



Jotun defines sustainability in three dimensions commonly known as ESG: Environment, Social and Governance.

### ENVIRONMENT

Jotun protects the environment and creates value by contributing to the customer's sustainability ambitions and goals. Jotun's holistic approach aims to minimise the environmental impact across the value chain, from sourcing raw materials to manufacturing and distribution to the use, reuse and recycling of products and materials. Jotun GreenSteps

programme is the company's framework, established in 2010 to improve the company's environmental footprint.

### SOCIAL

Jotun is committed to modelling good corporate behaviour for both its employees and the societies in which the company operates. With a strong corporate culture and sound values, Jotun creates a safe, diverse and inclusive workplace where people can thrive and develop. In addition, Jotun seeks to make a positive impact through community initiatives and collaboration. As a responsible corporate citizen, Jotun places ethical business conduct at the heart of its operations. Strong values and business principles allow the company to sustain a robust and effective organisation in the light of evolving markets and growing competition.

### GOVERNANCE

Jotun's governance framework defines how Jotun is directed, managed and controlled to ensure sound decision-making and responsible operations. Jotun's values, Business Principles and commitment to sustainability are anchored by Jotun's Board of Directors. These concepts are reinforced by corporate, regional and divisional bodies, and supported by documents, policies and leadership training. The hierarchy of governance bodies is as follows: Board of Directors, Jotun Group management, regional and local management with the support of staff functions on all levels.





## Jotun's role in the circular economy

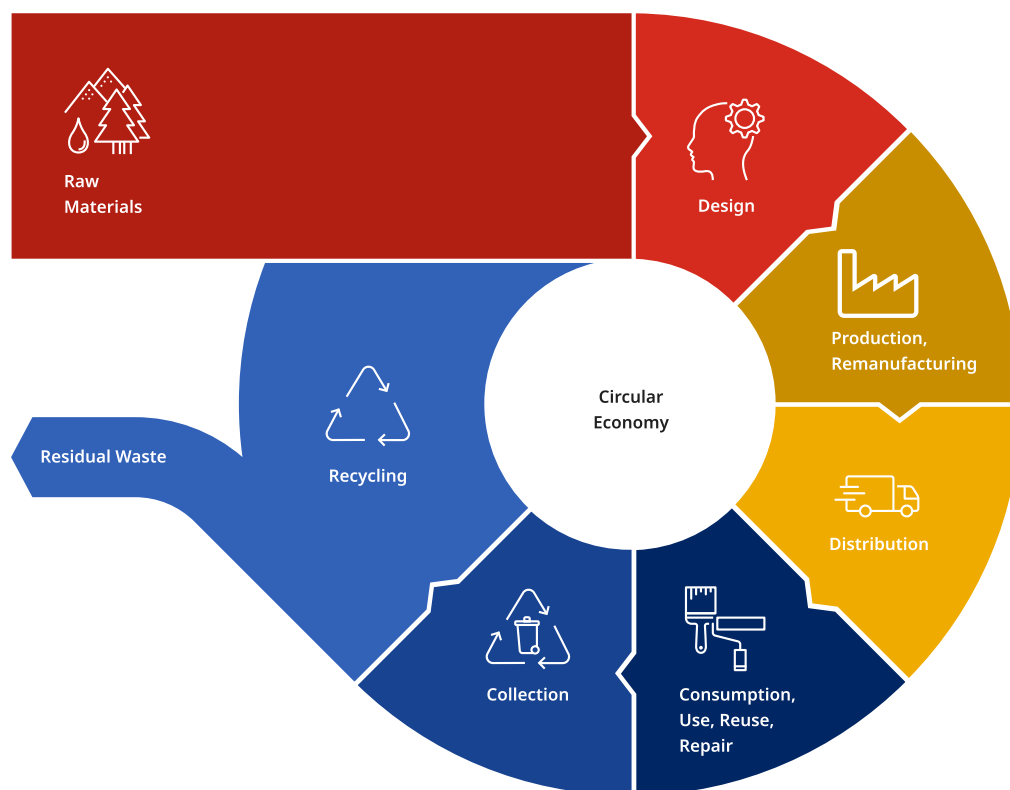
By taking a holistic approach to minimising Jotun's environmental footprint, Jotun can not only reduce its own environmental impacts, but also help suppliers and customers improve their environmental performance.

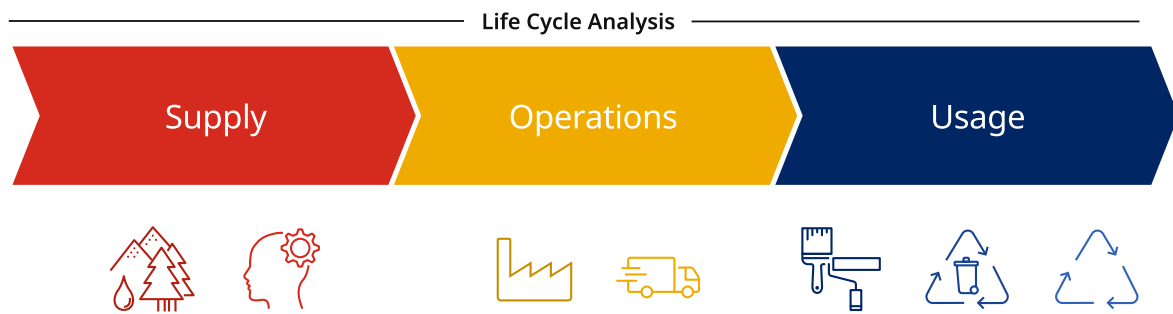
### JOTUN PROTECTS PROPERTY

Jotun regards paints and coatings as important elements to secure a more sustainable future. After all, paints and coatings offer long-term protection against corrosion, which increases the lifetime of assets, reducing waste and demand for resources.

### JOINING THE CIRCULAR ECONOMY

The circular economy will help shift society from creating waste to effectively recycle and reduce material and energy use. Jotun has a structured approach that introduces activities in all parts of the value chain to reduce the company's environmental footprint.





### THE THREE STEP MODEL

To implement and communicate the principles of the circular economy, Jotun developed a simplified Three Step Model. The model defines Jotun's role across the value chain, including how Jotun designs products and interacts with suppliers, how it manages its own operations and how the company provides solutions and collaborates with customers and other stakeholders to improve environmental performance.

### DOCUMENTING JOTUN'S ENVIRONMENTAL IMPACT

Jotun's Three Step Model is grounded in standardised environmental data gathered from multiple sources to measure and document sustainability across the value chain.

Jotun provides customers with Environmental Product Declarations (EPDs) to document the environmental impact of a product or solution, based on a specific manufacturing site. All Jotun's EPDs are developed according to ISO standards, third party verified and published.

Jotun has extended EPDs to include the whole value chain. This will provide the company with valuable information and contributes to verifying the importance of high-quality, durable paints and coatings solutions. In 2021 Jotun also launched the GreenStep Analyser, which will provide a systematic and simple overview of the use of resources and the health and environmental impacts of products. This information will form the basis for making the right choices during the product development process. Once verified via the EPDs, Jotun can document the reduced health and environmental impacts of products and coatings systems for use in external communication with customers and relevant authorities.

Jotun's EPDs support compliance of green buildings with LEED® and BREEAM® requirements. With the growing demand for transparency and traceability, Jotun is also working to expand EPDs across broader customer segments.

## Jotun's ambitions 2017–2030



50 %

Reduced carbon footprint by 2030



70 %

Renewable electricity by 2030

## Jotun's achievements 2017–2021



5 %

Reduced carbon footprint

Scope 1 and 2, Corporate Standard, Greenhouse Gas Protocol



5 %

Improved electricity efficiency

Electricity consumption in kWh/tonne produced



22 %

Renewable electricity (2021)

Originating from renewable share in grid and own site installations



49 %

Recycled waste (2021)

Of all waste generated, this share is either reused by others or recycled



### SUPPLY: MATERIALS AND DESIGN

As a global manufacturer of paints and coatings, Jotun occupies a unique position between suppliers and end users. In fact, Jotun has the ability to carefully select and influence suppliers by setting clear expectations, as defined by Jotun's Supplier Integrity Declaration.

In 2021, Group Purchasing announced plans to use a new supplier assessment tool to communicate Jotun's expectations. Standardised sustainability assessments will be implemented with a goal to conduct annual audits of all raw materials and packaging suppliers.

Jotun's research and development (R&D) works to ensure that products are designed and documented in line with the company's sustainability goals. Examples include developing products that require fewer coats, less dry-spray or that extend maintenance intervals. Jotun also seeks to reduce the content of

potentially hazardous materials and prioritise the increased use of biobased or secondary raw materials in formulations. While every Jotun product features unique characteristics tailored to meet the needs of specific customer groups, Jotun is sensitive to growing market demand in all segments for more sustainable products that help customers comply with increasingly strict environmental regulations.

Jotun also acknowledges that the use of certain chemicals in paints and coatings may represent a risk to health and the environment. To manage these risks in a responsible way, Jotun chemists apply the "Substitution Principle", which requires Jotun to replace hazardous materials with less hazardous alternatives. This principle is consistent with Jotun's Chemical Policy, which is updated annually to ensure that use of certain substances that may represent a risk to health and the environment are avoided or restricted all across Jotun.





## OPERATIONS: PRODUCTION AND DISTRIBUTION

In Jotun's factories, the goal is to minimise environmental impacts and create safe working conditions. This also results in economic benefits, reduced risks and competitive advantages.

Since 2010, Jotun has monitored and reduced use of energy and solvents, as well as the carbon footprint, waste and solvent emissions per tonne produced. Furthermore, Jotun sets goals to eliminate inefficiencies, reuse materials and improve the company's environmental performance.

Energy consumption from operations is the highest contributor to Jotun's carbon footprint. To reduce carbon emissions, Jotun is working to improve energy efficiency and increase the share of electricity derived from renewable sources. For example, in 2021, Jotun Malaysia installed solar panels to generate renewable electricity. The solar panels will generate up to 1.3 gigawatt hours of clean electricity, as much as 22 per cent of the facility's annual electricity needs. At the

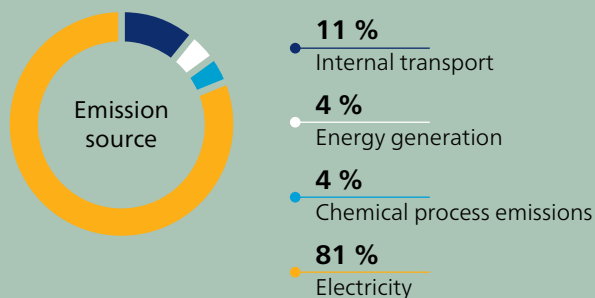
same time, it will reduce carbon emissions by an estimated 920 tonnes per year.

Operations have also been working to develop procedures and systems to ensure that sustainability becomes a natural part of all evaluations, such as in investment decisions and projects. These initiatives are managed through Jotun's HSEQ Management System, which sets environmental targets and requires all factories to implement local improvement programmes.

## TRANSPORT AND LOGISTICS

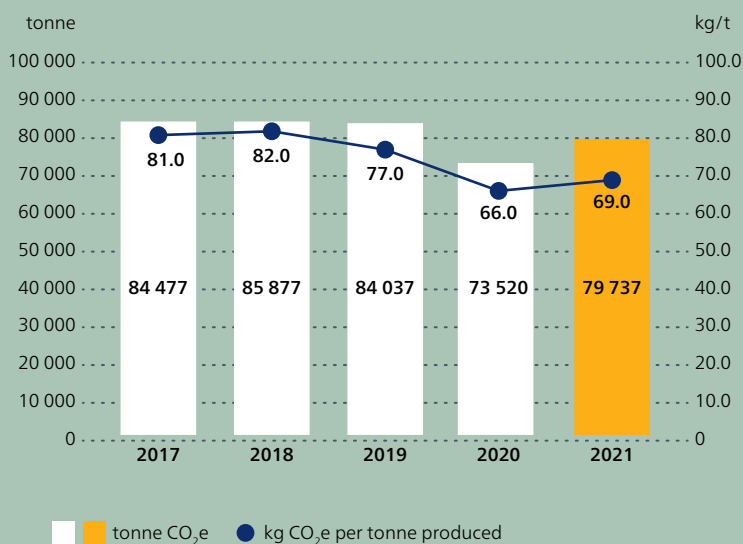
In most countries where Jotun is active, the company uses external transport suppliers. Where possible, Jotun selects sustainable and low-carbon suppliers. Jotun also has programmes in place to achieve warehouse and vehicle capacity optimisation for efficient supply to customers and safe packaging and transport.

### Emission sources for Jotun Group (2021)



### Carbon emissions

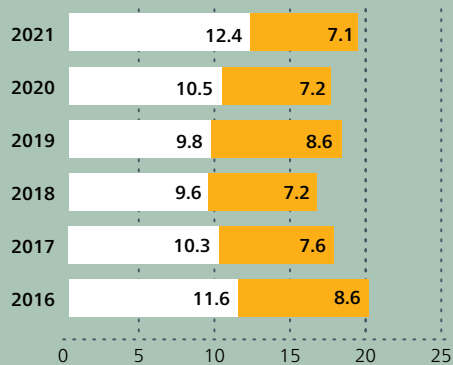
(Scope 1 and 2)



### Hazardous and non-hazardous waste

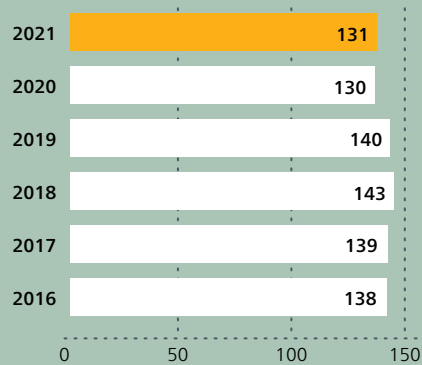
(Kg waste per tonne produced) for Jotun Group

■ Hazardous waste ■ Non-hazardous waste



### Electricity consumption

(kWh per tonne produced) for Jotun Group







### USAGE: USE, REUSE AND RECYCLE

Jotun recognises that it can improve its environmental performance by focusing on how efficiently it uses, reuses or recycles materials. Initiatives include reducing waste by reusing or recycling plastics, certain chemicals or substances, paint, process water and other materials.

Externally, Jotun works closely with customers to ensure the efficient and safe preparation of surfaces, application and maintenance, and provides support for proper recycling of packaging and handling of waste. For example, Jotun's cans

are designed for ease of use, minimum leftover paint and convenient recycling. All this supports better decisions, leading to improved durability, cost efficiency and customer satisfaction.

Transparency is a fundamental part of Jotun's approach to sustainability. The company's ambitions related to carbon emissions and renewable electricity are calculated based on Jotun's experience and forecasts. By setting achievable goals and sharing results from successful improvement programmes across all factories, Jotun can improve its environmental performance.



## Environmental sustainability begins at home

While interactions with suppliers and product usage represent areas where Jotun can make the significant contributions to environmental sustainability, Jotun has the most control over its own operations.

Established in 2010, the Jotun GreenSteps programme serves as the company's framework to improve its own environmental footprint covering five areas: Solvent emissions, hazardous materials, energy consumption, carbon emissions and waste.

### ENVIRONMENTAL REPORTING

Jotun's HSEQ Management System establishes a framework and reporting system covering 15 HSEQ elements that apply to all facilities operated by Jotun. Focus areas cover a broad range of HSEQ categories, including those related to element 9, which specifically set targets for lowering energy use, carbon emissions and waste.

All Jotun factories are required to report on a broad range of environmental categories, such as use of solvents, hazardous and non-hazardous waste, consumption of petroleum products (natural gas, oil, petrol and diesel fuels), electricity usage from renewable and non-renewable sources, wastewater usage and treatment, site soil inspections and noise pollution, among others. In 2021, Jotun introduced HSEQ targets on planned new constructions to ensure that its environmental sustainability goals are built into the design at an early stage.

Since 2009, Jotun has produced an annual Carbon Footprint Report, based on data taken from operations all over the world covering both direct and indirect emissions. The report, developed using best-practice industry standards established by the Greenhouse Gas Protocol Initiative, allows Jotun to quantify the emissions related to its daily activities (commonly known as scope 1 and 2), worldwide. In addition to providing Jotun with reliable metrics on its current status, the company can compare to previous years to make sure it is trending in the right direction.

These standardised reports provide Jotun with the data needed to perform risk assessments, make recommendations and ensure each factory is operating in compliance with company policy. Also, by establishing clear targets and assigning individuals responsibility for specific categories, Jotun is in a better position to track its progress and see where local companies need to focus resources.

### SUSTAINABILITY REQUIREMENTS

In 2021, Jotun introduced new requirements in alignment with Jotun's Sustainability Strategy. Specifically, Jotun factories, warehouses, R&D centres and office facilities are required to consider solutions that will reduce Jotun's environmental impact. Examples include the use of renewable electricity sources (such as solar panels), utility upgrades and efficiency controls, investments in water treatment plants, and temperature and electricity systems, among others.

### ENERGY

Jotun is working to reduce energy consumption at all factories and facilities by tightening requirements on energy usage. Examples of existing provisions include the installation of low or zero-consumption lighting systems (e.g. LED lights, or skylights where appropriate), efficient temperature control systems and heat recovery systems. In 2021, Jotun mandated the installation of energy meters for main consumption contributors and set new KPIs for measuring the total cost of energy consumption at each site. Factories are also required to evaluate cooling and heating requirements for buildings and consider the installation of more energy-efficient systems when replacing older units that have reached the end of their lifecycles.





## WASTE

In 2021, new GreenSteps initiatives related to waste were introduced in Jotun's HSEQ Management System. These include provisions to map how waste is generated, systems to reduce the use of water used to wash equipment, tracking tools to monitor both hazardous and non-hazardous waste, reducing the use of plastics and lowering costs related to the disposal or recycling of process water. Jotun also seeks to recycle as much waste as possible to avoid adding to landfills or for disposal at incinerators. Another project, commissioned in 2021, is a wastewater recycling system at Jotun's factory in Sandefjord, Norway. When fully operational, the system will have the capacity to recycle close to 3.5 million litres of process water every year.

## A HOLISTIC APPROACH TO ENVIRONMENTAL SUSTAINABILITY

Looking ahead, Jotun will take a more holistic approach to environmental performance by assessing the net benefit of each action across the entire value chain. By working across functions, Jotun can work as one organisation to achieve improved environmental performance, in line with Jotun GreenSteps.

## Green Building Solutions

To meet emerging trends in green building construction, Jotun offers Green Building Solutions, a concept highlighting the company's comprehensive range of low or zero-solvent products that help project owners improve environmental performance.

According to the United Nations Environment Programme (UNEP), buildings and their construction together account for 36 per cent of global energy use and 38 per cent of energy-related carbon-dioxide emissions annually. To manage this challenge, governments in some parts of the world offer financial incentives to owners and developers whose buildings meet specific criteria related to energy use, emissions output, materials used, etc. These incentives are based on standards set by "green building" organisations, such as the Building Research Establishment Environmental Assessment Methodology (BREEAM®) and Leadership in Energy and Environmental Design (LEED®), among others.

### COMMERCIAL BENEFITS

To help owners and developers comply with these "green building" standards, Jotun has performed an exhaustive review of all relevant products to verify if they match specific provisions, and refined and developed new products when necessary to fill gaps. Now organised under one concept, Jotun's Green Building Solutions provides owners and architects with a diverse range of low or zero-solvent paints and coatings that have been independently verified and documented to help architects and owners earn valuable points toward green building certification.

With the number of green buildings doubling every year, demand for Jotun's Green Building Solutions has increased. In the last five years, Jotun has won some high-profile green building projects in China, Malaysia, the UAE and Indonesia. Jotun UAE was also selected to supply paints and coatings to about 80 per cent of the structures in EXPO 2020 in Dubai, UAE, where more than 100 structures are LEED® compliant. Jotun worked with a broad range of architects, engineers, designers and contractors on a number of LEED®-certified pavilions.

### THE BUSINESS OF SUSTAINABILITY

While Green Building Solutions was conceived to generate sales for environmentally sustainable decorative paints and protective and powder coatings, it also supports Jotun's commitment to helping external stakeholders improve their own environmental performance. After all, paints and coatings represent only about 0.5 to two per cent of building costs, but they can contribute up to 27 per cent of the required points for LEED® certification. By making it easier for developers, architects and specifiers to "build green", Jotun helps them directly or indirectly to reduce volatile organic compound (VOC) emissions, the use of hazardous materials, energy consumption and other related carbon emissions.









RESPECT



## Protecting people and societies

As a global organisation with a workforce of more than 10 000 people, Jotun recognises its responsibility both to create a safe, diverse and inclusive workplace and make a positive impact on the communities where the company operates.

Jotun's approach to social issues is grounded in its Values (Loyalty, Care, Respect and Boldness) and Business Principles, which provide a framework for the company's corporate behaviour by defining expectations for ethics and integrity, community, fair trade and free competition. Jotun applies these principles to how the company operates its business and interacts with customers, suppliers, employees, shareholders, the environment and society at large.

### SAFE, DIVERSE AND INCLUSIVE

Jotun ensures that all company facilities comply with the company's HSEQ policies developed to continuously improve safety and quality performance across its value chain. And to create a diverse and inclusive workplace, Jotun's goal is to hire and develop employees representing different cultural or ethnic origins, age, professional backgrounds, gender and sexual orientation, and to make sure each individual feels respected, appreciated and included.

Jotun's Values and Business Principles are shared with all new employees, modelled by senior management, and periodically reinforced through training. For example, individuals who are especially at risk of being exposed to

corruption are provided with specialised anti-corruption dilemma training. Jotun has also a "whistle-blowing" system, available to both internal and external stakeholders, whereby violations of Jotun's business principles can be logged, investigated and resolved.

### GLOBAL COMMITMENT, LOCAL COMMITMENT

Jotun strives to make a meaningful impact on society based on mutual understanding and respect. Working in collaboration with international partners such as The International Red Cross and Red Crescent Movement and Norwegian People's Aid, Jotun can generate a greater positive impact and allocate resources to where they are needed most. Furthermore, all Jotun companies are required to engage in local corporate responsibility initiatives every year. Examples include providing funding for schools or hospitals, making it easier for disadvantaged or vulnerable groups to gain access to basic health services and education. Jotun is active in more than 100 countries and is therefore in a good position to identify and address the needs of local communities. These efforts, combined with how Jotun manages its own business and models good corporate behaviour, form the basis for the company's ambitions to make a positive impact on society.

## Responsible purchasing

As a major buyer of both raw and indirect materials, Jotun recognises that it is in a strong position to influence suppliers to improve their social performance and model good corporate behaviour.

As a global company with 39 factories on five continents, Jotun has more than 40 000 suppliers for indirect materials and works with about 1 000 suppliers covering 9 000 items related to raw materials, packaging and investment projects. By establishing clear contractual requirements verified by standardised assessment tools and audits, Jotun can incentivise suppliers to improve their social performance. In this way, Jotun can contribute to society consistent with UN Sustainability goal number 8 (Decent work and economic growth), goal number 12 (Responsible production and consumption), and goal number 16 (Peace, Justice and strong institutions).

### HUMAN RIGHTS POLICY

In addition to ensuring that Jotun factories have access to materials needed to operate, Jotun works to ensure the company's raw materials suppliers comply with Jotun's Human Rights Policy. This policy is aligned with the United Nations Guiding Principles on Human Rights and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, among other internationally recognised guidelines and declarations.

As part of the company's raw materials purchasing agreements, suppliers are required to comply with Jotun's Supplier Integrity Declaration, which covers a broad range of topics including anti-corruption, child labour and employee working conditions, etc. To verify compliance, Jotun conducts periodic audits. In 2021, Jotun initiated a new supplier assessment tool to communicate its expectations and requirements for environmental and social performance. Jotun's goal is to conduct annual assessments on all raw materials and packaging suppliers. A third-party provider (EcoVadis) will be responsible for supplier assessments, while Jotun will conduct physical audits.

### FIGHTING CORRUPTION

Jotun is aware that in some countries, individuals responsible for negotiating purchasing agreements may be exposed to corruption. In addition to mandating anti-corruption dilemma training for relevant personnel, Jotun policy requires that all purchasing agreements are managed by at least two people to mitigate risk. In addition to safeguarding Jotun's reputation, Jotun's "zero tolerance" policy towards corruption sends a strong message to suppliers and local communities that the company will not participate in unethical business practices.

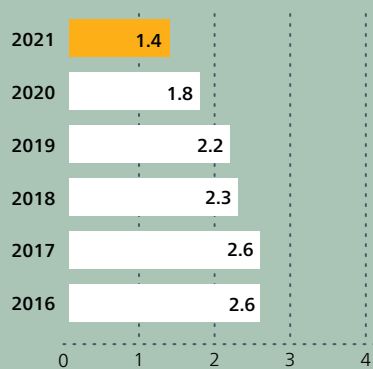






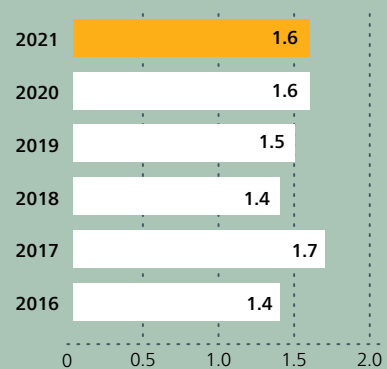
### Lost time injury rate (LTIR)

Number of injuries resulting in more than one day absence per million working hours – (H-value) for Jotun Group



### Absence due to sickness

Days of absence in per cent of number of days worked





## Safeguarding health and safety

By creating risk awareness, optimising processes, engaging with employees and tracking performance over multiple categories, Jotun continuously strengthens operational standards and processes, building a strong health and safety culture.

Jotun operates 39 factories all over the world. These fast-moving industrial environments represent a risk to personnel, property and the environment. Jotun recognises that to achieve long-term, sustainable results, the company must not only focus on compliance with regulations and procedures, but also build a strong safety culture through risk awareness.

### STRUCTURED SAFETY

The primary goal of Jotun's HSEQ strategy is to continuously improve safety and quality performance across the company's value chain, with a zero-tolerance approach to injuries, fires and spills. Most of this work is achieved through Jotun's HSEQ Management System, which provides the structure to track and manage 15 elements related to health, safety, environment and product quality management. Jotun expands and updates the system regularly to make sure it meets or exceeds local or international standards. For example, in 2019, Jotun added a new HSEQ element that applies to external workers involved in the construction or expansion of Jotun facilities. In 2021, Jotun launched a global fire safety project, focused on electrical fires, fire detection, fire-fighting systems, fire segregation and managing risk related to static electricity.

Every Jotun employee contributes to making their workplace safer through the ongoing "I Care" initiative. Each Jotun company runs three separate "I Care" projects every year. One project is mandated centrally, leaving local manufacturing sites to initiate the other two, based on site-specific risk factors. The outcomes from "I Care" campaigns are carefully measured, and improvements are rewarded both individually and at a team level.

### VERIFYING COMPLIANCE

In Jotun's efforts to continuously and proactively identify risks and maintain optimal manufacturing performance, Jotun documents issues, record incidents, implements improvements and shares best practices. Jotun schedules periodic HSEQ audits to verify compliance. In 2021, Jotun completed a total of nine HSEQ audits of Jotun factories. In addition, Jotun performed three audits on ongoing construction projects in Dubai, Egypt and Qatar. The combination of an HSEQ structure, employee engagement and periodic audits ensure that Jotun can continue to make improvements and strengthen its health and safety culture.

## Sustainable workforce

In 2021, Jotun took important steps to continue to build a safe, diverse and inclusive workplace where people can thrive.

Jotun's ambition is to create a robust and diverse workforce, equipped to meet current and future business needs. By creating a culture of belonging and a welcoming work environment, Jotun can foster innovation and encourage collaboration. Jotun believes that providing healthy working environments, competitive salaries and offering equal opportunities to all diversity groups not only creates a stronger company, but also contributes to the societies where we operate.

### **DIVERSITY AND INCLUSION**

Introduced in 2021, Jotun's Diversity and Inclusion Policy is aligned with UN Sustainability goal number 8 (Decent work and economic growth). Jotun acknowledges that companies face different realities navigating local labour markets. Nevertheless, Jotun requires that all Jotun companies make conscious efforts to ensure that their workforce mirrors the societies where they operate. Furthermore, Jotun employees are expected to respect, include and recognise the contribution and value of all colleagues. Since 2020, Jotun has tracked and measured diversity using multiple metrics including gender balance, generational representation, and ethnic and cultural diversity, expressed by national representation. Results are reported by all local companies to senior management during periodic business reviews.

To support a thriving workforce, Jotun launched a new Human Resources Management System (HRMS) in 2021. The HRMS provides all employees and managers with access to a user-friendly and intelligent system that supports everyday human resources processes. One feature of the HRMS is Global Job Catalogue, which includes defined and standardised Job Profiles. Job Profiles will allow employees to envision their own career progression by defining skills and competencies they need to advance. In addition, Job Profiles structures recruitment processes more effectively, contributes to right, fair and competitive remuneration, and supports job rotation and cross-functional movement within the organisation.

### **MOBILITY INITIATIVES**

In 2021, Jotun also continued to strengthen its Global Mobility programmes, which encourage employees to gain cross-functional, cross-segment and cross-border experience. These programmes include both short and long-term assignments and provide employees with career opportunities and mobility benefits, including support for the partners of employees on overseas assignments. Despite issues related to the coronavirus pandemic, 165 employees participated in Jotun Mobility Programmes in 2021. By offering employees exciting career development opportunities and building a safe, diverse and inclusive workforce, Jotun is in a stronger position to meet current and future business needs to secure the company's competitive advantage.



Number of employees



Female



Male



Nationalities

	<b>10 293</b>	<b>1 981</b>	<b>8 312</b>	<b>88</b>
<b>Jotun total</b>				
SCA	1 172	367	805	39
WE	828	212	616	31
EECA	1 120	199	921	9
NEA	1 870	340	1 530	12
SEAP	2 277	563	1 714	25
MEIA	2 815	246	2 569	46
AM	211	56	155	14







## Next-level learning

Jotun expanded and digitalised its competence development offerings in 2021 to ensure that employees have ready access to opportunities for career development.

Jotun understands that the company's long-term business success is driven by the competence of its employees. By offering personnel opportunities to learn new skills, Jotun is in a better position to retain and attract top talent, foster career development and strengthen its leadership pipeline. Jotun's approach to competence development is made up of three elements: Jotun Academy, a vital resource for strengthening corporate culture and individual skills within key business areas; Digital Learning, an advanced suite of digital tools that provides point-of-work learning and helps employees keep pace with change; and Team Development, delivering workshops and tools to enhance team effectiveness.

### DIGITAL LEARNING

Due to social distancing rules related to the coronavirus pandemic, restrictions on in-person training continued to be in place in 2021 in some countries. In response, Jotun accelerated its efforts to digitalise training courses and scaled up the production of training videos, recorded at the company's studio in Sandefjord, Norway. For example, Jotun organised user-training for the 2021 launch of the new Human Resources Management System, which supports everyday human resources processes and cross-border collaboration. Jotun also added game mechanics to some modules to motivate employees and enhance skills retention.

Jotun also offers workshops related to team alignment, business planning, cultural awareness and other topics. For example, Jotun delivered Management "booster" workshops and Diversity and Inclusion workshops in 2021 that reached about 1 600 managers. Where possible, workshops and other training sessions were led by about 600 Jotun qualified trainers in classroom settings. To reach those unable to attend in-person classes due to lockdown restrictions, workshops were delivered online, via MS Teams. By the end of 2021, more than 80 per cent of Jotun's learning portfolio was available online.

### JOTUN ACADEMY

Jotun Academy offers multiple training modules covering 12 different categories, including human resources, marketing, sales, purchasing, research and development, operations and HSEQ, technical sales support, finance, Information technology, management and project management. To ensure that each module is aligned with changing company policies and procedures, Jotun must constantly update and refresh courses so they remain relevant. Looking ahead, Jotun is exploring options for using virtual and augmented reality solutions for future training purposes. These immersive virtual environments will allow personnel to rehearse skills that may be difficult to practice in real life.

## Taking care

When the coronavirus pandemic resulted in strict lockdowns and food shortages in Vietnam in early 2021, Jotun provided safe housing for employees to live and work at its factories and warehouse sites for the duration of the crisis.

For most of 2020, Vietnam was successful in controlling the spread of the coronavirus. Jotun Vietnam's HSEQ team followed Group COVID-19 guidelines, which included 10 elements covering rules for work and social situations, and reached out to colleagues in the network to get advice on how they managed similar conditions in other markets. However, infection rates had increased rapidly by spring 2021, resulting in an extended lockdown period that lasted for about four months.

### ESCALATING CRISIS

As the crisis became more severe, parts of Vietnam suffered food shortages and hospital capacity was stretched to the breaking point. In Ho Chi Minh City, the army was mobilised to restrict movement, enforce stay-at-home orders and deliver food. Some companies suspended workers without pay, forcing many to return to their family homes in rural areas. Jotun retained all personnel at full salaries.

In July, the government in Vietnam announced its "Three on the Spot" campaign, which allowed factories to resume operations on the condition that companies provided their

employees with food and shelter on-site. For many Jotun workers, living at a Jotun facility was safer than going home to their flats or rented bedsits where they might expose themselves or others to infection. Jotun arranged for food deliveries, bought mattresses and bedding, and set up dormitories in every available space. At the peak of the crisis, Jotun provided housing for a total of 233 employees at five different locations nationwide.

### RETURN TO BUSINESS

COVID-19 cases began to subside in the fall and, with the rollout of an ambitious vaccination programme, the government slowly eased restrictions so that Jotun employees could return to their own homes. Jotun Vietnam continues to follow Group HSEQ guidelines to manage the emergence of new variants at Jotun locations. These guidelines also apply to workers at the construction site of Jotun's new factory in Hiep Phuoc. By building on lessons learned, sharing effective strategies on infection mitigation and remaining in full compliance with locally enforced health and safety guidelines, Jotun was able to safeguard the welfare of employees and contractors in Vietnam during a difficult period.







## Jotun supports the COVAX programme

Jotun donated NOK five million to UNICEF and the COVAX programme to ensure equitable global access to vaccines.

Since the spring of 2019, the global coronavirus pandemic has not only resulted in illness and mortality but has also had a significant impact on healthcare systems, global supply chain networks and local economies, disrupting the lives of billions of people around the world. While vaccines are now widely available in most developed countries, there are many countries where supplies and distribution capacity are limited.

### GLOBAL ACTION

As a global company, Jotun recognises that until vaccinations are widely available to everyone, no one is safe. In 2021, Jotun provided support to United Nations International Children's Emergency Fund (UNICEF) and partners to ensure that no country is left behind. Jotun's donation is consistent with the company's commitment to UN Sustainable Development Goals, specifically goal number 3 (Good health and well-being) and goal number 10 (Reduced inequality).

COVID-19 Vaccines Global Access (COVAX) is a global initiative to ensure equitable access to vaccines. Directed by the Global Alliance for Vaccines and Immunizations (GAVI), the Coalition for Epidemic Preparedness Innovations (CEPI) and the World Health Organisation (WHO), COVAX is one of the three pillars of the Access to COVID-19 Tools (ACT) Accelerator. The ACT Accelerator is a ground-breaking global collaboration to accelerate the development, production and equitable access to COVID-19 tests, treatments and vaccines. The role of UNICEF and other partners is to purchase, store, transport and distribute the vaccines to 92 low- and medium-income countries.

### HISTORIC EFFORT

Equitable access to vaccines, particularly to protect healthcare workers and those most at risk, is the only way to mitigate the public health and economic impact of COVID-19 and variants. By donating to the COVAX programme, Jotun is contributing to the largest vaccine procurement and supply operations in history.

## Seeds of hope

Consistent with company policy requiring all Jotun companies to engage in Corporate Responsibility initiatives, Jotun Turkey's GreenSteps programme has raised awareness and money for re-forestation projects through the clever use of technology.

In 2016, Jotun Turkey launched the GreenSteps campaign to build awareness and raise funds for environmental sustainability projects. The initiative is grounded in a customised app that enables users to track their steps when they walk or run. Based on distance travelled, Jotun donated funds to TEMA, an organisation dedicated to reforestation and the protection of natural habitats in Turkey. Over the next two years, Jotun raised enough money to plant about 20 000 trees. In 2019, Jotun Turkey worked in cooperation with a nationally recognised group of divers devoted to protecting fragile marine habitats. Participants in the "GreenSteps" campaign walked enough kilometres to fund the clean-up of over 100 000 square metres of seabed.

### ADJUSTING TO LOCKDOWNS

When the coronavirus emerged in Turkey in 2020, stay-at-home orders discouraged people from going on long walks or runs. In response, Jotun developed a game that people could play at home, where participants had to manipulate their phones to place a virtual seed in the right place. The more participants who succeeded, the more money Jotun would donate to reforestation projects. By year-end, Jotun's efforts

resulting in the planting of about 15 000 seeds selected by Turkey's Ministry of Agriculture and Forestry.

As lockdowns lifted in 2021, participants were free to walk again, and Jotun resumed the GreenSteps app. Only this time, the company partnered with "e-cording", an organisation that develops sustainable environmental technologies to fight climate change. To access harder-to-reach areas of Turkey, especially those areas damaged by forest fires, Jotun sponsored drone flights that carried seed balls to remote locations. Once again, Jotun worked with the Ministry of Agriculture and Forestry to select different plant types and locations. In all, Jotun distributed more than 250 000 seed balls all over Turkey in 2021.

### BUILDING LONG-TERM ENGAGEMENT

Jotun Turkey will continue to partner with relevant organisations and develop the environmental sustainability campaign through the GreenSteps app, which now has a social media reach of over four million. In addition to making a positive impact on the environment, the programme also incentivises healthier lifestyles.







“Jotun’s work to establish clear and effective corporate responsibility and governance policies represents an important part of the company’s overall strategy. In addition to strengthening our business, the company’s reputation and stakeholder relationships, “good corporate citizenship” helps unite our global organisation. Jotun’s Board of Directors fully supports our CR activities, which are defined by our values and aligned with the 10 United Nations Global Compact principles.”

*Morten Fon, President & CEO*



**LOYALTY**



**CARE**



**RESPECT**



**BOLDNESS**

## Building a foundation for sustainable growth

Jotun is directed, managed and controlled through a clearly structured and transparent governance framework that enables the company to operate responsibly and establish and execute policies consistent with its values.

Jotun's governance framework has been established by Jotun's Board of Directors and is grounded in Jotun's Business Principles and Values (Loyalty, Care, Respect and Boldness). These concepts are reinforced by corporate, regional and divisional bodies and supported by documents, policies and leadership training.

### **POLICIES AND COMPLIANCE**

The hierarchy of governance bodies is as follows: The Board of Directors, Jotun Group management and regional and local management, with the support of staff functions on all levels. Local policies derive from Group policies, which are expressed in a hierarchy of steering documents. These documents are accessible to all employees through the Jotun Management System, which is updated semi-annually.

To ensure all Jotun companies are in alignment with Group policies, the company has established extensive compliance programmes that apply to all relevant aspects of the business. For example, every Jotun company is required to submit HSEQ performance reports for review by their respective Boards. Once a year, the Board of Directors of Jotun A/S is updated on the compliance status of each company. Jotun also verifies

compliance through certification by recognised international standards, such as Quality Management (ISO 9001), Environmental Management (ISO 14001) and Occupational Health and Safety (ISO 45001).

### **REPORTING, AUDITS AND REVIEWS**

Jotun has established a broad range of internal reporting systems, audits and reviews to make sure performance is in line with expectations. These systems are continuously updated to reflect new policies developed by relevant departments. For example, Jotun schedules periodic Business Reviews for all Jotun companies. In addition to detailing sales figures and market forecasts, companies must provide data covering everything from environmental impacts and competence development milestones to health and safety initiatives and Corporate Responsibility projects, among other topics. In addition to tracking Jotun's performance in multiple categories, the Board of Directors remains in constant dialogue with senior management to improve performance. Once changes are adopted, they are communicated throughout the organisation via governing bodies, steering documents and follow-ups at corporate, regional and local levels.



## Fighting corruption

Jotun's "zero tolerance" approach to unethical business practices is clearly defined and reinforced through training as well as a confidential system that allows Jotun personnel to report suspect behaviour.

Jotun puts ethical business conduct at the heart of its operations and works actively against corruption. Corruption and bribery are threats to economic development and contribute to poverty and the erosion of the rule of law. Jotun acknowledges its responsibility to customers, shareholders, employees and local communities to maintain its integrity and align its business with high ethical standards as defined by Jotun Values and Jotun Business Principles.

### **CLEAR POLICY, ACTIVE TRAINING**

Jotun's Anti-Corruption Policy defines expected ethical business practices and clarifies expectations for all employees. The Policy provides an overview of Jotun's approach to anti-corruption and provides employees with a detailed description of rules they are required to follow to avoid corrupt practices in connection with their business activities. All new hires are required to complete dedicated training so they fully understand what behaviour is expected and how to recognise, resist and report corruption. These policies and expectations for responsible conduct are periodically reinforced through additional training.

Jotun acknowledges that individuals working within different functions in the local companies are vulnerable to potentially corrupt scenarios. Consequently, Jotun has dedicated teams of trainers who conduct anti-corruption training in order to enforce uniform standards. The most important part of these

training modules is discussing dilemmas, which encourages open dialogue and personal reflections. Such discussions have proven effective in creating the "right attitude" by helping employees identify potential issues related to local market challenges. In 2021, Jotun conducted anti-corruption training courses in nearly all regions. In countries where lockdowns were in place due to the coronavirus pandemic, courses were conducted via MS Teams.

### **WHISTLE-BLOWING**

Jotun has established a formal communication channel for reporting unacceptable behaviour relating to Jotun's business activities, which is available to both employees and external stakeholders. All reports are handled confidentially. The channel ensures anonymity and whistle-blowers are protected and treated with respect. Jotun encourages individuals to report suspected violations of Jotun's Business Principles, national laws and environmental regulations, as well as incidents of discrimination and harassment, fraud, theft, embezzlement, false financial reporting, conflicts of interest and other potentially questionable actions or behaviour. By having a clear policy and an accessible and safe channel for reporting unacceptable behaviour, Jotun sends a clear message to employees and other stakeholders that the company will not tolerate nor knowingly participate in any form of corruption or unethical conduct.



COMMUNICATION ON PROGRESS



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



The UNGC is a global initiative whereby participants, such as Jotun, commit to responsible business practices in the areas of human rights, labour, the environment, and corruption.

As a member of Transparency International Norway, Jotun is committed to zero tolerance of all forms of corruption, and to working for the implementation of positive values, business principles and anti-corruption programmes covering all areas of the organisation.

There are 10 principles helping businesses conduct activities in a responsible, ethical and sustainable manner. Please see the below table for references to areas of this report demonstrating how Jotun aligns itself with the UNGC framework.

HUMAN RIGHTS		PAGES
Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	30–31
Principle 2:	make sure that they are not complicit in human rights abuses.	36–65
LABOUR		
Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	36–65
Principle 4:	the elimination of all forms of forced and compulsory labour;	36–65
Principle 5:	the effective abolition of child labour; and	36–65
Principle 6:	the elimination of discrimination in respect of employment and occupation.	36–65
ENVIRONMENT		
Principle 7:	Businesses should support a precautionary approach to environmental challenges;	13–14, 20–21, 24–29, 36–65
Principle 8:	undertake initiatives to promote greater environmental responsibility; and	13–14, 20–21, 24–29, 36–65
Principle 9:	encourage the development and diffusion of environmentally friendly technologies.	13–14, 20–21, 24–29, 36–65
ANTI-CORRUPTION		
Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	68–69

For more information on the Global Compact see [www.globalcompact.org](http://www.globalcompact.org)







# Financial performance

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# Building a sustainable business

By making careful, long-term investments in every aspect of the organisation, Jotun can build a more sustainable company and help support the business and environmental ambitions of customers.

In 2021, Jotun successfully navigated a number of challenges, both internally and externally. The coronavirus pandemic impacted business in many key markets, and like many multinational paints and coatings companies, Jotun's earnings were affected by the high cost and availability of raw materials. Closer to home, a fire in the energy central at the company's binder factory in Sandefjord, Norway last fall was a "black mark" on Jotun's otherwise improved HSE performance. While there were no injuries and the binder factory is back in operation, the fire served as a potent reminder of fire risk. Nevertheless, it is a testament to the skill and dedication of our workforce that Jotun was not only able to maintain business continuity during a challenging year, but grow the business in 2021.

## FROM SUPPLIER TO SOLUTIONS PROVIDER

While the Board anticipates that both the pandemic and raw materials prices will continue to impact Jotun in 2022, the company continues to invest in the development of products, tools and systems to accelerate our transition from a paints and coatings supplier to a solutions provider. And with growing pressure from the public and regulators to combat climate change, Jotun remains committed to offering products and solutions to help customers improve their environmental performance.

The primary driver for this transition is Jotun's Research and Development department. Over the past decade, Jotun has allocated significant resources to recruit skilled chemists and invest in equipment and facilities to upgrade the company's global network of R&D centres. These investments have helped us pioneer the development of low or zero solvent coatings and other specialised products that help customers comply with increasingly strict environmental regulations. In some cases, these products are supported by digital tools, standardised documentation and technologies, often developed in collaboration with other suppliers.

## SUSTAINABILITY STRATEGY

Jotun is also committed to improving our own environmental performance. Last year, the company announced plans to align the business with relevant UN Sustainable Development Goals. In 2021, Jotun formalised its integrated Sustainability Strategy, consistent with new reporting requirements. The Board also approved and encouraged other investments, such as a wastewater treatment facility at Jotun's factory in Norway and the installation of solar panels at the factory in Nilai, Malaysia. The Board is confident that the company's continued focus on R&D and renewed focus on sustainability will play a larger role in helping Jotun, and its customers, achieve good results in a more environmentally responsible way in the years ahead.



Board of Directors, from left: Bjørg Engevik Nilsen, Einar Abrahamsen, Odd Gleditsch d.y. (Chairman), Camilla Hagen Sørli, Terje Andersen, Nicolai A. Eger, Jannicke Nilsson and Per Kristian Aagaard.

# Financial statements

## CONSOLIDATED INCOME STATEMENT

(NOK million)	2021	2020
Operating revenue	22 809	21 070
Share of profit from associates and joint ventures	496	746
Cost of goods sold	-12 480	-10 643
Payroll expenses	-3 389	-3 277
Other operating expenses	-3 421	-3 584
Depreciation, amortisation and impairment	-876	-824
<b>Operating profit</b>	<b>3 138</b>	<b>3 489</b>
Net financial items	-248	-331
<b>Profit before tax</b>	<b>2 890</b>	<b>3 158</b>
Income tax expense	-779	-780
<b>Profit for the year</b>	<b>2 111</b>	<b>2 378</b>
<b>Profit for the year attributable to:</b>		
Equity holders of the parent company	1 998	2 280
Non-controlling interests	113	98
<b>Total</b>	<b>2 111</b>	<b>2 378</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	2021	2020
<b>Profit for the year</b>	<b>2 111</b>	<b>2 378</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>		
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	-8	-13
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		
Gain / loss (-) on hedge of net investments in foreign operations (net of tax)	15	-41
Currency translation differences in foreign operations	-90	-176
<b>Other comprehensive income for the year, net of tax</b>	<b>-83</b>	<b>-230</b>
<b>Total comprehensive income for the year</b>	<b>2 028</b>	<b>2 148</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent company	1 913	2 044
Non-controlling interests	115	104
<b>Total</b>	<b>2 028</b>	<b>2 148</b>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(NOK million)	31.12.2021	31.12.2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Deferred tax assets	386	358
Other intangible assets	765	741
Property, plant and equipment	7 612	6 985
Investments in associates and joint ventures	1 419	1 598
Share investments	9	16
Other non-current financial receivables	67	65
<b>Total non-current assets</b>	<b>10 257</b>	<b>9 762</b>
<b>Current assets</b>		
Inventories	4 034	2 877
Trade and other receivables	5 753	4 979
Cash and cash equivalents	3 388	2 956
<b>Total current assets</b>	<b>13 175</b>	<b>10 812</b>
<b>Total assets</b>	<b>23 432</b>	<b>20 574</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	103	103
Other equity	12 014	10 699
Non-controlling interests	352	326
<b>Total equity</b>	<b>12 468</b>	<b>11 128</b>
<b>Non-current liabilities</b>		
Pension liabilities	296	243
Deferred tax liabilities	73	62
Provisions	188	314
Interest-bearing debt	2 995	3 007
Other non-current liabilities	15	50
<b>Total non-current liabilities</b>	<b>3 567</b>	<b>3 675</b>
<b>Current liabilities</b>		
Interest-bearing debt	2 266	1 528
Trade payables	2 926	2 334
Tax payable	227	259
Other current liabilities	1 979	1 650
<b>Total current liabilities</b>	<b>7 398</b>	<b>5 771</b>
<b>Total liabilities</b>	<b>10 964</b>	<b>9 446</b>
<b>Total equity and liabilities</b>	<b>23 432</b>	<b>20 574</b>

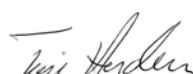
Sandefjord, Norway, 15 February 2022

The Board of Directors  
Jotun A/S


Odd Gleditsch d.y.  
Chairman



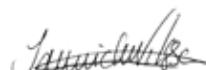
Einar Abrahamsen



Terje Andersen



Nicolai A. Eger



Jannicke Nilsson



Camilla Hagen Sørli



Per Kristian Aagaard



Bjørg Engevik Nilsen



Morten Fon  
President & CEO

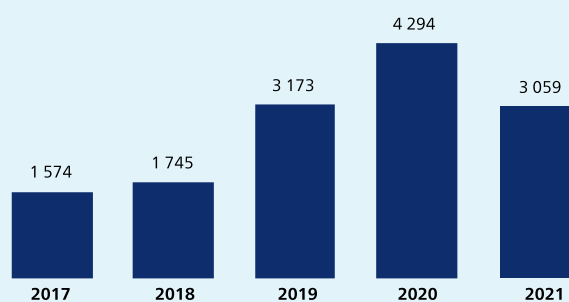
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK million)	EQUITY HOLDERS OF THE PARENT COMPANY					Total equity
	Share capital	Other equity	Translation differences	Total	Non-controlling interests	
<b>Equity as of 1 January 2020</b>	<b>103</b>	<b>8 310</b>	<b>892</b>	<b>9 305</b>	<b>280</b>	<b>9 584</b>
Dividends		-547		-547	-79	-626
Profit for the year		2 280		2 280	98	2 378
Other comprehensive income		-54	-182	-236	6	-230
Share capital increase		-	-	-	22	22
<b>Equity as of 31 December 2020</b>	<b>103</b>	<b>9 989</b>	<b>710</b>	<b>10 802</b>	<b>326</b>	<b>11 128</b>
Dividends		-599		-599	-93	-691
Profit for the year		1 998		1 998	113	2 111
Other comprehensive income		7	-92	-85	2	-83
Share capital increase		-	-	-	4	4
<b>Equity as of 31 December 2021</b>	<b>103</b>	<b>11 396</b>	<b>618</b>	<b>12 116</b>	<b>352</b>	<b>12 468</b>

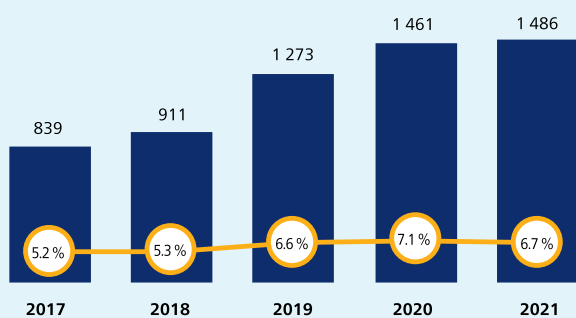
■ Operating profit (NOK million)  
○ Operating margin (in %)



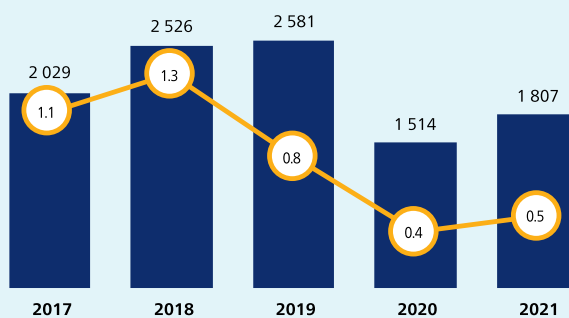
■ Cash generated from operating activities (NOK million)



■ Additions - Property, plant and equipment (PP&E) (NOK million)  
○ In % of revenue from contracts with customers



■ Net interest-bearing debt (NOK million)  
○ Net debt/EBITDA



## CONSOLIDATED STATEMENT OF CASH FLOWS

(NOK million)	2021	2020
<b>Cash flow from operating activities</b>		
Operating profit	3 138	3 489
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associates and joint ventures	-496	-746
Dividend paid from associates and joint ventures	727	559
Depreciation, amortisation and impairment	876	824
Change in accruals, provisions and other	152	-290
Working capital adjustments:		
Change in trade and other receivables	-774	287
Change in trade payables	591	220
Change in inventories	-1 156	-48
<b>Cash generated from operating activities</b>	<b>3 059</b>	<b>4 294</b>
Interest received	21	31
Interest paid	-168	-185
Other financial items	-128	-117
Income tax payments	-816	-752
<b>Net cash flow from operating activities</b>	<b>1 968</b>	<b>3 272</b>
<b>Cash flows used for investing activities</b>		
Proceeds from sale of property, plant and equipment	80	18
Purchase of property, plant and equipment	-1 260	-1 296
Purchase of intangible assets	-103	-111
Share capital increase in non-controlling interests	4	22
<b>Net cash flow used for investing activities</b>	<b>-1 280</b>	<b>-1 367</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2 284	1 020
Repayment of borrowings	-1 672	-1 036
Payment of principal portion of lease liabilities	-141	-138
Dividend paid to equity holders of the parent company	-599	-547
Dividend paid to non-controlling interests	-93	-79
<b>Net cash flow from financing activities</b>	<b>-220</b>	<b>-780</b>
<b>Net increase / decrease (-) in cash and cash equivalents</b>	<b>469</b>	<b>1 125</b>
Net currency translation effect	-37	-72
Cash and cash equivalents as of 1 January	2 956	1 903
<b>Cash and cash equivalents as of 31 December</b>	<b>3 388</b>	<b>2 956</b>





23 250 kg

JOTUN

JOTUN

# Executive summary of the Financial Statement for 2021

## GENERAL

The consolidated financial statements for the Jotun Group consist of Jotun A/S and 58 subsidiaries, three joint ventures in China and South Korea and five associates in the UAE and Saudi Arabia. Subsidiaries are fully consolidated independent of shareholding, while associates and joint ventures are accounted for using the equity method.

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the European Union (EU), as well as Norwegian disclosure requirements that follow from the Norwegian Accounting Act.

## REVENUE

In 2021, the Jotun Group recorded total operating revenue of NOK 22 809 million, which is an increase of eight per cent compared to 2020 (NOK 21 070 million). Excluding negative currency translation effects, mainly due to a stronger Norwegian krone, underlying revenue growth was 15 per cent.

The strong underlying growth is primarily driven by increased selling prices to compensate for the sharp rise in raw material prices. Growth was particularly strong in Protective Coatings and Powder Coatings due to positive development in all regions. Decorative Paints also achieved good growth, mainly driven by a significant improvement in South East Asia, the Middle East and Turkey. Marine Coatings was affected by the cyclical downturn in marine newbuildings, but high activity in the maintenance markets fully countered the impact.

## OPERATING PROFIT

The Group achieved an operating profit of NOK 3 138 million in 2021 compared to NOK 3 489 million in 2020. The reduction in profit is largely due to lower gross margins caused by a rise in raw material prices of almost 60 per cent in 2021. However, the impact of raw material price inflation was partly mitigated by increased selling prices and low underlying cost growth.

Jotun Group's share of profit from associates and joint ventures totalled NOK 496 million compared to NOK 746 million in 2020. The decrease is mainly caused by a significant reduction in South Korea related to the cyclical downturn in the marine newbuilding industry.

## PROFIT FOR THE YEAR

The profit for the year amounted to NOK 2 111 million compared to NOK 2 378 million in 2020. Net financial costs decreased by NOK 83 million to NOK 248 million, mainly due to lower currency losses as currency markets stabilised in 2021 compared to 2020. Income tax expense amounted to NOK 779 million, which is on par with 2020 (NOK 780 million). This resulted in an effective tax rate of 27 per cent based on reported profit before tax (2020: 25 per cent).

## INVESTMENTS

Total investments in property, plant and equipment (PP&E) and intangible assets amounted to NOK 1 363 million for 2021 (2020: NOK 1 407 million), representing six per cent of operating revenue (2020: 7 per cent). The largest investments relate to new production facilities in Egypt and Vietnam, construction of a new regional headquarter and R&D facility in Dubai as well as facility upgrades in Norway.

Jotun Group's share of total equity in associates and joint ventures amounts to NOK 1 419 million (2020: NOK 1 598 million) and is reported as non-current assets in the statement of financial position. The reduction is explained by dividend repatriations to Jotun A/S exceeding the Group's share of profit from associates and joint ventures.

#### WORKING CAPITAL

Jotun maintained its focus on managing liquidity and working capital throughout 2021. This helped bring down operating working capital in per cent of revenue to 27.4 per cent.

However, operating working capital increased to NOK 6 227 as of 31 December (2020: NOK 4 975 million), mainly due to the extraordinary rise in raw material prices and a build-up of safety stocks to manage global supply chain challenges. In addition, strong sales growth led to an increase in customer receivables.

#### NET INTEREST-BEARING DEBT

The net interest-bearing debt for the Group was NOK 1 807 million as of 31 December 2021, compared to NOK 1 514 million as of 31 December 2020. The increase is primarily driven by short-term borrowings in the subsidiaries to finance working capital needs. Net interest-bearing debt relative to operating profit before amortisation and depreciation (EBITDA) was 0.5 as of 31 December 2021 (2020: 0.4).

The Group's main sources of long-term funding are bonds issued in Norway and bank loans. At year-end, Jotun A/S had NOK 2 540 million in outstanding bonds, of which NOK 1 900 million was long term. The remaining balance of banks loans was NOK 408 million, of which NOK 245 million was long-term. Other external borrowings in the subsidiaries are primarily short-term loans from local banks.

In addition, Jotun A/S had NOK 2 000 million in unutilised credit facilities available at year-end. This committed funding from the Group's relationship banks serves as a strategic liquidity reserve for the Group.

#### SHAREHOLDER EQUITY

Total equity, including non-controlling interests, amounted to NOK 12 468 million (2020: NOK 11 128 million). The increase in total equity is attributable to the profit for the year of NOK 2 111 million, which exceeded the impact of dividend payments and negative currency translation effects. The Group's equity ratio at year-end was 53 per cent (2020: 54 per cent).

The proposed dividend for Jotun A/S for 2021, amounting to NOK 770 million, will not be recognised in equity until finally declared in 2022.

#### CASH FLOW

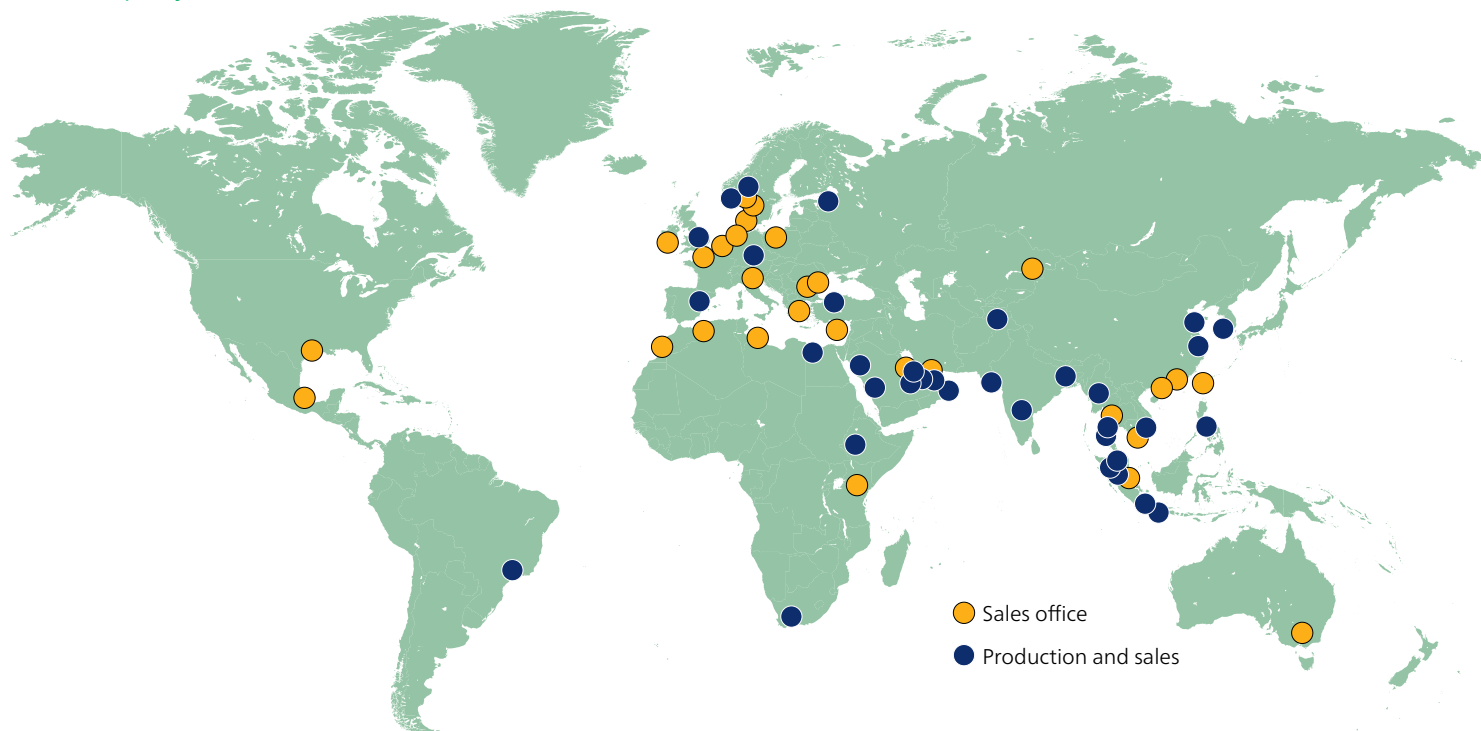
Cash generated from operating activities was NOK 3 059 million compared to NOK 4 294 million in 2020. The decrease is attributable to lower earnings as well as a significant increase in operating working capital. Still, the Group's cash position was further strengthened by NOK 432 million, with cash and cash equivalents of NOK 3 388 million at year-end (2020: NOK 2 956 million). This resulted in a build-up of cash in Jotun A/S, while cash holdings in the subsidiaries have been reduced.

#### WORKFORCE

At year-end 2021, the Group had 8 800 employees in Jotun A/S and its subsidiaries (2020: 8 400). Including employees in associates and joint ventures, Jotun had in total 10 300 employees at year-end 2021 (2020: 9 900 employees).






































































































































































## Company overview



● Sales office  
● Production and sales

COUNTRY	COMPANY	SHARE HOLDING %	
ALGERIA	Jotun Algeria SARL, Algiers	70	\$ ●●●●
AUSTRALIA	Jotun Australia Pty. Ltd., Victoria	100	\$ ○●●●
BANGLADESH	Jotun Bangladesh Ltd., Dhaka	100	P ●●●○
BRAZIL	Jotun Brasil Imp. Exp. & Industria de Tintas Ltda., Rio de Janeiro	100	P ○●●○
BULGARIA	Jotun Bulgaria EOOD, Sofia	100	\$ ●●●●
CAMBODIA	Jotun (Cambodia) Ltd., Phnom Penh	100	\$ ●○●●
CHINA	Jotun Coatings (Zhangjiagang) Co. Ltd., Zhangjiagang	100	P ●○●●
	Jotun COSCO Marine Coatings (HK) Co. Ltd., Hong Kong	50	\$ ○●○○
	Jotun COSCO Marine Coatings (Qingdao) Co. Ltd., Qingdao	50	P ○●○○
	Jotun Paints (H.K.) Ltd., Hong Kong	100	\$ ○○●○
	Jotun (Shanghai) Management Co. Ltd., Shanghai	100	\$ ●●●●
	Jotun Coatings (Taiwan) Ltd. Company, Taipei	100	\$ ○●●○
CYPRUS	Jotun Cyprus Ltd, Limassol	100	\$ ○●●○
CZECH REPUBLIC	Jotun CZECH a.s., Usti nad Labem	100	P ○○○●
DENMARK	Jotun Danmark A/S, Kolding	100	\$ ●●●●
EGYPT	El-Mohandes Jotun S.A.E., Cairo	70	P ●●●○
ETHIOPIA	Jotun Ethiopia Paint Manufacturing PLC, Adama	100	P ●○○○
FRANCE	Jotun France S.A.S., Paris	100	\$ ○●●○
GERMANY	Jotun (Deutschland) GmbH, Hamburg	100	\$ ●●●○
GREECE	Jotun Hellas Ltd. Piraeus	100	\$ ○●●○
INDIA	Jotun India Pvt. Ltd., Pune	100	P ●●●●
INDONESIA	P.T. Jotun Indonesia, Jakarta	100	P ●●●●
IRELAND	Jotun (Ireland) Ltd., Cork	100	\$ ○●●○
ITALY	Jotun Italia Srl, Trieste	100	\$ ○●●○
KAZAKHSTAN	Jotun Kazakhstan L.L.P. Almaty	100	\$ ●●●●
KENYA	Jotun Kenya Ltd., Nairobi	100	\$ ●○○○

LIBYA		Jotun Libya J.S.Co., Tripoli	80	\$	   
MALAYSIA		Jotun (Malaysia) Sdn. Bhd., Shah Alam	100	P	   
		Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	100	P	   
		Jotun Paints (Malaysia) Sdn. Bhd., Nilai	100	P	   
MEXICO		Jotun Mexico, S.A. de C.V. Veracruz	100	\$	   
MOROCCO		Jotun Maroc SARL/AU, Casablanca	100	\$	   
MYANMAR		Jotun Myanmar Company Ltd., Yangon	100	P	   
		Jotun Myanmar Services Co. Ltd., Yangon	100	\$	   
NETHERLANDS		Jotun B.V., Spijkenisse	100	\$	   
NORWAY		Jotun A/S, Sandefjord	100	P	   
		Scanox AS, Drammen	100	\$	   
OMAN		Jotun Paints Co. L.L.C., Muscat	62	P	   
PAKISTAN		Jotun Powder Coatings Pakistan (Pvt) Ltd., Lahore	99	P	   
PHILIPPINES		Jotun (Philippines) Inc., Manila	100	P	   
POLAND		Jotun Polska Sp.zo.o., Gdansk	100	\$	   
QATAR		Jotun Paints Qatar WLL, Doha	49	\$	   
ROMANIA		Jotun Romania S.R.L., Otopeni	100	\$	   
RUSSIAN FEDERATION		Jotun Paints OOO, St. Petersburg	100	P	   
SAUDI ARABIA		Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	47	P	   
		Jotun Saudia Co. Ltd., Jeddah	40	P	   
SINGAPORE		Jotun (Singapore) Pte. Ltd., Singapore	100	\$	   
SOUTH AFRICA		Jotun Paints South Africa (Pty) Ltd., Cape Town	100	P	   
SOUTH KOREA		Chokwang Jotun Ltd., Kyungnam	50	P	   
SPAIN		Jotun Ibérica S.A., Barcelona	100	P	   
SWEDEN		Jotun Sverige AB, Gothenburg	100	\$	   
THAILAND		Jotun Thailand Ltd., Samutprakarn	100	P	   
TURKEY		Jotun Boya San. ve Tic. A.S., Istanbul	100	P	   
UNITED ARAB EMIRATES		Jotun Abu Dhabi Ltd. (L.L.C.), Abu Dhabi	52	P	   
		Jotun MENA LLC, Dubai	100	\$	   
		Jotun Powder Coatings U.A.E. Ltd. (L.L.C.), Dubai	47	P	   
		Jotun U.A.E. Ltd. (L.L.C.), Dubai	42	P	   
UNITED KINGDOM		Jotun Paints (Europe) Ltd., Flixborough	100	P	   
USA		Jotun Paints Inc., Houston, Tx	100	\$	   
VIETNAM		Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P	   

 Decorative Paints   
  Marine Coatings   
  Protective Coatings   
  Powder Coatings  
**P** Production and sales    **\$** Sales office

In addition to the companies listed above, the Jotun Group also owns a number of holding and inactive companies.

In addition to legal companies Jotun has either branch offices, dealers, distributors or licensees in Andorra, Angola, Argentina, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belarus, Belgium, Belize, Bosnia & Herzegovina, Botswana, British Indian Ocean Territory, Brunei, Cameroon, Canada, Chile, Colombia, Congo, Croatia, Dominican Republic, Ecuador, Estonia, Faroe Islands, Fiji, Finland, Ghana, Guadeloupe, Guinea, Haiti, Hungary, Iceland, Iraq, Ivory Coast, Jamaica, Japan, Jordan, Kuwait, Latvia, Lebanon, Lithuania, Luxembourg, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Montenegro, Mozambique, Namibia, Nepal, Netherland Antilles, New Caledonia, New Zealand, Nigeria, Panama, Peru, Portugal, Puerto Rico, Rwanda, Serbia, Seychelles, Slovakia, Slovenia, Solomon Islands, Sri Lanka, Sudan, Suriname, Switzerland, Tanzania, Trinidad & Tobago, Tunisia, Uganda, Ukraine, Uruguay, Virgin Islands and Zambia.









*This Jotun Multicolor Inspirational Centre is called "The Cube" and is located in Amman, Jordan.*

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Odd Gleditsch d.y., Chairman  
Einar Abrahamsen  
Terje Andersen  
Nicolai A. Eger  
Jannicke Nilsson  
Camilla Hagen Sørli  
Per Kristian Aagaard  
Björg Engevik Nilsen

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Carl Erik Hagen  
Kari Lindtvedt  
Anne Cecilie Gleditsch  
Kornelia Eger Foyn-Bruun  
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Terje Arnesen  
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