

2021

# TCFD Progress Report

(extract **Sustainability Report**)

## Climate Risk and Opportunities (TCFD – reporting in preparation)

In 2021 Tekna initiated activities to identify and manage climate risk, and actively work towards **climate-related financial disclosures**, so-called TCFD-reporting. Tekna is at the beginning of this important journey and a roadmap has been developed. The aim is to, over the coming years, enhance our understanding and transparency regarding the exposure and strategies to identify and mitigate any negative impact.

Tekna’s approach consisted of the following steps:

- 1) Understanding the complicated world of climate-risks and opportunities and the different climate scenario’s to take into account.
- 2) A value chain analysis allowed us to prepare an overview of exposure at different levels.
- 3) Through a materiality analysis of likelihood and consequence we determined the top 5 risks and opportunities.
- 4) Quantify financial impact and develop mitigation plans (in progress).
- 5) Create a TCFD reporting roadmap.

Tekna reports more extensively on the top 5 risks and opportunities further in this section

The term ‘climate risk’ covers both the consequences of, and our efforts to tackle climate change!

### TCFD Roadmap

In order to enhance our understanding and transparency Tekna has developed the following roadmap for submitting its climate risk reporting in line with the TCFD requirements. Divided over 3 phases, the latest of which ends in 2025. Tekna’s TCFD reporting will mature into a valuable tool for the organization and ensure informed decisions are made towards our growth path.

	Phase I - 2021	Phase II – 2022-2023	Phase III – 2024-2025
<b>Objective</b>	Project Planning and first analysis	Expand analysis and embed in organization and processes. TCFD reporting.	Ongoing reinforcement and long-term strategy development
<b>Governance</b>	Responsibility assigned to executive level. Raise awareness in Executive team. Initial study performed with 3 <sup>rd</sup> party on current locations and supply chain.	Board implication. Update study and include possible future expansion locations. Quantification of physical climate risk exposure in value chain.	Ongoing board and management oversight  External assurance on TCFD-reporting
<b>Strategy</b>	Elevate climate change to a strategic risk and opportunity driver. Become climate resilient and move to carbon neutral operations. Move to having one supply chain per continent.	Define strategic climate objectives and risk appetite. Define strategies for risks in the different climate scenarios. Identify opportunities to meet customer’s climate risk exposure.	
<b>Risk management</b>	Embed climate-related assessment in investment decisions (ie new locations).	Integration of climate related risks in company risk management tool.	
<b>Metrics and targets</b>	GHG reporting: Baseline measurement scope 1,2 and partial 3 (4/15), see appendices) Emissions reduction target for scope 1,2 50 percent by 2030 compared with 2021.	GHG reporting scope 1,2 and partial 3 (6/15) Science – based targets for scope 1,2,partial 3 Target setting and tracking related to risks classified on or above medium.	GHG reporting scope 1,2,3 Science – based targets for scope 1,2,3 Target setting and tracking related to risks classified on or above medium.

In the next section of the report, you will find an description of the progress we have made in the four categories as defined in TCFD: Governance, Strategy, Risk management and Metrics.

### Governance

Disclosure of the organization's governance around climate related risks and opportunities. Refer also the corporate governance report included in the Tekna annual report 2021.

During 2021, Tekna, in collaboration with EY, conducted a high-level climate risk assessment of the company in order to map potential risk factors and opportunities.

This analysis was an awareness exercise above all. Tekna facilities and supply chain are not exposed to risks that require immediate action. It did provide insights that allowed for better investment decisions for the location of two newly leased facilities in Canada and France.

Climate-related risks and opportunities were not prioritised by the board in 2021. However, starting February 2022, ESG, including climate-related governance, will be reviewed with the board once a year (subsequent event). In 2022 we will update the study and include possible future expansion locations. We will also work on quantifying the physical climate risk exposure in the value chain. Furthermore, a climate risk assessment will be part of investment proposals where relevant.

Climate related responsibilities have been assigned to the executive level of the organization. The VP Corporate Strategic Development and Innovation is responsible for ESG, including the annual climate risk assessment (update). Governance including risk management is assigned to the group CFO.

An initial risk and opportunity assessment was performed on current locations and the supply chain in 2021. This was done together with a 3rd party (EY) and many of the executives of the group.

The annual climate risk assessment initiated in 2021 will be updated, deepened (quantification of physical climate risk exposure in value chain) and broadened (include possible future expansion locations).

This will be discussed at least once a year with the board and executive team.

The currently identified risks will be integrated in the risk management tool of the company.

### Strategy

Disclosure of the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

For Tekna, the short-, medium-, and long-term time horizons are defined as 0-2 years, 2-10 years and 10-30 years, respectively. The most material climate risks in the short- and medium term are physical risks in the supply chain and in our operations.

We are prone to extreme weather events impacting Chinese suppliers and their ability to supply us with titanium and nickel. Also, higher temperatures put the health and safety of workers in China at risk. Physical climate risks may also impact goods transportation.

In the medium- and long term, physical risk may impact where we consider establishing new production locations. However, there are mostly green opportunities in the medium- and long term, such as increased demand for energy and resource efficient production solutions and zero-emission technologies. Moreover, increased focus on transparency and reporting on our own activities and our footprint will increase investor confidence in Tekna.

Tekna has drafted a roadmap for TCFD and in 2022 the following items are included for strategy:

- Define strategic climate objectives and risk appetite.
- Define strategies for risks in the different climate scenarios.
- Identify opportunities to meet customer's climate risk exposure.

### Risk management

Disclosure of how the organization identifies, assesses, and manages climate-related risks. Refer also to the section on Material risks and opportunities in Part 1 of this report.

During 2021, Tekna, in collaboration with EY and AFK, conducted a high-level climate risk assessment of the company in order to map potential risk factors and opportunities.

In the climate risk assessment, three potential climate scenarios were defined: the green revolution (IPCC RCP 1.9), the delayed transition (IPCC RCP 4.5), and the climate crisis (IPCC RCP 6.0). These scenarios laid the foundation for further investigation of possible risks and opportunities in our value chain.

A scenario workshop was held in order to identify risks and opportunities in the different scenarios and sort them in a likelihood vs. consequence matrix. This way, the material risks and opportunities could be defined.

Risks will be included in the inhouse developed risk management tool of the organization and the company is actively monitoring risk rated above medium. No immediate threats have been identified.

Currently we prioritise based on a subjective likelihood and consequence assessment at the executive team level. The next step, for 2022, is to quantify the physical climate risk exposure which will vary depending on the risk and whether it is related to Tekna or for instance its supply chain.

### Metrics and targets

The target is aligned with the Paris Agreement to limit the global temperature increase to well below 2 degrees Celsius. Target setting and tracking related to risks classified above medium will be initiated once financial quantification has been completed.

**The top 5 climate-related risks & opportunities**

A comprehensive list of risks and opportunities was identified through the assessment. In the following table, these have been broken into the top five risks and opportunities for Tekna.

Legend:

Timeline: **S** Short, **M** Medium, **L** Long term

Risk and Opportunity rating: **H** High, **M** Medium

Risks					Opportunity – green revolution
	<b>H</b> Extreme weather events impacting feedstock supply	<b>H</b> Transportation disrupted by extreme weather events	<b>H</b> Higher temperatures puts workers' HSE at risk	<b>M</b> Extreme weather events impacting production site in Eastern France	<b>H</b> Increased demand for resource and energy efficient production solutions
<b>Description</b>	Suppliers in China exposed to extreme weather events, causing power outages and disrupting deliveries (e.g. flood & storm risks with tier one suppliers of titanium and nickel).	Transport infrastructure and operations are more sensitive to extreme events adversely impact transit time, delivery reliability and efficiency (eg. storm surges, floods and wind gusts affect the operation and the amount of cargo a plane or a barge can safely handle)	Higher temperatures puts workers' HSE at risk e.g. workers in China and heat waves, ultimately reducing resilience and disrupting production. This is valid for Tekna's own sales office as well as suppliers based in China.	Production site in France exposed to extreme weather events, causing power outages and disrupting deliveries. Site specific flood and wildfire risks have been identified	Tekna has low emission mostly closed-loop production technology. The transition from subtractive manufacturing (eg. traditional milling) to additive manufacturing (AM) is ongoing. AM reduces weight of parts and therefore energy need and emissions for planes and vehicles. It increases the ability to produce (spare)parts locally. Refer to feature story about benefits of AM in part 3 of this report.
<b>Likelihood</b>	Likely	Likely	Likely	Unlikely (after mitigation)	Likely
<b>Impact</b>	Feedstock price increases. Delivery delays.	Transit time, delivery reliability and efficiency to Tekna by suppliers and from Tekna to customers. Increase in logistics cost.	Increased absenteeism. Reduced productivity. Delivery delays from suppliers.	Production delays followed by delivery delays. Recovery cost.	Sales acceleration for all advanced material products.
<b>Time period</b>	<b>S M L</b>	<b>S M L</b>	<b>M L</b>	<b>S</b>	<b>S M L</b>
<b>Financial implications</b>	Not yet quantified. Part of our roadmap for 2022		Not quantified.	Not quantified.	As a base-case scenario this is accounted for in the Tekna 2030 projections.
<b>Methodology</b>	Current analyses do not allow for adequate financial quantification of the risk.	Mapping delivery routes and likelihood of events on those routes.	To be developed once there is a better understanding of the risk	Risk mitigation in progress. Will not be quantified.	To substantiate a high case quantification further market confirmation is needed.
<b>Management response</b>	Work with our suppliers to better understand the risk and (support the development of a) mitigation plan. Develop the supply chain per continent. Considering Tekna's specifications and volumes this is expected to take time.	Organise our supply chain close to the customer, at a minimum per continent, i.e. North America, Europe and eventually Asia.	Tekna's current facility has air conditioning. Monitor situation and consider in expansion plans. Suppliers: Work with our suppliers to better understand the risk and (support the development of a) mitigation plan.	As part of our growth strategy the lease of new production site was signed early 2022. This risk will be mitigated by the move, which should be completed within 2022.	2030 Business plan provides an outline to successfully drive this opportunity for Tekna.

# Part 1 | This is Tekna

## About Tekna

Tekna is a world-leading provider of advanced materials to industry, headquartered in Sherbrooke, Canada. Tekna produces high-purity metal powders for applications such as 3D printing in the aerospace, medical and automotive sectors, as well as optimized induction plasma systems for industrial research and production. With its unique, IP-protected plasma technology, the company is well positioned in the growing market for advanced nanomaterials within the electronics and batteries industries. Building on 30 years of delivering excellence, Tekna is a global player recognized for its quality products and its commitment to its large base of multinational blue-chip customers. Tekna’s powder products increase productivity and enable more efficient use of materials, thereby paving the way towards a more resilient supply chain and circular economy.



### Established organization with world-wide reach

<b>Founded in 1990</b>	<b>Listed Euronext Growth OSLO 2021</b>	<b>carbon neutral aspiration 2030</b>	<b>Headquartered in Quebec, Canada</b>	<b>200 employees</b>	<b>90 active patents</b>	<b>3 production facilities</b>	<b>2 research facilities</b>	<b>7 subsidiaries</b>	<b>1 joint venture</b>

Tekna Holding AS

Langbryggen 9

4841 Arendal

Norway

Headquarter:

2935 Boul. Industriel

Sherbrooke, Québec

J1L 2T9 Canada

+1-819-820-2204

[esg@tekna.com](mailto:esg@tekna.com)

[www.tekna.com/esg](http://www.tekna.com/esg)

We encourage people to read the document on a device instead of printing it.

