

Tikkurila's Remuneration Statement

Tikkurila publishes a remuneration statement in accordance with the Finnish Corporate Governance Code 2015. The statement consists of the following entities:

- Decision-making process of remuneration
- Principles of remuneration
- Remuneration report

A. Decision-making procedure

Tikkurila's General Meeting of Shareholders annually decides on the remuneration of Board members on the basis of the proposal prepared by the Nomination Board. The Nomination Board consists of the three largest shareholder representatives, in addition to which the Chairman of the Tikkurila Board of Directors acts as an expert member of the Board.

The Board of Directors' Remuneration Committee organizes matters connected with the CEO's and the Management Team's remuneration. The Remuneration Committee continuously evaluates the appropriateness of the CEO's and Management Team members remuneration in order to ensure it is aligned with the company's strategy, business needs and shareholder interests. In this evaluation, external experts as well as related external research data are utilized in order to ensure the CEO's remuneration is appropriate compared to typical levels in companies of comparable location, size and complexity. The Board of Directors decides on the remuneration of the CEO and those Management Team members who report directly to her.

B. Main principles of remuneration

Remuneration of Board members

Board members are paid an annual remuneration fee and meeting remuneration fees for attending Board and committee meetings. Of the annual fee, approximately 40 percent is paid as Tikkurila shares obtained from the market and the rest in cash. Shares are directly obtained for the use of the Board within two weeks of when the year's first quarter business review has been published.

At the Annual General Meeting of 2019, it was decided to pay the following remuneration fees to Board members:

- Chairman EUR: 64,000 for the year
- Vice Chairman, Audit Committee Chairman: EUR 40,000 for the year
- Other members: EUR 32,000 for the year

Additionally, it was decided to pay the following meeting fees to the Board members:

- EUR 600 for meetings held in the home state of a member
- EUR 1,200 for meetings held outside the home state of a member
- EUR 600 for telephone meetings

Those attending committee meetings were also entitled to a fee per meeting. The meeting remuneration fees were paid in cash. Travel expenses were reimbursed in accordance with the company's travel regulations.

Remuneration of the CEO and the Management Team

The total remuneration of the CEO and the other Management Team members consist of a fixed base salary (including fringe benefits) and variable pay. Variable pay includes two performance-based elements: a short-term cash-based incentive plan and a long-term share-based incentive plan.

CEO

Fixed salary

The total salary of the CEO consists of a fixed monetary salary and taxable fringe benefits.

Short-term incentive plan

Short-term incentive plan's performance is measured for one year and the possible reward is paid after the year end, based on achieved performance. According the decision of the Board of Directors, the criteria for annual short-term incentive scheme for the financial year 2019 for the CEO consists of two performance criteria: Tikkurila Group's adjusted operating result and revenue. The CEO's annual cash-based incentive payment may not exceed 60% of CEO's annual salary.

Long-term incentive plan

The long-term incentive plan of the CEO consists of share-based incentive plans. The key targets of the currently valid share-based incentive plan are described in the section 'Share-based incentive plans for key personnel'.

Pensions

The retirement age of the CEO is specified in accordance with the legislation. The CEO has no supplementary pension plan.

Conditions related to contract termination

The period of notice for the CEO is six months. In addition, the CEO will receive a severance pay equaling her six-month salary if the company terminates her agreement.

Management team

The total remuneration of the other Management Team members have a similar structure, and consist of a fixed base salary (including fringe benefits) and variable pay. Variable pay includes two performance-based elements: a short-term cash-based incentive plan and a long-term share-based incentive plan.

The structure and criteria of the other Management Team's long-term incentive plans is similar to the CEO's. Other management Team members' annual cash-based incentive may not exceed 50% of their annual salary. The key targets of the currently valid share-based incentive plans for other Management Team members are described in the section 'Share-based incentive plans for key personnel'.

The Management Team members have no supplementary pension plans. The period of notice for Management Team members is six months. In addition, the members will receive a severance pay specified in the employment contracts of each person equaling maximum six-month salary the company terminates her agreement.

Share-based incentive plans for key personnel

Tikkurila currently has the following valid share-based incentive plans

- Performance share plan 2015-2019 (announced April 29, 2016)
- Performance share plan 2018-2020 (announced June 26, 2018; amended December 19, 2018)
- Matching share plan 2016-2018 (announced April 21, 2016)
- Matching share plan 2017-2019 (announced May 31, 2017)

Performance Share Plan 2015-2019

On April 29, 2016, the Board of Directors approved a Performance Share Plan 2015-2019 for the Tikkurila Group's key employees. The aim of plan is to combine the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to bind the key employees to the company, and to offer them competitive reward plans based on earning and accumulating the company's shares.

The plan included three performance periods, calendar years 2015-2017, 2016-2018 and 2017-2019. The plan included approximately ten key employees. The potential reward of the plan was based on the Tikkurila Group's average EBITDA-based intrinsic values 2015-2017, 2016-2018 and 2017-2019 respectively. The potential reward from the plan was to be paid partly in the Company's shares and partly in cash in 2018, 2019 and 2020. The potential cash proportion was intended to cover taxes and tax-related costs arising from the reward to the participants. As a rule, no reward was to be paid, if a participant's employment or service ended before the reward payment. The

reward amounts to be earned through the plan will be capped if the limits set by the Board of Directors for the payable reward of a performance period are reached.

No rewards were paid on the basis of the performance period 2015-2017, 2016-2018 or 2017-2019.

Matching Share Plan 2016-2018

On April 29, 2016, the Board of Directors approved a Matching Share Plan including one vesting period, calendar years 2016-2018. The prerequisite for receiving reward on the basis of this plan was that a person participating in the plan acquired the company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward was tied to the continuance of participant's employment or service upon reward payment. The reward from the plan was to be paid partly in the company's shares and partly in cash in 2019.

The Matching Share Plan was directed to selected key employees determined by the Board of Directors, who have not participated in the share-based plan launched in 2012.

No rewards were paid on the basis of the performance period 2016-2018

Matching Share Plan 2017-2019

On May 31, 2017, the Board of Directors approved a Matching Share Plan including one vesting period, calendar years 2017-2019. The prerequisite for receiving reward on the basis of this plan was that a person participating in the plan acquires the company's shares or addresses previously owned freely transferable shares for the plan, up to the number determined by the Board of Directors. Furthermore, receiving of reward was tied to the continuance of participant's employment or service upon reward payment. The reward from the plan will be paid partly in the Company's shares and partly in cash in 2020.

The matching share plan is directed only to selected key employees determined by the Board of Directors. The rewards to be paid on the basis of the vesting period will amount to an approximate maximum total of 8,000 Tikkurila Oyj shares. In addition, the Company will pay taxes and tax-related costs arising from the reward to the participants in connection with the reward payment.

Performance Share Plan 2018-2020

On June 26, 2018, the Board of Directors approved a Performance Share Plan 2018-2020 for the Tikkurila Group's key employees. Share plan 2018-2022 includes three performance periods, calendar years 2018-2020, 2019-2021 and 2020-2022. The potential rewards from the plan will be paid partly in cash and partly in shares of Tikkurila Oyj in year 2021, 2022 and 2023. The cash proportion is to cover taxes and tax-related costs arising from the reward to the participants. A member of Tikkurila Management Team must hold a minimum of 50 per cent of the net number of shares received on the basis of the plan, until his or her total shareholding in the company equals the value of his or her annual gross salary. Such number of shares must be held as long the member's employment or service in a group company continues.

Performance period 2018-2020

The target group of performance period 2018-2020 includes approximately 10 key employees, including the members of the Management Team. The potential reward of the plan from the performance period 2018-2020 will be based on the Tikkurila Group's average EBITDA and net debt based intrinsic values for 2018-2020. The rewards to be paid on the basis of the performance period 2018-2020 will amount to an approximate maximum total of 130,000 Tikkurila Oyj shares.

Performance period 2019-2021

On December 19, 2018, the Board of Directors of Tikkurila decided changes of share-based plans and details for performance period 2019-2021. The Board of Directors changed the terms of performance share plan 2018-2022. For the Performance Period 2019—2021, the Performance-Based reward forms the main part of the potential reward. The potential reward of the performance plan will be based on the Tikkurila Group's average EBITDA-based intrinsic values for 2019-2021. The Time-Based Reward was introduced as a new element for the plan. For the performance period 2019-2021 the number of the participants as increased. Approximately 20 key employees, including the members of the Management Team, belong to the target group of the plan.

The rewards to be paid on the basis of the performance period 2019-2021 will amount to an approximate maximum total of 130,000 Tikkurila Oyj shares.

Performance period 2020-2022

The target group of performance period 2020-2022 includes approximately 20 key employees, including the members of the Management Team. The potential reward of the plan from the performance period 2020-2022 will be based on the Tikkurila Group's average EBITDA and net debt based intrinsic values for 2020-2022. The rewards to be paid on the basis of the performance period 2020-2022 will amount to an approximate maximum total of 160,000 Tikkurila Oyj shares.

C. REMUNERATION REPORT 2019

Remuneration* paid to the members of the Board of Directors

One thousand euros

	2019	2018	2017
Jari Paasikivi, Chairman of the Board	72	72	73
Petteri Walldén, Vice Chairman of the Board	48	48	49
Harri Kerminen (until 11.4.2019)	2	40	41
Pia Rudengren (until 11.4., 2019)	4	56	57

Riitta Mynttinen	51	49	49
Catherine Sahlgren (as of April 12, 2018)	39	39	-
Heikki Westerlund (as of April 12, 2018)	51	39	-
Lars Peter Lindfors (as of 22.4.2019)	40	-	-
Total	307	346	311

*Of the annual fee, 40 percent was paid as Tikkurila shares. The proportion paid in total as shares was EUR96 (109) thousand, and it is included in the above remuneration.

Remuneration of the President and CEO in 2019

Accrual, one thousand euros

	2019	2018	2017
CEO, Elisa Markula			
Fixed salary with fringe benefits	407	286	-
Bonuses	86	54	-
Share-based incentive plan	200	47	-
Total	694	388	-

	2019	2018	2017
Transferred shares (included in the information presented above)	-	-	-

Remuneration of the other Management Team Board in 2019

Accrual, one thousand euros

	2019	2018	2017
Fixed salary with fringe benefits	1159	945	1,093
Bonuses	210	141	28
Benefits related to termination of employment	77	86	75
Share-based incentive plan	330	107	10
Total	1776	1,279	1,206

Pce

	2019	2018	2017
Transferred shares (included in the information presented above)	-	-	-

The President and CEO and other Group management remuneration information presented above is based on the accrual entries in the IFRS Group Consolidated Financial Statements. In Tikkurila Oyj's separate financial statements, which are based on Finnish accounting norms, the appreciation of remuneration paid as shares and the timing of their write-offs differ from the Group calculation. In addition, it must be taken into account that payments respective to variable salary elements as well as the cash-based annual bonus and long-term share-based incentive system occur afterwards following each earning period, so the payments and costs typically target various financial years.