

TIKKURILA'S CORPORATE GOVERNANCE STATEMENT 2011

Tikkurila Oyj (later referred to also as "Tikkurila" or "Group" both in relation to Tikkurila Oyj and the Group it forms) has prepared this corporate governance statement based on existing legislation and regulations. This corporate governance statement is issued separately from the Board of Directors' report, and is also available on the website at www.tikkurilagroup.com, as well as is included in the 2011 Annual Report.

GENERAL PRINCIPLES AND FRAMEWORK

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

- the Finnish Companies Act;
- the Finnish Securities Market Act;
- the Finnish Corporate Governance Code (which can be found in full at e.g. www.cgfinland.fi);
- the Articles of Association of Tikkurila;
- the standards issued by the Finnish Financial Supervision Authority;
- the rules and regulations of Nasdaq OMX Helsinki Ltd.;
- the Helsinki Takeover Code, issued by the Finnish Central Chamber of Commerce; and
- other legislation or regulations applicable to the Group's business.

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

As the Group's business is either directly or indirectly dependant on markets outside of the domicile of Tikkurila Oyj, relevant local (i.e. non-Finnish) laws and regulations are also taken into account in the Group's operations.

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

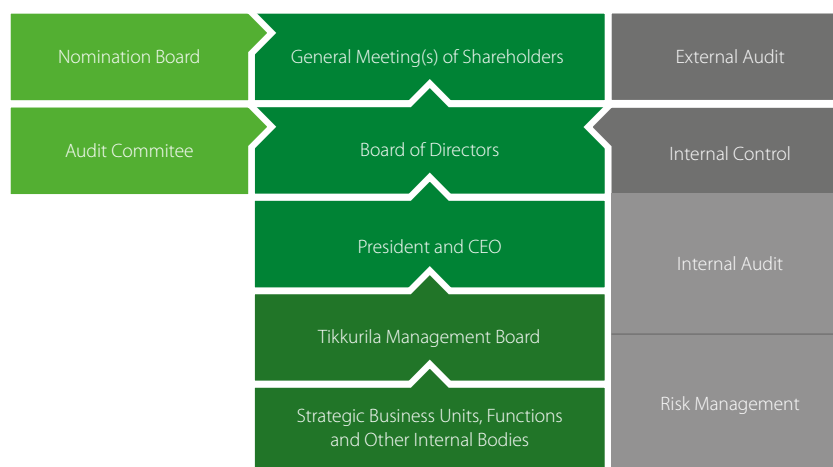
ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

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

- the adoption of the financial statements of the previous financial year;
- the use of profit as stated by the adopted and audited financial statements;
- the number of members on the Board of Directors;
- the election of members of the Board of Directors;
- the remuneration of the members of the Board of Directors;

OVERVIEW OF TIKKURILA'S GOVERNING BODIES

The following diagram summarizes the key governing bodies of Tikkurila:



- the election of the Auditor;
- the compensation to be paid to the Auditor;
- the discharging from liability of the members of the Board and the President and CEO;
- any proposals by the Board of Directors or by the shareholders or group of shareholders related to e.g. authorizations granted to the Board, share buy-backs or granting of special rights related to shares; and
- any changes in the Articles of Association.

Tikkurila Oyj has one class of shares; therefore, all shares have equal voting rights at the General Meetings of shareholders. More detailed information on the process of the Annual General Meetings can be found in Tikkurila's Articles of Association, which is available on the company's website www.tikkurilagroup.com.

The decisions of the shareholders' meeting during 2011 are presented in the 2011 Board of Directors' report, and all the meeting materials and decisions are published on the company's website. The Annual General Meeting in 2012 will be held on March 28, 2012.

NOMINATION BOARD

The Annual General Meeting of Tikkurila held on March 31, 2011, decided to establish a Nomination Board consisting of shareholders or representatives of shareholders to prepare and present a proposal for the next Annual General Meeting concerning the composition and remuneration of the Board of Directors.

The Nomination Board was convened so that each of the company's three largest shareholders registered on August 31, 2011 as share-

holders in the shareholders' register maintained by Euroclear Finland Ltd and having the most voting rights were requested to appoint one member to the Nomination Board. In addition, the Chairman of the Board of Directors of Tikkurila acted as an expert member of the Nomination Board.

Hence, the members of the Nomination Board, as of September 9, 2011, have been: Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Executive Vice President of Varma Mutual Pension Insurance Company. The fourth member of the Nomination Board is Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj, who acts as an expert member.

During 2011, the Nomination Board convened three times.

BOARD OF DIRECTORS

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

- to approve the strategy of the Group;
- to decide on long-term financial and operational goals;
- to approve annual budgets and medium-term business plans;
- to decide on any major corporate restructuring, merger, acquisition or divestment;
- to decide on major investments as well as major expenses, commitments and internal policies;

- to decide on key funding and risk management issues and related pledges and commitments;
- to approve or confirm the appointment and remuneration of the Group management;
- to appoint and dismiss the Group President and CEO, and to appoint the members of the Tikkurila Management Board;
- to monitor and evaluate the performance of the Group President and CEO;
- to ensure the adequacy of planning, information and control systems, as well as the handling of financial reporting and risk management;
- to make proposals for, including but not limited to proposing the dividend payout, and to convene the Annual General Meeting;
- to oversee that the Group's disclosure policy is applied; and
- to ensure that the supervision of the accounting and financial matters, and any audits thereby, are properly organized.

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

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

According to the decision of the Annual General Meeting that took place in March 2011, the Board has five members. The members of the Board are Jari Paasikivi (Chairman), Petteri Walldén (Vice Chairman), Eeva Ahdekivi, Riitta Myntinen and Pia Rudengren. Ove Mattsson served as a Board member until March 2011.

All of the Board members are independent of the company, and four members out of five are also independent of major shareholders. Chair-

man of the Board, Jari Paasikivi, is the CEO of Oras Invest Oy, and hence not independent of the key shareholders, since Oras Invest Oy owns about 18 percent of Tikkurila Oyj's shares.

During 2011, the Board of Directors revised the Group strategy, and started to oversee the implementation of the strategy. Moreover, the Board decided on the strategic bolt-on acquisition in Serbia, which geographically expanded the Group's SBU CEE operations.

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

During 2011, the Board held 14 meetings, and the attendance rate was 99 percent.

▢ More detailed information is presented of the members of the Board of Directors on pages 9–10.

REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decided on March 2011 on the remuneration to be paid to the members of the Board. According to that decision, the Board remuneration was the following:

- Chairman of the Board, EUR 57,000 per year;
- Deputy Chairman of the Board, EUR 37,000 per year; and
- other members of the Board, EUR 31,000 per year.

The annual remuneration of the Board members was paid as a combination of shares and cash so that 40 percent of the annual remuneration was paid as shares: either from shares already owned by Tikkurila or, if this is not possible, in shares acquired from the market, and 60 percent was paid in cash. In addition, a meeting-specific fee was paid for the amount of:

- EUR 600 per meeting to members living in Finland;
- EUR 1,200 per meeting to members living in other EU countries; and
- EUR 2,400 per meeting to members living outside the EU.

Moreover, EUR 600 was paid per conference call meeting. The meeting-specific fee was also paid for any committee meetings. Members' travel expenses related to meetings were compensated in accordance with Tikkurila's Group travel policy. The meeting-specific fees were paid in cash.

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

AUDIT COMMITTEE

The Chairman of the Audit Committee is Eeva Ahdekivi, and the members are Pia Rudengren and Jari Paasikivi.

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

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

- to assess and oversee the preparation of financial statements and interim reports, and to review the results of any impairment testing;
- to assess risks and to review risk management policies and actions;
- to evaluate Tikkurila's compliance with laws, regulations and Tikkurila's internal Code of Conduct and corporate social responsibility initiatives;
- to approve audit plans for both external and internal audits;
- to prepare the election of auditors; and
- to review the corporate governance statement.

During 2011, the Audit Committee met five times. The attendance rate was hundred percent. The Group's CFO Jukka Havia acted as the Secretary of the Committee, and Tikkurila's principal auditor Pekka Pajamo was present in the meetings and presented reports to the Audit Committee. In addition, Tikkurila's internal auditor reported audit findings to the Audit Committee during the year.

In the financial year 2011, the Audit Committee oversaw and edited the Group interim reports before Board perusal, discussed results guidance and new guidelines pertaining to it, studied internal and external audit reports and prepared the

INFORMATION ON THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND TIKKURILA MANAGEMENT BOARD

(EUR million)	Persons	Fees paid in shares	Fees paid in cash	Salary and Fringe Benefits	Bonuses	Pension benefits	Total
Board of Directors							
Chairman	1	0.0	0.0				0.1
Other members, total	5	0.1	0.1				0.2
Board of Directors, total		0.1	0.2				0.2
Tikkurila Management Board							
President and CEO	1			0.4	0.8	0.1	1.3
Other members, total	7			1.1	0.8	0.1	2.0
Tikkurila Management Board, total				1.5	1.6	0.2	3.2

next year's audit plans and the election of Auditor, to be presented to the Annual General Meeting 2011. The Audit Committee also mapped the largest risks, including strategic risks, of Tikkurila.

PRESIDENT AND CEO

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

Erkki Järvinen has been the President and CEO of Tikkurila since January 2009. The President and CEO's duties include managing the business according to the instructions issued by the Board of Directors, presenting the matters to be dealt with in the Board of Directors' meeting, implementing the matters resolved by the Board of Directors and other issues determined in the Companies Act.

TIKKURILA MANAGEMENT BOARD

The Tikkurila Management Board is chaired by the President and CEO, and it assists the CEO in the management and development of Tikkurila.

In 2011, the Tikkurila Management Board comprised of the following persons:

- Erkki Järvinen, President and CEO, Group (Chairman)
- Jukka Havia, Chief Financial Officer, Group
- Janno Paju, Senior Vice President, SBU East (Chief Commercial Officer as of January 1, 2012)
- Petri Miettinen, Group Vice President, Supply Chain & HSEQ
- Kenneth Sundberg, Group Vice President, R&D
- Arto Lehtinen, Senior Vice President, SBU Finland (until December 31, 2011)
- Niklas Frisk, Senior Vice President, SBU Scandinavia (until December 31, 2011)
- Ilpo Jousimaa, Senior Vice President, SBU Central Eastern Europe (until December 2, 2011)

The President and CEO proposes the appointment of the Tikkurila Management Board members, and the Board of Directors approves the appointments as well as approves the compensation for the members of the Management Board.

In 2011, the Tikkurila Management Board had three preparatory bodies set to prepare and discuss operational issues to be decided by the Tikkurila Management Board:

BUSINESS BOARD

Chaired by Anna-Lena Högfeldt, Group Vice President, Marketing
Including: SBU leaders, Marketing, CEO, CFO

OPERATIONS BOARD

Chaired by Petri Miettinen, Group Vice President, Supply Chain & HSEQ
Including: Supply Chain Management, R&D, Marketing

CORPORATE OFFICE

Chaired by Jukka Havia, CFO

Including: Finance, HR, IT, Legal, Communications
Tikkurila has operations in multiple countries, and hence also has a large number of legal entities in various countries. The President and CEO is the decision-maker for any major decisions, which do not require the Board of Directors' resolution, and the Group or regional management teams make the operational decisions. The Boards of Directors of Tikkurila's subsidiaries do not have any independent operational or other major decision-making power, but the subsidiary boards ensure that local legal entities are managed in accordance with local laws and regulations, as well as in accordance with the Tikkurila Group's internal policies.

REMUNERATION OF THE TIKKURILA MANAGEMENT BOARD MEMBERS

The Board of Directors determines the President and CEO's and other executives' salaries and other remuneration, as well as employment terms. The President and CEO and other executives form the Management Board of the Tikkurila Group.

Remuneration of the Management Board consists of total salary and performance-based bonuses. Total salary includes salary in money and taxable benefits. Performance-based bonuses are determined by the achievement of Group and business area-specific performance targets for each financial year. The performance-based bonuses consist of cash bonuses.

During 2011 or previous years, Tikkurila did not have any share-based incentive schemes in use.

REMUNERATION OF THE PRESIDENT AND CEO IN 2011

The total salary, including base salary, bonuses and taxable benefits, paid during the financial period of 2011 to President and CEO Erkki Järvinen was EUR 1,217,363. The bonus accrued to the CEO in relation to the financial year of 2011 will be paid in March 2012, and that bonus may not exceed 50 percent of his annual salary.

President and CEO Erkki Järvinen is entitled to retire at the age of 63 and has a defined contribution-based supplementary pension plan. In 2011, the cost of the supplementary pension was EUR 55,125. The pension is based on a defined contribution pension scheme.

A six-month period of notice applies to the President and CEO. In addition, the President and CEO will receive a severance pay equaling his 12-month salary if the company terminates his employment.

The President and CEO was a member of the 2011 management bonus scheme. The principles of the incentive system are described in more detail in the "Management Bonus Scheme for 2011".

REMUNERATION OF THE TIKKURILA MANAGEMENT BOARD IN 2011

Tikkurila Management Board members were included in the 2011 bonus scheme. The principles of the incentive schemes are described in more detail in the "Management Bonus Scheme for 2011".

MANAGEMENT BONUS SCHEME FOR 2011

On December 15, 2010, the Board of Directors of Tikkurila Oyj approved the principles for the annual management bonus scheme for 2011.

Participants in the management bonus scheme are the members of the Tikkurila Management Board, employees on the management team level and functions of the business units, managing directors of the companies belonging to the Tikkurila Group as well as selected managers and experts in specific positions in companies belonging to the Tikkurila Group, altogether 137 persons for 2011.

Bonus criteria for 2011 consist of the 2011 Tikkurila Group EBIT as well as function-, region-, company- or team-specific targets. In addition, the criteria include individual targets. Receiving a bonus is subject to fulfilling two to four different objectives. All targets shall be measurable in figures and at least 50 percent must be financial targets.

AUDITOR (STATUTORY AUDIT)

According to the Articles of Association of Tikkurila Oyj, Tikkurila has one ordinary auditor that shall be an auditing firm approved by the Finnish Central Chamber of Commerce. For the financial year 2011, KPMG Oy Ab was elected as an auditor.

The Audit Committee of the Board prepares the election process of auditors. The aggregate duration of the principal auditor cannot exceed seven years. Therefore, taken into account that the Finnish Audit Act came into force in 2007, the current principal auditor, Pekka Pajamo of KPMG, can be in that role until no later than the financial year 2013.

The auditor has a statutory responsibility to audit Tikkurila Oyj's accounting (based on Finnish accounting legislation), the Tikkurila Group's consolidated accounts (based on IFRS), the Board of Directors' report, financial statements with all notes, as well as the administration of the company. Tikkurila's financial year is equal to the calendar year. The auditor primarily reports via the Audit Committee but also takes part in at least one Board meeting.

The auditor is elected by the Annual General Meeting for one year's term of service. The auditor reports to the Board of Directors at least once a year.

During 2011, the Group had a total of EUR 402,000 auditing-related expenses and EUR 249,000 expenses for other services provided by KPMG, the Auditor of Tikkurila Oyj.

INTERNAL CONTROL

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

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

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

The main components of internal control are:

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

Tikkurila's Values, Code of Conduct and group-level policies provide the basis for corporate governance and internal control in the company. The internal policies and the Code of Conduct have been communicated to all staff in the Tikkurila Group, and an e-learning tool related to the Code of Conduct was launched in 2011.

Every employee has the right and duty to report, anonymously if needed, to the Group's Compliance Officer or Group Internal Audit any violations of the law and the Code of Conduct.

INTERNAL CONTROL ACTIVITIES DURING 2011

Internal control aims at organizing structures that enhance compliance throughout the Group and support achieving business objectives. Business practices are based on the Tikkurila Code of Conduct and other, more specified policies.

As examples of the practical implementation of internal control activities during 2011, the following issues can be highlighted:

- training and education of personnel;
- internal policies and manuals were issued or updated, including e.g. Policy on Related Parties, Group Authorization Policy, Business Agreement Policy and Financial Risk Management Policy;
- business impact analysis was carried out outlining some key dependency and interruption risks;
- during 2011 specific activities have been carried out in relation to information and IT security, and those initiatives will be continued in 2012, but in a somewhat redefined way; and
- multiple IT software application projects have been either implemented or are currently in the process of being implemented, including e.g. CRM, ERP, forecasting and planning, as well as product data management solutions, and within these projects internal controls shall be taken into account.

INTERNAL AUDIT

The internal audit provides independent appraisal and assurance for the review of operations within the Group in order to support the management and the Board of Directors in fulfilling their oversight responsibilities. The Audit Committee has confirmed the Internal Audit Charter for Tikkurila. The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems in the Group. The internal audit function has complete and unrestricted ac-

cess to all activities of Tikkurila. The internal audit focuses on both regular business unit auditing as well as business process audits. Annual internal audit plans are based on assessment of each topic's importance and risks for the Tikkurila Group.

The internal audit function regularly reports to the Audit Committee of the Board, and the President and CEO of Tikkurila acts as the administrative superior of the internal auditor. Internal audit plans and findings are also subject to regular review with the external auditors during the course of the year.

INTERNAL AUDIT ACTIVITIES DURING 2011

Tikkurila's internal audit function was implemented as an outsourced service from Kemira Oyj until the end of 2010. From the beginning of 2011, Tikkurila has had its own internal audit function, including an in-house internal auditor, who has, to the required extent, been helped by third-party experts to carry out the internal audit activities.

During 2011 the internal audit carried out audits based on selected themes with the scope covering the key markets of Tikkurila's operations. Cross-country audits were carried out in sales and distribution agreements, sourcing and products costing, and certain quality and risk management areas. One target was to find and implement best practices, as found by the audits, onto all Tikkurila's subsidiaries, as well as to unify the activities and fill any gaps found. In addition to the theme-based work, country-specific audits were carried out.

PLAN FOR INTERNAL AUDIT ACTIVITIES DURING 2012

Based on the Audit Committee's preliminary internal audit plan, internal audit function will in 2012 focus on inventory management, financial reporting and forecasting processes, transfer pricing, management and treatment of related party transactions as well as on general compliance, including e.g. evaluating the policies in the Group. Country-specific audits will also be carried out.

RISKS

Tikkurila's business involves a number of risks, some of which could be of substantial nature. As the Group's business operations are divided into several geographical areas and into diverse product and customer segments, the amount, likelihood and impacts of various risks may vary between the Group's business units. The materialization of such risks may have a major adverse effect on Tikkurila's business, financial position or results of operations.

Tikkurila's Board of Directors strives at recognizing and understanding Tikkurila's most important risks. The Board decides on the risk strategy: which risks the Group must take in order to achieve its goals, and what is the risk tolerance for specific material risks. The risk strategy is synchronized with Tikkurila's overall business strategy. The Board also decides which risks are mitigated, and to what extent and at what cost, e.g. by hedging or by business contract design. Finally, the Board oversees that proper risk control and management exists to cover normal business risks. Tikkurila's internal control, internal audit and

risk management aim at decreasing to a relevant extent the adverse effects of possible materialization of risks.

Tikkurila has risks of various character, such as strategic risks, operational risks, financial 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 among strategic and operational risks, but all categories present risks that may have a significant impact on Tikkurila's business.

In order to illustrate relevant risks to Tikkurila, and based on certain simplified assumptions, the chart on the following page outlines some key risks identified by the Board of Directors. The size of the box depicts the estimated rough potential monetary impact of that risk class, and the color of the box signalizes whether the risks are mostly internally manageable or externally created by nature. Risks are split by their most relevant time horizon, even though most of them have both short-term and long-term implications.

Tikkurila is dependent on its suppliers' ability to deliver the raw materials needed for paint production. Commodity prices fluctuate based on supply-demand balances, which typically vary from cycle to cycle. Supply adjustment is typically slow and price changes can be swift. It is possible that the Group will not fully be able to transfer the changing costs to its end product prices, at least not with immediate effect. In addition, the uncertainties related to raw materials can affect market share development, the general competitive situation or the product selection.

The competitive situation in the paint industry or within the value chain can change quickly, especially due to new market entrants and changes in market structures or in distribution. It is possible that there will be more consolidation and less operators in the industry, changing the relative strength of each competitor. New suppliers can enter the business and existing competitors can expand their operations, which can have a detrimental impact on Tikkurila. Customers may consolidate or organize more bargaining power. In addition, possible alterations of the company's distribution channels can cause pressure on prices or results.

The general economic development affects the demand drivers, such as construction and renovation activity, for Tikkurila's products and services. A halt or turnaround in the macro-economic development within Tikkurila's operating area can have a negative effect on Tikkurila's business, financial position and result.

Tikkurila announced revisions to its strategy in October 2011. The revised strategy includes possible entrance to service business, and new distribution structures and other structural changes. Horizontal or vertical integration may be considered to achieve the set objectives. New strategic steps present risks in the form of ramp-up investments, learning curve costs, cost for reaching economies of scale and requires increased focus from management.

Due to the international nature of Tikkurila's operations, the Group's income statement, balance sheet, and cash flows are sensitive to foreign exchange rate changes. Currently, the most im-

portant currencies are the Russian ruble, Swedish crown and Polish zloty. Translation risks and transaction risks affect profit and loss accounts through changing currency values in i.a. raw material expenses or sales prices measured at the Group level in euro, and also balance sheet when foreign subsidiaries' assets and equity are translated into euro in the Group books. These risks are relative to the scope of business conducted in these countries.

Political and geographic risks exist in many of Tikkurila's operating countries. These include the possibility of high or hyper inflation, political unrest, deterioration of infrastructure, war or other disruptive conditions to business.

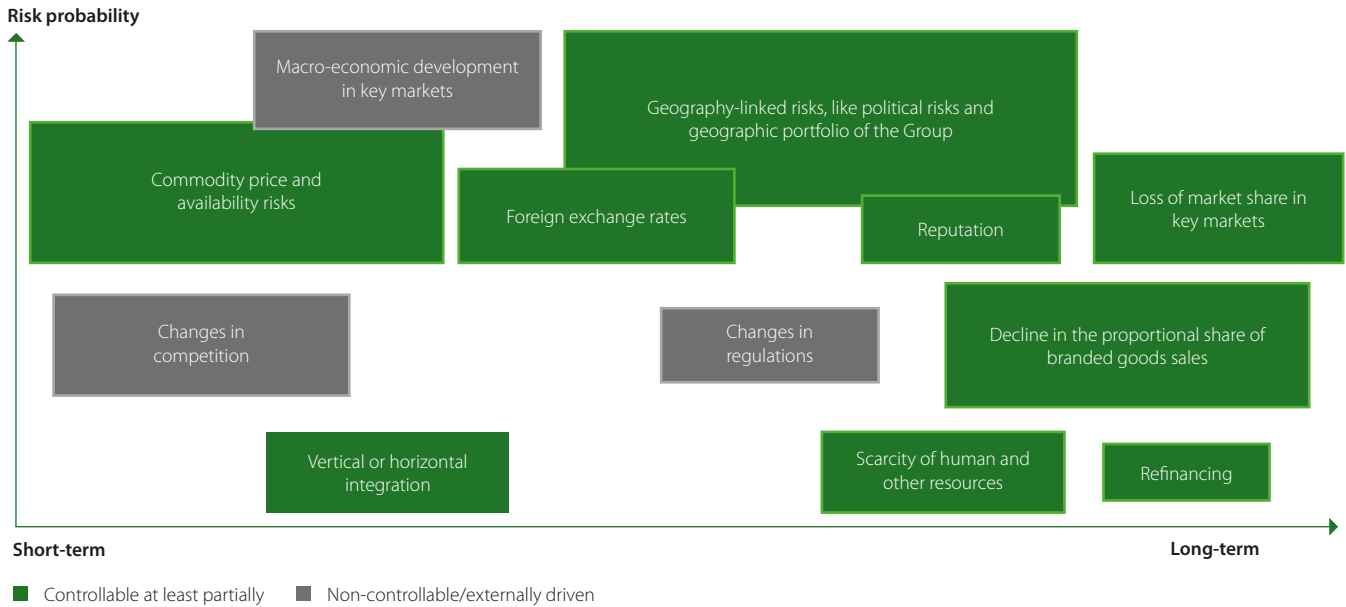
Tikkurila's business is subject to numerous laws and regulations, both administrative and

industry-specific, within the EU area and in other countries. Changes in regulation can hamper optimal production structure or transferability of Tikkurila materials and finished products, or lead to e.g. less choices for raw materials, or to more expensive ones, or to an increase in warehousing costs. Risks also include new duties and levies on materials, transport or transactions.

Refinancing risks are not deemed to be material for Tikkurila for the short-term as Tikkurila restructured its debt facilities in 2011, and has secured external financing for three-year and five-year maturities. However, any longer-term difficulty in obtaining new long-standing financing in the volatile economic environment may affect Tikkurila's operations adversely.

Tikkurila has developed strong local and international brands over decades. It has good customer loyalty and quality reputation, according to regular external surveys, and therefore brand and reputation risks are important. Any changes in consumer preferences or price elasticity of demand can negatively affect demand for Tikkurila Group's branded products, which may lead to a decline in market shares in key markets.

Scarcity of human and other resources may affect Tikkurila's long-term growth proposition. Demand for paints may grow rapidly in a positive economic environment, and Tikkurila's new revised strategy may introduce new needs for human resources and capabilities.



RISK MANAGEMENT

The goal of risk management is to identify risks that may hinder the company from achieving its business objectives. A risk can be defined as any uncertainty that affects Tikkurila's business objectives and ability to reach its results.

Tikkurila endeavors to identify, analyze, evaluate and treat risks systematically and proactively. Tikkurila's objective is to reach the desired aggregate risk level and ensure the continuity of operations.

Tikkurila's Board of Directors defines the main principles of Tikkurila's risk management and approves the Group's risk management policy, and the Audit Committee assists the Board in risk management supervision. The business units and functions are responsible for identifying, reporting and monitoring the risks involved in their activities and for the related risk management.

In Tikkurila, business units and functions perform overall risk management in conformity with risk self-assessment methodology, where risk registers are used as well. Third-party advisors are used in risk assessment or risk management development to a relevant extent. Current risks are regularly reported, both internally to the management and the Board, and as part of Tikkurila's external reporting. The reports summarize the na-

ture of the risk and its perceived probability and severeness.

Some risk management measures are performed centrally in order to generate cost benefits and ensure a sufficient level of protection. These include insurance cover for certain risks, such as general third party and product liability, cargo, property damage and business interruption insurance for major production sites, as well as the hedging of treasury risks. Major investment and acquisition risks are assessed by the Management Board and Tikkurila Board.

The responsibility for the implementation of the Group's risk management activities lies with the President and CEO as well as the Tikkurila Management Board. The Board of Directors is responsible for approving key policies and principles of risk management processes. The Board of Directors and the Audit committee approve and follow up the reporting procedures, and monitor the adequacy, appropriateness and effectiveness of the Group's business and administrative processes.

RISK MANAGEMENT ACTIVITIES DURING 2011

During 2011, the Group continued to develop its risk strategy and risk management processes.

The Audit Committee carried out a risk mapping of Tikkurila's main risks (illustration: see previous chapter). Based on the risk mapping, the Board discussed and defined Tikkurila's risk strategy.

Based on the risk assessments carried out in 2010, risk registers were developed. Risk assessment was included as an integrated part of investment appraisals. Moreover, group-wide crisis management and communications processes and toolkits were prepared, implemented and trained during 2011. In the Group's HSEQ operations a new IT application was implemented to record and manage all incidents. Financial risk management policies were updated at the end of 2011. A business impact analysis was carried out in co-operation with a third-party expert, in order to find out interdependency and interruption risks in certain key operational areas, and the final report based on that process was issued in January 2012. The results of these studies will be utilized starting from 2012. At the end of 2011 a group-wide whistle blowing system, run by an independent third-party provider, was taken into use.

PLAN FOR RISK MANAGEMENT ACTIVITIES DURING 2012

Application of the group-wide risk register will be further enhanced by e.g. training local con-

trollers, who will ensure larger-scale training and implementation. Internal processes in relation to compliance issues will be developed so that the Group compliance officer and internal auditor can forward tasks to appropriate parties within the organization and so that internal policies are coherently applied. Risk reporting will be developed to reflect the revised Tikkurila strategy, announced in October 2011. It is possible that the revision in strategy may cause changes in risk appetite, risk probability, monitoring responsibilities and/or overall risk areas. As the Group has started restructuring activities at the end of 2011, action and contingency plans are planned to be implemented to avoid interruption risks. Moreover, roles and responsibilities of various Tikkurila employees and internal bodies might also be redefined to reflect the changed business structure.

MANAGEMENT OF INSIDER ISSUES

As provided by the Finnish Securities Markets Act, Tikkurila Oyj's insiders consist of insiders subject to disclosure requirements, permanent company-specific insiders and project-specific insiders.

On the basis of their position, Tikkurila's insiders subject to disclosure requirements comprise Board members, the Managing Director, members of the Management Board and the responsible auditor representing the independent firm of public accountants. Tikkurila Oyj's permanent company-specific insiders comprise certain other persons separately specified by the Group Vice President, Legal, and approved by the President and CEO of Tikkurila.

Tikkurila Oyj complies with the Insider Guidelines issued by the Nasdaq OMX Helsinki Ltd, according to which insiders should trade in company shares at a time when the marketplace has the fullest possible information on circumstances influencing the value of the company's share. Accordingly, and based on the resolution of the Board of Directors, Tikkurila's permanent insid-

ers may not trade the company's securities during the period that starts at the end of a reporting period and lasts until the publication of the following interim report or financial statement bulletin.

SILENT PERIOD

Tikkurila observes a silent period (closed window) before it publishes financial statements and interim reports. The silent period begins when the reporting period in question ends and continues until the financial statements or interim report for the period in question has been published.

During the silent period, Tikkurila's spokespersons are not available for meetings with capital market representatives and may not discuss Tikkurila's performance or market development.

GUIDANCE

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

COMMUNICATIONS

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

Tikkurila's shares are listed on the Nasdaq OMX Helsinki stock exchange. Tikkurila will strictly adhere to all regulatory disclosure requirements

for listed companies. Tikkurila complies with the Finnish Corporate Governance Code ("Corporate Governance Code") issued by the Finnish Securities Market Association. In addition, Tikkurila's internal policies, such as Corporate Responsibility and Code of Conduct, guide communication activities.

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

DEVIATIONS FROM THE FINNISH CORPORATE GOVERNANCE CODE

The Finnish Corporate Governance Code, which came into force on October 1, 2010, has altogether 55 recommendations. The Code also has the so-called "comply or explain" principle. In 2011, Tikkurila fully complied with the recommendations in the Code, even though the Group has decided not to have a separate Remuneration Committee (ref: Recommendation 31 in the Code), as some remuneration testing, i.e. of long term incentives, is carried out by the Audit Committee. Furthermore, the Nomination Board makes proposals to the shareholders as to the remuneration of the members of the Board; and moreover, to a relevant extent, the Board of Directors uses their discretion and authority to decide upon the overall remuneration of the Group President and CEO as well as other members of the management team.

MANAGEMENT BOARD



ERKKI JÄRVINEN

President and CEO

Born 1960
Chairman of the Management Board since 2009.
Finnish citizen.
M.Sc. (Econ.)
Joined Tikkurila in 2009.
Tikkurila shares on Dec 31, 2011: -

Career history

Erkki Järvinen has been the President and CEO of Tikkurila since 2009. Previously, he served as the President and CEO of Rautakirja Corporation between 2001 and 2008, and as the Senior Vice President of Kiosk Operations in Rautakirja Corporation between 1997 and 2001. Prior to joining Rautakirja, he held positions in companies that belonged to the Cultor Group, as Vice President, Marketing (Nordic) in Vaasamills Ltd between 1991 and 1996, as Managing Director of Siljans Knäcke AB between 1995 and 1996 and as Marketing Manager in Vaasamills Ltd between 1990 and 1991. He served as Product Manager and Marketing Manager in Fazer Bakeries, Oy Karl Fazer Ab between 1984 and 1990.

Positions of trust

Erkki Järvinen has been a member of the Board of Directors of Snellman Ltd. and of the East Office of Finnish Industries Ltd. since 2011, of the Chemical Industry Federation of Finland and of the Association of Finnish Paint Industry since 2010, of the Association of Finnish Advertisers and of the Helsinki Chamber of Commerce since 2009, and of the Economic Information Office since 2007. In addition, he has been a member of the regional offices of the Confederation of Finnish Industries (EK) in Helsinki since 2011.



JUKKA HAVIA

Chief Financial Officer (CFO)

Born 1968
Member of the Management Board since 2010.
Finnish citizen.
M. Sc. (Econ.)
Joined Tikkurila in 2010.
Tikkurila shares on Dec 31, 2011: -

Career history

Jukka Havia has been the Chief Financial Officer of Tikkurila since 2010. Previously, he worked for Ruukki Group Plc as the Chief Financial Officer since 2005 and the Deputy Chief Executive Officer since 2008. Prior to that, he worked as the Director of Finance at the Student Union of the Helsinki School of Economics and as a Managing Director in KY-Palvelu Oy between 2001 and 2005, as the Financial Director of RSL Com Finland Oy between 1997 and 2001 and as controller at Oy Canon Ab between 1995 and 1997.

Positions of trust

Jukka Havia is the Chairman of the Board of the Finnish Transport Safety Agency, as well as a member of the finance committee of the student union of Aalto University. He also acts as a deputy auditor of the National Union of University Students in Finland.



PETRI MIETTINEN

Group Vice President, Supply Chain & HSEQ

Born 1968
Member of the Management Board since 2007.
Finnish citizen.
M.Sc. (Econ.)
Joined Tikkurila in 2007.
Tikkurila shares on Dec 31, 2011: -

Career history

Petri Miettinen has been the Group Vice President, Supply Chain of Tikkurila since 2007. In 2008, the HSEQ (Health, Safety, Environment and Quality) was also transferred to his area of responsibility. Prior to joining Tikkurila, he served at ABB; in the ABB Marine business as the Vice President of Sourcing and Logistics between 2002 and 2007, Vice President, controlling in addition to his normal duties between 2003 and 2004 and Business Controller between 2000 and 2002 and previously in the ABB electric machine business as Controller and Project Manager between 1997 and 2000.



KENNETH SUNDBERG

Group Vice President, R&D

Born 1965
Member of the Management Board since 2010.
Finnish citizen.
M.Sc. (Eng.), Doctor of Technology
Joined Tikkurila in 2010.
Tikkurila shares on Dec 31, 2011: -

Career history

Kenneth Sundberg has been the Group Vice President, Research and Development of Tikkurila since 2010. Prior to joining Tikkurila, he was the Head of Innovation Center Paper and R&D Site Head at Ciba Finland Oy between 2007 and 2009, the Managing Director of Top Analytica Ltd. between 2006 and 2007, the Head R&D, Sizing and Starch at Ciba Specialty Chemicals Oy between 2004 and 2006 and the Research Manager for specialty group of Raisio Chemicals Oy between 2002 and 2004.

Positions of trust

Kenneth Sundberg has been a member of the Industrial Advisory Board of the Åbo Akademi Process Chemistry Center (ÅAU) since 2005.



JANNO PAJU

Chief Commercial Officer

Born 1971
Member of the Management Board since 2000.
Estonian citizen.
Degree in Economics
Joined Tikkurila in 1993.
Tikkurila shares on Dec 31, 2011: 325

Career history

Janno Paju has been the Chief Commercial Officer of Tikkurila as of January 1, 2012. Prior to that, he was the Senior Vice President of SBU East between 2009 and 2011, the Group Vice President of Tikkurila's Deco Eastern Europe business area between 2004 and 2009, the President of Tikkurila Polska S.A. between 2000 and 2004 and the Vice President of Commerce of Tikkurila-Baltcolor Sp.z.o.o. between 1998 and 2000.

In addition, the following persons were included in the Management Board in 2011:

Niklas Frisk, Senior Vice President, SBU Scandinavia (until Dec 31, 2011)

Ilpo Jousimaa, Senior Vice President, SBU Central Eastern Europe (until Dec 2, 2011)

Arto Lehtinen, Senior Vice President, SBU Finland (until Dec 31, 2011)

BOARD OF DIRECTORS



JARI PAASIKIVI

Born 1954, M.Sc. (Econ.)
CEO, Oras Invest Ltd
Chairman of the Board since 2010 and a member since 2008.
Member of the Audit Committee since 2010.
Expert member of the Nomination Board since 2010.
Independent of the company, not independent of a significant shareholder.
Finnish citizen
Tikkurila shares on Dec 31, 2011: 34,617

Career history

Jari Paasikivi has been the Chief Executive Officer of Oras Invest since 2006. Paasikivi served in various positions at Oras Ltd between 1989 and 2007, including as the President and Chief Executive Officer between 2002 and 2007, the Managing Director between 1994 and 2001 and the Plant Director between 1989 and 1994.

Positions of trust

Jari Paasikivi has been a member of various companies' Boards of Directors. He has been a member of the Nomination Committee of Kemira Oyj since 2009, a member of the Board of Uponor Corporation since 2007 and the Chairman of the Board since 2008, a member of the Board of Directors of the Federation of Finnish Technology Industries since 2006 and the Vice Chairman of the Board since 2011, a member of the Board of Vakka-Suomi Youth Foundation since 1995 and the Chairman of the Board since 1998 and a member of the Board of Oras Ltd since 1982.



PETTERI WALLDÉN

Born 1948, M.Sc. (Eng.)
Vice Chairman of the Board since 2010 and a member since 2008.
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2011: 3,414

Career history

Petteri Walldén served as the President and Chief Executive Officer of Alteams Oy between 2007 and 2010, of Onninen Oy between 2001 and 2005 and of Ensto Ltd. between 1996 and 2001. He has also served as the President of Nokia Cables Ltd and of Sako Ltd.

Positions of trust

Petteri Walldén has been the Chairman of the Board of Directors of Puukeskus Oy and Puukeskus Holding Oy since 2011, a member of the Board of Directors of ONE Nordic Holding AB since 2011, a member of the Board of Directors of Mesera Oy since 2010, a member of the Board of Directors of Comptel Corporation and of Teleste Corporation since 2009, a member of the Board of Directors of Kuusakoski Group Oy and Alteams Oy since 2007, the Chairman of the Board of Directors of Nokian Tyres plc since 2006 and a member of the Board of Directors of SE Mäkinen Logistics Ltd since 1996.



EEVA AHDEKIVI

Born 1966, M. Sc. (Econ.)
Investment Director, Solidium Oy
Member of the Board since 2009.
Chairman of the Audit Committee since 2010.
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2011: 2,905

Career history

Eeva Ahdekivi has been the Investment Director of Solidium since 2009. Prior to that, Ahdekivi was the senior financial specialist at the Prime Minister's Office in the ownership steering department between 2007 and 2009, the Director of Pohjola Asset Management Ltd between 2004 and 2006 and the partner of Conventum Oyj between 1997 and 2003. Ahdekivi has also served as the Director of Merita Corporate Finance Oy.

Positions of trust

Eeva Ahdekivi has been a member of the Policy committee of Board Professionals Association since 2010.



RIITTA MYNTTINEN

Born 1960, Chemical Engineer (B.Sc.), MBA
Vice President, Minerals Technologies Europe NV
Member of the Board since 2011.
Independent Board member
Finnish citizen
Tikkurila shares on Dec 31, 2011: 770

Career history

Riitta Mynttinen has high-level international business know-how acquired in the coating, chemical and paper industries in Europe, the United States and Asia. Prior to the current position she was responsible for Specialty Minerals' European Paper PCC. Mynttinen came to Minerals Technologies Corporation from Rohm and Haas where she worked in various management positions, lastly as Sales and Marketing Director.

Positions of trust

Riitta Mynttinen has been a member of the Board of Directors at Mint of Finland since 2010.



PIA RUDENGREN

Born 1965, M.Sc. (BA & Econ.)
Board Professional
Member of the Board since 2009.
Member of the Audit Committee since 2010.
Independent Board member
Swedish citizen
Tikkurila shares on 31 Dec 31, 2011: 1,543

Career history

Pia Rudengren was Executive Vice President of W Capital Management AB between 2001 and 2005. Between 1990 and 2001, Rudengren held a variety of positions at Investor AB, ultimately serving as Chief Financial Officer and a member of the Management Group between 1998 and 2001.

Positions of trust

Pia Rudengren has been a member of the Board of Directors of Metso Corporation and of Swedbank AB since 2009, of Social Initiative AB since 2008 and of Duni AB and of WeMind Digital Psykologi AB since 2007. Since 2006, Rudengren has worked as a Board Professional, serving on the Boards of Directors of several companies in Sweden.