



TIKKURILA

TIKKURILA GRI 2018
Sustainability report

A DEDICATED COMMUNITY OF PROFESSIONALS

Beyond being a paint company, we are a community of talented professionals – skilled individuals from harsh conditions, equipped with an understanding of aesthetics and an affinity for sustainability. We share the same values and joy of building a vivid future through surfaces that make a difference.

NORDIC QUALITY FROM START TO FINISH SINCE 1862

With expertise that spans decades, we develop premium products and services that provide our customers with quality that will stand the test of time and weather. We embrace our market-leading brands and pride ourselves on innovation that is rooted in tradition but looks far into the future.

SUSTAINABLE NORDICNESS

We create surfaces that make a difference. Our surface treatment products last time and challenging weather conditions alike. We are constantly creating new solutions that are safe to people and our environment. We want to be at the forefront of sustainable business and do our part in fostering a cleaner environment and a more colorful world.

TIKKURILA AT A GLANCE

- Established in 1862
- Around 2,700 dedicated professionals
- 9 production facilities in seven countries
- Products available in more than 40 countries
- Largest markets: Sweden, Russia, Finland, Poland and the Baltic countries
- Revenue in 2018: EUR 561.5 million
- Listed on Nasdaq Helsinki

TIKKURILA ANNUAL REVIEW 2018



TIKKURILA FINANCIAL STATEMENTS 2018

The report provides an overview of Tikkurila's business operations and includes Financial Statements and the Corporate Governance Statement for 2018.



TIKKURILA GRI 2018

The report introduces Tikkurila's sustainability approach and the reported Global Reporting Initiative (GRI) Standards (2016) disclosures for the reporting period 2018.

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SUSTAINABLE NORDICNESS

We create surfaces that make a difference. Our surface treatment products last time and challenging weather conditions. We are constantly creating new solutions that are safe to people and our environment. We want to be at the forefront of responsible business and do our part in fostering a cleaner environment and a more colorful planet.



Tikkurila is a Nordic paint company whose products are manufactured of carefully chosen raw materials that meet the highest quality and safety standards. Our vision is to create surfaces that make a difference. We have been on a journey towards a more sustainable future for decades. As a pioneer of durable and safe painting, surface treatment and use of colors, Tikkurila is committed to taking concrete measures to ensure that the solutions it produces and offers to its customers are increasingly sustainable.

Through our high-quality products and professional expertise, 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. We protect the environment, enhance the sustainability of building stock and infrastructure, and make spaces more beautiful, thus having a positive impact on the living environment and people's well-being.

Climate change, urbanization, digitalization and other megatrends are affecting all of us – with positive opportunities but also with very alarming problems. Concrete sustainable actions and responsible business models are needed, and every country, company, and individual has an important role to play. In order to do our part for future generations and the planet, sustainability is taken to a higher level in our company agenda. We promote sustainable development and take environmental, financial and social aspects into account in our daily work as well as in our strategic business development and in strengthening our market position. Sustainable development provides us with genuine business opportunities at the same time as it creates economical benefits, reduces costs and minimizes risks.

ON A JOURNEY TOWARDS A MORE SUSTAINABLE FUTURE

Tikkurila's sustainability program "A Colorful Tomorrow" provides Tikkurila with a framework for responsible and sustainable development. Our sustainability promises guide the company sustainability initiatives and support business development from the sustainability point-of-view.

Our promises are

- We drive our portfolio towards maximized performance with minimum environmental impact.
- We improve and protect air quality with our products and professional services.
- We drive at better resource efficiency with quality, safety and durability on top of our minds.
- We are a responsible and active partner in our communities.

In 2018, we continued to implement the sustainability promises in our business. During the year, we renewed our sustainability program, and together with key business personnel, defined long-term targets and concrete actions to drive sustainability development in all Tikkurila countries. Moreover, we have renewed the way we lead and manage company sustainability work. A new Sustainability Management Team was set up to lead Tikkurila's strategic sustainability work. We are on a joint journey towards a more colorful tomorrow and sustainable future.

PREMIUM PORTFOLIO WITH LOW ENVIRONMENTAL IMPACT

We drive our portfolio towards maximized performance with minimum environmental impact. When developing new products, we always prioritize quality, safety and durability. We select and constantly look for raw materials with lower health and environmental impacts and aim to systematically find alternative and renewable raw materials. Our aim is to use natural resources

sparingly and minimize our dependency on fossil-based raw materials and packaging materials. As result of systematic product development, we launch new safe, easy and fast sustainable systems, which highlight the long life-cycle of surfaces, longer maintenance painting intervals and cost efficiency.



A NEW CHAPTER IN CREATING MORE SUSTAINABLE SOLUTIONS

Our patient development work has resulted in introduction of our first bio-based product. In 2018, Alcro, one of Tikkurila Group's well-known paint brands, launched a new eco-labeled interior paint, A1, in Sweden. A third of the raw materials that usually are fossil-based have been replaced with bio-based ingredients. A1 is a low-emission and fast drying wall paint, which has been granted the Nordic Swan Ecolabel and it is recommended by the Swedish Asthma and Allergy association.

In A1, the binder, that gives the paint its important properties, such as wear-resistance and cleanability, has partly been replaced with plant-based ingredients. The usage of plant-based binders doesn't detract from the paint's quality – the quality and technical performance of A1 meet Tikkurila's high standards and fulfill the product criteria set by the third-party. Both the paint and its package have been designed with the environment in mind: the packaging utilizes industrial recycled plastics, thus cutting its impact on our planet.

Our aim is to launch products with bio-based ingredients and new sustainable packaging solutions in other markets as well.

SUSTAINABILITY AS A TREND IN CONSTRUCTION BUSINESS

Sustainable buildings embrace all three dimensions of sustainability – economic, social and environmental. A sustainable building can maintain and improve the quality of life and the environment in the region. Sustainable development, eco-efficiency, durability and well-being are increasingly taken into consideration in new buildings, renovation projects and construction industry development. In 2018, Tikkurila had green building projects in Finland, Sweden, Norway,

Poland, Latvia, Lithuania and Russia.

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

MANAGEMENT APPROACH:

Tikkurila provides consumers, professionals and industrial customers with user-friendly and sustainable solutions for the protection and decoration of surfaces. Through our high-quality products and services and our professional expertise, we help our customers succeed in their painting projects. We protect the environment, enhance the sustainability of building stock and infrastructure, and make spaces more beautiful, thus having a positive impact on the living environment and people's well-being.

GRI TOPIC SPECIFIC STANDARDS:

GRI 201: Economic Performance 2016

GRI 417: Marketing and Labeling 2016

TOPIC BOUNDARY:

Internal impacts: Entire Tikkurila Group, primarily R&D, sales, marketing and technical support. At the end of 2018, Tikkurila has 175 (193) employees in R&D, and altogether 1,085 (1,219) persons worked in sales, marketing and technical support.

External impacts: Raw material and packaging material suppliers, customers and the retail throughout all operating countries. On the group-level, Tikkurila has approx. 500 local and international raw material and packaging material suppliers.

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. 47% of our customers are consumers, 35% professionals and 18% industrial customers.

Decorative paints and painting related supplies and services are primarily sold to paint wholesalers or retailers and directly to construction supply stores. In addition, we have our own stores for professional customers in Scandinavia. We sell industrial coatings either directly to customers or through our Tikkurila Industrial Paint Service distribution network.

IMPROVED AIR QUALITY

We improve and protect air quality with our products and professional services. For us as a paint manufacturer, it means that we continuously develop products with lower health and environmental impacts and promote eco-labeled products that

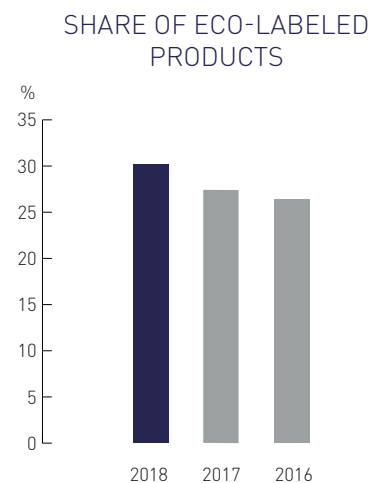
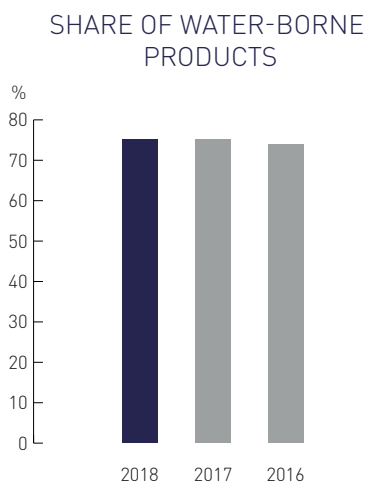
fulfill strict health, environmental and quality standards. Thanks to our high-quality, low-emission and eco-labeled products, indoor air quality will be better and health risks lower. The use of high-quality surface treatment products ensures cleaner indoor air.

LOW-EMISSION AND SAFE SUSTAINABLE SOLUTIONS

For decades, Tikkurila has persistently developed and promoted water-borne products and products with minimal health and environmental impact. 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. Our first water-borne products were introduced already in the early 1950s.

Our goal is to actively develop and promote new sustainable solutions. Currently, we have more than 300 eco-labeled products. In 2018, 85 percent of our decorative paints sold were water-borne.

Our low-emission, water-borne paints are manufactured from high-quality raw materials, and the product properties are ensured with a thorough set of field and laboratory tests. A water-borne paint is a better choice for both health and the environment. Water-borne paints ensure better indoor air quality and lower allergy risks.



SHARE OF WATER-BORNE DECORATIVE PRODUCTS

	2018	2017	2016
%	85.2	82.3	81.4

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

SHARE OF WATER-BORNE PRODUCTS

	2018	2017	2016
%	77.2	75.3	74.5

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

SHARE OF ECO-LABELED PRODUCTS

	2018	2017	2016
%	30.2	27.4	26.4

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

CONTRIBUTING TO CLEANER INDOOR AIR DEVELOPMENT

People spend about 90% of their time indoors, at home, at school, at work and in public places. Indoor air quality is extremely important for people's health.

In 2018, Tikkurila joined the Indoor Air Quality Ecosystem (IAQe) – an initiative to develop new solutions that improve indoor

air quality and find new solutions in the form of joint and pilot projects. The project brings together and combines expertise of research institutions, Finnish companies and other organizations; the ecosystem consists of more than 20 partners in addition to Tikkurila. Joint projects and solutions enable a new kind of service development, opening up business areas that would be inaccessible to individual actors.



MANAGEMENT APPROACH:

For Tikkurila as paint manufacturer, eco-friendliness means, among other things, that we develop and promote the use of products that have as low health and environmental impact as possible. We pay particular attention to our products' raw material choices – we are continuously looking for safer alternatives in terms of health and the environment, and almost all our consumer products are water-borne. Our high-quality, low-emission and eco-labelled products ensure better indoor air quality and lower health risks.

GRI TOPIC SPECIFIC STANDARDS:

GRI 201: Economic Performance 2016

GRI 417: Marketing and Labeling 2016

TOPIC BOUNDARY:

Internal impacts: Entire Tikkurila Group, primarily R&D, sales, marketing and technical support.

External impacts: Raw material and packaging material suppliers, customers and the retail throughout all operating countries.

BETTER RESOURCE EFFICIENCY

We drive at better resource efficiency with quality, safety and durability as high priorities. Our objective is to continuously reduce the adverse environmental impacts of our operations. We strive to improve resource efficiency, use natural resources sparingly and

reduce emissions, material loss and waste from our production. We also pay thorough attention to treatment and reuse of wastewater, and aim for high recycling and reuse rates of materials in our operations.



ENVIRONMENTAL PROTECTION AND CHEMICAL SAFETY ARE INTEGRAL IN OUR OPERATIONS

Our proactive efforts and continuous improvement actions, as well as our focus on work, process and chemical safety are aimed at preventing any potential occupational incident, exposure to danger or 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 residents. Waste, wastewater, and emissions are properly treated in accordance with local legislation, practices, and permits. We monitor the environmental safety of our processes on a continuous basis.

Safe handling of chemicals is essential for both environmental

and occupational safety. The chemical risks have been assessed and actions to prevent exposure and accidents have been taken. The sites have secondary containment to prevent possible leaks to the environment. Investments to reduce manual handling of hazardous chemicals have been made. Every Tikkurila employee working with chemicals has been trained to understand the hazard properties of chemicals, correct handling and protection measures.

Chemical safety and environmental protection related requirements are specified in the Group HSE guidelines. Compliance with the guidelines is monitored in internal HSE audits. In 2018, audits were carried out in Kazakhstan, Denmark, Moscow Russia and Finland.

MANAGEMENT APPROACH:

We work systematically for improved material efficiency of our operations by minimizing emissions and the amount of waste, increasing recycling and reuse of waste. We always aim to ensure high level of environmental protection at production sites regarding waste and waste water management, chemical safety, ground protection, among other things.

GRI TOPIC SPECIFIC STANDARDS:

GRI 301: Materials 2016

GRI 302: Energy 2016

GRI 303: Water 2016

GRI 305: Emissions 2016

GRI 306: Effluents and Waste 2016

TOPIC BOUNDARY

Internal impacts: Entire Tikkurila Group, primarily supply chain. Tikkurila has 9 production units in seven countries. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ).

External impacts: Tikkurila's operating countries, surrounding communities and the environment.

ACTIVE PARTNER IN COMMUNITIES

Tikkurila is a pioneer of high-quality, durable and safe painting, surface treatment and use of color. We are a responsible and active

partner in our communities, who conducts its business with high ethical values, legislation and Code of Conduct.

"TIKKURILA'S VALUES ARE TRUSTWORTHY, PROFESSIONAL AND INNOVATIVE."



EMPLOYEES

Our 2,700 dedicated professionals share the joy of building a vivid future through surfaces that make a difference. We want to ensure high engagement of our employees and a safe workplace. Our employees are the most important resource for the company – happy, healthy and motivated people want to develop themselves at work and will actively contribute to the company's strategy, brand and sales work. Tikkurila focuses on performance and competence management, personnel development and managerial work, as well as in maintaining the well-being and safety of its employees.

Tikkurila is going through a major transformation process - the organizational structure of the company, strategy and management processes have been renewed. In 2018, Tikkurila has put emphasis on building unified ways-of-working, clarified roles and responsibilities, clear decision-making and strong leadership, which all are crucial to help the company to improve its performance and efficiency, ensure smoother cooperation and engage employees for common goals. Furthermore, the company management, together with all employees, have started to build a common company culture and redefine the values.

SUPPORTING LEADERS IN CHANGE AND GROWING LEADERSHIP CAPABILITIES

Tikkurila wants to build an engaged and performance-driven company culture with a mindset for 'Customer First' and continuous improvement. We highlight that every Tikkurila employee has an important role in reaching the common company goals. In major change processes, engagement of employees is challenging, and thereby the role of leaders and managers is highly emphasized.

In 2018, the key focus areas in Tikkurila personnel work has been leadership and culture. To support the company leaders and boost their capabilities, Tikkurila has improved common leadership practices and introduced new tools and ways to manage and communicate with teams. In addition, a new leadership training program was launched, and some 50 key business persons will join the program during 2019. The training program focuses on strategy process and implementation, leadership and change and performance management.

PERSONNEL BY SEGMENT

At year-end, %



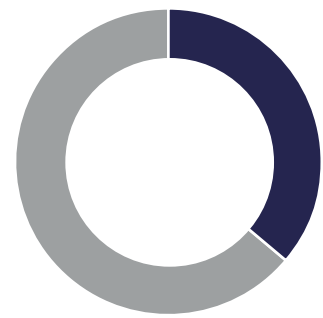
■ East 41% ■ West 59%

PERSONNEL BY PERSONNEL GROUP



■ Experts and managers 449
 ■ White collar workers 1,365
 ■ Blue collar workers 903

PERSONNEL BY GENDER



■ Female 985 ■ Male 1,732

OCCUPATIONAL HEALTH AND SAFETY

Safety of people is priority number one in our operations. In addition to building a safe culture and ways of working, the safety work at Tikkurila focuses on preventive measures, such as risk assessments, safety training, safety talks and rounds, reporting of health and safety observations and communications, as well as internal and external audits. We want to ensure a safe workplace for all Tikkurila employees. Preventive safety work affects the company's cost-effectiveness and provides ways to improve efficiency and minimize sickness absences.

During 2018, health and safety trainings, for instance with regards to fire safety and work risk assessments, were organized at all Tikkurila production sites. In addition to assessing our employees' safety behavior in their everyday work, we also address safety issues through regular personnel development discussions, safety rounds, as well as safety talks between employees and their supervisors and colleagues. Altogether, 6,686 (6,059) safety talks and rounds were held within the Group in 2018.

In 2018, Tikkurila's accident frequency rate (LTA) was 3.9 (2.0). Most of the accidents happened in Finland. Each accident has been analyzed and corrective actions defined. The most common human factors were identified and addressed by trainings. At the end of 2018, our unit in Poland had almost two years (728 days) without lost time accidents to own employees. In 2019, we will have an even stronger focus on preventive safety work. It is of utmost importance to ensure and promote a safe workplace for every

Tikkurila employee, contractor and business partner. Tikkurila has set common safety targets with the aim to reach zero accidents.

SUPPLIER MANAGEMENT

Our aim is to build long-term partnerships with our suppliers. We set high standards for the cooperation with our suppliers as well as for all purchased raw materials, other goods and services. Our aim is to ensure that all of our partners operate responsibly in accordance with our Code of Conduct and fulfill our requirements on quality, safety, environmental and social responsibility.

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. The Group agreement includes the suppliers' commitment to the principles of our Code of Conduct. Our supplier collaboration principles define our expectations with regards to quality, safety and environmental and social responsibility as well as to procurement matters from the selection and assessment of suppliers to the continuous improvement of the cooperation.

Tikkurila monitors and assesses its supplier collaboration on a regular basis through off-site evaluation and on-site auditing processes. The audits and evaluations look into the suppliers' order, delivery and production processes, quality control measures, risks, environmental and safety protocol as well as the suppliers' social responsibility.

	2018	2017	2016	2015	2014	2013
Group agreement, % of raw material and packaging material purchases	45	43	39	35	-	-
Supplier audits, number	12	2	4	12	12	5

MANAGEMENT APPROACH:

We work actively in cooperation with our stakeholders with the aim to raise the awareness about our products and surface treatment. With active dialogue, versatile training, consultation and long-term partnerships, we enhance the quality of painting, increase the use of environmentally sustainable products, and improve product and user safety.

GRI TOPIC SPECIFIC STANDARDS:

GRI 401: Employment 2016

GRI 403: Occupational Health and Safety 2016

GRI 404: Training and Education 2016

GRI 405: Diversity and Equal Opportunity

GRI 406: Non-discrimination 2016

GRI 205: Anti-corruption 2016

GRI 206: Anti-competitive Behaviour 2016

TOPIC BOUNDARY:

Internal impacts: Entire Tikkurila Group personnel. Tikkurila has 2,717 (31.12.2018) employees in 12 countries. In terms of headcount, the largest Group countries are Russia, Finland, Poland and Sweden.

External impacts: Customers, business partners, owners and investors, and society throughout all operating countries.

GENERAL DISCLOSURES

This section provides information on the General disclosures, which is not reported in the Tikkurila Annual Review 2018 or the GRI content index.

ORGANIZATIONAL PROFILE

102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS

At the end of 2018, Tikkurila Group employed 2,717 (3,037) persons in 12 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	2018	2017	2016
At year-end	2,717	3,037	3,033

PERSONNEL BY PERSONNEL GROUP BY GENDER	Female	2018 Male	Total	Female	2017 Male	Total
Experts and managers	191	258	449	191	263	454
White collar workers	595	770	1,365	639	923	1,562
Blue collar workers	199	704	903	225	796	1,021
Total	985	1,732	2,717	1,055	1,982	3,037

PERSONNEL BY EMPLOYMENT CONTRACT BY GENDER	Female	2018 Male	Total	Female	2017 Male	Total
Permanent employments	874	1,628	2,502	950	1,874	2,824
Temporary employments	111	104	215	105	108	213
Total	985	1,732	2,717	1,055	1,982	3,037

PERSONNEL BY EMPLOYMENT CONTRACT BY REGION	East	2018 West	Total
Permanent employments	1,049	1,453	2,502
Temporary employments	72	143	215
Total	1,121	1,596	2,717

PERSONNEL BY EMPLOYMENT TYPE BY GENDER	Female	2018 Male	Total	Female	2017 Male	Total
Full-time employees	957	1,712	2,669	1,014	1,961	2,975
Part-time employees	28	20	48	41	21	62
Total	985	1,732	2,717	1,055	1,982	3,037

The amount of personnel is calculated from the active total workforce on Dec. 31, 2018. The data is based on the Group HR system.

102-12 EXTERNAL INITIATIVES; 102-13 MEMBERSHIP OF ASSOCIATIONS

Tikkurila is an active participant in several EU-level and national paint industry associations, networks and business forums. 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
East Office of Finnish industries
International Chamber of Commerce
The Association of Finnish Woodworking and Furniture Industries
The Finnish Association of Construction Product Industries
Finnish Packaging Recycling 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
Indoor Air Quality Ecosystem (IAQe)
Corporate Responsibility Network FIBS
Local painter and surface treatment associations

Chemical Industry Federation of Finland's sustainable development program: Responsible Care
Sedex, Suppliers Ethical Data Exchange

Poland

Polish Association of Paints and Adhesives
Polish Chamber of Chemical Industry (PIPC)
Dębica Business Club Association
Polish Corrosion Society

DecoChrom, a multi-company cooperation project that aims to develop products for decoration based on electrochromic solutions

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)
Center for corrosion research (RISE KIMAB)
The Swedish Advertising Ombudsman
Other national paint and construction industry related associations and business networks

ETHICS AND INTEGRITY

102-16 VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR

Tikkurila always conducts its business in compliance with high ethical standards and legislation, and in accordance with the company's values and Code of Conduct. Regardless of the market area, we extensively comply with internationally recognized principles of social responsibility with 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 our business partners' compliance with these principles.

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.

Values

Values are the compass for our behavior, culture and leadership. Every Tikkurila employee brings the company's values alive in everyday work – the way we treat and cooperate with our colleagues, the mindset we show in our customer work, the engagement and passion we express to customers when boosting our products and brands, and the ambition we show when developing our business.

In 2018, as part of the company transformation process, Tikkurila initiated redefinition of the content of its values. Tikkurila's values, Trustworthy, Professional and Innovative, were defined in 2009 and they still act as good guiding principles for Tikkurila and its employees. However, to be able to use values as a foundation for developing the company culture and leadership further, we want to redefine the purpose and concrete meaning. The work to redefine the content of our values started with management workshops and will continue in early 2019 with employee workshops in the Tikkurila countries.

Code of Conduct

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

We expect every single Tikkurila employee and company representative as well as business partner to act in accordance with the requirements of the Tikkurila Code of Conduct. The Tikkurila Code of Conduct is approved by the Tikkurila Board of Directors and introduced to employees in 2009 (updated version in 2015). The Code of Conduct is available in all Group languages.

Other principles guiding our operations

In addition to Code of Conduct, our daily work and compliance of operations are steered by a variety of policies and requirements complementing legislation, such as

- Corporate Governance Code for Listed Companies,
- authorization policy,
- anti-corruption policy,
- competition law compliance policy,
- privacy policy, along with the company GDPR processes,
- risk management policy,
- HSE Guidelines,
- sourcing principles,
- disclosure policy and
- insider policy.

Read more:

- 🌐 www.tikkurilagroup.com/values
- 🌐 www.tikkurilagroup.com/code_of_conduct
- 🌐 www.tikkurilagroup.com/certificates

102-17 MECHANISMS FOR ADVICE AND CONCERNS ABOUT ETHICS

In grievance cases, employees and other stakeholders can report anonymously 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

In 2018, Tikkurila introduced a new management system, which helps Tikkurila to introduce and implement unified ways of working, clarified roles and responsibilities, clear decision-making processes and strong leadership to drive the company toward improved performance and efficiency and smoother internal cooperation. The management system includes key business processes, annual planning practices, common leadership practices, company policies, information and materials regarding our organization and leadership, among other things.

CERTIFIED OPERATIONS

Tikkurila's objective is to create independently audited and certified quality, environmental, and safety management systems for each of its production sites. At the end of 2018, seven of nine production sites have a certified quality management system (ISO 9001), six have a certified environmental management system (ISO 14001) and four have a certified health and safety management system (OHSAS 18001).

and business principles and that any violations thereof and other illegalities are reported. The link to the system is available on the company intranet and on the Tikkurila Group website.

In 2018, we received four announcements through the reporting system. Those were investigated and processed by Tikkurila's country management. On the basis of the announcements, no further measures were required.

STAKEHOLDER ENGAGEMENT

102-40 LIST OF STAKEHOLDER GROUPS;
102-42 IDENTIFYING AND SELECTING STAKEHOLDERS;
102-43 APPROACH TO STAKEHOLDER ENGAGEMENT;
102-44 KEY TOPICS AND CONCERNS RAISED

Our products and operations have wide-ranging impacts on society, the environment and many stakeholder groups. We create added value for our stakeholders by operating sustainably and profitably, developing our business, and offering them solutions for protection and decoration of surfaces. In order to succeed in our business, we need to have a true understanding of the views and expectations of our stakeholders.

Being in the driver's seat in sustainability means strong dialogue and active cooperation with many internal and external stakeholders. We regularly study the expectations of our stakeholders, organize meetings, trainings and events as well as participate actively in the work of industry associations and relevant business networks. We build partnerships with research institutions, schools and professionals with the aim to develop sustainable painting and use of colors, together. In our stakeholder cooperation, we promote openness and transparency, encourage networking and open dialogue.

KEY STAKEHOLDERS

- **Customers and those influencing purchasing decisions**

Approx. 47% of our customers are consumers, 35% professionals and 18% industrial customers.

- **Business partners**

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

- **Personnel**

2,717 (Dec. 31, 2018) employees in 12 countries.

- **Owners and investors**

Number of shareholders approx. 20,000 (Dec. 31, 2018).

CUSTOMER SATISFACTION AND BRAND AWARENESS

Customer satisfaction is systematically monitored by Tikkurila. It plays an integral part in understanding our customers as well as in improving and renewing our products and operations. The customer satisfaction of our customer groups is measured at the brand level and by each country on the basis of the feedback given by consumers, professionals, industrial customers and distribution channels. We also do research on individual products and their characteristics, and surveys relating to our marketing campaigns are mainly implemented via social media. We want to understand our

customers and the market trends to be able to offer our customer groups high-quality and suitable products and services.

In addition to customer satisfaction, we analyze the customer feedback provided via various channels, and use the results to develop our operations and products. Tikkurila receives feedback from its stakeholders through, for example, its customer service, feedback channels, websites and social media, as well as through its sales personnel. In our key markets, brand awareness surveys for both consumers and professionals were carried out in 2018, including the Baltic countries, Poland, Sweden, Finland and Russia. Also, a color material and packaging survey was conducted in most of the markets. In 2019, Tikkurila intends to carry out a global customer satisfaction and a sustainability survey, among other things. The topics of Tikkurila's surveys are, e.g. brand awareness, brand preference, shopping behavior and willingness to recommend among consumers, distribution channels, painting and renovation businesses, contractors and construction companies, designers, architects and our industrial customers.

Based on the results of the surveys carried out in 2018, we can state that Tikkurila's paint brands are well known and respected in their markets. Our customers have strong confidence in our company and products. Our brands are among the most well-known in their market areas in Finland, Estonia, Latvia, Sweden and Russia. The NPS (Net Promoter Score) measured in the B2B and B2C brand surveys was at a good level, especially among the professional customers. Positive feedback was given for our customer service and the quality of our products, among other things. We will continue tracking these different brand KPIs on a quarterly and yearly basis.

CULTURE AND DIALOGUE QUESTIONNAIRE FOR EMPLOYEES

In connection with the start of Tikkurila's new CEO in 2018, Tikkurila employees were asked to give their views and feedback in the employee culture and dialogue questionnaire. The study was launched to support the CEO in getting acquainted with Tikkurila, its business environment and culture, and to find concrete areas for development.

Every third Tikkurila employee participated in the strategy dialogue, and nearly 4,000 open comments were given. Based on the employee feedback, many internal projects and measures regarding cooperation, decision-making and leadership, as well as on project management and processes, were initiated in 2018. The key highlight from the study was that Tikkurila employees are proud of the company, its history, strong brands and high-quality of products.

In 2019, Tikkurila will renew its personnel survey process, in which also the topics of the employee culture and dialogue questionnaire will be followed up.

Read more:

🌐 www.tikkurilagroup.com/stakeholders

102-41 COLLECTIVE BARGAINING AGREEMENTS

In line with Tikkurila's Code of Conduct, every employee has the right to equal and fair employment. Tikkurila supports freedom of association of all employees and the right to collective bargaining. Tikkurila complies with local laws and the collective agreements valid in its countries of operation, and works closely with employee

representatives.

At the end of 2018, 52 (52) percent of Tikkurila's personnel was covered by a collective bargaining agreement. The number of employees covered by the collective agreements varies by country in line with the local practices.

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS BY SEGMENT, %	2018	2017	2016
West	86.2	84.4	84.0
East	3.8	12.2	12.5

102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES; 102-47 LIST OF MATERIAL TOPICS

Tikkurila's vision 'Surfaces that make a difference' and strategy create the framework for the company's sustainability development. During 2018, Tikkurila updated its sustainability agenda, including material topics, sustainability promises, Group targets and actions plans as well as sustainability governance. The material topics were identified on the basis of topics and concerns raised by our owners, management, employees, customers and other stakeholders. The topics were evaluated and prioritized with regards to the company strategy and business model as well as to the key megatrends and industry-relevant sustainability initiatives. The identified topics were defined in interviews and workshops together with management and experts from Tikkurila functions and countries. Moreover, the country-specific customer insight and market studies were analyzed.

The key topics of Tikkurila's sustainability approach are:

- Product development & innovation
- High-quality and durable sustainable solutions
- Customer experience
- Responsible company & fair employer
- Resource-efficient operations
- Stakeholder cooperation

Based on the key topics, we defined four sustainability promises. In order to realize and put the promises into action, we have updated our sustainability program 'A Colorful Tomorrow', which provides Tikkurila with a framework for responsible and sustainable business development, and takes environmental, financial and social topics into account. Our updated sustainability agenda guides our sustainability initiatives and supports business development from the sustainability point-of-view. The agenda includes concrete actions and topics to be implemented in our operations as well as new common targets for Tikkurila sustainability work.

Sustainability promises are:

- We drive our portfolio towards maximized performance with

minimum environmental impact.

- We improve and protect air quality with our products and professional services.
- We drive at better resource efficiency with quality, safety and durability on top of our minds.
- We are a responsible and active partner in our communities.

In the Sustainability report for 2018, we focus on the four sustainability customer promises.

103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY; 103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS; 103-3 EVALUATION OF THE MANAGEMENT APPROACH

SUSTAINABILITY GOVERNANCE

The CEO and Tikkurila Management Team has the overall responsibility for the company's sustainability performance within the framework agreed upon by the Board of Directors.

In 2018, we renewed the way we lead and manage our sustainability work. We want to ensure that sustainability is fully integrated into our business operations. A new Sustainability Management Team started its work at the end of 2018. The team will lead the strategic sustainability work of Tikkurila, steer development of sustainability agenda and monitor progress of company sustainability actions and targets. In the team, key functions regarding sustainability is represented, such as research and development, brand management and marketing, product management, sales, production, health, safety and environment, communications and human resources.

The management of each function is responsible for implementation, monitoring and reporting of sustainability agenda. The Communications and Sustainability team is responsible for The head of legal and Internal Audit supervises the compliance of operations and adherence to ethical standards with regards to, for example, human rights, bribery and corruption. Also, the Audit Committee of Tikkurila's Board of Directors participates in the consideration of matters relating to business ethics and compliance.

Governance and management bodies	Board of Directors, CEO, Tikkurila Management Team, Sustainability Management Team, functional (Offering, Sales, Sourcing, Operations) management teams, Internal Audit, Risk management team, HR management, Annual General Meeting
Follow-up and due diligence processes	Internal and external audits, supplier evaluations and audits, personnel survey, customer satisfaction and brand awareness surveys, whistle-blowing reporting system
Evaluation	As part of the annual strategy process, and by the Sustainability Management Team on a continuous basis

TOPIC-SPECIFIC DISCLOSURES

This section provides information on the topic-specific disclosures, which are not reported in the Tikkurila Annual Review 2018 or the GRI content index.

ECONOMIC

201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

We continuously develop our business operations, and aim to achieve profitable growth and strengthen our position on the market. In addition to the leading market position, strong brands

and comprehensive surface treatment knowhow, the key success factors in our business operations include cost-efficient and responsible sourcing, an efficient supply chain and a functioning and extensive distribution network as well as diverse services, sales and marketing.

EUR MILLION	2018	2017	2016
Direct economic value generated (I)			
Customers: Revenue	573.6	591.6	586.8
Economic value distributed (II)			
Suppliers: Operating costs	419.2	435.3	398.7
Employees: Wages and benefits	104.1	111.0	105.8
Payments to providers of capital	43.1	43.8	43.6
Payments to government: Gross taxes	7.1	7.7	14.7
Community investments	0.1	0.0	0.2
Economic value retained (I-II)	0.0	-6.2	23.7

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

205-3 CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN; 206-1 LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOR, ANTI-TRUST, AND MONOPOLY PRACTICES

Tikkurila always aims to comply with high ethical principles, legislation, company values and code of conduct, and has zero tolerance for any form of bribery or corruption, or other unethical

influence. Tikkurila has set strict common rules and guidelines on responsible business, competition compliance and anti-corruption that every Tikkurila employee is obligated to adhere.

INDICENTS OR LEGAL ACTIONS	2018
Corruption and Bribery cases	-
Legal actions for anti-competitive behavior	1

In 2018, Tikkurila encountered a suspicion of anti-competitive violation in Lithuania. Tikkurila's stand is that the company has not violated the competition compliance requirements. The investigation is in progress.

ENVIRONMENTAL

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.

MATERIALS

301-1 MATERIALS USED BY WEIGHT OR VOLUME

Tikkurila produces paints and coatings for a variety of uses. Depending on the desired properties, there are vast differences between the ingredients used. Paint typically consists of solvent (water or organic solvent), binders, pigments, fillers and additives.

Raw materials required in paint production and materials

used for packaging form a substantial part of Tikkurila's purchases. 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, customers' purchasing habits and the ease of application in end use.

RAW MATERIAL AND PACKAGING MATERIAL PURCHASES FROM DIRECT SOURCING

%	2018	2017	2016
Binders	36.5	34.6	35.7
Pigments	25.7	27.4	23.9
Packaging materials	16.1	17.4	18.2
Additives	11.7	12.1	13.2
Solvents	6.4	6.1	6.4
Others	3.6	2.3	2.6
Total	100.0	100.0	100.0

ENERGY

302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION

In paint production, energy is used for mixing, grinding and transferring of raw materials and products and running support systems and utilities. However, most of the energy goes into heating and ventilation of buildings, which is strongly connected to weather fluctuation.

Tikkurila's goal is to continuously improve the energy efficiency in its operations. Energy reduction 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.

On the Obukhovo site, a gas boiler was commissioned in 2018. This enabled switching from oil to gas.

DIRECT ENERGY CONSUMPTION	2018	2017	2016
GJ			
Fuel oil	11,762	17,153	13,826
Natural Gas	65,395	63,270	65,353
Fuel gas	3,064	2,918	2,873
Diesel Oil	768	894	825
Total non-renewable fuels	80,989	84,234	82,878
Renewable energy sources	47	24	39
Total direct energy consumption	81,036	84,258	82,917

INDIRECT ENERGY CONSUMPTION	2018	2017	2016
GJ			
Electricity	120,259	130,377	129,211
District heat	79,918	78,300	76,324
Cooling	0	0	0
Steam	0	0	0
Total indirect energy consumption	200,177	208,677	205,535

ENERGY SOLD	2018	2017	2016
GJ			
Electricity	8,292	9,551	9,248
Heating	4,204	3,154	3,409
Cooling	0	0	0
Steam	0	0	0
Total energy sold	12,496	12,705	12,657

TOTAL ENERGY CONSUMPTION ON TIKKURILA SITES	2018	2017	2016
GJ			
	268,716	280,230	275,797

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

WATER

303-1 WATER WITHDRAWAL BY SOURCE

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 to reduce the amount of washing water needed.

Good planning of production reduces the need of washings between batches. Also, some washing water is reused in production, taking into consideration the product quality requirements. Process cooling water systems are closed.

TOTAL WATER WITHDRAWAL BY SOURCE	2018	2017	2016
1,000 m ³			
Surface water	0	0	0
Ground water	5	8	3
Rainwater	0	0	0
Waste water from other organizations	0	0	0
Municipal source	154	151	147
Total	159	159	150

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

EMISSIONS

305-1 DIRECT (SCOPE 1) GHG EMISSIONS; 305-2 ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS

The most significant direct greenhouse gas 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 gases and by burning the volatile organic compounds. The indirect GHG emissions are generated by the purchased electricity and district heating consumed by Tikkurila sites.

DIRECT CO₂ EMISSIONS	2018	2017	2016
tn CO ₂	4,782	5,201	4,786
INDIRECT CO₂ EMISSIONS			2018
tn CO ₂			
Location-based			23,344
Market-based			19,478

The direct CO₂ emissions are calculated from the consumption of fuel oil, natural gas, fuel gas and diesel oil. Both local and the IPCC conversion rates have been used to calculate the direct CO₂ emissions. The location-based indirect CO₂ emissions are calculated using country specific conversion rates (Ecometrica 8/31/2018). The market-based indirect CO₂ emissions are calculated using supplier specific conversion rates for Nykvarn, Tallinn and Vantaa and country specific for remaining sites. No other greenhouse gases were included in the calculations.

305-7 OTHER SIGNIFICANT AIR EMISSIONS

SOLVENT EMISSIONS INTO THE AIR

During production, volatile organic compounds (VOC), contained in the raw materials are released into the air. VOC emissions 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. In the EU, the maximum VOC emissions from

production and the limit values for 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 has throughout the years been moving from solvent-borne products water-borne products. In 2018, the share of water-borne products in production was 75.2 (75.0) percent.

VOC EMISSIONS IN PRODUCTION

	2018	2017	2016
tn	91	112	116

VOC emission calculations are based on local methods.

EFFLUENTS AND WASTE**306-1 WATER DISCHARGE BY DESTINATION**

The source of industrial waste water is washing of equipment in production. The site in Poland has both chemical and biological

treatment, after which the water goes to the local environment. The other sites have either external treatment or a combination of own pre-treatment and external treatment.

INDUSTRIAL WASTE WATER DISCHARGES

	2018
1,000m ³	
To municipal or other external treatment	14
Through own treatment to local environment	4
Without treatment to local environment	0
Total	17.5

306-2 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 process technology, efficient processes, and recycling. By using our raw materials efficiently, we can minimize the amount of waste we generate. Raw material waste results from washing the production and filling machines, residue left in raw material packaging, any non-marketable and expired raw

materials and products, as well as raw material dust and solvent fumes led to processing of the exhaust air, or exhausted otherwise.

Whenever possible, we recycle 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

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

NON-HAZARDOUS WASTE

	2018	2017	2016
tn			
Reuse	591	639	549
Recycling	2,185	2,021	1,911
Composting	23	26	16
Energy recovery	401	431	379
Incineration	31	9	38
Landfill	281	330	243
Other	234	327	244
Total	3,746	3,784	3,380

The disposal method is determined by information provided by the supplier. Some waste category changes took place last year.

306-3 SIGNIFICANT SPILLS

Significant spills refer to a release of a hazardous chemical to the environment or to the municipal sewer system.

	2018
Spills	-

SOCIAL

EMPLOYMENT

401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

At the end of 2018, Tikkurila employed 2,717 (3,037) people in 12 countries. In 2018, Tikkurila Group recruited 251 (299) new employees, and 507 (346) persons left the company. The number of personnel decreased due to the closings or divestments of production units and following the cooperation negotiations held in Finland and Sweden.

Organizational changes, implemented in 2018, are described in the Board of Directors' Review in the Financial Statements.

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

TOTAL NUMBER OF NEW EMPLOYEE HIRES	2018	Rate of new employee hires	2017	Rate of new employee hires
East	155	13.8	203	14.9
West	96	6.0	96	5.7
Total	251	9.2	299	9.8
Female	82	8.3	80	7.6
Male	169	9.8	219	11.0
Total	251	9.2	299	9.8
<31 years	114	20.8	146	23.3
31–50 years	120	7.6	141	8.1
>50 years	17	2.9	12	1.8
Total	251	9.2	299	9.8

The amount of new employee hires is calculated from the active total workforce on December 31, 2018. Calculation of new employee rate: (number of employee hires / total workforce per category) *100. Seasonal employees are not included in the data.

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

TOTAL NUMBER OF LEAVERS AND EMPLOYEE TURNOVER	2018	Turnover	2017	Turnover
East	287	25.6	208	15.2
West	220	13.8	138	8.3
Total	507	18.7	346	11.4
Female	161	16.3	118	11.2
Male	346	20.0	228	11.5
Total	507	18.7	346	11.4
<31 years	114	20.8	95	15.2
31–50 years	265	16.7	178	10.3
>50 years	128	22.0	73	10.8
Total	507	18.7	346	11.4

The total number of leavers is calculated from the active total workforce on December 31, 2018. Employee turnover calculation: (number of leavers / total workforce per category) *100. Seasonal employees are not included in the data.

OCCUPATIONAL HEALTH AND SAFETY

403-2 TYPES OF INJURY RATE

LOST TIME ACCIDENTS (LTA)	2018	2017	2016
Per million working hours	3.9	2.0	2.7
Fatalities	-	-	-
TIKKURILA INDICATOR	2018	2017	2016
Preventive safety practices: Number of safety talks and rounds	6,686	6,059	6,701

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

404-3 PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

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

achievement of the company's strategic goals.

Based on an employee questionnaire, carried out in 2018, 66.5 percent of the white-collar employees reported having had a target setting and performance management discussion with their manager. In total, 35 percent of Tikkurila white-collars responded to the questionnaire.

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

Tikkurila will renew its personnel survey process in 2019. The measurement of quantity and quality of the development discussions will be embedded in the personnel survey.

DIVERSITY AND EQUAL OPPORTUNITY

405-1 DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

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

	2018		2017		2016	
	Female, %	Male, %	Female, %	Male, %	Female, %	Male, %
BOARD OF DIRECTORS						
<31 years	-	-	-	-	-	-
31-50 years	-	-	-	-	17	-
>50 years	43	57	50	50	33	50

	2018		2017		2016	
	Female, %	Male, %	Female, %	Male, %	Female, %	Male, %
MANAGEMENT BOARD						
<31 years	-	-	-	-	-	-
31-50 years	17	50	40	60	-	60
>50 years	33	-	-	-	-	40

REALIZATION OF DIVERSITY PRINCIPLES OF THE BOARD OF DIRECTORS

When designing the composition of the Board of Directors, Tikkurila's Nomination Board assesses the composition from the viewpoint of the company's current and future business needs, while taking into account the diversity of the Board. Tikkurila's aim is that the Board of Directors represents expertise in different industries and markets, diverse professional and educational backgrounds, diverse age distribution and both genders. Concerning gender diversity,

the objective is that at least two members from each gender are represented on the Board.

The current composition of the Tikkurila Board of Directors fulfills the expertise areas, experience and gender ratio defined in the diversity principles. The members of the Board of Directors have wide-ranging know-how regarding the Tikkurila field of operation and relevant markets, including diverse experience in accounting and finance and retail business.

	2018	2017	2016
PERSONNEL AGE AND GENDER BREAKDOWN	%	%	%
Female	36.3	34.7	35.3
Male	63.7	65.3	64.7
<31 years	20.1	20.6	21.0
31–50 years	58.4	57.1	56.6
>50 years	21.4	22.2	22.4
	2018	2017	2016
Average age of personnel	40.8	41.4	40.8

NON-DISCRIMINATION

406-1 INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN

Throughout its operations, Tikkurila adheres to applicable laws and regulations and complies with company values, code of conduct and internationally recognized high social and ethical standards,

regarding such as a working conditions, discrimination and child labor. Tikkurila does not tolerate any form of discrimination.

	2018
Incidents of discrimination	-

MARKETING AND LABELING

417-1 REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION

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 our 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. The safety data sheets are publicly available on Tikkurila websites.

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 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.

417-2 INCIDENTS OF NON-COMPLIANCE CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELING

Customer health and safety	2018
Incidents of non-compliance with regulations resulting in a fine or penalty	1
Incidents of non-compliance with regulations resulting in a warning	-
Incidents of non-compliance with voluntary codes	-

In 2018, due to the tightened national VOC limit values in one territory in China, one Tikkurila product exceeded the values and Tikkurila was given sanctions. As corrective actions, the products

were withdrawn from the market, the risk management processes improved and the product formula modified to meet the new requirements.

GRI CONTENT INDEX

GRI STANDARDS

DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE	COMMENTS	OMISSIONS
GRI 102: GENERAL DISCLOSURES 2016				
1. Organizational profile				
102-1	Name of the organization		Tikkurila Oyj	
102-2	Activities, brands, products, and services	FS5 Tikkurila in Brief		
102-3	Location of headquarters		Kuninkaalantie 1, 01300 Vantaa, Finland	
102-4	Location of operations	FS5 Tikkurila in Brief		
102-5	Ownership and legal form	FS117 Shares and shareholders		
102-6	Markets served	FS5 Tikkurila in Brief		
102-7	Scale of the organization	FS5 Tikkurila in Brief		
102-8	Information on employees and other workers	CR16		The amount of employees is calculated from the active total workforce on Dec. 31, 2018
102-9	Supply chain	CR14		
102-10	Significant changes to the organization and its supply chain	FS96 Changes in Group structure FS16 Board of Directors' Review		
102-11	Precautionary Principle or approach	FS16		
102-12	External initiatives	CR17		
102-13	Membership of associations	CR17		
2. Strategy				
102-14	Statement from senior decision-maker	FS12 CEO Review		
3. Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	CR17		
102-17	Mechanisms for advice and concerns about ethics	CR18		
4. Governance				
102-18	Governance structure	FS124		
5. Stakeholder engagement				
102-40	List of stakeholder groups	CR19 www.tikkurilagroup.com/stakeholders		
102-41	Collective bargaining agreements	CR20		
102-42	Identifying and selecting stakeholders	CR19 www.tikkurilagroup.com/stakeholders		
102-43	Approach to stakeholder engagement	CR19 www.tikkurilagroup.com/stakeholders		
102-44	Key topics and concerns raised	CR19 www.tikkurilagroup.com/stakeholders		

6. Reporting practice

102-45	Entities included in the consolidated financial statements	CR32, FS95	
102-46	Defining report content and topic Boundaries	CR20	
102-47	List of material topics	CR20	
102-48	Restatements of information	CR30	Restatements are reported in connection with the changed information
102-49	Changes in reporting	CR30	No changes in reporting
102-50	Reporting period	CR32	Jan. 1-Dec. 31, 2018
102-51	Date of most recent report		Mar 2, 2018
102-52	Reporting cycle	CR32 Reporting principles	Annual
102-53	Contact point for questions regarding the report	www.tikkurilagroup.com/ sustainability	
102-54	Claims of reporting in accordance with the GRI Standards	CR32	
102-55	GRI content index	CR29-CR31	
102-56	External assurance	CR32 Reporting principles CR33 Independent Practitioner's Assurance report	

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its Boundary	CR20	
103-2	The management approach and its components	CR20	
103-3	Evaluation of the management approach	CR20	

GRI 200: ECONOMIC TOPICS**GRI 201: Economic Performance 2016**

201-1	Direct economic value generated and distributed	CR20	Information by region is not seen as material.
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GRI 205: Anti-corruption 2016

205-3	Confirmed incidents of corruption and actions taken	CR21	
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GRI 206: Anti-competitive Behaviour 2016

206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	CR21	
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GRI 300: ENVIRONMENTAL TOPICS**GRI 301: Materials 2016**

301-1	Materials used by weight or volume	CR22	Raw material and packaging material purchases.	Tikkurila does not report raw materials by weight for competitive reasons.
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GRI 302: Energy 2016

302-1	Energy consumption within the organization	CR22	
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GRI 303: Water 2016

303-1	Water withdrawal by source	CR23	
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GRI 305: Emissions 2016

305-1	Direct (Scope 1) GHG emissions	CR23	
305-2	Energy indirect (Scope 2) GHG emissions	CR23	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	CR23	

GRI 306: Effluents and Waste 2016

306-1	Water discharge by quality and destination	CR24	Quality of water not available.
306-2	Waste by type and disposal method	CR24	
306-3	Significant spills	CR24	

GRI 400: SOCIAL TOPICS**GRI 401: Employment 2016**

401-1	New employee hires and employee turnover	CR25	
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GRI 403: Occupational Health and Safety 2016

403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	CR14 CR26	The safety data is reported regarding own employees, and is not available by region nor by gender. Tikkurila does not report the rates of occupational diseases, lost days nor absenteeism.
	Tikkurila indicator: Number of safety talks and rounds	CR14 CR26 (safety talks)	

GRI 404: Training and Education 2016

404-3	Percentage of employees receiving regular performance and career development reviews	CR26	Results based on the employee questionnaire in 2018.	The 2018 data has not been reported by gender.
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GRI 405: Diversity and Equal Opportunity 2016

405-1	Diversity of governance bodies and employees	CR26-CR27		The amount of employees is calculated from the active total workforce on Dec. 31, 2018. The personnel age and gender breakdown is not available by employee groups.
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GRI 406: Non-discrimination 2016

406-1	Incidents of discrimination and corrective actions taken	CR27	
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GRI 417: Marketing and Labeling 2016

417-1	Requirements for product and service information and labeling	CR27	No group-level data available.
417-2	Incidents of non-compliance concerning product and service information and labeling	CR28	

Sustainable solutions

	Tikkurila indicator: Sales of sustainable solutions, %	CR9	
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Supplier management

	Tikkurila indicator: Group agreement, % of raw material and packaging material purchases	CR14	
	Tikkurila indicator: Supplier audits, number	CR14	

REPORTING PRINCIPLES

Tikkurila reports the progress in its sustainability matters in its Annual Review. Tikkurila GRI report for 2018 describes key matters of sustainability in terms of Tikkurila's operations and outlines the progress in the different areas of sustainability and corporate responsibility. The report is published in Finnish and English on the Group's website (www.tikkurilagroup.com).

The 2018 report references the GRI Standards. An independent third party, PricewaterhouseCoopers Oy, has provided assurance on selected economic, social and environmental performance disclosures in the report. Tikkurila publishes its Tikkurila GRI report annually. The next report will be published at the beginning of 2020.

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 structure. 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. The environmental key figures of the report cover production units and the largest distribution centers. Figures for subcontractors have not been reported.

- The production units in Sary Oskol, Russia, and Ansbach, Germany, were discontinued in 2018. Both sites are included in the 2018 sustainability figures.
- Tikkurila will close down its production unit in Lunderskov, Denmark, during 2019. The site is included in the 2018 sustainability figures.
- Tikkurila sold its Serbian and Macedonian business operations to the local management, and the companies were part of the Tikkurila Group until January 31, 2018. Both subsidiaries are included in the 2017 sustainability figures.
- The distribution center in Utkina Zavod reports only figures regarding waste.

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 based on the the personnel and employment information is available in the Group HR system

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.

Other information

The information related to customer satisfaction is based on the customer satisfaction and brand awareness surveys carried out in Tikkurila's organizations.

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

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 2018, disclosed in Tikkurila Oyj's report "Tikkurila GRI 2018". In terms of the Company's GRI Standards reporting and GRI Standards Content Index, the scope of the assurance has covered economic, social and environmental sustainability disclosures listed within the Topic-Specific Disclosures as well as General Disclosures 102-8 and 102-41 (hereinafter Corporate Responsibility Information).

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 GRI Sustainability Reporting Standards 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 Vantaa, Finland.
- Interviewing employees responsible for collecting and reporting the Corporate Responsibility Information at the Group level and at the site level where our site visit was 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 2018 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, 28 February 2019

PricewaterhouseCoopers Oy

Sirpa Juutinen
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Sustainability & Climate Change

Jussi Nokkala
Director
Sustainability & Climate Change

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Responsibility online

🌐 www.tikkurilagroup.com/sustainability

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

Tikkurila Communications

Environmental responsibility:

Sirpa Möller, HSE Manager

Product safety:

Anu Passinen, RDI Manager, Product Safety

Financial responsibility:

Jukka Havia, CFO

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