Kemira
Where water meets chemistry™

Corporate
GOVERNANCE STATEMENT
2014

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CORPORATE GOVERNANCE STATEMENT 2014

GENERAL

Kemira Oyj's corporate governance is based on the Articles of Association, the Finnish Companies Act and NASDAQ OMX Helsinki Ltd's rules and regulations on listed companies.

The Company also 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, 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 24, 2014. The meeting was attended by 611 shareholders either in person or by proxy, together representing around 55% 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. As of August 31, 2014, the members of the Nomination Board are Pekka Paasikivi, Chairman of the Board of Oras Invest Oy, Kari Järvinen, Managing Director of Solidium Oy, Risto Murto, President & CEO, 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.

The Nomination Board met one time in 2014 with an attendance rate of 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 24, 2014, the Annual General Meeting elected six members (previously five) to the Board of Directors. The AGM re-elected Winnie Fok, Juha Laaksonen, Jari Paasikivi and Kerttu Tuomas to the Board of Directors and further elected Wolfgang Büchele and Timo Lappalainen as new members to the Board of Directors. Jari Paasikivi was elected the Board's Chairman and Kerttu Tuomas was elected the Vice Chairman. Jukka Viinanen was the Chairman of the Board of Directors until the 2014 AGM.

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 Personal data and their holdings in section Insiders.

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 strategy 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 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 2014, the Board of Directors met 13 times. The attendance rate at the meetings was 97.3%.

REMUNERATION

Remuneration of the Board of Directors is described in section Management Remuneration Statement.

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 responsibilities for financial reporting process, the system of internal control, the 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 three members independent of the Company, out of which at least one member shall also be independent of significant shareholders. elected by the Board of Directors from amongst its members. After the 2014 AGM, the Board elected Juha Laaksonen as the Chairman and Jari Paasikivi and Timo Lappalainen as members of the Committee. Until the 2014 AGM the Chairman of the Committee was Juha Laaksonen and Jari Paasikivi was a member of the Committee.

The Audit Committee met 5 times in 2014 with an attendance rate of 100%.

PERSONNEL AND REMUNERATION COMMITTEE

The Personnel and Remuneration Committee (until March 24, 2014: the Compensation 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.

After the 2014 AGM, the Board elected Jari Paasikivi the Chairman and Kerttu Tuomas and Juha Laaksonen the members of the Personnel and Remuneration Committee. Until the 2014 AGM, Jukka Viinanen was the Chairman and Kerttu Tuomas and Jari Paasikivi were members of the Compensation Committee.

In 2014, the Personnel and Remuneration Committee met 4 times. The attendance rate at the meetings was 100%. The Committee reports to the Board of Directors on each meeting.

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 puts the decisions taken by the Board of Directors into effect. 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 as of May 1, 2014, and the Deputy Managing Director is Group General Counsel Jukka Hakkila. Until April 30, 2014 the Managing Director was Wolfgang Büchele. 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 in section Personal data and their holdings can be found in section Insiders. The financial benefits related to the Managing Director's employment relationship are described in section Management Remuneration Statement.

MANAGEMENT BOARD

Kemira's Management Board consists of Managing Director Jari Rosendal (President and CEO), Petri Helsky (President, Paper; as of January 1, 2015: President Paper and APAC), Tarjei Johansen (President, Oil & Mining and Americas), Antti Salminen (President Municipal & Industrial and EMEA), Petri Castrén (CFO), Heidi Fagerholm (CTO), Eeva Salonen (EVP, HR) and Michael Löffelmann (EVP, Projects and Manufacturing Technology). In addition, the following persons have acted as members of the Management Board during 2014: Hilton Casas de Almeida (President, South America, until March 31, 2014), Joe Chan (President, APAC until December 31, 2014), Randy Owens (President, Oil & Mining and NAFTA, until January 31, 2014), Hannu Virolainen (President, ChemSolutions and EHSQ, until March 31, 2014) and Frank Wegener (President, Municipal & Industrial and EMEA, until October 31, 2014).

The Managing Director is the Chairman of the Management Board and the Group General Counsel acts as its Secretary.

The Management Board is responsible for securing the long-term strategic development of the Company.

The personal information of the Management Board members are presented in section Personal data and their holdings can be found in section Insiders. The decision-making process and main principles of remuneration of the members of the Management Board are described in section Management Remuneration Statement.

OPERATIVE ORGANIZATION

Kemira Oyj has organized its business into three customer based segments. The 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. They oversee that such policies and processes are adopted and implemented 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) and Americas and Asia Pacific (APAC). The Region Heads provide operational support and co-ordination within the region and steer all regional development projects. They also have regional Profit & Loss responsibility.

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

As provided by the Finnish Securities Markets Act, Kemira Oyj's insiders consist of insiders subject to disclosure requirements, permanent company-specific insiders and project specific insiders. On the basis of their position, Kemira's insiders subject to disclosure requirements comprise Board members, the Managing Director and the Deputy Managing Director, members of Kemira Oyj's Management Board and the auditor or the chief auditor representing the independent firm of public accountants. Kemira Oyj's permanent company-specific insiders comprise certain other position holders separately specified by the Group General Counsel.

Kemira Oyj complies with the Insider Guidelines issued by the NASDAQ OMX Helsinki Ltd, according to which insiders should trade in Company shares at a time when the marketplace has the fullest possible information on circumstances influencing the value of the Company's share. Accordingly, Kemira Oyj's insiders may not trade in Company shares for 30 days prior to the disclosure of the Company's interim accounts or the release of the financial statements bulletin. In this regard Kemira has decided to apply a longer period than that required by the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd, according to which the period must be a minimum of 14 days.

Kemira's Legal function maintains Kemira Oyj's insider register and updates information on the Company's insiders subject to statutory disclosure requirements to be entered in the public insider register of Euroclear Finland Oy. Kemira's insider information is available in the web-based service maintained by Euroland Investors.

The table below shows insider shareholdings of all insiders subject to disclosure requirements as of December 31, 2014 and December 31, 2013. Shareholdings include personal shareholdings and the related-party holdings as well as holdings in companies over which the shareholder exercises control. Up-to-date insider information as well as updated shareholding information can be found on the Company's website at www.kemira.com > Investors > Corporate governance > Insiders.

Insiders' shareholdings	number of shares Dec 31, 2014	number of shares Dec 31, 2013
Board of Directors		
Büchele Wolfgang	100,957	99,657
Fok Winnie	5,200	3,900
Laaksonen Juha	7,327	5,702
Lappalainen Timo	1,300	not an insider
Paasikivi Jari	209,066	130,655
Tuomas Kerttu	7,017	5,392
Former members of the Board of Directors in 2014		
Viinanen Jukka	not an insider	10,191
Members of the Management Board		
Castrén Petri	2,500	500
Chan Joe	0	0
Fagerholm Heidi	0	0
Helsky Petri	71,501	71,501
Johansen Tarjei	0	not an insider
Löffelmann Micahel	0	not an insider
Rosendal Jari	10,000	not an insider
Salminen Antti	3,000	0
Salonen Eeva	26,589	26,589
Former members of the Management Board in 2014		
Casas de Almeida Hilton	not an insider	70,719
Owens Randy	not an insider	72,570
Virolainen Hannu	not an insider	20,166
Wegener Frank	not an insider	13,366
Deputy Managing Director		
Hakkila Jukka	57,856	57,856
Auditor		
Vattulainen Jukka	0	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 reports to the Audit Committee and administratively to the Group General Counsel. Internal audit plans and findings are subject to regular review with the external auditors during the course of the year.

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 2014 Annual General Meeting elected Deloitte & Touche Ltd. as the Company's auditor, with Jukka Vattulainen, APA, acting as the Principal Auditor.

In 2014, the audit fee paid globally to the auditor (Deloitte) totaled EUR 1.4 million. In addition, a total of EUR 2.6 million was paid as fees for other services.

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

GENERAL

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 function 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 section Risk Management and also 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 in section Internal control.

The following describes how Kemira's risk management and internal 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, the regions and the segments have been defined precisely. Group level financial functions support, monitor, instruct and offer training to the financial organizations of the regions and segments. 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 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. In its risk analysis, financial administration defines 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 risk assessment is documented and made available to the persons concerned. The Group's financial administration and Risk Management are responsible for risk documentation being up-to-date and that the risks are reassessed regularly in connection with the Group's strategy process.

FINANCIAL REPORTING AND CONTROL

Kemira follows uniform accounting and reporting principles based on the International Financial Reporting Standards (IFRS) in all its units. 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

The personnel of Kemira's financial administration regularly arranges internal meetings and trainings for different personnel groups and exchanges information and experiences concerning for instance reporting and monitoring practices in connection with these meetings. The main instructions and regulations concerning financial reporting, internal control and risk management are available to all employees on the Company intranet.

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.

PERSONAL DATA

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
- 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

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

WINNIE FOK
b. 1956
- British citizen
- B.Comm.
- Member of the Board
- Independent of the Company and its significant shareholders

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

Former members of the Board in 2014:

JUKKA VIINANEN
b. 1948
M.Sc. (Tech.)
Chairman of the Board until March 24, 2014

PERSONAL DATA

MANAGING DIRECTOR, DEPUTY MANAGING DIRECTOR AND MEMBERS OF THE MANAGEMENT BOARD

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
Secretary of the
Management Board

PETRI CASTRÉN
b. 1962
LL.M., MBA
CFO

HEIDI FAGERHOLM
b. 1964
D.Sc. (Chem.Eng.)
CTO

PETRI HELSKY
b. 1966
M.Sc. (Chem. Eng.)
M.Sc. (Econ.)
President, Paper
As of January 1, 2015
President Paper and Region
APAC

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

MICHAEL
LÖFFELMANN
b. 1970
Ph.D. (Eng.).
Executive Vice
President,Projects and
Manufacturing Technology
As of November 1, 2014

PERSONAL DATA

MANAGING DIRECTOR, DEPUTY MANAGING DIRECTOR AND MEMBERS OF THE MANAGEMENT BOARD

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

EEVA SALONEN
b. 1960
M.A. (Edu.)
EVP, Human Resources

Former members of the Management Board in 2014:

HILTON CASAS DE ALMEIDA
b. 1961
B.Sc. (Chemistry)
President, South America
until March 31, 2014

JOE CHAN
b. 1956
Executive MBA (CEIBS)
President, Region APAC
until December 31, 2014

RANDY OWENS
b. 1964
B.Sc. MBA
President, Oil & Mining and NAFTA
until January 31, 2014

HANNU VIROLAINEN
b. 1963
M.Sc. (Econ.) M.Sc. (Agr.)
President, ChemSolutions and EHSQ
until March 31, 2014

FRANK WEGENER
b. 1962
Ph.D (Technical Chemistry)
President, Municipal & Industrial and Region EMEA
until October 31, 2014

RISK MANAGEMENT

Effective compliance with and systematic execution of Kemira's risk management policy and principles proactively protect and help Kemira to reach the desired aggregate risk level and ensure the continuity of Kemira's operations.

RISK MANAGEMENT POLICY

The key principles of Kemira's risk management are defined in the Kemira Group Risk Management Policy. In the policy, a risk is defined as a potential event or circumstance, which, if it materializes, may affect Kemira's ability to meet its strategic and operational objectives. In addition, Kemira has Group guidelines and other policies in place that specify management objectives, responsibilities, and risk limits in greater detail.

Kemira Oyj's risk management is based on the Finnish Corporate Governance Code, the Kemira Code of Conduct and the company's values. The principles of Kemira's risk management are also in compliance with international risk management frameworks and standards such as ISO 31000 (Risk Management – Principles and Guidelines).

In accordance with its risk management process, Kemira aims at systematic and proactive assessment and treatment of risks placed under various risk categories, such as Strategy and planning, Operations and infrastructure, and Governance and ethics. The objective of the risk management is to contribute to ensuring Kemira's long-term strategic development and to achieving Kemira's strategic and operational targets by supporting decision making by taking uncertainty and its effects into account.

Kemira Oyj's Board of Directors defines the key principles applied in risk management. The Audit Committee approves the Group's risk management policy and assists the Board in risk management supervision. The business segments and functions are responsible for the risks involved in their activities and for the related risk management. The Group's Risk Management function is in charge of developing and coordinating the risk management process and risk management networks within the Group. Internal Audit is responsible for monitoring and evaluating the effectiveness of Kemira's risk management system.

RISK MANAGEMENT IMPLEMENTATION

At Kemira, each business segment and key functions perform its overall risk management according to the risk management framework and process described in Kemira's Risk Management Policy. Risks are identified, analyzed, and evaluated in a consistent manner. Risk management systems and methodologies suitable for the specific risks, situations, and organizational needs are applied. The results of the risk management process are reported regularly both internally and as a part of Kemira Oyj's external reporting.

Some of Kemira's risk treatment measures are performed centrally in order to generate cost benefits and ensure a sufficient level of protection. These include, for instance, hedging of treasury risks, as well as purchase and management of insurance programs to provide cover for liability, cargo, and property and business interruption risks.

ABOUT KEMIRA'S RISKS

As in previous years, risk management was integrated into the strategy process in 2014. Risks were assessed against defined strategic objectives of Kemira. Kemira's key risks from different risk categories are described next. Despite proactive risk management efforts, some of the risks may possibly materialize and significantly impact Kemira's ability to achieve its targets.

CHANGES IN CUSTOMER DEMAND

Significant and rapid decline in the use of certain chemicals (e.g. chemicals for packaging and board production) or in the demand of customers' products or activity (e.g. drilling of oil) could have a negative impact on Kemira's business. Significant decline in oil, gas, and metal prices may shift customers' activities in areas, which can be exploited with fewer chemicals. Also increased awareness of and concern toward climate change and more sustainable products may change customers' demands, for instance, toward water treatment technologies with lower chemical consumption, and this may have a negative impact on especially Kemira Municipal & Industrial segment's ability to compete. On the other hand, customer's possible capacity expansions could increase the chemical consumption and challenge Kemira's current production capacity. Failure from Kemira's side to be prepared to meet and manage these changed expectations could result in loss of market share.

In order to manage and mitigate this risk, Kemira monitors systematically leading indicators and early warning indicators that focus on market development. Kemira has also continued to focus on the sustainability of its business and is further improving the coordination and cooperation between Business Development, R&D, and Sales units in order to better understand the future needs and expectations of its customers. Timely capital investments as well as continuous discussions and follow-ups with customers ensure Kemira's ability to respond to possible increase in demands. Kemira's geographic and customer-industry diversity also provides partial protection against the risk of changed customer demands.

CHANGES IN LAWS AND REGULATIONS

Kemira's business is subject to various laws and regulations, which have relevance in development and implementation of Kemira's strategy. Although laws and regulations can generally be considered as an opportunity for Kemira, certain new legislative initiatives supporting, for instance, the use of biodegradable raw materials or biological water treatment, limiting the use of aluminum or phosphates, or relating to recovery or recycling of phosphorus, may also have a negative impact on Kemira's business. Significant changes, for instance, in chemical, environmental or transportation laws and regulations (e.g. REACH, EU Sulphur Directive), may impact Kemira's profitability through the increase in production and transportation costs. At the same time, such changes may also create new business opportunities for Kemira.

Kemira is continuously following regulatory discussions in order to maintain the awareness of the contents and planned changes of the laws and regulations that may have an impact, for instance, on its sales, production planning, and product development needs. Regulatory effects are systematically considered in strategic decision making. Kemira also actively participates in regulatory discussions whenever possible and justified from the industry or business perspective.

COMPETITION

Kemira operates in a rapidly changing and competitive business environment, which represents a considerable risk to meeting its goals. New players seeking a foothold in Kemira's key business segments may use aggressive means as a competitive tool, which could affect Kemira's financial results. Major competitor consolidations are considered to be risks that may result in the weakening of market position.

Kemira is seeking growth in segments that are less familiar and where new competitive situations will prevail. In the long-term, completely new types of technology may considerably change the current competitive situation. This risk is managed both at the Group and segment levels through continuous monitoring of the competition. The company aims at responding to its competition with active management of customer relationships and continuous development of its products and services to further differentiate itself from the competitors.

ECONOMIC CONDITIONS

Uncertainties in global economic and geopolitical development are considered to include direct or indirect risks, such as a continuation of low-growth period in the global GDP and negative development in Ukraine, which could both have unfavorable impacts on the demand for Kemira's products. Weak economic development may result in customer closures or consolidations diminishing customer base. Also, the liquidity of Kemira's customers could become weaker, resulting in increased credit losses for Kemira. Unfavorable market conditions may also increase the availability and price risk of certain raw materials. Kemira's geographical and customer-industry diversity provides only partial protection against this risk.

HAZARD RISKS

Kemira's production activities involve many hazard risks, such as fires and explosions, natural catastrophes, environmental risks, as well as employee health and safety risks. Systematic focus on achieving set targets, certified management systems, efficient hazard prevention programs, and competent personnel play a central role in managing these hazard risks. In addition, Kemira has several insurance programs that protect the company against financial impacts of hazard risks.

INNOVATION AND R&D

Kemira's Research and Development is a critical enabler for organic growth and further differentiation. New product launches contribute both to the efficiency and sustainability of Kemira's customers' processes as well as to the improved profitability. Both Kemira's future market position and profitability depend on its ability to understand and meet current and future customer needs and market trends and its ability to innovate new differentiated products and applications. Failure to innovate or focus on new disruptive technologies and products may result in non-achievement of growth and profitability targets.

Innovation- and R&D-related risks are being managed through efficient R&D portfolio management in close collaboration between R&D and business segments. Kemira has further improved the coordination and cooperation between Business Development, R&D, and Sales units in order to better understand the future needs and expectations of its customers. Increased focus towards the development of more differentiated and sustainable products and processes has been continued through innovation training for management, innovation contest and the establishment of an internal Innovation Community. Kemira is also continuously monitoring the sales of its new products and applications (launched into the market within the last 5 years).

ACQUISITIONS

Acquisitions can be considered as an important driver in the accomplishment of corporate goals and strategies. Consolidations are driven by, for instance, chemical manufacturers' interests in realizing synergies and establishing footholds in new markets.

Kemira's market position may deteriorate if it is unable to find and take advantage of future acquisition opportunities. Inorganic growth through acquisitions also involves risks, such as the ability to integrate acquired operations and personnel successfully. If realized, this risk may result in a shortage in the set financial targets for such acquisitions.

Kemira has Group-level dedicated resources to actively manage merger and acquisition activities. In addition, external advisory services are being used to screen potential mergers and acquisitions and help execute transactions and post-merger integration. Kemira has also developed its M&A procedures to better support and improve the execution of its business transactions in the future.

PRICE AND AVAILABILITY OF RAW MATERIALS AND COMMODITIES

Continuous improvement of profitability is a crucial part of Kemira's strategy. Significant and sudden increase in raw material, commodity, or logistic costs could place Kemira's profitability targets at risk if Kemira is not able to pass on such increase to product prices without delay. For instance, remarkable changes in oil and electricity prices could materially impact Kemira's profitability.

Changes in the raw material supplier field, such as consolidation or decreasing capacity, may increase raw material prices. Also, material demand changes in industries that are the main users of certain raw materials may lead to significant raw material price fluctuations. Poor availability of certain raw materials may affect Kemira's production if Kemira fails to prepare for this by mapping out alternative suppliers or opportunities for process changes. Raw material and commodity risks can be effectively monitored and managed with Kemira's centralized Sourcing unit. Risk management measures include, for instance, forward-looking forecasting of key raw materials and commodities, synchronization of raw material purchase agreements and sales agreements, strategic investment in energy-generating companies, and hedging a portion of the energy and electricity spend.

SUPPLIERS

The continuity of Kemira's business operations is dependent on accurate and a good-quality supply of products and services. Kemira has currently numerous partnerships and other agreements in place with third-party product and service suppliers to secure its business continuity. Certain products used as raw materials are considered critical as the purchase can be made economically only from a sole or single source. In the event of a sudden and significant loss or interruption of such raw material supply, Kemira's operations could be impacted, and this could have further effects on Kemira's ability to accomplish its profitability targets. Ineffective procurement planning, supply source selection, and contract administration, as well as inadequate supplier relationship management, create a risk of Kemira not being able to fulfill its promises to customers.

Kemira continuously aims to identify, analyze, and engage third-party suppliers in a way that ensures security of supply and competitive pricing of the end products and services. Collaborative relationships with key suppliers are being developed in order to uncover and realize new value and reduce risk. Supplier performance is also regularly monitored as a part of the supplier performance management process.

TALENT MANAGEMENT

To secure the competitiveness and growth, as well as to improve operative efficiency, it is essential to attract and retain personnel with the right skills and competences. Kemira is continuously identifying high potentials and key competencies for the future needs. By systematical development and improvement of compensation schemes, learning programs, and career development programs, Kemira aims to ensure the continuity of skilled personnel also in the future.

More detailed information on financial risks and their management is provided in the Financial Statements, in section Management of financial risks.

MANAGEMENT REMUNERATION STATEMENT

This Management Remuneration Statement is a description of the management remuneration in Kemira Oyj and is published pursuant to Recommendation No. 47 of the Finnish Corporate Governance Code 2010.

REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decides the remuneration of the Board of Directors for one term of office at a time. In 2014, according to the decisions of the Annual General Meeting, the members of the Board of Directors were paid an annual fee and a fee per meeting.

The annual fees were as follows:

- Chairman EUR 74,000 per year,
- Vice Chairman and the Chairman of the Audit Committee EUR 45,000 per year and
- other members EUR 36,000 per year.

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

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

The meeting fees were paid in cash.

Travel expenses were 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 shares are transferred to the members of the Board of Directors within two weeks after the release of Kemira's interim report January 1 – March 31, 2014.

The following amounts of shares were paid on May 5, 2014 as part of the annual fee decided by the Annual General Meeting 2014:

- the Chairman received 2,671 shares,
- the Vice Chairman and Chairman of the Audit Committee 1,625 shares and
- the other members 1,300 shares.

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

The members of the Board of Direcrtors are not eligible for any cash bonus plans, share-based incentive plans or supplementary pension plans of Kemira Oyj.

The remuneration of the Board of Directors, including the annual fee and fees per meeting	2014 (euroa)	2013 (euroa)
Jari Paasikivi, Chairman	86,733	56,710
Wolfgang Büchele (since March 24, 2014)	43,573	-
Winnie Fok	66,973	66,968
Juha Laaksonen	57,916	56,710
Timo Lappalainen (since March 24, 2014)	42,973	-
Kerttu Tuomas, vice chairman	54,916	47,168
Jukka Viinanen (Chairman until March 24, 2014)	2,400	84,923
Elizabeth Armstrong (until March 26, 2013)	-	7,200
Total	**355,484**	**322,678**

REMUNERATION OF THE MANAGING DIRECTOR, THE DEPUTY MANAGING DIRECTOR AND THE MANAGEMENT BOARD

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 incentives. The performance-based incentives consist of an annual cash bonus plan and a long-term share-based incentive plan. The main principles of the performance-based incentive plans are described below under the section Decision-making process and main principles of remuneration.

In 2014 the annual base salary of Managing Director Wolfgang Büchele was EUR 680,000 per year, including a car benefit and a mobile phone benefit. During his service as Managing Director between January 1 and April 30, 2014 he was paid in total EUR 448,261 including base salary, benefits and a performance based cash bonus of EUR 157,039. No performance based share incentive was paid to Wolfgang Büchele in 2014.

In 2014 the annual base salary of Managing Director Jari Rosendal was EUR 567,000 per year, including a car benefit and a mobile phone benefit. During his service as Managing Director between May 1 and December 31, 2014 he was paid in total EUR 360,000 including base salary and benefits. No performance based cash bonur or share incentive was paid to Jari Rosendal.

Managing Director Jari Rosendal belongs to the scope of the Finnish Employee's Pension Act (TyEL), which provides pension security based on years of service and earnings as stipulated by law. The retirement age of the Managing Director is 63.

Neither the Managing Director, his Deputy nor the members of the Management Board have a separate supplementary pension arrangement.

A mutual termination notice period of six months applies to the Managing Director. The Managing Director is entitled to an additional severance pay of 12 months' salary in case the company terminates his service.

Remuneration paid to the Managing Director, Deputy Managing Director and other members of the Management Board	Salary and benefits (EUR)	Performance-based annual bonus plan (EUR)	Performance-based share plan (EUR)	Total 2014 (EUR)	Total 2013 (EUR)
Managing Director Wolfgang Büchele (until April 30, 2014)	291,222	157,039	-	448,261	964,566
Managing Director Jari Rosendal (since May 1, 2014)	360,000	-	-	360,000	-
Deputy Managing Director Jukka Hakkila *	178,810	41,059	-	219,869	161,557
Other members of the Management Board	3,325,949	567,509	-	3,893,458	2,472,568

* Jukka Hakkila is the Secretary but not a member of the Management Board

DECISION-MAKING PROCESS AND MAIN PRINCIPLES OF REMUNERATION

The Board of Directors decides the salaries, other remuneration and the terms of employment of the Managing Director, his Deputy 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.

The cash bonus 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. 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 2014, as regards the Kemira Group level performance target, the cash bonus was determined on the basis of the gross margin, EBIT and cash flow of Kemira Group.

SHARE-BASED INCENTIVE PLAN FOR THE STRATEGIC MANAGEMENT 2012–2014

The strategic management was eligible for a long-term share-based incentive plan which run during 2012–2014. This long-term share-based incentive plan was established by the Board of Directors in February 2012. The participants of this plan were the Managing Director, the Deputy Managing Director and the members of the Management Board. Earning of share rewards under the plan is conditional upon satisfaction of the earning criteria set by the Board of Directors. The earning criteria include both an internal and an external performance target. The internal target is divided into three one-year performance periods: 2012, 2013 and 2014. Payment of the share reward depends on the achievement of the intrinsic value target, which is calculated based on the development of EBITDA and the development of the net debt. The program also includes a three-year external goal, which is tied to the relative total shareholder return (TSR) performance during 2012–2014. As a guiding principle, reward will only be paid based on excellent performance.

The value of the aggregate reward paid out in the course of the three-year share-based incentive plan may not exceed 120% of Managing Director’s and 100% of the other participants’ gross salary for the same period. The applicable taxes will be deducted from the gross earning and the remaining net value is delivered to the participants in Kemira shares.

Shares earned under the plan must be held for a minimum of two years following each payment. In addition, the participants must retain 50% of the shares earned under the plan until their ownership of Kemira shares based on shares earned under the share-based incentive programs of Kemira has reached a share ownership level which in value equals at least their gross annual salary for as long as they remain participants in the plan.

The shares paid under the plan comprise treasury shares held by the company and Kemira Oyj shares acquired in public securities trading. Share acquisition and share issue authorizations are obtained from the Annual General Meeting.

In addition to the long-term share-based incentive plan targeted to the strategic management, Kemira had a share-based incentive plan targeted to the other key personnel. The participants of the plan targeted to the strategic management were not eligible to participate in the incentive plan targeted to the other key personnel.

SHARE-BASED INCENTIVE PLAN FOR MANAGEMENT AND KEY EMPLOYEES 2015–2017

On December 15, 2014 the Board of Directors of Kemira Oyj decided to establish a new long-term share-based incentive plan directed to a group of key employees in Kemira. The aim of the new 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 new plan replaces the share-based incentive plan targeted to the strategic management 2012–2014 as well as the share-based incentive plan targeted to the key personnel.

The new Performance Share Plan includes three performance periods: calendar years 2015, 2016 and 2017. The Board of Directors of Kemira will decide on the Plan's performance criteria and on the required performance levels for each criterion at the beginning of each performance period. The potential reward of the Plan from the performance period 2015 will be based on the Kemira Group's revenue and on the Group's operative EBITDA margin.

The potential reward from the performance period 2015 will be paid partly in Kemira's shares and partly in cash in 2016. The cash proportion covers the taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment.

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. 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.

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 net 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.

The Performance Share Plan is directed to approximately 90 people. The rewards to be paid on the basis of the 2015 earning period of the Performance Share Plan correspond to the value of an approximate maximum total of 585,000 Kemira Oyj shares and additionally the cash proportion intended to cover taxes and tax-related costs.