

CORPORATE GOVERNANCE STATEMENT

This corporate governance statement has been prepared in accordance with recommendation 51 of the Finnish Corporate Governance Code, and it also covers other key corporate governance areas. This corporate governance statement is issued separately from the Board of Directors' report. It is included in our Annual Report, which is available on our website.

PKC Group Oyj complies with the Finnish Corporate Governance Code 2009. The Finnish Corporate Governance Code is publicly available from, for example, the website of the Finnish Securities Market Association, www.cgfinland.fi. The company's Corporate Governance Guidelines and a regularly updated report on corporate governance are published on the company's website.

Deviations from the Code's recommendations

The company deviates from the Finnish Corporate Governance Code's recommendation concerning the minimum number of members in the Audit Committee, because, taking into account the number of members on the Board and the scope and nature of the company's operations, the Audit Committee is able to handle matters effectively with just two members.

GENERAL MEETING OF SHAREHOLDERS

The highest power of decision is vested in the General Meeting, which resolves the issues stipulated in the Companies' Act and Articles of Association.

The Annual General Meeting is held, upon completion of the financial statements, on the day specified by the Board of Directors, no later than the end of June, either at the company's registered office in Kempele or in Helsinki. The Annual General Meeting handles the issues belonging to the Annual General Meeting according to the Articles of Association as well as any other proposals to the meeting. Moreover, the company can, if necessary, call an Extraordinary General Meeting. A shareholder has the right to put items falling within the competence of the general meeting by virtue of the Limited Liability Companies Act on the agenda of the general meeting, if the shareholder so notifies the board of directors in writing well in advance of the general meeting so that the item can be added to the notice of the general meeting.

Shareholders must be invited to the meeting, in accordance with the company's Corporate Governance guidelines, no earlier than two (2) months and no later than twenty-one (21) days before the meeting. The notice shall be published in one Helsinki-based newspaper and one Oulu-based newspaper, as a stock-exchange announcement, and it shall be published on the company's website. Normally, newspaper announcements are published in Helsingin Sanomat and Kaleva.

A shareholder is entitled to attend the meeting if he or she is listed as a shareholder in the company's shareholder register at Euroclear Finland Ltd on the record date indicated in the notice of the meeting and has confirmed his or her attendance in the manner specified in the notice of the meeting and by the deadline specified.

In 2009, the Annual General Meeting was held in Kempele on 27 March 2009.

BOARD OF DIRECTORS

The Board of Directors is responsible for the company's administration and the due organisation of operations. The Board of Directors has drafted a written charter for its operations, which defines the key tasks and operating principles of the Board. The charter is published in its entirety on the company's website.

The Board's main duties include confirming the company's strategy and budget, approving the principles of risk management and ensuring the functioning of the management system. The Board shall decide on matters that are unusual or that have far-reaching effects in light of the scope and quality of the company's operations and the framework of its field of business. These matters include the following, among others:

- to decide on acquisitions, mergers and other reorganisations that affect the structure of the Group and on strategically important expansions of the business and equity investments,
- to decide on the development of investments and significant individual investments,
- to approve incentive schemes and remuneration systems relating to the whole group.

The Annual General Meeting elects, in accordance with the Articles of Association, 5–7 members to the Board for a term that expires at the end of the next Annual General Meeting. Board members are elected such that they have the required competence for the task and the ability to devote a sufficient amount of time to the work. Both genders shall, when possible, be represented on the board from the first Annual General Meeting held after 1 January 2009. The majority of the Board members must be independent of the company, and at least two of the said majority must be independent of the company's significant shareholders. The Board of Directors evaluates the independence of its members annually. The Board elects from among its members a Chairman, who according to the Articles of Association cannot be the company's President. The duties and responsibilities of the Chairman and other Board members have not been designated specifically.

The Board independently evaluates, on an annual basis, the effectiveness of its performance and working methods with an eye on development opportunities. The first time such an evaluation was performed was for the year 2004. The Board performs a self-evaluation via a questionnaire, which the President and all other Board members must complete.

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS ON 31 DECEMBER 2009



Matti Ruotsala

b.1956

- Chairman since April 3, 2008
- Member of the Board of Directors from 2006
- M.Sc.(Eng.)
- Executive Vice President, Fortum Corporation Power Division
- Previously President Fortum Generation of Fortum Corporation (2007–2009), AGCO Corporation's Vice President and Valtra Oy Ab's Managing Director (2005–2007), KCI Konecranes Plc's Chief Operating Officer and Deputy CEO (2001–2004), KCI Konecranes Plc's Technical Director and Commercial Director (1995–2000) and Kone Corporation's crane business' Asia Pacific Area Director (1991–1994)
- Chairman of the Board of Directors at Kemijoki Oy, Member of the Board of Directors at Larox Oyj, Oy Halton Group Ltd, OKG AB, Forsmarks Kraftgrupp AB, and Teollisuuden Voima Oy.
- Independent of the company and of its significant shareholders.



Outi Lampela

b.1949

- Member of the Board of Directors since March 27, 2009
- M.Sc. (Eng.)
- Outotec Oyj's Senior Vice President - Corporate Controller
- Previously, Luvata Oy's Director - Business Development (2005 –2006), Outokumpu Heatcraft USA LLC's CFO – Business Control and Finance (2002–2005), Outokumpu Oyj's Vice President - Business Development (2000–2002), Outokumpu Technology Oy's Vice President - Business Control, Finance and Administration (1991–2000) and prior to this in other business control, finance and business development duties.
- Managing Director at International Project Services Ltd. Oy. Member of the Board of Directors at Outotec (Kil) AB, MP Metals Processing Engineering Oy and Outotec Minerals Oy.
- Independent of the company and of its significant shareholders.



Endel Palla

b.1941

- Member of the Board of Directors from 1994
- Electronics Engineer
- A Harju Elekter Ltd's Chairman of the Supervisory Board and Development Director
- With AS Harju Elekter from 1983, latest as Development Director (1999–), Managing Director (1991–1999), Technical Director (1983–1991) and before that in management duties of electrotechnical division at AS Harju KEK
- Chairman or the board member of the Supervisory Boards of AS Harju Elekter and its subsidiaries and affiliated companies (AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy, UAB Rifas, AS Draka Keila Cables) as well as member of the Supervisory Boards of AS Harju KEK and AS Laagri Vara. Member of the Board of Directors of the Council of the Estonian Chamber of Commerce and Industry
- Not independent of the company (Chairman of the Supervisory Board and Development Director in AS Harju Elekter that is a lessor of PKC's subsidiary and PKC's significant shareholder).



Olli Pohjanvirta

b. 1967

- Member of the Board of Directors from 2007
- LL.M
- Head of Hannes Snellman Attorneys Ltd's operations in Russia
- Hannes Snellman Attorneys Ltd's partner (2006–2009), ETL Law Offices Ltd's partner (1993–2006), practising law related to Russia and the rest of the CIS countries since 1993
- Member of the Board of Directors at OOO Aurinkomatkat, Avelon Group Oy, HS Holding Ab, ZAO Vepsäläinen, Nurminen Logistics Oyj, Matkayhtymä Oy, and OOO IBI Investin ja Russian Capital Management Ltd.
- Independent of the company and of its significant shareholders.



Jyrki Tähtinen

b. 1961

- Vice-Chairman since September 1, 2005
- Member of the Board of Directors from 1999
- LL.M, MBA, Attorney at Law
- Attorneys at Law Borenius & Kempainen Ltd's Chairman of the Board of Directors
- Previously Attorneys at Law Borenius & Kempainen Ltd's President and CEO (1997–2008), partner (1991–), and before that practising law at the employ of other law firms and City of Helsinki since 1983
- Member of the Board of Directors at JSH Capital Oy, Girasole Oy, Oy Nordgolf Ab, Dexus Oy, and Dexus Group. Chairman of the Board of Directors at Muoviura Oy
- Independent of the company and of its significant shareholders.

CORPORATE GOVERNANCE STATEMENT

Meetings of the Board in 2009

On average, the Board meets on a monthly basis and also on other occasions as necessary. In 2009, the Board held 17 meetings, of which 7 were telephone meetings.

ATTENDANCE OF BOARD MEMBERS AT THE MEETINGS

	Meetings	Attendance%
Matti Eestilä	5/6	83
Outi Lampela	11/11	100
Jaakko Niemelä	6/6	100
Endel Palla	17/17	100
Olli Pohjanvirta	17/17	100
Matti Ruotsala	16/17	94
Jyrki Tähtien	17/17	100
Average attendance of all Board members		98

* Eestilä and Niemelä were members of the Board until 27 March 2009, and Lampela joined the Board on 27 March 2009

COMMITTEES OF THE BOARD

Audit Committee

In 2009, the Board of PKC Group Oyj resolved to establish among its members an Audit Committee, which shall assist the Board by concentrating particularly on matters pertaining to financial reporting and control. The Board of Directors has drafted a written charter for the Audit Committee, which defines the key tasks and operating principles of the Audit Committee. The charter is published in its entirety on the company's website.

The Board elects the members and Chairman of the Committee from among its members at the organisation meeting. In 2009, Outi Lampela was elected as Chairman of the Audit Committee and Olli Pohjanvirta as a member.

The members must have the qualifications necessary to perform the responsibilities of the Audit Committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing. The Committee shall have sufficient expertise in accounting, bookkeeping, auditing, internal audit or practices related to financial statements, as the Committee deals with matters pertaining to the financial reporting and control of the company. The expertise may be based on, e.g. experience in corporate management.

The members of the Audit Committee must be independent of the company, and at least one member must be independent of significant shareholders. If the Audit Committee has only two members, both must be independent of significant shareholders. Taking into account the number of members on the Board and the scope and nature of the company's operations, the Audit Committee is able to deal with matters effectively with just two members.

The Board has not deemed it necessary to establish other committees, as, taking into account the scope and nature of the company's operations as well as the Board's working methods, the Board is able to handle matters effectively without such committees.

Meetings of the Audit Committee in 2009

The Audit Committee convenes at least four times a year before publication of the financial results and whenever necessary. In 2009, the Audit Committee held four meetings, of which two were telephone meetings.

ATTENDANCE OF COMMITTEE MEMBERS AT THE MEETINGS

	Meetings	Attendance%
Outi Lampela	4/4	100
Olli Pohjanvirta	4/4	100
Average attendance of all members		100

PRESIDENT AND EXECUTIVE BOARD

President

The Board appoints the company's President, who is also the Group CEO. The President supervises the operations and administration of the whole group in accordance with the Companies' Act, the Articles of Association, the directions of the Board as well as the company's Corporate Governance Guidelines and other internal guidelines. The President's service contract has been prepared in writing and shall remain valid until further notice. The President operates as the Chairman of the Executive Board.

Executive Board

The Executive Board supports the President and CEO in managing the Group, but it does not have any authority based on legislation or the Articles of Association. The tasks of the Executive Board are to improve operations, carry out strategic work, monitor the realisation of the objectives and action plans set in strategic work, and deal with other matters of vital importance to the operations. The Executive Board comprises the President and CEO (Chairman) and persons appointed by the Board upon President and CEO's proposal.

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EXECUTIVE BOARD ON 31 DECEMBER 2009



Harri Suutari

b.1959

- President & CEO since April 3, 2008
- Engineer
- Previously President and CEO at PKC Group Oyj (March 13, 2002–August 31, 2005), Ponsse Oyj (1994–2000) and Kajaani Automatiikka Oy (1984–1996)
- Member of the Board of Directors at Alma Media Oyj, and Sunit Oy



Jarkko Kariniemi

b. 1970

- Director, HR & Risk Management
- B.Sc.
- With the company from 1999 and member of the Executive Board from 13th of January 2009.
- Previously PKC Group Oyj's Group Risk Manager (2008), Group Safety and Security Manager (2004–2008) and production management and development duties (1999–2004).



Jyri Kontio

b.1974

- Vice President, Wiring Harnesses (sourcing, quality and technology)
- L.Sc. (Tech.)
- With the company from 1998 and member of the Executive Board from 15.4.2008.
- Previously PKC Group Oyj's technical and quality director (2006–2008), business unit director (2005–2006) and earlier in production management and development duties.



Sanna Raatikainen

b. 1972

- General Counsel
- LL.M. with court training
- With the company from 1999 and member of the Executive Board from 16th of June, 2008
- Previously PKC Group's Legal Counsel (1999–2008), court training at district court of Oulu (1997–1998)



Jarmo Rajala

b.1962

- Vice President, Electronics
- M.Sc. (Econ.)
- Member of the Executive Board from 2005
- PKC Group's Business Unit Director (2005–2006). Previously Suomen 3C Oy's Business Unit Director (2005), Cybelius Software Oy's Sales Director (2003–2005), Tammerneon Oy's Hungarian subsidiary's Managing Director (1998–2003), Finland Trade Center Budapest, Trade Commissioner (1997), Vaasa University's Liaison Officer/Project Manager (1991–1996).



Marja Sarajärvi

b.1963

- CFO
- M.Sc. (Econ.)
- With the company from 1995 and Member of the Executive Board from 16 July 2008.
- PKC Group's Financial Manager (2001–2008), Plant Manager (2000), PKC Electronics' Director of Administration and Finance (1999), Raahen TH-Elektroniikka's Managing Director (1998), Financial Director (1995–1998). Previously Financial Manager of Kone Oy Raahe plant (1988–1993).

CORPORATE GOVERNANCE STATEMENT

ORGANISATION OF THE BUSINESS AND GROUP COMPANIES

The Group's operations and ownership of the subsidiaries is divided into two business areas corresponding to the core competence areas: wiring harnesses and electronics. The operations of these business areas are managed centrally by the parent company of each business-area sub-group. Wiring harness business is managed by PKC Wiring Systems Oy and the electronics business by PKC Electronics Oy, which direct, control and manage the operations of their subsidiaries.

The managing directors of the parent companies of the sub-groups are members of the Executive Board. Supporting the managing directors of each business is a management board whose task is to deal with the strategy and operations of the business in question.

The managing directors and Boards or equivalent governing bodies of the group companies shall decide on policies and strategies relating to the business within the framework approved by PKC's Board. The Board or an equivalent body, the general managers and other management of the group companies are elected by the parent company President & CEO in accordance with the principles approved by the Board. The terms and conditions of service are also decided on by the parent company President & CEO in accordance with the principles approved by the Board. The Boards or equivalent bodies of the group companies largely comprise representatives of PKC's management. The general managers of the group companies are responsible for the operations of the group companies, the development of the businesses, invested assets, return on equity and cash flow. The Boards or equivalent bodies of the group companies are responsible for the the duties belonging

to the board specified by the legislation and regulations of the relevant country: responsibility for operations lies with the group company. The other management of group companies are responsible for operations in their own area, subject to the limits of their mandate.

AUDIT

The Annual General Meeting elects an auditor approved by the Finnish Central Chamber of Commerce as the company's auditor. In 2009, the authorised public accounting firm Ernst & Young Oy was elected as the company's auditor, with Juhani Rönkkö, Authorised Public Accountant, acting as the principal auditor. The auditor's term expires after the conclusion of the next Annual General Meeting following the election.

INSIDER ISSUES

The company complies with the Insider Guidelines of the NASDAQ OMX Helsinki Ltd. The company's public insider register includes the President and CEO, the deputy CEO, Board members, the auditor and the employee of the authorised public accounting firm with the main responsibility for the audit. In addition, the company has defined the members of the Executive Board as persons subject to the disclosure requirement under the public insider register. The company's public insider register has been presented in its entirety on the company's website. The company's internal, non-public, company-specific insiders include persons who regularly handle insider information during the performance of their duties. When major projects are ongoing, project-specific insider registers are also used.

The company recommends that the insiders acquire the company's shares as long-term investments and do not participate in active trading. It is also recommended to schedule the trading within 30 days after the publication of financial reports, whilst taking into account the restrictions that possible insider information imposes. The insiders may not trade in the company's shares or share-related rights within the 30-day period prior to the publication of the company's interim reports or the financial-statement bulletins, and this closed window ends on the day following the publication of financial results.

DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

Internal control

The Board is responsible for internal control, and the President is responsible for practical arrangement of control procedures. The Board shall ensure that the company has determined operating principles for internal control and monitors the effectiveness of control procedures. Moreover, it shall ensure that planning, information and control systems for risk management are sufficient and support the business objective. The Board of PKC Group Oyj has approved the internal control guidelines for the whole group.

The aim of internal control and risk management is to ensure that the company's operations are efficient and productive, that information is reliable and that

regulations and operating principles are followed throughout the Group. The aims of internal control include the following, among others:

- the clear definition of responsibilities, powers and reporting relationships
- the promotion of an ethical atmosphere and honesty
- the accomplishment of stated goals and objectives and Economic and effective use of resources
- appropriate management of risk
- reliability and correctness of financial data and other management information
- separation of the functions that involve making commitments, disbursement of funds, and accounting for assets and liabilities as well as reconciliation of these processes
- the safeguarding of operations, data and assets
- ensuring that information flows through the business as required
- ensuring that external rules and regulations as well as standards for operational are complied with.

Internal control is an essential part of all group operations at all levels of the organisation. Internal control methods include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are carried out and necessary actions are taken to address risks to achievement of the Group's objectives. Since the Group does not have a separate internal auditing organisation, special attention has been paid to the organisation of functions, the professional skills of personnel, operating instructions, reporting and the scope of audit.

CORPORATE GOVERNANCE STATEMENT

Risk management

Risk management is an integral part of internal control. Risk management refers to the recognition, assessment, measurement, limiting and monitoring of risks involved in or essentially related to the business. The objective of risk management is to identify risks relevant to business operations, and to determine the measures, responsibilities and schedules required for efficient risk management. Risk management processes go hand-in-hand with strategic process, and achieved results are systematically utilized as part of annual planning. Risk evaluation is carried out in accordance with risk management guidelines.

PKC Group has in use a group-wide risk management policy, which the parent company's Board of Directors has confirmed. Risk management is carried out and risks are reported in accordance with the Risk Management Policy, Risk Management Guidance, RM Annual Clock and Enterprise Risk Management Process. For the management of financial risks, the Board of the parent company has confirmed the Group's financial risk management policy. The aim of financial risk management is to protect the Group against adverse changes in the financial markets and thereby to safeguard the Group's financial results, equity and liquidity. The Group's financing and financial risk management have been centralised within the parent company's finance function. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow.

Financial reporting

It is necessary to provide adequate and comprehensive information for decision making. The information shall be reliable, relevant, timely, and provided in agreed format. The information includes internal financial and operational data and data on compliance with external regulations and internal procedures as well as external data on the

business environment and market developments. PKC Group's parent company gives instructions of financial reporting and reporting schedule and content. Group companies General Managers, Financial Managers and chief accountants are responsible for the adequate of financial reporting according to local legislation and instructions received from PKC Group.

Information systems produce reports, containing operational, financial and compliance-related information that make it possible run and control the business. The monthly consolidated financial report includes results at a group-, business segment- and subsidiary-level, development and growth relative to the previous year, a comparison against forecasts, and forecasts for the current financial period. Short-term financial planning for the Group is based on 12-month forecasts updated monthly. The required rate of return on equity is determined annually based on market conditions, and in the required rate of return industry- and country-specific risk-related differences have been taken into account. Information on the Group's financial situation is published in interim reports and financial statement bulletins.

Audit

The audit shall be performed by an authorised firm of auditors. The parent company is responsible for selecting the audit firm. The audit firm selected by PKC Group has overall responsibility for coordination of audits for the whole group (audit plans for each group company) and their cost, together with the Chief Financial Officer of PKC Group Oyj and the management of the subsidiaries. Moreover, if required, a local authorised audit firm can be selected to carry out the audit required by local legislation. In the scope of the audit, it is taken into account that the company does not have its own separate internal audit organisation.