



JOTUN

Jotun Protects Property



2019

Jotun values



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



Respect

Values 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



Boldness

Take initiatives to create the future

Initiate and nurture change

Communicate openly, honestly and with integrity

Be proactive

Address difficulties constructively



On 10 December, 2019, Jotun celebrated a ground-breaking ceremony for a new factory at the Hiep Phuoc Industrial Park, outside of Ho Chi Minh City in Vietnam. The new, automated factory will have the capacity to produce about 85 million litres of paints and coatings and 4 000 tonnes of powder coatings annually. The factory is scheduled to open in August 2021.

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Building on a legacy of innovation

With the official opening of Jotun's new headquarters and Research and Development (R&D) centre scheduled for 2020, Jotun is in a strong position to accelerate the development of innovative new products and services.

In December 1951, Jotun's founder, Odd Gleditsch sen. celebrated the opening of Jotun's first purpose-built factory, headquarters and laboratory in Sandefjord, Norway. While the new facility represented a significant investment for Jotun at the time, Gleditsch sen. was confident that demand for paints would grow quickly in Norway and that R&D would be the key to Jotun's future. 70 years later, the company is celebrating the opening of its new headquarters and R&D centre on the same piece of land, marking both a continuation, and a new beginning, in Jotun's development.

Global R&D network

With regional hubs serving markets all over the world, Jotun is not only Norway's most recognised global brand but one of the fastest growing paints and coatings companies in the world. However, with increasingly strict safety and environmental regulations and a growing number of end users demanding more specialised products that protect, beautify and add value to property, Jotun's future success relies on innovation.

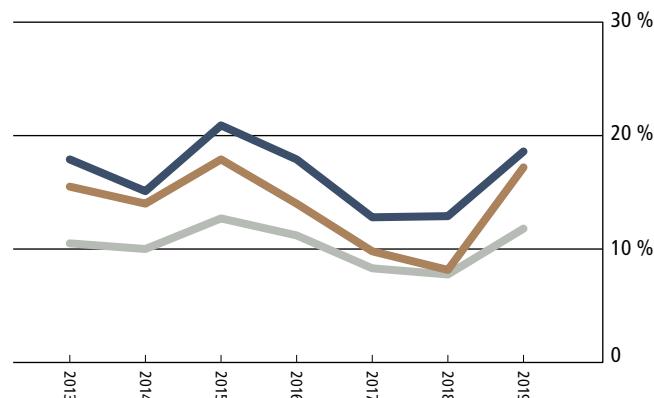
Jotun's product development process is grounded in the company's ability to understand and anticipate the needs of different end users in all segments. By working closely with local sales and marketing personnel, particularly in the Decorative Paints segment, Jotun can engineer products that meet consumer preferences. And with regional R&D centres in East Europe, Americas, South East Asia, North East Asia and the Middle East, Jotun can develop and customise products in other segments to comply with local regulations, especially in important markets with increasing strict limits on the use of solvents.

A united organisation

While Jotun's regional network of laboratories will continue to play an important role in Jotun's growth in the years ahead, the construction of the headquarters and R&D centre in Sandefjord will help accelerate exciting new services and product innovation. Jotun's new well-equipped, state-of-the-art laboratory will serve as a powerful recruiting tool for top chemists. And for the first time in more than 40 years, Jotun's R&D personnel will share the same building as all other global functions, creating a more unified, flexible and responsive organisation – just as Odd Gleditsch sen. envisioned, seven decades ago.

Profitability	18.6 %	17.2 %	11.8 %
Return on capital employed		Return on equity	Operating margin

- Return on capital employed, in %
- Return on equity, in %
- Operating margin, in %

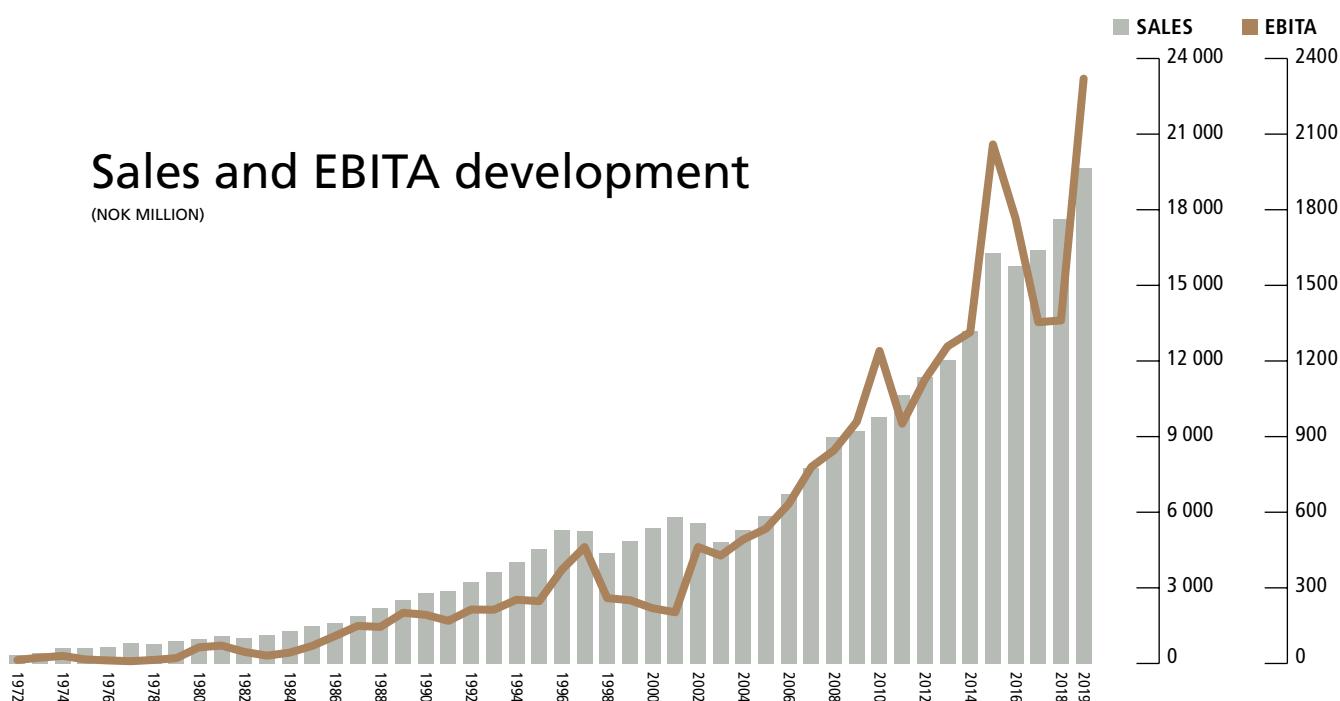


Group key figures

(NOK MILLION)	2019	2018	2017	2016	2015	2014	2013
Income statement							
Operating revenue	19 652	17 660	16 401	15 785	16 282	13 171	12 034
Sales revenue outside Norway, in %	89	88	88	88	88	85	83
Operating profit	2 320	1 361	1 354	1 763	2 064	1 314	1 258
Profit before tax	2 079	1 115	1 236	1 594	1 918	1 301	1 191
Net cash flow from operation activities	2 448	1 018	1 097	2 027	1 500	919	819
Financial positions							
Total assets	19 136	16 715	15 708	15 158	15 187	13 300	10 799
Investments in intangible and fixed assets	1 464	1 089	967	1 133	922	911	733
Total equity	9 584	8 469	8 254	8 035	7 932	6 739	5 515
Equity / assets ratio, in %	50.1	50.7	52.5	53.0	52.2	50.7	51.1
Number of employees in the Group, including 100 per cent in associates and joint ventures	10 007	9 872	9 789	9 819	9 842	9 676	8 991
Profitability							
Return on capital employed, in %	18.6	12.9	12.8	17.9	20.9	15.1	17.9
Return on equity, in %	17.2	8.1	9.8	14.1	17.9	14.0	15.5
Operating margin, in %	11.8	7.7	8.3	11.2	12.7	10.0	10.5

Sales and EBITA development

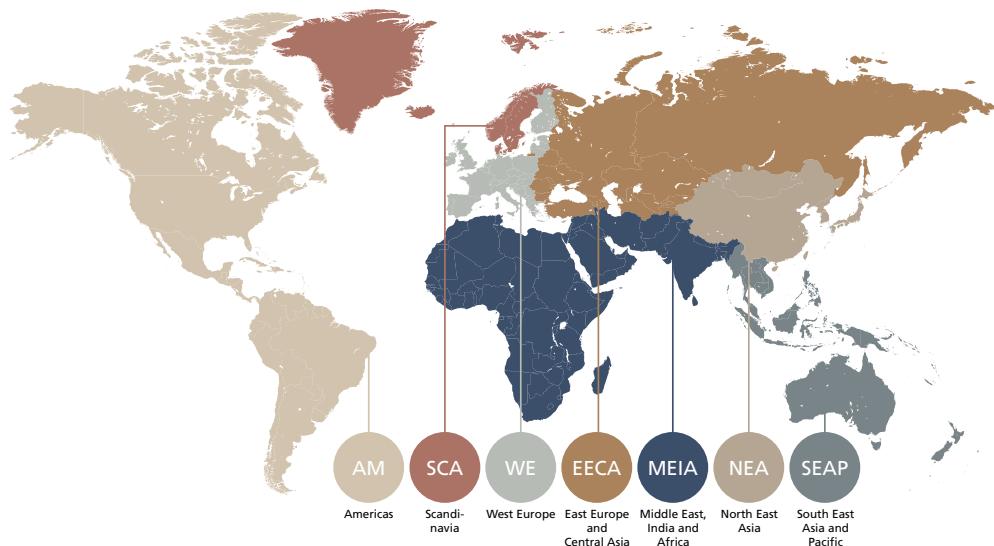
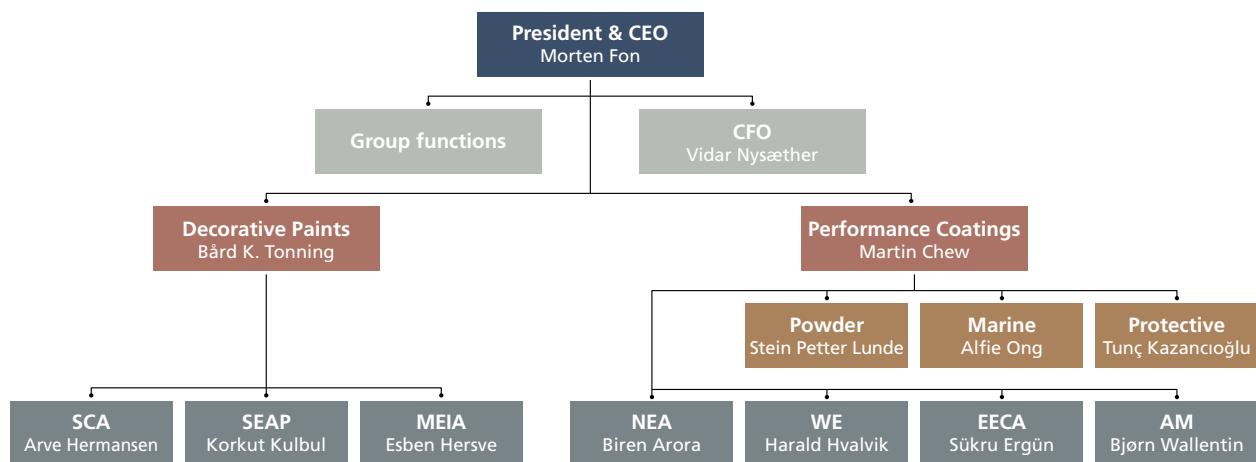
(NOK MILLION)



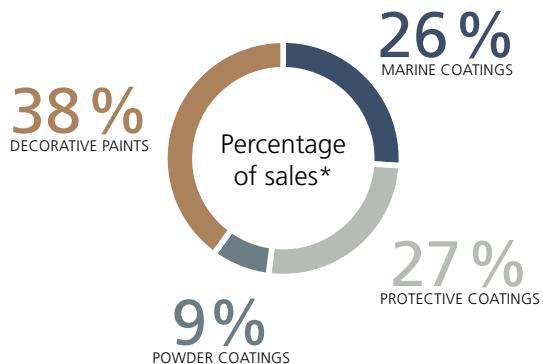
At a glance

The Jotun Group is a matrix organisation divided into seven regions responsible for the sale of decorative paints and marine, protective and powder coatings.

The company has 39 production facilities in 23 countries, 65 companies in 47 countries and is represented in more than 100 countries around the world.



Four segments

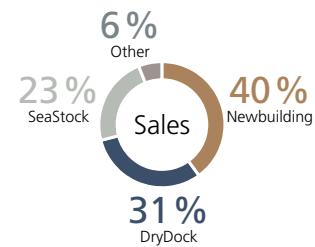


* incl. 100 per cent in associates and joint ventures



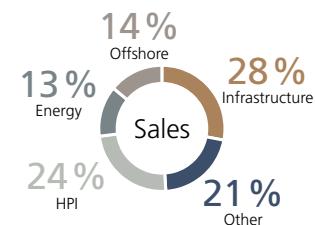
Marine Coatings

Jotun is a world leading provider of marine coatings to the Newbuilding, DryDock and SeaStock markets. In addition, Jotun supplies coating solutions for megayachts and leisure yachts.



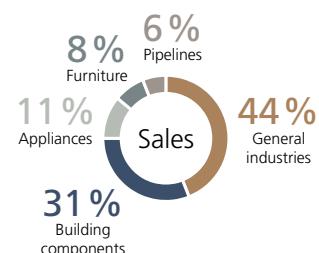
Protective Coatings

Jotun's protective coatings are sold to companies active in industries related to offshore, energy, infrastructure and hydrocarbon processing.



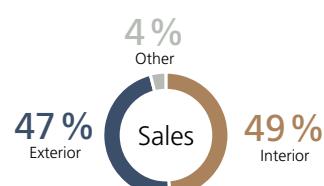
Powder Coatings

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



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.



Regional highlights



- New, high speed, fully automated filling lines installed at the factory in Norway. This project represents the first phase of a factory upgrade to increase efficiency and production capacity
- Record sales and profitability in Decorative Paints due to increased demand for Jotun premium products and the successful launch of Demidekk Infinity (Sweden) and the relaunch of Lady Wonderwall and Jotaproff Prima Clean
- Marine Coatings secured frame agreement with Vard Group for newbuilding projects in Norway, Romania and Vietnam and signed a Hull Performance Solutions contract for 10 drydockings with Höegh Autoliners
- Protective Coatings secured a contract to supply coatings to Equinor's Johan Sverdrup Riser Platform module, designed by Kværner
- Powder Coatings secured multiple pipeline contracts for Equinor's North Sea offshore projects, Johan Castberg and Askeladd



- Jotun Brazil increased sales in the Brazilian offshore maintenance market and was named the main supplier for offshore contractors, Modec and SBM
- Jotun Brazil secured contracts to supply protective coatings to 138 wind towers
- In addition to significant sales growth, Jotun Mexico was awarded contracts for the Baytown Chemical expansion project
- Jotun US completed a restructuring initiative, which has improved the company's market competitiveness
- In Marine Coatings, Jotun US achieved good sales growth in the third quarter of the year and secured protective coatings maintenance contracts for companies active in the offshore and hydrocarbon processing industries



- In Spain, Jotun secured a national agreement with Bauhaus, the second largest building materials superstore chain in Spain
- Jotun Italy and Jotun Cyprus were awarded contracts for 120 scrubber installations for MSC Container Lines. Scrubbers help the shipping industry comply with new global limits on sulphur emissions
- Jotun Germany has entered into Germany's largest marine paint purchasing conglomerate, winning SeaStock contracts for about 200 vessels
- In the United Kingdom, Jotun secured a new contract with Northpoint Ltd., a market leader in coating solutions for both decorative and industrial purposes
- Jotun France reached an agreement with Petroineos Lavers Refinery to supply Jotachar 1709, a mesh-free passive fire protection solution



EECA
**EAST EUROPE AND
CENTRAL ASIA**

- Despite market challenges, Jotun EECA achieved a significant growth rate and increased sales by 15 per cent
- Jotun EECA increased the size of its powder coatings container boxes to lower costs, reduce waste and its carbon footprint
- Jotun Russia achieved high sales growth, driven by a 30 per cent sales increase in Protective segment and winning important contracts to supply a number of oil and gas projects
- Jotun kept its leading position in the project market and secured the Ataturk Cultural Center and Galataport projects in Turkey
- Jotun Romania secured a contract with Damen Shipyard to provide marine coatings for the world's largest diamond mining ship

1991



853



4


NEA
NORTH EAST ASIA

- All four segments have had a solid performance in 2019 with good growth and high profitability
- In Marine Coatings, Jotun maintained its leading market position, with 29 per cent sales growth mainly due to increased newbuilding activity at South Korean shipyards and improved profitability in China
- Jotun achieved record high sales in Protective Coatings, with a double-digit growth rate and excellent profitability in both China and South Korea
- In China, Decorative Paints achieved the key milestone of break-even on the bottom line, through a focused strategy in the premium retail market
- Improved results in Powder Coatings based on customer portfolio changes with good momentum towards the end of the year

1983



1943



4


MEIA
**MIDDLE EAST,
INDIA AND AFRICA**

- First phase of construction completed on new factory in the city of 10th Ramadan, Egypt
- Jotun secured water pipeline projects in Saudi Arabia and North Africa, valued at USD 12 million
- Jotun celebrated the regional launch (decorative paints) of Wonderwall Life and Fenomastic Zero
- Jotun won approval to set up local production outside Addis Ababa, Ethiopia
- Jotun secured a four-year maintenance contract for Abu Dhabi National Oil Company (ADNOC) in Abu Dhabi

1962



2813



14


SEAP
**SOUTH EAST ASIA
AND PACIFIC**

- Successful launch of Majestic True Beauty across the SEAP Region, with events in Malaysia and Indonesia that attracted over 1 000 customers
- Jotun secured a contract to supply coatings for a Floating, Production, Storage, and Offloading (FPSO) vessel, which will be deployed at the Johan Castberg field in the North Sea
- Jotun supplied paints and powder coatings to several prestigious projects in SEAP, including the Thamrin Nine-Tower 1, the tallest tower building in Indonesia
- Jotun secured first phase of the Vincity project, the largest housing project in Vietnam. When completed, the multi-tower development will have 250 000 apartments
- Jotun Cambodia was the preferred supplier to the historic, award winning Raffles Le Royale, one of the most prestigious hotels in the region

1968



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Our business

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STATEMENT FROM THE PRESIDENT & CEO

Record profits

Jotun finished 2019 with all all-time high profits and sales growth in all regions.

Jotun's excellent performance in 2019 was driven by significant growth in the Marine and Protective Coatings segments and strong profitability in the Decorative Paints segment, despite lower growth. Higher gross margins were driven by the successful implementation of price increases and the stabilisation of raw material costs. The company was also rewarded for its efforts to control manageable costs.

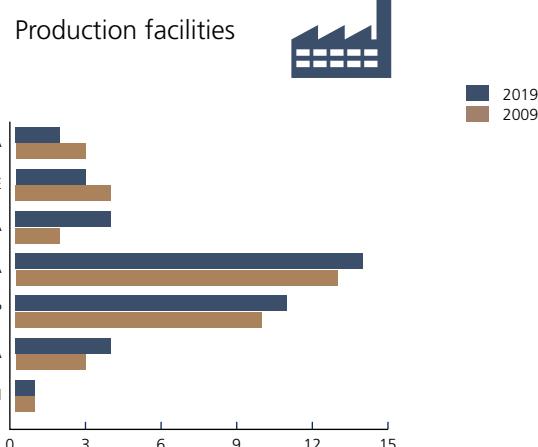
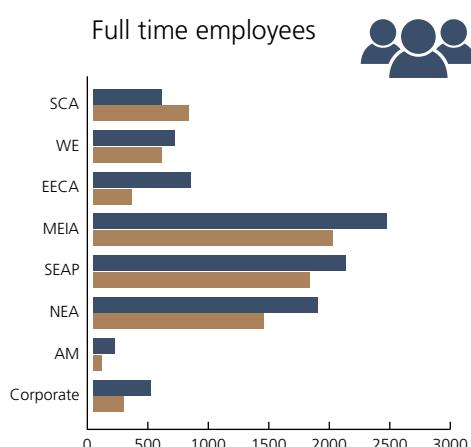
Market recovery

After some difficult years in the Marine Coatings segment, Jotun has been successful in capturing a large share of the newbuilding market (especially in South Korea) and has seen good growth in the maintenance and repair markets with its DryDock and SeaStock concepts. In the Protective Coatings segment, Jotun has benefitted from growth in demand in the Offshore concept and continues to increase its market share in the Infrastructure, Energy and the Hydrocarbon Processing Industry (HPI) concepts. And despite some challenges in key markets in the first half of the year, the Decorative Paints segment ended 2019 at an all-time high.

Jotun is working to improve results. For example, despite all the hard work and dedication of personnel in the Powder Coatings segment, Jotun's growth and profitability did not meet expectations. Another focus area is customer credit and Days Sales Outstanding (DSO). In 2019, Jotun met targets for reducing DSO, resulting in improved working capital. The company will continue to work to further improve credit management in the years ahead.

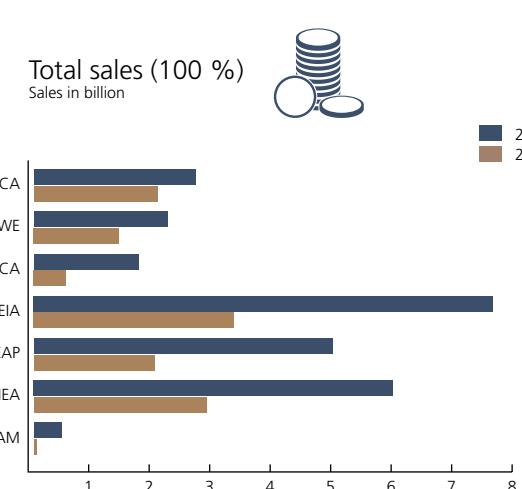
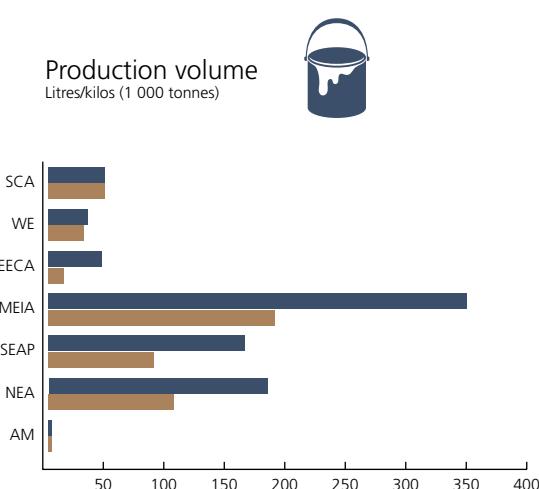
Investing in the future

Jotun anticipates that growth will continue in 2020. While results may be impacted by political or economic instability in some regions and ongoing effects of global trade disputes, the company's segment and regional diversity helps to mitigate risk. In addition, Jotun's continued investments and upgrades in production capacity (Vietnam, Egypt) and Research and Development facilities (the UAE, Norway) will put Jotun in a strong position to stay profitable and grow volumes in the future.





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



A return to growth

The recovery in the newbuilding market and growing sales in the SeaStock and DryDock concepts supported strong growth in the Marine Coatings segment.

Results and profitability for the Marine Coatings segment improved significantly in 2019, primarily driven by a recovery of the newbuilding market, especially in South Korea, where Jotun has a strong market presence. In addition, Jotun's work to develop products and services to expand market share in the DryDock and SeaStock concepts was rewarded with strong sales growth, notably in West Europe and South East Asia.

Partnering with shipyards

Shipyards respond to Jotun's ability to help accelerate production and comply with environmental regulations by offering excellent on-site service quality and product innovation. For example, Jotun launched a unique, patented solvent free primer (Jotacote Universal S120) that complies with emerging limits of solvent emissions in Europe and South Korea. In 2019, Jotun has supplied Jotacote Universal S120 to the Meyer Werft shipyard in Papenburg, Germany, and signed a Memorandum of Understanding (MoU) with Hyundai Heavy Industries in South Korea. Chokwang Jotun will facilitate a close cooperation to help the yard manage Hazardous Air Pollutants (HAPs).

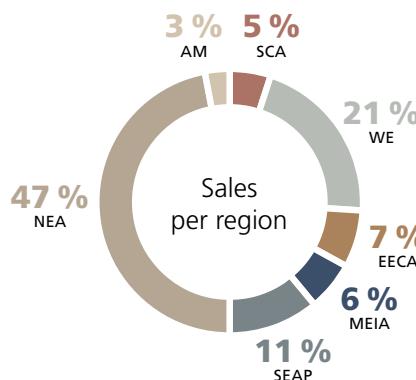
To meet growing demand for more predictable, long-term antifouling performance, Jotun launched SeaForce with Hydractive™ technology in 2019. Originally launched in

2004, SeaForce biocidal antifouling products enable a more predictable release of biocides over the lifetime of the coating. The new range features three core products to meet different needs: SeaForce Shield, offering effective protection in normal trades, SeaForce Active, which works to safeguard hulls in more challenging trades, and SeaForce Active Plus, which delivers premium protection while still meeting budget requirements.

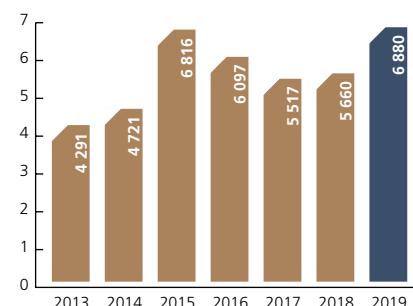
Onboard maintenance

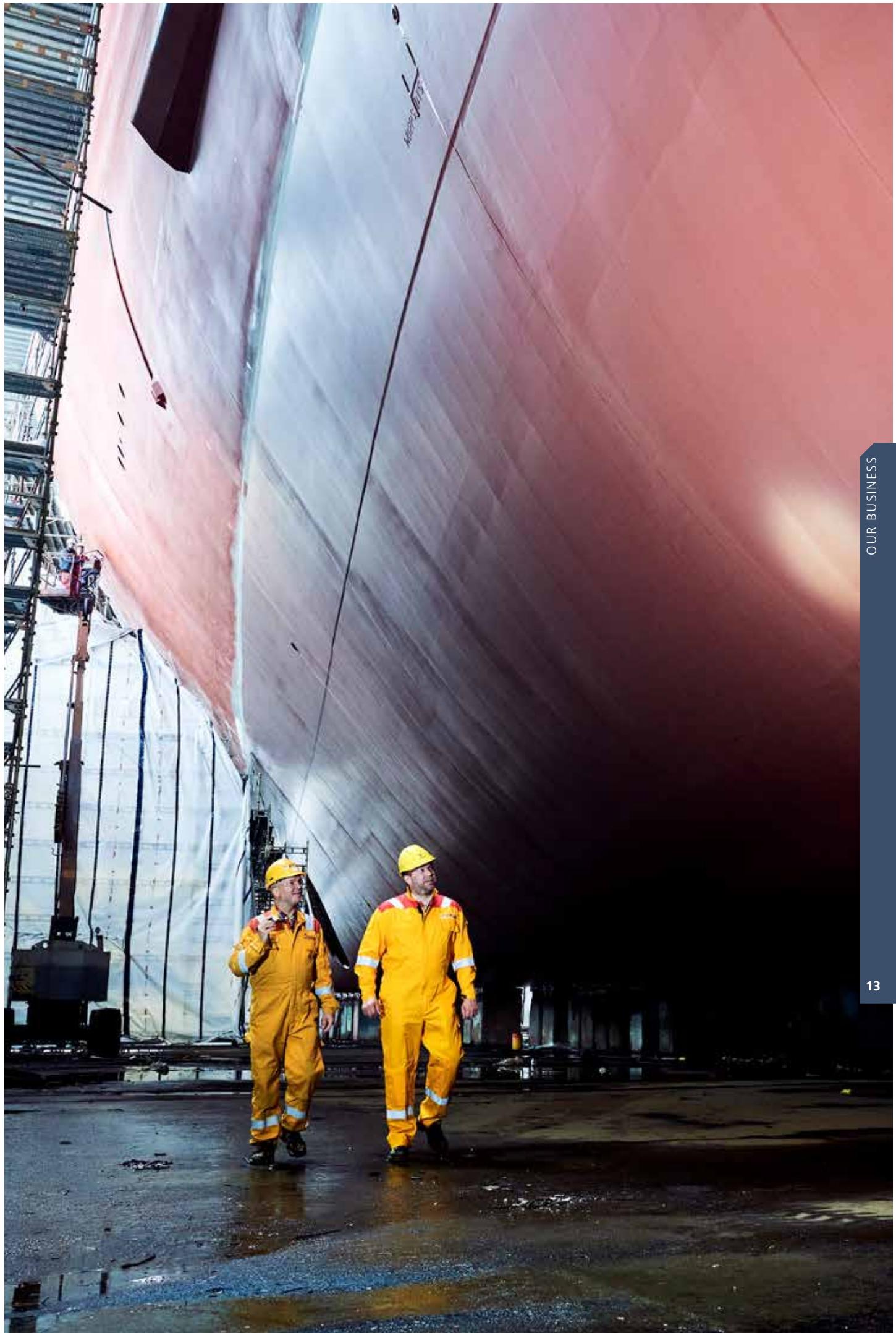
To support owners and ship managers in the SeaStock concept, Jotun offers Jotamastic and Hardtop Smartpack solutions (ideal for brush and roller application) and uses data-centric tools to optimise onboard maintenance. Jotun's SeaStock Management Solutions (SSMS) is a service that utilises digital tools to optimise port and product mix, allowing owners to outsource seastock management to Jotun.

In the years ahead, Jotun's service quality, product portfolio, and digital tools will be growth drivers. While global newbuilding activity is expected to decline next year, Jotun's close cooperation with owners and key shipyards and continued development of innovative products and services has placed the company in a strong position to tender for a number of exciting fleet expansion projects expected to be announced in 2020.



Sales in NOK million







Mining data for better vessel performance

Jotun's development of data-centric digital tools provides critical decision support for customers seeking to improve vessel performance.

Over the past decade, new digital and communication technologies have increasingly been embraced by shipowners seeking to strengthen their businesses. As the world's leading provider of marine coatings, Jotun has trained personnel and invested in digital systems to enable data collection and analysis, helping owners and fleet managers to optimise everything from hull performance to onboard maintenance.

Pioneering solution

The 2011 launch of Jotun's Hull Performance Solutions (HPS) represented an important step in the company's digital journey. Data collected using multiple sensors installed on vessels allows Jotun's HPS analysts to calculate speed loss over time, which forms the basis of the HPS guarantee and provides owners with a useful decision support tool: What can be measured can be managed.

Building on this experience, Jotun has developed further digital tools to grow the business in other areas. In 2018, the company introduced the SeaStock Management Solution (SSMS), a service where owners pay Jotun a fixed annual fee per vessel to manage on board maintenance. In addition to strategic planning tools, crew training and improved order handling and

logistics, SSMS also includes a port optimisation tool, based on algorithms developed in cooperation with DNV GL. With the ability to accurately predict a vessel's arrival at port via Automatic Identification System (AIS) transponders, Jotun can ensure the right steel protection products are in the right place at the right time.

Understanding data

Jotun Voyager is another digital tool Jotun offers to customers. After collecting information from multiple sources about how different sea conditions can impact hull performance, the company analyses the data to recommend the best coating solutions for individual vessels based on historical trades. The results of this analysis are shared with owners to help them improve efficiency and better predict potential hull performance risks.

Taken together, these value-adding services help Jotun attract new customers and integrate more fully with existing stakeholders. As a pioneer in the development and use of digitalisation in the marine coatings industry, Jotun will continue to develop and launch exciting new tools consistent with the company's core business: Protecting property.



Hull Performance Solutions

Jotun's Hull Performance Solutions (HPS) combines advanced silyl methacrylate antifouling (SeaQuantum X200) with enhanced technical service, supported by a cash-back guarantee. On board sensors enable performance monitoring based on standardized principles (ISO 19030) for the measurement of changes in hull and propeller performance.

HPS has been applied to more than 1 000 vessels, allowing Jotun to collect and analyse data for vessels on different trades, proving that HPS lowers fuel use, corresponding emissions and results in more cost-effective and sustainable ship operations.

Accelerating momentum

Jotun's good performance in the Protective Coatings segment in 2019 has helped position the company to fast-track future growth.

In 2019, Jotun achieved good results in the Protective Coatings segment with solid growth in every region. Jotun benefitted from increased activity in the oil and gas industry, which created demand for Jotun products in both the Offshore and Hydrocarbon Processing Industry (HPI) concepts. Rising demand for renewable energy helped Jotun support growth in the Energy concept and Jotun's increased focus on intumescent and high-performance steel protection products led to growth in the Infrastructure concept.

Predictable growth

Jotun is confident that it will continue to retain a leading market position supplying coatings to new construction projects in the offshore industry. However, to achieve more predictable growth, Jotun has invested resources to develop products targeting the maintenance market for existing facilities. For example, over the last five years, Jotun has introduced Smartpack Systems, which include the industry's only NORSOK compliant coating systems that can extend maintenance intervals by 50 per cent.

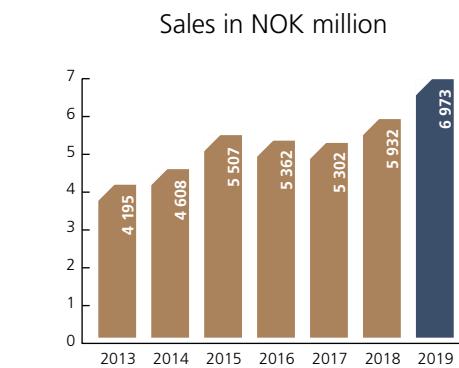
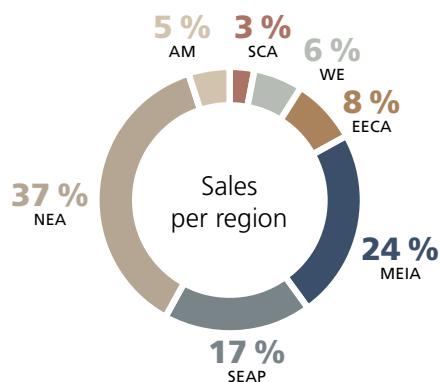
In the HPI concept, where Jotun has recorded solid growth in operating revenue and profitability over the past few years, the company has launched a number of customer-focused marketing concepts engineered to meet the critical business needs of end users. For example, Jotun offers specialised

coatings for tank linings and a range of products engineered for extreme environments. In the Infrastructure concept, Jotun is a recognised leader in intumescent steel protection coatings, which have been applied to some of the world's most iconic buildings. Working in cooperation with the Decorative Paints and Powder Coatings segments, Jotun's Green Building Solutions offers coatings systems with reduced Volatile Organic Compounds (VOCs) to help owners, architects, and consultants achieve 'green building' certification.

Looking ahead, Jotun will increase focus on bridge and airport projects, which represent a significant growth opportunity for the company.

Expanding the distribution network

Today, about 25 per cent of Jotun's protective coatings volume goes through the company's global network of dealers. While Jotun will continue to pursue direct sales in all concepts, the company is seeking to expand its dealer network to make products available closer to where they are needed. Jotun's work to expand its distribution network, a more concept-specific approach to product innovation, and enhanced marketing and sales has put the company in a strong position to achieve higher, more predictable growth in the years ahead.







Selling value

With the launches of the Thermosafe and TankFast ranges, Jotun offers carefully selected coating solutions to help companies active in the Hydrocarbon Processing Industry solve critical business challenges.

Over the past three years, Jotun has taken steps to align parts of its protective coatings product portfolio to help owners and operators managing refineries, gas processing facilities, and chemical and petrochemical plants achieve their business objectives. By organising new and existing coating solutions and communicating how these carefully selected products can add value, Jotun is in a strong position to emerge as a preferred supplier to the Hydrocarbon Processing Industry (HPI).

Value added coating systems

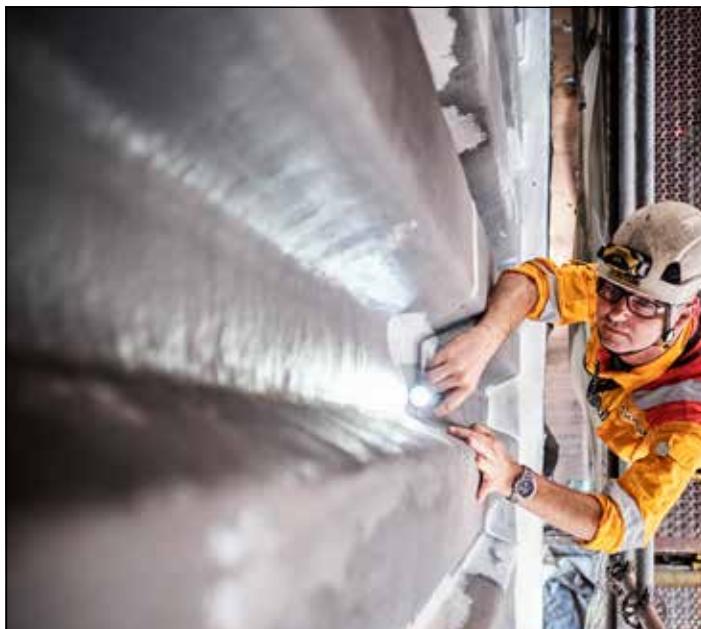
Launched in 2017, the Thermosafe range enhances overall operational efficiency and on-site safety for onshore oil and gas facilities. The products in the Thermosafe range have been engineered for extreme environments within a temperature range of -196°C to $1\,000^{\circ}\text{C}$ providing protection from everything from fire to cryogenic spills, thermal exposure to corrosion under insulation. Each product adds value for different stakeholders, from purchasers to project owners, engineers to contractors, making Thermosafe an attractive, cost-saving alternative to competing coatings suppliers.

Building on the successful launch of Thermosafe, Jotun introduced TankFast in 2019, a range of Jotun's existing high-performance tank linings that were tested by Jotun chemists

to meet customer demand. TankFast was developed to help owners and operators of refineries, chemical and petrochemical plants to complete maintenance projects faster, returning facilities back to service quickly while retaining the optimal level of protection and chemical resistance. TankFast includes specially tailored products, such as Tankguard SF, allowing for wet-on-wet application, and Tankguard Plus, allowing for up to 50 per cent faster paint application and curing. With about 3 850 facilities containing more than 100 000 individual tanks worldwide, Jotun is confident that TankFast will generate high volumes and profitability in this highly specialised market.

Implementation

To communicate the benefits of both Thermosafe and TankFast, Jotun has utilised sophisticated digital marketing tools, print advertisements and social media campaigns, while both product ranges are served by dedicated websites. Internally, Jotun has invested in one of the company's most ambitious sales force training initiatives to date. With strong products, a clear concept, a fully integrated marketing strategy and highly trained sales teams, Jotun is confident that the company can generate higher volumes – and profitability – in the HPI concept in the years ahead.



Jotachar: Gaining ground

Launched in 2013, Jotachar JF750 is the industry's first mesh-free epoxy Passive Fire Protection (PFP) solution for hydrocarbon and jet fires. Two years later, Jotun introduced Jotachar 1709, another mesh-free PFP coating solution for pool fires in the Hydrocarbon Processing Industry. Both products eliminate the need for complex mesh reinforcement and installation time is significantly reduced, allowing for substantial savings in both material and labour costs. Following a number of successful applications, Jotachar has achieved wider acceptance from key stakeholders, creating exciting opportunities for Jotun in the offshore market and the PFP maintenance market.

Looking ahead, Jotun's mesh-free intumescent PFP solutions can also be applied to protect offshore transformer platforms and solar assets, among other renewable energy projects.

A challenging year

Growth in the Powder Coatings segment did not meet expectations in 2019. With a sharper focus on key sub-segments and technologies, Jotun anticipates improved differentiation and profitability for the segment.

In 2019, Jotun's performance in the Powder Coatings segment was impacted by adverse market conditions in three of the company's most important markets: Turkey, the UAE, and Saudi Arabia. At the same time, Jotun experienced declining industrial activity in India, Thailand and some European markets. Jotun maintained its leading market share in the mature Scandinavian markets and recorded good growth in Russia and China. Overall, the company recorded modest sales growth in 2019.

Differentiating from the competition

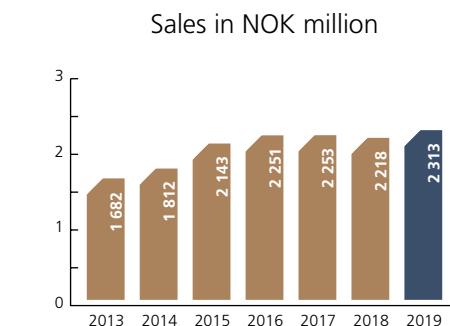
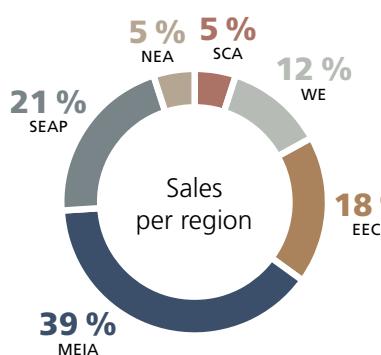
While the sale of medium range products remains important to support volume, Jotun's development is more on premium products for the Building Components, Pipeline projects and exterior applications for the General Industries concept. For example, Jotun has launched products to improve anti-corrosion and weathering properties of exterior industrial components (such as Reveal Era and Primax Xtend) that have gained increased acceptance by manufacturers.

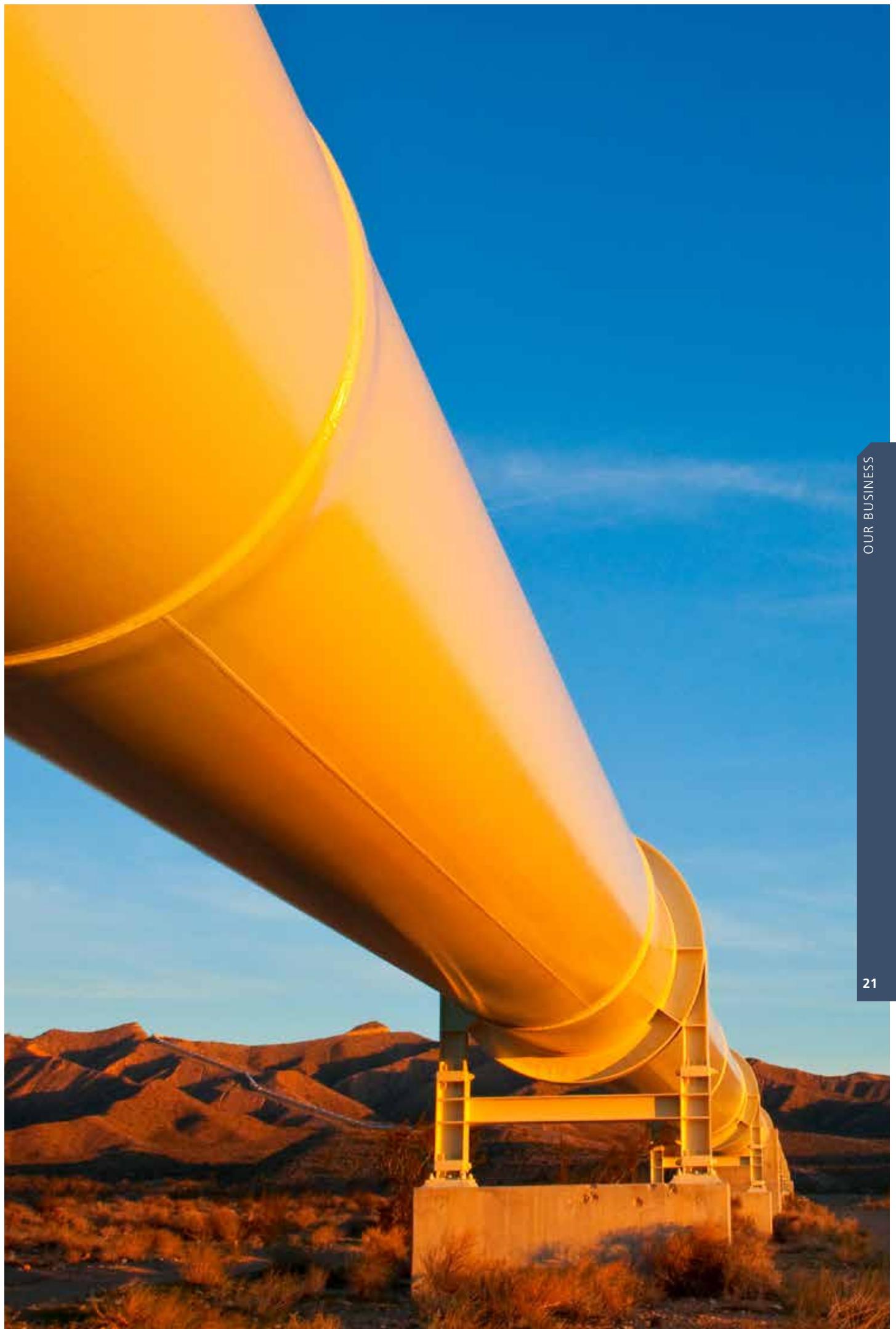
Jotun has invested in internal and external systems to leverage Jotun's expertise in service quality. Jotun created client teams that include sales, technical sales support and laboratory personnel. Known as the "Troika approach", these teams work with industrial manufacturers and applicators to help

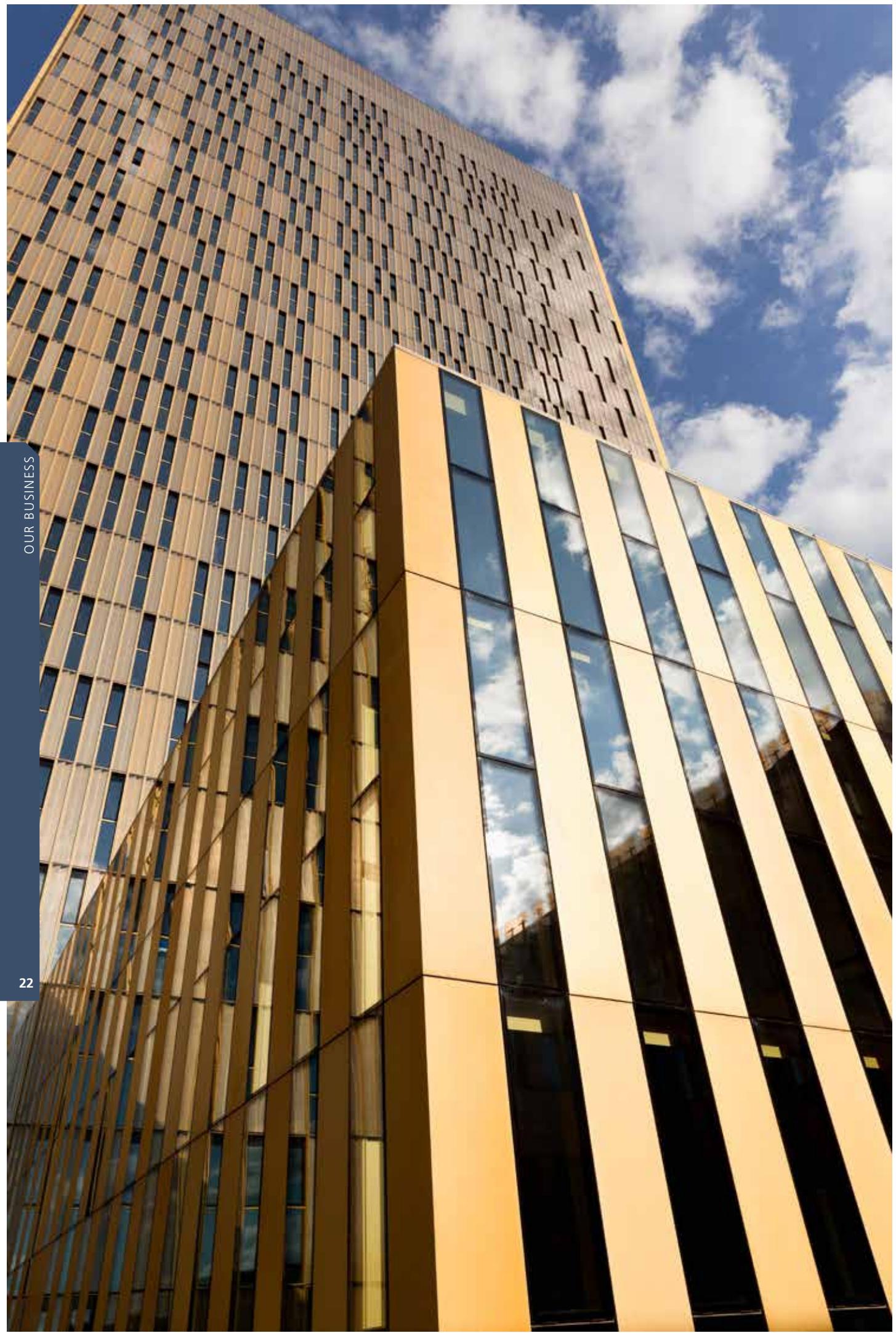
them optimise processes. Internally, Jotun has invested in an ambitious competence development programme, supported by seminars, web-based training tools and workshops to enable sales and technical sales service personnel to understand and identify challenges faced by customers. By strengthening competence in all areas, Jotun's offering extends beyond product quality, placing the company in a better position to develop long-term partnerships with key customers.

Repositioning for the future

Looking ahead, Jotun will focus more resources into specifications management in the Building Components and Pipeline concepts and continue the development of higher durability solutions for exterior industrial applications. Two key technologies will be development of metallics and low cure coatings designed to coat non-metal substrates. The Powder Coatings segment will also use Jotun's regional management structure more effectively to get closer to customers. While the company's results in Powder Coatings in 2019 fell short of expectations, Jotun is confident that by taking steps to differentiate from competitors and sharpening focus on key sub-segments and the application of new technologies will result in stronger growth and profitability in the coming years.







Getting closer to the customer

Jotun Powder Coatings is working more closely with customers to develop innovative products that help them achieve their long-term business goals.

In a global market characterised by fierce competition from both multinational and local producers, Jotun is working to leverage its Research and Development (R&D) expertise to differentiate itself from competitors. By developing unique and specialised products and enhanced services that help customers solve critical challenges, Jotun is in a stronger position to migrate from the role of supplier to a long-term business partner. Over the past three years, the company has focused on product innovation to meet customer demand in four main areas: Efficiency in application, appearance (especially metallics), durability (anti-corrosion and weathering) and low cure coatings, especially for non-metal substrates.

Last year, Jotun launched Primax Excel, a powder coating primer solution for engineered wood (medium or high-density fibreboard); Ultra One, a one coat solution for engineered wood and Ultra Lite, a single-coat powder coating solution for natural wood. By enabling customers to coat non-metal substrates, Jotun helps them not only to comply with increasingly strict limits on the use of solvents, but also attract new business from furniture manufacturers.

Outstanding appearance and durability

In 2019, Jotun launched a bright metallic product range in China, which allows architects more freedom to add higher metallic content finishes to building components. In addition

to outstanding appearance and durability, these products comply with the American Architectural Manufacturers Association (AAMA 2603) product specifications. In parallel, the company is also working on a further range of high metallic content products that comply with Qualicoat specifications for use in other regions where Qualicoat certification is predominant.

Another exciting development is the application of First Pass Transfer Efficiency (FPTE) technology to Jotun products. Customers have long sought products with improved application efficiency. In response to this need, Jotun launched Guard Style TE in 2019, a product used to coat appliances and multiple industrial applications that delivers savings to customers. Guard Style TE is easy to apply and provides excellent efficiency for customers.

Communicating customer preferences

Product innovation in Jotun begins with detailed customer insights to understand the market and the specific demands of individual companies. To achieve this, Jotun sales, marketing and technical service personnel track and communicate customer preferences directly to Jotun's network of R&D laboratories all over the world. In this way, Jotun can respond more quickly to customer demand, which helps strengthen long-term customer relationships.



Jotun Super Durable: High Metallic

The Tianjin Pingan Teda IFC is a luxury mixed-use real estate project, developed by Tianjin Meiyin Real Estate Co., Ltd. When complete, the complex will have two towers for offices, luxury apartments and a high-end shopping centre. Jotun supplied the project with Jotun Super Durable with high metallic, an innovative powder coating solution engineered to endure severe weather conditions, available in a wide range of colour options and metallic finishes. The project is scheduled to open in Tianjin, China in 2022.

Another good year

Despite challenging conditions in some countries, the Decorative Paints segment delivered good results and profitability in 2019.

Jotun's record-breaking performance in the Decorative Paints segment was supported by improved gross margins due to the stabilisation of raw materials prices, solid growth in premium paints and growing success in the medium range market. Due to slow economic conditions in some countries in the Middle East and South East Asia, Jotun experienced a decline in sales in the project market, which lowered overall volume. However, Jotun exceeded expectations in some markets (e.g. Egypt, Turkey, Cambodia and Myanmar). And even in larger, more challenging markets like Saudi Arabia, Jotun gained market share and outperformed competitors.

Profitable dealers

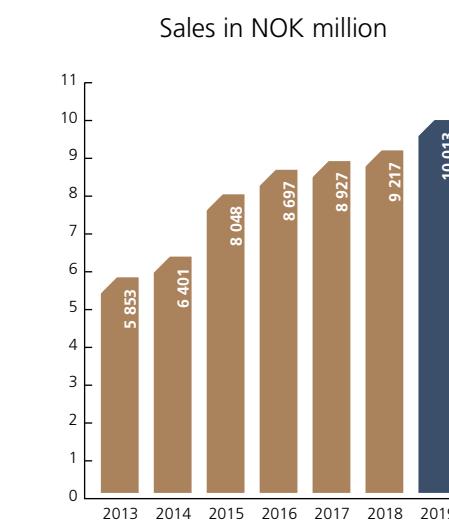
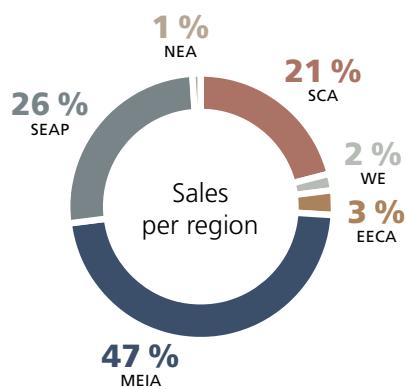
Jotun's global network of about 8 500 dealers delivered significant profits in 2019. The company's success was due in part to the introduction of a number of programmes to support dealers. For example, the company completed the implementation of a programme providing shop owners with detailed financial data and incentives to make better business decisions. Jotun has also implemented a programme to train shop sales staff, intended to create a better shopping experience for customers. These programmes, combined with an ongoing effort to encourage dealers to invest in shop upgrades, have supported positive growth.

In markets where Jotun's business relies on professionals, Jotun trains and certifies painters. Jotun is also working more closely with project owners, architects and consultants to ensure Jotun products are specified. To promote Jotun's colours and finishes, Jotun Decorative also offers architects and designers a two-day training course to teach them the art and science of how to use colours and different paint finishes to enhance both the appearance and durability of buildings and living spaces.

Project market

While Jotun Decorative will continue to focus on the premium market, the company has also launched medium range products in all regions, including Durosan Action and Easycoat in the Middle East, Jotaproff Prima Air in Scandinavia, Jotoplast in South East Asia, and Fenomastic Macun in East Europe and Central Asia. Jotun has also launched an internal training initiative to improve sales within the project market.

Taken together, Jotun's focus on product innovation and the development and implementation of internal and external programmes to support different stakeholders, will help the Decorative Paints segment continue to be Jotun's most consistently profitable business in the years ahead.







Reinforcing the Jotun brand

Jotun invests in a broad range of platforms, tools and marketing techniques to make sure the company's name and logo stay front of mind with home owners, painters and project professionals around the globe.

While Jotun's reputation in the decorative paint market is grounded in the quality of Jotun's interior and exterior products, the company also invests significant time and resources in building its brand equity. By using different strategies to encourage customer loyalty and increase brand visibility, Jotun is in a stronger position to win contracts in the project market and support the company's global network of dealers.

Local and global branding

The company's work to build its brand takes many forms. Locally, a major source of brand equity is created by the positive shopping experience Jotun Multicolor dealers offer to customers. Jotun also invests in global brand building tools. Jotun produced a television commercial ("For Iconic Buildings. And Beautiful Homes") which has been adapted, translated and aired in multiple markets. Last year, work began on developing a new television advertisement, which will be released in 2020.

Another global branding tool is the annual launch of Jotun's Global Colour Trends. First introduced in 2013, Jotun's 2020 Global Colour Trends collection (a palette of 20 beautiful shades to reflect the optimism and opportunity that 2020 brings), has helped raise Jotun's profile as a true industry trendsetter among designers, architects and real estate developers.

Jotun companies also make use of traditional advertising (print media, billboards, signposts, illuminated shopfront logos to increase 24/7 street presence, etc.), high profile events linked to regional product launches and social media to reinforce the brand. To ensure consistent messaging, Regional Brand Managers coordinate and produce content for distribution via Jotun-branded Facebook, Instagram and other social media accounts.

Investing more in digital marketing

As more consumers seek inspiration, information and opportunities to shop online, digital marketing has become an increasingly important part of Jotun's brand management strategy. In 2018, Jotun released the Jotun Colour Design app, which allows consumers to visualise their homes in different Jotun colour schemes, among other useful functions. Jotun marketing personnel also work closely with bloggers and influencers to generate consumer interest. Looking ahead, a new global website for Decorative Paints, which includes sites customised for the regional and local units, will be launched in 2020. Available in 21 countries and 13 languages, the new website will be aligned with relevant Jotun marketing material. Jotun is confident that by continuing to invest in multiple marketing channels, the company can reinforce its brand, a symbol of quality known all over the world.



Supporting our dealers

Established in 2011, Jotun Cambodia has quickly emerged as the country's leading supplier of premium decorative paints in both the consumer and project markets. While Jotun does sell directly to projects, more than 90 per cent of Jotun's revenues in Cambodia are generated by the company's network of about 80 dealers. In addition to training and business support, Jotun provides dealers with all the tools they need to succeed. From warehouse personnel to sales and marketing, customer service to supply chain logistics, all of Jotun's 30 employees in Cambodia work together to help dealers be profitable.



Customers and innovation

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PREMIUM INNOVATIONS

Meeting market demand

As a recognised global leader in the premium Decorative Paints segment, Jotun relies on its global network of Research and Development (R&D) centres to engineer products to meet the evolving demands of consumers and key stakeholders in the project market.

With R&D centres in Malaysia, Dubai, Turkey, China, India and Norway, Jotun is in a strong position to develop products that meet or exceed local end user demand. However, Jotun's product innovation is not confined to the laboratory – it begins with a deep understanding of regional markets and consumer preferences, and the ability to engineer products that comply with local regulations.

Listening to consumers

In 2019, Jotun launched Fenomastic Wonderwall Life, an odourless interior paint, in the Middle East, India and Africa. In addition to its luxurious silky finish, it has superior washability and long-lasting colours, helping busy homeowners retain the beauty of interiors for longer. And with only trace amounts of solvents, Fenomastic Wonderwall Life has a high environmental profile. In the more humid climate of South East Asia, Jotun relaunched Majestic True Beauty with a smoother finish and better colour experience and enhanced easy to clean properties.

In Turkey, Jotun launched Fenomastic Ipek Mat (smooth finish), an odourless, waterborne decorative interior wall paint which combines excellent finish with easy application and no splash properties. Jotun chemists also engineered a new series of premium interior paints (Lady Nordic) specifically for the Chinese market, where demand for high quality paints is growing.

In the exterior paint segment, Jotun has found success meeting the local needs of consumers and project owners in different regions. For example, two premium wood protection products (Drygolin Nordic Extreme launched in 2018 and Demidekk Infinity, launched in 2019) are both engineered to resist fading and retain gloss, helping homeowners in Scandinavia protect and beautify their property even in the most challenging weather conditions. In South East Asia, Jotun launched Jotashield AntiFade Colours, a more environmentally friendly exterior paint with superior UV protection and heat reflective properties, keeping interiors cooler, helping users save on energy costs.

Formaldehyde abatement technology

Jotun's R&D also engineers products for professionals. To meet demand among paint contractors in the Middle East for safer, and more environmentally friendly products, Jotun introduced Fenomastic Zero, an odourless paint system that includes formaldehyde abatement technology. Because Fenomastic Zero contains only trace amounts of Volatile Organic Compounds, it improves interior air quality, helping developers attract more high-end tenants. While Jotun chemists also develop medium range products to support volume growth, the company remains committed to strengthening Jotun's reputation as a leading supplier of high quality, premium paints.

Managing future challenges, today

By continuing to invest in its global network of Research and Development (R&D) centres, Jotun is in a stronger position to produce paints and coatings that both help end users solve challenges and comply with increasingly strict environmental and safety regulations.

As more end users recognise that Jotun products can not only protect, but add value to property, Jotun's R&D personnel have become more focused on developing paints and coatings systems engineered to meet specific customer requirements. At the same time, growing concerns about safety and the environment have resulted in increasingly strict regulations on paints and coatings. The task of managing these challenges falls to Jotun's 450 skilled chemists and R&D personnel, working all over the world.

Safety and the environment

All product formulations are reviewed to make sure they comply with relevant local regulations and are consistent with Jotun's Chemical Policy, which sets targets for phasing out potentially harmful substances. Jotun's Group Product Safety team provides information to help end users take the necessary precautions to ensure the safe storage, handling and application of each product. To help customers stay ahead of environmental regulations on the use of Volatile Organic Compounds (VOCs), Jotun is working to remove solvents from many products. For example, in 2017, the company developed Jotacote Universal S120, a solvent free steel primer based on patented technology to help shipyards comply with stricter limits on the use of VOCs and Hazardous Air Pollutants (HAPs).

Jotun works to develop products that add value. In 2019 Jotun introduced a new powder coatings solution that allows architects to include metallic finishes to building components.

And to help real estate developers add value to buildings, Jotun chemists have developed solvent-free steel protection products and ultra-low VOC interior paint systems, supported by the necessary documentation to help them win points for green building certification. Jotun has also supported the development of product ranges that help companies active in the hydrocarbon processing industry save money and enhance overall operational efficiency.

Local customisation

In some segments, Jotun offers a global range of products. But to develop products to match local preferences, regulations and climate conditions, Jotun relies on its international network of R&D centres. For example, Jotun engineered heat reflective exterior paints and coatings to help owners in warm climates reduce energy costs, while in Scandinavia, Jotun focused on developing highly durable, all weather exterior wood protection products that contain biocides to counteract the growth of black mould and algae.

Jotun personnel in all regions also work in cooperation with various external organisations, such as the European Council of the Paint, Printing Ink and Artists' Colours Industry (CEPE), not only to stay ahead of safety and environmental legislation but to advocate for reasonable regulations. By being sensitive to both local and global market drivers, and working with other industry stakeholders on compliance issues, Jotun remains in a strong position to anticipate end user demand in all segments.



Expanding the dealer network

To achieve more profitable and sustainable growth, Jotun is working to expand its Performance Coatings distribution network and provide dealers with standardised, digital tools to help them succeed.

For decades, Jotun's strong performance in the Decorative Paints segment has relied on the company's close working relationships with a global network of dealers to generate predictable, profitable growth. While Jotun has applied elements of this successful business model to other segments in the past, the company has taken bold steps in the last three years to develop and implement an integrated dealer strategy for Performance Coatings, especially within the Protective Coatings segment.

Dealer success story

Today, a significant share of Jotun's sales and profits in the Protective Coatings segment are generated by the company's global network of about 650 dealers and 40 distributors. With an ambitious strategy now in place to expand its distribution network and work more closely with dealers to help them target both local maintenance and new construction projects, Jotun is confident that it can both increase sales volumes and profitability. With more dealers, Jotun can reach inaccessible markets, increase the size of its sales force, reduce costs related to warehousing and, more importantly, grow in the more predictable local maintenance market. A more robust dealer network also helps Jotun increase brand awareness and compete more effectively against local competitors.

In addition to expanding the distribution network, Jotun is working with dealers to help them become the most professional, competent and efficient dealers in the industry. To achieve this goal, Jotun has developed standardised solutions and guidelines, such as the Dealer Business Manual and the Dealer Competence Development programme, which have been conceived to generate more sales, improve efficiency and enable dealers to become more self-sufficient.

Customer portal

Jotun is planning to launch a customer portal, a platform where dealers have 24/7 access to all the tools they need to succeed, including product information, technical support and marketing and training materials. The portal will also include a suite of existing web-based ordering and dealer specification tools, among other services. While the portal has been customised for dealers in protective coatings, it will also serve as a useful platform to support dealers in the Powder and Marine Coatings segments. Jotun is confident that these steps will not only result in a more professional, competent and efficient dealer network, but also enable the company to achieve more profitable and sustainable growth in the future.





Corporate Responsibility and governance

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"High standards of corporate responsibility and governance are essential to preserving and consolidating the ongoing growth, market performance and good reputation that Jotun enjoys worldwide. We are committed to upholding the very highest standards, impacting positively on society at large while delivering optimal value for employees, suppliers, business partners, customers and shareholders."

Jotun's Board fully supports our CR activities, which are defined by our values and clearly aligned with the 10 United Nations Global Compact principles."

Morten Fon, President & CEO



Profiting from principles

Jotun has built a comprehensive, regulated and effective approach to Corporate Responsibility (CR) that is guided by our corporate values of Loyalty, Care, Respect and Boldness. We are committed to doing business 'the right way', delivering ongoing value for all stakeholders.

Jotun believes that a business is defined by the way it conducts itself. Behaviour builds reputation in the market, steers supplier relationships, impacts upon the hiring and retention of employees, creates corporate culture and, ultimately, influences success or failure.

We see good corporate behaviour – acting with integrity, honesty and care – as fundamental to good results. It is not a 'nice to have', but rather it is, and has been since our formation in 1926, a key part of Jotun's DNA.

Structured for success

Growing companies require clear standards to guide and facilitate progress. For a company like Jotun, with over 10 000 employees and activity in more than 100 countries, it is essential that we have a uniform culture, mission and expectations to ensure sustainable success. Our approach to CR is a cornerstone of that development.

Jotun's CR strategy is well-established, organisationally embedded, and communicated to all employees. It is structured in accordance with policies and practices based upon the Human Rights convention of the United Nations (UN), the International Labour Organization (ILO) convention, Organisation for Economic Co-operation and Development (OECD) guidelines for multinational companies, and the UN's Global Compact principles.

Jotun ensures it abides by, and enforces, local laws in every area of operation.

Governing standards

Effective governance ensures Jotun can fulfil its objective of operating as a good corporate citizen, meeting defined company standards and enhancing global reputation.

The Group has implemented clear and responsible governance structures throughout Jotun, with Board decisions cascading down through the organisation to ensure central strategy translates to local impact. The Board supervises the Group Management and they, in turn, oversee regional and local management teams that work effectively to adhere to standards and contribute to the success of Group strategy.

Jotun conducts a comprehensive programme of reviews and audits to confirm that Group policies are functioning and individual businesses are performing in line with expectations.

These include:

- Business reviews
- Financial audits
- Human Resources (HR) reviews
- Health, Safety and Environment (HSE) audits
- Supplier audits
- CR reports

Jotun endeavours to continuously refine, adapt and enhance its approach to governance in an effort to optimise long-term value for all business stakeholders.

Data support

In 2019, Jotun focused on increasing the number of companies linked to its standardised Enterprise Resource Planning (ERP) solution, allowing for improved data sharing and process support. This long-term investment gives Jotun the ability to better govern critical data, both on a local and corporate level, providing greater security and enhanced decision making.

By the conclusion of 2019, a total of 45 companies across 38 countries were linked to the ERP system, with the plan to implement the solution throughout the entire global organisation before the end of 2020.



Employees and the workplace

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Recruit, develop, retain

To ensure sustainable growth and realise the potential of new markets, Jotun is focused on not only hiring the best candidates, but also retaining them and developing their talents, experience and ambitions for the long-term.

The foundation for Jotun's success is its people. Jotun believes human capital is the most important asset a business has and, as a result, it must be managed with the optimal care, vision and commitment.

To achieve this Jotun follows a three-step approach that allows us to recruit, develop and retain the right candidates – giving them the opportunity, motivation and support to grow with the business. Jotun hires systematically, invest heavily in individual competence development, and reward people with competitive benefits, career progression, and a unique corporate culture (anchored firmly by Jotun's core values of loyalty, care, respect and boldness).

Attracting top talent

Competition for talent in the marketplace is intense. Jotun works hard to attract and retain young and talented people that can develop into the next generation of business leaders. A high quality, globally consistent and professional recruiting process is supported by strong employer branding to enhance awareness of Jotun as a preferred employer.

Once onboard, employees enjoy a diverse and inclusive workplace where 86 nationalities mix, with ample and equal opportunity for cross-functional and segment movement and experience. Jotun's tailored competence development programmes ensure individuals are supported to reach their potential, each contributing towards achieving the overall Jotun business strategy.

Paying our way

Rewards are critical to retention. In 2019, as part of a process of continual HR improvement, Jotun worked to ensure employees receive right, fair and competitive remuneration: Right for their role, fair compared to colleagues within the same position grade, and competitive in relation to the market.

Workshops and training initiatives took place throughout the year, across all regions, to allow Jotun's HR professionals to understand and optimise internal and external remuneration data. Internal data unlocks right and fair pay, while third party benchmarking information gives us the ability to assess the latest market developments.

Managing growth

2019 saw further groundwork to facilitate the launch of Jotun's new Human Resource Management System (HRMS) in 2020. This cloud-based system will gather all employee data on a single, secure platform, providing full visibility for better planning, analysis, management and decision making across the global organization.

It will be a cornerstone of Jotun and its HR function and how we manage our human capital to achieve both business goals and employee satisfaction.

The last year saw Jotun accomplish a significant workforce milestone, surpassing the 10 000-employee mark for the first time. The company is proud to have built such a substantial, diverse and talented employee team. By empowering them Jotun believes the company can lay the foundations for continued, organic and strong growth in the future.



	Number of employees	Female	Male	Nationalities
Jotun total	10 007	1 871	8 136	86
Scandinavia	1 132	351	797	39
West Europe	796	206	590	34
East Europe and Central Asia	853	165	688	8
North East Asia	1 943	350	1 593	11
South East Asia and Pacific	2 254	555	1 699	28
Middle East, India and Africa	2 813	192	2 621	47
Americas	216	54	162	15

Diverse and equal opportunities

To build the most successful global organisation Jotun works hard to ensure employees experience different cultures, positions and challenges – increasing understanding, encouraging new perspectives and embracing opportunity.

Ideally, we want employees to enjoy fulfilling, life-long careers at Jotun. Rather than having them look elsewhere for new challenges, environments, influences and experience, Jotun wants its people to develop within the organisation – achieving personal satisfaction and adding value as tenures progress.

To create this culture of opportunity Jotun focuses on two cornerstones of development – building diversity and inclusion within the workplace, and promoting local and global employee mobility opportunities.

Equality and inclusion

Jotun believes that diverse and inclusive working environments provide benefits for all stakeholders. Different cultural, professional, ethnic, gender and age backgrounds give different perspectives, helping the most diverse organisations tackle challenges and opportunities with a more open, informed and innovative approach. This translates to better solutions and direct competitive advantage.

In addition, an organisation where ‘everyone is welcome’ promotes a sense of involvement, equality, unity and commitment, with a desire to add value wherever possible.

The development and results of Jotun programmes are monitored and followed up in yearly Business Reviews and HR Reviews in the local entities.

Realising value

With 86 nationalities represented, Jotun is the definition of diversity, but is always working to improve.

Rather than concentrate on numbers or ‘quotas’ for individual companies to fulfil, Jotun actively strives to ensure that different voices are encouraged, heard and acted upon; building a sense of inclusion, while also obtaining optimal business value. We are working hard to ensure that the best candidates, regardless of background, prosper within this environment.

In summary, diversity and inclusion are priority areas to develop, strengthen and improve going forward. It is closely linked to Jotun values and the success of the company’s business strategy, allowing us to tackle different segments, markets and challenges with innovation, knowledge and a unique strength in depth. Jotun’s top management is committed to building on this platform, ensuring that individual companies support positive development, while local action plans are tailored and implemented to continue adding value.

Mobile benefits

To develop careers and lay foundations for the next generation of company management, Jotun encourages employees to gain cross-functional, cross-segment and cross-border experience. This is achieved by the creation and promotion of strategic recruitment, development of competence, local mobility, and global mobility programmes.

In an international organisation that targets multiple segments and product solutions, it is essential that ambitious employees forge insight into different cultures, roles, operations and how individuals at all levels work together to realise Jotun’s business strategy.

As such, we focus on hiring candidates with the right skills and mindsets to prosper, encourage local mobility/job rotation to



share and build competence and then provide the infrastructure, support and benefits that allow those who want to embark on international assignments and build unique experience. Jotun believes this mobility is essential to building optimal business understanding and delivering long-term results.

Sustainable success

In 2018 Jotun concluded a year-long research project into Sustainable Global Mobility, interviewing around 140 employees across a broad range of international locations, segments, positions and mobility contracts. The wealth of data collected is now playing an essential role in the refinement and further development of Jotun's mobility programme for the future.

Current focal areas for improvement include enhanced promotion and branding of global career opportunities, greater

access to information and direct employee interaction through Jotun's soon-to-launch HRMS in 2020, strengthening of the Global Mobility Network by catering better for dual career couples and new spousal support.

The latter initiative was piloted in 2019 for further development in 2020, adding career coaching and employment search assistance to an established package of higher education support, pension savings, language and social support programmes.

Moving forward, Jotun aims to improve re-integration of those returning from mobility programmes, working to both retain talent, optimise business value and ensure return on investment for the company.

Evolving skills

For companies to grow and prosper, employees must too. Jotun invests in building a culture of continuous learning, constantly developing individual competency to meet the global business challenges of today and tomorrow.

How does a company ensure 10 000 people work towards the fulfilment of one strategy, performing to the best of their abilities while also enjoying a stimulating, challenging and satisfying professional career? Jotun believes the answer lies in building a culture of continual learning, helping individuals thrive so the business achieves global goals.

Platform for growth

Jotun has three competence development pillars:

- The Jotun Academy, a vital resource for strengthening corporate culture and individual skills within key business areas
- Digital Learning, whereby an advanced suite of digital tools provides point-of-work learning and helps employees keep pace with change
- Team Development, delivering workshops and tools to enhance team effectiveness

These provide a platform whereby structured, targeted training and support translates to lasting improvement and behavioural change.

Management Academy Toolbox

In 2019, a new Management Academy Toolbox was launched. This provides a one-stop-shop resource hosting everything from Management Academy training, allowing users ease of access to knowledge, best practices and tools based on Jotun's Leadership Development Path.

Digital Workplace

Tailoring and implementing the best digital tools is a growing part of the competence equation, as seen in key 2019 activities.

Jotun engages with over 8 000 employees through digital interfaces. Online delivery allows the Group to take a nimble approach to learning; developing new content to meet demand and seize opportunity when and where it's needed, while reducing delivery cost and optimising impact and convenience.

To ensure Jotun employees have the requisite computer skill and understanding, the IT, Communications and Competence Development departments joined forces in 2019 to deliver Digital Workplace training. This involved certifying 220 trainers globally to conduct a mandatory course aimed at enabling better information sharing, data security, individual competency, and enhanced operational efficiency across the Group.

As part of the second phase of this project, the training content has now been converted to videos and made available online. This will be continuously updated, ensuring employees can be kept up to speed with new skillsets and developments. Moving forward, custom content for specific functions is now planned, allowing for more in-depth training.

Leadership Booster

Business strategy is only effective if it is implemented, and it is only implemented if it is understood. From late 2018 into



the first half of 2019 Jotun conducted a Boost campaign engaging with the Group's 1 700 managers – helping increase understanding of Jotun's business strategy and how to enable it throughout individual companies and departments.

Based around half or one-day workshops and delivered by internal trainers, the campaign featured specially shot videos with Group management explaining strategies 'face-to-face', alongside lively discussion and exercises. Attendees were then charged with communicating learnings to their own local workforces.

94 per cent of all managers completed the initiative, with over 90 per cent providing feedback that it had clarified understanding of Jotun strategy.

Other key 2019 developments include:

- New IT and Project Management Academies
- Revamped Marketing Academy
- Management Academy improvements – less training days, more internal trainers, more pre and post leaning, reduced cost
- Increased use of video – 80 videos produced and delivered this year



Zeroing in on HSEQ

Jotun's long-term HSEQ strategy is tailored to enhance safety and quality throughout the Jotun value chain - protecting people and the environment while also delivering optimal standards for stakeholders worldwide.

Jotun has a goal of conducting operations with zero injuries, fires, spills and claims – safeguarding employees and the world around us, while ensuring customers receive the best standards of quality, care and service. An integrated HSEQ strategy, supported by an advanced HSEQ Management System, is central to these efforts.

Jotun's HSEQ Management System creates a structure whereby every company within the Group delegates set responsibilities throughout the organisation, working individually towards universal goals. Up until 2019, there were 14 separate elements within the system (e.g. occupational health, work permits and emergency preparedness).

In 2019, as part of an ongoing drive for continual improvement, a 15th element was introduced with the addition of 'safety in projects'.

Addressing risks

Safety in projects aims to establish a systematic approach addressing risk on construction projects. It demonstrates management commitment, allocates set responsibilities, and forms an auditable, clear and effective method of reducing the likelihood of accidents and injuries.

Construction projects are an obvious risk environment, with a variety of potential dangers including falls from height, fires, electric shocks, injuries from vehicles and equipment, amongst other risks. However, by establishing a uniform approach, with clear requirements from both the company/project management and contractors, risks can be controlled and safety objectives achieved.

The safety in projects element encompasses all project stages – from design through to contractor selection, construction and operation start-up – with Group HSEQ offering support to companies through all relevant phases.

Work to fully integrate the module will roll out in 2020, with new e-learning tools, audit schematics, and pilot auditing exercises in Egypt and Vietnam.

Tackling tasks

Jotun has a thorough and well-established array of improvement initiatives for on-site HSEQ, with a total of 35 different activities such as safety walks, risk assessments and audits. To ensure that these activities lead to tangible, effective action to address identified challenges and opportunities, Jotun developed a new 'task management system' in 2019.

This system, which will undergo global implementation in 2020, enables managers to gather all the findings from the various activities on a single platform, allowing for easier and more effective delegation and follow-up – ensuring corrective actions are undertaken and issues are resolved.

When implemented, the system will provide an over-arching structure for improvement initiatives, enhancing efficiency and ensuring they realise full potential.

Enhanced reporting

2019 saw the introduction of a revised HSEQ reporting system, creating a more effective approach to document and act upon incidents, near misses, quality deviations, and service complaints.

Jotun devised the system to strengthen quality and learn from experience, providing a tool for the network to focus on improvement and mitigate future risk, working systematically to address issues and identify potential problems.

2020 will see the broader implementation of the reporting system, with Group and regional support helping to facilitate local roll-out.

Combatting static electricity

Fires pose significant threats in industrial environments, particularly where solvents are located, and static electricity is a key risk factor. Jotun worked to address the issue in 2019 through a mandatory, global 'I Care' campaign.

Static electricity, created when two objects that are poor electrical conductors move against one another, is a major risk in areas where solvents are stored and used in manufacturing processes. Electrical charges have the potential to ignite the chemical vapour, leading to serious property damage and the potential loss of life.

Through Jotun's systematic programme of Group HSEQ audits, static electricity was identified as a suitable issue to target for 2019's main 'I Care' campaign. The initiative aimed to build awareness of the threat of static charges, improves training and procedures, and establishes a strong safety culture.

Engaging change

Jotun runs one mandatory 'I Care' campaign, focused on engaging employees, raising safety awareness and reducing operational risk, every year. In addition, each company has a requirement to conduct two further initiatives tailored to address its own specific needs and risk environments.

Positive action

In 2019, 'Control Static Electricity' was introduced as the global campaign, centring on enhancing control of ignition sources in high risk zones, and therefore avoiding serious fires and potential fatalities.

Companies were charged with creating their own cross-functional teams (e.g. with representatives from operations, health & safety, and maintenance) to lead the initiative, with training concentrating on understanding and reducing risk.

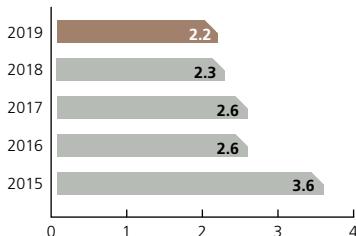
Jotun's Operations Academy and e-learning tools were revised and strengthened to address the issue. Technical installations, maintenance routines, and operational procedures were assessed to ensure they were adequate for the effective control of static electricity.

As ever with the global 'I Care' activity, the companies 'competed' for the best implementation of the campaign, with Jotun Oman winning the award for 2019.

Through such concerted, structured and company-wide programmes, Jotun aims to reduce the number of potential and actual fire incidents on an on-going basis.

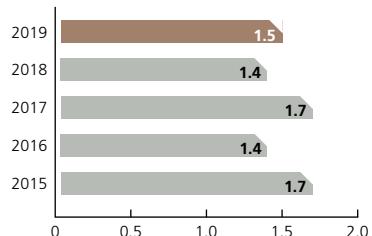
Lost time injury rate

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



Implementing excellence

Jotun is dedicated to safeguarding its employees, developing a comprehensive structure of systems and procedures that evolves to facilitate continual improvements.

A large, culturally diverse and geographically dispersed industrial organisation demands a stringent system of procedures, policies and assessments to create a uniform safety culture.

Jotun continually strives to build a structure that provides the optimal platform for globally high standards, while also delivering the flexibility and autonomy for local companies to address individual issues. In 2019, absence due to sickness rates remained stable and Jotun achieved an all-time low in lost time injury rate (LTI).

The value of Care

Jotun's approach to personal safety is encompassed by the 'I Care' campaigns, which are both global and local in approach. These have documented positive impacts on employee behaviour and safety, as demonstrated by 2018's mandatory campaign targeting the 'man-machine interface', which reduced relevant LTIs by 48 per cent.

The success of these campaigns relies on Jotun's ability to work together as a team. Jotun Group Management is committed to them (across both Operations and HSEQ), individual company management engages in them, and our employees act upon them, creating a chain of improvement that elevates standards worldwide.

Taking action

In 2020 Jotun will focus on 'implementation' as the mandatory activity.

Sometimes accidents happen when and where they should not. If systems and procedures are already in place to stop these incidents, why do they occur? The answer is often in the implementation, or lack of implementation, of existing recommendations or requirements. In 2020 Jotun will seek to address this potential issue. With an 'I Care' campaign centring on more effective implementation of safety procedures, thus capitalising on what is already in place.

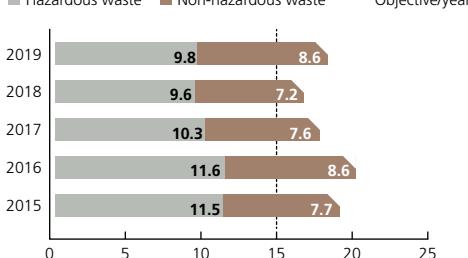
By working even more effectively as a team, delivering enhanced safety understanding through closer collaboration, Jotun believes it can achieve optimal results from a structure that has been decades in development. Better implementation will also lead to a more accurate overview of issues that require further work, facilitating fresh safety improvements into the future.

Never complacent

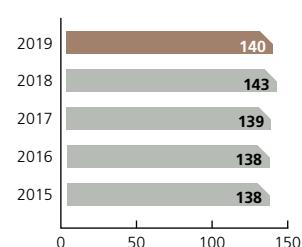
Jotun understands that personal safety is an issue that demands ongoing vigilance, development and investment to achieve improvements.

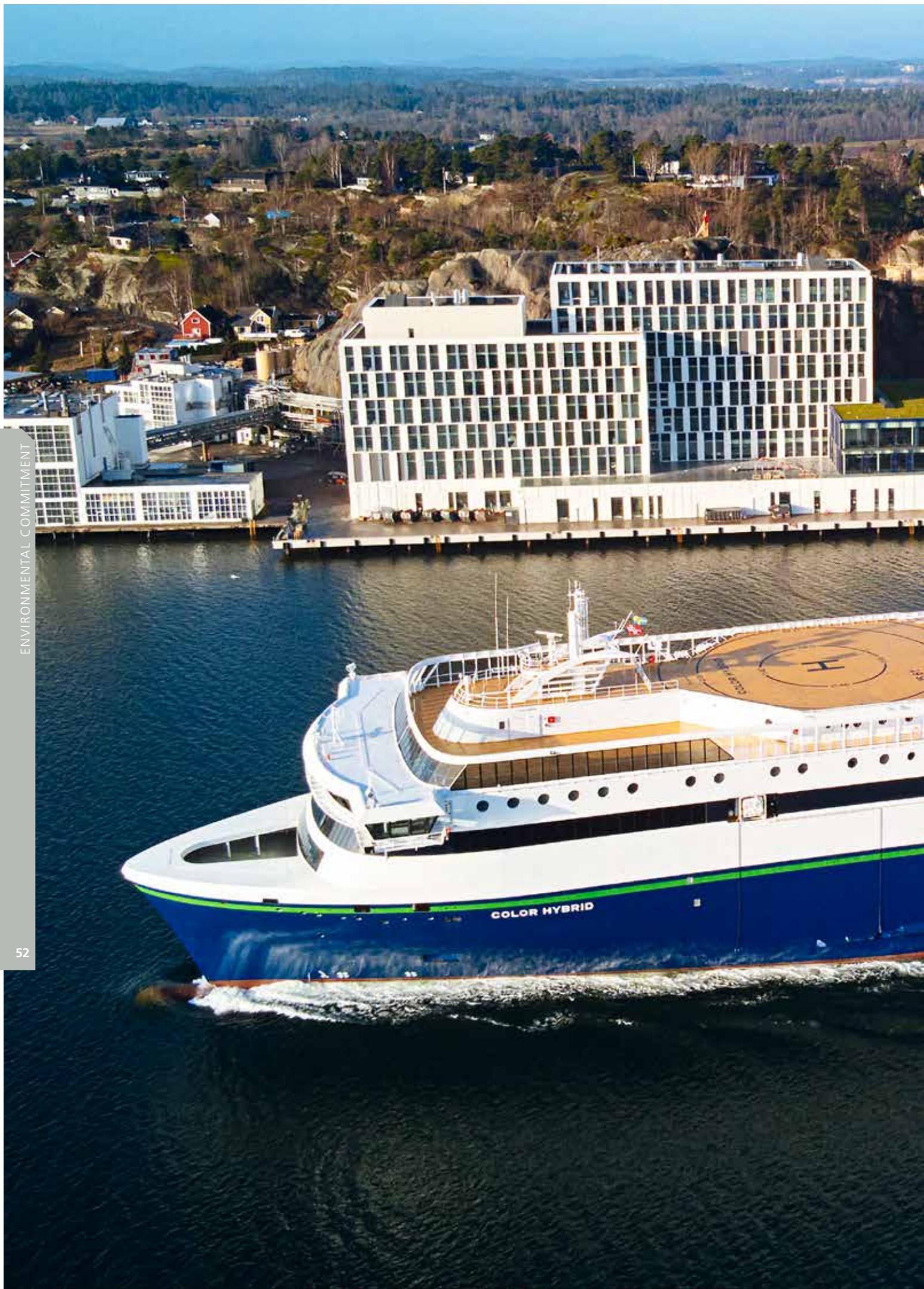
Despite high standards, Jotun will avoid complacency at all costs, working to protect its employees, stakeholders and reputation as a caring, forward-thinking and safe company to work for.

Hazardous and non-hazardous waste
(Kg waste per tonne produced) for Jotun Group



Electricity consumption
(kWh per tonne produced) for Jotun Group







Environmental commitment

Jotun GreenSteps ... 54
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Investing today for tomorrow

Jotun GreenSteps defines how the company acts, what we produce and how we aim to achieve enhanced sustainability. It is central to Jotun's operations today, and the company's success tomorrow.

GreenSteps provides structure, clarity and direction for all of Jotun's environmental efforts. Based around five key objectives, it enables the company to focus on positive actions that reduce both our own environmental impact and, through the development of greener solutions for the global market, the performance of Jotun's customers.

This translates to better business results for all stakeholders – with greater efficiency, smarter energy consumption and long-term asset protection – and a reduced carbon footprint. Jotun's increasingly sustainable portfolio demonstrates that commercial and environmental success go hand in hand.

Leading the way with HPS

Jotun's Hull Performance Solutions (HPS) combines advanced SeaQuantum X200 marine antifouling with high quality technical service and a suite of hull-based sensors to monitor long-term performance. The efficacy of the solution, which limits the growth of organisms on vessel hulls (thus minimising speed loss and the transfer of invasive species), usually provides a return on

investment within one year of application, delivering significant fuel savings and reducing emissions.

Around 1 000 HPS contracts have now been signed, translating to a fuel savings potential of approximately USD 4.1 billion and a CO₂ emissions reduction of 38 million tonnes.

Earning our green reputation

To meet the demand for more environmentally friendly buildings and construction projects Jotun provides its Green Building Solutions. Encompassing decorative paints, protective and powder coatings, the solution allows customers to meet the most stringent national and international certification and regulatory standards, creating sustainable projects that optimise energy use and reduce emissions.

The Green Building Solutions has now been used on a wide variety of landmark projects, including elements of Dubai EXPO 2020, Our Tampines Hub in Singapore, the Mall of Istanbul, and Oman Convention and Exhibition Centre, amongst others.





Extreme ambitions

Jotun is the only paints and coatings manufacturer to operate a full-time test facility in the Arctic and, from early 2020, it will be the first with a dedicated base in Antarctica.

Jotun established a test facility just outside Longyearbyen, on the Norwegian island of Svalbard, in 2015. Here - in an environment of seasonal darkness, low temperatures, midnight sun and violent storms – 40 different paint systems are put through long-term tests to gauge performance and durability in extreme conditions.

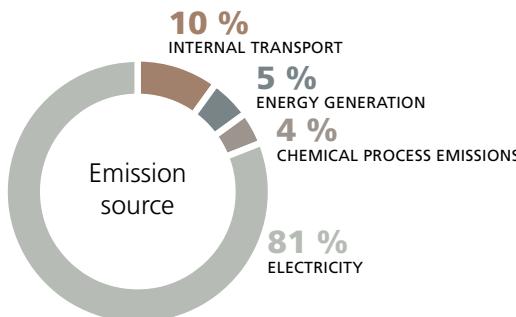
With an increasing number of industry, infrastructure and maritime projects being initiated in cold climates, the facility allows Jotun to gain unique insight into how paint behaves in the Arctic, while ensuring the minimal environmental impact for fragile, pristine natural areas.

In 2020, Jotun will take this commitment to sustainable performance one step further.

Antarctica base

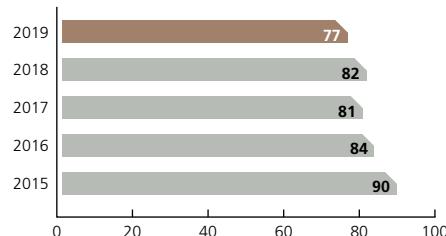
A new testing facility at the opposite end of the Earth will allow the company to monitor how its solutions perform in temperatures of up to -50°C, winds of up to 300km/h and subject to the highest levels of UV radiation in the world.

The base at the Troll research station in Antarctica, which opened in January 2019, gives Jotun the chance to pit its products against the toughest weather conditions on the planet. The results will help the company tailor products for harsh environments, understand the demands of extreme climates, and ensure the best sustainable standards for future operations, projects and frontier territory developments.



Emissions per tonne produced

(Kg CO₂ per tonne) for Jotun Group



EXPO 2020: Managing complexity

To become a preferred supplier to EXPO 2020 in Dubai, Jotun has drawn on its experience and Research and Development (R&D) expertise to meet the requirements of one of the most ambitious projects in the region.

Occupying about 438 hectares of land located between the cities of Dubai and Abu Dhabi, EXPO 2020 is one of the most exciting mega-projects in the Middle East. Organised around a central plaza (designed by Adrian Smith + Gordon Gill) there are three large thematic districts designed by different architects: Opportunity (Cox Architects), Mobility (Foster & Partners) and Sustainability (Grimshaw Architects). Many of the buildings on site have been designed to meet with Leadership in Energy and Environmental Design (LEED) version 4 Gold ratings, one of the most rigorous green building standards in the industry.

A winning reputation

Jotun was in a strong position to tender for many of the structures at EXPO 2020 given its extensive experience managing complex projects. Jotun's Advanced Projects Group tracked the project at an early stage to target key stakeholders and provide specifications support. And because Jotun offers decorative paints and protective and powder coatings, the company can offer a complete package (the Single Source Solution) for customers who prefer to work with one supplier.



OFFICIAL PARTICIPANT – NORWAY | المعرض – المشاركون رسمياً | مشارک رسمی –



Finally, Jotun's experience managing complex mega-projects in the UAE, such as the Dubai Metro, Meydan Racecourse and the Burj Khalifa, and previous work with some of the architects involved in EXPO 2020, gave key stakeholders confidence in the company's expertise.

To help architects design environmentally friendly buildings, Jotun offers a full range of independently-tested low solvent and solvent-free paints and coatings, supported by standardised documentation to assist specifiers aiming to comply with green building certification. Known as Green Building Solutions, Jotun has one of the industry's most extensive listings of independently verified Environmental Product Declarations (EPDs), which offer transparent and comparable information about the life-cycle and environmental impacts of individual products. For EXPO 2020, Jotun in the Middle East also worked closely with R&D in Sandefjord, Norway to ensure that products

could pass Volatile Organic Compound (VOC) testing on emissions and content, as required by LEED version 4.

Strong reference

Managing complex projects, especially those requiring environmental documentation, requires Jotun personnel to work across borders and functions. While Jotun's success remains grounded in the quality of its paints and coatings, the company's growing ability to meet increasingly demanding customer and regulatory requirements will be critical to the company's future success. As one of the lead suppliers to EXPO 2020, Jotun has gained valuable experience and an excellent reference case for future mega-projects in the Middle East and beyond.





Building for the future

Jotun's new headquarters in Sandefjord, Norway embodies the Group's vision for sustainable development. Bold, ambitious, innovative and built according to high environmental standards, the 34 200 m² Gimle facility provides the perfect platform for future growth.

Jotun seized the opportunity of building its new headquarters and state-of-the-art Research and Development (R&D) centre to physically demonstrate its commitment to the environment, employees and all business stakeholders.

The facility, which will house around 650 staff, has been designed and built in accordance with the demands of BREEAM-NOR, a stringent assessment system that aims to mitigate the impact of buildings on the environment, promote best practice, and provide a 'green quality stamp' for sustainable building projects.

By incorporating the system from the outset, Jotun has been able to create a highly functional, comfortable, energy efficient and inspiring facility, delivering the optimal solution for both workers, and the local community and environment.

Setting the standard

BREEAM-NOR is the Norwegian adaptation of the globally recognised BREEAM (Building Research Establishment's Environmental Assessment Method) initiative. It utilises ten sustainability categories, awarding 'credits' for each, to create a comprehensive system that sets the standard for green design and best practice. Buildings are classified on a scale of 'Pass' to 'Outstanding'.

Jotun's NOK 1.4 billion Gimle project has been tailored to reach the ambitious yet feasible (in terms of both cost and practicality) standard of BREEAM-NOR 'Very Good'.

Challenge and opportunity

Designing and building to meet the criteria outlined in different categories – energy and water use, health and wellbeing, pollution, transport, materials, waste, land use, ecology, and

management processes – is demanding, creating a requirement for investment, forward-thinking and a solutions-orientated approach. It creates short-term challenges, but these deliver long-term stakeholder benefits over the building lifetime, a key project driver for Jotun.

Energy efficiency is a central pillar of sustainable buildings and this was front-of-mind from the outset in the Gimle development. Alongside a range of energy effective solutions incorporated within the main buildings – spanning from efficient lighting, ventilation and cooling systems, through to low energy elevators and laboratories – the building heating system uses seawater from the adjacent fjord to run an integrated power plant, delivering clean renewable energy.

The entire office complex has been designed to satisfy Energy Class B.

Proud development

When Gimle is completed and open for business in the first half of 2020 it will be a facility that the Group, its employees, shareholders, and the people of Sandefjord can be rightly proud of.

The BREEAM-NOR system has been instrumental in influencing and enabling the project, while Jotun's dedication to sustainable, high quality standards laid the best foundations for its successful development.



Jotun and society

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Partnering for people

As part of its mission to be a responsible, caring and active global corporate citizen, Jotun supports charitable giving when and where it is most needed. The enduring partnership with the International Committee of the Red Cross (ICRC) is a cornerstone of Corporate Responsibility (CR) initiatives.

Jotun is focused on people. We want to provide optimal standards and results for our stakeholders worldwide, contributing positively to every community where Jotun operates, while going above and beyond business obligations. Charitable giving is an important element of that drive to 'make a difference'.

Care and community

Jotun provides assistance on both a local company and Group level. Locally each company is mandated to allocate a turnover-based contribution to CR initiatives.

Extreme commitment

ICRC is one of the world's most recognisable, active and engaged charitable organisations, providing care, compassion and comfort to people everywhere in times of need.

Established in 1863, ICRC operates as an independent, neutral organisation to ensure humanitarian protection and assistance for victims of war, armed violence and natural disasters. It is funded through government contributions, personal and

corporate donations, and the work of national Red Cross and Red Crescent societies around the world.

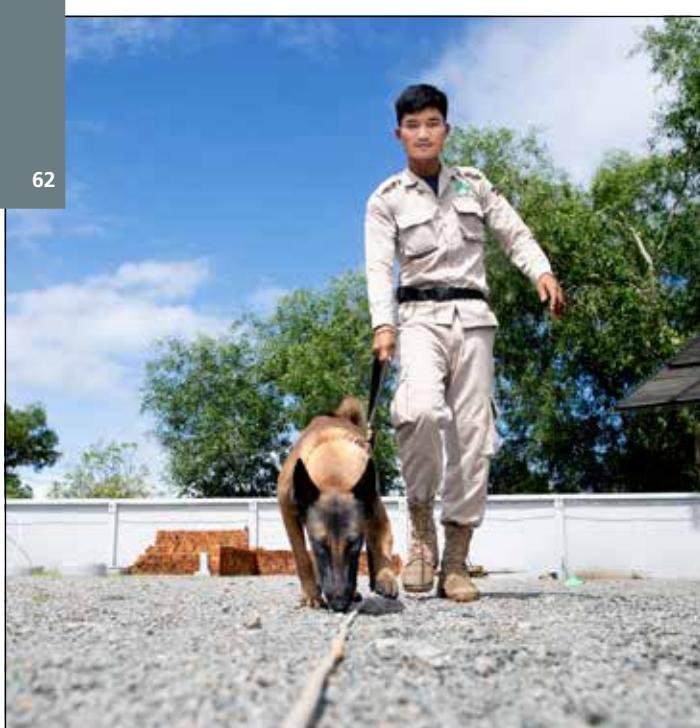
Jotun is proud to support ICRC at Group level as a long-standing corporate partner.

Long-term impact

Jotun has provided financial support to the ICRC for almost 20 years. The Group allocates funds to programmes that meet the needs of those facing hardship in the territories where Jotun itself conducts business – supporting, for example, aid to refugees, disaster relief work, and the supply of emergency response efforts and infrastructure.

Over recent years, targeted Group donations have helped alleviate hardship in countries as widespread as Bangladesh, Mexico, Indonesia, the US, and Myanmar.

Jotun is committed to supporting the ICRC in the years to come, leveraging its global position and success to create positive local impact.



Making the world a safer place

Every year, thousands of people all over the world are killed or injured by landmines and other Explosive Remnants of War (ERWs).

Working in cooperation with Norwegian People's Aid, a charitable organisation which trains and deploys mine-detection dogs in conflict zones. Jotun Group has sponsored two dogs to help clear affected areas, one in active service in Bosnia and Herzegovina and the other being trained in Cambodia. These specially trained dogs can locate a mine 20 times faster than a de-miner using a metal detector and are capable of releasing up to 800 square meters of land in a single working day.

LOCAL COMMITMENT

Planting seeds

For more than a decade, Jotun has worked with the Chinese NGO Gesanghua Education Aid to provide support to schools and help students in some of China's most remote provinces.

In addition to initiatives managed by Jotun headquarters in Sandefjord, Norway, each of Jotun's 47 companies are required to allocate a portion of their revenue in support of a local charity, an environmental programme or a health and safety initiative. In some countries, Jotun companies provide support in response to a specific event (such as relief for flood or earthquake victims), but in others, they prefer to build long-term relationships with charitable organisations.

Sustained support

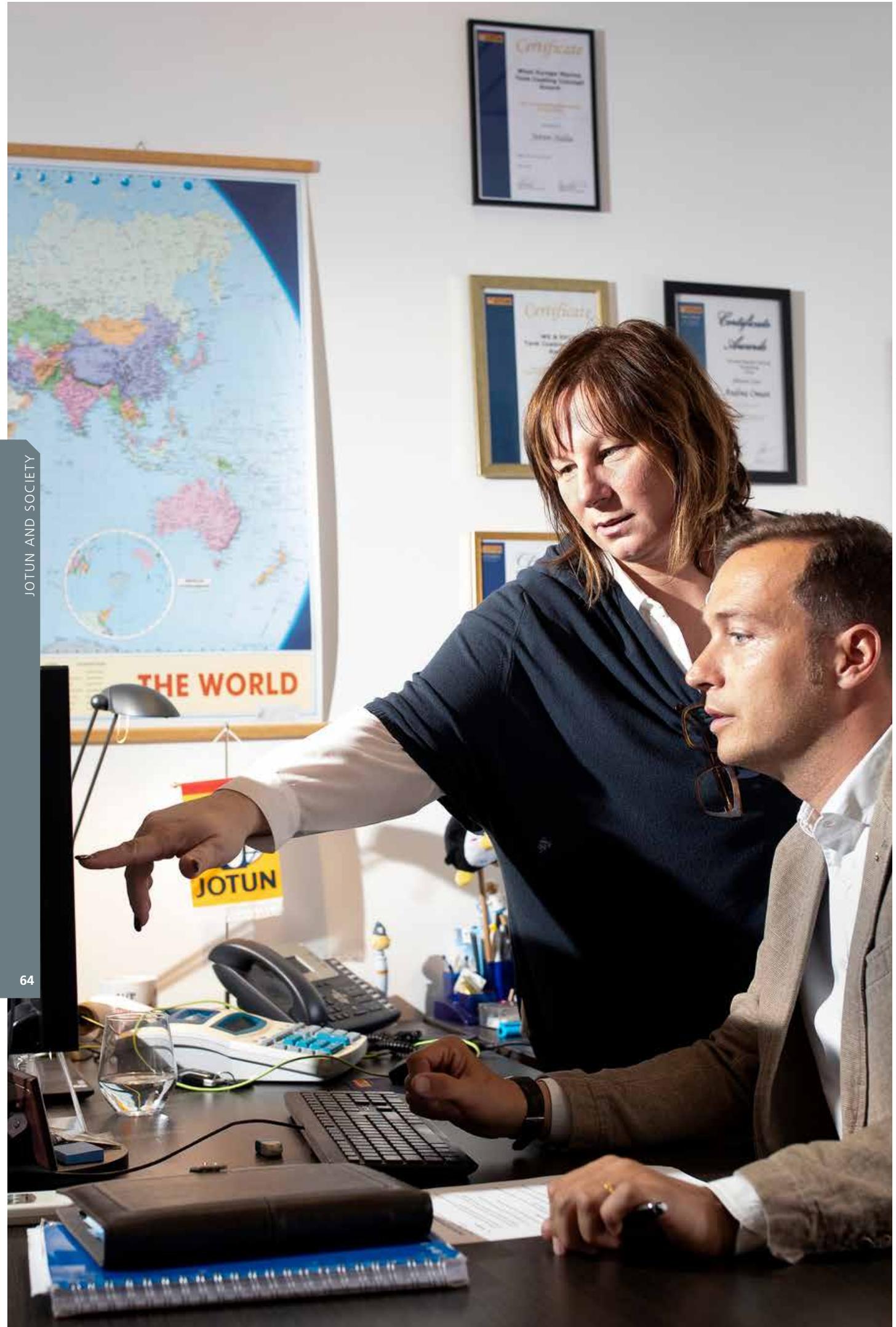
About 10 years ago, Jotun Coatings Zhangjiagang began working with a Chinese NGO called Gesanghua Education Aid (GEA). GEA's mission is to provide education for disadvantaged children in remote areas. The first project was a school expansion project at the Tongren Minzu High School in Qinghai province. Jotun provided funds for the construction of a new building with the capacity to house about 400 students, whose studies would not be interrupted by long travel distances.

Since then, Jotun has worked with GEA on a number of other initiatives. In 2011, Jotun initiated the "Jotun-Gesanghua class" programme, providing tuition support to about 50 children. Jotun also financed and helped organise "Jotun-Gesanghua Discovery Camp", a summer programme where groups of students from the provinces travel to Shanghai to interact with Jotun employees, visit cultural sites, educational facilities and Jotun's factory in Zhangjiagang. For many students, these trips represent the first time they have ever travelled to a major urban centre.

Painting a brighter future

More recently, Jotun also organised an art painting contest among student groups coming from a number of GEA schools in the remote counties of Huangyuan and Yushu in Qinghai province. Of the 16 groups who submitted wall paintings, four were selected to participate in the Jotun-Gesanghua Discovery Camp programme, which included visits to an aquarium, a theme park and other sites of interest in and around Shanghai. Jotun remains committed to working with GEA to provide unique opportunities and experiences to disadvantaged children.





RESPONSIBLE PURCHASING

Setting the standard

Jotun aims to operate as a trusted, respected and fair international company, exerting a positive influence everywhere it conducts business activities. Investing in responsible purchasing practices and supporting human rights are central to that objective.

Jotun is committed to respecting the human rights of all employees, suppliers, contractors and stakeholders, upholding the high corporate standards while complying with national and international laws and regulations.

Dignity and respect

Every Jotun company adheres to the same principles, thanks to a clearly defined group-wide Human Rights Policy (aligned to the United Nations Guiding Principles on Human Rights), treating individuals with the utmost dignity and respect. Employees are protected in line with the ILO's Declaration on Fundamental Principles and Rights at Work.

By following a standardised approach, promoting exemplary conduct, Jotun believes it can create a positive 'ripple effect' throughout the societies we operate in. By demanding the same high standards from suppliers that ripple can become a wave of positive impact.

Training for excellence

If Jotun wants to operate as a responsible international player, it requires suppliers that have the capacity and ambition to deliver the same high standards. Auditing to track performance, mitigate risk, ensure quality, identify and address issues, and enable continuous improvement is key to optimising the group supply chain.

Traditionally Jotun has utilised third-party trainers, with industry standardised programmes. However, in 2019 the Group decided to tailor its supplier auditor training to Jotun's specific requirements, creating a system that would deliver unique quality, insights and benefits. A new four-day training programme was introduced in Dubai at the end of the year, with plans to roll out the initiative throughout key regional locations in 2020.

Data quality

Better data enables better decision making, enabling better business performance. Acquiring, cleaning and analysing purchasing data has become a key focus area for Jotun, delivering ongoing benefits in terms of insight, understanding and improvement.

The standardisation of the indirect material account structure was initiated in 2018 and implemented in 2019, creating a system of fewer accounts and increased clarity. From July the purchasing of selected categories of indirect materials began a migration to IFS Matrix (Jotun's ERP system) – this will be completed in 2020 – creating a uniform method of procurement that will provide detailed, reliable and in-depth spend data. This can be used to unlock added value and save costs across the Group.

In addition, by cleaning and improving the quality of master data within raw material procurement stronger category management has been enabled, with new tools and reports developed to empower category managers in their daily decision making. This allows for enhanced risk-based analysis, improved strategy implementation, heightened efficiency, and the continual optimisation of spend.

2020 vision

In the year ahead Jotun will:

- Introduce the structure and support systems to complete delivery of the Jotun Supplier Integrity Declaration - a new tool to support our procurement policy and ensure high standards
- Continue preparation work for the 2021 EU Conflict Minerals Regulation, focused on stemming the trade in four key conflict minerals
- Review all Jotun Academy training for Purchasing, assess the possibility of introducing new digital learning tools

Responsible business

Corrupt and unethical practices are unacceptable in Jotun. Professional integrity and fair conduct are expected from all Jotun employees.

Jotun believes that responsible business helps build good society. The company is committed to being fair, consistent and trustworthy in all of its activity, operating with transparency, openness and the highest standards of compliance.

This is the best way to deliver optimal results for all stakeholders, while impacting positively on the individual countries where Jotun does business.

Clarity of approach

Jotun makes it clear to employees, suppliers and business partners that unethical practices are not tolerated. To ensure this message translates to positive attitudes, action and impact, the company invests in an anti-corruption support structure.

Relevant Jotun employees are educated on how to recognise, resist and report corruption. Awareness building begins at employee induction and continues on a regular basis throughout Jotun careers. Particular emphasis is placed on those employee groups in most danger of being exposed to potentially corrupt scenarios, such as sales teams, purchasing staff and company management.

Local impact

Jotun believes that uniform global standards are best achieved by committed local action. In 2019, Jotun invested in educating new groups of anti-corruption trainers for targeted regions.

These trainers will conduct classroom and dilemma training, helping staff understand, distinguish and address corrupt practices if they occur. Activities can be tailored to ensure optimal impact within individual countries, with local cultural considerations and languages taken into account whenever possible.

Whistleblowing platform

Although Jotun works hard to prevent malpractice, it can still occur both within the company and in external business environments. If this takes place, Jotun wants to ensure all employees have the ability and the security to raise concerns, report issues and play a role in avoiding future incidents. Jotun launched a new GDPR compliant whistleblowing channel in 2019. This platform is provided by a third party to ensure both anonymity and a clear division from internal channels of communication, allowing employees to report inappropriate behaviour and activity to someone that can do something about it.

Inappropriate activities may include:

- Breaches of Jotun's values and business principles, or laws and regulations
- Criminal offences and types of financial impropriety
- Breach of competition law
- Human and labour rights violations
- Threats to health and safety
- Bullying, discrimination or harassment
- Damage to the environment

Together, we are stronger

Corruption undermines society. Every business has a duty to address it, but individual businesses, working alone, do not have the power to stop it. However, by working together we can.

Jotun supports international efforts, standards, declarations and collaborations aimed at creating fair, proper and healthy business environments. The company works with Transparency International to support its campaigns against corruption, while adhering to the United Nations Global Compact (UNG) to contribute to the goal of creating a sustainable and inclusive global economy.





UN GLOBAL COMPACT
COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

The UNGC focuses on four key areas - human rights, labour, the environment and anti-corruption – providing companies with 10 principles that help them conduct business 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.



As a member of Transparency International Norway Jotun is committed to zero tolerance towards all forms of corruption and to work for the implementation of values, codes of conduct and anti-corruption programmes covering all of the organization.

HUMAN RIGHTS

- | | | |
|--------------|--|--------------|
| Principle 1: | Businesses should support and respect the protection of internationally proclaimed human rights; and | 38–45, 60–67 |
| Principle 2: | make sure that they are not complicit in human rights abuses. | 38–45, 60–67 |

LABOUR

- | | | |
|--------------|--|--------------|
| Principle 3: | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | 38–45, 60–67 |
| Principle 4: | the elimination of all forms of forced and compulsory labour; | 38–45, 60–67 |
| Principle 5: | the effective abolition of child labour; and | 38–45, 60–67 |
| Principle 6: | the elimination of discrimination in respect of employment and occupation. | 38–45, 60–67 |

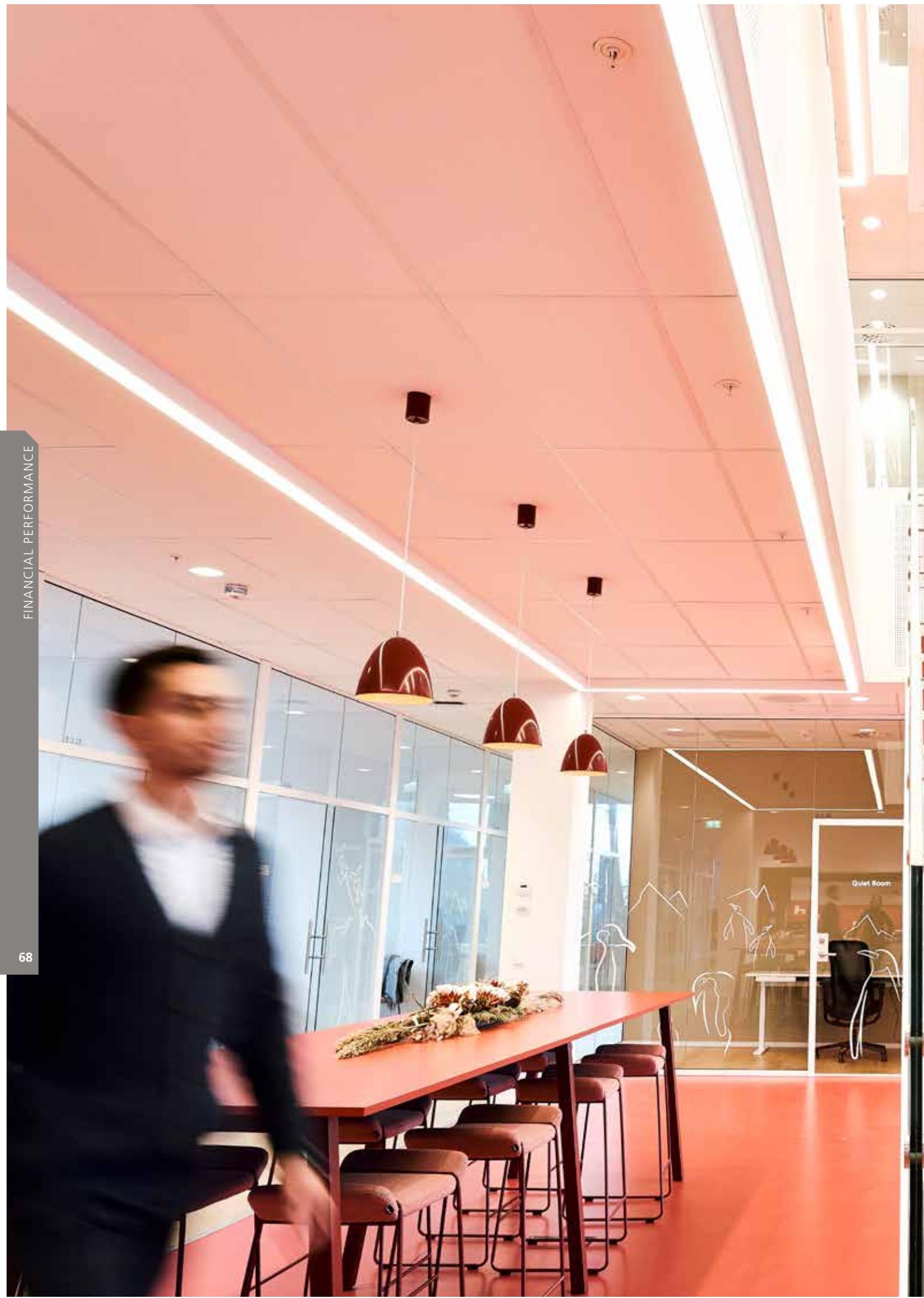
ENVIRONMENT

- | | | |
|--------------|---|---------------------|
| Principle 7: | Businesses should support a precautionary approach to environmental challenges; | 12–35, 46–47 |
| Principle 8: | undertake initiatives to promote greater environmental responsibility; and | 12–35, 46–47 |
| Principle 9: | encourage the development and diffusion of environmentally friendly technologies. | 12–35, 46–47, 52–59 |

ANTI-CORRUPTION

- | | | |
|---------------|--|--------------|
| Principle 10: | Businesses should work against corruption in all its forms, including extortion and bribery. | 38–39, 60–67 |
|---------------|--|--------------|

For more information on the Global Compact see www.globalcompact.org



Financial performance

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financial statement for 2019 ... 76

CHAIRMAN OF THE BOARD, ODD GLEDITSCH D.Y.

Managing unpredictability

By remaining true to Jotun's values, strategy and core mission, the company achieved strong results in 2019. By investing in the future while working to control costs, Jotun can achieve more balanced growth in the years ahead.

Over the last five years, Jotun's year-end results have been influenced by a complex set of macro-economic factors, from changing oil prices and trade policies, to fluctuations in currency values and raw material prices. In some years, this volatility has slowed Jotun's performance, while in other years, as in 2019, these conditions worked in our favour. While Jotun will always respond quickly to manage events that it cannot control, the company is developing its business to deliver more balanced and predictable growth and profitability.

Balanced growth

Jotun's Marine and Protective Coatings segments are developing more products and services geared towards asset maintenance. This contributes to reducing the business risk associated with steep drops in global trade and oil prices, which negatively impacts new constructions in the shipping and oil and gas industries. In addition, Jotun is making its maintenance products available to more customers by expanding distribution through dealers. By further diversifying Jotun's business through the development of high-quality maintenance products and services

that enable customers to extend the lifecycle of assets, Jotun can achieve more predictable growth.

In periods when macro-economic factors work to the company's advantage, operating costs tend to rise. It is important that the company becomes more cost efficient to safeguard profitability, even when demand for paints and coatings declines. The Board is pleased to report that the company's record-high profitability in 2019 was partly due to good cost control.

Secure future

Another way in which Jotun seeks to achieve more predictable results is by making investments in personnel, production capacity and Research and Development. These investments are not conditioned on year-end results but are consistent with Jotun's long-term growth strategy. The Board acknowledges that not all new investments will pay off immediately, but by exercising patience and remaining true to Jotun values, strategy and core mission, we can achieve long-term value creation. This will benefit not only owners, but also employees, communities where we operate and society at large.



Board of Directors,
from left:
Peter A. Ruzicka,
Birger Amundsen,
Per Kristian Aagaard,
Nicolai A. Eger,
Jannicke Nilsson
(member from 2020),
Terje Andersen and
Richard Arnesen (2019).
In front Odd Gleditsch
d.y. (Chairman) and
Einar Abrahamsen.

Financial statements

Consolidated income statement

(NOK THOUSAND)	2019	2018
Operating revenue	19 651 917	17 659 863
Share of profit from associates and joint ventures	496 756	383 747
Cost of goods sold	-10 440 914	-9 913 967
Payroll expenses	-3 128 356	-2 829 570
Other operating expenses	-3 449 205	-3 409 164
Depreciation, amortisation and impairment	-809 720	-530 095
Operating profit	2 320 477	1 360 814
Net financial items	-241 572	-245 736
Profit before tax	2 078 905	1 115 078
Income tax expense	-529 421	-441 513
Profit for the year	1 549 483	673 566
Profit for the year attributable to:		
Equity holders of the parent company	1 468 020	605 138
Non-controlling interests	81 463	68 427
Total	1 549 483	673 566

Consolidated statement of comprehensive income

(NOK THOUSAND)	2019	2018
Profit for the year	1 549 483	673 566
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain / loss (-) on defined benefit pension plans (net of tax)	-8 290	8 171
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Gain / loss (-) on hedge of net investments in foreign operations (net of tax)	35 269	-27 049
Currency translation differences in foreign operations	3 747	19 858
Other comprehensive income for the year, net of tax	30 726	980
Total comprehensive income for the year	1 580 210	674 545
Total comprehensive income attributable to:		
Equity holders of the parent company	1 487 194	596 135
Non-controlling interests	93 015	78 410
Total	1 580 210	674 545

Consolidated statement of financial position

(NOK THOUSAND)	31.12.2019	31.12.2018
ASSETS		
Non-current assets		
Deferred tax assets	360 431	287 006
Other intangible assets	712 441	523 310
Property, plant and equipment	6 489 083	5 288 252
Investments in associates and joint ventures	1 485 922	1 532 513
Share investments	16 046	18 026
Other non-current financial receivables	73 217	94 242
Total non-current assets	9 137 139	7 743 349
Current assets		
Inventories	2 829 761	2 840 690
Trade and other receivables	5 265 691	5 118 958
Cash and cash equivalents	1 902 945	1 011 564
Total current assets	9 998 398	8 971 212
Total assets	19 135 537	16 714 561
EQUITY AND LIABILITIES		
Equity		
Share capital	102 600	102 600
Other equity	9 201 969	8 142 274
Non-controlling interests	279 638	224 390
Total equity	9 584 207	8 469 264
Non-current liabilities		
Pension liabilities	220 651	197 688
Deferred tax liabilities	37 852	37 465
Provisions	273 776	40 673
Interest-bearing debt	3 360 721	2 252 768
Other non-current liabilities	45 638	36 690
Total non-current liabilities	3 938 639	2 565 284
Current liabilities		
Interest-bearing debt	1 196 783	1 379 401
Trade payables	2 114 446	2 030 904
Tax payable	265 632	149 837
Other current liabilities	2 035 832	2 119 872
Total current liabilities	5 612 692	5 680 013
Total liabilities	9 551 330	8 245 297
Total equity and liabilities	19 135 537	16 714 561

Sandefjord, Norway, 13 February 2020

The Board of Directors
Jotun A/S

Odd Gleditsch d.y.
Chairman

Einar Abrahamsen

Birger Amundsen

Terje Andersen

Richard Arnesen

Nicolai A. Eger

Peter A. Ruzicka

Per Kristian Aagaard

Morten Fon
President & CEO

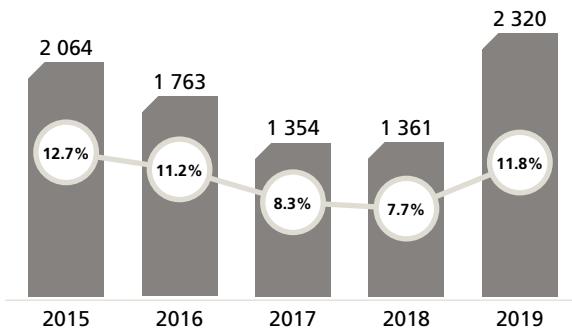
Consolidated statement of changes in equity

(NOK THOUSAND)	EQUITY HOLDERS OF THE PARENT COMPANY				Non-controlling interests	Total equity
	Share capital	Other equity	Translation differences	Total		
Equity as of 1 January 2018	102 600	7 083 558	890 082	8 076 240	178 117	8 254 357
Dividends		-427 500		-427 500	-45 538	-473 038
Profit for the year		605 138		605 138	68 427	673 566
Other comprehensive income		-18 878	9 875	-9 003	9 983	980
Share capital increase					13 400	13 400
Equity as of 31 December 2018	102 600	7 242 318	899 957	8 244 875	224 390	8 469 264
Dividends		-427 500		-427 500	-57 737	-485 237
Profit for the year		1 468 020		1 468 020	81 463	1 549 483
Other comprehensive income		26 979	-7 805	19 174	11 552	30 726
Share capital increase					19 971	19 971
Equity as of 31 December 2019	102 600	8 309 817	892 152	9 304 569	279 638	9 584 207

Operating profit

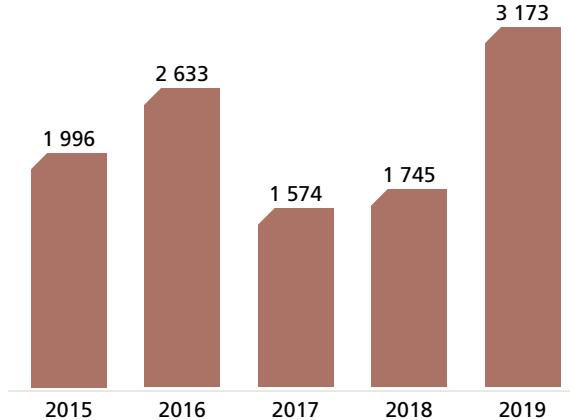
(NOK million)

Operating margin (in %)



Cash generated from operating activities

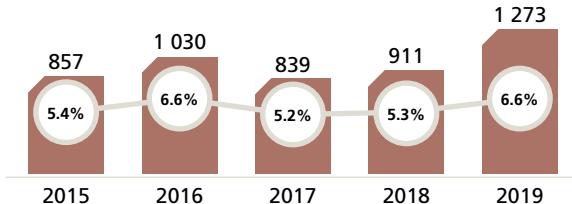
(NOK million)



Investments – Property, plant and equipment

(NOK million)

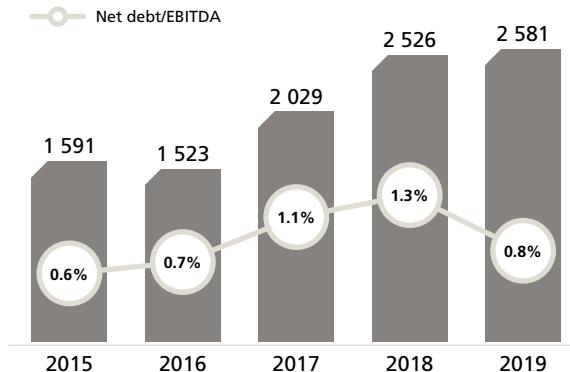
In % of revenue from contracts with customers



Net interest-bearing debt

(NOK million)

Net debt/EBITDA



Consolidated statement of cash flows

(NOK THOUSAND)	2019	2018
Cash flow from operating activities		
Operating profit	2 320 477	1 360 814
Adjustments to reconcile operating profit to net cash flows:		
Share of profit from associates and joint ventures	– 496 756	–383 747
Dividend paid from associates and joint ventures	556 374	557 991
Depreciation, amortisation and impairment	809 720	530 095
Change in accruals, provisions and other	35 500	142 083
Working capital adjustments:		
Change in trade and other receivables	–146 733	–314 576
Change in trade payables	83 542	117 428
Change in inventories	10 929	–264 927
Cash generated from operating activities	3 173 054	1 745 161
Interest received	33 434	23 413
Interest paid	–236 206	–165 313
Other financial items	–38 800	–103 836
Income tax payments	–483 571	–481 784
Net cash flow from operating activities	2 447 910	1 017 641
Cash flows used for investing activities		
Proceeds from sale of property, plant and equipment	13 128	32 912
Purchase of property, plant and equipment	–1 175 937	–911 435
Purchase of intangible assets	–288 057	–177 742
Share capital increase in non-controlling interests	19 971	13 400
Net cash flow used for investing activities	–1 430 895	–1 042 865
Cash flows from financing activities		
Proceeds from borrowings	1 980 234	1 394 688
Repayment of borrowings	–1 491 354	–914 757
Payment of principal portion of lease liabilities	–150 271	–
Dividend paid to equity holders of the parent company	–427 500	–427 500
Dividend paid to non-controlling interests	–57 737	–45 538
Net cash flow from financing activities	–146 628	6 893
Net increase / decrease (–) in cash and cash equivalents	870 387	–18 331
Net currency translation effect	20 994	2 729
Cash and cash equivalents as of 1 January	1 011 564	1 027 165
Cash and cash equivalents as of 31 December	1 902 945	1 011 564



Executive summary of the financial statement for 2019

General

The consolidated financial statement for the Jotun Group consists of Jotun A/S and 56 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 based on the equity method.

The Group's consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as adopted by the International Accounting Standards Board (IASB) and approved by the European Union (EU).

Revenue

In 2019, the Group recorded total operating revenue of NOK 19 652 million, an increase of 11 per cent compared to 2018 (NOK 17 660 million). Excluding positive currency effects, underlying revenue growth was seven per cent, driven by continued good growth in Decorative Paints, a strong recovery in Protective Coatings and increased newbuilding sales in Marine Coatings. Although low activity in key markets affected sales in Powder Coatings, all segments and regions reported higher sales in 2019 than in 2018.

Operating profit

Operating profit increased by 71 per cent compared to 2018 to NOK 2 320 million, yielding an operating margin of 12 per cent (2018: 8 per cent). The profit improvement is mainly attributable to solid sales growth combined with higher gross margins, driven by previously implemented price increases in combination with easing raw material prices. The Group's share of profit

from associates and joint ventures totalled NOK 497 million compared to NOK 384 million in 2018. The increase is mainly due to improved performance in the Marine Coatings segment in North East Asia, where shipbuilding activity picked up after the cyclical downturn in 2017 and 2018.

Profit for the year

Profit for the year amounted to NOK 1 549 million, an increase of NOK 876 million from 2018. The development in net financial items was flat compared to 2018 as higher interest costs, partly due to effects from the implementation of IFRS 16 Leases, were offset by increased interest income as well as lower net currency losses. While income tax expense increased to NOK 529 million from NOK 442 million in 2018, the effective tax rate based on reported profit before tax was 25 per cent, down from 40 per cent in 2018.

Investments

Total purchase of property, plant and equipment (PP&E) and intangible assets amounted to NOK 1 464 million for 2019 (2018: NOK 1 089 million), representing seven per cent of operating revenue (2018: 6 per cent). The largest investments relate to the new headquarters and Research and Development centre in Sandefjord, Norway, new production facilities in Egypt and Vietnam, and the acquisition of territorial rights to the Qatari market from Jotun U.A.E. Ltd. (L.L.C.).

The Group's share of total equity in associates and joint ventures amounts to NOK 1 486 million (2018: NOK 1 533 million) and is reported as non-current assets in the statement of financial position.

Working capital

Operating working capital increased to NOK 5 409 million as of 31 December 2019 (2018: NOK 5 359 million). The increase is mainly tied to further growth in revenues.

While accounts receivable and inventories relative to operating revenue were reduced, tightening of supplier payment terms resulted in operating working capital in per cent of revenue remaining unchanged at 30 per cent.

Net interest-bearing debt

Net interest-bearing debt for the Group was NOK 2 581 million at year-end 2019 compared to NOK 2 526 million as of 31 December 2018, and net interest-bearing debt relative to the operating profit before amortisation and depreciation (EBITDA) was 0.8 (2018: 1.3). The Group's main sources of financing are loans in the Norwegian bond market and loans from the Group's relationship banks. At year-end 2019, Jotun A/S had NOK 2 400 million in long-term bonds and NOK 731 million in USD bank debt, of which NOK 163 million was short-term. External borrowing in the subsidiaries is primarily short-term and through local banks.

Jotun A/S has NOK 1 700 million of long-term credit lines. This committed funding serves as a back stop for certificate loans as well as a strategic reserve for short-term financing of the Group. At year-end these credit lines were all unused.

Shareholder equity

Total equity including non-controlling interests increased to NOK 9 584 million at year-end (2018: NOK 8 469 million). The increase is mainly attributed to the improved profit for

the year. The Group's equity ratio at year-end was 50 per cent (2018: 51 per cent). Implementation of IFRS 16 Leases in 2019 has negatively affected the ratio by approximately 1.3 per cent.

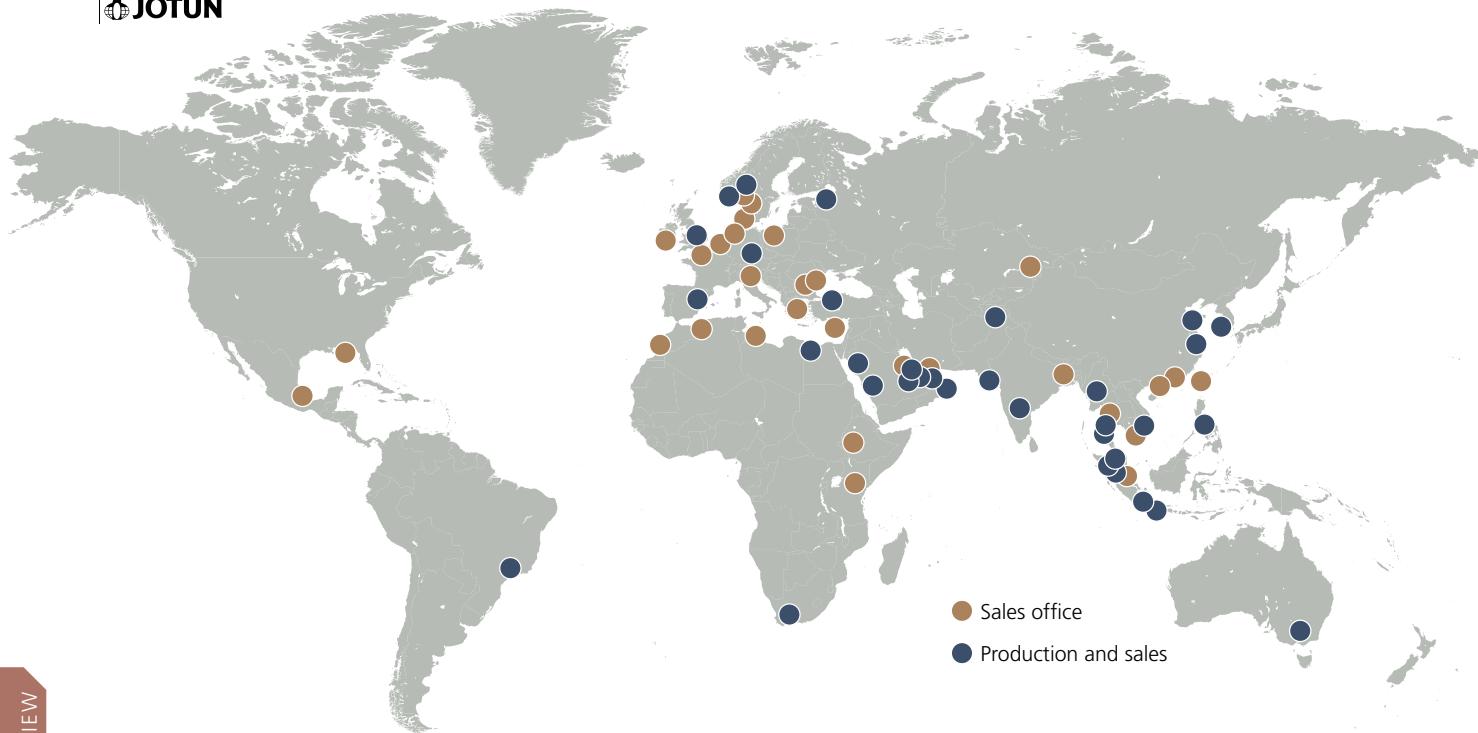
The proposed dividend for Jotun A/S for 2019 of NOK 547 million will not be recognised in equity until finally declared in 2020.

Cash flow

Cash generated from operating activities improved by NOK 1 428 million to NOK 3 173 million. Increased cash flow from operating activities offset cash outflows tied to investments in non-current assets of NOK 1 464 million. At year-end, the Group had a positive cash position of NOK 1 903 million compared to NOK 1 012 million as of 31 December 2018.

Workforce

In 2019, the Group had on average 7 200 full-time equivalents related to its ongoing business in Jotun A/S and its subsidiaries (2018: 7 069 average full-time equivalents). Including employees in associates and joint ventures, Jotun had in total 10 007 employees at year-end 2019 (2018: 9 872 employees).



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

LIBYA		Jotun Libya J.S.Co., Tripoli	80	S	   
MALAYSIA		Jotun (Malaysia) Sdn. Bhd., Shah Alam	100	P	   
		Jotun Powder Coatings (M) Sdn. Bhd., Shah Alam	100	P	   
		Jotun Paints (Malaysia) Sdn. Bdh., Nilai	100	P	   
MEXICO		Jotun Mexico, S.A. de C.V. Veracruz	100	S	   
MOROCCO		Jotun Maroc SARL/AU, Casablanca	100	S	   
MYANMAR		Jotun Myanmar Company Ltd., Yangon	100	P	   
		Jotun Myanmar Services Co. Ltd., Yangon	100	S	   
NETHERLANDS		Jotun B.V., Spijkenisse	100	S	   
NORWAY		Jotun A/S, Sandefjord	100	P	   
		Scanox AS, Drammen	100	S	   
OMAN		Jotun Paints Co. L.L.C., Muscat	62	P	   
PAKISTAN		Jotun Pakistan (Pvt) Ltd., Lahore	100	P	   
		Jotun Powder Coatings Pakistan (Pvt) Ltd., Lahore	99	P	   
PHILIPPINES		Jotun (Philippines) Inc., Manila	100	P	   
POLAND		Jotun Polska Sp.zo.o., Gdansk	100	S	   
QATAR		Jotun Paints Qatar WLL, Doha	49	S	   
ROMANIA		Jotun Romania S.R.L., Otopeni	100	S	   
RUSSIAN FEDERATION		Jotun Paints OOO, St. Petersburg	100	P	   
SAUDI ARABIA		Jotun Powder Coatings Saudi Arabia Co. Ltd., Dammam	49	P	   
		Jotun Saudia Co. Ltd., Jeddah	40	P	   
SINGAPORE		Jotun (Singapore) Pte. Ltd., Singapore	100	S	   
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	S	   
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	S	   
		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	S	   
VIETNAM		Jotun Paints (Vietnam) Co. Ltd., Ho Chi Minh City	100	P	   

 Decorative Paints

 Marine Coatings

 Protective Coatings

 Powder Coatings

 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 branch offices, agents, distributors and 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, Iran, 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, Syria, Tanzania, Trinidad & Tobago, Tunisia, Uganda, Ukraine, Uruguay, Virgin Islands and Zambia.



First launched in 2013, Jotun Global Colour Trends has helped establish Jotun as a trendsetter among consumers and international designers, architects and developers. In 2019, Jotun introduced the Jotun Colour Collection 2020, a collection of 12 beautiful colours, each one capturing a different facet of personality or a new hope for the future, from lush organic greens to raw earth coloured reds, clear and energizing blues to discreet and elegant yellows. To generate maximum publicity, the Jotun Colour

Collection 2020 has been presented at high profile events developed in cooperation with leading interior designers, all over the world.

The 2019 Group Report makes use of both existing and new colours from Jotun's Colour Design Collections. Colours include Curious Mind, Free Spirit, Statement Blue, Humble Yellow, Adventure, Lively Red, Exhale, Serene Blue, Timeless, Shape, Gray Slate and Dijon Yellow.

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Birger Amundsen
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