



MANAGEMENT REPORT



ABRAFATI
Brazilian Coatings
Manufacturers Association



A YEAR TO BE FOREVER REMEMBERED

As 2020 began, there was an air of moderate optimism, following the coatings industry's merely average performance for the previous year, with 1.4% growth. Expectations from as early as December until as late as after the Brazilian Carnival were for the industry to keep pace with GDP growth or even outpace it, which would have meant a growth rate of 2.5% to 3.0%—a figure which, had it materialized, would have stood as the best result since 2013.

News of COVID-19 were not yet frightening as the year began, and many believed its effects in Brazil would be of little consequence. So much so that the annual meeting of the World Coatings Council (WCC), slated to take place on the first three days of March at Praia do Forte, Bahia, was held as planned. Representatives from China and Japan informed they would not attend due to travel restrictions imposed in Asia, but the other participants from various corners of the world still came. Life still seemed normal.

The conduct of business at Abrafati and in the paint and coatings industry at large was as expected—execution had started on what had been planned for our key programs and initiatives, our committees were holding their first meetings, and we carried on with our day-to-day service to meet the needs of our member companies.

That was until the alarm went off still in the first half of March, when the first like was taken by the pandemic in Brazil. From that point forward, within an extremely short time, the situation changed drastically—everything was put on standby, leading to forecasts of catastrophic scenarios for the economy and, by extension, for the industry.

Then, a monumental effort was set in motion in order to redefine the ways in which all activities would be carried out, as we understood more accurately what the safety requirements were, set up protocols and procedures, and adapted everything we could to the virtual environment. Everything that was in progress—or planned to start shortly—had to be rethought. Schedules had to be adjusted, and changes planned for the next five to ten years had to be rushed into full implementation. All not to mention that a new executive president was taking over and Abrafati's offices being closed from the second half of March onward.



Certain urgent decisions had to be made, and requiring agility, creativity and flexibility—and these would become a constant over the several months to come. One of the earlier actions in this regard was the first virtual meeting held by the Directive Board, which, we should point out, was a smooth, organized process, as everyone proved sensitive and patient towards technical difficulties and failures, which turned out irrelevant (they would soon be forgotten and overcome).

To paraphrase the American poet T.S. Eliot, April was the cruelest month. A sense of insecurity and uncertainties about the future brought nearly all types of business to a dramatic halt, which caused panic and perplexity. It also caused severe disruptions in supply chains and logistics, whose impacts extended throughout 2020 and well beyond it.

Many questions would arise to which there were no answers. We started to work with the information and scenario analyses available on each day to both mitigate the effects of the pandemic on the industry and adapt to a changing reality so we could prepare for a future return to business as usual.

Amid that new, still murky reality, late April saw the election of Abrafati's new Directive Board for the 2020-2022 period, as well as the Fiscal Council and the chairman of the sustainability committee. At their inauguration, Abrafati's commitment to continue the work that was being done based on its strategic reassignment, as determined in 2017, was reaffirmed, and the need to overcome the challenges posed by the pandemic was stressed, keep us in line with what already had been decided in the previous weeks.

To closely track the scenario as it developed, the Directive Board initially made it a routine to hold informal meetings weekly, and later made them farther apart. With the regular bimonthly meetings included, 29 meetings were held in the course of the year, making for a valuable exchange of ideas and allowing answers to be found to unprecedented questions, while strengthening the integration and team spirit of Abrafati's governing body.

That way, with the support of its Directive Board, Abrafati intensified its activity in a proactive and articulated manner, representing the industry and permanently listening to its needs and assessments. The focus was always on reducing the impacts and damages caused by this unprecedented situation, while finding innovative ways to get past it and boost the industry toward innovation and sustainability.

On the internal front, everything was reassessed, which resulted in a series of changes and adaptations, beginning with our team members setting up their home offices and the creation of a robust and reliable system for them to work remotely. The budget that had been prepared for Abrafati under different circumstances was fully revised to find any expense elimination, reduction and contingency opportunities, which often included renegotiations. This resource optimization effort involved a reassessment of timelines and activities planned for all programs and initiatives carried out by Abrafati, such as the Industry-specific Quality Program for Decorative Paints, the program for compliance with the National Policy for Solid Waste, the Abrafati 2021 trade show, the paint course, the Abrafati Awards, and the Abrafati forum, among many others. The Pareto principle was followed to the letter, with efforts focused on key priorities.

As for our relationships with the various stakeholders, actions were carried out on several fronts. One of the most important actions involved joint efforts with other industry associations—such as Anamac, Artesp, Abramam, Abiquim, Sitivesp, Sincomavi, Abrapp, Fiesp and several others—to come up with proposals and submit them to the government with a view to preserving to the fullest extent possible the Brazilian economy and the segments represented, as well as employees and their income. After all, the pandemic sparked strong concerns about the financial health and even survival of companies, calling for the government and the private sector to work together. In this context, our support to retailers and painters was at the center of our concerns.



One other important action launched worldwide under the leadership of and inspired by the WCC was about demonstrating how paints and coatings are essential products (see box with the statement put out by Abrafati). To that effect, it was highlighted that the coatings industry was (and is) indispensable to countless other industries, including those on the frontline in the fight against the coronavirus, so if paint manufacturers—and their suppliers and distributors—were to close, that would have a serious impact on their ability to produce the equipment and instruments needed to combat the pandemic, as well as basic necessity items for the population. To further emphasize that fact, #TintaÉEssencial (Coatings are Essential) was created and has been widely used since.

Consistent with their responsible attitude, paint manufacturers have sought to implement all measures to preserve the safety and health of their employees in this period as an industry priority—which gained even more steam and

#TintaÉEssencial #EssentialCoatings

relevance due to the pandemic. To support them, Abrafati developed, in conjunction with Sitivesp the *Guide to Suggested Measures to Maintain and Resume Activities at Paint Factories During and After the Quarantine*. Launched in early June and available for viewing and downloading to anyone interested, the material was put together in order to share best practices with all companies in the industry by giving them helpful information for carrying out their operations safely.

In June, even as it had already become clear that the pandemic will last quite a while, the perception started consolidating that decorative paints were in high demand again. The unexpected turnaround breathed new life into the industry. After a significant fall in sales of virtually all kinds of paints (with the occasional exception of some paints, such as those used on hospital equipment and facilities or farming implements or food packaging varnishes), we had the worst behind us. Sales started to pick up, particularly due to the strengthening

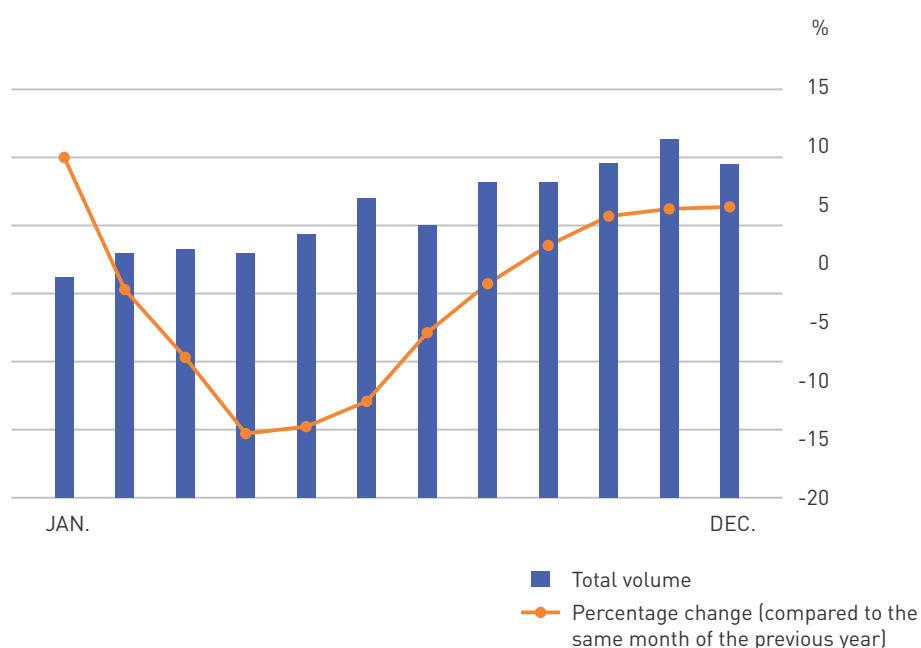
trend towards people being more careful about their homes—as they spend more time at home due to prevention and isolation measures, many realized how important it is to live (and often spend 24 hours each day) in a pleasant, good-looking functional and neat environment. Something the industry had already been working on became patent: the value of paints for the beautification, renewal, appreciation, protection, recover and personalization of properties, environments, and the most varied of objects and goods.

By the beginning of the second half, the situation had changed drastically, with a solid recovery of sales. In contrast with the economy in general, sales of decorative paints ended 2020 with positive results. They grew at a significant rate, in excess of 5%, contributing for the industry as a whole to see its sales increase in volume by more than 3%, the best rate in the past 7 years.

COATINGS INDUSTRY SALES – 2020

Segment	Volume	Growth over 2019
Decorative paints	1,354 million liters	5.1%
Automotive coatings, OEM	28 million liters	-27.0%
Automotive coating, refinish	67 million liters	0.0%
Coatings for industrial applications	174 million liters	0.0%
TOTAL COATINGS	1.623 billion liters	3.5%

DECORATIVE PAINTS SALES EVOLUTION – 2020



In many other fields, what initially seemed like trouble created opportunities for innovation and reinvention. The impossibility of holding in-person meetings and conferences, for example, led to a better understanding of the potential of the digital universe and to a more rapid incorporation of it into the Abrafati's day-to-day business. Our committee meetings have been a positive example of that, with large quorums and, more importantly, greater attendance by professional individuals and businesses that used to have only a small presence due to the time needed to commute and travel.

Virtual events were another front on which the conversion to the digital environment was very successful. In addition attending live events and forums held by third parties, which drew great audiences, Abrafati adapted its traditional activities to the online format.

The first emblematic case was the traditional Coatings Technology Course, whose 33rd edition was scheduled to begin in May. Since we were unable to provide in person, the solution was to advance the plan for a virtual edition using the distance education concept, which was surprisingly well received, with a record number of participants.

A new alternative was created, and the takeaways from it enabled us to move forward in the organization of digital events, such as the Abrafati Forum and the Abrafati Awards presentation ceremony, both of which had a great turnout both quantitatively and qualitatively.

The most complex challenge in the realm of events was to virtually host the launch of Abrafati 2021, initially for a smaller group (sponsors), and then for the wider group of potential exhibitors. The safety of having specialized partners in NürnbergMesse and Vincentz, with their recognition and track record in the area, was extremely valuable for both choices to transpire nicely and smoothly.

The year-end balance for 2020 was positive in terms of accomplishments and general sales results. It was, without a doubt, a year marked by difficulties and challenges. However, at the same time, it allowed us to rethink what was being done, provided valuable lessons, boosted cooperation and collaboration, and opened up new growth opportunities.

Official policy statement prepared by Abrafati in early April

THE COATINGS INDUSTRY AND THE FIGHT AGAINST COVID-19

The ubiquity of paint in everyone's life and in the manufacturing sector

Practically every product made by man has paint on it, from properties (walls and ceilings, doors, windows, railings, gates, decks, etc.) to vehicles, furniture, home appliances, boats, machinery and equipment, to packaging materials and a lot more. For the most part, you can say that every manufacturing process resulting in a non-liquid product includes a paint job on the finished product, making the industry an integral part and partner of the manufacturing sector at large.

Benefits provided by paints

We can divide the benefits provided by paints into two major groups: their contribution to visual transformation, and the incorporation of additional performance features that are very necessary to a finished product, such as durability and quality.

Concerning visual transformation, paints provide beautification, appreciation, renewal, recover, customization and other attributes of this nature to properties and the most varied of objects and goods. Colors and special effects enhance that transformation, while having positive impacts on people's emotional side.

Paints also add performance properties to products and structures that are essential to their durability, quality and other attributes that also translate to a valuable contribution to sustainability, safety and health. Protection and preservation are the key words in this regard—paints protect from corrosion, abrasion, high and low temperatures, chemicals and ultraviolet radiation, moisture and microbes, among numerous other aggressive or destructive conditions, preserving the surfaces to which they are applied.

As for decorative paints, which are the most used, they contribute in a decisive way to the conservation of properties by keeping wall surfaces from flaking off, minimizing wear and tear on floor surfaces subject to great foot traffic,

reducing water absorption and dust pick-up, preventing oxidation of metal surfaces and deterioration of wood pieces, etc. Over and above this protective action, paints also play a role in combatting mildew and algae and preventing proliferation of microorganisms, thereby helping keep environments clean and sanitary.

Why our products are essential at this time

The paint and coatings industry is essential for countless other sectors, including those on the frontlines of the fight against the coronavirus.

Accordingly, if paint manufacturers—and their suppliers and distributors—close, that will have a serious impact on the manufacturing sector's ability to produce the equipment and instruments needed to combat the pandemic, as well as basic necessity items for the population. There will also be varying impacts on infrastructure that is critical at this moment, including health care, hospitals, hygiene, foods, agriculture, energy, transportation and logistics, building and construction, defense, and information and communication systems, among other.

Examples of how the coatings industry contributes to the fight against COVID-19 and the health care of the population include:

- Life-saving equipment, such as respirators, ventilators and vital sign monitors, contain multiple parts and components that need to be coated for protection and to ensure the work as designed.
- Numerous types of devices, instruments and materials that are critical in a pandemic need paint. Among them infrared thermometers, endotracheal tubes, hospital beds, gurneys, carts, laboratory instruments, oxygen tubes and tanks, and dozens of other products.
- The inks used on food packaging materials are fundamental for keeping the integrity, hygiene and safety of food products. The same goes for a wide variety of consumer goods.
- Paints prevent mold and mildew growth and help to avoid respiratory diseases, being recommended for hospitals, clinics, retirement homes and other venues where health precautions are vital, as well as at home of people who are more vulnerable to such health conditions.

Commitment to workers' safety in the fight against COVID-19

Employee safety and health has always been a priority in the coatings industry, as well as among all of those involved with paints (retailers, painters, consumers, etc.).

Faced with COVID-19, paint manufacturers are adhering to social distancing and intensified cleaning measures at their factories, having developed specific practices to ensure enhanced worker safety. Those measures include the following:

- Paint companies have adopted workplace preparation measures and many precautions recommended by the World Health Organization and the Health Ministry. Those measures and precautions are based on best practices to protect our workplaces and lower the risk of transmission of the virus.
- Paint production and research and development activities cannot be carried from home, but people in administrative roles already are working remotely.
- For those working at factories in general, special work schedules have been put in place, with staggered entry times and limited shift overlaps.
- R&D facilities doing laboratory work are using social distancing and maximizing sanitization and cleaning of environments and surfaces with isopropyl alcohol/water or other disinfectant solutions. Some laboratories are working in a rotation system to keep the number of people in one environment at the same time to a minimum.

An essential part of the fight against COVID-19

The paint and coatings industry is a vital sector of the Brazilian economy and is ready for its responsibilities in connection with its employees and their families, as well as society and the country. We claim that the manufacture, distribution, research and development of paints should be recognized as essential for the country's crucial infrastructure and allowed to be part of the solution in the fight against COVID-19.

2020 ACTIONS, ACCOMPLISHMENTS AND RESULTS: MAJOR HIGHLIGHTS

New Directive Board

Elected and inaugurated on April 23, 2020, the Directive Board for the 2020-2022 period consists of the following:

Marcos Allemann	President
Daniel Campos	1 st Vice-President
Freddy Carrillo	2 nd Vice-President
Agnaldo Bergamo	Member
Andreas Gaudenz de Salis	Member
Douver Gomes Martinho	Member
Marcelo Cenacchi	Member
Mateus Aquino	Member
Marcio Grossmann	Member
Milton José Killing	Member
Reinaldo Richter	Member
Ronaldo de Oliveira Souza*	Member

*Later replaced by Alan Souza

For the Fiscal Council, Leticia Lima, Marcos Antonio Lima Fernandes and Nilton Rezende were elected as incumbent members, with Ilson Herculino Cavalcante, Marco Aurélio Batista and Roberto Amorim as alternates.

Daniel Campos was chosen to be chairman of the Directive Board Sustainability Committee.

New members

Three suppliers of raw materials joined the ranks of Abrafati members in 2020: AGC Chemicals, Bomix, and Univar.

There was great interest in affiliating with Abrafati, with 22 inquiries received in the course of the year, some of which moved forward to formal applications that are under review for compliance with prerequisites, after which they will be considered by the Directive Board.

Abrafati ended the year with a total of 55 members, 30 of which are paint manufacturers, and 25 are suppliers.



MEMBERS (as of December 2019)

MANUFACTURERS

AKZONOBEL
ALESSI
ANJO
AXALTA
BASF
DACAR
EUCATEX
FUTURA
HIDRACOR
HIDROTINTAS
HYDRONORTH
IBRATIN
INDUTIL
IQUINE
ISOCOAT
KILLING
LECHLER
LUKSCOLOR
MAXIRUBBER
MAZA
MONTANA
PPG
QUALYVINIL
RENNER SAYERLACK
RESICOLOR
SHERWIN-WILLIAMS
SKYLACK
UNIVERSO
VALSPAR
WEG TINTAS

INDUSTRY SUPPLIERS

AGC
ARKEMA
BANDEIRANTE BRAZMO
BASF
BOMIX
BRASKEM
BYK
CABOT
CARBONO
CHEMOURS
COIM BRASIL
COVESTRO
DOW
GRACE
EASTMAN
ELEMENTIS
EVONIK
IMERYS
LUBRIZOL
NITRO QUÍMICA
OMYA
OXITENO
QUANTIQ
RHODIA SOLVAY
UNIVAR

World Coatings Council Meeting in Brazil

After 10 years, Abrafati once again hosted the annual meeting of the World Coatings Council, having picked Praia do Forte, Bahia, to be the location. From March 1 to 4, the meeting brought together heads of associations in Brazil, the United States, Mexico, the United Kingdom, Germany, France, Turkey, Australia and New Zealand, as well as the European Union.

The program comprised discussions and presentations on topics that draw the coating industry's attention and pose new challenges, while at the same time creating opportunities for the industry: regulatory issues, sustainability, raw materials, new user requirements, and several other relevant subjects. The sharing of reflections and experiences provided a richer and broader insight into each topic discussed, resulting in work and study plans being put together to find the best way of addressing certain issues—which contributes to a stronger, sustainable and innovative coatings industry worldwide.



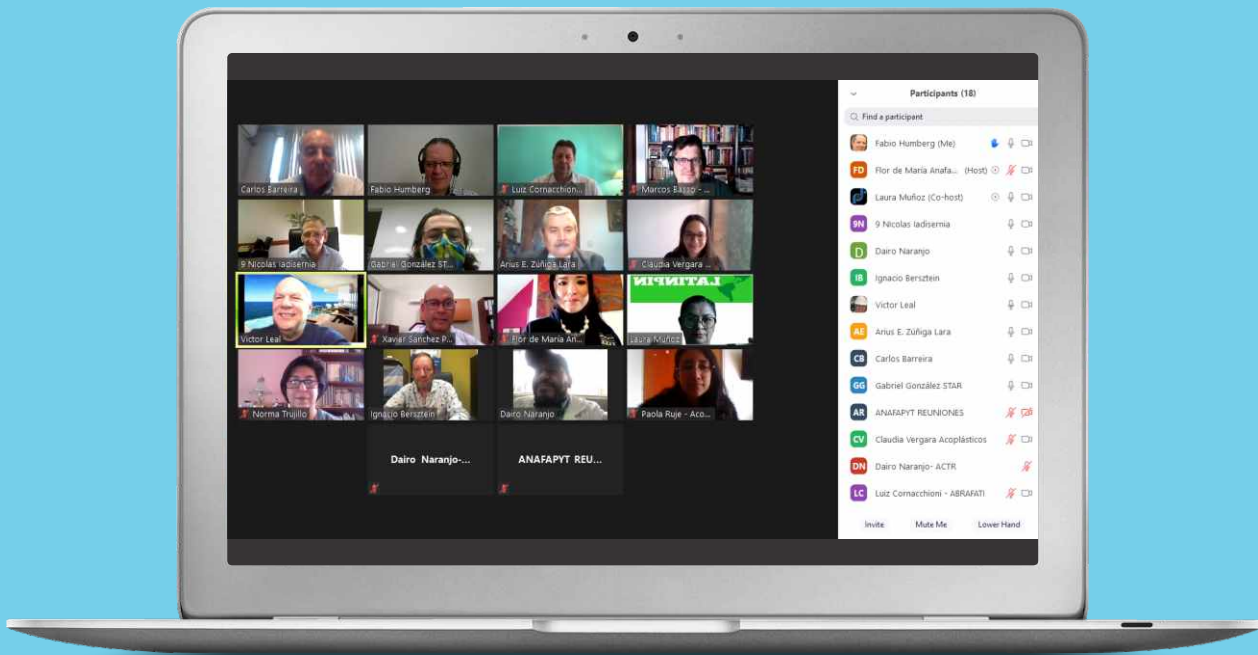
World
Coatings
CouncilSM

MEETING
BAHIA/BRAZIL
MARCH 2-4, 2020



First Vice-Presidency at LatinPin

A vote held on December 9 elected the steering committee of LatinPin—short for Latin American Federation of Paint Manufacturers—for the next two years.



Keeping Abrafati's firm commitment to contribute to regional integration and an exchange of knowledge and experiences, its executive president Luiz Cornacchioni was elected 1st Vice-President of the federation. The chairmanship went to Arius Zúñiga, president of the ANAFAPYT (Asociación Nacional de Fabricantes de Pinturas y Tintas, in Mexico), while Nicolás Iadisernia, president of ATIPAT (Asociación Tecnológica Iberoamericana de Pinturas, Adhesivos y Tintas, in Argentina), became 2nd Vice-President.

Over the course of the year, the entity carried on with its activities in terms of sharing information and devising harmonized approaches within the region to technical and institutional themes. It also prepared a work plan for the new management team with three key objectives: to start structuring a regional statistical center, having the work already done in Brazil as a starting point, to move forward on the discussion and construction of shared strategies related to sustainability and regulation, and to expand the federation's representativity by adding new members and promoting initiatives of great relevance and impact.

Government Relations: Activity Expanded

Our interactions with different governmental agencies and authorities were intensified in 2020 due to not only the pandemic, but also the need to find economic and social solutions. Added to them were requirements arising from issues that mobilize the coatings industry, as previously mentioned in this report, such as technical compliance, tax relief for essential imported raw materials, and adherence to the National Policy for Solid Waste—especially as regards management and avoidance of risk of civil class actions and civil inquiries due to noncompliance with that policy.

The activities on this front received expert support from the advisory firm BMJ and included reviews conducted by our Directive Board and committees, such as the legal and government relations committees, often in conjunction with other industry associations.

One of the most relevant issues of the year involved the National Sanitary Agency (ANVISA): regulation of paints with sanitizing action. The topic was extensively studied by Abrafati, which also involved discussions with the ANVISA team and the Brazilian Committee on Disinfectants and Cleaning Products (ABNT/CB-181) to solve doubts and demonstrate the reality concerning these products. Abrafati put forward a proposal from the industry, and when the regulation bill was put through public hearings, it put the coatings industry's views at the center.

Other really important activities over the year included a strengthening of ties to Inmetro through technical cooperation, tracking of construction works affecting operations at the Port of Santos through a group of business leaders and officials who collaborate to mitigate the effects of that situation, and continued participation in the Congressional Front for Chemistry.



Import tax cut for titanium dioxide

As early as January, the publication of Resolution N° 32 by the Foreign Trade Council to the Ministry of the Economy confirmed the decision approved in the previous year of creating a 50,000-ton quota on titanium dioxide (TiO₂) imports for a tax rate cut from 12 to 6 percent, effective until June 30.

Upon that quota being filled, late June saw Resolution No. 54/2020 extend the term of the Mercosur's List of Exceptions to the Common External Tariff (LETEC) for titanium dioxide, keeping the import tax rate cut for another 50,000-ton quota.

At the end of the year, a meeting of the Executive Management Committee of the Foreign Trade Council to the Ministry of the Economy decided to keep TiO₂ on the LETEC for another 12 months. The import tax rate was reduced from 12 to 8 percent, without any quotas being created. This elimination of quotas for the first time in history was considered an important victory, as they were being filled much earlier than their expiration dates.

These measures resulted from the consistent efforts Abrafati has undertaken with the federal government, with expert support, providing authorities with information that demonstrate, on the one hand, the industry's large consumption of titanium dioxide, whose production in Brazil is insufficient to meet the demand, and, on the other hand, the material's great importance in paint formulations.



Guidance for paint manufacturers

Jointly prepared by Abrafati and Sitivesp, the *Guide to Suggested Measures to Maintain and Resume Activities at Paint Factories During and After the Quarantine* provides information concisely and in a simple language, organized into eight topics:

1. General preventive measures
2. Precautions for the operating team
3. Precautions for the management team
4. Precautions for the operating workplace
5. Precautions of the management workplace and common areas
6. Precautions for receipt of inputs and materials
7. Precautions for product shipping and distribution
8. Safety engineering, occupational medicine and accident prevention practices



The publication was sent to members and is available for download to the entire market.



Anniversaries celebrated: 35 years of Abrafati and 18 years of PSQ

PSQ
Tintas Imobiliárias

18 anos
que mudaram
o mercado

O PSQ completa hoje
18 anos de contribuição
efetiva para o desenvolvimento
do mercado.
É o momento de celebrar
e agradecer a quem
sempre priorizou
a qualidade!

Abrafati celebrated on July 15 the 35th anniversary of its founding, remembering its success story, the results achieved by its efforts to boost the industry, and the values and principles underpinning its activity.

Abrafati's mission of boosting sustainable development in the industry was reaffirm on the occasion.

Another important mark was hit in September 2020, when the Industry-specific Quality Program (PSQ) for Decorative Paints completed 18 years. While definitely putting quality of the agenda of all players in the industry, this initiative has decisively contributed—and continues contributing—to fair competition and incentivized innovation and consumer protection.

PSQ Programa Setorial da Qualidade - 18 anos
O QUE VEM PELA FRENTE

LIVE!
TV 22/07 - 10:00
PAINTS & PINTURA

Jairo Cukierman, Diretor da Tesis
Rafael Baltz, Advogado Especialista em Direito do Consumidor
William Saraiva, Coordenador-Geral do CB-584 (Conselho Brasileiro de Tintas)
Agnele de Barros Neto, CEO da Agnele Editora (Moderador)

Assista em nosso canal no YouTube: youtube.com/tpaintpintura
Lembre-se de ativar o 🔔 para receber notificação do início da transmissão

ORGANIZAÇÃO: **agnele** REALIZAÇÃO: **PAINTS & PINTURA**



SITIVESP
Sindicato da Indústria de Tintas e Vernizes do ESP

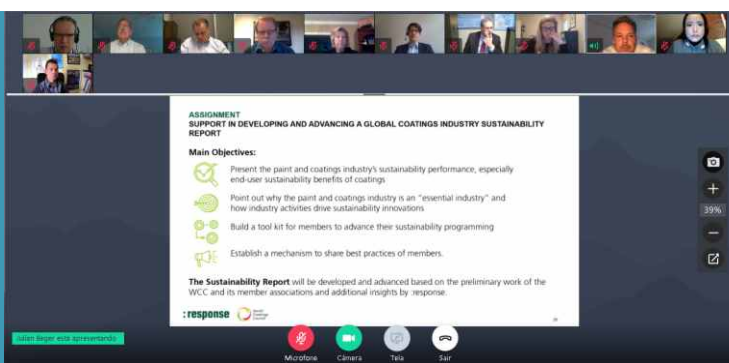
O Presidente do SITIVESP, Sr. Douver Gomes Martinho e sua Diretoria, parabenizam a ABRAFATI pelos seus 35 anos de excelentes contribuições para o setor de tintas e vernizes.

ABRAFATI

São Paulo, julho de 2020.

PSQ: Continued Advancement

The Industry-specific Quality Program (PSQ) for Decorative Paints continued to evolve in 2020, consolidating the renovation and revitalization process kicked off three years earlier. Now in action for 18 years, the program is a mature, transformative initiative that successfully pursue the goal of valuing quality in decorative paints and cause it to reach higher and higher levels by stimulating innovation, fair competition and consumer protection.



There is full access to recognized quality paints in Brazil. As 42 companies participate the program (4 of which joined in 2020), producing in all Brazilian regions (54 factories spread over 16 states), the percentage of the total paint output it covers rises—it is currently at 80%. Its representativity continues to expand, as demonstrate by a specific data point: the number of companies that requested information on who to subscribe to the PSQ exceeded 20 in the course of the year. To this point, we should also stress that nearly 50% of the companies participating (20 out of 42) are not ABRAFATI members.

The process of creating and reviewing technical standards moved forward to the first standard related to textured coatings (details ahead in this report). The set of regulatory changes passed in September 2019, set to take effect in March 2021, was the focus of attention from the PSQ management, technical and marketing committees, who worked hard to communicate those changes to the market and users and to align the understanding of what changes, with special emphasis on the new concept of finished yield (more information on this concept is provided in a specific topic below).

Also serving that purpose of advising audiences who handle paints on their choice, application, use and maintenance, a technical publication was released in 2020—and is available for viewing and download to anyone interested—with a rich, comprehensive content: the *Decorative Paint Application, Use, Cleaning and Maintenance Manual*, completely in line with the concepts and principles of the PSQ.

New concept of finished yield

Within the set of regulatory changes passed in late 2019 and set to take effect in March 2021, special attention was given to the new method of marking yield values on decorative paint containers. The concept of finished yield per container now being introduced poses challenges in terms of both changes to the textured print on paint containers and the message to be conveyed to the various publics handling them.



With that in mind, we devised a communication plan together with the PSQ marketing committee to explain those changes and demonstrate their benefit to manufacturers, retailers, painters, specifiers, builders and consumers, as well as the entities representing them.

Various actions and pieces were planned and executed in the fourth quarter of 2020 and are expected to continue into the early months of the following year. Among them a video clip, a brochure with explanations, contents for the website, letters and announcements, articles, press releases, and posts on social media—shared with the companies participating in the PSQ for expanded exposure.

Also involved were lectures—as in certain editions of the Paint & Pintura Forum over the year—and live streaming presentations. An event that plays a significant role in harmonizing understanding was a workshop held on December 3, with more than 110 professionals from the 42 manufacturers participating in the PSQ in attendance.

**FINISHED YIELD, IN SQ.M.
PER CONTAINER**



Combating noncompliance

The pandemic did not stop our work at protecting consumers from noncompliance in decorative coatings. Despite the restrictions on the activities of courts, 10 complaints against manufacturers that flouted technical standards were filed with state prosecutors' offices, resulting in the signing of three new consent decrees in 2020 by noncompliant companies. That rose the number of consent decrees to 15, encouraging companies to change their conduct, improve their products and meet the requirements of technical standards.

AGGREGATE FIGURES – UNTIL THE END OF 2020

- More than 830 brands and products evaluated
- 7,181 audits conducted
- 23,412 paint samples collected for analysis
- 64,715 performance tests run



Ministério Público do Rio Grande do Sul
PROMOTORIA DE JUSTIÇA ESPECIALIZADA DE ESTRELA

Termo de Compromisso de Ajustamento de Conduta
IC.00770.00029/2020



MINISTÉRIO PÚBLICO DO ESTADO DE MINAS GERAIS
1ª PROMOTORIA DE JUSTIÇA DA COMARCA DE BETIM
JUIZADOS ESPECIAIS, DEFESA DOS DIREITOS DO CONSUMIDOR, APOIO COMUNITÁRIO E CONFLITOS AGRÁRIOS

TRANSAÇÃO ADMINISTRATIVA
PROCESSO ADMINISTRATIVO Nº 0027.18.000623-4

First technical standard for textured coatings

Late November saw the Brazilian Association of Technical Standard's (ABNT) publication of technical standard NBR 16912, the first in Brazil for textured coatings. It specifies the testing method for determining tensile strength in textured coatings.

Efforts in this area advanced particularly thanks to the efforts of the work group created to conduct this activity within CB-164, the Brazilian Coatings Committee. With the participation of professionals from paint companies and their suppliers, as well as others interested in the theme, the group worked hard to ensure the standard, which was an old demand from the industry, would become reality.

With it, there are now 38 regulatory documents applicable to decorative paints, and the number is rising, as additions and reviewed versions have been constantly issued since 2002, when the Industry-specific Quality Program (PSQ) for Decorative Paints was first implemented.



Strategic planning on sustainability

In the final months of 2020, our Directive Board sustainability committee coordinated the process of hiring a specialized advisory firm to develop a strategic plan on sustainability for the industry—identified as a priority demand.

The discussions held by that committee resulted in the determination that that plan should be based on the UN Sustainable Development Goals (SDGs) rated as a priority by the World Coatings Council, and also contemplate the industry's materiality matrix and the Coatings Care program.

In the final quarter, potential providers of that service were selected and contacted, and their initial proposals received. The conclusion of this process was set to take place in early 2021.

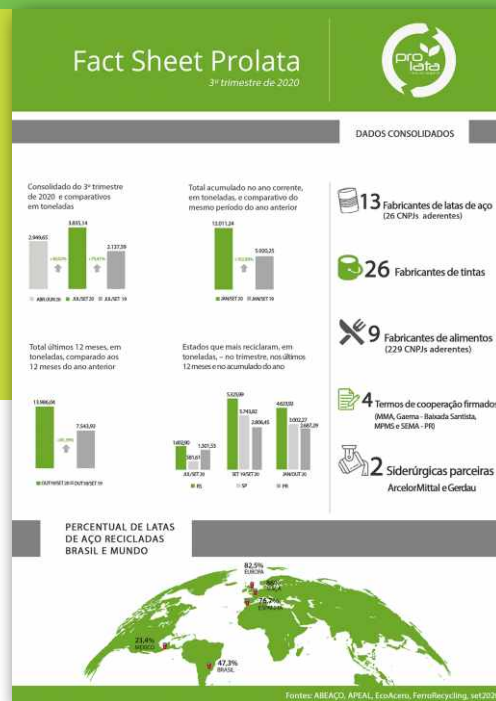


Evolution in Prolata

As far as the Prolata Program is concerned, 2020 was marked by a series of advancements, with the participation and support of Abrafati. There was a broad redesigning of operations that has already yielded important results in terms of the volume of steel recycled, which increased by 179%, amounting to 22,032.79 tons. That was thanks to the increased emphasis put on joint efforts with warehouses and the entry of a second steelworks partner (ArcelorMittal), as well as a 15% increase in number of cooperatives involved, adding up to 53 in 12 states.

The creation of the communication committee in coordination with Abrafati was another significant new development, which has already successfully created and released an quarterly fact sheet providing key data on the program.

We also understood for the first time an environmental education effort, as contemplated by the National Policy for Solid Waste. A webinar on this topic, which reached 5,200 viewers, and the formation of 12 work groups with educators enabled us to spread knowledge to thousands of students.

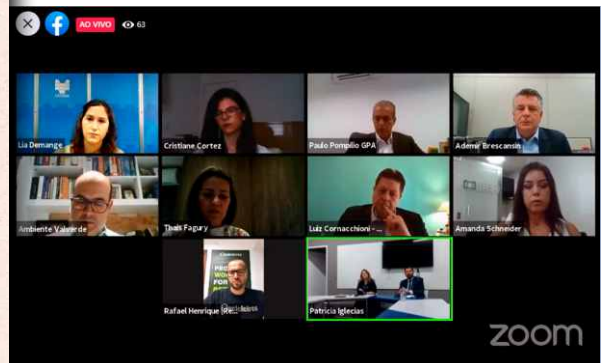
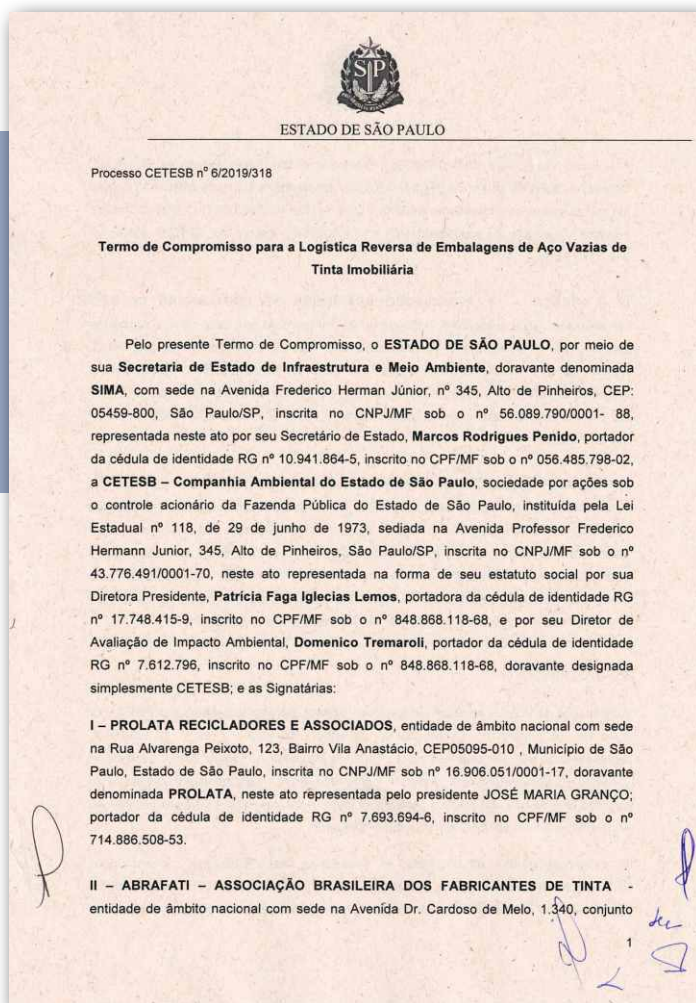


Commitment agreement with São Paulo State Environmental Authority

In early December, an online ceremony was held for the signing of a commitment agreement on reverse logistics for empty steel containers of decorative paints involving the São Paulo State Environmental Authority, or CETESB, Prolata, Abeaço, Abrafati, and Artesp.

The document was discussed and improved over the course of many months and sets forth a series of measures and targets for the management and channeling of those containers into the recycling process.

As a result, manufacturers participating in Abrafati's compliance program related to the National Policy for Solid Waste meet the requirements of Resolution Nº 45, which makes license renewals and new license grants predicated on reverse logistics.



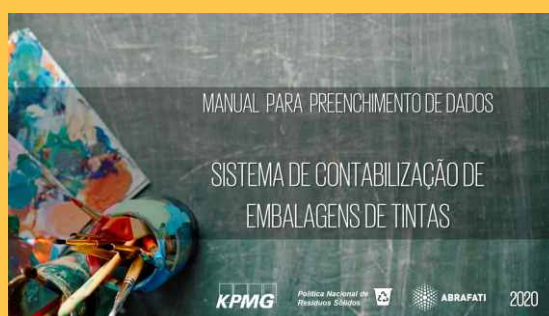
Compliance with the PNRS

Besides the efforts undertaken as part of the Prolata program, meeting the requirements of the National Policy for Solid Waste (PNRS) involved several other activities in 2020. Among them we would highlight the roll-out of powerful, cutting-edge tool of collecting and processing paint container data: the Collect system, developed and operated by KPMG. With confidentiality assurances, each manufacturer has entered the figures for 2017, 2018 and 2019 for packaging materials put out in the market by material (steel, plastic and cardboard) and by state, which now enables us to provide a set of reliable data for planning actions and submitting them to the authorities.

Also decided in 2020 was the withdrawal from an industry-wide agreement known as Packaging Coalition upon meeting the requirement for submission of a mitigation plan to which all parties to that agreement agreed, which, for Abrafati, involved plastic and cardboard containers. Mitigated volumes were reported, as were investments made through a partnership with the program *Dê a Mão para o Futuro* (DAMF), which has great credibility and recognition by the main agencies involved in the regulation of the PNRS.

At the center of Abrafati's concerns also was the search of more alternatives for proper disposal and recycling of plastic packaging materials, as well as the dissemination of information on how to do it and topics that have been extensively discussed at the internal committees and also with the players in this segment, particularly Abiplast.

Connected to these efforts towards compliance with the PNRS is greater focus on paint waste, for which a more accurate diagnosis has been sought from which we can build viable solutions. Rated a priority by the Directive Board sustainability committee, this issue was the subject of discussions throughout 2020, which resulted in the decision to work in a collaborative way, sharing experiences and assessing possibilities, so as to enable a comprehensive project to be devised.



Coatings Care Program

33 units of 24 different paint companies (Abrafati members or PSQ participants) were presented with Coatings Care certificates in 2020. The number was the same in the previous year, demonstrating this program holds up among companies in the industry, where it is viewed as a tool that stimulates process improvements and compliance with legal requirements concerning health, occupational safety and environment. At the same time, it allows us to view where opportunities exist for cost reduction or performance improvement, as company data are compared to industry averages and to the best and worst results, when it comes to indicators like water and energy consumption, waste disposal and work accidents.



Global sustainability report

One of the most important projects carried out at the World Coatings Council in 2020 was the designing and start of preparation of the coatings industry's first global sustainability report.

In the course of the year, with Abrafati playing an active role, the work involved defining the publication in broad strokes, hiring a specialized agency to produce it, determining the final format of the project and its schedule, collecting information and materials, conducting surveys with members, and interviewing with leaderships in various countries. The report will be available in the second half of 2021.



Abrafati 2021 Launched

In the course of 2020, key steps were taken toward organizing the industry's leading event in Latin America: Abrafati 2021. The date and place set, the event began to present itself as a great opportunity for a reunion of the industry and for boosting the recovery of business.

The search for sponsors to the International Coatings Congress delivered. Thanks to the reputation for quality and reliability built over 16 editions, despite all uncertainties and budget restrictions caused by the pandemic, 18 companies decided to sponsor it, two of which for the first time. And it was for that group that we held the first event launching the International Coatings Industry Suppliers Exhibition on September 24. Two weeks later, another launch event was open to all companies interested in having a booth. The virtual events, organized with all necessary precautions, were conducted by skilled masters of ceremonies—the journalists Milena Machado and Karyn Bravo—and had excellent results, reaffirming the importance of the trade show to the industry: more than 80 companies picked their spaces, taking up around 70% of the area of halls 5 and 6 at São Paulo Expo.



ABRAFATI 2021

International Coatings Congress
International Exhibition of Coatings Industry Suppliers

As booth sales continued, new companies based in Brazil and abroad joined the initial group out of their interest in showcasing world-class products and services to a market eager for new developments: 112 exhibitors had been confirmed by the end of the year.



To further raise the quality of the Congress, which is recognized as one of world's most important events of its kind, the discussions on improvements and key topics to be highlighted at Abrafati's Technical and Scientific Committee were enhanced by the technical expertise contributed by Vincentz and NürnbergMesse, Abrafati's partners for the trade show.

The call for papers was put out in late November, ensuring professionals willing to share their latest research and finding had enough time to prepare and send in their papers for review. New features include a solid, user-friendly system for online submission of those papers.

Early contacts and registrations enable us to anticipate the program will be filled with studies demonstrating impactful innovations and results of ongoing or newly concluded research projects related to topics that most mobilize the coatings supply chain. Among them paints with health and safety attributes, biobased products, nanotechnology resources, and digitization in the industry, as well as countless other topics related to consumer requirements and the various markets served by the coatings industry.

Holding the event in partnership with global companies specializing in trade shows and congresses has added the security of having best practices and innovations to allow us to conquer the challenges posed by the pandemic and move on to a new level with this even that already has so much recognition.

Abrafati Forum



In its 13th edition, the Abrafati Forum was held on November 10 with an extremely high-level program. It was yet another successful experience with online events that draw 448 registered professionals—whom dozens of others joined by watching the footage on YouTube—interested in learning about performance reviews of the industry for 2020 and the outlook for the next few years.

Hosted by the journalist Karyn Bravo, the program started with a lecture by the economist Ricardo Sennes on prospects for Brazil. It was followed by two panels that brought together for the first time in a single event the 12 members of Abrafati's Directive Board to examine the current moment and future challenges.

On the theme "Portrait of the Industry Today," the first of those panels brought together Alan Souza (Iquine), Douver Martinho (Universo), Marcelo Cenacchi (Renner Sayerlack), Marcos Allemann (BASF), Mateus Aquino (Axalta), and Milton Killing (Killing). The second one, on "What the Future Holds," featured Agnaldo Bergamo (Eucatex), Andreas de Salis (Montana), Daniel Campos (AkzoNobel), Freddy Carrillo (Sherwin-Williams), Marcio Grossmann (PPG), and Reinaldo Richter (WEG).



Online edition of Coatings Technology Course

The impossibility to provide the Coatings Technology Course in person, which had been open for registration since February, led to the accelerated implementation of a project that was already been planned: providing this course live online.

The first online edition was very successful, boasting the largest number of students in the past 10 years (34), which made it part of a set of industry actions aimed at technical training.

One of the goals of this innovation was to expand access to the course for professionals outside the

Greater São Paulo area, which was fully accomplished, as the course was attended by students from the North, Northeast and South Regions, as well as other parts the Southeast.

The program's breadth and depth were maintained, which only a few content updates and minor adaptations for the virtual format.



ONLINE

The screenshot displays a Zoom meeting interface. On the left, a slide titled "CURSO DE TECNOLOGIA em Tintas ABRAFATI" features an "Aula Inaugural" (Inaugural Class) slide with a blue background and a globe. On the right, a grid of 20 participant video feeds is visible, with names such as Celso, Fabio Humb..., Alexandre Barca..., Igor Lessa, and others. At the bottom, a slide titled "PROCESSO DE ELABORAÇÃO DE UMA NORMA" (Process of Elaboration of a Standard) is shown. The flowchart details the following steps: DEMANDA (Demand) - DEFINIÇÃO DOS REQUISITOS IMPORTANTES (Definition of Important Requirements) - CONSOLIDAÇÃO DOS MÉTODOS DE ENSAIO (Consolidation of Test Methods) - DIAGNÓSTICO SECUNDÁRIO E DEFINIÇÃO DOS LIMITES ACEITÁVEIS (Secondary Diagnosis and Definition of Acceptable Limits) - ELABORAÇÃO DE NORMA TÉCNICA DE EMPRESA (Elaboration of Company Technical Standard) - INTERNAÇÃO DO DOCUMENTO NA ABNT (Submission of Document to ABNT) - CONSULTA NACIONAL (National Consultation) - ANÁLISE DO RESULTADO DA CONSULTA NACIONAL (Analysis of National Consultation Result) - APROVADO? (Approved?) - DISCUSSÃO DO TEXTO EM REUNIÕES PLENÁRIAS DA CE (Discussion of Text in CE Plenary Meetings) - NORMA BRASILEIRA ABNT NBR 15079-1 (Brazilian Standard ABNT NBR 15079-1). A video feed of a woman named Anne Costa is visible in the bottom right corner.

Abrafati Awards



The 21st edition of the Abrafati Coatings Science Awards was launched on June 18—Chemist's Day, with chemists representing a majority of award winners over time. At that time, we still thought the award presentation ceremony would be held in person, keeping with tradition.

The advertising focused on key target audiences, involving video testimonies by six award winners from previous editions, drew interest among researchers—14 papers were submitted for review by researchers from various corners of Brazil, doubling the number for 2019 and ranking third in history.

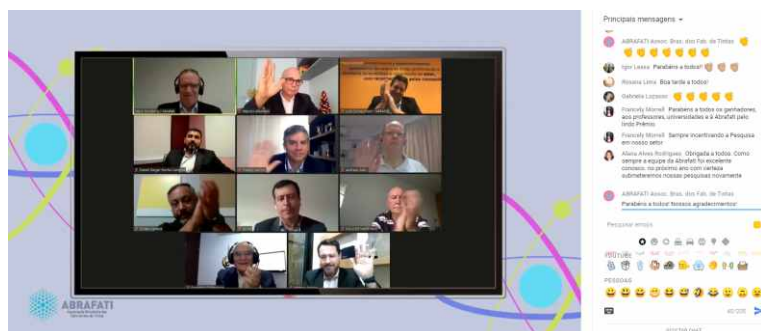
The judging committee, consisting of industry experts, decided what the three winning awards were based on their relevance and originality:

1st place: Leandra Pereira dos Santos and Fernando Galembeck, of Galembetech Consultores e Tecnologia, with the paper titled “Exfoliated and Reorganized Graphite: A New Flame Retardant.”

2nd place: Alana Alves Rodrigues (author) and Márcio José da Silva (adviser), of Universidade Federal de Viçosa, with the paper titled “One-pot Synthesis of Alkyl Furoates from Renewable Biomass to Produce Anti-Fouling Agents for Maritime Coatings.

3rd place: Silvia Rosane S. Rodrigues (author) and João Henrique Zimnoch dos Santos (adviser), of Universidade Federal do Rio Grande do Sul, with the paper “Environmentally Compliant Tannin-Based Metal Corrosion Inhibitor as a Potential Paint Additive.”






The online presentation ceremony reaffirmed the value of research and innovation to the industry, as well as the priority given to these actions by Abrafati, and was attended by many members of the Abrafati's Directive Board and technical and scientific committee.



Social Media: 12 Million Views

In 2020, there were dozens of posts by Abrafati on Facebook, Instagram and LinkedIn. The reach of those posts exceeded 12 million views, which means that number of people viewed the contents posted by Abrafati in the course of the year.

Our number of followers continued to rise, at a faster pace than in the previous year. The total exceeded 37,000, representing 41% growth in 2020 relative to 2019.

Social Network	End of 2019	End of 2020	Growth
 Facebook	20,511	29,558	44.11%
 Instagram	3,032	4,002	31.99%
 Twitter	660	700	6.06%
 YouTube	804	900	11.94%
 LinkedIn	1,450	2,151	48.34%
TOTAL	26,457	37,311	41.03%



ABRAFATI TEAM (as of 12/31/2020):

Communication Coordinator	Ana Paula Martin Figuera
Technical Coordinator	Anne Costa
Director, Communications and Corporate Relations	Fabio Humberg
Communications and Events Analyst	Igor Lessa
Financial Analyst	Luana Perrone
Executive President	Luiz Cornacchioni
Financial Analyst	Marcela Cardozo
Legal Director	Marcelo André Bulgueroni
Sustainability and Innovation Coordinator	Maria Rita Demitró de Freitas Guimarães
Controller	Tulio Vasconcelos

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