TIKKURILA

Sustainability Report 2019

Contents

Introducing Tikkurila

Tikkurila Oyj is a limited liabilities company headquartered in Vantaa Finland (102-5), Heidehofintie 2 P.O.Box 53 Vantaa Finland (102-3) (102-1). Tikkurila is listed on Nasdaq Helsinki and traded under the identifier TIK1V.

We offer paint and coating products and systems for decorating interior as well as exterior surfaces for consumers, professionals and industrial customers. Our range of products and services include color and tinting, painting advice as well as expert and training services. (102-2) Consumers account for approximately half of our business with the share of professional and industry customers increasing, however. (102-4) Our largest markets are Finland, Sweden, Russia, Poland and the Baltic countries. We have production facilities in six countries (production in Denmark was closed during the reporting period). (102-6) We are the leading decorative paint producer in all these (previously mentioned) markets, and in addition export our products and systems to other markets. Our products are available in more than 40 countries around the world.

Tikkurila's revenue in 2019 amounted to 563.8 MEUR (561.5 MEUR), an increase of 0.4%. The adjusted operating profit was 46.4 MEUR. (38.8 MEUR).

KEY FIGURES

IFRS16 standard has been applied as of January 1, 2019. Historical figures have not been adjusted.

EUR Million	**1-12/2019**	1-12/2018	Change %	**10-12/2019**	10-12/2018	Change %
Revenue	**563.8**	561.5	+0.4%	**107.9**	105.5	+2.4%
Excl. FX, divestments, and closures			+1.4%			+1.3%
Adjusted operating result	**46.4**	38.8[1)]	+19.5%	**-7.6**	-5.5[2)]	-38.3%
Adjusted operating result margin, %	**8.2%**	6.9%	+1.3%-p	**-7.1%**	-5.2%	-1.9%-p
Operating result (EBIT)	**43.9**	26.5	+65.5%	**-7.7**	-8.6	+11.0%
Operating result (EBIT) margin, %	**7.8%**	4.7%	+3.1%-p	**-7.1%**	-8.2%	+1.1%-p
Profit before taxes	**44.2**	21.0	+109.9%	**-8.1**	-9.9	+18.2
Net result for the period	**33.2**	14.6	+127.9%	**-7.4**	-8.4	+12.1%
Earnings per share (EPS), EUR	**0.75**	0.33	+127.9%	**-0.17**	-0.19	+12.1%
Net interest-bearing liabilities (at period-end)	**78.4**	85.5	-8.4%			
Total equity (at period-end)	**171.9**	150.1	+14.5%			
Total assets (at period-end)	**437.1**	400.0	+9.3%			
Equity ratio, %	**39.3%**	37.6%				
Gearing	**45.6%**	57.0%				
ROCE, %, rolling	**15.4%**	9.3%				
Cash flow after capital expenditure	**52.7**	36.3	+45.4%			

The personnel at the end of the reporting period was 2,607 (2,717) 98% (98%) being full time employees. 99% (99%) of the men and 97% (98%) of women are employed full time (102-7, 102-8)

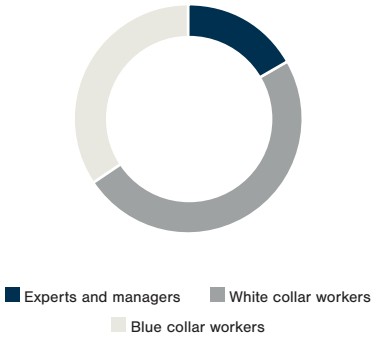
Women represent 36% (36%) of all employees, and out of these women employed, 20.3% (19.4%) are experts and managers, and 59.1% (60.4%) are white collar workers. The corresponding relationship for men is 14.8% (14.9%) as experts and managers, and 43.2% (44.5%) as white collar workers. More than 95 % of employees enjoy a permanent employment contract with the corresponding percentage for female employees being slightly lower reaching 93 % (89%), and for male 97% (94%).

The level of automation and the full time equivalent (FTE) intensity varies between the manufacturing units, with the larger manufacturing units also being more automated. Another aspect affecting the number of employees is the slight seasonality seen in consumer use of paints and coatings, typically with the number of employees peaking during the summer paint season.

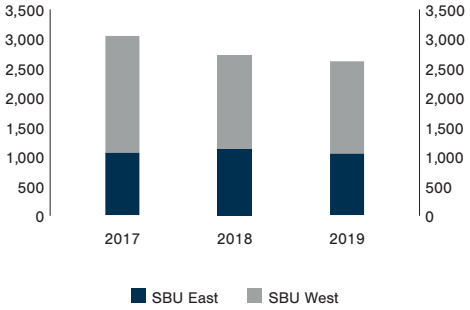
Below is a key summary of our employees. Full tables available in annex 1 (p 33) at the end of the report.

The number of personnel is calculated from the active workforce on December31 2019. The data consolidation is done relying on the HR system CHRIS.

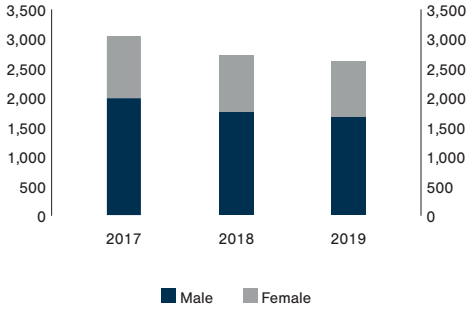
PERSONNEL BY PERSONNEL GROUP



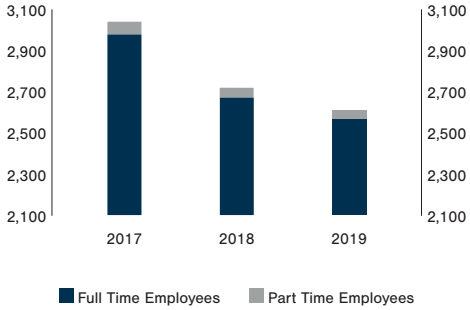
TOTAL PERSONNEL



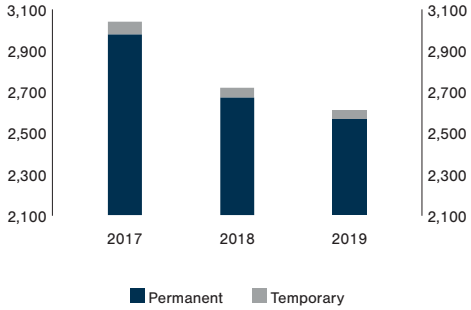
PERSONNEL BY GENDER



PERSONNEL BY EMPLOYMENT TYPE



PERSONNEL BY CONTRACT



Tikkurila's material sustainability aspects

Sustainability for Tikkurila entails identifying and addressing social, ethical as well as environmental aspects and impacts without compromising the financial ambition and commitments defined and communicated. The universe of sustainability aspects is a moving target and requires continuous monitoring. When identifying, consolidating and crystallizing the sustainability aspects affecting our organization, Tikkurila is relying on established contacts and active dialog with our stakeholders, review and assessment of the existing legal and regulatory framework including the development and changes in it, regional and local customer and market trends, consumer behavioral insight, competitor analyzes, and all the additional intelligence and insight collected by the organization, including specific studies. Specifically conducted interviews and workshops together with management and experts from Tikkurila functions and countries is also contributing to this continuous work.

The material (significant) sustainability topics have been defined relying on internal and external stakeholder input, the legal and regulatory development, market and customer intelligence and the aspects identified through our management systems, including the externally certified management systems. The weighting and prioritization of the identified sustainability aspects is affected by variables such as obligatory requirements, risk for non-compliance, business and eco-efficiency opportunity, customer need, concern or request, direct and indirect environmental impact, occupational health & safety risk, mid-term and long-term market trends and identified megatrends.

This report contains a disclosure of the material sustainability issues identified, and the organizations approach, sustainability governance model and achievements in addressing them. The issues are clustered into sustainability value chain areas, in line with the sustainability governance model namely:

- Sourcing Sustainability, supplier ethical and social performance management assessment, packaging
- Operations Sustainability, resource efficient operations, responsible company and fair employer
- Product Sustainability, product development and innovation, high quality, and durable sustainable solutions

The sustainability aspects with corresponding actions have been integrated into the Group Strategy and the Strategy Execution Roadmap. (102-46), (102-47).

Sustainability integrated in Tikkurila's strategy

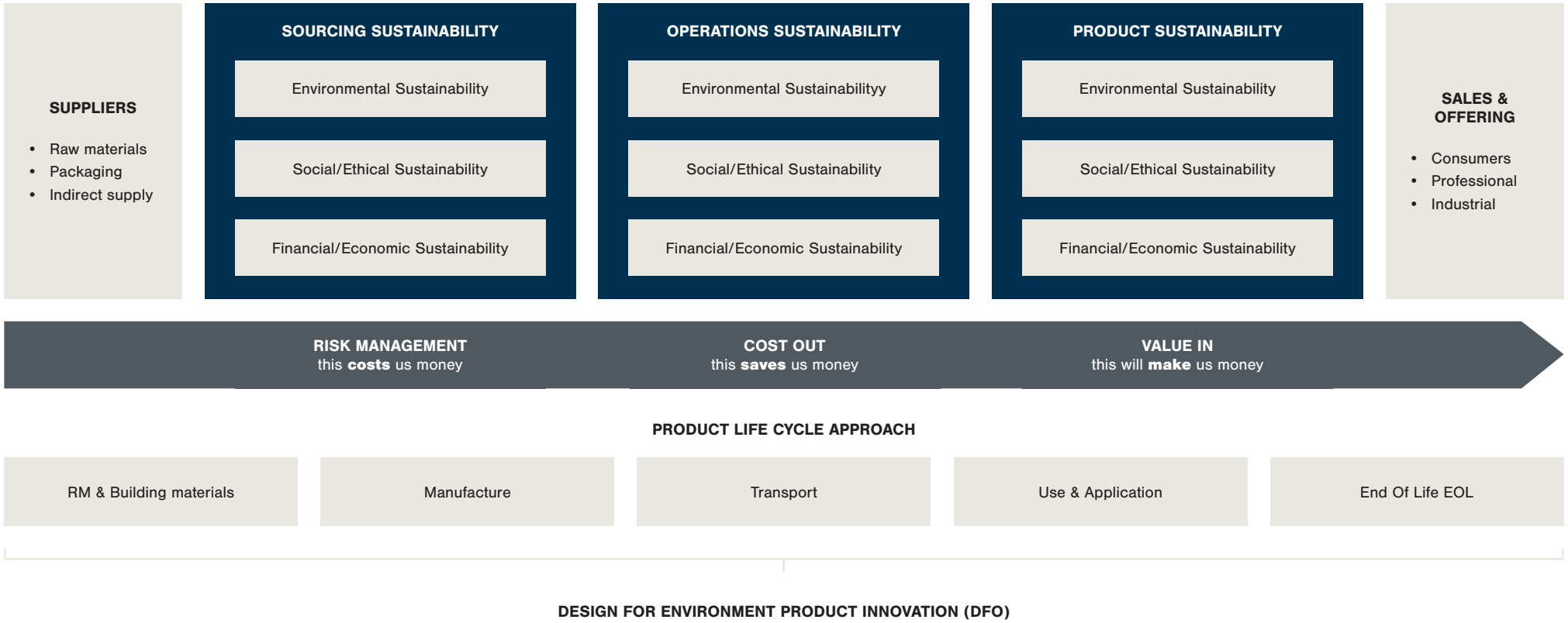
The focus areas of the Tikkurila's strategy are profitable growth, efficiency improving cost competitiveness and high performance, value-based corporate culture. Tikkurila's target is to grow faster than the market in its market areas. Further, in line with its sustainability promises Tikkurila will accelerate the shift towards water-borne paint products and enhance their use.

Tikkurila is a leading Nordic paint industry professional known for its high-quality surface treatment products and expert services. Our aim is to ensure the best possible user experience in the market. Strong brands, a culture of service, sustainable solutions and market leadership are among our most important competitive advantages.

Tikkurila's sustainability program, 'A colorful tomorrow', is built upon the significant sustainability aspects identified in the value chain. The aspects assessed are environmental aspects as well as ethical & social aspects and naturally the financial and economic implications of either action or in-action are also assessed. The chosen significant aspects are attached to targets, actions, timelines and responsible executers. Execution is regularly reviewed with progress reported regularly in line with the governance model.

The roles, responsibilities and resource allocation for addressing the sustainability aspects relies on the existing organizational structure of Tikkurila, and in other words is a sustainability matrix organization, consisting of experts from different functions in the organization. Tikkurila has defined the material sustainability aspects in sourcing, operations and the key sustainability aspects related to Tikkurila's products. Sourcing sustainability's key focus area is supplier risk management, operational sustainability is focusing on occupational health & safety, reducing non-product outflows, in addition to searching for improved energy efficiency, and product sustainability's key focus area is about developing safe and ever more environmentally benign products that comply with established external sustainability standards and guidelines.

Governance model for sustainability at Tikkurila



Tikkurila's sustainability program (A colorful tomorrow) is structured into working groups mirroring the value chain of our products. There are three key sustainability working groups, supported by functions upon request. Sourcing Sustainability Working Group, Operations Sustainability Working Group and Product Sustainability Working Group. In this core matrix, some 30 people have defined sustainability tasks roles and responsibilities. (102-18)

The working groups chairs convene quarterly in the Tikkurila Sustainability Management Team, which chair reports quarterly to the Group's highest management team, Tikkurila Management Team (TMT) (102-18). Director Sustainability (Chair of the Sustainability Management Team) seeks approval from TMT (Sustainability Steering Committee) when it comes to approving sustainability targets, defining priorities, budgets and strategic plans. TMT supports the SMT by providing guidance upon request and helps removing roadblocks and allocates resources to the sustainability network and working groups. TMT also functions as a sounding board for the sustainability management team and its chair. (103-2)

Tikkurila Sustainability Management Team (SMT) defines the roadmap for the sustainability programs 'A colorful tomorrow' and defines the sustainability roles and responsibilities between the working groups and functions. SMT quarterly reviews are the focal point for performance progress monitoring. SMT supports the working groups by resolving roadblocks and providing a sounding board for the sustainability working groups. SMT is also the key forum for distributing sustainability information, intelligence and insight in a common cross functional forum for all core and supporting functions. This enables effective distribution of key aspects identified, allocation of the execution responsibility (103-2) and

GOVERNANCE MODEL FOR SUSTAINABILITY AT TIKKURILA:

TMT: SUSTAINABILITY STEERING COMMITTEE

- CEO
- SVP Transformation & ICT
- SVP Operations
- SVH HR
- VP Sourcing
- SVP Sales
- SVP Marketing and Portfolio

• Chair SMT

SUSTAINABILITY MANAGEMENT TEAM (SMT)

- Group Director Sustainibility (Chair)
- Sourcing, WG Chair
- Operations, WG Chair
- RDI, WG Chair
- Group Communications
- Group Legal
- Finance
- Group HR
- Sales

• Working Group Chairs

SUSTAINABILITY WORKING GROUPS (SWG)

Sourcing Sustainability

- Supplier social & ethical performance
- Sustainable packaging
- De-toxification & De-fossilization

Operations Sustainability

- OHS performance
- Eco-Efficiency performance
- Controlling, Compliance & Auditing

Product & Offering Sustainability

- Product life-cycle sustainability performance assessment
- Tikkurila product sustainability KPI's
- Strategic sustainability innovation areas

EXPERTS

- Industial sale rep
- Professional sales rep
- MU process experts
- RD & I

enables better pro-activeness in terms of aspect/ sustainability issue identification

The sustainability working groups execute the day to day deliverables against set targets of the 'A colorful tomorrow' sustainability program and roadmap. The working group responsibilities also entail maintaining the supporting detailed plans and projects. (103-2)

The key sustainability aspects identified related to sourcing, in addition to raw material and packaging issues, are supplier ethical and social business code of conduct. In sourcing, sustainability entails securing that suppliers' business conduct does not expose Tikkurila to any risks. Risk mitigation actions taken and their results are reviewed regularly. (103-1)

Operations sustainability key aspects are related to providing a safe working environment for our colleagues and subcontractors, optimizing resource use, and minimizing risks of uncontained releases to the environment. The well-advanced Occupational Health & Safety (OHS) work within Tikkurila supports our colleagues in their eco-efficiency & compliance activities and underlying project execution. Both the OHS and the eco-efficiency actions as well as underlying project execution, is assessed regularly for performance. (103-1)

As the application, protection (e.g. corrosion protection, weather resistance) and durability requirements placed on paint and coating products are very demanding, the optimized formulation structure are in many cases relying on components that are classified as hazardous. In the EU, the European chemical legislation (REACH & CLP Regulations) define strict safety requirements for many of our products. Product sustainability aspects relate to developing formulation structures that meet the ever more stringent legislative requirements, using more and more environmentally benign raw materials without losing any of the quality performance variables (durability, protection, coverability i.e. hiding power). De-toxifying and de-fossilizing our products' formulations without any deterioration of the protective properties, or the amount of paint required to achieve these properties, is and will remain the key tasks for our product sustainability colleagues and our other RDI colleagues within Tikkurila for many years to come. (102-14), (103-1-3)

TIKKURILA KEY SUSTAINABILITY ASPECTS, RISKS, AND OPPORTUNITIES

The most significant sustainability aspects of Tikkurila, are environmental aspects related to our products and the manufacturing of them. Looking at the life cycle of painted surfaces, the environmental impacts are typically to be derived from the raw materials we source, and the material onto which we apply our products. Manufacturing paints and coatings has, regardless of the impact category studied, a relatively small environmental life cycle impact in the life cycle of a painted surface.

The continuously more stringent restrictions on hazardous components in paint formulations pose an opportunity to companies that master using water as a "diluent". The key opportunities lie in developing water-borne paints and coatings that secure the coated materials durability and weather resistance - with as little paint as possible but as much as needed. Achieving the required performance of the paint or coating relying on water-borne paints instead of solvent-borne is a strength of Tikkurila, and our expertise in this area presents an opportunity to expand our product portfolio also to application areas that have traditionally been assigned to non-water-borne paints. (102-15)

The Group's risks include strategic risks, operational risks, finan¬cial risks and hazard risks. Risks are assessed and managed according to the type and characteristics of each risk. In Tikkurila's view the main risks are strategic and operational, but all categories present risks that may have an impact on Tikkurila's business. The key risks relevant to Tikkurila are raw materials and packaging availability and price development risks, operative business and restructuring risks, credit loss and foreign exchange rate related risks, value chain integration risks, changes in distribution structure and channels, new entrants into the industry intensifying competition. But also, innovations in material technology, and their impact on various surfaces and consequently new paint formulation requirements is a significant risk/opportunity aspect. Digitalization and its effects on the industry and distribution channels, the stability and development of Russia and its adjacent areas, raw material related legislative changes, environmental and health risks / opportunities are seen as significant risk/ opportunity aspects for the company. (102-15)

The key sustainability risks of Tikkurila naturally also vary between the different value chain phases.

Sourcing: Sourcing related risks are attached to the raw materials we source for our products, root source of the raw materials and the business code and conduct applied by the organizations that manufacture and refine them. The quality and safety requirements Tikkurila places on the materials sourced is high, and to a great extent stipulated by legislative requirements as defined, for example, by the REACH, the CLP Regulation, national laws and regulations and different label schemes standard requirements

Operations: The environmental requirements incorporated into our manufacturing unit permit conditions that define the outer framework for our operations. Proactive efforts and continuous improvement actions, as well as focus on work, chemical, and fire safety, are aimed at preventing any potential environmental damage. Properties and production facilities are operated and

SHARE OF WATER-BORNE DECORATIVE PRODUCTS	2019	2018	2017	2016
%	**86.8**	85.2	82.3	81.4

Share of water-borne decorative paints is calculated from the sales volumes of decorative paints, industrial products are not included.

SHARE OF WATER-BORNE PRODUCTS	2019	2018	2017	2016
%	**78.8**	77.2	75.3	74.5

Share of water-borne paints is calculated from the sales volumes of total group offering.

SHARE OF ECO-LABELED PRODUCTS	2019	2018	2017	2016
%	**32.1**	30.2	27.4	26.4

Share of eco-labeled products is calculated from the sales volumes of water-borne, eco-labeled products, which have classified for international or national eco-label, allergy or asthma label or M1 classification.

managed so that they do not cause safety or environmental risks or undue inconvenience to the local residents. In many of the production facilities, the production process is closed. Waste, wastewater, and emissions are properly treated in accordance with local legislation, practices, and permits. Externally certified management systems have been implemented to support the eco-efficiency work conducted on the manufacturing unit level, but also to systematize the compliance and continuous improvement work. Releases to the environment is a risk that is well recognized, consequently monitored continuously both internally and externally, by authorities and external auditors, as per internal procedures and management system standard requirements.

Products: The increasing restrictions on the formulation components and the consequent direct and indirect implications further down the value chain contain risks that require robust management, including alert product safety processes and swift actions enabling procedures. (102-15). As environmental and other labels are becoming more frequently referred to among our consumer and customer stakeholders, combined with the continuously stricter underlying environmental and safety label criteria, Tikkurila needs to continuously develop and further existing formulations without losing any of the established quality variables of our products. (102-15) Tikkurila has 182 dedicated professionals working with our formulations (RDI), and 17 dedicated product safety specialized professionals to support them.

Sustainability Ambition

Customers and consumers receive our full emphasis and we at Tikkurila are focused on earning our consumers and customers satisfaction in order to continuously increase the probability of repeat business. Tikkurila has defined sustainability customer promises to guide our sustainability initiatives and support business development:

- We drive our portfolio towards maximized performance with minimum environmental impact
- We focus on indoor air quality when developing our products and professional services
- We drive better resource efficiency with the focus on quality, safety, and durability
- We are a responsible and active partner in our communities

The sustainability customer promises are integrated into actions along the Tikkurila sustainability value chain: Sourcing sustainability, operations sustainability and product sustainability. Following ambitions and targets have been derived from these promises:

Topic	KPI	Target	2019	2018	2017	2016
Environment	Share of water-borne decorative paints, % Share of water-borne decorative paints is calculated from the sales volumes of decorative paints, industrial products are not included.	Increasing sales volumes	**86,8**	85.2	82.3	81.4
Environment	Waste (own operations), (ton)	Decreasing share of waste	**6,753**	6,948	7,242	6,209
Social responsibility and employees	Employee engagement (the index of the Tikkurila Spirit employee survey)	Continuous improvement	**AA**	-	-	-
Social responsibility and employees	Lost time accidents (LTA) frequency	Decreasing trend No serious accidents	**3.5**	3.9	2.0	2.7
Respect for human rights	Human rights violations identified during 2018 (company's own operations and supplier chain)	No cases	**-**	-	-	-
Anti-corruption and bribery	Anti-corruption and anti-bribery cases identified during 2018 (company's own operations and supplychain)	No cases	**-**	-	-	-

Tikkurila paints and coatings are always optimized for their intended purpose of use. The intended use defines the required properties which again define the ingredients used in the formulation of the paint. The binders, fillers, pigments and additives are mixed either using water or organic solvent as the agent (diluent, solvent as vehicle for the binder and the pigment). Tikkurila is continuously expanding the area of applicability of water-borne paints and coatings. The amount of water-borne products measured by volume in 2019 was 78.8 % (77.2 %) (301-1)

Operational eco-efficiency and occupational health and safety is the backbone of operations sustainability. Improving the material efficiency by reducing unwanted side streams of materials is a continuous work. Occupational health& safety of our colleagues is also continuously monitored and performance assessed relying on both pro-active and re-active performance indicators. The number of accidents in relation to the number of hours worked should improve, and we want to avoid serious accidents.

Tikkurila's role as a responsible partner in the communities where we operate means that we carefully listen to and understand the requests and needs/concerns of our employees, that we in our business operations respect human rights, and conduct our business in line with our Code of Conduct. Zero human rights violations and anti-corruption and bribery cases is a non-negotiable target.

Tikkurila Values, Principles, Standards, and Norms of Behavior

Tikkurila always conducts its business in compliance with high ethical standards and legislation, in accordance with the company's values and Code of Conduct. Regardless of the market area, we extensively comply with internationally recognized principles of social responsibility with regard to human rights, employment, the right of association, discrimination, working hours and conditions, occupational health and safety as well as environmental protection and ethical business operations. We also aim to ensure our business partners' compliance with these principles.

Tikkurila's vision and mission have been united into one purpose: "*We create sustainable Nordic quality surfaces that make a difference*". A sustainable way to act and promote the well-being of the environment is woven into that purpose.

Our values — trustworthy, innovative and professional — steer our operations and support sustainable activities. They come alive in decision-making situations every day, on both small and large scales. Tikkurila's values were re-defined in 2019 with the involvement of 900 employees to ensure a shared, solid foundation for our corporate culture.

Our code of conduct outlines the fundamental requirements for how we do business: Our approach to professional business relations; conflicts of interest; the protection of company assets; fair competition; human rights and equality; health & safety and the environment, as well as trust and privacy.

We expect every single Tikkurila employee and company representative as well as business partner to act in accordance with the requirements of the Tikkurila Code of Conduct (*our in-house rules*). Each Tikkurila employee is responsible for acting in accordance with our values and complying with other company specific policies and procedures. Compliance of Tikkurila's business practices is followed by Group General Counsel and the internal auditor, who together with SVP Human resources also have overall responsibility for the mechanisms to seek advice about and report on behavior.

In non-compliance cases, employees and other stakeholders can report anonymously misconduct, violations of the Code of Conduct as well as other illegal or unethical business practices or breach of policies. The objective of the system is to ensure that Tikkurila's daily operations appropriately comply with good governance and business principles and that any violations are reported. The link to the whistleblowing -system is available on the company's intranet and on the Tikkurila Group's website. (102-17)

In 2019, we received 1 (4) announcements through the compliance reporting system. It is currently being investigated and processed by Tikkurila's internal audit.

The audit committee of Tikkurila's board of directors contributes actively to the business ethics compliance related matters

The above forms the framework within which each Tikkurila employee needs to conduct their professional activities. Every Tikkurila employee brings the company's values alive in their everyday work – the way we treat and cooperate with our colleagues, the mindset we show in our customer work, the engagement and passion we express to customers when promoting our products and brands, and the ambition we show when developing our business.

In addition to the Tikkurila Code of Conduct, our daily work and compliance of operations is steered by a variety of internal policies, principles, procedures and requirements complementing applicable legislation, such as:

- Authorization policy
- Anti-corruption policy
- Competition law compliance policy
- Privacy policy, along with the company GDPR processes
- Risk management policy
- Health, Safety and Environment guidelines
- Sourcing principles
- Disclosure policy
- Insider policy

These policies and principles are publicly available on Tikkurila www-pages, with specific policies available for Tikkurila employees on our intranet.

In line with Tikkurila's Code of Conduct, every employee has the right to equal and fair employment. Tikkurila supports freedom of association of all employees and the right to collective bargaining. Tikkurila complies with local laws and the collective agreements valid in its countries of operations and works closely with employee representatives. At the end of 2019, 51% (52%) of Tikkurila's personnel were covered by a collective bargaining agreement. The number of employees covered by the collective agreements varies by country in line with the local practices. (102-41) (102-16)

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS BY SEGMENT, %	**2019**	2018	2017	2016
Tikkurila Group	**51**	52.2	51.9	52.1
West	**82.3**	86.2	84.4	84
East	**3.8**	3.8	12.2	12.5

Tikkurila Governance Structure

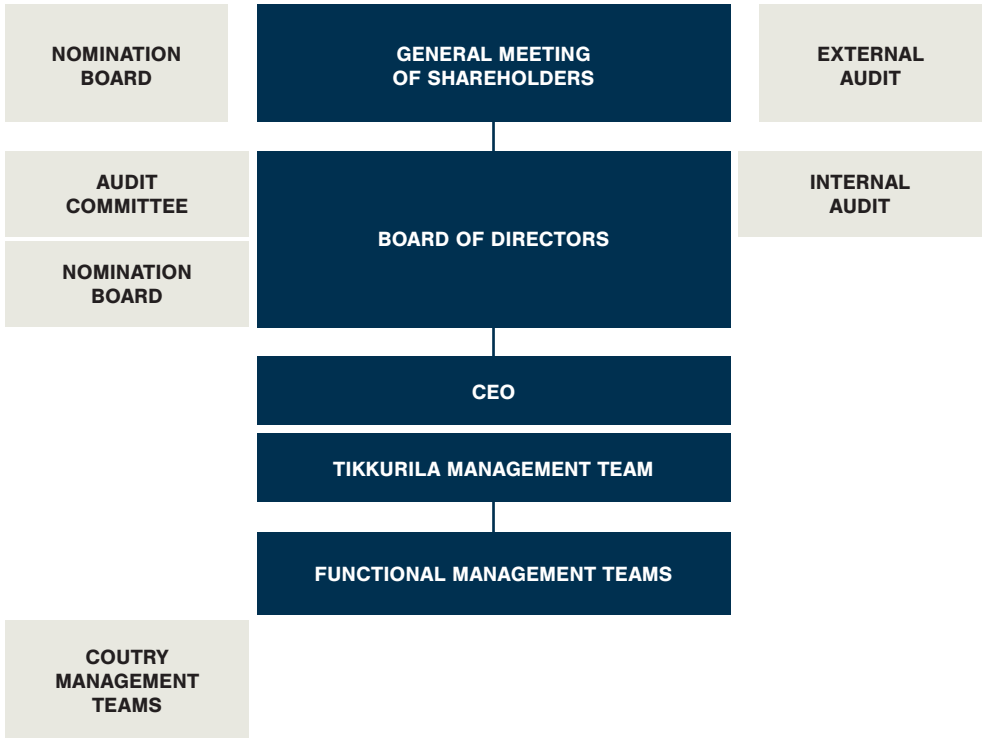
The main duties of the Group's governing bodies are to a major extent defined by the Finnish Companies Act. The Annual General Meeting is the supreme decision-making body of Tikkurila Oyj, and the tasks of the AGM are based on and defined in the Finnish Companies Act, Tikkurila's Articles of Association and any other relevant regulations. The Annual General Meeting is held once a year.

Tikkurila Management Team is chaired by the CEO, and it assists the CEO in the management and development of Tikkurila. The CEO proposes the appointment of the Tikkurila Management Team members, and the Board of Directors approves the appointment as well as approves the remuneration for the members of the Tikkurila Management Team.

The composition of Tikkurila Management Team is the following at year-end 2019:

- Elisa Markula, CEO
- Markus Melkko, CFO
- Melisa Bärholm, Senior Vice President, Human Resources
- Anders Rotkirch, Senior Vice President Transformation and ICT
- Fredrik Linde, Senior Vice President, Operations
- Meri Vainikka, Senior Vice President, Marketing Portfolio and R&D
- Oskari Vidman, SVP Sales

The CEO and Tikkurila Management Team have the overall responsibility for the company's sustainability performance within the framework agreed upon by the Board of Directors. (102-32)



GOVERNANCE AND MANAGEMENT BODIES	Board of Directors, CEO, Tikkurila Management Team, Sustainability Management Team, functional (Offering, Sales, Sourcing, Operations) Management Teams, Internal Audit, Risk Management Team, HR management, Annual General Meeting
FOLLOW-UP AND DUE DILIGENCE PROCESSES	Internal and external audits, supplier evaluations and audits, personnel survey, customer satisfaction and brand awareness surveys, whistle-blowing system for reporting non-compliance
EVALUATION	As part of the annual strategy process, and by the Sustainability Management Team on a continuous basis

Tikkurila follows the requirements placed on organization in terms of sustainability statutory disclosures as defined by the European Union Accounting (Directive 2014/95/EU) as defined in its transposition into national law, Finnish Accounting Act "Kirjanpitolaki" §3a. In addition, Tikkurila disclosures rely on the Finnish Accounting Standards Board's (FASB) Guidelines on Environmental Disclosures in Annual Accounts in addition to the International Accounting Standards (IAS) relevant standards in terms of sustainability (environmental) disclosures.

Accordingly, the disclosures are reviewed by management and assigned external financial auditors. Tikkurila's Sustainability report 2019 is also externally assured. (102-18)

Tikkurila Stakeholders and Stakeholder Engagement

Tikkurila actively engages with stakeholders in order to best understand their preferences, concerns and needs. This enables us as an organization to crystallize our priorities and define the chosen actions and is a valuable source of information influencing how we develop our business practices and our sustainability program. Tikkurila's key stakeholder groups are:

- Customers and those influencing purchasing decisions. In relation to sales approx. 83% are consumer and professional customers and 17% Industrial customers
- Business partners, approx. 500 local and international raw material and packaging suppliers in the Group
- Our employees, 2,607 (2,717) (December 31, 2019) employees in 11 (12) countries:
- Financial stakeholders, owners, investors, capital providers. Number of shareholders approx. 18,500 (December 31, 2019)
- Authorities, regulators and other legal and regulatory stakeholders, national, regional and international
- Competitors, national as well as regional and international
- International, regional and local industry associations and similar
- Universities, expert organizations, laboratories and other non-governmental organizations

Developing and delivering high quality, safe and easy to use products that meet the expectations of our consumers and customers is our license to operate. Understanding the preferences of our different customers requires active and direct dialog in addition to the regular collection and execution of consumer purchase behavioral studies and assessments.

The continuous relationship building, and direct account management interaction is supported by our presence in trade shows and other industry gatherings. Tikkurila technical support services and customer call in services also supports and enhances the quality of our customer interaction. In many countries, we operate our own stores that also provides a good base for engagement and dialog. The results of the studies, and a large amount of market intelligence gathered, is processed and analyzed before being fed into the Tikkurila functions. Consumer and customer information is the key variable defining the direction of our RDI activities. Last but not least, Tikkurila advertising and marketing communications ensures that our message reaches the broader consumer masses. (102-40-44)

The satisfaction of our customer groups is measured at the brand level, and by each country based on the feedback given by consumers, professionals, industrial customers and distribution channels. We also perform research on individual products and their characteristics, and surveys relating to our marketing campaigns are mainly implemented via social media. We want to understand our customers and the market trends to be able to offer our customer groups high-quality and suitable products and services.

In addition to customer satisfaction, we analyze the customer feedback provided via various channels, and use the results to develop our operations and products. Tikkurila receives feedback from its stakeholders through, for example, its customer service, feedback channels, websites and social media, as well as through its sales personnel. In 2019, Tikkurila carried out a sustainability survey in addition to the customer satisfaction survey. The topics of Tikkurila's surveys are, e.g. brand awareness, brand preference, shopping behavior and willingness to recommend among consumers, distribution channels, painting and renovation businesses, contractors and construction companies, designers, architects and our industrial customers (102-40-44)

Healthy relationships with our suppliers, expert organizations and other parties contributing to improving our product intelligence enables successful product development and innovation. Raw material and packaging suppliers mastering the balancing act of price competitiveness, high standard of business conduct combined with proactive development of their product portfolio, are suppliers we prefer to engage with. The engagement typically takes place in one-on-one meetings, performance reviews, conference calls and through our release of public material and results presentations. (102-40-44)

Tikkurila employees are regularly asked to provide their views and feedback. In 2019, we launched a new employee survey, Tikkurila Spirit, which will be carried out annually. The survey is conducted with an external partner and it measures commitment, leadership and performance across the company. The results show our strengths and areas where development is needed. Based on the results action plans will be put together and carried out on team, functional and company levels.

In the 2019 Tikkurila Spirit survey the response rate was 89% and Tikkurila reached on overall AA ("Good") level. Furthermore, the survey showed that more than 90% of Tikkurila employees are well aware of our values and consider them worth striving for.

Target setting, development and performance evaluation discussions between employees and their supervisors are conducted with all white-collar employees according to the Tikkurila Drive annual cycle. The model provides a framework for setting individual targets, evaluating performance and discussing competence and career development. It enhances leadership, harmonizes the managerial practices throughout all countries of operations and supports the achievement of the company's strategic goals. Regarding blue-collar workers, Tikkurila follows country-level practices, which vary by country, for target setting, performance management and individual development. (102-40-44)

Tikkurila relies on a broad set of different channels and tools when reaching out to our internal colleagues. Video's, webinars, presentations and intranet tools and channels, training and development programs in addition to regular employee communication via postings, magazines and newsletters.

Authorities, regulators and other legal and regulatory stakeholders are typically contacted through industry and trade associations, but also visits to official representatives and international government officials take place. In addition, Tikkurila provides input to authority-initiated feedback and opinion questionnaires and consultation requests.

Competitor activities and progress is regularly followed relying on public disclosure and commercially or publicly available market intelligence updates and material.

Financial stakeholders are engaged through

regularly published results disclosures, conference calls and other presentation material. In addition to the annual general meeting Tikkurila arranges Capital Market Day events and publishes information material on our public www-pages.

We regularly study the expectations of our stakeholders, organize meetings, trainings sessions and events as well as participate actively in the work of industry associations and relevant business networks. We build partnerships with research institutions, schools and professionals with the aim to develop sustainable painting and use of colors, together. In our stakeholder cooperation, we promote openness and transparency, encourage networking and open dialog. (102-40-44)

Economic topics

Direct economic value generated and distributed

We continuously develop our business operations and aim to achieve profitable growth and strengthen our position on the market. In addition to the strong market position, strong brands and comprehensive surface treatment knowhow, the key success factors in our business operations include cost-efficient and responsible sourcing, an efficient supply chain and functioning and extensive distribution network as well as diverse services, sales and marketing. (201-1)

EUR Million	**2019**	2018	2017	2016
Direct economic value generated (I)				
Customers: revenue	**574.0**	573.6	591.6	586.8
Economic value distributed (II)				
Suppliers: Operations costs	**399.6**	419.2	435.3	398.7
Employees: Wages & benefits	**99.3**	104.1	111.0	105.8
Payments to providers of capital	**21.5**	43.1	43.8	43.6
Payments to government: Gross taxes	**12.4**	7.1	7.7	14.7
Community investments	**0.0**	0.1	0.0	0.2
Economic value retained (I-II)	**41.1**	0.0	-6.2	23.7

Financial implications and other risks and opportunities due to climate change

The financial implications and other risks and opportunities due to climate change mainly relate to our products. None of our manufacturing units qualify for any of the currently existing obligatory emission trading schemes. Our manufacturing units have not been identified to be situated at particularly flood sensitive locations, nor in locations that would be exposed to other indirect climate change effects e.g landslides. The risks are however monitored and regularly assessed as part of our asset risk management program

Tikkurila paints are of very good quality, and thus last very long on the surface on which they are applied. The long life cycle of the paints we manufacture and the protective properties that paints have, contributes to optimizing material use and reduce material related climate change impacts. Creating material efficient paint formulations that provide superior protection, durability and coverability of the coated surface, contributes to the most significant climate change mitigation contributions when taking a life cycle approach in assessing the environmental impacts of a coated surface.

Climate change also introduces changing weather patterns, with more humid winters and hotter summers being one of the commonly recognized implications of climate change.

Our products have, for example, an opportunity to reduce climate change impacts by providing functional properties as well. For example, Tikkurila ClimateCooler, a flexible heat-reflecting acrylate topcoat, reflects up to 80% of the sun's infrared radiation compared with a black bitumen roof. The radiation lowers the surface temperature and makes the roof a so-called "cool roof". Roofs treated with ClimateCooler Flex have a lower temperature, which requires less energy to cool down the air entering the building's air conditioning system. ClimateCooler treatment reduces the need for cooling, and translates into financial savings, reduced energy use and a reduction of the energy production related greenhouse gas emissions.

Case 1: Climate Cooler
Tikkurila also has products that are responding to humid winters and wetter weather conditions through paint products optimized for mold protection, easy cleaning etc. Climate change poses new challenges but also opportunities for the industry and Tikkurila is well positioned for creating optimized solutions responding to these challenges with 9.6 million being invested in R&D in 2019. Tikkurila's research and development expenses were EUR 9.6 (9.2) million, which accounts for 1.7 (1.6) percent of revenue

Furthermore, over the years Tikkurila has executed a massive shift away from solvent-borne paints towards water-borne paints, with water-borne products in 2019 being responsible for 78.8% (77.2%) of the sales volume (L).

Case 2: Alcro A1: Alcro A1 – 30% biobased (ASTM D6866-16) also qualified for the Nordic Swan, and Swedish Asthma and Allergy label, and packed in a 20% post-industrially recycled plastic can.

Manufacturing paint and coatings is not an energy intensive industry. The impacts on operations would be the indirect implications related to climate change driven price increases on purchased primary and secondary energy. Tikkurila follows and assesses energy consumption regularly and initiates projects to reduce and optimize energy use. Green electricity purchased is another example of operations mitigation measures applied. Tikkurila Sweden was an early mover when deciding (already 2012) to shift to 100% green electricity e.g electricity produced by non-fossil non-nuclear resources.

Case 3: Pinja Protect
Pinja Protect, water borne products for industrial priming and pre-painting of exterior wood is the first industrial paint product to qualify for the Nordic Swan. Our waterborne and biobased interior wall paint.

Confirmed incidents of corruption and actions taken

Tikkurila always aims to comply with high ethical principles, legislation, company values and our code of conduct, and has zero tolerance for any form of bribery or corruption, or other unethical influence. Tikkurila has set strict common rules and guidelines on responsible business, competition compliance and anti-corruption that every Tikkurila employee is obliged to adhere to. (205-3)

INCIDENTS OR LEGAL ACTIONS	2019	2018
Corruption and bribery cases	0	-
Legal actions for anti-competitive behavior	0	1

Sourcing sustainability, supply chain

Over 90% of all direct sourcing, including raw materials and packaging materials, is sourced from Europe (in value). Tikkurila Group has approximately 500 local and international raw material and packaging material suppliers. We source from large multinational organizations as well as smaller and local organizations. We only cooperate with suppliers that have been approved by our principles for supplier collaboration and make a Group-level agreement with our most significant suppliers. By the end of 2019, 46% of raw material and packaging material spend was covered by a Group agreement.

Tikkurila monitors and assesses suppliers on a regular basis through evaluation and auditing processes. Tikkurila requires suppliers and partners to operate in accordance with Tikkurila Code of Conduct and fulfill the requirements on quality, safety, environmental and social responsibility: We either check that the supplier's Code of Conduct is in line with ours, or we agree that they adopt our Code of Conduct. Tikkurila conducts some 5 physical audits per year, with 51 physical audits conducted since 2013. The audits and evaluations assess the suppliers' order, delivery and production processes, quality control measures, as well as management of environmental, health & safety aspects and impacts.

Tikkurila sourced raw materials are solvents, fillers, binders, pigments and additives. The primary packaging consists of metal (tin-plate) and plastic (Polypropylene, PP) packaging. The secondary packaging materials consist of carton board and plastic film used for shrink-wrapping products on pallets. (102-9)

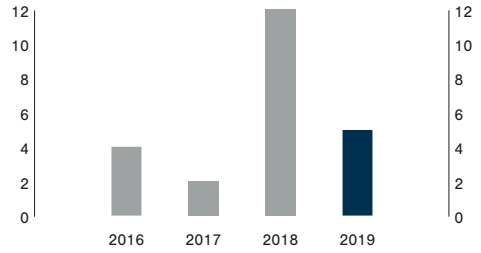
Due to competitive reasons Tikkurila does not disclose the amount of raw materials used but the raw material spend split looks as follows (301-1): (table: Raw materials used)

The performance requirements on paints and coatings are achieved through precise formulation structures. If, for some reason, we would have even a slight deviation in the formulation structure, the properties of the paint would be compromised. Therefore, the introduction of post-consumer recycled paint into the virgin paint is avoided. Tikkurila has chosen not to compromise the quality of the paints and coatings we sell: (protective properties, durability, coverability).

As many of the paint products we produce are classified as hazardous substances, the performance criteria placed on packaging is stringent in order to secure that the risk for accidental releases to the environment is minimized. This places strict requirements on the packaging material we source. However, Tikkurila uses metal packaging, tin plate primary packaging, which is a material attached to a very high recycling percentage in the EU. Tin plate can be recycled without a reduction in the properties and is therefore well suited for packaging.

Plastic primary packaging is very material efficient packaging material. Light weight packaging optimizes the transport and logistics related emissions to air and resources used for the packaging. Tikkurila has already introduced packaging with post-industrial plastic (PIR) e.g in our Alcro A1 primary packaging. With EU and its member states committing to the ambition towards a circular economy, Tikkurila is looking forward to also introducing packaging relying on post-consumer plastic (PCR) and alternative composite materials including bio-based composites. In 2019 Tikkurila sourced packaging containing PIR-plastic. The majority of the secondary packaging is recycled box board.

 # OF ON SITE SUPPLIER AUDITS



RAW MATERIALS USED

%	**2019**	2018	2017	2016
Binders	**36.9**	36.5	34.6	35.7
Pigments and fillers	**25.3**	25.7	27.4	23.9
Packaging materials	**16.5**	16.1	17.4	18.2
Additives	**12.0**	11.7	12.1	13.2
Solvents	**6.4**	6.4	6.1	6.4
Others	**3.0**	3.6	2.3	2.6
Total	**100.0**	100.0	100.0	100.0

	2019	2018	2017	2016
Group agreement, % of raw material and packaging material purchases	**46**	45	43	39
Supplier audits, number	**5**	12	2	4

Operations sustainability

Environmental topics

The main environmental aspects of paint manufacture (operations) relate to waste including wastewater, energy consumption, compounds evaporation and emissions. Within Tikkurila Occupational Health & Safety they are also defined as a significant sustainability aspect within operations

ENVIRONMENTAL MANAGEMENT, OCCUPATIONAL HEALTH & SAFETY MANAGEMENT

Tikkurila relies on internationally recognized standardized management systems for creating a continuous improvement and systematic management culture of environmental and Occupational Health & Safety (OHS) aspects. The implemented management systems are ISO 14001 for Environmental Management, OHSAS 18001 for Occupational Health and Safety and ISO 9001 for Quality Management. The management systems implemented on Tikkurila sites are externally certified as presented in the table below. On some sites, implemented management systems have not been externally certified, either because certification is still in progress, or due to the limited size of the manufacturing unit.

Management systems provide a structure for the environmental and OHS work and drive the continual improvement efforts. It enables better transparency of risks, improvement opportunities and support Tikkurila's ambition on eco-efficiency and high quality of occupational health & safety

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

In paint production, energy is used for mixing, grinding and transferring raw materials and products, and running support systems and utilities. However, most of the energy goes into heating and ventilation of buildings, with consequent seasonality in the consumption patterns. Tikkurila is monitoring energy consumption and has set an internal target to continuously improve the energy efficiency of its operations.

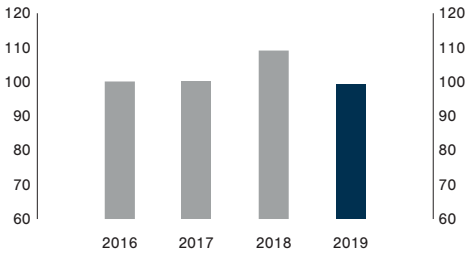
The graph energy/production volume shows the energy intensity of our operations. It displays the total energy used in relation to production output measured in liters. (302-1, 302-3)

Closing of the Lunderskov factory in 2019, as well as Stary Oskol and Ansbach factories during 2018, have resulted in a decrease in total energy consumption as well as contributed to an efficiency improvement. Transferred products somewhat increased consumption in other factories but to a much lesser degree compared to energy saved. Increased production volumes contributed to the positive development when measured per volume.

Detailed absolute energy consumption table in annex 4:

ENERGY/PRODUCTION VOLUME

indexed 2016=100



TIKKURILA SITE	QUALITY ISO 9001	ENVIRONMENT ISO 14001	SAFETY OHSAS 18001	
Vantaa Manufacturing Unit	√	√	√	Our main sites
Debica Manufacturing Unit	√	√	√	
Nykvarn Manufacturing Unit	√	√		
Obukhovo (Manufacturing)	√	√	√	
Utkin (Manufacturing)	√	√	√	
Gamma (Manufacturing)	√			
Tallin Manufacturing Unit	√	√		
Mytischi (Warehouse)	√			
Utkina Zavod (Warehouse)	√			

+	- An externally verified certificate describes the level of professional commitment	- An externally verified certificate strengthens a continues improvement approach & culture	- An externally verified certificate requires that the quality, environment and OHS work is systematic
!	A certificate signals the professional commitment to management of quality, safety, and environmental matters and a company´s systematic approach to continuous improvement		

WATER WITHDRAWAL, CONSUMPTION AND DISCHARGE

The majority of the water withdrawal stems from municipal supply. With Tikkurila producing water borne paints and coatings products, 47 % of the water withdrawn leaves the organization as part of the products. Water not ending up in finished product is typically washing water and finished products that for some reason cannot be internally re-cycled. (303-3)

Though much of the water flows into the finished product, water is also used in production, particularly for washing and cleaning paint production equipment. Part of the washing water is reused in the production of new paint to the extent it does not risk affecting the quality and specifications of the paint, and part is discharged. The water flow is monitored and is also reported regularly to the authorities as part of the local permit conditions. Process cooling water systems are closed. Tikkurila is continuously investigating opportunities for reducing the use of washing water in production, and best practices for efficient water use are shared within the organization. (303-1)

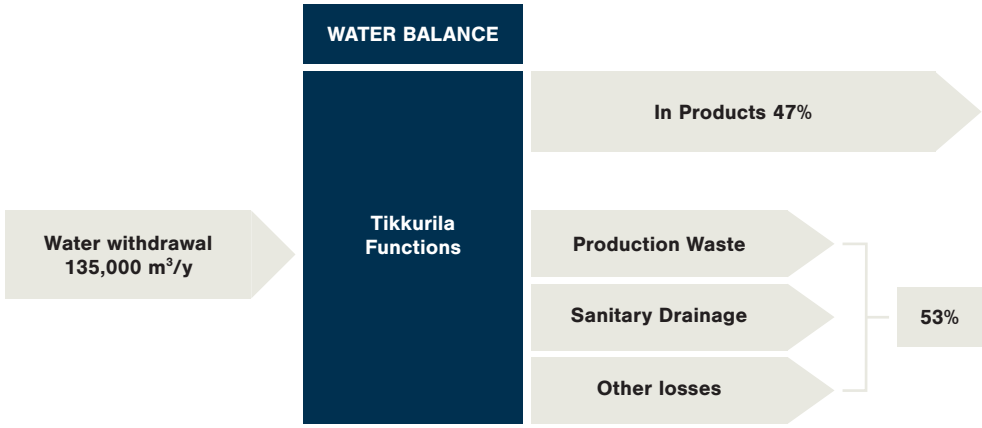
Washing water that cannot be fed back into the paint formulation is either sent directly to appropriate external treatment, locally pre-treated and then sent for treatment and appropriately discharged or locally treated before being discharged in line with permit conditions.

Wastewater from water borne paint production is chemically treated in our manufacturing unit in Poland. The separated solids are sent for external recovery in the form of incineration with energy recovery, and the remaining water is discharged into municipal sewer under the strict permit conditions provided.

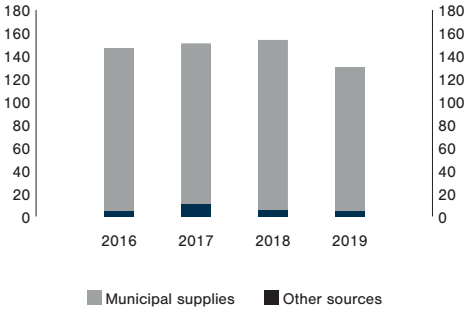
In another of our manufacturing units, we operate our own wastewater treatment facility (chemical and biological treatment). This facility is operated under strict permit conditions, and is monitored and controlled both in internal audits and checks as well as by external auditors and authorities. Tikkurila does not discharge any water without treatment to the environment. (303-4), (306-1)

The quality of the discharged water is strictly defined in the local permit conditions. Permit condition compliance is monitored and controlled internally, as well as by external parties like management systems auditors and the authorities. Water samples are taken regularly and analyzed by laboratories before being sent to the local authority. All Tikkurila manufacturing units are operating in locations that have discharge requirements and procedures for controlling that are stipulated in the local environmental permit. (303-2) On sites where there is no local wastewater treatment, the process wastewater is collected and transported to a licensed company for treatment.

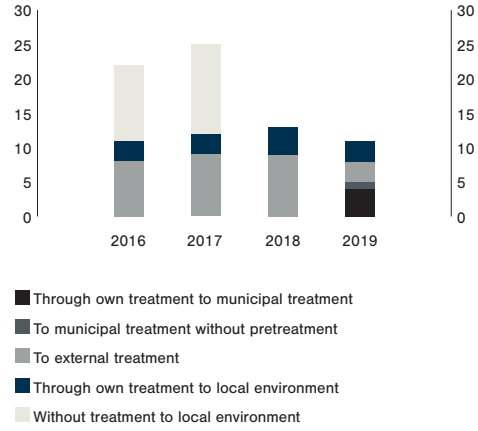
Tikkurila does not have manufacturing facilities in areas with water stress. When looking at the amount of water withdrawn compared to the amount of water that is discharged or sent to external treatment facilities, some 50% of the water withdrawn end up in the water-borne products we sell, with the other half either being discharged directly or indirectly to municipal sewer or returned directly eco-system after pre-treatment.



TOTAL WATER WITHDRAWAL
by Source (1,000m³)



PRODUCTION WASTE WATER DISCHARGE
by Destination (1,000m³)



GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions in Tikkurila paint production is a derivate of purchased electricity, heating/cooling or local primary energy consumption. Tikkurila uses both primary and secondary energy in its manufacturing units. The incineration of volatile organic compounds also contributes, but the GHG amount is not significant. (305-1), (305-4). More detailed table in annex 6.

Tikkurila electricity and district heating derived GHG emissions (Scope 2 emissions) are, with the exception of Sweden, not attached to any explicit green electricity purchase/sourcing criteria. Tikkurila in Sweden shifted to green electricity purchase already in 2012. In addition, the Sweden factory scope 2 energy, e.g. the heat purchased, is produced relying on combined heat and power production (CHP) where the primary fuels used are 99% renewable. On Tikkurila Group level the local scope 1 GHG emissions (302-1) stem mainly from local use of natural gas and a small amount of fuel oil used for heating. Tikkurila is furthering its understanding of the scope 3 GHG emissions, and its ability to affect the root causes.

OTHER SIGNIFICANT AIR EMISSIONS

During production, some of the volatile organic compounds (VOC), contained in the raw materials are released into the air. VOC emissions in production are controlled by e.g. keeping tanks and vessels closed whenever possible, to ensure good ventilation. At the Vantaa site, the VOC emissions are collected, and incinerated VOC emissions caused using solvents are restricted by means of legislation and local environmental permit conditions. In the EU, the maximum VOC emissions from production and the limit values for volatile organic compounds contained in the paints are defined by the VOC directive. The purpose of the directives is to prevent and reduce the direct or indirect impacts of volatile organic compound (VOC) emissions on the environment and people.

The most significant contributor for the significant reduction of VOC emissions has been the organizations' strategy to actively shift product formulations away from solvent-borne products to water-borne products. In 2019, the share of water-borne products by volume (L) was 78.8.% (77.2%). VOC emission calculations are based on local methods (305-7).

WASTE & EFFLUENTS

Tikkurila generates slightly less hazardous waste that non-hazardous waste. Within Tikkurila, the significant waste fractions are solids removed from the washing water used for washing water-borne paint production vessels that ends up as sludge or slurry, discarded products, primary and secondary packaging waste. Raw material waste results from washing the production and filling machines, residue left in raw material packaging, and non-marketable and expired raw materials and products, as well as raw materials dust and solvent fumes led to the processing of exhaust air, or exhausted otherwise

A number of smaller waste fractions is also monitored and depending on what waste management actions have been taken on the site, these can result in non-recurring waste volumes.

Tikkurila is monitoring material flow and waste amounts and is continuously looking for opportunities to improve the material efficiency of the manufacturing process. Whenever possible, we recycle production waste back into our process, taking into consideration the strict quality requirements we have for products. Any solid and liquid waste that is not suitable for re-use or recycling in our process or for other purposes is disposed of appropriately. The disposal method is determined by information provided by the waste management company assigned. (306-2)
Local management systems and the externally certified management systems provide a good fundament for risk management. Risks are identified and assessed and attached to mitigation procedures. Tikkurila did not record any significant spills in 2019 (306-3). Significant spills refer to a release of a hazardous material to the environment or to the municipal sewer system.

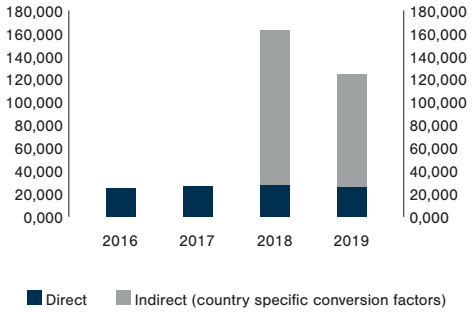
Tikkurila does not have any hazardous waste transported to the organization from external nor internal sources. Tikkurila assigns the transportation of hazardous waste from the organization to appropriately qualified external waste handling companies. The typical hazardous waste generated is paint waste and paint waste residues. The typical hazardous waste destination is incineration with energy recovery (306-4).

NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

Tikkurila received environmental fines totalling 1,868 EUR during the reporting period. In Tallin the wastewater discharges exceeded the threshold value three times and in Russia emissions measurement at the Mytishi warehouse were reported late. Tikkurila has no ongoing disputes with authorities or other external parites. Related to the closing of the German operations Tikkurila has participated in the cleaning of contamination found in its former leased warehouse.(307-1)

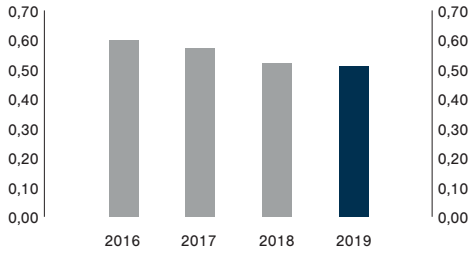
PRODUCTION RELATED EMISSIONS

CO_2g/litres



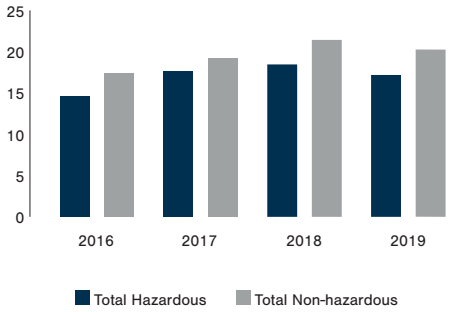
VOC EMISSIONS

g/litres produced



HAZARDOUS AND NON-HAZARDOUS WASTES

g/litres produced



Occupational health and safety

Tikkurila Occupational Health & Safety (OHS) work follows the requirements defined in the OHSAS 18001 management system standard. (See table on page 19) (403-1). Of all Tikkurila employees 63% are covered by a certified Occupational Health and Safety management System and 83% of total volume is produced under externally certified Standardized Management System OHSAS 18001. (403-8)

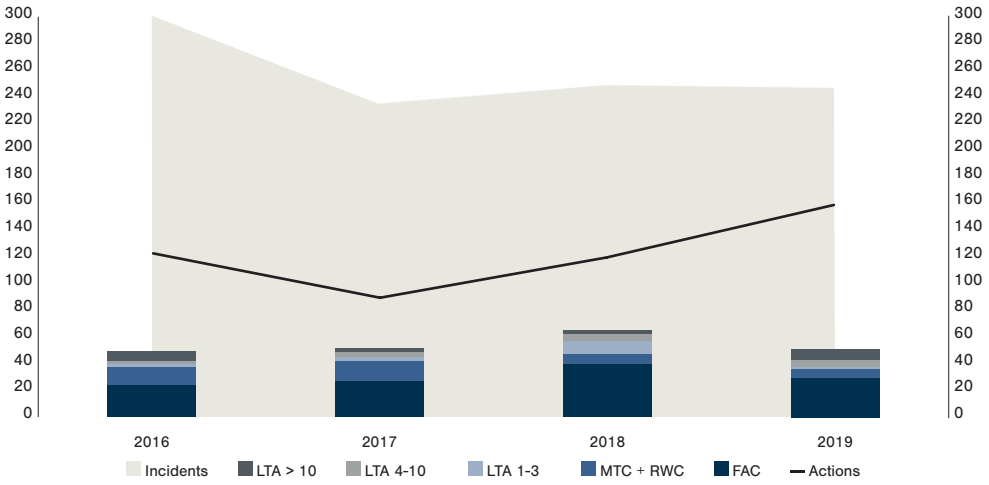
Safety first is a principle that applies in our operations. In addition to building a safety culture and safe ways of working, the safety work at Tikkurila focuses on preventive measures, such as risk assessments, safety training, safety talks and rounds, reporting of health and safety observations and communications, as well as internal and external audits. Preventive safety work affects the company's cost effectiveness and provides ways to improve efficiency and minimize absence due to sickness.

During 2019, health & safety training, for instance with regard to fire safety and work risk assessments, was organized at all Tikkurila production sites. In addition to assessing our employee's safety behavior in their everyday work, we also address safety issues through regular safety talks between our employees and their supervisors and colleagues. Altogether 6,154 (6,686) safety talks and rounds were held within the Group in 2019. A purpose-built software tool has been built to support the OHS process. In addition to the front-end reporting, the system supports the collection and distribution of identified root causes, corrective actions and follow up actions assigned to responsible individuals for the implementation work. The back end of the system is available for all Tikkurila employees, with notifications and alerts to the line organization as a minimum. (403-2)

In 2019, Tikkurila's accident frequency rate was 3.5 (3.9). Most of the accidents happened in Sweden. Each accident has been analyzed and corrective actions defined. In 2019 our priority in safety work was to understand the human factor better. External training was arranged for all HSE specialists and local managers, and a questionnaire on the safety culture was carried out in two countries. It is of utmost importance to ensure and promote a safe workplace for every Tikkurila employee, contractor and business partner. Tikkurila has set common safety targets with the aim to reach zero accidents.

The focus in 2020 will on furthering the improvement of the Lost Time Accident (LTA) trend. Compared to performance in 2018 the LTA trend is showing a 20% reduction (2018-2019). A particular focus will be given on the root cause and corrective actions analyses of the LTA's that are attached to the highest absence days. The positive development of all the recorded accident categories (LTA, MTC and RWC) compared to 2018 (-23%) is a result of the efforts taken during 2019, highlighted below by the high amount of recorded near miss reports and the increasing amount of corrective actions taken.

ACCIDENTS



WORKER PARTICIPATION, CONSULTATION, AND COMMUNICATION ON OCCUPATIONAL HEALTH AND SAFETY

Workers participate in risk assessments. HS issues are discussed with workers in meetings and training sessions. Where required by local legislation, sites have an Occupational Health and Safety committee. All workers can report hazards in the common software, and they can submit ideas for improvement. They can participate in safety rounds and safety talks. Safety statistics and other information is communicated by visual management bulletin boards, dedicated safety information boards on some sites and weekly/monthly/quarterly bulletins or emails and in meetings.

Management of health and safety issues is described in local management systems, and the documentation is available for all. Management system internal auditors are also workers, trained for this purpose, who participate in planning the audits (403-4).

WORKER TRAINING ON OCCUPATIONAL HEALTH AND SAFETY

At all Tikkurila manufacturing sites, periodical health & safety training of the employees is conducted with the focus derived from risk assessments conducted and audit findings. All sites conduct training for newcomers as part of the induction program (403-5).

PROMOTION OF WORKER'S HEALTH

The workers on most sites have access to health care by the same provider which participates in the workplace risk assessments. Otherwise, they use the public health care system. Most sites have support for physical exercise either in the form of a gym on site or support for sports elsewhere. Most sites have a canteen with subsidized meals. Finland has an age program with minor benefits for employees > 55 years (403-6).

WORK-RELATED INJURIES

We report Lost Time Accident frequency for our own employees, calculation is based on 1,000,000 hours worked. The days of inability to work are

calculated using calendar days. We also collect information about other injuries and incidents, also those that happen to our contractors, and analyze them following the same procedure as for Lost Time Accidents.

Accidents and incidents are entered into the HSE Monitor system, which is available to all employees.

Accidents and incidents are investigated using the SCAT (Systematic Cause Analysis Technique) method. In deciding on actions, common actions are to be prioritized over individual ones according to the hierarchy of controls. The analyses and the actions are documented in the HSE Monitor system. The actions are followed up and closed by the manager of the area in question. For significant cases, the learnings are shared using Lessons to Learn presentations, published in the corporate intranet and reviewed on all sites (403-9).

Product sustainability

Tikkurila is a paints and coatings company. The added value that Tikkurila has in the value chain of coated surfaces, is our ability to combine the right amount of the right substances and/or compounds, mix and dissolve them in the right sequence under correct conditions for efficient delivery of safe, cost competitive high quality products for sales to customers and consumers.

A non-negotiable rule for all product development is to guarantee that the products we develop meet the strict safety requirements set for paint and coatings. Safety in production, logistics and our products intended use environment lay the fundament for our Research, Development & Innovation (RDI) activity. In addition, Tikkurila has defined sustainability customer promises directly applicable for RDI. The key promise by our product development and innovation function is that we drive our portfolio toward maximized performance with minimum environmental impact. For Tikkurila, this means that we need to continuously reduce the portion of hazard components in our product formulations and increase the renewable content of the formulation without allowing a deterioration in the durability, coverability or protective properties of the product. Sacrificing these quality variables when furthering our formulations sustainability performance is not an option, nor does it support the environmental life cycle performance of coated surfaces. Our systematic product development delivers products and systems that are easy and fast to apply, safe and sustainable highlighting the long-life cycle of surfaces, longer maintenance painting intervals and cost efficiency.

LIFE CYCLE APPROACH TO PAINTS AND COATINGS

With the increased understanding of the anthropogenic (caused by humans) impacts on our eco systems, and with the consequent increased appetite of our stakeholders towards these issues, the quality requirements of the data underlying environmental claims of products and services is increasing.

Environmental performance of our products is an important variable of our value proposition. In order to make informed decisions within RDI, sales and marketing and strategy development, facts and science-based information is vital. Tikkurila is committed to properly understand the net environmental implications of the product development decisions we make. Tikkurila wants to have a holistic view of our products performance including the different environmental impact categories.

We want to ensure that the product developments seeking environmental performance improvements do not merely deliver a shift of the environmental impact

- either within the life cycle of the painted surfaces
- or between the different environmental impact categories.

Understanding the complexity of a product's interaction with the environment enables us to make decisions that with a higher probability delivers a net environmental contribution of our products in their life cycle. A tool for this performance assessment is to apply a life cycle approach for providing us with a proper overview. A life cycle approach to product assessment provides a fair profile of our products, increases the understanding of where in the different life cycle phases the impacts occur, and can thus direct our improvement actions to the correct and significant root causes under our influence.

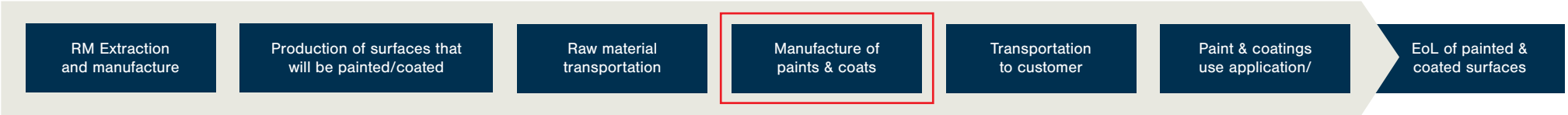
Product sustainability for Tikkurila focuses on improving the environmental sustainability performance of coated surfaces. Our starting point is that the sustainability license to operate for our products is their ability for the raw material to efficiently deliver the longest lasting protection for the surface it is applied upon. This means that we are continuously looking for raw materials with a lower environmental footprint but still deliver the expected production and end use efficiency →high quality

When looking at the environmental life cycle of a coated surface including the raw materials we use for the paints and coatings:

- the environmental impacts of the materials our products are applied on
- the transportation of these
- the manufacture of paints and coatings
- the transportation of these to customer
- the use phase e.g. when the paint is applied on the surface and finally
- the end of life of the paints, typically discarded together with the removed surface,

it becomes evident that the environmental life cycle impacts stems from the phases in the value chain before manufacture of the paint. This leads to the conclusion regarding the environmental performance objective of paints and coatings – namely to ensure that raw materials are used efficiently and that the coated material is protected for as long as possible. Any changes in the formulation of the paint that would risk that the coated surface has a shorter durability would lead to a proportionally higher impact at the beginning of the life cycle, with typically no net environmental gain. To avoid this, an environmental life cycle approach is applied when Tikkurila is developing and evaluating new products and systems. Rigorous durability tests are carried out within Tikkurila both in actual environment conditions as well as by using different equipment and methodologies used to simulate real conditions but in a much shorter test time frame.

THE LIFE CYCLE OF A PAINTED SURFACE

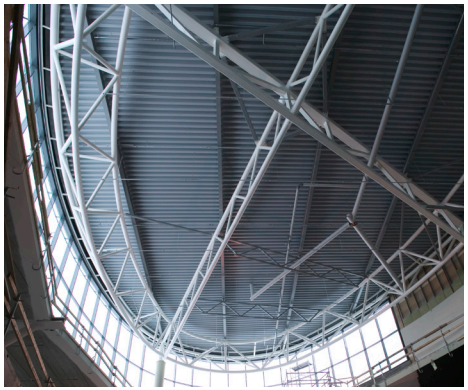


TIKKURILA'S PORTFOLIO OF LABELED PRODUCTS INCLUDING ECO-LABELED PRODUCTS

In 2018 Tikkurila released its first interior wall paint that significantly increased the biobased content of the formulation (Alcro A1). The water borne paint developed, successfully replaced 30% of the organic carbon used with biobased materials (ASTMD-6866-16), without any deterioration in the performance compared to the benchmark paint. Furthermore, the plastic packaging used for this was recycled (PIR) to 20%-60%. This Nordic Swan labelled product also received the Swedish Asthma & Allergy recommendation label. In 2019 this work was continued with following noteworthy developments

Case1: Pinja Protect

Pinja Protect released in 2018, containing products for industrial priming and pre-painting of exterior wood industry, was the first industrial paint products to be labeled with the Nordic Swan. This family has been extended during 2019 with 2 new products.



Case 2: Fontecryl SC-EF 50

Fontecryl SC-EF 50 is new one-component, zinc phosphate free and M1 approved water-borne single-coat acrylic paint. The paint is fast drying alkyd modified acrylic paint which contains special anti-corrosive pigments. Fontecryl SC-EF 50 is compliant with Basta, Sundahus, Breeam and Leed Green Building systems supporting though Tikkurila's approach towards sustainable portfolio.

Case 3: Cozy floor systems

Cozy floor system been has designed for commercial and public premises such as schools, kindergartens, and offices where good indoor air quality and durability are required. It is odorless and has a low volatile organic compound (VOC) content. Cozy floor is a low-emission (M1 classified) coating system that helps to ensure good indoor air quality. In addition, it improves room acoustics by reducing noise. Cozy floor system can be used on LEED and BREEAM projects.

Case 4: New BREEAM, LEAD

qualified products in 2019

New products launched that fulfil LEED and BREEAM VOC-content and emission criteria. Among many e.g. Temafloor 500M, Temafloor 5000M, Temafloor PU Color, Temafloor PU Flex Color, Fontefloor PU Matt.

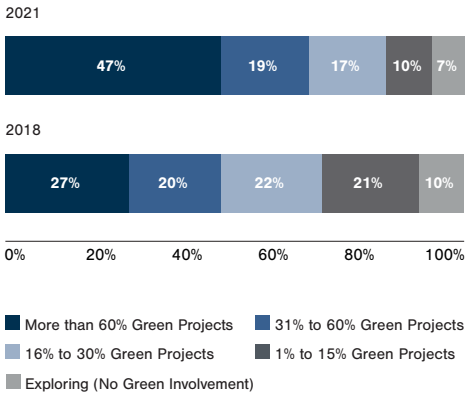
Please look at table on page 27 for an overview of Tikkurila's eco-labelled and otherwise recognized products.

GREEN BUILDING – SUSTAINABILITY AS A TREND IN THE CONSTRUCTION BUSINESS

Sustainable and responsible operations are today the foundation for successful construction business. A survey conducted in the US estimated that more than 60% of projects will be green by 2021. The use of environmental classifications has increased year on year, and in e.g. Finland the use of environmental classifications in construction has doubled in the last 5 years. In Sweden, the corresponding increase is five folded.

Tikkurila is a member of the Green Building Council Finland. As a member, Tikkurila is advancing the policies of sustainable development linked to the built environment and environmental classifications of the building industry. The national councils, and The World Green Building Council network is focusing on encouraging and advancing the use of practices and methods that support sustainable development in the built environment.

LEVEL OF GREEN BUILDING ACTIVITY



(Dodge Data & Analytics, 2018)

Buildings are responsible for 39% of global energy-related carbon emissions, with 28% coming from the “in use” phase – to heat, power and cool buildings. However, the green building criteria like BREEAM, LEAD, Nordic Swan and WELL are taking into consideration a broad set of environmental variables when assessing the green attributes and performance of buildings such as:

- Consideration of the environment in design, construction and operation, efficient use of energy, water and other resources, use of renewable energy, such as solar energy and pollution and waste reduction measures, enabling re-use and recycling.
- As for products that Tikkurila manufacture, the criteria require high performance of the indoor environmental air quality and use of materials that are non-toxic, ethical and sustainable.

Any building can qualify as a green building: home, office, school, hospital, community center, or any other. Different countries have a variety of characteristics such as climatic conditions, cultures and traditions, diverse building types and ages, environmental, economic and social priorities – all of which shape the approach to green buildings and the challenges that, for example, to which the paints and coatings need to respond.

Sustainable buildings embrace all three dimensions of sustainability – economic, social and environmental. A sustainable building can maintain and improve the quality of life and the environment in the region. In 2019, Tikkurila contributed to green building projects in Finland, Sweden, Norway, Poland, Lithuania and Russia. In Finland, our products were chosen for qualified green building, for example in the REDI mall, and the TRIPLA mall.

In the Tripla Mall, for example, the following paint systems were used:

LEED Building Design and Construction BD+C: Core and Shell v3 - LEED 2009

Fillers:

- Presto ALR
- Presto J
- Presto LF+
- Presto LG
- Presto LH
- Presto Paperi-saumanauha
- Prestonit ALR

Top paints:

- Harmony
- Kattomusta
- Luja 7
- Nova 20
- Nova 7
- Siro 7
- Ässä 7

Primers:

- Pölysidonta-aine
- Ykköspohja

Floor paints:

- Fontefloor ep 1

LEED Building Design and Construction BD+C: Core and Shell v3 - LEED 2009
LEED Scorecard Platinum 84/110.
EQc4.2 Low-emitting materials - paints and coatings 1/

Tikkurila aims to be the preferred partner in sustainable building projects. We support our customers in their building projects by promoting our sustainable offering and training our stakeholders. We want to understand the health and environmental requirements in building construction better, explore the changing market needs and have an active influence in national Green Building Councils

The table below displays the vast portfolio of our products that have been rewarded with a category 1 eco-label or qualify as paints and coatings meeting the strict requirements set by the green building standards. BREEAM, LEED, WELL and the Nordic Swan.

Case Continental
Unique property opened its doors in October in Lithuania – a “Continental” electronic components factory. This building is impressive not only through huge investments but also by the impressive solutions in construction. The factory is going to be awarded the prestigious internationally recognized LEED GOLD certification.

In the factory premises, as many as 5,000 litres of “Tikkurila Optiva 5” sustainable paints were used, which are high quality, eco-labeled, and meet high LEED requirements.

ENVIRONMENTAL LABEL CATEGORY 1		DECO & INDUSTRIAL	GREEN BUILDING		
			BREEAM	LEED	NORDIC SWAN
	Nordic Swan	388	-	-	fulfills requirements
	EU-Ecolabel	16	4	4	-
ALLERGY & ASTMA ASSOCIATION ABEL	M1	175	152	165	-
	Astma och Allergi Förbundet (SWE)	-	-	-	-
	Allergia, Iho - ja Astmaliitto (FIN)	6	-	-	-
	Other National Allergy and Astma Associations	20	-	-	-
OTHER RECOGNIZED LABELS		9	-	-	-

ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

All chemical products are continuously assessed regarding their health and safety impact. Regulatory changes to the materials used are assessed and monitored, and actions are taken whenever there is an indication about a new risk for a product. A good portion of the portfolio is compliant and labeled with third party labels ensuring safe product choices. (416-1)

INCIDENTS OF NON-COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICE

Incidents of non-compliance concerning health impacts are handled in the local sites, in accordance with local regulations. There have been no non-compliances resulting in fines or penalties, or warnings. Customer questions and reports about health and safety concerns in connection with products are collected and used in the iteration for safer products. (416-2)

REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELING

Chemical products require clear, structured and accessible information for safe handling, which is strictly regulated in all markets as labelling requirements. In addition to complying with these requirements, the use of positive labelling indicates compliance with voluntary standards for safe product choices and information for appropriate waste handling.

Tikkurila also has a world class customer service “phone line” that provides assistance on the safe use and appropriate discharge of used paints and painting ancillaries.

Tikkurila safety work starts with assessing the raw materials. Tikkurila systematically studies and investigates the health and environmental effects of the raw materials used in our products. We guide our own personnel as well as our customers and partners in the safe and sustainable use of our products. Based on the raw material information and the paint formula, our employees specialized in product safety calculate the hazard properties for products used in compliance with instructions. The results of the calculations are shown on the paint safety data sheets and the warnings section of the product label. The safety data sheet, product specifications and product label contain a description of the product and give details of its manufacturer, offer information about the composition of the product and its health and environmental impacts as well as instructions for the safe use and sustainable handling, storing, transport and disposal of the product. The label also states the eco label the product has received and other classifications for paint products.

The chemical industry is tightly regulated. The increasingly strict environmental and safety requirements and the changing legislation place new demands on our products and increase Tikkurila’s responsibility to inform the consumers of its product’s health, environmental and safety standards and legislation, and actively participate in the work of paint-industry associations at both national and EU level. (417-1)

INCIDENTS OF NON-COMPLIANCE CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELING

Incidents of non-compliance concerning health impacts are handled in the local sites, in accordance with local regulations. There have been no non-compliances resulting in fines or penalties, or warnings. Customer questions and reports about health and safety concerns in connection to products are collected and used in the iteration for safer products. (417-2)

INCIDENTS OF NON-COMPLIANCE CONCERNING MARKETING COMMUNICATIONS (E.G. ECO LABELS)

Tikkurila has one recording of an incident of non-compliance with regulators and / or voluntary codes concerning marketing communications, including advertising, promotion or sponsorship during the reporting period 2019.

During a period of BIT (in-can preservative) shortage in the second half of 2019, the temporary use of other biocides exceeded voluntary codes for ecolabelling. The situation was agreed with the ecolabelling bodies before the temporary solution was brought into use.

Consequently, Tikkurila has not received any fines, penalties or warnings of non-compliance concerning marketing communications. (417-3)

CUSTOMER HEALTH & SAFETY	2019	2018
incidents of non-compliance with regulation resulting in fine or penalty	**0**	1
Incidents of non-compliance with regulations resulting in a warning	**0**	-
Incidents of non-compliance with voluntary codes	**0**	-

Social Topics, employment

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

At the end of 2019, Tikkurila employed 2,607 (2,717) people in 11 countries. The Tikkurila Group recruited 190 new employees and 226 persons left the company.

Tlkkurila has changed the way new employee hires and employee turnover is calculated. For year 2019 rate of new employee hires is calculated using hired permanent employees and turnover is calculated using resigned permanent employees.

For the reference years the rate of employee hires is calculated using all hired employees except seasonal employees and turnover was calculated using all leavers except seasonal workers (401-1).

TOTAL NUMBER OF NEW EMPLOYEE HIRES	2019[1)]	Rate of new employee hires	Active total	2018[2)]	Rate of new employee hires	Active total	2017[2)]	Rate of new employee hires	Active total
East	83	8.0%	1,041	155	13.8%	1,121	203	14.9%	1,367
West	107	6.8%	1,566	96	6.0%	1,596	96	5.7%	1,670
Total	**190**	**7.3%**	**2,607**	**96**	**9.2%**	**2,717**	**299**	**9.8%**	**3,037**
Female	63	6.7%	947	82	8.3%	985	80	7.6%	1,055
Male	127	7.7%	1,660	169	9.8%	1,732	219	11.0%	1,982
Total	**190**	**7.3%**	**2,607**	**251**	**9.2%**	**2,717**	**299**	**9.8%**	**3,037**
<31 years	67	15.4%	434	114	20.8%	547	146	23.3%	627
31–50 years	107	6.8%	1,577	120	7.6%	1,588	141	8.1%	1,735
>50 years	16	2.7%	596	17	2.9%	582	12	1.8%	675
Total	**190**	**7.3%**	**2,607**	**251**	**9.2%**	**2,717**	**299**	**9.8%**	**3,037**

[1)] The amount of new employee hires is calculated from the active total workforce on December 31, 2019. Calculation of new employee rate: (number of hired permanent employees / total workforce per category) *100.

[2)] The amount of new employee hires is calculated from the active total workforce compared to the situation at the end of each year. Calculation of new employee rate: (number of employee hires / total workforce per category) *100. Seasonal employees are not included in the data.

One-to-one comparison of year 2019 cannot be made with previous years.

TOTAL NUMBER OF LEAVERS AND EMPLOYEE TURNOVER	2019[3)]	Turnover	Active total	2018[4)]	Turnover	Active total	2017[4)]	Turnover	Active total
East	142	13.6%	1,041	287	25.6%	1,121	208	15.2%	1,367
West	84	5.4%	1,566	220	13.8%	1,596	138	8.3%	1,670
Total	**226**	**8.7%**	**2,607**	**507**	**18.7%**	**2,717**	**346**	**11.4%**	**3,037**
Female	78	8.2%	947	161	16.3%	985	118	11.2%	1,055
Male	148	8.9%	1,660	346	20.0%	1,732	228	11.5%	1,982
Total	**226**	**8.7%**	**2,607**	**507**	**18.7%**	**2,717**	**346**	**11.4%**	**3,037**
<31 years	77	17.7%	434	114	20.8%	547	95	15.2%	627
31–50 years	22	1.4%	1,577	265	16.7%	1,588	178	10.3%	1,735
>50 years	127	21.3%	596	128	22.0%	582	73	10.8%	675
Total	**226**	**8.7%**	**2,607**	**507**	**18.7%**	**2,717**	**346**	**11.4%**	**3,037**

[1)] The total number of leavers is calculated from the active total workforce on December 31, 2019. Employee turnover calculation: (number of resigned permanent employees / total workforce per category) *100.

[2)] The total number of leavers is calculated from the active total workforce compared to the situation at the end of each year. Employee turnover calculation: (number of leavers / total workforce per category) *100. Seasonal employees are not included in the data.

One-to-one comparison of year 2019 cannot be made with previous years.

REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW

Target setting and development discussions between employees and their supervisors are conducted at Tikkurila on an annual basis. In 2017, a new Group-wide performance management model Tikkurila Drive, was developed and deployed at Tikkurila, covering all white-collar employees and experts in the countries in which Tikkurila operates. The model provides a framework for setting individual targets, evaluating performance and discussing competence and career development. It enhances leadership, harmonizes the managerial practices throughout all countries of operations and supports the achievement of the company's strategic goals.

In 2019, we launched a new employee survey, Tikkurila Spirit, which will be carried out annually. The survey is conducted with an external partner and it measures commitment, leadership and performance across the company. The results show our strengths and areas where development is needed. Based on the results, action plans will be put together and carried out on team, functional and company levels.

In the 2019 Tikkurila Spirit survey, the response rate was 89% and Tikkurila reached an overall AA ("Good"), second highest score on the scale. Typically, 61% of companies score below AA. The results have been assessed and communicated widely within the organization, and actions plans derived from the results have been distributed.

Based on the Tikkurila Spirit employee survey carried out in 2019, 87% of white-collar employees reported having had a target setting and performance management discussion with their manager, and 81% reported having had development discussions.

Regarding blue-collar workers, Tikkurila follows country-level practices, which vary by country, for target setting, performance management and individual development (404-3).

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

At Tikkurila, we adhere to the principle of equality and diversity, regardless of a person's gender, race, ethnicity or nationality, age, religion, political opinion, or social status.

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. Tikkurila's aim is that the Board of Directors represents expertise in different industries and markets, diverse professional and educational backgrounds, diverse age distribution and both genders. Concerning gender diversity, the objective is that at least two members from each gender are represented on the board. The current composition of the Tikkurila Board of Directors fulfills the expertise areas, experience and gender ration defined in the diversity principles. The members of the Board of Directors have wide ranging know-how regarding the Tikkurila field of operation and relevant markets, including diverse experience in accounting and finance, and retail business (405-1).

INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

Throughout its operations, Tikkurila adheres to applicable laws and regulations and complies with company values, code of conduct and internationally recognized high social and ethical standards, regarding such topics as working conditions, discrimination and child labor. Tikkurila does not tolerate any form of discrimination (406-1).

	2019		2018		2017	
BOARD OF DIRECTORS	**Female,%**	**Male,%**	Female,%	Male,%	Female,%	Male,%
< 31 years	**-**	**-**	-	-	-	-
31 - 50 years	**-**	**-**	-	-		-
> 50 years	**33**	**67**	43	57	50	50

	2019		2018		2017	
MANAGEMENT BOARD	**Female,%**	**Male,%**	Female,%	Male,%	Female,%	Male,%
< 31 years	**-**	**-**	-	-	-	-
31 - 50 years	**14**	**57**	17	50	40	60-
> 50 years	**29**	**-**	33	-	-	-

	2019	2018	2017
PERSONNEL AGE AND GENDER BREAKDOWN	**%**	%	%
Female	**36.3**	36.3	34.7
Male	**63.7**	63.7	65.3
<31 years	**16.6**	20.1	20.6
31–50 years	**60.5**	58.4	57.1
>50 years	**22.9**	21.4	22.2

	2019	2018	2017
Average age of personnel	**41.4**	40.8	41.4

About this report

Tikkurila reports progress in its sustainability work in this report as well as in the annual report, and in the Board of Directors review as part of the annual statement. The disclosure of sustainability matters relies on the Finnish Accounting Law, The Finnish Accounting Standards Board (FASB) guidance on statutory disclosure of environmental matters and internal accounting standards.

This Tikkurila Sustainability report 2019 describes the key sustainability aspects and impacts and sustainability program progress made in the different areas of sustainability and corporate responsibility. The report is published in the Finnish and English language on the Tikkurila Group home page (www.tikkurilagroup.com).

During 2019 Tikkurila's Sustainability program, 'A colorful tomorrow', was furthered. This included the appointment of a dedicated Group Sustainability Director, further detailing of the program roles and responsibilities, performance indicators and governance model.

The 2019 Tikkurila Sustainability report has been externally assured by external party E&Y (102-56), which has provided assurance on selected sustainability economic, social and environmental performance disclosures. (102-54) The full assessors' statement can be found at the end of the report (p 40). The latest Sustainability report was disclosed on March 2, 2018 (102-51), and the next report will be published at the beginning of 2021.

Contact point for questions regarding the report: www.tikkurilagroup.com/sustainability (102-53) The primary stakeholders of this report are our customers and our Tikkurila colleagues. As for analysts, ESG/Sustainability assessors and others looking for specific sustainability disclosures, we have included the GRI indicator references in the text supporting the GRI index that can be found at the end of the report.

REPORTING PRINCIPLES, REPORTING PRACTICE, BOUNDARIES AND CHANGES

This report is not claiming to be a GRI comprehensive report, nor a report prepared in accordance with the core GRI disclosures. This Tikkurila Sustainability Report references disclosures. The GRI standards indicators disclosed in this report can be found in the GRI index (102-55), and are also marked in the report text (102-54). The reporting period is based on the Finnish calendar year and reporting sequence remains as annual (January 1st – December 30th) (102-48, 102-50,102-52). Any restatements are reported in connection with the changed information in the report (102-48).

Tikkurila also reports the progress of its sustainability matters in its Annual Review. The figures presented in this report covers either the Tikkurila Group as a whole or a single Strategic Business Unit (SBU East and SBU West) in accordance with the segment structure. The figures of joint ventures, subsidiaries and similar organizations have been reported in relation to the holding and are included in the Group SBU figures (List of subsidiaries in annex 3). The threshold for inclusion is ownership exceeding 50%. The sustainability report mirrors the scope of the organization i.e. closed units and related data is not removed from history data and acquired units would be included as of the date of acquisition unless otherwise specifically indicated. The environmental key figures of the report cover production units and the largest distribution centers. Figures for subcontractors have not been reported. (103-1, 102-10)

- Tikkurila closed down its production unit in Lunderskov, Denmark, during 2019. The site is included in the 2019 sustainability figures for Health & Safety (H&S) data. Environmental data is not included in the data disclosed in this report.
- The distribution center in Utkina Zavod reports only figures regarding waste.
- The financial key figures are based on the audited financial statements. In the Group's financial reporting, the International Financial Reporting Standards (IFRS) are applied.
- The key figures related to personnel are compiled from data generated by different units. The personnel data is based on the personnel and employment information available on the Group HR system.
- Total number and rates of new employee hires by region, gender and age
  - 2019: The amount of new employee hires is calculated from the active total workforce on December 31, 2019. Calculation of new employee rate: (number of hired permanent employees / total workforce per category) *100.
  - For the reference years the amount of new employee hires is calculated compared to the situation at the end of each year. Calculation of new employee rate: (number of employee hires / total workforce per category) *100. Seasonal employees are not included in the data.
- Total number of leavers and rate of employee turnover by region, gender and age
  - 2019: The total number of leavers is calculated from the active total workforce on December 31, 2019. Employee turnover calculation: (number of resigned permanent employees / total workforce per category) *100.
  - For the reference years the total number of leavers is calculated compared to the situation at the end of each year. Employee turnover calculation: (number of leavers / total workforce per category) *100. Seasonal employees are not included in the data.
- The figures related to safety and the environment are compiled from data generated by different units. The safety information is also partly based on the information received from the HSE Monitor reporting tool.
- The information related to customer satisfaction is based on the customer satisfaction and brand awareness surveys carried out in Tikkurila's organizations.

SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN

Tikkurila closed its production unit in Lundeskov Denmark during 2019. The site is included in the 2019 sustainability figures on as what comes to the H&S data. The distribution center in Utkina Zavod reports only figures regarding waste. Personnel figures are compiled from data generated by different units. The personnel data is based on the personnel and employment information available in the Group HR system. The figures related to safety and the environment are compiled from data generated by different units. Occupational health & safety data is reported and consolidated in a purpose-built software tool.

The information related to customer satisfaction is based on the customer satisfaction and brand awareness surveys carried out by Tikkurila's organization

Financial figures presented are extracted from the statutory financial disclosures (financial statement). Tikkurila Oyj's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as with the related SIC and IFRIC Interpretations, in force as at December 31, 2018 (102-10).

International Financial Reporting Standards are standards and their interpretations are adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the Finnish Accounting Act and Ordinance and the Finnish Limited Liability Companies Act. (102-45)

Annexes

Annex 1: Tikkurila employees

PERSONNEL	2019	2018	2017
At year-end	**2,607**	2,717	3,037

	2019			2018			2017		
PERSONNEL BY PERSONNEL GROUP BY GENDER	**Female**	**Male**	**Total**	Female	Male	Total	Female	Male	Total
Experts and managers	192	245	437	191	258	449	191	263	454
White-collar workers	560	717	1,277	595	770	1,365	639	923	1,562
Blue-collar workers	195	698	893	199	704	903	225	796	1,021
Total	**947**	**1,660**	**2,607**	**985**	**1,732**	**2,717**	**1,055**	**1,982**	**3,037**

	2019			2018			2017		
PERSONNEL BY EMPLOYMENT CONTRACT BY GENDER	**Female**	**Male**	**Total**	Female	Male	Total	Female	Male	Total
Permanent employments	879	1,602	2,481	874	1,628	2,502	950	1,874	2,824
Temporary employments	68	58	126	111	104	215	105	108	213
Total	**947**	**1,660**	**2,607**	**985**	**1,732**	**2,717**	**1,055**	**1,982**	**3,037**

	2019			2018			2017		
PERSONNEL BY EMPLOYMENT CONTRACT BY REGION	**East**	**West**	**Total**	East	West	Total	East	West	Total
Permanent employments	990	1,491	2,481	1,049	1,453	2,502			2,824
Temporary employments	51	75	126	72	143	215			213
Total	**1,041**	**1,566**	**2,607**	**1,121**	**1,596**	**2,717**			**3,037**

	2019			2018			2017		
PERSONNEL BY EMPLOYMENT TYPE BY GENDER	**Female**	**Male**	**Total**	Female	Male	Total	Female	Male	Total
Full-time employees	918	1,644	2,562	957	1,712	2,669	1,014	1,874	2,975
Part-time employees	29	16	45	28	20	48	41	21	62
Total	**947**	**1,660**	**2,607**	**985**	**1,732**	**2,717**	**1,055**	**1,982**	**3,037**

Annex 2: Membership of associations

Tikkurila or its affiliates are members in several industry associations, business forums and formal networks. The associations in the four largest countries are:

FINLAND TIKKURILA OYJ

- CEPE, European Confederation of paint, Printing Ink and Artists
- Pigments Manufacturers Association
- Chemical Industry Federation of Finland
- Association of Finnish Paint Industry and Printing Ink Companies
- East Office of Finnish Industries
- International Chamber of Commerce
- The Association of Finnish Woodworking and Furniture Industries
- The Finnish Association of Construction Product Industries
- Finnish Packaging Recycling RINKIL td
- The Association for Finnish Work
- Finnish Society of Indoor Air Quality and Climate
- Finnish Constructional Steelwork Association
- Green Building Council Finland
- Indoor Air Quality Ecosystem Network FIBS
- Local painter and surface treatment associations
- Chemical Industry Federation of Finland's sustainable development program: Responsible care
- Sedex, Suppliers Ethical Data Exchange

TIKKURILA POLAND

- Polish Association of Paints and Adhesives
- Polish Chamber of Chemical Industry (PIPC)
- Debica Business Club Association
- Polish Corrosion Society
- DecoChrom, a multi-company cooperation project that aims to develop products for decoration based on electronic solutions

TIKKURILA RUSSIA

- Quality Paint Association (QPA)
- The St. Petersburg International Business Association (SPIBA)
- Chamber of Commerce & Industry of Pushkin and Pavlovsk
- ...and other national paint and construction industry related associations

SWEDEN

- Federation of Scandinavian Paint and Varnish Technologists (FLF)
- The Swedish Association of Paint Producers (SVEFF)
- The Confederation of Swedish Enterprise
- The Swedish Trade Federation
- Innovation and Chemical Industry Association (IKEM)
- Center for Corrosion Research (RISE KIMAB)
- The Swedish Advertising Ombudsman
- ...and other national paint and construction industry related associations and business networks (102-13)

Annex 3: List of subsidiaries and joint ventures

Subsidiaries	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2019				
AS Tikkurila	Tallinn	Estonia	100	100
UAB Tikkurila	Vilnius	Lithuania	100	100
OOO Tikkurila	St. Petersburg	Russia	100	100
SIA Tikkurila	Riga	Latvia	100	100
Tikkurila (China) Paints Co., Ltd	Beijing	Republic of China	100	100
Dickursby Holding AB	Stockholm	Sweden	100	100
OOO Gamma Industrial Coatings	St. Petersburg	Russia	100	-
TOO Tikkurila	Almaty	Kazakhstan	100	100
Tikkurila Polska S.A.	Debica	Poland	100	100
Tikkurila Sverige AB	Stockholm	Sweden	100	100
Tikkurila Drytech AB	Flen	Sweden	100	-
Tikkurila Norge A/S	Oslo	Norway	100	100
Tikkurila Danmark A/S	Brönby	Denmark	100	100
Tikkurila GmbH	Ansbach	Germany	100	100

Joint ventures	City of domicile	Country of domicile	Tikkurila Group's ownership and voting shares %	Parent company's ownership and voting shares %
2019				
Alcro Parti AB	Stockholm	Sweden	50	-
2018				
Alcro Parti AB	Stockholm	Sweden	50	-

Annex 4: Energy Consumption within the organization

DIRECT ENERGY CONSUMPTION

GJ	2019	2018	2017	2016
Fuel oil	**0**	11,762	17,153	13,826
Natural gas	**71,774**	65,395	63,270	65,353
Fuel gas	**2,946**	3,064	2,918	2,873
Diesel Oil	**862**	768	894	825
Total non-renewable fuels	**75,582**	80,989	84,234	82,878
Renewable energy sources, MJ	**39**	47	24	39
Total direct energy consumption	**75,621**	81,036	84,258	82,917

INDIRECT ENERGY PURCHASE

GJ	2019	2018	2017	2016
Electricity	**116,190**	120,259	130,377	129,211
District heat	**72,464**	79,918	78,300	76,324
Cooling	**0**	0	0	0
Steam	**0**	0	0	0
Indirect energy purchase	**188,654**	200,177	208,677	205,535

ENERGY SOLD

GJ	2019	2018	2017	2016
Electricity	**5,965**	8,292	9,551	9,248
District heat	**4,172**	4,204	3,154	3,409
Cooling	**0**	0	0	0
Steam	**0**	0	0	0
Total energy sold	**10,137**	12,496	12,705	12,657

TOTAL ENERGY CONSUMPTION ON TIKKURILA SITES

GJ	2019	2018	2017	2016
	254,138	268,716	280,230	275,797

Energy consumption is based on country-specific invoicing information. Fuel conversion factors are locally obtained from official sources or from suppliers (302-1).

Annex 5: Water use, withdrawal and discharge

TOTAL WATER WITHDRAWAL BY SOURCE

1,000 m^3	2019	2018	2017	2016
Surface water	**0**	0	0	0
Ground water	**4**	5	8	3
Rainwater	**0**	0	0	0
Wastewater from other organizations	**0**	0	0	0
Municipal source	**130**	154	151	147
Total	**134**	159	159	150

The water consumption is based on the country specific invoicing information. Ground water has been calculated using local measurements.

306-1 WATER DISCHARGE BY QUALITY AND DESTINATION

The source of industrial wastewater is washing of equipment in production. The site in Poland has both chemical and biological treatment, after which the water goes to the local environment. The other sites have either external treatment or a combination of own pre-treatment and external treatment.

INDUSTRIAL WASTEWATER DISCHARGES

1,000m^3	**2019**	2018
Through own treatment to municipal treatment	4	0
To municipal treatment without pretreatment	1	0
To external treatment	3	9
Through own treatment to local environment	3	4
Without treatment to local environment	0	0
Industrial Wastewater Discharge	**11.3**	12.6

Annex 6: GHG Emissions

DIRECT CO² EMISSIONS	**2019**	2018	2017	2016
tn CO²	**4,596**	4,782	5,201	4,786

INDIRECT CO² EMISSIONS	**2019**	2018
tn CO²		
Location-based	**17,834**	23,344
Market-based	**17,894**	19,478

The direct CO_2 emissions are calculated from the consumption of fuel oil, natural gas, fuel gas and diesel oil. Both local and the IPCC conversion rates have been used to calculate the direct CO_2 emissions.

The location-based indirect CO_2 emissions are calculated using country specific conversion rates (Ecometrica 8/31/2018). The market-based indirect CO_2 emissions are calculated using supplier specific conversion rates for Nykvarn, Tallinn and Vantaa and country specific for remaining sites. No other greenhouse gases were included in the calculations ((305-1), (305-2)).

Annex 7: Waste

HAZARDOUS WASTE	**2019**	2018	2017	2016
tn				
Reuse	**0**	0	0	0
Recycling	**608**	519	1,257	672
Composting	**0**	0	0	0
Energy recovery	**1,877**	1,453	1,567	1,119
Incineration	**0**	77	10	13
Landfill	**614**	787	243	569
Other	**0**	366	381	455
Total	**3,100**	3,202	3,458	2,829

NON-HAZARDOUS WASTE	**2019**	2018	2017	2016
tn				
Reuse	**700**	591	639	549
Recycling	**1,985**	2,185	2,021	1,911
Composting	**105**	23	26	16
Energy recovery	**777**	401	431	379
Incineration	**0**	31	9	38
Landfill	**86**	281	330	243
Other	**0**	234	327	244
Total	**3,653**	3,746	3,784	3,380

The disposal method is determined by information provided by the supplier

Annex 8: Occupational Health & Safety

	2019	2018	2017	2016
Lost Time accidents (LTA)	**16**	20	10	13
Per million working hours	**3.5**	3.9	2.0	2.7
Fatalities	**0**	0	0	0
Tikkurila indicator (Preventive safety practice: Number of safety talks and rounds	**6,154**	6,686	6,059	6,701

Tikkurila monitors safety performance using the LTA 1 accident frequency rate, which indicates the number of accidents that cause absences lasting at least one day per one million working hours.

The accidents, safety discussions and rounds are collected in the Tikkurila Group wide HSE Monitor reporting system. The number of employees working hours is partly based on estimates

GRI Content Index

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	TEXT OF THE DISCLOSURE
102-1	Nme of the organisation	3&31	Introducing Tikkurila
102-2	Activites, brands, products and services	3	Introducing Tikkurila
102-3	Location of headquaters	3	Introducing Tikkurila
102-4	Location of operations	3	Introducing Tikkurila
102-5	Ownership and legal form	3	Introducing Tikkurila
102-6	Markets served	3	Introducing Tikkurila
102-7	Scale of the organization	5&11	Introducing Tikkurila
102-8	Information on employees and other workers	4	Introducing Tikkurila
102-9	Supply Chain	17	Sourcing sustainability, supply chain
102-10	Significant changes to the organization and its supply chain	31	Significant changes to the organization and its supply chain
102-13	Membership of associations	33	Membership of associations
102-14	Statement from senior decission maker	8	Governance model for sustainability at Tikkurila
102-18	Governance structure	7&12	Governance model for sustainability at Tikkurila
102-15	Key impacts, risks and opportunities	8&9	Tikkurila key sustainability aspects, risks, and oportunities
102-16	Values, Principles, standards ad norms of behaviour	11	Tikkurila Values, Principles, Standards, and Norms of Behavior
102-17	Values, Principles, standards ad norms of behaviour	11	Tikkurila Values, Principles, Standards, and Norms of Behavior
102-32	Highest governance body’s role in sustainability reporting	12	Tikkurila Governance Structure
102-40	List of stakeholder groups	13&14	Tikkurila Stakeholders and Stakeholder Engagement
102-41	Collective barganing aggreements	11&13&14	Tikkurila Values, Principles, Standards, and Norms of Behavior
102-42	Identifying and selecting stakeholders	13&14	Tikkurila Stakeholders and Stakeholder Engagement
102-43	Approach to stakeholder engagement	13&14	Tikkurila Stakeholders and Stakeholder Engagement
102-44	Key topics and concerns raised	13&14	Tikkurila Stakeholders and Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	31	Significant changes to the organization and its supply chain
102-46	Defining report content and topic boundaries	5	Tikkurila's material sustainability aspects
102-47	List of material topicss	5	Tikkurila's material sustainability aspects
102-48	Restatements of information	31	Reporting Principles, reporting practice, boundaries and changes
102-50	Reporting period	31	Reporting Principles, reporting practice, boundaries and changes
102-51	Date of most recent report	30	About this report
102-52	Reporting cycle	31	Reporting Principles, reporting practice, boundaries and changes
102-53	Contact point for questions regarding the report	30	About this report
102-54	Claims of reporting in accordance with the GRI Standards	30&31	About this report
102-55	GRI content index	38	GRI Content index
102-56	External assurance	30&40	About this report, Assurance report
103-1	Explanation of the material topics and its boundary	8&31	Tikkurila's material sustainability aspects
103-2	The management approach and its components	7&8	Governance model for sustainability at Tikkurila

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	TEXT OF THE DISCLOSURE
201-2	Financial implications and other risks and opportunities due to climate change	14	Financial implications and other risks and opportunities due to climate chang
205-3	Confirmed incidents of corruption and actions taken	16	Confirmed incidents of corruption and actions taken
301-1	Materials used by weight or volume	10	Sustainability Ambition
302-1	Energy Consumption within the organization	18&20&35	Greenhouse gas emissions
302-3	Energy Consumption within the organization	18	Operations sustainability, Greenhouse gas emissions
303-1	Interactions with water as a shared resource	19	Water withdrawal, consumption and discharge
303-2	Management of water discharge-related impact	19	Water withdrawal, consumption and discharge
303-3	Water withdrawal	19&35	Water withdrawal, consumption and discharge
303-4	Water discharge	19&35	Water withdrawal, consumption and discharge
305-1	Direct (Scope 1) GHG emissions	20&36	Operations sustainability,Greenhouse gas emissions
305-2	Energy indirect (Scope 2) GHG emissions	36	Annex 6: GHG Emissions
305-4	GHG emissions intensity	20&35	Operations sustainability, Environmental topics
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	20	Operations sustainability, Environmental topics, other significant emissions
306-1	Water discharge by quality and destination	19&35	Water withdrawal, consumption and discharge
306-2	Waste by type and disposal method	20&36	Operations sustainability, Environmental topics
306-3	Significant spills	20	Operations sustainability, Environmental topics
306-4	Transport of hazardous waste	20	Operations sustainability, Environmental topics
307-1	Non-compliance with environmental laws and regulations	20	Non-compliance with environmental laws and regulations
401-1	New employee hires and employee turnover	28	Social topics, employment
403-1	Occupational health and safety management system	21	Occupational health and safety
403-2	Hazard identification, risk assessment, and incident investigation	21	Occupational health and safety
403-4	Worker participation, consultation, and communication on occupational health and safety	21	Occupational health and safety
403-5	Worker training on occupational health and safety	21	Occupational health and safety
403-6	Promotion of worker health	21&22	Occupational health and safety
403-8	Workers covered by an occupational health and safety management system	21	Occupational health and safety
403-9	Work-related injuries	22&37	Occupational health and safety
404-3	Percentage of employees receiving regular performance and career development reviews	29	tage of employees receiving regular performance and career development review
405-1	Diversity of governance bodies and employees	29	Diversity of governance bodies and employees
406-1	Incidents of discrimination and corrective actions taken	30	Incidents of discrimination and corrective actions taken
416-1	Assessment of the health and safety impacts of product and service categories	27	Assessment of health and safety impacts of products and service categories
416-2	Incidents of non-compliance concerning the health and safety impacts of products and service	27	Incidents of non-compliance concerning the health and safety impacts of products and service
417-1	Requirements for product and service information and labeling	27	Requirements for product and service information and labelin
417-2	Incidents of non-compliance concerning product and service information and labeling	27	Incidents of non-compliance concerning product and service information and labeling
417-3	Incidents of non-compliance concerning marketing communications	27	Incidents of non-compliance concerning marketing communications

Independent Assurance Report

(Translated from the original Report in Finnish language)

TO THE MANAGEMENT OF TIKKURILA OYJ
At the request of the Management of Tikkurila Oyj (hereafter Tikkurila) we have performed a limited assurance engagement on the corporate responsibility information for the reporting period 1.1.–31.12.2019 presented in Tikkurila's Annual Report (hereafter sustainability information).

MANAGEMENT'S RESPONSIBILITY
The Management of Tikkurila is responsible for the preparation and presentation of the corporate responsibility information in accordance with the *GRI Sustainability Reporting Standards*, and Tikkurila's internal reporting guidelines (hereafter the reporting principles).

ASSURANCE PROVIDER'S RESPONSIBILITY
It is our responsibility to present an independent conclusion on the sustainability information based on our work performed. We do not accept nor assume responsibility to anyone else except to Tikkurila for our work, for the assurance report and for the conclusions that we have reached.

We have conducted the assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The ISAE 3000 standard requires compliance with ethical requirements as well as planning and performing the assurance engagement to obtain limited assurance on whether the corporate responsibility information has been prepared, in all material respects, in accordance with the reporting principles.

ASSURANCE PROVIDER'S INDEPENDENCE AND QUALITY ASSURANCE
We comply with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the IESBA (International Ethics Standards Board for Accountants). We apply ISQC 1 (International Standard on Quality Control) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

LIMITATIONS OF THE ENGAGEMENT
In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the Assurance Provider's judgment, including an assessment of the risks that the corporate responsibility information would not, in all material respects, comply with the reporting principles. We have planned and performed our engagement to obtain sufficient appropriate evidence on which to base our conclusion.

We have performed, among others, the following procedures:

a. An update of our knowledge and understanding of Tikkurila's material sustainability reporting topics, organization and activities,
b. An assessment of suitability and application of the reporting principles regarding the stakeholders' needs for information,
c. Interviews with senior management to understand Tikkurila's corporate responsibility leadership,
d. Interviews with personnel responsible for gathering and consolidation of the corporate responsibility information to understand the systems, processes and controls related to gathering and consolidating the information,
e. Reviewing sustainability data from internal and external sources and checking the data to reporting information on a sample basis,
f. Performing recalculation of information and reviewing the underlying data which is the basis of narrative disclosures related to the data.
g. Visited Nykvarn and Dębica sites and reviewed reporting practices.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for sustainability information. This independent assurance report should not be used on its own as a basis for interpreting Tikkurila's performance in relation to its principles of sustainability information.

CONCLUSION
Based on our work described in this report, nothing has come to our attention that causes us to believe that the sustainability information has not been prepared, in all material respects, in accordance with the reporting principles, or that the Information is not reliable, in all material respects, based on the reporting principles.

Helsinki, 12 March 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Antti Suominen
Partner,
Authorized Public Accountant

Jani Alenius
Leader of Climate Change and Sustainability Services