

Remuneration Statement 2016



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 Shareholders' Nomination Board. [Until 6 April 2016 by the Board's Nomination and Remuneration Committee, whose name changed into Remuneration Committee due to the establishment of shareholders' nomination board.]

According to the resolution made in 2016, 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 short or long term remuneration 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 2016, 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 all 2009 options has ended

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.

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.
- Board of Directors has decided that the release criteria for 2012 A (ii) options has been fulfilled and thus share subscription period with 2012 A (ii) options shall start 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.
- Board of Directors has decided that the release criteria for 2012 B (ii) options has been fulfilled and thus share subscription period with 2012 B (ii) options shall start as set out in option terms.

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.
- Board of Directors has decided that the release criteria for 2012 C (ii) options has not been fulfilled and thus 2012 C (ii) options expire.

Share-based incentive plans 2015 and 2016

The aim of PKC Group Plc's share-based incentive 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 incentive plans, on the basis of the performance period and vesting periods, will be paid partly in the Company's shares and partly in cash. 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 and 2016

Performance Share Plan 2015:

- The performance period 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 correspond to the value of an approximate maximum total of 310,000 PKC Group Plc shares (including also the cash proportion).
- The potential reward 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.

Performance Share Plan 2016:

- The performance period is calendar years 2016-2018, during which the plan is directed to approximately 60 participants, including the members of the Executive Board
- The rewards to be paid correspond to the value of an approximate maximum total of 430,000 PKC Group Plc shares (including also the cash proportion)
- The potential reward 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.

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 Plans, 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 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 is that a person participating in the Plan acquires the Company's shares up to the number determined by the Board of Directors. The participant may as a gross reward, receive one (1) matching share for each acquired share.

Restricted Share Plan 2015 and 2016

Restricted Share Plan 2015:

- The vesting period is calendar years 2015-2017, during which the plan is directed to approximately 20 selected key persons.
- The rewards correspond to the value of an approximate maximum total of 120,000 PKC Group Plc shares (including also the cash proportion).

Restricted Share Plan 2016:

- The vesting period is calendar years 2016-2018, during which the plan is directed to approximately 20 selected key persons.
- The rewards correspond to the value of an approximate maximum total of 60,000 PKC Group Plc shares (including also the cash proportion).

The remuneration per term resolved by the Annual General Meeting in years 2014-2016, EUR

	2016	2015	2014
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 Board Committee	10,000	10,000	10,000
Member of the Board 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

	Board work		Audit Committee work		Remuneration Committee work*		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Reinhard Buhl ⁶⁾	44	43	-	-	7	12	50	55
Wolfgang Diez ⁵⁾	44	42	12	11	-	-	56	53
Henrik Lange ^{1) 5)}	32	-	-	-	9	-	41	-
Shemaya Levy ⁵⁾	44	42	22	20	-	-	66	62
Mingming Liu ⁵⁾	41	42	12	11	-	-	53	53
Robert J. Remenar ^{3) 6)}	60	59	-	-	7	12	68	71
Matti Ruotsala ^{4) 6)}	79	77	-	-	11	18	90	95
Jyrki Tähtinen ²⁾	11	42	4	11	-	-	15	53

* Committee's name until 6 April 2016 Nomination and Remuneration Committee

¹⁾ Since 6 April 2016

²⁾ Until 6 April 2016

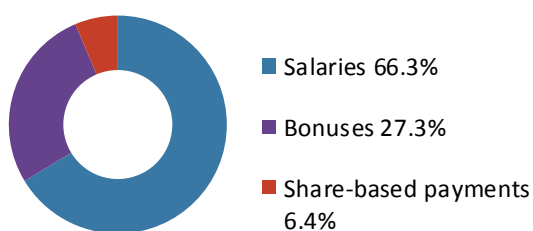
³⁾ Vice Chairman of the Board

⁴⁾ Chairman of the Board

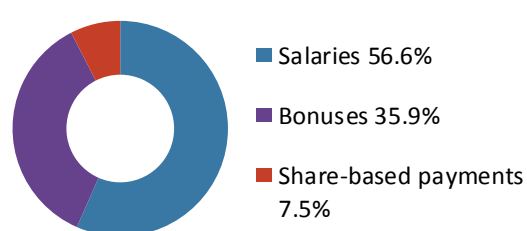
⁵⁾ Levy Chairman of the Audit Committee, Diez, Liu and Lange members

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

Division of remuneration paid to the President 2016



Division of remuneration paid to other Executive Board members 2016



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

	Salaries		Bonuses		Share-based payments		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Matti Hyytiäinen	504	435	207	135	48	394	760	965
Other Executive Board	2,023	1,930	1,282	1,823	269	660	3,574	4,414

Options and share-based incentives granted to the President and other Executive Board members in 2016

	2012B(i-ii)	Matching Share	Performance
	options	Plan 2015	Share Plan 2016
Matti Hyytiäinen	7,000	5,607	50,000
Other Executive Board	17,000	13,500	130,000
Total	24,000	19,107	180,000

Options and share-based incentives held by the President and other Executive Board members on 31 December 2016

	2012B(i-ii)	2012C(i)	Matching Share	Performance	Restricted	Performance
	2015	2015	Share Plan 2015	Share Plan 2015	Share Plan 2015	Share Plan 2016
Matti Hyytiäinen	59,000	14,000	15,134	42,700	-	50,000
Other Executive Board	106,500	44,600	43,800	119,800	18,250	130,000
Total	165,500	58,600	58,934	162,500	18,250	180,000

Share ownership by the Board of Directors and Executive Board on 31 December 2016 is presented in the Financial Statements in the Shares and Shareholders section.