

# TIKKURILA 2013

CORPORATE  
RESPONSIBILITY REPORT



4.3.2014

## Tikkurila Corporate Responsibility Report 2013

### Our products have helped customers protect and decorate various surfaces and spaces for over 150 years

Tikkurila provides its customers with sustainable beauty – high-quality, user-friendly and environmentally sustainable solutions for surface protection and decoration. We develop and manufacture high-quality and eco-efficient solutions which create our customers added value throughout the entire product life-cycle. The key in our operations is to help our customers make sustainable choices, and to be the long-term preferred partner for our stakeholders. We take care of the environment we operate in. Tikkurila is a safe and reliable employer that promotes innovativeness and openness in all of its operations.

Responsibility is an important part of our daily business, part of our strategic business development. Tikkurila's corporate responsibility is based on economic, social, and environmental performance which is tightly linked to our values and strategy. We strive to improve our operations continuously and systematically.

The expectations of external stakeholders, changing regulations as well as global and business environment trends impact our operations considerably. Our stakeholders show an increasing interest in responsibility and environmentally sound products. We actively monitor the legislative development of our industry and meet the legal requirements regarding our operations and products. Trends affecting our business environment include, among others, the aging of the population, rise of the middle class, digitalization, increasing individualism, urbanization, and busy lifestyle. We take trends, relevant to our business operations, into consideration in the Group strategy work and development of our operations.

### Corporate responsibility themes in 2013

In accordance with our corporate responsibility program and strategic objectives, our focus in responsibility matters in 2013 was on improving the user experience of our customers and partners, developing the well-being and competencies of our personnel, improving the eco-efficiency of our operations, life-cycle thinking, as well as good governance, prudent financial management and solid long-term cash flow.



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**Well-being and competence development**

Our success is based on thriving, motivated and competent personnel, professional supervisor work, and responsible management. We want to ensure our employees' well-being by emphasizing the importance of occupational health and safety, work-life balance as well as by promoting open dialogue and cooperation in the daily work of all our professionals.

**Eco-efficiency and life-cycle thinking**

We want to be a forerunner in environmental matters and take the environment into consideration in all our operations. We monitor environmental legislation and aim to continuously minimize the environmental impact of our operations and our products.

**User experience**

Our actions are driven by the needs and wishes of customers. We aim to exceed our customers' expectations by innovating, developing and offering them high-quality and eco-efficient solutions. We enhance the experience of our customers and distributors by bringing new solutions to the market, which make buying and selling of paints, as well as painting, easier.

**Corporate Governance**

We have high ethical standards in everything we do. By following the law and regulations, as well as our strict policies and guidelines throughout the Group, we aim ensure that our daily operations properly comply with good governance and our Code of Conduct. We promote openness and transparency in our relationships with stakeholders.

During the year, the group-level corporate responsibility focus areas were deployed in the country-level strategy processes and action plans while keeping the local needs and trends in mind. As part of the continuous development of operations, several measures promoting our responsibility were carried out in various Group countries. Tikkurila's Board of Directors and the Group Management Team will monitor the progress of the measures.

In addition, we continued to develop responsibility management and processes as well as stakeholder cooperation.

**Corporate responsibility management**

The guiding principles for our corporate responsibility performance are the values, the Code of Conduct, the Corporate Responsibility program, and the HSE guidelines, which ensure a proactive way of working in the field of sustainability. In addition, we actively carry out audits focusing on the HSE perspective and develop our internal control processes, among other things.

The Group Management Board has the overall responsibility for the company's corporate responsibility performance within the framework agreed by the Board of Directors as a part of the strategy process. The management at each business unit and function is responsible for the local implementation, monitoring and reporting of sustainability issues based on the Group and local agenda.

Tikkurila's Corporate Responsibility Manager together with the Corporate Responsibility project team is responsible for the group-level sustainability performance, coordinating the activities and development actions.

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## Personnel

Our success is based on thriving, motivated and competent personnel, professional supervisor work, and responsible management. We want to ensure our employees' well-being by emphasizing the importance of occupational health and safety, work-life balance as well as by promoting open dialogue and cooperation in the daily work of all our professionals. We want to offer our personnel diverse opportunities for competence development.

In 2013, promoting personnel well-being, interaction, and cooperation continued in the HR work and focus was on reviewing the personnel survey results, as well as on planning and implementing team-specific measures to further improve personnel competence, motivation, and prerequisites for working. Several Group countries implemented various practices, projects and training programs to support supervisor work and develop supervisor competencies. In line with previous years, our safety efforts focused on preventive measures, such as training and discussions concerning safety as well as risk assessments.

## Personnel structure

At the end of 2013, Tikkurila employed 3,133 (3,223) people in 16 countries. The average number of employees in 2013 was 3,262 (3,422). 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.

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. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ) and one-third in sales, marketing and technical support.

## Personnel figures

	2013	2012	2011
Number of personnel, December 31	3,133	3,223	3,551
Average number of personnel	3,262	3,422	3,676
Personnel survey index *	426	399	-
Lost time accidents (LTA1)/million working hours	3.9	3.9	4.8
Lost working days/accident	19.5	11.5	13.8
Personnel involved in development discussions, % **	86.1	83.7	-
Temporary employments, December 31, %	7.8	5.6	6.0
Blue collar workers, %	38.9	39.9	40.9
Share of women in personnel, December 31, %	37.5	36.4	36.3
Average age of personnel, December 31	39.9	39.9	39.2

\* In 2012, a new personnel survey tool was implemented at Tikkurila. The result of the survey is an index, which describes how well the personnel potential is in use. In 2011, Tikkurila did not conduct a personnel survey but focused on renewing the survey practices.

\*\* The share of personnel involved in development discussions is defined based on the results of the personnel survey. In 2011, the Group did not conduct a personnel survey.

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## Responsible management

A responsible manager understands not only the importance of developing business operations and implementing strategy but also the significance of human resource management and interaction. How the company is managed affects people's motivation, commitment, and eagerness to participate and have an impact. We encourage our personnel to be open and innovative and to engage in dialogue. Our management understands that open dialogue with personnel is important. Management is committed to assuming an active role in developing dialogue and innovativeness.

Our operations are guided by high ethical standards and Tikkurila's Code of Conduct which defines the fundamental requirements of how we do business, in other words, our approach to professional business relations, conflicts of interest, and matters relating to the company's assets, fair competition, human rights and equality as well as safety, trust and privacy.

Tikkurila also applies the leadership principles introduced in Tikkurila in 2010 to define management quality and responsibility. These principles are built on Tikkurila's values and offer practical tips for both management and personnel concerning trustworthy, innovative and professional management.

## Equality

We adhere to the principle of equality in our company, regardless of a person's gender, race, ethnicity or nationality, age, religion, political opinion, or social status. Personnel's point of view on the implementation of equality is monitored, among other things, through the personnel survey. 87.1 (2012: 83.7) percent of the personnel survey respondents felt that all employees are treated equally or somewhat equally in our company.

## Rewarding

Performance-based salaries and compensation paid in 2013 totaled EUR 82.7 (2012: 88.0) million. We aim at internal equity and external competitiveness in the remuneration. The aim is to treat all people equally in employment and compensation matters irrespective of gender, race, ethnic or national origin, age, religious beliefs, political opinions or social status.

## Interaction in Tikkurila

Tikkurila's values are trustworthiness, innovativeness, and professionalism. Operations that are aligned with our values as well as the development of a dialogic corporate culture and cooperation promote openness, communality, and personnel commitment and help us achieve our strategic objectives.

Good dialogue benefits both personnel and customers. Through discussions and listening, we can create ideas, share knowledge, find new solutions and solve problems. With genuine, open and constructive dialogue, we are able to further develop both ourselves and our company. The dialogue helps us focus on the right topics and thus improve our performance.

We encourage people to engage in open dialogue and close cooperation with both internal and external stakeholders. To support this, we have been organizing informal discussion forums, so-called Dialogue Cafés, for various functions, and management and personnel focusing on topics important to us. They open discussion on important matters, gather ideas, draw attention to where improvement is needed and promote dialogue and cooperation.

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**Case: Dialogue Café as a tool for continuous improvement in the Supply Chain**

In the Supply Chain, open discussion and Dialogue Cafés have been introduced as part of operations – at largest production units discussion forums are systematically organized, through which the operation of Supply Chain can be developed, topical issues can be dealt with and Lean principles and operating practices, implemented in the Supply Chain, can be presented to personnel. On each occasion, certain development measures are agreed, which are then followed up.

"The Dialogue Cafés in our Supply Chain act as a tool for active dialogue among management and personnel and for continuous improvement. Together we discuss and highlight matters that are important to us – both major and minor issues, and successes and issues of concern. Already for about a year we have been systematically organizing these discussion forums at the units, and we have been able to improve many things. Personnel has been active and they have great ideas and suggestions for improvement," says **Petri Miettinen**, Senior Vice President, Supply Chain Management & HSEQ.

**Strengthening innovativeness**

Our operations are strongly influenced by both our business environment and global megatrends. In order to understand and utilize the direction of development better, we want to strengthen Tikkurila's innovativeness. In support of this, an innovation team was established in Tikkurila in 2012. The team consists of more than 20 members from different Tikkurila countries and functions who work in the team besides their own duties.

In addition to strengthening a culture of innovation and innovativeness, the team's task is to support Tikkurila's strategic development, to network and compare best practices within the Group and externally, as well as anticipate future needs and opportunities. The objective of the innovation team is to follow up on the development of the properties of paint products, new materials and forms of energy as well as to participate in creating new service concepts to facilitate the purchasing of paint and painting.

However, creating new ideas is not a task for just one function or team. It is a task for entire personnel. The development of business operations is supported by both small every day ideas and great innovations.

**Personnel competence development**

Developing personnel competence is a long-term effort. Tikkurila develops personnel competencies in a variety of ways. Development discussions are used to map individual needs and wishes of employees, whereas a personnel survey measures employees' opinions on a more general level. Based on these measures, Group countries implement various competence development practices, projects, and training programs.

**Development discussions considered useful**

According to the 2013 personnel survey, the share of personnel involved in the development discussions was 86.1 (2012: 83.7) percent. The personnel survey also measures the usefulness of development discussions. 70.6. (67.4) percent of employees who have had a development discussion considered it useful or fairly useful. Their satisfaction with the company, management, and their own contribution was clearly higher than among persons who have not had a discussion or did not consider it useful.

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The topics of the development discussion include the content, targets and results of work, the operations and targets of the team and employee as well as occupational safety and Tikkurila's values. Annual performance development discussions help to identify the current state and development needs, as well as prepare appropriate development and training measures. Regular development discussions ensure that every Tikkurila employee has an opportunity to improve the development of their work and corresponding skills in cooperation with their supervisor.

### **Supervisor – an important link between management and personnel**

There are numerous requirements placed on supervisors. While they are also employees, supervisors should be an active link between management and employees, improve the effectiveness of their own team, and actively participate in building an open and dialogic culture. Tikkurila invests in supporting supervisors and developing their competencies by means of supervisor training sessions and events, among other things.

### **Case: Developing leadership competencies of managers in Russia**

In 2013, Tikkurila started a manager training program in Russia aiming at setting common standards for management styles and methods, developing the leadership skills and introducing new ways of working, approaches and tools to make the work of supervisors and managers more streamlined and efficient. During 2013, some two-thirds of managers in Tikkurila Russia attended to the program, which continues in 2014.

### **Measuring personnel's potential**

Tikkurila's personnel survey, Tikkurila Beat, is an important leadership and development tool that measures personnel's opinions regarding competence, working prerequisites and motivation. In the 2013 personnel survey, 83.9 (2012: 86.3) percent of Tikkurila employees gave their feedback on our company, management, their own work, and the operations of their own teams. The high response rate lays a strong foundation to analyze the results and plan and implement development measures. Tikkurila Group's overall index was 426 (2012: 399), while the comparable average weighed by the number of personnel in Tikkurila's operating countries was 371.

The group-level results improved in all areas measured in the survey. According to our personnel, the management style in the company has changed to more fair and honest. During 2013, our management has actively worked for more open and transparent decision-making and work practices. Furthermore, the cooperation between personnel and management has been enhanced in numerous ways.

For the first time in 2013, Tikkurila calculated a responsible employer index based on the questions of the personnel survey. The index covered personnel's opinions on equality, operations adhering to our values, competence development and well-being as well as the meaningfulness of one's work and opportunities to have an impact. Tikkurila's responsible employer index in 2013 was 78 (2012: 76). All areas assessed in the index have either improved or remained at the previous year's level. The results indicate that employees consider Tikkurila to be a responsible employer which takes care of its personnel, their well-being and development and finds it important that personnel take responsibility for their work and have opportunities to influence it. As part of the processing of the results of the personnel survey in teams, Tikkurila aims to further improve the factors covered by the index.

In 2014, special focus will be placed on reviewing the team- and operation-specific results and implementing development measures as well as on interaction and cooperation with teams and

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colleagues. Every team Tikkurila will go through the results with their supervisor, and think together with their team what needs to be improved and developed in their team's daily activities and ways of working. The purpose is to create team-level actions which are concrete, bound in time, measurable and will have a clear effect on our performance.

**Well-being**

Thriving personnel are a prerequisite of a successful company. A changing operating environment places challenges on both management and the entire personnel and their ability to cope. Personnel well-being and its development and monitoring are important to Tikkurila.

**Case: Employee retirement fund for employees in Poland**

As a responsible employer, Tikkurila wants to improve the well-being, commitment and motivation of its employees. Tikkurila has established a voluntary retirement fund for the personnel in Poland. For those employees, who join the fund, Tikkurila pays a monthly premium to their retirement fund. Furthermore, the employees can themselves pay an additional premium from their own income.

"Our employees are a valuable asset for our company. We care for our people – during their working careers but also after their careers. With the retirement fund, we want to influence in our employees' well-being and financial security by contributing to their future retirement income," says **Ilari Hyyrynen**, Managing Director of Tikkurila Polska S.A.

By the end of 2013, more than 300 employees have joined the retirement fund. At the end of 2013, Tikkurila employed 414 persons in Poland.

**Case: A non-smoking Vantaa site**

The Tikkurila site in Vantaa became a smoke-free site in the beginning of November 2013. The goal is to promote personnel health and well-being by encouraging as many employees as possible to quit smoking. Smoking is only allowed in designated outside smoking areas, outside the fenced area. The non-smoking requirement applies to Tikkurila's employees, partners working in the area and visitors alike.

Tikkurila has been encouraging and supporting employees in quitting smoking. Among other things, they have been offered employer-sponsored medication to assist in smoking cessation as well as peer support in a smoking cessation group. In addition, support measures provided in the workplace include information briefings and guidance in smoking cessation.

**Occupational safety**

For us at Tikkurila, guaranteeing a safe workplace for all our employees is of utmost importance. We invest in systematic development of occupational safety practices and methods. Tikkurila's management and personnel are committed to safety, and the company has safety management processes well in place.

Tikkurila's safety efforts consist primarily of preventive measures such as risk assessments, safety training, safety talks and safety walks, reporting of safety observations and communication as well as internal and external audits. Developing new production methods, activities and processes also affects occupational safety considerably.



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In 2013, safety trainings related to first aid, fire extinguishing and handling of chemicals, among other things, were organized for personnel, and information and best practices were exchanged between sites. The implementation of the HSE Monitor, used for reporting on and analyzing matters related to health, safety and the environment, continued in Tikkurila's operating countries.

Tikkurila monitors the safety of the operations using the LTA1 accident frequency rating which indicates the number of accidents that cause absences lasting at least one day per one million working hours. The aim is to continuously reduce the number of lost time accidents. In 2013, the number of lost time accidents was 3.9 (2012: 3.9) accidents per one million working hours. The number of lost working days related to accidents was 19.5 (11.5) per accident.

In addition to normal work tasks, employees safety behavior is evaluated in the regular personal development discussions, safety rounds and safety talks between supervisor and other colleagues.

**Systematic auditing and development of operations**

Tikkurila's operations and operational systems are assessed in various reviews. In addition to external audits carried out by certification institutions, the Group's HSE function sets the targets and audits the company's various sites, gives recommendations and follows up the local development work. The audits aims to promote the development of the environmental, occupational health and safety management operations.

In 2013, the HSE function performed internal audits at Tikkurila sites in St. Petersburg and Stary Oskol in Russia as well as in Dębica, Poland; Tallinn, Estonia; Nykvarn and Stockholm in Sweden; and Šabac, Serbia. The audits indicated strong commitment to personnel well-being, development of safety and environmental matters and training as well as improvements related to ventilation and chemical and fire safety, among other things. Depending on the site, development needs were identified in, for example, the assessment of work-related risks, accident analysis, follow-up of measures taken as well as in occupational, fire and environmental safety. In 2014, the focus will be on improving these issues.

**Case: 5S for tidiness and safety of work stations**

In 2012, the 5S operating model was implemented in Tikkurila's production sites in Finland, Sweden, Poland, and St. Petersburg in Russia aiming to the order in the working environment and its continued maintenance. In 2013, the use of the model was expanded in Russia and launched in Estonia and Serbia.

The 5S method helps improve occupational safety, quality, and right timing of deliveries and, consequently, also productivity and performance. Because the working environment will become tidier and more spacious, 5S also helps with the organization of work and improves occupational safety and ergonomics. The 5S is an ongoing process, consisting of five different areas: sorting, setting in order, shining (cleaning), standardization (developing routines for maintenance of order, cleaning and checking them) as well as sustaining the order.

5S is part of the Lean operating methods which the Group have been implementing gradually during 2012–2013. Lean aims to continuously improve the operations and, consequently, enhance customer satisfaction and product quality as well as to shorten lead times.

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## Environment

We want to be a forerunner in environmental matters and take the environment into consideration in all our operations. We aim to continuously minimize the environmental impact of our operations and our products. Systematic and proactive environmental work benefits both Tikkurila and its stakeholders.

Our products are high-quality, user-friendly and environmentally sustainable. When developing and producing paints, we take into consideration the environmental and other sustainability issues of the entire life-cycle, ranging from raw materials to finished products and product disposal.

### Sustainable choices for our customers

Customer interest in environmentally sound products has increased due to the increased environmental awareness, positive attitude towards the environment as well as legislative changes concerning the composition and safety of paints. Customers want to choose products that cause a minimal environmental impact in production and in use, and that are safe to use.

We guide our customers to make sustainable choices and instruct them in matters regarding the selection, use and disposal of paint. A high-quality paint selected correctly can have a crucial effect on prolonging the life of the product or structure and reducing the burden on the environment.

Our goal is to develop products which provide longer maintenance painting intervals, burden the environment as little as possible, and are safe to use. In close cooperation with raw material suppliers, our product development continuously works to find technically functional raw materials which burden the environment as little as possible. It studies the use of renewable raw materials and new functionalities of paints, such as fire safety and energy-efficiency, and improves the properties of the existing paints.

Paints are awarded with various eco-labels and classifications with the aim to increase knowledge of their environmental impacts and product characteristics, to help and guide consumers in their purchasing decisions, as well as to make consumption habits more environmentally sound. The eco-labels and classifications awarded to paints indicate the environmental impacts of products as well as their proven safety characteristics. In 2013, several Group paint brand products were awarded eco-labels and allergy and asthma labels.

We want to learn our customers' expectations in terms of environmentally sustainable products. In 2013–2014, an unified question concerning corporate responsibility is added to the local customer satisfaction surveys. The question will help determine if the eco-friendliness of products is considered important when selecting products. Based on initial responses, it is important, although there are differences between different countries and customer groups. The results are presented more extensively in our 2014 Corporate Responsibility report.

### Systematic auditing and development of operations

We continuously develop our production processes and the eco-efficiency of our production facilities in order to reduce the environmental impact and the amount of material loss and paint waste in production. The Lean approach implemented at Tikkurila in 2011 streamlines the Group's supply chain processes and identifies and minimizes production problem areas. The objective is to improve the quality and safety of our operations, reduce production and transportation costs as well as the amount of material loss and paint waste.

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An important aspect of Tikkurila's environmental work is internal audits performed by the Group's HSE function, which promote the development of the environmental, occupational health and safety management operations. In 2013, the internal audits were performed at Tikkurila sites in St. Petersburg and Stary Oskol in Russia as well as in Dębica, Poland; Tallinn, Estonia; Nykvarn and Stockholm in Sweden; and Šabac, Serbia.

### Environmental figures

	2013	2012	2011
Share of water-borne products in production, %	71.6	71.4	70.1
Amount of material loss, g/product liter (supply chain)	11.7	14.3	-*
Direct energy consumption**, kWh/product liter	0.11	0.11	0.09
Indirect energy consumption***, kWh/product liter	0.28	0.25	0.25
Solvent emissions in production (VOC) into the air, g/product liter	0.47	0.50	0.44
Amount of hazardous waste, g/product liter (supply chain)	25.5	21.6	23.2
Amount of other waste, g/product liter (supply chain)	18.4	14.0	14.9
Investments in environmental protection, EUR million	0.3	0.3	0.5
Operating cost of environmental protection, EUR million	1.9	2.1	2.1
Operating cost of environmental protection, cent/product liter	0.9	1.0	1.0

\* In 2011, the material efficiency indicator was not calculated since the calculation and analysis method was renewed to better describe material utilization rate. Currently, the figure covers about two-third of Tikkurila's production volumes. The indicator does not take into consideration the production volumes of the production facilities in St. Petersburg, Russia, Germany and in Ukraine.

\*\* fuel consumption at production sites

\*\*\* electricity, district heating, purchased steam

### Case: Russian sites granted the ISO 14001 and OHSAS 18001 certificates

Our objective is to create independently audited and certified quality, environmental, and safety management systems for each of Tikkurila's production sites. In February 2013, Tikkurila's Russian production sites Obukhovo and Utkin in St. Petersburg as well as the site in Stary Oskol were granted the ISO 14001 and OHSAS 18001 certificates. The sites already have the ISO 9001 certificate.

The certificates confirm the compliance of the company's management, processes and practices with the international quality, environmental, occupational health and safety standards, and ensure that those are developed systematically. The ISO 9001 is a quality management standard, which defines a system to manage customer requirements. The ISO 14001 refers to environmental management system and the OHSAS 18001 to occupational health and safety management system.

Tikkurila's operations and operational systems are assessed in various reviews. In addition to external audits carried out by certification institutions, the Group HSE function performs regular internal audits at the units, aiming to promote the development of the environmental, occupational health and safety management operations.

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**Case: The renewed Ässä and Nova decorative paints received the Swan eco-label**

In the fall of 2013, Tikkurila introduced to the market the new Ässä and Nova series of decorative paints for professional interior painting. Both paints were awarded the right to use the Nordic eco-label, or the Swan label. Products with the Swan eco-label meet strict criteria which take into consideration the environmental impact of the product's entire life-cycle.

The properties of the renewed decorative paints now meet the requirements of Finnish construction and painting professionals better than before. Chemical properties of the paints have been updated to meet modern needs. The products have been developed in cooperation with professional painters based on product safety and convenience of use. In the product development stage, construction paints were tested in over a hundred interior painting projects and the feedback received has been utilized for adjusting paint properties.

**The Ässä series products** were developed for professional use on surfaces which require resistance to washing and wear. The Ässä paints also provide excellent adhesion on previously painted surfaces. They are class M1 products, meaning that the volume of compounds they emit into the air is minimal. Building materials for indoor use, such as paints, can be classified according to the compounds they emit into the atmosphere. In Finland, the Sisäilmayhdistys ry association for good indoor air has created a building material classification which divides products into three classes (M1, M2, M3).

**The Nova series products** are completely solvent-free. The paints have a mild odor and are environmentally sound and user-friendly. They are class M1 products.

**Environmental impact of Tikkurila's operations**

The environmental impact of modern paint manufacturing is low – emissions of hazardous substances are minimized by means of advanced process technology and recycling. We at Tikkurila continuously develop our production processes and the eco-efficiency of our production facilities in order to reduce the environmental impact of and the amount of material loss and paint waste in production.

The environmental impact of paint production is also reduced through legislation. Regulation concerning paint production, product safety as well as handling and marketing of paints and coatings is intensified with the implementation of the new safety and environmental laws. Among others, the VOC directives for paints define the maximum allowed volume of solvents evaporating from paints intended for different uses, and the biocide directive governs the use of solvents in paints.

**Waste**

The production of raw materials generates the largest environmental impacts of paints. Therefore, it is important to use raw materials as effectively as possible and minimize the volume of waste.

In paint production, raw material waste is generated, among other things, by washing the production and filling machines, residue left in raw material packaging, non-marketable and expired raw materials and products as well as raw material dust and solvent fumes transferred for processing with the exhaust air or exhausted otherwise.

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Efforts to utilize waste, generated in paint production, in our processes are always made whenever possible, taking into consideration the strict quality requirements of the products. Solid and liquid waste not suitable for reuse in our processes is disposed appropriately. The environmental impact of waste collection, handling or transportation is similar to that in the regular production operations.

The relative share of Tikkurila's hazardous materials in 2013 was 25.5 (2012: 21.6) grams per product liter, whereas the relative share of other waste was 18.4 (14.0) grams per product liter. As of 2011, national waste classifications in accordance with the GRI guidelines have been used as the waste classification basis in environmental sustainability reporting. In addition to production units, the 2013 relative shares of waste include the waste of warehouses in Utkina Zavod, St. Petersburg and Mytishchi, Moscow.

**Material efficiency**

Material loss generated in the paint production process includes, among other things, material disposed as a hazardous waste (purchased as a raw material), solvent emissions into the environment as well as raw material discharged into the waste water system along with the production equipment washing waters, and raw material residues in barrels and containers sent for reuse or disposal. Tikkurila's objective is to continuously reduce material loss.

In 2013, Tikkurila's material loss was 11.7 (14.3) grams per product liter. In 2010 and 2011, the material efficiency indicator was not calculated since the calculation and analysis method was renewed to better describe material utilization rate. Currently, the figure covers about two-third of Tikkurila's production volumes. The material efficiency indicators do not take into consideration the production volumes of the production facilities in St. Petersburg, Russia, Germany and in Ukraine.

**Solvent emissions into the air**

The production process releases volatile organic compounds, or VOCs, contained in raw materials into the air. In 2013, the relative solvent emissions into the air from production were 0.47 (0.50) grams per product liter.

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

**Energy consumption**

Paint production itself does not consume much energy since production mainly consists of mixing different ingredients. The majority of the energy consumed is used for heating and ventilation of buildings. Tikkurila's goal is to improve the eco-efficiency of the supply chain, in other words, to continuously reduce energy consumption. Reducing energy consumption in the supply chain is possible through technical changes in the production facilities and production processes, for example, by replacing equipment with devices which consume less energy.

In 2013, the energy consumption of the Group's production facilities per product liter was 0.39 (0.36) kWh.

**Wastewater**

Wastewater from the Group's sites is treated in accordance with the regulations from the local authorities.

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**Environmental costs and investments**

The operating costs of environmental protection were 0.9 (1.0) cents per product liter. This includes, among other things, waste handling, waste water treatment and analyses as well as certification costs.

In 2013, Tikkurila invested EUR 0.3 (0.3) million into environmental protection in its units, and environmental operating costs totaled EUR 1.9 (2.1) million.

**Water-borne products**

Products which burden the environment as little as possible are a key element in our strategy, and we have been investing in developing and promoting the use of water-borne products for decades. An increasing number of paints are water-borne or contain fewer solvents, i.e. are high solids products.

In 2013, the share of water-borne products of production was 71.6 (2012: 71.4) percent. The relative share of water-borne products in sales in 2013 increased in almost all Tikkurila's largest markets.

In addition to environmentally friendly consumer habits, the wider use of water-borne paints is also based on the EU's VOC regulation which requires that solvent emissions be reduced and defines the maximum allowed amount of volatile compounds contained in paints.

The environmental impact of water-borne paint is smaller than that of solvent-borne paint, especially in the application stage, since mainly water evaporates from water-borne paint. The benefits of water-borne paints include ease of use, odorlessness and fast drying times.

**Product safety**

Product safety and quality are among the cornerstones of our operations. We have been working determinedly for many years to promote them. Tikkurila's customers will find a wealth of information on the Group's paints, safe use of paints for high-quality and durable results, as well as on the impact of paints on health in the safety data sheets, product specifications, labels, and various instructions and guides on painting.

At Tikkurila, product safety is the responsibility of employees specialized in product safety in our production units. They are in charge of determining the impact of raw materials used on health and environmental and the related internal guidance as well as guiding our customers to use the product in a safe manner.

Tikkurila works systematically and actively to determine the health and environmental impact of the raw materials used in paints. The employees specializing in product safety calculate the hazard properties for products used in compliance with instructions, based on the raw material information and the paint formula. The properties are indicated in the paint safety data sheet and the warnings section of the product label. If the user instructions and safety instructions are adhered to, the use of the paint is safe.

In 2013, Tikkurila launched the preparation of new labels and safety data sheets in compliance with the CLP directive. Since the regulation will change product packaging labels and warning texts

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considerably, personnel training in CLP matters was also started as part of the preparations. The warning texts on paint product labels should be replaced by June 2015.

Tikkurila's product safety professionals received assistance in the efforts required by the CLP directive from the system which the Group implemented in 2013 for compiling safety data sheets.

In addition to this, the Group continued the implementation of a system launched in 2012 for the management of paint formulas and raw materials. The system increases the transparency and effectiveness of paint formula and raw material management on the group-level.

### Intensified regulation

Increasingly stringent environmental and safety requirements and changing legislation further increase Tikkurila's responsibility to communicate the safety and health impacts of its products. Among others, the following international regulations govern paint production, product safety as well as paint handling and marketing:

- The **REACH directive** is European Union's directive on the registration, evaluation, authorizations and restriction of chemicals. REACH obligates manufacturers and importers of chemicals to assess the risks related to the use of the product and to provide end-users with the instructions on the safe use of chemicals.

Paints themselves are not the substances specified in the directive but raw materials contained in paints must be registered in the EU. Therefore, paint manufacturers must ensure that the raw materials they use in paints comply with the REACH, and they are under the obligation to inform their customers of the substances contained in their paints. Tikkurila has ensured that all raw materials used in the EU region have been or will be registered by 2018 in accordance with the schedule specified in REACH.

- The **CLP directive** (Classification, Labeling and Packaging) concerns the classification, labeling and packaging of chemicals. The purpose of the directive is to ensure a high level of protection for human health and the environment. The directive harmonizes the classification criteria of substances and compounds and the rules governing labeling and packaging.

The CLP directive is effective in all EU countries and along with it, the Globally Harmonized System of classification and labeling of chemicals (GHS) will be implemented globally. The warning texts on paint product labels should be replaced by June 2015.

- The **VOC directives** define the maximum volume of VOC emissions in production and the maximum allowed amount of volatile compounds contained in paints. The purpose of the directives is to prevent or reduce the direct or indirect impact of volatile organic compound (VOC) emissions on the environment or people.
- The **biocide directive** governs the use of preservatives in paints. The directive became effective on September 1, 2013.

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**Case: The CE marking became mandatory on paints, fillers and coatings.**

The EU's construction products directive (CPR) became effective on July 1, 2013. It made the CE marking mandatory for construction products which have a valid harmonized product standard after the implementation date set by the European Commission. The CE marking consists of the CE logo on the product and the related Declaration of Performance (DoP).

In Tikkurila's product portfolio, the CE marking concerns the following product categories: interior fillers, plasterboard fillers, wallpapers, facade coatings, protection and repair products for concrete structures, cement and lime cement-based mortars and fillers as well as concrete floor coatings.

The CE marking makes free movement of the product possible within the European Economic Area. It is the manufacturer's assurance that the product complies with the European Union requirements concerning safety, health, environment, and consumer protection.



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## Economy & Society

We have high ethical standards in everything we do. By following the law and regulations, as well as our strict policies and guidelines throughout the Group, we aim ensure that our daily operations properly comply with good governance and our Code of Conduct. We promote openness and transparency in our relationships with stakeholders.

In 2013, in our corporate responsibility work and according to our strategic objectives, we concentrated on improving user experience of our customers and distribution partners, as well as on prudent financial management and solid long-term cash flow. In addition, our objective was to ensure that our strict policies and guidelines are followed systematically throughout the Group.

## Our ways of operation

### Code of Conduct

Tikkurila's Code of Conduct outlines the fundamental requirements for the company's business practice, in other words, how we approach professional business relations, conflict of interest, company's assets, fair competition, human rights and equality, as well as safety, trust and privacy protection issues.

The Code of Conduct has been implemented at Tikkurila as a part of the everyday operations. In 2011, the Group introduced e-learning material regarding the Code of Conduct. The material provides an opportunity for the personnel to familiarize with the examples of concrete cases, which help them to understand even better how to apply the Code of Conduct in everyday situations. The aim is that all Tikkurila employees review the Code of Conduct material periodically. The first Group-wide training was organized in 2011, and the second round in 2013. It is estimated that more than 90 percent of Tikkurila employees completed the online training in 2013. Moreover, the material is a part of the local induction processes.

In addition, Tikkurila monitors through the annual personnel surveys the personnel's opinion on how the principles on equality are implemented at Tikkurila. 87.1 (2012: 83.7) percent of the respondents to personnel survey felt that all employees are treated equally or somewhat equally in our company.

### Our principles for anti-corruption and data protection

Tikkurila aims to always conducts its business in compliance with high ethical standards and legislation, as well as in accordance with its Code of Conduct. In 2013, Tikkurila published an anti-corruption policy for its employees. Tikkurila has zero tolerance for any form of bribery or corruption, or other unethical influence. The policy sets concrete limits for gifts and hospitality which Tikkurila employees can receive or offer.

In 2013, Tikkurila published a data protection policy with the aim to ensure the right to privacy for each individual. All employees at Tikkurila who process personal data are responsible for ensuring that processing of personal data is always managed ethically, legally and securely with respect to privacy protection. The policy includes general data protection guidelines, which all Tikkurila Group companies and employees must follow.

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**Consistent approach to supplier cooperation**

It is a priority for us that our suppliers are responsible. We ensure that they meet our quality requirements. We research the health and environmental impacts of the raw materials we use and develop products that are safe choices for our customers and the environment.

In 2013, Tikkurila has created a manual to define the guiding principles for consistent supplier cooperation throughout the Group to ensure the smooth cooperation with our key suppliers as well as timely deliveries in the right quantities and quality. The manual sets out the boundaries for quality, safety, and environmental requirements for our suppliers, and covers all the sourcing-related aspects, from the selection and evaluation of suppliers to the continuous improvement of cooperation. The cooperation with supplier is monitored and audited by Tikkurila on a regular basis through the specific supplier evaluation process.

**Case: Tikkurila joined the "Let's do it" project in Estonia**

Tikkurila is an active contributor and a responsible company in Estonia. In May 2013, Tikkurila's Estonian subsidiary, Tikkurila AS, supported a day of local collective action "Let's do it!", the Day of Civil Actions, by donating Vivacolor Villa Akva paints for wooden facades to the voluntary workers.

The Day of Civil Actions has been taking place all over Estonia since 2008. In May 2013, active communities, organizations, and citizens took action and invited others to join them. More than 1,500 voluntary activities with more than 40,000 participants were carried out all over Estonia. The activities included cleaning-up garbage from forests, renovating village centers and repairing bus stops and children playgrounds.

The Estonian "Let's do it!" project was realized as a part of the Tikkurila's social responsibility program "Sustainable Beauty", which aims to highlight Tikkurila's responsible approach in the markets of its operations.

**Case: Tikkurila supporting the work to improve the state of the Baltic Sea**

Tikkurila has made a commitment to the Baltic Sea Action Group (BSAG), according to which the company will endeavor to promote the sales of user-friendly and environmentally sustainable paint products in all operating countries, and to train its customer groups to use these products, and, i.a. to encourage all the manufacturers in Russia to refrain from using raw materials that are harmful to the environment and people in the manufacture of paint.

The goal of the Baltic Sea Action Group, a Finnish foundation established in 2008, is a cleaner Baltic Sea. The mission of BSAG is to create a network where everyone would commit to the measures promoting this objective within the framework of own sector. BSAG work is particularly focused on the harmful effects of agriculture, maritime traffic and hazardous substances.

**Financial responsibility**

By continuously developing its business operations, Tikkurila aims to achieve profitable growth and to strengthen its position on the market. At the same time, the company creates added value for its shareholders, customers and other stakeholders.

According to its strategy, Tikkurila pursues profitable growth, particularly through organic growth, increased market shares in higher price and quality grades, and selected acquisitions.

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**Generated and distributed direct economic value in 2013**

EUR million	2013	2012	2011
Direct economic value generated (I)			
a) Revenue	653.0	670.4	643.7
Economic value distributed (II)			
b) Operating costs	472.3	488.1	465.9
c) Employee wages and benefits	109.2	115.5	116.2
d) Payments to providers of capital	4.3	7.4	10.8
e) Payments to government (Gross taxes)	17.0	18.6	15.2
f) Community investments	0.1	0.1	0.1
Economic value retained (I-II)	50.1	40.7	35.5

**Fines and penalties**

No fines or penalties were imposed on Tikkurila in 2013.

**Risk Management**

Tikkurila aims to identify, analyze, evaluate and manage risks systematically and proactively. The objective of the risk management is to reach the desired aggregate risk level and to ensure the continuity of operations. More information on Tikkurila's risk management and risks can be found in Tikkurila's Financial Statements and Corporate Governance Statement for 2013 which are published as a part the Tikkurila Annual Report.

**User experience**

Our actions are driven by the needs and wishes of customers as well as trends and changes in our operating environment. We aim to exceed our customers' expectations by innovating, developing and offering them high-quality and eco-efficient products, concepts and services. We enhance the experience of our customers and distributors by bringing new solutions to the market, which make buying and selling of paints, as well as painting, easier. Stakeholder experiences of working in cooperation with us define the value and quality of our brands, products, services and operations.

According to our strategic objectives, we introduced in 2013 in our operating countries a number of different concepts and services promoting the user experience of our customers and distribution partners, and we are also developing an open cooperation with different stakeholders.

**Tikkurila helps its customers in their painting projects**

Paint purchasing is often preceded by planning, selection of color and search for tips and instructions. Taking into consideration special needs of each customer group, Tikkurila actively develops and offers its customers solutions that enables them to transform their enthusiasm into success. With services offered in stores and on websites, Tikkurila inspires people to paint and creates trends for painting. With painting ideas, working instructions and other paints and painting related guidelines, Tikkurila helps its customers to choose the right product, and gives advice on the safe use of product, cleaning of tools and disposal and recycling of painting waste.

**Tikkurila helps paint retailers to succeed in their business**

Tikkurila has introduced retail and shop-in-shop concepts in many of its operating countries. The idea of these concepts is to help paint retailers succeed, to make buying paint a pleasant experience, and to increase the popularity of painting among people interested in interior design.

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The individualism of customers is emphasized, in other words, the offering should match customer's individual needs. Buying should be made easy – customers are looking for ready-made solutions and ideas. Focus is also on effective sales.

Tikkurila introduces novel solutions and concepts that benefit both retailers and their customers. Tikkurila invests in developing solutions that make selling and buying of paint easier. These initiatives require close cooperation with retailers, designers and Tikkurila's professionals as well as with furniture and light manufacturers and other cooperation partners. The skills and expertise of Tikkurila's employees are crucial for the success of these projects.

#### **Case: Tikkurila's new paint shops in Russia**

Tikkurila wants to develop the distribution of its products and offer customers even more comprehensive services. In 2013, Tikkurila has opened several new paint shops in Russia serving various customer groups.

#### **Color Studio for consumers and influencers**

With Color Studio, opened in St. Petersburg in May 2013, Tikkurila meets the customers' expectations even better by offering them a full range of Tikkurila products and services in one place – everything what is needed for the renovation project. Color Studio is primarily aimed at the consumers and influencers, such as designers. In addition to products, Color Studio offers customers professional advice on the products, designer services and help in choosing a renovation team, training and workshops that focus on different painting techniques introduced by professional painters and artists. Tikkurila intends to develop the Color Studio concept further and to open the Color Studios also in other regions in Russia.

#### **Shop for professionals**

In May 2013, Tikkurila opened a professional service center in St. Petersburg in cooperation with a retailer. The shop offers construction and renovation professionals full-service solutions, from the choice of paints, tools and other paint related products to tinting, on-site deliveries and after-sales support. In addition to a wide product assortment, the shop offers professionals an opportunity to get on-site support from a Tikkurila expert or technical consultation on application techniques, and to participate in practical trainings. Tikkurila intends to further develop the concept and open service centers also in other regions in Russia.

#### **Ideas to construction or renovation project from Inspiration Gallery**

Tikkurila and flooring manufacturer Karelia-Upofloor have opened a joint showroom in Krasnodar, Russia, featuring a wide array of surface treatment and floor materials from both producers. The aim of the showroom is to facilitate the building and renovation projects of private and corporate customers by offering a centralized location where customers can look into different choices of surface materials for walls, ceilings and floors, while also utilizing design services. The showroom showcases inspiring interior decoration solutions with different surface materials. In addition to design, customers can order the necessary products as well as implementation and installation work from the Inspiration Gallery.

#### **Case: New shop-in-shop concepts introduced in Poland**

During 2013, Tikkurila has successfully launched new shop-in-shop concepts in Poland. Concept presenting Tikkurila paint brand products has been introduced in approximately 40 hardware stores around Poland. This concept enhances the paint sales, brings out Tikkurila's wide range of products even more comprehensively, highlights unlimited possibilities and versatility of tinting and

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presents the influence of lights to colors, and offers customers painting tips and instructions. During 2014-2015, it is intended to take to concept widely in use in tens of hardware stores around Poland.

### **Stakeholder cooperation**

From the corporate responsibility point of view, Tikkurila's key stakeholders are customers and those influencing purchasing decisions, personnel as well as owners and investors.

Tikkurila adhere to high ethical standards, statutory laws and its Code of Conduct in all operations. We expect the same from our cooperation partners.

At Tikkurila, we focus on cooperation and open dialogue with our stakeholders. An important part of our business is stakeholder training, raising awareness about our products and painting. Working in cooperation with our stakeholders, we want to enhance the quality of painting, environmentally sustainable use of products, product and user safety, as well as the knowledge of surface treatment. We train our customers, retailers, and other professionals and students in our training centers, which we have in seven countries.

Tikkurila's professional personnel guide and consult customers by providing them with help, advice and ideas for painting, products and color selection. By following technical consultations, advices on paint and color selection, and tips and instructions from our experts, our customers will achieve high-quality and sustainable results in their painting projects.

### **Case: Surface treatment training for professionals in Finland**

Property owners, users and property managers are in a key position to identify in time any damages to the surface finish. Early intervention saves buildings the costs of repair. Detection of surface damage is a part of the regular and routine building condition monitoring. Further surface damage may even lead to a need for an extensive restoration of the surfaces and a decline in property value.

Tikkurila wants to advance the knowledge of surface treatment in those working in real estate industry. For professional customers, Tikkurila offers training in surface treatment that includes methods, new products and statutory laws impacting the selection of surface treatment solutions. In 2013-2014, training will be organized around Finland, including interior and exterior painting issues related to the property maintenance.

### **Case: Training program for retailers in Sweden**

In Sweden, Tikkurila introduced a training program for retailers, with the aim of increasing their knowledge of consumer behavior as well as strengthening their sales skills and the cooperation between Tikkurila and the retail. In the 4-module program, Tikkurila used a train-the-trainer method – Tikkurila's sales representatives were trained first, and they will then train the retailers. Both Tikkurila's sales organization and the retailers have been very positive about the new way of learning and the enhanced sales skills and cooperation. During 2013, Tikkurila trained more than 180 sales persons. The program will continue in 2014, aiming to train more than 200 Swedish retailers.

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**Case: Quality Paint Association to Russia**

Major coatings producers and raw materials suppliers – Tikkurila, Yaroslavskie Kraski, Akzo Nobel Décor, Dow Chemical and DuPont Science and Technologies – have jointly established Quality Paint Association in Russia in October 2013. The objective of the association is to unite the major paint producers, raw materials suppliers, and other operators in the paints and coatings industry in Russia, as well as to improve international quality, safety and environmental standards for paints in the Russian market, thus bringing the market closer to Western standards. Any of the international and local companies, and associations operating in the paint industry can join the association, if their products meet the technical standards approved by the association.

**Case: Product and surface treatment safety awareness for stakeholders**

In May 2013, Tikkurila set up a safety website in Finland, covering safety issues related to paint products and surface treatment particularly from a professional perspective. The site aims to improve the safety of painting and surface treatment as well as increase the safety awareness for painting. The website shares information on, among other things, safety-promoting products, objects and surfaces requiring special safety measures, painting safety, paint eco-labels and classifications as well as on safety colors and signal colors.

The safety website supplements the environmental website published in 2012, which shares information on environmental aspects and impacts of paints and painting.

[www.tikkurila.fi/ammattilaiset/turvallisuus](http://www.tikkurila.fi/ammattilaiset/turvallisuus) (safety site in Finnish)

**Customer satisfaction**

Measuring customer satisfaction is an important tool for the development of operations and cooperation with stakeholders. Tikkurila has been analyzing the satisfaction of customer groups on a local level for years. Tikkurila's paint brands are valued in their market areas.

In 2013, we started more systematically measure and analyze our stakeholders' expectations regarding responsible business operations. An unified corporate responsibility question will be added to the local customer satisfaction surveys, which helps to determine the expectations of our various customer groups for environmentally sustainable products. The results of the surveys will be utilized in the development of group-level corporate responsibility and country-level business operations

In **Finland**, Tikkurila conducts an annual customer satisfaction survey to measure the satisfaction of B2B customers – retail, professionals and industry – in Tikkurila's operations in Finland, and to collect feedback to further develop the operations. The fields to monitor include products, service level, supplementary materials, professional skills and supporting of customers' operations. Customers in Finland are satisfied with Tikkurila's operations and products, personnel competence, and support provided for customers' activities. Based on the results, environmentally sustainable products are in demand among certain customer groups in Finland, and it has an impact when selecting products.

According to the branding study, carried out in 2013 in **the Baltic countries**, Tikkurila's paint brands sold in Estonia, Latvia and Lithuania are all well-known in these countries, Vivacolor paint brand is the most well-known of the brands sold in the Baltic market. The consumers in the Baltics value the environmentally sound products. More than 50 percent of the respondents in Estonia say

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that the sustainability has a strong or quite strong effect on their choice of a paint product. The corresponding number in Latvia is 48 percent and in Lithuania 43 percent. More than 3,000 people from the Baltic countries participated in the study.

In **Poland**, Tikkurila carried out customer satisfaction surveys in 2013 for consumers, professional painters, architects and designers. The brand awareness of Tikkurila is on a high level among the professional painters, architects and designers. Among the professionals, the brand awareness of Tikkurila's brands has strengthened compared to the previous survey. The Polish consumers know Tikkurila fairly well, even though there is a gap to the key competitors.

When asking about the significance of environmentally sound products, approximately 50 percent of the architects and interior designers responded to the survey say that the sustainability of a product is important or quite important in their choice of a paint product. Approximately every third of the consumers indicated the sustainability matters in their choice of a product. Altogether, 400 influencers and 400 construction companies, as well as approximately 1,000 consumers participated in the survey.

In **Scandinavia** and **Russia**, the next customer satisfaction surveys will be conducted in 2014.

In the 2014 Corporate Responsibility report, we will publish a comparison of the corporate responsibility-related question, and present in more detail the results of customer satisfaction surveys in different countries.

Furthermore, a corporate responsibility-related question was added to the Tikkurila personnel survey. Approximately, 90 percent of the Tikkurila employees share the opinion that our products differentiate themselves from other paint products by their sustainability, for instance in terms of quality, environmental issues and safety.

### **Awarded expertise**

In 2013, Tikkurila was awarded in its operating countries for its professionalism and good company image, as well as for the high-quality brands and products.

### **Tikkurila's Retail Concept awarded in international competition**

Tikkurila's Retail Concept, launched in 2012 in Finland, makes selling and buying of paints easier. Thanks to this concept, Tikkurila was given an award in the "IPRA Golden World Awards 2013" competition for its project "Making paint easy to sell and fun to buy!" in the Business-to-business (In-house) category. According to the jury, Tikkurila's retail concept shows professional attitude and the consistency of work.

### **Beckers Scotte products awarded for package design**

The paint can design of Beckers Scotte products sold by Tikkurila's Swedish subsidiary, Tikkurila Sverige AB, won the Red Dot Design Award in the international design competition in the category "Product Design". In addition, Beckers Scotte won another design award in the One Show competition, which is one of the most recognized advertising and design competitions in the USA.

### **Tikkurila paint brand recognized by the professionals**

Tikkurila received two awards in Poland: "High Reputation Brand – Premium Brand 2013" and the "Construction Brand of the Year 2013".

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The High Reputation Brand – Premium Brand 2013 award is granted based on the survey among the construction professionals. The winners are chosen based on, for instance, brand recognition, business ethics, corporate responsibility, durability, functionality and the willingness to recommend the product. Tikkurila won the award in the construction category, where 100 professionals evaluated the brands.

The Construction Brand of the Year 2013 is based on the national survey in Poland and it is granted to the widely recognized brands that offer high-quality products. 1,800 professional painters responded to the survey and evaluated the brands' quality, price-quality ratio and popularity. Tikkurila was awarded in the category "Decorative paints".

#### **Jedynka paint brand awarded in Poland**

Tikkurila received the "Consumer Quality Leader 2013" award in the "Latex paints" category for its Jedynka paint brand sold in Poland. Consumers valued the Jedynka products for a wide range of colors, easy application of paint, excellent coverage and good value for money.

#### **Zorka Color brand awarded in Serbia**

Tikkurila's Serbian subsidiary, Tikkurila Zorka, and its Zorka Color paint brand, received the grand prize in the Serbian Corporate Superbrands 2012-2013 evaluation in the category "Chemistry". The selection criteria are based on brand attributes, such as good reputation, consistency, reliability, and corporate responsibility. Serbian consumers evaluate the brands selected by the Corporate Superbrand Advisory Council in the public opinion poll.

#### **Supplier of the Year Award to Tikkurila in Norway**

For the fourth consecutive year, Tikkurila Norge A/S has received the Supplier of the Year Award from the Bygghjelp chain. The awards are given in three categories based on the suppliers' revenue to the chain. Each Bygghjelp store was given a chance to vote for their favorites based on the following criteria: business relationship and general support, support for professional markets, reliable deliveries, product quality, know-how, competitive prices and handling of complaints.

#### **Innovation award for Pigrol's beehive coating project**

Tikkurila's German subsidiary PIGROL Farben was granted the Bavarian Chemical Cluster (Chemie-Cluster Bayern) innovation award for its project for developing organic beehive products. The jury put a great value on the outstanding innovative product development and application of responsible and sustainable chemistry. A "lively network culture" between scientists, researchers and beekeepers in the product development also contributed to the award.

Lacquers and glazes sold under the name "PIGROL Farbnatur Beutenschutz" are highly weather-resistant and can be used specifically for the treatment of all types of wood components in the beekeeping sector. The products have also been certified for their ecological compatibility.



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## Reporting principles

Tikkurila's annual Corporate Responsibility report is a part of the Annual Report, and it is published in Finnish and English in the Responsibility section on the company's website. The report focuses on responsibility issues relevant to Tikkurila.

Since 2010, Tikkurila has applied the international G3 guidelines issued by the Global Reporting Initiative (GRI) in its sustainability reporting. GRI is an international community that develops guidelines for sustainability reporting. The purpose is to promote reliable, intelligible and comparable reporting of information. In addition, Tikkurila's sustainability reporting is steered by the Group's corporate responsibility program renewed in 2009.

The figures presented in the report cover either the Tikkurila Group as a whole or a single Strategic Business Unit (SBU) in accordance with the segment division. The figures of joint ventures, subsidiaries and similar organizations have been reported in relation to the holding and are included in the Group or SBU figures. Figures for subcontractors have not been reported.

Tikkurila's external segment reporting structure will change as of January 1, 2014. In the 2014 corporate responsibility report, the personnel, safety and environmental figures will be reported according to the two reporting segments (SBU West and SBU East), instead of the previous four.

The financial key figures presented are mainly based on the audited information. The International Financial Reporting Standards (IFRS) are applied to the Group's financial reporting. Figures related to personnel and environment are compiled from the data generated by different units. The safety information is also partly based on the information received from the reporting and analyzing tool, HSE Monitor, implemented in 2011. Information related to customer satisfaction is based on the customer satisfaction surveys carried out in Tikkurila's organizations.

KPMG has assured Tikkurila's 2013 Corporate Responsibility report. As in the previous years, the 2013 Corporate Responsibility report corresponds to level C+.

Tikkurila's website at

[www.tikkurilagroup.com/annual\\_report\\_2013/responsibility/reporting/GRI\\_index](http://www.tikkurilagroup.com/annual_report_2013/responsibility/reporting/GRI_index) contains a list of the GRI indicators that are covered in the 2013 corporate responsibility report. The indicators to be reported have been determined on the basis of their relevance and Tikkurila's Corporate Responsibility program. In addition, the availability of historical data and the ability to collect information within the reporting schedule affect the selection.

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## GRI content index

GRI content		Link	Comment
<b>1. Strategy and Analysis</b>			
■ 1.1	Top management's statement about the relevance of sustainability	From the CEO Strategy Responsibility	
<b>2. Organizational Profile</b>			
■ 2.1	Name of the organisation		Tikkurila Oyj
■ 2.2	Primary brands, products and services	Business environment Business review	
■ 2.3	Operational structure	Tikkurila in brief	Financials statements 65-66
■ 2.4-2.5	Location of head office and operating countries	Tikkurila in brief Business review	Head office: Vantaa
■ 2.6	Nature of ownership and legal form	Shares and shareholders	Oyj
■ 2.7	Markets served	Business review	
■ 2.8	Scale of reporting organisation	Tikkurila in brief Business review	
■ 2.9	Significant changes regarding size, structure or ownership during the reporting period	Shares and shareholders	
■ 2.10	Awards received in the reporting period	Awarded expertise	
<b>3. Report Parameters</b>			
■ 3.1-3.3	Reporting period and cycle, previous report	Reporting	
■ 3.4	Contact point for questions regarding the report	Contacts	
■ 3.5-3.8, 3.10-3.11	Process for defining report content, report boundary and limitations, reporting principles, changes	Reporting	
■ 3.12	GRI content index	GRI index	
■ 3.13	Assurance	Assurance report	
<b>4. Governance, Commitments and Engagement</b>			
■ 4.1	Governance structure		Corporate Governance Statement, pg. 1
■ 4.2	Position of Chairman of the Board of Directors	Board of Directors	
■ 4.3	Independency of the members of the Board of Directors	Board of Directors	Corporate Governance Statement, pg. 1-3
■ 4.4	Shareholders' and employees' opportunities to influence on the operation of the Board		Corporate Governance Statement, pg. 1
■ 4.14	List of stakeholders	Stakeholders	
■ 4.15	Basis for identification and selection of stakeholders	Stakeholders	
<b>Economic Performance Indicators</b>			
■ EC1	Direct economic value generated and distributed	Financial responsibility	
<b>Environmental Performance Indicators</b>			
■ EN3	Direct energy consumption	Environmental	

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		impact of Tikkurila's operations	
■ EN4	Indirect energy consumption	Environmental impact of Tikkurila's operations	
■ EN20	Solvent air emissions from production (VOC)	Environmental impact of Tikkurila's operations	
■ EN22	Total weight of waste by type and disposal method	Environmental impact of Tikkurila's operations	
■ EN26	Environmental impact of products and services: Share of water-borne products in production	Water-borne products	
■ EN30	Environmental protection expenditures and investments	Environmental impact of Tikkurila's operations	
<b>Social Performance Indicators</b>			
■ LA1	Total workforce by employment type, employment contract and region	Personnel structure	
■ LA7	Lost time accidents (LTA1) and lost working days	Occupational safety	
■ LA12	Share of personnel involved in regular development discussions	Personnel competence development	
■ LA13	Diversity of governance bodies	Board of Directors Management Board	Corporate Governance Statement, pg. 1-4
■ HR5-7, 9	Freedom of association, child labour, forced and compulsory labour, indigenous people	Code of Conduct	
■ S08	Monetary value of significant fines and penalties for non-compliance with laws and regulations	Financial responsibility	
■ PR1	Assessment of health and safety impacts of products and services	Product safety Environment	
■ PR3	Requirements related to product and service information	Product safety Environment	
■ PR5	Practices related to customer satisfaction	Customer satisfaction	

- Reported in accordance with GRI
- Partly reported in accordance with GRI

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## INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish report

### To the Management of Tikkurila Oyj

We have been engaged by the Management of Tikkurila Oyj (hereafter Tikkurila) to provide limited assurance on the corporate responsibility information presented on specifically marked pages on Tikkurila's website, from the reporting period 1.1.–31.12.2013 (hereafter CR Information).

The Management of Tikkurila is responsible for the preparation and presentation of the CR Information in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0*.

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance based on the work performed. We have conducted the engagement in accordance with the Finnish Institute of Authorised Public Accountants' Standard 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. We do not accept or assume responsibility to anyone other than Tikkurila for our work, for this assurance report, or for the conclusions we have reached.

The evaluation criteria used for our assurance are the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0*.

### Limitations of the engagement

Data and information related to corporate responsibility are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented CR Information is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Tikkurila. Our assurance report is not intended for use in evaluating Tikkurila's performance in executing the corporate responsibility principles Tikkurila has defined. To assess the financial state and performance of Tikkurila, Tikkurila's audited Financial Statement for the year ended 31 December 2013 is to be consulted.

### The work performed in the engagement

Our assurance procedures are designed to obtain limited assurance on whether the CR Information is presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0* in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the CR Information, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

4.3.2014

In our engagement we have performed the following procedures:

- Interviews with two members of senior management to reassert our understanding of the connection between Tikkurila's corporate responsibility procedures and Tikkurila's business strategy and operations as well as corporate responsibility objectives;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented CR Information, and a review of Tikkurila's related internal documents;
- Comparison of the presented CR Information to underlying rules of procedure, management and reporting systems as well as documentation;
- An assessment of the CR Information's conformity with the principles of the GRI-guidelines;
- A review of the performance data and assertions presented in the CR Information, and an assessment of information quality and reporting boundary definitions;
- Testing of data accuracy and completeness through samples from the Group's information systems and original numerical information received from the Group companies;
- A comprehensive assessment in a unit selected on the basis of a risk analysis taking into account both qualitative and quantitative information.

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0* in all material respects.

Helsinki, 3. March 2014

KPMG OY AB  
Toni Aaltonen  
Authorized Public Accountant

Nathalie Clément  
Senior Manager, Advisory