

TIKKURILA 2013

CORPORATE
GOVERNANCE STATEMENT



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Tikkurila Oyj (later referred to also as "Tikkurila" or "Group" both in relation to Tikkurila Oyj and the Group it forms) has prepared this corporate governance statement based on existing legislation and regulations. This corporate governance statement is issued separately from the Board of Directors' report, and is also available on the website www.tikkurilagroup.com, as well as is included in the 2013 Annual Report.

GENERAL PRINCIPLES AND FRAMEWORK

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

- Finnish Companies Act;
- Finnish Securities Market Act;
- Finnish Corporate Governance Code;
- Articles of Association of Tikkurila;
- standards issued by the Finnish Financial Supervision Authority;
- rules and regulations of Nasdaq OMX Helsinki Ltd.;
- Helsinki Takeover Code, issued by the Finnish Central Chamber of Commerce; and
- other legislation or regulations applicable to the Group's business.

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

As the Group's business is either directly or indirectly dependant on markets outside of the domicile of Tikkurila Oyj, relevant local (i.e. non-Finnish) laws and regulations are also taken into account in the Group's operations. Furthermore, the Group has issued a number of internal policies and guidelines where governance aspects are taken into account or instructed.

ANNUAL GENERAL MEETING OF SHAREHOLDERS (AGM)

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

- the adoption of the financial statements of the previous financial year;
- the use of profit as stated by the adopted and audited financial statements;
- the number of members on the Board of Directors;
- the election of members of the Board of Directors;
- the remuneration of the members of the Board of Directors;
- the election of the Auditor;
- the compensation to be paid to the Auditor;
- the discharging from liability of the members of the Board and the President and CEO;
- any proposals by the Board of Directors or by the shareholders or group of shareholders related to e.g. authorizations granted to the Board, share buy-backs or granting of special rights related to shares; and
- any changes in the Articles of Association.

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

web page, www.tikkurilagroup.com/corporate_governance/articles_of_association/.

The decisions of the shareholders' meeting during 2013 are presented in the 2013 Board of Directors' report, and all the meeting materials and decisions are published on the company's web page. The Annual General Meeting in 2014 will be held on March 25, 2014.

NOMINATION BOARD

Tikkurila has a Nomination Board consisting of shareholders or representatives of shareholders to prepare and present annually a proposal for the next Annual General Meeting concerning the composition and remuneration of the Board of Directors. Representatives of the three largest shareholders are elected to the Nomination Board. In addition, the Chairman of the Board of Directors of the company shall act as an expert member of the Nomination Board.

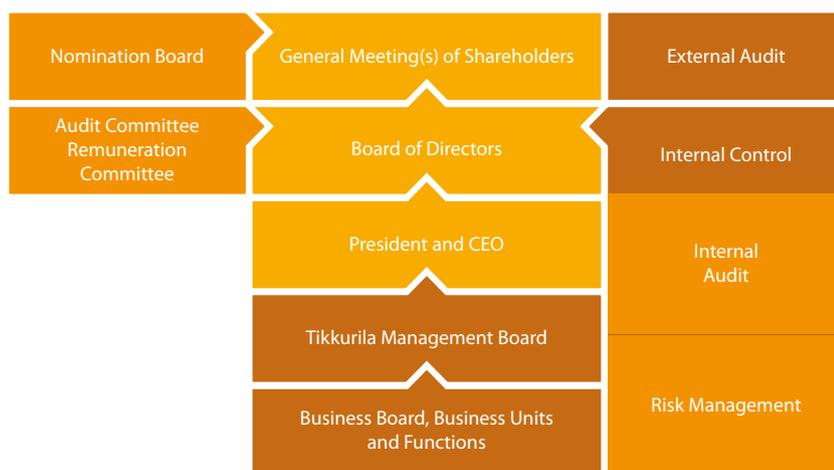
The Nomination Board was convened so that each of the company's three largest shareholders registered as shareholders in the shareholders' register maintained by Euroclear Finland Ltd were requested to appoint one member to the Nomination Board. In addition, the Chairman of the Board of Directors of Tikkurila acted as an expert member of the Nomination Board.

During 2013, the members of the Nomination Board were: Pekka Paasikivi, Chairman of the Board of Directors of Oras Invest Oy; Timo Ritakallio, Deputy CEO of Ilmarinen Mutual Pension Insurance Company; and Risto Murto, Executive Vice President of Varma Mutual Pension Insurance Company. The fourth member of the Nomination Board was Jari Paasikivi, the Chairman of the Board of Directors of Tikkurila Oyj.

During 2013, the Nomination Board met twice and the attendance rate was 100 percent.

OVERVIEW OF TIKKURILA'S GOVERNING BODIES

The following diagram summarizes the key governing bodies of Tikkurila:



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

BOARD OF DIRECTORS

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

- to approve the strategy of the Group;
- to decide on long-term financial and operational goals;
- to approve annual budgets and medium-term business plans;
- to decide on any major corporate restructuring, merger, acquisition or divestment;
- to decide on major investments as well as major expenses, commitments and internal policies;
- to decide on key funding and risk management issues and related pledges and commitments;
- to approve or confirm the appointment and remuneration of the Group management;

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

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

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

During the financial year 2013, Tikkurila Oyj's Board of Directors had seven members: Jari Paasikivi (Chairman), Petteri Walldén (Vice Chairman), Eeva Ahdekivi, Riitta Mynttinen, Pia Rudengren, Harri Kerminen and Aleksey Vlasov.

All of the Board members are independent of the company, and six members out of seven are also independent of major shareholders. Chairman of the Board, Jari Paasikivi, is the CEO of Oras Invest Oy, and hence he is not independent of the key shareholders, since Oras Invest Oy owns about 18 percent of Tikkurila Oyj's shares.

During 2013, the Board of Directors concentrated on overseeing the implementation of the Group strategy.

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

During 2013, the Board had 10 meetings, and the average attendance rate was 96 percent.

REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decided on April 2013 on the remuneration to be paid to the members of the Board. According to that decision, the Board remuneration was the following:

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

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

In addition, a meeting-specific fee was paid for the amount of:

- EUR 600 per meeting to members living in Finland; and
- EUR 1,200 per meeting to members living in other countries.

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

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

AUDIT COMMITTEE

In 2013, Eeva Ahdekivi was the Chairman of the Audit Committee and the members of the Committee were Pia Rudengren and Riitta Mynttinen.

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

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

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

During 2013, the Audit Committee met four times. The attendance rate was 100 percent. The Group's CFO Jukka Havia acted as the Secretary of the Committee, and Tikkurila's principal auditor Toni Aaltonen was present in the meetings and presented reports to Audit Committee. In addition, Tikkurila's internal auditor reported audit findings to the Audit Committee during the year.

In financial year 2013, the Audit Committee oversaw and edited the Group interim reports before Board meetings, discussed results guidance and guidelines related to it, reviewed internal and external audit reports and audit plans as well as prepared the election of Auditor, presented to the Annual General Meeting 2013. The Audit Committee also continued the work started in 2011 in relation to the assessment and management of risks. Moreover, legal compliance, risk management and follow-up on internal audit reports were emphasized.

REMUNERATION COMMITTEE

In March 2012, the Board of Directors of Tikkurila Oyj established the Remuneration Committee to discuss and propose remuneration of Tikkurila's Group management. Jari Paasikivi was the Chairman of the Remuneration Committee, and Petteri Walldén and Harri Kerminen were the members of the Committee. During 2013, the Committee met twice with all the members present at both meetings.

PRESIDENT AND CEO

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

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

TIKKURILA MANAGEMENT BOARD

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

In 2013, and also in 2012, the Tikkurila Management Board comprised of the following persons:

- Erkki Järvinen, President and CEO, Chairman
- Jukka Havia, Chief Financial Officer
- Janne Paju, Chief Commercial Officer
- Petri Miettinen, Senior Vice President, Supply Chain Management & HSEQ
- Kenneth Sundberg, Senior Vice President, RDI

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

Tikkurila has operations in multiple countries, and hence also has a large number of legal entities in various countries. The President and CEO is the decision-maker for any major decisions, which do not require the Board of Directors' resolution, and the Group or regional management teams make the operational decisions. The Boards of Di-

rectors of Tikkurila's subsidiaries do not have any independent operational or other major decision-making power, but the subsidiary boards ensure that local legal entities are managed in accordance with local laws and regulations, as well as in accordance with the Tikkurila Group's internal policies.

REMUNERATION OF THE MANAGEMENT MEMBERS REPORTING DIRECTLY TO THE PRESIDENT AND CEO

The Board of Directors decides the remuneration as well as key employment terms for all management members that directly report to the President and CEO.

REMUNERATION OF THE PRESIDENT AND CEO IN 2013

During the financial year 2013, the following gross salary expenses were recognized, on accruals basis, in the group accounting in relation to the remuneration of Erkki Järvinen, the President and CEO of Tikkurila Oyj (please see the table below).

In addition to the abovementioned items, the President and CEO Erkki Järvinen is entitled to retire at the age of 63 and has a defined contribution-based supplementary pension plan. In 2013, the cost of the supplementary pension was EUR 60,775.00 (2012: EUR 57,881.00). The pension is based on a defined contribution pension scheme. Moreover, he belongs to the share-based commitment and incentive plan, decided by the Board in 2013, for which for his part an IFRS-based expense of EUR 236,136.64 (158,607.97) was recognized in addition to the figures in the table below.

The bonus accrued to the CEO in relation to the financial year of 2013 will be paid in March 2014, and that bonus may not exceed 50 percent of his annual salary.

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

The President and CEO was a member of the 2013 management bonus scheme and the new share-based commitment and incentive plan introduced in 2012. The content of these incentive systems is described in more detail in the "Share-based Commitment and Incentive Plans 2012-2014 and 2013-2015" and "Annual Bonus Scheme".

REMUNERATION OF THE TIKKURILA MANAGEMENT BOARD IN 2013

Tikkurila Management Board members were included in the 2013 annual bonus scheme, and in the new share-based commitment and incentive plan, which was established in 2012. The content of these incentive systems is described in more detail in the "Share-based Commitment and Incentive Plan 2012-2014 and 2013-2015" and "Annual Bonus Scheme".

SHARE-BASED COMMITMENT AND INCENTIVE PLAN: PERFORMANCE PERIODS 2012-2014 AND 2013-2015

In order to commit and motivate key personnel, the Board of Directors of Tikkurila Oyj decided on a new share-based plan on February 15, 2012. This plan includes three performance periods. The Board of Directors of the company will decide on the performance criteria of the plan and their targets at the beginning of each performance period. The prerequisite for participation in the plan and receipt of reward provides that a key employee purchases Tikkurila's shares from the market in accordance with the terms and conditions of the plan.

The potential reward from the performance period 2012–2014 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt. Any key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until spring 2015 and subject to that he/her still owns the shares originally purchased at the time of reward payment. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance criteria. Rewards will be paid partially in December 2014 and partially in spring 2015. Half of compensation will be paid in company's shares and half in cash.

The potential reward from the performance period 2013–2015 is based on the Tikkurila Group's Operative Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Net Debt. Any key employee participating in the plan has the possibility to earn a reward only in case the employment or service contract continues at least up until spring 2016 and subject to that he/her still owns the shares originally purchased at the time of reward payment. The amount of rewards depends on the number of purchased shares and the fulfillment of the performance cri-

teria. Rewards will be paid in spring 2016 partly in the company's shares and partly in cash.

The target group of the share-based plan consists of ten key employees, which are members of the Group management or significant business area management. The key persons were chosen by the Board of Directors. With effect from the second quarter of 2012, Tikkurila has recorded personnel expenses into the Group income statement according to the IFRS 2 standard and according to the share purchases conducted by each of the participants.

Additional information about the share-based commitment and incentive plan, and its financial impact, is available in the note 37 included in the 2013 consolidated financial statements. For this plan, during the financial year 2013 a total of about EUR 1.1 million (2012: EUR 0.5 million) was recognized as personnel expenses in the Group income statement, and at the end of 2013 the total bookkeeping value of the plan amounted to about EUR 3.0 million (31.12.2012: EUR 2.4 million).

ANNUAL BONUS SCHEME

On December 3, 2012, the Board of Directors of Tikkurila Oyj approved the principles for the annual management bonus scheme for 2013.

Participants in the management bonus scheme are the members of the Tikkurila Management Board, employees on the management team level and functions of the business units, managing directors of the companies belonging to the Tikkurila Group as well as selected managers and experts in specific positions in companies belonging to the Tikkurila Group, altogether 103 (2012: 110) persons for 2013.

Bonus criteria consisted of the 2013 Tikkurila Group business cash flow, revenue growth and operative EBIT as well as function, region, company or team specific targets. In addition, the criteria can include individual targets. Of the total, annual Group level cash flow, revenue growth and operative EBIT targets account for an average of 70 % of the total bonus basis.

On November 6, 2013 the Board of Directors decided the criteria for annual management bonus scheme for the financial year 2014. Bonus criteria consist of the 2014 Tikkurila Group revenue growth, business cash flow and operative EBIT as well as function, region, company or team specific targets. In addition, the criteria can include individual targets.

	2013		2012	
Fixed salary	EUR 425,948.04	86%	EUR 416,138.56	64%
Fringe benefits	EUR 14,618.04	3%	EUR 14,353.00	2%
Bonuses	EUR 53,375.00	11%	EUR 220,815.60	34%
Salaries total	EUR 493,941.08	100%	EUR 651,307.16	100%

SUMMARY OF THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND TIKKURILA MANAGEMENT BOARD

REMUNERATION IN 2013, GROSS, IN EUR 1,000

accruals basis, i.e. not presented on cash basis

	persons	Fees, Tikkurila Oyj shares	Fees, cash	Total Fees
Board of Directors				
Chairman	1	22.8	42.6	65.4
Other Board members, total	6	76.8	174.0	250.8
Board of Directors, total	7	99.6	216.6	316.2

	persons	Fixed Salary	Fringe Benefits	Subtotal, Fixed Remuneration	Annual Bonus	Share-Based Remuneration*	Subtotal, Variable Remuneration	Additional Pension	Total Remuneration
Tikkurila Management Board									
President and CEO	1	425.9	14.6	440.6	53.4	236.1	289.5	60.8	790.9
Other management board members, total	4	631.0	34.8	665.9	66.9	402.4	469.3	0.0	1,135.2
Tikkurila Management Board, total	5	1,057.0	49.5	1,106.4	120.2	638.6	758.8	60.8	1,926.0

* IFRS 2 standard based annual personnel expense as recognized in 2013 Group income statement; to be paid only in December 2014/spring 2015/spring 2016, and is subject to various conditions to be met; based on the share-based commitment and incentive Plan's 2012-2014 and 2013-2015 performance periods

AUDITOR (STATUTORY AUDIT)

According to the Articles of Association of Tikkurila Oyj, Tikkurila has one ordinary auditor that shall be an auditing firm approved by the Finnish Central Chamber of Commerce. For the financial year 2013, KPMG Oy Ab was re-elected as an auditor.

The Audit Committee of the Board prepares the election process of auditors. The aggregate duration of the principal auditor cannot exceed seven years. The current principal auditor, Toni Aaltonen from KPMG Oy Ab, has started in the role of the principal auditor in 2012.

The auditor has a statutory responsibility to audit Tikkurila Oyj's accounting (based on Finnish accounting legislation), the Tikkurila Group's consolidated accounts (based on IFRS), the Board of Directors' report, financial statements with all notes, as well as the administration of the company. Tikkurila's financial year is equal to the calendar year. The auditor primarily reports via the Audit Committee but also takes part in at least one Board meeting. When the corporate governance statement is issued as a separate report, the auditor shall check that the statement has been issued and that the description of the main features of the internal control and risk management systems in relation to the financial reporting process is consistent with the financial statements.

The auditor is elected by the Annual General Meeting for one year's term of service. The auditor reports to the Board of Directors at least once a year, and participates in Audit Committee meetings.

During 2013, the Group had a total of EUR 404 thousand (2012: EUR 353 thousand) auditing-related expenses and EUR 83 (55) thousand expenses for other services provided by KPMG, the Auditor of Tikkurila Oyj. During the financial year 2013, the Group companies had additional audit services from other audit companies than KPMG for a total of EUR 92 (132) thousand, and non-audit services for EUR 47 (87) thousand.

INTERNAL CONTROL

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

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

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

The main components of internal control are:

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

Tikkurila's Values, Code of Conduct and group-level policies provide the basis for corporate governance and internal control in the company. Every employee has the right and duty to report, anonymously if needed, to the Group's Compliance Officer or Group Internal Audit any violations of the law and the Code of Conduct.

FINANCIAL REPORTING PROCESS

Every Tikkurila Group subsidiary reports on a monthly basis income statement, balance sheet, cash flow statement and future forecast in accordance with IFRS principles and based on pre-set reporting model, Group finance manual and

timetable. Moreover, each subsidiary reports additional notes to the income statement and balance sheet, as well as their off-balance sheet liabilities, at the end of each quarter. The parent company consolidates all subsidiary reports and generates consolidated and segment reporting, which is the basis for monthly reporting to the Board of Directors and to the Group management.

Subsidiaries' reporting timetable is followed on a daily basis. Local and group controllers are responsible for ensuring that reporting is timely and correct. In addition, Group's analytics center, which is independent of business units and functions, analyzes historical and forward-looking reporting e.g. between reporting entities, compared to historical development and in relation to pre-set budgets or other targets.

Group management and business unit management regularly visits the business units. The financial reporting of each Group company is one part of top management reporting, and hence under regular follow-up.

INTERNAL CONTROL ACTIVITIES DURING 2013

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

As examples of the practical implementation of internal control activities during 2013, the following issues can be highlighted:

- organizational set-up changes, started in 2012, were continued, and from the latter half of 2013 a dedicated internal control resource was nominated to carry out practical internal control activities across the Group; and
- internal governance structure has been fine-tuned by introducing so-called Area Boards to be the high-level liaison body between Tikkurila's Group management and local management

teams; moreover, a steering body was established to oversee and coordinate IT application projects; and

- special attention was paid to the practical implementation of recommendations of internal audit and external audit.

In 2012 group-wide implementation of so-called whistle blowing application was carried out. Via that internet-accessible software any employee or external partner can anonymously report any suspected violations. During 2013 a few reports were received via the application, but not significant violations were found out.

INTERNAL AUDIT

The internal audit provides independent appraisal and assurance for the review of operations within the Group in order to support the management and the Board of Directors in fulfilling their oversight responsibilities. The Audit Committee has confirmed the Internal Audit Charter for Tikkurila. The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems in the Group. The internal audit function has complete and unrestricted access to all activities of Tikkurila. Internal audit focuses on both regular business unit auditing as well as business process audits. Annual internal audit plans are based on assessment of each topic's importance and risks for the Tikkurila Group.

The internal audit function regularly reports to the Audit Committee of the Board, and the President and CEO of Tikkurila acts as the administrative superior of the internal auditor. Internal audit plans and findings are also subject to regular re-

view with the external auditors during the course of the year.

From the beginning of 2011, Tikkurila has had its own internal audit function, including an in-house internal auditor, who was, to the required extent, been helped by third-party experts to carry out the internal audit activities. Also ad hoc internal project groups, selected from among Tikkurila Group companies, have been utilized in carrying out certain internal audit tasks.

INTERNAL AUDIT ACTIVITIES DURING 2013

During 2013 the internal audit function carried out audits based on selected themes with the scope covering the key markets of Tikkurila's operations. Cross-country process-based audits were carried out in marketing activities, human resources management processes and indirect sourcing. One target was to find and implement best practices, as found out by the audits, onto all Tikkurila's subsidiaries, as well as to unify the activities and fill any gaps found. In addition, three country-specific audits were carried out and follow-up activities were carried out on the implementation status of the previous audit recommendations.

PLAN FOR INTERNAL AUDIT ACTIVITIES DURING 2014

Based on the internal audit plan confirmed by the Audit Committee, internal audit function will in 2014 focus on implementation of the last years' audit recommendations, as well as on development of IT tools for the use of management, auditees and internal auditor. The plan includes theme-based audit on access rights and informa-

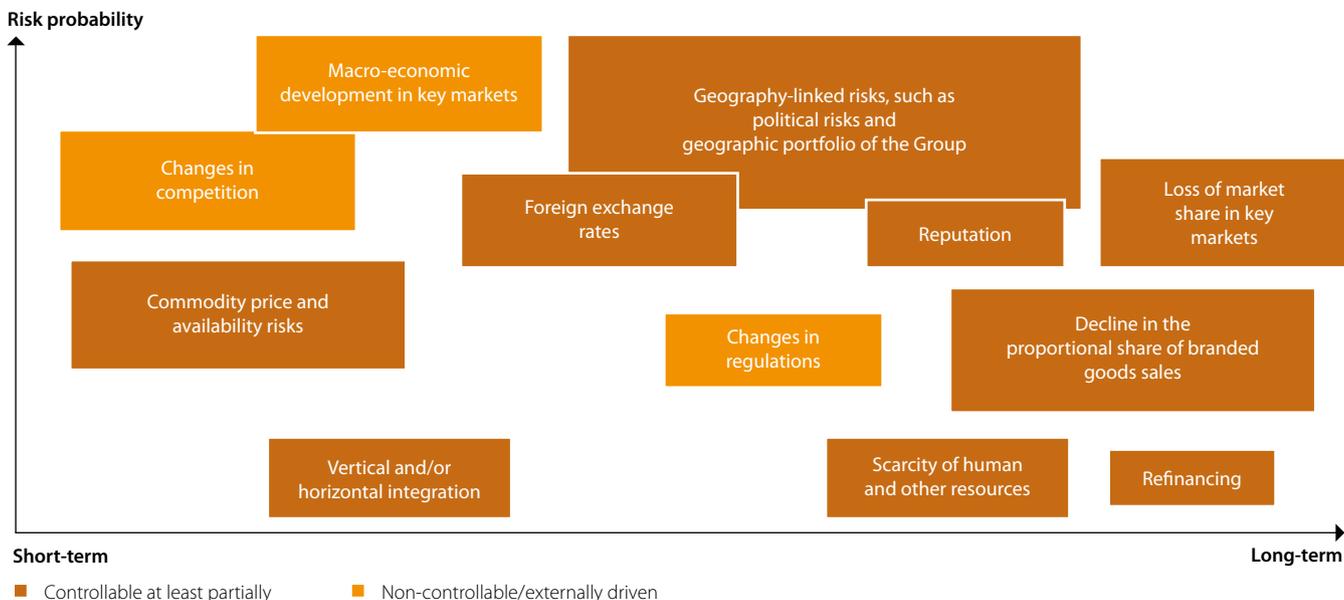
tion security, and environmental and risk management themes, which will be started during 2014. Moreover, two country-specific audits are targeted to the functions and operations relevant in these country organizations.

RISKS

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

Tikkurila has risks of various character, such as strategic risks, operational risks, financial risks and hazard risks. Risks are assessed and managed according to the type and characteristics of each risk. In Tikkurila's view the main risks are among strategic and operational risks, but all categories present risks that may have significant impact on Tikkurila's business.

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



Based on Tikkurila's internal assessment, compared to the situation at the end of 2012, the macroeconomic situation has still worsened in many key markets of Tikkurila, which has negatively impacted Tikkurila's sales volumes and which has contributed to lower consumer confidence. In addition to the general economic uncertainty and to

some extent as a consequence of the uncertainty, exchange rate risks have increased. From the latter half of 2013 many currencies relevant to Tikkurila's business have depreciated against euro, which has had and which might have in the future an adverse impact on Group revenue and profitability. Moreover, the digitalization of the society has

in general been accelerated, which can in the future affect for example Tikkurila's logistics operations or the sales channels of Tikkurila's products. In the short term raw material price risks have decreased, but at the same time raw material availability risks in certain raw material categories have increased, partially due to regulatory changes and

partially due to the raw material markets. Tightening regulatory framework has imposed extra costs and challenges also on production and distribution, as well as required extra work on e.g. product safety issues. Otherwise, beyond the risk factors described above, the key risks for Tikkurila have not materially changed compared to the situation at the end of 2012.

There is also information about relevant risks for Tikkurila in the 2013 Board of Directors' report.

RISK MANAGEMENT

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

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

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

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

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

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

RISK MANAGEMENT ACTIVITIES DURING 2013

During 2013, the Group continued to develop risk strategy and risk management processes. In general, the operational focus was to increase flexibility so that the Group can be profitable in fast changing market conditions. In addition the work

on harmonization of raw material and product portfolios continued targeting to increase operative efficiency and to decrease risks. At the beginning of the year the Company launched an anti-corruption policy. Training on code of conduct was carried out for all the personnel at the end of 2013. Risk tolerance was discussed at the Audit Committee, also from the perspective of how to quantify and report it. There were also a number of actions started or implemented in relation to information security, such as revised processes, new policies as well as the start of an identity management application at the end of the year.

PLAN FOR RISK MANAGEMENT ACTIVITIES DURING 2014

As in 2013 also for 2014 the target in 2014 is still to develop risk assessment, reporting and management, and to relevant extent take into use quantitative risk tolerance KPIs to support strategy implementation and resource allocation.

MANAGEMENT OF INSIDER ISSUES

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

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

Tikkurila Oyj complies with the Insider Guidelines issued by the Nasdaq OMX Helsinki Ltd, according to which insiders should trade in company shares at a time when the marketplace has the fullest possible information on circumstances influencing the value of the company's share. Accordingly, and based on the resolution of the Board of Directors, Tikkurila's permanent insiders may not trade company's securities during the period that starts at the end of a reporting period and lasts until the publication of the following interim report or financial statement bulletin.

SILENT PERIOD

Tikkurila observes a silent period (closed window) before it publishes financial statements and interim reports. The silent period begins when the reporting period in question ends and continues until the financial statements or interim report for the period in question has been published. During the silent period, Tikkurila's spokespersons are not available for meetings with capital market representatives and may not discuss Tikkurila's performance or market development.

GUIDANCE

Tikkurila gives guidance in the form of an official outlook statement published in interim reports, financial statements and the review of the Board of Directors. Tikkurila will provide outlook statements only for a period for which the company has a reasonable visibility. The outlook includes management's descriptive estimate on revenue

and profitability. The estimate may also include other elements. No other forward-looking statements or answers to questions concerning the future performance are given unless the company decides to update the guidance and publish a stock exchange release regarding the update. Any such updates are published without undue delay once reasonable visibility and accuracy of future prospects exist.

COMMUNICATIONS

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

Tikkurila's shares are listed on the Nasdaq OMX Helsinki stock exchange. Tikkurila will strictly adhere to all regulatory disclosure requirements for listed companies. Tikkurila complies with the Finnish Corporate Governance Code ("Corporate Governance Code") issued by the Finnish Securities Market Association. In addition, Tikkurila's internal policies, such as Corporate Responsibility and Code of Conduct, guide communication activities.

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

APPLICATION OF THE FINNISH CORPORATE GOVERNANCE CODE

The Finnish Corporate Governance Code, which came into force on October 1, 2010, has altogether 55 recommendations. The Code also has the so-called "comply or explain" principle. Tikkurila fully complies with the recommendations in the Code.

INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS

JARI PAASIKIVI

Born 1954, M.Sc. (Econ.)

CEO, Oras Invest Ltd

Member of the Board since 2008 and the Chairman of the Board since 2010

Member of the Audit Committee 2010-2012, the Chairman of the Remuneration Committee from 2012, an expert member of the Nomination Board since 2010

Independent of the company, not independent of a significant shareholder

Finnish citizen

Tikkurila shares on Dec 31, 2013: 73,594

Career history

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

Positions of trust

Jari Paasikivi has been a member of various companies' Boards of Directors. He has been a member of the Board of Directors of Kemira Oyj since 2012 and a member of the Nomination Committee since 2009. He has been the Chairman of the Board of Directors of Uponor Corporation since 2008. Paasikivi has been a member of the Board of Directors of Oras Ltd since 1982 and the Chairman of the Board since 2013. He has also been a member of the Supervisory Board of Varma Mutual Pension Insurance Company and the chairman of the Board of Directors of the Federation of Finnish Technology Industries since 2012 and a member of the Board of Directors of the Confederation of Finnish Industries (EK) since 2013.

PETTERI WALLDÉN

Born 1948, M.Sc. (Eng.)

Member of the Board since 2008 and the Vice Chairman of the Board since 2010

Member of the Remuneration Committee from 2012

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2013: 5,346

Career history

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

Positions of trust

Petteri Walldén has been a member of the Board of Directors of Staffpoint Holding Oy since 2012, a member of the Board of Directors of ONE Nordic Holding AB since 2011, a member of the Board of Directors of Comptel Corporation and of Teleste Corporation since 2009, a member of the Board of Directors of Kuusakoski Group Oy since 2007, the Chairman of the Board of Directors of Nokian Tyres plc since 2006 and a member of the Board of Directors of SE Mäkinen Logistics Ltd since 1996.

EEVA AHDEKIVI

Born 1966, M. Sc. (Econ.)

Investment Director, Solidium Oy

Member of the Board since 2009

Chairman of the Audit Committee since 2010

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2013: 4,524

Career history

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

RIITTA MYNTTINEN

Born 1960, Chemical Engineer (B.Sc.), MBA

Vice President, Minerals Technologies Europe NV

Member of the Board since 2011

Member of the Audit Committee since 2012

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2013: 2,389

Career history

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

Positions of trust

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

PIA RUDENGREN

Born 1965, M.Sc. (BA & Econ.)

Member of the Board since 2009

Member of the Audit Committee since 2010

Independent Board member

Swedish citizen

Tikkurila shares on Dec 31, 2013: 3,162

Career history

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

Positions of trust

Pia Rudengren has been a member of the Board of Directors of Kappahl AB since 2013, of Metso Oyj between 2009 and 2013, and of Valmet Oyj since the end of 2013. Rudengren has also been a member of the Board of Directors of Swedbank AB since 2009, of Social Initiative Norden AB since 2008 and the Chairman of the Board since 2011. She has also served as a Board member at Duni AB and at WeMind AB since 2007.

HARRI KERMINEN

Born 1951, M.Sc. (Eng.), MBA

Member of the Board since 2012

Member of the Remuneration Committee since 2012

Independent Board member

Finnish citizen

Tikkurila shares on Dec 31, 2013: 1,641

Career history

Harri Kerminen was the President and CEO of Kemira Oyj from 2006 until 2012. Prior to that he served as the President of the Kemira Pulp & Paper business area of Kemira Oyj in 2006–2007, the President of the Kemira Specialty business area in 2000–2006, the Managing Director of Kemira Pigments Oy in 2002–2003, the Vice President, Human Resources, Kemira Chemicals Oy in 1996–

2000, the Manager of Oulu plant of Kemira Oyj in 1994–1996, the Production Manager of Kemira Kemi AB in 1990, and as the Project Manager of Kemira Oy/Kemira Oyj in plant construction projects in Finland, Sweden, Belgium and the US, in 1989–1994.

Positions of trust

Harri Kerminen has been the Chairman of the Board of Directors of Finpro ry since 2011, and the member of the Board since 2010. He has also been the member of the Board of Directors of Finnair Oyj and of TT Foundation since 2011, and of Metgen Oy, Outokumpu Oyj, Normet Oy and Achemos Grupe since 2012.

ALEKSEY VLASOV

Born 1957, Medical Doctor

First Vice President of Geotech Holding

Member of the Board since 2012

Independent Board member

Russian citizen

Tikkurila shares on Dec 31, 2013: 1,619

Career history

Aleksey Vlasov was the Deputy General Director of JSC Gazprom (Mezhregiongaz), Moscow, in 2003–2008, and the Director of the Russian Technology Fund, St Petersburg, in 1995–2003. He was also the Founder and Marketing Director of the Association of Foreign Economic Cooperation "Nauka-Service", St Petersburg, in 1987–1995.

Positions of trust

Aleksey Vlasov has been the member of the Board of Directors of Nokian Tyres plc since 2006.

INFORMATION ON THE MEMBERS OF THE TIKKURILA MANAGEMENT BOARD

ERKKI JÄRVINEN

Born 1960, M.Sc. (Econ.)

President and CEO

Chairman of the Management Board since 2009

Finnish citizen

Joined Tikkurila in 2009

Tikkurila shares on Dec 31, 2013: 14,000

Career history

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

Positions of trust

Erkki Järvinen has been a member of the Board of Directors of YIT Oyj and of the CEPE (European Council of Paint, Printing Ink and Artists' Colours

Industry) since 2013. He has been a member of the Board of Directors of Snellman Ltd and of East Office of Finnish Industries Ltd since 2011. He has also been a member of the Board of Directors of the Association of Finnish Paint Industry, of the Chemical Industry Federation of Finland, of the Association of Finnish Advertisers, and of the Helsinki Chamber of Commerce since 2009. He has been a member of the Board of Directors of the Economic Information Office since 2007. In addition, he has been a member of the regional offices of the Confederation of Finnish Industries (EK) in Helsinki since 2011.

JUKKA HAVIA

Born 1968, M. Sc. (Econ.)
Chief Financial Officer (CFO)
Member of the Management Board since 2010
Finnish citizen
Joined Tikkurila in 2010
Tikkurila shares on Dec 31, 2013: 4,000

Career history

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

Positions of trust

Jukka Havia is a member of the finance committee of the student union of Aalto University.

JANNO PAJU

Born 1971, Degree in Economics
Chief Commercial Officer
Member of the Management Board since 2000
Estonian citizen
Joined Tikkurila in 1993
Tikkurila shares on Dec 31, 2013: 4,025

Career history

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

PETRI MIETTINEN

Born 1968, M.Sc. (Econ.)
Senior Vice President, Supply Chain Management & HSEQ
Member of the Management Board since 2007
Finnish citizen
Joined Tikkurila in 2007
Tikkurila shares on Dec 31, 2013: 4,000

Career history

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

KENNETH SUNDBERG

Born 1965, M.Sc. (Eng.), Doctor of Technology
Senior Vice President, RDI
Member of the Management Board since 2010
Finnish citizen
Joined Tikkurila in 2010
Tikkurila shares on Dec 31, 2013: 4,000

Career history

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

Positions of trust

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