



TIKKURILA

TIKKURILA GRI 2017
Corporate Responsibility report

SUSTAINABLE NORDICNESS

Tikkurila is a Nordic paint company whose products are manufactured of carefully chosen raw materials that meet the highest quality standards. Our vision is to create surfaces that make a difference.

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

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

We have been innovating since our humble beginnings. We aim to lead the market with industry-changing and sustainable solutions that are safe for us as well as our environment, and strive to know our customers like the backs of our hands.

TIKKURILA AT A GLANCE

- Established in 1862
- Around 3,000 dedicated professionals
- 11 production facilities in eight countries
- Products available in more than 40 countries
- Revenue in 2017: EUR 582 million
- Listed on Nasdaq Helsinki

TIKKURILA ANNUAL REVIEW 2017



FINANCIAL STATEMENTS 2017

The report provides an overview of Tikkurila's business operations and includes Financial Statements and the Corporate Governance Statement for 2017.



TIKKURILA GRI 2017

The Corporate Responsibility report introduces Tikkurila's sustainability approach and the reported Global Reporting Initiative (GRI) G4 disclosures for the reporting period 2017.

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NORDIC QUALITY FROM START TO FINISH

Tikkurila is a pioneer of sustainable painting, surface treatment, and use of colors, and we do it responsibly. Through our work and products, we drive sustainable beauty, well-being of people, and longer life of surfaces, using the limited resources of nature and society in a sustainable manner.

Tikkurila provides consumers, professionals and industrial customers with user-friendly and sustainable solutions for the protection and decoration of surfaces. The extensive product selection includes decorative paints for interior and exterior surfaces as well as paints and coatings for the metal and wood industries.

For decades, Tikkurila has persistently developed and promoted high-quality and user-friendly surface treatment solutions that are safe for both people and the environment. Throughout our operations, quality, durability and safety are our guiding principles – for raw material selection and product development, in our own operations and the use of our products as well as in the cooperation with our stakeholders. In our own operations, we aim to use natural resources sparingly, improve systematically the resource efficiency of our operations, develop production processes and take care of the proper environmental protection of our production sites.

We promote sustainable development and take environmental, financial and social aspects into account in our daily work as well as in our strategic business development and in strengthening our market position. We want to ensure that our operations comply with the norms and standards of international and national responsible business, and that we work with business partners who share similar values. We follow the development of tightening environmental and safety standards and legislation, and actively participate in the work of paint-industry associations at both national and EU level.

We create added value for our stakeholders by operating responsibly and profitably, by developing our business, and by offering solutions for protecting and decorating surfaces. Our operations have wide-ranging impacts on society and the environment. Through high-quality products and services and our professional expertise, we protect the environment, enhance the sustainability of building stock and infrastructure, and make spaces more beautiful, thus having a positive impact on the living environment and people's well-being.

Several factors drive the development of our product and service offering. We live in a world of constant change and our business environment's standards are getting higher on many levels. Stricter legislation and authority requirements, customers' changing purchasing behavior and needs, and global and business environment trends have a strong impact on business. In developing our operations and products, we take into account the world around us, global changes and people's needs.

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

Customer interest in products that are better for the environment and health has increased due to greater environmental awareness among our customers, changes in consumption habits, and legislative changes concerning the composition and safety of paints. Our customers want to choose products whose production and use have minimal environmental and health impact, and which are safe to use.

KEY ACHIEVEMENTS IN 2017

- Tikkurila has updated its strategy for 2018–2022. Sustainable development is integrated in our strategy. During the next five years, our focus will be on improving the customer experience in surface treatment. Understanding our customers' needs will guide all our operations in the future. We serve three main customer segments: consumers, professionals and industrial customers. We are committed to improving the overall user experience and efficiency of our customers. We answer our customers' needs about more durable, functional and environmentally friendly surfaces.
- As part of the company strategic development, we are together with key business personnel in the process of defining concrete sustainability customer promises for the strategic period. These promises will guide our sustainability initiatives and support the business development from the sustainability point-of-view.
- Thanks to the preventive safety work and developed reporting practices, Tikkurila's accident frequency rate (LTA) dropped with almost one unit and was 2.0 (2.7).
- During the year, we updated our ISO-certified management systems to comply with the revised standards ISO 9001 and ISO 14001. Amongst our countries of operation, the revised certification has been granted to Finland, Sweden, Estonia, Denmark and Kazakhstan.
- In 2017, the internal HSE audits were carried out in Tikkurila production sites in Russia, Poland and Sweden.
- In 2017, a new group-wide performance management model was deployed at Tikkurila. The model enhances leadership and supports the achievement of the company's strategic goals. Furthermore, it harmonizes the practices of supervisor work throughout all countries of operations, thus supporting organizational structure and management model, which were renewed in 2017.
- We actively continued our community projects, particularly in Finland, Estonia, Kazakhstan, Latvia, Lithuania, Poland, Russia, Sweden and Serbia. Since 2012, Tikkurila has been involved in some 200 Sustainable Beauty projects in 12 countries. Sustainable Beauty is Tikkurila's program for social responsibility.

Read more:

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

G4 GENERAL STANDARD DISCLOSURES

In accordance with the G4 guidelines, this section provides information on the general standard disclosures, which is not reported in the Tikkurila Annual Review 2017 or the GRI content index.

ORGANIZATIONAL PROFILE

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

At the end of 2017, Tikkurila Group employed 3,037 (2016: 3,033) people in 14 countries. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ) and more than third in sales, marketing and technical support.

The company's own production has a significant effect on Tikkurila's personnel structure and amount. The differences between operational areas are explained, among others, by the degree of production automation and the amount of own sales personnel. The highest degree of production automation is in Sweden, and the highest relative share of sales personnel is in Russia. Due to the seasonality fluctuation in the paint market, the number of personnel is highest during the outdoor painting season in the summer and lowest during the winter.

PERSONNEL BY SEGMENT

At year-end, %



■ East 45% ■ West 55%

PERSONNEL	2017	2016	2015	2014	2013
At year-end	3,037	3,033	3,100	3,142	3,133

EMPLOYEES BY REGION AND GENDER	Female	2017 Male	Total	Female	2016 Male	Total
East	457	910	1,367	473	880	1,353
West	598	1,072	1,670	598	1,082	1,680
Total	1,055	1,982	3,037	1,071	1,962	3,033

EMPLOYEE GROUP BREAKDOWN	Female	2017 Male	Total
Experts and managers	191	263	454
White collar workers	639	923	1,562
Blue collar workers	225	796	1,021
Total	1,055	1,982	3,037

PERSONNEL BY EMPLOYMENT CONTRACT	Female	2017 Male	Total
Permanent employments	950	1,874	2,824
Temporary employments	105	108	213
Total	1,055	1,982	3,037

PERSONNEL BY EMPLOYMENT TYPE	Female	2017 Male	Total
Full-time employees	1,014	1,961	2,975
Part-time employees	41	21	62
Total	1,055	1,982	3,037

G4-11 Employees covered by collective bargaining agreements

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

At the end of 2017, 52 (52) percent of Tikkurila's personnel was covered by a collective agreement. The number of employees covered by the collective agreements varies by country in line with the local practices.

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS BY SEGMENT, %

	2017	2016	2015
West	84.4	84.0	84.8
East	12.2	12.5	12.1

G4-15 External charters, principles or initiatives endorsed

G4-16 Memberships in associations

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

The positions of trust of Tikkurila Group's management board are presented in the Corporate Governance Statement for 2017.

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

Finland, Tikkurila Oyj

CEPE, European Confederation of Paint, Printing Ink and Artists' Colours Manufacturers Association

Chemical Industry Federation of Finland

Association of Finnish Paint Industry and Printing Ink Companies

International Chamber of Commerce

Puuteollisuusteollisuusrytät ry

Rakennustuoteteollisuus ry

Finnish Packaging Recycling RINKI Ltd.

The Association for Finnish Work

Finnish Society of Indoor Air Quality and Climate

Finnish Façade Association

Finnish Constructional Steelwork Association

Green Building Council Finland

Corporate Responsibility Network FIBS

Local painter and surface treatment associations

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

Sedex, Suppliers Ethical Data Exchange – platform where companies can share and receive information regarding responsibility of supply chains.

Poland

Polish Association of Paints and Adhesives

Polish Chamber of Chemical Industry (PIPC)

Dębica Business Club Association

Polish Chamber of Civil Engineers (PIIB)

Dangerous Goods Safety Advisers (DGSA)

Polish Corrosion Society

COST (European Cooperation in Science and Technology) the longest-running European framework supporting trans-national cooperation among researchers, engineers and scholars across Europe
DecoChrom, a multi-company cooperation project that aims to develop products for decoration based on electrochromic solutions

Russia

Quality Paint Association (QPA)

The St. Petersburg International Business Association (SPIBA)

Chamber of Commerce & Industry of Pushkin and Pavlovsk

Other national paint and construction industry related associations

Sweden

Federation of Scandinavian Paint and Varnish Technologists (FLF)

The Swedish association for paint producers (SVEFF)

The Confederation of Swedish Enterprise

The Swedish Trade Federation

Innovation and Chemical Industry association (IKEM)

The Swedish Association for Building Preservation

A national center of corrosion of the west coast of Sweden

Plan, national association of logistics

The Swedish Advertising Ombudsman

Other national paint and construction industry related associations and business networks

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES



G4-18-21 Identified material aspects and boundaries

Corporate responsibility management

Besides our strategy and the long-term targets approved by the Board of Directors, our business operations are steered by our customers' expectations and the market trends. We promote sustainable development and take environmental, financial and social aspects into account in our daily work as well as in our strategic business development and in strengthening our market position.

In everything we do, we aim to comply with high ethical standards, legislation, company values and code of conduct. Our daily work and compliance of operations are guided by the Corporate Governance Code for Listed Companies and key business policies, instructions and processes, such as the HSE policy and practical health, safety and environmental instructions and processes as well as sourcing guidelines and supplier evaluation and auditing processes. In addition, the operations are guided by other key instructions related to product development, supply chain, marketing and human resources as well as by a variety of policies and requirements complementing legislation, such as anti-corruption policy, guidelines on competition compliance and data protection policy ensuring the right to privacy.

Corporate Responsibility program

Tikkurila's Corporate Responsibility program "A Colorful Tomorrow" provides Tikkurila with a framework for responsible and sustainable development. The priorities for our responsibility work are user experience, resources, and people. Each priority is divided into sub-areas and contains measures to be implemented in Tikkurila's operating countries and functions, as applicable, and that support in reaching the strategic company targets.

In 2014, Tikkurila defined the key aspects of corporate responsibility in terms of the operations of Tikkurila Group and its stakeholders based on the information gathered from the Group management, personnel and stakeholders. The materiality assessment steers Tikkurila's responsibility work and sustainable development projects and acts as the basis for defining reporting content. Tikkurila's materiality assessment will be updated in 2018.

In 2018, Tikkurila will renew its Corporate Responsibility program, and together with key business personnel, will define concrete sustainability customer promises in line with its updated strategy. These promises will guide the company sustainability initiatives and support the business development from the sustainability point-of-view.

The sustainability promises are

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

Certificates and reviews

Tikkurila's objective is to create independently audited and certified quality, environmental, and safety management systems for each of its production sites. Currently, eleven of our twelve production sites have a certified quality management system (ISO 9001), ten have a certified environmental management system (ISO 14001) and seven have a certified health and safety management system (OHSAS 18001).

Tikkurila's operations and operational systems, and their compliance with the requirements, are assessed and monitored in various reviews and due diligence evaluations. In addition to external audits and certification organizations, the Group HSE function sets targets, audits the company's various sites, gives recommendations and follows up on the local development work with regards to health, safety and environmental issues. The objective of the audits is to develop the HSE operations and ensure its compliance with requirements. In 2017, internal audits were performed at Tikkurila sites in Russia, Poland and Sweden. The compliance and responsibility of business activities are also assessed as part of the internal audit and risk management processes.

Tikkurila uses supplier evaluations and audits to ensure that its business partners meet the set requirements for quality and safety as well as for environmental and social responsibility.

Responsibilities

The Group Management Board has the overall responsibility for the company's corporate responsibility performance within the framework agreed upon by the Board of Directors. The management of each business unit and function is responsible for the local and function-specific implementation, monitoring and reporting of sustainability issues based on the Group and local agenda. In addition to the work carried out in Tikkurila's operating countries and functions, the corporate responsibility manager is in charge of responsible business development on the group-level and reports to the Group Communications Director. The head of legal and Internal Audit supervises the compliance of operations and adherence to ethical standards with regards to, for example, human rights, bribery and corruption. Also, the Audit Committee of Tikkurila's Board of Directors participates in the consideration of matters relating to business ethics and compliance.

Furthermore, a Group-level sustainable development team will be established. The team will be responsible for supporting Tikkurila's business, steering the development of new products and services that are safe for the environment and health, and promoting sales, marketing and communications. The team will comprise experts from Tikkurila's primary markets and various functions (sales, marketing, communications, product management, product safety, research and development, sourcing, and supply chain). The team will begin its work in early 2018.

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

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

User experience

Tikkurila helps its customers achieve successful and durable end results. We promote the use of safe and environmentally friendly solutions and develop new functional products. We guide our customers in the selection, use, and disposal of paint, and develop concepts and services that make it easier to choose, buy, and sell paints. We work together with business partners, retailers, and customers.

In terms of user experience, our Group objective is to strengthen the understanding of customer needs, increase the share of water-borne products and create sustainability categorization for our products. In addition, we aim to improve recycling and waste management practices in our operating countries.

Reported aspects and aspect boundary

G4 MATERIAL ASPECTS AND REPORTED INDICATORS	<p>Material Tikkurila Topic: Sustainable solutions Production of water-borne products Sales of water-borne interior products, EU countries</p> <p>Product responsibility: G4-PR3 Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements G4-PR5 Results of surveys measuring customer satisfaction G4-PR9 Monetary value of significant fines for non-compliance</p>
ASPECT BOUNDARY	<p>Within the organization: entire Tikkurila Group, primarily sales, marketing and technical support</p> <p>At the end of 2017, altogether 1,219 (1,227) persons worked in sales, marketing and technical support.</p> <p>Outside the organization: customers and the retail throughout all operating countries</p> <p>Our customers include consumers, construction and renovating professionals, and the industry. Tikkurila's professional customers include building and painting contractors, designers, developers, house managers and other so-called influencers. According to our estimate, approx. 50% of our customers are consumers, 35% professionals and 15% industrial customers.</p> <p>Decorative paints are primarily sold to paint wholesalers or retailers and directly to construction supply stores. In addition, we have our own stores for professional customers in Scandinavia. We sell industrial coatings either directly to customers or through our Tikkurila Industrial Paint Service distribution network.</p>

Resources

Tikkurila drives sustainable beauty and offers colorful experiences using the limited resources of nature and society in a sustainable manner. Quality, durability and safety are guiding both our raw material choices and product development and our own operations.

In terms of resources, our Group objective is to improve resource efficiency of our operations by reducing the amount of waste, increase the share of recyclable and reusable waste as well as reduce the use of energy

Reported aspects and aspect boundary

<p>G4 MATERIAL ASPECTS AND REPORTED INDICATORS</p>	<p>Environmental: G4-EN1 Materials used by weight or volume G4-EN3 Energy consumption within the organization G4-EN8 Total water withdrawal by source Tikkurila indicator: Water used as paint raw material (total amount) G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1) G4-EN21 Other significant air emissions (VOC emissions in production) G4-EN23 Total weight of waste by type and disposal method G4-EN30 Significant environmental impacts of transporting products G4-EN31 Total environmental protection expenditures and investments</p>
<p>ASPECT BOUNDARY</p>	<p>Within the organization: entire Tikkurila Group, primarily R&D and supply chain</p> <p>Tikkurila's product development sites are located in Finland, Poland, Russia, Sweden, Estonia and Denmark. At the end of 2017, Research and Development employed 193 (191) people.</p> <p>At the end of 2017, Tikkurila had 12 production units in 9 countries. Approximately half of Tikkurila's personnel work in the supply chain (production, sourcing, logistics and HSEQ)</p> <p>Outside the organization: business partners, which include e.g. raw material and packaging material suppliers, subcontractors, providers of logistics services, and contract manufacturers. On the group-level, Tikkurila has approx. 500 local and international raw material and packaging material suppliers.</p>

People

Tikkurila is a pioneer in high-quality, durable and safe painting, surface treatment and use of color. We conduct all our activities responsibly. We want to be a sought-after employer, a reliable taxpayer, and an active neighbor in the communities in which we operate.

In terms of people, our Group objective is to ensure the compliance of Code of Conduct and improve the supplier management practices as well as improve employee well-being and their capabilities and ensure two-way dialogue with each employee.

Reported aspects and aspect boundary

<p>G4 MATERIAL ASPECTS AND REPORTED INDICATORS</p>	<p>Economic: G4-EC1 Direct economic value generated and distributed</p> <p>Social: G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender, and region G4-LA6 Injuries, lost days, absenteeism and fatalities Tikkurila indicator: Preventive safety practices: Number of safety talks and rounds G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee group G4-LA12 Composition of governance bodies and employee breakdown</p> <p>Society: G4-SO7 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes G4-SO8 Significant fines and sanctions</p> <p>Material Tikkurila Topic: Supplier management Group agreement, % of raw material and packaging material purchases Supplier audits, number</p>
<p>ASPECT BOUNDARY</p>	<p>Within the organization: entire Tikkurila Group personnel</p> <p>Tikkurila has 3,037 (31.12.2017) employees in 14 countries. In terms of headcount, the largest Group countries are Russia, Finland, Poland and Sweden.</p> <p>Outside the organization: customers, business partners, owners and investors, and society throughout all operating countries</p>

STAKEHOLDER ENGAGEMENT

G4-24-27 Stakeholder engagement

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

We create added value for our stakeholders by operating sustainably and profitably, by developing our business, and by offering them solutions for protection and decoration of surfaces. We want to promote openness and transparency, encourage networking and an open dialogue with our stakeholders. We work actively in cooperation with our stakeholders with the aim to raise the awareness about our products and surface treatment. We want to enhance the quality of painting, increase the use of environmentally sustainable products, and improve product and user safety.

Read more:

🌐 www.tikkurilagroup.com/stakeholders

Key stakeholders

• Customers and those influencing purchasing decisions

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

• Business partners

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

• Personnel

3,037 (Dec. 31, 2017) employees in 14 countries.

• Owners and investors

Number of shareholders approx. 20,000 (Dec. 31, 2017).

ETHICS AND INTEGRITY

G4-56 Organization's values, principles and codes

Tikkurila always conducts its business in compliance with high ethical standards and legislation and in accordance with the company's values and Code of Conduct. Regardless of the market area, we extensively comply with social responsibility principles relating to human rights, employment, the right of association, discrimination, working hours and conditions, occupational safety and health as well as environmental protection and ethical business

operations. We also aim to ensure our business partners' compliance with these principles.

Compliance of Tikkurila's business practices is followed by head of legal and Internal Auditor. Furthermore, the Audit Committee of Tikkurila's Board of Directors contributes actively to the business ethics and compliance related matters.



We are trustworthy

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



We are innovative

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



We are professionals

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

Values

Our values steer and support our operations: we are trustworthy, innovative and professionals. These values come alive in decision-making situations every day, on both small and large scales.

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

Code of Conduct

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

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

Implementation of Code of Conduct

2011-2013	Online training, supervisor work, induction process, group purchase agreement, supplier evaluation and auditing processes In 2013, more than 90% of Tikkurila employees conducted the online training
2015-2016	Personal development discussion process, supervisor work, induction process, group purchase agreement, supplier evaluation and auditing processes According to the personnel survey conducted in 2016, 83% of employees who had had personal development discussions with their supervisor discussed the Code of Conduct and its role in day-to-day work. According to the personnel survey, 88% of the respondents had had a personal development discussion with their supervisor. No employee survey was conducted in 2017.

Read more:

🌐 www.tikkurilagroup.com/values

🌐 www.tikkurilagroup.com/code_of_conduct

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

Tikkurila has in use an internet-based “whistleblowing” reporting system that enables both personnel and other stakeholders to anonymously report misconduct of business practices, violations of the Code of Conduct as well as other illegal or unethical business practices. The objective of the system is to ensure that Tikkurila’s daily operations appropriately comply with good governance

and business principles. The link to the system is available on the company intranet and on the Tikkurila Group website. In 2017, we received three announcements through the reporting system. Those were investigated and processed by Tikkurila’s country management. On the basis of the announcements, no further measures were required.

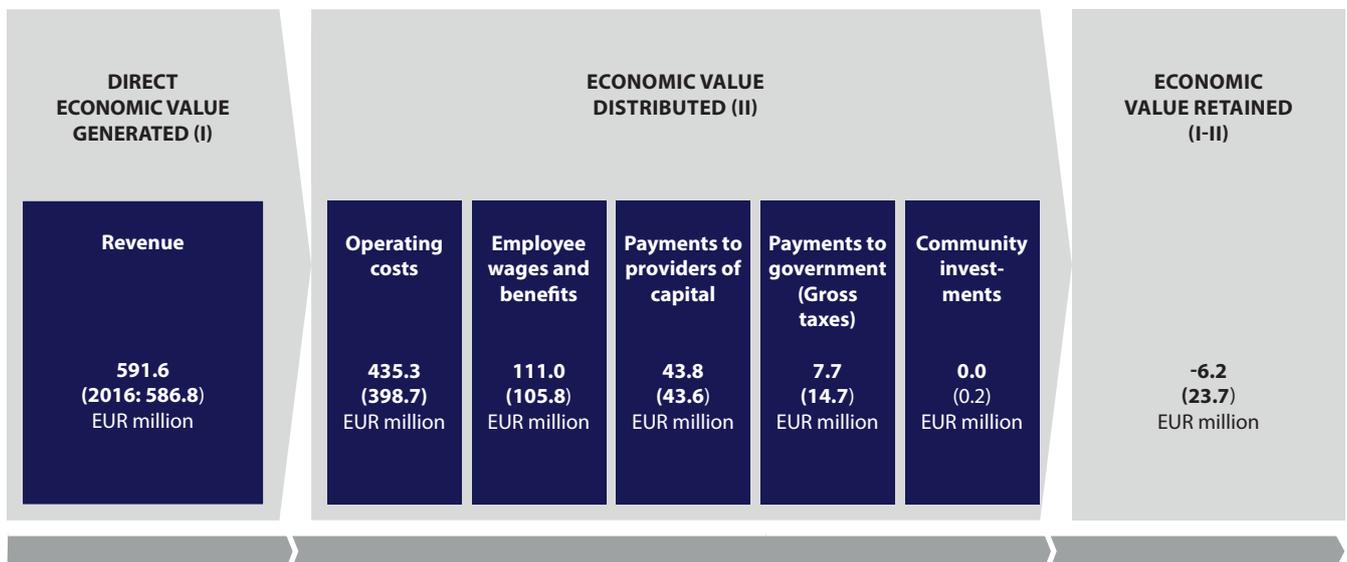
G4 SPECIFIC STANDARD DISCLOSURES

In accordance with the G4 guidelines, this section provides information on the specific standard disclosures, which is not reported in the Tikkurila Annual Review 2017 or the GRI content index.

ECONOMIC

G4-EC1 Direct economic value generated and distributed

We continuously develop our business operations, and aim to achieve profitable growth and strengthen our position on the market. We rely on strong brands and sustainable products which support the life cycle thinking. In addition to the leading market position, strong brands and comprehensive surface treatment knowhow, the key success factors in our business operations include cost-efficient and responsible sourcing, an efficient supply chain and a functioning and extensive distribution network as well as diverse services, sales and marketing.



ENVIRONMENTAL

Tikkurila aims to continuously minimize the environmental impact of its operations and products, for instance, by developing products that extend the service life of the painted item and allow for longer maintenance painting intervals. Furthermore, we promote the use of water-borne products, and select the options which burden the environment less, whenever it is technically and financially possible. In our own operations, we aim to use natural resources sparingly, and improve the efficiency of production processes and the resource efficiency of production sites, with the aim of minimizing material loss and the amount of waste. Tikkurila's environmental work gives it

an opportunity to mitigate climate change.

The environmental impact of our operations has been determined, and the main environmental effects of paint during its life cycle have been identified as raw materials and packaging materials production, emissions and wastes generated during its manufacture, as well as the distribution of raw materials, packaging materials and finished products, compounds evaporating (VOC emissions) from the paint during painting and drying, and the disposal of paint waste.

Sustainable solutions

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

Customer interest in products that are better for the environment and health has increased due to greater environmental awareness, changes in consumption habits, and legislative changes concerning the composition and safety of paints. Our customers want to choose products whose production and use have minimal environmental and health impact, and which are safe to use.

Most Tikkurila paints are water-borne. Our goal is to make the interior paint selection targeted at consumers and professionals within the EU countries 100 percent water-borne by 2020. In 2017, the share of water-borne interior paints within the EU countries was 98.9 percent (2016: 98.7).

A water-borne paint is a better choice for both health and the environment. Their health and environmental effects are smaller than those of solvent-borne paints, especially at the application stage, since it is primarily water that evaporates from water-borne paint. The low-emission and nearly odorless water-borne paints ensure better indoor air quality and lower allergy risks.

SHARE OF WATER-BORNE INTERIOR PAINTS, EU COUNTRIES



■ water-borne 98.9% ■ solvent-borne 1.1%

SHARE OF WATER-BORNE INTERIOR PAINTS IN SALES, EU COUNTRIES	2017	2016	2015
%	98.9	98.7	98.5

SHARE OF WATER-BORNE PRODUCTS IN PRODUCTION	2017	2016	2015
%	75.0	73.8	73.5

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

MATERIALS

G4-EN1 Materials used by weight or volume

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

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

than 90 percent of the raw materials and packaging materials for Tikkurila's units in the EU are bought from the EU region. In Russia, more than 60 percent of all raw materials and packaging materials are bought from local suppliers.

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

RAW MATERIAL AND PACKAGING MATERIAL PURCHASES FROM DIRECT SOURCING	2017	2016	2015
%			
Binders	34.6	35.7	34.8
Pigments	27.4	23.9	23.3
Packaging materials	17.4	18.2	17.7
Additives	12.1	13.2	12.1
Solvents	6.1	6.4	6.8
Others	2.3	2.6	5.3
Total	100.0	100.0	100.0

ENERGY

G4-EN3 Energy consumption within the organization

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

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

FUEL CONSUMPTION	2017	2016	2015
GJ			
Fuel oil	17,153	13,826	13,289
Natural Gas	63,270	65,353	55,375
Fuel gas	2,918	2,873	2,642
Diesel Oil	894	825	1,886
Renewable energy sources	24	39	33
Total direct energy consumption	84,259	82,917	73,225
INDIRECT ENERGY CONSUMPTION	2017	2016	2015
GJ			
Electricity	130,377	129,211	126,777
District heat	78,300	76,324	71,259
Cooling	0	0	0
Steam	0	0	0
Total indirect energy consumption	208,677	205,535	198,036
ENERGY SOLD	2017	2016	2015
GJ			
Electricity	9,551	9,248	9,180
Heating	3,154	3,409	2,778
Cooling	0	0	0
Steam	0	0	0
Total energy sold	12,705	12,657	11,958
TOTAL ENERGY CONSUMPTION ON TIKKURILA SITES	2017	2016	2015
GJ			
	280,230	275,797	259,303

Energy consumption is based on on country-specific invoicing information. The 2016 total direct and indirect energy consumption is revised.

WATER

G4-EN8 Total water withdrawal by source

Tikkurila indicator: Water used as paint raw material

water-borne products, actions are taken, among other things, to reduce the amount of washing water needed. For example, equipment rinsing water is used as a part of the product when possible. Good planning of production also reduces the need of washings between batches. Process cooling water systems are closed.

Products which burden the environment as little as possible are a key element in our strategy. Tikkurila has been investing in developing and promoting the use of water-borne products for decades. An increasing number of paints are water-borne or solvent-free. While developing water-borne products, we pay attention to the efficient use of water. In 2017, the share of water-borne products in production was 75.0 (73.8) percent.



APPROX. 40% OF WATER USED AS PAINT RAW MATERIAL

TOTAL WATER WITHDRAWAL BY SOURCE	2017	2016	2015
1,000 m ³			
Surface water	0	0	0
Ground water	8	3	39
Rainwater	0	0	0
Waste water from other organizations	0	0	0
Municipal source	151	147	146
Total	159	150	185

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

EMISSIONS

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

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

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

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

DIRECT CO ₂ EMISSIONS	2017	2016	2015
tn CO ₂	5,201	4,786	4,502

The direct CO₂ emissions are calculated from the consumption of fuel oil, natural gas, fuel gas and diesel oil. The consumption data is based on the country-specific invoicing. With regard to the year 2015, the classification of direct CO₂ emissions is revised. Both local and the IPCC conversion rates have been used to calculate the direct CO₂ emissions.

G4-EN21 Other significant air emissions

Solvent emissions into the air

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

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

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

The main initiative in reducing VOC emissions of our products and in production has during the years been moving from solvent-borne products water-borne products. In 2017, the share of water-borne products in production was 75.0 (73.8) percent.

VOC EMISSIONS IN PRODUCTION

	2017	2016	2015
tn	112	116	113

WASTE

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

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

products, as well as raw material dust and solvent fumes carried out for processing in the exhaust air, or exhausted otherwise.

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

HAZARDOUS WASTE

	2017	2016	2015
tn			
Reuse	0	0	7
Recycling	1,257	672	749
Composting	0	0	0
Energy recovery	1,567	1,119	1,161
Incineration	10	13	51
Landfill	243	569	1,043
Other	381	455	451
Total	3,458	2,829	3,463

NON-HAZARDOUS WASTE

	2017	2016	2015
tn			
Reuse	639	549	445
Recycling	2,021	1,911	1,914
Composting	26	16	15
Energy recovery	431	379	391
Incineration	9	38	40
Landfill	330	243	177
Other	327	244	234
Total	3,784	3,380	3,215

The 2016 waste data is revised.

TRANSPORT

G4-EN30 Significant environmental impacts of transporting products

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

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

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

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

OVERALL

G4-EN31 Total environmental protection expenditures and investments

In 2017, the environmental investments reported by the sites included mainly improvements in waste and waste water treatment and measures regarding environmental safety. Additionally, the investments included improvements in raw material warehousing,

and development of building technology, related to e.g. lightning. The environmental protection expenditures include, among other things, waste handling, waste water treatment and analyses as well as certification costs.

ENVIRONMENTAL PROTECTION INVESTMENTS	2017	2016	2015
MEUR	0.4	0.3	0.7

ENVIRONMENTAL PROTECTION EXPENDITURES	2017	2016	2015
MEUR	1.9	1.6	1.7

The 2015 data regarding environmental protection expenditures is revised.



SOCIAL

The corporate social responsibility is taken into account in all stages of our operations, from raw material selection and supplier management to production and the use and disposal of products. All this is done in cooperation with various stakeholders.

We always conduct our business in compliance with high ethical standards and legislation and in accordance with our values and Code of Conduct. Regardless of the market area, we extensively comply with social responsibility principles relating to human rights, employment, the right of association, discrimination, working hours and conditions, occupational safety and health as well as environmental protection and ethical business operations. We also aim to ensure our business partners' compliance with these principles.

The social impact of our operations has been determined, and the key effects have been identified as social issues relating to the supplier chain, the occupational safety and job satisfaction of our employees, and other social issues relating to Tikkurila's operations.

Our employees are the most important resource for the company – happy, healthy and motivated people want to develop themselves at work and will actively contribute to the company's strategy, brand and sales work. Tikkurila invests in performance and competence management, personnel development and managerial work, as well as in maintaining the well-being and safety of its employees.

LABOR PRACTICES AND DECENT WORK EMPLOYMENT

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

At the end of 2017, Tikkurila employed 3,037 (3,033) people in 14 countries. In 2017, Tikkurila Group recruited 299 new employees, and 346 persons left the company.

Organizational changes, implemented in 2017, are described in the Board of Directors' Review in the Financial Statements.

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

TOTAL NUMBER OF NEW EMPLOYEE HIRES	2017	Rate of new employee hires
East	203	14.9
West	96	5.7
Total	299	9.8
Female	80	7.6
Male	219	11.0
Total	299	9.8
<31 years	146	23.3
31–50 years	141	8.1
>50 years	12	1.8
Total	299	9.8

The amount of new employee hires is calculated from the active total workforce on December 31, 2017. Calculation of new employee rate: (number of employee hires / total workforce per category) *100. Seasonal employees are not included in the data.

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

TOTAL NUMBER OF LEAVERS AND EMPLOYEE TURNOVER	2017	Turnover
East	208	15.2
West	138	8.3
Total	346	11.4
Female	118	11.2
Male	228	11.5
Total	346	11.4
<31 years	95	15.2
31–50 years	178	10.3
>50 years	73	10.8
Total	346	11.4

The total number of leavers is calculated from the active total workforce on December 31, 2017. Employee turnover calculation: (number of leavers / total workforce per category) *100. Seasonal employees are not included in the data.

OCCUPATIONAL HEALTH AND SAFETY

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

The safety work at Tikkurila focuses on preventive measures, such as risk assessments, safety training, safety talks and rounds, reporting of safety observations and safety-related communications, as well as internal and external audits. We want to ensure a safe workplace for all Tikkurila employees. Preventive safety work directly affects the company's cost-effectiveness and provides a way to improve efficiency and minimize sickness absences.

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. Thanks to the preventive safety work and developed reporting practices, Tikkurila's accident frequency rate (LTA) dropped with almost one unit and was 2.0 (2.7).

In addition to assessing our employees' safety behavior in their everyday work, we also address safety issues through regular personal development discussions, safety rounds as well as safety talks between employees and their supervisors and colleagues. Altogether, 6,059 (6,701) safety talks and rounds were held within the Group in 2017.

LOST TIME ACCIDENTS (LTA)	2017	2016	2015
Per million working hours	2.0	2.7	1.9
Fatalities	-	-	-
TIKKURILA INDICATOR	2017	2016	2015
Preventive safety practices: Number of safety talks and rounds	6,059	6,701	5,927

Tikkurila monitors its safety performance using the LTA1 accident frequency rate, which indicates the number of accidents that cause absences lasting at least one day per one million working hours. The accidents, safety discussions and rounds are collected in the Tikkurila Group HSE Monitor reporting system. The number of employee working hours is partly an estimate.

TRAINING AND EDUCATION

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

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

The model enhances leadership and supports the achievement of the company's strategic goals. Furthermore, it harmonizes the managerial practices throughout all countries of

operations, thus supporting Tikkurila's organizational structure and management model, which were renewed in 2017.

The quantity and quality of the development discussions are measured through the personnel survey. No personnel survey was implemented in 2017. In 2016, 82 (2014: 85) percent of Tikkurila employees responded to the personnel survey. 88 (87.1) percent of the survey respondents reported having had a development discussion with their supervisor, and 75.0 (72.7) percent found the discussion useful or fairly useful. Tikkurila will renew its personnel survey process in 2018.

DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12 Composition of governance bodies and employee breakdown

At Tikkurila, we adhere to the principle of equality and diversity, regardless of a person's gender, race, ethnicity or nationality, age, religion, political opinion, or social status. Personnel's views on the implementation of equality are monitored by means of a personnel

survey. No employee survey was implemented in 2017. The survey in 2016 showed that 91.0 (2014: 89.3) percent of those responded to the survey feel that all employees are treated equally or somewhat equally at Tikkurila.

BOARD OF DIRECTORS	2017		2016		2015	
	Female, %	Male, %	Female, %	Male, %	Female, %	Male, %
<31 years	-	-	-	-	-	-
31–50 years	-	-	16.7	-	16.7	-
>50 years	50.0	50.0	33.3	50.0	33.3	50.0

Realization of diversity principles of the Board of Directors

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

The diversity of the Board of Directors will be assessed from various viewpoints. Tikkurila's aim is that the Board of Directors represents expertise in different industries and markets, diverse professional and educational backgrounds, diverse age distribution

and both genders. Concerning gender diversity, the objective is that at least two members from each gender are represented on the Board.

The current composition of the Tikkurila Board of Directors fulfills the expertise areas, experience and gender ratio defined in the diversity principles. The members of the Board of Directors have wide-ranging know-how regarding the Tikkurila field of operation and relevant markets, including diverse experience in accounting and finance and retail business. In 2017, the six-person Board consisted of three women and three men.

MANAGEMENT BOARD	2017		2016		2015	
	Female, %	Male, %	Female, %	Male, %	Female, %	Male, %
<31 years	-	-	-	-	-	-
31–50 years	40.0	60.0	-	60.0	-	60.0
>50 years	-	-	-	40.0	-	40.0

PERSONNEL AGE AND GENDER BREAKDOWN	2017	2016	2015
	%	%	%
Female	34.7	35.3	35.2
Male	65.3	64.7	64.8
<31 years	20.6	21.0	21.6
31–50 years	57.1	56.6	56.1
>50 years	22.2	22.4	22.3
Average age of personnel	41.4	40.8	40.8

PRODUCT RESPONSIBILITY

PRODUCT AND SERVICE LABELING

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

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

We systematically study and investigate the health and environmental effects of the raw materials used in our products. We guide our own personnel as well as our customers and partners in the safe and sustainable use of our products. Based on the raw material information and the paint formula, our employees specialized in product safety calculate the hazard properties for products used in compliance with instructions. The results of the calculations are shown on the paint safety data sheet and the warnings section of the product label. The safety data sheet, product specifications and product label contain a description of the product and give details of its manufacturer, offer information about the composition of the product and its health and environmental

impacts as well as instructing in the safe and sustainable handling, storing, transport and disposal of the product. The label also states the eco-labels the product has received and other classifications for paint products.

Chemical industry business is tightly regulated

The increasingly tight environmental and safety requirements and the changing legislation lay new demands on our products and increase Tikkurila's responsibility to inform the consumers of its products' health, environmental and safety impacts. We follow the development of tightening environmental and safety standards and legislation, and actively participate in the work of paint-industry associations at both national and EU level.

G4-PR5 Results of surveys measuring customer satisfaction

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

In addition to customer satisfaction, we analyze the customer feedback provided via various channels, and use the results of the analyses to develop our operations and products. Tikkurila receives feedback from its stakeholders through, for example, its customer service, feedback channels, websites and social media, as well as through its sales personnel. Among our largest areas of operation, customer satisfaction and brand awareness surveys were carried out in 2017 in the Baltic countries, Poland, Sweden, Finland and Russia. In 2018, Tikkurila intends to carry out a global customer satisfaction and brand awareness survey in its key markets.

The topics of Tikkurila's surveys are brand awareness, customer satisfaction, shopping behavior and willingness to recommend among consumers, distribution channels, painting and renovation businesses, contractors and construction companies, designers, architects and our industrial customers.

Based on the results of the surveys carried out in 2017, we can state that Tikkurila's paint brands are well known and respected in their market areas. Our customers have strong confidence in the company and our products. Different brands are among the most well-known in their market areas in Finland, Estonia, Latvia, Sweden and Russia. The NPS (Net Promoter Score) measured in a survey conducted on our B2B customers was very high in all three countries included in the survey: Finland, Sweden and Poland. Positive feedback was especially given for our customer service and the quality of our products. In the future, we intend to monitor the development of the NPS index in all of our key markets.

SUPPLIER MANAGEMENT

In the supplier chain, the manufacture of raw materials and packaging materials, partner selection, and effective and reliable co-operation with partners have the greatest impact on Tikkurila's business, success and profitability, as well as the realization of social and environmental responsibility.

We set high standards for the cooperation between Tikkurila and its suppliers as well as for all purchased raw materials, other goods and services. Our aim is to ensure that our partners operate responsibly in accordance with our Code of Conduct and fulfill our requirements on quality, safety, environmental and social responsibility. Furthermore, we aim to identify, manage and minimize the environmental and social impacts of our supplier chain.

The Tikkurila Group has approximately 500 local and international raw material and packaging material suppliers. More than 90 percent of the raw materials and packaging materials for Tikkurila's units in the EU are bought from the EU region. In Russia, more than 60 percent of all raw materials and packaging materials are bought from local suppliers.

We only cooperate with suppliers that have been approved by our principles for supplier collaboration and make a group-level agreement with our most significant suppliers. By the end of 2017, 43 (39) percent of raw material and packaging material purchases were covered with the Group agreement. Our principles, based on our values, Code of Conduct and Corporate Responsibility program, for supplier collaboration define our expectations with regards to quality, safety and the environment as well as to procurement matters from the selection and assessment of suppliers to the continuous improvement of the cooperation.

Tikkurila monitors and assesses the supplier collaboration on a regular basis through evaluation and auditing processes. During 2013–2017, Tikkurila has audited 35 suppliers. The audits and evaluations look into the suppliers' order, delivery and production processes, quality control measures, environmental and safety protocol as well as the suppliers' social responsibility and ethical business practices, such as their practices with regard to human rights, bribery and anti-corruption.

	2017	2016	2015
Group agreement, % of raw material and packaging material purchases	43	39	35
Supplier audits, number	2	4	12

GRI CONTENT INDEX

GENERAL STANDARD DISCLOSURES

		LOCATION	COMMENTS	OMISSIONS
STRATEGY AND ANALYSIS				
G4-1	Statement from the President and CEO	Financial Statement Release, comment of interim President and CEO FS8 Strategy		
ORGANIZATIONAL PROFILE				
G4-3	Name of the organization		Tikkurila Oyj	
G4-4	Primary brands, products and services	FS5 Tikkurila in Brief		
G4-5	Location of headquarters		Kuninkaalantie 1, 01300 Vantaa, Finland	
G4-6	Countries in which operations are located	FS5 Tikkurila in Brief		
G4-7	Nature of ownership and legal form	FS103 Shares and shareholders CR2		
G4-8	Markets served	FS5 Tikkurila in Brief		
G4-9	Scale of organization	FS5 Tikkurila in Brief CR2		
G4-10	Breakdown of employees by contract type, employment type, region and gender	CR7		The amount of employees is calculated from the active total workforce on Dec. 31, 2017.
G4-11	Percentage of total employees covered by collective bargaining agreements	CR8		
G4-12	Description of supply chain	www.tikkurilagroup.com/supply_chain		
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	FS87 Changes in Group structure FS103 Shares and shareholders FS12 Board of Directors' Review		
G4-14	Addressing the precautionary approach or principle	FS12 Board of Directors' Review		
G4-15	External charters, principles or initiatives endorsed	CR8		
G4-16	Memberships in associations	CR8		
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities included in the organization's consolidated financial statements	CR31 Reporting principles FS86 Group's ownership in shares and participations		
G4-18	Process of defining the report content	CR9-10		
G4-19	Material aspects identified	CR9-11		
G4-20	Aspect boundary within the organization	CR10-11		
G4-21	Aspect boundary outside the organization	CR10-11		
G4-22	Restatements of information provided in previous reports		Restatements are reported in connection with the changed information.	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries		No significant changes.	

STAKEHOLDER ENGAGEMENT

G4-24	List of stakeholder groups engaged in the organization	CR12	www.tikkurilagroup.com/stakeholders
G4-25	Identification and selection of stakeholders	CR12	www.tikkurilagroup.com/stakeholders
G4-26	Organization's approach to stakeholder engagement		www.tikkurilagroup.com/stakeholders
G4-27	Key topics and concerns raised through stakeholder engagement		www.tikkurilagroup.com/stakeholders

REPORT PROFILE

G4-28	Reporting period	CR31 Reporting principles	Jan. 1-Dec. 31, 2017
G4-29	Date of the most recent previous report		Tikkurila Corporate Responsibility report 2016 was published on Mar. 3, 2016.
G4-30	Reporting cycle	CR31 Reporting principles	Annual
G4-31	Contact point for questions	CR33	
G4-32	GRI content index	CR27-30	
G4-33	Organization's policy with regard to external assurance	CR31 Reporting principles CR32 Assurance report	

GOVERNANCE

G4-34	Governance structure	FS110 Governance bodies	
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ETHICS AND INTEGRITY

G4-56	Organization's values, principles and codes	CR12-13	
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	CR13	
	Generic G4 DMA: User experience	CR10	
	Generic G4 DMA: Resources	CR11	
	Generic G4 DMA: People	CR11	

SPECIFIC STANDARD DISCLOSURES

		LOCATION	COMMENTS	OMISSIONS
CATEGORY: ECONOMIC				
MATERIAL ASPECT: ECONOMIC PERFORMANCE				
G4-EC1	Direct economic value generated and distributed	CR14		Information by region is not seen as material.
CATEGORY: ENVIRONMENTAL				
MATERIAL ASPECT: MATERIALS				
G4-EN1	Materials used by weight or volume	CR16	Raw material and packaging material purchases.	Tikkurila does not report raw materials by weight for competitive reasons.
MATERIAL ASPECT: ENERGY				
G4-EN3	Energy consumption within the organization	CR17		

MATERIAL ASPECT: WATER

G4-EN8	Total water withdrawal by source	CR18
Tikkurila indicator	Water used as paint raw material (% from total water consumption)	CR18

MATERIAL ASPECT: EMISSIONS

G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	CR18
G4-EN21	Other significant air emissions (VOC emissions in production)	CR19

MATERIAL ASPECT: EFFLUENTS AND WASTE

G4-EN23	Total weight of waste by type and disposal method	CR19
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MATERIAL ASPECT: TRANSPORT

G4-EN30	Significant environmental impacts of transporting products	CR20	No group-level quantitative data available.
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MATERIAL ASPECT: OVERALL

G4-EN31	Total environmental protection expenditures and investments	CR20	The environmental protection expenditures are not reported by types.
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CATEGORY: SOCIAL**SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK****MATERIAL ASPECT: EMPLOYMENT**

G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	CR22
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MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY

G4-LA6	Injuries, lost days, absenteeism and fatalities	CR23	The safety data is reported regarding own employees. The data is not available by region nor by gender. Tikkurila does not report the rates of occupational diseases, lost days nor absenteeism.
Tikkurila indicator	Preventive safety practices: Number of safety talks and rounds	CR23	

MATERIAL ASPECT: TRAINING AND EDUCATION

G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee group	CR23	Results based on the Tikkurila personnel survey in 2016.	The 2016 information has not been reported by gender or by employee group, the information is not available.
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MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-LA12	Composition of governance bodies and employee breakdown	CR24	The amount of employees is calculated from the active total workforce on Dec. 31, 2017. The personnel age and gender breakdown is not available by employee groups. Tikkurila does not collect information regarding minority groups.
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SUB-CATEGORY: SOCIETY**MATERIAL ASPECT: ANTI-COMPETITIVE BEHAVIOUR**

G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	No actions in 2017.
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MATERIAL ASPECT: COMPLIANCE

G4-SO8	Significant fines and sanctions	No significant fines or sanctions in 2017
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SUB-CATEGORY: PRODUCT RESPONSIBILITY**MATERIAL ASPECT: PRODUCT AND SERVICE LABELING**

G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	CR25	No group-level data available.
G4-PR5	Results of surveys measuring customer satisfaction	CR25	No group-level data available.

MATERIAL ASPECT: COMPLIANCE

G4-PR9	Monetary value of significant fines for non-compliance	No fines or non-compliance in 2017.
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MATERIAL TIKKURILA TOPIC: SUSTAINABLE SOLUTIONS

Production of water-borne products	CR15
Sales of water-borne interior paints, EU countries	CR15

MATERIAL TIKKURILA TOPIC: SUPPLIER MANAGEMENT

Group agreement, % of raw material and packaging material purchases	CR26
Supplier audits, number	CR26

FS = Financial Statements 2017 **CR** = Tikkurila GRI 2017 Corporate Responsibility report

REPORTING PRINCIPLES

Tikkurila reports the progress in its corporate responsibility matters in its Annual Review. Tikkurila GRI 2017 Corporate Responsibility report describes key matters of responsibility in terms of Tikkurila's operations and outlines the progress in the different areas of corporate responsibility. The report is published in Finnish and English on the Group's website (www.tikkurilagroup.com).

The report for year 2017 contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines. An independent third party, PricewaterhouseCoopers Oy, has provided assurance on the economic, social and environmental performance indicators in the report. Tikkurila publishes its Corporate Responsibility report annually. The next report will be published at the beginning of 2019.

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

- Tikkurila's 2014 acquisitions, Tikkurila Drytech AB and ISO Paint Nordic A/S have been added to the safety and environmental reporting from the beginning of 2015. In late 2016, Tikkurila transferred Tikkurila Drytech AB's production from Flen, Sweden, to the Iso Paint A/S production plant in Lunderskov, Denmark.
- The production site in Almaty, Kazakhstan, opened in 2015, was included in the environmental reporting from the beginning of 2016.
- In 2016, Tikkurila sold its subsidiaries in Ukraine and Belarus. Companies were included in the 2016 safety data until the time of sale, and not included in the 2016 personnel and environmental data.
- In October 2017, Tikkurila announced that the manufacturing and warehousing operations in Sary Oskol, Russia will be discontinued during 2018. The site is included in the 2017 corporate responsibility figures.
- In December 2017, Tikkurila announced that the business operations of Serbia and Macenodia will be sold to the local management. The companies were part of the Tikkurila Group until January 31, 2018. Both subsidiaries are included in the 2017 corporate responsibility figures.
- The distribution center in Utkina Zavod reports only figures regarding waste and environmental protection expenditures.

The material corporate responsibility and sustainable development aspects included in the report and the boundaries have been presented in the section "Identified Material Aspects and Boundaries" (pg. 9-11). The material aspects are defined based on Tikkurila's materiality assessment work carried out in 2014 and GRI G4 reporting guidelines. Further information about the materiality assessment can be found under "Identified Material Aspects and Boundaries" (pg. 9) of the report.

Financial key figures

The financial key figures are based on the audited financial statements. In the Group's financial reporting, the International Financial Reporting Standards (IFRS) are applied.

Personnel key figures

The key figures related to personnel are compiled from data generated by different units. The personnel data is mainly based on the personnel and employment information available on the data system implemented by Tikkurila in 2014.

Safety and environmental key figures

The figures related to safety and the environment are compiled from data generated by different units. The safety information is also partly based on the information received from the HSE Monitor reporting tool, implemented in 2011.

Other information

The information related to customer satisfaction is based on the customer satisfaction surveys carried out in Tikkurila's organizations. In the 2017 GRI report, we reported the results of the customer satisfaction and brand awareness surveys carried out in the Baltic countries, Finland, Poland, Russia and Sweden.

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

(Translation from the Finnish original)

To the Management of Tikkurila Oyj

We have been engaged by the Management of Tikkurila Oyj (hereinafter also the Company) to perform a limited assurance engagement on the economic, social and environmental performance indicators for the reporting period 1 January to 31 December 2017, disclosed in Tikkurila Oyj's report "Tikkurila GRI 2017". In terms of the Company's GRI G4 reporting and G4 Content Index, the scope of the assurance has covered economic, social and environmental performance indicators listed within the Specific Standard Disclosures as well as General Standard Disclosures G4-10 and G4-11 (hereinafter Corporate Responsibility Information).

MANAGEMENT'S RESPONSIBILITY

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

PRACTITIONER'S INDEPENDENCE AND QUALITY CONTROL

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

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

PRACTITIONER'S RESPONSIBILITY

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

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That Standard requires that we plan and perform the engagement to obtain limited

assurance about whether the Corporate Responsibility Information is free from material misstatement.

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

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

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

LIMITED ASSURANCE CONCLUSION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Tikkurila Oyj's Corporate Responsibility Information for the reporting period ended 31 December 2017 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

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

Helsinki 23 February 2018

PricewaterhouseCoopers Oy

Sirpa Juutinen

Partner

Sustainability & Climate Change

Tikkurila Oyj

P.O. Box 53, Kuninkaalantie 1

FI-01301 Vantaa

Finland

Tel. +358 20 191 2000

🌐 www.tikkurilagroup.com

Responsibility online

🌐 www.tikkurilagroup.com/responsibility

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

Päivi Kivilä, Senior Manager, Communications and Sustainability

Environmental responsibility:

Sirpa Möller, HSE Manager

Product safety:

Anu Passinen, RDI Manager, Product Safety

Financial responsibility:

Jukka Havia, Interim President and CEO, CFO

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