



TIKKURILA

# Sustainability at Tikkurila in 2021



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# Sustainable beauty and longer life

**Tikkurila is the leading paint professional in the Nordic countries and is known for its high-quality surface-treatment products and expert services. We offer consumers, professionals, and the industry paint and coating products and systems for interior and exterior surfaces. Our product and service range covers colours and tinting, painting instructions, advisory and training services.**

With decades of experience, we offer products and services that provide our customers with sustainable quality over time and for any weather. We want to provide the best customer and user experience on the market.

In 2021, we continued pursuing our sustainability goals through the A Colourful Tomorrow sustainability program. The program is part of our company's strategy and implementation roadmap. Sustainability is an integral part of our everyday management and work ethic.

We develop our products and services to reduce their negative environmental impact. Occupational health and safety and ethical sourcing are also crucial aspects of our sustainability.

We are satisfied with the progress of our sustainability initiatives over the last year. We achieved most of our goals and significantly exceeded the target in some respects, but we also missed some targets.

We are particularly pleased that Tikkurila has achieved the Eco-Vadis Gold rating. Only 5% of all companies and 4% of companies in the paint industry earn the gold rating. We have also implemented a dedicated software for Environmental Product Declarations (EPD), and 27 Tikkurila products now have a verified declaration. More EPDs will be released during 2022.

In June, Tikkurila became part of PPG. As part of an American paints and coatings company that operates globally, we have even better opportunities for sustainability and that work will continue in 2022.

*The figures for 2021 have been reported in accordance with the corporate structure in force before the acquisition. Therefore, the figures are comparable to Tikkurila's 2020 Sustainability Report.*

## Tikkurila at a glance

- **Turns 160 years in 2022, established in 1862**
- **Approximately 2,400 dedicated professionals**
- **7 production facilities in 6 countries**
- **Products available in more than 40 countries**
- **89.5% of decorative paints sold are waterborne**
- **350+ eco-labelled products**
- **Part of PPG as of June 2021**



# "A Colourful Tomorrow" program guides our sustainability work

"A Colourful Tomorrow" is the company's Sustainability program, through which we develop our sustainability efforts in a strategic manner. It defines the promises and goals of our sustainability in three key areas: sourcing, production, and products.

The program guides our sustainability projects and supports the development of our business from a sustainability perspective. We evaluate the progress of the sustainability program by measuring our targets using KPIs.

The goals are also linked to the UN's Sustainable Development Goals, to which we are committed.

## Externally certified management systems in Tikkurila:

- ISO 14001 for environmental management
- ISO 45001 for occupational health and safety management
- ISO 9001 for quality management

## The UN's Sustainable Development Goals








We are committed to the UN's Sustainable Development Goals, from which we have selected the following four focus areas as the central goals for Tikkurila's operations:

- Decent work and economic growth
- Sustainable cities and communities
- Responsible consumption and production
- Climate action



# Sustainable sourcing

## SOURCING SUSTAINABILITY – TARGETS AND PERFORMANCE

		Performance (and target) in 2021	Performance in 2020	Short-term target	SDG
<b>Sustainable supply chain</b> All of our core suppliers are evaluated against stringent sustainability/CSR criteria	Total direct spend covered by sustainability/CSR assessment	83% (Target 80%)	63%	85%	
	Group Sustainable Procurement EcoVadis score	60/100 (Target min 60 pts)	50/100	65/100	
<b>Climate change mitigation</b> Greening our energy supply. We drive towards renewable electricity and heating	Reduction in scope 1 & 2 (CO <sub>2</sub> MB) emissions	-19% (Target -20%)	18,300	-20%	
	Sweden and Finland shift to renewable secondary energy (electricity & heat €-spend)	100% (Target 100%)	30.5%	100%	
<b>Recycled packaging materials</b> We want to continuously increase the share of recycled materials in primary and secondary packaging we use	Primary packaging material recycled content	33% (Target 30%)	13.2%	35%	
	Primary plastic packaging recycled content	3% (Target 25%)	0.3%	15%	
	Primary metal packaging recycled content	58% (Target 33%)	23%	58%	

In 2021, Tikkurila achieved the EcoVadis Gold rating. Only 5% of all companies and 4% of the companies in the paint industry earn the gold rating.

Tikkurila's sourcing aims to ensure that purchased materials and services are high-quality, cost-effective, and sourced from responsible suppliers.

In sourcing, the main targets focus on sustainable supply chain, climate change mitigation, and recycled packaging materials. Most targets set for sustainable sourcing were achieved during the year.

Raw materials, energy, water, and various services are essential production factors for Tikkurila. Direct materials, which accounted

for about 71% of purchases during 2021, are fillers, binders, pigments, solvents, additives, and packaging materials, mainly metal, plastic, and cardboard.

### SUSTAINABLE SUPPLY CHAIN

We request all existing and potential suppliers to disclose their corporate social responsibility (CSR) performance through the EcoVadis portal. The scoring provided by the EcoVadis evaluation impacts our choice of suppliers. In 2021, 83% of total direct spend

was sourced from CSR assessed suppliers – the improvement being as much as 20 percentage points compared to the previous year.

In autumn, we achieved the EcoVadis Gold rating. Only 5% of all companies and 4% of the companies in the paint industry earn the gold rating.

## RECYCLED MATERIALS IN PACKAGING

Tikkurila uses plastic and metal for the primary packaging of our products.

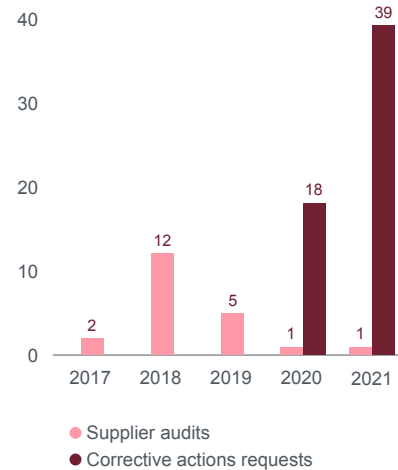
The cost of metal packaging is higher – but metals have a high recycling rate in the EU. They can be recycled without compromising their quality. On the other hand, plastic packaging is typically lighter, contributing to lower transport emissions per product unit.

We aim to reduce the environmental impact of packaging, for example, by using more recycled plastic as a raw material in packaging. We are also currently evaluating the possibilities of making packaging from alternative materials, such as renewable materials, including biocomposites.

The share of recycled content in primary metal packaging in 2021 significantly exceeded the targets. The use of recycled content in primary plastic packaging started slowly but improved clearly at the end of the year. We achieved good recycled material concentrations in plastic packaging during the fourth quarter, although we were far behind in our full-year target.

**We require our suppliers and partners to operate following our House Rules and comply with the Supplier Code of Conduct principles.**

## NUMBER OF ON-SITE SUPPLIER AUDITS



*Due to Covid-19 restrictions, the number of supplier audits has been low in 2020 and 2021.*








*Tikkurila monitors its suppliers through internal evaluation and audit processes. We make CSR-related corrective action requests towards our suppliers based on the identified issues in the suppliers' performance assessments.*



# Sustainable operations

## OPERATIONS SUSTAINABILITY – TARGETS AND PERFORMANCE

■ Achieved ■ Close to target ■ Not achieved

		Performance (and target) in 2021	Performance in 2020	Short-term target	SDG
<b>Waste</b> (Baseline YE 2019. YE 2021 performance data covering all main sites in FIN, SWE, POL, RUS and EST) Reduce waste produced with zero waste sent for landfill	Production related waste output	34.7 kg/kL (Target -8%)	36 kg/kL	Target 2022 34 kg/kL	
	Production waste recovery percentage	96.9% (Target 96%)	93%	Target 2022 97%	
<b>Saving water</b> (Baseline YE 2019. YE 2021 performance data covering all main sites in FIN, SWE, POL, RUS and EST) We aim for reduction of both discharged wastewater and withdrawn water amount	Discharged wastewater / product output	0.057 l/l (Target -10%)	0.073 l/l	Target 2022 0.062 l/l	
	Amount of withdrawn water / product output	2021: 0.74 m3/kL (Target -4%)	0.59 m3/kL	Target 2022 0.741 m3/kL	
<b>Safe place to work</b> We aim for zero accidents, measured as Lost Time Injury Frequency (LTIF) & Total Recordable Injury Frequency (TIRF)	LTIF for own personnel	4.5 (Target <3.5)	4.1	Target 2022 <3.5	
	TRIF for own personnel	7.6 (Target <6.5)	5.2	Target 2022 <6.5	
	Number of safety talks, tours and observations	9,583 (Target min 6,600 pcs annually)	6,613	Target 2022 min 6,500 pcs annually	

The main environmental effects of paint production relate to water and energy consumption, waste production, and emissions to air. Upholding occupational health and safety is also essential in sustainable operations.

The environmental permits for our production facilities underline our operations. We act proactively, continuously improving our operations, focusing on occupational, chemical, and fire safety to prevent potential environmental damage.

Risks related to environmental leaks are comprehensively assessed. We maintain constant monitoring, both internally and in cooperation with authorities and external auditors.

**Tikkurila has seven production facilities in six countries. Products are available in over 40 countries.**



## A SAFE PLACE TO WORK

Tikkurila employs about 2,400 professionals. We want to be a safe place to work for everyone – our employees, contractors, and partners. We always put safety first in our operations. We actively promote a culture that emphasises safety and develop risk assessment and preventive action strategies.

We work decisively to reduce accidents at work, and the goal is, of course, zero accidents. In 2021, however, we backslid in occupational safety compared to the previous year. The LTIF and TRIF figures went up and didn't meet the targets.

All accidents are analysed, and corrective actions are identified. Experiences gained from significant events are openly shared and reviewed at all production facilities.

We are happy about the increased focus that our preventive safety work received during the year.

The number of safety meetings, tours, and observations rose to as many as 9,583, compared to the target of 6,600. Every employee can report safety observations and incidents through our SafeTi recording and reporting system. We believe that the focus on identifying occupational health and safety risks will turn the health and safety performance trend going forward.

	2021	2020	2019	2018	2017
LTIF (Lost Time Injury Frequency)	4.5	4.1	3.5	3.9	2.0
TRIF (Total Recordable Injury Frequency)	7.6	5.2	5.3	5.3	
Lost Time Injuries	19	18	16	20	10
Fatalities	0	0	0	0	0
Safety observations (=safety talks, tours, and observations)	9,583	6,613	6,044	6,642	6,020

*The 2021 occupational health and safety data does not include operations discontinued and / or sold in Denmark and Russia in 2020.*





**WASTE**

Tikkurila’s production generates various types of waste: solids removed from the cleaning water in waterborne paint production, obsolete or out-of-date raw materials, discontinued products, and packaging waste.

We purposefully reduce waste so that no waste ends up in landfills. We recycle waste as accurately and responsibly as possible. In 2021, the recycling rate of production waste was 96.9%. As often as possible, we reuse surpluses in paint production processes while ensuring that it doesn’t compromise the quality of our products. For example, some of the washing water from the equipment can be utilised and reused for paint production.

**REDUCING WATER**

Water is the most significant single ingredient in Tikkurila’s products. About half of the water used goes directly into the final product.

Our goal is to reduce both the amount of used water and wastewater.

In production, water is used in final products, cooling circuits or cleaning equipment. Some of this cleaning water is also reused in manufacturing paint when it can be ensured that this will not compromise the quality and properties of the paint.

Less than 10% of water withdrawn is discharged as production wastewater. Untreated wastewater is never released into the environment but is treated either at Tikkurila’s own water treatment plant, used in Poland, or by an external party. For example, at the Vantaa factory in Finland, water is treated, and solids are removed before being transferred to a waste handler.

**ENERGY CONSUMPTION AND EMISSIONS TO AIR**

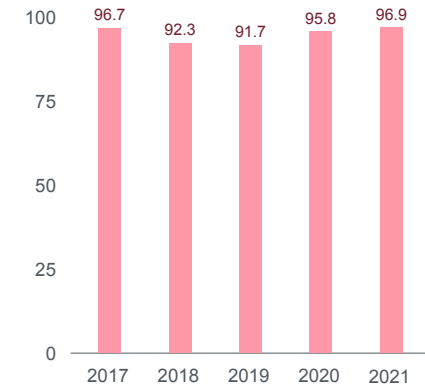
Paint production is not very energy-intensive. Energy is needed for mixing, grinding, and transferring raw materials and products, and for using support systems and tools. Much of the energy used is spent on heating and ventilating our production facilities.

We regularly monitor and evaluate our energy consumption and implement projects to optimise energy usage and reduce greenhouse gas emissions. We favour renewable energy. For example, our production facility in Sweden has been run completely on renewable energy since 2012. The production facility in Vantaa, Finland, started using renewable energy for heating and electricity in 2021.

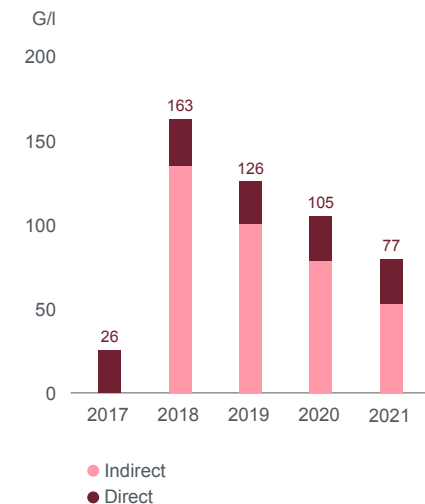
The manufacturing process of solvent-borne paints releases some volatile organic compounds (VOCs) in raw materials. We have managed to significantly reduce VOC emissions by replacing solvent-borne products with waterborne products.

At our Vantaa facility, VOC emissions are recaptured and incinerated. This increases CO<sub>2</sub> emissions but not in significant quantities.

**WASTE RECOVERY, %**
















**EMISSIONS CO<sub>2</sub>**



# Sustainable products and services

## PRODUCTS/OFFERING SUSTAINABILITY – TARGETS AND PERFORMANCE

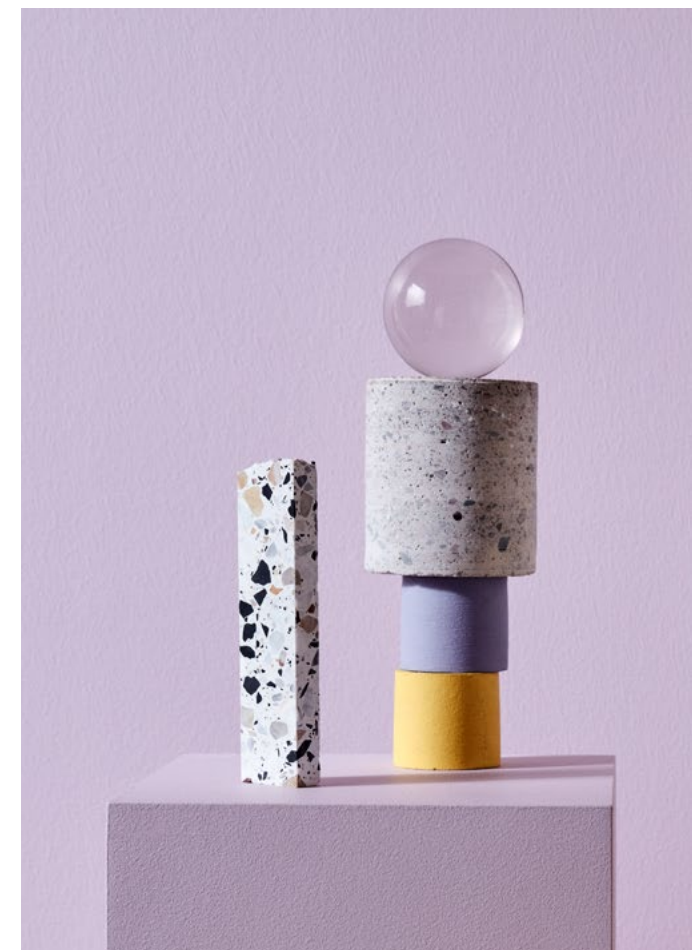
			Performance (and target) in 2021	Performance in 2020	Short-term target	SDG
<b>Sustainable product offering</b> Continuous increase of sustainable products of total products sold	Share of our total revenue comes from sustainable products		37% (Target 37%)	34%	Target 2022 41%	
<b>Eco-labelled products</b> Continuous increase in amount of eco-labelled waterborne products in sold decorative paints	Share of sales from eco-labelled waterborne decorative products		48.1% (Target 44%)	43%	Target 2022 47%	
<b>Shift towards waterborne paints</b> Continuous increase of waterborne paints sold	Waterborne decorative gross sales		84.8% (Target 84%)	83%	Target 2022 85%	
	Waterborne in decorative West		92.8% (Target 2030 99%)	86%	Target 2030 99%	
<b>The most wanted paint producer for green building</b> Continuous increase of product Life Cycle Assessment & capabilities including EPDs released	Share of products covered by EPDs		25 (Target 100 products)	2	Target 2022 175 products	 
	LCA inhouse capabilities institutionalized		Good understanding but not full literacy (Target full literacy)		Target 2022 LCA inhouse capabilities institutionalized	

Sustainability is a key part of the value promise of our products. Our paints are of high quality and offer lasting coverage for treated surfaces. Tikkurila's paints and coatings are always optimised for their intended use. The intended use determines the required properties, which determine the ingredients of the paint formula.

Products that meet our sustainability criteria accounted for 36.6% of total revenue in 2021, only slightly below target.

In addition to the sustainability features of our products, we help our customers choose the best-suited product and treatment for any condition. We want to be the most desired paint producer for green buildings. Achieving this goal still requires work.

- **We produce safe and high-quality paints and coatings for consumers, professionals, and industrial use.**
- **The product range includes interior and exterior paints, varnishes, and effect paints for indoor use and paints for wood, mineral, and metal surfaces for outdoor use.**
- **In connection to our products, we also offer many painting-related services.**
- **We have eleven brands and more than 1,500 products.**



## ECO-LABELLED PRODUCTS

When developing the eco-efficiency of our products, fact-based and scientific information is essential for decision-making. As one tool, we use eco-labels certified by third parties, such as the Nordic Swan Ecolabel and the EU Ecolabel.

Eco-labels largely define the framework for the product development process: what raw materials the paint can contain, what type of product packaging should be used, and the instructions that need to be provided to consumers.

Eco-labels make it easier to choose products responsibly. At Tikkurila, we have over 350 eco-labelled products with international or national eco-labels, allergy labels, or M1 classification.

**Tikkurila has over 350 eco-labelled products.**



## TOWARDS WATERBORNE PAINTS

Tikkurila is a pioneer in developing waterborne decorative paints. Through comprehensive and extensive product research and development over many years, we are able to use waterborne chemistry without compromising the performance results of our products.

In 2021, 89.5% of decorative paints sold were already waterborne. Calculating both decorative and industrial paints, the share of waterborne paints was 77.9%.

Our goal is that, by 2030, 99% of our decorative paints sold in Europe will be waterborne. The target applies to commercial and construction paints in Finland, Sweden, Norway, Denmark, Poland, Estonia, Latvia, and Lithuania.

Besides being environmentally friendly, waterborne paints also have a mild odour, great durability, short drying time, and good coverage. They are also easy to clean.

Due to the low emissions of waterborne paints, indoor air quality will remain better, and the risk of allergy is significantly lower since waterborne paints mainly evaporate water. The surface of waterborne paint also keeps its gloss and colour saturation for longer.

## THE MOST-WANTED PAINT PRODUCER FOR GREEN BUILDINGS

The surface protection properties of our products help to extend the service life of coated materials. By providing the best possible protection, durability, and opacity to the treated surface, we can reduce the environmental impact of a building during its life cycle.

Taking a life cycle approach when assessing the environmental performance profiles of paints and coatings entails continuously seeking to optimise the life cycle performance of a coated or painted surface. We want to develop products that neither merely result in an environmental impact shift between value chain phases nor a shift between environmental impact categories but instead contribute a net environmental benefit.

## SHARE OF WATERBORNE AND ECO-LABELLED PRODUCTS IN SALES

	2021	2020	2019	2018	2017
<b>Share of waterborne decorative paints, %</b> <i>Share of waterborne decorative paints is calculated from the sales volumes (litres) of decorative paints, industrial products are not included.</i>	89.5	87.3	86.8	85.2	82.3
<b>Share of waterborne products, %</b> <i>Share of waterborne paints is calculated from the sales volumes (litres) of total group offering, both decorative and industrial products are included.</i>	77.9	79.6	78.8	77.2	75.3
<b>Share of eco-labelled products, %</b> <i>Share of eco-labelled products is calculated from the sales volumes of waterborne, eco-labelled products that have classified for international or national eco-label, allergy or asthma label or M1 classification.</i>	46.5	32.5	32.1	30.2	27.4

Our goal is to standardise the in-house capabilities on life cycle assessment. In 2021, we gained a good understanding but not full literacy yet.

A total of 27 Tikkurila products have now received the third-party verified Environmental Product Declaration (EPD). An EPD is a voluntary, transparent, and well-established declaration to present the environmental impact of the life cycle of products or services. In 2021, we had a good start with EPDs, even though we missed the target.



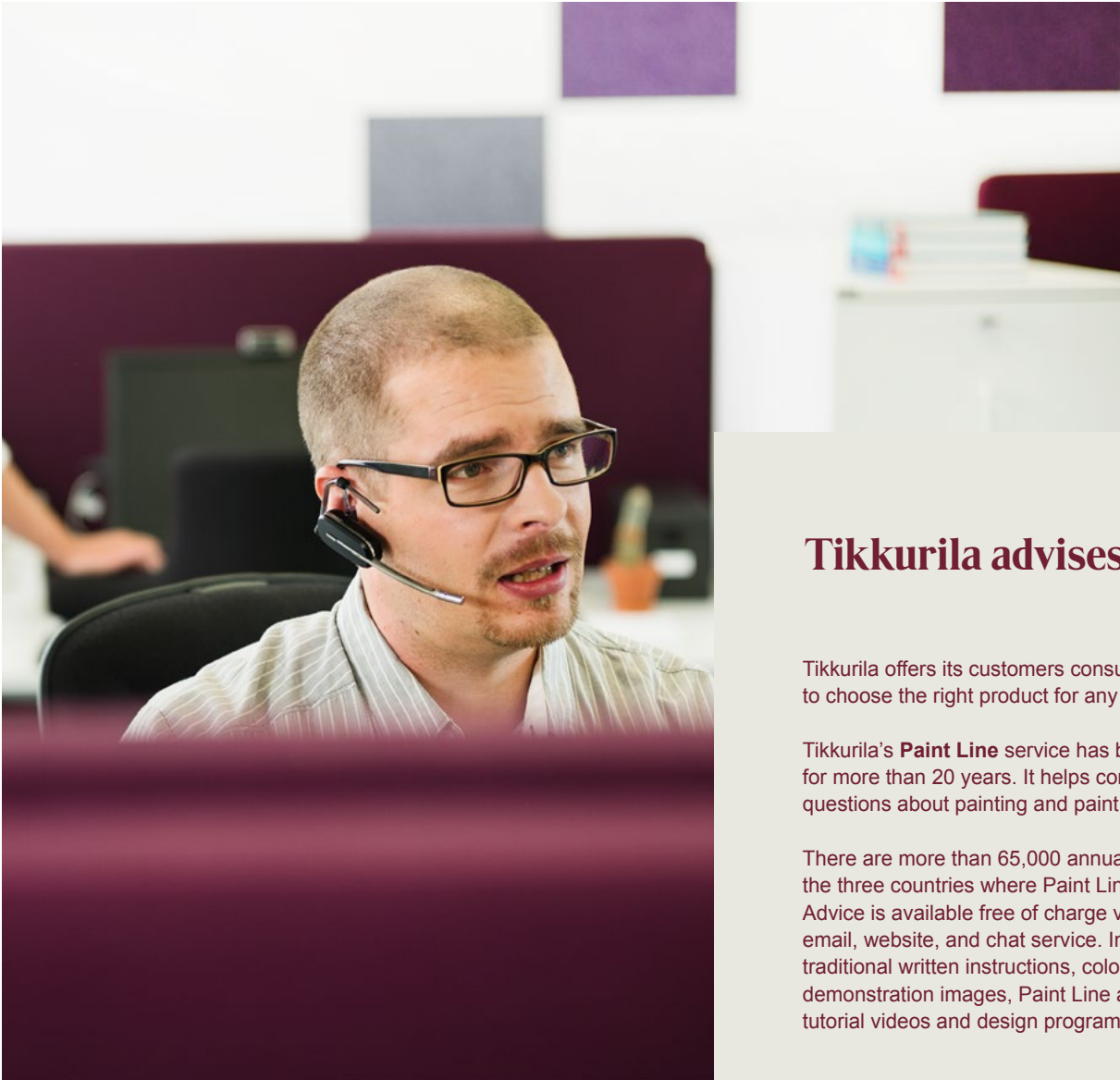
## EPDs help make sustainable choices

27 Tikkurila products now have the EPD (Environmental Product Declaration). Through the declarations, we can offer more transparent information on the environmental impact of our paints, and influence building sustainable cities and communities of tomorrow.

Tikkurila's professionals created a dedicated LCA software allowing us to dig into the raw materials' life cycle data and combine that with production data from our factories. With this data, we built a life cycle view of our products' environmental performance.

The declarations cover the impact of raw materials production, transportation, manufacturing, and end-of-life stage, excluding the stage in which the product is used.

*An EPD is a voluntary, transparent, and trusted environmental document on the environmental information on the life cycle effects of a product or service. It helps builders, contractors, and designers better understand the environmental issues of products and materials used in construction.*



## Tikkurila advises and guides

Tikkurila offers its customers consulting services to choose the right product for any surface.

Tikkurila's **Paint Line** service has been operating for more than 20 years. It helps consumers with questions about painting and paint selection.

There are more than 65,000 annual inquiries in the three countries where Paint Line operates. Advice is available free of charge via telephone, email, website, and chat service. In addition to traditional written instructions, colour charts, and demonstration images, Paint Line also offers tutorial videos and design programs.

Paint Line employees also train professionals such as sales personnel at paint shops, professional painters, and designers.

Tikkurila's website includes a **Paint Calculator** to help estimate the amount of paint needed. You will also find instructions for cleaning tools and recycling paint and packaging waste, among other things.

Easy-to-use and free software for surface design is available to designers and architects. With the help of the **Tikkurila Building Coach** software, architects can ensure that the surface treatments in their buildings comply with environmental requirements.



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