

CORPORATE GOVERNANCE STATEMENT

This statement has been prepared in accordance with recommendation 54 of the Finnish Corporate Governance Code 2009, and it also covers other key areas of governance. This corporate governance statement is issued separately from the Board of Directors's report. It is included in the annual report which is available on our website.

PKC Group Oyj complies with the Finnish Corporate Governance Code. The 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

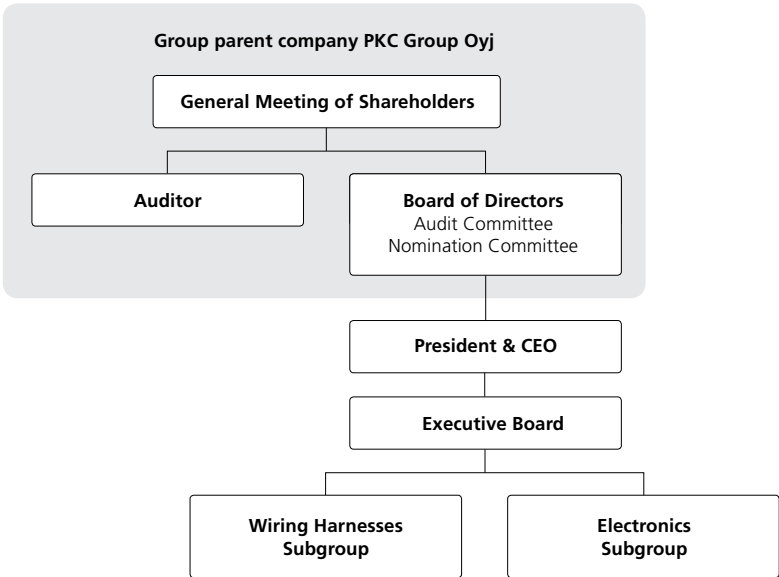
There are no deviations.

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 in accordance with 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

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writing well in advance of the general meeting so that the item can be added to the notice of the general meeting.

In accordance with the company's Corporate Governance guidelines, shareholders must be invited to a General Meeting two (2) months before the meeting at the earliest and twenty-one (21) days before the meeting at the latest by publishing an announcement in one newspaper in Helsinki and in one newspaper in Oulu, as a stock exchange bulletin and on the company's Internet site. 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 2010, the Annual General Meeting was held in Kempele on 31 March 2010.

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 consequence 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.

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BOARD OF DIRECTORS, 31 DECEMBER 2010



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 and Teollisuuden Voima Oy, Member of the Board of Directors at Oy Halton Group Ltd.
- Independent of the company and of its significant shareholders.



Matti Hyytiäinen (b.1960)

- Member of the Board of Directors from March 31, 2010
- M. Sc. (Economics)
- Etteplan Oyj's President and CEO
- KONE Oyj, Escalator division's Senior Vice President (2001–2007), Perlos Oyj's Senior Executive Vice President (2001), KONE Elevators Co., Ltd's President (1996–2000), PT KONE Indo Elevator's President (1994–1996), KONE Oyj Hissit Suomi, General Manager, subsidiaries and acquisitions (1989–1994), Hissi-Ala Oy's General Manager (1986–1989), KONE Oyj Hissit Suomi, Assistant Controller (1984–1986)
- Chairman of the Board of Directors at Vulcanugroup Oy, Member of the Board of Directors at Prewise Group Oy, Häme Chamber of Commerce and Lahti Cleantech Board
- Independent of the company and of its significant shareholders.



Outi Lampela (b.1949)

- Member of the Board of Directors from March 27, 2009
- M.Sc. (Eng.)
- Outotec Oyj's Senior Vice President, Risk Management and Internal Audit
- 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 Outokumpu / Outokumpu Technology 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 as from 2007.
- LL.M.
- Managing Director of Russian Capital Management Ltd.
- Hannes Snellman Attorneys Ltd's partner (2006–2009), ETL Law Offices Ltd's partner (1993–2006).
- Hannes Snellman Attorneys Ltd's of counsel, Chairman of the Board at Nurminen Logistics Oyj, Member of the Boards of OOO Aurinkomatkat, ZAO Vepsäläinen, Matkayhtymä Oy and Tulikivi Oyj, Member of the Board at the International Banking Institute of St. Petersburg.
- Independent of the company and 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
- Chairman of the Board of Directors at Muoviura Oy, Member of the Board of Directors at JSH Capital Oy, Dexus Group Oy, and Dexus Oy.
- Independent of the company and of its significant shareholders.

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Meetings of the Board in 2010

On average, the Board meets on a monthly basis and also on other occasions as necessary. In 2010, the Board held 17 meetings, of which 7 were telephone meetings, in addition to which 2 decision minutes were drafted without holding a meeting.

Attendance of Board members at the meetings:

	Meetings	Attendance %
Matti Hyytiäinen*	12/12	100
Outi Lampela	17/17	100
Endel Palla	17/17	100
Olli Pohjanvirta	16/17	94
Matti Ruotsala	17/17	100
Jyrki Tähtinen	15/17	88
Average attendance of all Board members		98

* Hyytiäinen joined the Board on 31 March 2010

COMMITTEES OF THE BOARD

The Board has established from among its members an Audit Committee and a Nomination Committee. It has not been deemed 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.

Audit Committee

In 2009, the Board of PKC Group Oyj resolved to establish from among its members an Audit Committee, which shall assist the Board by concentrating particularly on matters

pertaining to financial reporting and control as well as preparing the proposal for resolution on the election of the auditor. 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. In 2010, Outi Lampela was elected as Chairman of the Audit Committee and Matti Hyytiäinen and Olli Pohjanvirta as members.

The members must have the qualifications required for fulfilment of the Committee's role, and at least one member shall have expertise either in accounting or bookkeeping or in auditing. The Committee must have sufficient expertise in accounting, bookkeeping, auditing, internal audit or practices related to financial statements, as the Committee deals with matters relating to the financial reporting and control of the company. The expertise may be based, for example, on 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.

Meetings of the Audit Committee in 2010

The Audit Committee convenes at least four times a year before publication of the financial results and whenever necessary. In 2010, the Audit Committee held 6 meetings, of which 3 were telephone meetings.

Attendance of Board members at the meetings:

	Meetings	Attendance %
Outi Lampela	6/6	100
Matti Hyttiäinen*	4/4	100
Olli Pohjanvirta	6/6	100
Average attendance of all Board members		100

* as from 31 March 2010

Nomination Committee

In 2010, the Board of PKC Group Oyj resolved to establish from among its members a Nomination Committee, which shall prepare the matters relating to the nomination and remuneration of directors. The Board of Directors has drafted a written charter for the operation of the Nomination Committee, which defines the key tasks and operating principles of the Nomination 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 2010, Matti Ruotsala was elected as Chairman of the Nomination Committee and Endel Palla and Jyrki Tähtinen as members.

The members must be independent of the company. The President or any other executive of the company may not be appointed to the Nomination Committee.

Meetings of the Nomination Committee in 2010

The Nomination Committee convenes at least once a year in order to prepare the proposals to be presented to the general meeting and whenever necessary. In 2010, the Nomination Committee held 2 meetings.

Attendance of Board members at the meetings:

	Meetings	Attendance %
Matti Ruotsala	2/2	100
Endel Palla	2/2	100
Jyrki Tähtinen	2/2	100
Average attendance of all Board 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 Group Executive Board.

Executive Board

The Group Executive Board supports the President in managing the Group, but it does not have any authority based on legislation or the Articles of Association. The tasks of the Group 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 operations. The Executive Board comprises the President & CEO (Chairman) and persons appointed at the proposal of the President.

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EXECUTIVE BOARD ON 31 DECEMBER 2010



Harri Suutari (b.1959)

- President & CEO
- Engineer
- With the company and member of the Executive Board from 2008.
- 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, Sunit Oy and Oy M-Filter Ab.



Jarkko Kariniemi (b.1970)

- Director, HR & Risk Management
- B.Sc.
- With the company from 1999 and member of the Executive Board from 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).



Harri Ojala (b.1959)

- President, Wiring Harnesses
- M.Sc. (Eng.), EMBA
- With the Group and a member of the Group Executive Board from 15 March 2010.
- Previously Cargotec Corporation, Vice President, Supply Development (2008–2010), Elcoteq SE, Vice President, Corporate Affairs (2007–2008), Elcoteq SE, European Office, President, Geographical Area Europe (2005–2007), Elcoteq Network Corporation, Director Operations, Europe (2002–2005), Elcoteq Hungary, General Manager (2002–2004), Elcoteq Poland, General Manager (2001–2002), Kone (1986–2001) various positions in Germany and the United States.



Sanna Raatikainen (b.1972)

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



Jarmo Rajala (b.1962)

- 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 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 Raahen plant (1988–1993).

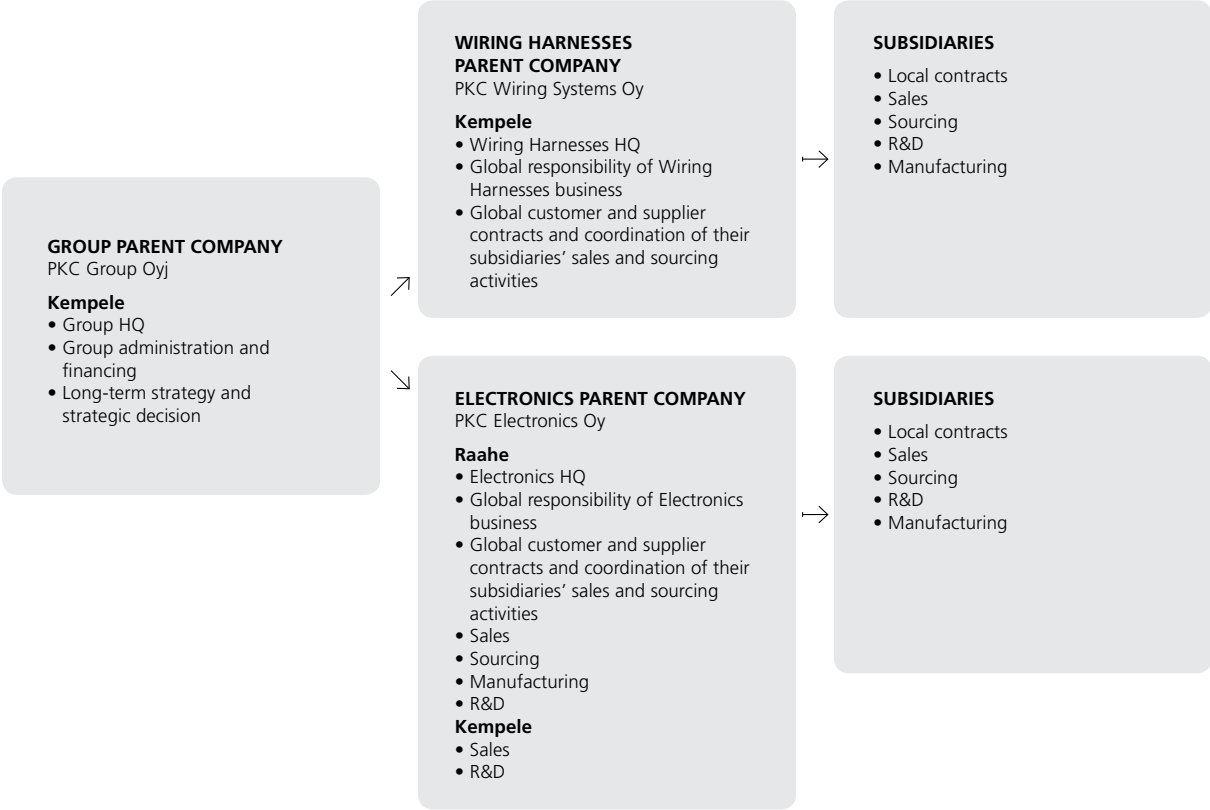
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ORGANISATION OF THE BUSINESS AND GROUP COMPANIES

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 legal parent company of the Electronics business is PKC Netherlands Holding B.V., which does not have any operational activities).

The managing directors of the parent companies of the sub-groups are members of the Executive Board. Supporting the managing director 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 managing director and other management of the group companies are elected by the parent company President in accordance with the general principles approved by the Board. The terms and conditions of service are also decided on by the parent company President in accordance with the general principles approved by the Board. The boards and equivalent governing bodies of the group companies largely comprise representatives of PKC's management. The managing directors 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 and equivalent governing bodies of the group companies are responsible for the tasks falling within the remit of the Board and 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. In 2010, the authorised public accounting firm KPMG Oy Ab was elected as the company's auditor, and KPMG declared Virpi Halonen, Authorised Public Accountant, 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 NASDAQ OMX Helsinki Ltd. The company's public insider register includes the President & 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 Group 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 RELATING TO THE FINANCIAL REPORTING PROCESS

Control environment

The Board of PKC Group Oyj has approved the Internal Control Guidelines for the whole group, in which the general principles for the division of responsibilities, rights and control are determined at Group level. The Board of Directors has also ratified the Code of Conduct covering the whole group. Both sets of guidelines operate as a reference framework, and they supplement other current procedures and guidelines at both Group level and unit and function level. PKC Group's goal is to encourage all Group employees to comply with firm, ethical standards in all activities with customers, suppliers, the public sector, the general public and others. Compliance with legislation, regulations and Group internal procedures is a fundamental requirement, from which it is not possible to deviate in any circumstances.

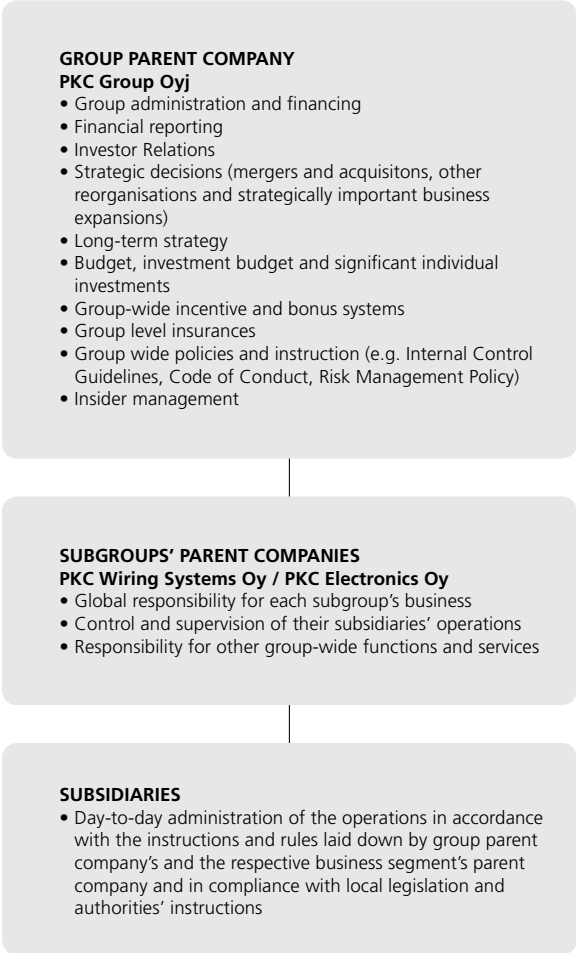
PKC Group's control environment and division of responsibilities at Group level comprises three parts, as shown by the diagram next page.

PKC Group Oyj is the parent company for the whole group, so it manages and directs the operations for the whole group. The Board of Directors of PKC Group Oyj is responsible for the creation and maintenance of adequate and practical internal control and risk management. Responsibility for the arrangement of control procedures lies with the President of PKC Group Oyj. The Group parent company prepares group-level guidelines. The parent companies for both the wiring harness and electronics sub-groups may create their own guidelines relating to the sub-groups.

The managing directors and other senior management of the parent companies of the sub-groups are responsible for:

- the implementation of practical measures for internal control and for ensuring that the organisational structure of their own line of business is maintained so that authority, responsibilities and reporting relationships are clearly and thoroughly defined.
- the development and maintenance of procedures based on such risk-management principles, via which risks can be identified, evaluated and measured as well as limited and controlled.

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- ensuring that the subsidiaries have competent management, who adopt a sensible and steady management style and comply with the guidelines and regulations established by management of the parent company.

The subsidiaries take care of the daily management of operations in accordance with the guidelines and regulations established by the parent company of the business. The managing directors of the subsidiaries are responsible for the management of operations and control

of the business in accordance with the guidelines and regulations established by management of the parent company as well as local legislation and the regulations issued by authorities. They are also responsible for the development of the business in question, assets invested and cashflows.

The managing directors and other senior management of the subsidiaries are responsible for the following, amongst other things:

- the achievement of objectives set for the company in question.
- the arrangement and implementation of adequate and appropriate internal control.
- the implementation of practical measures for internal control and the maintenance of the organisational structure in their own line of business so that authority, responsibilities and reporting relationships are clearly and thoroughly defined.
- the accuracy of information and reporting within the Group and with local authorities.

In their operations, the subsidiaries must not take risks that could substantially compromise solvency, liquidity or the Group's solvency.

Internal control

The Board of Directors is responsible for internal control, and the President is responsible for arrangement of control procedures. The Board shall ensure that the company has determined operating principles for internal control and that the company monitors the effectiveness of control procedures. Moreover, it shall ensure that planning, information and control systems used for risk management are sufficient and support the business objectives. 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, authority and reporting relationships
- the promotion of an ethical environment and honesty
- the achievement of the aims and objectives set and the economical and effective use of resources

- appropriate management of risk
- validity and reliability of financial data and other management information
- separation of the functions relating to commitments, payments and bookkeeping for assets and liabilities, and the reconciliation of these processes
- the safeguarding of operations, data and assets
- ensuring that information flows through the business as required
- ensuring that external regulations are followed as well as internal operating procedures and standards.

Internal control is an essential part of all Group operations at all levels of the organisation. Control procedures are carried out at all levels and in all functions of the whole organisation. The internal control processes include internal guidelines, reporting, various technical systems and procedures relating to operations. They help ensure that management directives are followed and that there is an appropriate response to risks that threaten achievement of the Group's objectives. The daily tasks include management audits and operational audits, carrying out checks that are suitable for each line of business, physical controls, monitoring compliance with agreed acceptance limits and operating principles and monitoring of deviations, a system of approvals and mandates, and various checks and reconciliation arrangements. Since the Group does not have a specific internal audit organisation, special attention has been paid to the organisation of functions, the professional skills of personnel, operating instructions, reporting and the scope of auditing.

Risk management and evaluation of risks

Risk management is an integral part of internal control. Risk management refers to the identification, assessment, measurement, limitation and monitoring of risks that are fundamentally related to the business or are part of it. The aim of risk management is to identify the risks relevant to business operations and to determine the measures, responsibilities and schedules required for effective risk management. Risk-management processes go hand-in-hand with strategic processes, and the results achieved are used systematically in the annual planning.

PKC Group has in use a Risk Management Policy that applies throughout the Group and which the Board of the parent company has approved. Risk management is carried out and risks are reported in accordance with the Risk Management Policy, risk management guidelines,

the risk management annual plan and the company's 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 Group's finance department. The aims of centralising these functions are effective risk management, cost savings and optimisation of cash flow.

PKC's risk management process is based on the COSO ERM Integrated Framework. The comprehensive risk management process is implemented across the whole group with the aim of establishing uniform procedures for the analysis and measurement of risks, taking into consideration the geographical differences between units.

Risks are evaluated according to the risk management guidelines. The evaluations are performed regularly, according to the schedule set by the parent company, in all the units belonging to the Group by function, and the magnitude of the risks is determined by multiplying probability by the financial impact. In this way, an overall picture can be derived from the results between the various functions and units. On the basis of the risk evaluations, a Group-level analysis report is prepared, in which the controls and measures planned for the most significant risks are described as well as the responsibilities for monitoring and the schedules. The Group Chief Financial Officer (CFO) is responsible for the management of financial risks and risks relating to financial reporting. Financial management risks are identified, evaluated and controlled in the context of the Group's general risk management process and separately as part of financial management's own operational processes. The Group-level risk management report is reviewed by the Audit Committee and the Board of Directors at least once a year.

The main principles of risk management and the most significant risk areas have been presented in the Corporate Governance Guidelines, which are available on the company's website, and the main parts have been described in the risk management section of the annual report. The management and evaluation of financial risks has been explained in the notes to the consolidated financial statements.

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Financial reporting

It is necessary to provide adequate and comprehensive information for decision making. The information must be reliable, relevant and timely, and it shall be supplied in the format agreed. The information to be supplied includes internal financial and operational data, data on compliance with external regulations and internal procedures, and external data on the business environment and market developments.

The Board of PKC shall ensure that the company's financial statements provide adequate and accurate information about the company. The Board of Directors is assisted by the Audit Committee in these tasks. The duties of the Audit Committee include, amongst others

- monitoring the reporting process for financial statements;
- supervising the financial reporting process;
- monitoring the financial position and financing of the Group;
- reviewing the budget, forecast and assumptions related thereto;
- reviewing financial statements, reports by the Board of Directors, interim reports and financial bulletins before approval by the Board, as well as reviewing the annual reports, including, e.g.:
 - ensuring the correctness of the company's financial results together with the company's management and auditors;
 - examining the bases of preparation, and the management estimates used in the preparation work;
 - reviewing short-term risks and uncertainties as well as the prospects for the future;
 - reviewing the description of the main features of the internal-control and risk-management systems relating to the financial reporting process, which is included in the company's corporate governance statement issued in connection with the financial statements and report by the Board of Directors.

The President is responsible for ensuring that the company's accounting complies with legislation and that the financial administration has been organised

in a reliable way. The CFO and the Group finance department determine, support and co-ordinate the financial management for the whole group and the control of operations. The Group finance department is responsible for the monitoring of and compliance with financial reporting standards, the maintenance of principles relating to financial reporting, and providing information and training to units. The duties of the Group finance department also include the financing of Group companies, hedging against exchange-rate risks, investments, the administration of external debt and transfer pricing.

The managing directors, finance managers and chief accountants of the Group companies are responsible for ensuring that reporting by the companies fulfils the requirements of the Group and those of local legislation. Each business area, Group company and function is responsible for the accuracy of the figures reported by it and the realism of its forecasts. The data provided by the units' financial accounting and ERP systems is standardised and transferred to the Group reporting system via automated interfaces for consolidation.

The Group finance department, managed by the CFO, shall produce centrally the financial statement data in accordance with IFRS standards and required by external accounting as well as the forecasts, analyses and reports for internal accounting prepared in accordance with the guidelines specified in the Group, for both the Executive Board and the Board of Directors. Group's short-term financial planning is based on 12-month forecasts that are updated monthly by business areas. The required rate of return on equity is determined annually based on market conditions, and industry- and country-specific risk-related differences are taken into account in the required rate of return. Financial results, the achievement of objectives and forecasts are reviewed monthly by the management of each profit centre, by the Group Executive Board and by the Board of Directors. Information on the Group's financial situation is published in interim reports and financial statement bulletins., The accounting principles of financial statements are described in the Group financial statements, published in the annual report.

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 appointed as PKC Group Oyj's auditor has overall responsibility for co-ordination of audits for the whole group (audit plans for each Group company) and their cost, together with the CFO 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.

Communication

The company's Board of Directors defines the guidelines of communications and decides on the dates and content of the publication of matters falling within the scope of regular disclosure obligation as well as on the publication of significant matters falling within the scope of continuous disclosure obligation. As part of its regular disclosure obligations, the company publishes interim reports concerning the first three, six and nine months of the financial year, a financial statements bulletin and its financial statements as well as an Annual Report. The fundamental premise of the disclosure obligation is to ensure that all market parties are provided with sufficient, accurate and identical information on securities and their issuers at the same time.

As a form of internal communication the Group uses intranet pages, where all the Group-level guidelines of any significance can be found, and also the unit-specific intranet pages show the guidelines that concern a given unit. Also, the most essential guidelines for financial management can be seen on the company intranet pages. For all guidelines of any significance, training plans shall be prepared whose implementation is monitored. The management of the sub-group parent companies and the managing directors and other senior management of the subsidiaries ensure that information is communicated in their units so that each one knows the operating procedures relating to his/her duties and so that the other information required for performance of tasks is supplied to the personnel.

Monitoring

The effectiveness of financial reporting, internal control and risk management is continually monitored as part of the daily management of the Group. The Board of Directors, the Audit Committee, the President and the Group Executive Board, and the Group companies participate in the internal control of financial reporting via monitoring of monthly financial reports and regular forecasts and via reviews of processes.

The Board of Directors of PKC Group Oyj is responsible for the creation, maintenance and monitoring of adequate and practical internal control and risk management. The monitoring of financial reporting, internal control and the effectiveness of risk management is also one of the major tasks of the Audit Committee, and relating to this the Audit Committee's duty, amongst others, includes

- monitoring internal control in the company, any internal inspections and the effectiveness of the risk management systems;
- monitoring significant economic risks and the measures taken to manage them;
- monitoring other significant risks and the measures taken to manage them;
- revising the plans and reports of the possible internal-audit function.

Responsibility for the arrangement of control procedures lies with the President of PKC Group Oyj. The financial management of the Group is responsible for the functioning and reliability of the financial reporting processes at Group level. The financial management and external auditor hold regular meetings where the areas of focus for the inspections are chosen.