



**ANNUAL GENERAL MEETING 2016**  
APRIL 6, 2016  
PÖRSSITALO, HELSINKI

**PKC GROUP** 

## **PKC GROUP PLC'S ANNUAL GENERAL MEETING**

Time: 6 April 2016 at 1.00 p.m.

Place: Pörssitalo, at the address: Fabianinkatu 14, Helsinki

### **AGENDA**

*Calling the meeting to order*

- 1 Opening of the meeting**
  - Review by the Chairman of the Board of Directors
- 2 Calling the meeting to order**
- 3 Election of persons to scrutinize the minutes and to supervise the counting of votes**
- 4 Recording the legality of the meeting**
- 5 Recording the attendance at the meeting and adoption of the list of votes**
  - Shareholder and share list as well as list of shareholders, who have informed of their attendance before the last notification date are available at the meeting

*Financial statements, use of profit and discharge from liability*

- 6 Presentation of the financial statements, the report of the Board of Directors and the Auditor's report**
  - Review by the President & CEO
  - The Company's annual report, which includes the Company's financial statements and consolidated financial statements, the report of the Board of Directors and the Auditor's report, is available at the meeting
  - Auditor's report attached hereto
- 7 Adoption of the financial statements**
- 8 Resolution on the use of the profit shown on the balance sheet and the payment of dividend**
  - Board's proposal for disposal of profits attached hereto
- 9 Resolution on the discharge of the members of the Board of Directors and the CEO from liability**

*Auditor and Board of Directors*

- Board's proposals attached hereto
- 10 Resolution on the remuneration of the members of the Board of Directors and the auditor**
  - 11 Resolution on the number of members of the Board of Directors and the auditors**
  - 12 Election of members of the Board of Directors**
  - 13 Election of auditor**

*Other proposals*

- 14 Authorisation to the Board of Directors to decide on share issue**
- 15 Establishment of a shareholders' nomination board**

*Closing of the meeting*

- 16 Closing of the Meeting**



Review by the Chairman of the Board of Directors

Matti Ruotsala

April 6, 2016

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## PKC's Strategy Captures Growth Opportunities

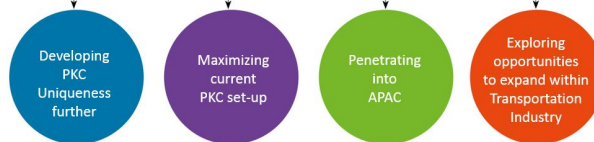
**PKC GROUP** 

### VISION

PKC is the Preferred Supplier in Electrical Distribution Systems for Transportation Industry globally.

### STRATEGIC INITIATIVES

#### Managing the Complexity



Developing Electronics business as a stand alone within PKC Group

### Long-term Financial Targets

Annual Revenue EUR 1.4 Billion by 2018  
 EBITDA > 10%    Gearing < 75%  
 Dividends 30–60% of Free Cash Flow

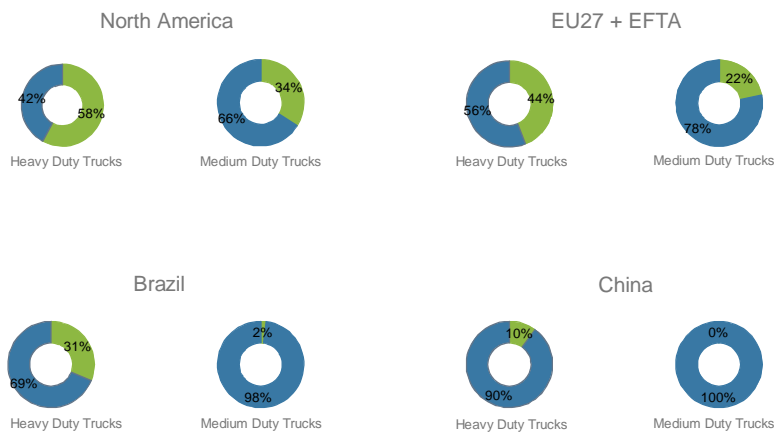
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Maximizing current PKC set-up

# PKC's Strategy Captures Growth Opportunities

## Maximizing current set-up / Market areas 1-12/2015



Source: LMC Automotive forecasting Q4/2015, PKC Group PKC Others China market share since September 2015, joint venture started operations

Penetrating into APAC

# PKC's Strategy Captures Growth Opportunities

## Penetrating into APAC

PKC's joint venture Jiangsu Huakai-PKC Wire Harness Co., Ltd.

- The joint venture develops and manufactures electrical distribution systems (EDS) to truck, construction vehicle and bus segments in China.
- Key customers are Foton, Foton Daimler, Kinglong and Iveco.
- Factories are located in Danyang and Beijing.



Agreement between PKC and JAC of 50/50 joint venture establishment

- Joint venture will comprise the current wiring harness business of JAC.
- The agreement was signed on 29 March 2016.
- The joint venture will deliver full design & development, manufacturing and sequence delivery services to JAC group companies.



Exploring opportunities to expand within Transportation Industry

## PKC's Strategy Captures Growth Opportunities

Expansion through acquisition to rolling stock electrical distribution systems

- PKC acquired the rolling stock electrical distribution system business (Wiring & Controls business) of Groclin S.A. Group, a company listed on the Warsaw stock.
- The Wiring & Controls business develops and manufactures electrical cabinets, power packs and electrical distribution systems for rolling stock manufacturers. The clientele also includes the on/off highway commercial vehicle, energy and materials handling industry.



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Exploring opportunities to expand within Transportation Industry

## PKC's Strategy Captures Growth Opportunities

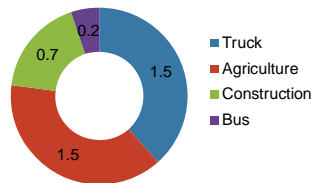
Exploring opportunities to expand within Transportation Industry

Customers in agriculture and construction equipment industry

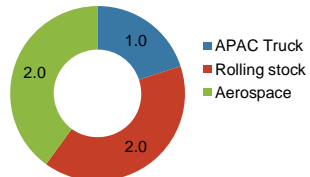
- AGCO, John Deere, Volvo Construction Equipment, New Holland, Caterpillar, Kubota



Existing market about EUR 4 billion



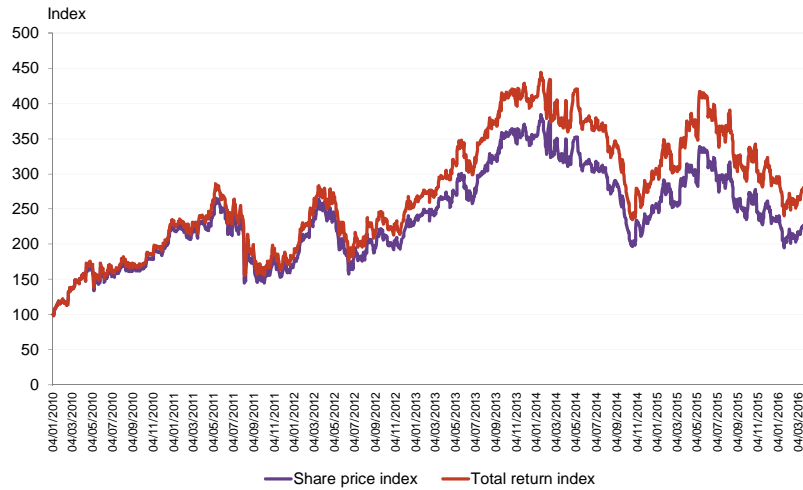
New market opportunities about EUR 5 billion



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## Share Price and Shareholders' Return Development 4.1.2010 – 31.3.2016



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## PKC's Current Board of Directors 1/2



**Matti Ruotsala**

- b. 1956
- Chairman from 2008
- Chairman of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2006
- M.Sc.(Eng.)



**Reinhard Buhl**

- b. 1952
- Member of the Nomination and Remuneration Committee
- Member of the Board of Directors since 2014
- M.Sc. (Mechanical Engineering)



**Wolfgang Diez**

- b. 1953
- Member of the Audit Committee
- Member of the Board of Directors since 2013
- Diplom-Kaufmann in Business Administration



**Shemaya Levy**

- b. 1947
- Chairman of the of the Audit Committee
- Member of the Board of Directors from 2012
- Graduate of ENSAE (Ecole Nationale de la Statistique et de l'Administration Economique)

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## PKC's Current Board of Directors 2/2



**Mingming Liu**

- b. 1951
- Member of the Audit Committee
- Member of the Board of Directors from 2014
- C-MBA



**Robert J. Remenar**

- b. 1955
- Vice-Chairman of the Board of Directors since 2013
- Member of the Nomination and Remuneration Committee
- Member of the Board of Directors from 2012
- Master's Degree – Business and Professional Accountancy



**Jyrki Tähtinen**

- b. 1961
- Member of the Audit Committee
- Member of the Board of Directors from 1999
- LL.M, MBA, Attorney at Law

## PKC's Proposed New Board Member



**Henrik Lange (b. 1961)**

- Bachelor of Science, Business Administration and International Economics
- CEO, Gunnebo AB
- CFO, SKF AB (2013-2015)
- President, Industrial Division, SKF AB (2005-2013)
- Senior Vice President, SKF AB (2003-2005)
- CEO, Johnson Pump International AB (2000-2003)
- Managing Director; SKF Österreich AG (1997-2000)
- Managing Director, SKF Poland Sp. z o.o. (1995-1997)
- Before that several executive and managerial positions within SKF and IBM
- Independent of Company and of its significant shareholders

## Meetings of the Board and Committees in 2015

Average attendance of members	Meetings	Attendance %
Board	13	98
Audit Committee	7	96
Nomination and Remuneration Committee	3	100

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Thank You!







Review by the President and CEO

Matti Hyytiäinen

April 6, 2016

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## Year 2015 in brief

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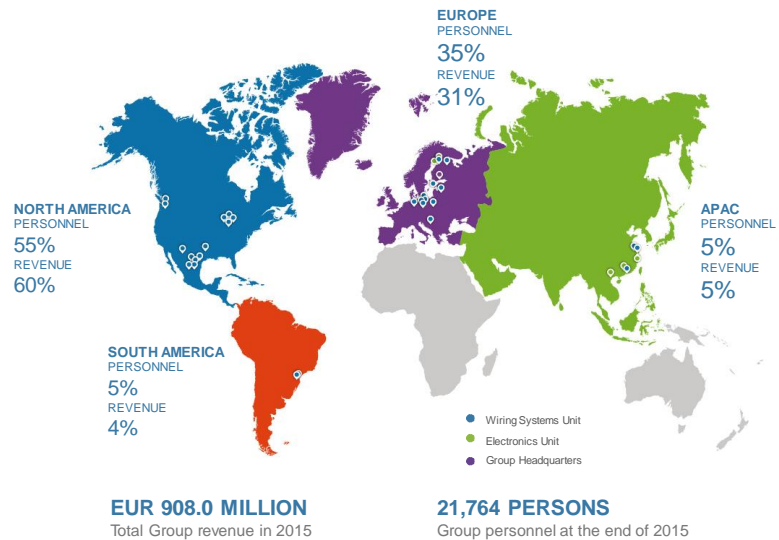


- EBIT before non-recurring items increased 48% compared to year 2014.
- Production reorganisations in Europe and Brazil, which are essential for competitiveness, proceeded.
- Growth strategy continued: establishment of joint venture in China and expansion into rolling stock business.
- PKC's market position remained strong in all main product and geographical areas.

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# Regional Details



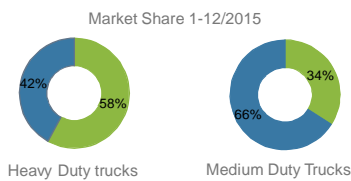
# Business Review

## Wiring Systems North America

- Demand for our products was strong, but began to weaken in the last quarter of 2015.
- Overheated labor market in Mexico had a negative effect on the profitability and caused high turnover, which resulted in weak productivity development.
- We received several quality awards from our main customers:
  - Paccar 50 PPM Award
  - Navistar Diamond Supplier Award



Frank Sovis  
President  
Wiring Systems  
North America



Source: LMC Automotive forecasting Q4/2015, PKC Group ■ PKC ■ Others

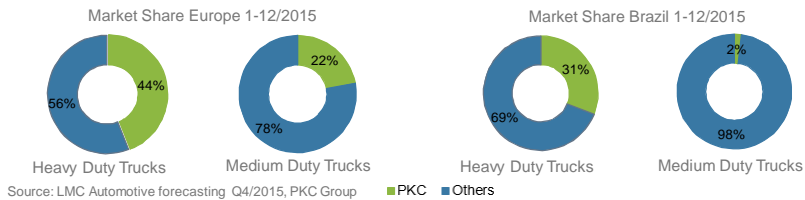
## Business Review

### Wiring Systems Europe and South America

- The demand for our products increased in Europe towards the end of the year.
- In Brazil the truck production decreased by more than 50% compared to 2014.
- Production reorganisation and production transfers continued throughout the year.
  - In Europe the ramp-ups of factories in Serbia and Lithuania continued. Profitability in Europe improved steadily.
  - Production in Brazil was consolidated into one factory. Losses in Brazil reduced.



Jani Kiljala  
President  
Wiring Systems  
Europe and South America



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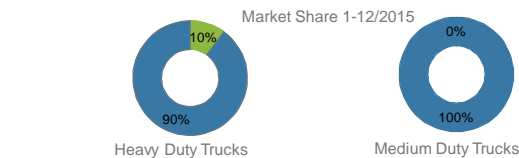
## Business Review

### Wiring Systems Asia – Pacific Area

- PKC's know-how in China was strengthened by focusing on personnel training and new recruitment. Because of these growth efforts, operations were at a loss.
- We obtained several wiring systems design contracts from Chinese truck manufacturers.
- Huakai-PKC joint venture was established. A modern production line, which manufactures flexibly individual wiring harnesses, was launched. This improved the quality level of the Foton deliveries.
- When the deliveries to AGCO engine plant had been flawless in the past four years, we received in China the first major quality award "Best Quality Performance 2015 by AGCO APAC".



Jyrki Keronen  
President  
Wiring Systems  
APAC



China market share since September 2015, joint venture started operations.

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## Business Review

### Rolling Stock

- According to our strategy we expanded to rolling stock customers through the acquisition of Polish KTP-company.
- Customers are the world's leading rolling stock manufacturers Bombardier and Alstom.
- A significant growth potential in the future when customers centralize their purchases globally to capable supplier.
  - On going framework negotiations
  - Customers have successfully completed several audits in PKC's factories.
- KTP's takeover and integration into the PKC was completed before the end of the year.



André Gerstner  
President  
Rolling Stock Business

## Business Reviews

### Electronics and Business Development

- The share of Electronics segment's own products in revenue increased compared to the previous year and impacted positively to the development of profitability.
- Business development projects focused on sourcing function, production processes, IT-functions and planning function.



Vesa Vähämöttönen  
Group Senior Vice President  
Business Development

## Business Review

### Human Resources

- In order to develop job satisfaction, especially the leadership skills of Teamleaders and Supervisors were developed.
- Audits for job safety critical areas were started in order to implement global job safety meters and targets.
- According to the personnel survey, employees are being treated fairly and equally. Personnel believes in company's vision and trusts the management.
- Stakeholder interview was conducted, and it will be used to develop the Corporate Responsibility Reporting further.



Julie Bellamy  
Group Senior Vice President  
Human Resources

## Key Figures

EUR million	1-12/15	1-12/14	Change %
Revenue	908.0	829.5	+9.5
EBITDA <sup>1)</sup>	63.9	48.6	+31.5
EBITDA <sup>1)</sup> %	7.0	5.9	
Non-recurring items	-9.0	-28.4	
Operating profit (loss)	22.7	-7.0	
EPS (EUR)	0.29	-1.21	
Cash flow from operations	14.8	41.0	
Gross capital expenditure	38.1	19.9	
Net working capital	55.1	26.2	
Total assets	542.3	456.3	
Gearing %	31.4	-5.6	

<sup>1)</sup> Excluding non-recurring items



Juha Tornainen  
CFO

## Market Outlook – Full Year 2016

- North American heavy-duty and medium-duty truck production is estimated to decrease by 17% compared to previous year's level.
- European heavy-duty and medium-duty truck production is estimated to remain on the previous year's level.
- Brazilian heavy-duty and medium-duty truck production is expected to continue to decrease.
- Chinese heavy-duty and medium-duty truck production is expected to grow by about 5 % compared to previous year's level.
- The demand for the rolling stock is expected to continue to grow steadily.
- The market demand for Electronics segment's products is expected to remain on the current level at the most.



## PKC Group Outlook

- PKC Group estimates that with prevailing exchange rates 2016 revenue will be at or above previous year level and comparable EBITDA will be higher than previous year level. Revenue and comparable EBITDA improvement is to take place in the second half of the year.
- In 2015, PKC's revenue was EUR 908.0 million and comparable EBITDA before non-recurring items was EUR 63.9 million.



## Strategy 2018

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### PKC Group makes a major breakthrough in China and establishes Joint Venture with JAC

- PKC and JAC have signed an agreement to establish 50/50 joint venture, which will concentrate on the production of wiring harnesses.
- JV will comprise the current wiring harness business of JAC group with aim to gradually insource currently outsourced harnesses.
- Market share increased significantly.
- Great growth potential to PKC. JAC's annual wiring harness buy is about EUR 140 million.
- The joint venture is estimated to generate approximately EUR 50 million revenue and employ about 1000 people in its first 12 months of operation.



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## Highlight in 2016 is the Implementation of our Growth Strategy

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- Creating conditions for the growth in rolling stock business.
- Strengthening our status in Chinese truck market through new cooperation and outsourcing projects.
- Strengthening market share in construction equipment, agricultural machinery and bus segments.
- Further development of the profitability towards EBTDA 10%.

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**PKC GROUP** 

Thank You!



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## **AUDITOR'S REPORT**

### **To the Annual General Meeting of PKC Group Plc**

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of PKC Group Plc for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### **Responsibility of the Board of Directors and the President and CEO**

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

**Opinion on the company's financial statements and the report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

**Other opinions**

We recommend that the Members of the Board of Directors and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki, February 10, 2016

KPMG Oy Ab

Virpi Halonen  
Authorized Public Accountant

**THE BOARD OF DIRECTORS' PROPOSALS FOR THE ANNUAL GENERAL MEETING**

***The Board of Directors' Proposal for the Disposal of Profits***

The parent company's distributable funds are EUR 136.1 million, of which EUR 65.3 million is distributable as dividends, including the net profit (loss) for the financial year EUR 40.7 million. The Board of Directors will propose to the Annual General Meeting to be held on 6 April 2016 that a dividend of EUR 0.70 per share be paid for a total of EUR 16.9 million and that the remainder of the distributable funds be transferred to shareholders' equity. The number of shares may change due to share subscriptions registered before the record date. The record date for the dividend pay-out is 8 April 2016 and the payment date is 15 April 2016. In the view of the Board of Directors, the proposed dividend pay-out will not put the company's liquidity at risk.

## **THE BOARD OF DIRECTORS' PROPOSALS FOR THE ANNUAL GENERAL MEETING**

### ***Auditors and Board of Directors***

#### **Resolution on the remuneration of the members of the Board of Directors and the auditor**

The Board of Directors proposes, upon Nomination and Remuneration Committee's proposal, that the remuneration for the members of the Board of Directors to remain unchanged for a third year in a row and

- the annual remuneration payable to the members of the Board of Directors to be elected for a term of office ending at the end of the next Annual General Meeting shall be the following: Chairman of the Board EUR 60,000, Vice Chairman of the Board EUR 45,000 and other Board members EUR 30,000;
- the Chairmen of the Board Committees shall be paid an additional annual remuneration of EUR 10,000 and the other Committee members EUR 5,000;
- the meeting fee for attending the Board and Committee meetings shall be the following: Chairmen EUR 1,200 per meeting and other members EUR 800 per meeting. The meeting fees will be doubled in case member physically participates in a meeting held in a country, where member is not resident. No meeting fee shall be paid for the decision minutes drafted without holding a meeting;
- in addition, the travel and accommodation expenses related to the Board and Committee meetings shall be paid.

The Board of Directors proposes, upon Audit Committee's proposal, that the remuneration and travel expenses for the auditor to be elected be paid according to the auditor's reasonable invoice.

#### **Resolution on the number of members of the Board of Directors and the auditors**

The Board of Directors proposes, upon Nomination and Remuneration Committee's proposal, that seven members shall be elected to the Board of Directors and, upon Audit Committee's proposal, that one authorised public accounting firm shall be elected as auditor.

#### **Election of members of the Board of Directors**

The Board of Directors proposes, upon Nomination and Remuneration Committee's proposal, that Reinhard Buhl, Wolfgang Diez, Shemaya Levy, Mingming Liu, Robert Remenar and Matti Ruotsala shall be re-elected as Board members and Henrik Lange shall be elected as new member.

The proposed new Board member is presented in more detail in the attachment.

Jyrki Tähtinen has informed that he shall not be available for re-election to the Board of Directors.

#### **Election of auditor**

The Board of Directors proposes, upon Audit Committee's proposal, that authorised public accounting firm KPMG Oy Ab, which has announced Virpi Halonen, APA, to be the Auditor with principal responsibility, shall be selected as auditor.

## **THE BOARD OF DIRECTORS' PROPOSALS FOR THE ANNUAL GENERAL MEETING**

### **Authorisation to the Board of Directors to decide on the repurchase of own shares**

The Board of Directors proposes that the Annual General Meeting of Shareholders authorize the Board of Directors to resolve to repurchase a maximum of 1,200,000 shares in the Company by using funds in the unrestricted shareholders' equity. The proposed number of shares corresponds to about 5 per cent of all shares of the Company.

The price paid for the shares repurchased shall be based on the market price of the Company's shares in public trading. The minimum price to be paid would be the lowest market price of the share quoted in public trading during the authorization period and the maximum price the highest market price quoted during the authorization period.

Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

It is proposed that the authorization be used for purposes determined by the Board of Directors, among other things, for the Company's incentive plans.

It is proposed that the authorization be effective until next Annual General Meeting of Shareholders, however, at most until 30 September 2017. (The authorisation granted to Board of Directors by the Annual General Meeting on 1.4.2015 is effective until Annual General Meeting of Shareholders to be held at 6 April 2016.)

## **THE BOARD OF DIRECTORS' PROPOSALS FOR THE ANNUAL GENERAL MEETING**

### **Proposal by the Board of Directors for the establishment of a shareholders' nomination board**

The Board of Directors proposes that the Annual General Meeting resolve to establish a permanent Shareholders' Nomination Board with the task of preparing the proposals concerning the election and remuneration of the members of the Board of Directors.

The Board of Directors further proposes that the Annual General Meeting adopts the Charter of the Share-holders' Nomination Board as attached hereto.

According to the proposal, the Nomination Board shall consist of representatives of the three largest shareholders and the Chairman of the Board of Directors, acting as an expert member.

The right to nominate members shall be vested with the three shareholders of the company having the largest share of the votes represented by all the shares in the company on September 1 based on the company's shareholders' register held by Euroclear Finland Ltd.

In the event that a shareholder who according to the Securities Markets Act has an obligation to take such ownership into account when making notifications regarding changes in ownership (shareholder subject to shareholder disclosure rules), notifies the Chairman of the Board of Directors thereof in writing at the latest on August 31, the shareholding of such shareholder divided between two or more funds or group companies shall be counted as one.

In the event that a shareholder does not wish to exercise the right to appoint a member to the Shareholders' Nomination Board, the right to appoint shall be transferred to the next largest shareholder in the company's shareholders' register, who would otherwise not have a right to appoint a member.

The Chairman of the Board of Directors convenes the first meeting of the Nomination Board and the representative of the shareholder of the company having the largest share of the votes represented by all the shares in the company on September 1 based on the company's shareholders' register held by Euroclear Finland Ltd, shall be the Chairman of the Nomination Board unless otherwise unanimously decided by the Nomination Board.

The Nomination Board shall annually submit its proposals to the Board of Directors at the latest on 31 January preceding the Annual General Meeting.

**ATTACHMENT: PRESENTATION OF THE PROPOSED NEW BOARD MEMBER**

**Lange, Henrik (b. 1961)**



- Bachelor of Science, Business Administration and International Economics
- CEO, Gunnebo AB
- Previously CFO, SKF AB (2013-2015), President, Industrial Division, SKF AB (2005-2013), Senior Vice President, SKF AB (2003-2005), CEO, Johnson Pump International AB (2000-2003), Managing Director; SKF Österreich AG (1997-2000), Managing Director, SKF Poland Sp. z o.o. (1995-1997), before that several executive and managerial positions within SKF and IBM
- Independent of Company and of its significant shareholders

**ATTACHMENT: CHARTER OF THE SHAREHOLDERS' NOMINATION BOARD OF PKC GROUP PLC**

**1 Purpose of the Shareholders' Nomination Board**

The Shareholders' Nomination Board (the "Nomination Board") of PKC Group Plc is the company's shareholders' body responsible for preparing the proposals to the General Meeting concerning the election and remuneration of the members of the Board of Directors and for ensuring that the Board of Directors and its members have a sufficient level of knowledge and experience for the needs of the company.

The Nomination Board shall observe the legislation in force and the Finnish Corporate Governance Code.

The charter of the Nomination Board regulates the election and the composition of the board and defines the tasks and areas of responsibilities belonging to the Nomination Board.

**2 Election and Composition of the Nomination Board**

The Nomination Board shall consist of four (4) members. Three of the members shall represent the three shareholders who on 1 September preceding the Annual General Meeting represent the largest number of the votes of all shares in the company. The Chairman of the Board of Directors shall be the fourth expert member of the Nomination Board.

The largest shareholders as per 1 September are determined on the basis of their shareholdings registered in the Company's shareholders' register held by Euroclear Finland Ltd. The task of the Chairman of the Board of Directors is to request each of the three shareholders who on 1 September represent the largest number of the votes of all shares in the company to nominate one member to the Nomination Board. If two or several shareholders have an equally large ownership and it is not possible to nominate a representative of both or all of such shareholders to the Nomination Board, the right to nominate a member shall be decided by drawing lots.

In the event that a shareholder who has an obligation to take such ownership into account when making notifications regarding changes in ownership (shareholder subject to shareholder disclosure rules), notifies the Chairman of the Board of Directors thereof in writing at the latest on 31 August, the shareholding of such shareholder divided between two or more funds or group companies shall be counted as one when calculating the shares of the votes.

In the event that a shareholder does not wish to use the right to appoint, the right to appoint shall be transferred to the next largest shareholder in the Company's shareholders' register, who would otherwise not have a right to appoint a member.

The Chairman of the Board of Directors convenes the first meeting of the Nomination Board and the representative of the shareholder of the company having the largest share of the votes represented by all the shares in the company on September 1 based on the company's shareholders' register held by Euroclear Finland Ltd, shall be the Chairman of the Nomination Board unless otherwise unanimously decided by the Nomination Board.



The Nomination Board has been established for an indefinite term. The term of the office of the members of the Nomination Board shall cease at the conclusion of the Annual General Meeting following the appointment of the members.

In the event a shareholder has divested more than half of its shareholding upon appointment, and as result of the divestment no longer falls under the ten largest shareholders of the Company, the appointed representative of such shareholder shall be obliged to resign. The Nomination Board may appoint a new member to replace a prematurely vacated seat and the Nomination Board shall appoint new members if the number of Nomination Board members decreases to less than three during a term. The Nomination Board shall offer the vacated seats to those shareholders (in size order, based on the votes conferred by all shares in the Company) that have not nominated a member to the Nomination Committee.

### **3 Tasks of the Nomination Board**

The tasks of the Nomination Board shall include:

- a) to prepare and present to the General Meeting a proposal on the remuneration of the members of the Board of Directors;
- b) to prepare and present to the General Meeting a proposal on the number of members of the Board of Directors;
- c) to prepare and present to the General Meeting a proposal on the members of the Board of Directors;
- d) to seek prospective successor candidates for the members of the Board of Directors; and
- e) to prepare and present for board approval the principles concerning the diversity of the board of directors.

### **4 Tasks of the Chairman**

The Chairman of the Nomination Board shall direct the work of the Nomination Board in order to efficiently achieve the goals set for it, taking into account the expectations of the shareholders and the Company's benefit.

The Chairman of the Nomination Board:

- a) convenes and chairs the meetings of the Nomination Board;
- b) monitors that the scheduled meetings of the Nomination Board are held according to schedule; and
- c) convenes extra meetings as needed and in any event within 14 days of a request presented by a member of the Nomination Board.

### **5 Decision-Making**

The Nomination Board shall have a quorum when more than half of its members are present. No decision shall be made unless all members have been given timely opportunity to prepare for and participate in the meeting.

All decisions of the Nomination Board shall be unanimous. If a unanimous decision cannot be reached, the members shall present their proposals to the General Meeting individually or together with other members of the Nomination Board.

All decisions of the Nomination Board must be recorded in minutes of meeting. The minutes shall be dated, numbered and be kept in a reliable manner. The Chairman of the Nomination

Committee together with at least one other member of the Nomination Committee shall sign the minutes.

#### 5.1 Proposal preparation

Proposals to be presented to the Annual General Meeting of Shareholders on the composition and remuneration of the Board of Directors are prepared by the Nomination Board.

However, irrespective of the above, any shareholder of the Company may also make proposals directly to the General Meeting of Shareholders in accordance with the Companies' Act.

The Nomination Board is entitled to receive, in confidence and subject to insider rules, information on the independence of the candidates (or, in the case of new candidates, on any factors that may affect their in-dependence), and on the findings of the evaluations concerning the board of directors' performance, insofar as they may be relevant when planning the composition of the board of directors.

The performance of the Board of Directors shall be assessed annually. The Nomination Board shall take the results of the assessment into account in its work. The Nomination Board may also retain an outside consultant for candidate search.

#### 5.2 Qualifications for the Board of Directors member

The Board of Directors of the company shall have sufficient expertise, knowledge of and competence in the company's field of business and industry.

In particular, the Board of Directors shall have sufficient knowledge of and competence in:

- a) matters relating to the Company's business activities and industry;
- b) the management of a publicly listed company of corresponding size;
- c) financial statements and financial reporting;
- d) strategy and corporate acquisitions;
- e) internal control and risk management; and
- f) corporate governance.

In addition to the foregoing, the Nomination Board shall take into account the independence requirements of the Finnish Corporate Governance Code and the Stock Exchange rules applicable on the Company.

#### 5.3 Proposals of the Nomination Board to the Annual General Meeting

The Nomination Board shall present and argue its proposals to the Annual General Meeting. The Nomination Board must submit its contemplated proposals to the Board of Directors at the latest on 31 January preceding the Annual General Meeting.

The proposals shall be included in the notice of the Annual General Meeting.

Should a matter that is to be prepared by the Nomination Board come up for decision-making in an Extraordinary General Meeting, the Nomination Board shall submit its proposal to the Board of Directors of the company in sufficient time for it to be included in the notice to the General Meeting.

The Nomination Board shall evaluate its work and activities annually and report on its activities.

## **6 Confidentiality**

The Nomination Board members and shareholders they represent shall keep the information regarding the proposals to the Annual General Meeting confidential until the final decision has been made by the Nomination Board and published by the Company.

The Chairman of the Nomination Board may, if deemed needed, recommend to the Board of Directors of the company that the company should enter into non-disclosure agreement with the shareholder or with its representative member of the Nomination Board.

## **7 Amendments to this Charter and Authorization**

The Nomination Board shall review this charter annually and propose possible changes for approval to the Annual General Meeting.

The Nomination Board is authorized to execute necessary technical updates and amendments to this charter. Any changes concerning the number of members of the Nomination Board or their selection criteria shall always be decided by the General Meeting.

This Charter has been drafted in both Finnish and English language versions. In the event of any discrepancies, the Finnish language version shall prevail.

**PKC GROUP** 

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