

# CORPORATE GOVERNANCE STATEMENT 2017

## 1. INTRODUCTION

Tikkurila Oyj (later referred to also as "Tikkurila" or "Group" both in relation to Tikkurila Oyj and the Group it forms) has prepared this corporate governance statement based on existing legislation and regulations. This corporate governance statement is issued separately from the Board of Directors' report, and is also available on the website [www.tikkurilagroup.com](http://www.tikkurilagroup.com), as well as is included in the 2017 Annual Review.

## GENERAL PRINCIPLES AND FRAMEWORK

Tikkurila's governance principles and decision-making processes are based on:

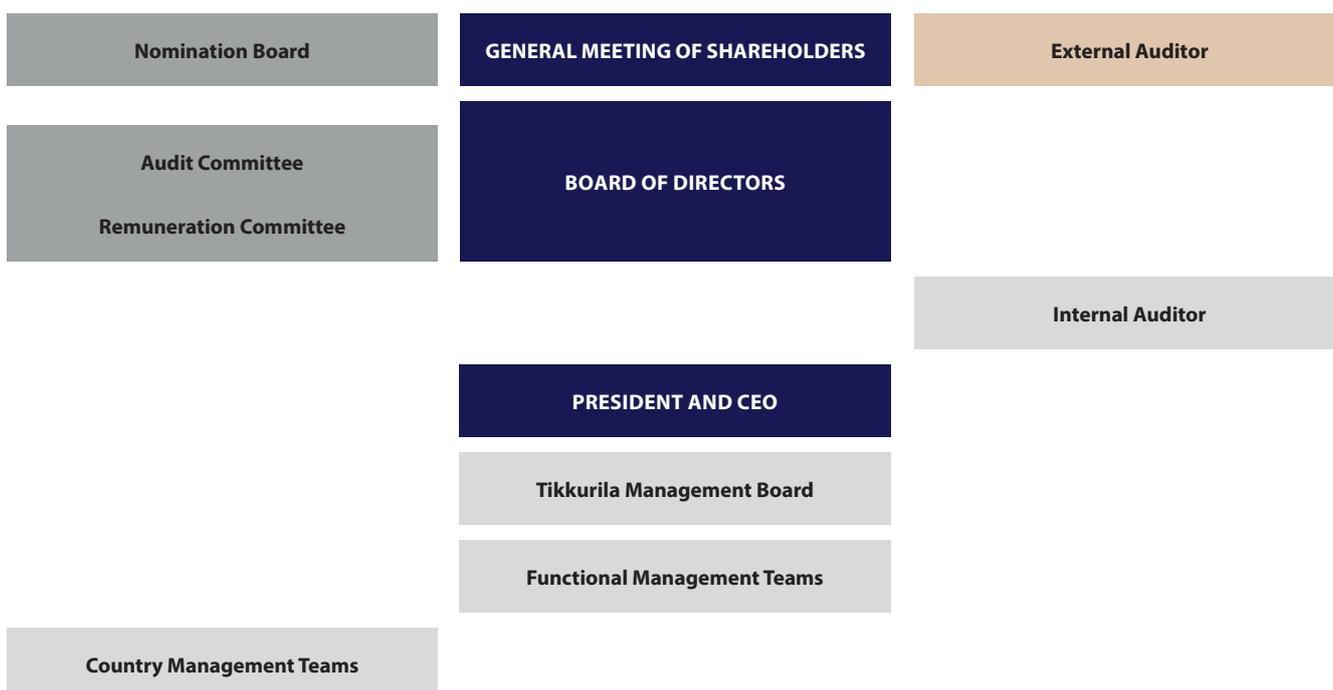
- Finnish Companies Act;
- Finnish Securities Market Act;
- Finnish Corporate Governance Code;
- Articles of Association of Tikkurila;
- standards issued by the Finnish Financial Supervision Authority;
- rules and regulations of Nasdaq Helsinki;
- Helsinki Takeover Code, issued by the Securities Market Association; and other legislation or regulations applicable to the Group's business.

Information about the governance practices of the Group is also available on Tikkurila's corporate website.

As the Group's business is either directly or indirectly dependent on markets outside of the domicile of Tikkurila Oyj, relevant local (i.e. non-Finnish) laws and regulations are also taken into account in the Group's operations. Furthermore, the Group has issued a number of internal policies and guidelines where governance aspects are taken into account or instructed.

## 2. TIKKURILA'S GOVERNING BODIES

The following diagram summarizes the key governing bodies of Tikkurila:



The main duties of the Group's governing bodies are to major extent defined by the Finnish Companies Act.

## ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

The Annual General Meeting is the supreme decision-making body of Tikkurila Oyj, and the tasks of the AGM are based on and defined in the Finnish Companies Act, Tikkurila's Articles of Association and any other relevant regulations. As stipulated by the Companies Act, the Annual General Meeting shall be held once a year, at the latest before the end of June. The AGM resolves on e.g.:

- the adoption of the financial statements of the previous financial year;
- the use of profit as stated by the adopted and audited financial statements;
- the number of members on the Board of Directors;
- the election of members of the Board of Directors;
- the remuneration of the members of the Board of Directors;
- the election of the Auditor;
- the compensation to be paid to the Auditor;
- the discharging from liability of the members of the Board and the President and CEO;
- any proposals by the Board of Directors or by the shareholders or group of shareholders related to, e.g. authorizations granted to the Board, share buy-backs or granting of special rights related to shares; and
- any changes in the Articles of Association.

Tikkurila Oyj has one class of shares; therefore, all shares have equal voting rights at the General Meetings of shareholders. More detailed information on the process of the Annual General Meetings can be found in Tikkurila's Articles of Association, which are available on the company's web page, [http://www.tikkurilagroup.com/corporate\\_governance/articles\\_of\\_association/](http://www.tikkurilagroup.com/corporate_governance/articles_of_association/).

The decisions of the shareholders' meeting during 2017 are presented in the 2017 Board of Directors' report, and all the meeting materials and decisions are published on the Company's web page. The Annual General Meeting in 2018 will be held on April 12, 2018.

## NOMINATION BOARD

Tikkurila has a Nomination Board consisting of shareholders or representatives of shareholders to prepare and present annually a proposal for the next Annual General Meeting concerning the Chairman, Vice Chairman and members of the Board of Directors, as well as their remuneration. Representatives of the three largest shareholders are elected to the Nomination Board. In addition, the Chairman of the Board of Directors of the Company shall act as an expert member of the Nomination Board.

The Nomination Board was convened so that each of Tikkurila's three largest shareholders registered as shareholders in the shareholders' register maintained by Euroclear Finland Ltd were requested to appoint one member to the Nomination Board. In addition, Tikkurila's Chairman of the Board of Directors acts as an expert member of the Nomination Board.

Until June 13, 2017 the members of the Nomination Board were: Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, President and CEO of Ilmarinen Mutual Pension Insurance Company; and Reima Rytsölä, Executive Vice President, Investments, of Varma Mutual Pension Insurance Company. Tikkurila Oyj's three largest registered shareholders, on May 31, 2017, appointed their representatives for the Tikkurila Nomination Board so that from June 13, 2017, the Nomination Board has had the following members: Annika Paasikivi, Chief Operating Officer, Oras Invest Oy; Reima Rytsölä, Executive Vice President, Investments, Varma Mutual Pension Insurance Company; and Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company. During 2017, Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj, acted as the expert member of the Nomination Board.

During 2017, the Nomination Board had two (2016: three) meetings, and the attendance rate was 100 (89) percent.

## PREPARATION PROCESS FOR THE BOARD NOMINATION AND THE DIVERSITY OF THE BOARD OF DIRECTORS

The Nomination Board, consisting of shareholders or their representatives, annually prepares proposals for the Annual General Meeting in relation to the number of the members of the Board, the composition of the Board, the Chairman and Vice Chairman of the Board, as well as the remuneration of the Board members. Proposals take into account both the articles of association of the Company, as well as all relevant legislation. When designing the composition of the Board of Directors, Tikkurila's Nomination Board assesses the composition from the viewpoint of the Company's current and future business needs, while taking into account the diversity of the Board.

The diversity of the Board of Directors will be assessed from various viewpoints. Tikkurila's Board of Directors shall have sufficient and complementary experience and expertise in the key industries and markets relevant to Tikkurila's business. In addition, an essential element is the personal characteristics of the members and their diversity.

For example, the following factors are considered and taken into account when electing Board members:

### Professional expertise

- knowledge of the company's value creation drivers
- industry
- relevant markets
- accounting and finance
- governance

### Personal characteristics

- education
- gender and age
- personality
- culture

The Company's aim is that the Board of Directors represent expertise in different industries and markets, diverse professional and educational backgrounds, diverse age distribution and both genders. Concerning gender diversity, the objective is that both genders are represented in the Board by at least two members.

The realization of the diversity principles is monitored and reported in the Company's Corporate Governance Statement and Corporate Responsibility Report.

## BOARD OF DIRECTORS

The duties and responsibilities of the Board of Directors are governed by the Finnish Companies Act and other relevant legislation. The Board of Directors oversees the management and business operations of Tikkurila. The main duties of the Board include:

- to approve the strategy of the Group;
- to decide on long-term financial and operational goals;
- to approve business plans;
- to decide on any major corporate restructuring, merger, acquisition or divestment;
- to decide on major investments as well as major expenses, commitments and internal policies;
- to decide on key funding and risk management issues and related pledges and commitments;
- to approve or confirm the appointment and remuneration of the Group management;
- to appoint and dismiss the Group President and CEO, and to confirm the appointment of the members of the Tikkurila Management Board;
- to monitor and evaluate the performance of the Group President and CEO;
- to ensure the adequacy of planning, information and control systems, as well as the handling of financial reporting and risk management;
- to make proposals for, including but not limited to proposing the dividend payout, and to convene the Annual General Meeting;
- to oversee that the Group's policies are applied; and
- to ensure that the supervision of the accounting and financial matters, and any audits thereby, are properly organized.

The Board of Directors represents all the shareholders and shall always work to the best advantage of the Group and all the shareholders of Tikkurila Oyj.

In accordance with the Articles of Association, the Board of Directors of Tikkurila Oyj comprises 3–7 members elected by the Annual General Meeting for a term that lasts until the end of the next Annual General Meeting. The Board is convened by the Chairman. The Board of Directors has a quorum when more than half of its members attend the meeting. The President and CEO, as well as the CFO of the Group, attend the Board meetings presenting the issues being discussed or decided upon, and the Group Vice President, Legal Affairs, acts as the Secretary of the Board.

During the financial year 2017, Tikkurila Oyj's Board of Directors had the following six members for the full year:

- Eeva Ahdekivi, member of the Board continuously from 2009
- Harri Kerminen, member of the Board continuously from 2012
- Riitta Mynttinen, member of the Board continuously from 2011

- Pia Rudengren, member of the Board continuously from 2009
- Jari Paasikivi (Chairman), member of the Board continuously from 2008, Chairman from 2010
- Petteri Walldén (Vice Chairman) member of the Board continuously from 2008, Vice Chairman from 2010

All of the Board members are independent of the Company, and members other than Jari Paasikivi are also independent of major shareholders. Chairman of the Board, Jari Paasikivi, is the CEO of Oras Invest Oy, and hence he is not independent of the key shareholders, since Oras Invest Oy owns approximately 18 percent of Tikkurila Oyj's shares.

In order to ensure the effectiveness of the Board of Directors' work, the Board annually conducts a self-evaluation, the results of which are used to develop the working methods of the Board, as well as to enhance the cooperation between the Board and the President and CEO.

During 2017, the Board had 12 (2016: 10) meetings, and the average attendance rate was 99 (98) percent.

### REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decided in April 2017 on the remuneration to be paid to the members of the Board. According to that decision, the Board remuneration in 2017 was the following:

- Chairman of the Board, EUR 64,000 per year;
- Deputy Chairman of the Board and Chairman of the Audit Committee, EUR 40,000 per year; and
- other members of the Board, EUR 32,000 per year.

The annual remuneration of the Board members was paid as a combination of shares and cash so that approximately 40 percent of the annual remuneration was paid as shares: either from shares already owned by Tikkurila or, if not possible, in shares acquired from the market, and 60 percent was paid in cash.

In addition, the following meeting-specific fee was paid:

- EUR 600 per meeting to members living in Finland; and
- EUR 1,200 per meeting to members living in other countries.

Moreover, EUR 600 was decided to be paid per telephone or video meeting. The meeting-specific fee was also paid for all committee meetings. Members' travel expenses related to meetings were compensated in accordance with Tikkurila's Group travel policy. The meeting-specific fees were paid in cash to members' bank accounts.

There were no employment relationships or service contracts between the Board members and Tikkurila.

### AUDIT COMMITTEE

In 2017, Eeva Ahdekivi was the Chairman of the Audit Committee until April 4, 2017, and thereafter Pia Rudengren became Chair. The third member of the Audit Committee was Riitta Mynttinen.

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and Tikkurila's process for monitoring compliance with laws and regulations and the Tikkurila Code of Conduct, as well as other internal policies.

Tikkurila's Audit Committee does not have any executive power. The Audit Committee is responsible for preparing and handling issues, such as:

- to assess and oversee the preparation of financial statements, half-year financial reports and business reviews, and to review the results of the impairment testing of the assets;
- to assess risks and to review risk management policies and actions;
- to evaluate Tikkurila's compliance with laws, regulations and Tikkurila's internal Code of Conduct financial reporting principles as well as corporate social responsibility initiatives;
- to confirm audit plans for both external and internal audit;
- to prepare the election of auditors;
- to pre-approve the non-audit services of the external audit firm; and
- to review the corporate governance statement.

During 2017, the Audit Committee met five (2016: 5) times. The attendance rate was 100 (100) percent. The Group's CFO, Jukka Havia, acted as the Secretary of the Committee, and Tikkurila's Principal Auditor, Toni Aaltonen, was present in the meetings and presented reports to the Audit Committee. In addition, Tikkurila's Internal Auditor reported audit findings to the Audit Committee.

## SUMMARY OF THE ATTENDANCE AND REMUNERATION OF THE BOARD OF DIRECTORS, 2017

Name	Position	Board of Directors			Audit Committee			Remuneration Committee			all fees total	
		# of meetings	EUR	EUR	EUR	EUR	EUR	# of meetings	EUR	# of meetings		EUR
		attendance	annual fees, shares	annual fees, cash	annual fees, total	meeting fees, cash	fees, total	attendance	fees, cash	attendance	fees, cash	
Eeva Ahdekivi	Member	12/12	12,791	19,209	32,000	7,200	39,200	5/5	3,000			42,200
Harri Kerminen	Member	12/12	12,791	19,209	32,000	7,200	39,200			3/3	1,800	41,000
Riitta Mynttinen	Member	11/12	12,791	19,209	32,000	11,400	43,400	5/5	5,400			48,800
Jari Paasikivi	Chairman and Chairman of Remuneration Committee	12/12	25,582	38,418	64,000	7,200	71,200			3/3	1,800	73,000
Pia Rudengren	Member and Chairman of Audit Committee	12/12	15,994	24,006	40,000	11,400	51,400	5/5	5,400			56,800
Petteri Walldén	Vice Chairman	12/12	15,994	24,006	40,000	7,200	47,200			3/3	1,800	49,000
<b>TOTAL</b>		<b>71/72 (98.6%)</b>	<b>95,943</b>	<b>144,057</b>	<b>240,000</b>	<b>51,600</b>	<b>291,600</b>	<b>15/15 (100.0%)</b>	<b>13,800</b>	<b>9/9 (100.0%)</b>	<b>5,400</b>	<b>310,800</b>

In financial year 2017, the Audit Committee reviewed the Group's regular financial reports before Board meetings, discussed results guidance and guidelines related to it, reviewed internal and external audit reports and audit plans as well as prepared the election of Auditor, presented to the Annual General Meeting 2017.

## REMUNERATION COMMITTEE

In March 2012, the Board of Directors of Tikkurila Oyj established the Remuneration Committee to discuss and propose remuneration of Tikkurila's Group management. In 2017, Jari Paasikivi was the Chairman of the Remuneration Committee, and Petteri Walldén and Harri Kerminen were the other members of the Committee. During 2017, the Remuneration Committee met three times (2016: once), and the average attendance rate was 100 (100) percent.

## PRESIDENT AND CEO

The Board of Directors appoints the President and CEO and decides upon his/her remuneration and other benefits. The President and CEO is in charge of the day-to-day management of the Company and the Group it forms. The President and CEO's responsibilities are based on the Finnish Companies Act, the Finnish Corporate Governance Code and the guidance and authorization given by the Board of Directors.

The President and CEO's duties include managing the business according to the instructions issued by the Board of Directors, presenting the matters to be dealt with in the Board of Directors' meeting, implementing the matters resolved by the Board of Directors and other issues determined in the Companies Act.

Erkki Järvinen was the President and CEO of Tikkurila from January 2009 until September 2017. The Board of Directors elected Group CFO, Jukka Havia, to act as the Interim President and CEO from September 21, 2017.

## TIKKURILA MANAGEMENT BOARD

The Tikkurila Management Board is chaired by the President and CEO, and it assists the CEO in the management and development of Tikkurila. The President and CEO proposes the appointment of the Tikkurila Management Board members, and the Board of Directors approves the appointments as well as approves the remuneration for the members of the Management Board. Tikkurila has operations in multiple countries, and hence also has a large number of legal entities in various countries. The President and CEO is the decision-maker for any major decisions, which do not require the Board of Directors' resolution.

The composition of the Tikkurila Management Board is the following at the year-end 2017:

- Jukka Havia, Chief Financial Officer, and Interim President and CEO
- Melisa Bärholm, Senior Vice President, HR
- Petri Miettinen, Senior Vice President, Operations
- Janno Paju, Senior Vice President, Sales
- Meri Vainikka, Senior Vice President, Offering

Antti Kiuru, the Group's general legal counsel, and who also was in charge of risk management, acted as the secretary of both the Tikkurila Management Board and the Board of Directors.

During 2017 there were the following key changes in relation to the Group management team and the management model:

- in the beginning of May, Meri Vainikka (Offering) and Melisa Bärholm (HR) were elected as the new management board members, and Kenneth Sundberg discontinued in his role on the Group management team; moreover, at the same instance the Group's management model was changed:
  - \* by changing to a functionally led and centralized organization model
  - \* by discontinuing the Area Board structure, which was previously used to guide the subsidiaries;
  - \* by discontinuing the Business Board, which coordinated sales and marketing actions at the Group level
- by the decision of the Board of Directors, Erkki Järvinen stepped down as the President and CEO, and Jukka Havia was elected as the Interim President and CEO from September 21, 2017

## REMUNERATION OF THE MANAGEMENT MEMBERS REPORTING DIRECTLY TO THE PRESIDENT AND CEO

The Board of Directors decides the remuneration as well as key employment terms for all group management members that directly report to the President and CEO.

## REMUNERATION OF THE TIKKURILA MANAGEMENT BOARD IN 2017, SUMMARY

Tikkurila Management Board members were included in the 2017 annual cash-based management bonus scheme, and in the share-based commitment and incentive plans, which were established in 2012 and in 2016. The content of these incentive systems is described in more detail in the "Cash-based Annual Bonus Scheme" and "Share-based Commitment and Incentive Plans".

Summary of the Remuneration of the Tikkurila Management Board: More detailed information about the remuneration of the Group management, and the Board of Directors, is available in the separate Remuneration Statement.

## REMUNERATION IN 2017, GROSS, IN EUR

accruals basis, i.e. not presented on cash basis

Group Management Board	Fixed Salary	Fringe Benefits	Subtotal, Fixed Remuneration	Annual Bonus (FY 2016) ***	Annual Bonus (FY 2017)	Share-Based Remuneration****	Subtotal, Variable Remuneration	Additional Pension	Total Remuneration
President and CEO									
Erkki Järvinen 1-9/2017 *	1,113,485	14,951	1,128,435	21,017	0	0	21,017	91,373	1,240,825
Jukka Havia (Interim CEO) 9-12/2017	68,157	3,171	71,329	0	0	0	0	0	71,329
Other management board members, total **	1,121,464	46,720	1,168,185	28,027	0	9,841	37,868	0	1,206,053
<b>Tikkurila Management Board, total</b>	<b>2,303,106</b>	<b>64,843</b>	<b>2,367,949</b>	<b>49,044</b>	<b>0</b>	<b>9,841</b>	<b>58,885</b>	<b>91,373</b>	<b>2,518,207</b>

\* includes also the one-time termination salaries, as well as the salary of the notice period until the end of 2017

\*\* Janno Paju and Petri Miettinen 1-12/2017; Meri Vainikka and Melisa Bärholm 5-12/2017; Kenneth Sundberg 1-6/2017; Jukka Havia (for CFO role) 1-8/2017

\*\*\* Accrual difference related to Annual Bonuses 2016, paid in year 2017

\*\*\*\* IFRS 2 standard based annual personnel expense as recognized in 2017 Group income statement

Moreover, there is more information about the share-based long-term incentives for management in the notes of the Group financial statements.

### 3. STATUTORY AUDIT, INTERNAL CONTROL, INTERNAL AUDIT AND OTHER GOVERNANCE INFORMATION

#### STATUTORY AUDIT

According to the Articles of Association of Tikkurila Oyj, Tikkurila has one ordinary Auditor that shall be an auditing firm approved by the Finnish Central Chamber of Commerce. For the financial year 2017, KPMG Oy Ab was re-elected as an auditor.

The Audit Committee of the Board prepares the election process for auditors. The aggregate duration of the Principal Auditor cannot exceed seven years. The current Principal Auditor, Toni Aaltonen from KPMG Oy Ab, started in the role of the Principal Auditor in 2012.

The Auditor has a statutory responsibility to audit Tikkurila Oyj's accounting (based on Finnish accounting legislation), the Tikkurila Group's consolidated accounts (based on IFRS), the Board of Directors' report, financial statements with all notes, as well as the administration of the Company. Tikkurila's financial year is equal to the calendar year. The Auditor primarily reports via the Audit Committee but also takes part in at least one Board meeting. When the corporate governance statement is issued as a separate report, the Auditor shall check that the statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements.

The Auditor is elected by the Annual General Meeting for a one-year term of service. The Auditor reports to the Board of Directors at least once a year, and participates in Audit Committee meetings.

During 2017, the Group had a total of EUR 433 thousand (2016: EUR 448 thousand) audit-related expenses and EUR 47 (86) thousand expenses for other services provided by KPMG, Tikkurila's Auditor. During the financial year 2017, the Group companies had additional audit services from audit companies other than KPMG for a total of EUR 26 (74) thousand.

From 2017, Tikkurila has had a written pre-approval policy for non-audit services, where the Audit Committee of the Board of Directors has been specified as the body to govern this topic. The policy e.g. defines the services that may not, under any circumstances, be provided by the statutory auditor, and for those services that are permissible, pre-approval and reporting processes have been created.

#### INTERNAL CONTROL

Tikkurila maintains an internal control system, the purpose of which is:

- to safeguard the value of its assets; and
- to ensure the effectiveness and efficiency of its operations, including:
  - the reliability of financial and operational reporting;
  - compliance with applicable regulations, policies and practices; and
  - consistency of its operations with set objectives.

Internal control is an integral part of all Tikkurila's operations and covers all levels of the Company. The entire personnel of the Company is responsible for internal control, and its effectiveness is monitored by managers as part of operational management.

The main components of internal control are:

- management and organizational culture;
- risk assessment;
- control activities;
- reporting and communication; and
- monitoring and auditing.

Tikkurila's Values, Code of Conduct and group-level policies provide the basis for corporate governance and internal control in the Company. Every employee has the right and duty to report, anonymously if needed, to the Group's Compliance Officer or Group Internal Audit any violations of the law and the Code of Conduct. From 2012, Tikkurila has had a group-wide whistle blowing application. Via that internet-accessible software any employee or external partner can anonymously report any suspected violations. During 2017, a few reports were received and duly settled via the system, but no significant violations were reported.

#### FINANCIAL REPORTING PROCESS

Every Tikkurila Group subsidiary reports on a monthly basis an income statement, balance sheet, cash flow statement and future forecast in accordance with IFRS principles and based on a pre-set reporting model, Group finance manual and timetable. Moreover, each subsidiary reports additional notes to the income statement and balance sheet, as well as their off-balance sheet liabilities, at the end of each quarter. The parent company consolidates all subsidiary reports and generates consolidated and segment reporting, which is the basis for monthly reporting to the Board of Directors and to the Group management.

A subsidiary's reporting timetable is followed on a daily basis. Local and Group controllers are responsible for ensuring that reporting is timely and correct. In addition, the Group's analytics center, which is independent of business units and functions, analyzes historical and forward-looking reporting, e.g. between reporting entities, compared to historical development and in relation to pre-set budgets or other targets. Group management and business unit management regularly visit the business units. The financial reporting of each Group company is one part of top management reporting, and hence under regular follow-up.

#### INTERNAL AUDIT

The internal audit provides independent appraisal and assurance for the review of operations within the Group in order to support the management and the Board of Directors in fulfilling their oversight responsibilities. The Audit Committee has confirmed the Internal Audit Charter for Tikkurila. The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems in the Group. The internal audit function has complete and unrestricted access to all activities of Tikkurila. Internal audit focuses on both regular business unit auditing as well as business process audits. Annual internal audit plans are based on the assessment of each topic's importance and risks for the Tikkurila Group. Internal audit and statutory audit regularly co-operate and share information.

From the beginning of 2011, Tikkurila has had its own internal audit function, including an in-house internal auditor, who was, to the required extent, helped by third-party experts to carry out the internal audit activities. The Internal Auditor reports to the Audit Committee of the Board of Directors. Also internal resources have been utilized in carrying out certain internal audit tasks.

In 2017, internal audit function surveyed e.g. effectiveness of marketing activities, efficiency of research and development projects as well as control aspects of the new ERP platform. Moreover, Group-level policies and their implementation was audited, and in 2018 this audit will be continued further. During 2018, the target is to change the focus of internal audit more toward governance and control processes, and also to make country-specific audits in selected geographical areas. Tikkurila recruited from outside of the Company a new Internal Auditor, who started in February 2018.

## PRINCIPLES OF RISK MANAGEMENT

The aim of risk management is to safeguard business continuity in all conditions, to optimally utilize business opportunities in a feasible way and with conscious risk-taking, as well as to gain the pre-set total risk level. The aim is also to ensure product and personnel safety, and moreover, to comply with internal policies and guidelines. Risk management is part of the Group's strategic and operational planning, and it also is linked to internal control activities.

Tikkurila tries to anticipate and systemically identify, analyze, assess and manage the key risks, which are classified into the following groups: strategic, operational, financial and hazard risks. The main principle is to have a systematic risk management process in place, so that the Company can define and attain an optimal total risk level in relation to its risk tolerance, while at the same time ensuring continuity of the business.

Tikkurila's risk management is based on the Finnish listed entities' corporate governance code, as well as on Tikkurila's risk management policy. There are also other internal policies defining in more detail the goals, segregations of duties and risk limits of the management.

The Board of Directors of Tikkurila Oyj decides on the key risk management principles and approves the risk management policy, and the Audit Committee of the Board has an oversight role to assist the Board to control the risk management processes. Group functions are in charge of the risk management inside their own scope of activities.

Tikkurila's risk management is based on the three lines of defence framework. Group functions – sales, offering, operations, finance and HR – implement a commonly agreed self-evaluation model in their own areas. The risk management process is coordinated by the Group risk management steering group, which is headed by the Group General Counsel. The results and outcome of the risk management process are regularly reported internally and externally, as part of Tikkurila Oyj's statutory reporting.

To gain cost advantages and to keep the total risk level in control, part of Tikkurila's risk management activities is centralized. For example, key investment decisions, and certain insurance and finance solutions are always decided at the Group level.

The diagram below shows the risk management layers, as well as the key bodies and persons involved in the risk management activities in Tikkurila Group:



More detailed information about the risks relevant to Tikkurila is presented in the Review of the Board of Directors, which is part of the official financial statements for financial year 2017.

## MANAGEMENT OF INSIDER ISSUES

Upon entry into force of the Market Abuse Regulation (EU) N:o 596/2014 (MAR) on 3 July 2016, Tikkurila has amended the instructions and procedures in relation to its insider administration in order to comply with the requirements of the new regulation. New instructions and procedures relate, inter alia, to disclosure requirements, management and supervision of insider information, notification and disclosure of transactions of Managers and persons closely associated with them as well as maintenance of insider lists.

The Company establishes and maintains project-specific insider lists as the need arises. Currently, the Company does not have a list for permanent insiders. Upon entry into force of the Market Abuse Regulation, Tikkurila has updated its Disclosure Policy.

Managers in Tikkurila, and persons closely associated with them, have the obligation to notify the Company and the Finnish Financial Supervisory Authority ("FIN-FSA") of transactions with Tikkurila's financial instruments.

Tikkurila has determined the following persons as Managers:

- Members of the Board of Directors;
- CEO
- CFO

Closely associated persons include, in respect of each Manager, a spouse or a registered partner or a common-law spouse, a dependent child, a relative who has shared the same household for at least one year on the date of the transaction concerned and a legal person, trust or partnership, the managerial responsibilities of which are discharged by a Manager or by a closely association person mentioned above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

Tikkurila Oyj complies with the relevant legislation and e.g. the Insider Guidelines issued by the Nasdaq OMX Helsinki Ltd, according to which insiders should trade in Company shares at a time when the marketplace has the fullest possible information on circumstances influencing the value of the Company's share.

Accordingly, and based on the Group insider policy, persons defined to be Managers under these regulations and also persons, as specified by the Company, that have access to financial information may not trade the Company's securities during the period that starts at the end of a reporting period and lasts until the publication of the following half-year report, business review (Q1 and Q3) or financial statement bulletin; and in any way, these limitations starting at least 30 days prior to the announcement of such information.

#### MANAGEMENT OF RELATED PARTY ISSUES

Tikkurila's related party consists of the members of the Board of Directors of the Group's parent company, Group Management Board, and the members of the Boards and management of key subsidiaries. Moreover, also subsidiaries, associated companies and major shareholders of the parent company are considered related parties. Also, entities controlled by and the close relatives of the members of the Board of Directors and of the Management Board are considered related parties. Tikkurila has a specific group-level policy on related parties, which governs the management and reporting of related party issues. The Company also has a written list of related parties.

As a general rule, transactions with related parties are carried out at market-based terms and conditions, and potential conflicts of interest shall be avoided. Either Tikkurila's Board of Directors or the shareholders' meeting of Tikkurila has to give their prior written consent for any significant related party transaction.

#### SILENT PERIOD

Tikkurila observes a silent period (closed window) before it publishes financial statements and half-year financial report and business reviews (Q1 and Q3). From the beginning of July 2016, based on the new regulations of the EU's Market Abuse Directive, the silent period begins thirty days before financial statements or half-year financial report or business reviews for quarterly performance for the period in question have been published. During the silent period, Tikkurila's spokespersons are not available for meetings with capital market representatives and may not discuss Tikkurila's performance or market development.

#### GUIDANCE

Tikkurila gives guidance in the form of an official outlook statement published in the half-year financial report, business reviews (Q1 and Q3), financial statements and the review of the Board of Directors. Tikkurila will provide outlook statements only for a period for which the Company has reasonable visibility. The outlook includes management's descriptive estimate on revenue and profitability. The estimate may also include other elements. No other forward-looking statements or answers to questions concerning future performance are given unless the Company decides to update the guidance and publish a stock exchange release regarding the update. Any such updates are published without undue delay.

#### COMMUNICATIONS

Tikkurila is committed to transparency, which means that the Company communicates in a proactive, open, credible, consistent, unbiased and timely manner.

Tikkurila's shares are listed on the Nasdaq Helsinki stock exchange. Tikkurila will strictly adhere to all regulatory disclosure requirements for listed companies. Tikkurila complies with the Finnish Corporate Governance Code ("Corporate Governance Code") issued by the Finnish Securities Market Association. In addition, Tikkurila's internal policies, such as Corporate Responsibility and Code of Conduct, guide communication activities.

The aim of Tikkurila communications is to support the correct valuation of the Company shares by providing the markets with sufficient information on financial position, strategy and objectives. The Board of Directors has approved the disclosure policy that defines the guidelines in communications to financial markets and investors and other parties. The Tikkurila web site contains all information made public according to the disclosure requirements for listed companies.

#### APPLICATION OF THE FINNISH CORPORATE GOVERNANCE CODE

On October 1, 2015, a revised Governance Code was accepted by the Finnish Securities Market Association. This revised code came into force for financial year 2016, and Tikkurila has applied these revised recommendations since 2016. The Code is based on the so-called "comply or explain" principle. Tikkurila fully complies with the recommendations in the Code.

#### 4. MORE DETAILED INFORMATION ABOUT THE MEMBERS OF THE BOARD OF DIRECTORS AND OF THE MANAGEMENT BOARD

##### INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS

###### **Jari Paasikivi**

Born 1954, M.Sc. (Econ.)

CEO, Oras Invest Ltd, since 2006

Chairman of the Board since 2010, Vice Chairman of the Board 2008-2010

Chairman of the Remuneration Committee since 2012

Expert member of the Nomination Board since 2011

Independent of the company, not independent of a significant shareholder

Finnish citizen

Tikkurila shares on Dec 31, 2017: 78,762 (Dec 31, 2016: 77,356)

###### Career history

- President and Chief Executive Officer, Oras Ltd, 2002–2007
- Managing Director, Oras Ltd, 1994–2001
- Plant Director, Oras Ltd, 1989–1994

###### Positions of trust

- Kemira Oyj, Vice Chairman of the Board of Directors since 2012, Chairman of the Board of Directors since 2014
- Kemira Oyj, Member of the Nomination Committee since 2009
- Oras Ltd, Member of the Board of Directors since 1982, Chairman of the Board of Directors since 2013
- Varma Mutual Pension Insurance Company, Vice Chairman of the Board of Directors 2014-2016, Chairman of the Board of Directors since 2017

###### **Petteri Walldén**

Born 1948, M.Sc. (Eng.)

Vice Chairman of the Board since 2010, Member of the Board since 2008

Member of the Remuneration Committee since 2012

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2017: 8,898 (Dec 31, 2016: 8,019)

###### Career history

- President & CEO, Alteams Oy, 2007–2010
- President & CEO, Onninen Oy, 2001–2005
- President & CEO, Ensto Ltd, 1996–2001
- President, Nokia Cables, 1990–1996
- President & CEO, Sako Ltd, 1987–1990

###### Positions of trust

- Componenta Oyj, Chairman of the Board of Directors since 05/2017
- Savonlinna Opera Festival Patrons' Association, Chairman of the Board of Directors since 2015
- Savonlinna Opera Festival Ltd., Chairman of the Board of Directors since 2015
- Efla Oy, Member of the Board of Directors since 2014
- Kuusakoski Group Oy, Member of the Board of Directors since 2007
- Alteams Oy, Member of the Board of Directors since 2007
- Staffpoint Holding Oy, Member of the Board of Directors 2012–11/2017
- Nokian Tyres plc., Chairman of the Board of Directors since 2006

###### **Eeva Ahdekivi**

Born 1966, M. Sc. (Econ.), DBA

Managing Director, Hartwall Capital Oy Ab, since 2015

Member of the Board since 2009

Member of the Audit Committee since 2010, Chairman until April 4, 2017

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2017: 7,538 (Dec 31, 2016: 6,835)

###### Career history

- Investment Director, Solidium Ltd, 2009–2015
- Senior Financial Specialist, Government Ownership Steering Department of the Prime Minister's Office, 2007–2009
- Director, Pohjola Asset Management Ltd, 2004–2006
- Partner, Conventum Oyj, 1997–2003
- Director, Merita Corporate Finance Oy, 1995–1997

###### Positions of trust

- John Nurminen Foundation, Member of the Board of Directors since 2014

###### **Riitta Mynttinen**

Born 1960, B.Sc. (Chem. Eng.), MBA

Independent Advisor, since 2014

Member of the Board since 2011

Member of the Audit Committee since 2012

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2017: 5,258 (Dec 31, 2016: 4,555)

###### Career history

- Vice President, Minerals Technologies Inc., 2005–2014
- Director, Rohm and Haas Company, 1998–2005
- Director, Ferro Corporation, 1996–1998
- Manager, Rohm and Haas Company, 1987–1996
- Research Chemist, NIF, 1986–1987
- Research Chemist, Tikkurila Oy, 1984–1986

###### Positions of trust

- Boreal Plant Breeding Ltd, Chairman of the Board since 2016

**Pia Rudengren**

Born 1965, M.Sc. (BA & Econ.)

Member of the Board since 2009

Member of the Audit Committee since 2010, Chairman from April 4, 2017

Independent Board member

Swedish citizen

Tikkurila shares on Dec 31, 2017: 6,207 (Dec 31, 2016: 5,328)

**Career history**

- Executive Vice President, W Capital Management AB, 2001–2005
- Chief Financial Officer, Member of the Management Group, Investor AB, 1998–2001

**Positions of trust**

- WeMind AB, Member of the Board of Directors since 12/2017
- AcadeMedia AB, Member of the Board of Directors since 11/2017
- Boliden AB, Member of the Board of Directors since 05/2017
- Kappahl AB, Member of the Board of Directors since 2013
- Social Initiative Norden AB, Member of the Board of Directors since 2008, Chairman of the Board of Directors since 2011
- Duni AB, Member of the Board of Directors since 2007
- Swedbank AB, Member of the Board of Directors, 2009–04/2017

**Harri Kerminen**

Born 1951, M.Sc. (Eng.), MBA

Member of the Board since 2012

Member of the Remuneration Committee since 2012

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2017: 4,510 (Dec 31, 2016: 3,807)

**Career history**

- President and CEO, Kemira Oyj, 2008–2012
- President, Kemira Pulp & Paper business area of Kemira Oyj, 2006–2007
- President, Kemira Specialty business area, 2000–2006
- Managing Director, Kemira Pigments Oy, 2002–2003
- Vice President, Human Resources, Kemira Chemicals Oy, 1996–2000
- Manager, Oulu plant of Kemira Oyj, 1994–1996
- Production Manager, Kemira Kemi AB, 1990
- Project Manager, plant construction projects in Finland, Sweden, Belgium and the US, Kemira Oy/Kemira Oyj, 1989–1994

**Positions of trust**

- Spinverse Group, Chairman of the Board of Directors since 2015
- SK Spice Holdings S.A.R.L, Member of the Board of Directors since 2015
- LUT, Lappeenranta University of Technology, Member of the Advisory Board since 2015
- Harjavalta Oy, Vice Chairman of the Board of Directors since 2014
- Magsort Oy, Chairman of the Board of Directors since 2014
- Metgen Oy, Chairman of the Board of Directors, 2012–2017
- Normet Oy, Member of the Board of Directors since 2012



**Jari Paasikivi**



**Petteri Walldén**



**Eeva Ahdekivi**



**Riitta Mynttinen**



**Pia Rudengren**



**Harri Kerminen**

## INFORMATION ON THE MEMBERS OF THE TIKKURILA MANAGEMENT BOARD

### Erkki Järvinen

Born 1960, M.Sc. (Econ.)

President and CEO from 2009 until September 21, 2017

Chairman of the Management Board from 2009 until September 21, 2017  
Finnish citizen

#### Career history

- President and CEO, Rautakirja Corporation, 2001–2008
- Senior Vice President, Kiosk Operations, Rautakirja Corporation, 1997–2001
- Vice President, Marketing (Nordic), Vaasamills Ltd, 1991–1996
- Managing Director, Siljans Knäcke AB, 1995–1996
- Marketing Manager, Vaasamills Ltd, 1990–1991
- Product Manager, Marketing Manager, Fazer Bakeries, Oy Karl Fazer Ab, 1984–1990

#### Positions of trust

- YIT Oyj, Member of the Board of Directors since 2013
- CEPE (European Council of Paint, Printing Ink and Artists' Colours Industry), Member of the Board of Directors, 2013–09/2017
- Snellman Ltd, Member of the Board of Directors since 2011, Vice Chairman of the Board since 2013
- East Office of Finnish Industries Ltd, Member of the Board of Directors, 2011–11/2017
- Association of Finnish Paint Industry, Member of the Board of Directors since 2009, Chairman of the Board, 2016–09/2017
- Chemical Industry Federation of Finland, Member of the Board of Directors since 2009
- Association of Finnish Advertisers, Member of the Board of Directors since 2009
- Helsinki Chamber of Commerce, Member of the Board of Directors since 2013
- Helsinki Chamber of Commerce, Vantaa Regional Office, Member of the Board of Directors since 2010, Chairman of the Board of Directors since 2013
- Economic Information Office, Member of the Board of Directors since 2007
- Confederation of Finnish Industries (EK) in Helsinki, Member of the Regional Offices since 2011

### Jukka Havia

Born 1968, M. Sc. (Econ.)

Chief Financial Officer (CFO) since 2010, and Interim President and CEO from September 21, 2017

Member of the Management Board since 2010, Chairman from September 21, 2017

Finnish citizen

Joined Tikkurila in 2010

Tikkurila shares on Dec 31, 2017: 14,000 (Dec 31, 2016: 14,000)

#### Career history

- Deputy Chief Executive Officer, Ruukki Group plc., 2008–2010
- Chief Financial Officer, Ruukki Group plc., 2005–2008
- Director of Finance, Student Union of the Helsinki School of Economics, 2001–2005
- Managing Director, KY-Palvelu Oy, 2001–2005
- Financial Director, RSL Com Finland Oy, 1997–2001
- Controller, Oy Canon Ab, 1995–1997

#### Positions of trust

- Lapti Group Oy, Member of the Board of Directors since November 2017
- East Office of Finnish Industries Oy, Member of the Board of Directors since November 2017
- Leipurin Oyj, Member of the Board of Directors since 2014
- Student Union of Aalto University, Member of the Finance Committee since 2010, Chairman since 2016

### Melisa Bärholm

Born 1967, M. Sc. (Psychology)

Senior Vice President, Human Resources since May 1, 2017

Member of the Management Board since May 1, 2017

Finnish citizen

Joined Tikkurila in 2017

Tikkurila shares on Dec 31, 2017: 2,000

#### Career history

- HR Director, Tikkurila, BU Finland 01/2017–04/2017
- Founder & Consultant, MBM Coaching Oy, 2014–2016
- Vice President, HR, Rovio Entertainment Ltd, 2012–2014
- HR Director, Suunto Oy, 2007–2011
- HR Director, Sako Oy, 2004–2007
- HR Director, Itella Oyj, 2002–2004
- Development Manager, Nokia Oyj, 1999–2002
- HR Consultant, Nokia Networks, 1996–1999

### Janno Paju

Born 1971, Degree in Economics

Chief Commercial Officer since 2012 until April 30, 2017, whereafter Senior Vice President, Sales

Member of the Management Board since 2000

Estonian citizen

Joined Tikkurila in 1993

Tikkurila shares on Dec 31, 2017: 14,300 (Dec 31, 2016: 14,300)

#### Career history

- Senior Vice President, SBU East, Tikkurila Oy, 2009–2011
- Group Vice President, Deco Eastern Europe business area, Tikkurila Oy, 2004–2009
- President, Tikkurila Polska S.A., 2000–2004
- Vice President, Commerce, Tikkurila-Baltcolor Sp.z.o.o., 1998–2000

**Petri Miettinen**

Born 1968, M.Sc. (Econ.)

Senior Vice President, Supply Chain Management & HSEQ since 2007 until April 30, 2017, whereafter Senior Vice President, Operations

Member of the Management Board since 2007

Finnish citizen

Joined Tikkurila in 2007

Tikkurila shares on Dec 31, 2017: 14,000 (Dec 31, 2016: 14,000)

**Career history**

- Vice President, Sourcing and Logistics, Marine business, ABB, 2002–2007
- Vice President, controlling (in addition to normal duties), Marine business, ABB, 2003–2004
- Business Controller, Marine business, ABB, 2000–2002
- Controller, Project Manager, Electric Machine business, ABB, 1997–2000

**Positions of trust**

- Katu-Karhu Oy, Member of the Board since 2016

**Kenneth Sundberg**

Born 1965, M.Sc. (Eng.), Doctor of Technology, eMBA

Senior Vice President, Research, Development and Innovation (RDI) since 2010, until June 23, 2017

Member of the Management Board since 2010, until June 23, 2017

Finnish citizen

**Career history**

- Head of Innovation Center Paper, Ciba, 2007–2009
- Managing Director, Top Analytica Ltd., 2006–2007
- Head R&D, Sizing and Starch, Ciba Specialty Chemicals Oy, 2004–2006
- Research Manager, Specialty group, Raisio Chemicals Oy, 2002–2004

**Positions of trust**

- Johan Gadolin Process Chemistry Centre – PCC at Åbo Akademi University, Member of Forum of Society since 2015

**Meri Vainikka**

Born 1971, M. Sc. (Econ.)

Senior Vice President, Offering since May 1, 2017

Member of the Management Board since May 1, 2017

Finnish citizen

Joined Tikkurila in 2017

Tikkurila shares on Dec 31, 2017: 2,000

**Career history**

- Marketing and Communications Director, Tikkurila, BU Finland, 01/2017-04/2017
- Marketing Director, Non-Alcohol drinks, Hartwall Oy, 2016
- Marketing Director, Alcohol drinks, Hartwall Oy, 2015
- Category Marketing Manager, Hartwall Oy, 2012–2014
- Division Marketing Manager, L'Oréal Finland Oy, 2010–2011
- Marketing Manager, Mars Finland Oy, 2008-2010 and 1998–2003
- Program Manager, South Karelia University of Applied Sciences, Business Administration 2004–2008



**Jukka Havia**



**Melisa Bärholm**



**Janno Paju**



**Petri Miettinen**



**Meri Vainikka**