



TIKKURILA

TIKKURILA GRI
2016





Tikkurila is a leading Nordic paint industry professional known for its strong brands, high-quality surface treatment products and expert services, which ensure the best possible user experience in the market.

Our largest markets are Sweden, Russia, Finland, Poland and the Baltic countries. We have production in nine countries, and we are the leading decorative paint company in all our main markets. On the whole, our products are available in more than 40 countries.

In 2016, Tikkurila's revenue totaled EUR 572 million, and it had around 3,000 employees.

Our headquarters is located in Vantaa, Finland.

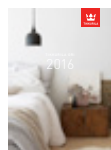
Tikkurila was established in 1862, and our shares have been listed on NASDAQ OMX Helsinki since 2010.



TIKKURILA ANNUAL REVIEW 2016

Financial Statements 2016

The report provides an overview of Tikkurila's business operations and includes Financial Statements and the Corporate Governance Statement for 2016.



Tikkurila GRI 2016

The Corporate Responsibility report introduces Tikkurila's sustainability approach and the reported Global Reporting Initiative (GRI) G4 disclosures for the reporting period 2016.

CONTENTS

Corporate responsibility at Tikkurila **6**

Management review **9**

Priorities **12**

General standard disclosures **26**

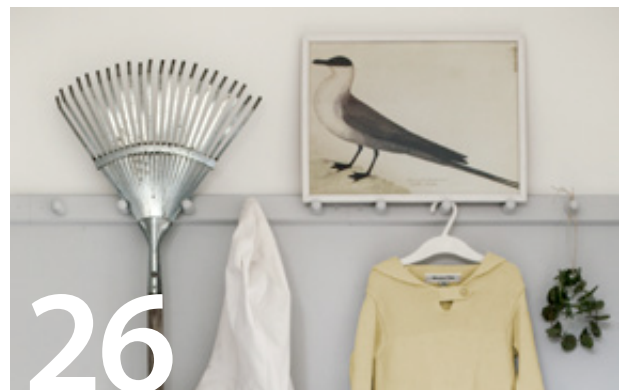
Specific standard disclosures **35**

GRI content index **45**

Reporting principles **49**

Independent assurance report **50**

Contacts **51**





“WITHOUT COLORS,
OUR ENVIRONMENTS WOULD
LOOK BLEAK, AND WITHOUT
PROTECTION, HOUSES IN OUR
CITIES WOULD DETERIORATE.”

SUSTAINABLE BEAUTY SINCE 1862

TIKKURILA IS A PIONEER OF SUSTAINABLE PAINTING, SURFACE TREATMENT, AND USE OF COLORS, AND WE DO IT RESPONSIBLY. THROUGH OUR WORK AND PRODUCTS, WE DRIVE SUSTAINABLE BEAUTY, WELL-BEING OF PEOPLE, AND LONGER LIFE OF SURFACES, USING THE LIMITED RESOURCES OF NATURE AND SOCIETY IN A SUSTAINABLE MANNER.

For decades, Tikkurila has persistently developed and promoted high-quality and user-friendly surface treatment solutions that are safe for both people and the environment. The guiding principles of our operations are founded on the safety, quality, and durability of our products.

Responsibility and sustainable development play a significant role in our business development, supporting our growth objectives and strengthening our market position. Responsibility is the way we conduct our business; it is the foundation of our values and brands. We want to make sure that our operations are responsible and that we work with business partners who share similar values. We follow the development of tightening environmental and safety standards and legislation, and actively participate in the work of paint-industry associations at both national and EU level.

We strive to respond to constantly changing customer needs. People are increasingly concerned with their well-being and health, as well as the state of the environment. More than ever, our stakeholders are interested in responsibility and safe, environmentally compliant products. This also has a greater effect on their purchase decisions and product choices. It is vital for us to know our market and our customers' needs, and develop our business accordingly.

Tikkurila's Corporate Responsibility program "A Colorful Tomorrow" provides Tikkurila with a framework for responsible and sustainable business development. We aim to promote sustainable development and take environmental, financial and social aspects into account in our daily work as well as in our strategic business development. The priorities for our responsibility work are user experience, resources, and people.

FOR A COLORFUL TOMORROW

More and more people dream of a better living environment and a beautiful home. Without protection, our cities and houses along

our home streets would deteriorate, and without colors, our homes and environments would look bleak.

Painting has a positive effect on our surroundings and its aesthetics. Paints make our living environment more beautiful and increase our well-being in a number of ways. Paints also protect surfaces from premature ageing, rotting, rust and corrosion. A longer service life reduces the load on the environment and creates savings in costs and natural resources, since structures do not have to be replaced so often. Surface treatment can also make surfaces more hygienic and easier to clean, increase water vapor permeability, and improve fire-retardation and water and chemical resistance.

In order to contribute to a more colorful tomorrow, we must view our business from a wider perspective. We live in a world of constant change. Tighter legislation, the changing expectations of our stakeholders, and global and business environment trends have a considerable impact on our business. In developing our operations and products, we take into account the world around us and people's needs. The future requires new kinds of methods to protect surfaces and make them more beautiful.

Trends affecting our business include urbanization, rise of the middle class, changes in consumption behavior and digitalization as well as climate change, among other things. As we develop new products, services, and concepts, we carefully analyze the risks and opportunities of different trends and act accordingly.

Climate change will cause many changes in society and ecosystem services. From the perspective of Tikkurila's business, the risks include increasingly extreme weather phenomena and tighter legislation concerning raw materials, the composition of our products, and our operations. The conditions to use our products will also change. Climate change sets stricter requirements for the surface treatment of different materials. Paints and coatings need to be increasingly durable in ever-changing climate conditions ranging from humidity to freezing cold and scorching heat. We

take climate issues into account in our risk assessments, and strive to increasingly evaluate their effects from our products' and customers' perspectives.

Population growth and urbanization increase construction and consumption. This results in a growing need for raw materials and chemicals, as well as increased energy consumption. In recent years, Tikkurila has invested in functional products that help our customers operate in a more energy-efficient manner. Air pollution and indoor air problems have also increased, and we believe that there will be a growing demand for low-emission and high-quality products that are safe for the environment and for health, as well as for entirely new kinds of surface treatment solutions.

In our own operations, we invest in resource efficiency, environmental safety of our processes, and environmental protection, and assess how we can promote the circular economy through our operations. As the natural resources essential to our business become scarcer, we must improve the efficiency of our production and use of resources, as well as find new and renewable raw materials.

KEY ACHIEVEMENTS IN 2016

In 2016, we continued to introduce and implement our Corporate Responsibility program in our functions and in the countries in which we operate. We are committed to making sustainability an integral aspect of our business activities and customer experience – from getting inspired, choosing, and buying a product, to painting and disposing of the products.

Responsibility is high on the agenda of the company's management and Board of Directors, and a key theme when developing and planning operations in our various functions and countries. We want to embed responsibility in our day-to-day activities and processes. The rate of adoption of the Corporate Responsibility program varies from one country to another. Currently, the program has been adopted in full only in Sweden, while our aim is to implement it across the Group.

We have put even more emphasis on active cooperation both internally and with customers, retailers, business partners, and other players in our industry, as well as with educational institutes. In 2016, we launched several cooperation projects with our stakeholders in our countries of operation, analyzed their wishes and requirements more thoroughly, and strived to increase the sustainability and profitability of our business activities.

We brought new eco-labeled and water-borne products, and functional solutions to the market. In order to help and inspire our customers, we published a Group-wide interior decoration concept for children, a concept for decorating with colors, and the most current interior decoration colors for the year. We also expanded our customer service by opening a telephone helpline for customers in Estonia and launching webinar and consumer trainings in Finland. In Sweden and Finland, we introduced a new

packaging solution with improved eco and material efficiency, and tested a new can made from recycled plastic.

Furthermore, we focused on finalizing and testing sustainability criteria for our products, determining and understanding the sustainability impacts of functional products, and providing information on the environmental and health effects of painting and paints both internally and externally. We also continued our work with recycling projects: we advised our customers how to dispose of paint waste responsibly and piloted collection campaigns for consumers' leftover paints in Estonia and Latvia.

As one of our measures aimed at better resource efficiency, we analyzed the waste streams of our production sites, in order to reduce the amount of waste and increase the amount of recyclable and reusable waste.

We also actively continued our community projects, particularly in Kazakhstan, Poland, Sweden, Serbia, and Finland. In Sweden, we established a Paint Fund to implement a variety of social painting projects.

Read more:

- 🌐 www.tikkurilagroup.com/responsibility
- 🌐 www.tikkurilagroup.com/megatrends

VOICE OF STAKEHOLDERS: ACTS FOR THE ENVIRONMENT AND PEOPLE

The sustainability trend includes topics ranging from the transparent supply chain to indoor air requirements as well as green building projects. One of Tikkurila's priorities regarding sustainability is a great user experience. It includes not only good service and reliable information, but also developing products that are sustainable.

Besides developing sustainable products and taking part in charity projects of social responsibility, Tikkurila Sverige has also launched Tikkurila's group-level corporate responsibility program "A Colorful Tomorrow" as the first Group country.

"The aim of "A Colorful Tomorrow" is to create actual engagement in sustainability issues as part of personnel's daily work," says **Elisabet Sahlin**, Sustainability Manager at Tikkurila Sverige AB.

Read more:

- 🌐 www.tikkurilagroup.com/voice_of_stakeholders

MANAGEMENT REVIEW

WE DISCUSSED WITH TIKKURILA'S PRESIDENT AND CEO ERKKI JÄRVINEN AND HEAD OF RESEARCH, DEVELOPMENT AND INNOVATION KENNETH SUNDBERG ABOUT RESPONSIBLE BUSINESS AND SUSTAINABLE DEVELOPMENT. THEY BOTH HAVE A CLEAR VIEW OF WHAT RESPONSIBILITY MEANS TO TIKKURILA AND THE PAINT INDUSTRY IN GENERAL.

Responsibility and sustainable development are a fundamental element of Tikkurila's business. For decades, we have worked to develop high-quality, safe, and environmentally sustainable products to offer to our customers.

"It is vital to develop our own operations, but in addition, Tikkurila wants to steer change in the entire paint industry. We follow the legislative development of the industry and evaluate the impact of various trends on our business operations. We also actively participate in the activities of local and EU-level paint industry associations," says Järvinen.

"We are not satisfied with fulfilling the minimum requirements, but we actively want to study and minimize the environmental and health impacts of raw materials and our products. We want to introduce increasingly safer and more sustainable products on the market, developed with consideration for the entire life-cycle of the product," Sundberg continues.

Our long-term efforts have promoted safety, responsibility, and sustainable development in the paint industry for years. Tikkurila sees that the company has responsibilities throughout the entire value chain – all the way from the choice of raw materials and suppliers, to product manufacture, use of products and waste treatment.

"Quality, safety, and durability in both our products and our own operations is key. We aim to reduce the footprint of our products, study alternative and renewable raw materials, and, in research and development, constantly develop novel solutions that are safer for the environment and for health. Ecology goes hand in hand with financial choices and technically functional solutions," Sundberg says of the importance of sustainable development in product development, adding:

"In addition to decoration, an important function of paint is protection. The choice of a durable and high-quality product extends the service life of the painted surface and allows for longer maintenance painting intervals. Extending the service life saves costs and natural resources, and reduces the environmental load of painting – this has a major impact on the ecological footprint of painting."

Tikkurila wants to help its customers achieve successful and durable end results.

"We strive to understand our customers – we study their buying behavior and needs with regard to home renovation and painting. We want to offer them products that genuinely add value. When making decisions and developing new products, we carefully consider what is profitable and sustainable business," says Järvinen.



“RESPONSIBILITY IS AT THE
CORE OF TIKKURILA’S BUSINESS
AND THE DEVELOPMENT
OF NOVEL INNOVATIONS.”

“In addition to products, we continuously launch tools and concepts on the market that help our customers succeed in their painting projects and achieve a durable end result. Our customer service is easily available and we are strongly present in the internet and social media. Digitalization will open up entirely new opportunities for the paint business.”

Our customers are increasingly more interested in the company behind the products that they purchase. It is more and more important for companies to be good corporate citizens and take care of their personnel and the environment.

“A good corporate citizen complies with legislation and operates ethically and responsibly towards their employees, as well as all other stakeholders. How we run our business and what kind of an employer and neighbor we are has a major impact, not just on our personnel and customers, but also on the residents in our neighboring areas and their well-being,” remarks Järvinen.

According to Erkki Järvinen, Tikkurila has progressed in its responsibility work in 2016.

“Increasingly, sustainable development is a part of our day-to-day activities, processes, and business development. In 2016, we launched great products. The Tikkurila paint brand’s new and highly durable water-borne Valtti Plus product family was received well on the market, and we have attained more eco-labels for our products. In addition, we have improved our expertise in functional products and introduced new functional solutions.”

“Sustainable development is a major trend in raw materials and packaging materials. We continued to deepen our cooperation with our suppliers during the year, resulting in, for example, a new packaging solution that is more ecological and material-efficient,” adds Sundberg.

“We also continued to take steps to improve the traceability of raw materials and manage our supplier chain. We seek to ensure that also our business

partners operate responsibly and in accordance with high ethical values. We apply Lean as the guiding principle for operations in our supply chain. It helps us improve our operational efficiency, improve the safety of the work environment, and reduce material and resource loss. We have also continued to be involved in community projects in our countries of operation,” continues Järvinen.

Erkki Järvinen and Kenneth Sundberg are in strong agreement that responsibility is at the core of Tikkurila’s business and the development of novel innovations, and its importance will continue to increase along with tightening requirements. The requirements of our operational environment are becoming increasingly demanding in many respects – tighter legislation and authority requirements, changing customer needs and buying behavior, and the expectation of stakeholder groups for increasingly transparent collaboration. Middle class is growing in many countries, and they want to invest in well-being, health, and the decoration of their homes. Urbanization has been seen to increase new construction.

“There is still a lot to be done in order to implement responsibility on a more concrete level and make it more visible to our customers. We want to produce genuine added value for our stakeholder groups, ensure a high level of business responsibility and good governance, and offer even better and more sustainable products,” emphasizes Järvinen.

“Air pollution and indoor air problems have increased, and we believe that the demand for low-emission and high-quality products that are safer for the environment and for health will continue to grow. In recent years, Tikkurila has also invested in functional surface treatment solutions that can be used, for instance, to improve the energy efficiency of buildings and to address construction problems with respect to humidity and noise. These two – clean indoor air and energy efficiency – are key sustainability themes for us, and we will continue to invest in them in the future.”

"WE HELP OUR
CUSTOMERS ACHIEVE
SUCCESSFUL AND
DURABLE END RESULTS."



USER EXPERIENCE

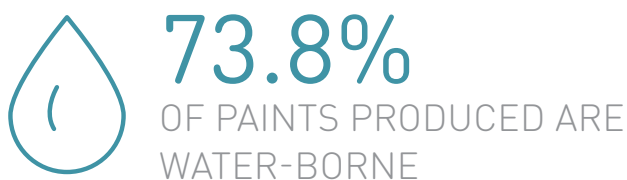
TIKKURILA HELPS ITS CUSTOMERS ACHIEVE SUCCESSFUL AND DURABLE END RESULTS. WE WORK TOGETHER WITH BUSINESS PARTNERS, RETAILERS, AND CUSTOMERS, AND HELP CONSUMERS, CONSTRUCTION AND RENOVATION PROFESSIONALS, AND INDUSTRY IN MAKING RESPONSIBLE AND SUSTAINABLE SURFACE TREATMENT CHOICES.

We promote the use of safe and environmentally friendly solutions and develop new functional products. We also guide our customers in the selection, use, and disposal of paint, and develop concepts and services that make it easier to choose, buy, and sell paints. Selecting a suitable, high-quality paint, and using it in accordance with the instructions, can have a crucial impact on prolonging the life of a surface, reducing the need for maintenance, and minimizing the environmental and health impacts of paints and painting.

Group objectives 2015–2018

1. Strengthening the understanding of customer needs
2. Increased share of water-borne products
3. Creation of product sustainability categorization
4. Improved recycling and waste management practices

In addition to group objectives, each country organization has identified or is in the process of identifying its own targets.



* products awarded international or national eco-label, allergy or asthma label or M1 classification

DURABLE PROTECTION FOR A PASSENGER TERMINAL, THROUGH CLOSE COLLABORATION

The West Harbor passenger terminal in Southern Finland is being renovated to accommodate rising numbers of passengers. Traffic through the harbor has increased considerably, and the current terminal premises no longer serve the needs of large numbers of travelers. A new terminal and two new docks serving traffic to Tallinn are being built in the West Harbour.

The terminal has plenty of steel structures and large glass façades. Tikkurila has collaborated closely with the supplier and main contractor in charge of the steel structures to identify painting systems that ensure that the surfaces have the defined colors and gloss. The paints were required to withstand harsh weather conditions and wear. The indoor and outdoor steel structures of the seaside building have been coated with Tikkurila's industrial products. Most of the steel structures have been treated with fireproof paint. This improves the safety of the entire building.

Read more:

www.tikkurila.com/industry

INTERIOR DECORATION IN VIRTUAL REALITY IN CHINA

Tikkurila China is piloting a new solution for consumers to choose their favorite colors in a creative way. The Virtual Reality (VR) technology provides a new way to experience and decorate apartments. To create the desired style and interior decoration for their homes, customers can choose from apartments of several different styles, change the colors of the walls, choose different painting effects and furniture. With the help of the VR system, customers can preview their decorated apartment – purchase decisions are made easy.

The first store demonstrating the VR devices is Tikkurila Exclusive Store in Shanghai Xi Ying Men International Building Material Center. The mobile version of the VR system is under development.

Read more:

www.tikkurilagroup.com/media

SUSTAINABLE SOLUTIONS

Customer interest in environmentally sound products that are also safe for health has increased due to the overall increased environmental awareness, changes in consumer habits, and legislative changes concerning the composition and safety of paints. Our customers want to choose products that have minimal environmental and health impacts in production and in use, and that are safe to use.

For decades, Tikkurila has persistently developed and promoted water-borne products and products with minimal environmental impact. We follow the development of tightening environmental and safety regulations and the legislation applicable to our industry. We are not satisfied with fulfilling the minimum requirements; we want to actively study and minimize the environmental and health effects of raw materials and our products.

Some paints are safer than others for the environment and users. By selecting the correct paint and using it in accordance with the instructions, the environmental and health impacts of paints and painting can be decreased. These are also affected by the quality of the product – the better the quality achieved on the painted surface, the more durable the surface will be and the smaller its need for maintenance. This will result in a longer maintenance painting interval.

Most of Tikkurila’s paints are water-borne. A water-borne paint is a better choice for both health and the environment. Their health and environmental effects are smaller than those of solvent-borne paints, especially at the application stage, since mainly water evaporates from water-borne paint. The benefits of water-borne paints include that they are easy to use, odorless, and quick-drying.

PACKAGING OF PAINT

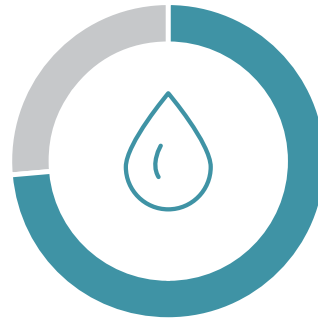
Depending on the operating country and product family, Tikkurila’s products are packaged in either metal or plastic cans or larger containers. The advantages of metal cans include their suitability for tinting, durability, and easy handling during transport. Plastic cans are light and easy to use.

The main criteria in selecting packaging material for cans are quality, durability, and functionality. These requirements must be taken into account throughout the chain: in transport, in tinting the product, and in customer use. We are constantly looking for new and more ecological packaging options. We also instruct our customers in the responsible disposal and recycling of packages.

Read more:

🌐 www.tikkurilagroup.com/sustainable_solutions

SHARE OF WATER-BORNE PRODUCTS IN PRODUCTION



■ 73.8% water-borne products ■ 26.2% solvent-borne products

SHARE OF WATER-BORNE PRODUCTS IN SALES

	2016	2015	2014
%			
Russia	70.0	69.6	69.7
Sweden	94.0	93.5	93.1
Finland	72.7	70.7	69.8
Poland	71.6	70.8	69.8

SHARE OF WATER-BORNE DECORATIVE PAINTS IN SALES

	2016	2015	2014
%			
Russia	73.4	72.6	72.7
Sweden	99.0	98.8	98.7
Finland	85.9	83.6	82.6
Poland	86.5	85.8	84.7

VOICE OF STAKEHOLDERS: TIKKURILA SOLUTIONS FOR HUMIDITY CONTROL

Already for generations, sustainability has been a key requirement in viticulture and oenology. High quality winemaking is also setting strict sustainability requirements – especially for wine cellars. DLR Rheinhessen-Nahe-Hunsrück is a municipal authority and service center responsible for the rural development of the Rheinhessen-Nahe-Hunsrück area in Germany. DLR is running a governmental viticulture institute in Oppenheim, where they offer education, premises and sustainability advice to organic farmers and winemakers in the area. The operating rooms located in the basement of the institute have faced problems with mold and humidity.

“Even though the basement rooms are equipped with ventilation systems, they have had severe mold problems. The mold spots were visible, especially on the ceilings and higher up the walls as well as behind the tanks. We got interested in Tikkurila’s BioRid solutions for mold protection and humidity control. The product has fulfilled our needs and requirements. BioRid really eliminates moisture and keeps the surfaces dry. No mold contamination has occurred after using Tikkurila’s solutions,” says **Bernhard Degünther** from DLR.

Read more:

🌐 www.tikkurilagroup.com/voice_of_stakeholders

TIKKURILA'S VALTTI PLUS PRODUCTS DELIVER SUPERIOR WEATHER-RESISTANCE

Tikkurila has launched a new-generation wood stain, Valtti Plus Kesto, for consumers and professionals. The new binder of the product guarantees maintenance intervals that are twice as long as with traditional stains for wood façades. The water-borne, semi-matt Valtti Plus Kesto is ideal for cladding and laminated log walls, railings, and fences. The stain forms a film that effectively protects timber from moisture and cracking.

Valtti Plus Kesto is available in Super Color shades, which deliver exceptionally long maintenance intervals and deep, translucent colors. The depth and transparency of Tikkurila per Color shades is based on transparent pigments. Yellow and red iron oxide pigments produce warm, earthy shades that highlight the natural character of wood and withstand UV radiation better than traditional tinting pigments.

The Valtti Plus product family also includes a water-borne, more durable Valtti Plus Terassiöljy. Besides UV protection, the wood oil gives the surface a superb appearance. Special pigments used in the product penetrate deep into the wood, providing better weather-resistance than traditional tinting pigments.

Read more:

🌐 www.tikkurilagroup.com/media

SUSTAINABLE PACKAGING SOLUTION WITH ENHANCED USER EXPERIENCE AND LESS WASTE

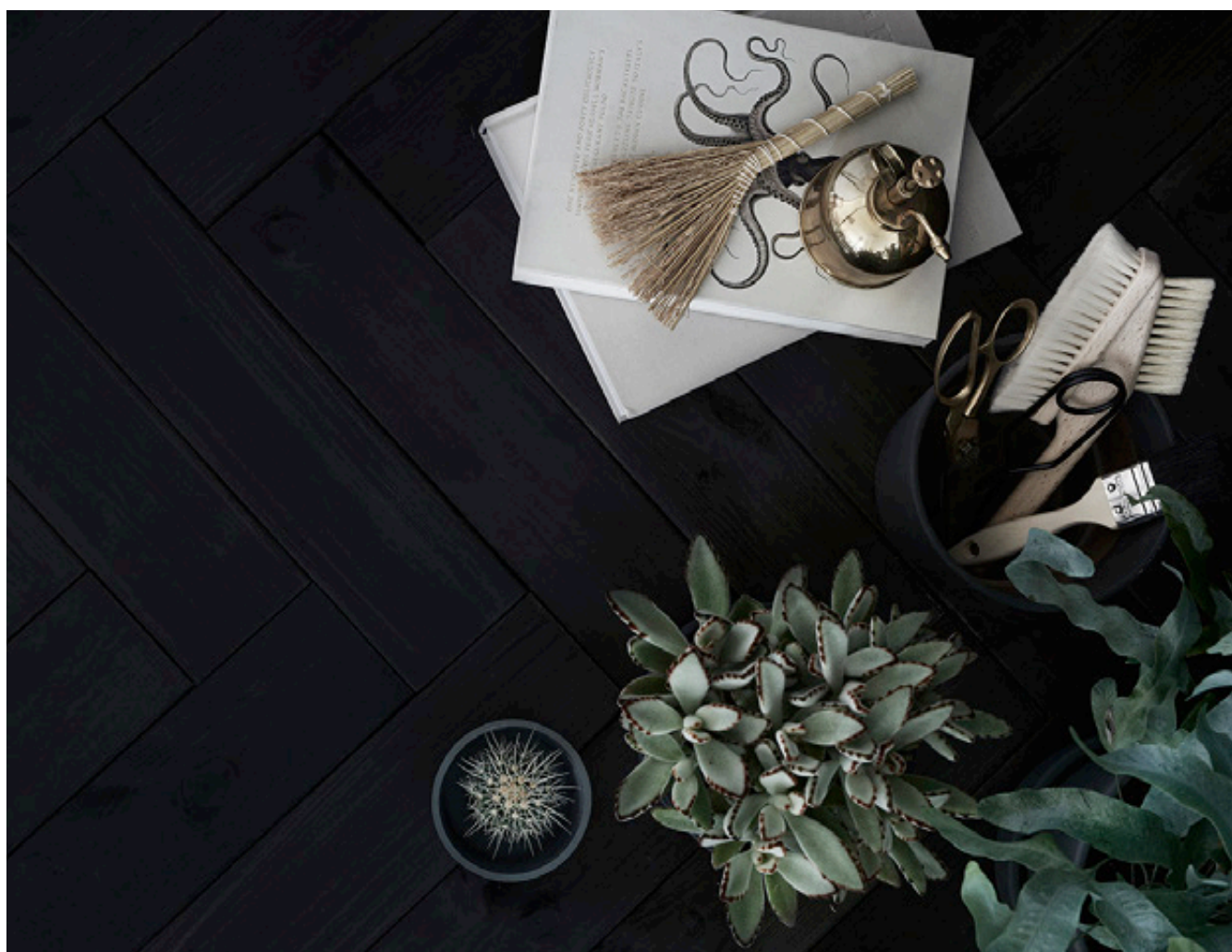
Tikkurila has introduced a new packaging solution in Sweden and Finland: a plastic bag that is easy to use and easier to carry, open, and close. The package features a screw-on cap and handles at both ends that make it easy to pour the paint into a tray. It is easy to empty, which means there is very little wasted paint.

Thanks to less material consumption, the packaging is environmentally friendly in a variety of ways. The packaging requires less raw materials, and less energy and water are used in production. After use, the package can be rolled up and disposed of as combustible waste. Transporting the bag before packaging is both cost-efficient and environmentally efficient.

In Finland, plastic bags are used for packaging our new product Tikkurila White, a soft white shade selected by our color designers for painting interior walls. In Sweden, the new packaging is used for Becker's Elegant wall paint.

Read more:

🌐 www.tikkurilagroup.com/media





"WE DRIVE SUSTAINABLE
BEAUTY AND OFFER
COLORFUL EXPERIENCES."

RESOURCES

TIKKURILA DRIVES SUSTAINABLE BEAUTY AND OFFERS COLORFUL EXPERIENCES USING THE LIMITED RESOURCES OF NATURE AND SOCIETY IN A SUSTAINABLE MANNER. QUALITY, DURABILITY AND SAFETY ARE GUIDING BOTH OUR RAW MATERIAL CHOICES AND PRODUCT DEVELOPMENT AND OUR OWN OPERATIONS.

We aim to continuously minimize the environmental impact of our operations and products. The environmental impact and other sustainability aspects are considered throughout the entire life cycle – from raw material selection and product manufacture to the use of products and waste management. We pay special attention to the raw materials used in our products. We are constantly looking for options that are safer for both health and the environment, studying the use of renewable raw materials, and increasing the share of water-borne products. We also develop products for new applications and with different functions. Research and development plays a significant role in minimizing the environmental impact of products and enhancing user safety.

In our own operations, we aim to use natural resources sparingly, and improve the efficiency of production processes and the resource efficiency of production sites, with the aim of minimizing material loss and the amount of waste. We take action and invest actively in order to cut the amount of emissions and waste in production, enhance the reuse of waste, and make more efficient use of energy and water. We also examine how we can contribute to a circular economy through our operations, and create new ways of increasing material efficiency.

Tikkurila's objective is to create independently audited and certified quality, environmental, and safety management systems for each of Tikkurila's production sites. Tikkurila's operations and operational systems are assessed in various reviews. In addition, the Group HSE function sets the targets and audits the company's various sites, gives recommendations and follows up the local development work. The audits aim to promote the development of the environmental, occupational health and safety management operations. In 2016, the internal audits were performed at Tikkurila sites in Finland, Denmark, Estonia and Russia.

Group objectives 2015–2018

Improved resource efficiency:

- 1. Reduced amount of waste
- 2. Increased share of recyclable and reusable waste
- 3. Reduced use of energy

In addition to group objectives, each country organization has identified or is in the process of identifying its own targets.



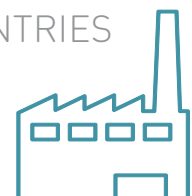
MORE THAN **90%** OF RAW MATERIALS AND PACKAGING MATERIALS FOR TIKKURILA'S UNITS IN THE EU ARE BOUGHT FROM THE EU REGION

191 PERSONS WORKING AT TIKKURILA RESEARCH AND DEVELOPMENT



12 PRODUCTION SITES IN 9 COUNTRIES

APPROX. **1/2** OF THE PERSONNEL WORK IN THE TIKKURILA SUPPLY CHAIN



ENVIRONMENTAL PROTECTION IN PAINT MANUFACTURE

Environmental protection is an integral part of our production. We ensure the protection of the natural environment, the well-being of people, and the promotion of sustainable development through high quality and safety in our own activities. We take into consideration the environmental impact of our operations throughout the product life-cycle and seek to minimize the environmental load. Our proactive efforts and continuous improvement actions, as well as our focus on work, chemical, and fire safety, are aimed at preventing any potential environmental damage. Our properties and production facilities are operated and managed so that they do not cause safety or environmental risks or undue inconvenience to the local residents. In many of our production facilities, the production process is closed.

Our resource-efficient operations focus on using raw materials, energy, and water more efficiently, as well as on waste reduction and recycling. Waste, wastewater, and emissions are properly treated in accordance with local legislation, practices, and permits.

The primary purpose of waste management is to avoid the production of waste. All waste is recycled, reused, or directed to energy recovery to the extent possible. Waste is sorted at every site, and the treatment of hazardous waste is always handled by licensed waste companies. If possible, the process wastewater is utilized in paint production. Some sites deliver their wastewater to municipal wastewater treatment facilities, while some treat wastewater on site. Emissions from production, such as dust, VOC, and noise, have been minimized and are systematically monitored.

BETTER ENVIRONMENTAL SAFETY

Tikkurila wants to ensure a high level of chemical and environmental safety at its sites. Most of the Group's sites have closing valves or lids installed in the rainwater sewers at the unloading areas for raw materials, and in the vicinity of the industrial product storage areas. This prevents any chemical spills from entering sewers and rainwater sewers. Depending on the site, the covers are used while production is ongoing, while unloading raw materials, or in the event of spillage. The use of closing valves and lids is monitored in external and internal audits.

BIODIVERSITY MASTER CLASS – TIKKURILA DRIVING BIODIVERSITY

The loss of biodiversity represents a global challenge for sustainable development. It also leads to deteriorating ecosystem services, meaning the material and immaterial services gained from nature. To better understand the importance of biodiversity for our business, Tikkurila's representatives participated in the 2016 Business and Biodiversity coaching organized by Finnish Business & Society (FIBS). The coaching has helped Tikkurila to identify the impacts, risks, and opportunities related to biodiversity. Through its products and operations, Tikkurila has an impact on climate change and, thus, biodiversity. Our goal is to integrate efforts related to the mitigation of climate change and ecosystem services more closely into our responsibility work, and to define concrete actions for our biodiversity and climate work.



PEOPLE

TIKKURILA IS A PIONEER OF SUSTAINABLE, HIGH-QUALITY AND SAFE PAINTING, SURFACE TREATMENT AND USE OF COLORS, AND WE DO IT RESPONSIBLY.

People – our employees, customers, partners, and other stakeholders – are at the center of everything we do. Tikkurila's Corporate Responsibility program "A Colorful Tomorrow" integrates social responsibility into all stages of operations, from raw material selection and supply chain management to production and the use and disposal of products. All this is done in cooperation with various stakeholders. We want to be a sought-after employer, a reliable tax payer, and a responsible and active neighbor in the communities in which we operate.

Tikkurila operates in accordance with high ethical values, legislation and its Code of Conduct. In our operations, we comply with the principles of social responsibility with regards 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 that our business partners operate accordingly.

Group objectives 2015–2018

- 1. Compliance of Code of Conduct
- 2. Improved supplier management practices
- 3. Engaged employees by improving employee well-being and capabilities
- 4. Engaged employees by ensuring two-way dialogue with each employee

In addition to group objectives, each country organization has identified or is in the process of identifying its own targets.



3,033 TIKKURILA EMPLOYEES
(DEC. 31, 2016)

96% OF EMPLOYEES RESPONDED TO THE PERSONNEL SURVEY THINK THAT TIKKURILA IS A RESPONSIBLE COMPANY THAT TAKES THE ENVIRONMENT, PEOPLE AND SOCIETY INTO ACCOUNT IN ITS OPERATIONS



APPROX. **500** RAW MATERIAL AND PACKAGING MATERIAL SUPPLIERS IN THE GROUP



MORE THAN **150** COMMUNITY PROJECTS
IN 12 COUNTRIES



"WE TAKE CARE OF
PEOPLE AND THE
ENVIRONMENT."

PERSONNEL

Tikkurila takes care of its employees, their well-being and occupational health and safety. We inspire our people to develop their skills, participate and innovate, as well as encourage them to engage in close cooperation with both internal and external stakeholders.

We want to make sure that our operations are responsible and that all of our operating countries are acting in accordance with high ethical values, legislation and our Code of Conduct. Tikkurila's values create the basis of our business operations and the way we work. According to our values, we are trustworthy, innovative and professionals. Tikkurila's 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.

PERSONNEL SURVEY TIKKURILA BEAT

Personnel survey is an important leadership and development tool. Tikkurila conducts the Tikkurila Beat survey every two years to measure employee well-being, competence, and its development and motivation. In the 2016 personnel survey, 82 (2014: 85) percent of employees gave their feedback on our company, management, their own role, and the work of their teams. Tikkurila Group's overall index was 486 (463), while the comparable average among the companies using the same survey tool was 358.

The results show that Tikkurila's strengths are a good working environment and employees' commitment to the company. Commitment is influenced by employees' positive attitude to their work, the organization, and the company values, along with their willingness to recommend their employer to others. On the other hand, employees feel that they do not have enough opportunities to influence the content of their work. They also hope that manag-

ers would communicate more regarding target setting and performance monitoring. The survey results have been analyzed by the management board. Managers will walk each team and function through the results, and concrete and measurable improvement actions will be defined together.

Tikkurila calculates a Responsible Employer Index based on the questions of the personnel survey. The index covers our employees' opinions on equality, our ability to live our values, competence development, well-being and safety. Tikkurila's Responsible Employer Index in 2016 was 80 (79).

OCCUPATIONAL SAFETY

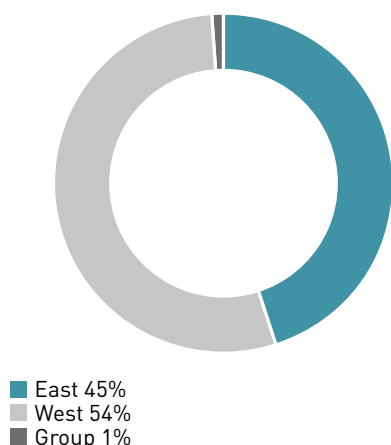
The safety work at Tikkurila focuses on preventive measures, such as risk assessments, safety training, safety talks and rounds, reporting of safety observations and safety-related communications, as well as internal and external audits. We want to ensure a safe workplace for all Tikkurila employees.

Tikkurila monitors the safety of the operations using the LTA1 accident frequency rating which indicates the number of accidents that cause absences lasting at least one day per one million working hours. In 2016, Tikkurila's accident frequency rate (LTA) was 2.7 (1.9).

The performance in matters related to health, safety and the environment is monitored through internal audits carried out by the Group's HSE function and with the help of self-assessments. In addition to assessing employees' safety behavior in their everyday work, safety issues are also addressed through regular personal development discussions, safety rounds as well as safety talks between employees and their supervisors and colleagues. Altogether 6,701 (5,927) safety talks and rounds were held within the Group in 2016.

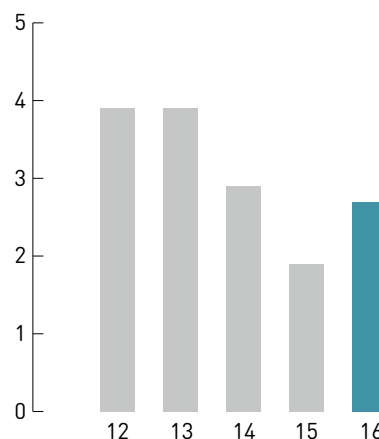
Personnel by segment

At year-end, %



Lost time accidents (LTA)

Per million working hours



SUPPLIER MANAGEMENT

Tikkurila offers high-quality, safe and sustainable solutions to its customers. This sets high standards to the cooperation between Tikkurila and its suppliers, to all purchased raw materials, other goods and services.

Tikkurila operates in accordance with high ethical values, legislation and its Code of Conduct. In our operations, we comply with the principles of social responsibility with regards to human rights, employment, the right of association, discrimination, working hours and conditions, occupational safety and health as well as environmental protection and ethical business operations.

It is of utmost importance to us that our business partners also operate responsibly. Our aim is to ensure that our partners operate in accordance with our Code of Conduct and fulfil our quality, safety and responsibility requirements. Furthermore, we aim to identify, manage and minimize the environmental and social impacts of our supplier chain.

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. Tikkurila monitors and assesses the supplier collaboration on regular basis through evaluation and auditing processes.

Tikkurila's principles for supplier collaboration define our way of operating and cooperating with goods and service providers. The principles are based on our values and Code of Conduct. They define our expectations with regards to quality, safety and the environment as well as to procurement matters from the selection and assessment of suppliers to the continuous improvement of the cooperation. The audits look into the suppliers' order, delivery and production processes, quality control measures, environmental and safety aspects as well as the suppliers' social responsibility and ethical business practices. Furthermore, we discuss the principles of our Code of Conduct and our Corporate Responsibility program with suppliers.

APPROX. **500** LOCAL AND INTERNATIONAL RAW MATERIAL AND PACKAGING MATERIAL SUPPLIERS IN THE GROUP



MORE THAN **90%** OF RAW MATERIALS AND PACKAGING MATERIALS FOR TIKKURILA'S UNITS IN THE EU BOUGHT FROM THE EU REGION



MORE THAN **60%** OF RAW MATERIALS AND PACKAGING MATERIALS IN RUSSIA BOUGHT FROM LOCAL SUPPLIERS

	2016	2015	2014
Group agreement, % of raw material and packaging material purchases	39	35	-
Supplier audits, number	4	12	12

COMMUNITY INVOLVEMENT

More and more people live in cities and city centers. The means to organize community projects and get people involved have increased enormously – people want to participate, have their say, and nurture sustainability as part of urban development. There is also an increasing need in cities to create more comfortable environments, improve the feeling of safety, and refurbish spaces and buildings.

Tikkurila wants to be a responsible and active neighbor in the communities in which it operates, and to participate in a wide range of projects contributing to community spirit. In addition to different social responsibility projects, we hold open days at our sites, support children's and young people's sporting activities and various cultural activities, and also get involved in local events. We also work closely with educational institutions and organizations.

SUSTAINABLE BEAUTY IN LOCAL COMMUNITIES

Sustainable Beauty is Tikkurila's program for social responsibility. With the help of the program, we enhance the well-being of children, youth, adults, and the elderly by actively participating in projects in which paint and colors create joy, comfort, and sustainable beauty in different spaces and environments. We want to inspire people and communities to improve their living environments and create beautiful, sustainable, and user-friendly spaces.

Since 2012, we have taken part in more than 150 Sustainable Beauty projects in 12 countries we operate. In 2016, we participated in many street art projects and Tikkurila's paints have been used to renovate and decorate building façades, parks, day care centers and their yards as well as schools, among others.

Read more:

🌐 www.tikkurilagroup.com/sustainable_beauty

WE LAUNCHED PAINT FUND IN SWEDEN

As part of our work within social responsibility in Sweden, we are started the work of Paint Fund (Färgfonden), which gives the general public the opportunity to realize socially beneficial painting projects. In practice, anyone in Sweden can apply with his or her painting project for a project within the Paint Fund. A jury of Tikkurila Sverige's representatives decides which projects to support and donates the needed safe and durable paints. The repainting projects can include a worn asylum-seekers' homes, forgotten club venues or dark pedestrian tunnels. We aim to involve the people that use the space in the planning phase, and the painting is mainly done by volunteers. By the end of 2016, hundreds of applications were sent and six projects realized.

VOICE OF STAKEHOLDERS: SUSTAINABLE BEAUTY WITH LEFT OVER PAINTS IN ESTONIA

Every painter knows that after a painting project there is quite often some paint left over. And the usual way is to store it for the next painting project. Instead of storing the paint at home or disposing it, one very kind and socially responsible way is to utilize the consumer's leftover paints in various community projects. The less leftover paint there is to dispose of, the smaller is the impact on the environment.

In the spring of 2016 already for a second year Tikkurila AS in Estonia invited people to donate their interior and exterior leftover paints for repainting premises at Tallinn Zoo. The collection of paints was realized in cooperation with Bauhof, the largest retail chain in Estonia for construction materials and gardening goods.

Together with the Tallinn Zoo, Tikkurila organized in June 2016 a Vivacolor painting day, where volunteers were invited to paint. During the day, fences, tables and benches as well as the new bee house were painted.

"This campaign emphasizes many important things for Tikkurila: responsibility regarding painting, recycling and the community. With more than 100 volunteers and hundreds of liters of donated paint, we together brought joy and colors to the visitors of the zoo, not forgetting the welfare of animals," describes **Jaana Pärn**, Marketing Manager from Tikkurila AS.

"We were happy to partner up with Tikkurila and increase people's awareness in paint recycling. In addition to the community being involved also many of our employees took part actively in the painting project," Bauhof's Marketing Director **Evelin Pae** tells.

Pae tells that sustainability initiatives are constantly in focus for Bauhof, and its importance is growing all the time.

"Next generation home owners are very aware of sustainability. They are our target group, so linking sustainability to our brand is very important."

Read more:

🌐 www.tikkurilagroup.com/voice_of_stakeholders



G4 GENERAL STANDARD DISCLOSURES

This section provides information on the general standard disclosures, which is not reported in the Tikkurila Annual Review 2016 or the GRI content index

ORGANIZATIONAL PROFILE

G4-10 Breakdown of employees by contract type, employment type, region and gender

At the end of 2016, Tikkurila Group employed 3,033 (2015: 3,100) people in 14 countries. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ) and more than third in sales, marketing and technical support.

The company's own production has a significant effect on Tikkurila's personnel structure and amount. The differences between

operational areas are explained, among others, by the degree of production automation and the amount of own sales personnel. The highest degree of production automation is in Sweden, and the highest relative share of sales personnel is in Russia. Due to the seasonality fluctuation in the paint market, the number of personnel is highest during the outdoor painting season in the summer and lowest during the winter.

PERSONNEL	2016	2015	2014	2013	2012
At year-end	3,033	3,100	3,142	3,133	3,223

EMPLOYEES BY REGION AND GENDER	Female	Male	Total
East	473	880	1,353
West	598	1,082	1,680
Total	1,071	1,962	3,033

EMPLOYEE GROUP BREAKDOWN	2016	%	2015	%
Experts and managers	465	15.3	466	15.0
White collar workers	1,529	50.4	1,532	49.4
Blue collar workers	1,039	34.3	1,102	35.5
Total	3,033	100.0	3,100	100.0

PERSONNEL BY EMPLOYMENT CONTRACT	2016	%	2015	%
Permanent employments	2,797	92.2	2,794	90.1
Temporary employments	236	7.8	306	9.9
Total	3,033	100.0	3,100	100.0

PERSONNEL BY EMPLOYMENT TYPE	2016	%	2015	%
Full-time employees	2,968	97.9	3,012	97.2
Part-time employees	65	2.1	88	2.8
Total	3,033	100.0	3,100	100.0

G4-11 Employees covered by collective bargaining agreements

In line with Tikkurila's Code of Conduct, every employee has the right to equal and fair employment based on local laws and general labor agreements in accordance with collective bargaining agreements. At Tikkurila, 52 percent of employees are covered by collective agreements.

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS BY SEGMENT, %	2016	2015
West	84.0	84.8
East	12.5	12.1

G4-14 Addressing the precautionary approach or principle

Tikkurila aims to identify, analyze, evaluate and treat risks systematically and proactively. The goal of risk management is to identify the risks which may prevent the company from achieving its business objectives. A risk can be defined as any uncertainty that affects Tikkurila's business and its ability to reach its results. Tikkurila's risk management is based on the Finnish Corporate Governance Code and Tikkurila's Code of Conduct.

Tikkurila's key corporate responsibility risks identified are

- changes in regulation and legislation;
- raw material availability and price risks;
- supplier chain risks;
- supply chain management and changes related to it;
- environmental risks related to production;
- risks related to the knowledge and ethical behavior of employees;
- risks related to the geographical area of operation, such as political risks;
- digitalization and its effects on distribution channels and logistics;
- impacts of technological development on the use of various construction materials and coatings solutions;
- changes in customer demand.

Tikkurila's Board of Directors defines the main principles of Tikkurila's risk management and approves the Group's risk management policy. 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 business units and functions are responsible for the risks involved in their activities and for the related risk management.

During 2016, we have elaborated the assessment of environmental risks in our operations. Based on the assessments, internal and external audits we have initiated development measures at Tikkurila sites.

Tikkurila monitors and assesses the supplier collaboration on regular basis through evaluation and auditing processes. We aim to identify, manage and minimize the environmental and social impacts of our supplier chain.

Further information on Tikkurila's risk management and risks is available in Tikkurila's Financial Statements and Corporate Governance Statement for 2016.

G4-15 External charters, principles or initiatives endorsed

G4-16 Memberships in associations

Tikkurila wants to enhance the quality of painting, increase the use of environmentally sustainable products, and improve product and user safety. We are an active participant in several EU-level and national paint industry associations, networks and business forums.

The positions of trust of Tikkurila Group's management board are presented in the Corporate Governance Statement for 2016.

Associations and business forums in the four biggest countries of Tikkurila Group:

Finland, Tikkurila Oyj

CEPE, European Confederation of Paint, Printing Ink and Artists' Colours Manufacturers Association
 Chemical Industry Federation of Finland
 Association of Finnish Paint Industry and Printing Ink Companies
 International Chamber of Commerce
 Finnish Packaging Recycling RINKI Ltd.
 The Association for Finnish Work
 Finnish Society of Indoor Air Quality and Climate
 Finnish Façade Association
 Finnish Constructional Steelwork Association
 Green Building Council Finland
 Corporate Responsibility Network FIBS
 Local painter and surface treatment associations

Chemical Industry Federation of Finland's sustainable development program: Responsible Care

Poland

Polish Association of Paints and Adhesives
 Polish Chamber of Chemical Industry (PIPC)
 Dębica Business Club Association
 Polish Chamber of Civil Engineers (PIIB)
 Dangerous Goods Safety Advisers (DGSA)

COST (European Cooperation in Science and Technology) the longest-running European framework supporting trans-national cooperation among researchers, engineers and scholars across Europe

Russia

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

Sweden

Federation of Scandinavian Paint and Varnish Technologists (FLF)
 The Swedish association for paint producers (SVEFF)
 The Confederation of Swedish Enterprise
 The Swedish Trade Federation
 Innovation and Chemical Industry association (IKEM)
 The Swedish Association for Building Preservation
 A national center of corrosion of the west coast of Sweden
 Plan, national association of logistics
 The Swedish Advertising Ombudsman
 Other national paint and construction industry related associations and business networks

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-18–21 Identified material aspects and boundaries

Corporate responsibility management

A group-wide Corporate Responsibility Program, launched in 2009, provides Tikkurila with a framework for responsible and sustainable development. Tikkurila's Corporate Responsibility program was updated in 2015. It is now called A Colorful Tomorrow (ACT). The priorities for our responsibility work for the coming years are user experience, resources, and people. Each priority is divided into sub-areas and contains measures to be implemented in Tikkurila's operating countries and functions, as applicable. Tikkurila companies will gradually take the updated program in use.

The Group Management Board has the overall responsibility for the company's corporate responsibility performance within the framework agreed by the Board of Directors. The management of each business unit and function is responsible for the local implementation, monitoring and reporting of sustainability issues based on the Group and local agenda. In addition to the work carried out in Tikkurila's operating countries and functions, the corporate responsibility manager is in charge of responsible business development on the group-level and reports to the Group CFO.

In addition to the Corporate Responsibility Program, the guiding principles for our corporate responsibility performance include the values, Code of Conduct, Corporate Governance Code for Listed Companies, as well as the HSE guidelines and sourcing guidelines. As part of the continuous and systematic development of our operations, we carry out audits focusing on the HSE perspective and supplier assessments and audits.

Furthermore, the Corporate Responsibility Steering Team operates on the group-level. The team is responsible for, among other things, sharing information and best practices about different areas of responsible business and participates in implementing corporate responsibility initiatives at Tikkurila sites. The Steering Team consists of experts from Tikkurila's largest markets and different functions (sales, marketing, communications, product portfolio management, product safety, research and development, sourcing, production, HSE).

Shared policies, management systems, areas of responsibility and reporting within Tikkurila's operations and corporate responsibility:

POLICIES AND MANAGEMENT SYSTEMS	<p>Finnish Corporate Governance Code Tikkurila Code of Conduct and values Other core business policies, guidelines and processes (e.g. sourcing, HSE, HR related) Tikkurila Corporate Responsibility Program Sustainability also embedded in internal auditing and risk management processes</p> <p>Majority of Tikkurila's production sites have independently audited and certified quality, environmental, and safety management systems: ISO 9001 Quality management system ISO 14001 Environmental management system OHSAS 18001 Occupational Health & Safety management system</p>
GOVERNING AND MANAGEMENT BODIES	Board of Directors, Tikkurila Management Board, President and CEO, CFO, country management, Supply Chain Management team, RDI management, Internal Audit, Risk management team, HR management, Annual General Meeting
FOLLOW-UP	Internal and external audits, indicators of Corporate Responsibility Program and report, personnel survey, local customer satisfaction and brand awareness surveys (G4-PR5), whistle-blowing reporting system (G4-58)
REPORTING	Financial and headcount information in financial reports half-yearly, annual Corporate Responsibility report, quarterly internal HSE reports

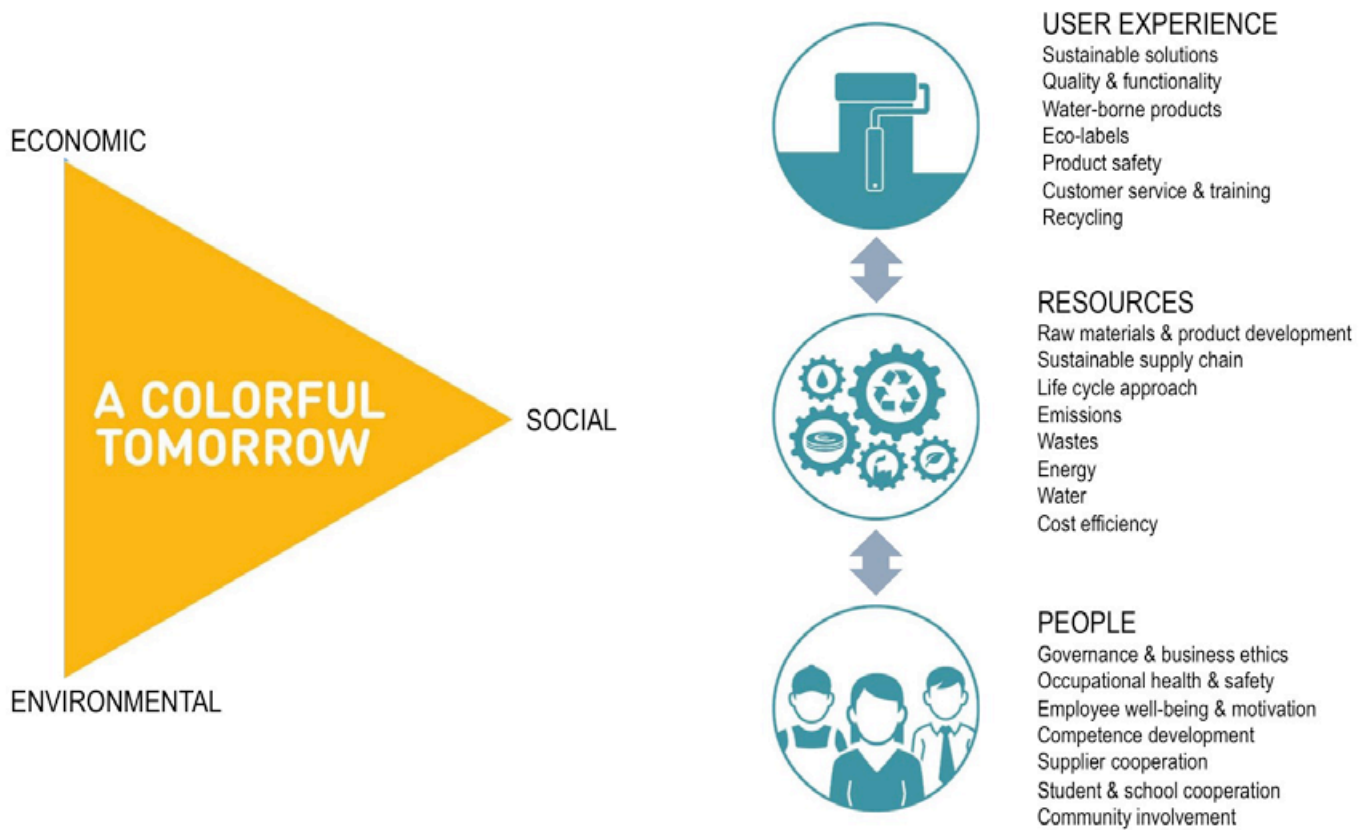
Identified material aspects and corporate responsibility priorities

In 2014, Tikkurila defined the key aspects of corporate responsibility in terms of the operations of Tikkurila Group and its stakeholders based on the information gathered from the Group management, personnel and stakeholders. The materiality assessment steers Tikkurila's responsibility work and sustainable development projects and acts as the basis for defining reporting content.

framework for responsible and sustainable development. We take the environmental, financial and social aspects into account in our daily work as well as in our strategic business development. Based on the material aspects, user experience, resources and people were defined as the priority areas for Tikkurila's responsibility work. Each priority is divided into sub-areas and contains measures to be implemented in Tikkurila's operating countries and functions, as applicable.

The most important aspects of Tikkurila's responsibility work have been compiled into the image in the next page. Tikkurila's Corporate Responsibility program "A Colorful Tomorrow" provides Tikkurila with a

Read more:
www.tikkurilagroup.com/materiality_assessment



User experience

Reported aspects and aspect boundary

<p>G4 MATERIAL ASPECTS AND REPORTED INDICATORS</p>	<p>Material Tikkurila Topic: Sustainable solutions Production of water-borne products Sales of water-borne products (Finland, Russia, Poland, Sweden) Sales of water-borne decorative paints (Finland, Russia, Poland, Sweden)</p> <p>Product responsibility: G4-PR3 Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements G4-PR5 Results of surveys measuring customer satisfaction G4-PR9 Monetary value of significant fines for non-compliance</p>
<p>ASPECT BOUNDARY</p>	<p>Within the organization: entire Tikkurila Group, primarily sales, marketing and technical support</p> <p>The sales, marketing and technical support have an important role in helping our customers to achieve successful and durable end-result in their painting projects. At the end of 2016, altogether 1,227 (1,207) persons worked in sales, marketing and technical support.</p> <p>Outside the organization: customers and the retail throughout all operating countries</p> <p>Our customers include consumers, construction and renovating professionals, and the industry. Tikkurila's professional customers include building and painting contractors, designers, developers, house managers and other so-called influencers. According to our estimate, approx. 50% of our customers are consumers, 35% professionals and 15% industrial customers.</p> <p>The majority of Tikkurila's products are sold through retail. The role of retail is very important in giving advice and consultation for a customer in making the purchase decision.</p>

Resources

Reported aspects and aspect boundary

G4 MATERIAL ASPECTS AND REPORTED INDICATORS	<p>Environmental:</p> <p>G4-EN1 Materials used by weight or volume G4-EN3 Energy consumption within the organization G4-EN8 Total water withdrawal by source Tikkurila indicator: Water used as paint raw material (total amount) G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1) G4-EN21 Other significant air emissions (VOC emissions in production) G4-EN23 Total weight of waste by type and disposal method G4-EN30 Significant environmental impacts of transporting products G4-EN31 Total environmental protection expenditures and investments</p>
ASPECT BOUNDARY	<p>Within the organization: entire Tikkurila Group, primarily R&D and supply chain</p> <p>The key principles of Tikkurila's product development are quality, durability and safety. The R&D develops sustainable solutions for various purposes and with various functionalities, studies the use of alternative and renewable raw materials, and improves the properties of existing paints and coatings. Tikkurila's largest R&D units are located in Finland, Sweden, Russia and Poland. In addition, each production site has a smaller R&D unit that focuses mainly on local operations. At the end of 2016, Research and Development employed 191 (184) people.</p> <p>Tikkurila has 12 production units in 9 countries. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ) Production manufactures and packages the products in an economical, safe, and eco-efficient manner.</p> <p>Outside the organization: business partners, which include e.g. raw material and packaging material suppliers, subcontractors, providers of logistics services, and contract manufacturers. On the group-level, Tikkurila has approximately 500 local and international raw material and packaging material suppliers.</p>

People

Reported aspects and aspect boundary

G4 MATERIAL ASPECTS AND REPORTED INDICATORS	<p>Economic:</p> <p>G4-EC1 Direct economic value generated and distributed</p> <p>Social:</p> <p>G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region G4-LA6 Injuries, lost days, absenteeism and fatalities Tikkurila indicator: Preventive safety practices: Number of safety talks and rounds G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee group G4-LA12 Composition of governance bodies and employee breakdown</p> <p>Society:</p> <p>G4-SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programs G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes G4-SO8 Significant fines and sanctions</p> <p>Material Tikkurila Topic: Supplier management Group agreement, % of raw material and packaging material purchases Supplier audits, number</p>
ASPECT BOUNDARY	<p>Within the organization: entire Tikkurila Group personnel</p> <p>Tikkurila has 3,033 (31.12.2016) employees in 14 countries. In terms of headcount, the largest Group countries are Russia, Finland, Poland and Sweden.</p> <p>Outside the organization: customers, business partners, owners and investors, and society throughout all operating countries</p>

STAKEHOLDER ENGAGEMENT

G4-24-27 Stakeholder engagement

From the corporate responsibility point of view, Tikkurila's key stakeholders are customers and those influencing purchasing decisions, business partners, personnel as well as owners and investors. Stakeholders are identified based on how they influence in our operations and products and in terms of the needs and expectations of the company and the stakeholders themselves.

We want to promote openness and transparency, encourage networking and an open dialogue with our stakeholders. We create added value for our stakeholders by operating sustainably and profitably, by developing our business, and by offering them solutions for protection and decoration of surfaces. Our Code of

Conduct outlines the fundamental requirements for how we do business, and it is also concerned with our partners' operations.

We work actively in cooperation with our stakeholders with the aim to raise the awareness about our products and surface treatment. We want to enhance the quality of painting, increase the use of environmentally sustainable products, and improve product and user safety.

Read more:

🌐 www.tikkurilagroup.com/stakeholders

KEY STAKEHOLDERS

1. CUSTOMERS AND THOSE INFLUENCING PURCHASING DECISIONS

Approx. **50%** of our customers are consumers, **35%** professionals and **15%** industrial customers.

2. BUSINESS PARTNERS

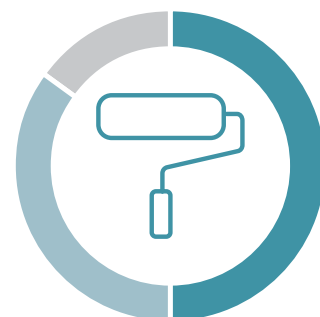
Approx. **500** local and international raw material and packaging material suppliers in the Group.

3. PERSONNEL

3,033 (Dec. 31, 2016) employees in **14** countries.

4. OWNERS AND INVESTORS

Number of shareholders approx. **20,000** (Dec. 31, 2016).



Voice of stakeholders

As part of our sustainability work and its development, we discussed various sustainability themes with our stakeholders.

QUALITY PAINT ASSOCIATION IS PROMOTING SUSTAINABLE PAINTING IN RUSSIA

Tikkurila is actively involved in the activities of both local paint industry associations and organizations in its countries of operation, as well as at EU level. In 2013, Tikkurila together with other paint manufacturers and raw materials suppliers established the Quality Paint Association (QPA) in Russia. The objectives of the association include communication about high-quality and environmentally sustainable products to consumers, professionals and the industry, as well as promotion of international quality, safety and environmental standards for paints in the Russian market.

In three years, the work of the association has become established. QPA developed quality standards for paints produced and sold in Russia. The purpose is to promote higher safety, quality and environmental performance in paints and to limit the use of hazardous substances. The standards have been developed for water-borne interior paints, solvent-borne enamels and façade paints, and all paints produced by QPA members must fulfill those requirements.

The President of association **Sergey Fedotov** recognizes that for

consumers, choosing a right and safe paint, is problematic because the selection of paints in the market is wide and information scattered. QPA wants to provide reliable information for consumers and retailers, and has developed a way to help consumers in selecting sustainable products.

“Our logo on a paint can “Approved by Quality Paint Association” means that the paint doesn’t contain hazardous substances and corresponds to the quality parameters of QPA. The logo also means that consumer can find all the relevant information on the safety and quality of the paint on our website,” Fedotov describes.

In addition to informing consumers, QPA educates sales managers and works with retailers to raise awareness on safety requirements in paints and coatings.

Read more:

🌐 www.tikkurilagroup.com/voice_of_stakeholders

LESS IS MORE — PACKAGING MATERIAL PRODUCER EMBALLATOR LAGAN PLAST BUILDS A SUSTAINABLE FUTURE

Tikkurila’s cooperation partner Emballator Lagan Plast is constantly working on ways to cut down loss and waste generated from production and supply chain to improve the sustainability of the paint packaging. Together with Tikkurila, they are developing a packaging concept of the future to focus on the customer experience and feelings.

“We are constantly discussing with Tikkurila about the packaging concepts for the future. We both want to be in front of the development,” says **Richard Johansson**, Marketing and Sales Manager of Emballator Lagan Plast.

Also within the packaging industry, the total life cycle of a product and its

packaging are taken into consideration.

“Today’s customers know to demand for environmentally friendly products. On every single step from raw material to recycling the product we should take into consideration individual people, society, safety and health issues.”

Read more:

🌐 www.tikkurilagroup.com/voice_of_stakeholders

SUSTAINABILITY TO BE PART OF ALL INVESTMENT DECISIONS

The eyes of investors turn to companies’ sustainability indices now more than ever. Each portfolio manager at Ilmarinen who invests in listed companies has companies’ sustainability ratings available at all times on their screens. The ratings include information on the sustainability risks and possibilities, which affect investment decisions made by investors.

Responsible investment considers environment, social responsibility and good governance in addition to economic point of view.

“We actively look for investments which do business for example in the

field of renewable energy, clean water or improving the efficiency of using resources. Several investors want to have a positive impact on companies and their business,” tells **Tiina Landau**, a senior analyst of sustainable investing at Ilmarinen.

Read more:

🌐 www.tikkurilagroup.com/voice_of_stakeholders

ETHICS AND INTEGRITY

G4-56 Organization’s values, principles and codes

Tikkurila aims to always conduct its business in compliance with high ethical standards and legislation, as well as in accordance with its values and Code of Conduct. Compliance of Tikkurila’s business practices is followed by head of legal and Internal Auditor. Furthermore, the Audit Committee of Tikkurila’s Board of Directors contributes actively to the business ethics and compliance related matters.



We are trustworthy

We create and offer quality brands, services, and products that people can trust are safe, reliable, and environmentally sustainable.



We are innovative

We drive change in the market and offer novel solutions for our customers’ needs.



We are professionals

We add value to our customers, owners, and the community – every day.

Our values

Our values—trustworthiness, innovation, and professionalism—steer and support our operations. They come alive in decision-making situations every day, on both small and large scales.

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.

Tikkurila’s values are created together with the personnel. In 2008–2009, we organized 10 international and local workshops, which were attended by over 500 employees. The workshops were an opportunity to discuss and identify Tikkurila’s way of doing things and the values underpinning our work. The values were approved by the Tikkurila Management Board and the Board of Directors. Adherence to values in our operations is measured and monitored, for example through employee surveys and personal development discussions.

The Code is about law and ethics. 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. We act in accordance with legislation and adhere to high ethical values as well as internationally acknowledged standards for human rights and labor practices in all markets where we operate.

Code of Conduct – the way we do business

Tikkurila’s Code of Conduct outlines the fundamental requirements

The Tikkurila Code of Conduct is approved by the Tikkurila Board of Directors and introduced to employees in 2009. The Code of Conduct is available in all Group languages. In 2015, the Code of Conduct was slightly updated to ensure that it speaks more widely to our business partners and external stakeholders.

Implementation of Code of Conduct

<p>2011-2013</p>	<p>Online training, supervisor work, induction process, group purchase agreement, supplier evaluation and auditing processes</p> <p>In 2013, more than 90% of Tikkurila employees conducted the online training</p>
<p>2015-2016</p>	<p>Personal development discussion process, supervisor work, induction process, group purchase agreement, supplier evaluation and auditing processes</p> <p>According to the personnel survey conducted in 2016, 83% of employees who had had personal development discussions with their supervisor discussed the Code of Conduct and its role in day-to-day work. According to the personnel survey, 88% of the respondents had had a personal development discussion with their supervisor.</p>

Read more:

🌐 www.tikkurilagroup.com/code_of_conduct

Other requirements guiding our operations

In addition to Code of Conduct, Tikkurila's operations are steered with a variety of policies and requirements complementing legislation.

Tikkurila has zero tolerance for any form of bribery or corruption, or other unethical influence. Tikkurila's group-wide anti-corruption policy sets concrete limits for gifts and hospitality which Tikkurila employees can receive or offer. We systematically monitor how effectively this policy is being upheld in practice.

Competition law compliance policy gives common guidelines on competition compliance within the Tikkurila Group. These guidelines need to be taken into account when doing business with suppliers,

distributors and customers and other cooperation partners.

Data protection policy aims to ensure the right to privacy for each individual. All employees at Tikkurila who process personal data are responsible for ensuring that processing of personal data is always managed ethically, legally and securely with respect to privacy protection. The policy includes general data protection guidelines, which all Tikkurila Group companies and employees must follow.

Tikkurila is committed to transparency, which means that we communicate in a proactive, open, credible, consistent, unbiased and timely manner. Disclosure policy describes the main principles on how Tikkurila communicates with the capital markets and discloses share-price sensitive information to its stakeholders.

G4-58 Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity

Tikkurila Group has in use an internet-based "whistle-blowing" reporting system that enables both personnel and other stakeholders to anonymously report misconduct of business practices, violations of the Code of Conduct as well as other illegal or unethical business practices. 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 thereof and other illegalities are reported. All Tikkurila Group companies and employees have been informed about the reporting system, and link to the system is available on the company intranet and on the Group website.

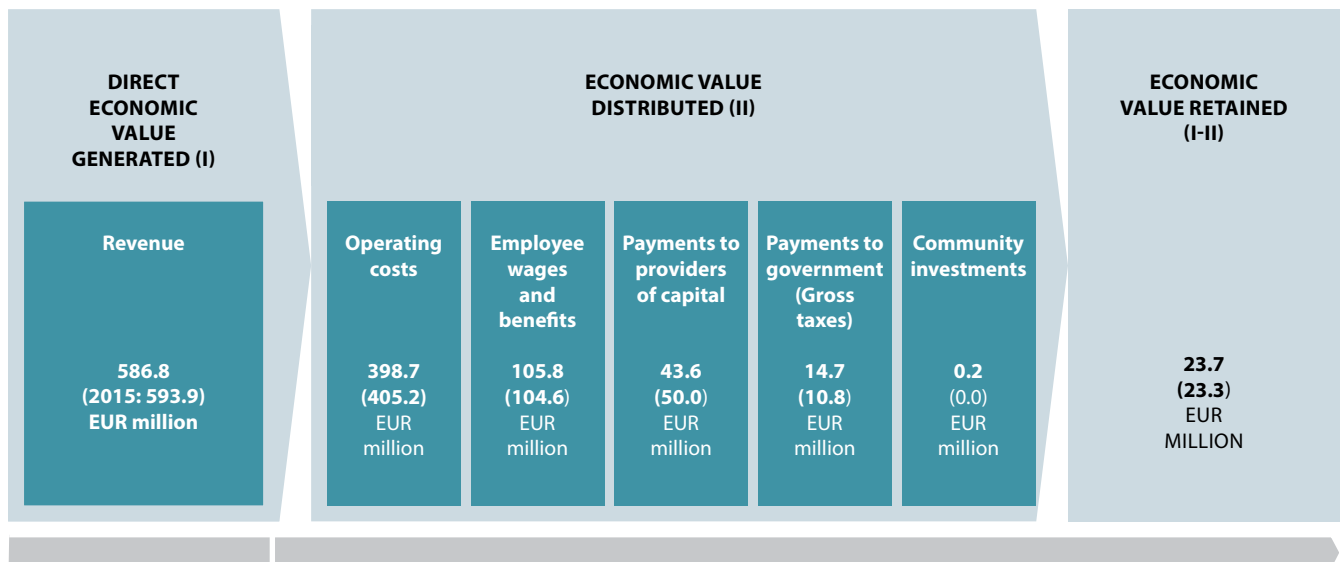
G4 SPECIFIC STANDARD DISCLOSURES

This section provides information on the specific standard disclosures, which is not reported in the Tikkurila Annual Review 2016 or the GRI content index.

ECONOMIC

G4-EC1 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. We rely on strong brands and sustainable products which support the life cycle thinking. A strong quality image and market leadership are our key competitive advantages.



The 2015 data has been updated to better meet the GRI requirements.

ENVIRONMENTAL

Tikkurila aims to continuously minimize the environmental impact of its operations and products, for instance, by developing products that extend the service life of the painted item and allow for longer maintenance painting intervals. Furthermore, we promote the use of water-borne products, and select the options which burden the environment less, whenever it is technically and financially possible. We also work to develop our production processes and improve resource efficiency of production units to reduce environmental impacts of production, minimize loss and increase the reuse of waste.

The main environmental impacts of paint during its life cycle result from raw materials and packaging materials production, energy consumption during product manufacture, emissions and wastes generated in manufacture, as well as the distribution of raw materials, packaging materials and finished products, compounds evaporating (VOC emissions) from the paint during painting and drying, and the disposal of paint waste. The quality of the product affects the environmental impact of the product. The better the qualities that the painted surface offers, the less maintenance is needed and the longer the maintenance painting interval is.

MATERIALS

G4-EN1 Materials used by weight or volume

Tikkurila produces paints and coatings for a variety of uses. Depending on the desired properties, there are also vast differences between the ingredients used. Paint typically consists of binders, pigments, fillers, thinner and additives. The choice of raw materials plays an important role in the environmental impact, quality and safety of the products.

Raw materials required in paint production and materials used for packaging form a substantial part of Tikkurila's purchases. On the group-level, Tikkurila has approximately 500 local and international raw material and packaging material suppliers. More than 90 percent

of the raw materials and packaging materials for Tikkurila's units in the EU are bought from the EU region. In Russia, more than 60 percent of all raw materials and packaging materials are bought from local suppliers.

Packaging material purchases mainly consist of paint cans, labels, plastic wrapping and pallets. The selection of packaging materials is affected not only by quality and price but also by retailers' requirements, tinting properties, recyclability of materials, consumers' purchasing habits and the ease of application in end use.

RAW MATERIAL AND PACKAGING MATERIAL PURCHASES FROM DIRECT SOURCING	2016	2015	2014
%			
Binders	35.7	34.8	34.3
Pigments	23.9	23.3	24.1
Packaging materials	18.2	17.7	19.0
Additives	13.2	12.1	10.9
Solvents	6.4	6.8	8.1
Others	2.6	5.3	3.6
Total	100.0	100.0	100.0

ENERGY

G4-EN3 Energy consumption within the organization

Paint production in itself does not consume much energy since the processes mainly consist of mixing different ingredients. The majority of the energy used goes into the heating and ventilation of buildings. The energy consumption regarding heating and ventilation is strongly connected to weather fluctuation.

Tikkurila's goal is to continuously reduce energy consumption in its supply chain. Reductions can be achieved through technology upgrades in the production facilities and production processes. These might involve, for example, switching to more energy-efficient equipment or investing in more efficient building technology.

FUEL CONSUMPTION	2016	2015	2014
GJ			
Fuel oil	13,826	13,289	16,268
Natural Gas	63,801	55,375	50,526
Fuel gas	2,873	2,642	3,334
Diesel Oil	825	1,886	1,818
Renewable energy sources	39	33	36
Total direct energy consumption	81,365	73,225	71,982
INDIRECT ENERGY CONSUMPTION	2016	2015	2014
GJ			
Electricity	128,999	126,777	129,316
District heat	76,324	71,259	78,160
Cooling	0	0	0
Steam	0	0	0
Total indirect energy consumption	205,323	198,036	207,476
ENERGY SOLD	2016	2015	2014
GJ			
Electricity	9,248	9,180	7,196
Heating	3,409	2,778	2,984
Cooling	0	0	0
Steam	0	0	0
Total energy sold	12,657	11,958	10,181
TOTAL ENERGY CONSUMPTION ON TIKKURILA SITES	2016	2015	2014
GJ			
	274,031	259,303	269,276

Energy consumption is based on on country-specific invoicing information. The 2015 total direct energy consumption is revised.

WATER

G4-EN8 Total water withdrawal by source

Tikkurila indicator: Water used as paint raw material

Tikkurila aims for efficient use of water at its sites, and the water consumption is monitored. In production of water-borne products, actions are taken, among other things, to reduce the amount of washing water needed. For example, equipment rinsing water is used as a part of the product when possible. Good planning of production also reduces the need of washings between batches. Process cooling water systems are closed.

Products which burden the environment as little as possible are a key element in our strategy. Tikkurila has been investing in developing and promoting the use of water-borne products for decades. An increasing number of paints are water-borne or solvent-free. While developing water-borne products, we pay attention to the efficient use of water. In 2016, the share of water-borne products in production was 73.8 (73.5) percent.



APPROX. **40%** OF WATER CONSUMPTION AS PAINT RAW MATERIAL

TOTAL WATER WITHDRAWAL BY SOURCE	2016	2015	2014
1,000 m³			
Surface water	0	0	0
Ground water	3	39	73
Rainwater	0	0	0
Waste water from other organizations	0	0	0
Municipal source	147	146	146
Total	150	185	219

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

EMISSIONS

G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

The main environmental impacts of paint products and painting are generated during the manufacture of raw materials and packaging materials; energy consumption during product manufacture; emissions and waste generated in the manufacturing and transport of raw materials, packaging materials and products; compounds evaporating from paint during the painting and drying as well as the disposal of paint waste. The most common white pigment in paints is

titanium oxide, which forms approximately 60 percent of paint's carbon footprint.

The most significant direct greenhouse emissions in paint production are generated by burning fuel for heating and internal transport as well as in the production of solvent-borne paints caused by inert cases and by burning the volatile organic compounds.

DIRECT CO ₂ EMISSIONS	2016	2015	2014
tn CO ₂	4,786	4,502	6,188

The direct CO₂ emissions are calculated from the consumption of fuel oil, natural gas, fuel gas and diesel oil. The consumption data is based on the country-specific invoicing. The 2014 data does not include the direct greenhouse gas emissions of the production units in Russia. With regard to the year 2015, the classification of direct and indirect CO₂ emissions is revised. Both local and the IPCC conversion rates have been used to calculate the direct CO₂ emissions.

G4-EN21 Other significant air emissions

Solvent emissions into the air

During production, volatile organic compounds, or VOCs, contained in the raw materials are released into the air. VOC emission in production are controlled with e.g. keeping all tanks and vessels closed whenever possible, to ensure good ventilation. At the Vantaa site, the VOC emissions are collected and incinerated.

VOC emissions caused by the use of solvents are restricted by means of legislation, among other things. In the EU, the maximum amount of VOC emissions in production and allowed amount of volatile

compounds contained in paints are defined by the VOC directives. The purpose of the directives is to prevent or reduce the direct or indirect impact of volatile organic compound (VOC) emissions on the environment and people.

The main initiative in reducing VOC emissions of our products and in production has during the years been moving from solvent-borne products water-borne products. In 2016, the share of water-borne products in production was 73.8 (73.5) percent.

VOC EMISSIONS IN PRODUCTION

	2016	2015	2014
tn	116	113	89

The increase in VOC emissions in production since 2014 is mainly due to the changes in the calculation method of solvent emissions in Serbia.

EFFLUENTS AND WASTE

G4-EN23 Total weight of waste by type and disposal method

The environmental impact of modern paint production is relatively low – emissions of hazardous substances and the generation of waste are minimized by means of advanced process technology, efficient processes, and recycling. By using our raw materials efficiently, we can minimize the volume of waste we generate. In paint production, raw material waste results, among other things, from washing the production and filling machines, the residue left in raw material packaging, any non-marketable and expired raw materials and products, as well as raw material dust and solvent fumes carried out

for processing in the exhaust air, or exhausted otherwise.

Tikkurila aims to utilize resources more efficiently and to minimize waste taken to landfill. Whenever possible, we recycle paint production waste back into our processes, taking into consideration the strict quality requirements we have for products. Any solid and liquid waste that is not suitable for reuse or recycling in our processes or for other purposes is disposed of appropriately.

HAZARDOUS WASTE

	2016	2015
tn		
Reuse	0	7
Recycling	667	749
Composting	0	0
Energy recovery	1,119	1,161
Incineration	13	51
Landfill	529	1,043
Other	460	451
Total	2,789	3,463

NON-HAZARDOUS WASTE

	2016	2015
tn		
Reuse	549	445
Recycling	1,911	1,914
Composting	16	15
Energy recovery	379	391
Incineration	38	40
Landfill	283	177
Other	244	234
Total	3,420	3,215

The 2015 data regarding hazardous waste is revised.

TRANSPORT

G4-EN30 Significant environmental impacts of transporting products

Tikkurila products are distributed from the production units to either warehouses for further deliveries or directly to the retailers and customers. Tikkurila has 26 distribution centers in 14 countries. Transportation needs and inventory quantities are optimized in cooperation with the entire supply chain to ensure that our customers receive the products on time, safely, and eco-efficiently.

The environmental burden during the life cycle of our products is affected by the transportation of raw materials and packaging materials and the distribution of the finished products to stores and customers. Tikkurila aims to reduce the environmental impact of its operations, which is why responsibility matters are also taken into consideration in transportation. The objective is to distribute products using environmentally friendly logistics. Centralizing

transportation reduces costs and emissions, and improves transportation safety and efficiency. Moreover, we pay attention to optimizing cargoes and transportation routes, and to the loading of vehicles. When choosing logistics partners, among other things we place emphasis on the transportation service provider's capabilities to adopt more environmentally friendly alternatives as well as safety aspects.

More than 90 percent of the raw materials and packaging materials for Tikkurila's units in the EU are bought from the EU region. In Russia, more than 60 percent of all raw materials and packaging materials are bought from local suppliers. In Europe, raw materials are mainly transported by road and by sea, and in Russia, mainly by road and by rail.

OVERALL

G4-EN31 Total environmental protection expenditures and investments

In 2016, the environmental investments reported by the sites included, for instance, measures regarding environmental safety; closing valves and lids for rain water sewers and equipment for leak prevention were acquired. Additionally, the investments included improvements in raw material warehousing, and development of

building technology, related to e.g. lightning, more efficient use of water and air quality at work stations. The environmental protection expenditures include, among other things, waste handling, waste water treatment and analyses as well as certification costs.

ENVIRONMENTAL PROTECTION INVESTMENTS	2016	2015	2014
MEUR	0.3	0.7	0.5

ENVIRONMENTAL PROTECTION EXPENDITURES	2016	2015	2014
MEUR	1.6	1.7	2.0

The 2015 data regarding environmental protection expenditures is revised.

SOCIAL

LABOR PRACTICES AND DECENT WORK EMPLOYMENT

G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region

At the end of 2016, Tikkurila employed 3,033 (3,100) people in 14 countries. In 2016, Tikkurila Group recruited 636 (565) new employees, and 638 (638) persons left the company. The most common reason for termination of employment was expiration of temporary employment. Due to the seasonality fluctuation in the paint market, the number of personnel is highest during the outdoor painting season in the summer and lowest during the winter.

In June 2016, Tikkurila sold its subsidiaries in Ukraine and Belarus to a company established by local management. The subsidiaries had 90 employees altogether. In late 2016, Tikkurila transferred Tikkurila Drytech AB's production from Flen, Sweden, to the Iso Paint A/S production plant in Lunderskov, Denmark.

Total number and rates of new employee hires by region, gender and age

TOTAL NUMBER OF NEW EMPLOYEE HIRES	2016	Rate of new employee hires	2015	Rate of new employee hires
East	281	20.8	332	23.0
West	355	21.1	233	14.0
Total	636	21.0	565	18.2
Female	203	19.0	163	14.9
Male	433	22.1	402	20.0
Total	636	21.0	565	18.2
<30 years	335	52.6	326	48.7
30–50 years	260	15.1	211	12.1
>50 years	41	6.0	28	4.1
Total	636	21.0	565	18.2

The amount of new employee hires is calculated from the active total workforce on December 31, 2016. Calculation of new employee rate: (number of employee hires / total workforce per category) *100. Seasonal employees are included in the data.

Total number of leavers and rate of employee turnover by region, gender and age

TOTAL NUMBER OF LEAVERS AND EMPLOYEE TURNOVER	2016	Turnover	2015	Turnover
East	294	21.7	405	28.1
West	344	20.5	233	14.0
Total	638	21.0	638	20.6
Female	200	18.7	211	19.3
Male	438	22.3	427	21.3
Total	638	21.0	638	20.6
<30 years	251	39.4	234	35.0
30–50 years	275	16.0	297	17.1
>50 years	112	16.5	107	15.5
Total	638	21.0	638	20.6

The total number of leavers is calculated from the active total workforce on December 31, 2016. Employee turnover calculation: (number of leavers / total workforce per category) *100. Seasonal employees are included in the data.

OCCUPATIONAL HEALTH AND SAFETY

G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender

The safety work at Tikkurila focuses on preventive measures, such as risk assessments, safety training, safety talks and rounds, reporting of safety observations and safety-related communications, as well as internal and external audits. In 2016, Tikkurila's accident frequency rate (LTA) was 2.7 (1.9).

In addition to assessing our employees' safety behavior in their everyday work, we also address safety issues through regular personal development discussions, safety rounds as well as safety talks between employees and their supervisors and colleagues. Altogether, 6,701 (5,927) safety talks and rounds were held within the Group in 2016.

LOST TIME ACCIDENTS (LTA)	2016	2015	2014
Per million working hours	2.7	1.9	2.9

No fatalities in 2016.

TIKKURILA INDICATOR	2016	2015	2014
Preventive safety practices: Number of safety talks and rounds	6,701	5,927	6,666

Tikkurila monitors its safety performance using the LTA1 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 HSE Monitor reporting system. The number of employee working hours is partly an estimate.

TRAINING AND EDUCATION

G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee group

Personal development discussions between an employee and his/her supervisor are carried out on an annual basis at Tikkurila. Development discussions are used to map the individual needs and wishes of employees, to review an individual's achievements and performance, to plan future action, as well as to identify any development needs. The share and quality of personal development

discussion are measured in the personnel survey. In the 2016 personnel survey, 88.0 (2014: 87.1) percent of employees responded in the survey reported having had a development discussion with their supervisor, and 75.0 (72.7) percent found the discussion useful or fairly useful. 82 (85) percent of Tikkurila employees responded to the 2016 personnel survey.

DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12 Composition of governance bodies and employee breakdown

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.

	2016		2015	
	Female, %	Male, %	Female, %	Male, %
BOARD OF DIRECTORS				
<31 years	-	-	-	-
31–50 years	16.7	-	16.7	-
>50 years	33.3	50.0	33.3	50.0

	2016		2015	
	Female, %	Male, %	Female, %	Male, %
MANAGEMENT BOARD				
<31 years	-	-	-	-
31–50 years	-	60.0	-	60.0
>50 years	-	40.0	-	40.0

	2016	2015
	%	%
PERSONNEL AGE AND GENDER BREAKDOWN		
Female	35.3	35.2
Male	64.7	64.8
<31 years	21.0	21.6
31–50 years	56.6	56.1
>50 years	22.4	22.3

In 2016, the average age of personnel was 40.8 (40.8) years.

Personnel's views on the implementation of equality are monitored, among other things, by means of a personnel survey. The survey in 2016 showed that 91.0 (2014: 89.3) percent of those responded to the survey feel that all employees are treated equally or somewhat equally at Tikkurila.

Diversity principles of the Board of Directors

In 2016, diversity principles were defined for the Tikkurila Board of Directors. When designing the composition of the Board of Directors, the Nomination Board of Tikkurila assesses the composition from the viewpoint of the company's current and future business needs, while taking into account the diversity of the Board.

The diversity of the Board of Directors will be assessed from various viewpoints. Tikkurila's Board of Directors shall have sufficient and complementary experience and expertise in the key industries and markets relevant to Tikkurila's business. In addition, an essential element is the personal characteristics of the members and their diversity. Tikkurila's aim is that the Board of Directors represent expertise in different industries and markets, diverse professional and educational background, diverse age distribution and both genders. Concerning gender diversity, the objective is that both genders are represented in the Board by at least two members.

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

PRODUCT RESPONSIBILITY

PRODUCT AND SERVICE LABELING

G4-PR3 Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements

Product safety and quality are the cornerstones of our operations. Tikkurila's customers will find a wealth of information on the Group's paints, the safe use of paints for high-quality and durable results, as well as on the impacts of paints on health on the safety data sheets, product specifications, labels and in various instructions and guides on painting as well as through training and customer service.

We systematically study and investigate 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 sheet 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 instructing in the safe and sustainable handling, storing, transport and disposal of the product. The label also states the eco-labels the product has received and other classifications for paint products.

Chemical industry business is tightly regulated. The increasingly tight environmental and safety requirements and the changing legislation lay new demands on our products and increase Tikkurila's responsibility to inform the consumers of its products' health, environmental and safety impacts. We actively monitor the existing regulations and participate in the development of new ones.

Read more:

🌐 www.tikkurilagroup.com/responsibility/user_experience

G4-PR5 Results of surveys measuring customer satisfaction

Monitoring customer satisfaction is an essential part of understanding customer needs as well as developing operations and cooperation with stakeholders. We measure customer satisfaction on brand and country level based on the feedback we receive from consumers, professionals, industrial customers and retailers. Furthermore, we carry out customer group and topic-specific studies in our operating countries. We want to improve our understanding of our customer needs and market trends. Tikkurila's aim is to develop its research methods and to improve the monitoring and utilization of customer feedback as an integrated part of its business development.

In addition to measuring customer satisfaction, we analyze feedback from our stakeholders to further develop our operations and products. Feedback from stakeholders comes through different channels, including customer support, feedback channels, Tikkurila websites, social media and our sales personnel. In 2016, we carried out customer satisfaction surveys and brand awareness studies in some of our major countries of operation: the Baltics, Poland and Finland. On a country level, we examined brand recognition, customer satisfaction and purchasing behavior amongst distribution network, consumers, paint and home improvement businesses,

contractors and construction companies as well as amongst designers, architects and industrial customers.

Based on the studies, we can state that Tikkurila's paint brands are well known and highly regarded in their market areas. Our customers have confidence in the company and its products. The various brands are among the best known in their markets in Finland, Estonia, Latvia, Sweden and Russia. The Vivacolor brand, especially, has a strong position in Estonia and Latvia, where Vivacolor is spontaneously the best known, the most preferred and bought paint brand. According to the survey results, Vivacolor's strengths include, for example, good coverage and cleanability of the painted surfaces, environmentally friendliness and wide range of products and shades. Consumers in the Baltic countries are aware of water-borne paints and consider them reliable and safer for health and the environment. In an interview survey conducted in Finland in 2016, the water-borne wood oil, Valtti Plus, received a great deal of positive feedback – both commercial and consumer customers have received the product well. Customers particularly appreciate that the product is water-borne, ecological and durable. Read more about the Valtti Plus on page 15.

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

		LOCATION	COMMENTS	OMISSIONS
STRATEGY AND ANALYSIS				
G4-1	Statement from the President and CEO	CR9-11 Management review		
ORGANIZATIONAL PROFILE				
G4-3	Name of the organization		Tikkurila Oyj	
G4-4	Primary brands, products and services	FS6-7 Tikkurila in Brief		
G4-5	Location of headquarters		Kuninkaalantie 1, 01300 Vantaa, Finland	
G4-6	Countries in which operations are located	FS6-7 Tikkurila in Brief		
G4-7	Nature of ownership and legal form	FS105-107 Shares and shareholders CR4		
G4-8	Markets served	FS6-7 Tikkurila in Brief		
G4-9	Scale of organization	FS6-7 Tikkurila in Brief CR4		
G4-10	Breakdown of employees by contract type, employment type, region and gender	CR26		The amount of employees is calculated from the active total workforce on Dec. 31, 2016. The employee group breakdown, personnel by employment contract and the amount of full-time and part-time employees are not available by gender. The target is to report this information in 2017.
G4-11	Percentage of total employees covered by collective bargaining agreements	CR26		
G4-12	Description of supply chain	www.tikkurilagroup.com/supply_chain		
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	FS89 Changes in Group structure FS105-107 Shares and shareholders	No significant changes in 2016.	
G4-14	Addressing the precautionary approach or principle	FS120 Risk management CR27		
G4-15	External charters, principles or initiatives endorsed	CR27		
G4-16	Memberships in associations	CR27		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities included in the organization's consolidated financial statements	CR49 Reporting principles FS87-88 Group's ownership in shares and participations		
G4-18	Process of defining the report content	CR28-29		
G4-19	Material aspects identified	CR28-30		
G4-20	Aspect boundary within the organization	CR29-30		
G4-21	Aspect boundary outside the organization	CR29-30		
G4-22	Restatements of information provided in previous reports		Restatements are reported in connection with the changed information.	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries		No significant changes.	

STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged in the organization	CR31	www.tikkurilagroup.com/stakeholders
G4-25	Identification and selection of stakeholders	CR31	www.tikkurilagroup.com/stakeholders
G4-26	Organization's approach to stakeholder engagement		www.tikkurilagroup.com/stakeholders
G4-27	Key topics and concerns raised through stakeholder engagement		www.tikkurilagroup.com/stakeholders

REPORT PROFILE

G4-28	Reporting period	CR49 Reporting principles	Jan. 1-Dec. 31, 2016
G4-29	Date of the most recent previous report		Tikkurila Corporate Responsibility report 2015 was published on Mar. 4, 2016.
G4-30	Reporting cycle	CR49 Reporting principles	Annual
G4-31	Contact point for questions	CR51	
G4-32	GRI content index	CR45-48	
G4-33	Organization's policy with regard to external assurance	CR49 Reporting principles CR50 Assurance report	

GOVERNANCE

G4-34	Governance structure	FS112-115 Governance bodies	
-------	----------------------	-----------------------------	--

ETHICS AND INTEGRITY

G4-56	Organization's values, principles and codes	CR33-34	
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	CR34	
	Generic G4 DMA: User experience	CR12-15, CR29	
	Generic G4 DMA: Resources	CR16-18, CR30	
	Generic G4 DMA: People	CR19-23, CR30	

SPECIFIC STANDARD DISCLOSURES

		LOCATION	COMMENTS	OMISSIONS
CATEGORY: ECONOMIC				
MATERIAL ASPECT: ECONOMIC PERFORMANCE				
G4-EC1	Direct economic value generated and distributed	CR35		Information by region is not seen as material.
CATEGORY: ENVIRONMENTAL				
MATERIAL ASPECT: MATERIALS				
G4-EN1	Energy consumption within the organization	CR36	Raw material and packaging material purchases.	Tikkurila does not report raw materials by weight for competitive reasons.
MATERIAL ASPECT: ENERGY				
G4-EN3	Energy consumption within the organization	CR37		

MATERIAL ASPECT: WATER

G4-EN8	Total water withdrawal by source	CR38	
Tikkurila indicator	Water used as paint raw material (% from total water consumption)	CR38	

MATERIAL ASPECT: EMISSIONS

G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	CR38	
G4-EN21	Other significant air emissions (VOC emissions in production)	CR39	

MATERIAL ASPECT: EFFLUENTS AND WASTE

G4-EN23	Total weight of waste by type and disposal method	CR39	In 2015, the waste reporting was renewed, no comparable data available from 2014.
---------	---------------------------------------------------	------	-----------------------------------------------------------------------------------

MATERIAL ASPECT: TRANSPORT

G4-EN30	Significant environmental impacts of transporting products	CR40	No group-level quantitative data available.
---------	------------------------------------------------------------	------	---------------------------------------------

MATERIAL ASPECT: OVERALL

G4-EN31	Total environmental protection expenditures and investments	CR40	The target is to report the breakdown of environmental protection expenditures in 2017.
---------	-------------------------------------------------------------	------	-----------------------------------------------------------------------------------------

CATEGORY: SOCIAL**SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK****MATERIAL ASPECT: EMPLOYMENT**

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	CR41	
--------	-----------------------------------------------------------------------------------------------------	------	--

MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY

G4-LA6	Injuries, lost days, absenteeism and fatalities	CR42	The safety data is reported regarding own employees. The data is not available by region nor by gender. The target is to report the information by region in 2017. Tikkurila does not report the rates of occupational diseases, lost days nor absenteeism.
Tikkurila indicator	Preventive safety practices: Number of safety talks and rounds	CR42	

MATERIAL ASPECT: TRAINING AND EDUCATION

G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee group	CR42	Results based on the Tikkurila personnel survey in 2016.	The 2016 information has not been reported by gender or by employee group, the information is not available.
---------	-----------------------------------------------------------------------------------------------------------------------	------	----------------------------------------------------------	--------------------------------------------------------------------------------------------------------------

MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12	Composition of governance bodies and employee breakdown	CR43		The amount of employees is calculated from the active total workforce on Dec. 31, 2016. The personnel age and gender breakdown is not available by employee groups. The target is to report this information in 2017. Tikkurila does not collect information regarding minority groups.
---------	---------------------------------------------------------	------	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

SUB-CATEGORY: SOCIETY**MATERIAL ASPECT: LOCAL COMMUNITIES**

G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	CR23	Description of company's activities in local communities.	No quantitative data available.
--------	--------------------------------------------------------------------------------------------------------------------	------	-----------------------------------------------------------	---------------------------------

MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOUR

G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes		No actions in 2016.	
--------	--------------------------------------------------------------------------------------------------------------------	--	---------------------	--

MATERIAL ASPECT: COMPLIANCE

G4-SO8	Significant fines and sanctions		No significant fines or sanctions in 2016	
--------	---------------------------------	--	-------------------------------------------	--

SUB-CATEGORY: PRODUCT RESPONSIBILITY**MATERIAL ASPECT: PRODUCT AND SERVICE LABELING**

G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	CR44		No group-level data available.
--------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------	--	--------------------------------

G4-PR5	Results of surveys measuring customer satisfaction	CR44		No group-level data available.
--------	----------------------------------------------------	------	--	--------------------------------

MATERIAL ASPECT: COMPLIANCE

G4-PR9	Monetary value of significant fines for non-compliance		No fines or non-compliance in 2016.	
--------	--------------------------------------------------------	--	-------------------------------------	--

MATERIAL TIKKURILA TOPIC: SUSTAINABLE SOLUTIONS

	Production of water-borne products	CR14		
	Sales of water-borne products	CR14	Sales from Finland, Sweden, Russia and Poland.	No group-level data available.
	Sales of water-borne decorative paints	CR14	Sales from Finland, Sweden, Russia and Poland.	No group-level data available.

MATERIAL TIKKURILA TOPIC: SUPPLIER MANAGEMENT

	Group agreement, % of raw material and packaging material purchases	CR22		
	Supplier audits, number	CR22		

FS = Financial Statements 2016 CR = Tikkurila GRI 2016 Corporate Responsibility report

REPORTING PRINCIPLES

Tikkurila reports the progress in its corporate responsibility matters in its Annual Review. Tikkurila GRI 2016 Corporate Responsibility report describes key matters of responsibility in terms of Tikkurila's operations and outlines the progress in the different areas of corporate responsibility. The report is published in Finnish and English on the Group's website (www.tikkurilagroup.com).

The report for year 2016 contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines. An independent third party, PricewaterhouseCoopers Oy, has provided assurance on the economic, social and environmental performance indicators in the report. Tikkurila publishes its Corporate Responsibility report annually. The next report will be published at the beginning of 2018. In 2010–2014, Tikkurila's Corporate Responsibility report was compiled based on the GRI G3 guidelines and it was assured by an independent assurance provider.

The figures presented in the report cover either the Tikkurila Group as a whole or a single Strategic Business Unit (SBU East and SBU West) in accordance with the segment division. The figures of joint ventures, subsidiaries and similar organizations have been reported in relation to the holding and are included in the Group or SBU figures. Tikkurila's 2014 acquisitions, Tikkurila Drytech AB and ISO Paint Nordic A/S have been added to the safety and environmental reporting from the beginning of 2015. In late 2016, Tikkurila transferred Tikkurila Drytech AB's production from Flen, Sweden, to the Iso Paint A/S production plant in Lunderskov, Denmark. Tikkurila expanded its production network with the opening of a new plant in Almaty, Kazakhstan, in April 2015. The production plant has been included in the corporate responsibility's environmental reporting from the beginning of 2016. In June 2016, Tikkurila sold its subsidiaries in Ukraine and Belarus to a company established by local management. Companies are included in the 2016 safety data until the time of sale, and not included in the 2016 personnel and environmental data. The environmental key figures of the report cover production units and the largest distribution centers. The distribution center in Utkina Zavod reports only figures regarding waste and environmental protection expenditures. Figures for subcontractors have not been reported.

The material corporate responsibility and sustainable development aspects included in the report and the boundaries have been presented in the section "Identified Material Aspects and Boundaries" (pages 28-30). The material aspects are defined based on Tikkurila's materiality assessment work carried out in 2014 and GRI G4 reporting guidelines. Further information about the materiality assessment can be found under "Identified Material Aspects and Boundaries" (pages 28-29) of the report.

Financial key figures

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.

Personnel key figures

The key figures related to personnel are compiled from data generated by different units. The personnel data is partially based on the personnel and employment information available on the data system implemented by Tikkurila in 2014. The system's implementation and development continued in 2016, and the aim is to extend the availability of personnel figures for the 2017 GRI report. In the system's development work, the requirements of GRI reporting have been taken into account.

Safety and environmental key figures

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, implemented in 2011.

Other information

The information related to customer satisfaction is based on the customer satisfaction surveys carried out in Tikkurila's organizations. In the 2016 GRI report, we reported the results of the customer satisfaction surveys carried out in the Baltic countries, Poland and Finland.

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

(Translation from the Finnish original)

To the Management of Tikkurila Oyj

We have been engaged by the Management of Tikkurila Oyj (hereinafter also the Company) to perform a limited assurance engagement on the economic, social and environmental performance indicators for the reporting period 1 January to 31 December 2016, disclosed in Tikkurila Oyj's report "Tikkurila GRI 2016" (hereinafter Corporate Responsibility Information). In terms of the Company's GRI G4 reporting and G4 Content Index, the scope of the assurance has covered economic, social and environmental performance indicators listed within the Specific Standard Disclosures as well as General Standard Disclosures G4-10 and G4-11.

MANAGEMENT'S RESPONSIBILITY

The Management of Tikkurila Oyj is responsible for preparing the Corporate Responsibility Information in accordance with the Reporting criteria as set out in Tikkurila Oyj's reporting instructions and the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative. The Management of Tikkurila Oyj is also responsible for such internal control as the management determines is necessary to enable the preparation of the Corporate Responsibility Information that is free from material misstatement, whether due to fraud or error.

PRACTITIONER'S INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Corporate Responsibility Information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Tikkurila Oyj for our work, for this report, or for the conclusions that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Corporate Responsibility Information is free from material misstatement.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Corporate Responsibility Information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Corporate Responsibility Information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Visiting the Company's Head Office as well as one site in Poland.
- Conducting one video interview with one site in Germany.
- Interviewing employees responsible for collecting and reporting the Corporate Responsibility Information at the Group level and at the site level where our site visit and video interview were conducted.
- Assessing how Group employees apply the Company's reporting instructions and procedures.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Tikkurila Oyj's Corporate Responsibility Information for the reporting period ended 31 December 2016 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of corporate responsibility information should be taken into consideration.

Helsinki 24 February 2017

PricewaterhouseCoopers Oy

Niina Vilske

Partner, Authorised Public Accountant
Assurance Services

Sirpa Juutinen

Partner
Sustainability & Climate Change

Tikkurila Oyj

P.O. Box 53, Kuninkaalantie 1
FI-01301 Vantaa
Finland
Tel. +358 20 191 2000
🌐 www.tikkurilagroup.com

Responsibility online

🌐 www.tikkurilagroup.com/responsibility

General information on Tikkurila's corporate responsibility and reporting, and sustainable solutions:

Päivi Kivilä, Corporate Responsibility Manager

Environmental responsibility:

Sirpa Möller, HSE Manager

Product safety:

Anu Passinen, Manager, Product Safety

Financial responsibility:

Jukka Havia, CFO

Format of e-mail addresses: firstname.lastname@tikkurila.com.

