

CORPORATE RESPONSIBILITY REVIEW 2016



Lemminkäinen

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Our way of working

We want to be a best-in-class construction company. We develop our business sustainably over the long term while growing profitably. Together with our customers and partners, we build a sustainable society.

The sustainable, long-term growth and development of our company's business is important for us. As a major player in the construction industry, we take into account both the direct and indirect impacts of our operations on the surrounding community as thoroughly as possible.

The corporate responsibility themes that are the most essential for our operations and have the greatest impact on our result are described in Lemminkäinen's materiality matrix that was updated in the autumn of 2015. These aspects were determined in employee workshops and by external stakeholder interviews.

Our corporate responsibility targets

Our primary corporate responsibility target is to improve sustainable ways of working in all our operations. Corporate responsibility targets have been derived from the materiality matrix. We have long-term targets with KPIs that are closely linked to our business targets. Short-term targets are derived from these objectives as a part of annual business planning.

Long-term targets:

- Achieving zero lost-time accidents
- Deploying Lemminkäinen-level standards for safety, work ability management and career planning to ensure life-long work ability

- Improving our customer satisfaction
- Ensuring that our suppliers are in conformity with Lemminkäinen Supplier Requirements
- Improving our energy efficiency
- Increasing our material efficiency and recycling.

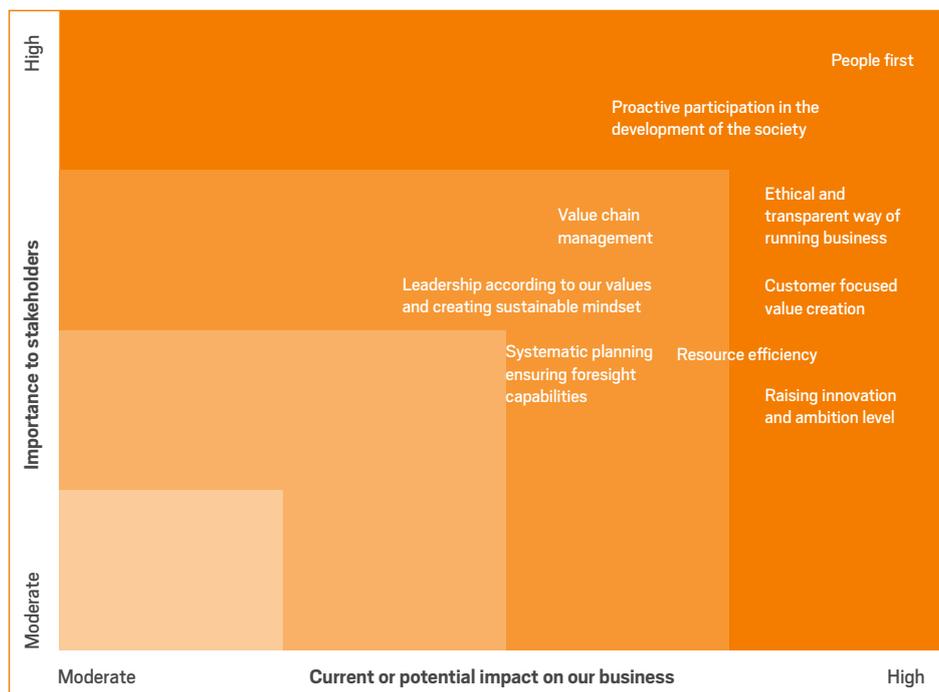
In 2016, we continued to develop the transparency of our supply chain and the systematic auditing of our suppliers. We updated our **Supplier Requirements**  and we require our suppliers and subcontractors to commit to them. The Supplier Requirements define our operating principles with regard to financial, legal and social as well as environmental and occupational safety responsibility. In the future, we aim to monitor our supply chain even more efficiently.

In 2016, we started collecting information about energy consumption throughout the Group. We enhanced the transparency of corporate responsibility activities by developing cooperation between our operating countries. We will continue to develop and harmonise the collection of information in 2017.

Corporate responsibility management systems

Corporate responsibility is the responsibility of the assigned member of the Group Executive Team, the Executive Vice President of the Paving business segment. The Group

Materiality matrix



Executive Team jointly decides on corporate responsibility targets. The management of business segments and support functions is responsible for taking the targets into account in annual planning. Progress is followed up as part of business reporting.

Occupational health, occupational safety, quality and environmental issues are included in the management systems of all our business segments. We systematically update these management systems that guide our corporate responsibility activities.

Mineral aggregates and asphalt plants are CE marked in those countries where legislation so requires.

Financial responsibility management systems

A description of the financial responsibility management systems can be found in the **Corporate Governance Statement**. [↗](#)

Social responsibility management systems

Lemminkäinen’s social responsibility management is decentralised. Human resources management is led by the Executive Vice President, HR. Our people policy aims to ensure that the company has the competent, motivated and satisfied personnel required by the operational targets.

Other Group-level policies and principles supplement the people policy and ensure that our personnel is treated equally and fairly and that we promote diversity within Lemminkäinen. Compliance with these Group-level policies and principles is managed and monitored within the scope of line operations.

Lemminkäinen’s partner and supplier network is expected to comply with laws, international human rights, labour rights and environmental regulations, the Code of Conduct and Lemminkäinen’s Supplier Requirements. The Group’s Senior Vice President, Procurement, is responsible for the partner and supplier network.

Legal affairs are coordinated at the Group-level in order to promote consistent practices. The General Counsel is responsible for coordination. Legal affairs related to business operations are handled by the lawyers in business segments. Furthermore, additional guidelines about competition law and insider issues are provided to complement the Code of Conduct. Business management is responsible for monitoring compliance with these guidelines, and internal training on them is also provided. Our company has zero tolerance with regard to activities violating competition legislation.

Product responsibility is led by the Executive Vice Presidents of Lemminkäinen’s business segments. They are responsible for customer service and they ensure that our products and marketing comply with laws and regulations.

Lemminkäinen is committed to the UN Global Compact initiative and, in all of our operating countries, we adhere to the ten generally accepted principles related to human rights, labour, environment and anti-corruption.

Casimir Lindholm, President and CEO

The Code of Conduct guides our operations

Our operations are based on our values:

- We put people first
- We respect and trust
- We partner to succeed

Our daily operations are guided by our **Code of Conduct**, which is based on international regulations and agreements.

The most significant of these are:

- The UN’s Declaration of Human Rights
- The UN Global Compact initiative in the field of corporate responsibility, promoting human rights, labour rights, environmental protection and anti-corruption
- The ILO’s employment rights and principles
- The OECD’s operational guidelines for multinational companies
- The International Chamber of Commerce’s (ICC) recommendations

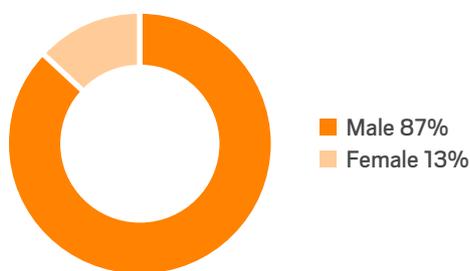
Our Code of Conduct determines Lemminkäinen’s shared ways of working. We are committed to the fair and equal treatment of employees. We do not condone any form of discrimination, harassment or bullying at work. We monitor the realisation of equal treatment with our employee survey, described in more detail on page 11. In 2016, we set up the Board of Directors’ diversity principles.

Our Code of Conduct is supplemented by various Group-level policies and principles. We do not condone bribery, nor do we enter into business relationships that could lead to conflicts of interest. We promote the prevention of the grey economy. We require every Lemminkäinen employee to adhere to current legislation and the Group’s internal guidelines at all times. Our supervisors are responsible for familiarising employees with our working methods and for ensuring compliance.

We encourage all Lemminkäinen employees to report to their supervisors or to the internal audit unit any suspected malpractice or behaviour that does not comply with our Code of Conduct. We use the **SpeakUp** service where Lemminkäinen employees and our external stakeholders can report any suspected malpractice anonymously.

The internal audit unit investigates all reports it receives. In addition, its tasks include conducting regular audits of business operations and reporting its findings to the Board of Directors. In 2016, the internal audit unit launched further investigations into 10 cases of suspected malpractice, four of which led to further action. In 2016, there was one case that was found to be in violation of the requirement related to equality of employees as per Article 23 of the UN’s Declaration of Human Rights and our Code of Conduct. There were no cases of suspected corruption or bribery during the year.

GENDER DISTRIBUTION 31 DEC 2016, %



In 2016, Lemminkäinen’s Board of Directors had seven members of which two were women.

At the end of 2016, the Group’s Executive Team had seven members of which one were woman.

Our stakeholders

We take the expectations of our stakeholders into account when developing our operations and assessing the impacts of our operations. We are involved in constant cooperation with our stakeholders and we monitor its results regularly.

In all stakeholder cooperation, we adhere to our **Code of Conduct** [↗](#) as well as to local and international commitments and legislation. Our key stakeholders are current and potential customers, current and potential employees, shareholders, investors, financiers, partners, opinion leaders and the media.

Our business segments have the main responsibility for customer relations and the business segments' procurement professionals for our partner network. Our Group functions are responsible for relations with shareholders, investors, financiers, the media, industry associations, decision makers and authorities.

We seek continuous dialogue with our key stakeholders. Our goal is to achieve a better understanding of the expectations, challenges and opportunities related to our business. Based on them, we can assess our development needs. At the same time, our stakeholders are provided with information about our operations and operating environment and related challenges and opportunities.

In 2016, our stakeholders were particularly interested in the market outlook and the development of both our financial situation and our services and customer solutions.

We are a significant local employer and buyer of services and we engage in continuous dialogue with authorities and decision makers. Many of our operations require permits, therefore we actively engage in open cooperation with authorities. At the planning and launching phase of large construction projects, we arrange hearings and town hall meetings for those stakeholders whose daily lives may be affected by our projects.

We monitor the results of stakeholder cooperation

In order to develop our operations, we collect customer feedback and measure the results of stakeholder cooperation regularly. Our most important Group-wide surveys are:

- The net promoter score (NPS)
- The employee survey.

In 2016, we conducted an employee survey that revealed a high level of employee satisfaction: on a scale of 1–5 (with 5 indicating highest satisfaction), the overall average grade was 3.99 (3.96).

We collect customer feedback regularly when projects are completed. The next Group-wide customer satisfaction survey will be conducted in 2017.

Links:

Supplier Requirements [↗](#)

www.lemminkainen.com/supplierrequirements

Corporate Governance Statement [↗](#)

www.lemminkainen.com/annualreport

Code of Conduct [↗](#)

www.lemminkainen.com/codeofconduct

SpeakUp service [↗](#)

www.lemminkainen.com/speakup

Our key stakeholders

Stakeholder	Expectations	Actions in 2016
Industry associations	<ul style="list-style-type: none"> • Continuous development of the industry • Promoting common interests 	<ul style="list-style-type: none"> • Active participation in associations' work, work groups and projects • Speaking at seminars and events
Customers	<ul style="list-style-type: none"> • High-quality, reliable and sustainable solutions and services • Good project management, delivery reliability, transparency, and the right price-quality ratio • Understanding customer needs, customer service 	<ul style="list-style-type: none"> • Face-to-face meetings • Dialogue at industry trade fairs and other events • Newsletters and websites
Personnel	<ul style="list-style-type: none"> • Developing supervisory work • Motivating remuneration and opportunities for training and personal development • Equality and openness within the organisation • Occupational safety and well-being 	<ul style="list-style-type: none"> • Developing supervisory work and leadership skills • Developing remuneration • Continuous development of occupational safety • Open communications and building an open corporate culture • Personnel magazine, intranet, internal newsletters • Employee survey
Media	<ul style="list-style-type: none"> • Reliable and up-to-date information about the company's operations • Open communications culture 	<ul style="list-style-type: none"> • Visits by editorial staff • Interviews and off-the-record meetings • Stock exchange and press releases • Easy to contact
Shareholders and investors	<ul style="list-style-type: none"> • Increasing return on investment • Sufficient analysis of the company's risk management and corporate governance • Open and timely information about the company's financial position, profit drivers and outlook 	<ul style="list-style-type: none"> • Shareholder, investor and analyst meetings • Interim report briefings • Annual General Meeting • Stock exchange and press releases • Website • Easy to contact
Students and job applicants	<ul style="list-style-type: none"> • Interesting and challenging tasks • Comprehensive information about career opportunities and about Lemminkäinen as an employer • Easy access to finding vacancies and applying for them 	<ul style="list-style-type: none"> • Dialogue with students through cooperation with educational institutions and recruitment events • Summer jobs, trainee positions and opportunities for writing theses
Local communities	<ul style="list-style-type: none"> • Communications and opportunities for dialogue about large construction projects and their effects on local communities • Site-specific communications to the residents of the surrounding neighbourhood 	<ul style="list-style-type: none"> • Town hall meetings • Open and up-to-date communications
Decision makers and opinion leaders	<ul style="list-style-type: none"> • Compliance with laws and regulations • Transparency and minimising harmful impacts • Employment • Payment of taxes 	<ul style="list-style-type: none"> • Dialogue through industry organisations • Meetings with decision makers • Open, regular reporting
Partners	<ul style="list-style-type: none"> • Safeguarding earnings and growth • Opportunities for networking and developing operations • Operational reliability and continuity 	<ul style="list-style-type: none"> • Meetings, supplier network development and direct contacts • Enabling new business for partners through partnerships • Supplier audits • Selecting key suppliers with long-term agreements

We create value to our stakeholders



INPUTS

Finances <ul style="list-style-type: none"> • Equity • Debt 	Production <ul style="list-style-type: none"> • Stationary and mobile asphalt plants • Building construction and infrastructure construction sites • Machinery and fleet • Mineral aggregates and other stocks • Properties and land areas 	Natural resources <ul style="list-style-type: none"> • Energy • Mineral aggregates, bitumen, cement and other raw materials • Water 	Human resources <ul style="list-style-type: none"> • Personnel • Suppliers, subcontractors and other external know-how 	Intellectual capital <ul style="list-style-type: none"> • Professional expertise • Brand and reputation • R&D knowledge
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BUSINESS MODEL



OUTPUTS



Products and services <ul style="list-style-type: none"> • Asphalt, paving and maintenance • Roads, bridges, tracks • Earthworks, civil and foundation engineering • Underground construction • Mineral aggregates and excavation • Environmental engineering 	<ul style="list-style-type: none"> • Complex concrete structures and structural tensioning • Commercial and industrial construction • Residential construction • Renovation • PPP services • Facilities management and property development 	By-products <ul style="list-style-type: none"> • Re-use of asphalt • Re-use of excavated rock • Re-use of soil 	Emissions <ul style="list-style-type: none"> • Air emissions • Impacts on surroundings: noise, vibration and dust • Waste
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IMPACTS



Finances <ul style="list-style-type: none"> • Wages and benefits • Taxes • Payments to shareholders and financiers • Purchases from suppliers 	Society <ul style="list-style-type: none"> • Direct and indirect employment • Occupational health and safety • Training and development of personnel • Our products increase end users' safety, comfort and convenience in daily life • Industry development in cooperation with other stakeholders 	Environment <ul style="list-style-type: none"> • Energy-efficient production processes and use of machinery • Material efficiency, recycling and re-use, e.g. reclaimed asphalt • Aftercare of areas
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Financial responsibility

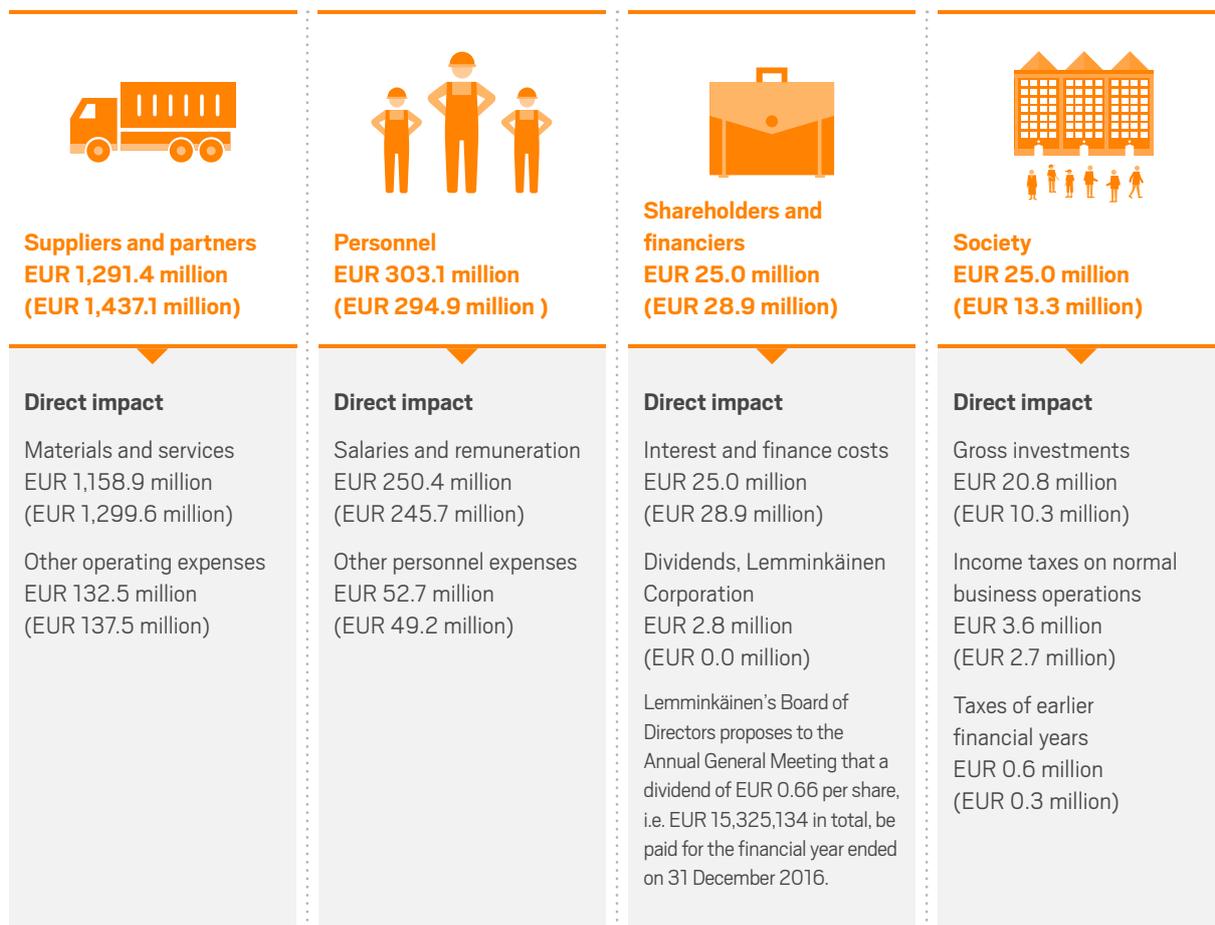
We provide our customers with solutions for complex infrastructure construction, paving and building construction. We want to be one of the leading experts in the industry and, by utilising our expertise, create added value for our stakeholders in a manner that benefits all parties.

In line with our strategy, our target is to improve our competitiveness in all business segments and to build a solid foundation to enable profitable growth. By doing this, we can ensure that we are a good investment, an attractive employer, a reliable partner and a responsible corporate citizen.

We develop our operations and expertise continuously to ensure the quality and competitiveness of our solutions and services.

Distribution of economic value added to our stakeholder groups

All figures are reported as performance-based.



Environmental responsibility

In the products and services we offer to our customers, we strive for the highest possible energy and material efficiency.

Most of our environmental footprint comes from our paving and mineral aggregates production. In these sectors, we strive to develop sustainable products and operating methods.

We make active efforts to increase the amount of reclaimed asphalt in our production. By recycling old asphalt and turning it into reclaimed asphalt, we can save mineral aggregates and bitumen, which is an oil-based product used as a binder in asphalt. Moreover, the reduced need for using and transporting mineral aggregates and bitumen also decreases carbon dioxide emissions. Our target is that 25% of our raw materials are reclaimed asphalt by 2025. In 2016, we used over one million tonnes of old asphalt in the production of reclaimed asphalt, which was about 15% of raw materials.

We are actively involved in the development of environmental work in our industry. In 2016, we participated in the development of carbon footprint calculation methods for the paving industry in Finland, Sweden and Norway.

During 2016 Lemminkäinen's carbon footprint project advanced and we calculated the carbon footprint of asphalt products in Finland.

Using natural resources and energy sparingly

Our goal is to constantly add to the recycling of raw materials and to utilise waste generated as a by-product of construction projects to an increasing extent.

In projects in which we cannot utilise all excavated materials, we try to find other uses in order to avoid disposing of materials in a landfill. For example, we utilise blasted rock from tunnel construction sites as raw material in foundation engineering and asphalt production.

We minimise the use of clean water on our construction sites by recycling water in work phases where this is possible, as flushing water in tunnel drilling, for example. Depending on the site, the share of recycled water in the total water consumption may be significant: at the construction site of the Blominmäki wastewater treatment plant in Espoo, Finland, for instance, it was approximately 60%.

Most of our energy consumption comes from asphalt production and paving. In 2016, we developed the monitoring and reporting of energy consumption in all of our operating countries. One of our long-term targets is to improve energy efficiency. We will continue to improve the monitoring of energy consumption in 2017.

In the Finnish business segments, we signed the voluntary Energy Efficiency Agreement for Industries, committing to a 7.5% decrease in our energy consumption by 2025.

In 2016, we completed the first phase of S Group's logistics centre. An application for the BREEAM environmental certification has been submitted for this energy-efficient and low-emission logistics centre in Sipoo, Finland, to be fully completed in 2018.

In 2016, we made environmental investments of approximately EUR 2 million. These included, for example, investments in machinery for the production of reclaimed asphalt and also equipment that enables the transition to fuels that have less strain on the environment, such as liquefied petroleum gas or biofuel. We also invested in shelters to protect mineral aggregates. The shelters enable to reduce the moisture content of mineral aggregates and thus decrease the amount of energy required for asphalt production.

We monitor the environmental impact of our operations

We regularly monitor our environmental impact and constantly seek to reduce it by developing our production processes and the efficiency of different work phases with regard to machinery usage, for example. Compliance with our management systems, our guidelines and personnel training help us to manage our environmental risks.

For example, we monitor the quality and level of groundwater in our mineral aggregate areas. We monitor our environmental impact in large construction projects, such as the Rantaväylä tunnel project in Tampere, Finland, completed in 2016, during which the quality of air and water, among other things, was observed, with up-to-date information available on the project website.

Mineral aggregates are an important raw material for our operations, and we have approximately 300 mineral aggregate areas within our operating countries. Our mineral aggregates and paving business operations are regulated not only by acts and decrees but also by environmental and land extraction permits.

We aim to reduce the impact of our mineral aggregate areas on the surroundings with various measures, including

noise and protection barriers and stable and impermeable support areas. We carry out excavation work in a manner that minimises dust. For disused areas, we make an after-care plan in which we take into account nature, the landscape, groundwater and the area's land use plan.

During the reporting year, we did not launch any projects that require a separate environmental impact assessment (EIA).

Social responsibility

We want to offer our employees and subcontractors safe and comfortable working conditions with opportunities for the personnel's competence development.

Our social responsibility focuses on occupational safety. We want to ensure that our employees and subcontractors get home healthy at the end of the day. We constantly work to reach our long-term target of zero accidents.

In 2016, our personnel's lost time accident rate was 8.6 (accidents per one million working hours). The figures do not include accidents during commuting nor occupational diseases. In 2017, we want to ensure that our lost time accident rate again takes a downward turn in all of our business operations, and we have prepared business-specific action plans to support this target.

Personnel training, our guidelines and follow up of safety observations help us control our risks related to occupational safety. In addition, we share best practices to prevent accidents.

In developing occupational safety, we cooperate with other industry operators. We are actively involved in promoting occupational safety work in the construction industry.

The Group Executive Team, the business segment management teams and the Board of Directors regularly monitor the development of the lost time accident rate. In 2016, we organised Safety Weeks in all of our business segments and operating countries. During the Safety Weeks, members of management made site visits, during which occupational safety issues were discussed.

Read more about our occupational safety activities from our web pages. [📄](#)

We prevent accidents

We invest in the prevention of workplace accidents and train our personnel in occupational safety issues. Comprehensive safety training reduces accident risk and helps Lemminkäinen employees incorporate safety awareness into their daily work. With construction site induction training, we ensure that both our own employees and subcontractors know the safety practices of the site. Personal protective equipment is mandatory at all of our construction sites, also for our subcontractors.

We conduct regular safety inspections at construction sites, analysing the risks of the site as well as determine appropriate occupational safety measures.

Safety communications and a continuous safety-related dialogue are key elements in safe working practices. Mandatory weekly site meetings in which we discuss topical safety issues together with employees and subcontractors are an important channel in our safety communications.

We encourage our employees to make safety observations. We rectify the deficiencies observed to prevent future accidents. The monitoring of the content and number of observations helps us to direct our safety efforts appropriately.

We investigate each serious accident thoroughly. We examine the root causes of the accident and determine ways of working that could have prevented the accident. We also share information about accidents to prevent similar accidents from occurring in the future.

Support for occupational well-being and health

Working at a construction site is physically demanding and seasonal. Seasonality may also increase the amount of overtime work. Physically burdening work may expose the employee to work-related diseases and injuries, which may increase the risk of early retirement. We take the risks of physical and seasonal work into account in our occupational safety planning. We want to ensure our personnel's well-being at work and support maintaining their health.

Our personnel has access to occupational health and well-being services which are organised according to the legislation and practices of the operating countries.

Employee satisfaction at a high level

We monitor the development and realisation of personnel satisfaction as a part of annual business planning. At the same time, we also survey the personnel's experiences of equal treatment. In 2016, we conducted an employee survey that revealed a high level of employee satisfaction: on a scale of 1–5, the overall average grade was 3.99 (3.96).

The respondents gave high marks for team spirit as well as the customer experience: we feel that our customers receive good service from us. Commitment to the employer is strong and we are happy to come to work.

Areas where improvement is needed include improving joint cooperation at the overall company level and clarifying how individual Lemminkäinen employees can develop themselves as well as the organisation as a whole.

All in all, our results are higher than those of similar companies engaging in production work. The response rate was excellent, with as many as 81% (65%) of employees responding.

Target setting and performance discussions are an important leadership and management tool for us. Their goal is to clarify the role of each Lemminkäinen employee in achieving the company's targets. In 2016, based on feedback from the personnel, we started using a simplified and streamlined discussion model which has been received well.

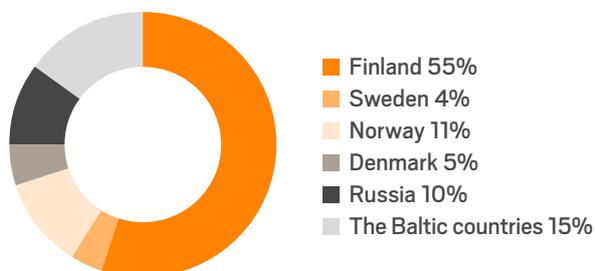
We develop competencies

We continued project management training sessions that were launched in 2015. They focus especially on the most critical project management issues and procedures. In addition, we trained our personnel on financial matters and ensured that we have the qualifications required in the industry by providing qualification training to construction site personnel.

We have trained more than 250 experts and management members from different countries to have basic Lean Six Sigma (LSS) skills. LSS is an approach that is based on decreasing the variance, errors and deviations in processes systematically by streamlining the processes. We utilise LSS to develop new ways of working that help us improve our operational efficiency.

LSS training has yielded good results: we have managed to accelerate the completion of our pilot projects, reduce our cost level and increase labour productivity in individual functions even by more than 50%. In 2017, we will continue LSS training and expand it as a part of our efforts to improve our operational efficiency.

PERSONNEL BY COUNTRY 31 DEC 2016, %

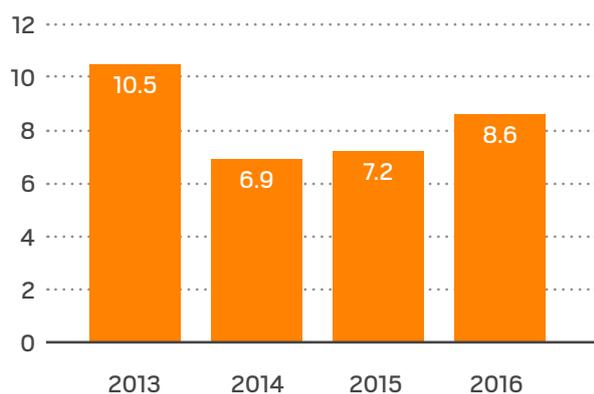


Personnel 31 Dec 2016: 4,244 (2015: 4,059).

PERSONNEL BY EMPLOYMENT TYPE AND EMPLOYMENT CONTRACT, PERSONS

	31 Dec 2016	31 Dec 2015
Permanent	3,820	3,653
Temporary	424	406
Full-time	4,117	3,937
Part-time	127	122

LOST TIME ACCIDENT RATE



Lost time accident rate: the number of accidents resulting in an absence of more than one day per one million working hours.

Includes own personnel. The figure does not include accidents during commuting or occupational diseases.

AGE DISTRIBUTION 31 DEC 2016, PERSONS

