

better tomorrow



**CORPORATE
GOVERNANCE
2015**

I INTRODUCTION	3
II CORPORATE GOVERNANCE	3
General Meeting	3
Board of Directors	3
Committees	5
CEO	7
Management Team	7
III INTERNAL CONTROL	9
IV RISK MANAGEMENT	9
V OTHER INFORMATION REQUIRED	10
Insider Administration	10
Related Parties	10
Auditors and Auditing	11
VI REMUNERATION SYSTEM	11
Remuneration of the Board of Directors	11
Remuneration of the CEO and members of the Management Team	11

I Introduction

The Corporate Governance of Pihlajalinna Plc (Company) is based on effective legislation, the Company's Articles of Association and the rules and regulations applied to companies listed on Nasdaq Helsinki Ltd. The Company abides by the Finnish Corporate Governance Code issued by the Securities Market Association. The Company was listed on Nasdaq Helsinki Ltd main market in June 2015. In 2015, the Company applied the recommendation for a Finnish Corporate Governance Code for listed companies that entered into force on 2010. This Corporate Governance Statement has been prepared in part on the

basis of the revised Finnish Corporate Governance Code that entered into force on 1 January 2016. It is available on the www.cgfinland.fi/en website maintained by the Securities Market Association. Pihlajalinna departs in no respect from the recommendations of the Code.

This Corporate Governance Statement has been compiled as separate statement from the annual report and will be published on the company's internet site <http://investors.pihlajalinna-konserni.fi>. The Audit Committee of Pihlajalinna Plc has reviewed this Corporate Governance Statement.

II Corporate Governance

General Meeting

The General Meeting is Pihlajalinna's highest decision-making organ. According to the Company's Articles of Association, the Annual General Meeting is held within six months after the end of the financial period. The Annual General Meeting decides on the matters according to the Limited Liability Companies Act and the Articles of Association, among other things, on the approval of the Financial Statements, the distribution of dividend shown in the Balance Sheet and elections of members of the Board of Directors and the auditor and their remuneration. The Annual General Meeting of Shareholders decides also upon discharge of the Board of Directors and of the CEO from the liability. An Extraordinary General Meeting shall be held when the Board of Directors considers it necessary or when the auditor of the Company or the Company's shareholders holding at least ten per cent of all shares request it in writing. The Board of Directors is responsible for the invitations to the General Meeting and decides its venue and timing.

The Board of Directors invites the shareholders to the General Meeting through a Notice of the General Meeting published on the company's website not earlier than three months and not later than three weeks before the meeting, but in any case at least nine days prior to the General Meeting's record date. Invitation letters must be sent to the shareholders' addresses specified in the Company's share register or by publishing a notice on the Company's website or in at least one national newspaper specified by the Board of Directors. The Agenda, the proposals of the Board of Directors and other General Meeting material will be available on the Company's website at least three weeks prior to the General Meeting.

The Company will announce on its website the date by which a shareholder must propose to the Board of Directors a matter to be considered by the Annual General Meeting. The date will be announced on the Company's website no later than by the end of the financial year preceding the Annual General Meeting.

As a general rule, the Company's Chairman of the Board and members of the Board of Directors and the CEO attend the Annual General Meeting. The company's auditor is present at the Annual General Meeting. In addition, any candidates for the Board of Directors attend the General Meeting that decides on their election.

After the General Meeting, its decisions are published in a stock exchange release. The minutes of the General Meeting are published on the Company's website within two weeks after the General Meeting. The documents of the General Meeting must be kept on the Company's website for at least five years from the Meeting.

Pihlajalinna's Articles of Association are available on the Company's website at <http://investors.pihlajalinna-konserni.fi/>. Any amendments to the Articles of Association require the decision of the General Meeting.

Board of Directors

The Board of Directors is elected on an annual basis by the Annual General Meeting. According to the Company's Articles of Association, there are a minimum of four (4) and a maximum of ten (10) members in the Board of Directors. The Board of Directors elects a Chairman from among its members. The term of office of a member of the Board of Directors begins at the General Meeting where he or she was elected and expires at the close of the first Annual General Meeting following the election.

The Company aims to ensure that its Board of Directors as a whole has sufficient and versatile expertise and experience with respect to its duties. In preparing a proposal on the composition of the Board of Directors, particular attention shall be paid to the requirements placed by the Company's operations and its development stage. A person to be elected to the Board of Directors shall have the qualifications required by the duties and the possibility to devote a sufficient amount of time to the work. The number of the members and the composition of the Board of Directors shall make it possible for the Board of Directors to discharge its duties in an efficient manner.

For the versatile support and development of the Company's business, the Company's Board of Directors composition should be sufficiently diverse. Both genders shall be represented on the Board of Directors. The overall aim of the Board composition is to achieve sufficiently extensive qualifications, expertise and experience. The sufficient diversity of the Board of Directors, including age and gender, as well as educational and professional background, is taken into account in the preparation of a proposal for the composition of the Board of Directors. For the evaluation of the diversity and composition of the Board of Directors, each candidate shall provide confident information necessary for the assessment of skills and time management for the preparation of a proposal for the composition of the Board, in accordance with the instructions provided by the Company.

The Company aims to have both genders represented in its Board of Directors. In 2015, 25 per cent of the elected members of the Board of Directors were women. All the members of the Board elected in 2015 hold a masters degree and three of them have a doctoral degree. The Board of Directors members have versatile industry-specific, economic and business skills. Their age distribution is from 43 to 63 years.

The proposal for the Board composition is prepared by the largest shareholders.

The Board of Directors must evaluate the independence of its members. The majority of the members must be independent of the Company. In addition, at least two of the members representing this majority shall be independent of significant shareholders of the Company.

The duties and responsibilities of the Board of Directors are defined in the Limited Liability Companies Act, the Company's Articles of Association and the written Charter of the Board of Directors. The Board of Directors conducts an annual evaluation of its operations and working methods and updates its Charter as needed.

Any matters that are far-reaching from the viewpoint of the Company's business shall be considered and decided by the Board of Directors. According to its Charter, the Board of Directors:

- considers and approves the Company's long-term strategic plan and goals;
- approves the Company's business plan, budget and financing plan and monitors their implementation;
- confirms the principles of the Company's internal control and risk management;
- reviews the material risks affecting the Company's operations and their management, and supervises the adequacy, relevance and efficiency of the Company's administrative processes;
- processes and approves business acquisitions and arrangements and other significant decisions, such as large municipal outsourcings;
- elects the CEO and deputy CEO, releases them from their duties and decides on the terms of their service;
- confirms, based on the CEO's proposal, the members of the Group's Management Team, the heads of the operating segments and the direct subordinates of the CEO;
- approves the incentive systems of the CEO and other management and the Company's remuneration principles;
- approves the Company's Corporate Governance statement
- confirms the Company's insider guidelines and practices relating to related party transactions and monitors compliance with these;
- decides on the Company's disclosure policy and monitors compliance with it.

For the effective discharge of their duties, the Board of Directors members must obtain sufficient information of the Company's operations, operating environment and financial position, and new Board of Directors members must be introduced to the Company's operations at the beginning of their term. For its operations, the Board of Directors is regularly informed of matters considered by the Pihlajalinna Group's Management Team, receives profit and loss reports and auditor's reports and regularly hears the auditor's opinions of the Company's financial situation and its developments.

At the Annual General Meeting of 2015 held on 12 March 2015, seven members were elected to the Board of Directors: Aarne Aktan, Heikki Dunder, Leena Niemistö, Veli-Matti Qvintus, Marjatta Rytömaa, Jari Sundström and Mika Uotila. In addition to these, Martti Ala-Härkönen was elected to the Board at the Extraordinary General Meeting held on 22 May 2015. His term of office as a member of the Board began on 1 June 2015. Thus the Board of Directors consists of eight members. At its organising meeting, the Board elected Mika Uotila as its Chairman.

During the financial year 2015, the Board convened 24 times. The average attendance rate during the period was 95%.

Members of the Board of Directors:

Mika Uotila

Chairman of the Board and member since 2014.
M.Sc. (Econ.)
Finnish citizen, b. 1971
Independent of the company
Principal occupation: CEO, Sentica Partners Oy

Aarne Aktan

Member of the Board since 2014
B.Sc. (Econ.)
Finnish citizen, b. 1973
Independent of the company and its major shareholders
Principal occupation: CEO, Talentum Media Ab

Martti Ala-Härkönen

Member of the Board since 2015
D.Sc. (Econ.), Lic.Sc. (Tech.)
Finnish citizen, b. 1965
Independent of the company and its major shareholders
Principal occupation: CFO, Cramo Oy

Heikki Dunder

Member of the Board since 2014
Independent of the company
LL.M. Trained on the bench, M.Sc. (Econ.)
Finnish citizen, b. 1952
Principal occupation: Partner, Dunder & Dunder Ky
CEO, Dunder Design Oy

Leena Niemistö

Member of the Board since 2014
D.Med.Sc., Specialist in Psychiatry
Finnish citizen, b. 1963
Independent of major shareholders
Principal occupations: Deputy CEO, Pihlajalinna Plc
CEO, Dextra Oy

Veli-Matti Qvintus

Member of the Board since 2014
M.Sc. (Tech.)
Finnish citizen, b. 1972
Independent of the company
Principal occupation: CEO, DHL Global Forwarding (Finland) Oy

Marjatta Rytömaa

Member of the Board since 2014
Ph.D., MBA
Finnish citizen, b. 1967
Independent of the company
Principal occupation: Partner, Sentica Partners Oy

Jari Sundström

Member of the Board since 2015
LL.M. Trained on the bench
Finnish citizen, b. 1960
Independent of the company
Principal occupation: CEO, LocalTapiola General Mutual Insurance Company

Information on remunerations paid to the Board of Directors is presented in section V.

Board Committees

The Board of Directors may appoint committees, management groups and other permanent or temporary bodies to perform duties specified by the Board of Directors. The Board of Directors confirms the charters of the Company's committees and Management Group as well as the guidelines and authorisations of any other bodies appointed by the Board of Directors. The Board of Directors has established from among its members an Audit Committee and a Nomination and Remuneration Committee. These committees have written charters approved by the Board of Directors.

Audit Committee

Pihlajalinna Plc's Board of Directors has established from among its members an Audit Committee which monitors the reporting process of financial statements and the efficiency of the company's internal control, internal audit and risk management systems. The Audit Committee also reviews the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the Company's Corporate Governance Statement, monitors the statutory audit of the financial statements and consolidated financial statements, evaluates the independence of the statutory auditor or audit firm, particularly the provision of related services to the company.

The members of the Audit Committee must have the expertise and experience necessary to perform the responsibilities of the Committee. The Audit Committee comprises three to five members who are elected from among the members of the Board of Directors. The Audit Committee does not have independent decision-making powers, but the Board of Directors makes decisions based on the Committee's preparation. The members of the Audit Committee must be independent of the Company, and at least one member must be independent of significant shareholders.

The Board of Directors appointed in its meeting of 23 March 2015 Aarne Aktan and Marjatta Rytömaa as the members of the Audit Committee. The Chairman of the

Committee is Mika Uotila. In its meeting of 18 June 2015, the Board elected Mika Uotila as Chairman of the Audit Committee and Aarne Aktan, Martti Ala-Härkönen and Marjatta Rytömaa as members.

The Board of Directors has confirmed a written Charter for the Audit Committee, according to which the Committee has the following duties:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the company's internal control, internal audit and risk management systems;
- to revise the plans and reports of the internal audit function;
- to review the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the Company's Corporate Governance Statement;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company;
- to prepare the proposal for resolution on the election of the auditor;
- to evaluate the effects of exceptional or extensive business transactions.

During the financial year 2015, the Audit Committee convened eight times. The attendance rate of the Committee members was 100%.

Nomination and Remuneration Committee

Pihlajalinna Plc's Board of Directors has established from among its members a Nomination and Remuneration Committee which assists the Board by preparing matters pertaining to the remuneration and nomination of the Company's CEO and other management, as well as the Company's remuneration principles. The Nomination and Remuneration Committee does not have independent

decision-making powers, but the Board makes decisions based on the Committee's preparation.

The Board of Directors has confirmed a written Charter for the Nomination and Remuneration Committee, according to which the Committee has the following duties:

- to prepare matters related to the nomination of the CEO and other management and to look for prospective successors for them;
- to prepare matters related to the remuneration and other financial benefits of the CEO and other management;
- to prepare proposals related to the Company's incentive plans;
- to evaluate the remuneration of the CEO and other management and to ensure the appropriateness of the Company's remuneration systems;
- to answer any questions related to the salary and fee report at the General Meeting.

When carrying out its duties, the Nomination and Remuneration Committee acts independently of the Company's operational management. The majority of the members of the Nomination and Remuneration Committee must be independent of the Company. The CEO or other executives of the Company may not be appointed to the Nomination and Remuneration Committee.

In its meeting of 23 March 2015, the Board of Directors appointed Veli-Matti Qvintus and Marjatta Rytömaa as members of the Nomination and Remuneration Committee. The Chairman of the committee is Aarne Aktan. In its meeting of 18 June 2015, the Board of Directors appointed Aarne Aktan as Chairman of the Nomination and Remuneration Committee and Veli-Matti Qvintus, Marjatta Rytömaa and Jari Sundström as members.

During the financial year 2015, the Nomination and Remuneration Committee convened three times. The attendance rate of the Committee members was 100%.

Attendance at Meetings by the Board of Directors and Committee Members:

Name	Position	Board Meetings	Audit Committee Meetings	Nomination and Remuneration Committee Meetings
Mika Uotila	Chairman	23/24	8/8	-
Aarne Aktan	Member	22/24	8/8	3/3
Martti Ala-Härkönen	Member (1.6.2015–)	13/14	3/3	-
Heikki Dunder	Member	24/24	-	-
Leena Niemistö	Member	23/24	-	-
Veli-Matti Qvintus	Member	23/24	-	3/3
Marjatta Rytömaa	Member	23/24	8/8	3/3
Jari Sundström	Member (12.3.2015–)	19/21	-	1/1

Pihlajalinna holdings of the Board of Directors members**Number of shares 31 December 2015**

Mika Uotila	
Aarne Aktan	5,400
Martti Ala-Härkönen	3,055
Heikki Dunder	7,500
Leena Niemistö	680,000
Veli-Matti Qvintus	
Marjatta Rytömaa	
Jari Sundström	

CEO

The Board of Directors appoints the Chief Executive Officer and decides on the terms and conditions of his or her service contract. The CEO is in charge of the Company's operational management and the Pihlajalinna Group's business in accordance with the instructions and orders issued by the Board of Directors. The CEO is responsible for ensuring that the Company's accounting practices comply with the law and that the financial matters are handled in a reliable manner. The Management Team assists the CEO in leading the Company's operations. During the financial year 2015, Mikko Wirén acted as the CEO of Pihlajalinna Plc.

Management Team

The Pihlajalinna Group's Management Team assists the CEO in the operative business management. The Management Team prepares and steers the development of the Group's business, processes and joint Group functions and promotes cooperation and the flow of information between the various parts of the organisation. It also prepares the Group's strategic planning and budgeting, monitors the implementation of plans and reporting and prepares acquisitions and other major investments. In addition, the Management Team monitors and evaluates the profitability of the Company's businesses as well as the functioning of its internal control and reporting systems. The Management Team convenes regularly at the invitation of the CEO. The Management Team conducts an annual evaluation of its operations and working methods.

The Management Team confirmed by the Board of Directors consists of the Chief Executive Officer, Deputy Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Senior Vice President responsible for Communications, Marketing and Investor Relations, Senior Vice Presidents of the operating segments and the Group's Medical Director.

The Deputy CEO acts as a substitute for the CEO and is responsible for the duties of the CEO when he is prevented from attending to his duties. The Senior Vice Presidents of the operating segments are responsible for the profitability of the segment's business and its operational development in accordance with the goals set by the CEO, and act as Chairman of their segment's management team. The Chief Operating Officer (COO) is responsible, in accordance with the goals set by the CEO, for the operational implementation of enlargement in accordance with the Group's strategy, the operational implementation of mergers and acquisitions, as well as ensuring the profitability of complete municipal outsourcing contracts, in particular in connection with the takeover and operational start-up. The Chief Financial Officer (CFO) is responsible for the operational management of financial and payroll administration as well as reporting, budgetary and forecast processes, the accuracy of financial communications to investors as well as Group financing. The Senior Vice President responsible for Communications, Marketing and Investor Relations is in charge of the planning, development and operational implementation of communications,

marketing and investor relations in accordance with the Pihlajalinna Group strategy and the goals set by the CEO. The Medical Director is responsible for the preparation, planning and operational implementation of regulatory processes related to the Group's business.

In 2015, the Management Team included CEO Mikko Wirén, Deputy CEO Leena Niemistö, CFO Virpi Holmqvist (from April 2015) and COO Joni Aaltonen, as well as Juha Rautio, SVP, P&S Segment; Terhi Kivinen, SVP, Communications, Marketing and IR; and Kimmo Saarinen, Medical Director (from February 2015). In addition in the Management Team included HR Manager Susanna Huuskonen from January until March 2015.

During the financial year 2015, the Management Team convened on average once a month.

Mikko Wirén

b. 1972, Lic.Med.

Employed by the Company since 2001
CEO

Primary work experience: Founder of Pihlajalinna (presently MWW Yhtiö Oy) in 2001, General Practitioner and Occupational Health Physician at Pihlajalinna Terveys Oy and its predecessor in 2001–2011, Health Centre Physician in Parkano in 2001–2005.

Main simultaneous positions of trust: Chairman of the Board, LocalTapiola, Pirkanmaa regional company

Leena Niemistö

b. 1963, D.Med.Sc., Specialist in Physiatrics
Deputy CEO, SVP, L&E Segment

Employed by the Company since 2003

Primary work experience: CEO of Dextra Oy since 2003, Specialist at Kuntoutus Orton in 2000–2004

Main simultaneous positions of trust: Chairman of the Board, Selective Investor Oy; Board Member, Aprox Ab; Board Member, Elisa Corporation; Board Member, HLD Healthy Life Devices Ltd; Board Member, Lääkäripalveluyritykset ry; Board Member, Modz Oy; Board Member, Svenska Handelsbanken Finland.

Joni Aaltonen

b. 1970, BBA

Employed by the Company since 2008
COO

Primary work experience: CFO of Pihlajalinna in 2008–2015, CEO of Vendero Oy since 2013, CFO of Plenware Oy in 2005–2008, Auditor at KPMG Oy Ab in 2001–2004

Main simultaneous positions of trust: Chairman of the Board, Vendero Oy, Kemvit Oy and MediWare Oy; Board Member, Sinister Duo Oy

Virpi Holmqvist

b. 1970, M.Sc. (Econ.)

Employed by the Company since 2015
CFO

Primary work experience: Attendo Finland Oy, Director of Outsourced Social and Health Care Services in 2013–2015 and Financial Director in 2008–2013; Ramboll Finland Oy, Head of Business Control in 2006–2008 and Project Controller in 2005–2006; Oy Dell Ab, Controller in 2003–2005, StorageTek Oy, Business Communication Manager in 2003 and Chief Accountant in 2002–2003; Suomen Gallup-Mainostieto Oy, Sales Manager in 1998–2002.

Main simultaneous positions of trust: Auditor, Nesting Ltd; Silent Partner, Hilkka ja Timo Kallio Ky.

Terhi Kivinen

b. 1971, M.Pol.Sc.

SVP, Communications, Marketing and IR

Employed by the Company since 2014

Primary work experience: Phoenix Group, Director, Corporate Responsibility; Tamro Corporation, Marketing and Communications Director, Director, Communications and Corporate Responsibility in 2007–2014; GlaxoSmithKline Oy, Communications Manager in 2004–2007

Main simultaneous positions of trust: Chairman of the Board, Pro Polaris Oy; Chairman of the Board, Pro Selection Oy

Juha Rautio

b. 1969, M.Sc. (Admin.)

Employed by the Company since 2010

Primary work experience: Plenware Oy, 2000–2009

Main simultaneous positions of trust: none

Kimmo Saarinen

b. 1958, Lic.Med., Occupational Health Specialist

Employed by the Company since 2005

Primary work experience: Specialist, Finnish Institute of Occupational Health, 1998–2007 and Main Occupational Health Physician of Pieksämäki Region 1989 – 1998.

Main simultaneous positions of trust: none

The table below presents the Management Team's shareholdings in Pihlajalinna (31 Dec. 2015).

Management Team's holdings in Pihlajalinna	No. of shares, 31 Dec. 2015
Mikko Wirén (MWW Yhtiö)	2,167,060
Joni Aaltonen	66,920
Virpi Holmqvist	4,261
Terhi Kivinen	10,000
Leena Niemistö	680,000
Juha Rautio	42,200
Kimmo Saarinen	63,700

III Internal Control

The Company's internal controls related to its financial reporting are based on the monitoring of business processes. The information for financial reporting is created as business processes progress, and all process participants are responsible for the correctness of the information.

The purpose of internal control and risk management that are related to the financial reporting process is to achieve sufficient certainty in the following matters:

- operational profitability and efficiency and capital control
- reliability and completeness of financial and operational information
- compliance with laws, regulations and agreements, as well as ethical principles and social responsibility
- securing and responsible management of assets and brands.

In order to ensure the efficiency of internal control associated with the financial reporting process, internal control is performed by the Board of Directors, the Audit Committee, the CEO, the CFO, the Group's Management Team and the business controllers. They perform continuous monitoring as part of their daily tasks or on the basis of separate assignments.

Monthly reporting and the related analyses and comparisons form an integral part of the control and monitoring performed through financial reporting. The controllers are responsible for ensuring that control processes are in place and that they are implemented in the various units. At the end of each quarter, the Group updates its projection for the remaining financial year as needed. The annual budget, which forms part of the Pihlajalinna Group's annual planning, is submitted for approval by the Board of Directors at its last meeting of the financial year. The Pihlajalinna Group develops and updates its financial guidelines on a continuous basis. In 2015, the key focus areas

included unit-specific goal-setting and financial monitoring and the related internal controls.

In order to identify risks related to its financial reporting processes, the Group performed the related risk assessment in 2015. The purpose of this was to identify and analyse risks and to determine appropriate risk management methods.

Pihlajalinna Group manages the risks related to its financial reporting process in various ways, including:

- the appropriate organisation and sufficient resourcing of financial and data administration
- regular review of individual job descriptions in order to eliminate risky work combinations
- the Group's centralised reporting system with the appropriate user authorisations
- uniform basic systems in financial and HR administration with the appropriate user authorisations
- guidelines for accounting and reporting and a shared chart of accounts
- continuous staff training
- verification of the report data as part of the reporting process and data administration.

The ultimate responsibility for the due arrangement of internal control related to financial reporting lies with the Board of Directors. The Board of Directors reviews and approves the annual financial statements and interim reports. The Audit Committee assists the Board of Directors in monitoring the effectiveness of the principles of internal control and risk management. The Audit Committee monitors the financial statement and financial reporting process in order to ensure the high quality and integrity of the financial statements and related information.

The Company's Board of Directors evaluates the level of internal control at least once a year. If necessary, the Board of Directors can also appoint an external service providers to perform internal control measures.

IV Risk Management

Risk management complying with the Risk Management Policy confirmed by the Board of Directors forms part of Pihlajalinna Group's control system. The purpose of risk management is to ensure that the risks related to the Company's business operations are identified, evaluated and monitored. The goals of risk management include ensuring the achievement of business, profit performance and shareholder value targets as well as corporate responsibility and business continuity.

The Company describes the major short-term risks and uncertainties related to its business operations in its interim reports and the Board of Directors' Report. At Pihlajalinna Group, risk management is part of business management. The Group's Management Team regularly assesses risks, further defines risk reporting if needed and reports essential risks to the Board of Directors. The Board of Directors evaluates the appropriateness of risk management measures on an annual basis.

V Other Information Required

Insider Administration

The Insider Guidelines of Pihlajalinna Group are based on the insider guidelines of the Nasdaq Helsinki Ltd. The Insider Guidelines have been distributed to all insiders of the Company. Pihlajalinna Plc's Board of Directors have confirmed The Insider Guidelines of the Company.

The following persons are included into the Pihlajalinna Plc's public register of permanent insiders:

- Members of the Board of Directors, Deputy Board Members (if any) and the Secretary of the Board of Directors
- CEO
- Deputy CEO
- CFO
- the Auditor and Deputy Auditor (if any)
- an employee of the auditing company holding the main responsibility of the Company's auditing
- Members of the Management Team
- Group General Counsel.

Pihlajalinna's permanent company-specific (non-public) insiders include persons employed by the Company or working for the Company on a contractual basis who, due to their position or duties, regularly obtain inside information. If needed, the Company creates a project-specific insider register in which it enters persons to whom it gives inside information related to a specified project.

The Company's insider register, including the public register of permanent insiders, the company-specific insider register and the project-specific insider register are maintained in the SIRE register of Euroclear Finland Ltd. Up-to-date public information, as required by law, on Pihlajalinna's permanent insiders and their related parties and on corporations in which they exercise influence is available on the Company's website.

Related Parties

Pihlajalinna Plc complies with the current regulations and the recommendations of the Finnish Corporate Governance Code 2015 for listed companies (available at www.cgfinland.fi/en) for monitoring related parties transactions.

The purpose of Pihlajalinna Plc's Guidelines on Related Party Transactions is to ensure that any business transactions involving persons belonging to the Company's related parties are made independently and based on

market terms. This also applies to business transactions that otherwise may raise suspicions on whether the transaction was made on market terms. The Company assesses and monitors that any related party transactions are overall in the best interests of the Company and that any conflicts of interest are duly taken into account when making decisions on related party transactions. The principles of the Guidelines on Related Party Transactions are observed throughout the Group and in the decision-making concerning all of the Group companies.

Pihlajalinna Plc's related parties include the Group's executives, such as the members, deputy members (if any) and secretary of the Board of Directors, the CEO, Deputy CEO and members of the Management Team, and the aforementioned persons' spouses and common-law spouses and other people living in the same household. In addition, related parties include organizations in which an above-mentioned related party, either alone or together with other related parties, exercises significant influence or control. Related parties also include the Company's subsidiaries, associated companies and joint ventures and their CEOs and Board members, as well as any organizations in which the above-mentioned parties exercise significant influence or control. Furthermore, related parties include the Company's shareholders holding at least 10 per cent of the Company's shares or votes.

Pihlajalinna Plc maintains an up-to-date register of major business transactions between the Company and its related parties and the key terms of such transactions. The information entered in the register is collected annually from the persons belonging to the Company's related parties. In addition, persons considered as the Company's related parties are obliged to notify the Company's related party administration of any related party transactions which are being planned or which have come to their knowledge. Such notification must be made without delay after receiving such information. The Company's related party register is not public, and any information entered in it will not be disclosed to third parties, with the exception of any authorities and the auditor entitled to receive such information. Any related party transactions will be processed in accordance with the Guidelines on Related Party Transactions approved by Pihlajalinna's Board of Directors. Any major transactions to be performed with Pihlajalinna's management and its related parties shall be approved by the Board of Directors.

Auditors and Auditing

According to Pihlajalinna's Articles of Association, the General Meeting shall elect one (1) auditor that shall be an auditing firm approved by the Central Chamber of Commerce. The Annual General Meeting of 2015 elected KPMG Oy Ab, a firm of authorised public accountants, as its auditor, with Frans Kärki, APA, as the principal auditor.

The auditors will annually provide an auditor's report to Pihlajalinna's Annual General Meeting. When the Company's Board of Directors reviews the financial

statements, the auditor provides a statement on the implementation of the audit and on their audit observations. In determining the scope and content of the audit, the fact that the Company does not have its own internal audit organisation has been taken into account.

The following fees have been paid to the auditors:

EUR million	2015	2014
Auditing	0,3	0,2
Other services	0,3	0,1

VI Remuneration System

The main objectives of remuneration at Pihlajalinna are to promote the competitiveness and long-term financial success of the Company, contribute to the positive development of shareholder value and increase the long-term commitment of the Company's management and other key persons to the company's goals.

The Annual General Meeting decides the Board of Directors member's remuneration. The largest shareholders who prepare the proposal for the Board of Directors composition also prepare the proposal for the remuneration of the Board Members.

The Company's Board of Directors elects the CEO and Deputy CEO and decides on the terms of their service. The Board also confirms the salaries and other benefits of the members of the Management Team on the basis of the CEO's proposal and decides on the remuneration principles for other executives. As a body assisting the Board of Directors, the Nomination and Remuneration Committee prepares matters related to the nomination and remuneration of the CEO and other management.

Remuneration of the Board of Directors

Pihlajalinna's General Meeting of 12 March 2015 decided that the following fees will be paid to the Chairman and other members of the Board of Directors:

Chairman	EUR 1,000/month
Members	EUR 1,000/month

In addition, the Chairman and other members will be paid a compensation of EUR 1,000 for attending each meeting. The chairmen and members of the Board Committees will be paid EUR 500 for each Committee meeting. For travel in Finland and abroad, per diem allowances are paid in accordance with the Company's Travel Regulations. In 2015, the fees paid to Pihlajalinna

Plc's Board members totalled EUR 220,500 (2014: EUR 72,000). This amount consists of annual and meeting-specific remunerations related to the Board of Directors and its Committees.

The Company does not apply any share-based incentive schemes for the members of the Board of Directors.

Remuneration of the CEO and members of the Management Team

The Company has no effective share-based option schemes or other incentive schemes for the CEO and other management. The Extraordinary General Meeting of 22 May 2015 authorised the Board of Directors to decide on the issuance of option rights and other special rights conferring entitlement to shares as referred to in the Limited Liability Companies Act, in order to create a commitment and incentive system for the Company's management. Based on this authorisation, the Board of Directors may issue option rights or other special rights conferring the entitlement to subscribe to no more than 800,000 Company shares. The authorisation is valid until the end of the next Annual General Meeting, at the latest until 30 June 2016.

The CEO's salary and other taxable benefits for the 2015 financial year were approximately EUR 294,616 (EUR 355,000), which consisted entirely of a fixed monthly salary. The salary and other taxable benefits paid to the Deputy CEO for the financial year 2015 were approximately EUR 203,760 (EUR 188,000) and those paid to the rest of the Management Team were approximately EUR 910,801 (EUR 480,000).

CEO Mikko Wirén's director agreement can be terminated by each party with a nine-month notice period. In addition to the salary for the notice period, Mikko Wirén is entitled to a compensation corresponding to his salary for six months, if he is dismissed by the Company. Moreover,

Mikko Wirén is committed to a 15-month non-competition and non-solicitation period, and in case it is breached, the Company is entitled to a compensation corresponding to his salary for 12-months. The agreement will expire at the latest when Mikko Wirén is 63 years old. For other members of the Management team, the notice period is three or six months, and they are entitled to the salary for the notice period. In addition, the members of the Management Team have non-competition and non-solicitation commitments for certain periods, during which a compensation may be paid.

CEO Mikko Wirén has, in addition to a usual statutory retirement pension insurance, an additional defined contribution-based pension scheme. Otherwise the Company has only statutory pension obligations and other minor pension arrangements which are covered with monthly payments for pension obligations. In the 2015 Management Team's statutory and additional pension costs were EUR 259,172.

Remunerations paid in 2015

Name	Position	Board Members fixed monthly remuneration fees	Board Members meeting remuneration fees	Audit Committee remuneration fees	Nomination and Remuneration Committee remuneration fees
Mika Uotila	Chairman	11,000	19,000	4,000	-
Aarne Aktan	Member	11,000	17,000	4,000	1,500
Martti Ala-Härkönen	Member (1.6.2015–)	4,000	5,000	500	-
Heikki Dunder	Member	11,000	19,000	-	-
Leena Niemistö	Member	11,000	18,000	-	-
Veli-Matti Qvintus	Member	11,000	17,000	-	1,500
Marjatta Rytömaa	Member	11,000	19,000	4,000	1,500
Jari Sundström	Member (12.3.2015–)	6,000	13,000	-	500