



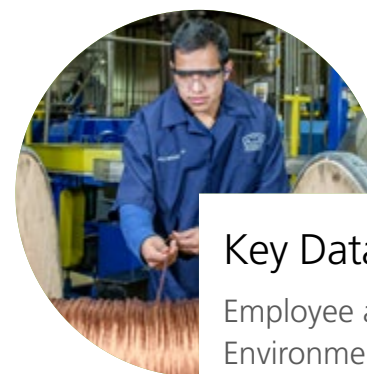
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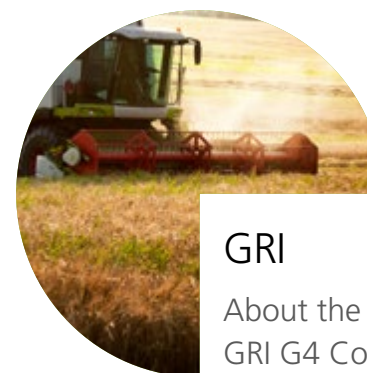
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# PKC Group in Brief

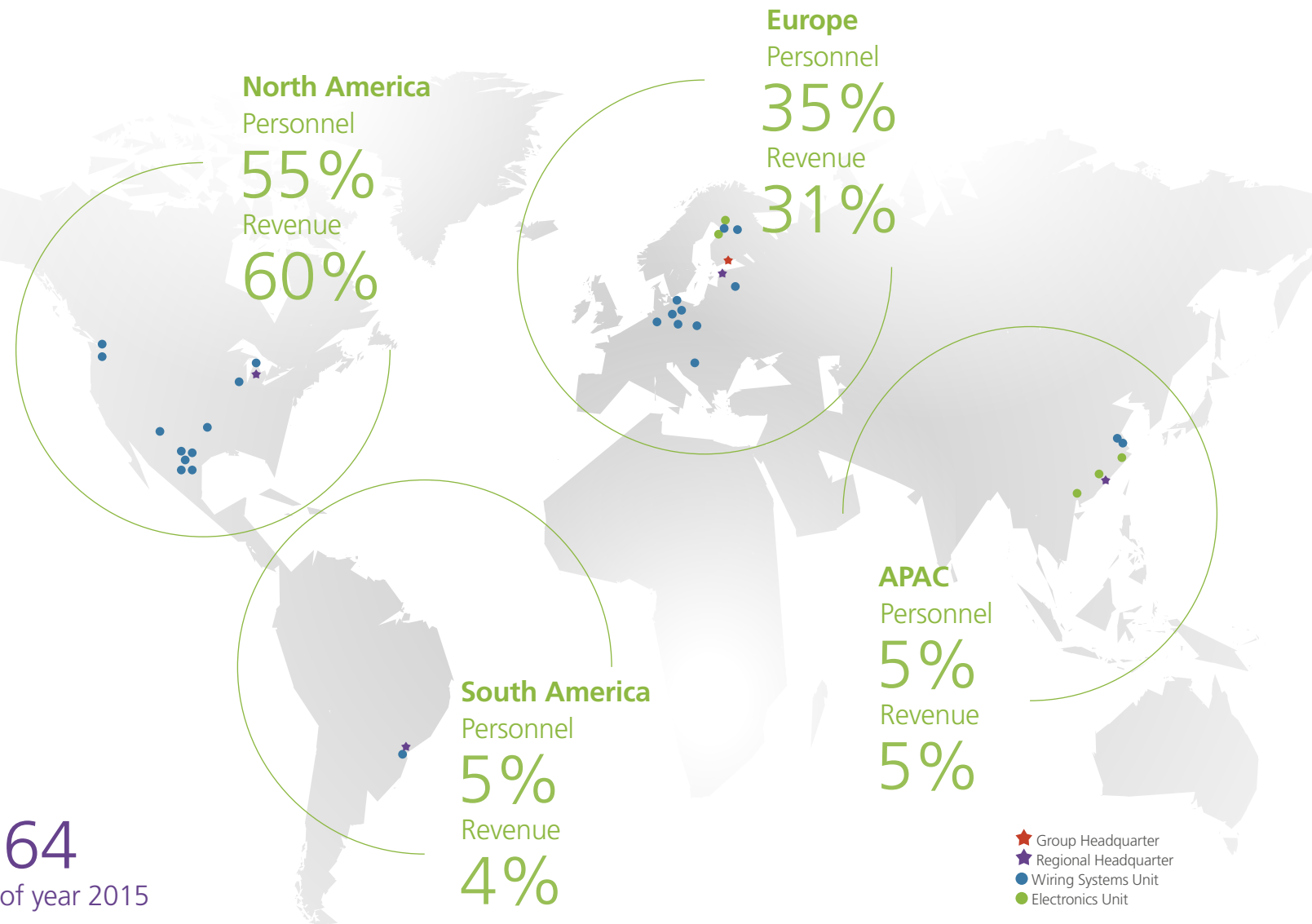
PKC Group Plc is a public limited liability company listed on Nasdaq Helsinki and headquartered in Helsinki, Finland. PKC designs, manufactures and integrates electrical distribution systems, electronics and related architecture components for the commercial vehicle industry, rolling stock manufacturers and other selected segments. The Group's customers are globally operating Original Equipment Manufacturers (OEMs).

The Group has production facilities in Brazil, China, Estonia, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and the USA. PKC's regional headquarters are located in Farmington Hills, MI (USA), Curitiba (Brazil), Keila (Estonia) and Hong Kong (China).

PKC Group operates in two business areas: Wiring Systems and Electronics.

Revenue  
**908.0**  
EUR million

Personnel  
**21,764**  
at the end of year 2015



## Wiring Systems

The Wiring Systems business designs, manufactures and integrates tailored electrical distribution systems and related architecture components, vehicle electronics, wires and cables especially for trucks and buses, light and recreational vehicles, construction equipment and agricultural and forestry equipment. In addition, PKC develops and manufactures electrical cabinets, power packs and electrical distribution systems for leading rolling stock manufacturers. 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 systems, reliably and in line with JIT (Just in Time) delivery schedules
- Long-term experience and solid customer relationships; PKC is a trusted business partner, wholly committed to its customers' success
- Global, flexible services and production networks close to our customers

Revenue  
**846.7**  
EUR million  
**93.2% of consolidated revenue**

### Current Customer Segments



Trucks & Buses  
(HCV & MCV)



Light Commercial  
Vehicles (LCV)



Construction  
Equipment



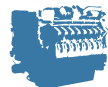
Rolling Stock



Recreational  
Vehicles



Agriculture and  
Forestry Equipment



Engines



Energy

## Electronics

The Electronics business develops innovative turn-key solutions for testing and power control as well as offers global EMS & ODM services for customers in telecommunication, energy, automotive and electronics industries. Electronics' business products are most frequently used for the testing of electronic devices.

### Strengths

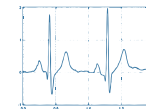
- Comprehensive product portfolio for testing and power control
- Own, strong product concepts based on modularity and easy customisation: Chameleon, Alva, Nactus and Caiman
- Turn-key solutions from design to manufacturing with on-site service including full service centres in China and Finland, and additional support centres near customers

Revenue  
**61.3**  
EUR million  
**6.8% of consolidated revenue**

### Current Customer Segments



Energy



Medical



Security



Telecommunications



# Foreword by the President and CEO

## Dear Stakeholders,

PKC's vision is to be the preferred supplier in electrical distribution systems for the transportation industry globally. The global business environment, 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, systems and processes, we bring business benefits both to our customers and to PKC. In terms of corporate responsibility, the PKC Way guides us in operating with the same high standards, regardless of location.

## Strategic Manufacturing Footprint

In 2015, we continued to develop PKC's manufacturing footprint to enhance the competitiveness of the solutions we deliver to our customers. We continued to shift European capacity to our new facilities in Serbia and Lithuania and acquired the rolling stock electrical distribution system business (Wiring & Controls business) of Groclin S.A. Group in July, 2015. The deal included Kabel-Technik-Polska Sp. z o. o. ('KTP') with four locations in Poland, adding additional capacity, expanded product portfolio and manufacturing expertise. The KTP locations in Białogard, Drawsko-Pomorskie, Czaplinek

and Grodzisk Wielkopolski produce electrical cabinets, power packs and electrical distribution systems for rolling stock manufacturers, and the clientele also includes on/off highway commercial vehicles, energy and the materials handling industry.

Our global footprint expanded even further with the joint venture launched in China with Jiangsu Huakai Wire Harness Co. Ltd. ('Huakai') in September. Huakai has a strong relationship with its customers and a long and successful history in the wiring systems market in China. The partnership between PKC and Huakai strengthens further PKC's ability to penetrate into APAC and grow inside the market area.

In line with the challenging market in Brazil, PKC made the tough decision to continue consolidation of operations into the Campo Alegre plant, ramping down manufacturing operations in Curitiba. As has been our commitment to our employees, we will continue to do our utmost to reduce the effects of these actions on the workforce and assist the affected employees in finding new jobs; for example, offering them relocation within PKC, cooperating closely with the labour office, arranging training, and contacting other employers in the area.



“

By implementing best practices, key guidelines, systems and processes, we bring business benefits both to our customers and to PKC.

### Strategic Expansion Objectives

Penetration into Asia continues to be one of PKC's key strategic objectives and even with the establishment of the joint venture with Huakai, the team is working on several other projects in the region to expand within the transportation industry. Our new capabilities within the Rolling Stock market allow expansion not only into Asia Pacific, but into North America as well. Many exciting projects within the broad transportation industry are in process. These efforts are a clear commitment on behalf of PKC to ensure a sustainable future for all our stakeholders.

### PKC Way Projects – Strengthening our Global Standards

Significant strides were made during 2015 to continue standardising best practices and developing the PKC Way throughout our organisation. PKC was pleased to welcome Mr. Vesa Vähämöttönen as Group Senior Vice President of Business Development in August. Vesa's focus is on further implementation of best practices in common functions such as technology & engineering, IT, sourcing and manufacturing excellence, to name just a few.

During 2015, PKC's Regional Sourcing teams came together through collaboration to standardise processes and align organisational

structures to develop global centres of expertise and strengthen supplier development processes. A Global Conflict Minerals policy and protocol was established and initiatives to ensure the most competitive supply chain pricing were launched. The team will continue to optimise their performance in 2016.

Full rollout of our Global Environmental, Health and Safety system began with common metrics and performance targets, audits of our factories and implementation of PKC's Critical 6 Safety Standards. The critical 6 programs are: Mobile Equipment, Fall Prevention, Lockout/Tagout, Confined Spaces, Machine Guarding and Hearing Conservation. In PKC, our people come first and safe means **Safety Always, First and Everywhere**.

Labour protection – which includes, at a minimum maintaining employee health, preventing accidents and sickness, use of personal protection equipment and the malfunction-free operation of production machinery – is a key element in supporting PKC's business operations and improving both quality and productivity. I am proud of the fact that both PKC's Total Recordable Incident Rate (TRIR) and Days Away, Restricted or Transferred (DARTR) are extremely low – reflective of our strong commitment to ensuring our employees go

home in the same sound physical condition they came to work. We want to ensure that PKC is the safest place our employees can be during their day. During 2016, additional layers of protection will be added with regard to hearing conservation, REACH compliance, ergonomics assessments and prevention initiatives.

The development of our expertise in China is an excellent example of the collaborative, cross-functional relationships that epitomise our culture in PKC. Subject matter experts from Europe & South America, North America and APAC are working together to solve the needs of our customers there. This global collaboration ensures the best practices and core processes of the PKC Way are used in every project. Utilising technology and flexible work schedules, engineers in North America and Europe participate in product design meetings in a manner that optimises their time and travel costs to meet customer delivery targets. Of course, face-to-face time is critical to establishing relationships with customers and suppliers in order to learn their business and needs. PKC is committed to doing whatever it takes to support our customers' success.

### Internal Audit Function Supports Responsibility Work

In 2015, PKC Group conducted audits of operations in each region to ensure implementation of and adherence to best practices, key guidelines, 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. These audits identify 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. PKC's Executive Board and Board of Directors regularly review audit results and progress to close gaps that have been identified.

### Natural Disasters

During the year, nature again demonstrated its force in locations where PKC operates. A devastating F4 tornado struck the city of Acuña, Mexico in May, the first tornado there in over a hundred years. The tornado touched down about 6:00 am, just as the city awoke and set off to work, resulting in 14 deaths and thousands of people affected by loss of home

and possessions. PKC's highly trained medical personnel and emergency response teams were literally the first responders to offer aid and begin the search for survivors. Throughout the days following the disaster, employees from various PKC Group locations worked in unison with the Confederation of Mexican Workers (CTM), local and federal agencies in supporting affected employees. Nearly 400 food packages were donated to families, and nappies, clothes and bottled water were collected and distributed to those who needed specific relief support. In addition, employees throughout all PKC locations gave voluntary cash donations. PKC Group also made a generous donation, which was distributed among the 84 employees who were seriously affected by the storm.

### PKC People

In 2015, our focus continued on optimising our structure, footprint and processes, along with growing our business organically and through new customers, products and partnerships. Additionally, we salute our most important resource, and the true source of our competitiveness and uniqueness, Our People. There is no area of PKC that can be successful without our talent. To reaffirm our commitment to the development of our most important resource,

Mrs. Julie Bellamy transitioned from Vice President, Human Resources, North America to Group Senior Vice President, Human Resources. In her new role, Julie will work with the organisation to ensure the right person with the right skills is in the right job at the right time to support PKC's sustainability and execution of strategy. Supporting this goal will be enhanced processes related to talent acquisition, on boarding and training, communications, talent management, performance excellence and leadership development.

In recent engagement surveys of our workforce, our employees provided feedback that our areas of strengths as a company included having a safe work environment, confidence in the leadership, strong commitment to quality and customer focus, along with an inclusive environment where discrimination or unequal treatment is unacceptable. There is always more work to be done in these areas, but we are proud that PKC people see our values being lived every day.

Our customers have awarded and recognised PKC's expertise during the year 2015. Customer recognition of this magnitude provides us with external validation of our systemic approach to our business worldwide. PKC people are the reason for PKC success.

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 2016!

Sincerely,

**Matti Hyytiäinen**

President and CEO



# People – an Ongoing Commitment



It is truly an honour and privilege to serve PKC in this newly created role. It is exciting and energising to work with the best people around the globe. One of the most common statements I hear, regardless of which location or business unit I am in is “PKC has the BEST people.” PKC people have a common bond; they are passionate, committed, ethical, collaborative, competent, creative, entrepreneurial and professional; I could go on and on. These characteristics exemplify our culture and the basis for PKC uniqueness.

At PKC, we emphasize hiring the right person with the right skills for the right job at the right time. While this may sound easy, it is an ongoing commitment to ensuring those who join PKC are the right fit – meeting performance expecta-



Strong internal processes such as talent acquisition, performance management and leadership development are needed to facilitate these goals, and we are committed to ensuring they are part of the PKC Way.

tions as well as core values. This commitment extends from our plant operations teams to our Boardroom. Strong internal processes such as talent acquisition, performance management and leadership development are needed to facilitate these goals, and we are committed to ensuring they are part of the PKC Way.

Engagement is one way of measuring the effectiveness of an organisation, and even our stakeholders recognise the importance of having an engaged workforce. In our recent surveys, our personnel have been clear about what we do well, and what we can do to improve. We are committed to responding to the feedback of our employees – doing more of the right things and working on with those where improvement is needed. We strive to be an employer of choice in the communities where we operate. Our personnel know the competitive markets that exists, and we must earn their loyalty and commitment.

Leadership development continues to play a key role in ensuring our people are set up for success – whether it is a team leader ensuring their workgroup has the tools, training and motivation to build and deliver our customers’ products or whether it is a functional leader ensuring their

team is connected and collaborating globally, effectively utilising the right systems and processes to support the operations teams. Leaders remove barriers, motivate and set their teams up for success.

No organisation can thrive without an eye on its future sustainability. PKC is committed to developing its personnel globally with comprehensive talent management processes including staffing, development, succession and progression planning initiatives to always ensure a full pipeline of leaders who are ready to carry out the execution of PKC strategy.

At the heart of PKC is one of our core values – commitment. Our primary commitment to our people is to ensure safe work environments, free from discrimination and unequal treatment, and in compliance with global, regional and local legislated requirements.

PKC is proud of its record of commitment to its personnel, customers, suppliers, and partner communities.

Sincerely,

**Julie Bellamy**

Group Senior Vice President, Human Resources

# 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 are committed to continued development of this know-how, maximising 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 our ability to "Manage the Complexity" which comprises the know-how and expertise of our people, along with processes and tools developed for the management of internal and external processes. This ability ensures PKC is able to provide innovative and customisable solutions for increasingly complex vehicle architecture and enables the fulfilment of PKC's strategic initiatives.

## Vision

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

## Strategic Initiatives

### Managing the Complexity

Developing  
PKC Uniqueness  
further

Maximizing  
current  
PKC set-up

Penetrating  
into APAC

Exploring  
Opportunities  
to expand within  
Transportation  
Industry

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

- Increasingly stricter emission standards
- Hybrid/electric engines

### 3. Shift of Demand to Emerging Markets

- 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 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

### Urbanisation

Transportation standards, special purpose vehicles

### Green Initiatives

Emission control, fuel efficiency

### Emerging Markets

APAC, South America

### Mass Customisation

High mix, low volumes, architecture platforms

### Technology

Power & signal, consistency, reliability, lightweight materials

### Business Evolution

TCO, technology, push to pull, consolidation

Managing the Complexity is a Global Challenge



## Strategic Priorities with Regard to Corporate Responsibility

As a global organisation, PKC's commitment to corporate responsibility is woven throughout each key strategy and is related to personnel, management approach, ethical business practices, the environment, the communities in which we operate and financial sustainability.

## Developing the Uniqueness Further

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, expertise and professionalism of personnel. Therefore, PKC considers its employees, their engagement, their well-being and safety as central to corporate responsibility.

PKC is successful due to our people. Attraction, development and retention of our talent is an absolute priority. Through workforce planning activity, PKC forecasts needs for competence and staffing across the globe. Talent management processes including succession and progression planning ensure a continuous pipeline of skilled, knowledgeable employees to meet business needs and execute strategy.

## Maximising the Current Set-up

Strategies employed in maximising the current set-up relate to optimising the PKC footprint, the effective engagement and utilisation of talent, standardisation of key processes and technologies, and ensuring the financial stability of operations.

PKC is committed to being located close to its customers to meet JIT (Just in Time) delivery requirements while reducing inventory and transportation costs that can affect financial stability. Less transportation also leads to a greener environment. Further, PKC carefully selects the locations based on availability of talent and other resources, manufacturing support services, ethical labour and governmental relations and supply base. Commercial teams collaborate globally by customer to ensure dedicated, seamless customer service and a fully integrated product development-to-delivery process, regardless of location.

Best practices are continually reviewed and integrated in operations and functional organisations to optimise organisational effectiveness. Company culture is integral to organisational effectiveness and positive employee engagement. PKC is committed to ensuring a culture that is built on ethical business practices, positive leadership, fair and equal treatment, open, multi-faceted communication

and where employees find satisfying opportunities for growth and development.

## 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. In addition to organic growth, many transportation industry suppliers in China are seeking partnerships with western companies to take advantage of their quality, engineering and manufacturing expertise. PKC's joint venture with Jiangsu Huakai Wire Harness Co. Ltd. is a great example of how partnering works at its best; PKC will provide the joint venture with advanced development and manufacturing technology required to meet the new more demanding customer requirements. By combining PKC's and Huakai's strengths we can offer competitive solutions to Chinese commercial vehicle market.

Along with 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. China, in particular, 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

## Value created or distributed to stakeholders

EUR million	2015	2014
Suppliers	651.9	614.6
Employees	223.5	221.9
Public sector (taxes)	11.0	18.5
Creditors	4.4	3.6
Shareholders	16.8 <sup>1</sup>	16.8

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

demands for increasingly complex technology content, greater customisation requirements and reduction of environmental impacts.

## Exploring Opportunities to Expand Within the Transportation Industry

The global transportation industry is literally powered electrically and with its global capabilities, PKC is able to provide power distribution solutions and complexity management to any product or geographic market segment. With the acquisition of Kabel-Technik-Polska Sp. z o.o., PKC expanded into the rolling stock market and further into the public transportation market.

PKC's reputation for being a long-term, strategic business partner wholly committed to customers' success is paving the way for opportunities in other markets such as agriculture, construction and recreational vehicles. PKC is committed to ensuring positive commercial agreements that support long term financial sustainability.

# Stakeholder Engagement

PKC values the opinions of its stakeholders. In order to fulfill 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 our stakeholders, we mapped their updated expectations and interests with regard to PKC's corporate responsibility again in 2015. As part of the process, the Executive Board defined the most important corporate responsibility issues for the Group from a business perspective. Regular dialogue is held with customers and suppliers regarding their expectations for PKC as a business partner and both internal and external stakeholders are surveyed about their interests. Based on this input, the most important topics identified were the following:

- Sustainable Strategy
- Employee Engagement
- Business Development
- Financial & Economic Stability
- Occupational Health and Safety (OHS)
- Product Responsibility
- Human and Labour Rights

Materiality Matrix



## Material Themes

Material Theme	Sustainability Focus Area	G4 Material Aspect
<b>Sustainable Strategy and Business Development</b>	<b>PKC's Strategy and Financial Targets</b> <ul style="list-style-type: none"> <li>- Revenue, EBITDA, gearing, dividends</li> <li>- Developing PKC Uniqueness Further</li> <li>- Maximising current PKC set-up</li> <li>- Penetrating into Asia</li> <li>- Expanding within the transportation industry</li> <li>- Developing Electronics business as a stand alone within PKC Group</li> </ul> <b>External and internal business development to continue growth</b>	- Economic Performance
<b>Development and Well-being of People</b>	<b>Employee Engagement</b> <ul style="list-style-type: none"> <li>- Regular engagement surveys</li> </ul> <b>Labour &amp; Working Environment</b> <ul style="list-style-type: none"> <li>- Mechanisms for reporting and solving grievances on ethics and compliance</li> </ul> <b>Health &amp; Safety</b> <ul style="list-style-type: none"> <li>- Global initiatives for constant OHS development</li> </ul>	- Employment - Occupational Health and Safety
<b>Sustainable Supply Chain and Product Responsibility</b>	<b>Sustainable Supply Chain Management</b> <ul style="list-style-type: none"> <li>- Supplier evaluation</li> <li>- Sources of materials, mitigated use of conflict minerals</li> </ul> <b>Quality and Customer Satisfaction</b> <ul style="list-style-type: none"> <li>- Quality, Environmental and OHSAS management systems</li> <li>- Customer satisfaction and awards</li> </ul>	- Product Responsibility
<b>Social Responsibility and Society</b>	<b>Participating in Development of Local Communities</b> <ul style="list-style-type: none"> <li>- Encouraging employee volunteerism</li> </ul> <b>Inclusivity &amp; Diversity</b> <ul style="list-style-type: none"> <li>- Respecting human rights and freedom of association</li> <li>- Mechanisms for handling incidents of discriminations and corrective actions</li> <li>- Talent management processes including succession and progression planning supporting inclusivity and diversity</li> </ul>	- Human Rights Grievance Mechanisms
<b>Responsible Business Practices</b>	<ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Effectiveness of internal processes</li> </ul>	- Compliance
<b>Minimised Environmental Footprint</b>	<ul style="list-style-type: none"> <li>- Environmental impacts</li> </ul>	- Materials - Water - Biodiversity



PKC has used the 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 regard to corporate responsibility.

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

# 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 the preferred supplier in electrical distribution systems for the transportation industry globally. In order to achieve that vision, PKC strives to be the best available partner for customers and to provide high-quality customer service globally. PKC's objective is that the customer receives 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. Increasing customer expectations and challenges relating to corporate responsibility also create new opportunities for PKC.

In line with the Group's strategy, PKC expanded its product portfolio and customer base to include rolling stock manufacturers by acquiring Kabel-Teknik-Polska Sp. z o.o. ('KTP'), the Wiring & Controls business of Groclin S.A. located in Poland. Strengthened by KTP's business expertise and partnerships, PKC can better offer competitive solutions in order to meet customers' global partnership needs.

PKC has set its entry into Asian markets as one of its key strategic goals. In 2015, PKC established a joint venture with Jiangsu Huakai Wire Harness Co. Ltd. ('Huakai'). The joint venture (Jiangsu Huakai-PKC Wire Harness Co., Ltd.) comprised Huakai's current business which develops and manufactures electrical distribution systems to truck, construction vehicle and bus segments in China. This enables development of solutions and services, meeting future needs of PKC's existing and new potential customers.

## PKC Uniqueness as Competitive Advantage

PKC provides its customers with added value generated by the Group's unique expertise. The expertise is supported by PKC's highly competent personnel, comprehensive processes, tools, general 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 transportation industry.



**PROVIDING OPPORTUNITIES FOR PEOPLE WITH DISABILITIES.** KTP in Poland works to actively employ people with disabilities in an effort to promote diversity and its local communities. Currently, people with disabilities comprise 14.30% of the KTP workforce, surpassing the Polish statutory employment rate of 8.0%. André Gerstner, President, Rolling Stock Business and Monika Nowakowska, Human Resources Director, KTP Poland worked together to develop and launch the program in 2013. Their goals were to expand the pool of talent available to support the organisation, and to contribute to the sustainability of the local community. They determined that by providing a grant to subsidise the costs of medical care and rehabilitation equipment, employees with disabilities could become more self-supporting and in turn, make meaningful contributions as PKC employees. At its inception in 2013, the program supported 68 employees. In each successive year, the grants and participants have doubled; supporting over 215 employees in 2015. Miroslaw Kramarczyk (see photo) has been working at KTP for over six years as a Statistics Specialist. He is in charge of quality data processing, analysis of internal PPMs and the effectiveness of particular actions taken as a result of analysis. He is also the internal coordinator responsible for 55 processes. Says Kramarczyk, "The program of financial support at KTP in Czaplinek is very useful, and it's also a very nice initiative of the company. This gives the sense that the employer supports us with regard to medical treatment we may require. Usually we have to wait a long time to visit specialists, now we can arrange a private visit and purchase medication and the company will help with the costs. The program is very well serviced, the company's staff are always ready to help with all the formalities associated with filing the requests and on what kind of equipment the funds are available for. In my opinion, the program presents the company in a very positive light in the regional labour market – disabled employees do not feel discriminated against, and it also improves our well-being."

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

### Continuous Improvement

PKC's goal is to deliver high-quality and defect-free products, services that exceed 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 operational development activities. PKC's continuous improvement, best practices and high level of customer care are also recognised by our customers and PKC is very proud to have received many awards by meeting or exceeding customers' expectations.

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. NPI centres 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.

## Awards and Recognition Received in 2015

AGCO, APAC	Best Quality Performance 2015
BRP, North America	Silver Award
DTNA, North America	Masters of Quality Supplier Award
Foton, APAC	Excellent Supplier 2015
John Deere, Europe	Partner-level Supplier in 2015
Navistar, North America	Diamond Supplier Award
PACCAR, North America	50 PPM's Award



On February 11th, 2016, PKC Group was recognised as a 2015 Diamond Supplier Award recipient. This is the second consecutive year that PKC has received this very prestigious award. Diamond Supplier Award recipients are recognised for their commitment to meeting performance expectations set forth for quality, delivery, technology and cost. Diamond Suppliers demonstrate excellence through world-class customer service and innovative products and processes that integrate into industry-leading Navistar vehicles and powertrains. Pictured left to right are: Persio Lisboa, Navistar President of Operations, Troy Clarke, Navistar President and CEO, Marty Hughes, PKC Customer Executive, Rico Mutone, PKC NA COO & Senior VP, and Bill Kozek, Navistar President of North America Trucks and Parts.



PKC has earned for the first time in its history, recognition as a Partner-level Supplier in the 2015 John Deere Achieving Excellence program. PKC was selected for the honour in recognition of its dedication to providing wiring systems and services of outstanding quality as well as its commitment to continuous improvement. PKC provides wiring systems to John Deere Forestry Oy in Finland. Suppliers who participate in the Achieving Excellence program are evaluated annually in several key performance categories including quality, cost management, delivery, technical support and wavelength, which is a measure of responsiveness. Partner-level status is Deere's highest supplier rating and is awarded to suppliers who go beyond John Deere's performance standards, who achieve excellent service levels, and who have a measurable impact on customer satisfaction. The photo presents PKC's dedicated JDF team from Russia and Estonia, along with John Deere representatives from quality, R&D and purchasing departments.



## PKC's Operations

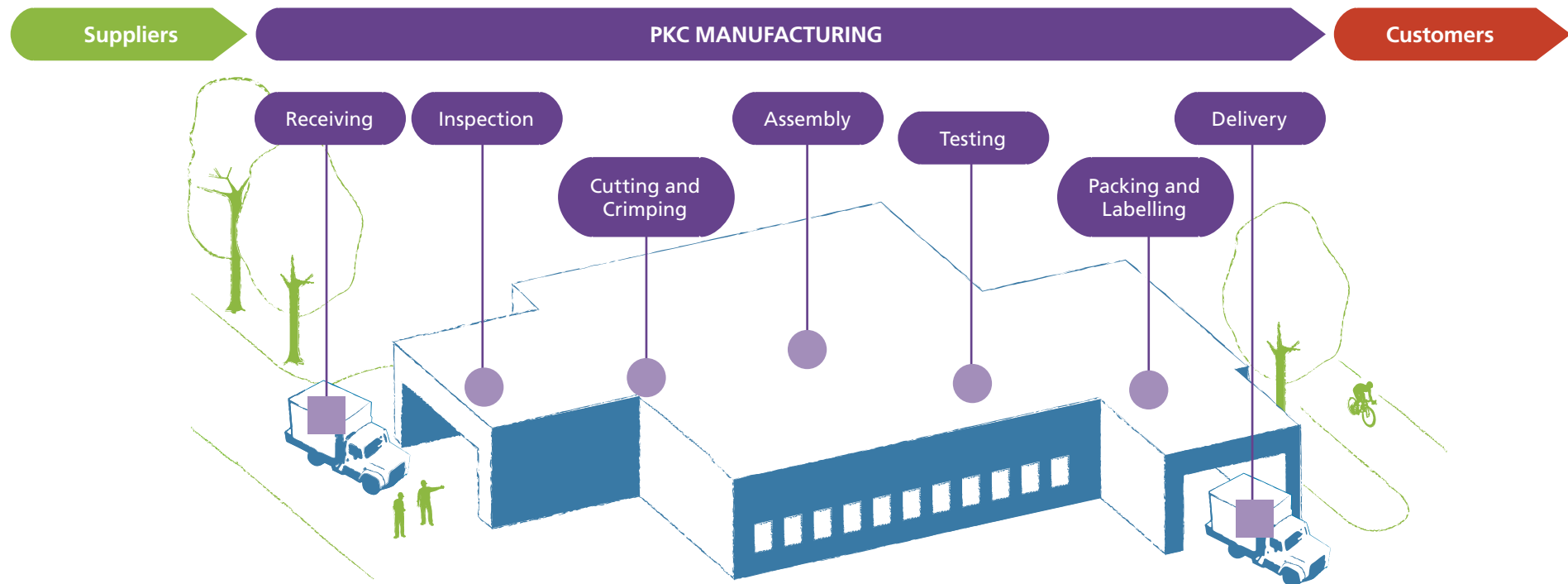
The Wiring Systems business represents 93.2% of PKC's revenue and its manufacturing locations are in Asia, Europe, North America and South America.

PKC's supply chain involves the manufacturing, transportation and storage of components and materials. More than 1,000 PKC suppliers operate in all 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.

Manufacturing of wiring systems is manual and labour-intensive work that is dependent on PKC people having expertise and know-how in processes, products, technology and components. PKC prefers these methods rather than rely

on machinery, equipment and processes which require high energy consumption or water use, or the use of hazardous chemicals. PKC operations do not affect biodiversity or release emissions and effluents. Greenhouse gas emissions generated are 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 PKC'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. We also respect and promote human rights, fair labour and 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 Cooperation – together with the Group's Code of Conduct, support the implementation of our strategy and guide our daily operations.

PKC Group Plc's Board of Directors has approved the Code of Conduct, which covers the entire Group and 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. PKC 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.

Regular internal and external audits are conducted to ensure compliance and identify any gaps that require closure. PKC encourages employees to utilise the Open Door process to raise issues or concerns related to compliance, and proactive measures are taken to train employees on their responsibilities related to PKC's Code of Conduct, Anti-Corruption Compliance Policy, Internal Control Guidelines and Information Security Guidelines.

## 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 transportation industry. The Wiring Systems and Electronics businesses have separate quality manuals with appointed persons responsible for Quality globally. 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.

Nearly all of PKC'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.



[Code of Conduct](#)  
[Corporate Governance Guidelines](#)  
[Corporate Governance Statement](#)

Exceptions are the factories in Traverse City, USA, Panevezys, Lithuania and the acquired KTP factories in Poland. KTP factories in Czaplinek and Grodzisk Wielkopolski are certified in accordance with the requirements of the ISO 9001 standard and the KTP factories in Białogard and Drawsko-Pomorskie are certified in accordance with requirements of the IRIS quality standard applicable for railway product manufacturing. PKC also cooperates with customers in its quality development work. The design and manufacturing services of the 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 individuals responsible for the Environmental function. Factories attend independently to the management of environmental affairs in accordance with their environmental programmes and local legislation, but overall policy development and internal compliance audits are overseen by Group HR/EHS in addition to regular audits performed by customers and an external third party

auditor which ensure that PKC's environmental management systems remain efficient and up-to-date.

All of PKC's factories are certified in accordance with the ISO 14001 environmental standard, except for the factory in Traverse City, USA.

### Health & Safety

In 2015, PKC implemented a global Health & Safety system and initiatives to ensure proactive compliance with the "Critical 6" safety standards covering Mobile Equipment, Fall Prevention, Lockout/Tagout, Confined Spaces, Machine Guarding and Hearing Conservation. Further, standardised metrics related to Total Recordable Incident Rate (TRIR) and Days Away, Restricted or Transferred Rate (DART) were implemented to ensure consistent measurement and performance globally. Audits of all factories began and training of local leadership and Health & Safety teams in the new global system commenced. Initiatives related to compliance with the European REACH programme and ergonomic assessment and modification of operations jobs were launched.

### Personnel and Human Rights

PKC Group respects and endorses human rights and freedoms as defined by the United Nations Universal Declaration of Human



**CONFLICT MINERALS.** PKC takes very seriously the topic of conflict minerals and practices a transparent due diligence approach with its supply chain. In support of this effort, North America has instituted a robust Conflict Mineral Reporting infrastructure which includes an established Conflict Mineral Policy and a Conflict Mineral Reporting Template Declaration. During 2015, PKC North America surveyed over 400 suppliers, requiring them to complete the reporting template and verify their supply chain. In addition, over 45 customer surveys were received and responded to confirming PKC's commitment to reporting the origin of any possible conflicted material. Extensive training was conducted with the Purchasing Conflict Minerals Team to increase their knowledge and awareness of Conflict Minerals topics and reporting. An independent third-party audit of all due diligence practices was conducted in December, 2015. Audit results recognised PKC North America for not only being in full compliance, but also being a leader of technology and process control for an entity not required to file. To ensure compliance globally, the North America process has been expanded throughout PKC, and will continue to develop in these regions throughout 2016.



Rights (UDHR). The principles of the UDHR are embedded in PKC's Code of Conduct and its everyday operations. PKC is also committed to conducting its operations in line with the ILO Core Conventions on Labour Standards and the OECD Guidelines for Multinational Enterprises. Group-wide policies and guidelines related to treatment and well-being of personnel are approved by PKC's Executive Board. Compliance to these policies and standards is the responsibility of each PKC employee.

Each Executive Board member is responsible for the implementation of the Code of Conduct within their function and region. Oversight of this initiative rests with Group Human Resources in conjunction with functional, regional and local management. Some personnel-related practises, such as those concerning improvement of competence, employee engagement, labour protection and the working environment, which have been identified as internal best practices are implemented at PKC plants worldwide. Some of PKC's manufacturing units, representing approximately 60% of PKC's personnel, have also been certified in accordance with the OHSAS 18001 occupational health and safety management system standard.

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 fellow employees, customers, suppliers, governments, and the general public.

### Risk Management

Risk management is part of PKC's control system. PKC Group has a group-wide risk management policy, which PKC's Board of Directors has approved. The purpose of the risk management policy is to define group-wide guidelines and set such goals for risk management such that the Group's overall risk level is evaluated systematically and comprehensively in order to achieve the business' objectives. Other group-wide, unit and function-specific guidelines linked to risk management have also been drafted. These include the Treasury Policy, Environmental, Health and Safety Policy, 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 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 minimise 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's supply chain management processes are a significant element in PKC's Uniqueness and Managing the Complexity concepts.

PKC selects responsible partners that share common values and evaluates its suppliers and subcontractors on a regular basis. The Group uses a common evaluation model and supplier development programme for its 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 is committed to the philosophy of using conflict-free minerals and strives to ensure the traceability of its supply chain.



## PKC's Performance 2015

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# 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 collaborate, share best practices and operate in a harmonised way globally deliver better results. Therefore, PKC Group considers its global, multi-cultural organisation to be one of the Group's core strengths. An updated company intranet is further enhancing PKC personnel's ability to connect, be informed, utilise standardised tools and share information needed to operate in such a harmonised manner.

Recent Engagement survey results indicate that the majority of PKC personnel believe in the strategy and leadership of PKC and they understand the connection to their roles and the execution of PKC strategy. Further, they feel empowered to carry out their work in a safe and ethical work environment that values their diversity.

At the end of the year, 55% of PKC Group's personnel were female and 45% 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. Efforts to ensure PKC organisations reflect the diversity of the communities in which they operate are ongoing, which include reducing barriers to

## Key personnel figures

	2015	2014
Number of permanent employees at year-end	21,764	19,437
Number of temporary employees at year-end	300	605
Share of women, %	55	54
Share of women, Board Members, %	14	14

employment for those with disabilities. PKC prohibits bullying in any form.

At PKC, employee well-being is integral to good human resource management and is developed in cooperation with the local operational and functional leaders, occupational health staff and the Group HR function. PKC strives to be an employer of choice and ensures competitive total rewards programmes are in place locally.

In 2015, PKC employees showed praiseworthy social responsibility by participating in initiatives such as employee volunteer actions throughout all regions. The scope of the different activities included providing assistance to the disabled, needy and homeless, children's welfare programs, actions for reducing hunger, local environmental improvement programmes, community school programmes as well as extending support to the tornado victims in Acuña, Mexico.

## Competence Development

PKC encourages its employees to improve performance and to grow by creating opportunities for personal development and promotion, which fuels PKC's execution of business strategy, sustainability and targets. Processes for comprehensive selection, training and development continue to be shaped globally as best practices are implemented. The new Group HR function is working with the regions to establish priorities and timing for implementing common processes to ensure the right person with the right skills is in the right job at the right time. Proactive talent management processes include global succession and progression planning activities.

The focal point in competence development is to ensure that PKC has the know-how and competence needed for Managing the Complexity, further developing PKC Uniqueness, and implementing the Group's strategies, including future technologies. The competence

development needs of individual employees are identified in regular discussions between employee and manager, with location oversight by the location HR leader.

### 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 prohibiting discrimination, bullying 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 engage in collective bargaining.

As was conducted in 2012, another pending labour union representation vote at the Acuña campus, to be organised by the Mexican Federal Labour Board, is expected in the near future as the labour union that lost the first election continues to compete for representation rights. The representation claim and associated voting process received significant attention globally in 2012 and the potential exists for the same scrutiny in future election processes.

PKC conducts regular internal audits and voluntarily participates in external, third party audits to ensure continued compliance with employment laws and regulations, human rights and activities between management and labour relations.



**OPERATIONS LEADERSHIP DEVELOPMENT.** In line with PKC's values and Management Approach, significant effort was put forth in 2015 to develop the leadership of PKC, from the shop floor to the Boardroom. One area of focus was the Operation Supervisors and Team Leaders in Acuña, Mexico. Feedback from the 2014 Engagement Survey pointed out the need to strengthen First Line communication skills and leadership behaviours. Over 120 Supervisors, 490 Team Leaders and 21 Union Delegates completed the two-week long development program. As a method of ensuring accountability, employees evaluate their leaders monthly on standardised criteria, and recognition is provided to the top leaders each month, positively reinforcing successful behaviour. Benefits of the development initiative include improved day-to-day communications, collaboration, problem resolution and general positive work environment improvement.



# 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.

Quality is one of PKC's key values. PKC continuously develops, improves and optimises its processes in order to enhance efficiency and quality in its production network. 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.

PKC has achieved success providing outstanding quality, customer service and continuous improvement. In recognition of the quality of the Group's work, PKC received several customer awards and recognitions in 2015.

Product safety is developed systematically according to certified quality systems, and PKC aims that product safety and its continuous development is an integral part of daily duties. Furthermore, product safety is continuously tested during quality control and product development processes. This is done in cooperation with customers, suppliers and subcontractors.

As complexity increases, the safety aspects of wiring systems will also become increasingly critical in the future. Due to this trend as well as rising customer demands, PKC continued the local product safety trainings and developed its product safety management process by paying particular attention to continuous development and customer requirements.

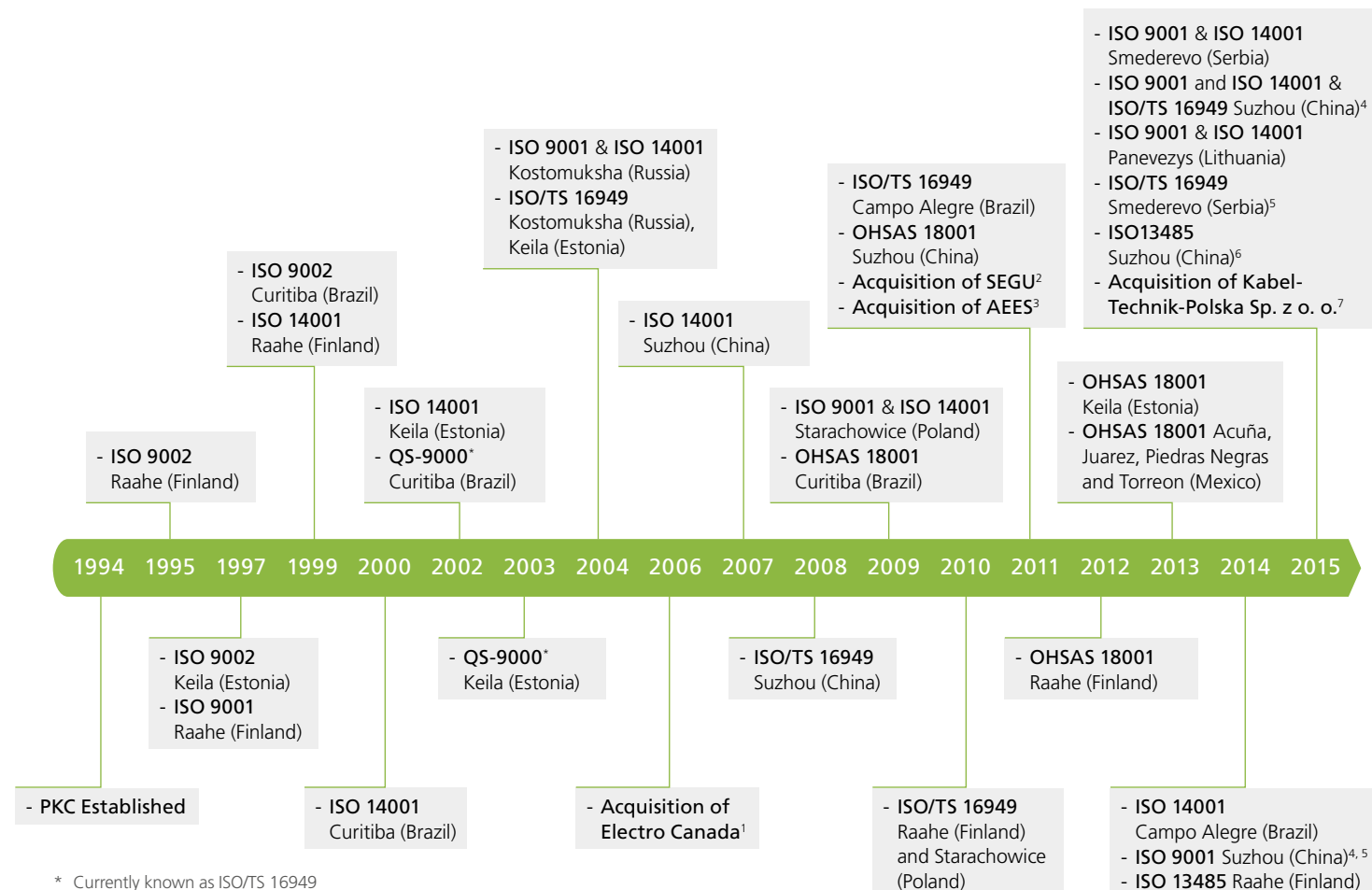
In order to safeguard PKC's close customer relationships, PKC monitors customer satisfaction through continuous one-to-one dialogue as well as customer meetings, events and satisfaction surveys. Action plans are made for each customer account with the aim of achieving the



**BEST QUALITY PERFORMANCE.** PKC Vehicle Technology (Suzhou) Co. Ltd started to deliver products to AGCO from 2012, and now PKC Vehicle Technology (Suzhou) Co. Ltd has been awarded the BEST QUALITY PERFORMANCE in 2015 by AGCO APAC. PKC achieved an outstanding quality performance with zero complaints and zero PPM in the last four years. PKC was chosen from AGCO APAC's 700 suppliers in recognition of its outstanding quality performance and improvement activities. PKC's continuous improvements are also appreciated by our customers. Application of error-proofing tools, procedure optimising and product protection help us to follow the zero defects principle, ensure the quality of our products and eliminate complaints.

## History of Quality, Environmental and OHSAS Management Systems

improvements pinpointed by the results of the satisfaction surveys and one-to-one discussions. 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.



\* Currently known as ISO/TS 16949

<sup>1</sup> ISO/TS 16949 Nogales (Mexico)

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

<sup>3</sup> 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)

<sup>4</sup> Wiring systems manufacturing plant

<sup>5</sup> Certificate received in January 2016

<sup>6</sup> Certificate received in March 2016.

<sup>7</sup> ISO 9001 Białogard (Poland), Grodzisk Wielkopolski (Poland), ISO 14001 Czaplinek (Poland), Drawsko Pomorskie (Poland), Białogard (Poland), Grodzisk Wielkopolski (Poland), IRIS Czaplinek (Poland), Drawsko Pomorskie (Poland)

# 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. In daily practices, PKC decreases the environmental impact of travel by encouraging employees to favour telephone or online meetings when appropriate.

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.

Environmental legislation, such as the automotive industry's emission standards, plays an important role in market cyclical 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 rapidly catching up to Western standards.

All of the Group's factories are certified in accordance with the ISO14001 environmental standard, except for the factory in Traverse City, USA.

## Initiatives to Mitigate Environmental Impacts Water

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 systems manufacturing. Limited amounts of water are used in the process, 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 2015, achieve-

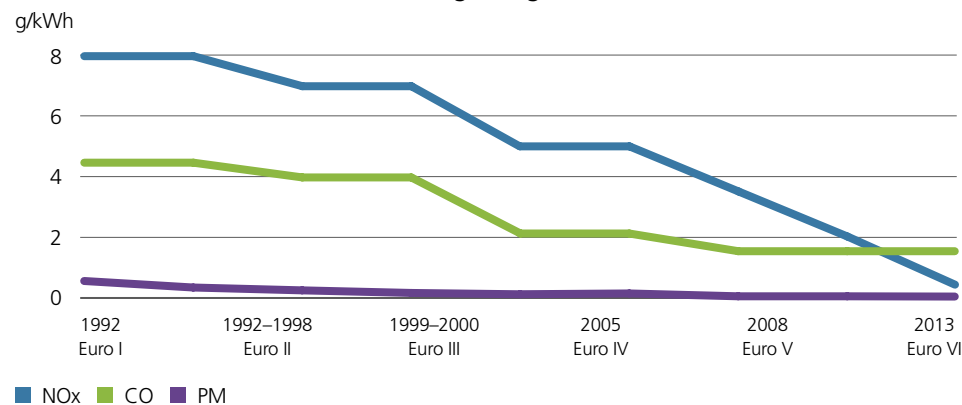
ments in reducing water consumption included: In Starachowice, Poland reduction of water consumption by 2% to the amount of water consumed in 2014 by regular controls of water supply network, checks of sewage network and cleaning of sanitary devices.

## 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.

In 2015, achievements and initiatives in reducing emissions included: In Starachowice, Poland every new workstation with emissions has a separate extraction ventilation system in order to eliminate the carbon dioxide emissions.

EU emission standards for HD diesel engines, g/kWh





**ENVIRONMENTAL IMPACT: BRAZIL WATER CONSERVATION PROJECT.** In close cooperation with the Santa Catarina, Brazil regional municipality, PKC's Campo Alegre facility implemented a fresh water conservation program in 2015 by installing a Rainwater Collection System (RCS). Global climate changes are cited as having contributed to reduced annual rainfall in southern Brazil. The RCS benefits both PKC and the Brazilian environment in several ways. Not only does it reduce the cost and use of over 2,500,000 litres of fresh water annually, which equates to about a 21% reduction, it reduces the electricity and water treatment processing the Brazilian government must use in providing fresh water. The RCS water is used strictly for non-potable applications such as floor cleaning, toilet plumbing supply, and the local fire suppression system.

### 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 house-keeping of production facilities. Detergents used by cleaning services are primarily biodegradable.

### 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 or where hearing conservation initiatives are employed. For example, in Estonia, the use of hearing protection is mandatory in defined areas despite the noise levels being below set limits.

### 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. PKC's preference and efforts are to recycle whenever possible.

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 and initiatives in 2015 included:

- In Lithuania, an initiative to reduce copper scrap resulted in over 3% improvement
- Lithuania also reduced communal waste by over 30.4% per person compared to 2014
- In the Acuña location in Mexico, 200 kg of obsolete electronic equipment were disposed with the Environmental Agency as part of the Recolectron project
- In Starachowice, Poland, the reduction of municipal waste was reduced 5% per person compared to the previous year
- KTP locations in Poland combined to reduce cable waste by 16% per person compared to 2014





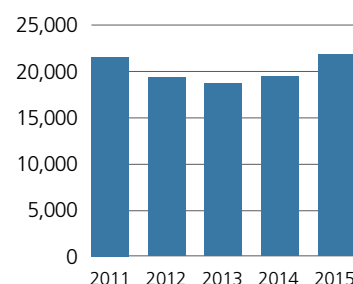
## Key Data

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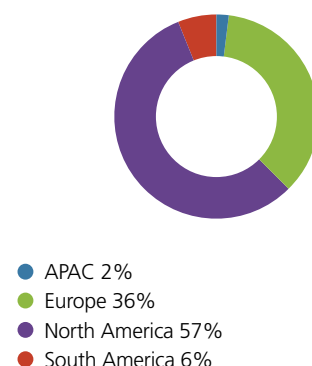
# Employee and Social Key Data

The figures shown in G4-10 tables include also temporary employees. At the end of the financial year, the Group's personnel totalled 21,764 employees, in addition to which the Group had 300 temporary employees.

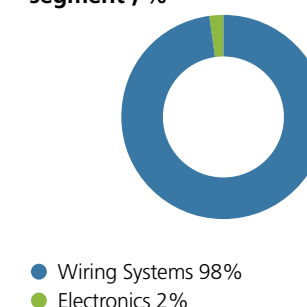
**G4-10 Number of personnel from 2011 to 2015**



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



**G4-10 Employees by business segment<sup>1</sup>, %**



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

	Male	Male-%	Female	Female-%	Total
Wiring Systems	9,285	45	11,557	55	<b>20,842</b>
Electronics	250	49	257	51	<b>507</b>
<b>PKC Group Total</b>	<b>9,535</b>	<b>45</b>	<b>11,814</b>	<b>55</b>	<b>21,349</b>

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

	Male	Male-%	Female	Female-%	Total
APAC	182	53	164	47	<b>346</b>
Europe	2,221	29	5,509	71	<b>7,730</b>
North America	6,742	56	5,341	44	<b>12,083</b>
South America	390	33	800	67	<b>1,190</b>
<b>PKC Group Total</b>	<b>9,535</b>	<b>45</b>	<b>11,814</b>	<b>55</b>	<b>21,349</b>

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

	%
APAC	2
Europe	36
North America	57
South America	6
<b>PKC Group Total</b>	<b>100</b>

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

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

	Temporary			Blue Collar			White Collar			Total
	Male	Female	Total	Male	Female	Total	Male	Female	Total	
APAC	0	0	<b>0</b>	111	106	<b>217</b>	71	58	<b>129</b>	<b>346</b>
Europe	82	206	<b>288</b>	1,643	4,683	<b>6,326</b>	496	620	<b>1,116</b>	<b>7,730</b>
North America	0	0	<b>0</b>	4,806	4,645	<b>9,451</b>	1,936	696	<b>2,632</b>	<b>12,083</b>
South America	3	9	<b>12</b>	249	669	<b>918</b>	138	122	<b>260</b>	<b>1,190</b>
<b>PKC Group Total</b>	<b>85</b>	<b>215</b>	<b>300</b>	<b>6,809</b>	<b>10,103</b>	<b>16,912</b>	<b>2,641</b>	<b>1,496</b>	<b>4,137</b>	<b>21,349</b>

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

	Full time			Part time			Total
	Male	Female	Total	Male	Female	Total	
APAC	182	164	<b>346</b>	0	0	<b>0</b>	<b>346</b>
Europe	2,136	5,283	<b>7,419</b>	3	20	<b>23</b>	<b>7,442</b>
North America	6,275	4,874	<b>11,149</b>	467	467	<b>934</b>	<b>12,083</b>
South America	382	782	<b>1,164</b>	5	9	<b>14</b>	<b>1,178</b>
<b>PKC Group Total</b>	<b>8,975</b>	<b>11,103</b>	<b>20,078</b>	<b>475</b>	<b>496</b>	<b>971</b>	<b>21,049</b>

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

	Permanent			Fixed Term			Total
	Male	Female	Total	Male	Female	Total	
APAC	115	106	<b>221</b>	67	58	<b>125</b>	<b>346</b>
Europe	1,460	3,630	<b>5,090</b>	679	1,673	<b>2,352</b>	<b>7,442</b>
North America	6,742	5,341	<b>12,083</b>	0	0	<b>0</b>	<b>12,083</b>
South America	138	122	<b>260</b>	249	669	<b>918</b>	<b>1,178</b>
<b>PKC Group Total</b>	<b>8,455</b>	<b>9,199</b>	<b>17,654</b>	<b>995</b>	<b>2,400</b>	<b>3,395</b>	<b>21,049</b>

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

Rate, %	Male	Female	Total
APAC	45	38	<b>83</b>
Europe	8	15	<b>23</b>
North America	14	14	<b>28</b>
South America	16	18	<b>34</b>
<b>PKC Group Total</b>	<b>13</b>	<b>15</b>	<b>28</b>

G4-LA1 Employee hires leaving employment by gender<sup>1,2</sup>

Rate, %	Male	Female	Total
APAC	19	17	<b>36</b>
Europe	7	16	<b>22</b>
North America	17	15	<b>32</b>
South America	35	74	<b>109</b>
<b>PKC Group Total</b>	<b>14</b>	<b>18</b>	<b>33</b>

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

Rate, %	< 30	30-50	> 50
APAC	40	42	0
Europe	13	10	1
North America	17	10	1
South America	25	9	0
<b>PKC Group Total</b>	<b>16</b>	<b>10</b>	<b>1</b>

G4-LA1 Employee hires leaving employment by age groups<sup>1,2</sup>

Rate, %	< 30	30-50	> 50
APAC	29	7	0
Europe	10	8	5
North America	22	7	2
South America	53	56	1
<b>PKC Group Total</b>	<b>19</b>	<b>10</b>	<b>3</b>

<sup>1</sup> Excluding Jiangsu Huakai-PKC Wire Harness Co. Ltd.<sup>2</sup> Temporary employees not included

Minor first-aid cases are not included in the figures in the following regions / countries: Estonia, Serbia, North America, APAC (EL business), Russia, Brazil.

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

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

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

IR	Male	Female	Total
APAC	0.0	0.0	<b>0.0</b>
Europe	1.2	1.2	<b>1.2</b>
North America	0.1	0.0	<b>0.1</b>
South America	0.4	0.1	<b>0.2</b>
<b>PKC Group Total</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>

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

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

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

AR	Male	Female	Total
APAC	4,071	4,051	<b>4,061</b>
Europe	16,436	16,457	<b>16,449</b>
North America	1,929	1,929	<b>1,929</b>
South America	9,134	10,563	<b>10,044</b>
<b>PKC Group Total</b>	<b>5,685</b>	<b>7,973</b>	<b>6,870</b>

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

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

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

Coverage	%
APAC	0
Europe	60
North America	79
South America	100
<b>PKC Group Total</b>	<b>70</b>

#### G4-LA6 Independent contractors: Injury rate (IR)<sup>1</sup>

IR	Male	Female	Total
APAC	0.0	0.0	<b>0.0</b>
Europe	0.0	0.0	<b>0.0</b>
North America	0.0	0.0	<b>0.0</b>
South America	0.0	0.0	<b>0.0</b>
<b>PKC Group Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### G4-LA6 Independent contractors: Occupational diseases rate (ODR)<sup>1</sup>

ODR	Male	Female	Total
APAC	0.0	0.0	<b>0.0</b>
Europe	0.0	0.0	<b>0.0</b>
North America	0.0	0.0	<b>0.0</b>
South America	0.0	0.0	<b>0.0</b>
<b>PKC Group Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

#### G4-LA6 Independent contractors: Absence rate (AR)<sup>1</sup>

AR	Male	Female	Total
APAC	0.0	0.0	<b>0.0</b>
Europe	0.0	0.0	<b>0.0</b>
North America	0.0	0.0	<b>0.0</b>
South America	0.0	0.0	<b>0.0</b>
<b>PKC Group Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



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

LDR	Male	Female	Total
APAC	0.0	0.0	<b>0.0</b>
Europe	12.7	53.1	<b>38.0</b>
North America	0.9	0.0	<b>0.5</b>
South America	0.5	1.5	<b>1.2</b>
<b>PKC Group Total</b>	<b>3.2</b>	<b>16.9</b>	<b>10.2</b>

G4-LA6 Independent contractors: Lost day rate (LDR)<sup>1</sup>

LDR	Male	Female	Total
APAC	0.0	0.0	<b>0.0</b>
Europe	0.0	0.0	<b>0.0</b>
North America	0.0	0.0	<b>0.0</b>
South America	0.0	0.0	<b>0.0</b>
<b>PKC Group Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

	Number of fatalities
APAC	0
Europe	0
North America	0
South America	0
<b>PKC Group Total</b>	<b>0</b>

G4-LA6 Independent contractors:  
Absolute number of fatalities<sup>1</sup>

	Number of fatalities
APAC	0
Europe	0
North America	0
South America	0
<b>PKC Group Total</b>	<b>0</b>

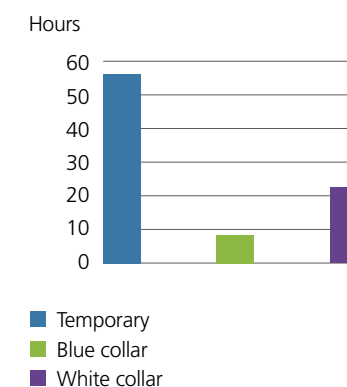
G4-LA9 Average number of training hours per year per employee by employee category<sup>1</sup>

Average training hours / person	Temporary	Blue collar	White Collar	Total
Asia	0.0	37.0	16.3	<b>29.3</b>
Europe	59.2	8.6	12.8	<b>11.1</b>
North America	0.0	0.5	23.5	<b>5.5</b>
South America	3.7	83.3	61.6	<b>77.7</b>
<b>PKC Group Total</b>	<b>57.0</b>	<b>8.5</b>	<b>22.8</b>	<b>12.0</b>

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

Average training hours / person	Male	Female	Total
APAC	25.5	33.5	<b>29.3</b>
Europe	13.5	10.1	<b>11.1</b>
North America	6.0	5.0	<b>5.5</b>
South America	110.4	61.8	<b>77.7</b>
<b>PKC Group Total</b>	<b>12.4</b>	<b>11.6</b>	<b>12.0</b>

## G4-LA9 Average number of training hours per year per employee by employee category

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

**G4-HR2 Total hours trained in policies and procedures concerning aspects of human rights relevant to operations<sup>1</sup>**

Number of hours trained	h
APAC	278
Europe	3,066
North America	142,267
South America	5,004
<b>PKC Group Total</b>	<b>150,615</b>

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

	%
APAC	82.7
Europe	43.2
North America	100.0
South America	100.0
<b>PKC Group Total</b>	<b>79.2</b>

**G4-HR3 Total number of incidents of discrimination and corrective actions taken<sup>1</sup>**

Number of reported cases	2015	2014
APAC	0	0
Europe	0	0
North America	2	1
South America	0	0
<b>PKC Group Total</b>	<b>2</b>	<b>1</b>

**G4-HR7 Percentage of security personnel trained in policies and procedures concerning aspects of human rights relevant to operations<sup>1</sup>**

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

**G4-HR9 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments<sup>1</sup>**

	Number of operations	Number of operations assessed	Assessment, %
APAC	3	0	0
Europe	13	0	0
North America	13	0	0
South America	2	0	0
<b>PKC Group Total</b>	<b>31</b>	<b>0</b>	<b>0</b>

**G4-HR12 Total number of grievances related to human rights filed through formal organisational grievance mechanisms during the reporting period<sup>1</sup>**

	Total number of grievances
APAC	0
Europe	0
North America	0
South America	0
<b>PKC Group Total</b>	<b>0</b>

**G4-SO4 Percentage of employees trained in anti-corruption policies and procedures<sup>1,2</sup>**

	%
APAC	82.7
Europe	38.9
North America	100.0
South America	100.0
<b>PKC Group Total</b>	<b>78.2</b>

**G4-SO7 Number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices<sup>1</sup>**

Number of all cases	2015	2014
APAC	0	0
Europe	0	0
North America	0	0
South America	0	0
<b>PKC Group Total</b>	<b>0</b>	<b>0</b>

**G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services<sup>1</sup>**

	EUR
APAC	0
Europe	0
North America	0
South America	0
<b>PKC Group Total</b>	<b>0</b>

Note! The figures represent the percentage of employees trained during the calendar year. Part of the personnel has been trained already in 2012–2014.

<sup>1</sup> Including temporary employees

<sup>2</sup> Excluding temporary employees

# Environmental Key Data

## G4-EN1 Total of materials used (purchase volume in EUR)<sup>1</sup>

	% of usage
Raw materials (copper and resin)	27.0
Associated process materials (chemicals, fluids)	0.1
(Semi-manufactured goods) Purchased components	71.4
Packaging materials	1.4
<b>PKC Group Total</b>	<b>100</b>

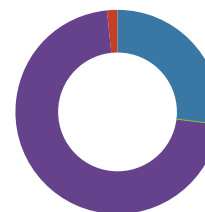
## G4-EN3 Direct energy consumption<sup>1, 2</sup>

Gj	Total
APAC	9,683
Europe	77,185
North America	139,968
South America	4,996
<b>PKC Group Total</b>	<b>231,833</b>

## G4-EN8 Total volume of water withdrawn by sources<sup>1</sup>

m <sup>3</sup> /year	Surface water	Ground water	Rain-water	Waste water	Municipal water or other water utilities	Total
APAC	0	0	0	0	5,916	<b>5,916</b>
Europe	0	0	301	4,337	30,080	<b>34,718</b>
North America	0	0	0	0	139,189	<b>139,189</b>
South America	0	1,657	300	0	21,984	<b>23,941</b>
<b>PKC Group Total</b>	<b>0</b>	<b>1,657</b>	<b>601</b>	<b>4,337</b>	<b>71,178</b>	<b>203,764</b>

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



- Raw materials (copper and resin) 27.0%
- Associated process materials (chemicals, fluids) 0.1%
- Purchased components (Semi-manufactured goods) 71.4%
- Packaging materials 1.4%

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

<sup>1</sup> Non-renewable material volume % of total usage is 25.5%

<sup>2</sup> Direct material volume of total material usage is 95.9%. In 2015 Corporate Responsibility Report the direct material volume of total material usage is calculated excluding KTP.

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

<sup>2</sup> Source IEA, International Energy Agency 1 MWH=3,6Gj

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

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	21	0	0	0	0	0	0	0	<b>21</b>
Europe	16	1,291	19	28	95	0	320	0	0	<b>1,770</b>
North America	526	4,228	0	4	0	0	1,418	0	0	<b>6,176</b>
South America	144	101	0	0	0	0	181	0	0	<b>426</b>
<b>PKC Group Total</b>	<b>686</b>	<b>5,641</b>	<b>19</b>	<b>32</b>	<b>95</b>	<b>0</b>	<b>1,919</b>	<b>0</b>	<b>0</b>	<b>8,392</b>

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

t/year	Total
APAC	<b>9</b>
Europe	<b>18</b>
North America	<b>35</b>
South America	<b>32</b>
<b>PKC Group Total</b>	<b>94</b>

G4-EN29 Monetary amount of fines for non-compliance with environmental laws and regulations<sup>1</sup>

	EUR
APAC	0
Europe	0
North America	0
South America	0
<b>PKC Group Total</b>	<b>0</b>

G4-EN29 Total number of non-monetary sanctions for non-compliance with environmental laws and regulations<sup>1</sup>

	EUR
APAC	0
Europe	0
North America	0
South America	0
<b>PKC Group Total</b>	<b>0</b>

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

EN23 data reported by the disposal contractor using reports or in organisational defaults (applicable to only Finland and Vietnam office locations).

# Economic Key Data

## Group Key Figures

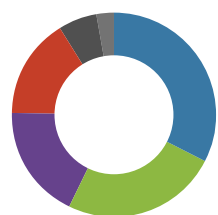
	2015	2014	2013	2012	2011
Revenue, EUR million	<b>908.0</b>	829.5	884.3	927.6	550.7
EBITDA excluding non-recurring items, EUR million	<b>63.9</b>	48.6	66.9	80.9	57.2
Operating profit (loss), EUR million	<b>22.7</b>	-7.0	27.0	41.4	32.2
Return on capital employed (ROCE), %	<b>10.8</b>	7.7	12.2	15.6	16.5
Gearing, %	<b>31.4</b>	-5.6	-1.1	34.4	72.6
Net cash from operating activities, EUR million	<b>14.8</b>	41.0	39.7	76.0	40.0
Gross capital expenditure, EUR million	<b>38.1</b>	19.9	14.6	16.0	101.5
Earnings per share (EPS), based	<b>0.29</b>	-1.21	0.62	1.12	1.16
Dividend per share, EUR	<b>0.70<sup>1</sup></b>	0.70	0.70	0.70	0.60

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

## PKC Market Share

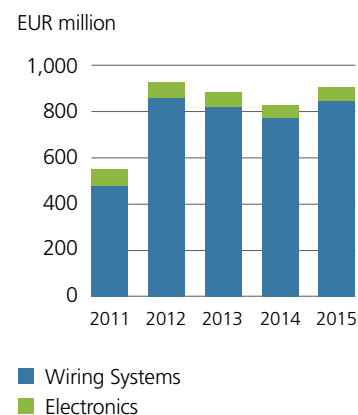
%	Heavy Commercial Vehicle	Medium Commercial Vehicle
Brazil	31	2
China	10	0
EU27 + EFTA	44	22
North America	58	34

## Ownership by category, %

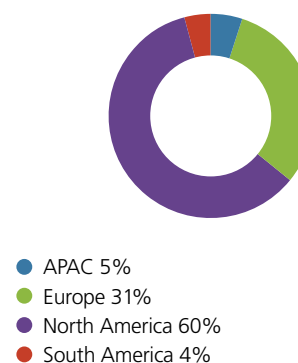


- Foreign investors 32.5%
- Households and private investors 24.8%
- Financial institutions and insurance corporations 18.0%
- Public institutions 15.7%
- Domestic corporations 6.2%
- Non-profit institutions 2.6%

## Revenue by business segment



## Revenue by region, %



- APAC 5%
- Europe 31%
- North America 60%
- South America 4%





## GRI

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# 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 (G4). 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 2015 is PKC Group's fourth Corporate Responsibility Report. The report for year 2015 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 the PKC Group's financial year, which is the calendar year, and therefore corresponds also to the period reported in the Annual Report. Some governance issues are also excluded from the report scope as 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 Interim Statements and Half-Year Report as well as separate press releases, if needed.

Report content and the indicators have been defined and chosen on the basis of materiality to PKC Group's operations. The materiality analysis has been performed by a team representing different functions within the PKC Group. In addition to internal analysis, a survey was conducted at the end of years 2012 and 2015 among chosen representatives of 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, except Jiangsu Huakai-PKC Wire

Harness Co., Ltd. which is included only in the financial data and in total personnel figures unless otherwise stated.

In 2015, there have not been changes in the reporting scope, except for the Kabel-Technik-Polska Sp. z o. o. locations in Białogard, Drawsko-Pomorskie, Czaplinek and Grodzisk Wielkopolski in Poland, which have been included in key data starting from the period after the acquisition took place. At the end of 2015, PKC has facilities in 11 countries, in Brazil, China, Estonia, Finland, Germany, Lithuania, Mexico, Poland, Russia, Serbia and the USA, and support offices in Shenzhen, China and Bac Ninh Province, Vietnam. The personnel and environmental data was collected from all regional units and covers the entire PKC Group, with the exception of management data that only covers PKC Group Plc.

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

## Independent Assurance

This report has not been assured independently by a third party. However, some areas incorporated in this report have been reviewed by external auditors as part of financial 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 G4 Content Index – 'In Accordance' - Core

 This GRI-index includes links

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
<b>GENERAL STANDARD DISCLOSURES</b>			
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement from the most senior decision-maker of the organisation	●	p. <a href="#">5–8</a>
G4-2	Description of key impacts, risks, and opportunities	◐	p. <a href="#">5–7</a> , <a href="#">9–11</a> , <a href="#">12–14</a> , <a href="#">17</a> , <a href="#">18–20</a>
<b>ORGANISATIONAL PROFILE</b>			
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G4-5	Location headquarters	●	p. <a href="#">3</a>
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G4-7	Nature of ownership and legal form	●	p. <a href="#">3</a> , <a href="#">36</a>
G4-8	Markets served	●	p. <a href="#">3</a> , <a href="#">36</a>
G4-9	Scale of the reporting organisation	●	p. <a href="#">3</a> , <a href="#">36</a>
G4-10	Breakdown of workforce	●	p. <a href="#">29–31</a>
G4-11	Coverage of collective bargaining agreements	●	p. <a href="#">31</a>
G4-12	Organisation's supply chain	●	p. <a href="#">17</a>
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	●	Information about the changes in organisation's structure in <a href="#">Financial Statements 2015</a> .
G4-14	Implementation of the precautionary approach	●	p. <a href="#">18–20</a> , <a href="#">26–27</a>
G4-15	Externally developed economic, environmental, and social initiatives which the organisation endorses	●	p. <a href="#">18–20</a>
G4-16	Memberships in associations and advocacy organisations	●	PKC is not a member of such associations and/or national/international advocacy organisations.

● fully  
◐ partially

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	Coverage of the entities in the consolidated financial statement	●	p. 3, <a href="#">Financial Statements 2015</a> , PKC's organisational chart, <a href="http://www.pkcgroup.com/investors">www.pkcgroup.com/investors</a>
G4-18	Process for defining the report content and the Aspect Boundaries	●	p. 12–14, <a href="#">38</a>
G4-19	Material Aspects identified	●	p. 12–14
G4-20	Aspect Boundary within the organisation	●	p. 12–14, <a href="#">38</a>
G4-21	Aspect Boundary outside the organisation	●	p. 12–14, <a href="#">38</a>
G4-22	Re-statements of information provided in earlier reports	●	No re-statements made in comparison to previous report.
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	●	p. <a href="#">38</a>
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	Stakeholders of the organisation	●	p. 12–14
G4-25	Basis for identification and selection of stakeholders with whom to engage	●	p. 12–14, <a href="#">38</a>
G4-26	Approaches to stakeholder engagement	●	p. 12–14
G4-27	Key topics and concerns raised through stakeholder engagement	●	p. 12–14
<b>REPORT PROFILE</b>			
G4-28	Reporting period	●	p. <a href="#">38</a>
G4-29	Date of most recent previous report	●	10 March 2015
G4-30	Reporting cycle	●	Annually
G4-31	Contact information	●	p. <a href="#">44</a>
G4-32	GRI Content Index for 'In accordance' – Core	●	p. <a href="#">38</a> , GRI Content Index for 'In accordance' – Core p. <a href="#">39–43</a>
G4-33	Policy and current practice with regard to seeking external assurance for the report	●	p. <a href="#">38</a>
<b>GOVERNANCE</b>			
G4-34	Governance structure	●	<a href="#">Corporate Governance Statement</a>
G4-39	The position of the Chairman of the Board of Directors	●	<a href="#">Corporate Governance Statement</a>
G4-40	Nomination and selection processes for the highest governance body and its committees	●	<a href="#">Corporate Governance Guidelines</a> , <a href="#">Corporate Governance Statement</a>
G4-41	Avoidance of conflicts of interest	●	<a href="#">Corporate Governance Statement</a> , PKC Group <a href="#">Board of Directors</a>
G4-44	Board's performance evaluation	●	<a href="#">Corporate Governance Guidelines</a> , <a href="#">Corporate Governance Statement</a>
G4-45	The role of the Board of Directors in the identification and management of economic, environmental and social impacts, risks, and opportunities	●	<a href="#">Corporate Governance Guidelines</a> , <a href="#">Corporate Governance Statement</a> , <a href="#">Code of Conduct</a>
G4-51	Remuneration policies for the Board of Directors and senior executives	●	<a href="#">Remuneration Statement</a>
<b>ETHICS AND INTEGRITY</b>			
G4-56	Values, principles and code of conduct	●	p. <a href="#">18–20</a> , in addition to which values and <a href="#">Code of Conduct</a> may be found at PKC's website.

- fully
- ◐ partially



Profile Disclosure	Description	Reported	Cross-reference/Direct answer
<b>SPECIFIC STANDARD DISCLOSURES</b>			
<b>ECONOMIC</b>			
<b>Economic Performance</b>			
G4-EC1	Direct economic value generated and distributed	●	p. <a href="#">3</a> , <a href="#">11</a>
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	●	p. <a href="#">9–11</a> , <a href="#">26–27</a>
G4-EC3	Coverage of the organisation's defined benefit plan obligations	◐	PKC's policy is not to take voluntary pension insurances, although some may exist as a result of acquisitions.
<b>ENVIRONMENTAL</b>			
<b>Materials</b>			
G4-EN1	Materials used by weight or volume	●	p. <a href="#">34</a>
<b>Energy</b>			
G4-EN3	Energy consumption within the organisation	◐	p. <a href="#">34</a>
<b>Water</b>			
G4-EN8	Total water withdrawal by source	●	p. <a href="#">34</a> . Primary source of water is municipal water and other water utilities. Data is reported by local reports using water meters, information from local authorities and partially on organisational defaults.
<b>Biodiversity</b>			
G4-EN11	Lands owned, leased, or managed in protected areas and areas of high biodiversity value	●	No operations in such areas.
G4-EN12	Impacts of activities on biodiversity in protected areas and areas of high biodiversity value	●	No significant impacts as no operations in such areas.
<b>Effluents and Waste</b>			
G4-EN23	Total weight of waste by type and disposal method	◐	p. <a href="#">35</a>
<b>Products and Services</b>			
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	●	p. <a href="#">26–27</a>
<b>Compliance</b>			
G4-EN29	Fines and other sanctions for non-compliance with laws and regulations	●	EUR 0

- fully
- ◐ partially

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
<b>SOCIAL</b>			
<b>LABOUR PRACTICES AND DECENT WORK</b>			
<b>Employment</b>			
G4-LA1	Employee turnover	●	p. <a href="#">29–30</a>
<b>Occupational Health and Safety</b>			
G4-LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	●	p. <a href="#">31</a>
<b>Training and Education</b>			
G4-LA9	Average hours of training per year per employee	●	p. <a href="#">32</a>
<b>Diversity and Equal Opportunity</b>			
G4-LA12	Composition of governance bodies and employee participation therein	●	PKC Group Plc's governance bodies do not have employee representation. PKC Group Plc's Board of Directors' and Executive Board's composition has been described in <a href="#">Corporate Governance Statement</a> .
<b>HUMAN RIGHTS</b>			
<b>Investment</b>			
G4-HR2	Employee training on policies and procedures concerning aspects of human rights	●	p. <a href="#">33</a>
<b>Nondiscrimination</b>			
G4-HR3	Total number of incidents of discrimination and actions taken	●	During 2015, two claims of alleged harassment and/or discrimination were received in North America. One claim was substantiated through investigation, and corrective action was taken related to the employee who was in violation of PKC policy. The employee subsequently resigned. The other claim was unsubstantiated through investigation and the case was closed. All North America employees participated in formal training on Harassment & Discrimination Prevention during 2015.
<b>Security Practices</b>			
G4-HR7	Security personnel trained in the organisation's policies or procedures concerning aspects of human rights	◐	p. <a href="#">33</a> . Training for internal security personnel reported.
<b>Assessment</b>			
G4-HR9	Number of operations that have been subject to human rights reviews or impact assessments	●	No operations have been subject to human rights reviews and/or impact assessments.
<b>Human Rights Grievance Mechanisms</b>			
G4-HR12	Number of grievances related to human rights filed, addressed and resolved	●	0

- fully
- ◐ partially

Profile Disclosure	Description	Reported	Cross-reference/Direct answer
<b>SOCIETY</b>			
<b>Anticorruption</b>			
G4-SO4	Communication and training on anti-corruption policies and procedures	①	p. 33. Percentage of employees trained in organisation's anti-corruption policies and procedures reported.
<b>Anticompetitive Behavior</b>			
G4-SO7	Legal actions for anti-competitive behavior and monopoly practices	●	No legal actions for anticompetitive behavior, anti-trust, and monopoly practices have taken place.
<b>Compliance</b>			
G4-SO8	Fines and other sanctions for non-compliance with laws and regulations	●	No significant fines or sanctions.
<b>PRODUCT RESPONSIBILITY</b>			
<b>Customer Health and Safety</b>			
G4-PR1	Assessment of health and safety impacts of products and services at various life cycle stages	●	<p><b>Life cycle stages in which health and safety impacts of products and services are assessed for improvement:</b></p> <p><b>For development and R&amp;D of products:</b> When R&amp;D is applicable i.e. when PKC provides R&amp;D services, a standard product development process is utilised (according to design manual). For analysing these risks PKC uses DFMEA risk analysing method. Environmental issues are part of that process. For development of component projects, a standard product development process is utilised (PDPW). An input into the PDPW process is the Design Failure Mode Effects Analysis in which multiple items regarding health and safety impacts are assessed.</p> <p><b>For certification:</b> Material certifications performed to ensure adherence to applicable customer specifications. Actual requirements may vary by customer.</p> <p><b>For manufacturing and production:</b> The DFMEA in combination with performance requirements are utilised to generate the manufacturing Process Failure Mode Effects Analysis (PFMEA). Health and Safety required are carried from the DFMEA to the PFMEA.</p> <p><b>For marketing and promotion:</b> 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><b>For storage distribution and supply:</b> Shipping containers and product packaging are evaluated for safety and are tailored to each component or assembly.</p> <p><b>For use and service:</b> 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><b>For disposal, reuse or recycling:</b> RoHS is adhered to. Materials are selected to maximise the recyclability of products.</p> <p><b>Percentage of significant product or service categories that are covered by and assessed for compliance with such procedures:</b> 99%.</p>
<b>Product and Service Labelling</b>			
G4-PR5	Practices related to customer satisfaction and results of customer satisfaction surveys	●	p. 24
<b>Compliance</b>			
G4-PR9	Fines and other sanctions for non-compliance with laws and regulations	●	EUR 0

- fully
- ① partially

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**Finland**

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

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