





Contents

Business model.....	3
Environmental responsibility	3
Social responsibility and personnel.....	5
Human resources management and guiding policies.....	5
HR-related key figures and objectives.....	6
Personnel-related risks and their management.....	8
Human rights, anti-corruption and bribery	8
The key environmental impacts	9

Lehto Group Plc

Innovator in the construction sector

Business model

Vast amounts of materials are moved in construction, from land masses to a variety of products and coatings. The construction industry has a major role in reducing the carbon footprint and cutting down on waste. Lehto Group's goal is to build efficiently and save resources, and to reduce the material waste generated in construction. Key elements of our competitiveness include planning control, the use of standardised solutions and building elements and modules prefabricated in our own factories.

Lehto Group's business operations are divided into four service areas: Business Premises, Housing, Social Care and Educational Premises, and Building Renovation. Lehto has eight factories that produce roof and wall elements, bathroom and kitchen modules, housing modules, building technology centres, renovation elements, and doors and windows. All our factories are located in Finland, and a significant proportion of outsourcing is contracted in Finland and the European Union.

Subcontracting and temporary work are used at construction sites for specific work phases, at the start of activities and for short-term, urgent work.

The built environment has a major impact on the development of the urban landscape. The trend in urban development is towards sustainable housing, mobility and services. Together with other players that have an impact

on urban development, we are also creating a better urban landscape through renovation, for instance, by converting old factory premises into apartments.

Thanks to our efficient factory construction, we are able to reduce building and housing costs and offer people reasonably priced homes with excellent public transportation connections even in growth centres. In 2017, Lehto provided new homes for about 3,000 people.

Lehto Group's corporate responsibility comprises four focus areas: responsible building, employee wellbeing, caring for the environment and responsible business practices. The company will define more detailed metrics and targets for these focus areas during 2018.

This is Lehto Group's first statement on non-financial information. We will develop our responsibility reporting in 2018 in order to respond to the requirements of our stakeholders and new market areas even better.

Environmental responsibility

The greatest environmental impacts of buildings arise during their use, but the solutions that affect them are already made at the design and construction phase. A key role in the reduction of environmental impacts is played by methods to measure and control energy and water consumption as well as the education of the building users to adopt energy- and environment-saving practices.





The key environmental impacts during construction include:

- consumption of natural resources such as energy, materials and water
- impacts on people's health and biodiversity (e.g. the harmful effects of chemicals on humans, organisms, soil and waters)
- waste and emissions, including liquid and gaseous emissions (e.g. carbon dioxide)

At Lehto Group, the CEO is ultimately responsible for environmental issues. Responsibility for practical environmental management is assigned as follows: EVPs of the service areas for construction; the factory production manager for factory production; and the Group Sourcing Director for centralised purchasing. Environmental issues are discussed in the management teams as part of normal business management and development.

Lehto Group's key targets and action plans in the area of environmental impacts are:

- The reduction of mixed waste through prefabrication, purchasing, production planning and higher recycling rates. Waste that can be recycled as material is delivered for reuse depending on the local recycling options available.
- Reducing the environmental impacts of electricity consumption by using electricity produced with renewable energy sources and increasing the prefabrication rate of construction.
- Using renewable energy sources for the heating of the constructed buildings, where economically and technically feasible.
- Energy-efficient use of own office premises.

- Reducing the greenhouse gas emissions caused by travel by using video and Skype meetings.

Targets

The reduction of mixed waste through prefabrication, purchasing, production planning and higher recycling rates.

The company aims to define the common and standardised Group-level processes for environmental management as well as the related targets and measures during 2018. The first key figures related to environmental issues will be published in connection with annual reporting for 2018.

In Lehto Group's business, the risks of major environmental damage are low. Local damage may be caused if a limited amount of chemicals is released into the environment or in the event of a fuel leak of a machine operated at a construction site, for example. Factories and construction sites have guidelines for avoiding and containing such risks.

Special protection of endangered species is implemented on a case-by-case basis in cooperation with the authorities in order to avoid negative construction-phase impacts on the environment.

Town planning and construction are governed by the Finnish Nature Conservation Act. The authorities provide regulations for nature protection at the town planning phase, if needed. If there are populations of endangered animals and/or plants in the planned area, the area should not be planned for building use.

Social responsibility and personnel

Our employees are the most important asset for Lehto Group's growth strategy. In accordance with the Group's growth strategy, the number of personnel is expected to increase in the next few years in all business units, especially factory production.

The HR plan based on the company strategy takes into account the changes occurring in the Group's operations that have an effect on the structure, number and professional skills of the personnel. Most recruitment needs arise from new tasks, and only some recruitment is replacement.

Lehto Group has a Career Promise trainee programme that aims to secure the personnel number required by our growth strategy with the help of students in the field. The trainee programme also strengthens the development of the economically driven operating philosophy among the personnel. The Group is committed to employing 5% of the personnel number as students from different fields of study and offering them trainee and summer jobs during their studies, as well as providing them with topics for their theses or diplomas to the extent possible. The Group

.....

Lehto Group has a Career Promise trainee programme that aims to secure the personnel number required by our growth strategy with the help of students in the field.

.....

also commits to hiring the employees obtained through the trainee programme when they graduate, if allowed by the company's production-related and financial situation and upon their successful completion of the trainee programme.

Lehto Group operates in an industry that is susceptible to economic fluctuations. Any need for reduction in the labour force caused by economic fluctuations is evaluated carefully and comprehensively. For persons at risk of losing their capacity to work or being dismissed, the company seeks to take advantage of vocational training in accordance with the training plan. In layoff or redundancy situations, we seek to use the possibilities provided by change security to help the situation of employees under threat of redundancy.

On the basis of the company's economically driven operating model, the proportion of inhouse personnel covers a major part of the work, especially in factory production. Lehto Group uses subcontracting and temporary work at construction mainly at construction sites for specific work phases, at the start of activities and for short-term, urgent work.

HUMAN RESOURCES MANAGEMENT AND GUIDING POLICIES

Lehto Group has a Group-level management team with representatives from the company's top management, which sets the strategy-based key objectives for the Group's operative activities on an annual basis. Operative issues are discussed in more detail in the monthly service area management team meetings. The extended management team convenes two to four times a year.



HR management is a Group-level function that supports, steers and serves the business units. Personnel matters are regularly discussed at the initiative of the HR Director in the business unit management teams, where the adequate level of human resources is evaluated especially with regard to the growth strategy objectives. Lehto Group's HR management is responsible for ensuring that legislation, HR policies, local agreements and operating models as well as the fair and uniform treatment of employees are implemented and that they are followed in every Group business unit. Lehto Group's values (efficiency, courage, responsibility, customer orientation and cooperation) are the cornerstone of all our activities and guide the Group's business operations.

In the spring, part of Lehto Group's management team visits each site and factory to communicate the Group strategy, key financial figures and HR policy to the employees at personnel info sessions. Management also communicates these issues through the company's internal communication channel (intranet).

In Lehto Group, employees are managed according to the annual management clock, which describes the Group-level procedures related to management and supervisory work in more detail. In biannual performance reviews, strategy-based personal key objectives are defined and documented in the electronic HR system. Supervisors also regularly monitor the fulfilment of the objectives in short-term review discussions.

Lehto Group currently has nine local agreements that are reviewed and updated once a year as needed. The local agreements describe Lehto Group's way of working and outline the HR policy on a topic-specific basis. Working

at Lehto Group is based on flexible cooperation, trust and common agreement. Lehto Group's HR and training plan as well as the equality and non-discrimination plan are updated on an annual basis, and they form part of operations planning.

HR-RELATED KEY FIGURES AND OBJECTIVES

The total personnel of Lehto Group on 31 December 2017 amounted to 1 184 persons. The Group's personnel grew by 59% from the previous year. Of the Group's personnel, 46% are salaried employees, 26% are factory workers and 28% are construction site workers. Lehto Group's payroll in 2017 amounted to 48,3 Meur. Of Lehto Group's personnel on 31 December 2017, over 90% were employed under contracts for an indefinite period and under 10% had fixed-term employment contracts. Fixed-term contracts are generally based on a project, replacement, summer job or traineeship.

Personnel 2017

The total personnel on 31 Dec 2017 1 184 persons
Personnel grew by 59% from the previous year
Salaried employees 46%
Factory workers 26%
Construction site workers 28%

Lehto Group's HR and training plan is based on the company's growth strategy and serves as the basis for HR planning as well as creating guidelines for employee competence maintenance and development. Industrial manufacturing, a repeatable concept and planning control





require innovative ways of working from the employees, as well as a commitment to economically driven construction.

Lehto Group is positive towards employee competence development and supports it in a variety of ways. Lehto Group offers Group-level coaching programmes such as Leadership Academy I, which is attended by all salaried employees. Leadership Academy II is aimed at employees in a supervisory role or in charge of project management. In 2018, we will implement the Production Academy, which will be attended by all employees in production roles. In addition, Lehto Group arranges Occupational Safety Card, first aid and occupational health and safety training for its personnel.

HR management plans Group-level training on an annual basis after the completion of the performance review round.

The objective of Lehto Group's occupational health care action plan is

- to ensure safe and healthy work, working environment and work community
- the prevention of occupational health hazards and harmful health effects
- employees' self-motivated maintenance, improvement and monitoring of their working and functional capacity
- preventing illness at different phases of a career.

The action plan includes preventive occupational health care services and medical care at a general practitioner level beyond the statutory requirements, with an emphasis on occupational health.

Occupational health care services focus on preventive measures (60%) and medical care (40%). The company is investing in the adoption of a model to monitor sick leaves and the deployment of an early-support model throughout the Group in cooperation with occupational health care services.

Occupational safety was highlighted as a particular focus area in Lehto Group in 2017, and management continues to pay particular attention to occupational safety. The Group's objective is that every day is an accident-free day and that the construction sites and factories are orderly and safe. In 2017, accident frequency rate of the Group was 28. (1 or more days absence due injury/million hours worked)

Lehto Group's policy is that all employees in production-related work must have a valid Occupational Safety Card. In addition, the Group arranges training on occupational safety. Through preventive measures and training, Lehto Group seeks to prevent accidents at work and influence employees' attitudes.

Lehto Group's personnel is committed and turnover is not particularly high. The Group's pay policy and employee benefits are competitive. In addition to basic salary, the company has a range of commission, bonus and performance remuneration models that are annually confirmed by the Group's Board of Directors. There are two different share-based incentive plans for Group key employees, which aim to align the goals of shareholders and key employees in order to increase the value of the Company in the long term, to commit the key employees to the Company, and to offer them

competitive remuneration plans based on the earnings of the Company's shares. The restricted share plan is directed at selected key employees only.

PERSONNEL-RELATED RISKS AND THEIR MANAGEMENT

Lehto Group's strategy-based spearhead initiative LEKA (business-driven renewal of operating methods) requires an innovative attitude and the adoption of new ways of working from our personnel. The initiative aims to create a foundation for future digital development and competitiveness in construction. The goal of the LEKA initiative is that an information-modelling-based approach will run through all project activities throughout the entire production chain. Adopting the new operating model will require employee competence development; for this reason, Lehto Group will arrange basic training in information modelling for its employees in cooperation with Metropolia University of Applied Sciences in spring 2018.

The initiative LEKA aims to create a foundation for future digital development and competitiveness in construction.

The growth of the Group's business and personnel has been very rapid in recent years, which poses particular challenges for employees in coping at work. HR management regularly reviews sick leave reports and the reasons for absences together with occupational health care services and implements measures targeted at them. Lehto Group's occupational health care action

plan describes the early support policy. In addition, occupational health meetings are held in cooperation with occupational health care services to confidentially discuss how the employer can support employees' coping at work and the preconditions for working.

Personnel-related risks include the availability of labour, which can delay the progress of building projects and the accrual of net sales and operating profit. The competition for highly educated employees on the job market is particularly fierce in the construction and building technology fields.

Human rights, anti-corruption and bribery

Lehto Group seeks to prevent the occurrence of corrupt practices generally acknowledged as a problem in the construction industry by following detailed compliance processes. The processes aim to ensure that the company management and all employees as well as the company's partners comply with applicable laws, regulations, internal guidelines and ethical values. Lehto Group's risk management policy is described on the company website www.lehto.fi.

Lehto Group is committed to respecting human rights in its operations and to promote their implementation.

Lehto Group is committed to respecting human rights in its operations and to promote their implementation.

The company inducts its personnel to combat corruption and other illegal practices. The content and scope of the training is partly dependent on the employee's role. In purchasing, for example, operating practices are continually developed to ensure that corruption can be combated increasingly effectively in the subcontracting chain. The relevant guidelines will be published during 2018 on Lehto's website and appended to new contracts concluded in 2018.

Operating practices are continually developed to ensure that corruption can be combated increasingly effectively in the subcontracting chain.

The company will also adopt an anti-corruption and anti-bribery agreement for all employees in 2018, which outlines Lehto Group's zero tolerance towards corruption and bribery and defines policies for hospitality, business gifts and travel costs.

Up to the present, violations of the guidelines and grievances have been reportable by discussing the matter with the closest supervisor or their supervisor. In December 2017, the company management team decided that a reporting channel shall be prepared in cooperation with personnel at Lehto Group and is aimed to be implemented during spring 2018. In future, violations and grievances could be reported through this reporting channel, by phone, to an automatic answering service or on an online form. The report can be submitted also anonymously. The Group Legal Counsel is responsible for initiating investigation into the reported cases together with the CEO.

THE KEY ENVIRONMENTAL IMPACTS

RESPONSIBLE BUILDING

- The reduction of mixed waste through prefabrication
- On production planning higher recycling rates
- Waste that can be recycled as material is delivered for reuse
- Using electricity produced with renewable energy source
- Increasing the prefabrication rate of construction
- Using renewable energy sources
- Energy-efficient use of own office premises
- Using video and Skype meetings

CARING FOR THE ENVIRONMENT

- Constant education of practices that save energy and environment
- Common, standardized processes, goals and metrics for sustainability actions
- Re-evaluation of environmental risks and their control measures
- Following conservation legislation in zoning

SOCIAL RESPONSIBILITY AND PERSONNEL

- Safe and healthy work, working environment and work community
- The prevention of occupational health hazards and harmful health effects
- Employees' self-motivated maintenance, improvement and monitoring of their working and functional capacity
- A range of commission, bonus and performance remuneration models
- Preventive measures and training

HUMAN RIGHTS, ANTI-CORRUPTION AND BRIBERY

- Following detailed compliance processes
- Training for compliance processes
- Anti-bribery agreement for all employees in 2018
- A proposal violations and grievances can be reported through this reporting channel, by phone, to an automatic answering service or on an online form during spring 2018