

PKC GROUP

CORPORATE RESPONSIBILITY REPORT 2013



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Strategy 2018

Strategic objectives have been announced in the Capital Markets Day held April 3rd 2013 in Helsinki.

The long-term financial targets of PKC Group Plc is to reach EUR 1.4 billion revenue by 2018 and over 10% EBITDA, while maintaining gearing below 75%. The targeted dividend payout is 30–60% of the cash flow after investments. We aim to do this by:

- Developing PKC Uniqueness further
- Maximising current PKC set-up
- Penetrating into APAC
- Exploring opportunities to expand within Transportation Industry



PKC Group in Brief

PKC Group Plc is a public limited liability company listed on NASDAQ OMX Helsinki Ltd with headquarters in Helsinki, Finland.

PKC designs, manufactures and integrates electrical distribution systems, electronics and related architecture components for commercial vehicles and selected other segments. The Group's customers are globally operating Original Equipment Manufacturers (OEMs). PKC Group has two business areas: Wiring Systems and Electronics.

NORTH AMERICA

PERSONNEL

57%

REVENUE

56%

EUROPE

PERSONNEL

26%

REVENUE

32%

SOUTH AMERICA

PERSONNEL

15%

REVENUE

10%

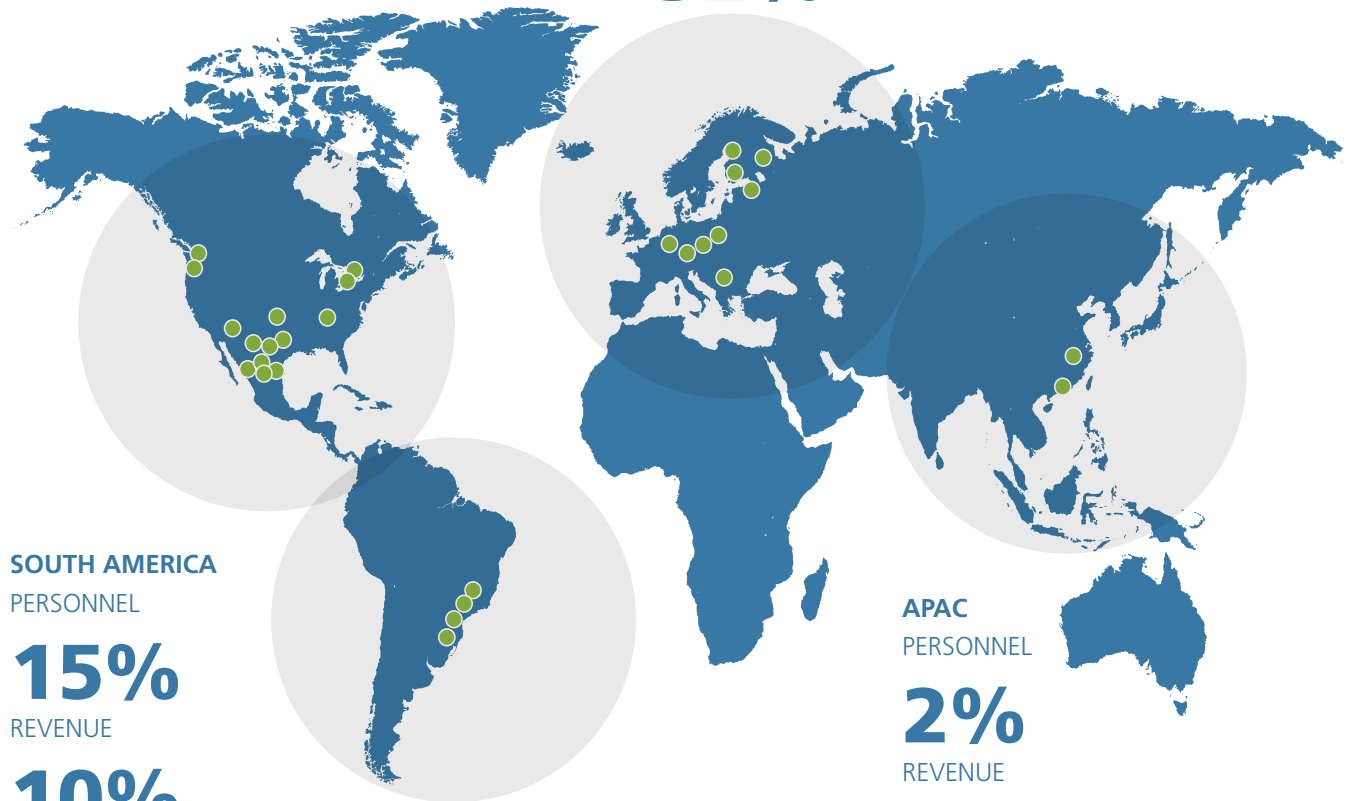
APAC

PERSONNEL

2%

REVENUE

2%



WIRING SYSTEMS

The Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems, and related architecture components, wire and cable, particularly for trucks, light and recreational vehicles, as well as for farming, construction and forestry machinery. The electrical distribution systems manufactured by PKC are responsible for power supply and transfer of information.

REVENUE,
EUR MILLION

820.3

% OF CONSOLIDATED
REVENUE

92.8%

Strengths

- **PKC Uniqueness**
PKC's unique expertise in managing complexity enables mass production of individually tailored, state-of-the-art wiring harnesses, reliably and with short delivery times
- Long-term experience and solid customer relationships
- Solid relationships with the leading western manufacturers of trucks, tractors, construction equipment as well as light and recreational vehicles
- Global flexible service and production network close to the customer

CURRENT CUSTOMER SEGMENTS

Trucks & Buses
(HCV & MCV)



Light Commercial Vehicles (LCV)



Construction Equipment



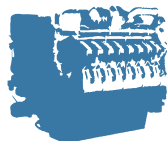
Recreational Vehicles



Agriculture and Forestry Equipment



Engines



ELECTRONICS

The Electronics business provides design and manufacturing services to industrial electronics and energy industries. Products designed and manufactured by PKC are used for example in power control for machinery, testing of electronic products and for energy-saving.

REVENUE,
EUR MILLION

63.7

% OF CONSOLIDATED
REVENUE

7.2%

Strengths

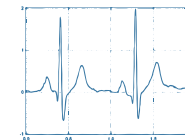
- Comprehensive service package for the entire product life-cycle
- Strong areas of expertise: testing solutions and power supply units
- Innovative and proactive product development and new product concepts

CURRENT CUSTOMER SEGMENTS

Energy



Medical



Security



Telecommunications



Foreword by the President and CEO

Dear Stakeholder,

In April 2013 PKC announced its new strategy, which focuses on the themes of "PKC Uniqueness" and "Managing the Complexity". "PKC Uniqueness" is what we call our unique know-how of managing complex processes of individually tailored products and thousands of product variants. In line with our new strategy, we plan to focus on further developing this know-how, maximizing PKC's current set-up, penetrating into APAC and exploring opportunities to expand within the transportation industry. PKC sees plenty of opportunities to increase its revenue by focusing on these areas.

PKC Uniqueness

We see it as important to further develop our unique know-how as our customers' products and manufacturing processes have become more intricate, which in turn increases complexity in PKC's products and processes. This is as a result of increased technology content that aims to reduce the environmental impact of commercial vehicles and to improve efficiency, driver comfort and safety. New technologies also enable real-time traffic monitoring as well as vehicle and

load tracking. Furthermore, PKC's customers increasingly demand highly customized solutions, particularly in high-end commercial vehicles, that further increase the complexity of customers' products and manufacturing processes. PKC is perfectly positioned to help its customers respond to these challenges.

Needless to say, in order to develop this unique know-how, PKC's employees are its greatest asset. Our employees play a key role in ensuring our competitiveness, which is based on mastering complex processes, products and technologies. Therefore, their professional development and well-being remains a top priority for us. PKC's commitment to employee well-being is shown by the certifications of more production facilities in accordance with the OHSAS18001 occupational health and safety management system standard.

To further strengthen our unique know-how and to improve manufacturing methods and efficient material use, during 2013 we decided to establish New Program Introduc-

tion -centers (NPI-centers) in Keila, Estonia and Curitiba, Brazil. In North America, PKC Group already has a NPI-center in Acuna, Mexico. The newly established Wiring Systems factory in Suzhou, China shall also function as a NPI -center in China and APAC.

Maximizing PKC's current set-up

PKC aims to maximise the business value generated by our current business model by strengthening our relationships with our existing customers on a global level and expanding our manufacturing footprint in order to meet growing market demand.



In 2013, as part of expanding and optimising our manufacturing footprint we also separated Wiring Systems business into separate entity in China and decided to establish a new factory in Serbia. However, in order to optimise our manufacturing footprint we also had to make the difficult decisions to close our factories in Ireland, the Ukraine, and the electronics factory in Russia.

Penetrating into Asia

Asia, especially China, is the world's largest commercial vehicle market, which is experiencing strong growth. We see many of our Asian and Western OEM customers focusing their growth efforts in the region, which is why I have been based in Hong Kong for the past year. PKC's goal is to develop relationships with Asian and Chinese truck manufacturers, decision-makers and other companies in the field in order to better understand their plans and needs, and to explore avenues for new partnerships. As a result of our efforts, we have already signed a Framework Agreement for Strategic Cooperation in order to explore opportunity to establish a joint venture company in China with Sinotruk. Sinotruk is one of the leading companies in heavy duty truck industry in China with a market share of about 15%.

In Asia, commercial vehicle markets are subject to a structural change resulting from increased technological complexity both in relation to products and processes. These are due to rigorous emission regulation and increased technology content. With our know-how, we believe we can help our customers respond to these challenges.

Expanding within the transportation industry

Finally, as part of our new strategy we are looking to explore new customer segments within the transportation industry. We are particularly interested in exploring opportunities in railway vehicles, commercial aircrafts, material handling, and mining equipment as these OEMs face similar challenges as the OEMs in the commercial vehicle industry. With our specialised know-how, we believe that we are well equipped to help these segments answer to their challenges.

DEVELOPING OUR CR WORK

While our main focus during 2013 has been on implementing our new strategy, we have also taken steps to develop our CR work. Last year, PKC published its first corporate responsibility report. The reporting process gave us good insight to our current

performance and helped us identify areas of improvement. In the beginning on 2013, we promised to improve our transparency. As a result, this year we have focused on developing our environmental reporting regarding our energy and water consumption.

Throughout our operations, we highlight the importance of respecting ethical business practices. To strengthen this commitment, in 2013, we conducted extensive training of policies launched and updated during 2012.

In 2013, the OECD dismissed the complaint filed by labour unions regarding conduct of PKC Group in Mexico in relation to the labour union representation of the employees as meritless. However, the labour union that lost the election in October 2012 has initiated court case requesting a new vote as Mexican law does not allow for any grace period after election. The court case is still pending.

Throughout the year, we continued our systematic work with operational excellence. Our factories in Keila and Haapsalu in Estonia and Acuña, Juárez, Piedras Negras and Torreon in Mexico were certified according to OHSAS 18001. In 2013 Torreon, Mexico

plant was recognised by the Mexico labour authority "Secretaria del Trabajo Prevision Social" for Excellence in Inclusiveness for People with Disabilities.

In order to safeguard our close customer relationships, PKC closely monitors its customer satisfaction. Therefore, we were delighted to receive recognition in North America from several of our customers for our excellence in quality.

PKC requires that all of its manufacturing locations are certified according to ISO9001 and ISO14001 management systems as well as according to ISO/TS 16949 in automotive manufacturing. This applies to the new factories in China and Serbia.

I would like to take this opportunity to thank all of our stakeholders for a successful year. In particular, I would like to extend my sincerest thank you to our skilled and motivated personnel. Together, let's make 2014 even more successful!

Sincerely,
Matti Hyttiäinen
President and CEO

Strategy

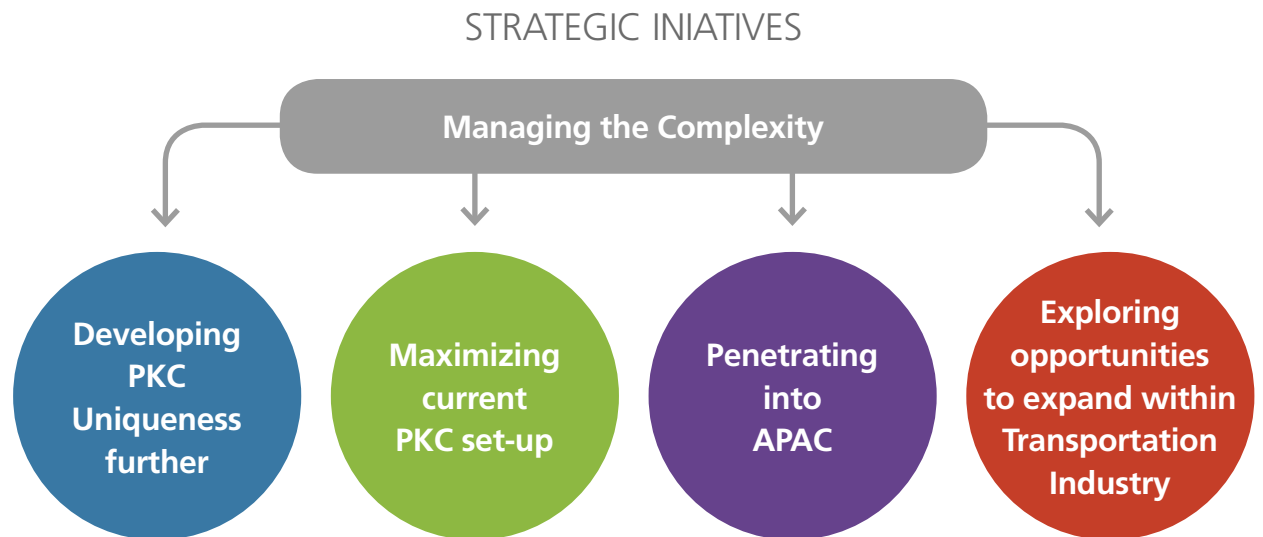
Increasing customer expectations and challenges relating to corporate responsibility create new opportunities for PKC. By exceeding the Group's current and potential customers' expectations regarding corporate responsibility, PKC can become the partner of choice creating new business opportunities for the Group.

PKC's strength is based on PKC Uniqueness, by which we refer to the unique know-how of managing complex processes of individually tailored products and thousands of product variants. Uniqueness also refers to PKC's ability to seamlessly integrate its processes into the customer's operations. PKC's concept of "Managing the Complexity" comprises of know-how, processes and tools developed for the management of complexity and provides innovative and customisable solutions for increasingly complex vehicle architecture and enables the fulfilment of PKC's strategic initiatives.

Together with PKC's Code of Conduct, PKC's values – Commitment, Quality, Profitability and Co-operation – support the implementation of the Group's strategy and guide the Group's daily operations.

VISION 2020

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



Developing Electronics business as a stand alone within PKC Group

MARKET TRENDS

PKC's customers' products and their manufacturing processes are becoming increasingly complex, which also results in much greater manufacturing complexity for commercial vehicles and their wiring systems. This complexity is partially driven by the need arising from the following market trends:

1. Urbanisation
 - transportation and logistics standards as well as specialised vehicles developed specifically for urban areas
2. Green Initiatives
 - stricter emission standards for reduction of emissions
 - hybrid/electric engines
3. Shift of demand to emerging markets
 - the rapid growth and industrialisation of emerging markets results in growth in demand in these markets
4. Demand for mass customisation
 - for high-end commercial vehicles in particular, customers have high requirements for customisation and individually tailored commercial vehicles
 - modular solutions facilitate mass customisation
5. Increasing need for technology:
 - technological contents in commercial vehicles increases in response to new features and requirements:
 - improved efficiency: larger loads through truck weight reduction
 - improved safety and driver comfort: Advanced safety features e.g. electronic vehicle stability control, advanced electronic braking systems, lane departure warning systems, eco cruise control
 - improved transparency: Real time traffic monitoring as well as vehicle and load tracking
6. Business evolution
 - OEMs (original equipment manufacturers) and end-customers increasingly evaluate the Total Cost of Ownership (TCO) that takes into account the cost of owning e.g. a truck from the time of purchase by the owner, through its operation and maintenance to the time it leaves the possession of the owner
 - production is increasingly based on actual demand instead of forecast demand
 - especially in APAC, the consolidation of both the customer and supplier base continues

Complexity as a trend will prevail

Urbanisation

Transportation standards, special purpose vehicles

Green initiatives

Pollution, fuel efficiency

Emerging markets

APAC, South America

Mass customisation

High mix, low volumes, architecture platforms

Technology

Power & signal, consistency, reliability, light weight materials

Business evolution

TCO, Technology, Push to pull, consolidation

Managing the Complexity is a global challenge

STRATEGIC PRIORITIES WITH REGARD TO CORPORATE RESPONSIBILITY

PKC is a provider of manufacturing and development services to its globally operating OEM-customers. Corporate responsibility is a cornerstone of PKC's operations. PKC's corporate responsibility priorities relate to personnel, ethical business practices, the environment, as well as financial sustainability.

PKC's strategic themes of "PKC Uniqueness" and "Managing the Complexity" consist of PKC-specific tools, processes and know-how as well as architecture components developed for the management of complexity. PKC's competitiveness is based on mastering of all of these processes, products, technologies and components as well as PKC's skilled and professional personnel. Therefore, employees and their well-being are considered central to PKC's corporate responsibility work. PKC is committed to promoting sustainable labour practises and human rights.

Observance of the applicable laws, regulations, international norms as well as the Group's internal policies and practices is a requirement from which there can be no exception. PKC maintains a zero-tolerance policy on bribery and corruption, and aims to ensure 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.

Quality is one of PKC's key values. In line with PKC's strategy, the Group creates high-quality products while striving for high productivity and cost-efficiency throughout its operations. Investment in the quality of products and operations is a cornerstone of ensuring customer satisfaction and the success of the Group's operations. PKC continuously im-

proves its operations and seeks growth opportunities by both strengthening and expanding current customer relationships and by winning new customers.

PKC aims to minimise its impact on the environment. Although the environmental impact of PKC's business operations is minimal due to the manual and labour intensive nature of its operations, the Group strives to continuously observe and measure the environmental impact of its operations in order to promote the continuous improvement of processes and products. The Group also strives to minimise its environmental impacts by, for instance, sourcing materials near its manufacturing facilities; utilising recyclable materials; minimising material loss; reducing and recycling packaging materials; and optimising production and deliveries.

Penetrating into APAC

PKC has set the entry into China and Asia markets as one of Group's key strategic goals. Asia, especially China, is the world's largest commercial vehicle market that is forecast to continue to grow significantly. PKC's current global customers are also actively focusing their growth into these markets. In addition to market growth, Asian commercial vehicle markets are subject to a structural change resulting from new emission standards and customers' need for uniquely optimised vehicles that results in increased technological contents of commercial vehicles. Especially China is rapidly catching up with more stringent emission standards. PKC is well-positioned to help Chinese commercial vehicle manufacturers to overcome the challenges in meeting the demands of the increasingly complex technology content, customisation requirements and reduction of environmental impacts.



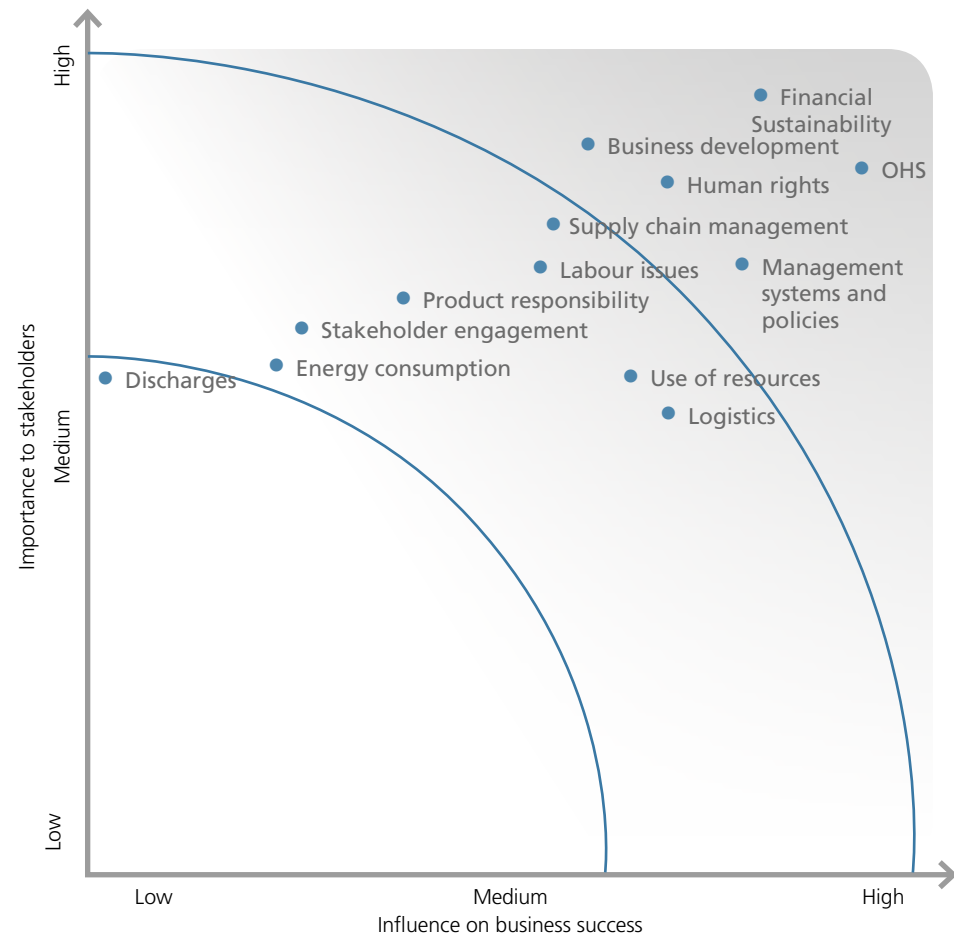
Stakeholder Engagement

PKC aims to ensure that its operations are sustainable, and make a positive contribution to fulfilling the Group's stakeholders' expectations. This is why PKC aims to maintain an active dialogue with stakeholders.

In order to better serve PKC's stakeholders, in 2012 the company mapped their expectations and interests regarding PKC's corporate responsibility. As part of the process, the Executive Board defined the most important corporate responsibility issues for the Group from a business perspective. Based on the Executive Board's and external stakeholders' assessments, the most important issues identified were:

- Financial sustainability
- Business development
- Human Rights
- Labour Issues
- Occupational health and safety (OHS)
- Supply chain management
- Management systems and policies

Materiality Matrix



PKC has used the stakeholder survey results in determination of the Corporate Responsibility Report content. PKC also plans to use the results in its continuous development of its operations, especially in relation to corporate responsibility.

Many stakeholders also regarded energy consumption, water use, biodiversity, emissions and effluents to be important. However, PKC's operations do not require high energy consumption or water use, nor do its operations release emissions and effluents in any significant amount. For this reason, PKC does not consider these issues to be strategic priorities, and therefore reports them on a limited basis.

Value created or distributed to stakeholders

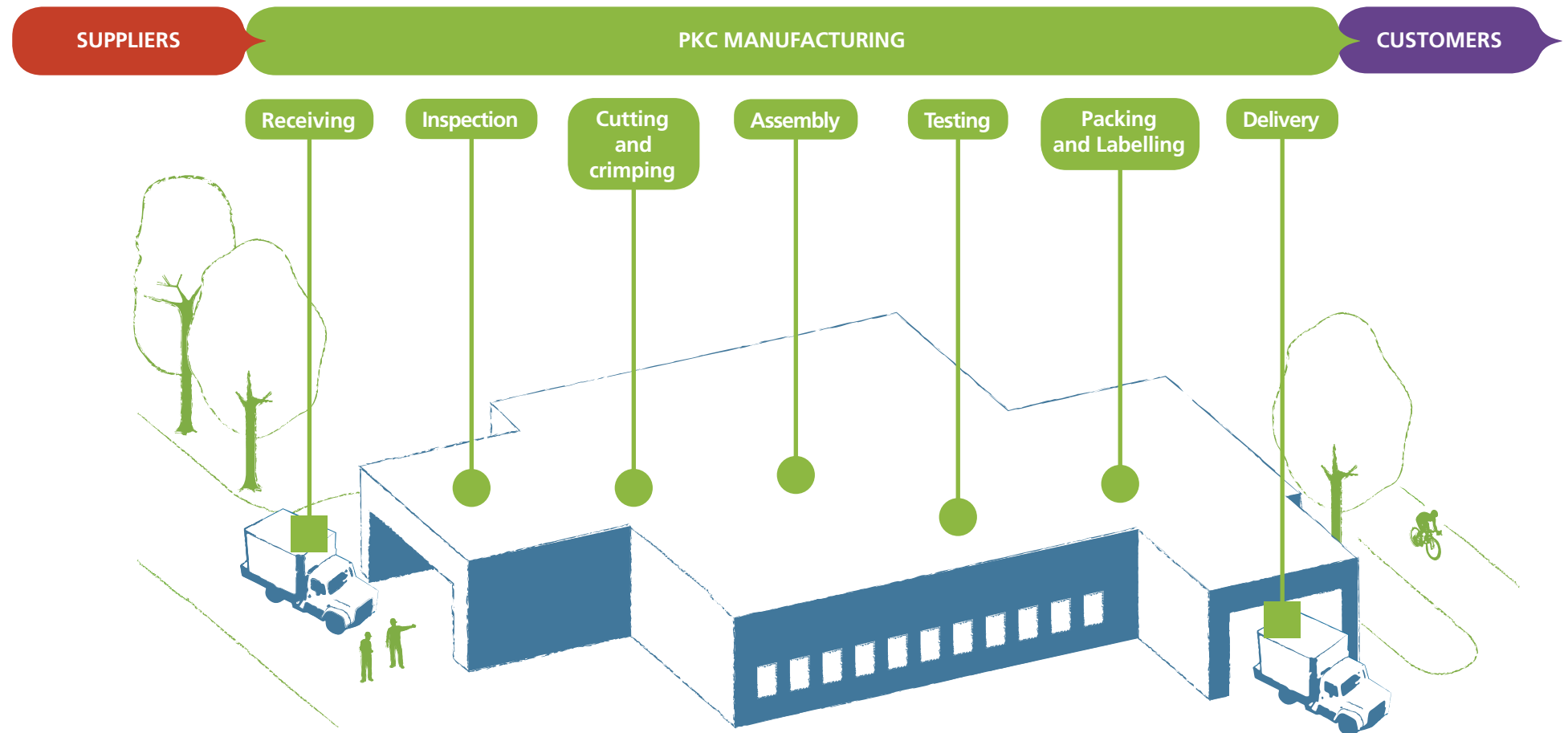
EUR million	2013	2012
Suppliers	652.4	681.5
Employees	201.2	203.2
Public sector (taxes)	7.6	10.9
Creditors	8.9	8.5
Shareholders	16.7	15.1

Stakeholder engagement

Stakeholder	Communication channels	Assessment
Customers	<ul style="list-style-type: none"> Continuous one-to-one dialogue Customer meetings and events (e.g. PKC Tech Days) Stock Exchange and press releases and reports Website 	<ul style="list-style-type: none"> Continuous quality and delivery performance monitoring Annual customer satisfaction surveys
Personnel	<ul style="list-style-type: none"> Continuous one-to-one dialogue Development discussions Intranet Informative, training and co-operation meeting, and events 	<ul style="list-style-type: none"> Employee satisfaction surveys Continuous monitoring of EHS, employee turnover and other personnel related data
Suppliers	<ul style="list-style-type: none"> Continuous one-to-one dialogue Supplier meetings and events 	<ul style="list-style-type: none"> Continuous quality and delivery performance monitoring Annual supplier evaluations Supplier audits
Investors	<ul style="list-style-type: none"> Meetings with investors and analysts Annual general meetings Stock exchange and press releases, financial reports Capital markets days 	<ul style="list-style-type: none"> Feedback from shareholders, investors, and analysts
Other (e.g. authorities, media, educational institutes)	<ul style="list-style-type: none"> Website Stock Exchange and press releases and reports Media coverage Direct contacts 	<ul style="list-style-type: none"> Feedback from stakeholders

PKC's Operations

Wiring Systems business represents 92.8% of PKC's revenue. Manufacturing of wiring systems is manual and labour intensive work that is based on personnel's expertise and know-how in processes, products, technology and components – not on machinery, equipment and processes that would require high energy consumption, water use, and use of hazardous chemicals or affect biodiversity and release emissions and effluents. Greenhouse gas emissions are created mainly by travel and transportation of components and materials from suppliers and final products to customers.



Management Approach

PKC's corporate responsibility approach is based on PKC's business and operating environment, vision, core values, company culture as well as stakeholders' expectations.

PKC's approach to corporate responsibility comprises of ethical business conduct, employee motivation, risk management and strengthened stakeholder relationships, which all contribute to the Group's improved market position.

PKC operates with ethical business practices, takes responsibility for its operations and strives to minimise any harm caused to the environment. The Group also respects and promotes human rights, fair workplace practices and equal opportunities. PKC also maintain a zero-tolerance policy on bribery and corruption. Compliance with legislation, regulations and international norms is a basic requirement, which must be followed at all times.

PKC Group Plc's Board of Directors has approved the Code of Conduct, which covers the entire Group. The Code of Conduct sets principles for ethical business practices and is based on the highest ethical standards. PKC's Corporate Governance structure and procedures have been described in the Corporate Governance Guidelines approved by PKC Group Plc's Board of Directors. The guidelines are in line

with the Finnish Corporate Governance Code. The Group's Corporate Governance Statement is published annually. The Board of Directors is responsible for complying with the Corporate Governance guidelines and has committed itself to developing them further to benefit stakeholders

Economic Performance

Profitability is one of PKC's key values. PKC runs profitable and productive operations, uses capital efficiently, maintains the solvency of the Group at a high level and does not practice tax evasion. PKC continuously improves its operations and seeks new opportunities for growth. Besides creating value for shareholders, profitable growth creates a sustainable basis for the business by maintaining motivated personnel and reliable supplier base, and thus ensuring competitiveness and increased customer satisfaction also in the future.

PKC Group's Board of Directors has approved the Group's Treasury Policy. The purpose of the Treasury Policy is to define the main activities, common management principles, division of responsibilities as well as required control environment for Treasury and related risk management processes to be applied throughout PKC Group.

Quality and Customer Satisfaction

PKC has a long history of employing and refining quality management systems. The development of quality management systems and business processes are steered by the operating environment and customer demands. The Wiring



Systems business is also guided by the stringent quality requirements set by the automotive industry. The Wiring Systems and Electronics business have separate quality manuals with appointed persons responsible for the Quality function group-wide. Regular audits performed by customers



Code of Conduct
Corporate Governance guidelines
Corporate Governance Statement

and an external third party auditor ensure that PKC's quality management systems remain efficient and up-to-date.

All of the Group's factories are certified in accordance with requirements of the ISO 9001 quality standard and ISO/TS 16949 quality standard for the automotive industry, excluding the factories in Traverse City (USA), which is only certified in accordance with requirements of ISO 9001 standard, and the new Wiring Systems factory in Suzhou, China and the new factory in Smederevo, Serbia that starts operations in 2014. The Group also co-operates with customers in its quality development work.

Environment

PKC's environmental management system has been established to achieve PKC's environmental goals and to serve as a tool for developing the quality and efficiency of processes, products and services. The Wiring Systems and Electronics business have separate environmental manuals with appointed persons responsible for the Environmental functions group-wide. Factories attend independently to the management of environmental affairs in accordance with their environmental programmes and local legislation. Regular audits performed by customers and an external third party auditor ensure that PKC's environmental management systems remain efficient and up-to-date.

All of the Group's factories, except factories in Campo Alegre, Curitiba and Sao Bento do Sul in Brazil, are certified in accordance with the ISO 14001 environmental standard. Preparations are on-going to certify Campo Alegre and recertify Curitiba factories according to ISO14001 environmental standard. The Suzhou, China and the factory to be established in Smederevo, Serbia shall also be certified.

Personnel and Human Rights

PKC Group respects and endorses the human rights and freedoms as defined in United Nations' Universal Declaration of Human Rights. The principles of the Universal Declaration of Human Rights 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 instructions and guidelines related to personnel are approved by the Group parent company.

Each Executive Board member responsible for regional operations is responsible for the implementation of the Code of Conduct within his/her region. Finland's HR manager supervises and co-ordinates group-wide tasks. However, PKC's human resources function has mostly been decentralised to regional/local management. Some personnel related practises, e.g. those related to improvement of competence, employee commitment, health and safety, labour protection and the working environment, have been identified as internal best practices that are implemented at PKC's other plants worldwide. Some of PKC's manufacturing units, representing approximately 66% of PKC's personnel, have also been certified in accordance with the OHSAS 18001 occupational health and safety management system standard.

Risk Management

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

Other (group-wide, unit and function-specific) guidelines linked to risk management have also been drafted, such as the Treasury Policy, Health and Safety Guidelines, Information Security Guidelines.

PKC Group Plc's Board of Directors is responsible for approving the principles of risk management and making decisions on strategic risks.

Supply Chain Management

PKC operates in global markets and its' supply chain involves the manufacturing, transportation and storage of components and materials through many different countries and continents. PKC's logistics network covers thousands of different parts in different stages of the supply chain. Processes throughout this chain are built to bring the needed quantity of right goods to the right locations at the right time. PKC's supply chain management has two key targets: to ensure the on-time-delivery of final products to customers and to minimize the total cost of ownership of the goods. To succeed, we must closely collaborate with our partners. The more dynamic the business environment is the more precise planning is needed.

PKC selects responsible partners that share its values and makes regular evaluations of its suppliers and subcontractors. PKC uses a common evaluation model for all suppliers. Evaluations are performed when selecting suppliers, but the model is also in use for evaluating existing suppliers. Main evaluated points, based on ISO 14001 and ISO/TS 16949, are supplier's quality and environmental systems, quality index, delivery accuracy and supplier's service level and flexibility.

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Key Events

Awards/recognitions

PKC North America has received three customer awards/recognitions: (i) Daimler Trucks North America's "Masters of Quality" Supplier Award for excellence in appreciation and recognition of superior quality parts provided during the past 12 months; (ii) Paccar's 2012 Quality Achievement for meeting Paccar's expectation that supplied parts and components achieve 50 PPM or better quality; (iii) Ford's Q1 Preferred Quality Award

Torreon, Mexico plant was recognised by the Mexico labour authority "Secretaria del Trabajo Prevision Social" for Excellence in Inclusiveness for People with Disabilities

Certifications

OHSAS 18001 certification for Keila and Haapsalu in Estonia and Acuña, Juarez, Piedras Negras and Torreon in Mexico

Dismissal of OECD complaint

OECD dismissed the meritless complaint made by labour unions about the conduct of PKC Group in Mexico in relation to the labour union representation of the employees

Policy trainings

Extensive training of policies launched/updated in 2012 (Code of Conduct, Treasury Policy, Anti-corruption Compliance policy)

Social responsibility initiatives

Thanksgiving meal program created by PKC Group North America provided thanksgiving meals to 30 senior adults and 45 families

Personnel

As PKC's manufacturing process is labour intensive and the success of its concepts of Uniqueness and Managing the Complexity concepts are based on its skilled and professional personnel.

PKC believes that engaged and competent employees deliver better results. Therefore, PKC Group considers its global, multicultural organisation to be one of the Group's core strengths.

At PKC, employee well-being is integral to good human resources management. Employee well-being is developed in co-operation with the occupational healthcare unit, the occupational safety organisation, and personnel administration. Employees are offered competitive benefits and they are encouraged to develop their own professional skills.

In 2013, the personnel related GRI indicators have been incorporated into PKC's financial reporting system.

COMPETENCE DEVELOPMENT

PKC encourages its employees to perform and grow by creating opportunities for personal development and promotion, which support the Group's business strategy and targets. Plans for the coming years include defining both the required competencies and the means to secure such competencies.

Key personnel figures

	2013	2012
Number of permanent employees at year-end	18,644	19,305
Number of temporary employees at year-end	613	454
Share of women, %	54	52
Share of women, Board Members, %	14	14

The focal point in competence development at PKC is to ensure the competences needed in Managing the Complexity, further developing PKC Uniqueness, and implementing the Group's strategy. The competence development needs of individual employees are identified in development discussions.

In 2013, the average number of hours of training per employee included comprehensive training of Code of Conduct and Anti-corruption compliance policy covering the entire Group.

PROMOTING HEALTH AND SAFETY

PKC Group is committed to promoting the health and safety of its personnel. Labour protection – which comprises of maintaining employee health and preventing accidents – is a key element in supporting PKC's business operations and improving both quality and productivity.

PKC takes a systematic approach to labour protection. It is based on the assessment of workplace hazards, plans,

Employee well-being as a success factor

The Group's skilled employees play a key role in securing PKC's competitiveness and PKC believes that well-being employees deliver better results, therefore PKC continued systematic work to improve employees' well-being.

- In 2013, production units in Keila and Haapsalu in Estonia and Acuña, Juárez, Piedras Negras and Tlaxiaco in Mexico were certified in accordance with the OHSAS18001 occupational health and safety management system standard.
- Currently, OHSAS18001 certified manufacturing units represent approximately 66% of PKC's personnel
- Development actions related to leveraging best practices in health and safety continue and PKC has created a Strategic EHS roadmap, which comprises a harmonized EHS Policy as well as key performance indicators.

guidelines and procedures that are followed by all employees. We continuously monitor working conditions, the level of labour protection, as well as health and safety using various methods, which include regular workplace inspections and questionnaires surveying workplace atmosphere. Education, training, counselling, prevention and risk control measures have also been implemented in all of PKC's units.

In 2013, production units in Keila and Haapsalu in Estonia and Acuña, Juárez, Piedras Negras and Torreon in Mexico were certified in accordance with the OHSAS18001 occupational health and safety management system standard.

In 2012, an extensive personnel well-being survey was conducted covering the entire Group. The results of the survey are used in developing human resources processes and practices further. Development actions formed on the basis of the survey continued in 2013 in order to develop human resources processes and practices further.

The Group has many facilities where Environment, Health and Safety (EHS) practices are world-class. PKC is proud of these best practices and intends to implement them gradually at PKC's other plants worldwide. PKC is currently starting development actions related to leveraging best practices in Health and Safety. PKC has created a Strategic EHS roadmap, which comprises a harmonized EHS Policy as well as key performance indicators. The basis for the roadmap is a detailed



analysis of the current situation. Based on this analysis a gap analysis will be performed and common Key Performance Indicators will be determined. According to the roadmap the team assigned to work on employee safety will be proposing measures and self-assessment tools for improving employee safety.

HUMAN RIGHTS

For PKC Group, it is of utmost importance to respect and support internationally declared human rights and to ensure the fair treatment of employees. PKC Group is also committed to providing equal employment opportunities and prohibits discrimination or harassment in any form. PKC abides by all applicable labour laws and respects the right of

its employees to form and join trade unions and to exercise collective bargaining.

The media and stakeholder attention in relation to labour union representation of the employees in Acuña, Mexico has calmed down after the October 2012 official election organised by the Mexican Federal Labour Board. Moreover, OECD has dismissed the complaint made by labour unions about the conduct of PKC Group in Mexico as meritless. However, some media attention and stakeholder discussions have occurred in 2013 as the labour union that lost the first election continues to compete for the position, and has initiated court case requesting a new vote. The court case is still pending.

Quality and Customer Satisfaction

PKC's goal is to continuously improve customer satisfaction both in terms of product and service quality as well as reduce environmental impact.

Demands, restrictions and expectations set by regulation as well as by customers and other stakeholders, relating to quality, product safety, and environmental impact are continuously monitored throughout the entire product and service lifecycle.

Product safety is also developed systematically according to certified quality systems. Furthermore, product safety is continuously tested during quality control and product development processes. This is done in co-operation with customers, suppliers and subcontractors. As the complexity increases also the safety aspects of wiring harnesses will become increasingly critical in the future. Due to this trend as well as increasing customer demands, in 2013 PKC has started to develop its product safety management process. The focus of the management process is to make the management of safety critical aspects in the harnesses more transparent as well as more tangible in the everyday operations.

In order to safeguard PKC's close customer relationships, PKC monitors its customer satisfaction through continuous

one-to-one dialogue as well as customer meetings and events, such as PKC Tech Days. Customer satisfaction surveys are conducted annually. After closely reviewing the survey results, action plans are made for each customer account with the aim to achieve the improvements revealed by the results. The objective of the survey is to find out the level of satisfaction of PKC Group's global customers in the following main categories: products, deliveries and customer service personnel. Additionally, some questions concerning the future relationship with PKC Group are also asked. The results are reported both on Group level and according to Wiring Systems and Electronics.

PKC's processes are continuously developed, improved and optimised in order to improve efficiency and quality in the production network. Reporting practices are also continuously improved to correspond better to the changes in the business environment.

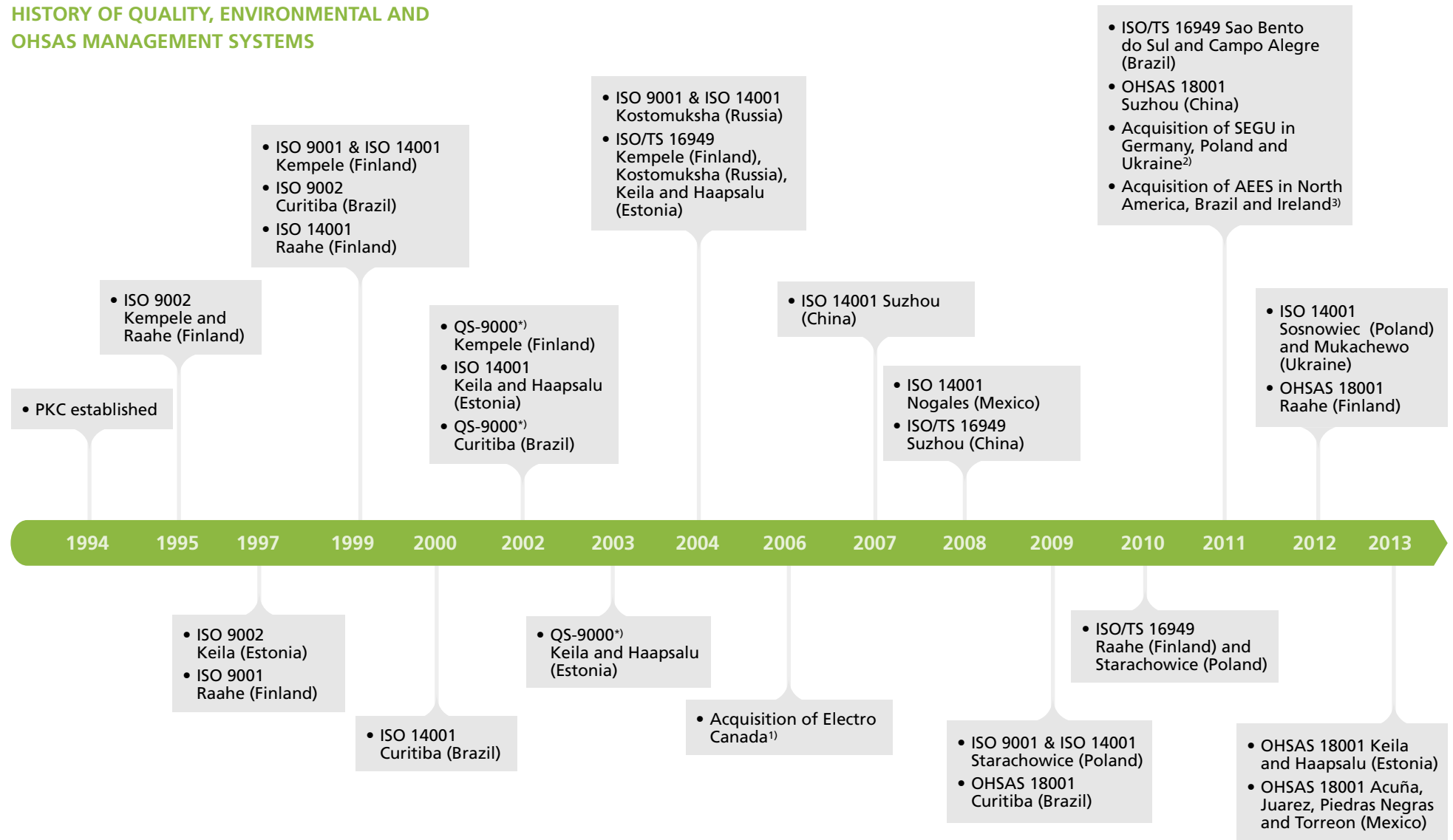
The identification of best practices in quality and operations was continued and the best practices identified were utilised in different parts of the Group. Best practices are also implemented into the new manufacturing locations as standardised processes in order to ensure high quality products, processes and cost efficiency in all operations. The best practice process will be further developed and integrated as part of everyday operations.

Quality is one of PKC's key values

As recognition for PKC's quality work PKC North America has received three customer awards/recognitions:

- Daimler Trucks North America's "Masters of Quality" Supplier Award for excellence in appreciation and recognition of superior quality parts provided during the past 12 months;
- Paccar's 2012 Quality Achievement for meeting Paccar's expectation that supplied parts and components achieve 50 PPM or better quality;
- Ford's Q1 Preferred Quality Award

HISTORY OF QUALITY, ENVIRONMENTAL AND OHSAS MANAGEMENT SYSTEMS



^{*)} Currently known as ISO/TS 16949

¹⁾ ISO/TS 16949 Nogales (Mexico)

²⁾ ISO/TS 16949 Barchfeld (Germany), Sosnowiec (Poland) and Mukachewo (Ukraine) ISO 9001 and ISO 14001 Barchfeld (Germany)

³⁾ ISO/TS 16949 and ISO 14001 Dundalk (Ireland), Itajuba (Brazil), Acuña, Juárez, Piedras Negras and Torreon (Mexico)

ISO 9001 Grand Traverse (USA)

OHSAS 18001 Itajuba (Brazil)

Environment

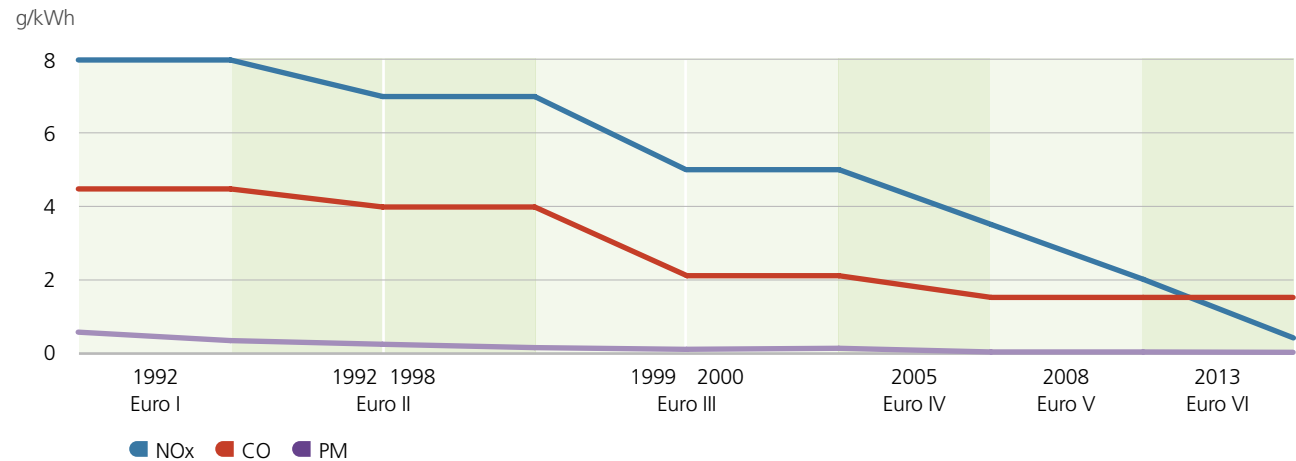
PKC continuously observes and measures the environmental impact of its operations in order to improve processes

Even though the environmental impact of PKC's own operations is minimal, PKC Group aims to reduce the environmental impact of manufacturing by sourcing materials near manufacturing sites, by optimising deliveries, by selecting recyclable materials and by efficiently managing and recycling materials. To reduce packaging waste, products are delivered to clients in recyclable and reusable packages. The Group also aims to design products that minimise energy and fuel consumption, emissions, material use and the use of hazardous materials. For example, PKC's power distribution centre -solutions maximise the opportunity of power and signal distribution while minimising material weight, cost and tooling investment.

Environmental impact of travelling is decreased by encouraging personnel to favour telephone or online meetings instead of physical meetings that require travelling.

Environmental legislation, such as the automotive industry's emission standards, plays an important role in market cyclicity and reduction of emissions. Emission regulation and other technological requirements that reduce environmental impact, improve efficiency, driver comfort, safety and transparency are becoming increasingly stringent and emerg-

EU emission standards for HD diesel engines, g/kWh



ing markets, especially China, are catching up to Western standards rapidly. PKC is ready for Euro 6 emission standard requirements and started delivering Euro 6 wire harnesses in January 2014.

In 2013, PKC has expanded the reported environmental GRI indicators to include energy consumption, water use, and total amount of waste.

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS IN RELATION TO WATER USE

In PKC's assembly processes, water is mainly consumed for sanitary and catering. In principle water is not consumed during the production processes of wiring harness manufacturing. Limited amount of water is in the process mainly as cooling agent in closed circulation and those locations engaged in such activities are in compliance with water discharge parameters established by country regulations.

Controls and prevention measures of water leaks and water misuse are in place.

PKC's local operating units set their own targets related to reducing water consumption in line with ISO 14001. In 2013, achievements in reducing water consumption include:

- 6% reduction in Nogales (Mexico)
- 8% reduction in Piedras Negras (Mexico)
- 20% reduction in Torreon 2 (Mexico)
- 29.3% reduction in Juarez (Mexico)

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS IN RELATION TO EMISSIONS

PKC's operations cause a limited amount of emissions, due to the fact that PKC's manufacturing work consists mainly of manual assembly work. Small amount of emissions is generated in processes such as moulding. Where emissions occur, PKC's approach is that process emissions are filtered and conducted before releasing them to the atmosphere. The majority of the emitted substances are aliphatic alcohols and their derivatives contained in solvents and inks used in the wire printing process.

Where applicable and required by law or local authorities, necessary permissions have been obtained.

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS IN RELATION TO EFFLUENTS

In PKC's operations water is not used in the process and therefore there are no effluents generated in the manufacturing. Effluents generated are wastewater, primarily sewage water and waste water from the washing and house-keeping of production facilities. Detergents used by cleaning services are primarily biodegradable.

In 2012 at Sosnowiec plant in Poland, water tests demonstrated inadmissibly high level of phosphorus. The corrective actions such as use of lime have been implemented. In 2013, the test results conducted by an external laboratory showed that the phosphorus levels returned to normal.

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS IN RELATION TO NOISE

Noise is not a major environmental consideration in PKC's operations. PKC's noise levels are in accordance with legal requirements and noise permissions are not required. Noise has been measured during both the day and night, and no instances of exceeding the legal limit have been found. In production, the use of ear protection is used where mandated by health and safety regulations. In Estonia, use of hearing protection is mandatory in defined areas despite the noise levels being below set limits.

INITIATIVES TO MITIGATE ENVIRONMENTAL IMPACTS IN RELATION TO WASTE

The amount of waste generated in PKC's processes is limited due to the nature of the manufacturing process which mainly consists of manual assembly. Most waste is generated from packaging such as cardboard boxes and other packaging material. Generated waste is sorted, sent to an authorised disposal sites where it is recycled or disposed of.

Waste levels are monitored. The amount of communal waste is minimised with the aim to recycle as much waste as possible by sorting the generated waste.

Achievements in 2013 include:

- Estonia started to separate plastic packaging waste from other plastic waste for improved recyclability
- In Poland, municipal waste was reduced in 2013 by 5% per person and by 6% in relation to production volume compared to 2012
- 50% of wastes previously disposed of on landfill are now being recycled at Grand Traverse Stamping factory in USA

KEY DATA

Employee & social key data	23
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Key Data

The report for year 2013 covers the employee, social and environmental issues most relevant to PKC Group and its stakeholders. Only some key data on economic performance is included in this report as PKC Group's publishes separately financial statements that provide comprehensive information about consolidated and parent company's financial performance and financial position



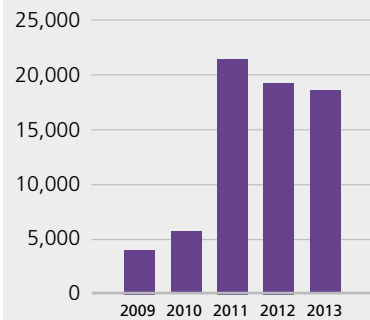
EMPLOYEE AND SOCIAL KEY DATA

The figures shown in LA1 tables include also temporary employees. At the end of the financial year, the Group's personnel numbered 18,644 employees, in addition to which the Group had 613 temporary employees.

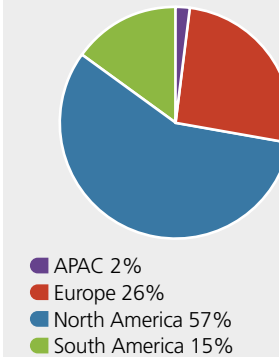
LA1 Total workforce by region

	%
APAC	2
Europe	26
North America ¹⁾	57
South America	15
PKC Group Total	100

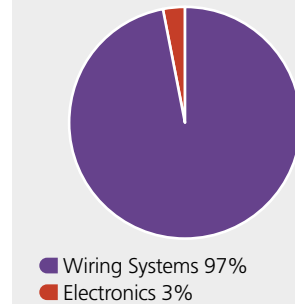
LA1 Number of personnel from 2009 to 2013



LA1 Total workforce by region



LA1 Employees by business segment



LA1 Total workforce by gender and business segment

	Male	Male-%	Female	Female-%	Total
Wiring Systems	8,495	46	10,097	54	18,592
Electronics	316	48	349	52	665
PKC Group Total	8,811	46	10,446	54	19,257

LA1 Total workforce by gender

	Male	Male-%	Female	Female-%	Total
APAC	220	51	209	49	429
Europe	1,249	25	3,800	75	5,049
North America ¹⁾	6,215	57	4,690	43	10,905
South America	1,127	39	1,747	61	2,874
PKC Group Total	8,811	46	10,446	54	19,257

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

LA1 Total workforce by category and gender

	Temporary			Blue Collar			White Collar			Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total	
APAC	0	0	0	149	159	308	71	50	121	429
Europe	112	483	595	822	2,976	3,798	315	341	656	5,049
North America ¹⁾	1	2	3	5,747	4,501	10,248	467	187	654	10,905
South America	5	10	15	855	1,502	2,357	267	235	502	2,874
PKC Group Total	118	495	613	7,573	9,138	16,711	1,120	813	1,933	19,257

LA1 Employment type and gender

	Full time			Part time			Total
	Male	Female	Total	Male	Female	Total	
APAC	220	209	429	0	0	0	429
Europe	1,133	3,301	4,434	4	16	20	4,454
North America ¹⁾	5,612	4,161	9,773	602	527	1,129	10,902
South America	1,114	1,726	2,840	8	11	19	2,859
PKC Group Total	8,079	9,397	17,476	614	554	1,168	18,644

LA1 Employment contract type and gender

	Permanent			Fixed Term			Total
	Male	Female	Total	Male	Female	Total	
APAC	220	209	429	0	0	0	429
Europe	860	2,287	3,147	277	1,030	1,307	4,454
North America ¹⁾	6,214	4,688	10,902	0	0	0	10,902
South America	1,122	1,737	2,859	0	0	0	2,859
PKC Group Total	8,416	8,921	17,337	277	1,030	1,307	18,644

LA2 New employee hires entering employment by gender

Rate	Male %	Female %	Total, %
APAC	30	30	60
Europe	5	15	20
North America ¹⁾	33	22	55
South America	1	2	3
PKC Group Total	21	17	38

LA2 Employee hires leaving employment by gender

Rate	Male %	Female %	Total, %
APAC	19	18	37
Europe	6	13	19
North America ¹⁾	20	16	36
South America	4	3	7
PKC Group Total	14	14	28

LA2 New employee hires entering employment by age groups

Rate	< 30 - %	30-50 - %	> 50 - %
APAC	49	11	0
Europe	11	7	1
North America ¹⁾	20	32	3
South America	1	1	0
PKC Group Total	16	20	2

LA2 Employee hires leaving employment by age groups

Rate	< 30 - %	30-50 - %	> 50 - %
APAC	30	7	0
Europe	9	9	2
North America ¹⁾	22	13	1
South America	5	2	0
PKC Group Total	16	10	1

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

First-aid cases are not included in the figures in the following regions / countries:
North America, Ukraine, Russia

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 absense days.

LA7 Total workforce: Injury rate (IR)

IR	Male	Female	Total
APAC	0.8	0.7	0.7
Europe	0.5	1.3	1.1
North America ¹⁾	0.1	0.0	0.1
South America	0.4	0.5	0.4
PKC Group Total	0.2	0.5	0.3

LA7 Total workforce: Occupational diseases rate (ODR)

ODR	Male	Female	Total
APAC	0.00	0.00	0.00
Europe	0.00	0.07	0.05
North America ¹⁾	0.00	0.00	0.00
South America	0.08	0.22	0.16
PKC Group Total	0.01	0.06	0.04

LA7 Total workforce: Absense rate (AR)

AR	Male	Female	Total
APAC	3,321	3,511	3,415
Europe	8,997	16,631	14,541
North America ¹⁾	1,507	2,296	1,880
South America	4,555	4,700	4,639
PKC Group Total	3,044	6,953	5,184

LA4 Employees covered by collective bargaining agreements

Coverage	%
APAC	0
Europe	95
North America ¹⁾	79
South America	63
PKC Group Total	79

LA7 Independent contractors: Injury rate (IR)

IR	Male	Female	Total
APAC	0.0	0.0	0.0
Europe	0.0	0.0	0.0
North America ¹⁾	0.0	0.0	0.0
South America	0.0	0.0	0.0
PKC Group Total	0.0	0.0	0.0

LA7 Independent contractors: Occupational diseases rate (ODR)

ODR	Male	Female	Total
APAC	0.0	0.0	0.0
Europe	0.0	0.0	0.0
North America ¹⁾	0.0	0.0	0.0
South America	0.0	0.0	0.0
PKC Group Total	0.0	0.0	0.0

LA7 Independent contractors: Absense rate (AR)

AR	Male	Female	Total
APAC	0.0	0.0	0.0
Europe	0.0	0.0	0.0
North America ¹⁾	0.0	0.0	0.0
South America	0.0	0.0	0.0
PKC Group Total	0.0	0.0	0.0

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

LA7 Total workforce: Lost day rate (LDR)

LDR	Male	Female	Total
APAC	26.9	2.8	15.0
Europe	56.8	58.4	58.0
North America ¹⁾	2.0	0.2	1.1
South America	4.0	9.2	7.0
PKC Group Total	9.4	17.1	13.6

LA7 Independent contractors: Lost day rate (LDR)

LDR	Male	Female	Total
APAC	0.0	0.0	0.0
Europe	0.0	0.0	0.0
North America ¹⁾	0.0	0.0	0.0
South America	0.0	0.0	0.0
PKC Group Total	0.0	0.0	0.0

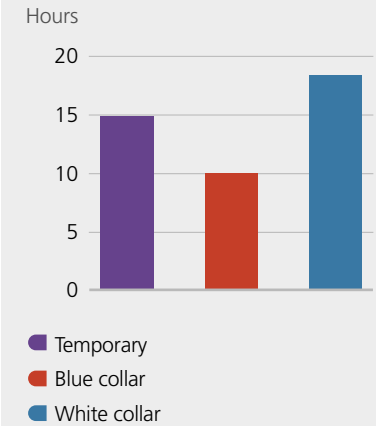
LA7 Total workforce: Absolute number of fatalities

	Number of fatalities
APAC	0
Europe	0
North America ¹⁾	0
South America	0
PKC Group Total	0

LA7 Independent contractors: Absolute number of fatalities

	Number of fatalities
APAC	0
Europe	0
North America ¹⁾	0
South America	0
PKC Group Total	0

LA10 Average number of training hours per year per employee by employee category



LA10 Average number of training hours per year per employee by employee category

Average training hours / person	Temporary	Blue collar	White Collar	Total
APAC	0.0	22.6	90.7	41.8
Europe	15.4	6.4	23.3	9.7
North America ¹⁾	0.0	8.5	5.4	8.3
South America	0.9	21.0	11.3	19.2
PKC Group Total	14.9	10.0	18.4	11.0

LA10 Average number of training hours per year per employee by gender

Average training hours / person	Male	Female	Total
APAC	43.6	39.9	41.8
Europe	15.4	7.8	9.7
North America ¹⁾	7.9	8.8	8.3
South America	16.2	21.1	19.2
PKC Group Total	10.9	11.1	11.0

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

HR3 Total hours trained in policies and procedures concerning aspects of human rights relevant to operations²⁾

Number of hours trained	h
APAC	465
Europe	2,091
North America ¹⁾	7,888
South America	242
PKC Group Total	10,686

HR3 Percentage of employees trained in policies and procedures concerning aspects of human rights relevant to operations²⁾

	%
APAC	100
Europe	45
North America ¹⁾	100
South America	63
PKC Group Total	80

Note! In Europe trainings given to part of the personnel already in 2012.

HR4 Total number of incidents of discrimination and corrective actions taken

Number of reported cases	2013	2012
APAC	0	0
Europe	0	1
North America ¹⁾	4	1
South America	0	0
PKC Group Total	4	2

HR8 Percentage of security personnel trained in policies and procedures concerning aspects of human rights relevant to operations

	%
APAC	100
Europe	98
North America ¹⁾	100
South America	100
PKC Group Total	99

HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments

	Number of operations	Number of operations assessed	Assessment, %
APAC	1	0	0
Europe	10	0	0
North America ¹⁾	13	0	0
South America	4	0	0
PKC Group Total	28	0	0

HR11 Total number of grievances related to human rights filed through formal organizational grievance mechanisms during the reporting period

Total number of grievances	
APAC	0
Europe	0
North America ¹⁾	0
South America	0
PKC Group Total	0

SO3 Percentage of employees trained in anti-corruption policies and procedures³⁾

	%
APAC	0
Europe	37
North America ¹⁾	100
South America	63
PKC Group Total	77

SO7 Number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices

Number of all cases	2013	2012
APAC	0	0
Europe	0	0
North America ¹⁾	0	0
South America	0	0
PKC Group Total	0	0

PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

	EUR
APAC	0
Europe	0
North America ¹⁾	0
South America	0
PKC Group Total	0

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

²⁾ Including temporary employees

³⁾ Excluding temporary employees

ENVIRONMENTAL KEY DATA

EN1 Total of materials used (purchase volume in EUR)

	% of usage
Raw materials (copper and resin)	22.6
Associated process materials (chemicals, fluids)	0.1
Purchased components (Semi-manufactured goods)	76.4
Packaging materials	0.9
PKC Group Total	100

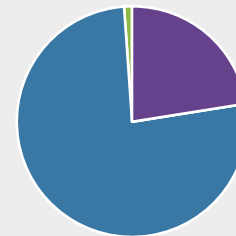
EN3 Direct energy consumption

MWh	Total
APAC	2,314
Europe	21,615
North America ¹⁾	58,874
South America	4,431
PKC Group Total	87,234

EN8 Total volume of water withdrawn by sources

m ³ /year	Surface water	Ground water	Rain-water	Waste water	Municipal water or other water utilities	Total
APAC	0	0	0	0	7,275	7,275
Europe	0	0	243	0	27,850	28,093
North America ¹⁾	0	0	0	0	344,167	344,167
South America	0	14,775	0	0	15,650	30,425
PKC Group Total	0	14,775	243	0	394,942	409,960

EN1 Total of materials used^{*)}



- Raw materials (copper and resin) 22.6%
- Associated process materials (chemicals, fluids) 0.1%
- Purchased components (Semi-manufactured goods) 76.4%
- Packaging materials 0.9%

1) Non-renewable material volume of total usage is 23.5%

2) Direct material volume of total material usage is 99.0%

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

^{*)} Volume of materials used is calculated based on the purchase volume, in EUR.

EN22 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, please specify	Total
APAC	24	0	0	0	0	0	0	0	0	24
Europe	156	749	11	136	259	0	78	7	0	1,396
North America ¹⁾	53	4,354	0	0	0	0	1,208	0	2	5,618
South America	0	226	0	0	1	50	4	4	0	284
PKC Group Total	233	5,329	11	136	260	50	1,290	11	2	7,321

EN22 Total amount of waste in tonnes by type (hazardous)

t/year	Total
APAC	3
Europe	26
North America ¹⁾	88
South America	245
PKC Group Total	362

EN28 Monetary amount of fines for non-compliance with environmental laws and regulations

	EUR
APAC	0
Europe	0
North America ¹⁾	0
South America	0
PKC Group Total	0

EN28 Total number of non-monetary sanctions for non-compliance with environmental laws and regulations

	EUR
APAC	0
Europe	0
North America ¹⁾	0
South America	0
PKC Group Total	0

EN22 data reported by the disposal contractor using reports and as organisational defaults (applicable to only Finland office locations)

¹⁾ Ireland is reported under North America figures as it is part of North America region operationally.

ECONOMIC KEY DATA

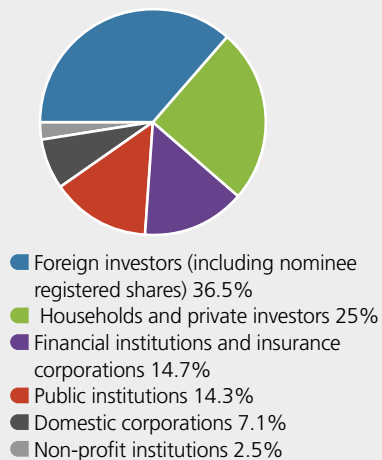
Group Key Figures

	2013	2012	2011	2010	2009
Net sales, EUR million	884.0	928.2	550.2	316.1	311.7
Operating profit, EUR million	30.5	43.5	34.5	29.7	21.0
Profit before taxes, EUR million	21.6	34.9	29.4	25.0	15.2
Return on investment (ROI), %	14.7	16.7	18.9	25.8	20.8
Equity ratio, %	42.7	33.9	30.0	56.5	41.9
Gross capital expenditure, EUR million	14.6	16.0	101.5	8.6	27.4
Earnings per share (EPS), EUR	0.62	1.12	1.16	1.09	0.31
Dividend per share, EUR	0.70	0.70	0.60	0.55	0.15

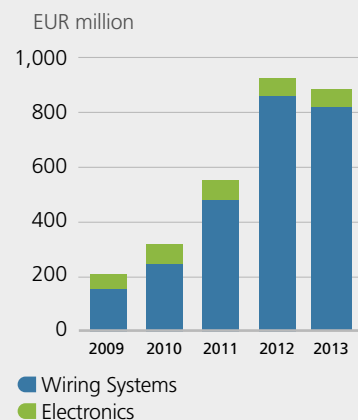
PKC Market Share

%	Heavy Commercial Vehicle	Medium Commercial Vehicle
APAC	1	0
Europe	38	16
North America	59	33
South America	32	2

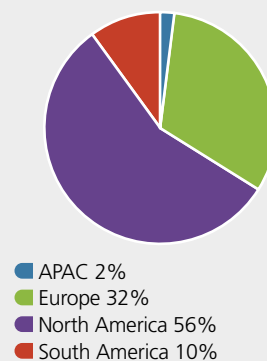
Ownership by category



Revenue by business segment



Revenue by region

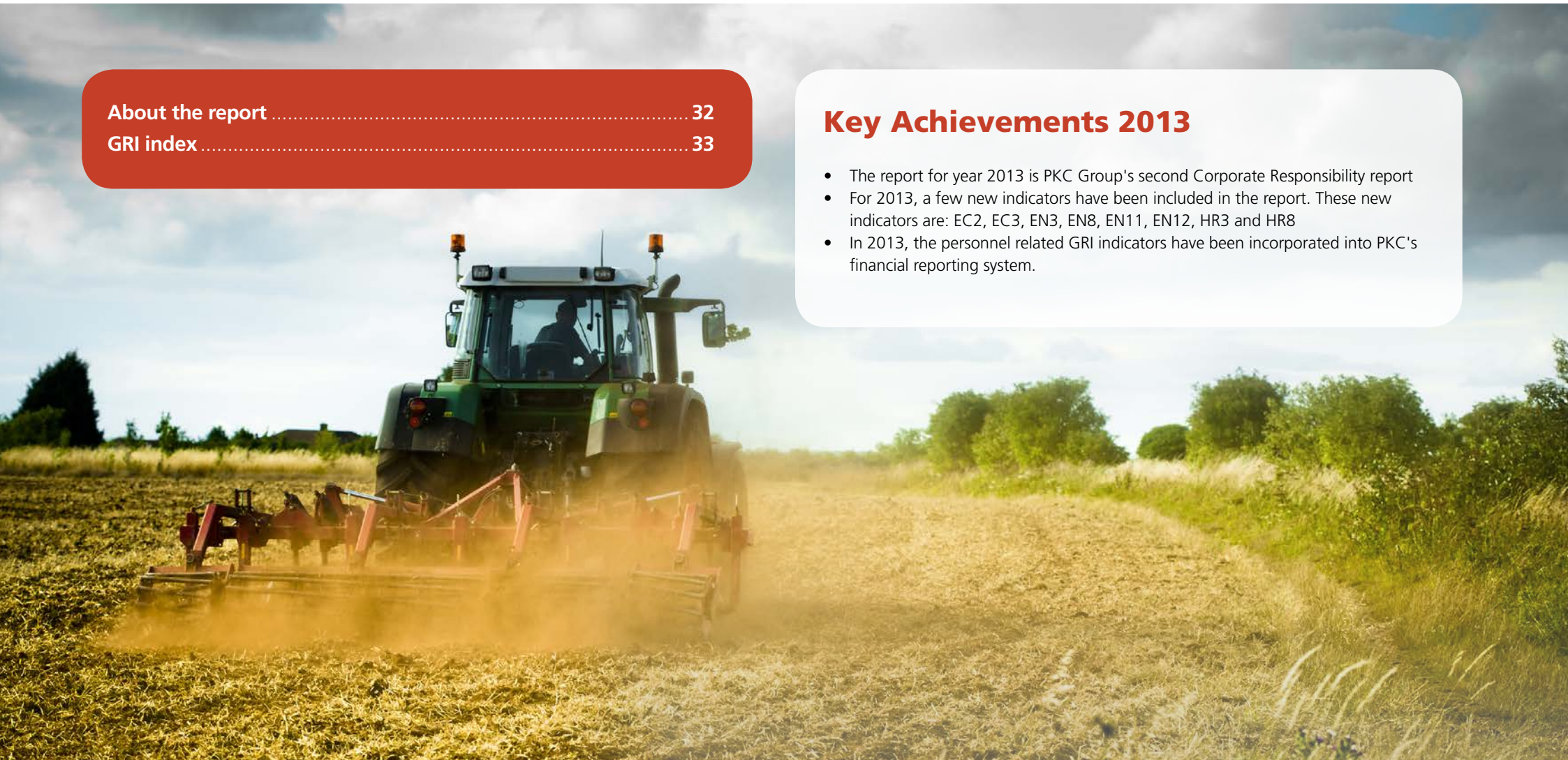


GRI

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Key Achievements 2013

- The report for year 2013 is PKC Group's second Corporate Responsibility report
- For 2013, a few new indicators have been included in the report. These new indicators are: EC2, EC3, EN3, EN8, EN11, EN12, HR3 and HR8
- In 2013, the personnel related GRI indicators have been incorporated into PKC's financial reporting system.



About the Report

REPORTING SCOPE

PKC Group has chosen to report on corporate responsibility issues in accordance with Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines (G3.1). GRI provides a comprehensive reporting framework that is widely used around the world and thus enables easier comparison of PKC Group's performance with other companies. PKC Group expects this report to be useful to its shareholders, customers, suppliers, employees, analysts and other stakeholders.

The report for year 2013 is PKC Group's second Corporate Responsibility Report. The report for year 2013 covers the employee, social and environmental issues most relevant to PKC Group and its stakeholders. Only some key data on economic performance is included in this report as PKC Group's 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 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 PKC Group publishes annually separate corporate governance statement and remuneration statement that provide the same information.

Key corporate responsibility issues, if any, are also reported in the Corporate Responsibility section of PKC Group's quarterly Interim Reports as well as separate press releases, if needed.

Report content and the indicators have been defined and chosen on the basis of materiality to 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 year 2012 among chosen representatives of 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 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. For year 2013, a few new indicators have been included in the report. These new indicators are: EC2, EC3, EN3, EN8, EN11, EN12, EN22, HR3, and HR8.

All group-wide and regional organisations and units are included in the reporting scope. In 2013, there have not been changes in the reporting scope, except for the closure of operations in Ireland and Ukraine, which have been included in key data until their closure as applicable as well as separation of Wiring Systems business into separate entity in China and decision to start operations in Serbia. At the end of 2013, PKC has facilities in nine countries, in Brazil, China, Estonia, Finland, Germany, Mexico, Poland, Russia, 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.



PKC Group has self-declared this report to be Application level B.

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 audits 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.



[Annual report](#)

GRI G3.1 Content Index – Application Level B

STANDARD DISCLOSURES PART I: PROFILE DISCLOSURES

1. Strategy and Analysis

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
1.1	Statement from the most senior decision-maker of the organisation	●	p. 5–6		
1.2	Description of key impacts, risks, and opportunities	●	p. 5–6, 7–9, 10–11, 12, 13–14		

2. Organisational Profile

2.1	Name of the organisation	●	p. 3		
2.2	Primary brands, products, and/or services.	●	p. 4		
2.3	Operational structure	●	p. 3, 32; More information in Corporate Governance Guidelines ; Corporate Governance Statement ; PKC's organisational chart; Composition of PKC Group's Board of Directors and Executive Board, including Board members' independence.		
2.4	Location of organisation's headquarters	●	p. 3		
2.5	Countries where the organization operates	●	p. 3, 32		
2.6	Nature of ownership and legal form	●	p. 3, 30		
2.7	Markets served	●	p. 3, 30; More detailed information in Annual Report		
2.8	Scale of the reporting organisation	●	p. 3, 32		
2.9	Significant changes during the reporting period regarding size, structure, or ownership	●	No significant changes during the report period.		
2.10	Awards received in the reporting period	●	p. 15, 18		

3. Report Parameters

3.1	Reporting period	●	p. 32		
3.2	Date of most recent previous report	●	13 March 2013		
3.3	Reporting cycle	●	Annually		
3.4	Contact point for questions regarding the report or its contents	●	p. 40		
3.5	Process for defining report content	●	p. 10–11, 32		



Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
3.6	Boundary of the report	●	p. 32		
3.7	Specific limitations on the scope or boundary of the report	●	p. 32		
3.9	Data measurement techniques and the bases of calculations	●	p. 32; Unless otherwise stated, these follow techniques and bases of calculations set out in GRI guidelines and manuals.		
3.12	GRI content index	●	p. 33–39		
3.13	Policy and current practice with regard to seeking external assurance for the report	●	p. 32		
4. Governance, Commitments, and Engagement					
4.1	Governance structure	●	Corporate Governance Statement		
4.2	The Board Chair's function within the organisation's management	●	Chairman of the Board of Directors is not an executive officer.		
4.3	Independence of the Board members	●	Corporate Governance Statement		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	●	Corporate Governance Guidelines		
4.5	Linkage between compensation for members of the Board and the management, and the organisation's corporate responsibility performance	●	Remuneration Statement		
4.6	Processes in place for the Board to ensure conflicts of interest are avoided	●	Corporate Governance Statement		
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body	●	Corporate Governance Statement		
4.8	Mission or values, codes of conduct, and principles and the status of their implementation	●	p. 7, 13–14; in addition to which mission, values and Code of Conduct may be found at PKC's website.		
4.9	Procedures of the Board for overseeing the organisation's management of economic, environmental and social performance, including risk management	●	Corporate Governance Guidelines ; Corporate Governance Statement ; Code of Conduct		
4.10	Processes for evaluating the Board's own performance	●	Corporate Governance Guidelines ; Corporate Governance Statement		
4.11	Explanation of whether and how the precautionary approach or principle is addressed	●	p. 13–14, 18		
4.12	Externally developed economic, environmental and social initiatives to which the organisation endorses	●	p. 13–14		
4.13	Memberships in associations and advocacy organizations	●	PKC is not a member of such associations and/or national/international advocacy organizations.		
4.14	Stakeholder groups engaged by the organisation	●	p. 10–11		
4.15	Basis for identification and selection of stakeholders	●	p. 10–11, 32		
4.16	Approaches to stakeholder engagement	●	p. 10–11		
4.17	Key topics and concerns that have been raised through stakeholder engagement	●	p. 10–11		

STANDARD DISCLOSURES PART II: DISCLOSURES ON MANAGEMENT APPROACH (DMAS)

G3.1. DMAs	Description	Reported	Cross-reference/Direct answer	Further comments
DMA EC	Management Approach to Economic Responsibility			
Aspects	Economic performance	●	p. 13	
	Market presence	●	PKC does not have policy or practices related to spending on locally-based suppliers or for hiring and proportion of senior management hired from the local community.	
	Indirect economic impacts	●	PKC does not make infrastructure investments or provide services for public.	
DMA EN	Management Approach to Environmental Responsibility			
Aspects	Materials	●	p. 12, 14, 20–21	
	Energy	●	p. 9, 11, 12	PKC's operations do not require high energy consumption and so far energy consumption has not been a significant factor in PKC's operations.
	Water	●	p. 9, 11, 12, 20	PKC's operations do not require high water usage and so far water usage has not been a significant factor in PKC's operations.
	Biodiversity	●	p. 12, 20–21	PKC's operations are not situated in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
	Emissions, effluents and waste	●	p. 9, 12, 20–21	PKC's operations do not produce emissions or effluents and therefore are not significant in PKC's operations.
	Products and services	●	p. 4, 12, 14, 18–21	
	Compliance	●	p. 13–14, 20–21	
	Transport	●	p. 9, 12, 14	
	Overall	●	p. 7–9, 13–14, 20–21	
DMA LA	Management Approach to Labour Practices and Decent Work			
Aspects	Employment	●	p. 9, 14, 16–17	
	Labour/management relations	●	p. 9, 14, 16–17	
	Occupational health and safety	●	p. 14, 16–17	
	Training and education	●	p. 14, 16–17	
	Diversity and equal opportunity	●	p. 14, 16–17	
	Equal remuneration for women and men	●	p. 16–17	

G3.1. DMAs	Description	Reported	Cross-reference/Direct answer	Further comments
DMA HR	Management Approach to Human Rights			
Aspects	Investment and procurement practices	●	PKC's aim is to (i) include human rights clauses to all contracts; (ii) include human rights into supplier reviews; and (iii) train Code of Conduct to all employees.	
	Non-discrimination	●	p. 13–14, 17; More information in Code of Conduct	
	Freedom of association and collective bargaining	●	p. 13–14, 17; More information in Code of Conduct	
	Child labour	●	p. 13–14, 17; More information in Code of Conduct	
	Prevention of forced and compulsory labour	●	p. 13–14, 17; More information in Code of Conduct	
	Security practices	●	The data related to security personnel trained in PKC's Code of Conduct or procedures concerning aspects of human rights has not been tracked separately. PKC intends to have all personnel trained in Code of Conduct and procedures concerning human rights and track the data concerning the training	
	Assessment	●	p. 13–14, 16–17	
	Remediation	●	p. 13–14, 16–17	
DMA SO	Management Approach to Society			
Aspects	Local communities	●	PKC's operations do not implement or implement only little local community engagement, impact assessments or development programs as operations do not have significant potential or actual negative impacts on local communities.	
	Corruption	●	p. 9, 13–14, 16–17; More information in Code of Conduct	
	Public policy	●	PKC does not participate in public policy positions or public policy development or lobbying nor does PKC make contributions to political parties, politicians or related institutions.	
	Anti-competitive behaviour	●	p. 13–14; More information in Code of Conduct	
	Compliance	●	p. 9, 13–14, 16–17; More information in Code of Conduct	
DMA PR	Management Approach to Product Responsibility			
Aspects	Customer health and safety	●	p. 13–14, s. 18	
	Product and service labelling	●	PKC's products are components and sub-assemblies mostly designed and manufactured on the basis of customers' specifications and integrated into customers products. Product and service labelling is therefore conducted in accordance with customers' instructions.	
	Marketing communications	●	PKC provides products and services to its business customers, therefore PKC's marketing communication is mostly business-to-business communication. PKC adheres to good marketing practices in its communications.	
	Customer privacy	●	PKC strictly respects the confidentiality of customer relationships and customers' proprietary and confidential information	
	Compliance	●	p. 13–14, 18	

STANDARD DISCLOSURES PART III: PERFORMANCE INDICATORS

Economic

Performance Indicator	Description	Reported	Cross-reference/Direct answer
EC1	Direct economic value generated and distributed	●	p. 11
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	●	p. 8, 9, 20
EC3	Coverage of the organization's defined benefit plan obligations.	●	PKC's policy is not to take voluntary pension insurances, although some may exist as a result of acquisitions

Environmental

Materials			
EN1	Materials used by weight or volume	●	p. 28
Energy			
EN3	Direct energy consumption by primary energy source.	●	p. 28
Water			
EN8	Total water withdrawal by source.	●	p. 28
Biodiversity			
EN11	Land owned, leased and managed in areas of high biodiversity value or in protected areas	●	No operations in such areas.
EN12	Impacts of activities on biodiversity in protected areas and areas of high biodiversity value	●	No significant impacts as no operations in such areas.
Emissions, effluents and waste			
EN22	Total weight of waste by type and disposal method.	●	p. 29
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	p. 20–21
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	EUR 0

Social: Labour Practices and Decent Work

Employment			
LA1	Total workforce by employment type, employment contract and region	●	p. 23–24
LA2	Total number and rate of new employee hires and employee turnover	●	p. 24
Labor/management relations			
LA4	Percentage of employees covered by collective bargaining agreements	●	p. 25

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Occupational health and safety			
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	●	p. 25–26
Training and education			
LA10	Average hours of training per year per employee	●	p. 26
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per employee category	●	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 Corporate Governance Statement .

Social: Human Rights

Investment and procurement practices			
HR3	Employee training on policies and procedures concerning aspects of human rights	●	p. 27
Non-discrimination			
HR4	Incidents of discrimination and actions taken	●	p. 27 ; In 2013, PKC North America received four claims from four separate facilities in Mexico alleging violations of PKC's Code of Conduct , including favouritism, sexual harassment, discrimination based on pregnancy and wrongful termination based upon union affiliation. The claims were reported through an independently administered Ethics & Compliance hotline. Each of these claims was diligently investigated, and closed as unsubstantiated. The claim for wrongful termination based upon union affiliation is also the subject of a separate claim filed with the Mexico Federal Labour Court. This court claim remains outstanding, and the company is actively defending the claim as unsubstantiated.
Freedom of association and collective bargaining			
HR5	Operations and significant suppliers with which the right to exercise freedom of association and collective bargaining may be at risk	●	No such operations or significant suppliers has been identified
Child labor			
HR6	Operations and significant suppliers with a risk for incidents of child labour, and measures taken	●	No such operations or significant suppliers has been identified
Forced and compulsory labor			
HR7	Operations and significant suppliers with risk for incidents of forced or compulsory labour, and measures taken	●	No such operations or significant suppliers has been identified
Security practices			
HR8	Security personnel trained in aspects of human rights	●	p. 27 ; Training for internal security personnel reported.
Assessment			
HR10	Operations subject to human rights reviews and/or impact assessments	●	p. 27 ; No operations have been subject to human rights reviews and/or impact assessments.
Remediation			
HR11	Grievances related to human rights filed, addressed and resolved	●	p. 17 , 27 ; OECD has dismissed the complaint made by labour unions about the conduct of PKC Group in Mexico as meritless.

Social: Society

Corruption			
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	●	p. 27

Performance Indicator	Description	Reported	Cross-reference/Direct answer
Anti-competitive behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	p. 27; No legal actions for anticompetitive behaviour, anti-trust, and monopoly practices have taken place
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	●	No significant fines or sanctions.
Social: Product Responsibility			
Customer health and safety			
PR1	Assessment of health and safety impacts of products and services at various life cycle stages	●	<p>Life cycle stages in which health and safety impacts of products and services are assessed for improvement:</p> <p>For development and R&D of products: When R&D is applicable i.e. when PKC provides R&D services, a standard product development process is utilized (according to design manual). For analyzing these risks PKC uses DFMEA risk analyzing method. Environmental issues are part of that process. For development of component projects, a standard product development process is utilized (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.</p> <p>For certification: Material certifications performed to ensure adherence to applicable customer specifications. Actual requirements may vary by customer.</p> <p>For manufacturing and production: The DFMEA in combination with performance requirements are utilized to generate the manufacturing Process Failure Mode Effects Analysis (PFMEA). Health and Safety required are carried from the DFMEA to the PFMEA.</p> <p>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 to customers' final products. Health and safety assessments are driven by customer requirements. No requirements applicable to marketing and promotion.</p> <p>For storage distribution and supply: Shipping containers and product packaging are evaluated for safety and are tailored to each component or assembly.</p> <p>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.</p> <p>For disposal, reuse or recycling: RoHS is adhered to. Materials are selected to maximize the recyclability of products.</p> <p>Percentage of significant product or service categories that are covered by and assessed for compliance with such procedures: 98%</p>
Product and service labelling			
PR5	Practices related to customer satisfaction, and results of customer satisfaction surveys	●	p. 18
Compliance			
PR9	Fines for non-compliance with laws and regulations concerning products and services	●	p. 27; EUR 0

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