



TIKKURILA

Remuneration Report 2020

CONTENTS

Overview of Remuneration	2
Development of Financial Performance and Remuneration	3
5-year Development of Financial Performance	3
5-year Development of Remuneration	4
Remuneration of the Board of Directors	5
Remuneration of the CEO	6
Application of Performance Criteria in 2020	6
Share-Based Incentives in place	6
Remuneration of the CEO in 2020	7



Overview of Remuneration

This Remuneration Report (“Report”) sets out how Tikkurila Oyj (“Tikkurila” or “Company”) has implemented its Remuneration Policy in 2020. The Report includes information concerning remuneration of the Board of Directors (“Board”), and the CEO of Tikkurila between 1 January 2020 and 31 December 2020. The Report has been prepared in accordance with the Limited Liability Companies Act (624/2006, as amended), the Decree of the Ministry of Finance (608/2019) and the Finnish Corporate Governance Code 2020.

The Report has been approved by the Board. The shareholders will make an advisory decision on the approval of the Remuneration Report at the Company’s Annual General Meeting 2021.

Remuneration of the Tikkurila governing bodies is based on the Remuneration Policy that was presented for an advisory decision at the Annual General Meeting held on 9th June 2020. The policy will be applied until the Annual General Meeting 2024, unless the Board decides to bring it for an advisory decision at an earlier General Meeting.

In line with the Remuneration Policy, the remuneration in 2020 has incentivized to pursue Tikkurila’s long-term success and shareholder value creation through creating alignment with the Company’s strategy. A significant part of the CEO’s total remuneration opportunity has been performance-based and linked to long-term shareholder value creation. The decision-making process on remuneration, as defined in the Remuneration Policy, has been followed in the remuneration decision-making in 2020. No temporary deviations from Remuneration Policy were applied in 2020. Furthermore, the Board did not observe any circumstances or activities that would have resulted in a need to apply clawback clauses applicable to the CEO’s variable remuneration in 2020.

In addition to the key aspects of its financial performance, Tikkurila closely monitors the achievement of several strategic target areas. In 2020, key focus area was related e.g. to the measures on improving efficiency in all operations. The financial

key figures are presented in this report under “Development of Financial Performance and Remuneration”.

In 2020, in Tikkurila there were short-term (STI) and long-term incentives (LTI) in place for the CEO. The purpose of STI was to steer towards delivering the Company’s business strategy. The performance criteria set for the STI were based on annual profitability and growth targets. Performance in 2020 was on the target level. Application of performance criteria is described in more detail in later sections of this report.

The LTI plans had the purpose of aligning the CEO’s interests with Tikkurila shareholders’ interests and rewarding for creating long-term shareholder value. As LTI plans corresponded to a significant portion of the CEO’s total compensation, remuneration created strong alignment with the shareholders. Performance in the LTI plan period 2018–2020 was below target level. Share-based incentives are described in more detail in later sections of this report.

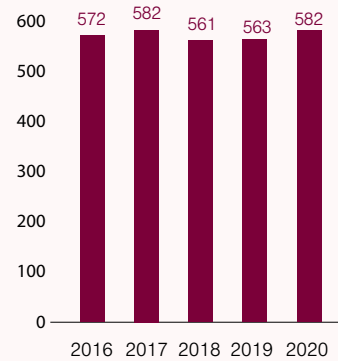
Total Compensation paid to the CEO in 2020 was EUR 597,698 (2019: EUR 462,647).

Development of Financial Performance and Remuneration

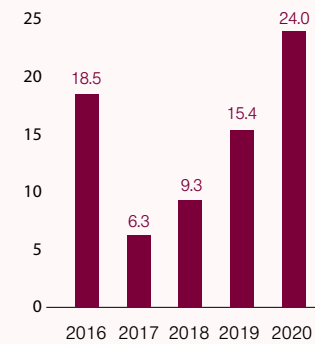
5-YEAR DEVELOPMENT OF FINANCIAL PERFORMANCE

Tikkurila's 5-year financial performance in terms of revenue, EBITDA, Return on Capital Employed (ROCE, %) as well as Tikkurila's share price performance during 2016–2020 are presented in the graphs below.

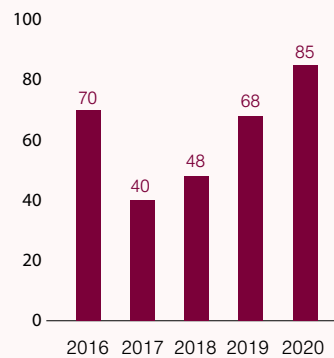
REVENUE
(EUR million)



RETURN OF CAPITAL EMPLOYED
(%)



EBITDA
(EUR million)



SHARE PRICE PERFORMANCE
2016–2020 CLOSING PRICE
(EUR)



5-YEAR DEVELOPMENT OF REMUNERATION**Development of CEO compensation (paid)**

	2016**	2017**	2018	2019	2020
Base salary + benefits	445,000	706,000	286,221*	407,489	381,718
Short-term incentive (STI)	87,000	21,000	-	55,158	143,161
Long-term incentive (LTI)	-	-	-	-	72,819
Additional pension	70,000	91,000	-	-	-
Benefits related to termination of employment	-	422,000	-	-	-
Total compensation	602,000	1,240,000	311,850	462,647	597,698

Development, CEO

Base salary + benefits	0%	59%	-	42%*	-6%
Total compensation	-47%	116%	-	48%*	29%

*NOTE: CEO Markula started in 4/2018: Development 2018–2019 is not comparable. In addition, CFO Jukka Havia was paid EUR 75,011 for service as Interim CEO in 1-4/2018.

** NOTE: Total compensation paid to the previous CEO in 2016–2017.

Development of Board remuneration

	2016	2017	2018	2019	2020
Chairman annual fee	64,000	64,000	64,000	64,000	64,000
Development	0%	0%	0%	0%	0%
Deputy Chairman annual fee	40,000	40,000	40,000	40,000	40,000
Development	0%	0%	0%	0%	0%
Board member annual fee	32,000	32,000	32,000	32,000	32,000
Development	0%	0%	0%	0%	0%

Development of average employee salary

	2016	2017	2018	2019	2020
Median annual development	4.8%	6.0%	0.9%	1.2%	8.4%

Remuneration of the Board of Directors

Tikkurila Board of Directors' Remuneration 1 January – 31 December 2020

Director	Annual Fee	Committee Fees	Meeting Fees	Total
Jari Paasikivi, Chairman	64,000	600	9,000	73,600
Petteri Walldén, Vice Chairman	40,000	600	9,000	49,600
Lars Peter Lindfors	32,000	4,200	9,000	45,200
Riitta Mynttinen	32,000	6,000	9,600	47,600
Catherine Sahlgren	32,000	-	9,600	41,600
Heikki Westerlund	40,000	4,200	9,000	53,200
Andrey Pantyukhov	32,000	-	6,000	38,000

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2020 as follows.

Chairman:	EUR 64,000 annual fee
Vice Chairman, Chairman of Audit Committee:	EUR 40,000 annual fee
Other Board members:	EUR 32,000 annual fee

In addition, a meeting fee of EUR 600 per meeting shall be paid for meetings held in the home state of the members, and EUR 1,200 for meetings held outside the home state of a member. If a member participates in a meeting via telephone or video connection the remuneration will be EUR 600. Travel expenses will be paid according to the travel policy of the company. Approximately 40 percent of the annual remuneration will be paid in Tikkurila shares acquired from the market and the rest in cash.

Remuneration of the CEO

APPLICATION OF PERFORMANCE CRITERIA IN 2020

The CEO had a performance-based short-term incentive plan, and a performance-based long-term incentive plan with three ongoing plan periods in place for 2020. In line with the remuneration policy, performance-based remuneration formed a significant part of the total remuneration opportunity, and the majority of the performance-based remuneration emphasized long-term performance with a link to shareholder value development.

For STI 2020, Adjusted (EBITDA) and Revenue were set as the performance criteria and the maximum earning opportunity for the CEO was set at 60% of annual fixed salary. The total outcome of the STI was 100% of the maximum.

For the long-term incentive plans, Performance Share Plan (“PSP”) 2018–2020, 2019–2021, and 2020–2022, the performance criteria during each 3-year period is Intrinsic Value, which is calculated based on Tikkurila Adjusted EBITDA and net debt. Total outcome from PSP 2018–2020 was 42.5% of maximum, corresponding to 11,903 shares, paid in cash, and in addition a cash portion for tax withholding, will be delivered to the CEO in 2021.

SHARE-BASED INCENTIVES IN PLACE

Performance Share Plan 2020–2022

Tikkurila’s long-term remuneration currently consists of Performance Share Plans (“PSP”), which offer the Group’s management an opportunity of earning a predetermined number of Tikkurila shares as a reward, dependent on the achievement of performance targets set by the Board of Directors and continued service. The purpose of the PSPs is to reward for long-term shareholder value creation and achievement of set strategic and financial targets, as well as to align the management’s interests with Tikkurila shareholders’ interests.

The Board decides annually on commencement, conditions and performance criteria of new plans. The maximum reward potential for a Performance Share Plan is expressed as number of shares and defined annually by the Board at the beginning of each plan period. The total vesting time for each plan is minimum 3 years. The possible reward is paid as a combination of shares and cash. The cash component is intended to cover the taxes and tax-related costs related to the reward.

Shares received by the CEO under the PSPs are subject to shareholding requirement that is determined by the Board. Until the required shareholding level is achieved, the CEO is required to hold a portion of the shares received as a reward.

Performance Period	Performance Criteria	Maximum Reward shares pcs (net)	Reward Payment Date According to Plan Terms and Conditions ¹	Performance Outcome % out of Maximum	Net Shares delivered
2018–2020	Intrinsic Value	28,000	Spring 2021	42.5%	11,903 ²
2019–2021	Intrinsic Value (75%), Time-based (25%)	22,400	Summer 2020 (1/2 of time-based shares), Spring 2022		2,800
2020–2022	Intrinsic Value	28,000	Spring 2023		

¹ In certain circumstances, e.g. a merger or a redemption of the company share, the Board may decide to pay out the reward earlier than in the date defined in the terms and conditions.

² Paid in cash.

Remuneration of the CEO in 2020

EUR	Paid compensation in 2020 (earned in 2019)		
	Paid short-term incentive 2020	Paid long-term incentive in 2020	Total paid compensation in 2020
Base salary + benefits	143,161 ¹	72,819 ²	597,698

¹ Earned in 2019.

² Time-based shares based on PSP 2019–2021,
at share price EUR 12.41.

**STRUCTURE OF CEO
PAID COMPENSATION 2020**

