



# Corporate Responsibility Report 2016

# ONE PKC

– Global Capability  
with Local Focus on  
Customers, Employees  
and Community.





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Read more about our approach to responsibility at [www.pkcgroup.com/corporate-responsibility.html](http://www.pkcgroup.com/corporate-responsibility.html)



ABOUT PKC

# Who We Are What We Do

ABOUT PKC

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# PKC Group in Brief

PKC Group is a trusted and acknowledged partner in the global commercial vehicle industry. Our vision is to be the preferred supplier in electrical distribution systems for the whole transportation industry globally.

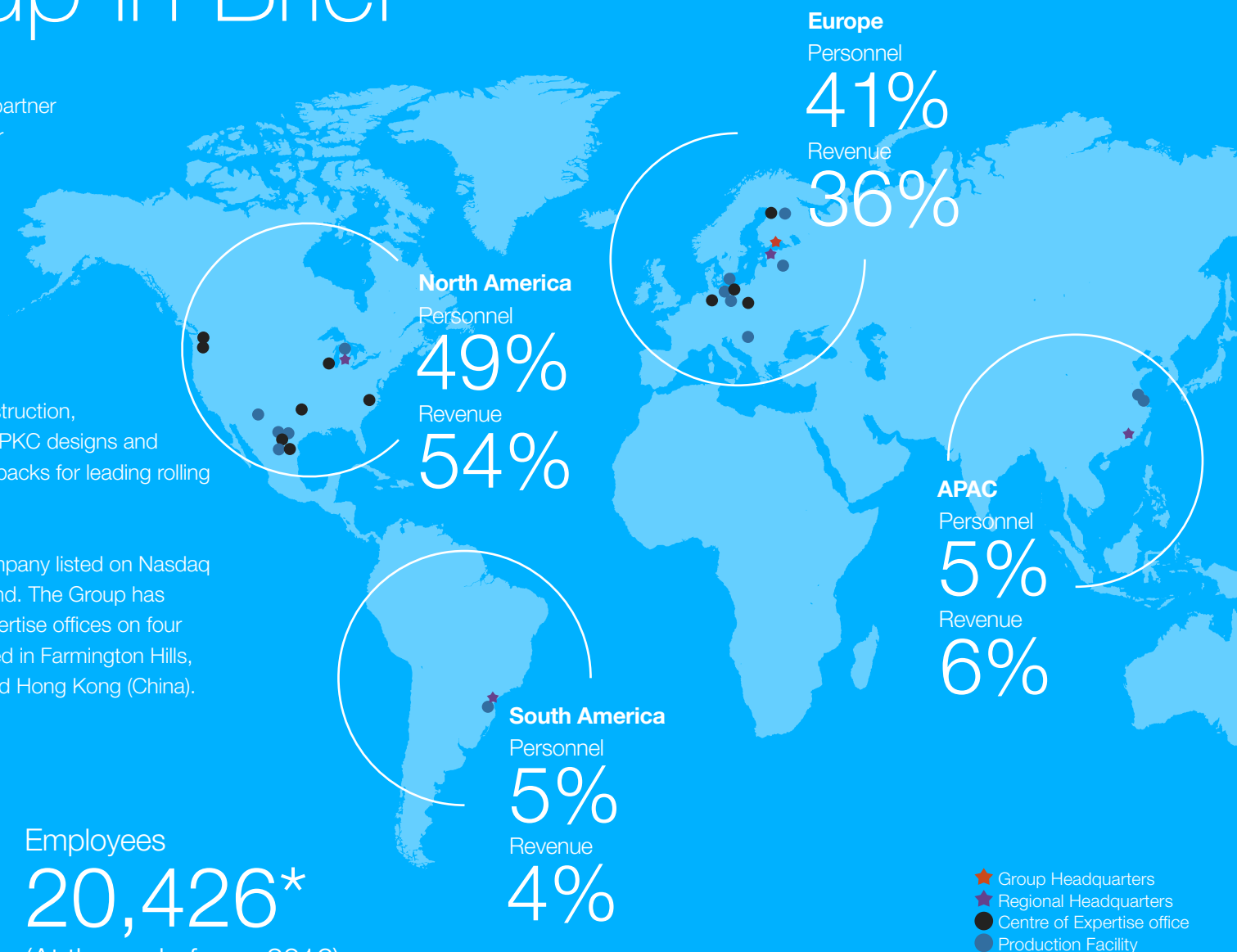
PKC designs, manufactures and integrates electrical distribution systems, electronics and related architecture components for the commercial vehicle industry, and other specialty segments such as agriculture, construction, powersports, buses and energy. In addition, PKC designs and manufactures electrical cabinets and power packs for leading rolling stock manufacturers.

PKC Group Plc is a public limited liability company listed on Nasdaq Helsinki and headquartered in Helsinki, Finland. The Group has 21 production facilities and 11 Centre of Expertise offices on four continents, with regional headquarters located in Farmington Hills, MI (USA), Curitiba (Brazil), Tallinn (Estonia) and Hong Kong (China).

Revenue  
**EUR 846 million**  
EBITDA EUR 64 million

Employees  
**20,426\***  
(At the end of year 2016)

\* Active, Inactive, Temporary and Jiangsu Huakai-PKC Wire Harness Co. Ltd. included





# PKC'S CUSTOMER SEGMENTS





All the megatrends bring more opportunities than threats to PKC.

# Foreword by the President & CEO

As a market leader in providing power distribution systems, PKC literally enables the world's transportation industry. For PKC, our market includes trucks, trains, buses, construction, agriculture equipment and power sports vehicles plus wind turbines. The direction of the global transportation industry is driven by megatrends, which have an impact on PKC's business: urbanisation, digitalisation, technology development and climate change. All these megatrends are related to the excessive resource use and social and environmental sustainability. And all of them, however, bring to PKC more opportunities than threats.

The concentration of people in urban areas highlights the importance of moving them efficiently from one point to another. Furthermore, modern engine technology and hybrid and electric powertrains, enable people and goods to be moved using less energy and generating less emissions and greater fuel efficiency –

all objectives of the recent Paris Agreement on Climate Change. PKC is able to partner with its customers on design requirements and electrical system architecture, utilizing extensive product knowledge to incorporate electrification or digitalisation as needed to achieve product performance, strategic, environmental and sustainability goals.

As we manage the complexity for our customers, we rely on our “uniqueness” which involves our employee expertise, internal processes, systems and intellectual property. Occasionally we find we are not as aligned internally as we would hope to be, which is one of the main drivers of our ONE PKC activity. In one of our launches in 2016, we found that people turnover made a significant impact on what we thought were well-established processes. We also decided we needed to strengthen our processes; documenting them clearly and ensuring people new to the team or process were fully trained and gate reviews conducted regularly. Through these lessons learned, we can share with each other our successes and failures, to help others avoid the same pitfalls.

As with many global companies, PKC faces challenges due to the effects of macroeconomic shifts, foreign exchange rates and commodity pricing that are outside PKC’s control. For example, PKC has a clear growth strategy and aim for an annual revenue of EUR 1.4 billion by 2018, and we are working diligently to that

end, but cyclical market fluctuations, such as those we encountered with North America Commercial Vehicle volumes in 2016 can offset our best efforts. This makes our focus on sustainability even more challenging and important. With diligent planning and forecasting, we can seek to avoid economic surprises in these areas. Further, we are confident about the many opportunities for growth and expansion in both Asia-Pacific and Rolling Stock that support our strategic execution.

Our stakeholders have been clear about what is important to them; sustainable business strategy carried out by engaged employees operating safely and being treated fairly and respectfully while manufacturing responsible products. We are committed to these principles, while also being environmentally and socially responsible. Our ONE PKC initiatives are intended to maximize our set-up and further develop our uniqueness, both of which are strategies focused on sustainability.

PKC is a people-driven company, and our ability to achieve strategic success is completely dependent upon the talent, commitment and performance of our employees. In order to provide an environment where our employees feel safe, valued and can be fully engaged, we must provide meaningful work with market based total rewards and opportunities for skills and career development.

As a company focused on assembly of primarily purchased components, PKC has the opportunity to influence a massive supply base, developing them technically and in accordance with core business principles covering ethics, safety, quality and human rights. These principles are foundational within PKC and our relationships with all our stakeholders. I am proud to be both a leader and employee of PKC, leading a company committed to sustainability.

In this report, you will gain a sense of our accomplishments in 2016 toward this end as well as understand where we want to be in the future. We are continually evolving and improving to be sustainable.

Matti Hyytiäinen  
President and CEO



# Sustainability Highlights

200%

The Addressable Market for PKC Business Opportunities Has Now Doubled With Our APAC and Rolling Stock/Aerospace Business Units

0.134

TRIR (Total Recordable Incident Rate), Considered to Be World Class

84%

Non-Hazardous Wastes either Reused, Recycled or Recovered

## SUSTAINABILITY 2016

100%

All PKC Factories Certified in ISO 14001: 2004

(Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd)

80%

Engagement Index. Representing Employees Who Feel Highly Valued

ONE PKC

Efforts to Ensure Global Capability with Local Focus on Customers, Employees and Community

ONE PKC

# PKC: Sustainable, Responsible and Connected

## ONE PKC

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# Strategy & the Role of Corporate Responsibility

Our strategic targets lead the way towards our vision.

- Developing PKC Uniqueness further
- Maximizing the current PKC set-up
- Penetrating into APAC
- Exploring opportunities to expand within transportation industry.

Our strategies support sustainability, and our values and policies define our approach to responsible management.

See our strategy chart on the next page 



PKC takes environmental, economic and social aspects into consideration when evaluating acquisition targets and growth opportunities.

Our development projects and strategic targets are in line with PKC's values of commitment, quality, profitability and co-operation. PKC's corporate responsibility priorities relate to employees, human rights, ethical business practices, the environment, and financial sustainability.

Corporate responsibility needs to be an integral part of PKC's operations, activities and decision-making from site selection to staffing to sales, to sourcing to production and finally to delivery. The target is that economic, environmental and social responsibility issues should all be in balance.

PKC is committed to promoting sustainable labour practices and human rights. PKC commits to observance of the applicable laws, regulations and international norms, as well as the Group's internal policies and practices without exception. PKC maintains a zero-tolerance policy on bribery and corruption, and expects that all employees conduct themselves in ways that demonstrate uncompromising ethical standards in all of their dealings with all stakeholders, including other employees, customers, suppliers, governments and the general public.

PKC is constantly identifying organic and inorganic growth opportunities for supporting our long-term growth strategy. PKC takes environmental, economic and social aspects into consideration when evaluating acquisition targets and growth opportunities.

PKC is also committed to ensure share value and return for our shareholders. We continuously strive to improve the cost-competitiveness of our operations and increase internal efficiency, which enables PKC to maximise our current set-up. This foundation positions PKC to help customers improve their productivity, and at the same time create value both for the customer and PKC.



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

# STRATEGIC INITIATIVES



Managing the Complexity

## Long-term Financial Targets

Annual Revenue EUR 1.4 Billion by 2018

EBITDA >10% Gearing <75%

Dividends 30–60% of Free Cash Flow

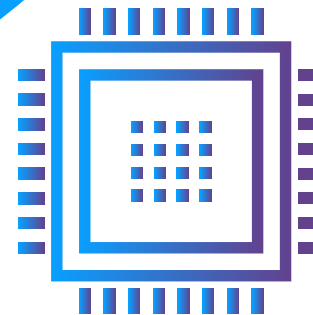
# Megatrends

The direction of the global transportation industry is driven by megatrends, which have impact on PKC's business: urbanisation, digitalisation, technology and climate change. All these megatrends are related to excessive resource use, as well as social and environmental sustainability.



## Urbanisation

- The increased concentration of people in urban areas highlights the importance of moving them efficiently from one location to another
- Stricter transportation and logistics standards with regards to emissions, as well as specialised vehicles developed specifically for urban areas.



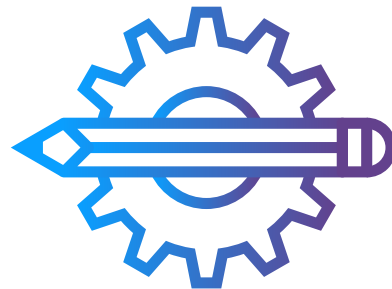
## Digitalisation

- Real-time information and diagnostics of processes, services and products (where, when, how much) in the transportation industry
- Digitalisation of supply chain management improves logistics visibility, and coupled with smart warehousing and manufacturing, streamlines the flow of materials, consequently reducing waste in the system.



## Climate change

- Less energy consumption (fuel efficiency, alternate fuels and electric vehicles) in the transportation industry
- Stricter emissions standards.

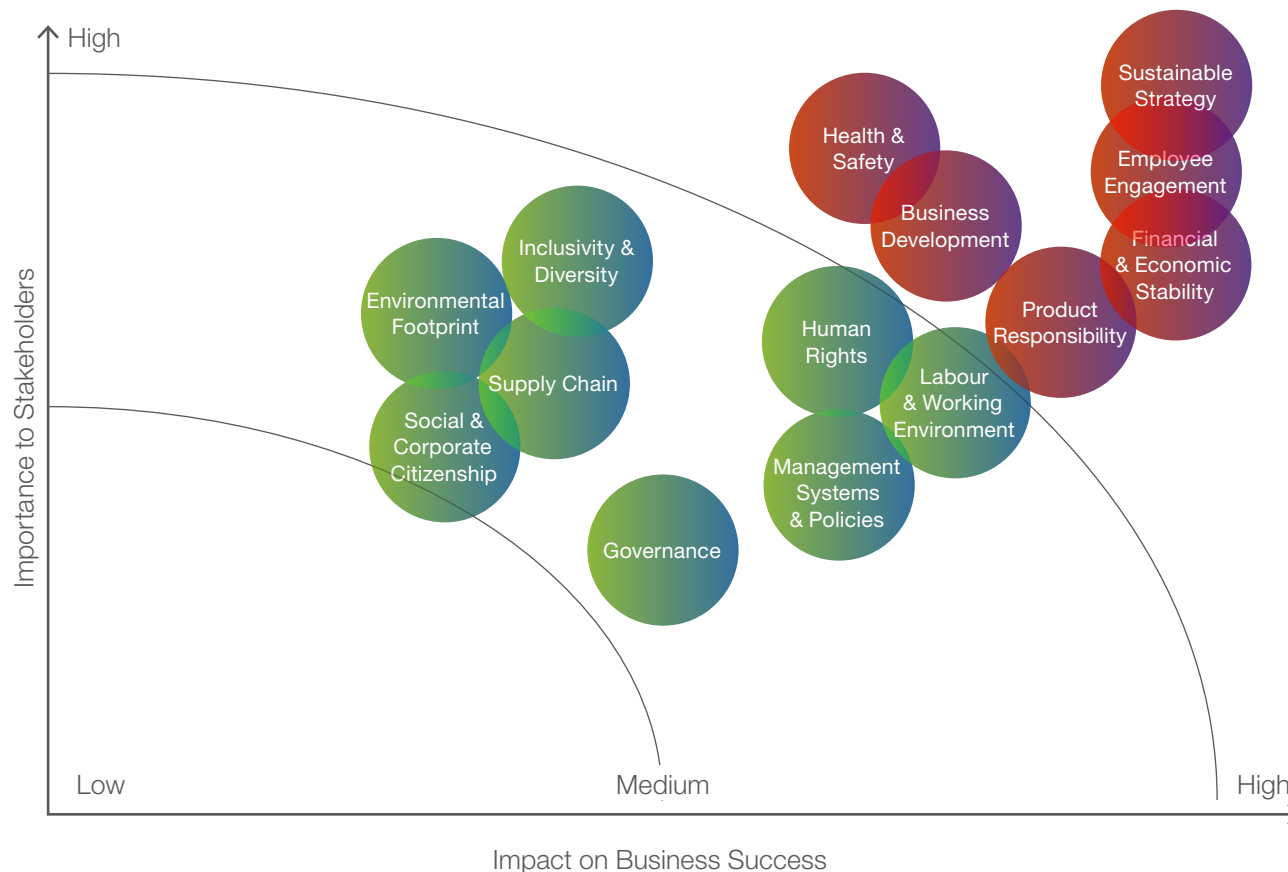


## Technology Development

- In transportation, e.g. modern engine technology and hybrid and electric powertrains, enable people and goods to move with less energy and emissions around the world (fuel efficiency)
- Improving the efficiency of traditional powertrains and enabling the systems required to support advancements in connectivity and autonomous driving.

# Stakeholder Engagement

During 2015, PKC surveyed some of its stakeholders, including investors, customers, suppliers, union and employee representatives and employees themselves. We asked them what responsibility themes were most important to them and which had the most impact on our business. In this manner, we can work to ensure alignment with Executive Board strategy and initiatives.



## Our primary stakeholders

PKC enjoys a broad spectrum of stakeholders as partners in its operations. As with other companies operating in the transportation industry, we work closely with the primary partners; customers, suppliers and employees. Our communication with these primary stakeholders occurs daily, and depending on the activity, even on an hourly basis.

With customers, PKC maintains regular, proactive contact through many different functions in the organisation, including, for example, engineering, program management, account management, demand management, operations, quality and logistics. PKC constantly strives to care for our customers' success as if it were our own. Our customers depend on PKC to manage the complexity inherent in their business, due in part to short lead times and high mix content. Strong relationships that pass the test of time are the basis of PKC sustainability.

PKC's employees are the foundation of our business, and without them PKC could not function. We depend on the talent and expertise of our employees to carry out our day-to-day business activities. Employee engagement is very important, and we always aim to evaluate engagement regularly.



Equally important to PKC's success and sustainability are our suppliers. They provide the materials and services used by the organisation to meet our customer's needs. Reliability in both quality and delivery are critical, so extra emphasis is extended to suppliers to evaluate their processes.

Contact with shareholders and our "Other" category of partners is more sporadic. While we may not communicate with each shareholder daily, their interests are clearly aligned with PKC's interests and subsequent strategy execution.

PKC cares about the communities and environments in which we operate, taking care to provide local support through volunteerism, quality employment, education and technology support. PKC is committed to ensuring compliance with applicable legislation and developing the employees to achieve their fullest potential.

## What matters most to stakeholders

### Sustainable Strategy

PKC stakeholders, from investors to customers and employees are highly interested in the long-term sustainability of PKC, both from a financial stability, ROI and growth perspective.

### Employee Engagement

Engagement means many things, including a positive, stable labour environment as well as a workforce committed to their own personal development and PKC's success. In addition, it reflects how well the company "walks the talk" related to core values and respect for people. Stakeholders know a high level of engagement usually means an effective work environment.

### Environment, Health & Safety

A true reflection of sustainability is shown in how companies protect people and the environment. Recycling, injury rates, safety observations & audits, and careful use of resources are all measures of a company's commitment to EHS.

### Product Responsibility

Our stakeholders believe that high quality, reliable and safe products that meet customers' needs and contribute to the overall improvement of our ecosystem are important.

## Stakeholder Engagement

Stakeholder	Topics and concerns	Communication Channels	Assessment
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality and delivery performance</li> <li>• Conflict Minerals and Human Rights compliance</li> <li>• Product Reliability/Warranty</li> <li>• Pricing and continuous improvement in cost reductions</li> <li>• Launch readiness</li> <li>• PKC business continuity; staffing development &amp; succession</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous one-to-one dialogue</li> <li>• Customer meetings and events (e.g. PKC Tech Days, Customer Tech Reviews, Program Reviews)</li> <li>• Resident Engineers &amp; Onsite staff</li> <li>• Supplier Quality Councils</li> <li>• Stock Exchange and press releases and reports</li> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous quality and delivery performance monitoring</li> <li>• Annual customer satisfaction surveys</li> <li>• Customer Supplier Awards</li> <li>• Quote pipeline and awards</li> </ul>
<b>Personnel</b>	<ul style="list-style-type: none"> <li>• Career Development opportunities and performance feedback</li> <li>• Market based total rewards and benefits</li> <li>• Business continuity &amp; sustainability for continued employment</li> <li>• Human Rights compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Regular metrics reviews and dept meetings</li> <li>• Continuous one-to-one dialogue</li> <li>• Development discussions</li> <li>• Intranet portal communications</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction surveys</li> <li>• Continuous monitoring of OHS, employee turnover and other personnel related data</li> <li>• Ethics &amp; Compliance claims, grievances, open door meetings</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Growth opportunities/Revenue generation</li> <li>• Reliable demand forecasts</li> <li>• Cost reduction pressure</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier meetings and events</li> <li>• Continuous one-to-one dialogue</li> <li>• Supplier Quality Assessments</li> <li>• Supplier Quality Councils</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous quality and delivery performance monitoring</li> <li>• Annual supplier evaluations</li> <li>• Supplier audits</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Business continuity &amp; sustainability</li> <li>• ROI</li> <li>• Employee Engagement &amp; Human Rights compliance</li> <li>• Product quality &amp; reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Capital markets days</li> <li>• Meetings with investors and analysts</li> <li>• Annual general meetings</li> <li>• Stock exchange and press releases, financial reports</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback from shareholders, investors, and analysts</li> <li>• Stock price and volume traded</li> </ul>
<b>Other (e.g. authorities, media, educational institutes)</b>	<ul style="list-style-type: none"> <li>• Human Rights</li> <li>• Quality/Product Reliability</li> <li>• Legislation/compliance</li> <li>• Environmental topics</li> </ul>	<ul style="list-style-type: none"> <li>• Direct contacts</li> <li>• Website</li> <li>• Stock Exchange and press releases and reports</li> <li>• Media coverage</li> <li>• Local community leadership councils</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback from stakeholders</li> <li>• Audits</li> <li>• Media coverage</li> </ul>

Stakeholder view
 **PACCAR**

Customers Recognize PKC Group as Top-Performing Supplier in 2016



PACCAR Award



Navistar Award



John Deere Award

Customers comprise one of PKC’s most important stakeholder groups. Without our customers, there is no PKC. Their business is our business, and PKC prides itself on deep, long-term partnerships with many of our customers. One of the cultural traits within PKC is that we want to be able to solve problems for our customers that they themselves don’t yet know they have.

Even so, it was quite inspiring and satisfying, when at PACCAR’s Supplier Performance Management Award Ceremony on December 1, 2016, Bill Jackson, Global Vice President at PACCAR Purchasing; and Duane Kampschror, Director of PACCAR Electrical Purchasing, thanked PKC and praised the company for its ability to anticipate their business’ needs as well as its consistency in supplying quality parts on time.

PACCAR lauded PKC Group among the top performing suppliers in its Supplier Performance Management (SPM) program, which evaluates suppliers’ product development, operations support and business alignment with PACCAR’s objectives. Through the SPM program, suppliers and PACCAR cross-functional teams collaborate to identify performance enhancements and to develop product innovations.

The PKC/PACCAR relationship has been in place since the early 1990s, highlighting the value to both parties of a strong, longstanding partnership.

The leading truck manufacturer and American Fortune 500 company awarded PKC as one of its 2016 SPM Leaders. PKC had reached the Achiever level in the SPM Program in 2015 and improved its performance to Leader rank in 2016.

PKC manages over 50,000 active part numbers for PACCAR. These are shipped out of PKCs manufacturing facilities in Mexico.

PKC is grateful for the customer base we serve, and our efforts are to treat the customer’s business as we would our own. We are very proud to have earned the following awards during 2016 from our other customers, again reflecting that we are meeting their expectations as a key supplier.

Customer awards and recognition received 2016

Arctic Cat	Silver Award
Foton	Excellent Supplier
John Deere	Partner-level supplier in the 2016 Achieving Excellence Program
Navistar	Diamond Supplier Award
PACCAR	Supplier Performance Management Leader



## Stakeholder view

### Harju Elekter

Harju Elekter and PKC have a long-established relationship, going back to when we were developing cable harness manufacturing in Estonia as a subcontractor for PKC in the early 1990s.



For me personally, the years we spent together with PKC, its people and management, were very interesting and creative. Our journey together covered extensive PKC growth in Europe. Harju Elekter became shareholders in 1994, when the acting management of Nokia Cable Harnesses carried out the management buy-out of the wire harness business and incorporated the business into PK Cables later. When PKC purchased the Harju Elekter subcontracting business in 2002, Harju Elekter increased its ownership in shareholdings and has remained as PKC's shareholders ever since.

PKC has been a valuable company in Harju Elekter's investment portfolio as they continue to be a reliable source of dividend income. Financial stability and ROI are primary themes we evaluate as we consider where to invest. Through an organisation's corporate governance, we are able to learn the most about how a company works. My observation over the years is that PKC acts exactly in the way it describes its processes.

Not only the ownership of shares has been important to us, but also the wider co-operation with PKC.

Much of a company's success can be linked to its talent and leadership. Certainly PKC can be proud of the international management team and the expertise of its personnel. They have done a nice job of executing their strategy and delivering financial results. It's important to pay attention to your loyal and skilled personnel who know the business well. PKC should carefully evaluate

the need to move business and only do so as absolutely necessary. Saying that, it's important to focus on external development in global markets and PKC has been achieving its strategy nicely in both global growth and new markets growth.

I think it goes without saying, but I will highlight that another aspect of acting globally is the ability to ensure the company follows a high standard of human rights compliance, especially in Third World countries that rely on new investors to lead the way. This includes ensuring that the global supply chain is also following appropriate standards and is not engaging in child labour, bribery, conflict minerals, etc. PKC has a strong reputation for doing the right thing in these areas.

Maybe another theme of importance is environmental sustainability. PKC commits to help develop cleaner environment solution and products, using environmentally friendly materials and methods for production, and participates with its customers in the process of development of more safe and environmentally friendly vehicles and other final products.

PKC has set a standard of investor relations that keeps us connected with regard to strategy, performance and results. What more could an investor ask for?

Andres Allikmae  
Managing Director

## Stakeholder view

## CROM Union, Supporting the Torreon, Coahuila Plants of PKC in Mexico



Jose Reyes Blanco Guerra, CROM's Secretary General, in the state of Coahuila talking with employees in Torreon

The Cableados Del Norte Company, dedicated to the fabrication of automotive wire harnesses, arrived in Torreon 27 years ago; in 2011 it was acquired by the PKC Group. In an agreement between the employees and the company and with the support of the state government, a labour contract was signed with our CROM union, a union with a different philosophy from other unions because our union has the benefit of not charging union fees and of treating the workers of Coahuila in a dignified manner. To date we continue to work with the PKC Group because it is a world-class company which is very interested in the well-being of its employees economically, as well as in labour matters and the rest of the services that they offer such as a worthy transportation system and cafeteria with the hygiene and quality that our co-workers deserve. These are a few of our main focuses.

As a union, our responsibility is for each of our members to have good welfare for their family, labour peace and a legal certainty for them and their families and to be the best workers in the productivity and quality that they perform in their day-to-day activities in these companies.

PKC is a company that is concerned with the ongoing training of our workers. Even so, we request the reinforcement of the leadership skills of middle management.

As a union we support the gender equity initiative. In this we jointly agreed with the company directors to develop a modern and functional union structure. This allows us to always be near our union members and always be attentive to their welfare. We strive to surpass the traditional benefits such as contract reviews, compliance with vacation payments, year-end bonuses, etc. We work with PKC to efficiently address the members' personal issues, requests to government institutions, to civil courts and to the Mexican Institute of Social Security, and above all, treating any issue that they have with fairness. With Infonavit, the institution which offers credits for members' housing, and other authorities such as Fonacot, which is the organisation that offers them credit to furnish their homes, we work to be vigilant that their deductions are made according to the federal labour law. For this reason we have a broad relationship with the city, state and federal authorities, and in this way authorities can see the benefits that the PKC

Group employees have. PKC is a company which is fully responsible and concerned for the welfare of its employees in the state of Coahuila and throughout Mexico. Additionally, that the authorities offer us the facility so that our legal firm can work on requests from our workers on such matters as alimony payments, divorces, cases of domestic violence and legal situations with their housing; this is also one of our main objectives.

This new union focus is an example to other companies in the region and they are adapting it for the better functioning of the employee/employer relationship.

The PKC GROUP is a company that has always been very responsible and respectful of the Mexican laws and, above all, of our federal labour law, and is a constant promoter of a healthy relationship between the CROM union and PKC Group, which contributes to a peaceful labour stability and this has a positive impact on our community and in our state.

Jose Reyes Blanco Guerra,  
CROM's Secretary General in the state of Coahuila

Alberto Blanco Sánchez,  
Secretary of the local union

Francisco Elizalde Rivas,  
Union Assessor in PKC Group

# Responsibility Management Approach

PKC's responsibility management approach is based on PKC's business and operating environment, vision, core values and company culture, as well as on stakeholders' expectations. PKC is committed to conducting its business in a responsible and sustainable way and we comply with the laws and rules of the societies in which we operate. Our everyday work is guided by the Code of Conduct and our other company policies and guidelines. Our management and supervisors work to ensure that our employees are familiar with and comply with the legislation, regulations and internal operating guidelines of their respective areas of responsibility.

During 2016, PKC expanded the scope of its ethics & compliance reporting system, managed by an external third party. The system, which was previously launched in North America in 2010, was expanded to cover all PKC locations globally. While PKC strongly encourages employees to report any concerns directly to their location management for immediate investigation, some concerns are of a sensitive nature which may facilitate reporting via a third party.

	Management systems and certifications	Example of tools and measurements
<b>People and ethics</b>	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Anti-corruption compliance policy</li> <li>• Environmental, Health and Safety Policy</li> <li>• Information Security Guidelines</li> <li>• ISOT/TS 16949 certification for automotive industry</li> <li>• IRIS International Railway Industry Standard</li> <li>• OHSAS 18001 Occupational health and safety management systems</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement surveys</li> <li>• Ethics &amp; Compliance system</li> <li>• Regular Union/Ee Rep discussions and partnership</li> <li>• Anti-harassment &amp; discrimination policies and training</li> <li>• Critical 6</li> </ul>
<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Environmental policy</li> <li>• Conflict mineral policy</li> <li>• ISO 14001 Environmental management system</li> </ul>	<ul style="list-style-type: none"> <li>• SQA</li> <li>• Conflict Minerals</li> </ul>
<b>Economics</b>	<ul style="list-style-type: none"> <li>• Finnish Corporate Governance Code</li> <li>• Internal control guidelines</li> <li>• Treasury Policy</li> <li>• Risk Management Policy</li> <li>• Internal auditing</li> <li>• ISO 9001 certification for quality standard</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue</li> <li>• EBITDA</li> <li>• Monthly management reviews of KPIs by location, region, globally</li> <li>• Regular review of potential risks and their impact to the business and stakeholders</li> </ul>



## MAKE DIFFERENCE

PKC's "Make A Difference" reporting system is accessible via phone and internet in most countries, and allows for direct or anonymous reporting. In order to ensure the proper investigation and resolution of claims, whether reported internally or externally, PKC issued a policy and procedure on Workplace Investigations. Training will be conducted with all internal investigators by a subject matter expert. PKC's Audit Committee is informed of any claims related to fraud, theft, misuse of company property, intellectual property or systems. The Group Senior Vice President for Human Resources reviews each claim and its investigation/status/resolution for compliance with applicable legislation as well as company policy and values.

### Risk management

Risk management is part of PKC's control system. PKC Group has a group-wide risk management policy, which PKC's Board of Directors has approved. The purpose of the risk management policy is to define group-wide guidelines and set such goals for risk management such that the Group's overall risk level is evaluated systematically and comprehensively in order to achieve the business' objectives.

### Community development & engagement

PKC encourages each location to be an active and responsible corporate citizen in their respective communities. This is typically accomplished by participating in local business and employment forums, volunteerism projects aimed at improving schools and social care programs, and donations to NGOs selected annually by a dedicated committee.

Examples of such engagement with the community include

- raising funds to purchase equipment or materials needed for senior, disabled and child care facilities
- volunteering to clean up and paint local schools
- volunteering time to read with and tutor students in local schools
- sponsoring families in need at Christmas or other holiday times
- student programs to integrate local curriculum with real-life manufacturing problems to develop technical and problem solving skills locally
- donations made for emergency relief, such as floods or tornado-damaged areas.

PKC Code of Conduct prohibits donations to purely religious or political organisations.



During 2016, PKC expanded the scope of its ethics & compliance reporting system, managed by an external third party. The system, which was previously launched in North America in 2010, was expanded to cover all PKC locations globally.

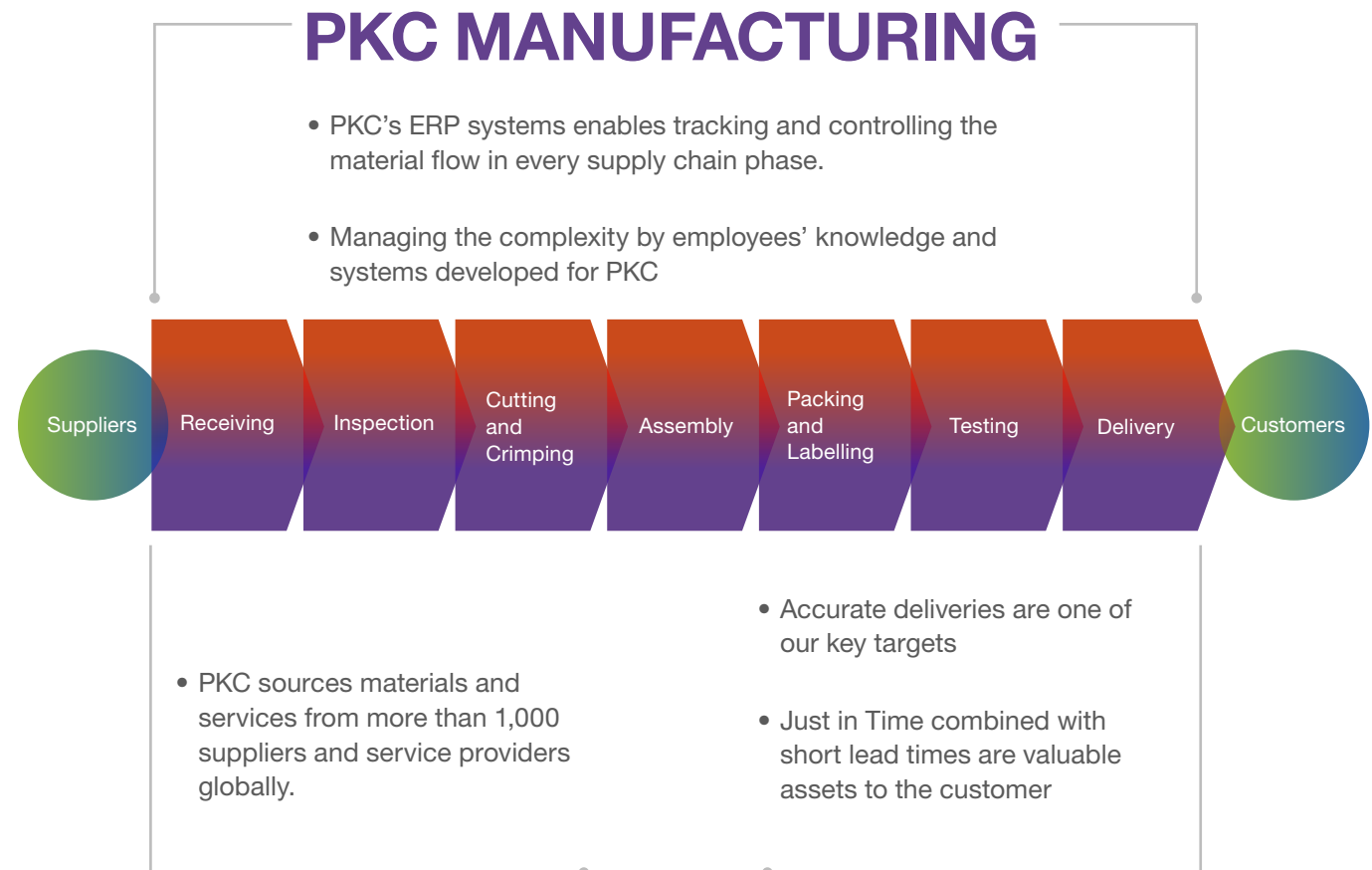
# PKC's Operations

PKC operates responsibly in global markets.

By selecting responsible partners who meet our supplier requirements of quality, delivery accuracy, conflict-free minerals, human rights and environment, health & safety conditions, PKC strives to ensure responsible business practices and the continuous development of the transportation industry supply chain.

PKC has initiated a standard process of evaluating suppliers globally to evaluate any gaps in compliance with the above responsibility elements and working with them to improve their processes. In many countries around the world, some of these elements are new to suppliers. PKC takes its duty to operate responsibly seriously and is proud of working with communities and suppliers to do the same.

Manufacturing of wiring systems is very manual and labour-intensive work that is dependent on the expertise and know-how of our employees and our processes, products, technology and components rather than on machinery, equipment and processes that would require high energy consumption, water use, or the use of hazardous chemicals. A clear trend in our industry is automation. This will be a topic where PKC engineers will need to balance the need for operational efficiency improvements to ensure sustainability with any possible environmental impacts.





In alignment with our commitment to highly ethical business practices, we launched an extensive supplier assessment process, conducted by a third-party firm to evaluate our suppliers for conflict minerals and human rights as well as their quality and delivery performance.

PKC's global sourcing and supplier management capability provide leverage in ensuring the right materials are available at the right location at the right time and at the best possible price. New logistics hubs in Northern and Central Europe which were launched in 2016 have helped optimize these processes. Further, our global sourcing power has benefitted both Rolling Stock and our China Joint-ventures partner by offering MOQ discounts and greater sourcing options. In alignment with our commitment to highly ethical business practices, we launched an extensive supplier assessment process, conducted by a third-party firm to evaluate our suppliers for conflict minerals and human rights as well as their quality and delivery performance. The results indicate that over 95% of PKC's supply base is in full compliance. Ongoing efforts will continue into 2017 to bring the remaining 5% in compliance.

Our suppliers are our long-term business partners, providing components and systems that enable PKC

to produce high quality, reliable products. PKC has over 1,000 suppliers. During 2016, we launched a new approach with our customers to help analyse warranty issues to root out repeat issues with components or manufacturing processes. Again, this is a value-add service, focusing on proactive improvement versus the traditional fighting over warranty claims.

### Health and safety impacts assessed

The health and safety impacts of PKC's products and services are assessed in various life-cycle stages. The percentage of significant product or service categories that are covered by, and assessed for compliance with such procedures, is 100%.

### For development and R&D of products:

When PKC provides R&D services, a standard product development process is utilised according to a design handbook. In terms of analysis of these risks, PKC uses the DFMEA risk analysing method. Environmental issues also make part of this process. For development of component projects, a standard product development process is utilised (PDPW). An input into the PDPW process is the Design Failure Mode Effects Analysis, in which multiple items regarding health and safety impacts are assessed.

### For certification:

Material certifications are performed to ensure adherence to applicable customer specifications. Actual requirements may vary by customer.

### For manufacturing and production:

The DFMEA, in combination with performance requirements, are utilised to generate the manufacturing Process Failure Mode Effects Analysis (PFMEA). Health and Safety requirements are carried from the DFMEA to the PFMEA.

### For marketing and promotion:

Not applicable to PKC as products are delivered to customers who fit them to the final products i.e. PKC manufactures sub-assemblies and components for customers' final products. Health and safety assessments are driven by customer requirements. No requirements are applicable in terms of marketing and promotion.

### For storage distribution and supply:

Shipping containers and product packaging are evaluated for safety and are tailored to each component or assembly.

### For use and service:

Design verification and product validation testing are used to assess the level of adherence to any health and safety requirements. Actual requirements may vary by customer.

### For disposal, reuse or recycling:

RoHS is adhered to. Materials are selected to maximise the recyclability of products.

PEOPLE AND ETHICS

# PKC Is a People Company

PEOPLE AND ETHICS


Committed to Employment  
Excellence ..... 25



# Committed to Employment Excellence

With over 20,000 employees globally, PKC is only as good as the talent and competence of its workforce. Selection and onboarding are the first elements of PKC's talent management process. Candidates for manufacturing operations are evaluated based on dexterity, ability to follow instructions and read print layouts as well as commitment to safety and quality. White-collar employees may undergo a variety of assessments to determine competency, attitude, values, leadership and general fit with PKC culture.

PKC is committed to global standards of employment, ensuring that equal opportunity exists for candidates regardless of race, religion, family status, gender, nationality, etc. PKC does not employ child labour. Students (ages 16 and older) may be hired for internship or co-operative education programmes aligned with accredited education institutions where such programmes comply with national and international labour laws. Student programmes are an important part of PKC's responsibility work in that they build the edu-

 Our culture is a fabric woven by gender, ethnicity, education and experience.

cational level of the communities in which we operate, as well as providing a strong base of candidates who are well prepared to hire on when they complete their studies.

In addition, PKC is fully committed to and values diversity and the benefits it brings to our organisation. As a global organisation, our culture is a fabric woven from gender, ethnicity, leadership styles, differing physical characteristics, education and experience. This is an important element of our strategy of Developing PKC Uniqueness Further.

Another important element of our culture at PKC is our commitment to human rights and our culture of valuing each other. We are fully committed to the United Nations Universal Declaration of Human Rights (UDHR). The principles of the UDHR are embedded in PKC's Code of Conduct and its everyday operations. PKC is also committed to conducting its operations in line with the ILO Core Conventions on Labour Standards and the OECD Guidelines for Multinational Enterprises.

Group-wide policies and guidelines related to treatment and well-being of employees are approved by PKC's Executive Board. Compliance to these policies and standards is the responsibility of each PKC employee.



The quality of PKC leadership is directly related to the level of engagement of our workforce.

## Key personnel figures

	2016	2015
Number of permanent employees at year-end	20,426	21,764
Share of women, %	57	55
Share of women, Board Members, %	14	14
Women in management roles, %	26	not tracked

Some measures of how we are performing with regard to human rights and valuing each other are our

- engagement survey rating of 80%
- voluntary turnover rate 2.4% average monthly
- our employees have an average of 6 years of service
- TRIR 0.134 compared to a goal of 0.120
- Work stoppages 0
- 57% women in the blue-collar workforce and 46% women in the white-collar workforce
- 26% women in the management classifications.

We place much emphasis on a work environment where people feel that they are valued both for who they are and for their contributions. We respect our employees' rights to freedom of association, either with the union that is legally authorised to represent them, the right to select new representation via legal process, or the right to not use such representation if that is their preference. Whether or not a location is unionised, we strive to communicate clearly and in a timely manner so all our employees understand what's happening in their location, both regionally and globally.

Training and development are important to ensure employees possess the requisite skills and proficiency to build products of the highest quality. In the transportation industry, failure of power distribution products can lead to complete loss of vehicle power, so PKC engages in extensive collaboration in the design (if contracted to do so) and testing of our products to

# Safety Always First and Everywhere



PKC is very proud of its world-class Total Recordable Incident Rate (TRIR) of 0.134, but it is still above the 2016 goal of 0.120. "The best way to ensure safety is to make it a natural part of your culture, which is what we strive for in our operations", states Global EHS Director Arturo Garcia.

Expanding on the efforts in 2015 to implement basic Occupational Health & Safety metrics globally, Dr Garcia, along with Europe-South America EHS Manager Miki Jovanovic hosted a workshop in the Rolling Stock group in Poland to train all OHS personnel on the "Critical 6." These specific safety standards cover mobile equipment, fall prevention, lockout/tagout, confined spaces, machine guarding and hearing protection.

The workshop included classroom training as well as extensive practical application of the concepts through hands-on problem solving, audits and observations. The team focused on how to educate PKC employees about risks associated with the Critical 6 and how to prevent injuries. Since implementing the new standards and common focus on OHS, there has been a 50% reduction in mobile equipment/ pedestrian incidences, and we enjoyed two separate months with zero recordable injuries. For 2017, our TRIR target will be 0.12, and we will focus on specific training for our leaders and employees on prevention of hand and finger injuries which comprised 68% of the injuries in 2016.



The attraction and retention of talent is key to PKC Uniqueness, our ability to Manage the Complexity, our quality and our sustainability.



warrant reliability. Further, the manufacturing processes used are highly validated with customer approval.

Training and development is also very important to our employees as it relates to their personal and professional development. PKC offers several career development paths, including technical, non-technical and managerial. For leaders within PKC, training covers technical/functional skills, human rights, problem solving and leadership, among others. The quality of PKC leadership is directly related to the level of engagement of our workforce. While there are always areas in which to improve, we are proud of our 80% engagement rating in 2016 across the globe. This means that 80% of our employees 'agree' or 'strongly' agree with the elements that comprise positive engagement and feeling valued.

According to the external firms who conduct our engagement surveys, scores above 60% are considered good and 80% or above are very good. After conducting our bi-annual employee engagement survey, we meet with focus groups comprised of our employees to really target our opportunities to improve. Each location and primary function then have steering committees which are responsible for identifying the specific initiatives to be implemented, managing the implementation teams and evaluating the effectiveness of the changes. Regular two-way communication with the workgroup throughout the process is important. This is clearly an area that takes much dedication and can always be improved.

## OHS

We are very proud of PKC's commitment to occupational health and safety. 2016 was another year of excellent progress in extending our OHS system. An intensive workshop involving the Europe-South America regional team focused on the 'Critical 6'; factors that could lead to workplace fatalities if not carefully managed. Since launching this initiative in 2015, accidents caused by mobile equipment/pedestrian interface have been reduced by 50%. We are working endlessly to ensure a culture of **Safety Always, First and Everywhere**. In 2016, hand and finger injuries comprised 68% of our recordable incidences and will continue to be a major focus for elimination in 2017. Regular safety audits and employee involvement through safety observations and identification of 'near misses' helps keep the importance of OHS in our everyday work.

We enjoy stable to very positive relationships with our many unions, works councils and employee representatives. PKC strives to provide good jobs with market-based total rewards. In 2016, an external global compensation survey was conducted to review the competitiveness of the white-collar salary structure. Blue-collar positions are evaluated annually with local survey data. The attraction and retention of talent is key to PKC Uniqueness, our ability to Manage the Complexity, our quality and our sustainability.

# Winning the Hearts and Minds of Our People



With over 20,000 employees world-wide and extremely labour-intensive assembly processes, keeping natural turnover and absenteeism low is a daily activity in engagement. With an increasingly competitive marketplace and clear understanding of internal engagement gaps, the North American leadership team created a cross-functional team led by Operations and supported by HR, Finance, and Quality & Engineering to find a way to increase engagement while developing basic human and leadership skills.

The process the team developed was called “Winning The Hearts & Minds” and focused on four specific steps to accelerate leadership transformation:

1) Training and evaluation of frontline Team Leaders and Supervisors – This required evaluating Team Leaders and Supervisors in both soft (leadership skills) and operations skills. The soft skill evaluating process required feedback from subordinates, peers

and bosses while the operational side was measured using production metrics results. Those who were deemed as “red” received additional training and support in gap areas, while “green” supervisors received positive reinforcement via various recognition programmes.

2) Transforming Managers into Leaders I – Classroom training specific to expectations for leaders relative to People, Quality, Cost and Delivery. As part of this second step, the senior leaders prepared a video, with each of them sharing a message they felt was important to communicate to the organisation, with the overall message being: “We want you at PKC, we need you and you are our greatest strength:” This video was later introduced and became part of the standard onboarding process for Mexico employees. This classroom training also required participants to have a personal development action plan, which then served as the basis for the third step.

3) Transforming Managers Into Leaders II – This step was a follow-up classroom session held 3–4 months after

step 2, where leaders reviewed their personal development action plans, held themselves accountable for completion of their actions and shared best practices for transformation.

4) While we know and understand training and development is critical, the team also recognised that a critical part of engagement, and fundamental basic need of employees includes Employee Services. This required evaluation and monitoring of areas such as cafeteria, restrooms, transportation and occupational Health & Safety.

Throughout 2016, the team was able to complete Step 1 – Training & Evaluation of Frontline Team Leaders & Supervisors, as well as Step 2 – ‘Transforming Managers into Leaders I’ training throughout Mexico and implement Step 3 in some locations. Step 4 – Monitoring of Employee Services is now part of NA’s ongoing regular HR audit process, which includes providing feedback and results to our employees in all plants.



ENVIRONMENT

# PKC Actively Engages in Efforts to Minimise the Environmental Impact

ENVIRONMENT

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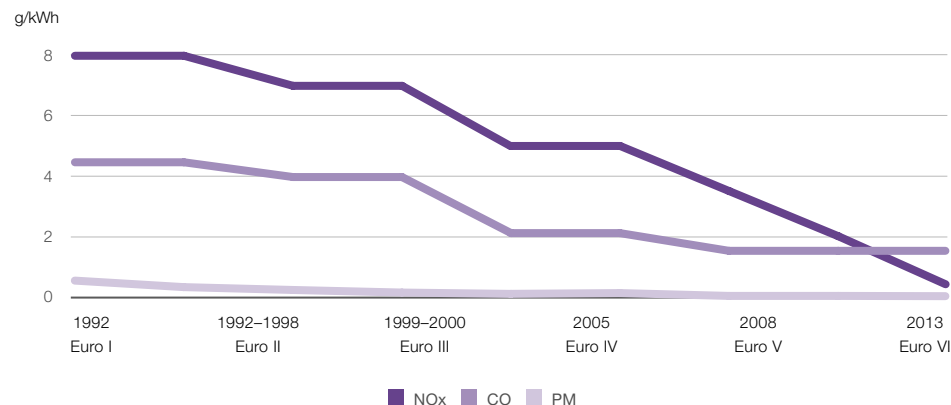
# Mitigating the Environmental Impact

In general the environmental impact of PKC's business operations is minimal due to the manual and labour-intensive nature of its operations. Reporting e.g. the CO<sub>2</sub>-emissions produced directly is not material to PKC. Instead, the focus on mitigating PKC's impact on climate change is in emissions that are not produced.

Opportunities in mitigating the impact of climate change are e.g. in designing the electrical distribution systems light weighted and tolerant to higher temperature.

Nevertheless, PKC strives to continuously observe and measure the environmental impact of its operations. Such initiatives include locating operations near customer facilities, sourcing materials near its manufacturing facilities; utilising recyclable materials; working with suppliers and customers to reduce and recycle packaging materials; monitoring and minimising water and energy use; and reducing food waste in on-site cafeterias. PKC also decreases the environmental impact of travel by encouraging employees to favour telephone or online meetings when appropriate.

EU emission standards for HD diesel engines, g/kWh



## Juarez



PKC's Juarez, Mexico location installed a water and oil separator to reduce disposal of "water contaminated with oil" Hazardous Wastes. On average, the location generates 28,100 litres of "waste with oil" annually. This oil waste is collected in special drums and disposed of in accordance with environmental standards and the water is recycled.

Based on application and award of a special permit from the city's water agency to use the wastewater of the location in sanitary services and garden irrigation tasks, the location was able to reduce completely their disposal of the water previously contaminated with oil.

On 4 November, 2016, the Juarez team received a Special Recognition as a "Social Responsible Company" from the Juarez Export Industry. The recognition was given due to the efficient use of water and recycled water for sanitary services and garden irrigation. Other PKC locations that use assembly and fabrication equipment using oils are evaluating the potential of implementing this best practice.

## Environmental Management

<b>Environmental Management System</b>	All PKC operations are certified on ISO 14001:2004. Managing the use of restricted substances and chemicals, such as REACH compliance and new chemical approval process.
<b>Energy</b>	The lighting system was replaced by energy saving lamps at locations in Mexico. The new system will save lightning energy consumption by at least 20%.
<b>Climate change</b>	Greenhouse gas emissions are generated mainly from travel and the transportation of components and materials from suppliers and of final products to customers.
<b>Water</b>	Water is consumed mainly for sanitary and catering purposes. Limited amounts used in the process, mainly as a cooling agent in closed circulation. Controls and measures to prevent water leaks and water misuse are also in place. Rainwater reuse system in place in Campo Alegre, Brazil, with an estimated 9% water use reduction compared to previous year. In Juarez, Mexico, wastewater has been used in garden irrigation since 2013.
<b>Travel and transport</b>	By optimising the deliveries, PKC minimizes the environmental impact of transportation. Telephone or online meetings are preferred when appropriate.
<b>Suppliers</b>	PKC requires from suppliers that all new products are RoHS and REACH compliant, origins of the products are reported according to our Conflict Minerals Policy and must not contain prohibited substances from GADSL Global Automotive Declarable Substance List (substances which must not be used or shall be limited ). A certificate of RoHS and REACH compliancy and a complete substance declaration of components and their origins must be delivered with each initial sample shipment or by request. If components contain prohibited substances, limited substances over limit or they are not RoHS and REACH compliant, Supplier is required to provide PKC an elimination plan for these substances.
<b>Material efficiency</b>	25% cable waste decrease in Czaplinek since 2015. Over 65,000 wooden pallets and cardboard drums were reused in Acuna Extrusion in Mexico with a saving of over EUR 384 thousand. In Acuna Plant 3, almost 24,000 wooden pallets were reused between the plant and clients with an annual saving of over EUR 136 thousand. Scrap monitoring system was implemented in Starachowice, Poland. Scrap reduction of 1% in relation to copper used in production was achieved.
<b>Emissions and effluents</b>	Effluents generated are wastewater, primarily sewage water and wastewater from the washing and house-keeping of production facilities.
<b>Waste (Hazardous, non-hazardous)</b>	Reduction of 50% hazardous waste vs.2015 in Torreon, Mexico. Materials recycled and reused in Dallas, US, leading to annual saving of almost USD 4 thousand. Recycling project in Jeffersontown, US, with packaging materials returned to manufacturing for reuse.
<b>Employee awareness</b>	A recycling competition was organised for employees and their children in Bialogard, Poland. In Panevezys, Lithuania, over 51% decrease of waste per person was achieved compared to 2015 thanks to a communal waste reduction project.

# 2017 Objectives

The PKC Group is committed to operate in a safe manner, respecting the Environment, Health and Safety of our employees, customers and communities where we are located. Environmental, health and safety deviations detected in our operations are handled openly and obtained information is utilised in continuous improvement processes, methods and procedures.

Based on the collected data regarding our 2016 performance, PKC's 2017 Corporate EHS Goals were established which include performance indicators to reduce hand and fingers work-related injuries. A specific program and a strong campaign on Hand and Fingers Injury Prevention will be implemented to prevent the employee/equipment interface practice.



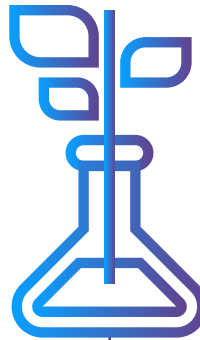
Effective safety management systems are woven into the fabric of an organisation, becoming part of the culture, the way that people do their jobs.

—National Safety Council website (2013)



## HEALTH AND SAFETY

- Zero work related fatalities
- 0.125 TRIR (Total Recordable Incident Rate). North America 0.076
- 0.015 DARTR (Days Away, restricted or Transferred Rate)
- 30% decrease in Hand & Fingers recordable Accidents vs 2016



## ENVIRONMENTAL

- 3% decrease in Energy Consumption vs 2016. North America 5%
- 3% decrease in Water Use vs 2016
- 5% decrease in Non-Hazardous Wastes sent to Landfill, applicable to locations that have more than 20% wastes



## MANAGEMENT SYSTEM

- Good Score on C6 Audits
- 100% PKC Leaders Trained through EHS Leadership Academy
- 100% Establish Guidelines for a Health & Safety Management System





ECONOMICS

Improving  
Financial Health  
and Stability

ECONOMICS

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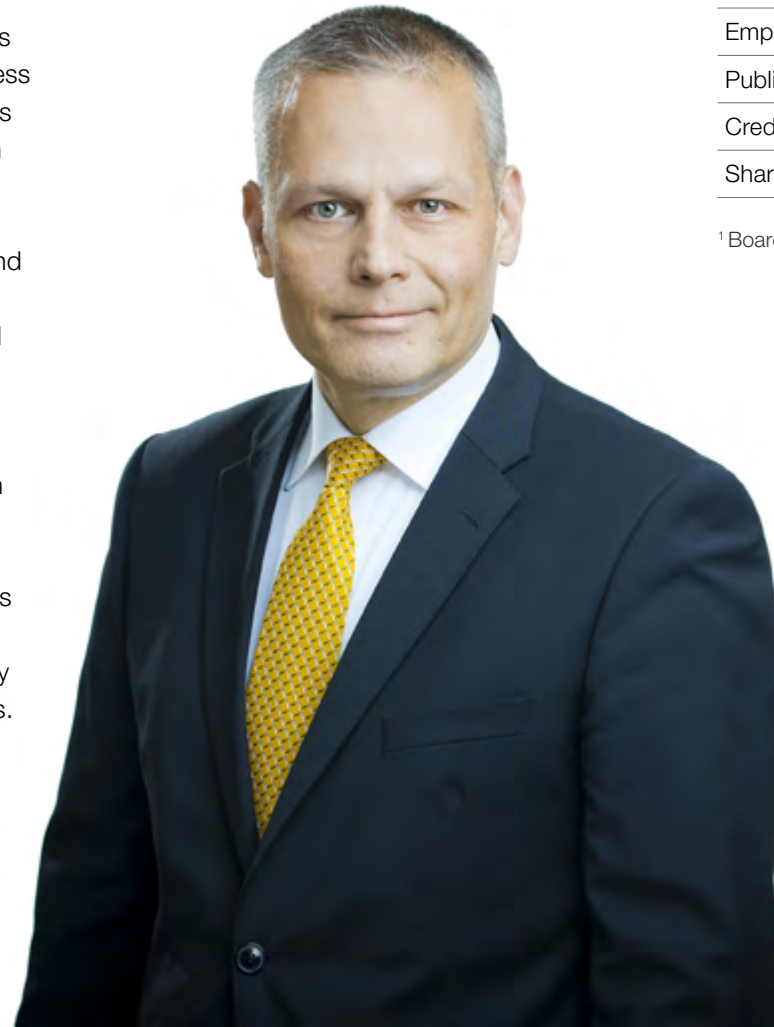
# Economic Value for Stakeholders

Corporate sustainability is a company approach that creates economic value to shareholders by managing risks related to, for example, product, environment and people. In addition, it includes empowering and encouraging people to maintain sustainable business processes and to pursue continuous business process improvement and search for new innovative solutions which simultaneously increase customer satisfaction and the company's financial performance.

Furthermore, managing risks in commodity prices and foreign exchange rates is part of our everyday work and corporate sustainability by securing the financial health of the company. During our large number of regular investor meetings, more and more questions related to corporate responsibility and sustainability are being presented. Sustainability has an impact on shareholder value.

Financial health and stability over the business cycles enables the company to maintain its integrity and corporate sustainability. Part of financial sustainability is the capability to pay dividends to our shareholders. PKC has been paying a stable or increasing annual dividend to its shareholders since 2008.

Juha Tornainen  
CFO

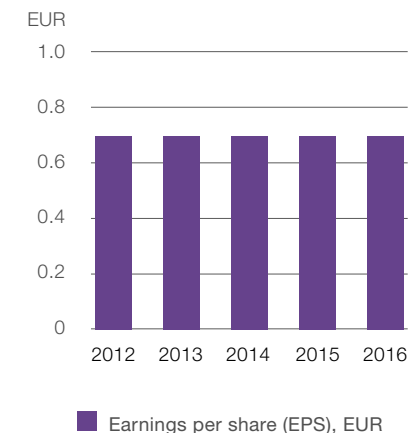


## Value created or distributed to stakeholders

EUR million	2016	2015
Suppliers	607.4	608.8
Employees	211.8	218.4
Public Sector (taxes)	8.3	11.0
Creditors	6.0	3.4
Shareholders	16.9 <sup>1</sup>	16.8

<sup>1</sup> Board's proposal, Dividend per share 0.70 EUR

## Sustainable dividends for shareholders 2012–2016





# PKC Uniqueness at Work Serving Customers in China

In line with PKC's strategy, the PKC Group has expanded its business in China. In September 2015, PKC established a joint venture with the Chinese commercial vehicle EDS supplier, Jiangsu Huakai Wire Harness Co. Ltd. This joint venture has been a great example of how partnering works at its best; PKC has brought to the partnership its uniqueness involving expertise, systems and processes, and Huakai brought customers and a well-established base of business.

Together, employees at the new PKC Danyang joint venture set up a brand new "demonstration line" (Demo Line) in which they worked together to implement PKC manufacturing and quality systems on Huakai's customer production. After implementation in March 2016, the quality performance has improved significantly, with more than a 50% reduction in PPM, parts per million, between March–July 2016.

As a result of the collaboration and continuous improvement, PKC Danyang's largest customer, Foton, awarded the Danyang joint venture the status of "Excellent Supplier" in 2016.

Building upon the success of the Demo Line, the Danyang joint venture has also been the first supplier of Foton to begin utilising a modular design, which

has reduced assembly time to the extent that wiring harnesses can be delivered within 48 hours to customers.

PKC is proud of the success enjoyed by its first wiring systems joint venture in China. As the world's largest commercial vehicle market, China offers many opportunities for growth. PKC is in the process of working on a number of other joint venture projects and anticipates launching at least one more joint venture in 2017.



# Managing the Footprint Realignment

Over the past two years the PKC Group in Europe and South America has undergone extensive footprint realignment. This involved major relocations of production from plant to plant and country to country.

In order to ensure successful large-scale realignment, PKC put together a specialised group of experienced manufacturing-based specialists and dedicated this team to manage in a project-based format. Each project had a dedicated project manager, and a cross functional team involving all affected plants to support the project. Documented procedures were developed in order to ensure that we had a consistent approach to each project, all project managers reported on the status to management every two weeks and escalated directly to management if there were any risks outside of their power to resolve within their team.

We also involved our customers at the very beginning of each project. With the support of our customers we were able to make successful realignment-period. Trying to execute a successful transfer of production is next to impossible without engaged customer support.

We continue to further develop our processes, but we know that we have a successful recipe that has been essential in completing projects on time and within budget.





KEY DATA

Key Data at  
Your Fingertips

KEY DATA

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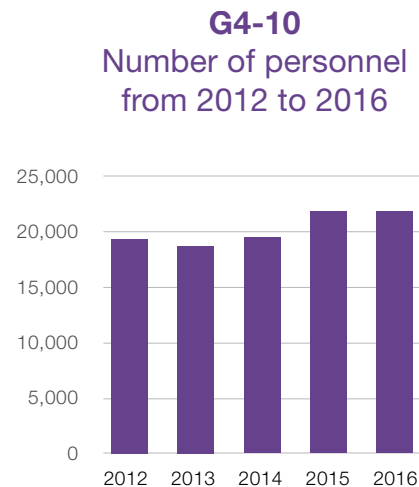
# Employee Key Data

The figures shown in G4-10 tables include also temporary employees.

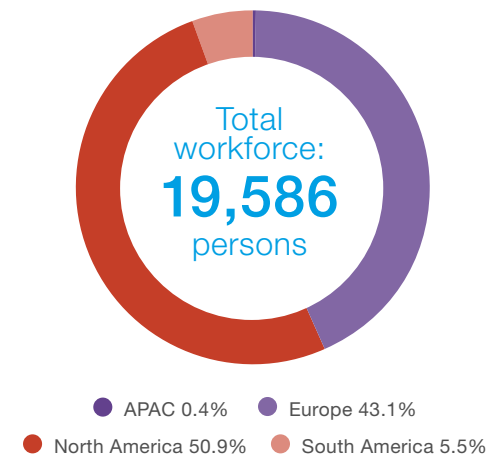
At the end of the financial year, the Group's personnel totalled

**20,426\***  
employees.

\* Active, Inactive, Temporary and Jiangsu Huakai-PKC Wire Harness Co. Ltd. included



**G4-10**  
Total workforce by region<sup>1</sup>, %



<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd which had workforce at the year end 840 persons

**G4-10 Total workforce by gender and business segment<sup>1</sup>**

	Male	Male-%	Female	Female-%	Total
<b>PKC Group Total</b>	<b>8,448</b>	<b>43%</b>	<b>11,138</b>	<b>57%</b>	<b>19,586</b>

**G4-10 Total workforce by gender<sup>1</sup>**

	Male	Male-%	Female	Female-%	Total
Asia	34	40%	51	60%	85
Europe	2,520	30%	5,927	70%	8,447
North America	5,499	55%	4,474	45%	9,973
South America	395	37%	686	63%	1,081
<b>PKC Group Total</b>	<b>8,448</b>	<b>43%</b>	<b>11,138</b>	<b>57%</b>	<b>19,586</b>

**G4-10 Total workforce by category and gender<sup>1</sup>**

	Temporary			Blue Collar			White Collar			Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total	
Asia	0	1	1	10	23	33	24	27	51	85
Europe	220	477	697	1,881	4,918	6,799	419	532	951	8,447
North America	0	0	0	5,100	4,300	9,400	399	174	573	9,973
South America	0	0	0	324	638	962	71	48	119	1,081
<b>PKC Group Total</b>	<b>220</b>	<b>477</b>	<b>698</b>	<b>7,315</b>	<b>9,879</b>	<b>17,194</b>	<b>913</b>	<b>781</b>	<b>1,694</b>	<b>19,586</b>

<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd

#### G4-10 Employment type and gender<sup>1,2</sup>

	Full time			Part time			Total
	Male	Female	Total	Male	Female	Total	
Asia	34	50	84	0	0	0	84
Europe	2,300	5,446	7,746	0	4	4	7,750
North America	5,494	4,474	9,968	5	0	5	9,973
South America	388	682	1,070	7	4	11	1,081
<b>PKC Group Total</b>	<b>8,216</b>	<b>10,652</b>	<b>18,868</b>	<b>12</b>	<b>8</b>	<b>20</b>	<b>18,888</b>

#### G4-10 Employment contract type and gender<sup>1,2</sup>

	Permanent			Fixed			Total
	Male	Female	Total	Male	Female	Total	
Asia	0	0	0	34	50	84	84
Europe	1,578	3,578	5,156	722	1,872	2,594	7,750
North America	5,499	4,474	9,973	0	0	0	9,973
South America	391	681	1,072	4	5	9	1,081
<b>PKC Group Total</b>	<b>7,468</b>	<b>8,733</b>	<b>16,201</b>	<b>760</b>	<b>1,927</b>	<b>2,687</b>	<b>18,888</b>

<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd

<sup>2</sup> Temporary employees not included



#### G4-11 Employees covered by collective bargaining agreements<sup>1, 2</sup>

	Coverage %
Asia	0%
Europe	78%
North America	79%
South America	99%
<b>PKC Group Total</b>	<b>80%</b>

#### G4-HR2 Percentage of employees trained in policies and procedures concerning aspects of human rights relevant to operations<sup>1</sup>

	Total number of hours trained on policies and procedures concerning aspects of human rights that are relevant to operations	% of personnel trained
Asia	14	33,3%
Europe	3,189	53,5%
North America	192,040	99,9%
South America	499	46,1%
<b>PKC Group Total</b>	<b>195,742</b>	<b>76,7%</b>

<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd

<sup>2</sup> Temporary employees not included

#### G4-LA1 New employee hires entering employment by gender<sup>1, 2</sup>

	Rate, %		Total
	Male	Female	
Asia	19%	27%	46%
Europe	13%	20%	33%
North America	10%	10%	20%
South America	23%	23%	46%
<b>PKC Group Total</b>	<b>12%</b>	<b>15%</b>	<b>27%</b>

#### G4-LA1 Employees leaving employment by gender<sup>1, 2</sup>

	Rate, %		Total
	Male	Female	
Asia	10%	12%	21%
Europe	10%	19%	28%
North America	39%	30%	69%
South America	18%	31%	49%
<b>PKC Group Total</b>	<b>26%</b>	<b>25%</b>	<b>51%</b>

#### G4-LA1 New employee hires entering employment by age groups<sup>1, 2</sup>

	Rate, %		
	<30	30–50	>50
Asia	24%	23%	0%
Europe	17%	14%	2%
North America	12%	7%	1%
South America	31%	15%	0%
<b>PKC Group Total</b>	<b>15%</b>	<b>10%</b>	<b>2%</b>

#### G4-LA1 Employees leaving employment by age groups<sup>1, 2</sup>

	Rate, %		
	<30	30–50	>50
Asia	13%	8%	0%
Europe	11%	12%	5%
North America	42%	24%	3%
South America	31%	18%	1%
<b>PKC Group Total</b>	<b>29%</b>	<b>19%</b>	<b>4%</b>

<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd

<sup>2</sup> Temporary employees not included

#### G4-LA6 Total workforce: Injury rate (IR)<sup>1, 2</sup>

	IR		Total
	Male	Female	
Asia	0.0	0.0	0.0
Europe	0.6	0.6	0.6
North America	0.0	0.0	0.0
South America	0.5	0.1	0.3
<b>PKC Group Total</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>

<sup>1</sup> The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.

#### G4-LA6 Total workforce: Absentee rate (AR)<sup>1, 2</sup>

	AR		Total
	Male	Female	
Asia	3,402	3,190	3,278
Europe	20,344	15,568	17,439
North America	1,199	2,280	1,686
South America	4,123	6,088	5,382
<b>PKC Group Total</b>	<b>6,841</b>	<b>8,085</b>	<b>7,485</b>

<sup>1</sup> Refers to a measure of actual absentee days lost expressed as a percentage of total days scheduled to be worked by the workforce for the same period.

<sup>2</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd

#### G4-LA6 Total workforce: Occupational diseases rate (ODR)<sup>1, 2</sup>

	ODR		Total
	Male	Female	
Asia	0.00	0.00	0.00
Europe	0.00	0.05	0.03
North America	0.00	0.00	0.00
South America	0.00	0.00	0.00
<b>PKC Group Total</b>	<b>0.00</b>	<b>0.02</b>	<b>0.01</b>

<sup>1</sup> The frequency of occupational diseases relative to the total time worked by the total workforce in the reporting period.

#### G4-LA6 Total workforce: Absolute number of fatalities<sup>1, 2</sup>

	Absolute number of fatalities		Total
	Male	Female	
Asia	0	0	0
Europe	0	0	0
North America	0	0	0
South America	0	0	0
<b>PKC Group Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> The death of a worker occurring in the current reporting period, arising from an occupational injury or disease sustained or contracted while in the organisation's employ.

#### G4-LA6 Total workforce: Lost day rate (LDR)<sup>1, 2</sup>

	ILDR		Total
	Male	Female	
Asia	0.0	0.0	0.0
Europe	4.4	8.9	7.1
North America	0.0	0.0	0.0
South America	1.6	0.1	0.7
<b>PKC Group Total</b>	<b>1.2</b>	<b>3.3</b>	<b>2.3</b>

<sup>1</sup> The impact of occupational accidents and diseases as reflected in time off work by the affected workers. It is expressed by comparing the total lost days to the total number of hours scheduled to be worked by the workforce in the reporting period.

Minor first-aid cases are not included in the figures in the following regions / countries: Brazil, Estonia, Germany, Poland, Serbia and North America.

In the rest of the regions / countries first-aid cases are included in the TRIR indicator and therefore figures are not fully comparable.

In principle, the starting point of the lost day calculation is the first day after the accident i.e. first full day of absence although in some countries also the day of the accident is included in the absence days.

**G4-LA9** Average number of training hours per year per employee by gender<sup>1</sup>

	Male Average training hours / person	Female Average training hours / person	Total Average training hours / person
Asia	21.4	23.9	22.9
Europe	11.8	10.6	11.0
North America	18.1	20.7	19.3
South America	95.1	63.5	75.0
<b>PKC Group Total</b>	<b>19.8</b>	<b>18.0</b>	<b>18.8</b>

**G4-LA9** Average number of training hours per year per employee by category<sup>1</sup>

	Temporary Average training hours / person	Blue Collar Average training hours / person	White collar Average training hours / person	Total Average training hours / person
Asia	0.0	34.9	10.8	22.9
Europe	42.7	7.3	14.1	11.0
North America	0.0	16.6	54.0	19.3
South America	0.0	76.2	61.9	75.0
<b>PKC Group Total</b>	<b>51.0</b>	<b>16.3</b>	<b>30.9</b>	<b>18.8</b>

<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd



**G4-SO4** Percentage of employees trained in anti-corruption policies and procedures

	% of personnel trained
Asia	33.33%
Europe	23.82%
North America	99.98%
South America	46.16%
<b>PKC Group Total</b>	<b>65.35%</b>

# Environmental Key Data

## G4-EN1 Total of materials used (purchase volume in EUR)

	% of usage
Raw materials (copper and resin)	28.4
Associated process materials (chemicals, fluids)	0.1
(Semi-manufactured goods) Purchased components	70.1
Packaging materials	1.4
<b>PKC Group Total</b>	<b>100</b>

<b>Non-renewable material volume % of total usage</b>	<b>21.5</b>
<b>Direct material volume % of total usage</b>	<b>98.4</b>

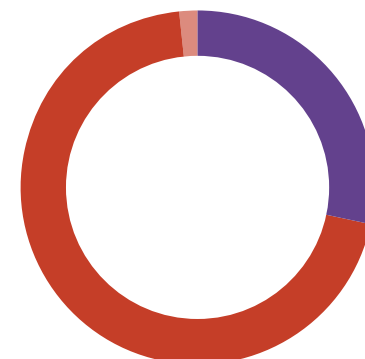
The non-renewable material and direct material volume of total material usage is calculated excluding KTP.

## G4-EN3 Direct energy consumption<sup>1</sup>

Gj	Total
APAC	1,714
Europe	66,029
North America	208,526
South America	5,946
<b>PKC Group Total</b>	<b>282,215</b>

<sup>1</sup> Source IEA, International Energy Agency 1 MWH=3,6GJ

## G4-EN1 Total of materials used (purchase volume in EUR), %\*



- Raw materials (copper and resin) 28.4%
- Associated process materials (chemicals, fluids) 0.1%
- Purchased components (Semi-manufactured goods) 70.1%
- Packaging materials 1.4%

\* Volume of materials used is calculated based on the purchase volume in EUR

## G4-EN8 Total volume of water withdrawn by sources

m³/year	Surface water	Ground water	Rainwater	Wastewater	Municipal water or other water utilities	Total
APAC	0	0	0	0	1,873	1,873
Europe	0	0	205	0	40,115	40,320
North America	0	0	0	8,416	208,287	216,703
South America	0	0	400	0	10,535	10,935
<b>PKC Group Total</b>	<b>0</b>	<b>0</b>	<b>605</b>	<b>8,416</b>	<b>260,810</b>	<b>269,831</b>

#### G4-EN23 Total amount of waste in tonnes by type (non-hazardous)

t/year	Reuse	Recycling	Composting	Recovery, including Energy Recovery	Incineration (mass burn)	Deep well injection	Landfill	On-site storage	Other	Total
APAC	0	1	0	0	0	0	0	0	0	1
Europe	22	1,704	0	107	41	0	521	0	0	2,396
North America	90	5,186	0	0	0	0	815	0	0	6,091
South America	464	151	0	0	0	0	104	0	1	720
<b>PKC Group Total</b>	<b>576</b>	<b>7,042</b>	<b>0</b>	<b>107</b>	<b>41</b>	<b>0</b>	<b>1,440</b>	<b>0</b>	<b>1</b>	<b>9,208</b>

#### G4-EN23 Total amount of waste in tonnes by type (hazardous)<sup>1</sup>

t/year	Total
APAC	0
Europe	17
North America	57
South America	15
<b>PKC Group Total</b>	<b>89</b>

<sup>1</sup> G4-EN23 Data is disposed directly by the reporting organisation or otherwise directly confirmed or information provided by the waste disposal contractor. In China, Serbia and Finland, defaults from the reporting organisation or waste disposal contractor.

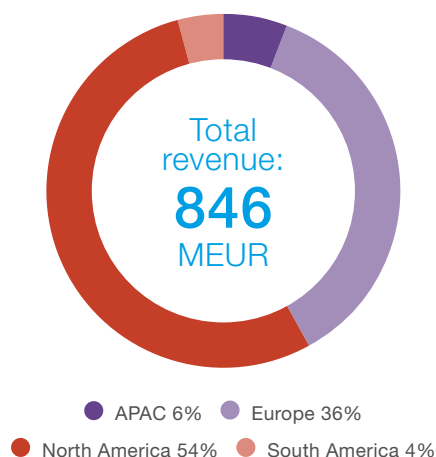
# Economic Key Data

## Group Key Figures

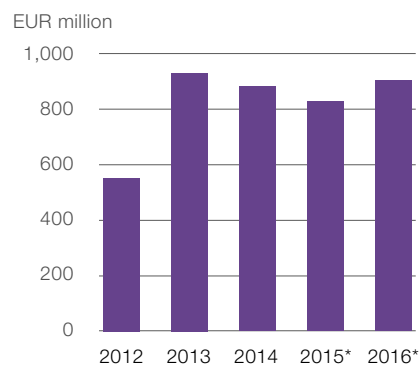
EUR million	2016	2015	2014	2013	2012
Revenue, EUR million	845.7	847.3	829.5	884.3	927.6
Comparable EBITDA, EUR million	64.4	59.5	48.6	66.9	80.9
Operating profit /(loss), EUR million	26.5	20.2	-7.0	27.0	41.4
Return on capital employed (ROCE), %	9.7	9.9	7.7	12.2	15.6
Gearing, %	30.2	31.4	-5.6	-1.1	34.4
Net cash from operating activities, EUR million	35.5	14.8	41.0	39.7	76.0
Gross capital expenditure, EUR million	24.5	36.9	19.9	14.6	16.0
Earnings per share (EPS), EUR	0.43	0.23	-1.21	0.62	1.12
Dividend per share, EUR	0.70 <sup>1</sup>	0.70	0.70	0.70	0.70

<sup>1</sup> Board's Proposal

## Revenue by region, %



## Revenue

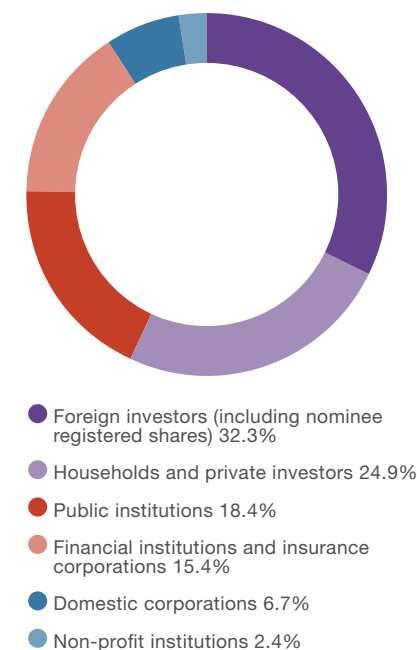


\* From continuing operations

## PKC Market Share

%	Heavy Commercial Vehicle	Medium Commercial Vehicle
Brazil	31	2
China	8	0
EU + 2	43	24
North America	62	31

## Ownership by category, %





GRI G4 INDEX

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# About the Report

## Reporting Scope

The PKC Group has chosen to report on corporate responsibility issues in accordance with Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (G4). GRI provides a comprehensive reporting framework that is widely used around the world and thus enables easier comparison of the PKC Group's performance with other companies. The PKC Group expects this report to be useful to its shareholders, customers, suppliers, employees, analysts and other stakeholders.

The report for year 2016 is the PKC Group's fifth Corporate Responsibility Report. The report for year 2016 covers the employee, social and environmental issues most relevant to the PKC Group and its stakeholders. Only some key data on economic performance is included in this report as the PKC Group publishes separately financial statements that provide comprehensive information about consolidated and parent company's financial performance and financial position. The corporate responsibility reporting period corresponds with the PKC Group's financial year, which is the calendar year, and therefore corresponds also to the period reported in the Annual Report. Some governance issues are also excluded from the report scope as the PKC Group publishes annually a separate corporate governance statement and a remuneration statement that provide the same information.

Key corporate responsibility issues, if any, are also reported in the Corporate Responsibility section of the PKC Group's Interim Statements and Half-Year Report as well as separate press releases, if needed.

Report content and the indicators have been defined and chosen on the basis of materiality to the PKC Group's operations. The materiality analysis has been performed by a team representing different functions within the PKC Group. In addition to internal analysis, a survey was conducted at the end of years 2012 and 2015 among chosen representatives of the PKC Group's key stakeholders in order to gain a better understanding of the areas that the stakeholders are particularly interested in and to verify that the PKC Group's own assessment of the most material corporate responsibility topics is correct. The stakeholders engaged were identified and selected by a team representing different functions within the PKC Group.

All group-wide and regional organisations and units are included in the reporting scope, except Jiangsu Huakai-PKC Wire Harness Co., Ltd. which is included only in the financial data and in total personnel figures unless otherwise stated.

In 2016, there has been a change in the reporting scope compared to year 2015, since at the beginning of

May 2016, Electronics business is classified as a non-current asset held for sale and reported as discontinued operations as of Q1 2016 Interim Statement. Due to this, Electronics business has not been included in the report.

At the end of 2016, PKC has facilities on four continents in 11 countries, in Brazil, China, Estonia, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and the USA. The personnel and environmental data was collected from all regional units and covers the entire PKC Group, with the exception of management data that only covers PKC Group Plc.

Based on its own assessment, PKC has self-declared this report to be compliant with the GRI G4 guidelines in accordance with the Core level.

## Independent Assurance

This report has not been assured independently by a third party. However, some areas incorporated in this report have been reviewed by external auditors as part of financial audit's Annual Report conducted by KPMG and audits related to certification and maintenance of quality, environmental and occupational health and safety certificates covering operations as stated in the Management Approach section.

# GRI G4 Content Index

## GENERAL STANDARD DISCLOSURES

Indicator	Description	Reported	Location / Comments
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement from the most senior decision maker of the organisation	●	p. <a href="#">7–8</a> . Key achievements p. <a href="#">9</a>
G4-2	Description of key impacts, risks, and opportunities	○	p. <a href="#">7–8</a> , <a href="#">11</a> , <a href="#">13–15</a> , <a href="#">20–21</a>
<b>ORGANISATIONAL PROFILE</b>			
G4-3	Name of the organisation	●	p. <a href="#">5</a>
G4-4	Primary brands, products and, services	●	p. <a href="#">5–6</a>
G4-5	Location of the organisation's headquarters	●	p. <a href="#">5</a>
G4-6	Number and names of countries where the organisation operates	●	p. <a href="#">5</a>
G4-7	Nature of ownership and legal form	●	p. <a href="#">5</a> , <a href="#">48</a>
G4-8	Markets served	●	p. <a href="#">6</a> , <a href="#">48</a>
G4-9	Scale of the organisation	●	p. <a href="#">5</a> , <a href="#">FS</a> p. 2–4
G4-10	Breakdown of workforce	●	p. <a href="#">38–40</a> . No substantial work is performed by self-employed, there are no significant variations in employment.
G4-11	Coverage of collective bargaining agreements	●	p. <a href="#">41</a>
G4-12	Organisation's supply chain	●	p. <a href="#">22–23</a>
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	●	<a href="#">FS</a> p. 3, 6
G4-14	Implementation of the precautionary approach	●	p. <a href="#">20–21</a>
G4-15	Externally developed economic, environmental or social initiatives which the organisation endorses	●	p. <a href="#">20–21</a>
G4-16	Memberships of associations and advocacy organisations	●	PKC is not a member of such associations and /or national/international advocacy organisations

Indicator	Description	Reported	Location / Comments
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	Coverage of the entities in the consolidated financial statement and report boundary	●	FS, p. 2
G4-18	Process for identifying the report content and implementation of Reporting Principles	●	p. <a href="#">14–15</a> , <a href="#">50</a>
G4-19	Material Aspects identified	●	p. <a href="#">14–15</a>
G4-20	Aspect Boundary for each material aspect within the organisation	●	p. <a href="#">50</a>
G4-21	Aspect Boundary for each material aspect outside the organisation	●	p. <a href="#">50</a>
G4-22	Restatements of information provided in previous reports	●	No restatements made.
G4-23	Significant changes from previous reporting periods in the scope and Aspect Boundaries	●	p. <a href="#">50</a>
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	Stakeholder groups engaged by the organisation	●	p. <a href="#">14–15</a>
G4-25	Basis for identification and selection of stakeholders with whom to engage	●	p. <a href="#">14–15</a>
G4-26	Organisation's approach to stakeholder engagement	●	p. <a href="#">14–16</a>
G4-27	Key topics and concerns raised through stakeholder engagement and organisation's response	●	p. <a href="#">14–16</a>
<b>REPORT PROFILE</b>			
G4-28	Reporting period	●	1.1.–31.12.2016
G4-29	Date of most recent previous report	●	30.3.2016
G4-30	Reporting cycle	●	Annual
G4-31	Contact point for questions regarding the report	●	Back cover
G4-32	'In accordance' option, the GRI content index and external assurance	●	p. <a href="#">50–56</a>
G4-33	Policy and current practice with regard to seeking external assurance for the report	●	p. <a href="#">50</a>



Indicator	Description	Reported	Location / Comments
<b>GOVERNANCE</b>			
G4-34	Governance structure	●	<a href="#">CG Statement</a> . The PKC Board has two committees, Audit Committee and Remuneration Committee. The entire Board of Directors has responsibility for economic, environmental and social impacts.
G4-39	The position of the Chairman of the Board of Directors	●	<a href="#">CG Statement</a>
G4-41	Avoidance of conflicts of interest	●	<a href="#">CG Statement</a> , <a href="#">PKC Group Board of Directors</a>
G5-45	The role of the Board of Directors in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	<a href="#">CG Guidelines</a> , <a href="#">CG Statement</a> , <a href="#">Code of Conduct</a>
G4-51	Remuneration policies for the Board of Directors and senior executives	●	<a href="#">Remuneration Statement</a> . Environmental and social aspects are not part of the remuneration policy.
<b>ETHICS AND INTEGRITY</b>			
G4-56	Values, principles and Code of Conduct	●	p. 20, <a href="#">Values</a> , <a href="#">Code of Conduct</a>

## SPECIFIC STANDARD DISCLOSURES

Indicator	Description	Reported	Location / Comments
G4-DMA	Generic disclosures on management approach	●	p. <a href="#">20-21</a>
<b>ECONOMIC</b>			
G4-EC1	Direct economic value generated and distributed	●	p. <a href="#">33</a> , <a href="#">FS</a> 11, 15, 21. PKC does not report taxes by country.
G4-EC3	Coverage of the organisation's defined benefit plan obligations	○	PKC's policy is not to take voluntary pension insurances, although some may exist as a result of acquisitions.
<b>ENVIRONMENTAL</b>			
<b>Materials</b>			
G4-EN1	Materials used by weight or volume	●	p. <a href="#">46</a>
<b>Energy</b>			
GN-EN3	Energy consumption within the organisation	○	p. <a href="#">46</a>
<b>Water</b>			
GN-EN8	Total water withdrawal by source	●	p. <a href="#">46</a> . Primary source of water is municipal and other water utilities. Data is reported by local reports using water meters, information from local authorities and partially on local defaults.
<b>Biodiversity</b>			
G4-EN11	Land owned, leased, or managed in protected areas and areas of high biodiversity value	●	No operations in such areas.
<b>Effluents and waste</b>			
G4-EN23	Total weight of waste by type and disposal method	●	p. <a href="#">47</a>
<b>Products and services</b>			
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	○	p. <a href="#">30-32</a>
<b>Compliance</b>			
G4-EN29	Fines and other sanctions for non-compliance with laws and regulations	●	No fines and other sanctions in 2016.

Indicator	Description	Reported	Location / Comments
<b>SOCIAL</b>			
<b>Labour practices and decent work</b>			
<b>Employment</b>			
G4-LA1	Employee turnover	●	p. <a href="#">42</a>
<b>Occupational health and safety</b>			
G4-LA6	Injuries, lost days, absenteeism, and fatalities	●	p. <a href="#">43</a> . Injury rate (IR), lost day rate (LDR), absence rate, occupational disease rate and number of fatalities of independent contractors was 0 in 2016 in all regions.
<b>Training and education</b>			
G4-LA9	Average hours of training per year per employee	●	p. <a href="#">44</a>
<b>Diversity and equal opportunity</b>			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category	●	p. <a href="#">40</a> . PKC Group Plc's governance bodies do not have employee representation. PKC Group Plc's Board of Directors' and Executive Board's composition has been described in <a href="#">CG Statement</a> . Percentage of employees in employment categories in age groups or by gender not reported.
<b>Human rights</b>			
<b>Investment</b>			
G4-HR2	Employee training on policies and procedures concerning aspects of human rights	●	p. <a href="#">41</a>
<b>Non-discrimination</b>			
G4-HR3	Total number of incidents of discrimination and actions taken	●	Two discrimination cases in Mexico were investigated and determined to be unsubstantiated.
<b>Security practices</b>			
G4-HR7	Security personnel trained in the organisation's policies or procedures concerning aspects of human rights	●	100% of security personnel trained in North America. The indicator is not applicable in other markets.
<b>Human rights grievance mechanisms</b>			
G4-HR12	Number of grievances related to human rights filed, addressed and resolved	●	No such grievances.

Indicator	Description	Reported	Location / Comments
<b>Society</b>			
<b>Anticorruption</b>			
G4-S04	Communication and training on anti-corruption policies and procedures	○	p. <a href="#">45</a> Percentage of employees trained in organisation's anti-corruption policies and procedures reported.
<b>Anti-competitive behavior</b>			
G4-S07	Legal actions for anti-competitive behavior and monopoly practices.	●	No such legal actions.
G4-S08	Fines and other sanctions for non-compliance with laws and regulations.	●	No significant fines or sanctions.
<b>Product responsibility</b>			
<b>Customer Health and Safety</b>			
GG4-PR1	Assessment of health and safety impacts of products and services at various life cycle stages	●	p. <a href="#">23</a>
<b>Product and Service Labelling</b>			
G4-PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	○	Customer satisfaction survey conducted in Europe, South America and in APAC. Results indicated that the customer satisfaction was on average on a very satisfactory level. Key customers rated PKC slightly more positively compared to competitors in the EUSA area.
<b>Compliance</b>			
G4-PR9	Fines and sanctions for non-compliance with laws and regulations	●	No such fines and sanctions.





**Headquarters**  
**PKC Group Plc**  
**Bulevardi 7**  
**FI-00120 Helsinki**  
**Finland**

Contact information for the PKC Group's other locations may be found on PKC Group's website at [www.pkcgroup.com](http://www.pkcgroup.com).

PKC Group welcomes any and all feedback on this report and PKC Group's performance. Should you wish to provide your comments or suggestions, please send an e-mail to [corporate.responsibility@pkcgroup.com](mailto:corporate.responsibility@pkcgroup.com).