

Kemira

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CORPORATE GOVERNANCE
STATEMENT

2016

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CORPORATE GOVERNANCE STATEMENT 2016

GENERAL

Kemira Oyj's corporate governance is based on the Articles of Association, the Finnish Companies Act and Nasdaq Helsinki Ltd.'s rules and regulations on listed companies. Kemira complies with the Finnish Corporate Governance Code, which is publicly available at www.cgfinland.fi.

This statement is presented separately from the annual report by the Board of Directors. Kemira's Audit Committee has reviewed the Corporate Governance Statement, and the Company's Auditor, Deloitte & Touche Oy, has checked that the statement has been issued and that the description of the main features of the internal control and risk management related to the financial reporting process included in the statement is consistent with the Financial Statements.

MANAGEMENT BODIES

The Shareholders' Meeting, the Board of Directors and the Managing Director are responsible for Kemira's management and operations. Their tasks are defined based on the Finnish Companies Act and Kemira's Articles of Association.

SHAREHOLDERS' MEETING

Kemira Oyj's shareholders' meeting, or the General Meeting, the Company's highest decision-making body, is held at least once a year. The Annual General Meeting (AGM) must be held each year by the end of May. The AGM makes decisions on matters within its competence under the Companies Act and the Articles of Association, such as the adoption of the financial statements and dividend payout, the discharge of Board members and the Managing Director and his Deputy from liability, the election of the Chairman, Vice Chairman and other members of the Board of Directors and their emoluments, and the election of the auditor and the auditor's fees.

Notice to the shareholders' meeting shall be released on the Company's website no earlier than two months and no later than three weeks before the meeting, however, at least nine days before the record date of the meeting. Additionally, if so decided by the Board of Directors, the Company may publish the notice to the shareholders' meeting in one nationwide newspaper.

Kemira Oyj's Annual General Meeting was held in Helsinki on March 21, 2016. The meeting was attended by 509 shareholders either in person or by proxy, together representing around 60% of the shareholders' votes. The documents related to the AGM are available on Kemira's

website www.kemira.com > Investors > Corporate governance > Annual General Meeting.

NOMINATION BOARD

The 2012 Annual General Meeting decided to establish a Nomination Board consisting of the shareholders or the representatives of the shareholders to prepare annually a proposal for the next AGM concerning the composition and remuneration of the Board of Directors.

The Nomination Board consists of the representatives of the four largest shareholders of Kemira Oyj based on the situation on August 31 preceding the AGM, and the Chairman of Kemira Oyj's Board of Directors acts as an expert member. The members of the Nomination Board shall elect a Chairman at the first meeting of the Board.

The Nomination Board has a charter that defines more precisely the process to elect its members and chairman as well as its tasks and meeting routines.

The Nomination Board will meet at least two times a year, with authority to convene additional meetings, as circumstances require. The members present at the meeting shall constitute a quorum if at least three of the members are present at the meeting.

As of August 31, 2016, the members of the Nomination Board are Pekka Paasikivi, Chairman of the Board of Oras Invest Oy, Kari Järvinen, Managing Director of Solidium Oy, Reima Ryttsölä, Executive Vice President, Varma Mutual Pension Insurance Company, Timo Ritakallio, President & CEO, Ilmarinen Mutual Pension Insurance Company, and the Chairman of the Board Jari Paasikivi as an expert member. During the reporting period, Risto Murto, President & CEO of Varma Mutual Pension Insurance Company, was a member of the Nomination Board, until September 5, 2017.

The Nomination Board met two times in 2016 with an attendance rate of 100%. Each member's participation in the Nomination Board meetings was as follows:

Järvinen	2/2	100%
Murto	1/1	100%
J. Paasikivi	2/2	100%
P. Paasikivi	2/2	100%
Ritakallio	2/2	100%
Ryttsölä	1/1	100%

BOARD OF DIRECTORS

COMPOSITION

The AGM elects the Chairman, Vice Chairman and other members of the Board of Directors. In accordance with the Articles of Association, the Board of Directors comprises 4–8 members. On March 21, 2016, the Annual General Meeting elected seven members to the Board of Directors. The AGM re-elected Wolfgang Büchele, Winnie Fok, Juha Laaksonen, Timo Lappalainen, Jari Paasikivi and Kerttu Tuomas to the Board of Directors, and Kaisa Hietala was elected as a new member. Jari Paasikivi was elected the

Board's Chairman and Kerttu Tuomas was elected the Vice Chairman. All of the Board members are independent of the Company except for Wolfgang Büchele who has been the Managing Director of Kemira Oyj as of April 1, 2012 until April 30, 2014. The Board members are also independent of significant shareholders of the Company except for the Chairman Jari Paasikivi. Jari Paasikivi is the CEO of Oras Invest Oy and Oras Invest Oy owns over 10% of Kemira Oyj's shares. The personal information concerning the members of the Board of Directors can be found in the section Group Management and their holdings can be found under the heading Insiders.

PRINCIPLES CONCERNING THE DIVERSITY OF THE BOARD OF DIRECTORS

The Board of Directors has adopted the following principles and targets concerning the diversity of the Board of Directors.

When designing the composition of the Board of Directors, the Nomination Board of the company assesses the Board composition from the viewpoint of the company's current and future business needs, while taking into account the diversity of the Board.

The diversity of the Board of Directors will be assessed from various viewpoints. Kemira's Board of Directors shall have sufficient and complementary experience and expertise in the key industries and markets relevant to Kemira's business. In addition, an essential element is the personal characteristics of the members and their diversity.

The company's aim is that the Board of Directors represent diverse expertise in different industries and markets, diverse professional and educational background, diverse age distribution and both genders. The objective is that both genders are represented in the Board by at least two members.

The current Board of Directors of the company complies with the company's diversity targets. Versatile expertise from various industries and markets is represented in the Board of Directors, as well as various professional and educational backgrounds. The ages of the directors vary between 45 and 64 years. Four of the directors are male and three are female.

TASKS AND DUTIES

According to the Articles of Association, the Board of Directors is tasked with duties within its competence under the Companies Act. It has drawn up a written Charter defining its key duties and procedures. The following is a description of the essential contents of the Charter. The Board of Directors is in charge of corporate governance and the due organization of the Company's operations. It decides on convening and prepares the agenda for the shareholders' meeting and ensures the practical implementation of decisions taken thereby. In addition, the Board of Directors decides on authorizations for representing the Company. The Board of Directors' key duties include matters which, in view of the scope and type of the Company's operations, are uncommon or involve wide-ranging effects. These include establishing the Company's long term goals and the main strategies for achieving them, approving the annual business plans and budget, defining

and approving corporate policies in key management control areas, approving the Company's organizational structure and appointing the Managing Director, his Deputy and members of the Management Board. The Board of Directors approves the Company's capital investment policy and major investments, acquisitions and divestments. It also approves the group treasury policy and major long term loans and guarantees issued by the Company.

The Board's duties include ensuring that the Company has adequate planning, information and control systems and resources for monitoring result and managing risks in operations. The Board of Directors monitors and evaluates the performance of Managing Director, his Deputy and members of the Management Board and decides upon their remuneration and benefits. The Board's duty is to ensure continuation of the business operations by succession planning for key persons. The Board defines and approves the main principles for the incentive bonus systems within the Company.

The Board of Directors also manages other tasks within its competence under the Companies Act. It is responsible for the due organization of the supervision of the Company's accounting and asset-liability management. The Board of Directors sees to it that the Company's financial statements give a true and fair view of the Company's affairs and that the consolidated financial statements are prepared under the International Financial Reporting Standards (IFRS) and the parent company's financial statements under the acts and regulations in force in Finland (FAS). The Board of Directors' meetings discuss the Company's profit performance at monthly level. The Board of Directors discusses the Company's audit with the auditor. The Board of Directors evaluates its performance and working methods on an annual basis.

In 2016, the Board of Directors met 11 times. The average attendance rate at the meetings was 98.7%. Each director's attendance in the meetings was as follows:

Büchele	10/11	90.9%
Fok	11/11	100%
Hietala	10/10	100%
Laaksonen	11/11	100%
Lappalainen	11/11	100%
Paasikivi	11/11	100%
Tuomas	11/11	100%

REMUNERATION

Remuneration of the Board of Directors is described in section Remuneration Report.

BOARD COMMITTEES

Kemira Oyj's Board of Directors has appointed two committees: the Audit Committee and the Personnel and Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee works in accordance with its Charter confirmed by the Board of Directors. It is tasked to assist the Board of Directors in fulfilling its oversight responsibili-

ties for financial reporting process, the system of internal control, the internal and external audit process and Kemira's process for monitoring compliance with laws and regulations and the Kemira Code of Conduct. The Committee reports to the Board on each meeting.

The Audit Committee consists of four members of the Board of Directors. Majority of the members shall be independent of the company and at least one member shall be independent of significant shareholders. After the 2016 AGM, the Board elected Juha Laaksonen as the Chairman and Kaisa Hietala, Timo Lappalainen and Jari Paasikivi as members of the Committee. The Audit Committee met five times in 2016 with an attendance rate of 100%. Each member's attendance in the Audit Committee meetings was as follows:

Hietala	4/4	100%
Laaksonen	5/5	100%
Lappalainen	5/5	100%
Paasikivi	5/5	100%

PERSONNEL AND REMUNERATION COMMITTEE

The Personnel and Remuneration Committee consists of three members out of which the majority must be independent of the Company, elected by the Board of Directors from amongst its members. The Board of Directors has approved a Charter for the Committee, according to which the Committee assists the Board of Directors by preparation of matters related to compensation of Managing Director, his Deputy and the members of the Management Board, by preparation of matters pertaining to the compensation systems and long-term incentive plans of the Company, by preparation of matters relating to appointment of Managing Director, his Deputy and the members of the Management Board. The Committee also monitors succession planning of the senior management and the senior management's performance evaluation. The Committee reports to the Board of Directors on each meeting.

After the 2016 AGM, the Board elected Jari Paasikivi the Chairman and Kerttu Tuomas and Juha Laaksonen the members of the Personnel and Remuneration Committee. In 2016, the Personnel and Remuneration Committee met four times. The attendance rate at the meetings was 100%.

Each member's attendance in the Personnel and Remuneration Committee meetings was as follows:

Laaksonen	4/4	100%
Paasikivi	4/4	100%
Tuomas	4/4	100%

MANAGING DIRECTOR

The Board of Directors appoints the Managing Director and the Managing Director's Deputy. Under the Articles of Association, the Managing Director is responsible for managing and developing the Company in accordance with the instructions and regulations issued by the Board of Directors, ensuring that the Company's interests are served by the subsidiaries and associated companies under its

ownership, and implementing the decisions taken by the Board of Directors. The Managing Director reports to the Board on financial affairs, the business environment and other significant issues. The Managing Director also functions as the Chairman of Kemira's Management Board.

Kemira Oyj's Managing Director (President and CEO) is Jari Rosendal, and the Deputy Managing Director is Group General Counsel Jukka Hakkila. The Managing Director and the Managing Director's Deputy, including their related parties, are not involved in any substantial business relationships with the Company.

The personal information concerning the Managing Director and the Managing Director's Deputy is set forth under the section Group Management and their holdings can be found in the section Insiders. The financial benefits related to the Managing Director's employment relationship are described in a section Remuneration Report.

MANAGEMENT BOARD

Kemira's Management Board consists of Managing Director Jari Rosendal (President and CEO), Petri Castrén (CFO), Heidi Fagerholm (CTO), Tarjei Johansen (President, Oil & Mining and Americas), Michael Löffelmann (EVP, Projects and Manufacturing Technology), Kim Poulsen (President, Pulp & Paper and APAC), Esa-Matti Puputti (EVP, Operational Excellence), Antti Salminen (President Municipal & Industrial and EMEA) and Eeva Salonen (EVP, HR). The Managing Director is the Chairman of the Management Board and the Group General Counsel acts as its Secretary.

The Management Board is an operative, non-statutory management body that is responsible for securing the long-term strategic development of the Company. The personal information of the Management Board members are presented in the section Group Management and their holdings can be found in the section Insiders. The decision-making process and main principles of remuneration of the members of the Management Board are described in section Remuneration Report.

OPERATIVE ORGANIZATION

Kemira Oyj has organized its business into three customer based segments. The Pulp & Paper segment focuses on serving customers in the pulp and paper industry, the Oil & Mining segment focuses on serving customers in the oil, gas and mining industries and the Municipal & Industrial segment concentrates on serving customers in municipal and industrial water treatment.

The segments have a strategic leadership role as they formulate their respective business strategies and guide the strategy implementation within the segment. Operational business responsibilities within a segment are assumed by Regional Business Units (RBUs) having full Profit & Loss responsibility. The RBUs are the key business decision making organs in the Company. As most business decisions are taken on a regional level closer to customers, Kemira is able to respond rapidly to changes in market environment.

The RBUs are guided by policies and guidelines defined by global functions. Global functions are responsible for developing policies, processes, guidelines and tools related to their respective functional areas on a global basis. Such policies and processes are complied with throughout the Company.

Functions also have representatives in each region. Regional functions ensure that the global policies are implemented and adhered to in the regions. They are also responsible for supporting the business locally in the region.

Geographically Kemira's operations are divided into three business regions: Europe, Middle East and Africa (EMEA), Americas and Asia Pacific (APAC). The Region Heads provide operational support and co-ordination within the region and steer all regional development projects.

INTERNAL CONTROL

Kemira maintains an internal control system to ensure the effectiveness and efficiency of its operations, including the reliability of financial and operational reporting and compliance with the applicable regulations, policies and practices. Internal control is an integral part of all of Kemira's operations and covers all levels of the Group. The entire Group personnel are responsible for internal control and its effectiveness is monitored by managers as part of operative management.

Kemira's corporate values, Code of Conduct and Group level policies and procedures guide the corporate governance and internal control in the Group. The internal policies and the Kemira Code of Conduct have been communicated to all Group staff. The Group also provides training concerning the main policies for people who need to know the policies in question. Every employee has the right and duty to report any violations of the law, the Code of Conduct or Group policies.

The main components of internal control are the management and organizational culture, risk assessment, control activities, reporting and communication, as well as monitoring and auditing.

INSIDERS

Kemira Oyj complies with EU Market Abuse Regulation, Finnish Securities Market Act, the rules and regulations

issued by the European Securities and Markets Authority (ESMA) and Finnish Financial Supervision Authority (Fin-FSA) as well as the Guidelines for the Insiders of Listed Companies issued by Nasdaq Helsinki Ltd.

The company has identified the persons and vice-persons responsible for the various areas of insider administration within the company, including among others compliance in general, decision-making on publishing of insider information and on delaying the publication, maintaining the insider list, overseeing the compliance with the trading restriction as well as the publication of transactions made by the persons discharging managerial responsibilities and their closely associated persons involving stocks and other financial instruments relating to Kemira.

The company has determined, as required by the Market Abuse Regulation, that the persons discharging managerial responsibilities within the company include the Board of Directors, the Managing Director (President & CEO), Management Board as well as the secretary of Board of Directors and Management Board. The persons discharging managerial responsibilities are responsible for identifying their closely associated persons and to disclose the same to Kemira.

Kemira discloses by way of stock exchange release all transactions made by the persons discharging managerial responsibilities and their closely associated persons and companies involving stocks and other financial instruments relating to Kemira, as required by the Market Abuse Regulation.

According to the law, a person discharging managerial responsibilities must not make transactions with stocks or other financial instruments of a listed company during a period of 30 days preceding the publications of the interim or annual financial report of a listed company. Kemira applies a similar 30 days trade restriction to those of Kemira Group employees, who are involved in the preparation or publication of the interim or annual financial report and who have access to group level unpublished financial information.

Kemira Oyj's insider list is maintained by the legal department of the company using the SIRE service of Euroclear Finland Oy.

The attached table lays out the number of stocks owned by the persons discharging managerial responsibilities in Kemira Oyj, and by companies under their control, on December 31, 2016.

BOARD OF DIRECTORS

Insider	Position	Personal Ownership	Ownership through controlled companies
Paasikivi Jari	Chairman of the board of directors	212,364	0
Tuomas Kerttu	Vice Chairman of the board of directors	10,639	0
Büchele Wolfgang	Member of the board of directors	103,839	0
Fok Winnie	Member of the board of directors	8,082	0
Hietala Kaisa	Member of the board of directors	1,483	0
Laaksonen Juha	Member of the board of directors	10,949	0
Lappalainen Timo	Member of the board of directors	4,182	0
Total		351,538	0

MANAGEMENT BOARD

Name	Position	Personal Ownership	Ownership through controlled companies
Rosendal Jari	Chief Executive Officer (CEO)	40,000	0
Castrén Petri	Member of the management board	16,736	0
Fagerholm Heidi	Member of the management board	8,739	0
Johansen Tarjei	Member of the management board	11,236	0
Löffelmann Michael	Member of the management board	8,739	0
Poulsen Kim	Member of the management board	2,602	0
Puputti Esa-Matti	Member of the management board	8,739	0
Salminen Antti	Member of the management board	14,236	0
Salonen Eeva	Member of the management board	35,328	0
Hakkila Jukka	Secretary of the Board of Directors and the management board	66,595	0
Total		212,950	0
Grand Total		564,488	0

INTERNAL AUDIT

Kemira Group's Internal Audit function provides independent appraisal and assurance for the review of operations within the Group in order to support the management and the Board of Directors in fulfilling their oversight responsibilities.

The purpose is to evaluate and contribute to the improvement of risk management, control and governance systems in the Group. The purpose, authority and responsibilities of the unit are defined in the Kemira Internal Audit Charter approved by the Audit Committee. Internal auditors have complete and unrestricted access to all Kemira activities.

Internal Audit is free to determine the scope of internal auditing, the ways of performing its work and communicating its results.

Internal Audit reports to the Audit Committee and administratively to the Group General Counsel. Internal Audit reports all of its observations to the responsible management and to the auditor. In addition, Internal Audit reports regularly the most essential and material observations to the Audit Committee in connection with the Audit Committee's meetings. Furthermore, the Internal Audit has a direct and unrestricted access to discuss with the Chairman of the Audit Committee.

AUDIT

Under the Articles of Association, the shareholders' meeting elects an audit firm certified by the Finland Chamber of Commerce as the Company's auditor. The audit firm appoints the Principal Auditor, who is an Authorized Public Accountant certified by the Finland Chamber of Commerce. The auditor's term of office continues until the next Annual General Meeting after the Auditor's election.

The 2016 Annual General Meeting elected Deloitte & Touche Ltd. as the Company's auditor, with Jukka Vattulainen, APA, acting as the Principal Auditor. In 2016, the audit fee paid globally to the auditor (Deloitte) totaled EUR 1.5 million. In addition, a total of EUR 0.6 million was paid as fees for other services.

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

Kemira's Board of Directors defines the main principles of risk management and approves the Group's risk management policy. The business segments and functions are responsible for identifying, assessing and managing risks involved in their activities. The Group's Risk Management office coordinates and supports risk management. Kemira's internal control system covers all Group operations, including financial reporting. The internal control activities are carried out in all organizational levels as part of the Group's daily operations.

A more detailed description of risks and risk management can be found in Board of Directors Review and on the Company's website at www.kemira.com > Investors > Corporate governance > Risk management. A general description of Kemira's internal control system can be found above under the heading Internal control.

The following describes how Kemira's internal control and risk control work in connection with the financial reporting process to ensure that the financial reports published by the Company give essentially correct information of the Company's financial situation.

ROLES AND RESPONSIBILITIES

Kemira's Board of Directors ensures that the Company has sufficient resources for risk management and control, and that the control has been arranged appropriately and that the financial statements provide correct and sufficient information of the Company. The Board of Directors is assisted by the Audit Committee in these tasks.

The Managing Director handles the Company's everyday management in accordance with instructions and regulations from the Board of Directors. The Managing Director is responsible for the Company accounting being lawful and that assets are managed reliably.

The CFO is responsible for the general control system of financial reporting. The areas of responsibility between financial administration of the Group and the regions have been defined precisely. Group level financial functions

support, monitor, instruct and offer training to the financial organizations of the regions. Group level financial functions are also responsible for the Group's internal financial reporting and support segment controllers in analyzing business processes. Financial organization in the regions is responsible for the functionality of the financial functions' processes and correctness of figures in their region. Controlling in segments operates under the segments' business management and analyzes and supports the business processes.

The Group's IT function has a significant role both in financial reporting and internal control, as reporting and many control measures, such as process monitoring are based on IT solutions.

The Internal Audit function including its tasks and areas of responsibility are described more specifically above under the heading Internal Audit.

RISK MANAGEMENT

The Group's financial administration is responsible for managing risks related to financial reporting. The risks are identified, assessed and managed in connection with the Group's general risk management process and separately as part of financial administration's own operating processes. The Group's financial administration assesses risks it has recognized related to financial reporting. The aim of the risk assessment is to identify and to assess the most significant threats affecting the financial reporting and to define to which function or process risks are related and how the risks would affect the Group's financial reporting if those were to materialize. The Group's financial administration and Risk Management are responsible for that the risks are reassessed regularly.

FINANCIAL REPORTING AND CONTROL

The internal control and risk management systems pertaining to the financial reporting process have been designed so that sufficient certainty on the reliability of the financial reporting can be obtained and that the financial statements have been prepared in accordance with the applicable laws and regulations. Kemira complies with the international standards for financial statements (IFRS) which are applicable in the EU and other requirements of the listed companies. Kemira Group policies and Kemira Group Financial Manual define in detail the processes of accounting and financial reporting to be applied in all Group companies. The purpose of the policies and Financial Manual is to ensure the reliability of financial reporting.

The Group has a global Enterprise Resources Planning (ERP) system that ensures fast and reliable access to data. Subsidiaries report their figures from the ERP system to the Group, using a uniform Group reporting system. The financial organizations of the Group, segments and regions check the correctness of the figures in the Group reporting system in accordance with the responsibility areas described above.

Proper control of financial administration, financial reporting and accounting processes is a basic requirement for the reliability of financial reporting. The Group financial administration determines the appropriate control functions, the objectives of each control function and how the effectiveness of the control functions is monitored and

checked based on a risk analysis it performs. The control functions are described in the above mentioned risk documentation and financial administration is responsible for their practical implementation.

Financial reporting control is performed either continuously as part of the transactions of the company's monitoring processes such as purchasing and sales processes, or alternatively monthly or annually as part of the reporting process.

COMMUNICATION

By well-functioning internal control environment Kemira aims at securing the timeliness, correctness and transparency of the company's internal and external communication. The most essential guidelines and regulations concerning the financial reporting, internal control and risk management, such as the guidelines regarding the principles of preparation of the financial statements and financial reporting, are available to all employees in the group intranet. Kemira's financial administration regularly arranges trainings regarding internal control and financial reporting as well as using the relevant tools.

MONITORING

The functionality of internal control, risk management and reporting systems is constantly monitored as part of daily management of the Company. Each segment, function and region is responsible for implementing internal control, its efficiency and reliability of reporting within their area of responsibility. The Group financial administration monitors the functionality and reliability of the financial reporting process at Group level. The financial reporting processes are also monitored by the Internal Audit function.

GROUP MANAGEMENT

Further information on the Board of Directors and the Management Board is available on www.kemira.com.

BOARD OF DIRECTORS



- JARI PAASIKIVI**
b. 1954
- Finnish citizen
 - M.Sc. (Econ.)
 - Chairman of the Board
 - Independent of the Company
 - Main occupation CEO of Oras Invest Oy, which owns over 10% of Kemira Oyj's shares



- KERTTU TUOMAS**
b. 1957
- Finnish citizen
 - B.Sc. (Econ.)
 - Vice Chairman of the Board
 - Independent of the Company and its significant shareholders
 - Main occupation KONE Corporation, Executive Vice President, Human Resources



- WOLFGANG BÜCHELE**
b. 1959
- German citizen
 - Dr. rer.nat.
 - Member of the Board
 - Managing Director of Kemira Oyj 1 April 2012–30 April 2014
 - Independent of the Company's significant shareholders
 - Main occupation Merck KGaA, Chairman of the Supervisory Board.



- WINNIE FOK**
b. 1956
- British citizen
 - B.Comm.
 - Member of the Board
 - Independent of the Company and its significant shareholders
 - Main occupation Wallenberg Foundations AB, Senior Advisor



- KAISA HIETALA**
b. 1971
- Finnish citizen
 - M.Sc.(Physics) and M.Sc. (Env.Sc.)
 - Member of the Board
 - Independent of the Company and its significant shareholders
 - Main occupation Neste Corporation, Executive Vice President, Renewable products



- JUHA LAAKSONEN**
b. 1952
- Finnish citizen
 - B.Sc. (Econ.)
 - Member of the Board
 - Independent of the Company and its significant shareholders



- TIMO LAPPALAINEN**
b. 1962
- Finnish citizen
 - M.Sc. (Eng.)
 - Member of the Board
 - Independent of the Company and its significant shareholders
 - Main occupation Orion Corporation, President & CEO

GROUP MANAGEMENT

MANAGING DIRECTOR, DEPUTY MANAGING DIRECTOR AND MEMBERS OF THE MANAGEMENT BOARD DECEMBER 31, 2016



JARI ROSENDAL
b. 1965
M. Sc. (Eng.)
Managing Director
Chairman of the
Management Board



JUKKA HAKKILA
b. 1960
LL.M.
Group General Counsel
Deputy Managing Director



PETRI CASTRÉN
b. 1962
LL.M., MBA
Chief Financial Officer



HEIDI FAGERHOLM
b. 1964
D.Sc. (Chem.Eng.)
Chief Technology Officer



TARJEI JOHANSEN
b. 1971
M. Sc.
President, Oil & Mining and
Americas



MICHAEL
LÖFFELMANN
b. 1970
Ph.D. (Eng.).
Executive Vice President,
Projects and Manufacturing
Technology



KIM POULSEN
b. 1966
M. Sc. (Econ.)
President, Pulp & Paper and
APAC



ESA-MATTI PUPUTTI
b. 1959
Lic. Tech. (Eng)
Executive Vice President,
Operational Excellence



ANTTI SALMINEN
b. 1971
Ph.D (Eng.)
President, Municipal &
Industrial and EMEA



EEVA SALONEN
b. 1960
M.A. (Edu.)
Executive Vice President,
Human Resources

Kemira

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Kemira
Remuneration
Statement
2016

KEMIRA REMUNERATION STATEMENT 2016

INTRODUCTION

Kemira remuneration statement describes the company's remuneration principles and the remuneration of the management, i.e., the Board of Directors, the Managing Director, the Deputy Managing Director and the other members of the Management Board in 2016. The remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code 2015.

The remuneration statement is divided into following sections:

1. Main principles of remuneration
2. Decision-making process in remuneration related matters
3. Managing Director, the Deputy Managing Director and the Management Board remuneration report
4. Board of Directors remuneration report

1. MAIN PRINCIPLES OF REMUNERATION

Kemira reviews its remuneration principles and practices on a regular basis. The remuneration principles are applied to all Kemira employees. Transparency, market driven reward and pay for performance are the main principles of rewarding at Kemira.

The remuneration in Kemira consists of the following main elements:

In Kemira a global job structure (job grading) is applied to define the job and base salary levels. The main elements outlining the job grade are the responsibilities, scope, and the impact of the job role in the organization. Base pay and benefits follows local market practices, laws and regulations.

Short term bonus plan aims to reward for both company and individual performance.

Long term share incentive plan aims to commit key employees to Kemira, and to combine the objectives and interest of the shareholders and the participants in the plan.

Non – monetary rewarding is an important part of the total remuneration. Kemira is actively developing well-being at work, as well as providing opportunities for development of own job role.

2. DECISION-MAKING PROCESS IN REMUNERATION RELATED MATTERS

The Annual General Meeting decides the remuneration of the Board of Directors for one term of office at a time.

The Board of Directors decides the salaries, other remuneration and the terms of employment of the Managing Director, the Deputy Managing Director and the other members of the Management Board. The Personnel and Remuneration Committee of the Board assists the Board of Directors by preparation of matters related to remuneration of the Managing Director, his Deputy and the members of the Management Board and by preparation of matters pertaining to the compensation systems and long-term incentive plans of the company.

3. MANAGING DIRECTOR, THE DEPUTY MANAGING DIRECTOR AND THE MANAGEMENT BOARD REMUNERATION REPORT

Remuneration of the Managing Director (President & CEO), his Deputy and the other members of the Management Board comprises a monthly salary, benefits and performance-based incentive plans. The incentive plans consist of an annual short term bonus plan and a long term share incentive plan.

Members of Kemira Management Board who are employed by a Finnish Kemira company do not have any supplementary pension arrangements in addition to the statutory pensions. Members of Kemira Management Board who are employed by a foreign Kemira company participate in pension systems based on statutory pension arrangements and market practices in their local countries. The Kemira policy is that all new supplementary pension arrangements are defined contribution plans.

Employment terms and conditions of the Managing Director as of December 31, 2016.

BASE SALARY	Annual base salary is EUR 567,000 per year, including a car benefit and a mobile phone benefit.
SHORT TERM BONUS PLAN	Based on terms approved by the Board of Directors. The maximum bonus is 60 percent of the annual salary.
LONG TERM SHARE INCENTIVE PLAN	Based on the terms of the share plan. The maximum reward is determined as a number of shares and a cash portion to cover taxes and the tax-related costs arising from the reward.
PENSION PLAN	Finnish Employees' Pension Act (TyEL), which provides pension security based on years of service and earnings as stipulated by the law. The retirement age of the Managing Director is based on the Finnish Employees' Pension Act. No supplementary pension arrangements in addition to the statutory pensions.
TERMINATION	A mutual termination notice period of six months applies to the Managing Director. The Managing Director is entitled to a severance pay of 12 months' salary in addition to the salary earned during the notice period, in case the company terminates his service.
INSURANCES	The Managing Director has a life-, private accident-, business travel-, and directors' and officers' liability insurances. The Managing Director participates in the company sickness fund.

REMUNERATION PAID TO THE MANAGING DIRECTOR, DEPUTY MANAGING DIRECTOR AND OTHER MEMBERS OF THE MANAGEMENT BOARD 2016

In 2016, the total remuneration paid to Managing Director Jari Rosendal amounted to EUR 1,494,177 (2015: EUR 669,765), including base salary and benefits, as well as short term bonus plan (based on 2015 earning period) of EUR 324,000 (2015: 109,965), and long term share plan consisting of 24,968 Kemira shares and cash portion with total value of EUR 337,461 (2015: 0 shares, EUR 0).

No remuneration was paid to the Deputy Managing Director based on Managing Director substitution in 2016.

In 2016, the total remuneration paid to the **other members of the management board** amounted to EUR 4 998 347 (2015: 2,519,733), including base salary and benefits, as well as short term bonus plan of EUR 997,872 (2015: 513,029), and long term share incentive plan consisting of 71,266 Kemira shares and a cash portion with total value of EUR 1,043,673 (2015: 0 shares, EUR 0).

	Salary and benefits (EUR)	Short term bonus plan (EUR)	Long term share incentive plan (EUR)	Total 2016 (EUR)	Total 2015 (EUR)
Managing director Jari Rosendal	567,000	324,000	603,177	1,494,177	669,765
Other members of the management board	2,194,639	997,872	1,805,836	4,998,347	2,519,733

* Other management board members 31.12.2016: CFO Petri Castrén, CTO Heidi Fagerholm, President Oil & Mining and Region Americas Tarjei Johansen, EVP Projects & Manufacturing Technology Michael Löffelmann, President Pulp & Paper and Region Asia Pacific Kim Poulsen, EVP Operational Excellence Esa-Matti Puputti, President Municipal & Industrial and Region EMEA Antti Salminen, EVP Human Resources Eeva Salonen

SHORT TERM BONUS PLAN FOR THE MANAGING DIRECTOR, DEPUTY MANAGING DIRECTOR AND OTHER MEMBERS OF THE MANAGEMENT BOARD

The short term bonus plan is determined based on the achievement of the Kemira Group level and personal level performance targets set by the Board of Directors for each financial year.

MAXIMUM REWARD AND CRITERIA 2016

- The maximum bonus for the Managing Director is 60% of the annual gross salary, for the Managing Director's Deputy 50% and for the other members of the Management Board 50–70% of the annual gross salary.
- In 2016, performance targets were determined on the basis of the organic revenue growth, operative cash flow after investing activities, and safety related KPI's of Kemira Group, and individual targets.

MAXIMUM REWARD AND CRITERIA 2017

- The maximum bonus for the Managing Director is 70% of the annual gross salary, for the Managing Director's Deputy 60% and for the other members of the Management Board 60–80% of the annual gross salary.
- In 2017, performance targets are determined on the basis of the operative cash flow after investing activities, operative EBITDA, and safety related KPI's of Kemira Group, and individual targets.

LONG TERM SHARE INCENTIVE PLAN 2015–2017

On December 15, 2014 the Board of Directors of Kemira Oyj decided to establish a long term share incentive plan directed to a group of key employees in Kemira. The aim of the plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of Kemira, to commit the participants to Kemira, and to offer them a competitive reward plan based on earning Kemira's shares. The Personnel and Remuneration Committee received advice for the planning work of the long term share incentive plan from external incentive advisors, consultants of Alexander Incentives Oy.

Long term share incentive plan main rules and conditions

EARNING PERIODS AND CRITERIA	The long term share incentive plan includes three performance periods: calendar years 2015, 2016 and 2017. The Board of Directors of Kemira decide on the plan's performance criteria and on the required performance levels for each criterion at the beginning of each performance period.
REWARDS	The potential reward is paid partly in Kemira's shares and partly in cash. The cash proportion covers the taxes and tax-related costs arising from the reward to the participant.
RESTRICTION PERIOD	The shares paid as reward may not be transferred during the restriction period, which will end two years from the end of the performance period.
EMPLOYMENT CONDITIONS	As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment. Should a participant's employment or service end during the restriction period, as a rule, he or she must gratuitously return the shares given as reward.
CLAWBACK	Claw back provisions apply to plan rewards in exceptional circumstances, such as misconduct or misstatement of financial results.
SHARE OWNERSHIP GUIDELINES	The Board of Directors recommends that a member of the Management Board will own such number of Kemira's shares that the total value of his or her shareholding corresponds to the value of his or her annual gross salary as long as the membership continues. If this recommendation is not yet fulfilled, the Board of Directors recommends that a member of the Management Board will hold 50 per cent of the number of shares given on the basis of this plan also after the end of the restriction period, as long as his or her shareholding in total corresponds to the value of his or her annual gross salary.

LONG TERM SHARE INCENTIVE PLAN EARNING PERIODS, MAXIMUM SHARE ALLOCATION AND CRITERIA 2015–2017

SHARE INCENTIVE PLAN EARNING PERIOD 2015

The criteria of the plan for the earning period 2015 were based on the Kemira Group's revenue and on the Group's operative EBITDA margin. The reward from the 2015 performance period was paid in 2016, partly in Kemira Oyj shares and partly in cash. Based on the earning period 2015, 294,445 Kemira Oyj shares were paid to 84 participants. In addition a cash portion corresponding taxes and tax-related cost were paid to the participants.

SHARE INCENTIVE PLAN EARNING PERIOD 2016

The criteria of the plan for the earning period 2016 were based on the Kemira Group's revenue and on the Group's operative EBITDA margin. The Kemira Group's revenue target did not reach the plan threshold level, and thus there will no payout for the 2016 earning period. The plan was directed to 85 people in 2016. The maximum reward on the basis of the 2016 earning period would have corresponded to the value of total of 504,200 Kemira Oyj shares and additionally, the cash proportion intended to cover taxes and tax-related costs.

SHARE INCENTIVE PLAN EARNING PERIOD 2017

The criteria of the plan for the earning period 2017 is based on the Kemira Group's Intrinsic Value. The possible reward from the 2017 earning period is paid partly in Kemira Oyj shares and partly in cash in 2018. The plan is directed to approximately 90 participants in 2017. On the basis of the 2017 earning period the maximum potential reward is corresponding to the value of 585,000 Kemira Oyj shares and, additionally, the cash proportion intended to cover taxes and tax-related costs.

4. BOARD OF DIRECTORS REMUNERATION REPORT

According to the decisions of the Annual General Meeting 2016, the members of the Board of Directors are paid an annual fee and a fee per meeting. The members of the Board of Directors are not eligible for the short term bonus plan or the performance based share plan, or supplementary pension plans of Kemira Oyj.

The annual fees are as follows:

- the Chairman will receive EUR 80,000 per year,
- the Vice Chairman and the Chairman of the Audit Committee EUR 49,000 per year and
- the other members EUR 39,000 per year.

A fee payable for each meeting of the Board and its committees are as follows:

- EUR 600 for the members residing in Finland,
- EUR 1,200 for the members residing elsewhere in Europe and
- EUR 2,400 for the members residing outside Europe.

The meeting fees are to be paid in cash. Travel expenses are reimbursed according to Kemira's travel policy.

In addition, the Annual General Meeting decided that the annual fee shall be paid as a combination of the company's shares and cash in such a manner that 40% of the annual fee is paid with the Kemira shares owned by the

company or, if this is not possible, Kemira shares acquired from the securities market, and 60% is paid in cash. The Annual General Meeting decided that the shares will be transferred to the members of the Board of Directors within two weeks after the release of Kemira's interim report January 1–March 31, 2016.

The following amounts of shares were paid on May 4, 2016 as part of the annual fee decided by the Annual General Meeting 2016:

- the Chairman received 3,043 shares,
- the Vice Chairman and Chairman of the Audit Committee 1,864 shares and
- the other members 1,483 shares.

There are no special terms or conditions associated with owning these shares.

The remuneration of the Board of Directors 2016

	2016 (euro)	2015 (euro)
Jari Paasikivi, chairman	91,495	92,108
Kerttu Tuomas, vice chairman	57,091	58,898
Wolfgang Büchele	50,754	53,160
Winnie Fok	65,154	69,960
Kaisa Hietala	47,154	-
Juha Laaksonen	60,691	61,298
Timo Lappalainen	48,354	48,960
Total	420,693	384,385