

Kemira

Remuneration Statement 2017

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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 2017. 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, Deputy Managing Director and 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:

Base pay and benefits follows local market practices, laws and regulations.

Short-term bonus plans aim 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 and CEO), his Deputy and the other members of the Management Board comprises a base 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.

Depending on country practices, mutual termination notice period of 1 to 6 months applies to the other members of the Management Board. In addition a severance payment of 6–9 months' salary is paid to the employee if the employer terminates the employment agreement without cause.

Remuneration paid to the Managing Director, Deputy Managing Director and other members of the Management Board 2017

In 2017, the total remuneration paid to Managing Director Jari Rosendal amounted to EUR 891,000 (2016: EUR 1,494,177), including base salary and benefits, as well as short-term bonus plan based on 2016 earning period of EUR 324,000 (2016: 324,000). The long-term share incentive plan target did not reach the plan threshold level in the earning period 2016, and thus no long-term incentive related reward was paid out in 2017 (2016: 24,968 shares, EUR 603,177).

No remuneration was paid to the Deputy Managing Director based on Managing Director substitution in 2017.

In 2017, the total remuneration paid to the other members of the Management Board amounted to EUR 2,796,597 (2016: 4,998,347), including base salary, severance pay and benefits, as well as short-term bonus plan of EUR 929,188 (2016: 997,872). The long-term share incentive plan target did not reach the plan threshold level in the earning period 2016, and thus no long-term incentive related reward was paid out in 2017 (2016: 71,266 shares, EUR 1,805,836).

Employment terms and conditions of the Managing Director as of December 31, 2017.

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 70 percent of the annual base 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 intended to cover taxes and the tax-related costs arising from the reward.
PENSION PLAN	Finnish Employee's 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 Employee's Pension Act. No supplementary pension arrangements in addition to the statutory pension.
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 and permanent disability-, private accident-, business travel-, and directors' and officers' liability insurances. The Managing Director participates in the company sickness fund.

Remuneration report	Salary and benefits (EUR)	Severance (EUR)	Short-term bonus plan (EUR)	Long-term share incentive plan (EUR)	Total 2017 (EUR)	Total 2016 (EUR)
Managing Director Jari Rosendal	567,000		324,000	0	891,000	1,494,177
Other members of the management board	1,595,866	271,544	929,188	0	2,796,597	4,998,347

Other members of the management board: CFO and Head of Region Americas Petri Castrén, President Pulp and Paper and Head of Region APAC Kim Poulsen, President Industry and Water and Head of Region EMEA Antti Salminen, EVP Operational Excellence Esa-Matti Puputti, EVP Human Resources Eeva Salonen, CTO Heidi Fagerholm January 1 – October 31, 2017, President Oil and Mining and Head of Region Americas Tarjei Johansen, January 1 – March 8, 2017, EVP Projects and Manufacturing Technology Michael Löffelmann January 1 – January 19, 2017.

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 and Segment level and role based performance targets set by the Board of Directors for each financial year.

Maximum reward and criteria 2016

The maximum bonus for the Managing Director was 60% of the annual base salary, for the Managing Director's Deputy 50% and for the other members of the Management Board 50–70% of the annual base salary.

In 2016, performance targets were determined on the basis of the organic revenue growth, operative EBITDA, safety related KPI's of Kemira Group, and role based targets. The reward from the 2016 earning period was paid in February 2017.

Maximum reward and criteria 2017

The maximum bonus for the Managing Director was 70% of the annual base salary, for the Managing Director's Deputy 60% and for the other members of the Management Board 60–80% of the annual base salary.

In 2017, performance targets were determined on the basis of the operative cash flow after investing activities, operative EBITDA, safety related KPI's of Kemira Group, and role based targets. The reward from the 2017 earning period will be paid in February 2018.

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 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 were no shares paid out 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 criterion of the plan for the earning period 2017 was 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. On the bases of the 2017 earning period the maximum potential reward is corresponding the value of 448,200 Kemira Oyj shares and additionally a cash portion intended to cover taxes and tax related costs. The plan was directed to 79 people in 2017.

The share incentive plan 2018 is unfinished at the balance sheet date on 31 December 2017.

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 is intended to cover 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.

4. Board of Directors remuneration report

According to the decisions of the Annual General Meeting 2017, 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, 2017.

The following amounts of shares were paid on May 9, 2017 as part of the annual fee decided by the Annual General Meeting 2017:

- the Chairman received 2,742 shares,
- the Vice Chairman and Chairman of the Audit Committee 1,680 shares and
- the other members 1,337 shares.

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

The remuneration of the Board of Directors 2017

	2017 (EUR)	2016 (EUR)
Jari Paasikivi, chairman	90,885	91,495
Kerttu Tuomas, vice chairman	57,085	57,091
Wolfgang Büchele	49,549	50,754
Shirley Cunningham	57,949	-
Winnie Fok	4,800	65,154
Kaisa Hietala	47,749	47,154
Juha Laaksonen	2,400	60,691
Timo Lappalainen	59,485	48,354
Total	369,902	420,693

Kemira

KEMIRA IS a global chemicals company serving customers in water intensive industries. We provide expertise, application know-how and chemicals that improve our customers' product quality, process and resource efficiency. Our focus is on pulp & paper, oil & gas and water treatment. In 2017, Kemira had annual revenue of around EUR 2.5 billion and 4,730 employees. Kemira shares are listed on the Nasdaq Helsinki Ltd.

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