

kemira

Remuneration Statement 2018

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INTRODUCTION

Kemira remuneration statement describes the company's remuneration principles and the remuneration of the Board of the Directors and the operative management, i.e. the Managing Director, the Deputy Managing Director and the other members of the Management Board in 2018. The remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code.

The remuneration statement is divided into following sections:

- Main principles of remuneration
- Decision-making procedure concerning the remuneration
- Remuneration report
- Management remuneration
- Board of Directors remuneration

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 follow 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 align 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.

DECISION-MAKING PROCEDURE CONCERNING THE REMUNERATION

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 preparing matters related to remuneration of the Managing Director, his Deputy and the other members of the Management Board and by preparing matters pertaining to the compensation programs and long-term share incentive plans of the company.

REMUNERATION REPORT

MANAGEMENT REMUNERATION

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 members of the Management Board except for the Managing Director. In addition, a severance payment of 6 to 9 months' salary is paid to the member of the Management Board if the company terminates the employment agreement without a cause attributable to the person.

Remuneration paid to the Management in 2018

In 2018, the total remuneration paid to Managing Director Jari Rosendal amounted to EUR 1,021,520 (2017: EUR 891,000), including base salary and benefits, short-term bonus based on 2017 performance period of EUR 109,080 (2017: 324,000) and long-term share incentive based on the performance period 2017 of 13,600 shares, value EUR 345,440 including cash portion of the reward (2017: 0 shares, EUR 0).

No remuneration was paid to the Deputy Managing Director based on Managing Director substitution in 2018.

In 2018, the total remuneration paid to the other members of the Management Board amounted to EUR 2,835,124 (2017: EUR 2,796,597), including base salaries and benefits, short-term bonuses of EUR 265,561 (2017: EUR 929,188) and long-term share incentives based on the performance period 2017 33,220 shares, total value of EUR 803,147 including cash portion (2017: 0 shares, EUR 0).

EMPLOYMENT TERMS AND CONDITIONS OF THE MANAGING DIRECTOR AS OF DECEMBER 31, 2018

| | |
|---------------------------------------|---|
| 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 6 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 insurances for life and permanent disability, private accident, business travel, and directors' and officers' liability. The Managing Director participates in the company sickness fund. |

| REMUNERATION REPORT | Salary and benefits (EUR) | Short-term bonus plan (EUR) | Long-term share incentive plan (EUR) | Total 2018 (EUR) | Total 2017 (EUR) |
|---------------------------------------|---------------------------|-----------------------------|--------------------------------------|------------------|------------------|
| Managing Director Jari Rosendal | 567,000 | 109,080 | 345,440 | 1,021,520 | 891,000 |
| Other members of the management board | 1,766,416 | 265,561 | 803,147 | 2,835,124 | 2,796,597 |

Other members of the Management Board 2018: CFO Petri Castrén, CTO Matthew R. Pixton, President Pulp and Paper Kim Poulsen, EVP Operational Excellence Esa-Matti Puputti, President Industry and Water Antti Salminen, EVP Human Resources Eeva Salonen.

Other members of the management board 2017: CFO Petri Castrén, President Pulp and Paper Kim Poulsen, President Industry and Water 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 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 MANAGEMENT

The short-term bonus plan for the Managing Director, Deputy Managing Director and other members of the Management Board is determined based on the achievement of the Kemira Group, Segment level and role based performance targets set by the Board of Directors for each financial year.

SHORT-TERM BONUS CRITERIA 2018

In 2018, performance targets were determined on the basis of the operative cash flow after investing activities, operative EBITDA margin, safety related KPI's of Kemira Group, and role based targets. The reward from the 2018 earning period will be paid in February 2019.

SHORT-TERM BONUS MAXIMUM REWARD 2017–2018

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 to 80% of the annual base salary.

SHORT-TERM BONUS CRITERIA 2017

In 2017, performance targets were determined on the base 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 was 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 advisor.

PERFORMANCE PERIOD 2017

The criterion of the plan for the performance period 2017 was based on the Kemira Group's Intrinsic Value. The reward from the 2017 earning period was paid partly in Kemira Oyj shares and partly in cash in 2018. Based on the 2017 performance period a reward of 149,328 Kemira Oyj shares was paid out. Additionally a cash portion intended to cover taxes and tax related costs was paid out to the participants. The plan was directed to 77 people in 2017.

LONG-TERM SHARE INCENTIVE PLAN 2018

On February 7, 2018 the Board of Directors of Kemira Oyj resolved to continue the long-term share incentive plan directed to a group of key employees in Kemira for the performance period 2018. 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 advisor.

The long-term share incentive plan 2018 includes one performance period, the year 2018. The potential reward is based on the Kemira Group's Intrinsic Value. The potential reward is paid partly in Kemira's shares and partly in cash in 2019. The potential reward to be paid in spring 2019 is at maximum 484,000 Kemira Oyj shares and additionally a cash portion intended to cover taxes and tax related costs. The plan was directed to 78 people in 2018.

LONG-TERM SHARE INCENTIVE PLAN MAIN TERMS AND CONDITIONS 2015-2017 AND 2018

| | |
|-------------------------------------|--|
| EARNING PERIODS AND CRITERIA | The long-term share incentive plan includes four performance periods: calendar years 2015, 2016, 2017 and 2018. The Board of Directors of Kemira decided 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 portion 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 | Clawback 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 2019-2023

In December 2018, the Board of Directors of Kemira Oyj decided to establish a long-term share incentive plan for the years 2019 – 2023 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 long-term share incentive plan includes altogether two one-year performance periods, being years 2019 and 2020, and three three-year performance periods; years 2019 - 2021, 2020-2022 and 2021-2023. This structure enables a gradual shift from the current one-year performance period to a three-year performance period. The three-year performance periods are considered to better support the purpose of the plan in alignment with the shareholder interests and the implementation of the long-term goals of Kemira.

The Personnel and Remuneration Committee received advice for the planning work of the long-term share incentive plan from external incentive advisor.

PERFORMANCE PERIODS 2019 AND 2019-2021

During the performance periods 2019 and 2019-2021, the long-term share incentive plan is directed to approx. 90 people. The rewards to be paid on the basis of the performance periods 2019 and 2019-2021 will amount up to a maximum total of 643,500 Kemira Oyj shares.

The potential reward of the plan from the performance period 2019 will be based on Kemira Group's Intrinsic Value and paid out in 2020. The potential reward of the plan from the performance period 2019-2021 will be based on Kemira Group's average Intrinsic Value 2019-2021 and paid out in 2022.

LONG-TERM SHARE INCENTIVE PLAN MAIN TERMS AND CONDITIONS 2019-2023

| | |
|---------------------------------------|---|
| EARNING PERIODS AND CRITERIA | The long-term share incentive plan includes two one-year performance periods; years 2019 and 2020 and three three-year performance periods; years 2019-2021, 2020-2022 and 2021-2023. The Board of Directors of Kemira decides on the plan's performance criteria and on the required performance levels for each criterion at the beginning of each performance period. The Board of Directors of Kemira shall decide on the plan's participants and share allocations in the beginning of each performance period. |
| REWARDS | The potential reward is paid partly in Kemira's shares and partly in cash. The cash portion is intended to cover the taxes and tax-related costs arising from the reward to the participant. |
| RESTRICTION PERIOD | For the one year performance periods (2019 and 2020), 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. No restriction period applies to the three-year performance periods. |
| 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 | Clawback provisions apply to plan rewards in exceptional circumstances, such as misconduct or misstatement of financial results. |
| SHARE OWNERSHIP RECOMMENDATION | The Board recommends that a member of the Management Board shall hold at least 50 per cent of the number of shares given on the basis of this plan also after the end of the restriction period, until his or her shareholding in total corresponds to the value of his or her annual gross salary. |

BOARD OF DIRECTORS REMUNERATION

According to the decisions made in the Annual General Meeting 2018, 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 long-term share incentive 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 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, 2018.

The following amounts of shares were paid on May 8, 2018 as part of the annual fee decided by the Annual General Meeting 2018:

- the Chairman received 2,904 shares,
- the Vice Chairman and Chairman of the Audit Committee 1,779 shares and
- the other members 1,416 shares.

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

THE REMUNERATION OF THE BOARD OF DIRECTORS 2018

| | 2018 (EUR) | 2017 (EUR) |
|------------------------------|----------------|----------------|
| Jari Paasikivi, chairman | 91,489 | 90,885 |
| Kerttu Tuomas, vice chairman | 57,087 | 57,085 |
| Wolfgang Büchele | 48,351 | 49,549 |
| Shirley Cunningham | 57,951 | 57,949 |
| Winnie Fok | (N/A) | 4,800 |
| Kaisa Hietala | 47,151 | 47,749 |
| Juha Laaksonen | (N/A) | 2,400 |
| Timo Lappalainen | 60,687 | 59,485 |
| Total | 362,716 | 369,902 |

KEMIRA is a global chemicals company serving customers in water intensive industries. We provide best suited products and expertise to improve our customers' product quality, process and resource efficiency. Our focus is on pulp & paper, oil & gas and water treatment. In 2018, Kemira had annual revenue of around EUR 2.6 billion and 4,915 employees. Kemira shares are listed on the Nasdaq Helsinki Ltd.

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