

**Kemira**

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**Kemira**  
**Remuneration**  
**Statement**  
2016

# KEMIRA REMUNERATION STATEMENT 2016

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## INTRODUCTION

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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

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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

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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

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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.

<b>BASE SALARY</b>	Annual base salary is EUR 567,000 per year, including a car benefit and a mobile phone benefit.
<b>SHORT TERM BONUS PLAN</b>	Based on terms approved by the Board of Directors. The maximum bonus is 60 percent of the annual salary.
<b>LONG TERM SHARE INCENTIVE PLAN</b>	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.
<b>PENSION PLAN</b>	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.
<b>TERMINATION</b>	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.
<b>INSURANCES</b>	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**

<b>EARNING PERIODS AND CRITERIA</b>	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.
<b>REWARDS</b>	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.
<b>RESTRICTION PERIOD</b>	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.
<b>EMPLOYMENT CONDITIONS</b>	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.
<b>CLAWBACK</b>	Claw back provisions apply to plan rewards in exceptional circumstances, such as misconduct or misstatement of financial results.
<b>SHARE OWNERSHIP GUIDELINES</b>	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
<b>Total</b>	<b>420,693</b>	<b>384,385</b>