



# Corporate governance 2019

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# Corporate Governance Statement 2019

## INTRODUCTION

Kemira Oyj's corporate governance is based on the Articles of Association, the Finnish Companies Act and Nasdaq Helsinki Ltd.'s rules and regulations on listed companies. Kemira complies with the Finnish Corporate Governance Code, which is publicly available at [www.cgfinland.fi](http://www.cgfinland.fi). This statement has been prepared in accordance with the Corporate Governance Code 2015.

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, Ernst & Young Oy, has verified 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.

## GOVERNANCE BODIES

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

## SHAREHOLDERS' MEETING

Kemira Oyj's shareholders' meeting, or the General Meeting, is the Company's highest decision-making body, and it is held at least once a year. The Annual General Meeting (AGM) must be held each year by the end of May. The AGM decides 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 remuneration, and the election of the auditor and the auditor's fees. Notice to the shareholders' meeting shall be released on the Company's website no earlier than two months and no later than three weeks before the meeting, however, at least nine days before the record date of the meeting. Additionally, if so decided by the Board of Directors, the Company may publish the notice to the shareholders' meeting in one nationwide newspaper.

Kemira Oyj's Annual General Meeting was held in Helsinki on March 21, 2019. The meeting was attended by 498 shareholders either in person or by proxy, together representing around 58% of the shareholders' votes. The documents related to the AGM are available on Kemira's website [www.kemira.com](http://www.kemira.com) > Company > Investors > Corporate governance > Annual General Meeting.

## NOMINATION BOARD

The 2012 Annual General Meeting decided to establish a Nomination Board consisting of the shareholders or the representatives of the shareholders to prepare annually a proposal for the next AGM concerning the composition and remuneration of the Board of Directors. The Nomination Board consists of the representatives of the four largest shareholders of Kemira Oyj based on the situation on August 31 preceding the AGM, and the Chairman of Kemira Oyj's Board of Directors acts as an expert member.

The members of the Nomination Board shall elect a Chairman at the first meeting of the Board. The Group General Counsel acts as the Secretary of the Nomination Board. The Nomination Board has a Charter approved by the General Meeting that defines more precisely the process to elect its members and chairman as well as its tasks and meeting routines. The Charter is publicly available on the company's website. According to its Charter, the Nomination Board will meet at least two times a year, with authority to convene additional meetings, as circumstances require. The members present at the meeting shall constitute a quorum if at least three of the members are present at the meeting.

During the year 2019, the members of the Nomination Board were Annika Paasikivi, Managing Director of Oras Invest Oy, Antti Mäkinen, Managing Director of Solidium Oy, Reima Rytsölä, Executive Vice President, Varma Mutual Pension Insurance Company, Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company, and the Chairman of the Board Jari Paasikivi as an expert member. Annika Paasikivi is the Chairman of the Nomination Board and Group General Counsel Jukka Hakkila acts as the Secretary of the Nomination Board.

The Nomination Board met three times in 2019 with an attendance rate of 100%. Each member's participation in the Nomination Board meetings was as follows:

Name	Participation in meetings	Participation percentage
Mursula, Mikko	3/3	100%
Mäkinen, Antti	3/3	100%
Paasikivi, Annika	3/3	100%
Paasikivi, Jari	3/3	100%
Rytsölä, Reima	3/3	100%
<b>Total</b>	<b>15/15</b>	<b>100%</b>

## BOARD OF DIRECTORS

### Composition

The AGM elects the Chairman, Vice Chairman and other members of the Board of Directors. In accordance with the Articles of Association, the Board of Directors comprises 4–8 members. On March 21, 2019, the Annual General Meeting elected six members to the Board of Directors. The AGM re-elected Wolfgang Büchele, Shirley Cunningham, Kaisa Hietala, Timo Lappalainen, Jari Paasikivi and Kerttu Tuomas to the Board of Directors. Jari Paasikivi was elected the Board's Chairman and Kerttu Tuomas was elected the Vice Chairman. Group General Counsel Jukka Hakkila acts as the Secretary of the Board of Directors. All of the Board members are independent of the Company. During the review period Kaisa Hietala was not independent of the company until February 19, 2019, because until that time she was the Executive Vice President, Renewable Products and a member of the Executive Board at Neste Corporation. Kemira's President and CEO Jari Rosendal is a member of the Board of Directors of Neste Corporation. According to Recommendation 10.f of the Finnish Corporate Governance Code this created an interlocking control relationship which caused the Board member to be not independent of the company. The Board members are also independent of significant shareholders of the Company except for the Chairman Jari Paasikivi. Jari Paasikivi is the Chairman of the Board of Directors of Oras Invest Oy and Oras Invest Oy owns over 10% of Kemira Oyj's shares. The personal information concerning the members of the Board of Directors can be found in the section Group Management and their holdings can be found under the heading Insiders.

### Principles concerning the diversity of the Board of Directors

The Board of Directors has adopted the following principles and targets concerning the diversity of the Board of Directors. When designing the composition of the Board of Directors, the Nomination Board of the company assesses the Board composition from the viewpoint of the company's current and future business needs, while taking into account the diversity of the Board. The diversity of the Board of Directors will be assessed from various viewpoints. Kemira's Board of Directors shall have sufficient and complementary experience and expertise in the key industries and markets relevant to Kemira's business. In addition, an essential element is the personal characteristics of the members and their diversity. The company's aim is that the Board of Directors represent diverse expertise in different industries and markets, diverse professional and educational background, diverse age distribution and both genders. The objective is that both genders are represented in the Board by at least two members. The current Board of Directors of the company complies with the company's diversity targets. Versatile expertise from various industries and markets is represented in the Board of Directors, as well as various professional and educational backgrounds. There is an equal number of male and female directors.

### 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 Charter is publicly available on the company's website. The following

publicly available on the company's website. 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 wideranging effects. These include establishing the Company's long term goals and the main strategies for achieving them, approving the annual business plans and budget, defining and approving corporate policies in key management control areas, approving the Company's organizational structure and appointing the Managing Director, his Deputy and members of the Management Board. The Board of Directors approves the Company's capital investment policy and major investments, acquisitions and divestments. It also approves the group treasury policy and major long term loans and guarantees issued by the Company. The Board's duties include ensuring that the Company has adequate planning, information and control systems and resources for monitoring result and managing risks in operations. The Board of Directors monitors and evaluates the performance of Managing Director, his Deputy and members of the Management Board and decides upon their remuneration and benefits. The Board's duty is to ensure continuation of the business operations by

succession planning for key persons. The Board defines and approves the main principles for the incentive bonus systems within the Company. The Board of Directors also manages other tasks within its competence under the Companies Act. It is responsible for the due organization of the supervision of the Company's accounting and asset-liability management. The Board of Directors sees to it that the Company's financial statements give a true and fair view of the Company's affairs and that the consolidated financial statements are prepared under the International Financial Reporting Standards (IFRS) and the parent company's financial statements under the acts and regulations in force in Finland (FAS).

The Board of Directors' meetings discuss the Company's profit performance at monthly level. The Board of Directors discusses the Company's audit with the auditor. The Board of Directors evaluates its performance and working methods on an annual basis. According to the Charter of the Board of Directors, the Board must convene regularly and at least eight times a year. The Board of Directors has a quorum when more than half of the Directors are present. The opinion which has been supported by more than half of those present shall become the decision or, in the event of votes being equal, the opinion with which the Chairman concurs.

In 2019, the Board of Directors met nine times. The average attendance rate at the meetings was 96.3%. Each director's attendance in the meetings was as follows:

Name	Participation in meetings	Participation percentage
Bücheler, Wolfgang	8/9	88.9%
Cunningham, Shirley	9/9	100%
Hietala, Kaisa	9/9	100%
Lappalainen, Timo	9/9	100%
Paasikivi, Jari	9/9	100%
Tuomas, Kerttu	8/9	88.9%
<b>Total</b>	<b>52/54</b>	<b>96.3%</b>

## 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. The Charter is publicly available on the Company's website. It is tasked to assist the Board of Directors in fulfilling its oversight responsibilities for financial reporting process, the system of internal control, the internal and external audit process and Kemira's process for monitoring compliance with laws and regulations and the Kemira Code of Conduct.

The Committee reports to the Board on each meeting. The Audit Committee consists of three members of the Board of Directors. Majority of the members shall be independent of the company and at least one member shall be independent

of significant shareholders. According to its Charter, the Audit Committee shall convene at least four times a year. The Audit Committee has a quorum when at least two members are present in the meeting.

After the 2019 AGM, the Board re-elected Timo Lappalainen as the Chairman of the Audit Committee and Kaisa Hietala and Jari Paasikivi as members of the Committee. The Audit Committee met five times in 2019 with an attendance rate of 100%. Each member's attendance in the Audit Committee meetings was as follows:

Name	Participation in meetings	Participation percentage
Hietala, Kaisa	5/5	100%
Lappalainen, Timo	5/5	100%
Paasikivi, Jari	5/5	100%
<b>Total</b>	<b>15/15</b>	<b>100%</b>

## Personnel and Remuneration Committee

The Personnel and Remuneration Committee works according to its Charter confirmed by the Board of Directors. The Charter is publicly available on the company's website. 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, and by preparation of matters pertaining to the compensation systems and long-term incentive plans of the Company and appointment. The Committee also monitors succession

planning of the senior management and the senior management's performance evaluation. The Committee plans matters pertaining to the development of the organization and reviews the Remuneration Statement of the Company. The Committee reports to the Board of Directors on each meeting.

The Committee consists of three members, the majority of which shall be independent of the Company. According to its Charter, the Committee shall convene at least twice a year. The members present at the meeting shall constitute a quorum if at least two of the members are present at the meeting.

After the 2019 AGM, the Board re-elected Jari Paasikivi the Chairman of the Personnel and Remuneration Committee and Kerttu Tuomas and Timo Lappalainen the members of the Personnel and Remuneration Committee. In 2019, the Personnel and Remuneration Committee met five times. The attendance rate at the meetings was 93.3%.

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

Name	Participation in meetings	Participation percentage
Lappalainen, Timo	5/5	100%
Paasikivi, Jari	5/5	100%
Tuomas, Kerttu	4/5	80%
<b>Total</b>	<b>14/15</b>	<b>93.3%</b>

## MANAGING DIRECTOR

The Board of Directors appoints the Managing Director and the Managing Director's Deputy. Under the Articles of Association, the Managing Director is responsible for managing and developing the Company in accordance with the instructions and regulations issued by the Board of Directors, ensuring that the Company's interests are served by the subsidiaries and associated companies under its ownership, and implementing the decisions taken by the Board of Directors. The Managing Director reports to the Board on financial affairs, the business environment and other significant issues. The Managing Director is the Chairman of Kemira's Management Board. Kemira Oyj's Managing Director (President and CEO) is Jari Rosendal, and the Deputy Managing Director is Group General Counsel Jukka Hakkila. The Managing Director and the Managing Director's Deputy, including their related parties, are not involved in any substantial business relationships with the Company.

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

## MANAGEMENT BOARD

The Management Board is an operative, non-statutory management body that is responsible for securing the long-term strategic development of the Company. Kemira's

Management Board consists of Managing Director Jari Rosendal (President and CEO), Petri Castrén (CFO), Matthew R. Pixton (CTO), Kim Poulsen (President, Pulp & Paper), Esa-Matti Puputti (EVP, Operational Excellence), Antti Salminen (President, Industry & Water) and Eeva Salonen (EVP, HR).

The Managing Director is the Chairman of the Management Board and the Group General Counsel acts as its Secretary. The personal information of the Management Board members are presented in the section Group Management and their holdings can be found in the section Insiders. The decisionmaking process and main principles of remuneration of the members of the Management Board are described in the section Remuneration Report.

## OPERATIVE ORGANIZATION

Kemira has organized its business into two customer based segments. The Pulp & Paper segment focuses on serving customers in the pulp and paper industry and the Industry & Water segment focuses on serving customers in the municipal and industrial water treatment as well as oil, gas and mining industries. 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 as well as the Profit & Loss responsibility belong to each of the segments. The segments are guided by policies and guidelines defined by global functions. Global functions are responsible for developing policies, processes, guidelines and tools related to their respective functional areas on a global basis. Such policies and processes are complied with throughout the Company.

Functions also have representatives in each geographic region. Regional functions ensure that the global policies are implemented and adhered to in the regions. They are also responsible for supporting the business locally in the region. Geographically Kemira's operations are divided into three business regions: Europe, Middle East and Africa (EMEA), Americas and Asia Pacific (APAC). The Region Heads provide operational support and co-ordination within the region and steer all regional development projects.

## INTERNAL CONTROL

Kemira maintains an internal control system to ensure the effectiveness and efficiency of its operations, including the reliability of financial and operational reporting and compliance with the applicable regulations, policies and practices. Internal control is an integral part of all of Kemira's operations and covers all levels of the Group. The entire Group personnel are responsible for internal control and managers monitor its effectiveness 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. The Code of Conduct is trained to all employees. Every employee has the right and duty to report any violations of the law, the Code of Conduct or Group policies. The main components

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

## INSIDERS

Kemira Oyj complies with EU Market Abuse Regulation, Finnish Securities Market Act, the rules and regulations issued by the European Securities and Markets Authority (ESMA) and Finnish Financial Supervision Authority (Fin-FSA) as well as the Guidelines for the Insiders of Listed Companies issued by Nasdaq Helsinki Ltd. The company has identified the persons and vice-persons responsible for the various areas of insider administration within the company, including among others compliance in general, decision-making on publishing of insider information and on delaying the publication, maintaining the insider list, overseeing the compliance with the trading restriction as well as the publication of transactions made by the persons discharging managerial responsibilities and their closely associated persons involving stocks and other financial instruments relating to Kemira.

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

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

According to the law, a person discharging managerial responsibilities must not make transactions with stocks or other financial instruments of a listed company during a period of 30 days preceding the publications of the interim or annual financial report of a listed company. Kemira applies a similar 30 days trade restriction to those of Kemira Group employees, who are involved in the preparation or publication of the interim or annual financial report and who have access to group level unpublished financial information. Kemira Oyj's insider list is maintained by the legal department of the company. The attached table lays out the number of stocks owned by the persons discharging managerial responsibilities in Kemira Oyj, and by companies under their control, on December 31, 2019.

## 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

### BOARD OF DIRECTORS

Name	Position	Personal Ownership, shares	Ownership through controlled entities
Paasikivi Jari	Chairman of the Board of Directors	231,003	0
Tuomas Kerttu	Vice Chairman of the Board of Directors	15,887	0
Büchele Wolfgang	Member of the Board of Directors	108,023	0
Cunningham Shirley	Member of the Board of Directors	4,184	0
Hietala Kaisa	Member of the Board of Directors	5,667	0
Lappalainen Timo	Member of the Board of Directors	9,430	0
<b>Total</b>		<b>374,194</b>	

### MANAGEMENT BOARD

Name	Position	Personal Ownership, shares	Ownership through controlled entities
Rosendal Jari	Chief Executive Officer (President & CEO)	93,840	0
Castrén Petri	Member of the Management Board	28,094	0
Pixton Matthew	Member of the Management Board	5,774	0
Poulsen Kim	Member of the Management Board	18,377	0
Puputti Esa-Matti	Member of the Management Board	17,573	0
Salminen Antti	Member of the Management Board	22,991	0
Salonen Eeva	Member of the Management Board	44,162	0
Hakkila Jukka	Other person discharging managerial responsibilities	75,429	0
<b>Total</b>		<b>306,240</b>	<b>0</b>

are defined in the Kemira Internal Audit Charter approved by the Audit Committee. Internal auditors have complete and unrestricted access to all Kemira activities.

Internal Audit is free to determine the scope of internal auditing, the ways of performing its work and communicating its results. Internal Audit reports to the Audit Committee and administratively to the Group General Counsel. Internal Audit reports all of its observations to the responsible management and to the auditor. In addition, Internal Audit reports regularly the most essential and material observations to the Audit Committee in connection with the Audit Committee's meetings. Furthermore, the Internal Audit has a direct and unrestricted access to discuss with the Chairman of the Audit Committee.

## AUDIT

Under the Articles of Association, the shareholders' meeting elects an audit firm certified by the Finnish Patent and Registration Office as the Company's auditor. The audit firm appoints the Principal Auditor, who is an Authorized Public Accountant certified by the Finnish Patent and Registration Office. The auditor's term of office continues until the next Annual General Meeting after the Auditor's election. The 2019 Annual General Meeting elected Ernst & Young Ltd. as the Company's auditor, with Mikko Ryttilahti, APA, acting as the Principal Auditor. During the reporting period Deloitte Ltd. served as the Company's auditor until the Annual General Meeting, with Jukka Vattulainen, APA, acting as the Principal

Auditor. In 2019, the audit fee paid globally to the audit firm Ernst & Young totaled EUR 1.4 million. In addition, a total of EUR 0.3 million was paid as fees for tax services and 0.3 million for other services.

## CONTROL AND RISK MANAGEMENT SYSTEMS PERTAINING TO THE FINANCIAL REPORTING PROCESS

Kemira's Board of Directors defines the main principles of risk management and approves the Group's risk management policy. The business segments and functions are responsible for identifying, assessing and managing risks involved in their activities. The Group's Risk Management 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 Board of Directors Review and on the Company's website at [www.kemira.com](http://www.kemira.com) > Company > Investors > Corporate governance > Internal Control and Risk management. A general description of Kemira's internal control system can be found above under the heading Internal control.

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

## ROLES AND RESPONSIBILITIES

Kemira's Board of Directors ensures that the Company has sufficient resources for risk management and control, and that the control has been arranged appropriately and that the financial statements provide correct and sufficient information of the Company. The Board of Directors is assisted by the Audit Committee in these tasks. The Managing Director handles the Company's everyday management in accordance with instructions and regulations from the Board of Directors. The Managing Director is responsible for the Company accounting being lawful and that assets are managed reliably.

The CFO is responsible for the general control system of financial reporting. The areas of responsibility between financial administration of the Group and the regions have been defined precisely. Group level financial functions support, monitor, instruct and offer training to the financial organizations of the regions. Group level financial functions are also responsible for the Group's financial reporting and support segment controllers in analyzing business processes. Financial organization in the regions is responsible for the functionality of the accounting processes and correctness of figures in their region. Controlling in segments operates under the segments' business management and analyzes and supports the business processes.

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



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

## RISK MANAGEMENT

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

## FINANCIAL REPORTING AND CONTROL

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

The purpose of the policies and procedures is to ensure the reliability of financial reporting. The Group has a uniform and comprehensive 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 has determined the appropriate control functions, the objectives of each control function and how the effectiveness of the control functions is monitored and checked based on a risk analysis it performs. The control functions are described in the above mentioned risk documentation and financial administration is responsible for their practical implementation.

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

## COMMUNICATION

By well-functioning internal control environment Kemira aims at securing the timeliness, correctness and transparency of the company's internal and external communication. The most essential guidelines and regulations concerning the financial reporting, internal

control and risk management, such as the guidelines regarding the principles of preparation of the financial statements and financial reporting, are available to all employees in the group intranet. Kemira's financial administration regularly arranges trainings regarding internal control and financial reporting as well as using the relevant tools.

## MONITORING

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

## Board of Directors



**JARI PAASIKIVI**

- b. 1954
- Finnish citizen
- M.Sc. (Econ.)
- Chairman of the Board, member of the Audit Committee, chairman of the Personnel and Remuneration Committee
- Independent of the Company
- Main occupation Chairman of the Board of the Directors 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, member of the Personnel and Remuneration Committee
- Independent of the Company and its significant shareholders



**WOLFGANG BÜCHELE**

- b. 1959
- German citizen
- Dr. rer.nat.
- Member of the Board
- Independent of the Company and its significant shareholders
- Main occupation Exyte AG, CEO



**SHIRLEY CUNNINGHAM**

- b. 1960
- United Kingdom citizen
- MBA
- Member of the Board
- Independent of the Company and its significant shareholders



**KAISA HIETALA**

- b. 1971
- Finnish citizen
- M.Sc.(Physics) and M.Sc. (Env.Sc.)
- Member of the Board, member of the Audit Committee
- Independent of the Company as of February 19, 2019, Independent of the Company's significant shareholders



**TIMO LAPPALAINEN**

- b. 1962
- Finnish citizen
- M.Sc. (Eng.)
- Member of the Board, Chairman of the Audit Committee, member of the Personnel and Remuneration Committee
- Independent of the Company and its significant shareholders
- Main occupation Orion Corporation, President & CEO

Further information on the Board of Directors and the Management Board is available on [www.kemira.com](http://www.kemira.com).

## Group Management

Managing Director, Deputy Managing Director and members of the Management Board



**JARI ROSENDAL**

- b. 1965
- M. Sc. (Eng.)
- Managing Director of Kemira Oyj
- Chairman of the Management Board



**PETRI CASTRÉN**

- b. 1962
- LL.M., MBA
- Chief Financial Officer



**JUKKA HAKKILA**

- b. 1960
- LL.M.
- Group General Counsel
- Deputy Managing Director, secretary of the Board of Directors and the Management Board



**MATTHEW R. PIXTON**

- b. 1964
- Ph.D. (Chem. Eng.)
- CTO



**KIM POULSEN**

- b. 1966
- M. Sc. (Econ.)
- President, Pulp & Paper



**ESA-MATTI PUPUTTI**

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



**ANTTI SALMINEN**

- b. 1971
- Ph.D (Eng)
- President, Industry & Water



**EEVA SALONEN**

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

# Remuneration Statement 2019

## INTRODUCTION

This remuneration statement describes Kemira's remuneration principles and the remuneration of the Board of Directors and the operative management, i.e., the President & CEO, the Deputy CEO and the other members of the Management Board in 2019. The remuneration statement has been prepared in accordance with the Finnish Corporate Governance Code 2015.

The remuneration statement is divided into following sections:

- Key principles of remuneration
- Decision-making procedure concerning the remuneration
- Management remuneration
- Board of Directors remuneration

## KEY PRINCIPLES OF REMUNERATION

The remuneration at Kemira is designed to drive the company's long-term financial success, business strategy and positive development of the shareholder value.

Kemira's key remuneration principles are:

- Pay-for-performance is Kemira's main principle in remuneration. Kemira acknowledges and rewards for good performance and achievements. Kemira strives to establish a clear link between company and employee performance and success.
- Competitive, market driven remuneration ensures that Kemira can attract, motivate and retain the best employees for Kemira. Kemira regularly benchmarks its remuneration against relevant geographic and industry market.
- Effective communication of remuneration principles and programs ensures transparency both internally and externally. Reward principles and programs are communicated to employees and external stakeholders.
- Compliance with local laws and Kemira's internal remuneration approval principles is a prerequisite for remuneration at Kemira. Kemira has implemented internal controls to ensure compliance.

## DECISION-MAKING PROCEDURE CONCERNING THE REMUNERATION

The General Meeting decides on the remuneration of the Board of Directors. The Nomination Board consisting of the representatives of the four largest shareholders of Kemira Oyj prepares annually a proposal for the next General Meeting concerning the composition and remuneration of the Board.

The Board of Directors decides the salaries, other remuneration and the terms of employment of the President & CEO, the Deputy CEO 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 President & CEO, his Deputy and the other members of the Management Board.

## REMUNERATION REPORT

### MANAGEMENT REMUNERATION 2019

Remuneration of the President & CEO, 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. No remuneration is paid to the Deputy CEO based on CEO substitution.

### REMUNERATION PAID TO THE MANAGEMENT BOARD

In 2019, the total remuneration paid to President & CEO Jari Rosendal amounted to EUR 1,109,879 (2018:EUR 1,021,520), including the base salary and benefits, supplementary pension and short-term bonus based on the 2018 performance period of EUR 90,720 (2018: 109,080) and long-term share incentive based on the performance period 2018 of 11,640 shares, value EUR 311,539 including cash portion of the reward (2018:13,600 shares, EUR 345,440).

In 2019, the total remuneration paid to the other members of the Management Board amounted to EUR 2,711,592 (2018: EUR 2,835,124), including the base salaries and benefits, short-term bonuses of EUR 228,536 (2018: EUR 265,561) and long-term share incentives based on the performance period 2018 32,010 shares, total value of EUR 730,850 including cash portion (2018: 33,220, EUR 803,147).

REMUNERATION REPORT	Salary and benefits (EUR)	Short-term bonus plan (EUR)	Long-term share incentive plan (EUR)	Total 2019 (EUR)	Total 2018 (EUR)
Managing Director Jari Rosendal	707,620	90,720	311,539	1,109,879	1,021,520
Other members of the management board	1,752,206	228,536	730,850	2,711,592	2,835,124

\* Long-term incentive plans include a cash portion intended to cover the taxes of the reward.

\*\* Base salary and benefits of Managing Director include car, mobile phone and supplementary pension

\*\*\*Other members of the Management Board 2019: 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. No remuneration was paid to the Deputy CEO based on CEO substitution in 2019.

### SHORT-TERM BONUS PLAN FOR THE MANAGEMENT

The objective of the short-term bonus plans is to drive the annual objectives and priorities of the company, ensuring alignment with the company strategy and the shareholders' interests.

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

In 2018 and 2019, the maximum bonus for the CEO was 70% of the annual base salary, and for the other members of the Management Board from 60 to 80% of the annual base salary.

In the 2019 earning period, the criteria for the short-term incentive plans were determined on the basis of the

operative cash flow after investing activities, operative EBITDA in EUR and in margin, safety related KPI's of Kemira Group, and role based targets. The reward from the 2019 earning period will be paid in February 2020.

In the 2018 earning period, the criteria for the short-term incentive plans 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 was paid in February 2019.

### LONG-TERM SHARE INCENTIVE PLANS

The objective of the long-term share incentive plans is to combine the interests of the shareholders and the President & CEO, and the other members of the Management Board in order to increase the value of Kemira and to commit the President & CEO, and the other members of the Management Board to Kemira.

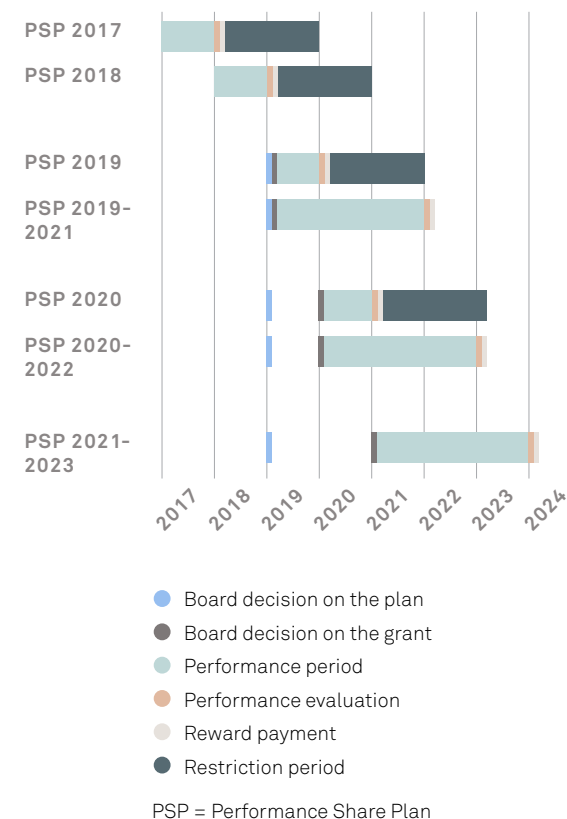
## LONG-TERM SHARE INCENTIVE PLANS 2015–2017 AND 2018

<b>DECISION-MAKING</b>	<p>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, and on February 7, 2018 the Board of Directors of Kemira Oyj resolved to continue the plan for 2018. The Personnel and Remuneration Committee received advice for the planning work of the long-term share incentive plan from an external incentive advisor.</p>
<b>EARNING PERIODS AND CRITERIA</b>	<p>The long-term share incentive plan included 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.</p> <p>The criterion for the performance period 2018 was Kemira Group's Intrinsic Value.</p>
<b>REWARDS</b>	<p>The potential reward was paid partly in Kemira's shares and partly in cash. The cash portion was intended to cover the taxes and tax-related costs arising from the reward to the participant.</p> <p>Based on the 2018 performance period a reward of 140,844 Kemira Oyj shares was paid out in March 2019. Additionally, a cash portion intended to cover taxes and tax related costs was paid out to the participants in connection with the delivery of the shares. The plan was directed to 78 people in the earning period 2018.</p>
<b>RESTRICTION PERIODS</b>	<p>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. For the reward paid out in 2019, the restriction period will end on December 31, 2020.</p>
<b>EMPLOYMENT CONDITIONS</b>	<p>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 to the company the shares given as reward.</p>
<b>CLAWBACK</b>	<p>Clawback provisions apply to the rewards paid under this plan in exceptional circumstances, such as misconduct or misstatement of financial results.</p>
<b>SHARE OWNERSHIP GUIDELINES</b>	<p>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.</p>

## LONG-TERM SHARE INCENTIVE PLAN 2019–2023

<b>DECISION-MAKING</b>	<p>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 Personnel and Remuneration Committee received advice for the planning work of the long-term share incentive plan from an external incentive advisor.</p>
<b>EARNING PERIODS AND CRITERIA</b>	<p>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. This structure enables a gradual shift from one-year performance periods to three-year performance periods.</p> <p>In the beginning of each performance period, the Board of Directors decides on the plan's performance criteria, the required performance levels for each criterion, and the plan's participants and share allocations during the performance period.</p> <ul style="list-style-type: none"> <li>For the performance period 2019, the performance criterion is Kemira Group's Intrinsic Value, and the potential reward will be paid out in 2020. For the performance period 2019–2021, the performance criterion is Kemira Group's average Intrinsic Value 2019–2021, and the potential reward will be paid out in 2022.</li> <li>During the performance periods 2019 and 2019–2021, the long-term share incentive plan is directed to approximately 90 people. The rewards potentially payable on the basis of the performance periods 2019 and 2019–2021 may amount up to a maximum of 643,500 Kemira Oyj shares.</li> <li>For the performance period 2020, the performance criterion will be Kemira Group's Intrinsic Value, and the potential reward will be paid out in 2021. For the performance period 2020–2022, the performance criterion will be Kemira Group's average Intrinsic Value 2020–2022 and Kemira Group's Organic Growth 2020–2022, and the potential reward will be paid out in 2023.</li> <li>During the performance periods 2020 and 2020–2022, the long-term share incentive plan is directed to approximately 90 people. The rewards potentially payable on the basis of the performance periods 2020 and 2020–2022 may amount up to a maximum total of 643,500 Kemira Oyj shares.</li> </ul>
<b>REWARDS</b>	<p>The potential reward will be 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.</p>
<b>RESTRICTION</b>	<p>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.</p>
<b>EMPLOYMENT</b>	<p>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 to the company the shares given as reward.</p>
<b>CLAWBACK</b>	<p>Clawback provisions apply to plan rewards in exceptional circumstances, such as misconduct or misstatement of financial results.</p>
<b>SHARE OWNERSHIP GUIDELINES</b>	<p>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.</p>

## OVERVIEW OF LONG-TERM INCENTIVES PLANS



## EMPLOYMENT TERMS OF THE PRESIDENT & CEO

### EMPLOYMENT TERMS OF THE PRESIDENT & CEO AS OF DECEMBER 31, 2019

<b>BASE SALARY AND BENEFITS</b>	The annual base salary and benefits is EUR 707,620, including car, mobile phone and supplementary pension.
<b>INSURANCES</b>	The President & CEO is entitled to insurances such as life and permanent disability, private accident, business travel, and directors' and officers' liability. The President & CEO participates in the company sickness fund.
<b>PENSION</b>	The President & CEO is entitled to a supplementary defined contribution pension plan. The supplementary pension is defined as 20% of annual base salary. The retirement age of the President & CEO is 63 years.
<b>SHORT-TERM INCENTIVES</b>	The President & CEO is entitled to a short-term incentive plan. The maximum bonus is 70% of the annual base salary.
<b>LONG-TERM INCENTIVES</b>	The President & CEO is entitled to a long-term 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.
<b>TERMINATION</b>	A mutual termination notice period of 6 months applies to the President & CEO. He 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.

## MAIN EMPLOYMENT TERMS OF THE MANAGEMENT BOARD AND DEPUTY CEO

**Insurances:** The members of the Management Board are entitled for life and permanent disability, private accident, business travel, and directors' and officers' liability insurances, and participate in the company sickness fund or other similar arrangement.

**Pension:** Except the President & CEO members of the 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 the 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.

**Incentives:** Members of the Management Board are eligible for short- and long-term incentive plans.

**Termination:** Depending on country practices, mutual termination notice period of 1 to 6 months applies to the members of the Management Board except for the President & CEO. 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.



## BOARD OF DIRECTORS REMUNERATION

According to the decisions made in the General Meeting 2019, 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 92,000 per year,
- the Vice Chairman and the Chairman of the Audit Committee EUR 55,000 per year and
- the other members EUR 44,000 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 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 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, 2019.

The following amounts of shares were paid on May 8, 2019 as part of the annual fee decided by the Annual General Meeting 2019:

- the Chairman received 2,993 shares
- the Vice Chairman and Chairman of the Audit Committee 1,789 shares
- the other members 1,431 shares.

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

## THE REMUNERATION OF THE BOARD OF DIRECTORS

	2019 (EUR)	2018 (EUR)
Jari Paasikivi, chairman	102,200	91,489
Kerttu Tuomas, vice chairman	62,800	57,087
Wolfgang Büchele	54,800	48,351
Shirley Cunningham	65,600	57,951
Kaisa Hietala	51,800	47,151
Timo Lappalainen	65,200	60,687
<b>Total</b>	<b>402,400</b>	<b>362,716</b>

# Kemira

**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 2019, Kemira had annual revenue of around EUR 2.7 billion and over 5,000 employees. Kemira shares are listed on the Nasdaq Helsinki Ltd.

**[WWW.KEMIRA.COM](http://WWW.KEMIRA.COM)**

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