



# JOTUN

Jotun Protects Property



CORPORATE RESPONSIBILITY REPORT **2011**

# Contents

2	<b>INTRODUCTION</b>
2	Our business
4	Our CR commitment
6	Managing Corporate Responsibility
8	<b>PEOPLE</b>
8	Sound working conditions for employees
10	Competence development
11	Creating the best
12	Technical advisor proficiency
13	<b>HEALTH, SAFETY AND ENVIRONMENT</b>
13	HSE in Jotun
14	A safe working environment
16	Assessing our own performance
18	Safety and preparedness
19	<b>OPERATIONS</b>
19	Raw materials
20	Paint production
21	Powder coating production
22	<b>ENVIRONMENT</b>
22	Jotun GreenSteps
24	Our carbon footprint
26	Environmental impact
28	<b>CUSTOMERS &amp; SUPPLIERS</b>
28	Customer-driven innovation
30	Expressing Jotun values through customer care
31	Responsibility down the supply chain
32	<b>LOCAL SOCIETY</b>
32	Contributing to strong local societies
33	Corporate responsibility in action
34	<b>ANTI-CORRUPTION</b>
34	Anti-corruption
36	<b>THE UN GLOBAL COMPACT</b>

**Copywriting:** Blue-C

**Design:** SAY PR & Communications AS

**All pictures by Morten Rakke**

**Photography,**

**except:** Front cover: Getty images; p. 4, 7 & 10: Paal Andre Schwital / Metro Branding; p. 24: Gearbulk; p. 27, 28,32: Jotun; p. 22,30: Svein Brimi; p. 33 Félix Genêt Laframboise/ IFRC

**Printed by:** BK Gruppen

The paper used to print this report has the Nordic Eco-labeling – the Swan – and is also approved by the PEFC Council (Programme for the Endorsement of Forest Certifications schemes).



# Our business

Jotun is a global leader in paints and coatings, with 74 companies and 39 production facilities on all continents. In addition, Jotun has agents, branch offices and distributors in more than 80 countries.

The Jotun Group consists of four divisions, each with specific products, segments and geographical responsibilities.

Jotun Dekorativ has segment responsibility for Jotun's decorative paints, stains and varnish deliveries to the trade and do-it-yourself (DIY) markets in Scandinavia.

Jotun Paints has segment responsibility for decorative paints in all markets outside Scandinavia. The division also sells marine and protective coatings to selected markets in the Middle East and South East Asia.

Jotun Coatings has global segment responsibility for marine and protective coatings. The division also sells decorative paints in selected markets in Europe and in Asia.

Jotun Powder Coatings has global segment responsibility for powder coatings. The product portfolio caters for the architectural, functional and industrial market segments.



## GROUP KEY FIGURES

(Figures in USD million from consolidated group accounts)

	2011	2010
<b>REVENUE</b>		
Operating revenue	1 902	1 617
Operating revenue outside Norway in %	77	75
<b>COMPREHENSIVE INCOME</b>		
Operating profit	171	205
Profit before tax expense	159	198
Net cash flow from operations	54	117
<b>PROFITABILITY</b>		
Return on capital employed, in %	1) 18.3	29.2
Operating margin, in %	2) 9.0	12.7
Return on equity, in %	3) 13.1	19.9
<b>YEAR-END FINANCIAL POSITION</b>		
Total assets	1 522	1 329
Investments in intangible and fixed assets	144	95
Equity	837	801
Equity ratio, in %	55.0	60.3
Number of employees in group (FTE)	6 013	5 577
Number of employees in group (FTE), including 100 per cent in joint ventures and associated companies	8 296	7 819

### DEFINITIONS

1) Return on capital employed % =  $\frac{\text{Operating profit} - \text{amortisation of intangible assets}}{\text{Average total assets} - \text{non-interest-bearing liabilities}} \times 100$

2) Operating margin % =  $\frac{\text{Operating profit}}{\text{Operating revenues}} \times 100$

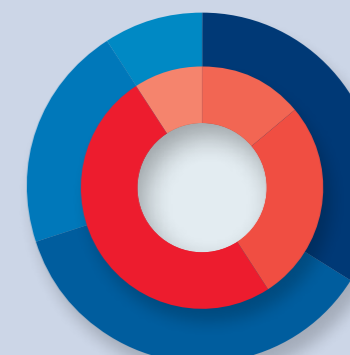
3) Return on equity % =  $\frac{\text{Total comprehensive income for the year}}{\text{Average equity}} \times 100$

### BUSINESS DIVISIONS

- 50% Jotun Coatings
- 27% Jotun Paints
- 14% Jotun Dekorativ
- 9% Jotun Powder Coatings

### BUSINESS SEGMENTS

- 36% Marine Coatings
- 34% Decorative Paints
- 21% Protective Coatings
- 9% Powder Coatings



Welcome to our Corporate Responsibility (CR) report. At Jotun, we are committed to best practice and the improvement of every element of our business. This focus on continuous improvement also extends to our dedication to corporate responsibility. Through the pages of this report we aim to provide an overview of our corporate responsibility efforts during the past year, as well as a guide to our key areas of focus in the future.



## Our CR commitment

**Corporate Responsibility (CR) means managing our business responsibly towards all stakeholders, be they customers, society, shareholders, employees, suppliers or the environment.**

Over the last years, CR has become much more visible and a more structured part of our agenda. Our expectations regarding CR are linked to the values and the core of our corporate culture.

For decades, Jotun has played an important and responsible role in the societies in which we have become established and operated. At all times we must:

- Respect local customs
- Care for local people
- Develop the local workforce
- Act as a responsible citizen

Jotun is a leading and dynamic participant in a competitive global market. We have a number of big and smaller companies in over 40 countries around the world. We operate in diverse regional markets, involving different cultures, and we need to work together across these regions and cultures to achieve our superior strategic targets. These targets should be achieved with integrity, through fair competition and inspired by our own values and business principles towards all our stakeholders. By doing so we create healthy development, long-term profitability and job security.

For a responsible company, it is crucial to take the right decisions in the right way. At Jotun, responsible conduct is a natural part of our day-to-day operations and all of our 8,600 employees play an important role in embodying and practicing our important business principles.

In a global market in constant change, Jotun's values can be challenged. Corruption and bribery represent such challenges and threats to our integrity and reputation. To be able to handle difficult situations it is important to have deeply rooted values. We owe it to our customers, the local societies, our shareholders and our employees to hold high ethical standards and work

actively against corruption. To enhance this work, in 2011, Jotun launched new anti-corruption programmes and training tools.

Health, safety and environment (HSE) is of crucial importance, since just one moment of carelessness can seriously damage our business and our lives. HSE compliance also contributes to long-term profitability. We are committed to ensuring that every single employee understands that HSE is paramount in our daily lives. Our commitment to HSE is total and it relies on every employee following the rules and meeting the same standards, wherever we operate.

Environmental performance is higher on the agenda than ever before. It is an important part of a sustainability programme. In 2011, Jotun launched Jotun GreenSteps to embrace our past, present and future initiatives to better protect our environment. Small and big steps are being taken in all parts of the value chain, from purchasing of raw materials, through R&D, supply chain and to the end-user. Through continuous product development we are helping our customers to improve their environmental footprint.

By conducting our activities responsibly, we all contribute to a sound, sustainable organic growth founded on a solid ethical platform. We call it "The Penguin Spirit".

Morten Fon,  
President & CEO

# Managing Corporate Responsibility

**Jotun recognises and embraces its corporate responsibility vision. This means that it conducts its business operations with Loyalty, Care, Respect and Boldness in the interest of customers, suppliers, employees, shareholders, the environment and the society at large.**

Our CR vision embraces four corporate values to provide a strategic and operational framework that drives the entire organisation. CR is a commitment by Jotun that is driven from the top of the organisation and downward through to every employee. CR is guided by the principles of Openness, Transparency and Accountability.

CR begins through the direction and drive of the Board of Directors of Jotun A/S, the ultimate parent of the Jotun group of companies. There is a continuous and open dialogue with the Board to develop the areas of commitment. These are further supported through governing bodies, documents and follow-ups at a corporate, regional and divisional level.

## Policies and regulations

Jotun's own policies and attitudes are 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. At all times, Jotun shall also abide by and enforce local laws in all locations in which we operate.

On a local level, CR is followed up through business reviews, financial audits, human resources (HR) reviews, health, safety and environment (HSE) audits, supplier audits and CR reporting activities. This ensures that Jotun standards and responsible corporate thinking are developed on a global scale and applied locally.

## HSE standards

A core element of Jotun's CR policy is adherence to high HSE standards. The objectives of all Jotun companies are to safeguard life, health and property, prevent pollution of the environment and other undesirable impacts caused by our

activities. Through these activities we always seek to enhance long-term competitiveness and financial performance.

It is the responsibility of every company within Jotun to report on its HSE performance based on pre-determined criteria. The results of this reporting are provided to the Board of Directors of Jotun on a regular basis throughout the year. Through this information the Board takes an active role in the analysis and direction of HSE activities.

Jotun believes that when CR is tightly integrated into day-to-day operations it makes a significant positive difference to the way it conducts its business.

## A responsible company

Being a responsible company in all locations in which we operate, contributes to the development of the country. Respect for the right to freedom of association, non-discrimination and development of people are also integral to the CR agenda for Jotun, not only because it forms a part of UN Human Rights, but because it is a true part of the culture and attitude of the company.

Jotun continually takes initiatives to ensure that our stakeholders recognise that we will uphold standards when it comes to anti-corruption, transparency and respectful attitude.



## 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

# Sound working conditions for employees

Employee wellbeing is incorporated in every aspect of Jotun's global business, from strategic and business planning to operations. This has resulted in an excellent reputation as a company that treats its employees respectfully.

We not only support the UN Human Rights and the International Labour Organisation (ILO) conventions, but go well beyond these obligations. We have firm and common Human Resources policies and undertake HR reviews to ensure that corporate policies and sound practices are followed in each company and region.

## Diversity

Jotun is committed to creating a workforce as diverse as the customer base we serve around the globe. Our understanding of diversity is equally broad. As well as race, gender and physical disabilities, it includes personal differences, lifestyle, age, religion, economic status, sexual orientation, gender identity, marital status and geography.

Jotun considers discrimination because of gender, religion or reduced operability to be unacceptable. The company cooperates with institutions that facilitate job training for people who, for different reasons, are unable to fulfil usual working commitments.

## Connecting people

Over the years, Jotun has sought to bring people with different backgrounds together in organisations and networks. Connecting people across borders has been the key to securing mutual respect throughout our global business and within its different entities. Jotun employees are working with people from other countries. Jotun promotes cultural understanding through initiatives like its tradition of encouraging international assignments. This is seen as a long-term investment. It cultivates an environment of increased understanding and provides employees with experiences that enrich their capabilities long after they return. Jotun aims to create balance between local workforces and expatriate assignments.

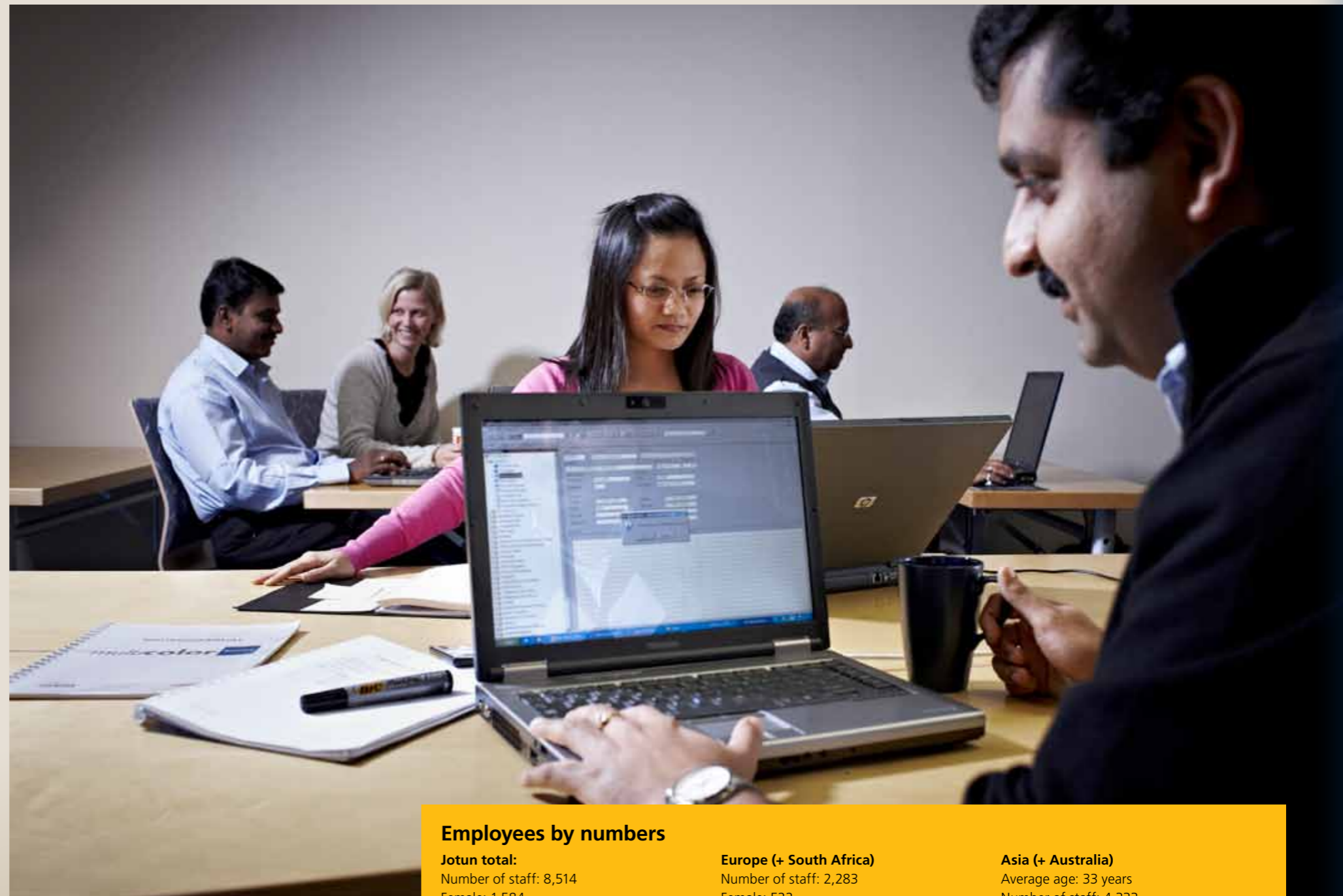
## Hay grading system

Jotun seeks to ensure that it provides a fair and competitive salary to its employees wherever they are employed around the world. To obtain this, the company is evaluating salary levels using the globally recognised Hay grading system.

This salary structure is based upon measures of employee roles and responsibilities – job classification – against those of peers. The classification is a system for objectively defining and evaluating the duties, responsibilities and authority level of a job.

Hay Group's competitive pay assessment shows whether specific roles are in line with the market – and illustrates internal equity too.

The approach of Jotun is formal and structured. The company continuously monitors salary levels, both among peers and across industry, to ensure fact-based remuneration processes.



## Employees by numbers

### Jotun total:

Number of staff: 8,514  
 Female: 1,584  
 Male: 6,930  
 Turnover: 6%  
 74 different nationalities

### Americas (Brazil and USA):

Number of staff: 133  
 Female: 32  
 Male: 101  
 Turnover: 6.5%  
 6 different nationalities

### Europe (+ South Africa)

Number of staff: 2,283  
 Female: 522  
 Male: 1,761  
 Turnover: 3%  
 40 different nationalities

### MENA (Middle East and North Africa)

Number of staff: 1765  
 Female: 112  
 Male: 1,653  
 Turnover: 5.8%  
 41 different nationalities

### Asia (+ Australia)

Average age: 33 years  
 Number of staff: 4,333  
 Female: 918  
 Male: 3415  
 Turnover: 7.4%  
 29 different nationalities

## Competence development

A company is only as good as the employees make it. This is why the development of employees is of critical importance. Over many years Jotun has created extensive development programmes at all levels to make sure that staff are trained to do their job and provide them with further develop opportunities at all levels.

Competence is a combination of Knowledge, Skills and Attitude and all three elements must be present to obtain full effect:

1. Knowledge = taught
2. Skills = trained/experienced
3. Attitude = willing to, able to, dare to

By using these three elements, Jotun has devised an extensive programme of learning that has components that can be applicable to every employee in the company.

Coordinated under the auspices of the Competence Development department, it gathers and coordinates training activities that are beneficial for all business areas. It also develops, facilitates and harmonises training initiatives and programmes that support the group's and all segment business strategies. Finally, it mobilises employees to utilise knowledge and skills to become a strong competitive advantage for Jotun.

### Three competence areas

Competence development is created in Jotun through:

- Jotun Academy, supports development by providing employees with the right learning programmes
- Jotun Learning Gateway, which has over 90 courses available through an e-learning portal for every Jotun employee worldwide
- International Trainee Programme, an 18-month course for recently arrived graduates who have the potential to contribute to Jotun's continued expansion and success

Through these areas, Jotun can internally offer a wide range of life-long learning programmes. In addition, Jotun cooperates with leading universities and external training providers to meet all Jotun's employee training needs.



### Jotun Academy

The Jotun Academy concept started in 2006 to gather training into a school. We gathered the resources to do this and refined the training over a number of years. The Jotun Academy now covers learning in Human Resources; Sales; Purchasing; R&D; Operations; Technical Sales Support; Management, alongside some Stand-alone modules.

In 2011 Jotun ran approximately 150 Academy training programmes around the world for over 2,000 employees. These

programmes were undertaken using over 150 internal Academy trainers. Competence development programmes are possibly the most important tool we have to create "the Penguin Spirit" within our organisations, where employees understand our values and our strategic business goals. Furthermore, it is an important reason why people stay with us – they know they are always able to build their knowledge further, which then leads to greater career opportunities.

The objective is to establish a culture whereby employees appreciate and value long-term learning that makes it possible for them to grow and maintain their enthusiasm for developing themselves and Jotun.

## Creating the best

Competence development is not about training, it is about best practice development and changing behaviour to bring about continuous improvement. Employment is for life and you need constant competence development to keep you up-to-date, interested and fulfilled.



The process of competence development in Jotun begins with the Jotun Competence Board that meets quarterly to decide on new initiatives. There is a direct line to the various departments who put forward ideas on how to best develop employee skills. There are some core skills that are applicable to all divisions, such as management training, and operations training. This helps customers to find the same level of competence among Jotun employees wherever they are in the world. Specific training applicable to different departments and job roles then augments these core skills.

Trainers in Jotun travel around the world to drive the competence development programmes. These visits also provide them with the opportunity to see how the programmes work 'on the ground' and to be able to constantly improve the various modules using best practice principles.

### In-house skills

Jotun believes that some learning happens best by using in-house competences. As an example, 60 sales managers around the world are trained to provide the sales training for employees locally. When they train their own people they understand what the operating environment is like

and can pass on the specific skills required by Jotun sales staff.

For all of Jotun's training and development activities, whether through the Jotun Academy or e-learning, employees are carefully followed up afterwards. This is to ensure that the employees understand how to use their newfound skills and to see how the next level of competence development can be planned.

## Technical advisor proficiency

With responsibility for paint inspection, the coating advisor has a very important role in coatings projects. Lack of understanding of the importance of correct application often results in weakness in the paint film, reduced lifetime, or higher maintenance cost for the construction. However, technical advisors can ensure that this doesn't happen and report deviations that may cause reduced lifetime for the paint film.

With the valuable role of coating advisors well recognized, Jotun decided in 2005 to develop a training programme – under the name Team No.1 – initially for technical advisors that worked on projects in partnership with customers.

The reason for this was simple. The more knowledge Jotun's technical employees have about the company's activities and products, the better equipped they will be to understand and serve customers, leading to greater customer satisfaction.

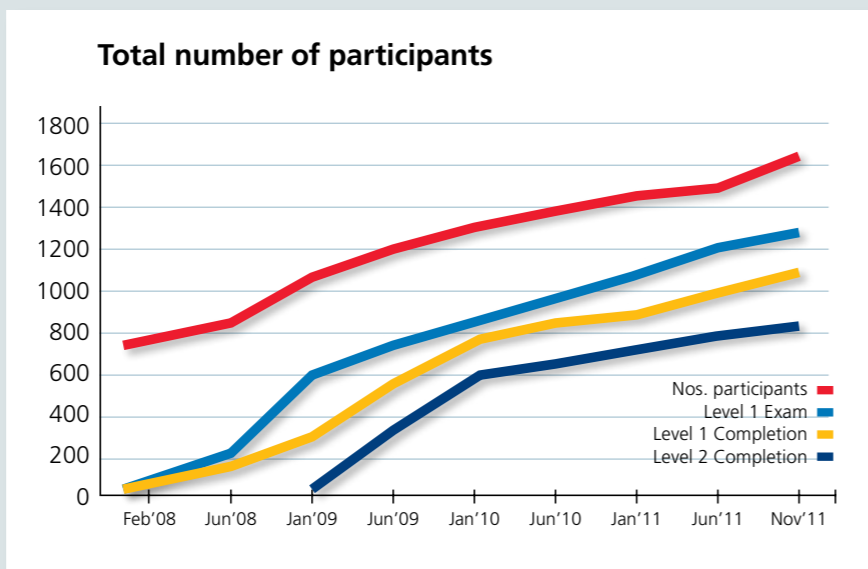
### An expanded programme

After initially just having technical advisors participate in the Team No.1 training project, it is now being expanded to include all Jotun employees who have a technical aspect to their job functions, such as technical service, technical support, and technical sales. There are three levels of training modules, with each module needing to be passed before moving to the next level. A fourth level for individual training is presently being developed.

By the end of 2011, 1,284 participants had been classified as 'technical'. Of these, 78 per cent had successfully completed Level 1 and 65 per cent had progressed to complete Level 2. The number of non-technical participants is steadily increasing, with sales and customer service personnel being the most active participants.

The rise in the number of Team No. 1 participants has been dramatic, particularly for coating advisors. In China alone, Jotun now has 510 technical advisors.

Material for all courses is standard across all territories, though there is some additional localisation by local trainers to ensure that the training takes into account specific territory needs.



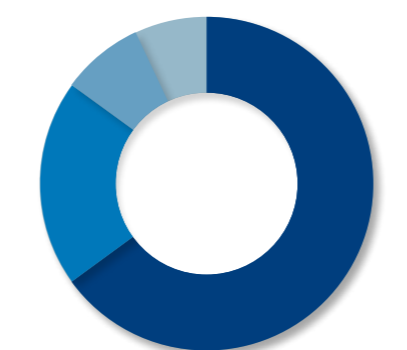
### Module updates

At the end of 2011 the Team No.1 project had been active for four years. During the past year all the existing modules have been updated and new ones have been added.

Continuous training of employees is making a difference to the experience offered to customers – and this will help cement Jotun's position as an industry leader, globally.

Team No.1 training includes an extensive module within HSE training. Last year this module was expanded to include a special section, "working at height". The reason was to reduce the risk of falls while working in shipyards.

### 2011: Participants by regions



Far East: 65%  
Europe: 20%  
Middle East: 7%  
Rest of the World: 8%

## HSE in Jotun

Considerations about health, safety and environment (HSE) are pervasive at Jotun. All decisions are informed by, and operations governed by, our belief in zero harm to employees and the wider community.

Our HSE performance is gradually improving, and we are committed to continue making systematic improvements to our HSE practices. However, a tragic accident resulting in the death of a Chinese employee in July reminds us that there is always room for improvement.

This year the HSE-reporting has been improved by introducing key performance indicators at a divisional and company level, enabling managers to increase their focus on HSE performance.

Jotun understands the importance of training in nurturing robust HSE practices. As well as conferences for HSE coordinators, HSE days are held for employees at the majority of our locations.

We have evaluated Jotun's carbon footprint based on the reported figures for 2011 and have goals for cuts in energy consumption and emissions over the coming year.

We continue to emphasise the importance of HSE to management and have succeeded in making it a part of the agenda in all management meetings.



### Jotun's HSE vision

Jotun will enhance long-term competitiveness and financial performance through a responsible approach, attitude and actions regarding Health, Safety and Environment.

#### All of Jotun's activities shall:

- Prevent work-related illnesses
- Promote employees' physical and mental health
- Protect life and property
- Prevent pollution

### A systematic programme

#### HSE standard

All Jotun's activities shall be carried out in accordance with local laws and regulations, and the Jotun HSE standard. In addition, all producing companies shall be certified according to ISO 14001 and OHSAS 18001. This forms the basis for the group's systematic HSE programme, and is the foundation for Jotun's long-term competitive strength.

An updated and improved HSE standard was introduced in 2011 throughout the group's factories. HSE reporting and internal audits are carried out according to the same guidelines throughout all of Jotun's production units.

#### HSE accounts

Jotun compiles tertiary and annual accounts on health, safety, use of resources and environmental pollution. The purpose of the HSE accounts is to monitor the performance of the group; to enable continual improvements; to provide a benchmark for the group's results against other companies of a similar nature; and to provide information, both internally and externally, about the group's effects on people and the environment.

HSE reporting from all producing companies is also the back bone of our commitment to continuously improve our level of HSE. Based on the analysis of the last year's

performance, HSE objectives have been defined.

Jotun's reports are based on statutory Norwegian requirements and include the most important effects of the company's activities on the working environment and the environment.

The HSE accounts cover a total of 38 factories, of which there are:

- Five factories in Jotun Dekorativ
- 12 factories in Jotun Paints
- 10 factories in Jotun Powder Coatings
- 11 factories in Jotun Coatings



# A safe working environment

**Worker safety is the most important thing in Jotun and everyone has the right to a healthy and safe working environment. Identification, evaluation and reduction of risk attached to occupational health and safety is all part of our day-to-day work.**

## Preventive measures

One of the most important preventive measures in Jotun includes training in how to handle hazardous chemicals and the use of protective equipment.

The level of training in this area has decreased from 1,200 working days in 2010 to 930 working days in 2011.

In addition, we have had special focus areas for 2011 to reduce risk for injuries or fatal accidents. The areas have been:

- “Work at height” in shipyards, warehouses and maintenance
- Reduce risk for “falling objects” in warehouses and raw material handling
- Strain – introduce more lifting equipment thus reducing long-term sick leave.

## Training

In order to promote the health of its employees, Jotun conducts health surveys, ergonomic surveys and provides systematic first aid training. In 2011, 2,070 employees attended first aid training courses. A total of 1,200 working days were spent on this training, marking an increase on the 900 days in 2010. Over this time Jotun has been able to increase the total HSE training per employee.

From 2008 to 2011 the amount of HSE training per employee has increased from 5.4 hours to 7.3 hours per employee. HSE training is one of Jotun’s main HSE objectives.

## Absence through illness

Absence due to illness for the group in 2011 was 1.6 per cent, the same level as for 2010. In 2011 a total of 28,521 days of absence through illness were recorded, as opposed to 29,103 days in 2010.

The figures from the activity in Norway are included in the total figures above. In

2011 the level of absence through illness in Jotun A/S was 4.5 per cent, compared to 5.1 per cent in 2010.

## Occupational injuries

In 2011 there were 1,081 days of absence recorded as a result of injuries. This equates to less than 0.1 per cent of the total working hours, which is at the same level as in 2010. The H-value for Jotun group for 2011 was 5.5, the same level as for 2010. The H-value for Jotun A/S in Norway was 4.3 for 2011 which is an increase from 2010 with a H-value of 0.6.

Over the last years there has been a positive trend in the number of days of absence per injury, though there was a slight increase in the last year.

## Deaths

There was one death at Jotun’s Chinese operations in 2011 as a result of an accident. An operator was hit by a falling pallet during work in the warehouse.

## How do we learn from incidents and accidents?

All producing companies report non-conformances in defined categories to the Group HSE department. Based on analyses of the non-conformances from the last years, the main focus areas are defined. We do this to improve and to reduce the risk for accidents. For 2011 the main focus areas were:

### Fire

- Continue focus regarding earthing and fire risk related to solvent-based production
- Specific training regarding hot work and permits
- Evaluate maintenance and replacement programme of fork lifts

### Injuries and fatal accidents

- “Work at height” – special focus in shipyards, warehouses and maintenance
- Reduce risk for “falling objects” – special focus in warehouses and raw material handling
- Strain – introduce more lifting equipment

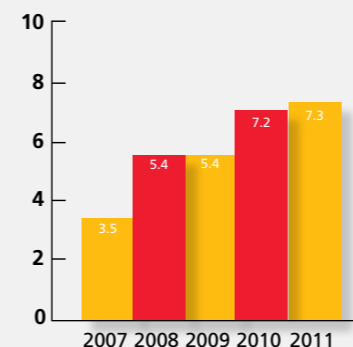
### Accidental release – spill

- Internal transportation
- External transportation

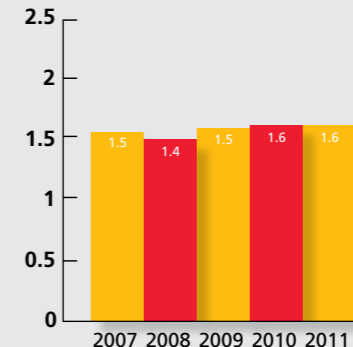
Jotun Group has a great focus on HSE training of employees. However, general HSE training was not a part of the HSE reporting before 2008. Until 2008, training in preparedness, medical training and protective measure - hazardous chemicals – was reported. This is the main reason for the increase in HSE training per employee from 2007 to 2008.



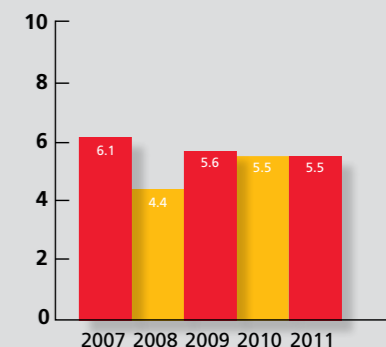
**HSE Training in Jotun Group**  
hours per employee



**Absence due to sickness (%)**  
for Jotun Group



**H-values**  
Number of injuries leading to absence per million working hours – H1-value



The figures from the activity in Norway are included in the total figures above. In

## Assessing our own performance

The challenge is to acknowledge internal audits as tools for improvement and make it a positive experience.

In 2011 Group HSE carried out fourteen internal audits. The reports from all of the audits carried out have been made available to the Jotun management.

### Internal audits

The Board of Directors in Jotun has resolved to implement regular internal audits of factories and warehouses. This shall ensure Jotun's own requirements for a systematic review of routines, systems and production processes. It also involves systematic, documented, objective assessments being carried out on factories planned for the future.

Internal audits will be carried out by personnel who are sufficiently independent to provide an impartial attitude and judgement. The auditors must have sufficient knowledge of the areas that are being reviewed, including knowledge and experience of relevant matters within HSE, management, technical issues and regulations.

Internal audits and controls are important elements of Jotun's HSE policy and are carried out at all Jotun's factories throughout the world. Using systematic controls, Group HSE creates a foundation for common learning and improvements.

Audits include discussions with personnel, inspection of the production site's indoor and outdoor area, inspection of operating conditions and equipment, review of journals, written procedures and other relevant documentation. The purpose of the audits is to determine whether the business is fulfilling relevant requirements in legislations, set targets and has acceptable HSE standards.

### Main audit features

The internal audits carried out in 2011 showed that some sites need to increase their focus on HSE to improve the level. It is important to say that some sites have a good HSE level.

Areas like order and tidiness, safety walks and emergency routines, have improved. However, the audits reveal that Jotun faces challenges linked to maintenance, safe operations and storing and labelling of hazardous raw materials. The system for waste handling and separation of hazardous and non-hazardous waste is showing a positive development in most companies even though it needs further improvement.

In order to pursue our vision and meet the goals that we have set, we must ensure that necessary actions from the audit are carried out. Four of the sites have been revisited in 2011 to follow up an action. Tighter follow up of the audits with a possible revisit of sites has been introduced as a HSE standard.

### New HSE standards

In 2011 HSE objectives at group level and a new HSE standard for company managers have been introduced. As a part of the audits we have increased our focus on local management behaviour and incorporation of Group HSE objectives on local level.

During 2009 and 2010 most production sites were certified according to ISO 14001 and OHSAS 18001. Two companies have been certified during the last year. Out of 38 sites 35 are certified according to these standards. Three companies will be certified at a later stage.

The audits also revealed that Jotun needs to carry on the programme on preventive maintenance with regard to production equipment and buildings. Jotun initiated a standard for maintenance and the implementation started in 2008. By 1 July 2011 almost all production sites had achieved "white belt" – which is the first step of our five step maintenance improvement programme. Several companies have also received "yellow belt" which is the second step in this programme.



### The purpose of audits

- To reduce undesirable risk
- To improve the level of HSE
- To maintain and promote sound ethical attitudes
- To maintain the attention on our corporate culture and attitudes
- To report weaknesses and non-achievement to the required level in the organisation

### Group highlights 2011

- HSE objectives at group level have been introduced. The process of implementing these objectives, together with action plans on a local level, are ongoing.
- An updated HSE standard in a new and improved format has been introduced.
- For the first time, Group HSE had a world wide HSE coordinator meeting; a three day conference. The feedback has been very positive.
- Jotun has for several years run a programme to audit our suppliers, with focus on HSE and CR. 45 suppliers were audited in 2011, and in total 325 suppliers have been audited. The programme will continue.
- Jotun Operator Training with a substantial HSE focus has been introduced in 2011. This training is mandatory for all operators in all our producing companies.
- 54 employees graduated from the Jotun Operation Academy – JOA 1 – which is for operational managers to improve and train in technical issues with focus on HSE and LEAN practices. The programme will continue.
- All companies now have a documented system for Crisis Management- and Business Continuity Planning in place. During 2011 all companies undertook educational exercises related to realistic crises scenarios.
- Sick leave in Jotun Norway has been substantially reduced

## Safety and preparedness

Thanks to knowledge and training, the fire incidents last year were handled quickly and averted the risk of major fires.



### Site security and training

Security and safety are essential in the entire chemical industry, which needs to be prepared for a wide range of threats and incidents, such as intoxicants, organised crime, violence in the workplace and even terrorism. In order to manage security risks Jotun needs to evaluate which measures to take at any given time.

### Active learning

Also in 2011, Jotun continued the important training of all staff at its production facilities worldwide on the issues of earthing and static electricity. Earthing and static electricity are the biggest challenge Jotun faces in terms of guaranteeing the safety of its employees and property.

In 2011 10,300 hours of preparedness training were carried out, as compared to 8,250 hours in 2010. On average this represents 5.5 hours of training for each of the 1,900 rescue personnel in the organisation.

The outbreak of fire is regarded as the greatest risk factor at Jotun's plants. Preventive measures against fire and explosions are therefore given high priority in order to prevent personal injuries and damage to property.

### Specific incidents in 2011

There were four serious fires reported, which had a potential to cause injuries or major damage to property. In addition, we had some initial stages of fires, mainly related to electrical equipment.

All fires and initial stages of fires were extinguished by Jotun personnel and did not result in injuries, major damage to property or environment.

### Fire prevention measures

Jotun is active in the area of fire prevention measures. This includes providing

employees with training, fire-resistant facilities and personal protective equipment.

The correct fire-detection system and fire-fighting equipment are vital for preventing and limiting the scope of a fire.

Fire-detection and fire-fighting systems shall be activated automatically. Foam-based extinguishing equipment shall normally be used at factories and warehouses handling solvent-based products.

Any conditions which result or could result in any damage to the environment or personal injury shall be treated as non-conformities. These conditions must be rectified in order to prevent any recurrence. This applies to incidents involving fires, early stages of a fire, injuries and accidental pollution of the environment.

## Raw materials

Every Jotun product contains a number of chemicals and materials, each of which contribute to the qualities of the finished product. This presentation describes the key elements of Jotun paints and powder coatings, and how they work together.



### Solvents

Solvents are only used in paint and not in powder coatings. Solvents are the liquids that carry the solid components in paint. They must be present to ensure the paint is of the correct consistency for application by brush, roller or spray. Paint is divided into solvent-based paint, using organic solvents like mineral spirit, and in water borne paints.

### Pigments

The pigments used in paint and powder coatings are normally present as fine solid particles that are dispersed, but not soluble, in the binder and solvent. The pigments contribute to colour and opacity (hiding powder) to the paint and protect the binders and substrate from UV degradation.

### Extenders

Extenders are natural or synthetic minerals like talc, clay, etc., which are evenly

dispersed in the paint. The particles come in different sizes and shapes. In powder coatings it is important that the extender is heat resistant.

### Binder

The binder or resin is one of the most important components in paint and powder coatings, and can be thought of as the glue which holds the pigments together and sticks them to the surface. In paint it is the basic solid film former that remains after the solvent has evaporated, and which binds the pigment particles together into a cohesive paint film.

The binder determines many of the necessary film properties such as adhesion, gloss level, hardness, abrasion resistance, flexibility, drying speed and durability.

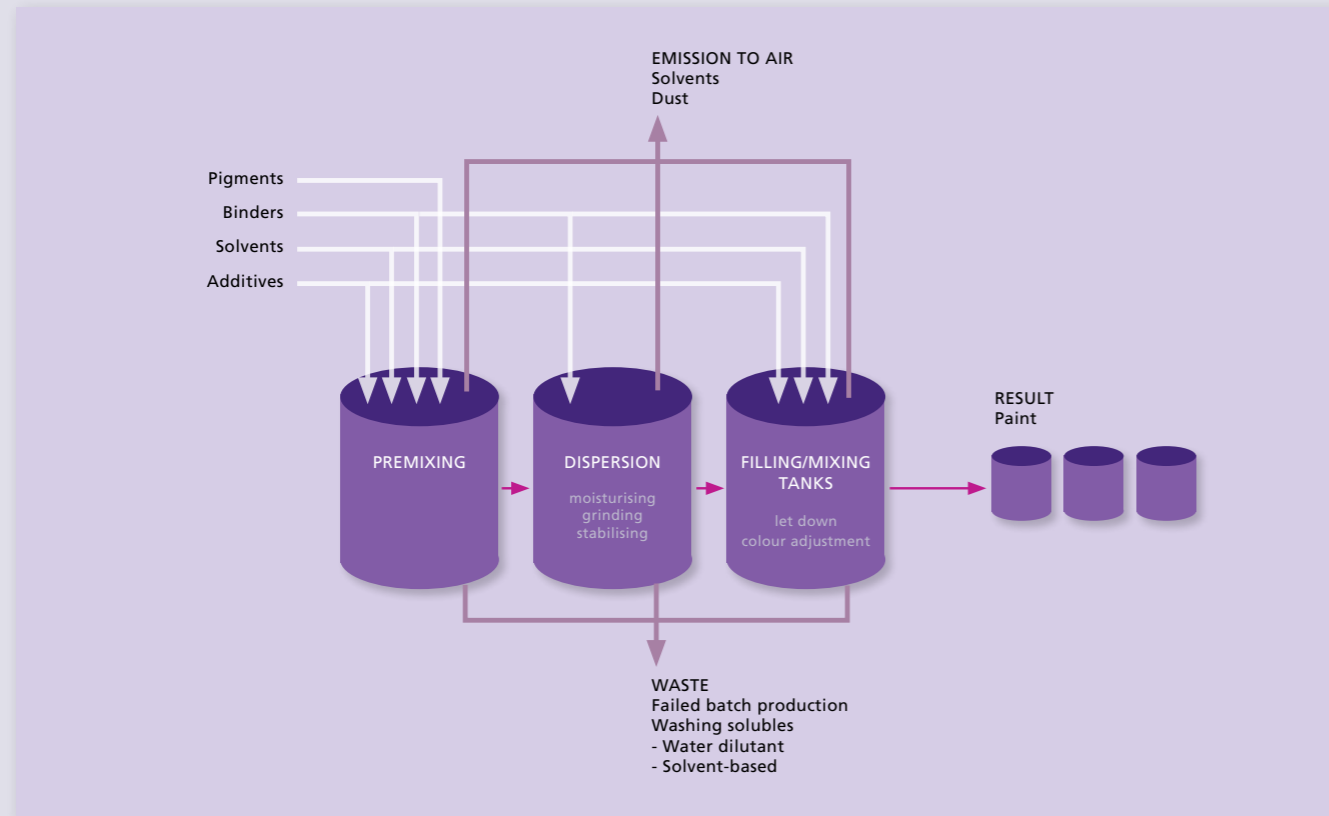
### Additives

Additives are the specialised components used in paint and powder coatings that

give them their final performance and characteristics. For example, in paint they provide UV protection, inhibit tannin staining, inhibit corrosion, protect the film against mould growth and ensure good flow and levelling.

### Hardener

In powder coatings and two component paint, the hardener is used to cross-link the resin at a given temperature. The degree of cross-linking can also be adjusted to determine the gloss level, degree of surface and other aspects, including structure and texture effects.



## Paint production

We consider there to be four stages in paint production - and the sequence in which they come is important.

### Premixing

In the first stage pigments, extenders, binders and solvents are accurately weighed and mixed.

- **Stabilising:** Once the moisturising and grinding stages of the dispersion process have been completed the mixture must be stabilised. To achieve this, binders are added to the mixture

### Dispersion

Dispersion is important for the quality of the product and this process can be subdivided into:

- **Moisturising:** The air that surrounds the pigments and extenders is replaced by binders

### Adjusting

This is the stage at which the paint is prepared for use. The mixture is drained into large tanks and binders and additives are then added. The final step is to adjust the colour and viscosity.

### Filling

Before the product is filled into tins it goes through a quality control inspection. The most common checkpoints are to analyse the:

- **Size of grain:** Checks whether the pigments and extenders have been ground finely enough

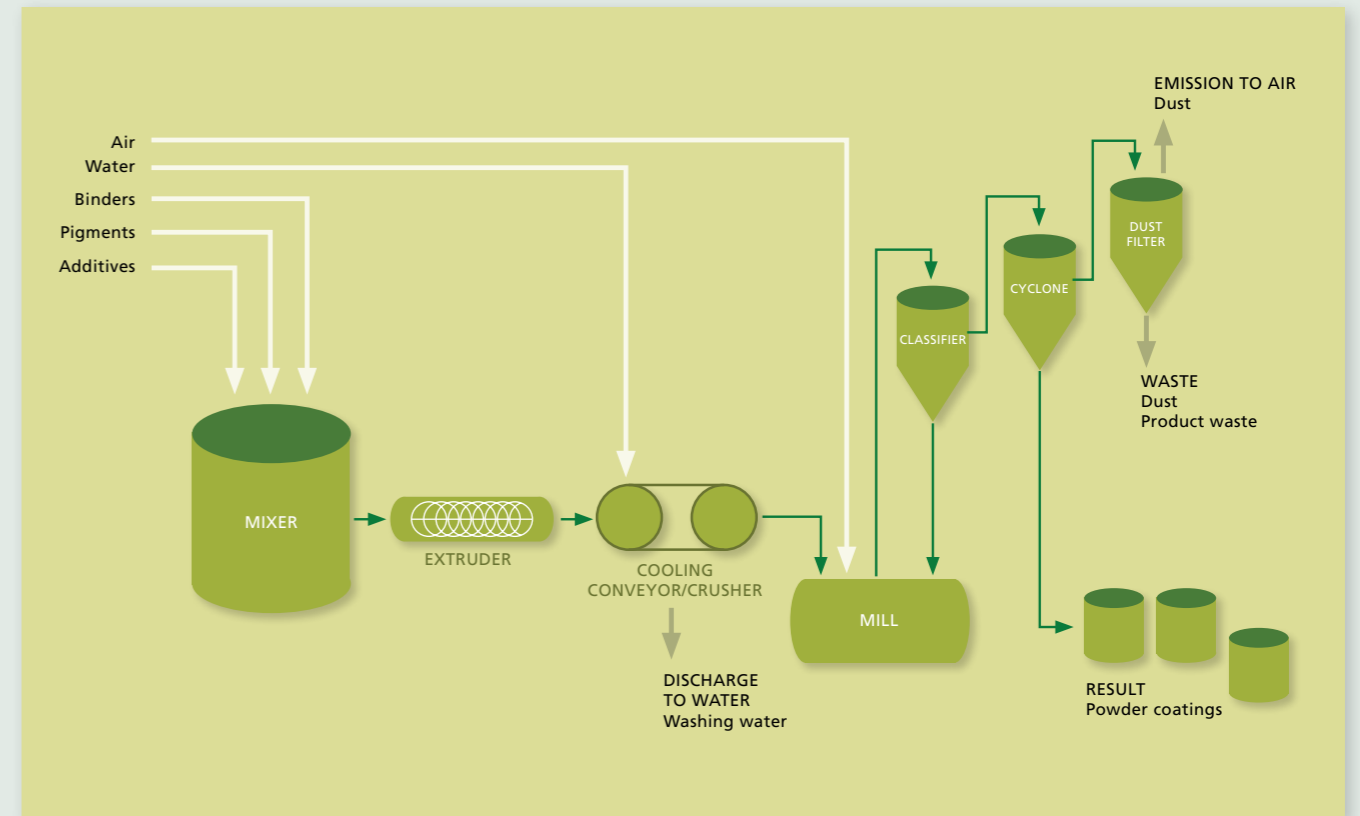
- **Viscosity:** Checks the consistency of the paint and its suitability for application

- **Sagging:** Checks the thickness of the film that can be applied without the paint starting to drip or sag

- **Specific weight:** Checks whether all the correct raw materials have been added

Depending on the type of paint, further criteria are checked including colour and drying time.

- **Grinding:** The interconnection between pigments in lumps (agglomerates) must be ground so that each pigment can be moisturised. This is done in machines with cutting and grinding functions



## Powder coating production

The production of powder coating is quite different from paint production, though technically it can be divided into the same stages.

### Mixing

This is the same as the first stage in paint production, in which the raw materials are accurately weighed and then mixed.

### Compounding

The mix then goes into an extruder where it is melted. This is the second stage, known as compounding. The pigments are treated to form a homogenous dispersion, which is subsequently discharged from the extruder. It is difficult to adjust the colour after this stage.

### Cooling and flaking

The hot melt from the extruder is then cooled, achieved by passing it through cooled rollers. The final operation in the cooling stage is to break the extrudate into small flakes using rotating hammers.

### Milling and classification

The final stages of the manufacturing process are milling and classification. The flakes are ground into a fine powder with a specified particle size range. The milled powder is transferred from the mill on an air stream designed to ensure that over-

sized particles drop down for return to the milling chamber.

### Collection

The milled and classified powder is then transferred to a collection chamber. This may be a cyclone in which powder falls to the bottom while air is exhausted from the top, filtered and then exhausted into the atmosphere or a bag filter system.

# Jotun GreenSteps

In 2011 Jotun launched a new programme to coordinate the company's past, present and future efforts to support a more sustainable environment. Known as Jotun GreenSteps, the programme serves both as a platform to strengthen Jotun's environmental performance and a framework to help promote Jotun's corporate profile as an environmentally responsible company.



Jotun GreenSteps covers five main focus areas: Reduction of solvent/VOC emissions, reduction/substitution of hazardous materials, reduction of energy consumption, reduction of carbon footprint and reduction of waste. In more detail, the five areas of focus covered by Jotun GreenSteps are set out below.

## Reducing VOC emissions

Jotun is committed to offering our customers greener products that at the same time maintain high product quality and reliability standards. That includes making a large part of our products VOC-free.

VOCs (volatile organic substances) are traditionally used as solvents in paint products. These substances can give negative health effects and contribute to high levels of ozone and smog at ground level, and they are therefore regulated in many countries. Over recent decades, Jotun has put much effort into R&D, so that today we can offer products with low VOC content in all categories.

Jotun is actively working, internally and with industry peers and raw material suppliers, to reduce the concentration and quantity of hazardous substances in our products.

The key objective is that hazardous raw materials are to be replaced by less hazardous alternatives.

While working to reduce and replace the number and quantity of such substances, Jotun shall ensure that high product quality and reliability standards continue to be met.

REACH is the new chemical regulation in the EU and EEA, shifting responsibility for risk assessment and registration of chemicals to industry, and is to be completed by 2018. Jotun has carried out a research project together with suppliers, customers, universities and research institutes, financed by the Research Council of Norway, and

## Reducing hazardous material

taken an active part in the regulatory process in the EU. Jotun is working actively to contribute to good REACH solutions and easy-to-use customer information that will enhance safe use.

## Reducing energy consumption

Jotun continuously takes steps to save energy. First and foremost, Jotun's consumption of energy is linked to our facilities, including production and warehouse. When building new premises, or maintaining or extending existing ones, energy consumption is a main focus area. In addition, we develop products that can save energy for our customers and end users. By taking a holistic approach to the energy use of our business – and not just within our manufacturing operations – we can take bigger steps to reducing energy consumption.



## Smart engineering to reduce waste

Part of the challenge in manufacturing powder coatings is the waste produced during the handling process. Unlike wet paints, which do not disperse easily, powder coatings are more difficult to contain, resulting in a factory-average waste loss of two per cent, annually.

In Jotun Toz Boya San ve Tic., Factory Manager, Ali Oner, engineered a machine to recycle powder waste that has cut this

loss-rate in half. Built to Oner's own design specifications, the machine uses natural gas to re-heat unused powder collected at the factory. The melted powder is fed into a microniser, where it is pulverised. While the re-cycled powder cannot be sold as finished goods, it can be used as an intermediary product or be re-worked into existing batches, with no impact on quality.

The machine is easy to use and requires

only one operator. In one shift, the machine can re-work up to a half a ton of powder a day, or 40 tons of powder per year. Jotun has calculated that the savings produced by the machine will exceed its cost in as little as two years.

Oner's initiative is a great example of how a small idea from one single employee can result in a bigger Jotun GreenStep.

## Reducing carbon footprint

Jotun has a particular commitment to reducing the carbon footprint throughout the whole value chain. The carbon footprint is a measure of the impact our activities have on the environment, and in particular climate change. It relates to the amount of greenhouse gases produced in our day-to-day lives through burning fossil fuels for electricity, heating and transportation etc.

The carbon footprint is a measurement of all greenhouse gases we individually

produce and has units of tons (or kg) of carbon dioxide equivalent.

By looking at all of our operational and manufacturing activities we are finding ways that will allow us to reduce our own carbon footprint, those of our suppliers and even those of our customers.

## Reducing waste

At Jotun, we dispose of chemical waste responsibly. Our key objectives are to reduce, re-use and recycle across all our operations, including waste from offices

as well as production waste. Reducing and disposing of chemical waste is a major focus area.

Obsolete goods are a major contributor to chemical waste at Jotun. We therefore continuously work on how to rework and dispose of them in a more environmentally friendly way than just scrapping.

## Our carbon footprint

For many years Jotun has been working towards a more environmentally friendly way of running its business.

In 2009 we produced our first Carbon Footprint Report. A Carbon Footprint Audit was carried out to provide Jotun with an overview of the total emissions of CO<sub>2</sub>- equivalents. The report contains detailed information on our global carbon footprint, with carbon indicators for 2008 for our four divisions covering the 39 production facilities, along with the corporate unit in Norway. A similar Carbon Footprint Audit has been carried out for both 2010 and 2011.

The results of the audits show that the total global emissions for Jotun Group in 2011 was 61,900 tonnes of CO<sub>2</sub> equivalents, which is a slight increase from 2010 due to increased production. However, the carbon-footprint per tonnes product produced has decreased by 6 per cent.

From this year, a carbon footprint audit will be undertaken every year, with the results published annually in our Corporate Responsibility report.

Jotun knows that the major part of our CO<sub>2</sub> footprint comes from purchased electricity – around 70 per cent, so if we are able to reduce our electricity consumption we will also reduce our CO<sub>2</sub> output. Each factory is responsible for reducing its CO<sub>2</sub> footprint and guidelines are about to be drawn up and communicated which will help reduce electricity use. Many of the hints and tips on how to use less electricity are common sense - whether it is switching off lights, not using equipment when not needed, or regulating the air conditioning to an optimal level. Even minor reductions make a difference, because this is also a part of changing our attitude and focus regarding consuming energy.

Some sites are beginning to go much further than this. In Italy, solar panel systems for the production of energy from renewable sources has been installed that almost fully meet the energy needs of the main warehouse and offices. As well as having

an economic benefit, it will significantly reduce the amount of CO<sub>2</sub> emitted from the site. In the Abu Dhabi facility, state-of-the-art windows in the roof of the factory that magnify light have brought about a reduction in the use of internal lighting during the day. Also new powder coatings with low temperature curing – less energy demanding production – have been developed lately.

### Measures

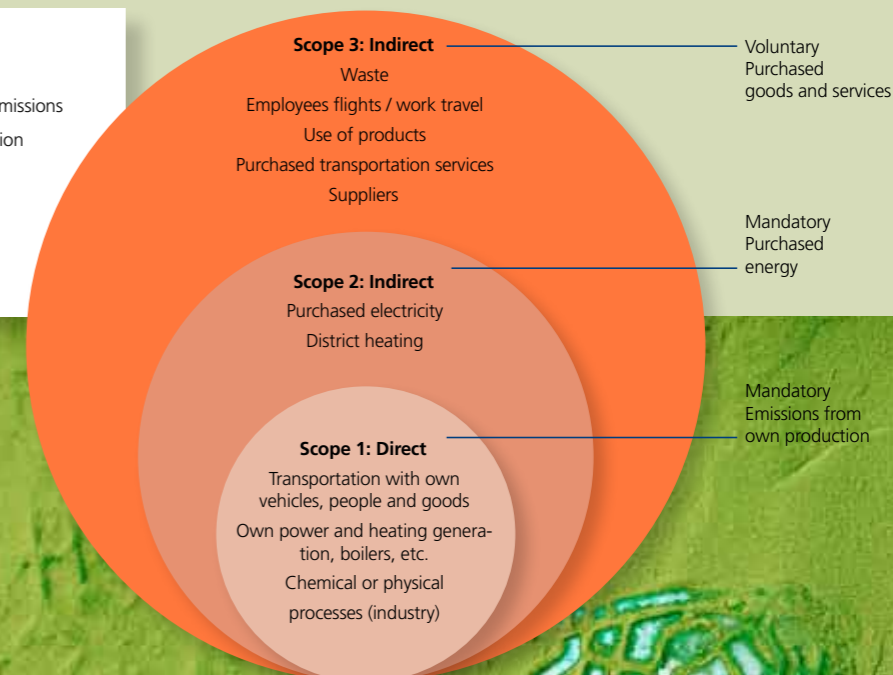
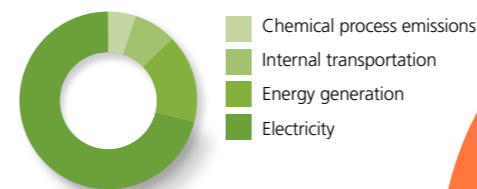
- As seen from the “Emissions by source” graphic, purchased electricity is the main source of Jotun’s CO<sub>2</sub> footprint. A Group HSE objective for 2011-2013 is to reduce the use of purchased electricity by three per cent per tonnes produced and per year.
- From 2012, when we build a new factory a CO<sub>2</sub> -audit will be undertaken to see where CO<sub>2</sub> is being created in order to take measures to reduce this figure.
- Our CO<sub>2</sub>- footprint and reduction measures for energy use are also a part of Jotun GreenSteps, which has significantly raised the profile of this issue at a corporate level.

Jotun recognises sustainability as a long-term competitive advantage, which is why we are working hard to reduce the amount of CO<sub>2</sub> emissions we release in the atmosphere.

### Method

The greenhouse gas emissions have been calculated according to the international standard, the Greenhouse Gas Protocol Initiative, and includes all consumption of fossil fuels for energy production and transportation with own vehicles at the facility premises, process emissions and purchased electricity. All of our greenhouse gas emissions are converted into CO<sub>2</sub> equivalents. Based on the reporting procedures of the GHG-protocol, two different types of emissions were highlighted in the report – Scope 1 Direct emissions and Scope 2 Indirect emissions.

### Emissions by source



### Helping customers reduce their carbon footprints - Hull Performance Solutions

Jotun realises that an effective way to contribute to a better environment is to provide our customers with high quality products that help reduce their emissions.

Our development of Hull Performance Solutions (HPS) exemplifies this effort, creating a shared value.

HPS combines premium antifouling, priority technical service and reliable tools to measure hull performance over time. The impact of antifouling systems on fuel consumption and carbon emissions has long been acknowledged, but has never really

been measured. Through HPS, Jotun makes a difference, providing a tool that helps the customer both reduce their impact on the environment and save money.

Environmentally friendly biocides used in Jotun’s antifouling paints keep the hull free from fouling and slime and are therefore essential to minimising bunker consumption and greenhouse gas emissions.

HPS is a unique system, which combines the following elements related to reduced fuel consumption as a consequence of fouling:

- SeaQuantum X200, based on the next

generation silyl methacrylate binder technology

- A dedicated project manager for each project, as hull performance is dependent on the quality of the application as well as the paint
- A reliable and transparent method of measuring, quantifying and reporting the relation between hull performance and fuel economy

**HPS** | Hull Performance Solutions

# Environmental impact

Jotun has been able to strike a balance between waste, energy consumption and production volume. It is our goal to become even more efficient and further reduce waste and energy.

The treatment of waste is an important aspect of how our resources are used. Jotun is committed to reducing the amount of generated waste and to recycle while avoiding risk to health, safety and environment. Waste that has to be disposed of should preferably be used for energy production.

### Non-hazardous waste

The total waste volume: Hazardous and non-hazardous waste from Jotun's factories amounted to 18,000 tonnes in 2011. This was 2.5 per cent of the production volume, the same level as last year. Jotun's objective is to reduce the total amount of waste from 2.5 per cent to 2.3 per cent in relation to the production volume in the period 2011-2013.

### Hazardous waste

Hazardous waste at Jotun consists mainly of process water, solvent-based waste and packaging from hazardous raw materials. Process water is formed as a by-product from the production of binders. The largest volumes of solvent-based waste result from washing the production equipment. This waste is recycled to a large extent in production. Hazardous waste can also be a result of production errors or returned goods. Production failures can be recycled to production or be hazardous waste.

11,000 tonnes of hazardous waste were generated at Jotun's factories in 2011, equating to 1.5 per cent of production volume, which is a slight decrease from last year. Jotun's production waste mainly consists of packaging, such as cardboard, paper, plastic and metal. National return schemes are becoming more widespread and, where these are established, Jotun's activities will also be covered.

Production planning is the key to the reduction of waste. Through the production of greater series, the washing of production facilities and generation of waste can be reduced to a minimum.

A particular focus during the past year has been to develop a waste system to ensure proper separation of hazardous- and non-hazardous waste.

### Contaminated sites

A number of our plants have been at the same location for a long period of time, or are located in areas where another industry was previously situated. New rules and regulations have also resulted in changes as to which chemical substances are allowed to be used and how to treat them.

Surveys have been conducted at a number of plants, and initiatives have been implemented at some sites. We cannot rule out that contaminated sites may exist at some of the plants. We are particularly aware of such conditions in connection with the purchase and sale of production plants. Before purchasing of property for industrial activity and storage of chemicals, investigations are undertaken to identify any potential sources of environmental risks and to clarify whether any measures for avoiding pollution are necessary. Assessments and measures are carried out by external specialists.

Operations at Jotun require resources – and this involves emissions to air, discharges to water and generation of waste. Increasing production volumes mean that Jotun must focus on efficiency-improvement initiatives to enable a reduction of the environmental footprint.

### Emissions to air

Emissions to the air from Jotun's factories are mainly linked to the production of solvent-based paints. Air emissions mainly consist of solvents and a marginal amount of dust. The emission of dust is reduced by dust filters to a level below 10 mg suspended solids per cubic meter.

### Discharge to water

Washing of production equipment is the main cause of discharge from the production. In 2011, Jotun's factories generated 70,700 tonnes of washing- and process water, compared to 74,400 tonnes in 2010. The waste water was either treated in separate waste water treatment plants or delivered to an approved waste contractor.

No accidental release of any substance with significant consequences to the environment was reported this year.

### Energy consumption

The production of paint consumes relatively little energy compared to other process industries. The main energy source is purchased electricity. In 2011, Jotun registered a consumption of 111 GWh, an increase from 109 GWh in 2010 for the production sites world wide.

The energy consumption has increased due to increased production volume. Use of purchased electricity per tonnes produced has been reduced by 6 per cent compared to 2010.

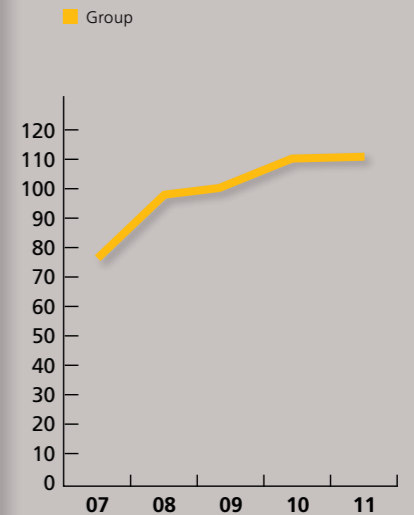
In 2011, the volume of oil used on-site for creating energy was 1,500 cubic meters compared to 1,900 cubic meters in 2010. The major part of the oil is used for heating and production of binders in Norway.

Purchased electricity contributes to approximately 70 per cent of our carbon-footprint. Due to the climate challenge, Jotun group has an objective to reduce the consumption of purchased electricity – the main energy source – with three per cent yearly related to the production.



In 2011, Jotun Italy installed 42 solar cells that are capable of producing 12,000 kWh/year and will almost fully meet the energy needs of the site's main warehouse and offices.

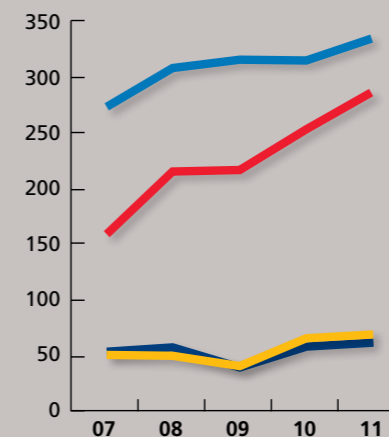
Energy consumption for Jotun Group (GWh)



We have also included energy consumed by offices and branches connected to production sites. This is the main reason for the increased use of purchased electricity in Jotun Group from 2007 to 2008.

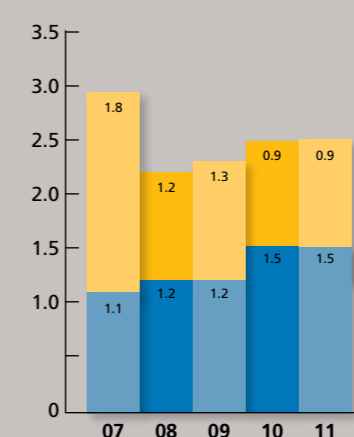
Production volumes (1000 tonnes)

Dekorativ (Yellow), Coatings (Red), Paints (Blue), Powder Coatings (Dark Blue)



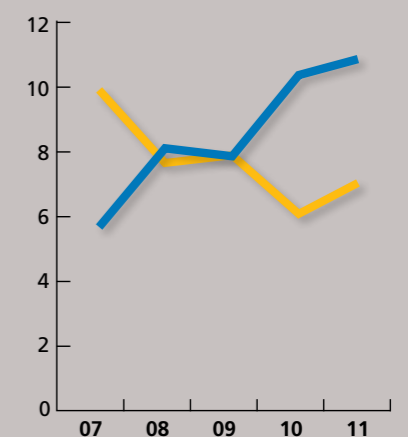
Non-hazardous and hazardous waste as per cent of produced volume for Jotun Group

Non-hazardous waste (Yellow), Hazardous waste (Blue)



Non-hazardous and hazardous waste for Jotun Group (1000 tonnes)

Non-hazardous waste (Yellow), Hazardous waste (Blue)





### How Jotun develops sustainable products and concepts – Sens

In recent times, consumers have become more sensitive to health issues associated with allergies and respiratory illnesses. In 2008, Jotun launched SENS, an odourless and solvent free paint that has virtually no odour. This is because solvents have been reduced to lower levels than any other interior paint on the market. SENS emits virtually no hazardous substances making it safe for everyone, particularly those who have experienced reactions to other paints. It was developed in cooperation with Norway's Asthma and Allergy Association (NAAF). In 2010, the brand was launched in Europe and was well accepted in the market, proving Jotun's intimate

understanding of what consumers want in their products.

SENS is safe to use by everyone, including families with small children, pregnant women and painters, as well as those suffering from allergies, asthma or other respiratory disorders. Formulated from quality assured ingredients, there is no risk of allergy induction or irritation. The level of preservation is below EU's approved concentrations for skin care products. SENS is not harmful to health during application or drying. The only solvent in SENS is water and it contains pure raw materials. SENS is the ideal choice for situations where health considerations are paramount.



## Customer-driven innovation

**Jotun has built a reputation for continually developing new products to meet customers' needs. This requires us to constantly seek feedback from our customers while predicting market trends.**

Innovation is essential to Jotun. Without it, our position would dissipate. We believe and insist that any additions and improvements to our products and services must offer more value to our customers.

### Environmental solutions

Today's paints and powder coatings are far superior from those produced decades ago. Increased demand for healthier, more sustainable coatings solutions has encouraged a fresh wave of innovation.

In line with this trend, Jotun has developed a number of innovative paint solutions in the past few years. In 2010, Majestic EcoHealth, a low-VOC water borne paint using more sustainable raw materials was launched. Jotun has also refined its premium silyl acrylic antifouling marine coating, SeaQuantum, proven to help shipowners reduce fuel costs and corresponding carbon emissions.

With the ever-growing demands for industrial consumer goods in mind, Jotun Powder Coatings introduced in 2011 its new powder coatings range, Jotun Guard Miles, Guard Miles+ and Guard Gaze. The range enables customers to reduce the average film thickness, lower the curing temperature and cover higher surface areas with the same amount of powder, while maintaining the appearance and protection features. The innovation represents a significant step forward for Jotun Powder Coatings in the field of low temperature curing and more sustainable powder solutions.

Jotun has also applied the same focus on health and environmental sustainability to other high performance brands. In 2010, the company launched Lady Effects in the Middle East, and in Scandinavia, Lady Pure Color, a premium, scratch-resistant matte finish interior paint. While not marketed specifically as healthy or environmentally sensitive brands, these products are nevertheless formulated to be consist-

ent with consumer demand for more sustainable paints.

Jotun's Substitution Principle is also an initiative aimed at developing more sustainable paints. We aim to replace hazardous substances in new and old paints with more benign materials. We have banned the use of substances like coal tar and alkylphenols in our products, and are phasing out or restricting the use of other raw materials. The Substitution Principle has resulted in Jotun R&D developing more VOC-free water borne paints and the replacement of banned substances in existing paints (such as anti-corrosives) with more environmentally friendly alternatives.

While this process requires time and resources, the results are consistent with both customer demand and Jotun's commitment to improved environmental performance. The real achievement is that Jotun has been able to make these advances while also improving the protective quality of its coatings.

### The Innovation Process

Creating new and better products does not happen by chance. It requires close collaboration within a sophisticated R&D network – of which there are nine laboratories around the world (including three exclusively devoted to Powder Coatings). These laboratories do not work in isolation, but constantly share ideas, set priorities, and review their innovation goals to make sure their efforts are focused on their objectives.

Jotun personnel representing marketing, R&D, sales and supply chain management meet regularly in Innovation Boards to evaluate new concepts, products in the development cycle, new products ready for the market and those already launched. These Innovation Boards evaluate a broad range of issues, ranging from potential market demand, production costs, logis-

tics, sales strategies, and what impact, if any, the introduction of a new product will have on existing products. All new products are subject to intense scrutiny from concept to launch to ensure the product is safe, reliable and profitable and is consistent with Jotun's requirements.

### Understanding different customers

While the technical properties of Lady Pure Color are vital to its scratch-resistant finish and low chemical emissions, Jotun understands that, in the decorative segment, consumer choices are often driven more by complex emotional associations than what is printed on the label. By contrast, products in the Powder Coatings, Protective or Marine segment, which may have a genuine impact on a company's bottom line, require a different set of priorities. Understanding how consumers and companies in different parts of the world make purchasing choices lies at the heart of Jotun's R&D efforts, which combine a blend of market intelligence, experience and technical competence.



## Expressing Jotun values through customer care

Active in more than 80 countries worldwide, Jotun employees serve a diverse range of industries, segments and markets, with each requiring a different strategic approach. But whatever the challenge, how we interact with customers is an expression of Jotun's core values: Loyalty, Care, Respect and Boldness.

For Jotun, quality customer care is the bedrock for building loyalty among existing customers, winning contracts and strengthening our international brand for quality, professionalism and ethical business standards.

### Decorative

In the retail Decorative segment, Jotun markets interior and exterior paints through dealer networks. We provide dealers with in-shop design, as well as access to branded marketing materials, to help them attract customers and to be profitable. However, Jotun also demonstrates its long-term commitment to dealers by actively supporting their efforts to grow and meeting frequently with them to discuss market trends, share information, and find solutions to their concerns. By demonstrating a long-term commitment to dealers and encouraging open dialogue, Jotun has been successful in strengthening the Jotun brand.

### Marine

In the Marine segment, Jotun works closely with shipyards, drydocks and shipowners to provide quality customer care. For global customers, we have special customer programmes, headed by assigned Key Account Managers (KAMs) to provide a single point of contact and consistent handling of important customers. A KAM is supported by a dedicated team of Jotun professionals who actively listen to customers and work to gain a better understanding of different needs in different sub-segments and regions. By interacting with global customers in a firm, professional and transparent manner, we can provide uniform services to shipowners around the world.

### Protective

Quality customer care is also an important part of Jotun's activities in the Protective segment, where large projects often involve stakeholders from different



countries. However, it should be noted that most contracts in the Protective segment are regional, initiated by local municipalities responsible for high-profile infrastructure projects or the construction of energy facilities, such as refineries or power stations. To compete for these projects, Jotun's local reputation for quality service and ethical business practices are critical – a reputation that can only be built over time.

### Powder Coatings

Most of Jotun's interactions with customers in the Powder Coatings segment are with local manufacturers of consumer goods, such as kitchen appliances, lawnmowers and office furniture. By providing customers with innovative products and fresh ideas, Jotun works to help custom-

ers improve results and win new business. We also supply powder coatings to high profile projects, such as window frames for skyscrapers and prominent real estate developments. To serve our customers in a professional way, Jotun personnel from different regions and segments work together to offer customers a Single Source Solution, a fully integrated package to meet the specific needs of the project.

Jotun's focus on building long-term relationships in different segments and regions has helped Jotun grow in partnership with customers – from dealers to architects, shipowners to energy companies. These relationships are built on trust and mutual respect, consistent with Jotun's core values.

## Responsibility down the supply chain

Jotun wants to be perceived as a serious, dependable and long-term business partner. This is why we adhere to a high standard in business ethics and integrity. But we realise that we also need to develop these standards through the supply chain and that means working with our suppliers to ensure that they also meet the highest ethical standards.



Jotun's desire to do the best for employees, society and the environment has also stretched back into the supply chain, by ensuring that suppliers meet certain standards.

To ensure we are using the right suppliers around the world, we have conducted 325 audits of separate locations over the past three years. In total, this means as many as 700 different visits, including follow-up visits to check on areas of improvement.

All new suppliers are subject to audits, covering 15 different areas. Jotun has highlighted three disciplines that will never be tolerated:

- Child labour/ forced labour
- Discrimination
- Bribery/ fraud

If any suppliers are found to contravene our rules on these, we immediately stop working with them.

In August 2011, we began a new initiative - environmental auditing of suppliers, based on the Jotun GreenSteps principles.

We realise we cannot change the world overnight, but most of the suppliers give feedback that they value the audit, especially in the area of HSE. At Jotun, we are very happy to run the supplier audit programme, as we are meeting not only legal, but also ethical obligations.

It is Jotun's experience that our audits are beneficial, as we have found that quality is rising as suppliers become more proficient.

### Assistance to transform

Suppliers that get a low score in the audit are normally warned and sent a notice period. There are many examples of suppliers that have managed to go through a transformation and thus avoid being banned as a Jotun supplier.

Suppliers in the "danger zone" will, through the audit, be provided with the incentive to make necessary changes, or face losing our business. An important consequence of the changes is that the supplier's workers will have better conditions. At Jotun we are proud of helping to contribute to a better life for these workers.

## Contributing to strong local societies

Good local community relations are critical to our business success. The local communities in which we operate around the globe are our hosts; they provide us with our working environment, workforce and licences to run our operations. Jotun is mindful of creating mutually beneficial relationships by providing employment, paying taxes and contributing to the overall development of the community.



Common understanding and respect are essential for both parties to get the most out of this association. Our ability to support communities through initiatives has grown as our business has expanded over the years. Building and maintaining vibrant and sustainable communities requires action and involvement.

We have numerous examples of well-functioning operations all around the world. Wherever we operate, we are committed to being a responsible citizen and providing opportunities for local communities.

Jotun makes a difference every day by partnering with organisations in our local regions to support initiatives and programmes that respond in a meaningful way to community needs and priorities.

### India

The Jotun India CR team has recently taken the first steps in creating a healthier population in the Indian cities of Mumbai and Pune, by visiting local orphanages, alongside volunteers, to inform the children about personal hygiene.

Jotun representatives presented simple guidelines to ensure the kids know how to take care of their own health, such as brushing their teeth and washing their hands before a meal. Many charitable organisations see hygiene education as the most effective method of making quick and noticeable health improvements.

The company also agreed to cover living expenses for ten children so that they could focus on their education. These

initiatives are part of an overall effort by Jotun to improve the livelihood of people in the region.

Pune and Mumbai have long histories of widespread poverty. Slums in Pune account for an estimated 2.2 million people, while Mumbai's Dharva slum, which is one of many, houses 800,000 people. In both cities, these people are considered lucky by the many thousands that have no shelter at all. Jotun's initiative is one small step in tackling the poor public health information and civic and educational standards in these underprivileged parts. The company hopes to provide some foundation to build on for two of India's largest metropolitan areas.

## Corporate responsibility in action

The Red Cross is one of the world's oldest, largest and most respected Non Governmental Organisations. Operating in 187 countries, it is not only there to help when tragedy strikes, but also to provide numerous community services. Jotun has supported the Red Cross for many years with emphasis on contributing to the communities in which it operates.

Jotun's support over the years has been substantial. It has supported and worked with local Red Cross organisations in many of the countries where it is represented. These include areas that have suffered terrible hardship during the last few years, including the recent floods in Thailand, the tsunami in Japan and conflicts in Libya and the Darfur region of Sudan.

### Global recognition

The Red Cross and Red Crescent (used in Islamic states) emblems may be the most recognised symbols in the world. According to Red Cross Norway's Secretary General, Åsne Havnelid, children come running up as soon as they see the Red Cross uniform.

That kind of recognition comes from a long tradition of excellence in disaster relief, helping people when they need it most, regardless of race, religion or ideology. However, the Red Cross does much more.

The relief work it carries out is comprehensive and ongoing. It is also varied, depending on the needs of the people in each country. It could include anything from providing medical and food supplies in war torn regions, to day-to-day community services including: caring for the elderly, sick and lonely, running emergency telephone helplines for children and the young, and supporting refugees.

### A great asset

Red Cross volunteers are one of the greatest assets a community has when a crisis occurs. Each year 13 million active Red Cross and Red Crescent volunteers provide voluntary service worth six billion dollars. Havnelid explains why working to prepare for and prevent disasters is key.

"A focus on prevention makes fewer resources go further. For example, two



years after the earthquake in Haiti, there are still around half a million people living in tents. As well as helping to rebuild infrastructure, we are educating children about sanitation so that a potential cholera outbreak can be avoided," she says.

### A partnership approach

When done right, corporate responsibility goes hand in hand with this preventative strategy. By partnering with organisations, the Red Cross is better positioned to build local networks and put in place preventative measures. Havnelid says this relationship benefits both parties, because it creates an open dialogue where the Red Cross can help the organisation reach its corporate responsibility goals.

"Organisations partner with us because they know that their support goes straight to where it is needed most. We help them focus their support to the greatest effect and build something their employees can really be proud of," she says.



**"It is great to see Jotun taking responsibility for the environment in which they work. The support they provide is channelled through the Red Cross societies in these countries so that they are better able to respond in emergency situations."**

**Åsne Havnelid**  
Secretary General, Red Cross Norway

## Anti-corruption

**In accordance with well-established values and business principles, Jotun has a strong commitment to maintaining high standards in business ethics and integrity. This is a major driver in combatting corruption.**

All Jotun employees have a common responsibility to conduct business and treat suppliers, customers and other contacts in accordance with our Business Principles and applicable rules. Likewise, we have a common responsibility to communicate this clearly, where relevant, to avoid operating in areas that fall outside the acceptable frames of activity.

Anti-corruption represents an important part of our ethical guidelines. As corruption prevents economic development, undermines free competition and is a contributor to global poverty, Jotun as an international player has a responsibility to contribute to fighting corruption.

Jotun's anti-corruption policy reinforces our Business Principles and embraces our legal and moral obligations. The policy applies to, and is mandatory for, all Jotun entities, affiliated companies and all Jotun employees. It is critical that each Jotun entity works locally to ensure that all employees who can be exposed to corrupt actions are well informed about the specific laws and guidelines applicable and prepared to take the right decisions.

### Business risk

Jotun is located in some parts of the world where corruption represents a challenge and a risk to our business and reputation. We believe that by being active in these areas with ethical, sound values and business conduct, we can make a difference.

Furthermore, Jotun believes that openness, discussion and training are the best ways of eradicating corruption. Therefore, in addition to developing and communicating rules and written guidelines for behaviour, Jotun initiates practical training. Only when our employees have shared best practice and discussed dilemmas openly with peers, can the right and sound attitudes be conducted in the marketplace.

Jotun boosted its anti-corruption work in 2011 by launching a new policy, training material, workshop material and an e-learning module. Jotun employees are thus provided with tools that prepare them to make decisions that are in line with Jotun's expectations.

### Anti-corruption training

In 2011 around 500 leaders undertook extensive training, including e-learning, dilemma training and discussions. In 2012 the programme will be expanded further.

Through our commitment to both Transparency International and UN Global Compact, through practical and specific actions and programmes, Jotun has showed that it takes its responsibility as a global player seriously.



### Transparency International

Jotun supports Transparency International's (TI) fight against corruption and TI's vision.

Transparency International is a global network including more than 90 locally established national chapters. These bodies fight corruption by promoting transparency in elections, in public administration, in procurement and in business.

Politically non-partisan, TI does not undertake investigations of alleged corruption or expose individual cases, but at times will work in coalition with organisations that do.

Jotun is a member of Transparency International.



### In support of whistle blowing

Whistle blowing is the act of calling attention to intolerable circumstances relating to Jotun's activities, by notifying someone who can do something about it.

At Jotun, all employees are invited to contribute to an open discussion about responsible attitudes and actions in a constructive way. Integrity and awareness of Jotun's relevant policies, on part of both

employees and management, is vital to creating a culture in which people dare to raise difficult subjects.

It is Jotun's responsibility to ensure that whistle blowers are well taken care of internally. This means that the person must not be discriminated against directly or indirectly.

# The UN Global Compact

The United Nations (UN) Global Compact, Compact or UNGC, is a UN initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

The Global Compact was first announced by the then UN Secretary-General Kofi Annan and was officially launched at UN Headquarters in New York in July 2000, and is now supported by more than 8 000 businesses spread across 130 countries.

The Global Compact states ten principles in the areas of human rights, labour, the environment and anti-corruption. Under the Global Compact, companies are brought together with UN agencies, labour groups and civil society.



United Nations Global Compact

## Human Rights

## pages

Principle 1	Support and respect the protection of internationally proclaimed human rights	5, 6, 8, 10, 36
Principle 2	Make sure the company is not complicit in human rights abuses	5, 6, 8, 10, 32

## Labour

Principle 3	Uphold the freedom of association and the right to collective bargaining	6, 8
Principle 4	Uphold the elimination of all forms of forced and compulsory labour	6, 8, 31
Principle 5	Abolish child labour	6, 8, 31
Principle 6	Uphold the elimination of discrimination in respect of employment and occupation	6, 8, 31

## Environment

Principle 7	Support a precautionary approach to environmental challenges	5, 13, 16, 22-28
Principle 8	Undertake initiatives to promote greater environmental responsibility	5, 13, 16, 22-28
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	5, 13, 16, 22-28

## Anti-corruption

Principle 10	Work against corruption in all its forms, including extortion and bribery	5, 6, 34, 35
--------------	---	--------------

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

Jotun AS  
P.O. Box 2021  
3202 Sandefjord  
Norway  
[www.jotun.com](http://www.jotun.com)

