



JOTUN

Jotun Protects Property



CORPORATE RESPONSIBILITY REPORT 2012

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OUR BUSINESS

The Jotun Group is a matrix organization divided into seven regions responsible for the sale of Decorative Paints and Performance Coatings (Marine, Protective and Powder Coatings). The company has 36 production facilities in 19 countries, 71 companies in 45 countries and is represented in more than 90 countries around the world.

REGIONS:

- Scandinavia
- West Europe
- East Europe and Central Asia
- Middle East, India and Africa
- South East Asia and Pacific
- North East Asia
- Americas

SEGMENTS

Decorative Paints: Jotun manufactures, sells and distributes interior and exterior paints to consumers and professionals worldwide.

Marine Coatings: Jotun is the world's leading provider of marine coatings to shipowners and managers active in the newbuilding and dry-dock (maintenance) markets.

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

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



GROUP KEY FIGURES

(Figures in USD million from consolidated Group accounts)

	2012	2011	2010
REVENUE			
Operating revenue	1 952	1 902	1 617
Operating revenue outside Norway in %	80	77	75
COMPREHENSIVE INCOME			
Operating profit	194	171	205
Profit before tax expense	181	159	198
Net cash flow from operations	155	54	117
PROFITABILITY			
Return on capital employed, in %	1) 19.5	18.3	29.2
Operating margin, in %	2) 9.9	9.0	12.7
Return on equity, in %	3) 15.8	13.1	19.9
YEAR-END FINANCIAL POSITION			
Total assets	1 670	1 522	1 329
Investments in intangible and fixed assets	106	144	95
Equity (including minority interests)	899	837	801
Equity / assets ratio, in %	53.8	55.0	60.3
Number of employees in Group	6 379	5 884	5 577
Number of employees in Group including 100 per cent in joint ventures and associated companies	8 740	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 % = $\frac{\text{Total comprehensive income for the year}}{\text{Average equity}} \times 100$

MORE IMPORTANT THAN EVER

This year's corporate responsibility (CR) report aims to provide you with an insight into the importance of CR to Jotun, our employees and the wider community. Within these pages we also highlight some of the significant activities and achievements of 2012 and how our CR programme contributes to shape our future financial and non-financial performance.

Every year, the business world becomes more competitive, meaning companies must operate more efficiently and effectively. Within this framework, you may ask whether an organisation has time to worry about CR. At Jotun, we think differently. We believe that it has never been more important to place CR at the heart of the way we run our operations.

As well as simply making the world more colourful, we are proud of the role our quality products play in the world, such as in saving fuel and prolonging the lifetime of what we protect with our coatings. We also recognise that, as a consumer of chemicals used in these coatings, we need to act responsibly towards our employees, end-users and the environment.

GLOBAL COMPACT

As in all of our business dealings, the aim in our CR activities is to seek continuous improvement. We are therefore pleased to review and report the development of CR activities and around the 10 important United Nations Global Compact Principles, including Human Rights compliance and fight against corruption.

CR BASED ON VALUES

Jotun is a successful, global and growing organisation. We rightly have great expectations from our stakeholders and understand the responsibility that this bestows upon us. Our CR programme is



See a short film about Jotun's CR activities, featuring Morten Fon, CEO
<http://e1.no/9crfon>



about acting ethically and responsibly towards all these stakeholders, while making smart business decisions which contribute to a sustainable, growing business. It is about:

- Choosing the right suppliers
- Giving customers what they want in a professional way
- Undertaking initiatives that enhance the health and well-being of employees
- Responsible employment and creating valuable training and development opportunities
- Conducting business while operating in the local community as a good corporate citizen

Our Business Principles and corporate governance tools help us to achieve the behaviour we strive for. On the top of this, the core values that guide our thinking and direction remain the same – Loyalty, Care, Respect and Boldness.

HSE AND JOTUN GREENSTEPS

Over the last 12 months, the four corporate values have helped to further develop Jotun GreenSteps, a core part of our sustainability programme. They have guided us in our important HSE programme and in our product development as we seek out new and innovative products, which perform to customer's demands whilst minimising impact on the environment.

ANTI-CORRUPTION

Jotun has a strong commitment to anti-corruption, and as a CEO, this is of crucial importance for me. Through 2012 the active and structured anti-corruption work has continued in all organisations and we are proud that Jotun is an organisation that works actively against corruption.

PEOPLE AND INTEGRITY

As a manufacturing company, Jotun is a world leader in the production of paints and coatings. However, it is our 9,000 employees that create success or failure. And that success will only come about if our people act with honesty and integrity in all work activities and business dealings. This is why we focus on explaining why CR must be part of all of our actions.

TRUE COMMITMENT

By taking into account the issues and challenges relevant to our own industry and business practice we have been able to align our values with the expectations of stakeholders. At the same time CR helps enhance long-term competitiveness and financial performance.

At Jotun, CR is not an afterthought – it is a part of who we all are.

A handwritten signature in black ink, appearing to read 'Morten Fon'.

Morten Fon,
President & CEO

WHY CORPORATE RESPONSIBILITY?

At Jotun, we conduct business operations with Loyalty, Care, Respect and Boldness in the interests of customers, suppliers, employees, shareholders, the environment and society at large. We recognise and embrace our corporate responsibility vision.

Jotun's own policies and attitudes are based upon the United Nation's (UN's) Human Rights conventions, 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. In addition, as a minimum Jotun abides by and enforces local laws in all locations in which we operate.

DEVELOPMENT OF AND ADHERENCE TO POLICIES

Our CR vision provides a strategic and operational framework that propels the entire organisation. Our commitment is driven from the top of the organisation, downward through to every employee, and guided by the three Jotun principles of openness, transparency and accountability. CR begins through the direction and drive of the Board of Directors of Jotun A/S, the parent of the Jotun Group of companies. Through a continuous and open dialogue, the responsibilities and obligations are communicated.

Our CR activities have been developed over many years through a well-managed framework of CR principles. These are further supported and enhanced through governing bodies, documents and follow-ups at a corporate, regional and segment level. At 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 practices. This ensures that Jotun standards and responsible corporate thinking are developed globally and applied locally.

HSE STANDARDS

Accepting only high HSE standards has always been a core policy at Jotun. Our objective is to safeguard life, health and property, prevent pollution of the environment and other undesirable impacts caused by our activities. All companies within Jotun report on HSE performance based on pre-determined criteria. The results of this reporting are provided to the Board of Directors of Jotun A/S every tertiary, which takes an active role in the analysis and direction of HSE activities.

ACTING RESPONSIBLY IN THE LOCAL COMMUNITY

We take seriously our commitment to the locations in which we operate. We embrace efforts to contribute to the development of the country, creating jobs and ensuring democracy in the workplace. Respect for the right to freedom of association, non-discrimination, elimination of child and forced labour and development of people are also integral to the CR agenda for Jotun, not only because they form a part of UN Human Rights, but because it is a true part of the culture and attitude of the company.

OUR 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

Jotun will continue to uphold strict standards when it comes to anti-corruption, transparency and respectful attitude and trust that each stakeholder abides by these same principles in their dealings with us.

JOTUN PROTECTS PEOPLE

Employees are the lifeblood of our organisation, which is why Jotun tirelessly seeks to improve working conditions for employees. Employee well-being 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.

Jotun's labour policies, standards and strategies are built on the UN Human Rights and the International Labour Organisation (ILO) convention, but also go well beyond these obligations. To ensure that policies and standards are met in each company and region, human resources reviews are undertaken.

PREVENT DISCRIMINATION

Discrimination due to gender, religion or reduced operability is unacceptable in Jotun. Professional recruitment policies ensure equal opportunities in the hiring process. Another important tool is climate surveys. They are held regularly in order to detect harassment or improvement areas of any kind. In addition, we continually work with the development of HR tools to ensure that our important labour policies can be easily implemented and practiced.

EMPLOYMENT STANDARDS

Employment contracts are a given for all employees. Jotun follows the employment regulations of the country, and through this we make sure that human rights relating to employees are followed. These particularly relate to issues concerning:

- child labour
- forced labour

However, over and above human rights standards, we have our own that enable employees to do their job without fear or intimidation and with the appropriate compensation.

EMPLOYEE PARTICIPATION

Employee participation is a basic principle in Jotun and we create arenas to nurture this. This principle is followed by our strong commitment to freedom of association for each and every employee.

HUMAN RESOURCES REVIEWS

Jotun undertakes regular HR reviews at all of its sites around the world. HR professionals from the Jotun network spend some days together with local HR staff going through all tools, formats, templates and procedures to ensure that policies and standards are met. The findings from the review are presented in a meeting with the top management of the company. The way we conduct the reviews secures a two-way interaction and transfer of best practice, which in turn leads to better standards and higher HR competence.



EMPLOYEES BY NUMBERS

	NUMBER OF STAFF	MALE	FEMALE	NATIONALITIES
Jotun total:	8 974	7 330	1 644	75
Scandinavia	1 106	811	295	18
West Europe	690	533	157	24
East Europe and Central Asia	453	362	91	9
Middle East, India and Africa	2 474	2 317	157	49
South East Asia and Pacific	2 227	1 629	598	20
North East Asia	1 877	1 565	312	12
Americas	147	113	34	7

DIVERSITY MAKES JOTUN STRONGER

Without an emphasis on maintaining diversity in gender, culture, religion and age, Jotun would not be the company it is today.

A profound principle in Jotun is to prevent discrimination of any kind, which is also an important aspect of human rights.

Over the years, Jotun has brought people with different backgrounds together in organisations and networks. Such exposure brings different perspectives to our efforts to create world leading paints and coatings products. Connecting people across borders has been the key to securing mutual respect throughout our global business.

We are fully committed to creating a diverse workforce that is capable of successfully serving the markets in which we operate. As well as diversity in race, gender and physical disabilities, we respect personal differences such as culture, lifestyle, age, religion, economic status, sexual orientation, gender identity, marital status and geography.

We work hard to ensure that men and women are treated equally within the company. Jotun is committed to creating a culture of equality, opportunity and diversity amongst our staff, based on the belief that all employees should be treated with equal openness, honesty and respect.

DIVERSE WORKFORCE

Diversity is a result of the way we work and think. A diverse workforce also allows for better engagement with our



GENDER EQUALITY

While Jotun is sensitive to cultural norms in some regions where tradition may discourage women from entering the workforce, the company seeks to be among the first to offer opportunities to women when these traditions change. Over the last five years, Jotun has welcomed five highly skilled women to join Jotun Saudia, working in human resources, office administration and sales.

local markets through customer services, marketing and communications. Diversity creates challenges, but the benefits are clear; it opens up new perspectives, exposes high potential employees and stimulates innovation.

DIVERSITY SUPPORTS GROWTH

Jotun's approach to diversity has been an important element in the company's growth. For example, we now have 27 nationalities working in our operation in

Dubai and this multi-cultural approach has helped to swiftly and successfully grow the business there. When we are setting up new operations, we bring together the best people with the right skills and experience from across the entire Jotun organisation.

BRINGING PEOPLE TOGETHER

A part of Jotun's success is a result of its investment in bringing people together across borders, cultures and functions in formal and informal networks. We believe that through these arenas, corporate culture is fostered, developed and shaped. Group Technical department has operationalized this strategic goal.

See a short film about Jotun's global procedures
<http://e1.no/9crhgm>



The centrally based Group Technical department has overall responsibilities beyond planning and construction of operational sites world wide. It has also set ambitious targets to improve efficiency and is accountable for global procedures, such as HSE audit and assessment tools. A substantial part of the tools, templates and audit areas are based on goals within CR and environmentally sustainable solutions.

BEST PRACTICE

The standardisation of procedures is a result of a best practice approach developed through long experience from operations around the world. This best practice implementation improves efficiency, enhances quality and safety and brings about financial advantages.

REGIONALISATION

Along with the development of the centrally based technical function, regional networks are established with set ups in Malaysia and Dubai, which work to implement corporate objectives locally. The regionalisation programme is a core requirement to support Jotun's ambitions of doubling growth globally by 2020.

Such growth demands significant investments in new and existing sites, which require high technical competence and resources to take the right and responsible decisions close to the market.



Group Technical (GT) provides the operational framework for HSE, operational improvement, supply chain, maintenance and engineering, as well as support functions for Jotun globally. GT is committed to supporting Jotun business by delivering sustainable solutions that enable its organic growth. GT is a multi-skilled partner that helps Jotun achieve synergy and world-class solutions across all of its operations.

CULTURE

Group Technical has placed efforts on culture building throughout the regions. In 2011 and 2012 Technical Conferences were held, with CR being a core part of the agenda. A variety of topics were covered, including how the technical function can be a key player in developing Jotun GreenSteps. In addition, there were sessions dedicated HSE and anti-corruption training.

STRONG TEAMS

To achieve safe and productive growth, Jotun is constantly looking to attract the best people in the industry. The company

is working to support our employees through training and development initiatives. Training takes place at global and regional arenas, providing the opportunity to expose employees to different standards, cultures and attitudes and to share best practice across borders.

Jotun knows that a strong corporate team is vital to create the best results and the necessary standards and procedures. However, the regional networks know best how to implement 'on the ground'. It is this balance of well-trained employees working at this regional level, supported fully by Group Technical that will drive Jotun's future success.

COMPETENCE DEVELOPMENT

Jotun's success rests on our ability to attract, develop and retain good people – from our current and future leaders to our frontline employees.

We have spent many years refining our extensive development programmes to ensure that staff members receive the necessary training to do their job and continue to gain further development opportunities.

Jotun's Competence Board is important in developing new initiatives. It has been integral to maintaining our international expansion momentum. When we move in and invest, we are employing local talent whenever possible as this is the best way to think long-term. Locals know the people and culture, then benefit from tried and tested procedures from other Jotun sites, spawning a culture of best practice.

ON THE JOB TRAINING

Competent employees increase performance, productivity, and personal job satisfaction. Through on the job training – the greatest contributor to competence in any company – and collaboration with colleagues, we help employees reach their potential.

THREE COMPETENCE INITIATIVES

In addition to on the job training, competence development is carried out through:

- Jotun Academy – providing employees with learning programmes
- Jotun Learning Gateway – having over 90 courses available through an e-learning portal for every Jotun employee



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, marketing, sales, purchasing, R&D, operations, logistics, technical sales support, management, alongside some stand-alone modules. In 2012, Jotun ran approximately 200 training programmes around the world, for over 2 450 employees. These programmes were undertaken using 320 internal and 20 external trainers.

Competence development programmes are possibly the most important tool we have to create the "Penguin Spirit" within our organisation, where our 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 lead to greater career opportunities.

- Local trainee programmes, including the "Yes Programme" in China and a programme for young recruits in the Middle East
- External training provided through leading universities

Through the above initiatives, Jotun can internally offer a wide range of life-long

learning programmes. We establish a culture whereby employees value long-term learning that makes it possible for them to grow and maintain their enthusiasm for developing themselves and Jotun. This is one of the key reasons the company has sustained a low global staff turnover level.

HSE IN JOTUN

Everything we do at Jotun begins with our commitment to health, safety and environment (HSE). We are dedicated to ensuring the well-being of our employees and the environment.

In order to continually improve our performance, we are constantly analysing every aspect of our HSE initiatives. Training activities are a great part of these efforts and in 2012 we increased further our training programmes, including expanded web-based opportunities.

Our successful supplier audits have also been further developed, ensuring our HSE standards are replicated down the supply chain.

When it comes to the environment, for the fourth year running we have undertaken a Carbon Footprint Report. This provides us with information on our total CO₂ emissions, as well as helping us to set future goals.

In addition to emphasising the importance of HSE to all employees around the world, HSE is always on the agenda and ongoing HSE performance is discussed at all management meetings throughout the year.

A SYSTEMATIC PROGRAMME

All Jotun's activities shall be carried out in accordance with local laws and regulations, and the Jotun HSE standard. Jotun HSE standards are primarily based on European legislation. If national legislation is less stringent than Jotun HSE standard, Jotun HSE standard shall apply. In addition all producing companies shall be certified according to ISO 14001 and OHSAS 18001.



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

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 and environment. The purpose of the HSE accounts is to monitor the performance of the Group and to provide information both internally and externally about the effects on people and the environment.

HSE reporting from all producing companies and the audit results are the backbone of our commitment to continually improve our HSE level. Based on the analyses of the last years performance, HSE objectives and target areas to reduce risk for serious incidents have been defined. This forms the basis for the Group's systematic HSE programme, and is the foundation for Jotun's long-term competitive strength.

ASSESSING OUR HSE PERFORMANCE

We recognise that audits are an important and useful tool in monitoring and improving health, safety and environment (HSE) standards in our operations. 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 audits, Group HSE creates a foundation for common learning and improvements.

The attitude of employees towards HSE is continuously improving and audits are an important tool helping to raise the bar. Based on analysis of the audits, we can target training activities set up to address specific issues.

In 2012, the Group HSE department carried out fifteen internal audits. The results of the audits are presented to Jotun's Group Management and Board of Directors three times a year.

MAIN FEATURES OF THE AUDITS

From the internal audits carried out in 2012 it was identified that some sites need to increase their focus on HSE to improve their standards. However, it is important to emphasise that the majority of sites have an acceptable HSE level.

Issues such as order and tidiness and safety walks have improved significantly. We also see that the Group's HSE objectives in relation to action plans and specific management requirements introduced in 2011 are now in place in most of our factories. However, the audits have revealed that Jotun still faces challenges linked to storing and labelling of hazardous raw materials, waste handling and control, and testing of fire fighting systems.

A NEW RATING SYSTEM

A colour score rating system was introduced in 2012. In connection with the

audit, the factories will be rated green, yellow or red based on certain criteria – mainly the number of non-conformances identified. The "red" factories will have a new audit within six to 12 months. In addition to being a simple way to communicate the HSE level, we believe that the colour rating system will increase the HSE focus and contribute to both sound competition between the factories and improved use of best practice.

After the colour score system was introduced, five factories undertook a new audit as they were rated "red" in the previous audit.

The results from the re-visits and the new audit have shown that necessary actions were taken and that the HSE level improved.

Audits carried out to verify that our factories comply with ISO 14001 and OHSAS 18001 were carried out by Jotun's third-party auditor. In addition, internal audits and safety walks are in place in all our factories.

TOOLS FOR IMPROVEMENT

Internal audits are an important tool used by Jotun in its HSE activities. Regular audits and every aspect of health, safety and environment are properly taken into account.

The Board of Directors of Jotun A/S has resolved to implement regular internal



THE PURPOSE OF HSE AUDITS

The audits are used as a method to:

- Reduce undesirable risk
- Improve the level of HSE
- Maintain and promote sound ethical attitudes
- Maintain the attention on Jotun's corporate culture
- Report weaknesses and non-achievement against Jotun's required level

audits of factories and warehouses. This will ensure Jotun's own requirements for a systematic review of routines, systems and production processes are met.

The internal audits are also used to provide a systematic, documented, objective assessment for Jotun factories planned for the future.

Internal audits are carried out by personnel who are sufficiently independent so as 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.

Audits include discussions with personnel, inspection of the production sites' indoor and outdoor areas, inspection of operating conditions and equipment, review of journals, written procedures and other relevant documentation.

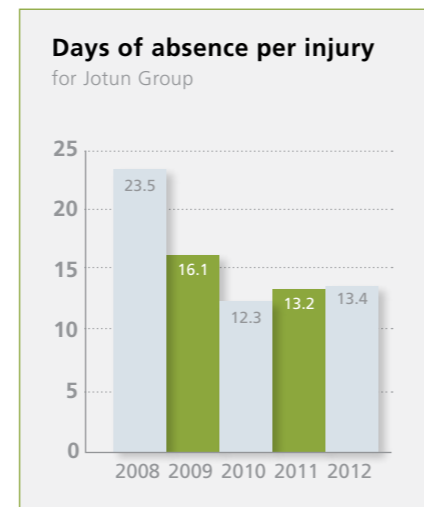
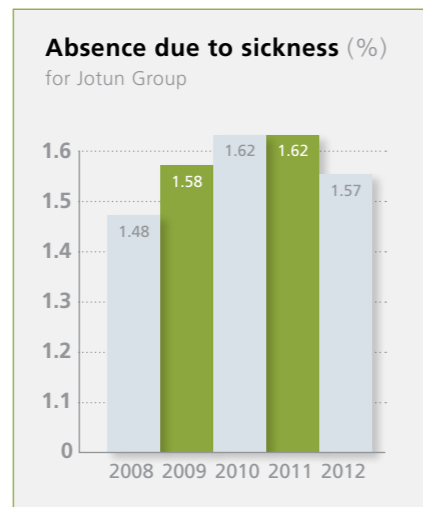
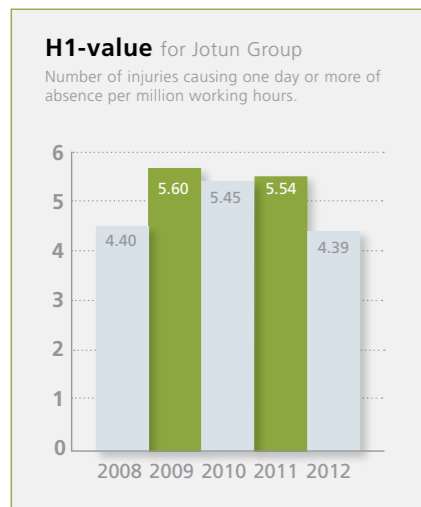
See a short film about Jotun's safety walks

<http://e1.no/9crsfwk>



PROVIDING A SAFE WORKPLACE

We strive to ensure that every Jotun employee has the right to a healthy and safe working environment. We have implemented strict occupational health and safety measures in order to reduce the risk of accidents in all of our workplaces.



We work continuously to identify and evaluate risk and provide recommendations and resources to mitigate those risks.

FOCUS AREAS

In 2012, our focus areas for reducing the risk of injuries and fatal accidents were:

- Reducing the risk for falling objects – especially in warehouses and raw material handling environments
- “Work at height” – special focus in shipyards, warehouses and when doing maintenance work
- Racking – improving equipment and working processes when loading and unloading racks
- Proper use of personal protective equipment when handling corrosive chemicals

TRAINING

Increasing HSE training is one of Jotun’s main objectives because it contributes to a positive culture, where safe and healthy working becomes second nature to all employees. One of the company’s goals is for employees to receive eight hours of training per year. This year, the average amount of training hours for each employee was 9.4. This represents an increase of four hours per employee over a five-year period.

One important preventative measure we have is training in using proper, protective equipment when handling hazardous chemicals. 2 250 employees received training in preventive measures in 2012 compared to 2 150 employees in 2011.

In 2012, the Logistic Academy Module (LAM) was offered at Jotun Academy. The module is aimed at logistics and warehouse personnel, with HSE featuring as an important part of the curriculum.

Jotun also conducts health surveys, ergonomic surveys and provides systematic first aid training. In 2012, 1 280 employees attended first aid training courses. A total of 920 working days were spent on this training, marking a decrease on the 1 200 days in 2011. However, medical training hours given per employee increased from 4.8 hours in 2011 to 5.7 hours in 2012.

ABSENCE THROUGH ILLNESS

Absence due to illness for the Jotun Group in 2012 was 1.6 per cent, the same level as for 2011. In 2012, a total of 27 036 days of



HOW DO WE LEARN FROM INCIDENTS AND ACCIDENTS?

All producing companies report non-conformances in defined categories to Group HSE department. Based on analyses of the non-conformances from the previous year, the main focus areas to reduce risk in 2012 were:

Accidental release – spill

- Internal transportation
- External transportation

Injuries and fatal accidents

- “Work at height” – special focus in shipyards, warehouses and maintenance
- Reduce risk for “falling objects” – special focus on warehouses and raw material handling
- Proper use of personal protective equipment (PPE) when handling corrosive chemicals

Fire

- A continued focus regarding earthing and fire risk related to solvent-based production
- Safe working procedure – “Hot work”
- Electrical installations – Carry out a survey on all factories

absence through illness were recorded, as compared to 28 521 days in 2011.

The equivalent figures for Norway are included in the total figures above. In 2012, the level of absence through illness in Jotun A/S was 4.1 per cent, compared to 4.5 per cent in 2011.

Jotun has identified strain as one important focus area to reduce long-term sick leave in the factories. We will do this by improving the use of existing lifting equipment and introducing further units.

OCCUPATIONAL INJURIES

In 2012, there were 856 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 a slight decrease from 2011. The H1-value for Jotun Group for 2012 was 4.4, which is a good improvement compared to 2011 with a H1-value of 5.5. This puts us on track to reach our benchmark for 2013. The H1-value for Jotun A/S in Norway was 3.5 for 2012, which is an improvement from 4.3 in 2011.

Over a five year period, we have managed to make a good improvement in the number of days of absence per injury.

DEATHS

There was one tragic accident in Belarus that caused a death in 2012. A coating advisor – Technical Service – was carrying out an inspection of the ceiling in a tank when the scaffolding he was walking on collapsed.

SAFETY AND PREPAREDNESS

It is the inherent right of all employees to have a safe and secure working environment. It is Jotun's responsibility to make this happen.

Jotun ensures that safety training and education is undertaken by all staff. Our use of active non-conformance reporting enables us to carry out specific training related to our highest risk areas.

NON-CONFORMANCE REPORTING

Any conditions which do or could result in damage to the environment or personal injury are treated as non-conformities. These conditions must be rectified in order to prevent any recurrence. This applies to incidents involving fires, early stage of a fire, injuries and accidental pollution of the environment. These incidents are carefully analysed, after which we then develop and target training and special programmes to address these issues.

SITE SECURITY AND TRAINING

Due to the nature of raw materials used, security is a vital element for the entire chemical industry. Companies such as Jotun need to be prepared for any manner of threats and incidents, including intoxicants, organised crime, violence in the workplace and even terrorism. To manage these and other security risks Jotun continually evaluates the measures that need to be taken at any given time. In addition to this, crisis management plans are in place for all of our factories worldwide.

In 2012, 10 280 hours of preparedness training were carried out, as compared



to 10 300 hours in 2011. On average this represent 5.1 hours of training for each of the 2 035 rescue personnel in the organisation.

SPECIFIC INCIDENTS IN 2012

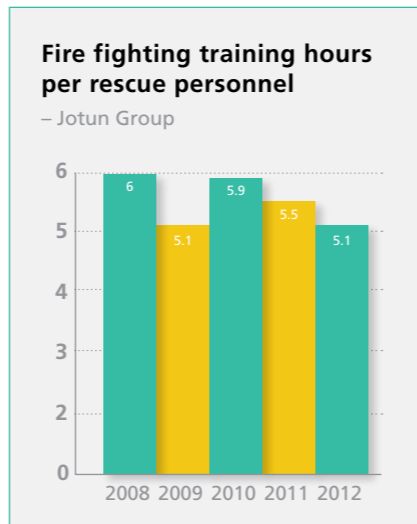
There were no serious fires reported during the year at Jotun sites which had a potential to cause injuries or major damage to property. However, there were some initial stage of fires, mainly related to electrical equipment and hot work.

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

FIRE PREVENTION MEASURES

Jotun is actively analysing and refining its activities relating to fire prevention measures. These include providing employees with training, fire-resistant facilities and personal protective equipment.

We ensure that we have the correct fire detection systems and firefighting equipment at our sites in order to prevent or limiting the scope of a fire. Our fire detection and firefighting systems are activated automatically. Foam-based extinguishing equipment is normally used at factories and warehouses handling solvent-based products.



SAFE USE OF RAW MATERIALS

We ensure that all chemicals and materials in our production process at all sites are handled in a safe manner.

Raw materials in production fall into five specific groups, though each is interdependent. The key elements of Jotun paints and powder coatings, and how they work together, are detailed below.

SAFE PRODUCTION

To create a safe working environment, we are striving towards more closed processes and storage tanks, better utilization of raw materials and reduced use of hazardous raw materials. Some operations are still open and undertaken manually in the production, such as cleaning and some of



the filling and weighing operations. When we have open handling of chemicals and powders, extractors are installed to reduce possible exposure. In addition to proper working clothes, the operators need to

use gas masks and gloves when handling organic solvents, dust masks and gloves when handling powders, and face shields, aprons and gloves when handling corrosive chemicals.

SOLVENTS

Solvents are only used in paint and not in powder coatings. Solvents are the liquids that carry the solid components e.g. pigments 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 water-borne paints and solvent-based paints using organic solvents like mineral spirit.

BINDER

The binder or resin 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.

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 to the paint, and protect the binders and substrate from UV degradation. Pigments are normally added in small amounts.

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. The

extender is used to give the paint body, reduce gloss and to achieve certain properties. In powder coatings it is important that the extender is heat resistant.

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, ensure good flow and levelling. Additives are normally used in small amounts.

See a short animation on paint and powder coatings production
<http://e1.no/9pntpwd>



THE SUBSTITUTION CHALLENGE

Jotun is continually looking at ways of improving the environmental performance of its paints and coatings. One area of particular focus has been the substitution of more harmful raw materials for those that are more environmentally friendly.

For many years, Jotun has constantly reviewed the raw materials it uses in its products. This is due to changes in environmental legislation, but also due to Jotun's own decisions that certain raw materials should no longer be used.

Over the past decade, Jotun has developed healthier, more environmentally friendly paints and coatings. The phasing out of coal tar in 2009 is one example, but we have also phased out alkyl phenol polyethoxylates (APEOs), reduced formaldehyde content, introduced less harmful biocides, and our interior floor products are N-Methylpyrrolidone-free (NMP-free).

WATER-BORNE COATINGS

One of the areas in which Jotun has been particularly active is the development of more water-borne paints. In water-borne paints, biocide preservatives prevent microbial growth both in-can and on the surface in service. Biocides are strictly regulated, and from 2012 all biocides known to have an impact on rot decay need to be approved. This year, five Jotun products have been thoroughly tested and approved, as part of the Biocidal Product Directive. Other products will be tested in the coming years.

There is no doubt, though, that water-borne paints represent a better sustainable product than solvent-borne paints. Compared to organic solvents water is:



- Healthier – much lower level of volatile organic compounds (VOCs) is better for the users including improved working environment when producing paint
- Environmentally friendly - lower VOC-emissions means less formation of ground-level ozone (negative effect on vegetation).
- Safe - less flammable

During the development of new water-borne formulations, Jotun's chemists work to find the most healthy and environmentally friendly combination of materials that provide protection for the product during production and storage.

“Sens”, for example, is an interior paint product that has a combination of preservatives and raw materials so allergy sufferers can use interior paint without odours or risk of discomfort. “Sens” has long been the only product approved by the Norwegian Asthma and Allergy Association. In 2012, Jotun further improved the biocides combination in “Sens”, so even the most sensitive users can avoid any negative reaction.

FILM PROTECTORS

Jotun's chemists are also working to develop improved film protection for exterior products. A paint film is exposed to moisture, dust and contamination, providing a breeding ground for fungus and algae. We add film preservative substances to protect the paint from unwanted growth. However, we must be

WHY DOES JOTUN HAVE A CHEMICAL POLICY?

There are different legislations around the world that regulate the use of chemicals. Jotun complies with these regulations and in addition, we put restrictions on some chemicals ourselves. These restrictions are reflected in our chemical policy. In doing so we are taking a responsible approach by restricting the use of hazardous chemicals that may represent an unacceptable risk to our employees, customers, third-parties and the environment. This is a continuous process as new information on hazardous properties of existing and new raw materials is emerging. Jotun's chemical policy is based upon recommendations from our own competent toxicologist, and is approved by Jotun Group Management.

especially careful that the biocides we use are not hazardous to the environment and have low-leakage properties. They need to be safe both for employees who make the paint in the factory and the applicators, both consumers and professionals.

Jotun has a strict attitude to the use of biocides, and we will phase out the substances that have an unnecessarily high risk. This is our policy even where this creates a more challenging competitive situation, for example in climates where it is difficult to control the growth of fungi and algae. Unfortunately the most dangerous biocides are often the most effective and affordable, but Jotun has overcome this challenge by offering high quality products with new formulations.

Even though paints are becoming safer, issues still remain. Jotun puts a great deal of effort into describing safe use of chemicals, both in our factories and towards customers using Jotun products. Using advanced software, our Group Product Safety department in Norway creates safety data sheets for 46 countries in 35 languages.

REGULATIONS FOR SAFETY

The REACH and LEED regulations require that information on the safe use of hazardous materials is provided in an exposure scenario and communicated down the supply chain. As well as using comprehensive data sheets, Group Product Safety department has consolidated

THE SUBSTITUTION PRINCIPLE

The substitution principle is an international principle stating that you should choose the least hazardous chemical if the technical and economical consequences are not unacceptable. When we develop a new product we need to document that we have looked into possible alternatives and acted according to this principle. This principle works in parallel with our chemical policy.

this complex information from our raw material suppliers into one-page data sheets. We believe this is a great advantage for the customer.

The implementation of the Globally Harmonised System (GHS) for labelling, which Jotun is adopting, should further improve safety. With GHS, labelling will be more uniform, improving understanding of potential hazards. At present, the EU (including Norway), China, Brazil, Korea, Singapore and South Africa are implementing GHS. In Jotun China the implementation is complete.

Jotun will continue the work to phase out harmful chemicals and substitute them with safer materials that also improve the performance of our paints and coatings. We will also ensure that information on our products is clear, concise and easy to understand.

FOR A GREENER WORLD

Jotun recognizes the responsibility it has to the environment. In response to this, in 2011 Jotun launched, GreenSteps, a platform to improve its environmental performance using a framework that also helps promote Jotun's corporate profile as an environmentally responsible company.



During 2012, Jotun further strengthened its environmental efforts through a series of initiatives that directly complement its five-step programme. The company is coordinating these efforts to support a more sustainable environment, under the banner Jotun GreenSteps.

Our five main focus areas are: Reduction of solvents/VOC emissions, reduction/substitution of hazardous materials, reduction of energy consumption, reduction of carbon footprint and reduction of waste.

As a responsible company Jotun has worked with these issues for many years. However, this programme is the result of a recognition that the company required a more structured approach, that better positions the company in a changing market.

Here we detail the five areas of focus covered by Jotun GreenSteps, as well as examples of initiatives that have been undertaken which exemplify the environmental approach that we are taking.



REDUCING VOC EMISSIONS

VOCs (volatile organic substances) are traditionally used as solvents in paint products. However, We are 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.


Today we offer products with low VOC content in all product categories. In 2012, all segments have reduced the amount of solvents per litre coating delivered constantly and will continue these efforts in the coming years.



REDUCING WASTE

At Jotun, 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.


Along with concentrating on internal processes, we aim to reduce waste for our customers, bringing out new products that result in less impact on the environment. In 2012, Jotun launched Jotamastic Smart Packs. These smaller container sizes, tailored for the smaller maintenance jobs on ships, reduce paint consumption by up to 50 per cent, and thereby waste.



REDUCING ENERGY CONSUMPTION

Saving energy wherever we can makes both economic sense and is a direct method of reducing our carbon footprint. Each new facility that we build is more efficient than previous ones, meaning energy consumption in relation to production volume is reducing. From the use of solar panels and sky tunnels, to sensors that switch off lights and air conditioning in rooms that are not in use, Jotun is constantly analysing ways to reduce energy consumption.

Energy savings are not confined to our operations. We choose raw materials and develop products that can save energy for our customers and end users, such as coatings which reduce maintenance, and anti-fouling which improve vessel fuel consumption and efficiency.




REDUCING HAZARDOUS MATERIAL

Jotun is actively working internally, with industry peers and raw material suppliers to reduce the concentration and quantity of hazardous substances in paints and coatings. This is undertaken as a result of ongoing legislation – including the EU and EEA REACH initiative - as well as Jotun's own desire to reduce and replace the number and quantity of hazardous substances.

In addition to the list of substances phased out over the years, we have already stopped using coal tars and reduced the amount of Alkylphenol Ethoxylate (APEO) and formaldehyde in our paints and coatings. We have taken steps to remove lead chromates from our coatings so that we can meet legislation demands by 2014.

While raw materials must not reduce a product's overall safety, health and environmental properties, Jotun always ensures that high product quality and reliability standards continue to be met.



REDUCING CARBON FOOTPRINT

The carbon footprint is a measurement of all greenhouse gases we individually produce and has units of tons (or kg) of carbon dioxide equivalent. It is a measure of the impact our activities – including the burning of fossil fuels for electricity, heating and transportation – have on the environment, and in particular climate change.

Electricity consumption accounts for some 70 per cent of our CO₂ output, so this is a particular area of focus for Jotun.

Jotun is working to reduce the carbon footprint throughout the value chain, through our own operations and in the products used by our customers.

CO₂-reducing solutions for end-users is also an area of continuous development. Among other products, such as the next generation Sens in Scandinavia, Majestic Airmaster in China, Majestic Eco-Health in Asia, Reveal Smooth was launched. Reveal Smooth is the company's latest eco-friendly premium MDF powder coatings solution, being a low temperature cure product. Reveal Smooth will help the industry to significantly decrease its eco and carbon footprint when compared to alternative technologies.

For a more colourful world, we're taking steps to be a little greener



See a short film on the Jotun GreenSteps environmental programme
<http://e1.no/9cgrst>



OUR CARBON FOOTPRINT

The management and output of CO₂ is one of the most important measures that companies today can take in order to improve their environmental performance. Jotun is no different in this respect.

Since 2009 we have produced an annual Carbon Footprint Report to provide Jotun with a global overview of our total emissions of CO₂-equivalents.

Each year the report contains detailed information on our global carbon footprint, with carbon indicators covering the 36 production facilities, as well as our corporate unit in Norway.

The report gives a measure of both how we are performing and the opportunity to see where we are able to make further improvements.

The results show that the global emissions for Jotun for 2012 were 77,500 tonnes of CO₂ equivalents, which is a slight increase from 2011. The main reason for this rise is due to our increased activity.

Purchased electricity is by far the largest creator of our CO₂ emissions, with around 75 per cent of our emissions being the result of electricity use. We are working hard to reduce our consumption at all of our sites around the world.

Evaluating electricity consumption has been a major part of Jotun's HSE training this year. Actions we are taking to reduce consumption of electricity include tasks such as switching off lights and air conditioning and changing production practices.

Actions taken to reduce energy include:

- Changing the Thailand factory compressors to new and much more efficient units – as it is more energy efficient than operating one large compressor at very low capacity.
- Eco-friendly and energy efficient daylight skylights

The initiatives that Jotun is undertaking around the world are making a positive contribution to the company's reduction of purchased electricity. Jotun's upgrading of production facilities and the opening of new, more efficient factories – such as that in Sandefjord in Norway – are resulting in a substantial reduction in our CO₂ footprint.

By initiating reductions both large and small, the company believes it can meet its stated aim to ensure an ongoing reduction of three per cent of purchased electricity per tonnes produced per year.

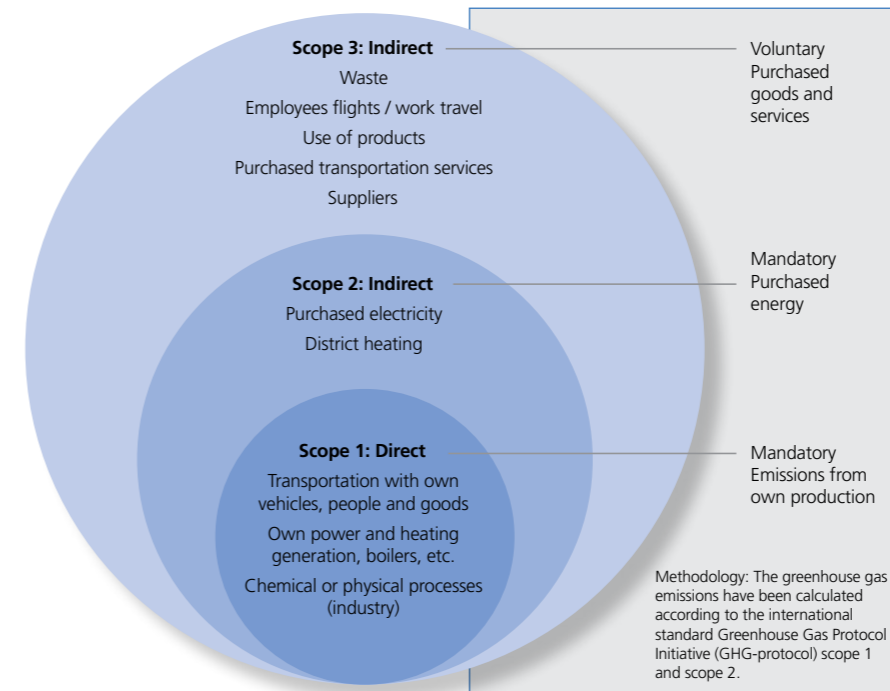
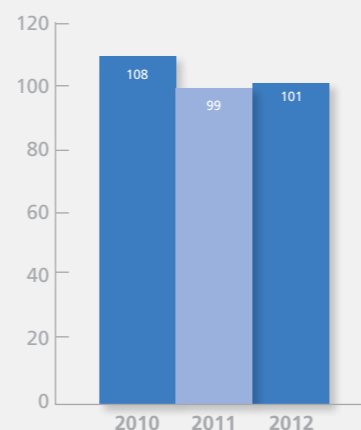
As well as analysing these details through the Carbon Footprint Report, senior management on-site at all facilities are responsible for making and acting upon action plans that assist in CO₂ reduction.

MEASURES

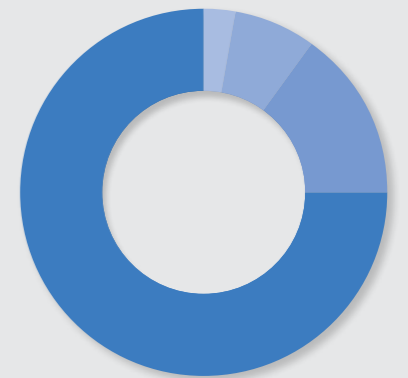
- With purchased electricity being the main source of Jotun's CO₂ footprint, a corporate HSE objective for the years 2011-2013 is to reduce the use of purchased electricity by three per cent per tonnes produced per year. This is followed up three times a year as a part of Group HSE reporting.
- Follow-up of all objectives through planned actions is a natural part of the Group HSE audits.
- The issue of CO₂ footprint and consumption of electricity is a part of our Jotun GreenSteps programme.

EMISSIONS PER PRODUCED TONNE

(kg CO₂e/tonne)



EMISSIONS BY SOURCE



- 3% Chemical process emissions
- 7% Energy generation
- 15% Internal transportation
- 75% Electricity



HARNESSING NATURAL LIGHT

To reduce energy consumption in Jotun's network of warehouses in the Middle East, Jotun has invested in tubular skylights to take advantage of the light from the sun. Sky Tunnels are metallic, 475 mm diameter tubes that fit into a hole in the roof of the warehouse. The tube is capped with

a transparent acrylic watertight dome that diffuses light. The reflective surface on the interior of the tube collects and concentrates sunlight. The light shines down with the equivalent illumination of a fluorescent tube during daylight hours. In addition to cutting energy costs, tubular

skylights dramatically reduce costs related to the purchase and disposal of fluorescent tubes and create cooler rooms. While not appropriate for every region, plans are underway to expand the programme to other warehouses across Jotun's global network.

REDUCING OUR ENVIRONMENTAL IMPACT

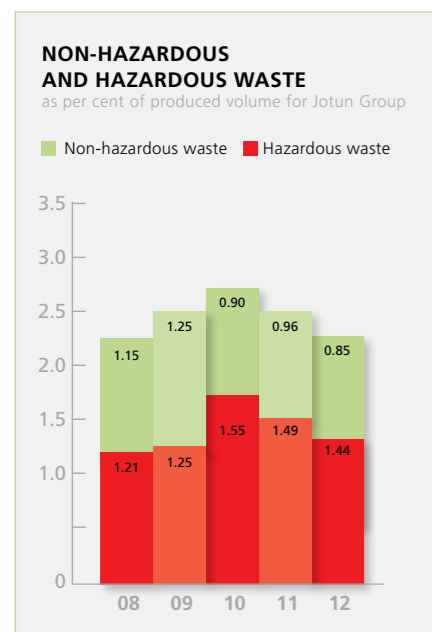
By improving efficiency, Jotun has been able to increase production volume, while reducing our impact on the environment. Now we are introducing measures to become even more efficient and further reduce waste and energy use.

Jotun is committed to reducing the amount of waste we generate and to recycle without a risk to health, safety and environment. When we have to dispose of waste, it is preferable that this waste is used to produce energy.

All of Jotun's environmental activities are guided by the company's Jotun GreenSteps programme, a five-point initiative that drives sustainability efforts both within the organisation and through its products and solutions for customers.

WASTE

The total waste volume (hazardous and non-hazardous waste) from Jotun's facto-



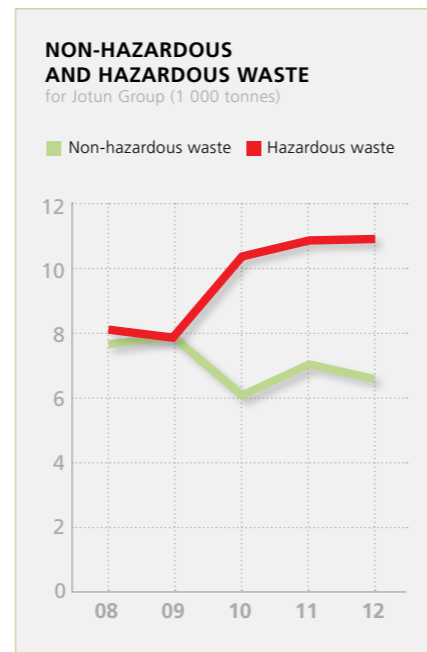
ries amounted to 18,000 tonnes in 2012. This was 2.4 per cent of the production volume, which is a reduction from 2011. Jotun aims to reduce the total amount of waste from 2.5 per cent to 2.3 per cent of the production volume between 2011-2013.

HAZARDOUS WASTE

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

11,000 tonnes of hazardous waste were generated at Jotun factories in 2012, equating to 1.5 per cent of production volume, which is the same level as last year. Jotun's production waste mainly consists of packaging, such as cardboard, paper, plastic and metal. Jotun's activities are covered by national return schemes, which are becoming more common around the world.

Production planning is an important part of reducing waste. Through the production of greater series, the washing of production facilities and generation of waste can be reduced to a minimum.



During the last years we have increased focus on waste system to ensure proper separation of hazardous and non-hazardous waste at the factories worldwide.

CONTAMINATED SITES

Some of our plants are located on brown-field sites, or have been located at the same premises for a long period of time. New rules and regulations have also resulted in changes as to which chemical substances are allowed and how to treat them.

Surveys have been conducted at a number of plants, and initiatives have been implemented at some sites. We are particularly

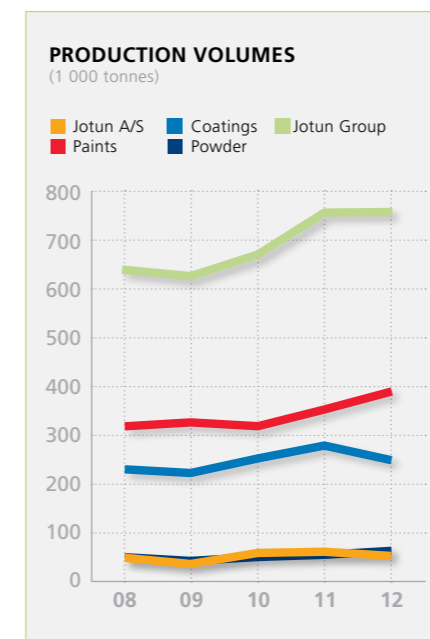


VINDAL IMPROVES OUR ENVIRONMENTAL PERFORMANCE

Opened in March 2012, Jotun's new factory in Sandefjord, Norway, is setting new standards in environmental performance. By taking advantage of the latest developments in technology, design and logistics, the Vindal-sited factory is making a significant contribution to our carbon footprint reduction. Initiatives in place and benefits include:

- An anticipated reduction of 80 per cent in CO₂ emissions from internal transportation activities
- Projections show a forecasted reduction in energy consumption of 50 per cent
- New production methods, which enable a reduction in the use of solvents and the use of less hazardous chemicals
- A reduction in waste output due to the application of new technologies
- The cleaning and recycling of waste instead of disposal, as had been the case previously

aware of such conditions in connection with purchase and sale of sites. However, before purchasing of property for industrial activity, investigations are undertaken to identify any potential sources of environmental risks and to clarify whether any measures for avoiding pollution are necessary. External specialists carry out these assessments.



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 air from Jotun's factories are mainly linked to the production of solvent-based paints. These emissions consist of solvents, as well as a marginal amount of dust. The emissions of dust is reduced by dust filters to a level below 10 mg suspended solids per cubic meter which is Jotun Standard.

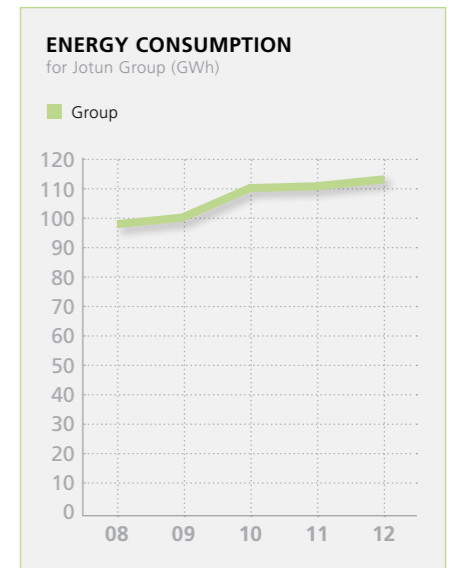
DISCHARGE TO WATER

The cleaning of production equipment is the main reason for discharge from production. In 2012, Jotun's factories generated 60,000 tonnes of washing and process water, compared to 70,700 in 2011. This waste water was either treated in separate plants or delivered to an approved waste contractor. There was no accidental release of any substance with a significant impact on the environment 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 2012, Jotun Group consumed 116 GWh, up from 111 GWh in 2011 for the production sites worldwide.

In 2011, the volume of oil used on-site for creating energy was 1,800 cubic meters, compared to 1,500 cubic meters in 2011. Most of this oil is used for heating and producing binders in Norway.



Purchased electricity contributes to around 75 per cent of our carbon footprint. Jotun Group aims to reduce consumption of purchased electricity – our main energy source – by three per cent of production, annually.

MARKET-DRIVEN DEVELOPMENT

There is an obligation nowadays on all companies to be more environmentally aware. Jotun, through its Jotun GreenSteps initiative, has developed a comprehensive programme that addresses market demand for more sustainable coating solutions.

Jotun continually develops products and solutions that meet our customers' expectations, environmental imperatives and financial demands. Our programmes ensure that all three of these criteria are at the forefront of our thinking as we bring new products to market.

As a manufacturer of coating solutions, our greatest contribution to the environment and society is in protecting property against decay and corrosion. We expend significant resources in developing product ranges for our customers that both meet and exceed legal requirements. However, more than this, we also want to ensure that there are measurable benefits to our customers of these new alternatives.

In the past, regulation has driven much of what we do. Now customers are driving this demand more than ever, and some customers specify clearly what they want. Jotun's product developments are taking place within the framework of more environmentally friendly products in line with customer needs, in cooperation with raw material suppliers, to develop greener alternatives.

IMPROVED PERFORMANCE

Jotun's products create long lasting protection, which improves environmental performance. But more than this, we also develop products that improve our customers' performance, through such solutions as maintenance reduction or

reduced fuel usage. While the environmental performance of our products drives their development, the total cost of ownership is also a significant driver for our customers. No longer is the basic product cost the defining factor – it is how much the coating saves the protected object over its lifetime.

HULL PERFORMANCE SOLUTIONS (HPS)

Our Hull Performance Solutions concept is an ideal example of how a new solution is both environmentally friendly and creates financial advantage. Shipbuilders around the world now see that HPS – through its premium antifouling (SeaQuantum X200), priority technical service and reliable measuring tools - can play a very significant role in further reducing fuel costs and greenhouse gas emissions.

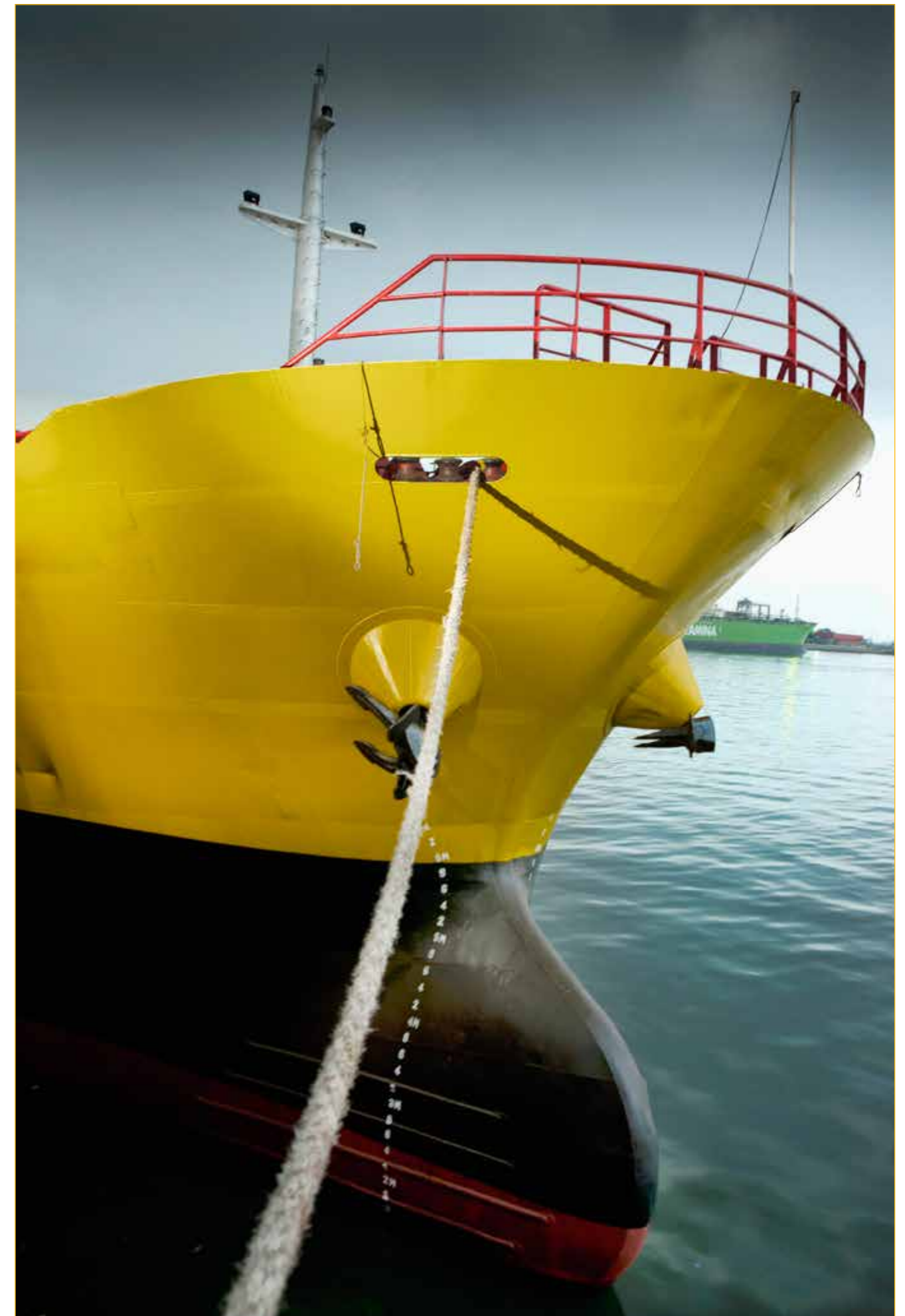
In 2012, Jotun's Hull Performance Solution was nominated for the Thor Heyerdahl Award for reducing the industry's contributions to greenhouse gases. Jotun was the first ever paint supplier to be nominated. The prize recognizes candidates in the shipping industry that have made an outstanding contribution to the environment.

TiO₂ AND WASTE

During 2012, we worked hard to reduce the amount of titanium dioxide in our products. Titanium dioxide uses large amounts of energy to produce and is very

expensive. By reducing this raw material in our products we are able to produce coatings that are more environmentally friendly – the ultimate goal of all of our development work.

Other initiatives include the development of smart pack solutions that reduce waste. By offering customers different sizes of paint cans, there is less waste at the end of its use, saving money and improving the user's environmental performance.



CARING FOR THE CUSTOMER

Jotun shall conduct business operations in accordance with sound values and business principles in the interest of customers, employees, owners, the environment and society at large. How does this aim specifically result in our customers receiving the level of service that we demand and that they expect?

See a short film about Jotun's customer care in Saudi Arabia
<http://e1.no/9crsau>



The customer is a vital stakeholder. For this reason we carry out a number of actions and activities to ensure that we make a real difference for the customer. Jotun does its utmost to protect and support customers every day. We do this by building long-term relationships with customers through creating loyalty, developing trust and ensuring quality.

Continual innovation is also key to the development of new products in partnership with our customers – and we offer green, high quality solutions in all major product categories.

CUSTOMER COMPETENCE

We pride ourselves on our highly skilled customer service functions and Jotun constantly seeks to further build competence through our new Customer Service Academy. We recognize the relationship between customer understanding and market success and will do all we can to further this bond. We have taken it even further through our Technical Service team - Team No.1 - offering the highest standards of service among paint producers, ensuring we create a safe environment in which our customers and applicators can use our products.

Jotun also makes a difference as a supplier for the dealers in the Decorative Paints segment, offering them service and help to build up their one-brand Jotun shops. Jotun makes the day-to-day business easy



and efficient for our dealers through the use of high quality, advanced Multicolor machines and software.

ANTI-CORRUPTION

A fundamental part of Jotun's ethical conduct is our anti-corruption attitude and proactive activities. Both customers and suppliers prefer a market with fair competition, and as a global player, Jotun wants to contribute to a "clean playing field".

As important are our anti-trust principles. Our customers need to know that Jotun does not involve itself in cartels,

or in improper dialogues with other suppliers, which could destroy free-market competition.

CUSTOMERS FIRST

Since we began our business almost a century ago, Jotun has always put the needs of our customers first. Through our long-term experience we understand the differing needs for different customers around the world. We continue to show every day that the customers can trust and count on Jotun as a long-term business partner.

RESPONSIBLE SOURCING

Jotun is committed to being a reliable and long-term business partner and we aim to reach high ethical standards in the whole value chain. We are therefore working with our suppliers to ensure they meet the benchmarks outlined in the United Nations (UN) Global Compact, including UN Human Rights and Anti-corruption standards.

Doing business with companies that reflect our own values is an effective way to make a positive impact on local communities and improve our carbon footprint. We have a range of tools in place to help ensure that the companies we work with act responsibly.

UN GLOBAL COMPACT

To simplify the process for both Jotun and its suppliers, Jotun has adopted the UN Global Compact as the standard to which we expect our suppliers to adhere.

The Global Compact encourages businesses worldwide to adopt environmentally sustainable and socially responsible policies - and to report on their progress. Like more than 10,000 businesses in 145 countries, many of our suppliers already refer to the Global Compact. This makes it easier for Jotun also to apply our own business principles and standards.

AUDIT PROGRAMME

Our supplier audit programme, which has been in place since 2009, is a robust tool to ensure that companies meet our CR principles. All new suppliers are subject to audits – carried out by either Jotun employees or third parties – which mainly focus on HSE measures, but also on essential Human Rights like e.g. child labour and working conditions.



BINDING CR CONTRACTS

In 2012, we updated all supplier contracts to include a clause stating that the company shall adhere to the UN Global Compact principles. Although this does not guarantee that a company will always act in accordance with the Global Compact, it provides awareness and further incentive for them to do so. Although a legally binding contract provides a layer of assurance, inspecting our suppliers' premises is the only way to determine whether they are fulfilling our requirements. Such inspections are done through supplier audits.

SUPPORTING SUPPLIER DEVELOPMENT

Jotun works closely with suppliers to help them improve conditions, where necessary. This cooperative spirit has helped Jotun build stronger relationships with its suppliers, who generally welcome suggestions on how to improve. Indeed, in some cases, suppliers have reported that changes made in their facilities as a result of audits have improved efficiency, quality, and lowered lost time to injury or sickness. The result is improved business performance.

A TRUSTWORTHY CORPORATE CITIZEN

Our success as a business depends on our ability to develop good relationships with the local communities in which we operate.

Good local community relations are necessary for our business success. Besides, the local communities are our hosts, they provide us with our working environment, workforce and licences to run our operations. In return Jotun gives employment, pays tax and contributes to the overall development of the community. Mutual understanding and respect are key words. We aim to build an environment where both our company and the local society benefit.

SUSTAINABLE COMMUNITIES

The local societies around the world in which we operate rely on Jotun to be a trustworthy and valuable contributor to their community. We accept this challenge and invest our time, expertise and resources in order to do so.

Building and maintaining vibrant and sustainable communities requires action and involvement. Jotun contributes to this goal by following local regulations and through respectful communication. Both on corporate, regional and local level, we also donate funds to charities and back initiatives that we believe will contribute to quality of life and development.

LOCAL SOURCING

We contribute to the economy and development by sourcing our raw materials from responsible local businesses, subject to our supplier audit programme. In



Following the Arab Spring and political unrest in the Middle East since 2011, many of Jotun's operations and employees were adversely affected by events that impacted both the workplace and the wider community.

In response to this, the company and employees alike recognised the benefits that local corporate responsibility initiatives could bring to the local society. With this in mind, the company participated in the repair of some civic areas damaged by protests. Jotun provided Egyptian volunteers with the tools and paint to restore Tahrir Square in Cairo and other site, and gave employees half a day's holiday to help with the effort.

addition, it is important for us to establish operational sites based on a close-to-the-market approach which is not driven by cheap labour cost.

A POSITIVE ENVIRONMENT

To contribute to the development of a more sustainable and safe paints and coatings business, we are working with industry peers in an open and transparent way in almost all countries. This cooperation is crucial to apply and reach global standards

and goals wherever we operate.

GROUP REPORTING

Each company is undertaking CR reporting every year, stating all internal and external initiatives as well as CR budgets and plans. This way we can monitor the activity and ensure that all companies operate in line with corporate expectations and the Penguin Spirit (our corporate culture).

REACHING OUT ACROSS CHINA

China is one of the most significant markets in which Jotun operates and Jotun China is considered to be one of the leading players in the marine and protective coatings segments.

Since establishing our regional presence in China in 1998, Jotun now has a workforce of over 1,500 employees and is presently constructing its fourth Chinese factory, located in Qingdao.

As part of our global CR guidelines, and as a reflection of the company's strong presence in the country, Jotun China has recently developed a comprehensive CR programme. This extends the CR work Jotun has been supporting in China for a number of years, particularly those relating to education.

Jotun, through its Chinese joint venture business, Jotun COSCO Marine Coatings (JCMC), recently announced the establishment of the Jotun COSCO Charitable Foundation and a yearly RMB 500k donation for the next 10 years to our partner, Qingdao Charity Federation, which will help distribute donations across China.

PUBLIC WELFARE

The foundation will support and promote educational, health and other charitable activities to improve public welfare in both Qingdao and across China. The first manifestation of this commitment is a project in collaboration with the Qingdao School for the Blind.

This blind school was built in 1932. It is the only residential school for the blind in Qingdao, and is the central school for the blind in Shandong Province. At the



school, there are six education departments including pre-, primary, junior, senior, vocational training schools and a multi-handicapped education department. More than two hundred students are studying here.

Through the support of the Jotun COSCO Charitable Foundation, Qingdao School for the Blind will purchase a variety of equipment for students ranging from book readers to large capacity USB memory drives. Funding will also be used to support the Jotun COSCO Public Performance – a platform for the students to showcase their talents.

With a spirit of dedication, Qingdao School for the Blind provides high quality education and compensating rehabilitative training to the children and youths, who are blind or visually impaired, to help them get a balanced development, master at least one useful skill, and participate in social life to their maximum level of independence.

TARGETED GRANTS

As well as the Qingdao School for the Blind, the Jotun COSCO Charitable Foundation will make a series of targeted grants every year to promising activities. The activities will be selected and approved by the board of the Jotun COSCO Charitable Foundation. The foundation will seek to support local students in Shandong – the province in which Qingdao is situated – who are experiencing financial hardship, so that they have equal learning opportunities to higher levels of education.

The aims of the foundation are in line with Jotun's unique Penguin Spirit (Jotun's corporate culture), by which it utilizes its local resources to ensure that financial aid and spiritual care can reach both the young and the elderly in need, and help them on a path toward a better life.

WORKING AGAINST CORRUPTION

Jotun's well-established values and business principles, as well as a genuine commitment to maintaining high standards in business ethics and integrity, provide a strong foundation on which to combat corruption.



TRANSPARENCY INTERNATIONAL

Transparency International (TI) is a global network comprising more than 90 locally established national chapters. These bodies fight corruption by promoting transparency in elections, public administration, procurement, and in business. As a politically non-partisan organisation, 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 and supports its vision and fight against corruption.

Corruption prevents economic development, undermines free competition and contributes to poverty around the world. As a conscientious global citizen, Jotun has a responsibility to contribute to the fight against corruption. Jotun's anti-corruption policy reinforces our business principles, aligns with our legal and moral obligations and applies to all Jotun entities, affiliated companies and employees.

MANAGING RISK

Jotun operates in some parts of the world where corruption represents a risk to our business and reputation. The increasingly extra-territorial nature of anti-corruption legislation adds to that risk, and makes implementing a global standard on corruption essential. However, despite the company having a comprehensive set of anti-corruption tools in place, a certain level of risk will always remain. We work actively to minimise this risk.

BUILDING SOUND ATTITUDES

Nurturing the right attitudes amongst Jotun employees is our strongest defence against corruption. We do this by clearly communicating our stance on the issue as well as through structured training sessions. Anti-corruption training is practical and focuses on dilemma training. Yearly, Jotun puts employees through this training, with higher-risk groups, such as management and purchasing and sales teams, being prioritised. This

IN SUPPORT OF WHISTLE BLOWING

In the context of Jotun's business, whistleblowing is the act of calling attention to unacceptable circumstances relating to Jotun's activities, by notifying someone who can do something about it.

All employees are invited to contribute to an open discussion about responsible attitudes and actions. Integrity and awareness of Jotun's relevant policies, on the 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 the welfare of whistleblowers. This means that the individual must not be discriminated against directly or indirectly.

Year anti-corruption training has become an integral part of Company Manager induction training and Sales Management Academy. We believe that it is important that these sessions are undertaken in an open environment. Only when our employees can share best practice and discuss dilemmas openly with peers, can the right and sound attitudes flourish. A willingness to openly discuss corruption also fosters an environment where whistleblowers are more likely to speak out.



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 10,000 businesses spread across 145 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.

Jotun is committed to aligning our company's strategy and operations with these universal principles.

Human Rights		pages
Principle 1	Support and respect the protection of internationally proclaimed human rights	4, 5, 6, 7, 8, 10, 31, 36
Principle 2	Make sure the company is not complicit in human rights abuses	6, 7, 8, 10
Labour		
Principle 3	Uphold the freedom of association and the right to collective bargaining	7, 8, 36
Principle 4	Uphold the elimination of all forms of forced and compulsory labour	7, 8, 36
Principle 5	Abolish child labour	7, 8, 31, 36
Principle 6	Uphold the elimination of discrimination in respect of employment and occupation	6, 8, 10, 36
Environment		
Principle 7	Support a precautionary approach to environmental challenges	4, 5, 7, 11, 13, 20-28
Principle 8	Undertake initiatives to promote greater environmental responsibility	4, 5, 7, 11, 13, 20-28
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	4, 5, 7, 11, 13, 20-28
Anti-corruption		
Principle 10	Work against corruption in all its forms, including extortion and bribery	4, 5, 7, 11, 30, 31, 34-36

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

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