

TIKKURILA



Tikkurila Corporate Responsibility report 2012

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Tikkurila corporate responsibility report 2012

We drive change in our markets by promoting sustainable choices

According to its strategy, Tikkurila provides consumers and professionals with user-friendly and sustainable solutions for surface protection and decoration.

We are committed to actively develop high-quality and eco-efficient solutions, and to create 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.

Tikkurila's corporate responsibility is based on the economic, social and environmental performance, which is tightly linked to our values, strategy and daily business operations. Our internal sustainability targets, external stakeholders' expectations as well as changing regulations have affected corporate responsibility matters being integrated into our operations more closely.

In 2012, Tikkurila focused on further developing the processes in corporate responsibility and in its management. Group-level sustainability framework and themes were discussed and defined with the Group management and the Board of Directors. Also the country-level practical focus areas and actions were specified together with the country-level management.

As a part of the continuous development of business operations, the actions to support the company's sustainability and to better serve the various stakeholders in the Tikkurila Group countries have been carried out throughout the year. In addition, the measures have been carried out to improve well-being of employees, internal cooperation and safety at work. In 2012, also the risk management processes were developed further.

We continuously and systematically strive to improve our operations. We aim at taking a more systematic approach to sustainability in order to further integrate environmental and social aspects into our operations. In 2013, our sustainability focus, in accordance with our strategic and sustainability development objectives will be on:

- user experience of our customers and distribution partners;
- well-being and competence development of our employees;
- eco-efficiency of our operations and life-cycle thinking;
- prudent financial management and solid long-term cash flow
- good corporate citizenship

Sustainability 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.

Tikkurila's Management Board has the overall responsibility for the company's sustainability performance within the sustainability framework agreed by the Board of Directors as a part of the strategy process. The Management Board defines the sustainability focus areas together with the Corporate Responsibility project team, and reviews the sustainability performance. Tikkurila's Corporate Responsibility project team is responsible for the group-level sustainability performance, coordinating the activities and development actions in their areas of responsibility as well as

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providing the necessary information to the management. 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.

Sustainability throughout the entire value chain

Tikkurila's sustainability matters are a part of the daily operations throughout the entire value chain. Tikkurila's value chain describes our operations in a comprehensive manner – from the selection of raw materials and production of paints to the end-use, recycling and disposal of paints. In addition to its primary functions, Tikkurila's value chain also includes support functions, such as R&D, HR and ICT.



When developing and manufacturing products, we consider the environmental and other sustainability issues of the entire life-cycle of paint, ranging from raw materials to finished products and product disposal. We understand that by focusing on each stage of the value chain we improve the quality and effectiveness of our operations and products, and create added value for our customers.

Tikkurila strives to be one step ahead in the quality and environmental matters and to develop its operations systematically. Our aim is to develop and market products that burden the environment as little as possible.

Certified operations

We at Tikkurila continuously track our sustainability progress and the development of legislation. Our objective is to create independently audited and certified quality, environmental, and safety management systems for each of Tikkurila's sites.

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

More information on the certificates awarded to Tikkurila's units

[Certificates](#)

Choice and supply of raw and packaging materials

Tikkurila produces paints and coatings for a variety of use. Depending on the desired properties, there are also vast differences between the ingredients used. The raw materials selected by Tikkurila greatly influence the environmental impacts and safety of the products.

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We work in cooperation with the responsible suppliers and 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.

Tikkurila's sourcing works in close cooperation with R&D in the selection of raw materials and suppliers. The tasks of sourcing include, among other things, ensuring timely deliveries in the right quantities from the raw material suppliers.

Tikkurila's most significant purchases include raw materials required in paint production and packaging materials. Packaging material purchases mainly consist of purchases of paint cans, labels, plastic wrapping and pallets. The selection of packaging materials is affected not only by the quality and price but also by the requirements of the retailer, tinting properties, consumers' purchasing habits, and the ease of application in end use.

When a new raw material is taken into use in the paint production at Tikkurila, the company's R&D product safety specialists study the hazards of the raw material based on the safety data sheet compiled by the raw material supplier, and other information. Based on them, basic information on the composition of the raw material is entered into the company's internal information system for the evaluation of product hazard. If needed, the raw material supplier is contacted for additional information.

The majority of raw materials for Tikkurila's units in the EU come from the EU region. In Russia, raw materials are either produced locally or imported from the different countries.

Paint ingredients

Paint typically consists of binders, pigments, fillers, thinner and additives. R&D selects the raw materials for a new paint based on the purpose and required properties of the product, and therefore, for example, exterior and interior paints generally have different raw materials. The selection of raw materials is also guided by their health and environmental aspects.

More information on paint raw materials

[What is paint made of?](#)

Production and packaging

Our product offering includes, among others, paints, lacquers and effect products for interiors, exterior paints for wood, masonry and metal surfaces as well as services related to painting. Tikkurila also produces paints and coatings for professional use in the construction industry. In addition, Tikkurila sells and markets solutions produced by other manufacturers, among others fillers, painting tools and solutions supporting sales. There are a total of 11 production units in eight countries.

Production manufactures and packages the products in an economical, safe, and eco-efficient manner. We constantly develop our production processes to reduce the environmental impact of our operations and the amount of material loss and paint waste.

The Lean approach implemented at Tikkurila in 2011 streamlines the Group's production processes, identifies and minimizes production problem areas. The objective is to improve the quality and safety of our operations, and to reduce production and transportation costs and the amount of material loss and paint waste.

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Paint production itself does not consume much energy, but the majority of energy consumed is needed in the heating and ventilation of buildings. Paint production generates solid and liquid waste which is delivered to appropriate re-use or disposal. The environmental impact of waste collection, treatment or transportation is similar to that in the regular production operations.

Depending on the operating country and product group, Tikkurila products are packaged in metal or plastic cans or in larger containers. Benefits of metal cans include better usability in tinting, durability and manageability in transportation, among others. Benefits of plastic cans include a light weight and ease of use, among others.

New packaging and labeling line at the Vantaa site

Tikkurila launched a new packaging and labeling line at the Vantaa site in 2012. Improving the effectiveness of operations and working conditions was also in focus when the packaging and labeling lines, operating since 1988, were modernized. Thanks to the modernized packaging machinery, improvements were achieved, among other things, in the factory's packaging and labeling operations, in productivity and lead times, interim warehousing, unnecessary moving and waiting, as well as in the ergonomics and occupational safety as manual work was reduced.

More information on paint production

[How is paint made?](#)

Distribution

Transportation needs and inventory quantities are optimized in cooperation with the entire supply chain to ensure that retailers and consumers receive the products on time, safely, and eco-efficiently.

Tikkurila products are distributed from the production units to either warehouses for further deliveries or directly to the retailers and professional users.

Paint warehousing primarily uses recyclable pallets made from either paperboard or wood. The loaded pallets are wrapped in plastic for transportation. We aim to use recyclable materials as much as possible.

Logistic benefits through tinting of paints

Tinting is an economical and ecological way to produce thousands of colors. Large amount of the paints used by consumers and professionals are tinted in the store by the retailer based on the customer's needs. Tinting paints offers numerous benefits to the store, consumer and Tikkurila, but also to the environment.

Retailers custom-tint paints to the consumer's order. With the tinting system, the need for warehousing both at Tikkurila and the retailers decreases and is more efficient. No leftover colors that would need to be thrown away over time remain in the warehouse and on shelves. This improves material efficiency and decreases the amount of waste.

Tinting also generates clear logistic benefits compared to Tikkurila delivering ready-made shades to retailers. Less transport is required since retailers can have a bigger range of different base paints for different purposes instead of having several ready-made shades of one paint type. The paint production process can be simplified by focusing on the production of white and clear base paints. This, in turn, reduces the amount of raw materials needed and improves the efficiency of production.

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Retailer and customer

In addition to the sales and marketing activities, the retailer and customer stage of the value chain includes services, which maintain and increase the value of our products (before or after the purchase), for example guidance, color services, technical support and training.

Tikkurila works in close cooperation with the customers, retailers, and suppliers. We have divided our customers in two groups: Consumers and Professionals. Consumers primarily purchase our products in retail stores, such as the so-called big-box stores, hardware stores, and specialized paint stores. In addition to these, professional and industrial customers purchase our products directly from Tikkurila or through the Temaspeed network.

We help our customers make sustainable choices. 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 for painting. With the help of Tikkurila's professional personnel – sales, technical support, and customer trainers – and the services and training we offer, our customers obtain the best possible and sustainable results with our products. Tikkurila's websites offers a wealth of information, for example, work instructional videos and instructions to help in selecting products.

Product safety and quality are important aspects of the company's operations, and we have been working determinedly for many years to achieve them. Increasingly stringent environmental and safety requirements increase Tikkurila's responsibility to communicate the safety and health impacts of its products.

More information on cooperation between Tikkurila and its various customer groups
[Cooperation and dialogue with our stakeholders](#)

Recycling and disposal

Responsible painting also includes appropriate disposal of waste. Tikkurila instructs its customers to recycle or dispose of painting and packaging waste in the correct way as well as how to clean the tools properly. Each country adheres to the local practices, guidelines and legislation.

More information on Tikkurila's operations and products
[Environmental impact of Tikkurila's operations](#)
[Environmental impact of Tikkurila's products](#)

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Personnel

Tikkurila's values – trustworthiness, innovativeness and professionalism – and leadership based on values and interactivity promote openness, communality and personnel motivation. Thriving personnel are the foundation of successful operations. Developing a dialogic corporate culture and cooperation helps us achieve our strategic objectives.

At the end of 2011, Tikkurila launched a group-wide program. Measures aiming to improve effectiveness and carry out restructuring were launched in all business units in 2012. For the most part, HR work in 2012 focused on supporting management, supervisors and personnel in the change.

In addition, engaging in dialogue and cooperation were developed at Tikkurila in 2012. The safety efforts in 2012 consisted primarily of preventive measures, such as safety training and safety talks as well as risk assessments.

In 2013, the HR work continues to promote personnel well-being and dialogue, and focuses on reviewing the personnel survey results, and planning team-specific measures to further improve personnel competence, motivation, and prerequisites for working.

Tikkurila's personnel structure

At the end of 2012, Tikkurila employed 3,227 (2011: 3,551) people. Approximately, 44.5 (43.0) percent worked in Russia and its neighboring areas, 24.5 (24.7) percent in Central Eastern Europe, 18.3 (20.4) percent in Finland and 12.7 (11.9) percent in Scandinavia.

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 average number of employees in 2012 was 3,425 (3,676).

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. The share of temporary workers at the end of 2012 was 5.6 (6.0) percent and 39.9 (40.9) percent were blue-collar workers.

Approximately, 63.6 (63.7) percent of the personnel were men and 36.4 (36.3) percent women. The average age of the employees was 39.9 (39.2) years.

Structural changes in 2012

Tikkurila launched a group-wide program at the end of 2011, aiming, among other things, at more flexible organization and cost structure as well as streamlining of operations. Measures to improve efficiency and facilitate structural change were initiated in all Tikkurila business units during the year 2012.

At the beginning of 2012, the size of the Tikkurila Management Board and management levels in the Group were reduced as part of the program for faster and more streamlined decision-making. In January 2012, approximately 110 persons were laid off and outsourced from the various functions in Finland.

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In February 2012, Tikkurila divested its subsidiaries in Hungary, Czech Republic, Slovakia and Romania to a company established by the local management, which continues the retail sales of Tikkurila's products in all of the four countries.

Other measures implemented in 2012 included, among others, the merger of subsidiaries in Poland and in Sweden, and the sales organizations of different customer segments in Estonia. In addition, the sales and warehouse network was expanded in Russia to better serve regional customers.

Personnel figures	2012	2011	2010
Number of personnel, December 31	3,227	3,551	3,468
Average number of personnel	3,425	3,676	3,703
Job satisfaction index based on personnel survey *	399	-	68.0
Lost time accidents (LTA1)/million working hours	4.1	4.8	4.8
Lost working days/accident	11.0	13.8	11.4
Employees involved in regular development discussions, % **	83.7	-	78.0
Temporary employments, December 31, %	5.6	6.0	5.9
Blue collar workers, %	39.9	40.9	43.6
Share of women in personnel, December 31, %	36.4	36.3	37.0
Average age of employees, December 31	39.9	39.2	38.5

* 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 2010 survey result is a job satisfaction index, which is not comparable with the 2012 index figure.

** 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.

Good dialogue benefits both personnel and customers

We, at Tikkurila, believe that good dialogue skills help us to improve ourselves and our company even more. Through discussions and listening, we can create ideas, share knowledge, find new solutions and solve problematic situations. Genuine and honest dialogue brings employees closer and facilitates cooperation.

Open and constructive discussions enable us achieve good results. The dialogue helps us focus on the right issues and hence improve our performance. Good dialogue skills are an advantage in a supervisor-employee relationship, and they also help us to better understand the needs of our customers. This enables us to develop the best and most competitive product and service offering for our customers.



Open discussion at Dialogue Cafés

In 2012, Tikkurila organized several so-called Dialogue Café events as a part of the development of dialogue and cooperation. Dialogue Café is an informal forum for the management and employees to discuss matters. It aims to promote dialogue and cooperation, open up discussions on important issues, gather ideas and bring up issues where improvement is needed.

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The format of the events in different countries has been slightly different, based on the size, needs and topical issues at each site. The main goal of these events has been to start open discussion, talk about topical issues and improve the dialogue and cooperation.

Tikkurila established European Works Council for management and personnel

In November 2012, a first co-operation forum called "Tikkurila European Forum" was organized. The works council is established to improve the right of employees to get information and be consulted about topics with regard to Tikkurila's operations and its future prospects including decisions that affect the position of the employees and their employment.

European Works Council is a form of co-operation required by Finnish law and a European Community level directive from companies having in total over 1,000 employees in at least two countries within the European Economic Area ("EEA"). In Tikkurila's case the countries involved are Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland and Sweden.

New intranet to develop internal cooperation

Intranet is a communication and cooperation portal, which plays a significant role in improving the cooperation, interactivity and work efficiency. In 2012, a group-wide project was launched in order to create a common and multilingual intranet platform for the Tikkurila Group. The aim of the new intranet is to facilitate the everyday work with an easy access to internal information. Intranet will also provide user-friendly tools to create and publish information. Interactivity and cooperation across functional borders will be important in the new intranet that was launched at the beginning of 2013.

Tikkurila promotes innovativeness

Innovativeness is one of Tikkurila's values. Our attitude, ways of working, and products enable us to accomplish change in the market, and we offer novel solutions for our customers' needs.

In 2012, an innovation team was established at Tikkurila with the aim to promote Tikkurila's innovation culture, develop innovation processes within the company, and identify new technological solutions that offer business opportunities for Tikkurila.

All Tikkurila employees were eligible to apply for the innovation team. A total of 22 people from different Group countries were selected as innovation agents. The team members represent different functions of the company, which ensures an extensive utilization of internal competence.

In 2012, the innovation team started its operations and defined its objectives. It has also formed five working groups to ensure the diversity and effectiveness of the operations. One area of responsibility was defined as a working basis for each working group. Among other things, the innovation team began mapping the initiative systems in different units, definition work of a group-level idea management system, as well as describing the innovation process.

Tikkurila Beat – renewed personnel survey

A new personnel survey tool was implemented at Tikkurila in 2012. A personnel survey model covering the entire personnel has been used since 2004, but now the process was renewed in order to better reflect our operations and ways of working. Instead of concentrating on job satisfaction, the Tikkurila Beat survey focuses on measuring the potential of our personnel: competence, working prerequisites and motivation.

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The survey was conducted in November 2012, and 86.3 percent (2010: 86.3) of Tikkurila employees responded to the survey and 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 the development measures.

Tikkurila's overall index measured on the basis of the results was 399, whereas the global comparable average was 420. As the new survey was run for the first time, no comparison figures from the previous years are available within the Group. Compared to the results from the previous years, the most positive changes included, among other things, improved respect between and collaboration of employees as well as increased understanding among employees about their own resources, duties, and their importance to the company. Overall, the employees felt that factors supporting working prerequisites and motivation were at a good level in the Group. Competence development is the area with the greatest pressure for improvement.

Development discussions as part of employee well-being

According to the 2012 personnel survey, the share of personnel involved in the development discussions was 83.7 (2010: 78.0) percent. For the first time in the 2012 survey, employees were asked to evaluate how useful in their opinion their discussions were. 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 among the persons who considered the discussion useful than among the persons who had not had a discussion or did not feel they have benefited from the discussion.

The topics of the development discussion include the content, targets and results of work, the functioning and targets of the team as well as occupational safety and Tikkurila's values. Annual personal development discussions help to identify the current state and development needs, as well as prepare appropriate development 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.

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. 83.7 percent of the personnel survey respondents felt that all employees are treated equally or somewhat equally in our company.

HR award to Tikkurila in Russia

As a result of the professional and systematic leadership, HR work and internal communications, Tikkurila's subsidiary, OOO Tikkurila, in Russia received a "HR Brand of the Year 2011" award in March 2012 for its integration project in Russia.

The award was granted by the Russian company specializing in recruitment, which annually awards companies that have succeeded in human resources and employer branding. The awards were granted on the basis of the jury's decision, and online survey, in which over 500,000 people responded. The jury consisted of experts in human resources, consulting and branding. Approximately 100 applications were submitted to the contest.

Tikkurila's integration project in Russia won the first prize in the category "The Northern Capital" (project implemented in St. Petersburg). In 2008, Tikkurila had several separate companies operating in Russia. The project focused on the integration of the companies from the personnel

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perspective: working together as a team, organizational changes, corporate culture and values. During 2009–2011, several team-building activities and corporate events were held in Russia. In addition, the project included the processes and information about internal training school, induction and personal development discussions (PDD), among others.

Rewarding

Performance-based salaries and compensation paid in 2012 totaled EUR 88.1 (2011: 88.8) million. Remuneration is based on internal equity and external competitiveness. 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.

More information about rewarding from Tikkurila's Group website from Corporate Governance section

[Rewarding](#)

Safety comes first

Tikkurila continually invests in the development of safety procedures. Tikkurila's management and personnel are committed to safety issues, and the management processes are well in place.

Tikkurila's safety efforts consist primarily of the preventive measures such as risk assessments, safety training, observation of safety-related behavior and communication as well as the internal and external evaluations. In 2012, the focus has been on preventive actions, such as safety trainings, safety talks and risk assessments.

Group HSE function sets the targets and systematically audits the company's various production sites, gives recommendations and follows up the local development work. In 2012, the HSE function audited the production units in St. Petersburg, Russia, Šabac, Serbia, Kiev, Ukraine, Ansbach, Germany and Vantaa, Finland. Based on these audits, the development needs were seen, among other things, in assessing the occupational risks, analyzing the accidents and following up on the actions.

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

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 2012, the number of lost time accidents decreased compared to the previous year and was 4.1 (2011: 4.8) accidents per one million working hours. The number of lost working days related to accidents was 11.0 (13.8) per accident.

Actions focusing on occupational safety have paid off. In 2012, Tikkurila Group made a safety record, and did not have LTA accidents in over three months. This was a result of the good preventive and corrective work done in the whole group. The managers at all levels have focused more on the safety and more safety talks and safety rounds have been carried out.

During the reporting period, a severe personal injury occurred in the Group's Utkin production unit in St. Petersburg, Russia. The accident was thoroughly analyzed in the tight cooperation with the Russian authorities, and actions to prevent similar to happen were defined in cooperation with the

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authorities, Group HSE function, local management and HSE persons. All the Tikkurila Group production units were instructed to carry out a risk assessment based on the analysis and to have a special focus on preventive actions. The injured person received support from his employer during the process and has returned to work.

HSE Monitor – a tool to report and analyze health, safety and environmental matters

In 2011, Tikkurila implemented a group-wide reporting and analyzing tool, HSE Monitor, for entering safety talks, safety tours and findings, various incidents, accidents and fires. Furthermore, supervisors or specialists use the tool to report, among others, on possible security and environmental incidents and actions taken.

The application emphasizes systematic analysis of the cases, risk assessments, completion of the actions taken and the importance of follow-up. Since information on health, safety and environmental matters and personnel well-being are available in one place, the tool will significantly improve the effectiveness of supervisors' and specialists' work and reduce the need to use various templates.

In 2012, the HSE Monitor was taken in use in all Tikkurila Group production units, except in Serbia where the implementation will start in 2013. The HSE Monitor was implemented in Finland in 2011.

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Environment

Tikkurila offers high-quality, competitively priced and environmentally sustainable products and guides customers to make sustainable choices. We aim to continuously minimize the environmental impact of our operations and products, and develop environmentally sound products. We want to be a forerunner in the environmental matters and take the environment into consideration in all our operations. Systematic and proactive environmental work benefits both Tikkurila and its stakeholders.

When developing and manufacturing products, we consider the environmental and other sustainability issues of the entire life-cycle of paint, ranging from raw materials to finished products and product disposal.

Customer interest in environmentally sound products has increased due to the increased environmental awareness, positive attitude towards 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 use, and that are safe to use.

Preventing risks and hazardous situations is an important aspect of Tikkurila's environmental efforts. Risk analyses were carried out in 2012 in Tikkurila's units, and corrective measures, such as developing technical solutions, promoting safe practices, training personnel and drawing up guidelines, were taken based on the analyses. In addition, emergency rehearsals are organized regularly at the units. In 2012, there were no fires or chemical leaks into the environment at the units.

Environmental information

	2012	2011	2010
Direct energy consumption*, kWh/product liter	0.11	0.09	0.08
Indirect energy consumption**, kWh/product liter	0.25	0.25	0.29
Solvent emissions in production (VOC) into the air, g/product liter	0.50	0.44	0.40
Amount of hazardous waste, g/product liter (supply chain)	21.6	23.2***	8.3
Amount of other waste, g/product liter (supply chain)	14.0	14.9***	28.9
Share of water-borne products in production, %	71.4	70.1	70.3
Investments in environmental protection, EUR million	0.3	0.5	0.2
Operating cost of environmental protection, EUR million	2.1	2.1	2.1
Operating cost of environmental protection, cent/product liter	1.0	1.0	1.0

* fuel consumption at production sites

** electricity, district heating, purchased steam

***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 previous years, classifications defined by the EU were applied.

Environmental impact of Tikkurila's operations

Waste

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 collection, treatment

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or transportation of waste does not cause environmental impacts that would differ from those generated by the normal production operations.

The relative share of Tikkurila's hazardous waste in 2012 was 21.6 (2011: 23.2) grams per product liter, whereas the relative share of other waste was 14.0 (14.9) grams per product liter.

As of 2011, the national waste classifications in accordance with the GRI guidelines have been used as a basis for the waste classification in environmental sustainability reporting. In the previous years, classifications defined by the EU were applied.

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 2012, material loss was 14.1 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. At the moment, the figure covers about two-third of Tikkurila's production amount. The production amount from sites in St. Petersburg, Russia, Ukraine and Germany is not included in the material efficiency indicator.

Energy consumption

Paint production itself does not consume much energy, but the majority of energy consumed is needed in the 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. In 2012, the energy consumption of the Group's production facilities was 0.36 (0.34) kWh per product liter.

Energy efficiency in the Vantaa unit

In 2008, Tikkurila joined the energy efficiency agreement of the industry, committing to a more efficient use of energy in the Vantaa unit. Our objective is to make energy consumption more efficient and to obtain cumulative savings of 3,700 MWh by 2016.

In 2012, the energy consumption in the Vantaa unit was approximately 30,000 MWh. The greatest savings in energy consumption have been achieved by switching to the eco-efficient ventilation adjustment and control methods for off-hours at the site facilities and product warehouse, correct adjustments, and adequate inspection and maintenance of equipment. In addition to these, the energy consumption has already been permanently reduced by optimizing the equipment run time and by implementing numerous improvements for individual process. In addition, Tikkurila personnel have been instructed in more efficient consumption of energy when using the machinery and equipment in their work environment.

Solvent emissions into the air

The production process releases volatile organic compounds, or VOCs, contained in raw materials, into the air. In 2012, the relative solvent emissions into the air from production were 0.50 (0.44) grams per product liter.

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

Environmental costs and investments

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

In 2012, Tikkurila invested EUR 0.3 (0.5) million in environmental protection in its units, and environmental operating costs totaled EUR 2.1 (2.1) million.

Soil remediation efforts completed at the production site in Poland

The operations of the former owner of Tikkurila's production site in Dębica, Poland caused groundwater and soil pollution at the site area. Since 2002, Tikkurila has worked in close cooperation with the environmental authorities and, based on the recommendations from them, carried out soil and groundwater inspections and, treated groundwater at its production site in Dębica. In 2006, the local environmental authorities in Poland approved the remediation plan, and all measures were completed in 2012.

Reducing carbon dioxide emissions by 50% in Scandinavia

Tikkurila aims to reduce its direct and indirect carbon dioxide (CO₂) emissions by 50 percent in its operations in Sweden, Norway and Denmark by 2020. Emissions will be reduced, among others, in the transportation, business travel, purchasing and consumption of electricity and waste disposal.

To achieve the reduction target, a team representing the personnel has been formed to define the measures required. In addition to reducing the CO₂ emissions, the team has also set targets to increase awareness of the issue among the personnel.

More information on Tikkurila's production
[Sustainability throughout the entire value chain](#)

Environmental impact of Tikkurila's products

Painting extends the life of the painted item, structure or building. We develop paint combinations and solutions that extend the service life of the product and enable longer maintenance painting intervals.

The environmental impact of paint should be identified for the entire life-cycle of the product – from the manufacturing products and raw materials to application and waste management. The development of environmentally sound products begins at R&D which, together with sourcing, selects the raw materials and develops products for different uses. Research and development can help address future legislative challenges and also actively reduce the environmental impact and improve the safety of products.

The burden caused by our products on the environment includes, among other things, the production of raw materials, energy used during the manufacturing of the product, emissions and waste generated during production, compounds evaporating from the paint during painting and drying as well as the disposal of paint and the painted item.

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The quality of the product also affects the environmental impact of the product during its life-cycle. The better the qualities that the painted surface offers, the less maintenance is needed and the longer the maintenance painting interval is.

We minimize the environmental burden caused by our products by, among other things, selecting the options which burden the environment less, whenever it is technically and financially possible, and by developing the eco-efficiency of the production process by minimizing loss and utilizing generated waste.

We provide guidance to our customers in terms of the use and disposal of paint and work to ensure that our suppliers meet our quality and environmental requirements.

Intensified regulation

The environmental impact of paints is also reduced through the 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.

One of the most significant changes in legislation in the EU region is the REACH regulation, which 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 classification, labeling and packaging of chemicals is regulated by the CLP directive, which aims to ensure a high level of human health and environmental protection. 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. In 2013, Tikkurila will start the preparation of new labels and safety data sheets to comply with the regulations of the CLP directive. The warning texts on paint product labels should be replaced by June 2015.

The VOC directive for paints defines the maximum allowed amounts of solvents evaporating into the air from the paints intended for different purposes.

The biocide directive regulates the use of preservatives used in paints.

In addition to the aforementioned directives, various eco-labels and markings such as the Swan Ecolabel and the EU Ecolabel as well as different allergy and asthma labels set requirements on our products related to the environment, health and quality.

More information on the eco-labels awarded to Tikkurila

[Eco-labels and classification of paint](#)

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Water-borne products

An increasing number of paints are water-borne or contain fewer solvents, the so-called high solids paints. Tikkurila works to increase the market share of water-borne products. In 2012, the share of water-borne products of production was 71.4 (2011: 70.1) percent.

The environmental impact of water-borne paint is smaller than that of solvent-borne paint, especially in the application stage, since only water evaporates from the water-borne paint. The benefits of water-borne paints include ease of use and odorlessness. Water-borne paints dry quickly. When applied indoors, the premises can be used as soon as the paint has dried. Tools can be easily cleaned with water.

The increased popularity of water-borne paints affects Tikkurila's entire value chain. Reducing solvent emissions is also required by, for example, the EU's VOC directive which defines the maximum allowed amounts of solvent for different types of decorative paints.

Water-borne and high solids products have been used in the Nordic countries for a long time. In Scandinavia, approximately 90 percent of paints sold by Tikkurila are water-borne.

Environmental awareness and the popularity of the water-borne products have also increased in Russia. At the end of 2012, nearly 60 percent of products sold in Russia were water-borne (source: Chem-Courier).

Different types of paint

High-quality paint appropriate for the purpose can be crucial in reducing the maintenance need of a painted surface and extend the life of the product or structure.

Different surfaces, such as wood, concrete or metal, require different paint properties. Paint protects the surface material from the weather and mechanical stress. Wood expands when it becomes wet and compresses again when it dries, so the paint film must be elastic. The products for concrete or stone surfaces must keep the structures dry. Paints for metal surfaces must provide protection against corrosion.

Tikkurila produces paints for a variety of uses. Depending on the desired properties, there are also vast differences between the ingredients used in production. The raw materials that Tikkurila chooses greatly affect the environmental and health impacts of the products. Tikkurila's R&D continuously looks for the raw materials which function well technically and burden the environment as little as possible, in close cooperation with Tikkurila's sourcing and raw material suppliers.

The required properties are different for interior and exterior paints. In exterior use, the paints are stressed by sunlight, moisture fluctuations, and mold and bluestain fungi, among others. Fungicides are often used in exterior paints to protect the paint film from mold and algae.

Interior surfaces are primarily exposed to mechanical wear, e.g. abrasion and dents, as well as cleaning agents and other substances, such as grease. Interior paints must be cleanable and abrasion-resistant.

More information on Tikkurila's products

[Sustainability throughout the entire value chain](#)

[Eco-labels and classification of paint](#)

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Environmental assessment methods

The environmental impact of products and operations can also be described by means of various assessment methods. The image below gives an idea of which types of environmental impacts some known assessment methods strive to cover.

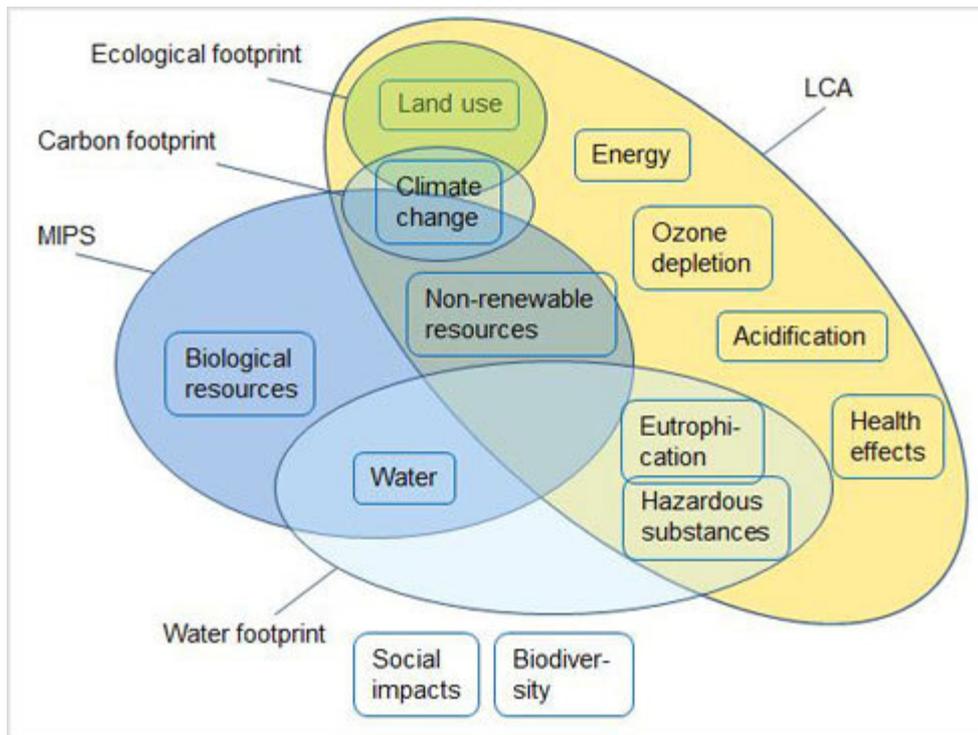


Image: Environmental impact assessment (Tuomas Mattila, 2009, SYKE)

Life-cycle assessment (LCA)

LCA is a method for assessing the environmental impact of a product or similar item throughout its life-cycle – from raw material sourcing, R&D and manufacturing to use, recycling or disposal of the product.

Tikkurila has been researching the life-cycle impact of products since the 1990s. In 2009–2011, Tikkurila participated in the FINLCA project (Life Cycle Assessment Framework and Tools for Finnish Companies) coordinated by the Finnish Environmental Institute SYKE. The project aimed to develop various tools to support life-cycle assessments and decision-making and to promote competence and insight that will improve the international environmental competitiveness of Finnish companies. The project generated a tool that can be used to assess the environmental impacts of paint systems.

According to life-cycle assessments, the most significant environmental impacts of paints are the environmental impact of the production of raw materials and packaging materials as well as solvents released by solvent-borne paints.

Although fairly extensive amount of information exists on the health impacts of individual raw materials, knowledge of the environmental properties of paint raw materials is still insufficient and therefore, analyzing the environmental impacts during the product life-cycle is challenging.

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Other methods

The other methods to measure environmental impacts are:

- Ecological footprint describes the size of the land and sea areas needed for producing materials and energy as well as for the treatment of the waste generated.
- Carbon footprint indicates the amount of greenhouse gases caused by the product, operations or service during the life-cycle.
- MIPS (Material Input per Service unit) indicates the amount of materials required to produce a product or service.
- Water footprint indicates the amount of water consumed during the life-cycle of a product or service and the impact in water systems.

Eco-labels and classification of paints

Paints are awarded with various eco-labels and classifications with the aim to increase the 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.

Tikkurila has been working actively and consistently for years in order to develop and offer environmentally sustainable and easy-to-use products particularly in Scandinavia, where Tikkurila has the highest number of eco-labeled decorative paints.

Tikkurila Group's different paint brands have been awarded several official and local eco-labels and product-specific classifications.

The official eco-labels awarded to paints include:

The EU Ecolabel

The EU Ecolabel is the joint eco-label of the European Community (EU). The EU Ecolabel indicates that a product or service is kinder to the environment and of high quality. The eco-label is only awarded to products which meet the preset requirements regarding the burden on the environment throughout their life-cycle.

In 2012, the products of Tikkurila's Optiva product range have been granted the EU Ecolabel in Poland. The Optiva Super Matt 3, Optiva Matt 5, Optiva Satin Matt 7 and Optiva Semi Matt 20 paints as well as the Optiva Primer received the right to use the label.



In 2012, several products in Scandinavia were awarded the EU Ecolabel. Approximately 60 products of the Alcro and Beckers paint brands sold in Scandinavia have been awarded the EU Ecolabel.

Among Tikkurila's paint brand products, Remontti-Ässä and Joker have received the EU Ecolabel.

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The Nordic Ecolabel, the Swan Ecolabel

The Swan is the official eco-label in the Nordic countries. It directs consumers to select products that are kinder to the environment and encourages manufacturers and service providers to produce such products. Paints labeled with the Nordic Ecolabel fulfill not only the strict environmental but also tight quality requirements, which cover the entire life-cycle of the products from raw materials to the manufacturing of the products, their use, and disposal of waste.

In 2009, Tikkurila's subsidiary Alcro-Beckers AB was the first company to receive the Swan Ecolabel for its exterior paints. In 2012, several products in Scandinavia were awarded the Swan Ecolabel, and currently more than hundred exterior and interior paints of Alcro and Beckers carry the Swan label.

In 2012, Tikkurila received the first Swan Ecolabels in the Baltics. Five products of Vivacolor's Interior product range have been granted the eco-label.



In 2012, Tikkurila's renewed and expanded Ultra exterior paint family was granted the right to use the Nordic Ecolabel. The house paints Ultra Matt, Ultra Classic and Ultra Lux received the label usage right. In Finland, Tikkurila's Joker and Remontti-Ässä interior paints were awarded the Swan Ecolabel in 2011.



Other recognitions and classifications to be awarded to paints include:

Allergy and asthma labels

Allergy and asthma label indicates a product that meets the strict product-specific requirements and contains no fragrances or other generally irritating or sensitizing agents. The label helps customers select to products that do not generally irritate or sensitize the skin or cause respiratory symptoms. The products awarded the label are required to include detailed formulas and product information leaflets. Different countries have their own local criteria regarding allergy and asthma labels.

Asthma and allergy labels have been awarded to several Alcro and Beckers products sold in Sweden. An allergy label has been awarded to Remontti-Ässä and Joker of the products sold in Finland. Approximately ten paints sold in Poland, for instance the Optiva product selection, have been awarded the allergy label.

In 2012, Tikkurila was awarded the allergy and asthma labels in Estonia, Latvia and Lithuania for five products of Vivacolor's Interior product range. In Ukraine, Tikkurila received the allergy label to its Kolorit brand products.

More information on the local eco-labels, labels received and classifications is available on the local websites of Tikkurila Group's paint brands.

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Product safety

Tikkurila works actively to ensure product safety. Product safety at Tikkurila's production units is the responsibility of product safety specialists who meet regularly to discuss and develop product safety matters. The purpose of this network is to share competence on raw materials and product information management and to address the latest challenges posed by legislation, such as the CLP and REACH directives, in particular.

Main tasks of Tikkurila's product safety include

- determining the health and environmental impact of the raw materials we use, and
- 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. Close cooperation between R&D, sourcing and raw material suppliers improves efficiency in selecting raw materials and suppliers, in quality and cost awareness as well as logistics.

Based on the raw material information and the paint formula, hazard properties concerning the environment and health are calculated for a product when used in compliance with instructions. The properties are indicated in the 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.

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.

In 2012, the Group implemented a new system for management of paint formulas and raw materials. The system increases the transparency and effectiveness of managing paint formulas and raw materials on the group-level. The implementation of the system will continue in 2013. Furthermore in 2012, the implementation of a group-level system for compiling material safety data sheets was started.

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Economy & society

Financial responsibility

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

Information about Tikkurila's financial targets:

[Financial targets](#)

Generated and distributed direct economic value in 2012	EUR million
Direct economic value generated (I)	
a) Revenue	671.8
Economic value distributed (II)	
b) Operating costs	489.4
c) Employee wages and benefits	115.9
d) Payments to providers of capital	7.4
e) Payments to government (Gross taxes)	18.7
f) Community investments	0.1
Economic value retained (I-II)	40.3

Tikkurila's financial development in 2012 is widely described in Tikkurila's Annual Report

[Publications](#)

Fines and penalties

No significant fines or penalties were imposed on Tikkurila in 2012.

Collaboration and dialogue with our stakeholders

Tikkurila's key stakeholders are customers and those influencing purchasing decisions, personnel as well as owners and investors.

We at Tikkurila focus on collaboration and open dialogue with our stakeholders. Succeeding in this and meeting the stakeholders' expectations requires measures from us. The measures are largely local, due to the local nature of stakeholders.

Some of the measures implemented and launched in 2012 to promote collaboration and dialogue between Tikkurila and its stakeholders are listed below.

Tikkurila's Retail concept: making paint sales easier and buying paint more fun

In the autumn of 2012, Tikkurila released its new Retail concept in Finland. Its idea is to help paint retailers succeed, make paint buying a pleasant experience and increase the popularity of painting among people interested in interior design.

The planning of the Retail concept is based on a number of common trends. It highlights the individualism of customers, in other words, the offering should match each customer's individual

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needs. Buying should be made easy – customers need ready-made solutions and ideas. Focus is also on effective sales.

Concept developing is based on extensive research. Research into customer-based product category management was launched as early as in 2006. Consumers' paint buying process was also surveyed as part of the research. The research helped to extensively map the aspects involved in purchasing paint, the customers' needs and values as well as the essential target groups for paint retailers. The research results were reviewed against the RISC Monitor research on the attitudes of Finnish people, and based on this, three main target groups of Finns were defined in the Retail concept: Home Renovator, Home Builder and Trendsetter.

Three Retail entities of different size were designed for the main target groups. They all include the same basic elements: presentation, product range, tinting and in-store activities. When creating the product range, we took into consideration, among other things, the inventory turnover and seasonal fluctuations. The store receives detailed shelf maps for the product selection as well as precise recommendations on product volumes and packaging options.

Presentation also includes a number of solutions facilitating sales. These include, among other things, clear guides for product groups, add-on products and product information next to the products, as well as ready campaign packages with displays, surface samples and posters.

In November 2012, the presentation solutions of the concept were awarded EU's protection of designs by the EU's Office of Harmonization for the Internal Market (OHIM).



(Image: Martti Järvi)

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Tikkurila makes painting easier

Paint purchasing is often preceded by planning, selection of color and searching for tips and instructions. With Tikkurila's solutions, consumers are able to transform their enthusiasm into success. The company's website offers an extensive selection of painting ideas, work instructions and videos as well as information on colors and paints. Consumers can also use the services of the Designer and Contractor Pools, which contain hundreds of interior designers and painting contractors who have signed a marketing agreement with Tikkurila.

Tikkurila's Maalilinja customer hotline offers assistance, advice and ideas for painting to the Finnish consumers and professionals. Our experts provide technical consultation, advice on selecting colors and paints as well as tips and work instructions. These help our customers to achieve high-quality and sustainable results in their painting projects. The customer hotline answers customers' questions by phone and e-mail. The hotline, established in 2000, receives more than 75,000 contacts per year.

Tikkurila Profe – services for professionals

Tikkurila introduced the Profe – Tikkurila Professional Services concept to professional customers in Finland in 2011. In 2012, the concept was introduced also to industrial customers in Finland, and the implementation of Profe services started in Russia and Poland. The implementation of Profe and development of more comprehensive service offering will continue in 2013.

Profe enables Tikkurila to provide more extensive and targeted services to various operators in the trade, taking the specific needs of each customer group into consideration. The goal is to further enhance the cooperation between Tikkurila and retailers as well as professional customers.

The Profe puts together the customized service packages for painting contractors and building developers as well as for designers. Tailor-made training is being provided for retailers' B2B sales staff. New, easy-to-use ways of meeting customer needs have been developed for painting contractors working in the consumer sector.

Tikkurila's B2B sales staff serves the project customers and supports them in finding information related to products, colors and technical solutions for painting, as well as other information related to surface treatment. The B2B sales staff takes care of communications with other Tikkurila experts and, for example, provide on-site consultation upon request.

Professionals and designers club in Kazakhstan

Tikkurila's subsidiary in Kazakhstan, TOO Tikkurila, has introduced a new "Tikkurila Professionals and Designers Club" for their professional customers and other cooperation partners in Kazakhstan.

The club provides professional customers and designers with comprehensive and reliable information about Tikkurila's products and services, and presents Tikkurila's recent painting projects in Kazakhstan. By strengthening the cooperation with their cooperation partners, Tikkurila in Kazakhstan aims to increase the use of ecological, safe and high-quality paint products, and also to foster an open dialogue with the customers.

The members of the Tikkurila Professionals and Designers Club are entitled to receive discount from Tikkurila paints in selected authorized points of sales in Kazakhstan, to participate in the seminars organized by Tikkurila in Kazakhstan and in the activities organized by Tikkurila's official

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dealers, as well as to continuously exchange information about design trends with leading designers in the CIS countries and Europe.

Training center opened in St. Petersburg, Russia

Tikkurila provides its personnel, customers, retailers and paint professionals and students with training in its training centers, which are available in seven countries in the Group.

A modern training center has been completed to the immediate vicinity of the factory producing only water-borne products in Obukhovo, St. Petersburg in Russia. The training center is a facility for seminars, lectures, and training related to the painting and paints for different customer groups and personnel. Tikkurila's products are widely presented in the center, and its visitors are inspired to paint with vibrant colors and painting demonstrations.



In Russia, Tikkurila also has training centers in Moscow and Novosibirsk. During 2012, approximately 5,300 customers, retailers and painting professionals were trained in Russia.

Revenue in Russia accounts for 32 percent of entire Tikkurila Group's revenue, which amounted to EUR 671.8 million in 2012.

Developing service business together with the customer in Sweden

Tikkurila's subsidiary in Sweden started to cooperate with Skanska in construction of the New Karolinska Solna hospital. Tikkurila Sverige provides Skanska with consulting services for the painting work on the New Karolinska Solna University Hospital. The five-year agreement contributes to both major efficiency improvements in wall painting work and better environmental compliance documentation.



The cooperation with Skanska and White Tengbom, which is the main consultant of the project, is Tikkurila's first consulting job of its kind. Tikkurila provides technical support and draws up painting work and material specifications for the entire project.

Hospital construction projects place special demands on wall paints compared to other new construction projects. For instance, the surfaces must be easy to keep clean and highly durable. Furthermore, the New Karolinska Solna University Hospital is an extremely large construction project. The new hospital will be approximately 320,000 square meters in size. The construction work began in the summer of 2010 and will continue until 2017. The painting project is divided into seven phases, the first of which – the painting of connection tunnels and the garage – has already started.

Cooperation with students in Sweden

With color, imagination and careful work, an old, worn out piece of furniture can be made attractive once again. Tikkurila's subsidiary in Sweden, Tikkurila Sverige, has, in cooperation with the students of the Beckmans College of Design, introduced the Alcro ad.retur – an inspiration collection in which students at the college have given a new chance to ten worn out pieces of furniture.



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The students were given the assignment to find a piece of furniture that they thought was unattractive and then showing how it could be made attractive again using Alcro's products. A total of 38 sketches were received from the students and from these the jury selected ten, which were exhibited at the Stockholm Furniture Fair in February 2012.

Information about Tikkurila to investors

The goal of Tikkurila's investor relations activity is to support the creation of fair valuation of Tikkurila's share through timely communication of relevant, understandable, reliable and comparable information, enhancing investors' and analysts' interest in Tikkurila, building investor loyalty and attracting new investors and analyst coverage.

In 2012, Tikkurila's investor relations team met more than 300 investors and analysts at road show events. In addition, approximately 200 shareholders participated in Tikkurila's Annual General Meeting.

Tikkurila arranged its first Capital Markets Day for analysts and institutional investors in June 2012 in St. Petersburg, Russia. The participants of the event were able to discuss with Tikkurila's management and become acquainted with Tikkurila's Russian operations.

In November 2012, Tikkurila participated in the Sijoitus Invest event for private and professional investors in Helsinki, Finland.

The presentations of these events are available on Tikkurila's Investors page:

[Capital Markets Day 2012](#)

[Sijoitus Invest 2012](#) (presentation only in Finnish)

Tikkurila was awarded as the best IR company in the mid cap companies' category in an award ceremony organized in December 2012 by NASDAQ OMX Helsinki and Regi Research & Strategi AB. The study evaluated, for instance, the quality and content of the information provided by the company, the content and functionality of interim and annual reports, as well as the capital market days and other meetings organized by the company.

The study also ranked the best CEOs and IROs (investor relations officer). Tikkurila's Erkki Järvinen was ranked as the second best CEO in the mid cap companies' category. Tikkurila's IR Manager Minna Avellan was ranked as the third best IRO in her own category (Best IRO). The criteria for personal question areas included, among others, competence, relations management, trustworthiness, openness and availability.

The Nordic region's most comprehensive IR study was conducted for the 15th time this autumn, and all in all by more than 600 analysts have participated in it.

Customer satisfaction

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

Surveys conducted in Finland

Tikkurila conducts annually a customer satisfaction survey to measure the satisfaction of B2B customers – retail, professionals and industry – about Tikkurila's operations in Finland, and to collect feedback to develop operations. The fields to monitor include products, service level,

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supplementary material, professional skills and supporting of customers' operations. Based on the results, the satisfaction of all customer groups has improved compared to the previous survey, especially Tikkurila's products and supplementary materials are valued.

In 2012, Tikkurila carried out for the first time the same customer satisfaction survey for consumers. Based on the results, Tikkurila is the most well-known paint brand in Finland. The Finnish customers are satisfied with Tikkurila's products, especially with the quality and usability of products and wide selection.

According to the Finland RepTrak Pulse 2012, a study conducted by the Reputation Institute, Tikkurila has a strong reputation in Finland. Tikkurila shared ninth place on the list of the most reputable Finnish companies. More than 2,500 Finns participated in the study. The RepTrak Pulse study is to measure corporate reputations, based, among others, on stakeholders' attitudes, the companies' products and services, financial performance, leadership, innovativeness, employer image and corporate citizenship.

Surveys conducted in Scandinavia

The customer satisfaction surveys help Tikkurila also in Scandinavia to identify, measure and develop the company success factors. In 2012, Tikkurila carried out a customer satisfaction survey in Sweden, Norway and Denmark targeted for retailers, painting professionals and industrial customers. Based on the results, the customer satisfaction of these target groups has slightly improved in all three countries in 2012.

Surveys conducted in Russia

According to a brand awareness study, carried out in 2012 in Russia, Tikkurila paint brand is the most well-known paint brand in Russia. The Russian consumers value, among others, Tikkurila's wide selection and quality of products as well as company's reliability, stability and innovativeness. The survey was conducted in 14 cities in Russia, and approximately 45,000 people participated in the study.

Surveys conducted in Poland

Customer satisfaction surveys are an important tool also for Tikkurila in Poland. In 2012, Tikkurila's brand awareness was studied among construction companies, architects and consumers. The surveys were conducted by market research companies in Poland.

According to the studies, the brand awareness of Tikkurila is on a high level among the architects, and fairly high among the construction companies. Every seven professional painter would recommend Tikkurila paint brand. Among the consumers, the brand awareness of Tikkurila's brands in Poland has improved during the last years, but there is still a gap to the key competitors.

Awarded expertise

In 2012, Tikkurila was awarded of its professionalism, good company image and high-quality products.

In December, Tikkurila's Polish subsidiary, Tikkurila Polska S.A., was granted the golden Consumer Laurel 2012 award for the Be Special Decor product range for the second year in a row. The award was given in the category of "Paints and decorative plasters". The Consumer Laurel is a national survey in Poland, which annually rewards the most popular Polish products and brands among consumers in more than 300 categories. The consumers evaluated the brands and products, for instance, based on brand recognition and product quality.

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In December, Tikkurila's Polish subsidiary, Tikkurila Polska S.A., was granted the silver Consumer Quality Leader 2012 award for the Jedyńka Ogród Barw product range. The award was given in the "Latex paints" category. According to the Polish consumers, the price-quality ratio of the Jedyńka products is excellent, the selection of colors is wide, and the products are user-friendly. The Consumer Quality Leader is a national survey in Poland. The consumers evaluate the most popular brands and companies on the Polish market. The survey is organized by one of the largest Polish newspapers, and more than 4,000 consumers gave their opinion in the survey.



In November 2012, the retail store chain Bygghjmakker granted Tikkurila's Norwegian subsidiary, Tikkurila Norge A/S, its Supplier of the Year award. Tikkurila has received the same award in Norway also in 2010 and 2011. This year, the award was received in the category for medium-sized suppliers. The winners were evaluated based on their support to the professional market together with Bygghjmakker, competitive pricing, reliable deliveries, handling of complaints, know-how and product quality. Based on these criteria, each store in the chain voted for their favorites.

Sustainable Beauty program for social responsibility

In honour of the 150th anniversary, Tikkurila introduced the "Sustainable Beauty" program for social responsibility, with the aim to inspire people and communities to improve their living environment as well as to create a beautiful and even a user-friendly and unique environment. With the help of the program, Tikkurila enhances the well-being of children, young people, adults, and the elderly by actively participating in projects where paint and colors create joy, comfort, and sustainable beauty in different spaces and environments.

The Sustainable Beauty program has provided an opportunity for communities and associations to ideate and implement a better and more colourful environment using Tikkurila products. The need for and interest in such spontaneous activity has increased while funding by the society is being reduced everywhere.

In 2012, many day care centers, schools, children hospitals, social centers and other premises have been treated with Tikkurila paints and coatings. Sustainable Beauty projects have been

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realized in Belarus, China, Finland, Germany, Kazakhstan, Lithuania, Poland, Russia, Serbia and Ukraine.

In Helsinki, a fresco was painted with Luja interior paint

In the Myllypuro health centre in Helsinki, a mega art painting wall was implemented according to the design of artist Terike Haapoja. She was assisted by a working group of six people. The large fresco-style work depicting the radio spectrum of the sun stands over 15-meter high in the stairwell of the health centre.



Altogether 120 one-liter cans of Luja Himmeä interior paint (matt) was tinted for the art of work, in compliance with the artist's draft. Tikkurila Colour Service created a special tinting formula for each shade, which made the artist's work easier and shortened the actual painting process.

Color inspirations in Minsk

In Minsk, Belarus, Tikkurila organized a "Color Inspiration" competition in cooperation with the Belarusian "Bely Kvadrat" marketing and advertising festival. Young designers were invited to draw sketches to provide color inspiration to children with Tikkurila paints. Altogether 29 sketches were sent to the competition, of which five finalists were chosen at the end of March 2012. In April 2012, the drawings of the five best designers were painted in child care centers specialized in the care of mentally disabled children.

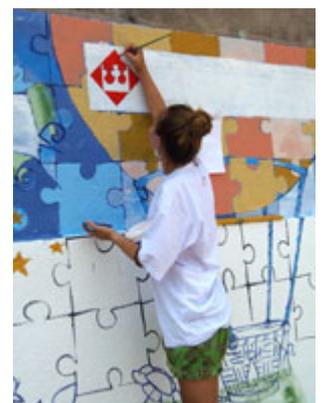


The drawing called "Funny giraffe" designed by Marina Zhardetskaya was chosen as winner of the Color inspiration competition. The winning drawing takes the children to the world of fairy tales and fantasy.

Beauty of sport in Belgrad

Tikkurila Zorka, together with the University of Arts in Belgrade, realized a painting and renovation project "Beauty of sport" in the elementary school "Branislav Nušić" in Belgrade, Serbia. Thanks to new colors that were given to playground and school façade next to the playground, the school environment is more pleasant and gives inspiration.

After the project, the school façade is a colorful puzzle. The wall painting is designed by the students of the University of Arts. Along with the students, also children of the school and young actors from a local popular TV show participated in the painting work. To motivate children to play and exercise, and to improve the facilities for the school sports, new figures were painted to the asphalt of the playground.



Look at the other Sustainable Beauty projects

[Sustainable Beauty](#)

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Reporting principles

Tikkurila's annual corporate responsibility report is a part of the Annual Report. The entire corporate responsibility report is published in the Responsibility section on the company's website. The report focuses on responsibility issues relevant to Tikkurila and is aimed at all parties interested in corporate responsibility and Tikkurila.

In 2010, Tikkurila started applying 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 based on the Group's corporate responsibility program renewed in 2009.

KPMG has assured Tikkurila's 2012 Corporate Responsibility Report, which is published on the Group's website in the Responsibility section. The assured content on the website is marked with a statement "This page has been reviewed by KPMG as a part of its assurance of Tikkurila's Corporate Responsibility reporting for 2012. Please refer to Assurance Report for a full description of the conclusions and the scope and nature of assurance offered." The 2012 Corporate responsibility report corresponds to level C+.

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. Tikkurila Zorka, acquired by Tikkurila in July 2011, has been included in the SBU CEE figures as of July 2011. Zorka was included in environmental corporate responsibility reporting as of the beginning of 2012. Figures for subcontractors have not been reported.

The financial key figures presented are mainly based on audited information. Figures related to personnel and the environment are compiled from data generated by different units. In the Group's financial reporting, the International Financial Reporting Standards (IFRS) are applied.

Tikkurila's website at www.tikkurilagroup.com/responsibility contains a list of the GRI indicators that are covered in the corporate responsibility section of the Annual Report and the Responsibility section of the Group's website. The indicators to be reported have been determined on the basis of their significance and Tikkurila's Corporate Responsibility program. In addition, the selection was affected by the availability of historical data and the ability to collect information within the reporting schedule.

Tikkurila has long traditions particularly in environmental and safety reporting. Read more about Tikkurila's reporting history at www.tikkurilagroup.com/responsibility/reporting/reporting_history.

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GRI content index

The list of the GRI guideline items that are included in Tikkurila's corporate responsibility report 2012 and respective web site links and page numbers of the annual report.

		Link	Page	Comment
1. Strategy and Analysis				
■ 1.1	Top management's statement about the relevance of sustainability	Our approach	4-7	
2. Organizational Profile				
■ 2.1	Name of the organisation			Tikkurila Oyj
■ 2.2	Primary brands, products and services		1	
■ 2.3	Operational structure		1, Financials statements 57-59	
■ 2.4-2.5	Location of head office and operating countries		1	Head office in Vantaa, Finland
■ 2.6	Nature of ownership and legal form		Financials statements 74	Public limited company
■ 2.7	Markets served		1, 12-19	
■ 2.8	Scale of reporting organisation		Cover, 1	
■ 2.9	Significant changes regarding size, structure or ownership during the reporting period		Financials statements 73-74	
■ 2.10	Awards received in the reporting period	Economy and society		
3. Report Parameters				
■ 3.1-3.3	Reporting period and cycle, previous report	Reporting		
■ 3.4	Contact point for questions regarding the report	Reporting		
■ 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	Reporting		
■ 3.13	Assurance	Reporting		
4. Governance, Commitments and Engagement				
■ 4.1	Governance structure		26	
■ 4.2	Position of Chairman of the Board of Directors		24	
■ 4.3	Independency of the members of the Board of Directors		24-28	
■ 4.4	Shareholders' and employees' opportunities to influence on the operation of the Board		26	
■ 4.14	List of stakeholders	Economy and society		
■ 4.15	Basis for identification and selection of stakeholders	Economy and society		
Economic Performance Indicators				
■ EC1	Direct economic value generated and distributed	Economy and society		
Environmental Performance Indicators				
■ EN3	Direct energy consumption	Environment		
■ EN4	Indirect energy consumption	Environment		
■ EN20	Solvent air emissions from production (VOC)	Environment		
■ EN22	Total weight of waste by type and disposal method	Environment		

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■ EN26	Environmental impact of products and services: Share of water-borne products in production	Environment		
■ EN30	Environmental protection expenditures and investments	Environment		
Social Performance Indicators				
■ LA1	Total workforce by employment type, employment contract and region	Personnel		
■ LA7	Lost time accidents (LTA1) and lost working days	Personnel		
■ LA12	Share of personnel involved in regular development discussions	Personnel		
■ LA13	Diversity of governance bodies		22-23, 26-29	
■ 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	Economy and society		
■ PR1	Assessment of health and safety impacts of products and services	Value chain, Economy and society		
■ PR3	Requirements related to product and service information	Value chain, Environment		
■ PR5	Practices related to customer satisfaction	Economy and society		

- 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.–31.12.2012 (hereafter Corporate Responsibility Information).

The Management of Tikkurila is responsible for the preparation and presentation of the Corporate Responsibility Information in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 3.0*, as well as for the presented data, assertions and gathering of information.

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*. Amongst others, this standard requires that the assurance team members comply with the requirements of the IFAC Code of Ethics for Professional Accountants to ensure their independence. Our assurance report is made in accordance with the terms of our engagement with Tikkurila. 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 (G3)*.

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 Corporate Responsibility 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 2012 is to be consulted.

The work performed in the engagement

Our assurance procedures are designed to obtain limited *assurance on whether the Corporate Responsibility 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 Corporate Responsibility 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.

In our engagement we have performed the following procedures:

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- Interviews with three 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 Corporate Responsibility Information, and a review of Tikkurila's related internal documents;
- Comparison of the presented Corporate Responsibility Information to underlying rules of procedure, management and reporting systems as well as documentation;
- An assessment of the Corporate Responsibility Information's conformity with the principles of the GRI-guidelines;
- A review of the performance data and assertions presented in the Corporate Responsibility 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 detailed assessment at one business site, which was 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 (G3) in all material respects.

Helsinki, 4. March 2013

KPMG OY AB

Toni Aaltonen
Authorized Public Accountant

Nathalie Clément
Senior Manager
Corporate Responsibility Expert