

Remuneration Statement 2015



Remuneration Statement

Board of Directors

Remuneration

The Annual General Meeting resolves the remuneration paid to the Board of Directors. The remuneration proposals to the general meeting are prepared by the Board's Nomination and Remuneration Committee.

According to the resolution made in 2015, the annual remuneration payable to the members of the Board of Directors is as follows:

- 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 EUR 60,000, Vice Chairman 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.

Other benefits

The Chairman or the members of the Board of Directors are not in employment relationship or have service contract with company or its subsidiaries. The Board of Directors is not included in the company's stock option schemes. The company has not otherwise granted shares or other share related rights as compensation to the Board of Directors. The company does not pay Board members fees on any other basis or grant them loans or give guarantees on their behalf.

President and Executive Board

President

The Board of Directors decides on the salary and other benefits of the President.

The President is included in the company's short and long term remuneration plans. The annual bonus is at maximum six months' salary, depending on the achievement of the objectives set annually. In addition to stock option schemes and the share-based incentive plans, the President has not otherwise been granted shares or other share related rights as compensation. The President's service contract has provision for a notice period of three (3) months on the President's part and six (6) months on the company's part, in addition to which President's service contract has provision of severance payment of twelve months salary. The retirement age is statutory and no voluntary pension insurance policies have been taken.

Executive Board

The Board of Directors confirms the salaries and benefits of the members of the Executive Board upon President's proposal.

The members of the Executive Board are included in the company's short and long term remuneration plans. The annual bonus is typically 6 months' salary depending on the achievement of the objectives set annually. In addition to stock option schemes and the share-based incentive plans, the company has not otherwise granted shares or other share related rights as compensation to the Executive Board. The retirement age is statutory and no voluntary pension insurance policies have been taken.

Short-term Remuneration – Bonus System

The Group has in force a result based bonus system approved by the Board of Directors, the purpose of which is to reward achievement of strategic objectives and to offer competitive incentive scheme for personnel. The principles, terms and conditions, earnings criteria, maximum and minimum limits of targeted yield levels and persons included in the system are confirmed annually by the Board. For year 2015, the result criteria were business unit specific EBITDA and cash flow targets. Within the target ranges, bonuses were determined linearly. Group management and key personnel, and also white and blue collar employees in Finland, are included in the system. The members of the Executive Board are included in the management's bonus system. The limit of the annual bonus is predominantly maximum of six months' salary, depending on the achievement of the objectives set

annually. The system's earning period is the financial year.

Long-term Remuneration

PKC's long-term remuneration consists of stock option schemes and the share-based incentive plans.

Stock option schemes

The Board of Directors shall annually decide upon the distribution of the stock options to the key personnel employed by or to be recruited by the Group. The stock options shall be issued free of charge to the Group key personnel. The earnings period of all stock option schemes is three years.

All stock option schemes contain a share ownership plan. The option recipients are required to acquire or subscribe for the Company's shares with 20 per cent of the gross stock option income gained from the exercised stock options, and to hold such shares for at least two years. The Company's President must hold such shares as long as his service contract is in force.

Options 2009

The year 2009 stock-option scheme comprises of 600,000 stock options and they are divided into A, B and C options. The stock options entitle their owners to subscribe for a maximum total of 600,000 new shares in the Company or existing shares held by the Company. The share subscription period is during the years 2012–2016. The share subscription price for stock options is the volume-weighted average price of the PKC Group plc share on the Nasdaq Helsinki with dividend adjustments as defined in the stock option terms.

The share subscription period for 2009A options has ended 30 April 2014. During the share subscription period a total 195,500 shares were subscribed and 4,500 options remained unused. The share subscription period for 2009B options has ended 30 April 2015. During the share subscription period a total 167,215 shares were subscribed and 32,785 options remained unused.

Options 2012

The year 2012 stock-option scheme comprises of 1,020,000 stock options and they are divided into 2012A (i and ii), 2012B (i and ii) and 2012C (i and ii) options. The stock options entitle their owners to

subscribe for a maximum total of 1,020,000 new shares in the Company or existing shares held by the Company. The share subscription period is during the years 2015–2019. The share subscription price for stock options is the volume-weighted average price of the PKC Group plc share on the Nasdaq Helsinki, as defined in the stock option terms.

The share subscription period for stock options 2012A(ii), 2012B(ii) and 2012C(ii) shall, however, not commence, unless certain operational or financial targets of the Group established for the exercise of stock options and determined by the Board of Directors have been attained. The Board of Directors shall annually decide on targets separately for each stock option class in connection with the distribution of stock options. If the release criteria is not fulfilled, stock options expire based on the consideration and in the extent and manner decided by the Board of Directors and the terms of the stock options. The 2012 A, B and C (ii) options are allocated to option holders conditionally so that the options shall be distributed and entered into option holders' book-entry accounts only after the Board of Directors has decided on the start of the share subscription period and to the extent decided by the Board of Directors.

Release criteria for 2012 A (ii) options:

- The share subscription period with 2012 A (ii) options begins only if the financial performance and EBITDA of PKC Group for financial years 2012–2014 is, based on the total consideration of the Board of Directors, comparable to PKC Group's key competitors that have published their results. The total consideration shall also take into account the development of PKC Group's market share.
- In 2015, Board of Directors decided that the release criteria for 2012 A (ii) options has been fulfilled and thus share subscription period with 2012 A (ii) options has started as set out in option terms.

Release criteria for 2012 B (ii) options:

- The share subscription period with 2012 B (ii) options begins only if EBITDA for years 2013–2015 is cumulatively at least EUR 180 million. The effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation.

Release criteria for 2012 C (ii) options:

- The share subscription period with 2012 C (ii) options begins only if EBITDA for years 2014–2016 is cumulatively at least EUR 180 million. The

effect of M&As and other restructurings as well as exceptional changes in macro-economy shall be taken into account in the calculation.

Share-based incentive plan 2015

PKC Group Plc's share-based incentive plan consists of three new share-based incentive plans for the Group key personnel, a Performance Share Plan 2015, a Matching Share Plan 2015 and a Restricted Share Plan 2015. The aim of the new plans is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company's shares.

The potential rewards from these new incentive plans, on the basis of the performance period and vesting periods commencing in January 2015, will be paid partly in the Company's shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

Performance Share Plan 2015

The performance period of the Performance Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 40 participants, including the members of the Executive Board. The rewards to be paid on the basis of the performance period 2015-2017 correspond to the value of an approximate maximum total of 310,000 PKC Group Plc shares (including also the cash proportion).

The potential reward from the performance period 2015-2017 will be based on the PKC Group's and/or on the participant's employer company's 3-year cumulative Revenue and 3-year cumulative Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA), with heavier weight on the EBITDA. Attainment of the required performance level will determine the proportion out of the maximum reward that will be paid to a participant on the basis of the Performance Share Plan 2015. The Board of Directors will annually resolve on future performance periods.

A member of the Executive Board must hold 50 per cent of the net number of shares given on the basis of the Performance Share Plan, as long as his or her shareholding in total corresponds to the value of his or

her annual gross salary. Such number of Shares must be held as long as the member's employment or service in the PKC Group continues.

Matching Share Plan 2015

The vesting period of Matching Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 20 participants, including the members of the Executive Board. The Board of Directors may resolve to include new participants in this plan during 2015-2017, and on the duration of the related vesting periods (12-36 months). The rewards allocated in 2015-2017 on the basis of the Matching Share Plan 2015 correspond to the value of an approximate maximum total of 100,000 PKC Group Plc shares (including also the cash proportion).

The prerequisite for receiving reward on the basis of the Matching Share Plan 2015 is that a person participating in the Plan acquires the Company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuation of participant's employment or service upon reward payment. The participant may as a gross reward, receive one (1) matching share for each acquired share.

In order to finance the acquisition of the PKC Group shares, the Board of Directors has resolved to offer to members of the Executive Board participating in the Matching Share Plan a possibility to sell to the Company their stock options 2012A(i) and 2012A(ii) at the theoretical value. The stock option purchases were carried out in spring 2015.

Restricted Share Plan 2015

The vesting period of the Restricted Share Plan 2015 is calendar years 2015-2017, during which the plan is directed to approximately 20 selected key persons. The Board of Directors may resolve to include new key persons in this plan during 2015-2017, and on the duration of the related vesting periods (12-36 months). The rewards allocated in 2015-2017 on the basis of the Restricted Share Plan 2015 correspond to the value of an approximate maximum total of 120,000 PKC Group Plc shares (including also the cash proportion).

The reward from the Restricted Share Plan 2015 will be based on a valid employment or service contract of a key person upon the reward payment.

Remuneration Statement

The remuneration per term resolved by the Annual General Meeting in years 2013-2015, EUR

	2015	2014	2013
Annual remuneration			
Chairman of the Board	60,000	60,000	60,000
Vice Chairman of the Board	45,000	45,000	45,000
Member of the Board	30,000	30,000	30,000
Chairman of the Audit Committee	10,000	10,000	10,000
Member of the Audit Committee	5,000	5,000	5,000
Chairman of Nomination and Remuneration Committee	10,000	10,000	10,000
Member of Nomination and Remuneration Committee	5,000	5,000	5,000
Attendance fees			
Chairman	1,200	1,200	1,200
Other members	800	800	800

(Attendance fee for Committee work since 3 April 2014)

(The meeting fees will be doubled in case member physically participates in a meeting held in a country, where member is not resident.)

Remuneration paid to Board Members for Board and Committee work, EUR 1,000

	Remuneration for Board work		Remuneration for Audit Committee work		Remuneration for Nomination and Remuneration Committee work		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Reinhard Buhl ^{1) 6)}	43	34	-	-	12	4	55	37
Wolfgang Diez ⁵⁾	42	44	11	5	-	-	53	49
Outi Lampela ²⁾	-	12	-	1	-	-	-	13
Shemaya Levy ⁵⁾	42	48	20	10	-	-	62	58
Mingming Liu ^{1) 5)}	42	35	11	4	-	-	53	38
Robert J. Remenar ^{3) 6)}	59	62	-	-	12	5	71	67
Matti Ruotsala ^{4) 6)}	77	82	-	-	18	10	95	92
Harri Suutari ²⁾	-	12	-	-	-	1	-	13
Jyrki Tähtinen ⁵⁾	42	45	11	5	-	-	53	50

¹⁾ Since 3 April 2014

²⁾ Until 3 April 2014

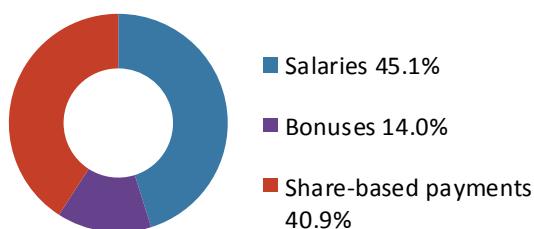
³⁾ Vice Chairman of the Board

⁴⁾ Chairman of the Board

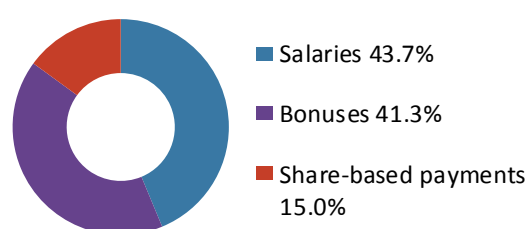
⁵⁾ Levy Chairman of the Audit Committee, Diez, Liu and Tähtinen members

⁶⁾ Ruotsala Chairman of Nomination and Remuneration Committee, Buhl and Remenar members

Division of remuneration paid to the President 2015



Division of remuneration paid to other Executive Board members 2015



Salaries and bonuses paid to the President and other Executive Board Members, EUR 1,000

	Salaries		Bonuses		Share-based payments		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Matti Hyytiäinen	435	469	135	56	394	0	965	524
Other Executive Board	1,930	1,375	1,823	847	660	47	4,414	2,269

Options and share-based incentives granted to the President and other Executive Board members in 2015

	Matching Share Plan 2015	Performance Share Plan 2015	Restricted Share Plan 2015 ¹⁾
Matti Hyytiäinen	9,257	42,700	-
Other Executive Board	30,300	119,800	36,500
Total	39,557	162,500	36,500

¹⁾ 50% will vest on 31.5.2016 and 50% on 31.5.2017

(No options were granted in 2015.)

Options and share-based incentives held by the President and other Executive Board members on 31 December 2015

	2009C	2012B(i)	2012C(i)
Matti Hyytiäinen	60,000	36,000	14,000
Other Executive Board	10,000	71,400	44,600
Total	70,000	107,400	58,600

Share ownership by the Board of Directors and Executive Board on 31 December 2015 is presented in the Financial Statements in the Shares and Shareholders section.

Ownership of sharebased incentives on 31 December 2015 same as grants in 2015.

Table does not include 2012B(ii) and 2012C(ii) initially allocated options.

PKC GROUP 

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