

Climate Assessment

Beckers Group 2021





1.Executive summary

Our purpose at Beckers Group is to transform the industry by developing solutions that give surface a new meaning and create maximum positive impact for our customers, for society, and for the planet. In order to achieve this, Beckers developed the 2030 Sustainability Strategy in 2019. Our ambition is to ensure our production and supply chain activities go beyond expectations to create positive impact. Beckers will strive for our sites to be carbon neutral. For example, by reducing our total energy consumption and increasing our share of renewable energy. It also means reducing our emission of VOCs, and reducing CO₂ emissions in our operations and along our supply chain.

For 2021, our total emission amounted to 53,983 tonnes of carbon dioxide equivalents (tCO₂e) from location-based emissions and 47,921 tCO₂e from market-based emissions. This represents an increase in location-based emissions compared to 2020 and a reduction in market-based emissions compared to base year emissions and previous years emissions.

The market-based method takes into account whether Beckers' sites purchase renewable electricity and use specific emission factors for the contractual instruments. For sites that do not make an active choice, a residual-mix factor is applied instead, where such residual factors are available. This report will focus

on and present market-based emissions for 2021 unless stated otherwise.

Emissions (tCO ₂ e)	Scope 1	Scope 2	Scope 3	Total
2021 Market	9,546	8,918	29,457	47,921
2020 Market	9,860	11,516	26,790	48,166
2013	12,763	14,804	29,827	57,393

Table 1-1 Beckers Group - scope results (tCO₂e)

2021 Highlights

- *Total emissions in scope 1 and 2 have decreased compared to 2020.*
- *Total emissions in scope 3 have increased compared to 2020*
- *Emissions for outbound third-party deliveries have increased.*
- *The decrease in emissions from business travel and company-owned vehicles is related to the restrictions implemented due to Covid-19.*

In 2021, the Covid-19 pandemic did not have the same impact on our business as in 2020. Production volumes are almost back to 2019 levels and larger than both 2017 and 2018. During the year, significant focus was given to decarbonization in the value chain, projects with industry associations, and internal work to build our own LCA capabilities to better quantify and improve our carbon footprint in scope 3.

The major changes in emissions by activity are presented in the table below:

By activity (tCO ₂ e)	2020 (Market)	2021 (Market)	Difference
Premises	18,169	16,493	-1,676
Outbound third-party deliveries	9,898	12,399	2,501
Inbound third-party deliveries	12,214	12,060	-154
Production gases	4,708	4,693	-15
Business travel	1,136	1,032	-105
Company-owned vehicles	1,716	892	-824
Waste	311	178	-133
Product Transport - Owned & Leased Vehicles		163	
Paper	14	12	-2
Total	48,166	47,921	-244

Table 1-2 Beckers Group – activity results

- *Emissions for outbound third-party deliveries have increased. This is primarily due to increased sales compared to 2020.*

- *The decrease in emissions from premises is entirely due to the fact that a larger part of electricity use has been purchased with guarantees of origin (GOs) or the equivalent for renewable production, 41% of consumption has evidence, compared to the previous year when 33% of consumption had such evidence.*

Our key emission intensity indicator, the total emissions per unit volume produced (see chart below), shows a significant reduction compared to the previous year (6.5%). This is a reduction of 27.5% compared to our base year, 2013. Changes in emissions between 2020 and 2021, in total and as intensity measures, need to be interpreted with caution given the effect of the pandemic, primarily in 2020.

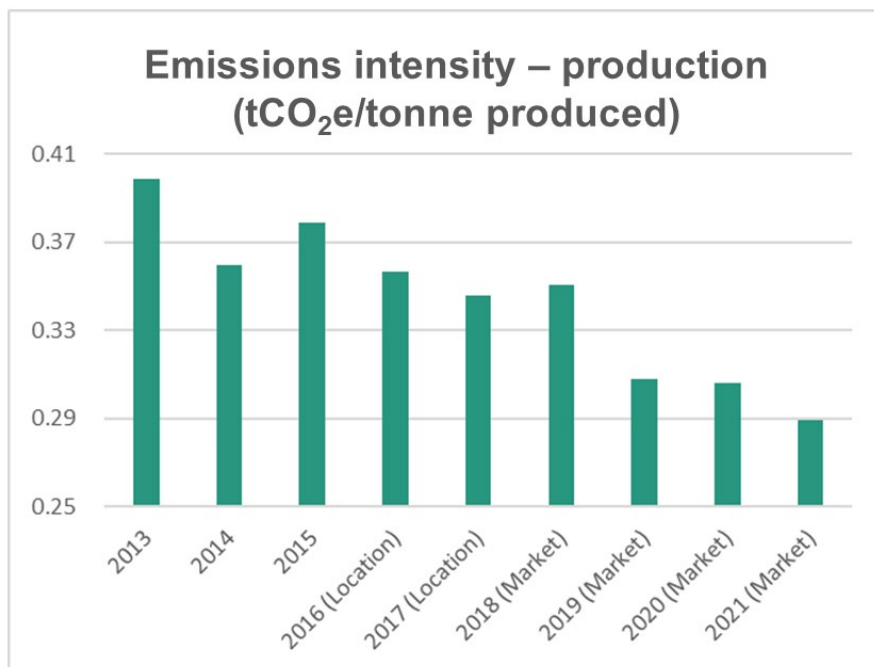


Chart 1-1 Emissions per tonne product (tCO₂e/tonne product)

The results for 2021 show a 33 percent reduction in emissions in scopes 1 and 2 combined, compared to the base year. Inbound and outbound delivery emissions per tonne produced have also decreased significantly, by 18 percent compared to the base year.

The long-term ambition for Beckers is to grow our business while reducing our environmental impact. We continue to monitor our emissions and manage our impact wherever possible to hold up our vision. Beckers' climate goals for 2030 are:

- 55 % absolute reduction in scope 1 & 2 (base year 2013)
- 50 % reduction in emissions from third-party logistics, per tonne product (base year 2013).

2. Methodology

According to the GHG Protocol, a company is accountable for emissions from all operations over which it has control. Control can be defined in either financial or operational terms.

Beckers is using the Greenhouse Gas (GHG) Protocol, an international standard developed by the World Resources Institute and the World Business Council for Sustainable Development. Beckers uses a web-based platform, Our Impacts, to quantify our global emissions from all sites. GHG Protocol divides greenhouse gases into three scopes:

- **Scope 1 (direct GHG emissions)** – Emissions that occur from sources that are owned or controlled by the company (*e.g. company vehicles, production gases, energy generation or fuel combustion on-site*)
- **Scope 2 (electricity indirect GHG emissions)** – Emissions from purchased or acquired electricity, steam, heat, and cooling (*e.g. energy from grid, district heating*)
- **Scope 3 (other indirect GHG emissions)** – Emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company (*e.g., third-party deliveries, business travel, waste disposal*)

The report incorporates ‘The scope 2 guidance’ introduced by GHG Protocol in 2015 to portray emissions from specific contractual energy procured by the sites (see ‘scope 2 guidance’ section below).

In addition to indirect emissions from activities influenced by the company, scope 3 emissions can also emanate from upstream activities of scope 1 and scope 2 emissions. For example, emissions due to grid loss through transmission and generation of electricity purchased.

We monitor, analyse and present our emissions as per our business activities. This perspective enables better understanding of emission generation, which in turn will promote decision-making while developing reduction initiatives. Also, the activities are independent of the classification based on scopes i.e. a particular activity may be classified under multiple scope emissions.

Table 2-1 Beckers' activities

Activities	
Premises	The total energy consumption from various sources and water usage at a site
Outbound third-party deliveries	The transportation of our final products from our site to the customer by our third-party logistics providers
Inbound third-party deliveries	The transportation of raw materials from supplier to a site by our third-party logistics providers
Production gases	The emission of VOC (Volatile Organic Compounds) from a site
Business travel	Transportation used for business related activities
Company-owned vehicles	Use of vehicles owned or long-leased under the company name
Waste	Disposal of waste sent from a site
Paper	Use of paper for business related activities
Product Transport - Owned & Leased Vehicles	Transportation of products in vehicles owned or leased by the site

Scope 2 Guidance

In 2015, the GHG Protocol presented a change in reporting methodology regarding scope 2 emissions calculations. The new approach introduced by GHG Protocol constitutes two dual reporting methods for scope 2 emissions. This was

FACT BOX

Location-based method

For scope 2 energy consumption, the location-based method uses the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).

Market-based method

Conveys emissions from scope 2 energy consumption that companies have specifically procured through contractual instruments – or, conversely, reflects a lack of procurement through the application of residual emission factors. Contractual instruments, also known as Market-based Instruments, can be:

- Energy attribute certificates (e.g. Renewable Energy Certificates, Guarantee of Origin)
- Direct energy contracts (e.g. power purchase agreements)
- Supplier-specific emissions rates

implemented in 2016 in our web-based platform. The two methods, location-based and market-based emissions reporting, are required in order to be fully compliant with the GHG Protocol.

Historically, the emissions from scope 2 were open for interpretation to follow either of the two reporting methods, thus the amendment was introduced to unify results from all reporting industries.

Since a market-based method reflects emissions from scope 2 energy consumption that companies have purposefully chosen, evidence of such 'contractual instruments' is a prerequisite. These contractual instruments need to convey information such as time period validity, emission rates, traceability, issuance, energy source etc. In absence of such information, the residual-mix emission factor is applied.



3.Participants

In order to collect relevant and correct activity data for the carbon emission assessment, Beckers assigns a climate reporter at all its sites and offices around the world. This network of climate reporters collects and document relevant parameters into our web-based tool. This data is consolidated to form the global climate footprint of the company. The network of the reporting units is presented in the adjoining table.

Contact

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Beckers NE&A	Beckers SE&A	Beckers A&ME
Argentina, Buenos Aires	Italy, Caleppio	Bangladesh, Dhaka
Germany, Berlin (HQ)	France, Feignies	China, Guangzhou
Germany, Dormagen	South Africa, Johannesburg	China, Shanghai
Mexico, Monterrey	France, Montbrison and Lyon office	China, Tianjin
Poland, Tarnow	Turkey, Gebze	India, Goa
Sweden, Mårsta and Moscow office		India, Nagpur
UK, Liverpool		Malaysia, Shah Alam
USA, Chicago		UAE, Ras Al Khaimah
USA, Fontana		Vietnam, Ho Chi Minh
		Vietnam, Nghe An

Table 3-1 Beckers locations

4. Results and analysis

Overall results

For 2021, our total emissions amounted to 53,983 tonnes of carbon dioxide equivalents (tCO_{2e}) from location-based emissions and 47,921 tCO_{2e} from market-based emissions. This represents a 16.5% reduction in market-based emissions compared to base year emissions and 0.5% reduction compared to previous year's emissions.

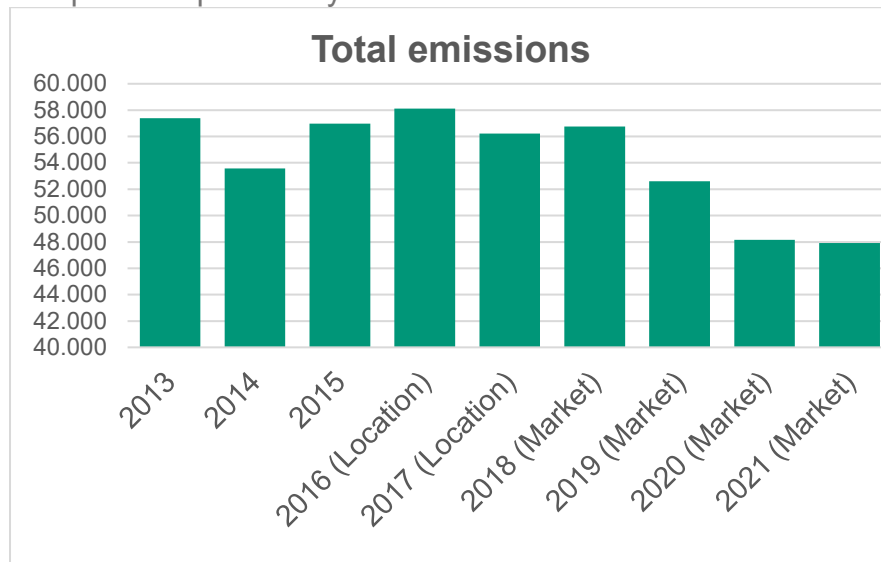


Chart 4-1 Beckers' total emissions (tCO_{2e})

Scope analysis

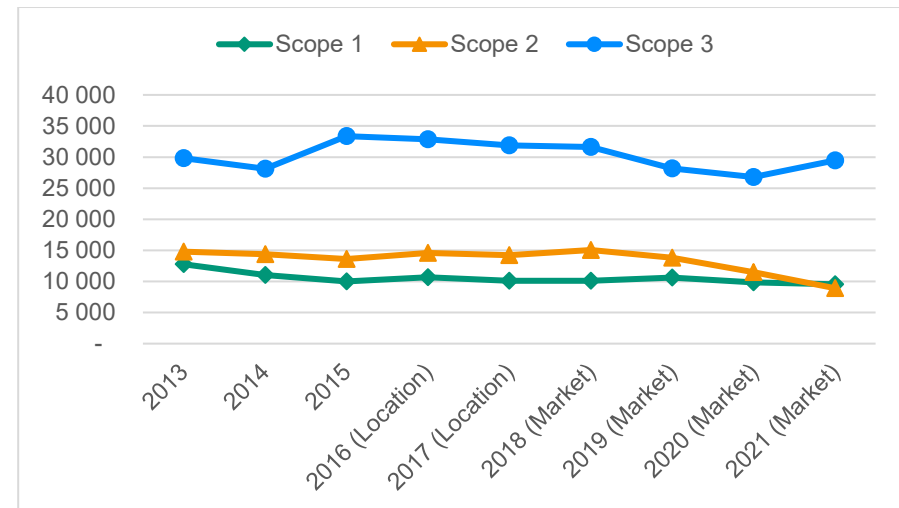


Chart 4-2 Scope-wise annual emissions (tCO_{2e})

Comparing to last year, the activities with significant changes in emissions are premises, outbound third-party deliveries, business travel, and company-owned vehicles. These affect all three scopes.

Activity analysis

We monitor and report our emissions in terms of activities. These are business operations that we actively quantify to convert to tonnes of carbon dioxide equivalents using globally accepted emission factors. Analysing our emissions in terms of



activities, has enabled us to develop a foundation for climate goals and in 2020 we set targets for major business operations.

By activity (tCO ₂ e)	2021 (Market)	Percentage of total
Premises	16,493	34%
Outbound third-party deliveries	12,399	26%
Inbound third-party deliveries	12,060	25%
Production gases	4,693	10%
Business Travel	1,031	2%
Company-owned vehicles	892	2%
Waste	178	0.37%
Product Transport - Owned & Leased Vehicles	163	0.34%
Paper	12	0.03%
Total	47,921	100%

Table 4-1 Activity-wise 2021 emissions (%)

As seen from Table 4-1, the major contributors to Beckers' emissions are premises (34%), inbound third-party deliveries (25%), and outbound third-party deliveries (26%).

Major changes in activities, compared to 2013 (base year) and 2020, are described in the following table:

Emissions (tCO ₂ e)	2013	2020 (Market)	2021 (Market)
Premises	20,036	18,169	16,493
Outbound third-party deliveries	14,368	9,898	12,399
Inbound third-party deliveries	11,585	12,214	12,060
Production gases	6,833	4,708	4,693
Business Travel	2,737	1,136	1,031
Company-owned vehicles	1,382	1,716	892
Waste	432	311	178
Product Transport - Owned & Leased Vehicles			163
Paper	22	14	12
Total	57,393	48,166	47,921

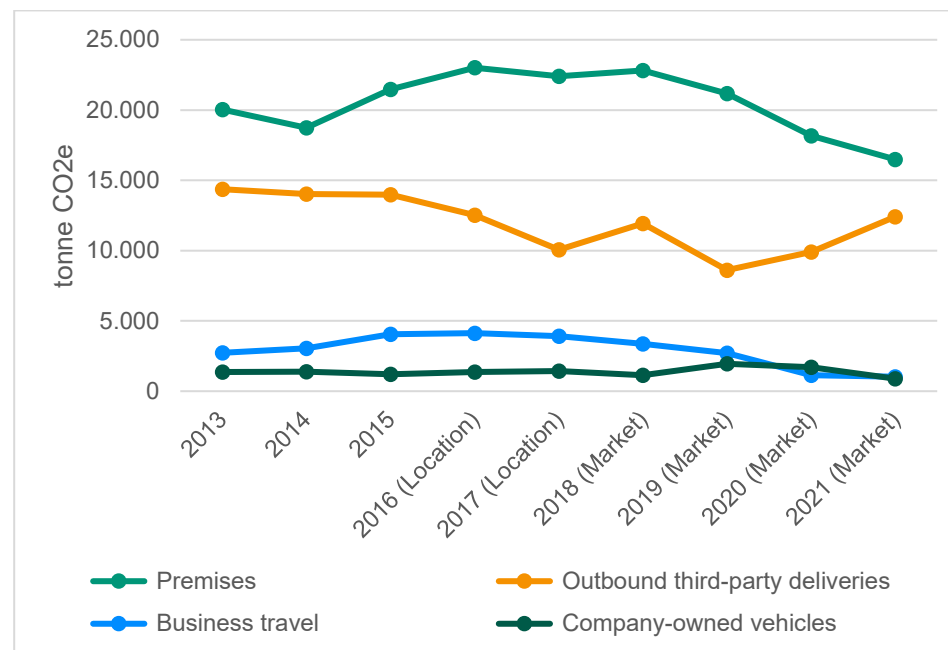
Table 4-2 Activity-wise historical emissions

Premises entails the activities carried out on the site and majorly comprises of various forms of energy consumption and water usage. The table also depicts that approximately 80% of

Beckers' emissions are a result of activities in premises and third-party delivery logistics.

Comparing to last year, the activities with significant changes in emissions are premises, outbound third-party deliveries, business travel and company-owned vehicles. A high-level explanation of these changes is given below:

- Company-owned vehicles – 48% decrease which represents an 824 tCO₂e fall in emissions. More than half of the reduction is due to previous reporting errors.
- Outbound third-party deliveries – 25% increase which represents a 2,501 tCO₂e rise in emissions. This is primarily due to increased sales volumes in 2021.
- Business travel – 9% decrease which represents a 104 tCO₂e fall in emissions. There is no apparent pattern, but the Covid-19 pandemic is the primary reason for changes in travel patterns between the years. However, the changes go in both directions depending on the site, which reflects varying restrictions and risk assessments in different locations.
- Premises – 9% decrease which represents 1,676 tCO₂e fall in emissions. This is primarily due to the fact that a larger part of electricity use has been purchased with guarantees of origin (GOs) or the equivalent for renewable production, 41% of consumption has evidence, compared to the previous year when 33% of consumption had such evidence.





5. Emission intensity

Absolute numbers for emissions neither consider the fact that operations might grow or fall, nor that the extent of operations might differ between locations. In order to adjust for this, a relative measurement has been adopted. The emissions intensity has been measured using Key Performance Indicators (KPI). The KPIs for 2021 include: products (volume of product produced in metric tonnes), full time employee (FTE) and total sales (MSEK). The total KPI values for the Group are illustrated in Table 5-1:

FTE (Number)	1,775
Product (tonnes)	165,454
Sales (MSEK)	6,437

Table 5-1 Beckers' indicators

An analysis of the emissions per KPI compared to the base year is depicted in Table 5-2. Additionally, we see the range of values for each KPI that illustrates the difference in operations from the sites.

KPI	2013	2020 (Market)	2021 (Market)	Lowest (site)	Highest (site)
Total tCO ₂ e/FTE	32.6	27.7	27	13.8	166.2
Total tCO ₂ e/sales (MSEK)	12.5	8.2	7.4	1.9	28.5
Total tCO ₂ e/product (tonne)	0.40	0.31	0.29	0.2	1.3

Table 5-2 Annual Beckers' KPIs

The chart of the annual change in KPIs for the group is also illustrated in Chart 5-1. The trend highlights the group's performance along with internal or external changes experienced over the years.

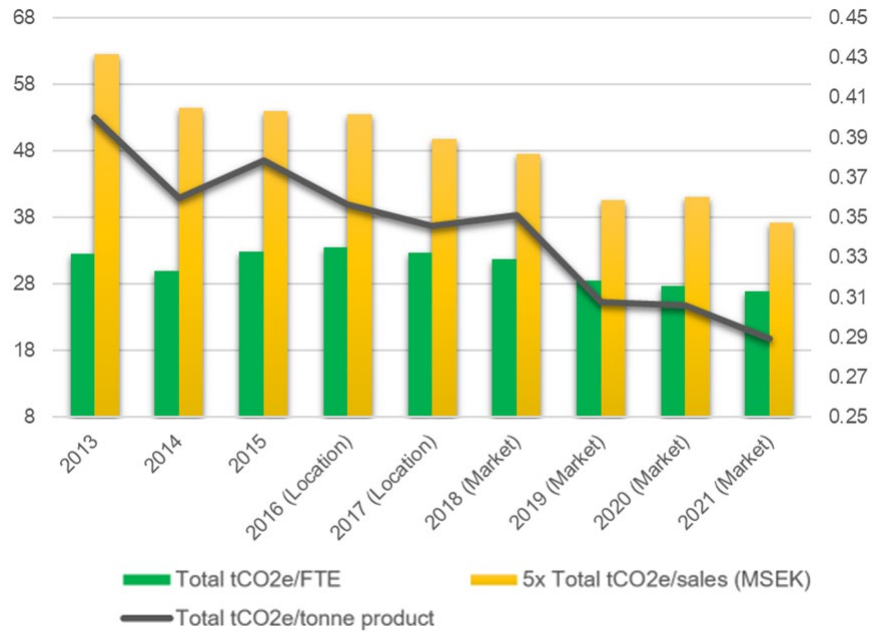


Chart 5-1 Beckers' KPI

In 2021, for Beckers Group as a whole, 0.29 tCO₂e was emitted per tonne of paint produced which is a reduction by 6.5% compared to the previous year. Sites such as Fontana, Guangzhou and Tianjin have relatively high emissions per tonne paint produced, whereas sites like Feignies, Tarnow, Caleppio, and Ho Chi Minh have low emissions per tonne produced.

6. Conclusion

The 2030 Sustainability Strategy has set the direction for Beckers Group to ensure our production and supply chain activities go beyond expectations to create positive impact. Beckers will strive for our sites to be carbon neutral. The 2021 results show a decrease in emissions compared to the base year 2013 and the previous year 2020.

The long-term ambition for Beckers is to grow our business while reducing our environmental impact. We continue to monitor our emissions and manage our impact wherever possible to hold up our vision. Beckers' climate goals for 2030 are:

- 55 % absolute reduction in scope 1 & 2 (base year 2013)
- 50 % reduction in emissions from third-party logistics, per tonne product (base year 2013).

The results for 2021 show a 33 percent reduction in emissions in scopes 1 and 2 combined, compared to the base year. The reductions year by year towards the goal for year 2030 are illustrated in Chart 6-1. Inbound and outbound delivery emissions per tonne produced have also decreased significantly, by 18 percent compared to the base year.

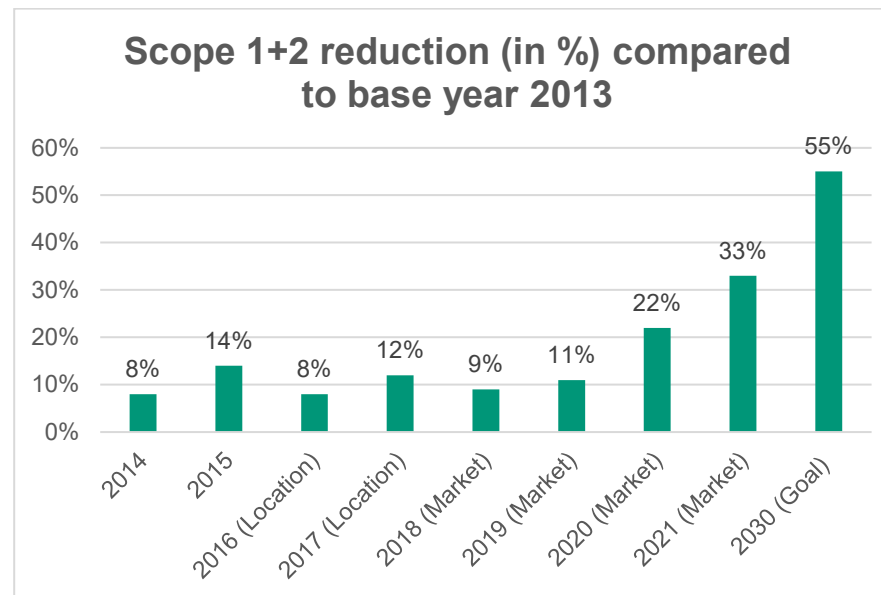


Chart 6-1 Reduction (in %) scope 1+2

In 2021, the Covid-19 pandemic did not have the same impact on our business as in 2020. Production volumes are almost back to 2019 levels and larger than both 2017 and 2018. During the year, significant focus was given to decarbonization in the value chain, projects with industry associations, and internal work to build our own LCA capabilities to better quantify and improve our carbon footprint in scope 3.

Emissions from premises have decreased by 9% from last year which represents 1,676 tCO_{2e} fall in emissions. It is entirely explained by the purchase of, and collecting of evidence of,

renewable electricity attributes through contractual instruments such as for instance guarantees of origin (GOs). While electricity use has increased some (5%) since 2020, in line with overall increase in energy use (7%), electricity emissions have decreased by 17%. Generally, emission factors from grid electricity have decreased some as well compared to 2020, reflecting a gradual change towards less fossil fuels in national electricity production.

Last year, investments made in renewable energy were reflected in the emission results. In 2021, three additional sites have switched to renewable energy.

Our key emission intensity indicator, tonnes CO₂e per tonne product, was 0.29 tCO₂e was emitted per tonne of paint produced which is a reduction by 6.5% compared to the previous year.

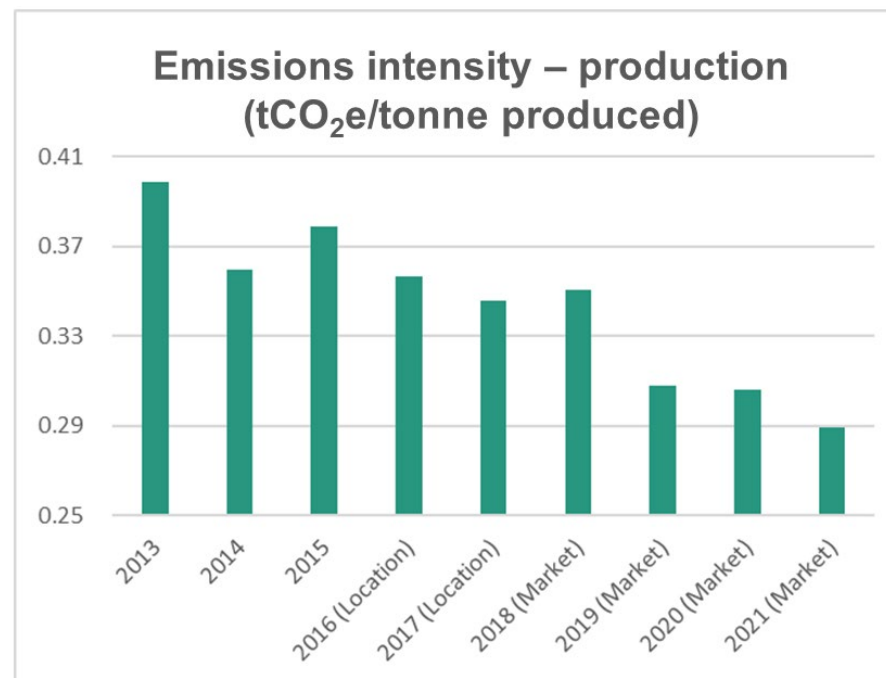


Chart 6-2 Emissions per tonne product (tCO₂e/tonne product)

Beckers Group has a long-term commitment to sustainability and continue to strive to meet our 2030 ambitions. We continue to monitor our emissions and put actions into place to reduce our carbon footprint.