



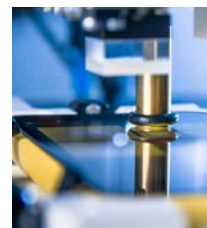
Contents



About PKC

2

PKC Group in Brief	3
Foreword by the President & CEO	5
Strategy	7
Stakeholder Engagement	10
The PKC Way	12
Management Approach	15



Key Data

28

Employee and Social Key Data	29
Environmental Key Data	34
Economic Key Data	36



PKC's Performance 2014

18

Personnel	19
Quality and Customer Satisfaction	22
Environment	25



GRI

37

About the Report	38
GRI G3.1 Content Index	39



Read more about our approach to responsibility at www.pkcgroup.com/corporate-responsibility.html



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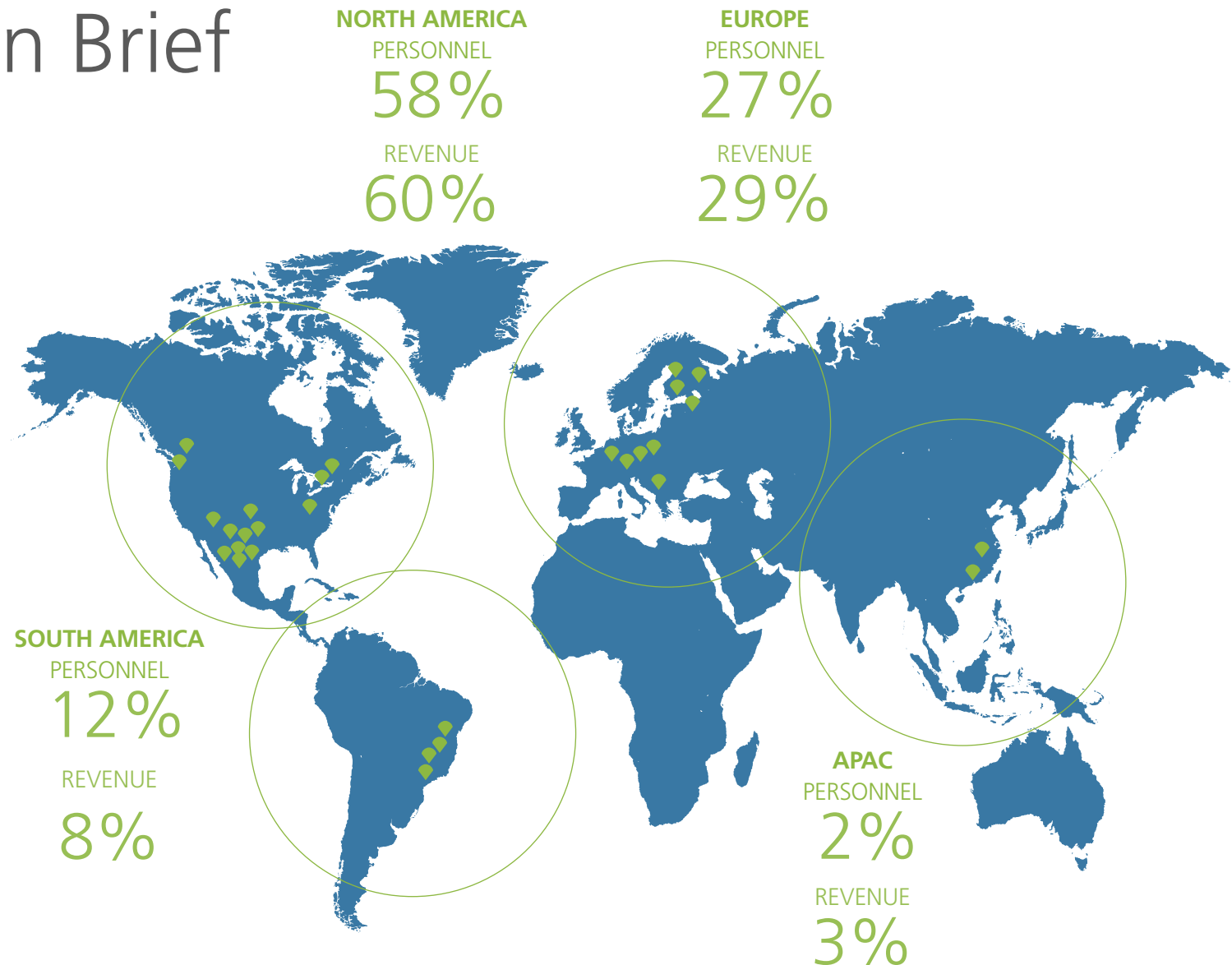


About PKC

PKC Group in Brief	3
Foreword by the President & CEO	5
Strategy	7
Stakeholder Engagement	10
The PKC Way	12
Management Approach	15

PKC Group in Brief

PKC Group Plc is a public limited liability company listed on Nasdaq Helsinki 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.



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.

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 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

REVENUE, EUR MILLION

771.4

% OF CONSOLIDATED
REVENUE

93.0

Current Customer Segments

Trucks & Buses
(HCV & MCV)



Light Commercial
Vehicles (LCV)



Construction
Equipment



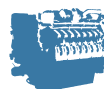
Recreational Vehicles



Agriculture and
Forestry Equipment



Engines



ELECTRONICS

Electronics business develops innovative turn-key solutions for testing and power control and offers global EMS & ODM services for customers in telecommunication, energy and electronics industries. Electronics business' products are used for e.g. testing of electronic devices.

Strengths

- Comprehensive product portfolio for testing and power control
- Own, strong product concepts: Chameleon, Alva, Nactus and Caiman
- Turn-key solutions from design to manufacturing
- Innovative products with strong expertise in design for manufacturing and –assembly

REVENUE, EUR MILLION

57.8

% OF CONSOLIDATED
REVENUE

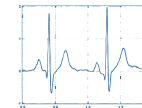
7.0

Current Customer Segments

Energy



Medical



Security



Telecommunications



Foreword by the President and CEO

Dear Stakeholders,

PKC's vision is to be a global market leader in electrical distribution systems architecture and electronics for commercial vehicles and selected other segments. The global business environment and growing geographical footprint and customer base present us with opportunities as well as challenges to our operational development. The "PKC Way" provides both an ideological and practical approach through which our personnel can operate in a harmonised way worldwide. By implementing best practices, key guidelines and key systems and processes, we bring business benefits both to our customers and to PKC. In terms of corporate responsibility, the PKC Way also supports us in operating with the same high standards regardless of our location.

Development of Manufacturing Footprint

In 2014, we continued to develop PKC's manufacturing footprint to enhance the competitiveness of the solutions we deliver to our customers. As part of this effort, we established companies in Serbia and Lithuania during the year. Our objective is to shift more than half of our European production capacity to these modern and

competitive factories by the end of 2016. We also commenced production at our new wiring harness factory in Suzhou, China in 2014.

All of the aforementioned facilities have been set up to follow the PKC Way, enabling us to implement our best practices, key guidelines, key systems and processes at these new locations as well as to practice the same high ethical standards from the very start.

One example of a PKC Way principle is the certification of all of our manufacturing locations according to ISO9001 and ISO14001 management systems, as well as the ISO/TS 16949 standard in automotive manufacturing. Because this also applies to PKC's new facilities, our factories that started operating in 2014 will be certified accordingly in due course.

We also made the decision to ramp down factories in Sosnowiec, Poland; Haapsalu, Estonia; Itajuba, Brazil; and Nogales, Mexico during the year. We are doing our utmost to reduce the effects of these actions on the workforce and assist the affected employees in finding new jobs; for example by offering them relocation within PKC, co-operating closely with the labour office, arranging training, and contacting other employers in the area.

Strategic Expansion Objectives

We have set penetration into Asia as one of PKC's key strategic objectives and are working on several projects in the region. In addition, we are also exploring opportunities

to expand within the transportation industry. As with any other project, our starting point when pursuing strategic projects is to align new operations with PKC's practices and standards. In general, we believe that the increasing corporate responsibility



requirements that are being set by authorities, customers and markets support PKC's own approach.

PKC Way Projects – Implementing Best Practices

An excellent example of how best practices are implemented within the PKC Group is our New Product Introduction (NPI) function. The objective of our NPI centres is to ensure the seamless ramp-up of new customer programmes from the early design stage all the way to mass production. The centres also constantly carry out development work for operating methods and processes, so that PKC Uniqueness – in other words, the processes, know-how and tools we use to manage complexity – is always up-to-date. The operations in Mexico have provided a model for the New Product Introduction function. Following Mexico's example, we have established NPI centres in other geographical regions.

Our IT function implemented its own PKC Way project in 2014, in which key business processes were harmonised, best practices processes and the functionalities developed into the IT business systems were implemented and system usage was improved. As a result of proper and consistent PKC processes and the proper utilization of system tools, information accuracy and visibility for manufacturing and purchasing

were also enhanced. This in turn helps to enhance consistency in our planning processes, as well as in new product ramp up and product volume increases.

We have also harmonised PKC's metrics and reporting regarding corporate responsibility and quality. The continuous development and strengthening of our reporting practices and metrics has been made part of our normal operations. This ensures that they will also meet the demands of the developing business environment in the future.

Internal Audit Function Supports Responsibility Work

In 2014, PKC Group established a separate Internal Audit function, which supports implementation and adherence to best practices, key guidelines and key systems and processes as well as our corporate responsibility work. The purpose of internal auditing is to provide independent, objective assurance and consulting services to add value and improve the Group's operations. The function is expected to address risks that threaten our strategic, operational, compliance and reporting related objectives. By applying a systematic, disciplined and objective approach, the function also helps us improve the effectiveness of PKC's governance, risk management and control processes.

Natural Disasters

During the year, nature demonstrated its force in locations where PKC operates. Record floods faced our newly established operations in Serbia in May, and in June the city of Acuña, Mexico suffered a series of battering storms, which also resulted in floods. In Serbia, PKC responded by supporting the local community, presenting a donation to the mayor of Smederevo to be used for alleviating damages to city residents' livelihoods. In Mexico, employees from various PKC Group locations worked in unison with the Confederation of Mexican Workers (CTM) in supporting affected employees. Over 660 food packages were donated to families, and diapers, clothes, bottled water, and paint cans were collected and distributed to those who needed specific relief support. In addition, employees throughout all PKC plant locations gave voluntary cash donations. PKC Group also made a generous donation, which was distributed among the 310 employees who were moderately or seriously affected by the storms.

The Way Forward

In 2014, we focused on implementing the new strategy that we had introduced in 2013 and developing our manufacturing footprint.

We were delighted to achieve distinction as Daimler's Diamond Supplier and Navistar's Diamond Supplier as well as receiving Pac-car's 50 PPM and Ford's Q1 awards in North America during the year. Customer recognition of this kind provides us with external validation of our successful performance.

We highlight the importance of respecting ethical business practices in all our activities and will continue to focus on developing our responsibility work to further support our strategy. We seek to maintain and develop our corporate responsibility, including improving transparency within our operations. At the same time, we will continue to apply the same high standards to any and all of our new operations. By doing so, we can guarantee that from our customers' perspective, there is only one PKC regardless of geographical, cultural and legal differences.

I would like to take this opportunity to thank all of our stakeholders for a successful year. I especially wish to extend my appreciation to our competent and committed personnel. Thank you all for your quality work. Let's all keep up the good progress in 2015!

Sincerely,
Matti Hyttiäinen
President and CEO

Strategy

At the core of PKC's strategy is **PKC Uniqueness**, which refers to the Group's distinctive know-how in managing complex processes for individually tailored products and thousands of product variants. In line with our strategy, we plan to focus on further developing this know-how, maximizing PKC's current set-up, penetrating into the Asia Pacific region (APAC) and exploring opportunities to expand within the transportation industry.

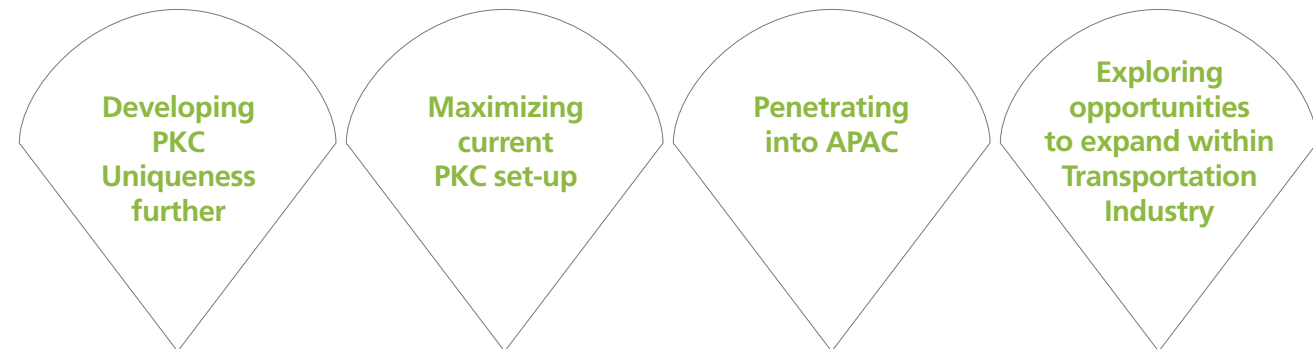
PKC Uniqueness refers to PKC's ability to seamlessly integrate its processes into the customer's operations. PKC's concept of "Managing the Complexity" comprises know-how, processes and tools developed for the management of complexity and provides innovative and customizable solutions for increasingly complex vehicle architecture and enables the fulfilment of PKC's strategic initiatives.

VISION 2020

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

STRATEGIC INITIATIVES

Managing the Complexity



Developing Electronics Business as a Stand Alone within PKC Group

Market Trends

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

1. Urbanisation

- Stricter transportation and logistics standards as well as specialised vehicles developed specifically for urban areas

2. Green Initiatives

- Stricter emission standards
- Hybrid/electric engines

3. Shift of demand to emerging markets

- Rapid growth and industrialization 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 customization and individually tailored commercial vehicles
- Modular solutions facilitate mass customisation

5. Increasing need for technology

- Technological contents in commercial vehicles are increasing in response to new features and requirements:
 - Improved efficiency: larger loads through truck weight reduction
 - Improved safety and driver comfort: Advanced safety features, such as 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). TCO takes into account the cost of owning, for example, 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 base and supplier base continues

COMPLEXITY AS A TREND WILL PREVAIL



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 the Group's operations. PKC's corporate responsibility priorities relate to personnel, ethical business practices, the environment, and financial sustainability.

The 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 all of these processes, products, technologies and components as well as the skill and professionalism of personnel. Therefore, PKC considers employees and their well-being and safety as central to PKC's corporate responsibility work.

PKC is committed to promoting sustainable labour practises and human rights. PKC requires observance of the applicable laws, regulations, 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 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 serves as a cornerstone in ensuring customer satisfaction and the success of the Group's operations. PKC continuously improves 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. PKC 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 and is forecasted 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, which results in increased technological contents in 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 market demands for increasingly complex technology content, greater customisation requirements and reduction of environmental impacts.

Value created or distributed to stakeholders

EUR million	2014	2013
Suppliers	619.3	652.4
Employees	216.6	201.2
Public sector (taxes)	18.5	7.6
Creditors	3.8	8.9
Shareholders	16.8*	16.8

* Board's proposal, Dividend per share 0.70 EUR

Stakeholder Engagement

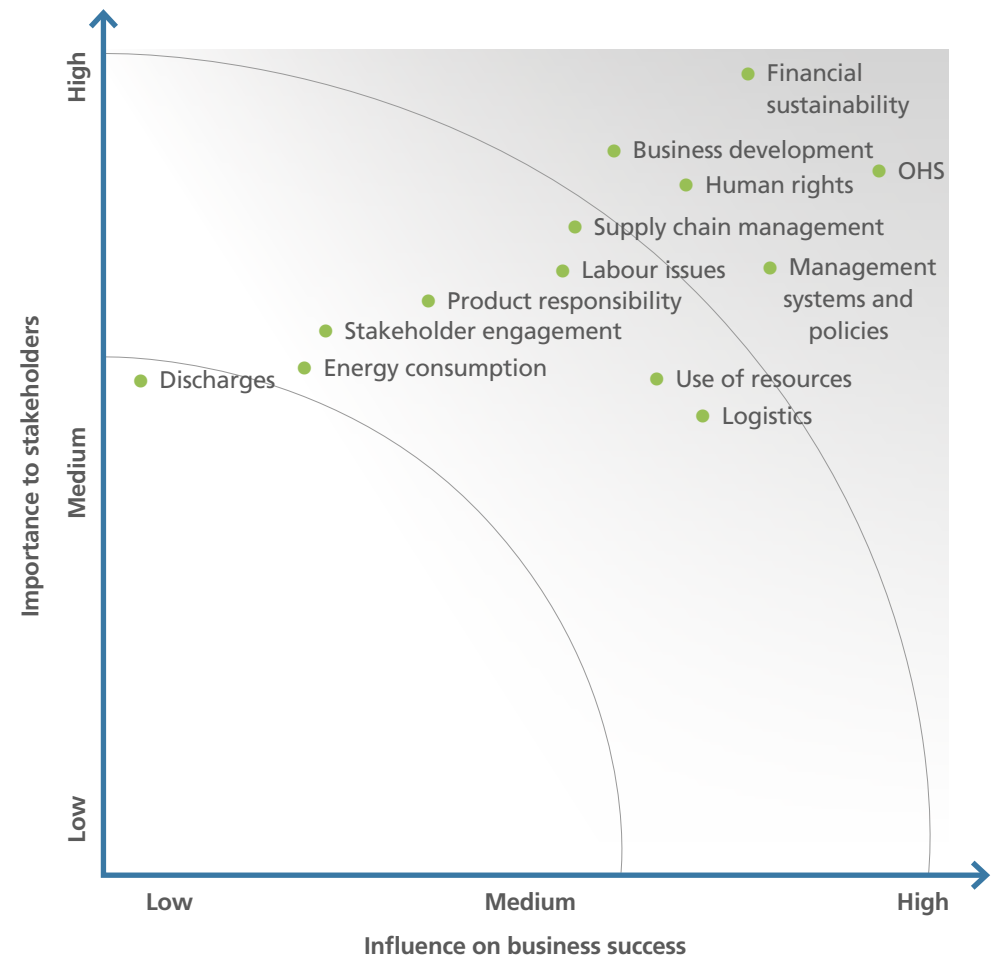
PKC values the opinions of its stakeholders. In order to fulfil and exceed stakeholders' expectations, the Group aims to identify their expectations, for example, by conducting surveys and maintaining active dialogue.

In order to better serve PKC's stakeholders, the company mapped their expectations and interests with regard to PKC's corporate responsibility in 2012. 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 assessments of the Executive Board and external stakeholders, the most important issues identified were the following:

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

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

Materiality Matrix



Many stakeholders also regard 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 they release emissions and effluents in any significant amount. For this reason, PKC does not consider these issues to be strategic priorities for PKC, and therefore reports them on a limited basis.

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

The PKC Way

The PKC Way is both an ideological and practical approach through which PKC personnel operate in a harmonised way globally. Implementing best practices, key systems and processes brings business benefits both to PKC and its customers. In terms of Corporate Responsibility, the PKC Way means that PKC operates with the same high standards regardless of the location.

PKC – A Global Partner for its Customers

PKC's vision is to be a global market leader in Electrical Distribution Systems Architecture and Electronics for commercial vehicles and selected other segments. In order to achieve that vision, PKC strives to be the best available partner for customers and to provide high-quality customer service globally. Increasing customer expectations and challenges relating to corporate responsibility also create new opportunities for PKC. By exceeding the expectations of the Group's customers, PKC can become the partner of choice, thereby creating new business opportunities for the Group.

PKC's clientele includes all the main western truck manufacturers and global, leading manufacturers of tractors, construction equipment and recreational vehicles. PKC has also set its entry into China and Asia markets as one of Group's key strategic goals. Unique expertise, flexibility of services, and a global supply chain make PKC a reliable partner that can, together with the customer, meet the challenges of the global commercial vehicle market. Harmonised practices and processes enable the Group to expand purposefully and efficiently. PKC's objective is for the customer to receive the same high level of service in each and every PKC location so that from their perspective, there is only one PKC regardless of geographical, cultural and legal differences.



NPI SUCCESS STORY. One of the key focuses of PKC's New Product Introduction (NPI) centres is the development of effective process management. NPI centres also facilitate improvements in manufacturing efficiency, customer service and overall competitiveness. A project led by the NPI centre in Mexico illustrates how the use of best practice sharing and collaboration enables PKC to deliver competitive advantages to customers. When our customer needed to test a new technology, PKC teams in North America and Europe worked closely together, combining their product knowledge, manufacturing expertise and understanding of the customer's needs with knowhow in software and hardware interfaces and testing. By sharing ideas not only within PKC but also with customers' engineers, the team ensured that the product was as well designed as possible. Following Mexico's NPI function's example, we have established NPI centres in other geographical regions.

PKC Uniqueness as Competitive Advantage

PKC provides its customers with added value generated by the Group's unique expertise. The expertise is supported by processes, tools, know-how and architecture components developed for complexity management. In its product strategy, product development takes into account the long- and short-term product development needs of PKC's customers and the latest development trends in the automotive industry. PKC organises PKC Technology Days for its customers, at which customer personnel can better learn about our expertise and range of products.

A prerequisite for PKC Uniqueness are skilled and professional personnel. PKC makes use of the best practices in the development of PKC's personnel's competence and well-being. Best practices are also shared actively among units in the global organisation.

Continuous Improvement

Economic fluctuation and an international, ever-growing global clientele present a continuous challenge to operational development. Ensuring competitiveness in the changing operating environment

leads to continuous improvement and the enhancement of operational flexibility. PKC's goal is to deliver high-quality and defect-free products and service that exceeds customer expectations and to provide added value, thereby achieving high customer satisfaction. In all operations, special attention is given to accuracy and quality. The tried-and-tested procedures and tools applied are part of PKC's best practices, which boost the high performance of the organisation. The mapping, identification and implementation of best practices are part of everyday operative development activities.

PKC is constantly developing its worldwide manufacturing and service network. In this work, the Group's active New Product Introduction (NPI) efforts through its regional NPI centres play a significant role in improving quality and cost effectiveness and ensuring the company's competitiveness in expanding markets.

In 2013, PKC expanded the activity of its NPI centres from North America to Europe and other regions. The function of the NPI centres is to ensure the seamless ramp-up of new customer programmes from the early design stage all the way to mass production. The centres also carry out constant development work for operating methods and processes,

so that PKC Uniqueness is always up to date and capable of meeting the challenges of the segment.

The harmonisation of quality metrics and reporting practices launched in 2012 as well as the integration of new production units into PKC were brought to completion in 2013. After the project, the development and intensification of reporting practices, metrics and quality processes have been integrated into normal operations to better meet the demands of a developing business environment.

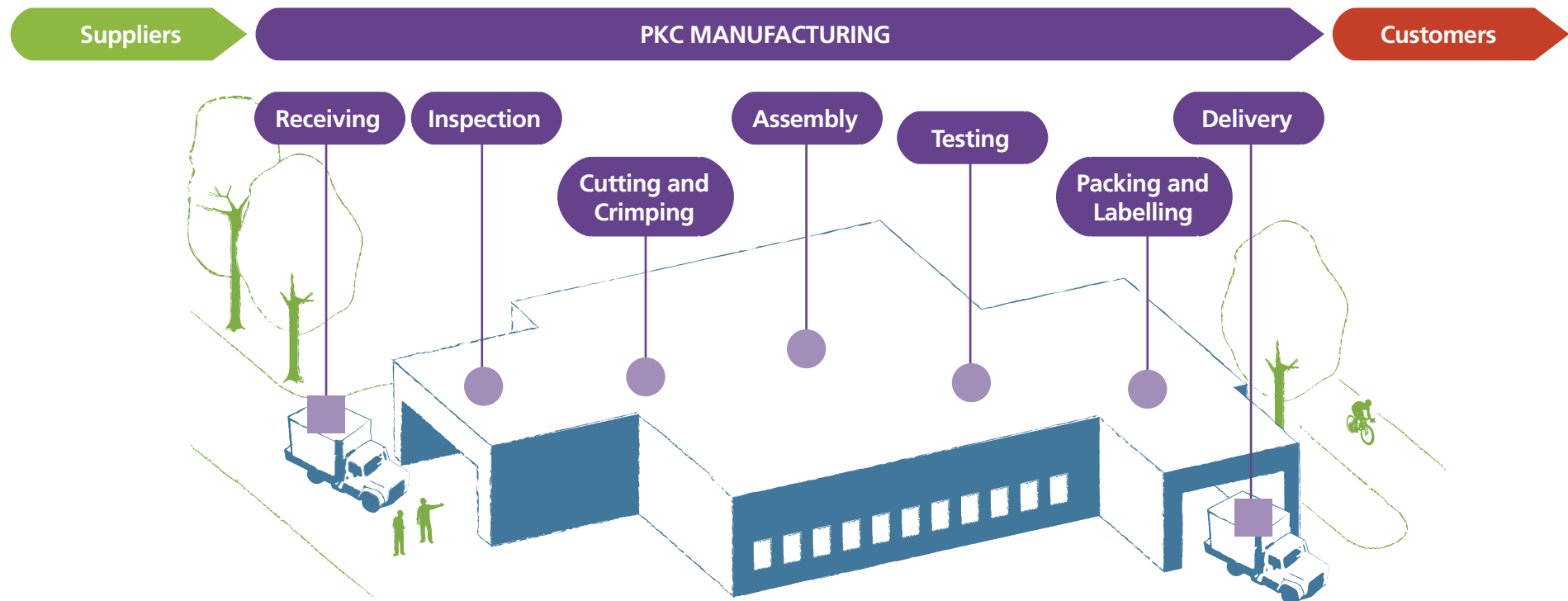
IT as an Example

In 2014, the Group's IT function implemented its own PKC Way project. In the project, key business processes were harmonised, best practices processes and the functionalities developed into the IT business systems were implemented, and system usage was improved. Implementing the PKC best practice processes and the key systems results in business benefits for PKC, namely, common part numbering, improved sourcing opportunities, most efficient production line work process minimizing, i.e. material scrap, workforce costs, time, overhead for process development.

Information accuracy and visibility for manufacturing and purchasing were improved through the implementation of proper and consistent PKC processes and the correct usage of system tools. This in turn helps to improve customer contracts, and allows for consistency in the planning of new product ramp up and ramp down processes. The results are possible reductions in overall manufacturing time and cost and the lessening of excess and obsolete materials.

PKC'S OPERATIONS

The Wiring Systems business represents 93.0% of PKC's revenue. Manufacturing of wiring systems is manual and labour-intensive work that is dependent on personnel's expertise and know-how in processes, products, technology and components rather than on machinery, equipment and processes that would require high energy consumption or water use, or the use of hazardous chemicals. It does not affect biodiversity or release emissions and effluents. Greenhouse gas emissions are generated mainly from travel and the transportation of components and materials from suppliers and of final products to customers.



Management Approach

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

PKC's approach to corporate responsibility comprises ethical business conduct, employee motivation, risk management, and strengthened stakeholder relationships. All of these also contribute to enhancing the Group's position in the market.

PKC adheres to 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 maintains a zero-tolerance policy on bribery and corruption. Compliance with legislation, regulations and international norms is a basic requirement, which must be fulfilled at all times.

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

PKC Group Plc's Board of Directors has approved the Code of Conduct, which covers the entire Group and all Group personnel. 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 the Board of Directors of PKC Group Plc. 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 a reliable supplier base. Thus, it simultaneously ensures competitiveness and customer satisfaction 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, and 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 and an external third party auditor ensure that PKC's quality management systems remain efficient and up-to-date. Quality is one of the key indicators by which customers evaluate their suppliers and which PKC uses to assess customer satisfaction.



Code of Conduct
Corporate Governance Guidelines
Corporate Governance Statement

Nearly all of the Group's factories are certified in accordance with requirements of the ISO 9001 quality standard as well as the ISO/TS 16949 quality standard for the automotive industry. Exceptions are the factories in Traverse City, USA, which are only certified in accordance with the requirements of the ISO 9001 standard; and the new Wiring Systems factories in Smederevo, Serbia and Panevezys, Lithuania that started operations in 2014, all of which shall be certified in due course. The Group also co-operates with customers in its quality development work. The design and manufacturing services of Electronics business have been strengthened with the ISO 13485 certification for the design and manufacture of medical devices.

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 are certified in accordance with the ISO 14001 environmental standard, except for Wiring Systems factories in Suzhou, China; Smederevo, Serbia; and Panevezys, Lithuania that started operations in 2014, all of which shall be certified in due course. In addition, the factory in Curitiba, Brazil is being recertified.

Personnel and Human Rights

PKC Group respects and endorses human rights and freedoms as defined by 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 instructions and guidelines related to personnel are approved by Group parent company.



SUPPLY CHAIN MANAGEMENT. PKC's supply chain management seeks to ensure the on-time delivery of products to customers while minimizing the total cost of ownership of goods. But because the Group's activities involve the manufacturing, transportation and storage of components and materials through different countries and continents, precise planning with the Group's partners is especially vital. Furthermore, component transportation increases PKC's total carbon footprint. Through continuous studies, the Group has identified opportunities to omit unnecessary legs in transportation, thereby enhancing efficiency while also reducing environmental impacts and costs.

Each Executive Board member responsible for regional operations is responsible for the implementation of the Code of Conduct within their region. The Human Resources Manager in Finland supervises and co-ordinates group-wide tasks. However, PKC's human resources function has predominantly been decentralised to regional and local management. Some personnel-related practises, such as those concerning 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 purpose 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. These include the Treasury Policy, Health and Safety Guidelines, and Information Security Guidelines.

The Board of Directors of PKC Group Plc is responsible for approving the principles of risk management as well as for making decisions on strategic risks.

Supply Chain Management

PKC's operates in global markets, and its supply chain involves the manufacturing, transportation and storage of components and materials through many different countries and continents. The Group'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 quantities of

the 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 evaluates its suppliers and subcontractors on a regular basis. The Group uses a common evaluation model for all suppliers. Evaluations are performed when selecting suppliers, but the model is also in use for assessing existing suppliers. The main points that are evaluated, based on ISO 14001 and ISO/TS 16949, are suppliers' quality and environmental systems, quality index, delivery accuracy, service level and flexibility.



PKC's Performance 2014

Personnel	19
Quality and Customer Satisfaction	22
Environment	25

Personnel

PKC operates using the same high standards with regard to corporate responsibility regardless of its location. PKC's production is labour-intensive, and the success of its PKC Uniqueness and Managing the Complexity concepts, and its competitiveness all rely on the skill and professionalism of its personnel.

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

At the end of the year, 54% of PKC Group's personnel were female and 46% were male. PKC is committed to a policy of equal employment opportunity and prohibits discrimination or harassment against any employee or applicant on the basis of gender, race, colour, religion, sexual orientation, age, disability, national origin, or any other status protected by applicable laws and regulations. During the year, personnel-related GRI indicators were incorporated into PKC's financial reporting system.

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

In 2014, PKC's employees showed praiseworthy social responsibility by participating

Key personnel figures

	2014	2013
Number of permanent employees at year-end	19,437	18,644
Number of temporary employees at year-end	605	613
Share of women, %	54	54
Share of women, Board Members, %	14	14

in initiatives such as employee volunteer actions in the North American region, for example. The scope of the different activities included providing assistance to disabled or needy children or to the homeless, actions for reducing hunger, as well as extending support to the flood victims in Acuña. In addition, the Rio Grande Clean Up was a commendable example of an environmental initiative carried out with the help of PKC employees who donated their personal time to improve the condition of the river and its banks in the city of Acuña, Mexico.

People Perspective in Manufacturing Footprint

In 2014, PKC established companies in Serbia and Lithuania. A new wiring harness factory also began production at Suzhou in China. These factories have been set up to follow the PKC Way – or in other words,

PKC's best practices, key guidelines, and key systems and processes have been implemented at the aforesaid locations. From the start, PKC have also extended the same high ethical standards to these new locations from the start.

PKC also made the decision to ramp down factories in Sosnowiec, Poland; Haapsalu, Estonia; Itajuba, Brazil; and Nogales, Mexico. To fulfil our social responsibility and to reduce the effects of these actions on the workforce, PKC is doing its utmost to assist the affected employees in finding new jobs, for example by offering relocation within PKC, co-operating with the local labour offices, arranging training and contacting other employers in the area.

Competence Development

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

The focal point in competence development is to ensure that PKC has the competences needed for 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.

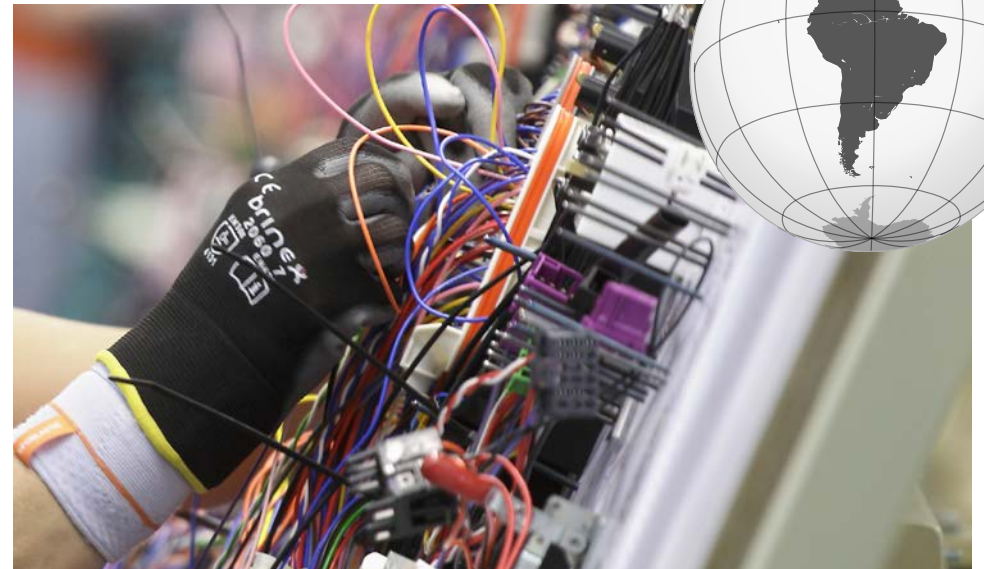
To ensure a harmonized and responsible way of operating, the entire PKC Group focuses continuously on Group policies such as the Code of Conduct and Anti-corruption compliance policy, also implementing them at PKC's new locations from the beginning.

PKC Way in Promoting Occupational Health and Safety

PKC recognizes that in developing its manufacturing footprint, an emphasis on health and safety matters is crucial.

PKC Group is committed to promoting the health and safety of its personnel. Labour protection – which comprises the maintenance of 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 and guidelines and procedures which are followed by all employees. PKC continuously monitors working conditions, the level of labour protection, as well as health and safety using various methods, which include regular workplace inspections and questionnaires surveying the workplace atmosphere.



MANAGING COMPLEXITY IN MANUFACTURING. In PKC Brazil alone, around 3,000 different components are handled in the manufacturing process, and full or partial wiring harness sets are produced for 200 to 250 commercial vehicles each day. PKC's competitiveness is based on its mastery of countless processes, products, technologies and components. This in turn is made possible by the Group's skilled and professional personnel, who make sure that customers are always provided with excellent service and high-quality products. Employees' wellbeing and continuous development are considered central to PKC's work. The company is committed to promoting sustainable labour practises and human rights wherever it operates.

Education, training, counselling, prevention and risk control measures have also been implemented in all of PKC's units. The implementation of the aforesaid processes has also been started in 2014 at PKC's new locations in Serbia, Lithuania and the new wiring harness factory in Suzhou, China.

PKC's production units in Acuña, Juárez, Piedras Negras, and Torreon in Mexico; Keila and Haapsalu in Estonia; Itajuba, Brazil; Raahe, Finland; and Suzhou, China have also achieved certification in accordance with the OHSAS18001 standards for occupational health and safety management systems.

Personnel surveys measuring employee well-being are conducted regularly and cover the entire Group. The results of the survey are used in further developing human resources processes and practices. In 2014, an extensive survey was conducted covering the North America region. The Group's other regions will be surveyed in 2015.

The Group has many facilities where the Environment, Health and Safety (EHS)

practices are world-class. PKC is proud of the best practices at these locations and intend to implement them gradually at PKC's other plants worldwide. PKC has started development actions that aim to leverage best practices in Health and Safety. In addition, PKC has created a Strategic EHS roadmap, which comprises a harmonized EHS Policy and key performance indicators. According to the roadmap, the cross-regional team will be responsible for working on proposing measures and self-assessment tools for improving employee safety as well as harmonising key performance indicators further. The project team is assigned to look for solutions to continuously minimize and exclude the safety related risks in different areas of occupational safety, for instance, in the areas of machinery safety and fall control.

Human Rights

For PKC Group, respecting and supporting internationally declared human rights and ensuring the fair treatment of employees are of the utmost importance. PKC is also

committed to providing equal employment opportunities and prohibit discrimination or harassment in any form. PKC abide 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 related to labour union representation of the employees in Acuña, Mexico has calmed down after the official election organised by the Mexican Federal Labour Board in October 2012. Moreover, the 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 a court case requesting a new vote. The said 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 to reduce its environmental impact.

PKC continuously monitors requirements, restrictions and expectations set by regulations as well as by customers and other stakeholders relating to quality, product safety, and environmental impacts throughout all product and service lifecycles in all of its operations.

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 complexity increases, the safety aspects of wiring harnesses will also become increasingly critical in the future. Due to this trend as well as rising customer demands, PKC continued to develop its product safety management process in 2014. The focus of the process is to make the management of safety-critical aspects in the harnesses more transparent as well as more tangible in everyday operations. In 2014, personnel were also given product

safety training, which included training on the product safety management process in order to further improve awareness on product safety throughout the company.

In order to safeguard PKC's close customer relationships, PKC monitors 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 of achieving the improvements pinpointed by the results. The objective of the survey is to determine PKC Group's global customers' levels of satisfaction in the following main categories: products, deliveries and customer service personnel. Additionally, the survey also asks questions concerning customers' future relationship with PKC Group. The results are reported both on the Group level and in the Wiring Systems and Electronics business segments.



CRM – THE FOUNDATION OF PKC UNIQUENESS. PKC's approach to Customer Relationship Management (CRM) is to constantly examine how to further support customers in their businesses. PKC's North American operations, in particular, take a dynamic and long-term attitude in cultivating relationships with customers, which has earned it excellent results in annual customer satisfaction surveys and customer awards. From the North American perspective, some of the keys to success in CRM are regular communications with customers, actively listening to them and linking their needs with PKC solutions, and proactive and customer oriented approach throughout the customer relationship. Understanding the customer's internal organization, culture and decision-making processes and learning to work successfully with them is also seen as critical.

Quality is one of PKC's key values, and in recognition of the quality of the Group's work, PKC in North America received the following customer awards in 2014:

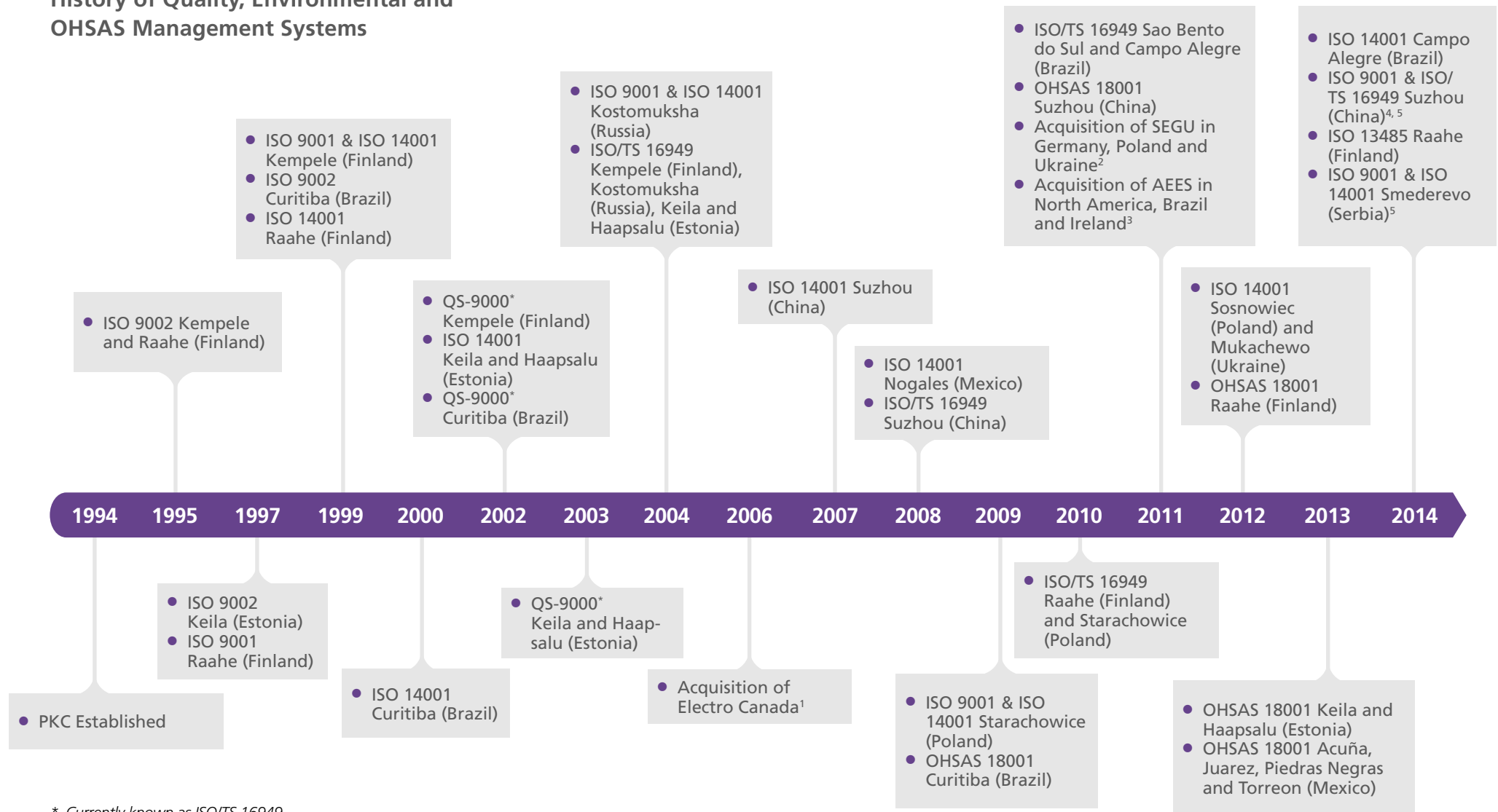
- Navistar's Diamond Supplier Award, which recognises suppliers that meet or exceed quality, delivery, commercial and Service parts and aftermarket goals for the entire year
- Daimler Trucks North America's "Masters of Quality" Supplier Award for excellence, in appreciation and recognition of superior quality parts provided during the past 12 months
- Paccar's 2013 50 PPM Award – a Quality Achievement for meeting Paccar's expectations on supplied parts and components to achieve 50 PPM or better quality
- Ford's Q1 Quality Award

PKC's continuously develops, improves and optimises its processes in order to enhance efficiency and quality in its production network. Reporting practices are also continuously improved to better correspond with changes in the business environment.

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



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, Juarez, Piedras Negras and Torreon (Mexico) ISO 9001 Grand Traverse (USA) OHSAS 18001 Itajuba (Brazil)

⁴ Wiring harness manufacturing plant

⁵ Certificates received in January 2015

Environment

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

Although the environmental impact of PKC's own operations is minimal, PKC Group aims to reduce the environmental impact of manufacturing by sourcing materials near its manufacturing sites, optimising deliveries, selecting recyclable materials and efficiently managing and recycling materials. To reduce packaging waste, products are delivered to clients in recyclable and reusable packaging. 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 for power and signal distribution while minimising material weight, cost and tooling investment.

Energy efficiency and sustainability are major concerns in society today. The lighting industry is going through a radical transformation driven by rapid progress in LED lighting, which calls for sustainable and energy-efficient solutions. In 2014, PKC participated in the EnLight project, an initiative that succeeded in developing an intelligent and energy-efficient lighting

system which reduced energy consumption by over 40% compared to the solutions currently available without affecting the user experience. The EnLight project received the ENIAC 2014 Innovation Award in November.

PKC decreases the environmental impact of travel by encouraging personnel to favour telephone or online meetings instead of physical meetings which require transport.

Environmental legislation, such as the automotive industry's emission standards, plays an important role in market cyclicity and the reduction of emissions. Emission regulations and other technological requirements that reduce environmental impact, improve efficiency, driver comfort, safety and transparency are becoming increasingly stringent. Emerging markets, especially China, are catching up to Western standards rapidly.

PKC has reported the new GRI environmental performance indicators which were introduced in 2013 at our new manufacturing locations during 2014. These

included the indicators relating to energy consumption, water use, and the total amount of waste.

All of the Group's factories are certified in accordance with the ISO14001 environmental standard apart from the new wiring harness factory in Panevezys, Lithuania, which has not yet been certified. Wiring harness factories in Campo Alegre, Brazil; Suzhou, China; and Smederevo, Serbia have undergone ISO14001 certification audits in 2014. Preparations to recertify the Curitiba, Brazil factory according to ISO14001 environmental standard are on-going.

Initiatives to Mitigate Environmental Impacts in Relation to Water Use

In PKC's assembly processes, water is consumed mainly for sanitary and catering purposes. For the most part, water is not consumed during the production processes of wiring harness manufacturing. Limited amounts of water are used in the process,



FIRST-CLASS R&D. PKC Electronics employs design professionals in Finland and China. The same design practices, processes and tools are used in both sites to ensure seamless cooperation. In addition, R&D training plans are developed and implemented annually to keep personnel's skills up-to-date. Through its comprehensive design service offering, PKC is able to provide customers with complete solutions from specification to end product, or alternatively, take on smaller pieces of projects. Restrictions and expectations relating to quality, product safety, and environmental impact are taken into account already in the design phase.

mainly as a cooling agent in closed circulation, and those locations engaged in such activities comply with water discharge parameters established by country regulations. Controls and measures to prevent water leaks and water misuse are also in place.

PKC's manufacturing locations set their own local targets related to reducing water consumption in line with ISO 14001. In 2014, achievements in reducing water consumption include:

- Use of treated water for gardening and sanitary services in Juarez, Mexico
- A 38% reduction in water consumption in Juarez, Mexico

Initiatives to Mitigate Environmental Impacts in Relation to Emissions

Due to the fact that PKC's manufacturing work consists mainly of manual assembly work, PKC's operations generate a limited amount of emissions. Small amounts of emissions are generated in processes such as moulding. Where emissions occur, PKC's approach is to filter and conduct process

emissions 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 processes, and therefore there are no effluents generated in manufacturing. Effluents generated are wastewater, primarily sewage water and wastewater from the washing and housekeeping of production facilities. Detergents used by cleaning services are primarily biodegradable.

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 day and night, and no instances of exceeding legal limits have been found. In production, ear protection is used where mandated by health and safety regulations. For example, in Estonia, the 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 consists mainly of manual assembly. Most waste is generated from packaging, such as cardboard boxes and other packaging materials. Waste is also generated as a result of processing materials into semi-finished or final products. Generated waste is sorted and then sent to authorised disposal sites where it is recycled

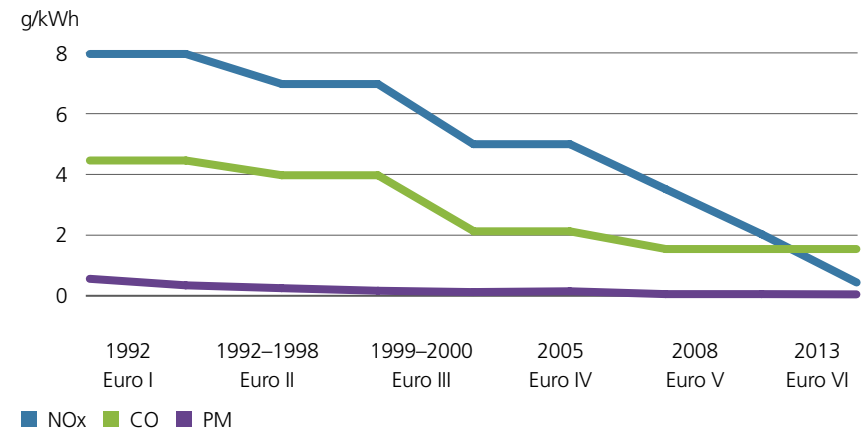
or disposed of. Waste generated during the manufacturing process is mainly recycled.

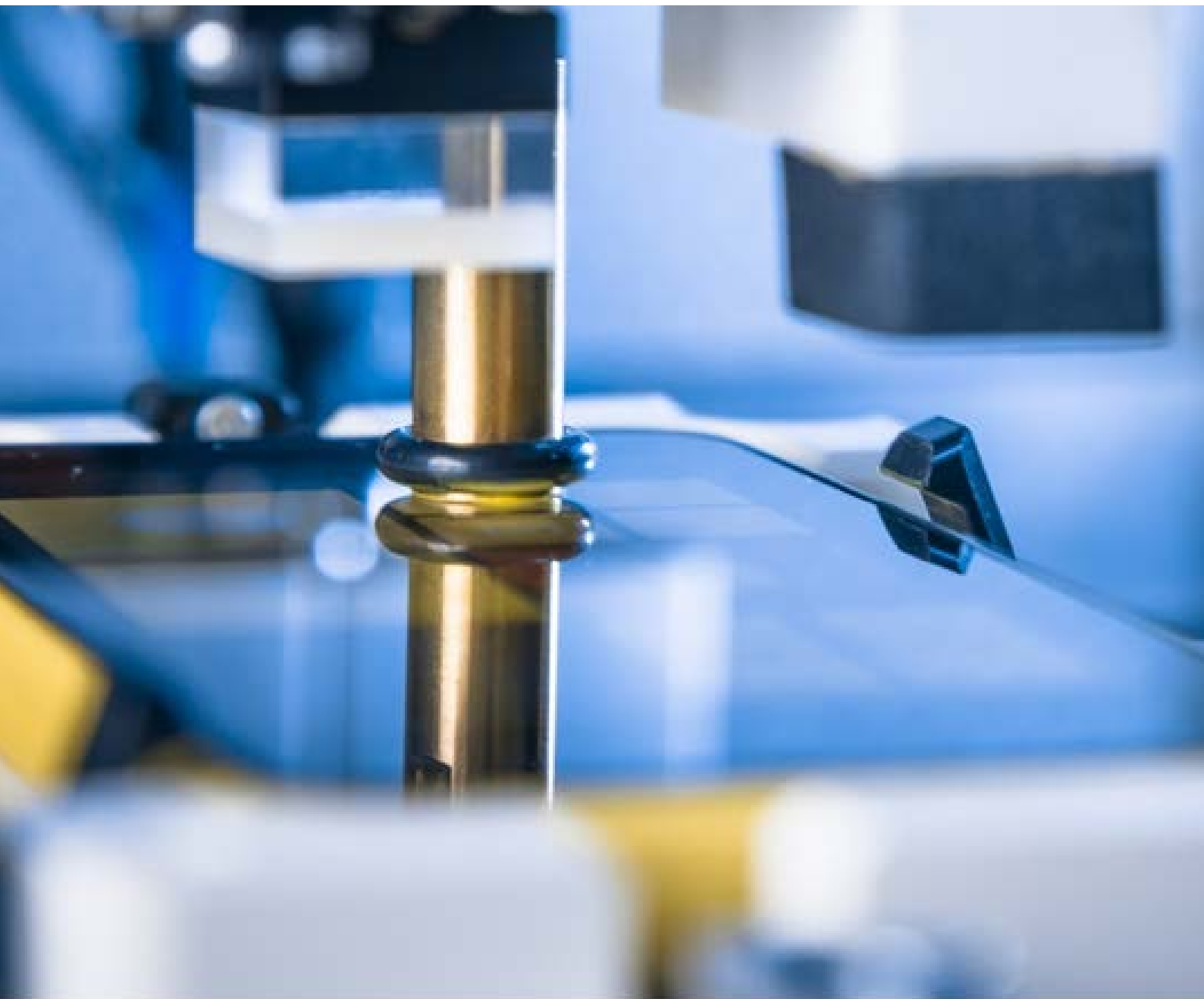
Waste levels are monitored and the amount of communal waste is minimised with the aim of recycling as much waste as possible by sorting the generated waste.

Achievements in 2014 include:

- In Serbia, the use of disposable plastic cups for drinking water has been reduced by providing a drinking bottle for each employee. Estimated waste reduction through this initiative is 1.8 tonnes of waste per year
- In Juarez, Mexico, hazardous waste was reduced by 26% compared to 2013

EU emission standards for HD diesel engines, g/kWh





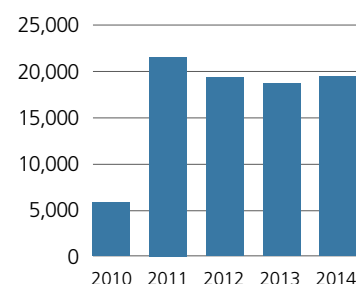
Key Data

Employee and Social Key Data	29
Environmental Key Data	34
Economic Key Data	36

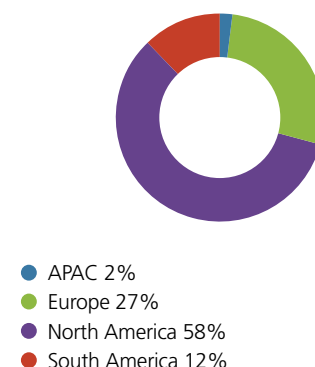
Employee and Social Key Data

The figures shown in LA1 tables include also temporary employees. At the end of the financial year, the Group's personnel numbered 19,437 employees, in addition to which the Group had 605 temporary employees.

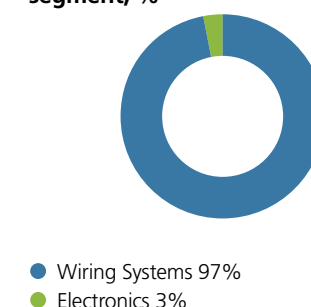
LA1 Number of personnel from 2010 to 2014



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	8,975	46	10,481	54	19,456
Electronics	285	49	301	51	586
PKC Group Total	9,260	46	10,782	54	20,042

LA1 Total workforce by gender

	Male	Male-%	Female	Female-%	Total
APAC	217	52	202	48	419
Europe	1,464	27	4,024	73	5,488
North America	6,679	57	5,019	43	11,698
South America	900	37	1,537	63	2,437
PKC Group Total	9,260	46	10,782	54	20,042

LA1 Total workforce by region

	%
APAC	2
Europe	27
North America	58
South America	12
PKC Group Total	100

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	141	139	280	76	63	139	419
Europe	186	405	591	931	3,248	4,179	347	371	718	5,488
North America	1	0	1	6,221	4,844	11,065	457	175	632	11,698
South America	10	3	13	678	1,319	1,997	212	215	427	2,437
PKC Group Total	197	408	605	7,971	9,550	17,521	1,092	824	1,916	20,042

LA1 Employment type and gender

	Full time			Part time			Total
	Male	Female	Total	Male	Female	Total	
APAC	217	202	419	0	0	0	419
Europe	1,275	3,603	4,878	3	16	19	4,897
North America	6,275	4,700	10,975	403	319	722	11,697
South America	885	1,521	2,406	15	3	18	2,424
PKC Group Total	8,652	10,026	18,678	421	338	759	19,437

LA1 Employment contract type and gender

	Permanent			Fixed Term			Total
	Male	Female	Total	Male	Female	Total	
APAC	5	0	5	212	202	414	419
Europe	1,102	3,038	4,140	176	581	757	4,897
North America	6,678	5,019	11,697	0	0	0	11,697
South America	900	1,524	2,424	0	0	0	2,424
PKC Group Total	8,685	9,581	18,266	388	783	1,171	19,437

LA2 New employee hires entering employment by gender

Rate	Male, %	Female, %	Total, %
APAC	30	27	57
Europe	10	22	32
North America	19	16	35
South America	9	26	36
PKC Group Total	16	19	35

LA2 Employee hires leaving employment by gender

Rate	Male, %	Female, %	Total, %
APAC	17	18	36
Europe	6	17	23
North America	18	14	32
South America	20	33	53
PKC Group Total	15	17	32

LA2 New employee hires entering employment by age groups

Rate	< 30 - %	30-50 - %	> 50 - %
APAC	41	16	0
Europe	16	13	3
North America	26	9	0
South America	23	12	1
PKC Group Total	23	10	1

LA2 Employee hires leaving employment by age groups

Rate	< 30 - %	30-50 - %	> 50 - %
APAC	28	7	0
Europe	9	11	3
North America	22	9	1
South America	39	15	0
PKC Group Total	21	10	1

Minor first-aid cases are not included in the figures in the following regions / countries: Lithuania, Poland, APAC (WS Business), Serbia, Russia, Brazil

In the rest of the regions / countries minor 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	0.3	0.7	0.5
Europe	1.2	1.3	1.3
North America	1.8	2.3	2.0
South America	0.5	0.3	0.4
PKC Group Total	1.6	1.7	1.6

LA7 Total workforce: Occupational diseases rate (ODR)

ODR	Male	Female	Total
APAC	0.00	0.00	0.00
Europe	0.00	0.03	0.02
North America	0.00	0.00	0.00
South America	0.35	0.30	0.32
PKC Group Total	0.03	0.06	0.04

LA7 Total workforce: Absense rate (AR)

AR	Male	Female	Total
APAC	3,349	4,303	3,817
Europe	8,393	15,907	13,882
North America	1,312	1,311	1,312
South America	11,385	12,340	12,010
PKC Group Total	3,011	6,841	5,000

LA4 Employees covered by collective bargaining agreements

Coverage	%
APAC	0
Europe	80
North America	83
South America	100
PKC Group Total	82

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	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	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
Europe	0	0	0
North America	0	0	0
South America	0	0	0
PKC Group Total	0	0	0



LA7 Total workforce: Lost day rate (LDR)

LDR	Male	Female	Total
APAC	25.3	63.0	43.8
Europe	57.6	38.5	43.3
North America	0.0	0.0	0.0
South America	5.3	8.8	7.6
PKC Group Total	7.4	14.0	10.9

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	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	0
South America	0
PKC Group Total	0

LA7 Independent contractors: Absolute number of fatalities

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

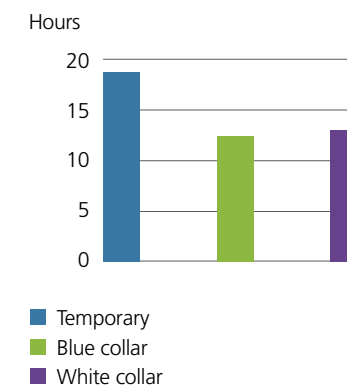
LA10 Average number of training hours per year per employee by employee category

Average training hours / person	Temporary	Blue collar	White Collar	Total
APAC	0.0	37.2	29.2	34.5
Europe	19.1	8.4	23.1	11.4
North America	0.0	12.7	3.9	12.2
South America	0.1	15.8	4.5	13.7
PKC Group Total	18.7	12.4	13.0	12.6

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

Average training hours / person	Male	Female	Total
APAC	39.3	29.4	34.5
Europe	18.6	8.8	11.4
North America	10.1	15.0	12.2
South America	9.0	16.5	13.7
PKC Group Total	12.0	13.2	12.6

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



HR3 Total hours trained in policies and procedures concerning aspects of human rights relevant to operations¹

Number of hours trained	h
APAC	789
Europe	1,777
North America	5,834
South America	866
PKC Group Total	9,266

HR3 Percentage of employees trained in policies and procedures concerning aspects of human rights relevant to operations¹

	%
APAC	87.6
Europe	36.2
North America	99.7
South America	35.5
PKC Group Total	74.3

HR4 Total number of incidents of discrimination and corrective actions taken

Number of reported cases	2014	2013
APAC	0	0
Europe	0	0
North America	1	4
South America	0	0
PKC Group Total	1	4

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

	%
APAC	100
Europe	N/A
North America	100
South America	100
PKC Group Total	100

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	2	0	0
Europe	11	0	0
North America	13	0	0
South America	3	0	0
PKC Group Total	29	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	0
South America	0
PKC Group Total	0

SO3 Percentage of employees trained in anti-corruption policies and procedures²

	%
APAC	87.6
Europe	33.7
North America	99.8
South America	35.7
PKC Group Total	74.9

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

Number of all cases	2014	2013
APAC	0	0
Europe	0	0
North America	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	0
South America	0
PKC Group Total	0

Note! The figures represent the percentage of employees trained during the calendar year. Part of the personnel has been trained already in 2012 and 2013.

¹ Including temporary employees

² Excluding temporary employees

Environmental Key Data

EN1 Total of materials used (purchase volume in EUR)

	% of usage
Raw materials (copper and resin)	23.9
Associated process materials (chemicals, fluids)	0.2
(Semi-manufactured goods) Purchased components	74.1
Packaging materials	1.9
PKC Group Total	100

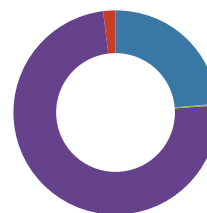
EN3 Direct energy consumption

MWh	Total
APAC	2,979
Europe	19,478
North America	47,223
South America	1,855
PKC Group Total	71,535

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	6,524	6,524
Europe	0	0	127	1,758	31,530	33,415
North America	0	0	0	0	166,352	166,352
South America	0	4,926	0	0	36,420	41,346
PKC Group Total	0	4,926	127	1,758	240,826	247,637

EN1 Total of materials used, %*



- Raw materials (copper and resin) 23.9%
- Associated process materials (chemicals, fluids) 0.2%
- Purchased components (Semi-manufactured goods) 74.1%
- Packaging materials 1.9 %

¹ Non-renewable material volume of total usage is 24.2%

² Direct material volume of total material usage is 98.0%

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	0	24	0	0	0	0	0	0	0	24
Europe	35	872	24	169	125	0	113	0	0	1,339
North America	119	4,781	0	4	3	0	1,425	0	0	6,332
South America	0	86	0	0	5	0	129	0	0	220
PKC Group Total	154	5,764	24	172	133	0	1,667	0	0	7,915

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

t/year	Total
APAC	10
Europe	39
North America	89
South America	97
PKC Group Total	235

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

	EUR
APAC	0
Europe	0
North America	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	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)

Economic Key Data

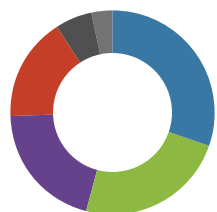
Group Key Figures

	2014	2013	2012	2011	2010
Revenue, EUR million	829.2	884.0	928.2	550.2	316.1
Operating profit (loss), EUR million	-6.7	30.5	43.5	34.5	29.7
Profit (loss) before taxes, EUR million	-10.4	21.6	34.9	29.4	25.0
Return on investment (ROI), %	5.3	14.7	16.7	18.9	25.8
Equity ratio, %	34.7	42.7	33.9	30.0	56.5
Gross capital expenditure, EUR million	19.9	14.6	16.0	101.5	8.6
Earnings per share (EPS), EUR	-1.21	0.62	1.12	1.16	1.09
Dividend per share, EUR*	0.70*	0.70	0.70	0.60	0.55

PKC Market Share

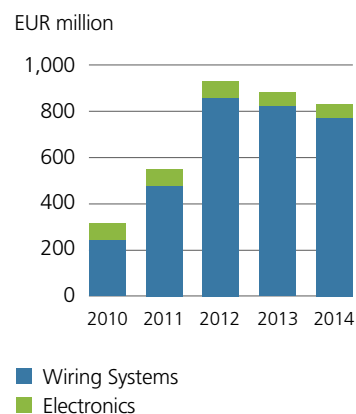
%	Heavy Commercial Vehicle	Medium Commercial Vehicle
APAC	1	0
Europe	42	23
North America	58	34
South America	36	2

Ownership by category, %

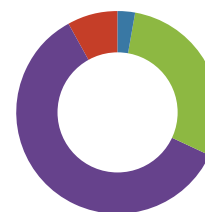


- Foreign investors 30.5%
- Households and private investors 23.7%
- Financial institutions and insurance corporations 20.4%
- Public institutions 16.3%
- Domestic corporations 6.0%
- Non-profit institutions 3.1%

Revenue by business segment



Revenue by region, %



- APAC 3%
- Europe 29%
- North America 60%
- South America 8%

* Board's proposal

**GRI**

About the Report
GRI G3.1 Content index

38
39

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 2014 is PKC Group's third Corporate Responsibility Report. The report for year 2014 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 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.

All group-wide and regional organisations and units are included in the reporting scope. In 2014, there have not been changes in the reporting scope, except for the new established companies in Serbia and Lithuania, which have been included in key data. At the end of 2014, PKC has facilities 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.

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.





GRI G3.1 Content Index – Application Level B



This GRI-index includes links

STANDARD DISCLOSURES PART I: Profile Disclosures

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
1. Strategy and Analysis					
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, 14, 15–17		
2. Organisational Profile					
2.1	Name of the organisation	●	p. 3		
2.2	Primary brands, products, and/or services.	●	p. 3		
2.3	Operational structure	●	p. 3; 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, 38		
2.6	Nature of ownership and legal form	●	p. 3, 36		
2.7	Markets served	●	p. 3, 36; More detailed information in Annual Report		
2.8	Scale of the reporting organisation	●	p. 3, 38		
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. 6, 23		
3. Report Parameters					
3.1	Reporting period	●	p. 38		
3.2	Date of most recent previous report	●	12 March 2014		
3.3	Reporting cycle	●	Annually		
3.4	Contact point for questions regarding the report or its contents	●	p. 47		
3.5	Process for defining report content	●	p. 10–11, 38		
3.6	Boundary of the report	●	p. 38		

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
3.7	Specific limitations on the scope or boundary of the report	●	p. 38		
3.8	Issues affecting significantly comparability	●	No significant changes in comparison to previous report		
3.9	Data measurement techniques and the bases of calculations	●	p. 38; Unless otherwise stated, these follow techniques and bases of calculations set out in GRI guidelines and manuals.		
3.10	Re-statements of information provided in earlier reports	●	No re-statements made in comparison to previous report		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	●	No significant changes in comparison to previous report		
3.12	GRI content index	●	p. 39–46		
3.13	Policy and current practice with regard to seeking external assurance for the report	●	p. 38		

4. Governance, Commitments, and Engagement

4.1	Governance structure of the organization	●	Corporate Governance Statement		
4.2	The position of the Chairman of the Board of Directors	●	Chairman of the Board of Directors is not an executive officer.		
4.3	Independence of the members of the Board of Directors	●	Corporate Governance Statement		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board of Directors	●	Corporate Governance Guidelines		
4.5	Linkage between compensation for members of the Board of Directors and senior managers and the organization's corporate responsibility performance	●	Remuneration Statement		
4.6	Avoidance of conflicts of interest in the Board of Directors	●	Corporate Governance Statement		
4.7	Determination of the composition, qualifications, and expertise of the members of the Board of Directors	●	Corporate Governance Statement		
4.8	Mission or values, codes of conduct, and other principles and the status of their implementation	●	p. 7, 15–17; in addition to which strategy , values and Code of Conduct may be found at PKC's website.		
4.9	Procedures of the Board of Directors for overseeing the management of economic, environmental, and social performance, including risk management	●	Corporate Governance Guidelines ; Corporate Governance Statement ; Code of Conduct		
4.10	Board of Directors' self evaluation	●	Corporate Governance Guidelines ; Corporate Governance Statement		
4.11	Implementation of the precautionary approach	●	p. 15–17, 22–23		
4.12	Externally developed economic, environmental, and social initiatives which the organization endorses	●	p. 15–17		
4.13	Memberships in associations and advocacy organizations	●	PKC is not a member of such associations and/or national/international advocacy organizations.		
4.14	Stakeholders of the organisation	●	p. 10–11		
4.15	Basis for identification and selection of stakeholders with whom to engage	●	p. 10–11, 38		
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. 15	
	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. 14, 17, 25–27	
	Energy	●	p. 9, 11, 14	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, 14, 25–26	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. 14, 25–27	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, 14, 25–27	PKC's operations do not produce emissions or effluents and therefore are not significant in PKC's operations.
	Products and services	●	p. 4, 14, 17, 22–27	
	Compliance	●	p. 15–16, 25–27	
	Transport	●	p. 6, 14, 17	
	Overall	●	p. 7–9, 15–17, 25–27	
DMA LA	Management Approach to Labour Practices and Decent Work			
Aspects	Employment	●	p. 9, 17, 19–21	
	Labour/management relations	●	p. 9, 17, 19–21	
	Occupational health and safety	●	p. 17, 19–21	
	Training and education	●	p. 17, 19–21	
	Diversity and equal opportunity	●	p. 17, 19–21	
	Equal remuneration for women and men	●	p. 19–21	

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 <u>Code of Conduct</u> to all employees.	
	Non-discrimination	●	p. 15–17, 21: More information in <u>Code of Conduct</u>	
	Freedom of association and collective bargaining	●	p. 15–17, 21: More information in <u>Code of Conduct</u>	
	Child labour	●	p. 15–17, 21; More information in <u>Code of Conduct</u>	
	Prevention of forced and compulsory labour	●	p. 15–17, 21; More information in <u>Code of Conduct</u>	
	Security practices	●	The data related to security personnel trained in PKC's <u>Code of Conduct</u> or procedures concerning aspects of human rights has not been tracked separately. PKC intends to have all personnel trained in <u>Code of Conduct</u> and procedures concerning human rights and track the data concerning the training	
	Indigenous rights	○		Not applicable
	Assessment	●	p. 15–17, 19–21	
	Remediation	●	p. 15–17, 19–21	
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, 15–17, 19–21; More information in <u>Code of Conduct</u>	
	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. 15–17; More information in <u>Code of Conduct</u>	
	Compliance	●	p. 9, 15–17, 19–21; More information in <u>Code of Conduct</u>	
DMA PR	Management Approach to Product Responsibility			
Aspects	Customer health and safety	●	p. 15–17, 22–23	
	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. 15–17, 22–23	

STANDARD DISCLOSURES PART III: Performance Indicators

Performance indicator	Description	Reported	Cross-reference/Direct answer
Economic			
EC1	Direct economic value generated and distributed	●	p. 9
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	●	p. 8, 9, 27
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. 34
Energy			
EN1	Direct energy consumption by primary energy source	◐	p. 34
Water			
EN8	Total water withdrawal by source	●	p. 34
Biodiversity			
EN11	Lands owned, leased, or managed in protected areas and areas of high biodiversity value	●	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. 35
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	p. 25–27
Compliance			
EN28	Fines and and other 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, broken down by gender	●	p. 29–30
LA2	Employee turnover	●	p. 30
Relations between personnel and management			
LA4	Percentage of employees covered by collective bargaining agreements	●	p. 31

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 by region and by gender	●	p. 31-32
Training and education			
LA10	Average hours of training per year per employee	●	p. 32
Diversity and equal opportunity			
LA13	Composition of governance bodies and employee participation there in	●	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. 33
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken	●	p. 33. PKC North America received one claim alleging discrimination and sexual harassment. The claim was reported through an independently administered Ethics & Compliance hotline. Claim was diligently investigated, and closed as unsubstantiated.
Freedom of association and collective bargaining			
HR5	Operations and suppliers in 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 suppliers with a risk for incidents of child labour	●	No such operations or significant suppliers has been identified
Forced and compulsory labor			
HR7	Operations and suppliers with a risk for incidents of forced or compulsory labour	●	No such operations or significant suppliers has been identified
Security practices			
HR8	Security personnel trained in the organization's policies or procedures concerning aspects of human rights	○	p. 33. Training for internal security personnel reported.
Assessment			
HR10	Number of operations that have been subject to human rights reviews and/or impact assessments	●	p. 33. No operations have been subject to human rights reviews and/or impact assessments.
Remediation			
HR11	Number of grievances related to human rights filed, addressed and resolved	●	0

Performance indicator	Description	Reported	Cross-reference/Direct answer
Social: Society			
Corruption			
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	●	p. 33
Anti-competitive behavior			
SO7	Legal actions for anti-competitive behavior and monopoly practices	●	p. 33. No legal actions for anticompetitive behaviour, anti-trust, and monopoly practices have taken place
Compliance			
SO8	Fines and other 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 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. Design Failure Mode Effects Analysis is part of the process in which items regarding health and safety impacts are assessed.</p> <p>For certification: Material certifications performed to ensure adherence to applicable customer specifications. Requirements may vary by customer.</p> <p>For manufacturing and production: Process Failure Mode Effects Analysis (PFMEA) is carried out based on DFMEA in combination with performance requirements. 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. 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: 99%</p>
Product and service labelling			
PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	●	p. 22
Compliance			
PR9	Fines and other sanctions for non-compliance with laws and regulations	●	EUR 0

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Contact information for the PKC Group's other locations may be found on PKC Group's website at **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**.

PKC GROUP 