

SRV



ANNUAL REVIEW 2017

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SRV is a bold developer and innovator in the construction industry. We want to offer the best customer experience as a constructor of urban city centres, while also being the most attractive employer in the industry. Our genuine cooperation and enthusiasm for our work comes across in every encounter. Established in 1987, we are a publicly listed company that operates in selected growth centres in Finland, Russia and Estonia. Our revenue in 2017 was over EUR 1.1 billion. Just over 1,000 people work for us and we also employ a network of almost 4,000 subcontractors in our projects.

SRV IN BRIEF

SRV aims to develop and build premises and homes where people enjoy living, working, passing through or spending time. Our strengths are long-term development work and a comprehensive understanding of customers' needs – things that SRV has done already for 30 years.



Order backlog (31 Dec. 2017)







EUR 1.548 MILLION

SRV seeks to build **around 15,000 new homes** in growth centres over the next 10 years. SRV has over 3,200 housing units currently under construction

Revenue (2017)


EUR 1.1 BILLION

What are we working on?

 <p>Homes 34 % of revenue</p>	 <p>Infrastructure construction 7 % of revenue</p>
 <p>Hospitals 17 % of revenue</p>	 <p>Renovation construction 6 % of revenue</p>
 <p>Shopping centres 16 % of revenue</p>	 <p>Schools and educational institutions 8 % of revenue</p>

The company builds a new city district in Tampere:
Tampere Central Deck and Arena

The largest construction site in a city centre:
the REDI shopping and experience centre plus
8 tower buildings are under construction in Kalasatama, Helsinki



3 shopping centres operating in Russia

STRATEGY AND VALUES

<p>Mission Our mission is to improve quality of life through sustainable solutions for the built environment.</p>	<p>Vision SRV creates the best customer experience as a constructor of urban city centres.</p>	<p>Values</p> <ul style="list-style-type: none"> • Sustainability • Enthusiasm at work • Courage in development • Result driven • Open collaboration
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● **30 years** of experience

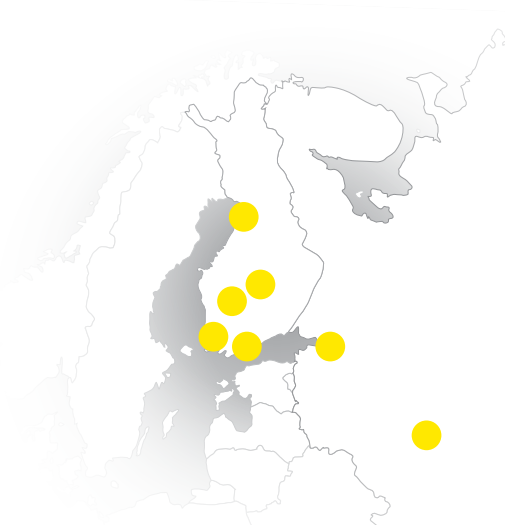
● More than **1,000 employees**

● **90 sites** in 2017

● Annually we employ about **4,000 subcontractors**

● In 2017 as much as **65,000 workers** completed orientation

SRV's business segments are Operations in Finland, International Operations, and Other Operations. Operations in Finland are divided into property development, housing construction, and business construction (which comprises retail, office, logistics and specialised construction, and earthworks and rock construction). International Operations comprises SRV's business activities in Russia and Estonia. The Other Operations segment primarily consists of the parent company, SRV Group Plc's group operations, property and project development operations in Finland, and equipment service for Finnish construction sites.



	OPERATIONS IN FINLAND		INTERNATIONAL OPERATIONS
	Housing construction	Business construction (retail, office and logistics construction, earthworks, and specialised and rock construction)	
PERCENTAGE OF REVENUE	34 per cent	64 per cent	2 per cent
SEGMENTS	SRV primarily focuses its housing construction on urban growth centres. The largest construction projects are located in Helsinki, Espoo, Vantaa, Jyväskylä, Turku, Tampere and Oulu.	SRV primarily focuses its business construction on urban growth centres. The largest construction projects are located in Helsinki, Espoo, Vantaa, Jyväskylä, Turku, Tampere and Oulu.	In Russia, SRV mainly operates in Moscow and St Petersburg. The Okhta Mall and Pearl Plaza shopping centres are located in St Petersburg and the 4Daily shopping centre is in Moscow. SRV is also building apartment blocks in Vyborg.
MARKET POSITION	One of Finland's largest housing constructors in urban growth centres.	One of the main operators in Finland.	One of the largest constructors and managers of shopping centres abroad.
CUSTOMERS	Households, private and institutional investors.	Companies, the public sector, and institutional investors.	Companies, the public sector, and institutional investors, shopping centre tenants and customers.
MAIN COMPETITORS	YIT, Bonava, Skanska, NCC, Peab, Hartela, Lehto, Lujatalo, JM, Lapti and smaller local companies.	YIT, Skanska, NCC, Peab, Hartela, Destia.	Local companies.
STRENGTHS	Thanks to its strong project development, SRV has plots in urban growth centres next to good transport connections. SRV has been able to increase its number of developer-contracted housing sites for several years.	SRV is known for its demanding construction projects, many of which it also partially owns. SRV is one of Finland's largest constructors of healthcare and hospital premises. SRV's shopping centre construction also boosted revenue in Operations in Finland. SRV currently has several alliance projects that can provide additional earnings potential over and above ordinary income recognition.	SRV partially owns and manages some of the most modern shopping centres in Russia. SRV has won awards for its shopping centre management, such as its successful marketing.
PREMISES	SRV designs and implements apartment blocks in growth centres. SRV sells part of the apartment blocks directly to consumers and private investors through its own salespeople (developer contracting). In addition, some of the projects are made and sold directly to investors (investor sales). In addition, SRV builds some apartments for builders.	Hospitals, schools and educational institutions, shopping centres, infrastructure construction, renovation construction, industrial and logistics properties and public transport facilities. Projects include new and renovation projects.	Shopping centres in the biggest cities in Russia. Apartment blocks in Vyborg.
ROLES	Builder, developer, owner, financier, broker and consultant.	Builder, developer, owner, financier and user.	Builder, developer, real estate investor, owner, financier, shopping centre operator, user and consultant.

CEO'S REVIEW

The year 2017 was a well-deserved jubilee year for SRV. As Finland celebrated its 100th anniversary, SRV became officially 30. Now and then it's good to take a breather and think back on all that we've achieved. The SRV story wonderfully showcases Finnish determination, entrepreneurship, professional skills, challenges and successes, and above all buildings and the built environment, which will last long into the future.

The year 2017 was full of many wonderful projects and at peak times, we were working on approximately 90 sites. In housing construction, the past year was the busiest in SRV's history. We achieved a new sales record; a total of 825 developer-contracted housing units were sold. One of the completed projects is HKScan's new chicken processing facility in Rauma. We completed a new health and wellness centre in Kalasatama – right next to REDI – towards the end of the year 2017. Next, the REDI shopping centre will open its doors this coming autumn. The tallest residential tower in Espoo, Niittyhuippu, and the Niitty shopping centre built next to it were also opened in 2017, as were the modernised Helsinki City Theatre and the Tiedekulma (Think Corner) in the Helsinki city centre.

Hospital construction is one of SRV's cornerstones

In recent years, the construction of hospitals and wellness centres has become one of the strongest cornerstones of our business construction, accounting for as much as around 17 per cent of our revenue in 2017. Professional skill and experience are particularly essential in this kind of specialised construction. We can honestly say we are one of the best in the business in these subareas. The total value of the hospital and wellness projects we are currently working on is close to EUR 830 million, and we believe that this sum will keep increasing when the results of ongoing and future competitive tenders are announced. Work is currently progressing according to plan on the site of the New Children's Hospital as well as with the Hospital Nova, being built

in Jyväskylä, and the Tampere University Hospital Front yard project. One of the most important new projects is the Silta-sairaala Hospital being built in Meilahti, Helsinki. Construction work got under way at the very beginning of 2018. This hospital complex measures more than 70,000 square metre of gross floor area and is valued at almost EUR 300 million. Upon its completion in 2022–2023, it will serve patients of both the current Töölö Hospital and the Department of Oncology.

Share of housing construction still on the rise

One of our strategic targets in recent years has been to increase the share of revenue accounted for by housing construction in Finland. The results have been good and the share is now already about 34 per cent. Housing further bolstered its role as a cornerstone of our earnings in 2017. This was an excellent year for housing sales. In its own way, it was also historically significant, as sales of apartments in the first of REDI's residential towers, Majakka, got up to speed in the early months of the year. In 2017, a total of over 1,600 housing units were sold. In addition, the construction of a total of over 3,200 new homes was started in 2017, which paves the way for earnings in 2018 and keeps us in the top ranks of the largest housing constructors in the Greater Helsinki Area.

There are many reasons for the strong growth in the housing business. We have systematically developed both our products and services to even better meet the needs of people and cities. Having your own home is still very important to people, but they also want to use their money on living and leisure. This means that they are



“THE CONSTRUCTION OF A TOTAL OF OVER 3,200 NEW HOMES WAS STARTED IN 2017.”

happy to live in a slightly smaller and cheaper apartment, as long as it is located next to excellent connections and services. To be able to better cater to the different needs of people, we have developed a new housing concept that targets families with children in particular. Our aim is to ensure that monthly living expenses in these homes built under our new housing concept will be lower than rent levels in their area. Construction of the first project will begin in Keimolanmäki, Vantaa, in summer 2018.

Recently, there has been much public discussion about the pricing of apartments and the availability of loans. We wish to contribute to meeting demand, and in the future we will offer two different prices for all apartments sold on the consumer market during advance marketing. Customers can buy their home several per cent lower than the normal price. Such cases, a participation in a housing corporation loan will not be allocated to the apartment; customers will pay the whole debt-free selling price of the apartment according to the progress of construction. In addition to im-

proving customers' freedom of choice and transparency, we aim through the change to do what we can to reduce the participation of RS lending. The availability of RS financing is, in the short term, an even greater bottleneck than the availability of building land.

Central Deck and Arena gives a new look to the Tampere skyline

One of our most interesting new projects is the Tampere Central Deck and Arena, a housing, hotel and experience arena complex. Building this unique project on top of the railway right in the heart of the city is no longer just a wild dream, but reality. We have moved ahead from the preparatory work to construction, which was preceded by hundreds of hours of design and negotiations – and massive stacks of contracts. Central Deck and Arena is another wonderful testament to the power of cooperation. Without our investor and financier partners, the City of Tampere, the users and tenants of the future premises, the new arena would be nothing but idle talk.

Shopping centres performing well in Russia

Revenue from our International Operations declined in 2017, as expected, because after the completion of our shopping centres we have now shifted our operations to their management in accordance with our strategy. Operations at the shopping centres are improving constantly, and both sales and visitor numbers are still rising. One of our shopping centres in St Petersburg, Pearl Plaza, increased its visitor numbers by 10 per cent in 2017, and is set to soon break the one million visitor milestone. Visitor numbers at Okhta Mall also grew almost every month. This positive trend not only shows that Russian consumption is still focused on the domestic market, but also that we have been able to do the right things in terms of creating commercial concepts as well as succeeded both the operation and marketing of the shopping centres.

Financial objectives have yet to be achieved

When 2017 is examined from a more financial perspective, the most apt description is “challenging.” With respect to revenue, we forecast early in the year that we would break the one billion euro milestone for the first time in SRV's history, thanks to the

numerous projects that were already under construction. However, in terms of operating profit, we are far from our objectives. The changes in the rouble exchange rate alone, which have no cash flow impact, knocked almost EUR 12 million off our earnings. Due to uncertainties about the rouble, we introduced the concept of operative operating profit in 2017. It describes our operational business situation exclusive of currency exchange rate impacts. This is also intended to better highlight our performance in actual business operations.

Our order backlog also remained at an excellent level during all of 2017. The largest new agreements signed were for the Siltasairaala hospital in Helsinki, the expansion of Helsinki Airport and the extension of its Terminal 2, and phase 1 of the Tampere Central Deck and Arena project. In addition, immediately at the start of 2018, an agreement was signed for the Siltasairaala Hospital project in Helsinki.

General cost levels in construction rose throughout the year, which weakened the profitability of all our projects. Several of our ongoing projects in particular were affected by rising costs, which has an impact on the bottom line. Our primary objective in 2018 is to improve profitability. We have already been able to improve profitability in several areas, but there is still a great deal of work to do. Urbanisation and population shift continue to maintain a brisk pace in construction. At the same time, competition has become significantly tougher in both the plot and contracting markets, and the labour market is very heated. For us at SRV, profitability is – and will remain – the primary criterion when competing for new orders.

That said, we now have our eyes firmly focused on what lies ahead. I would like to thank all our cooperation partners and customers for another unique year. My warmest thanks go to our wonderful employees and partners, who do their best every day to build an even better society!



Juha Pekka Ojala
CEO

HIGHLIGHTS FROM THE MOST MEMORABLE ENCOUNTERS IN 2017

From the host of events in 2017, SRV President & CEO Juha Pekka Ojala identified a few moments and encounters that were particularly memorable. The events included site visits, negotiations, customer meetings, appearances and also a few celebrations.

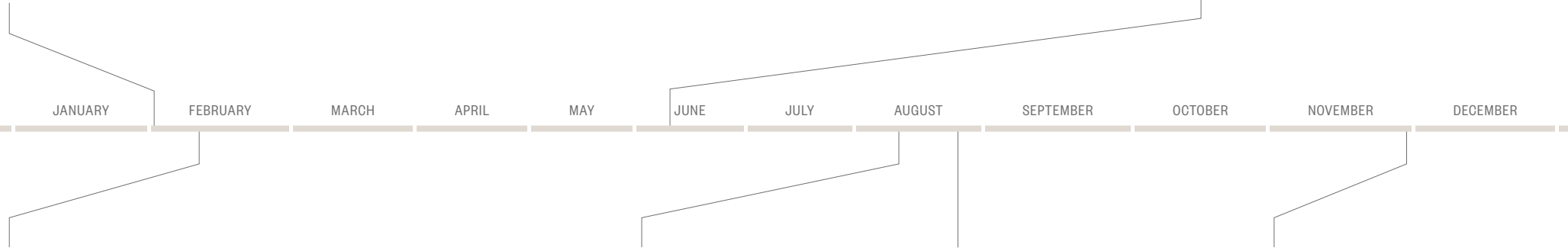
The cornerstone of Hospital Nova was laid in Jyväskylä on 1 February 2017.

The laying of a cornerstone means a great festive day for builders. It is great that the old traditions of construction are still strongly upheld. The key players in the construction project are invited on such occasions such as project cooperation partners, designers, city representatives and neighbours. The new hospital in Jyväskylä is a big project, both for us and the region. With me laying the cornerstone were Prime Minister **Juha Sipilä** and the senior management of the City of Jyväskylä and the Central Finland Health Care District.



SRV - Encounters since 1987, 8-9 June 2017

We have always valued the company's history and the great story we have created thus far. I wanted our 30th anniversary party to embody the spirit of our company. Therefore, we invited our customers, partners, personnel and neighbours to come join us in our celebration in SuviLahti. The party was an all-around success. The mood was wonderful, even though the Finnish summer delighted us with pouring rain. During this two-day event, more than 2,000 people encountered with each other. It was a party that will never be forgotten.



Site visit to the HKScan new processing facility in Rauma, 10 February 2017

The new HKScan chicken processing facility built in Rauma, where SRV acted as a project management contractor, was a very interesting project in many respects. The state-of-the-art technology, building systems of the facility and the strict hygiene requirements of the end product gave us tough challenges. Our team played a major role in steering the design, and we devised a new solution whereby the so-called clean rooms required by the food industry could be isolated from technical facilities. I try to visit construction sites as often as possible. I bring away from each visit a sense of satisfaction at how our projects are in good hands.



Customer meeting with a homebuyer at Derby, 10 August 2017

We're always working very hard to ensure excellent quality in all that we do. Unfortunately, everything does not always go according to plan. Then the most important thing to do is take responsibility – and correct our mistakes. When an unsatisfied homebuyer contacted me about a problem with an apartment they'd reserved, I absolutely wanted to help out in resolving it. We arranged a meeting and I was delighted to see how our professional salesperson solved the problem. And then, in no time at all, deals were made for two apartments. All's well that ends well!

Trip to St Petersburg with financiers and investors, 24-25 August 2017

Our stakeholders are tremendously interested in our shopping centre projects in St Petersburg. It's no wonder – they're magnificent. In August, we had the opportunity to present the Okhta Mall to a group of just under 20 investors and financiers. The Allegro train took us speedily from Helsinki to St Petersburg. During the trip, we had many truly interesting discussions about both the pick-up in the Russian shopping centre market and the operations of the shopping centres.

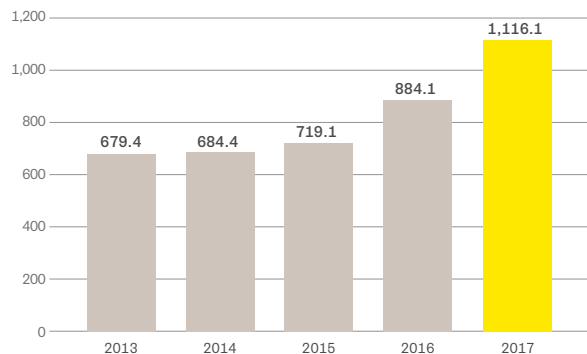
The SijoitusInvest fair at Messukeskus Helsinki, Expo and Convention Centre, 29-30 November 2017

We have traditionally set aside time in November for the SijoitusInvest fair in our investor communications calendar. During the two-day fair, we met a great number of investors at our stand, and on both days I took the podium to tell the SRV story to the audience. Meeting investors and customers is always interesting. They sometimes give very blunt feedback, but I highly value hearing straight talk – both praise and criticism. We discussed our housing projects, and also SRV's financial development and project issues that have been highlighted in the media.

KEY FIGURES 2017

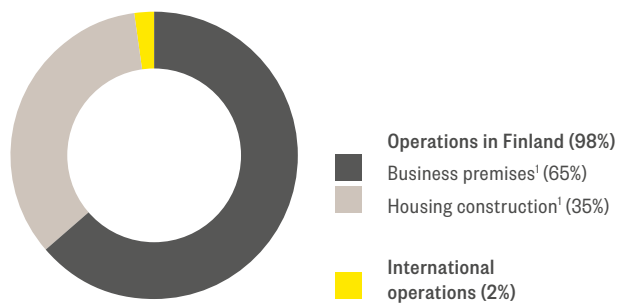
In 2017, revenue exceeded the EUR 1 billion mark for the first time. Operative operating profit also improved. The order backlog remained good.

Revenue (EUR million)



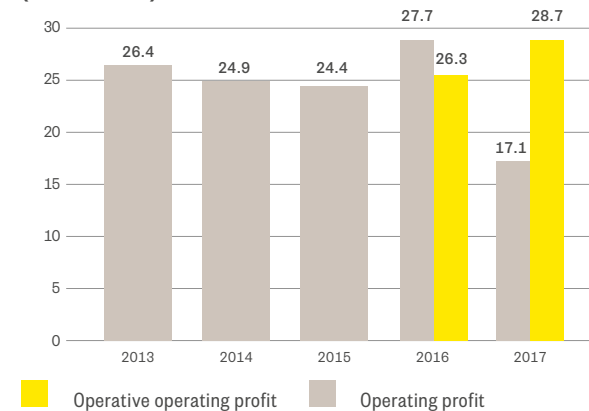
Change from 2016: 26.2%

Revenue by operations 2017 (%)



¹ Share of revenue, Operations in Finland.

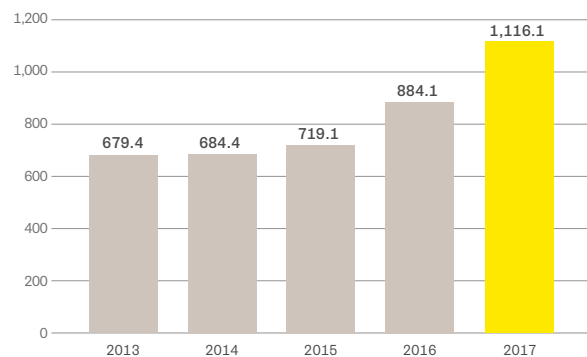
Operative operating profit¹ and operating profit (EUR million)



Change from 2016: 9.1% (Operative operating profit); -38.4% (Operating profit)

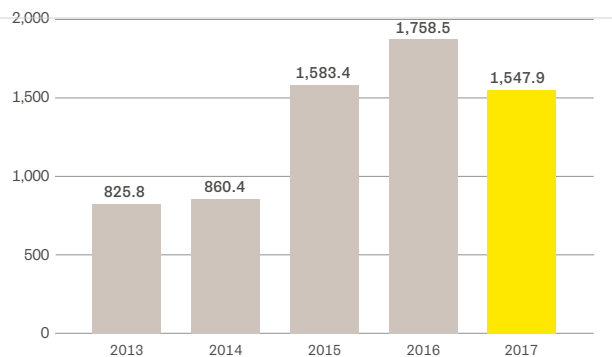
¹ In order to improve comparability in the case of actual earnings, SRV has adopted the new concept of operative operating profit as of 20 July 2017. It differs from the IFRS definition of operative profit by eliminating the calculated differences in currency exchange rates and their potential hedging impacts included in financial items in Russian operations. As the operating currency was changed in September 2016, the figures from 2013–2015 are not affected by differences in currency exchange rates and their potential hedging impacts.

Revenue (EUR million)



Change from 2016: 26.2%

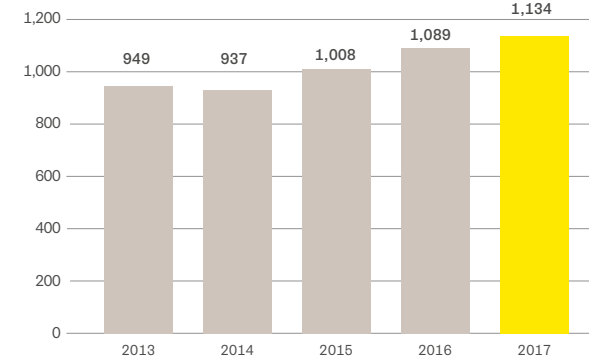
Order backlog (EUR million)¹



Change from 2016: -12.0%

¹ At the period-end.

Personnel (persons)



Change from 2016: 4.1%

MAJOR ENCOUNTERS IN 2017

The year got off to brisk start when sales began of apartments in Majakka, the first residential tower of REDI, which is being built by SRV at Kalasatama in Helsinki. Lots of encouraging news from the area of hospital construction was also a theme of 2017. Events also included a number of topping-out ceremonies at both business premises and residential projects.



JANUARY

FEBRUARY

MARCH

APRIL

MAY

1 Feb.
REDI Living Lab, SRV's project showroom and modern housing sales office, which is located right next to the REDI site, won third prize in the Best Innovation of 2016 competition at the Asuntomarkkinat 2017 housing market event.



1 Feb.
The foundation stone of Central Finland's largest ever public investment, Hospital Nova, was laid in Jyväskylä. This new central hospital is four times the size of the Helsinki Central Railway Station and its construction is valued at a total of about EUR 300 million. Among other facilities, the new hospital will have 10 delivery rooms, where as many as 3,000 babies will be born each year.



2 Feb.
SRV and LocalTapiola signed a framework agreement valued at about EUR 100 million to build 528 market-financed rental apartments in the Greater Helsinki Area, Turku and Jyväskylä.

15 Feb.
Sales of apartments in Majakka, the first of REDI's residential towers to be built in the Kalasatama area of Helsinki, started briskly. When sales began, about 90 per cent of the Majakka apartments had already been reserved.

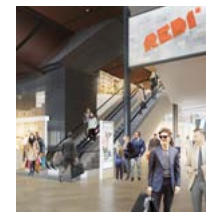


16 Mar.
Tapiola Centre in Espoo features the handiwork of many SRV employees. Great examples include the extension of the AINO A shopping centre and the apartments completed on top of it in late spring 2017. The opening ceremony of the shopping centre extension was held in March. The Tapiola Stockmann and 20 new speciality stores and restaurants moved into the premises.



29 Mar.
The topping-out ceremony of the first tower building in Oulu, Satamarannan Masto, was a festive affair.

23 Mar.
In March, there were already binding lease agreements for more than 100 of the REDI shopping and experience centre's 200-plus premises. REDI is expected to attract 12 million visitors per year. Negotiations with prospective tenants were held for almost all of the remaining premises.



30 Mar.
The New Children's Hospital will feature Finland's largest emergency clinic for children, with an annual capacity of 40,000 patients. The New Children's Hospital reached an important milestone in March: its topping-out ceremony. The first half of the hospital was completed for the installation of the end-user's hospital equipment in November 2017 and the rest of the hospital will open in June 2018.



24 May
HUS selected SRV to implement the largest construction project in its history, Siltasairaala Hospital, situated in the Meilahti hospital area in Helsinki and combining premises and functions into an integrated complex.



11 May
The Tampere Central Deck and Arena moved forward when SRV agreed on the content of the shareholders' agreement for the multi-purpose arena with its investment partners, LocalTapiola Group and OP Financial Group's insurance and pension insurance companies, and the City of Tampere. The venue is expected to attract more than one million visitors a year.

8 Jun.

SRV 30 years! SRV celebrated its 30 great years in business with a two-day party attended by several thousand people in Suvilahti, Helsinki. Personnel, partners, RED! neighbours and city residents were invited.



28 Jun.

Finns go the cinema about 8.7 million times a year. The Baltic cinema chain Cinamon announced that it will venture into Finland for the first time by opening a five-screen movie theatre in the RED! shopping and experience centre.

2 Aug.

ISO 9001:2008 quality management certification was expanded to cover all of SRV's construction operations in Finland. Earlier, certification had only been sought for part of the company's operations. In 2018, it will be updated to a new version and certification will be sought for infrastructure construction.

24 Aug.

Helsinki City Theatre opened its doors to theatregoers on Eläintarhalahdi after full renovation by SRV. More than 200,000 people enjoy the cultural offerings of the theatre every year.



JUNE

JULY

AUGUST

SEPTEMBER



15 Jun.

In the next few years, the Niittykumpu district of Espoo will become the home of almost 10,000 people. The people of Niittykumpu rejoiced when Niitty, a shopping centre built by SRV, opened its doors to provide daily services to present and future residents. Niitty was built over the Western Metro line and offers direct access to the metro, just like the Kamppi shopping centre.

15 Jun.
Central Hospital of Tampere University (TAYS) provides care services to about 18,700 patients annually. The topping-out ceremony of the TAYS Front yard project, implemented by SRV, was held at the site. Three new buildings and an underground parking facility, to be completed in stages during 2018–2020, will be built in the project.



27 Jun.

About 45,000 passengers pass through the Helsinki Airport every day. SRV was selected to participate in an alliance project to carry out alteration works in the area in front of Terminal 2 (T2) at the Helsinki Airport. The design work concerns the check-in and arrival halls of Terminal 2 and reorganisation of ground traffic. Finavia will make the final decision about its construction in the latter half of the year.

18 Sept.

The Lapinmäentie project in Munkkivuori, Helsinki, took another step forward when SRV announced that it will start demolition work in the area. The aim is to build 700 new apartments. The construction of 200 of these units is scheduled to begin in summer 2018.



20 Sept.

The administrative building of the University of Helsinki, located a stone's throw away from Senaatintori square, underwent a complete transformation in a large-scale renovation carried out by SRV. The premises are now unrecognisable. The opening ceremony was held at the new Tiedekulma (Think Corner), open to all city residents and university staff and students.



25 Sept.–1 Oct.

At the end of September, SRV offered sauna-bathers an opportunity to enjoy Finland's highest sauna, Horizon Sauna, lifting them by crane to a height of nearly 100 metres next to the construction site of the RED!. Sauna places were allocated in a prize draw among all those inspired to try the high sauna-bathing experience. About 300 people bathed in the sauna during the week.

26 Oct.

A busload of people move to the Greater Helsinki Area every day. SRV announced that it has developed a new housing concept that makes owning a home more affordable than renting. Construction of the first model project will begin in Keimolanmäki, Vantaa, in summer 2018. The homes are targeted at families with children and first-time home buyers.



31 Oct.

Hundreds of people moved into the newly completed Niittyhuippu in Espoo on the day the keys were handed out.



1 Dec.

SRV applied for ISO 14001:2015 and OHSAS 18001:2007 certification for the environmental management system used in housing construction and earthworks in Finland as well as the occupational health and safety management system. The process took all autumn and involved the integration of management manuals into systems, wide-ranging internal and external audits, and the development of systems on their basis.

7 Dec.

Hundreds of builders, co-operation partners and customers attended the topping-out ceremony of the REDI shopping centre. Work is progressing according to plan and REDI will open in Autumn in 2018. In January, over 70 per cent of the 200-plus premises in REDI had been leased.



OCTOBER

NOVEMBER

DECEMBER



3 Oct.

Fans of the Ilves and Tappara ice hockey teams got great news: the Tampere Central Deck and Arena project took another step towards its final realisation when SRV, LocalTapiola and OP Financial Group's insurance and pension insurance companies signed a joint venture agreement. At the same time and on behalf of the project company, SRV signed a shareholder agreement for the multi-purpose arena with the City of Tampere. It was also announced that Lapland Hotels will operate the Arena hotel, and Restamax was selected to be responsible for restaurant services.

6 Oct.

Supercell's 200-plus employees will have a new workplace in a prime location in Helsinki. SRV announced that it will sell the Wood City office building to be built in Jätkäsaari, Helsinki, and considerable parking facilities to Supercell. The final contracts are expected to be signed in the first quarter of 2018.



12 Oct.–14 Oct.

Hundreds of cinema fans had the opportunity to enjoy films in a unique environment when SRV organised the REDI Cinema event in Suvilahti. Four films from the Love and Anarchy Festival were screened again.

9 Nov.

More than 115,000 visitors stay overnight in Tampere every year, which means there's a need for hotels in the city. SRV and Keva signed a contractor agreement on the construction of Finland's first Marriott hotel in Tampere, next to the Tampere Hall.



16 Nov.

More than 1,100 people work on the REDI site each day and 10,550 workers complete orientation on the site over the course of a year. REDI, Finland's largest urban construction site, was awarded first prize in Rakennuslehti magazine's Construction Site of the Year competition. In assessing the site, attention was given to, for example, the scope of the project, site management and thereby ensuring good cooperation, information management, occupational health and safety, quality assurance, risk management and utilisation of data modelling.



19 Dec.

For many years, SRV has upheld the tradition of donating the funds earmarked for Christmas gifts to an organisation that is a good fit with the company's values. In 2017, SRV decided to make a donation to the assistance dog activities of the Finnish Association of People with Physical Disabilities and therefore to facilitate interactions and build cities that make life better for everyone, [link to video](#).

MEGATRENDS

Megatrends and critical success factors form the foundation of strategy. They are essential in evaluating how the company should operate and develop its business operations to respond to changes and to build its strategy to support future development. Megatrends, such as urbanisation, are very long-term and broad-based changes that impact operations over a long period, but some changes come and go with a very rapid cycle, which is why it is important to monitor and evaluate success factors regularly in relation to the strategy.

Sum of megatrends boosts urbanisation

More and more of us want to live in cities, because jobs and services are considered to make life easier there. Pursuit of energy-efficient living is also driving us to live more closely together. The diverse environment offered by cities gives us greater opportunities to live according to our values and choose our own way of living. As we move to cities, however, rural areas decline, which further strengthens migration to urban centres.

We all have to find a home according to our needs in the city – and in this new construction is often the best solution.

CONCENTRATION OF SOCIETY

Economic and business priorities are shifting globally

The whole world is open to everyone, both in business and economically. A successful global company is no longer restricted by location; through digitalisation, business can be done anywhere and at anytime. Networks are increasingly important, and continuous global changes, whether in finance, raw materials or human needs, have an immediate impact everywhere.

RESOURCES AND MARKETS

Digitalisation increasing and technology integrated everywhere

Digitalisation is present everywhere through automation, communication and information systems – whether we like it or not – and it makes our lives increasingly independent of time and place, thereby releasing the time we once used for travelling for other purposes. At the same time, the boundary between work and leisure time is becoming blurred.

The growing intensity of everyday living and the solutions presented by digitalisation have increased the use of different kinds of services in our lives. We spend more and more money on services. Physical work is decreasing as automation and knowledge work expand, and this, in turn, is contributing to growing inequality. Data collection is increasing everywhere.

Significant changes will also take place in transport. Autonomous vehicles will no longer be just a matter of words; they will soon be a reality in many cities. When they are combined with mobility as a service, the whole structure of our cities and transport will change substantially.

WORKING AND MOVING

Standard of living is rising, and communality, wellbeing and freedom of choice are emphasised

We increasingly desire to live here and now. Our values are more strongly driven by freedom of choice, whether this concerns leisure time, ownership, work, communality or individuality. In everything, the emphasis is on accessibility, ease of use and speed of services. Many of us have more money available in everyday life, while many of us, unfortunately, live near the poverty line. The gap between rich and poor is widening, which also affects the kind of homes and services we need.

Ownership is no longer as important to us as it was for previous generations; we want to use our money more freely, so rental housing, for example, is a good option. The importance of communities is growing again and we are seeking homes and other premises suitable for our needs as well as digital solutions that support communality.

MORE LIVING

Significance of ecology, use of renewable energies and overall management of energy is growing

The effects of climate change and scarcity of natural resources are evident everywhere. Regulations and legislation are tightening. The use of energy is ever more regulated by law, and decision-making increasingly based on ecological and energy efficiency considerations. In purchasing consumer goods, we give greater thought to responsibility and product recyclability. Ecological values as well as the circular and sharing economy are growing in significance.

Efforts to combat climate change are having a particular impact, through energy consumption, on the construction and real estate sectors. The goal is to increase the energy efficiency and lifespan of buildings by increasing renovation construction, for example. In energy production, renewable energies are increasingly being used, and new energy storage methods and comprehensive regional solutions are being sought.

Intelligent energy networks as well as future transport changes and autonomous vehicles are having a strong impact on ecological construction. The entire built environment is being shaped by various internet-of-things-solutions.

ENERGY AND SUSTAINABILITY

URBANISATION

DEMOGRAPHIC AND SOCIAL CHANGES

CLIMATE CHANGE AND RESOURCE SCARCITY

GLOBALISATION

TECHNOLOGICAL DEVELOPMENT

URBANISATION IS GAINING MOMENTUM – HOW WILL THIS IMPACT HOUSING PRICES, CONSTRUCTION AND SENSE OF COMMUNITY?

The Greater Helsinki Area, Tampere, Turku, Oulu and Jyväskylä have become the top five growth centres in Finland, where the population is on the rise, the economy is recovering and housing sales are thriving. More and more people are moving into cities to study, work or enjoy better services and quality of life. Will urbanisation continue, will housing prices get out of hand and what will happen to sense of community?

“Rapid urbanisation in Finland has a strong impact on the housing markets in growth centres: new apartments are being built at a record-breaking rate, cities are becoming more compact and housing prices are rising. In the past few months, the Swedish news has reported that housing prices have declined. However, I believe that housing prices in the Greater Helsinki Area and other growth centres will continue to increase at an annual rate of about two per cent.”

Juhana Brotherus, Chief Economist, HYPO



“Finns have traditionally done plenty of communal volunteer work and pulled together, but in cities some of this spirit had been lost. Then something happened. A greater sense of community has emerged in the 2010s in the Greater Helsinki Area. Communal events, neighbourhood movements, yard flea markets, urban farming, the sharing economy and Facebook groups for specific areas are good examples. Doing things together has become common and even trendy. It’s said that Finns aren’t very social, but there’s clearly demand for a more communal way of life.”

Jaakko Blomberg, producer, urban activist and Helsinki Resident of the Year 2016



“In Finland, urbanisation picked up momentum later than in many of its neighbouring countries. One of the upsides of this delayed start is that Helsinki actually has plenty of space for construction. 95 per cent of the land area of the city remains unbuilt – there’s plenty of space for new homes in the Greater Helsinki Area. We have the opportunity to turn Helsinki into the coolest city in the world. However, design and construction should pay attention to the milieu instead of technical details. This game will be won by those who successfully think about the environment and mood of housing as well as all the feelings evoked by their surroundings. For instance, can we build enclosed blocks in the Greater Helsinki Area, or wonderful houses or something like Old Porvoo, but on a bigger scale? In Finland, we have the opportunity to engage in different kinds of experimentation.”

Mari Vaattovaara, PhD, Professor in Urban Geography, Department of Geosciences and Geography, University of Helsinki



SRV'S STRATEGY

In early 2018, changes were made to strategic development programmes, as some of the programmes had reached their first major objective and been integrated into day-to-day operations. At the same time, the content and implementation timetable of the strategic financial objectives were revised.

SRV's strategy for 2016-2020 was approved in early 2016. Numerous steps were taken in 2017 to support the strategy in terms of profitability, customer experience, sustainability, digitalisation, employer image and new business functions alike. All these measures aim to realise the company's mission, vision and three strategic objectives: the best customer experience in the industry, the most attractive employer in the industry and the best profitability in the industry. In early 2018, changes were made to strategic development programmes, as some of the programmes had reached their first major objective and been integrated into day-to-day operations. At the same time, the content and implementation timetable of the strategic financial objectives were revised.

SRV's strategy centres around its objective of developing and building homes and spaces where people can live comfortably and enjoy life. The company's strengths include long-term development work and a profound understanding of customers' needs – things SRV has been doing for almost 30 years. SRV operates responsibly and sustainably in Finland's growth centres, and in St Petersburg and Moscow. All operations seek to strengthen SRV's role as a sustainable, high-calibre and customer-oriented builder and property developer, and to become the most desirable workplace in the industry.


SRV's strategy and operations are based on long-term cooperation. The company's own personnel number is just over 1,000, and it also employs almost 4,000 partners through its unique network. SRV's entrepreneurial spirit can genuinely be seen in daily work at all levels of the organisation. Attractive and evolving city centres lie at the heart of SRV's strategy. Cooperation with different parties, such as cities, investors, financiers and designers, plays a key role in making cities even better places to live.

SRV's business is even more tightly focused on major projects in which the company is involved both as an owner and as a builder. These projects are mainly located in growth centres, where there is enough demand. More information on SRV's value creation model can be found on pages 20–21.

For some time now, SRV has been one of the largest **housing construction companies** in Finland. In line with its strategy, SRV will continue to focus on residential developer-contracted and investor projects in Finnish growth centres. The target is to increase the market share of SRV's housing business accounted for by market-financed (terrace and) apartment block production in the Helsinki and Tampere regions to over 15 per cent by 2020, and thereby significantly increase revenue from the housing business. SRV currently has over 3,200 housing units under construction, of which 55 per cent are located in the Greater Helsinki Area. The company intends to build another 15–20,000 new homes over the next 10 years.

In **business premises**, SRV is placing a greater focus on project management through the use of cooperation models. SRV is seeking growth opportunities via new areas of expertise, such as lifecycle models, hospital construction, and infrastructure construction. The company's current revenue from hospital construction is already in excess of EUR 830 million.

SRV's **international operations** continue to focus on Russia, where the company owns and operates shopping centres, and is developing them for sale. In addition to this all SRV's shopping centres have possibilities for further development.



ONE OF SRV'S MAIN STRATEGIC GOALS IS TO IMPROVE PROFITABILITY.

STRATEGIC DEVELOPMENT PROGRAMMES

In 2017, the company continued to work above all on improving profitability and developing a superior customer experience.

Improving profitability and the cost-effectiveness of projects

One of SRV's main strategic goals is to improve profitability. This will be achieved through the more prudent selection of new projects, that is, by limiting participation in weaker margin tenders and increasing the share of developer-contracted projects. SRV has a number of large projects underway in which the company is involved both as an owner and as a builder. These projects include shopping centres in Russia and REDI in Kalasatama.

To reach the profitability target, SRV must improve its project margins. At the beginning of the strategy period, SRV started up numerous internal projects focusing on issues such as boosting efficiency in procurements, improving plans, shortening the construction phase and improving the management of additional and alteration works. The objectives set for the management of additional and alteration works were achieved and the new operating model introduced in 2017 has been integrated into day-to-day work through the operations system and management.

SRV has also sought solutions to improve profitability in the construction process. For instance, the company examined increasing the use of prefabricated elements, enhancing efficiency in the foundation engineering phase, parcelling out projects and implementing work in two shifts, which was tested out on numerous sites, for example in REDI and Niittyhuippu, in 2017. It is estimated that well-planned shifts can shorten the construction time significantly, which has a direct impact on the project margin.

In future, the improvement of profitability and project cost-effectiveness will focus on promoting the efficient use of the operations system, the management of resources and expertise, further development of procurements and design steering, and the strengthening of a culture of high performance.

Providing an unbeatable customer experience

Customer experience is the sum of all the experiences that a cus-



tomers has through various encounters with SRV. SRV aims to provide the best customer experience in the business, and thus every encounter must go so smoothly that the customer is prepared to recommend SRV to others. Encounters are emphasised in all operations, whether when meeting with homebuyers, in long-term customer relationships with pension and investment companies or when a homebuyer first moves into his or her new home.

The customer service process for consumer customers has been enhanced by means such as inviting tenants to become involved early in the process, even before construction is started up, honing the segmentation of customers, and even more carefully assessing issues such as what homebuyers want from their homes in the future. Work will continue with the systematisation of the identification of future customer needs. In addition, SRV will make an even more concerted effort to improve the customer experience of corporate customers.

SRV'S STRATEGY DIAGRAM SHOWS THE MOST IMPORTANT BUILDING BLOCKS OF THE COMPANY'S STRATEGY: MISSION, VISION, VALUES, STRATEGIC OBJECTIVES, DEVELOPMENT PROGRAMMES AND THE MEGATRENDS AFFECTING THE STRATEGY.

SRV measures the customer experience regularly using the NPS (Net Promoter Score) model. For instance, information is collected from homebuyers after the deal is made, when they are moving and upon the completion of annual repairs. SRV asks them about issues such as their satisfaction with the apartment, SRV's operations in general, the work of the salesperson, the success of alteration works and quality of basic interior decoration materials. SRV's full-year NPS for housing weakened in 2017 and was 28 (2016: 41). In 2017, business construction projects also adopted the measurement of customer experience.

Harnessing digitalisation and new technology

SRV utilises digitalisation and new technologies in, for instance, project development and design, building systems, construction site management, communications and marketing, and the products and services provided by the company. The aim of the strategic development programme is to systematise the use of digitalisation and adoption of new technologies.

At SRV, digitalisation is particularly evident in the use of information modelling in the project design and construction phases. Information modelling is employed in project management, the inspection and harmonisation of plans, cost accounting and schedule management, procurements and the planning of logistics and work.

Three-dimensional modelling can be seen on worksites both in the form of illustrative printouts and on the displays of mobile devices. The final 3D model combines both scale architectural, structural and HVAC&E plans and required special plans. After the construction stage, the model can also be used by the developer in managing the property.

Accelerating the digitalisation and technology programme and utilising new digital tools and channels in operational development will be continued. Digitalisation is becoming an essential part of everyday activities throughout the organisation.

In 2018, the company will focus above all on the further development of Smart Life functions and services. These services will be tested in practice for the first time at REDI, where residents will move into the first residential tower, Majakka, in spring 2019. The company will also continue to step up both the digitalisation of process management and the use of information modelling as part of ordinary development of operations.



CASE: A written offer is always drafted for additional work and alterations

When large and complex buildings are constructed, it may be necessary to carry out work that was not anticipated in the original plans. Earlier, the problem was that additional work and alterations could not be priced correctly during projects, or deciding on the changes delayed project progress. This impacted on project margins and thereby also on SRV's profitability.

SRV tackled this problem by revising its operating model for additional work and alterations. It was launched at all SRV sites in 2017.

"The operating model has significantly improved project margins. When SRV recognises the need for additional work and alterations, it prepares a cost estimate for the

client. This keeps clients better informed of the prices of additional work and alterations, and the amount of work required, as they are always reviewed at a separate meeting with the client", says Production Director **Kimmo Kurki**.

SRV does not start additional work and alterations before receiving a written confirmation from the client. "One of the changes we've made is that the client accepts the offer within the target schedule – and in writing, of course."

This operating model also enables more effective monitoring of numerical targets, such as the value and amount of additional work and alterations, and the time required to draft and approve offers.

"Additional work and alterations are always discussed with customers in separate meetings."

Kimmo Kurki,
Production
Director



Building future growth

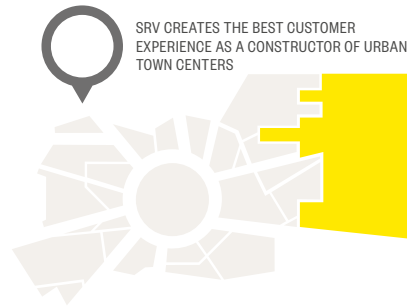
Urbanisation is not only one of the strongest megatrends, but also one of the major driving forces of change in Finland today. Even the Helsinki master plan is based on the forecast that the city will have about 860,000 residents (growth 35 per cent) and 560,000 jobs by 2050. Accordingly, there is a great need for new housing in the growth centres of the Greater Helsinki Area. As prices of homes in growth centres have risen and stricter bank regulation has made it more difficult for Finns to obtain mortgages, there is a need above all for more affordable housing designed for different purposes in the growth centres.

A growing number of municipalities have an ageing building stock on their hands, but less money and resources to maintain them or erect new buildings. Likewise, more day-care centres and schools will be needed in growth centres. It is expected that the focus in public service construction will shift even more strongly to privately financed construction and lifecycle building. In this model, the service provider takes responsibility for project design, construction and maintenance over a long contract period (typically 15–25 years). This is a new type of project for SRV, but it is a good fit for operations under the SRV Approach and its role as part of SRV's business will be developed further going forward.

In recent years, SRV has developed and implemented a number of innovative shopping centre projects in both Finland and Russia, and new opportunities for changing shopping centres into experience centres are continually being pursued. In addition to housing, the public construction model and the shopping centre market, new business opportunities are being explored and studied, for example in the fields of energy self-sufficient construction and care home construction.

Sustainability is an authentic part of day-to-day work

SRV's work to develop its sustainability programme and operating models since 2016 has reaped results. The company aims to ensure that its sustainability efforts provide optimal support to the realisation of strategic objectives and provide more tools to enable business operations to thrive in an ever-more demanding business environment. The company also seeks to be an innovative and continually evolving professional in sustainability issues.



CASE: Developing attractive cities is a team effort

Attractive and evolving city centres lie at the heart of SRV's strategy. Cooperation with different parties, such as cities, investors, financiers and designers, plays a key role in making cities even better places to live.

One example of effective cooperation can be found in Tampere, where an entirely new city district will be erected on top of the railway in the heart of the city over the next few years: the Tampere Central Deck and Arena. This project was developed by SRV and the investors are the City of Tampere and an investor group comprising SRV, LocalTapiola and OP Financial Group's insurance and pension insurance companies. Nordea, OP Tampere, Handelsbanken and LocalTapiola (Yritysrahoitus I Ky) are on board as financiers.

"The Central Deck and Arena project has shown that by assembling a team of players that have the same goal, you can achieve results that would be impossible otherwise", says **Tero Tenhunen**, Project Manager for the City of Tampere.

The new city district unites the eastern and western halves of Tampere. A deck will be built



The Central Deck and Arena project will create a completely new part of the city on top of the railway tracks in the heart of Tampere.

over the railway tracks for an arena with a capacity of more than 13,000 people, as well as a hotel, casino and the tallest tower buildings in the city.

"The Central Deck and Arena has attracted international attention. The construction of this major project kicks off the large-scale development of the Tampere station area. Tampere will gain a new landmark that will be a meeting point for the people of our city, travellers and tourists. It is sure to be one of the most photographed attractions in the city", says Tenhunen.

The first phase involves covering the southern railway yard with a deck on which the arena, a hotel and two towers will be built. The second phase will encompass the northern deck and three towers. The project has a total value of over EUR 550 million and also includes the development of six apartment buildings in Ranta-Tampella. According to the current schedule, the Central Deck and Arena project will be completed in 2024.

"From our perspective, we're competing not only with other Finnish growth centres, but also with other Nordic countries. In order to thrive in this competition, we must have the courage to let the city develop. The city's key focus is to seek solutions that create vital services and increase the attractiveness of the city", says Tenhunen.

"Tampere will gain a new landmark, which will become a meeting place for city residents and visitors alike."



Tero Tenhunen, Project Manager, City of Tampere

Thanks to the steps taken in recent years, sustainability has become an authentic part of day-to-day work at SRV that supports business operations. Sustainability is thus no longer treated as a separate development programme, but as part of ordinary operations. For more on sustainability actions carried out in 2017 and future development programmes, see the Sustainability section on page 30.

Adhering to management principles and processes

Management and compliance with processes have been an integral part of SRV's operations since day one, applying to both the company's own personnel and cooperation with subcontractors and partners. Adhering to management principles and processes was designated as one of the strategic development programmes in 2016, the beginning of the current strategy period, in response to business needs. Ever-larger projects and the greater number of SRV employees and partners call for even more systematic management. SRV also did a great deal of work on these issues in 2017, such as by organising management training for senior executives and project managers and by further expanding the operations of the SRV Step Academy, which was developed to meet SRV's own training needs. All in all, 270 people participated in Step Academy courses in 2017.

In 2017, SRV largely achieved the targets that had been set for adhering to management principles and processes for the entire strategy period. For this reason, the development programme itself will be wrapped up. However, management and supervisory work will ensure that day-to-day work will adhere even more closely to management principles and processes. In addition, efforts to strengthen SRV's culture of high performance will be transferred under the development programme for profitability improvement.

Since 2015, SRV has been measuring overall personnel satisfaction using the PeoplePower index*. SRV's employees, who number just over 1,000, are on average extremely satisfied with their workplace and SRV was one of the Finland's Most Inspiring Workplaces for the third time running. The company intends to rise into one of the top companies. Delightfully, the personnel survey response rate rose to 82.1 per cent and the results across the board were clearly higher than the norm for salaried employees.

* The PeoplePower® index is a benchmark used by Corporate Spirit Oy. It measures factors such as commitment, leadership and performance.



CASE: Making home ownership more affordable than renting

In the past few years, SRV has become one of the largest housing builders in the Greater Helsinki Area. The company seeks to further increase the share of its revenue accounted for by housing construction. At the same time, SRV intends to expand its customer base among first-time homebuyers and families with children. To that end, SRV has developed a new concept in which owning your home is more affordable than renting. Construction of the first model site will begin in Keimolanmäki, Vantaa in summer 2018.

"Everyone understands that keeping the price down means compromising on something – but on what? Our aim isn't to build tiny apartments or skimp on quality, but to make high-quality homes for good everyday life. We've studied customers' opinions on what they find necessary and unnecessary considering the price", says **Antero Nuutinen**, Senior Vice President, Housing and regional offices.



Families with children have been asked what their homes should be like to help everyday life go more smoothly.

The new concept has two focuses. Surveying customers and inviting them to participate in the process have shed light on what first-time homebuyers and families with children value in their homes. SRV's experts have also reviewed the construction costs of homes and thought about what could be done differently to build high-quality owner-occupied homes in which the living expenses will be lower than rent levels in their area. Homes built in line with this new concept will not be sold in the traditional way. The residents will have the opportunity to have their say even earlier in the process on what good living means to them.

"There should be adequate flexibility in the requirements set for construction. In this, we also need the help of cities."

Antero Nuutinen,
SVP, Housing
and regional
Offices



THE GROUP'S STRATEGIC FINANCIAL OBJECTIVES FOR THE STRATEGY PERIOD 2018–2022

SRV's strategy and all of its operations are guided by the 2018–2022 strategic financial objectives that were approved in February 2018:

- After a phase of rapid revenue growth, SRV primarily seeks to increase annual operative operating profit.
- The operative operating profit margin of construction will rise to 8 per cent. Of this objective, 6 percentage points will arise from construction margin and 2 percentage points from shopping centre rental income as part of associated company holdings.
- Return on equity will be at least 15 per cent by the end of the strategy period.
- Return on investment will rise to at least 12 per cent by the end of the strategy period.
- The equity ratio will remain above 35 per cent.
- The long term objective is to distribute dividend of 30–50 per cent of the annual result, taking into account the capital needs of business operations.

The achievement of these strategic objectives will be based on moderate but steady economic growth in Finland, and Russia's economy stabilising at a slightly stronger level. Growth in SRV's developer-contracted projects is also required. SRV seeks to divest shopping centres that are in the management phase when the market situation allows. SRV will continue to develop projects in Russia that can be launched when the Group's capital structure allows and the financial criteria of the properties are fulfilled.

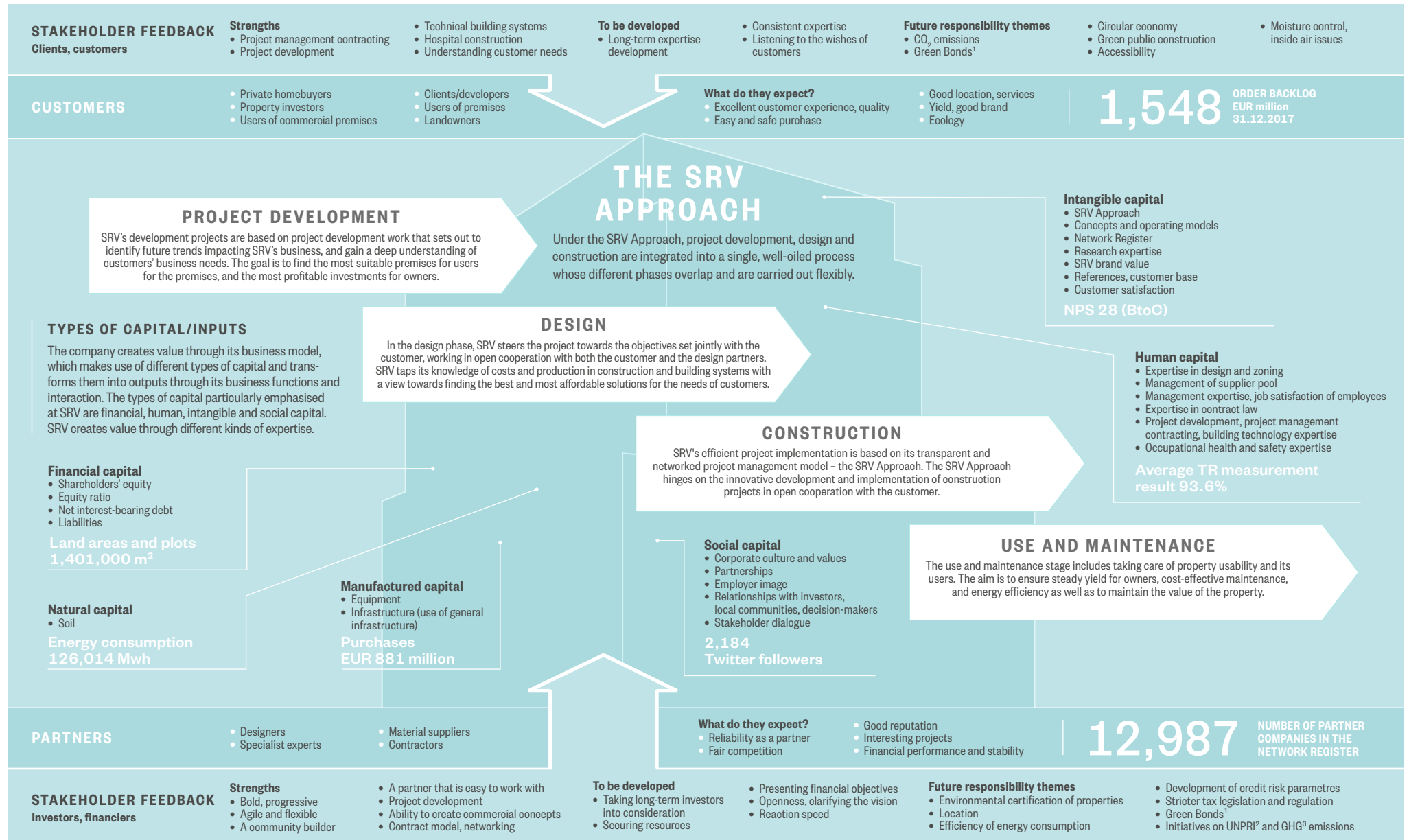
Reaching the profitability targets requires not only boosting the efficiency of the company's own operations, but also the more prudent selection of new projects with regard to profitability and capital commitment.

Financial objectives for the strategy period 2018–2022

	TARGETS SET FOR 2022	STATUS IN 12/2017	STATUS	
REVENUE (EUR million)	Faster than industry growth (old target)	1,116.1	●	REVENUE: For the first time in SRV's history, revenue exceeded the one billion euro milestone in 2017. Despite this rapid growth in revenue, the priority, however, is to improve profitability in accordance with the company's strategic objectives.
OPERATING OPERATIVE PROFIT MARGIN (%)	8	2.6	●	OPERATING OPERATIVE PROFIT MARGIN: The strategic profitability target will not be achieved until the end of 2022. Of this objective, 6 percentage points will arise from construction margin and 2 percentage points from shopping centre rental income as part of associated company holdings.
RETURN ON EQUITY (%)	At least 15	2.0	●	
RETURN ON INVESTMENT (%)	At least 12	3.4	●	RETURN ON INVESTMENT: Capital has been committed especially to shopping centre projects under construction (Okhta Mall, 4Daily and REDI), and it will be released only when the investments are sold.
EQUITY RATIO (%)	Above 3%	35.5	●	EQUITY RATIO: The equity ratio has remained at a good level despite of the growth in net debt due to invested capital and the weaker exchange rate of the rouble. SRV has started preparations to refinance the EUR 75 million bond maturing towards the end of 2018.
DIVIDEND (EUR)	Dividend of 30–50 of the annual result	0.06*	●	DIVIDEND: The long term objective is to distribute dividend of 30–50 per cent of the annual result, taking into account the capital needs of business operations.

* Dividend proposal by the Board of Directors 15 February 2018.

SRV'S VALUE CREATION MODEL



¹ A Green Bond is an investment instrument that investors use to finance environmentally friendly or other sustainable development projects.

² United Nations Principles for Responsible Investment.

³ Greenhouse Gas emissions.

ROLES

Builder
Construction

Developer
User and investor demand

Provider of user and maintenance services

Operator
Management

Intermediator, consultant
Transactions

Owner
Investment yield and risks

Financier
Availability and price

User
Quality, costs

SRV is not just a builder, but also a real estate investor, developer and shopping centre operator. SRV serves customers in matters such as the choice of construction site, site development, management of land use, specifying space needs, project budgeting and acquiring funding.

Capital management is an essential element of project value formation. In addition to its own financing capacity, SRV seeks funding for specific projects from banks, investors, customers and partners.

SRV is currently building developer-contracted housing projects, development projects, and contracted projects.

OUTPUTS

Products

- Apartments, homes
- Commercial premises, retail premises, offices
- Shopping centres
- Hospitals, healthcare centres
- Roads, tunnels, infrastructure, stations

Services

- Construction, contracting
- Design
- Development
- Property development (investors, users)
- User services, residential services
- Management and operation of shopping centres

Wastes and emissions

- Emissions (incl. GHG)
- Wastes
- Wastewaters
- Soil and rock

Number of completed housing units

782

Total value of hospital projects (EUR million)

830

Number of stores in the REDI shopping centre

200

CO₂ emissions (tons)

24,574

IMPACTS

Financial impacts

- Revenue
- Earnings
- Salaries and benefits
- Dividends
- Purchases, payments and investments
- Interest and financial expenses
- Taxes, social security payments and tax-like charges
- Donations, sponsorships

Environmental impacts

- Ecosystem changes
- Pollution of soil or water, contamination
- Momentary impacts on the local environment – noise, dust, vibration
- Exceptional vehicular and pedestrian traffic arrangements, sites in the landscape
- Impacts of energy consumption (GHG and particulate emissions), climate change, air quality
- Environmental impacts of properties during use
- Promoting forms of sustainable housing

Social impacts

- Impacts of air quality on people
- Comfortable living environments
- Functionality
- Public transport connections
- Visibility of sites in the landscape, traffic arrangements, adverse impacts on comfort
- Comfortable, high-quality, safe and healthy apartments and public premises
- Safe and healthy working environment

Societal impacts

- Improving the functioning and efficiency of society
- Impacts of urbanisation
- Employment impact (direct and indirect)
- Increasing financial activity
- Impacts and costs of exceptional arrangements

Number of housing units recorded as income

825

Revenue (EUR million)

1,116.1

Wages and salaries (EUR million)

41

Purchases (EUR million)

881

Number of sites

90

Traffic on Kehä I next to Keilaniemi site (vehicles/day)

30,000

TR measurement average (%)

93.6

Number of serious accidents

8

Number of orientation trainings sessions

64,508

Training (days/person)

2.6

Encounters



"It's nice to have a metro station right next to my home."

→ READ MORE ON PAGE 27



"Our new rooms are spacious and comfortable."

→ READ MORE ON PAGE 26



"Cooperation with companies benefit efforts to combat grey economy."

→ READ MORE ON PAGE 37

Shopping center Niitty, Espoo



Niitty shopping center was a project developed by SRV, but which was sold to an investor before construction began. SRV bears the construction risks in such projects, which are recognised as revenue according to the percentage of completion.

Satamarannan Masto, Oulu



Satamarannan Masto was a developer-contracted housing construction project that was developed by SRV. SRV bears the risks involved in both the sale and construction of such projects, which are recognised as revenue when they have been completed and sold.

HKScan production facility, Rauma



Construction contracts are construction projects that are launched by other parties but implemented by SRV. They are recognised as revenue on the basis of the percentage of completion or as set out in the agreement. The HKScan project was carried out under a contract of general charge and charge of planning.

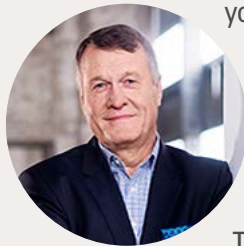
PROFESSIONALS' SAY

Who got the idea to build REDI – a shopping centre and tower building complex – right on top of the Itäväylä highway? And who has the professional skills needed to implement REDI and other SRV projects?

SRV came on board the REDI project through a site allocation competition organised by the City of Helsinki in 2010. SRV's proposal combined a shopping centre, housing, offices and hotel construction, public services and a wide variety of traffic arrangements in the same complex, like at Kamppi Centre.

The most challenging aspects of the design of REDI were its scope and diversity – SRV worked at the same time on both a shopping centre concept and forward-looking housing solutions in Finland's tallest residential towers. Construction goes about 40 metres below sea level and soars to a height of almost 140 metres. Meanwhile, the metro runs through the site 500 times a day. A shopping and experience centre, car-park, towers. Ideas had to be developed for all of these. Permits needed to be secured, investors and tenants had to be found. And, of course, the project has to be built, too. What kinds of experts have been required to do all of this?

“This project is like putting together a jigsaw puzzle – identifying and fitting together the needs of different actors. In the SRV project development team, we know the construction industry and zoning like the backs of our hands. A crucial insight can come to you anywhere: at your desk, when you're walking down an office corridor, while you're talking on the phone or at a meeting, or when you're driving. The bold visionaries on our team also have the ability to take ideas forward with all of SRV's employees and partners. REDI is a great example of a project requiring tough work that everyone at SRV has committed to, from builders to lawyers.”



Timo Nieminen, Executive Vice President, Project Development



“REDI is the largest construction site in a Finnish city centre. About 1,000 people work there every day. In-situ casting of 100,000 cubic metres of concrete and element installation are not run-of-the-mill tasks when 500 metro trains pass through the site every day. Even site start-up was a staggering effort, as the earthworks contract included the challenging repositioning of a metro bridge, the excavation of a volume of rock equivalent to nine Parliament houses, driving tunnels and waterproof support walls for the pit. In early 2018, we will continue to do finishing work on the shopping centre. At the same time, the first residential tower, Majakka, will rise storey by storey. No one in Finland has built anything this high before.”



Site Manager Jukka Nikkola's REDI shopping centre site wins the Construction Site of the Year 2017 award

“The design of a shopping centre is a very multifaceted process. Retail is in transition and the consumer behaviour of customers is taking on new forms. We wanted to find an urban shopping centre concept for REDI, one that is a good fit for the people of the city and provides not only traditional shopping, but also entertainment and experiences. We have challenged traditional ideas, learned from international examples, and sought to keep up with the latest trends. We have to remember that the shopping center will live and develop after its opening. We have to keep listening the customers carefully.”



Pia Svensk, Commercial Director

“Upon completion, Majakka will be the tallest residential tower in Finland, but it will also be much more than that. REDI introduces a new culture of living in Finland. It combines the home, services and transport under one roof. With the largest downtown shopping centre a lift ride away and the metro stopping almost at the front door, we are talking about a unique concept. Concierge services will be available at the entrance lobby of the residential towers – this is brand new in Finland. I've sold homes for a long time, but REDI is totally different. We can meet our customers at the Living Lab, a REDI project showroom that features two test apartments. You can also put on a VR headset at the Living Lab to see the spatial solutions of the apartments. REDI appeals to customers – I've already met thousands who are interested in buying.”



Merja Rainio, Sales Manager, REDI housing sales

“REDI has also been a very interesting project in terms of real estate law, as the buildings and structures do not follow property boundaries. The buildings are located both above and below ground. REDI is built on four blocks with twelve plots as well as street, park and metro line areas. The REDI ownership structure includes many companies, which means it has been challenging to establish security interests in the properties for different real estate companies, housing corporations, plot investors and financiers.”



Anja Siltainsuu, real estate attorney

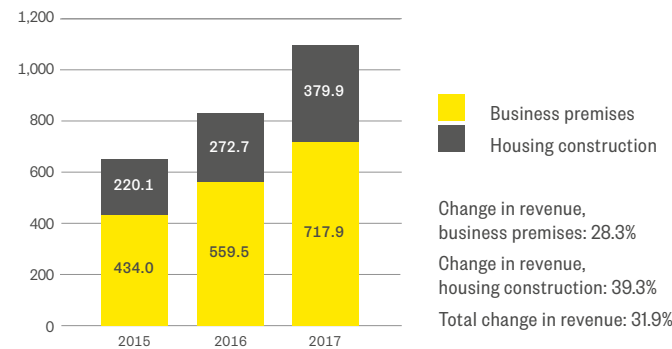
OPERATIONS IN FINLAND

Due to urbanisation and brisk economic growth, construction has been stronger than expected. In 2018, construction is expected to grow by 2 per cent. Urbanisation will continue apace. Helsinki's new master plan, for example, will enable Helsinki to grow into a city of around 860,000 inhabitants by 2050.

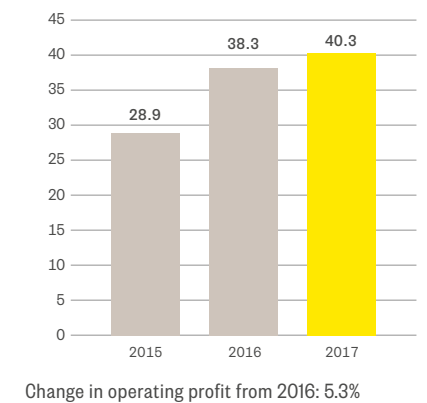
Business Environment

- Urbanisation and population shift will continue to be the general drivers of construction growth and will maintain the need for both housing and business construction in growth centres, which are SRV's strategic focal points. The most optimistic forecasts estimate that as many as 620,000 people in Finland will move into urban areas by 2040. For instance, the Helsinki master plan enables the population of the city to grow to 860,000 by 2050 (growth 35 per cent). (Sources: new Helsinki master plan 10/2017 & VTT, Demand for new dwelling production in Finland 2015–2040, 01/2016).
- On the heels of economic growth, activity in new construction has been stronger than forecast, but total growth in construction is estimated to continue this year at a slightly slower rate than last year, at about 2 per cent. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT 10/2017).
- On the whole, new business construction start-ups increased in 2017, but are expected to decline slightly in 2018. The growth rate in renovation is forecast to remain at last year's level of about 1.5 per cent. Civil engineering investments are expected to grow by about one per cent. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2017).
- In general, housing sales in growth centres have remained at a good level thanks to population shift and investor sales. Housing production is still focusing on small apartments. Last year, construction was launched on a total of as many as 43,000 housing units in Finland, a high figure in historical terms, and housing start-ups this year are expected to amount to about 40,000 units. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2017).

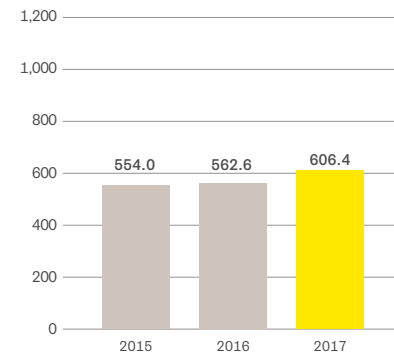
Revenue, operations in Finland (EUR million)



Operating profit in Finland (EUR million)

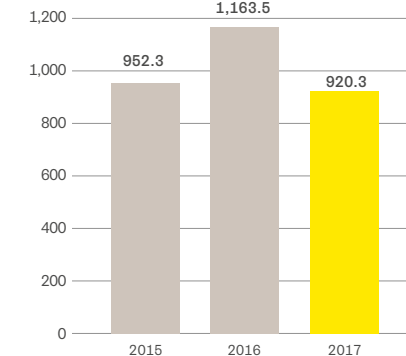


Order backlog, housing construction¹ (EUR million)



¹ At the period-end.

Order backlog, business premises¹ (EUR million)



¹ At the period-end.

HOUSING CONSTRUCTION IN FINLAND

SRV is focused on building homes particularly in growth centres. SRV is one of the largest builders of housing in the Greater Helsinki Area.

- Housing construction revenue and order backlog in Finland increased in January–December 2017.
- The recognition of income from a significantly higher number of completed developer-contracted housing units had by far the greatest impact on revenue. In January–December, almost twice as many housing units, a total of 825 (499), were recognised as income than in 2016.
- In line with its strategy, SRV is focusing its housing production on urban growth centres and, above all, locations with good transport connections. SRV is currently one of the largest housing constructors in the Greater Helsinki Area.
- The company has a total of 3,254 housing units under construction, 55 per cent of which are in the Greater Helsinki Area. More than 1,072 developer-contracted housing units are currently under construction.
- REDI in Kalasatama, Helsinki is the largest construction project in SRV's history. Sales of REDI's first residential tower (Majakka) apartments: over 90 per cent of the 283 apartments have been sold in December 2017.
- SRV intends to build another 15–20,000 new homes over the next 10 years.
- SRV is focusing on housing construction alongside rail routes. For example over 2,500 homes are to be built along the Western metro line.
- In addition to REDI, SRV's largest ongoing developer-contracted housing projects are Piruetti and Kulmaniitti in Espoo as well as Aleksinkaarre in Kerava.

CASE: Fine-tuning the design of the Keilaniemi Towers in line with customers' wishes

SRV plans to build the tallest residential towers in Finland in Keilaniemi, Espoo. The company has held workshops for customers interested in Keilaniemi to consider issues such as apartment floor plans and communal areas.

“The workshops reveal that the most important issues for the future residents are a good location, transport connections, good day-to-day functionality and views”, says Project Manager **Terttu Peltonen** from SRV's housing marketing unit.

Those about 20 participants were given the current floor plans and asked for their comments. One of the concrete wishes presented at the workshops was that the door to the apartment should have a clear view of the living room, whose windows showcase a beautiful marine landscape. Larger windows were also on the wish list. “The results of the surveys and workshops have been carefully



The Keilaniemi Towers are still being designed, but going forward SRV will hone the apartment floor plans together with those interested in the apartments. The workshop participants have commented on apartment plans and discussed about possible concierge services.

reviewed with SRV's experts and the SARC architects. On the basis of the results, the floor plans have been fine-tuned to cater to the expectations of the customers, the windows have been made bigger, and the comfort and functionality of bathrooms have been enhanced.”

Of the common areas, the participants had the greatest interest and expectations regarding the gym. The lounge planned for the top floor, the 32nd, also inspired the participants to come up with different uses. “They would like a multipurpose

lounge. In the daytime, it could serve as a space for telecommuters, while in the evenings and weekends it could be rented as a venue for residents' own events. The participants were not interested in a separate club room, as they felt that it would not see much use”, says Peltonen.

Saunas were very divisive. A few of the respondents absolutely want their own sauna, while some are excited by shared saunas on the top floor. This result appears to be in line with current trends: the way Finns enjoy a sauna is changing.

BUSINESS CONSTRUCTION IN FINLAND

Large business premises projects, such as construction of hospitals and shopping centres, increased revenue from business construction. SRV is currently building several hospitals, whose total value is approximately EUR 830 million.

- SRV's business construction revenue and order backlog grew in 2017.
- The large hospital projects under construction, such as the Hospital Nova in Central Finland, the Tampere University Hospital's new construction project and the New Children's Hospital in Helsinki, particularly contributed to the revenue growth. Revenue from hospital projects constitutes around 17 per cent of the Group's total revenue.
- The construction of shopping centres is also reflected in the growth in business construction revenue. SRV is currently building two own-development shopping centre projects, i.e. the REDI shopping centre in Helsinki and the Karuselli shopping centre in Kerava. Revenue also reflects the Niitty shopping centre in Espoo, which was completed in June, and the construction of the Aino shopping centre, which is part of the renewal of Tapiola Centre in Espoo. Shopping centres correspond to around 16 per cent of the Group's revenue.
- SRV's order backlog has fallen slightly compared with 2016. Large projects, such as Hospital Nova, entered into the order backlog in 2016, particularly contributed to the decline. SRV has several projects at the development phase which will not appear in the order backlog until 2018.

CASE: Renovation of the Women's Hospital serves the whole family

The renovation and extension of section L of the Women's Hospital on the Meilahti hospital campus was completed towards the end of 2016 and operations in the new premises began in March 2017. Hospital staff in particular were eagerly awaiting the renovation.

"The old premises were cramped and ergonomically poor, which caused problems. Some of the rooms did not have windows and they were difficult to move around in. For instance, bed positioning made it difficult to acknowledge nurse calls", says midwife **Jaana Runnako-Koponen**, who has worked at the Women's Hospital for 30 years.

During the renovation, four delivery rooms and two observation rooms were active in temporary premises on the fourth floor. During hospital construction, the surroundings and the sensitive nature of operations posed their own challenges, but any adverse impacts were kept to a minimum. Particular attention was paid to dust management.

"The day-to-day operations of the hospital continued to run smoothly. One of our midwives worked full-time on the site project. From time to time, completed premises were presented to us", says Runnako-Koponen.



In the modernised delivery rooms, all the equipment required is within reach of the midwives.

The Women's Hospital was upgraded to provide optimal service in deliveries, surgeries and intensive care for newborns. The hospital now has 22 delivery rooms. Six of these have a bathtub for water births. The modernised premises also have six observation rooms and three Caesarean section rooms. After the section is performed, the entire family enters the family recovery

room. In the postnatal salon, is monitored the condition of the family before they go home or to the Perhepesä patient hotel.

"The new rooms are spacious and comfortable. All the equipment we need is close at hand. In our modern new premises, we can provide better maternity services to families, and also we professionals have a nicer environment to work in", says the midwife.

“It’s nice to have a metro station right next to your home. When I grow up, I want to be a builder, cook and icebreaker.”

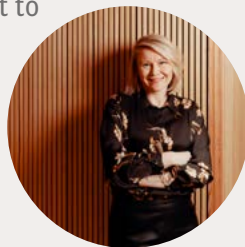
Urho, eight years old, who lives next to the Koivusaari metro station



SRV served as the project management contractor of the Koivusaari metro station on the Western Metro line. The station was completed in 2016. Construction 30 metres below sea level and a tight schedule guaranteed that this would be a real showcase project for SRV. Urho, an eight-year-old boy who lives next to the Koivusaari metro station, watched as the construction progressed from the window of his home. When the work began, he was just a little boy. Because the blasting work scared him, Site Manager **Reima Liikamaa** and Area Manager **Jussi Lahti** gave him hearing protectors and a hardhat with his name on it. This kicked off great co-operation. SRV maintained close contact with the neighbours during the entire construction phase. Urho’s family was also invited to the opening of the Koivusaari station in 2016. Now that the Western Metro is running, Urho often takes it to Ruoholahti, where he plays sports.

“Our aim has been to create a laid-back meeting place where people can tap into the latest knowledge and have the most interesting conversations in the city. Tiedekulma (Think Corner) is also the ‘living room’ of the University of Helsinki. It’s a great place to get to know the University. To our delight, people have found Tiedekulma and made it their own. The place is busy every day. People pop in for a coffee, come to study or work.”

Tanja Paananen, Head Of Marketing, University of Helsinki



The renovation and modernisation of an administrative building for the University of Helsinki was a large-scale project carried out by an alliance consisting of the University, JKMM Architects and SRV.

“REDI has massive potential. It’s in a location that’s full of life. The Kalasatama area of Helsinki is growing into versatile service hub that’s easy to get to. I believe that its residents, workplaces and traffic connections will generate strong customer flows.”

Heli Hiltunen, Esprit, REDI



SRV is building the REDI shopping centre in Kalasatama, Helsinki. The shopping centre will open its doors in autumn 2018. Twelve million visitors are expected annually.

“The new arena has space for more than 13,000 fans. I can’t deny that it’ll be wonderful to play in front of such a massive crowd. My wish is that the designers of the arena will put in big massage rooms. As you grow older, it’s important to ensure proper maintenance.”

Tapio Laakso, ice hockey player, Ilves



“Tampere is an ice hockey town. Now we’ll have a state-of-the-art venue that will take our game to the next level. The new city district with its arena will be a welcome addition not only to us, the ice hockey players, but also to fans and the people of our city thanks to all the amenities and additional services that it will provide.”

Kristian Kuusela, ice hockey player, Tappara

The Tampere Central Deck and Arena, developed and built by SRV, is a new sports, culture, leisure and business centre that will bring together the people of Tampere, travellers and tourists with unique experiences and encounters.

INTERNATIONAL OPERATIONS

Currently, SRV's International Operations mainly consist of the operating of shopping centres in Russia. SRV partly owns and operates three shopping centres, which are located in St Petersburg and Moscow. Their visitors numbers and sales volumes grew during 2017.

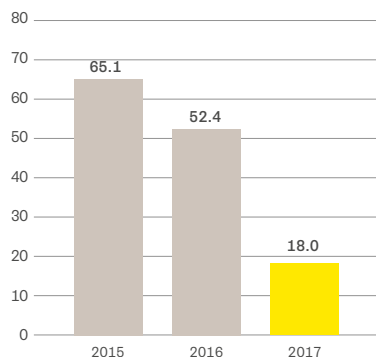
Business environment

- Economic growth in Russia finally recovered year 2017. Russia's GDP is still growing, but at a slow rate. The Bank of Finland Institute for Economies in Transition BOFIT predicts that Russia's GDP will grow by about 1.5 per cent this year, with the price of oil remaining at around its current level.
- Although favourable developments in the price of oil have strengthened the Russian economy, oil price fluctuations and geopolitical tensions continue to cause uncertainty. The rouble exchange rate weakened significantly in early 2017, but has slightly improved after that.

International Operations

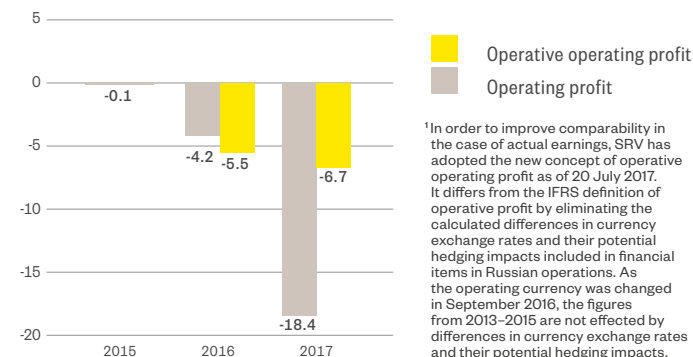
- Currently, SRV's International Operations mainly consist of the operating of shopping centres in Russia.
- Revenue from International Operations in 2017 decreased. This decrease was expected, as the bulk of the revenue of International Operations in 2016 was generated by the construction of the Okhta Mall and 4Daily shopping centres. The Okhta Mall opened its doors in St Petersburg in August 2016 and 4Daily opened in Moscow in April 2017.
- Operative operating profit from International Operations decreased. The occupancy rates and rental income of the shopping centres owned by associated companies improved, but earnings were burdened by the fact that management and financing expenses after opening were higher than income.
- SRV's Board of Directors has decided to investigate the possible sale of the Pearl Plaza shopping centre in St Petersburg with the other owner of the centre, the Chinese company Shanghai Industrial Investment Holdings. SRV does not express detailed views about the probability, date or target price of the potential sale.

Revenue, international operations (EUR million)



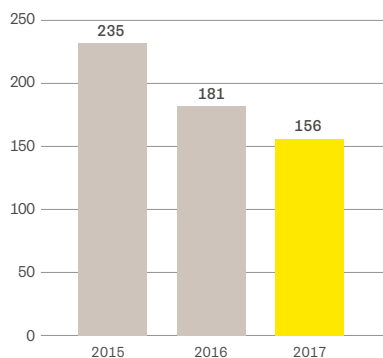
Change from 2016: -65.7%

Operative operating profit¹ and operating profit, international operations (EUR million)



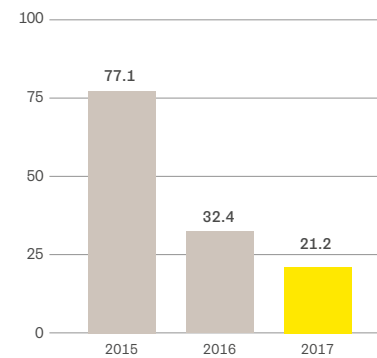
¹In order to improve comparability in the case of actual earnings, SRV has adopted the new concept of operative operating profit as of 20 July 2017. It differs from the IFRS definition of operative profit by eliminating the calculated differences in currency exchange rates and their potential hedging impacts included in financial items in Russian operations. As the operating currency was changed in September 2016, the figures from 2013-2016 are not effected by differences in currency exchange rates and their potential hedging impacts.

Personnel, international operations (persons)



Change from 2016: -13.8%

Order backlog international operations¹ (EUR million)



Change from 2016: -34.5%

¹ At the period-end.

- The ruble exchange rate impacted negatively to SRV's operating profit in 2017. The refinancing of Pearl Plaza was completed in February 2018 when the real estate company that owns the shopping centre signed a largely rouble-denominated ten-year loan agreement valued at about EUR 95 million. The previous Pearl Plaza loan agreement was denominated in euros. SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV, and thus the new Pearl Plaza loan agreement reduces the risk posed by changes in the rouble exchange rate.

SHOPPING CENTRES IN RUSSIA

Pearl Plaza, St Petersburg

- SRV's ownership: 50 per cent
- Opened in 2013
- Full-year rouble-denominated sales increased by 17 per cent
- Fully leased, number of visitors still increasing – a new record of high number of visitors, 900,000 in December

Okhta Mall, St Petersburg

- SRV's ownership: 45 per cent. SRV also owns 27 per cent of the other owner, Russia Invest.
- Opened in August 2016
- At the end of December, 84 per cent of the units in the shopping centre had been let
 - Number of visitors have developed as expected. Okhta Mall saw a record high number of visitors in December, when the shopping centre broke the 700,000 visitors per month mark for the first time.
 - The largest tenants: Lenta, a Russian grocery chain and a cinema chain KARO

4Daily, Moscow

- SRV's ownership: 18.68 per cent
- The 4Daily shopping centre opened in April 2017
- Occupancy rate 64 per cent at the end of December 2017
- The largest tenant is Miratorg, a Russian supermarket

CASE: The KARO Cinema Chain leases more than 10 per cent of shopping centre premises

The Okhta Mall is located in the heart of downtown St Petersburg, within easy reach of over 1.5 million residents. It is the largest retail project to have been completed in the St Petersburg economic area in recent years. The shopping centre opened its doors in August 2016 and has been SRV's major project in St Petersburg over the last few years.

One of its largest tenants is a KARO cinema, which opened its doors in August 2017. KARO has leased about 10 per cent (7,000 square meter) of the Okhta Mall's commercial floor area, and is expected to boost visitor numbers.

How many cinemas does the KARO Cinema chain have in Russia, KARO President Olga Zinyakova?

Today KARO is one of Russia's leading cinema chains. We have a total of 30 modern cinemas, with 237 screens. Our cinemas are located in Moscow and Moscow region, St Petersburg, Ekaterinburg, Samara, Kazan, Kaliningrad and Surgut. We have six cinemas in St Petersburg.

What is the cinema in Okhta Mall like?

The name of our cinema in Okhta Mall is KARO 11. It is our largest cinema in the St Petersburg area: it has a total of 11 screens with seating for more than 2,000 people. The shopping centre features our first



The opening of the cinema complex increased the number of visitors even more in Okhta Mall.

next-generation Megaplex cinema, which are equipped with state-of-the-art features from furniture, sound systems and projectors. We have paid particular attention to the viewing experience the cinema features 3D-technology.

Our cinema has a self-service point u-choose concept with more than 100 items, including snacks and healthy food. The cinema also provides exclusive service: in our two premium auditoriums,

you can order food and drinks to your seat with the press of a button.

Why did you decide to lease space at the Okhta Mall in particular?

When we open new cinemas, we have extremely high demands for the location and retail premises so that we can provide the best service to our customers. We were impressed by Okhta Mall concept. We believe that this shopping center has a high potential for attracting our target audience.

How has your business started up after opening?

The opening of KARO 11 exceeded even our own expectations. It rapidly became the flagship cinema of our chain. We are continuing to expand our range of films and believe that the number of admissions at our Okhta Mall cinema will continue to grow.

”The Okhta Mall concept suited our cinema business operations.”



Olga Zinyakova,
president of KARO cinema chain

PERFORMANCE, CONTENT AND VALUE CREATION – SUSTAINABILITY MANAGEMENT EVOLVES

SRV's sustainability efforts support the achievement of strategic objectives. The company engages in systematic efforts on three levels: by improving performance, reporting on its achievements with interesting content and ensuring that completed work translates to business value.

The policies that guide SRV's operations from a sustainability perspective include its Code of Conduct, which was updated in February 2017. Practical instructions round out and specify the guidelines laid out in the Code of Conduct and the company's policies. SRV also has an Ethical Helpline that anyone can use to report any problems they've observed in the company's operations. Any observed or suspected activities may be reported confidentially.

SRV acquired certification for management systems in 2017. ISO 9001, ISO14001 and OHSAS18001 certificates were granted to SRV Operations in Finland (excluding Infra). Infra construction will obtain these certificates in 2018.

From the perspective of sustainability management, SRV's most important development efforts in 2017 concerned value creation and building a value creation model around the SRV Approach. In the case of reporting, particular attention must be paid to the amendments to the Accounting Act with respect to non-financial reporting.

The Group's President & CEO has ultimate responsibility for the results of sustainability efforts at SRV. The Group's Senior Vice President, Communications is responsible for sustainability efforts in the Corporate Executive Team and at the practical level together with the sustainability and communications team and in close cooperation with representatives of the business areas and various support functions.

SRV's risk management is responsible for the identification and reporting of sustainability risks as well as risk management measures. The identified sustainability risks include environmental risks, severe accidents, the grey economy, working conditions in the entire supply chain and reputation among stakeholders.



FROM THE PERSPECTIVE OF SUSTAINABILITY MANAGEMENT,
SRV'S MOST IMPORTANT DEVELOPMENT EFFORT IN 2017
WAS BUILDING A VALUE CREATION MODEL.

REPORTING FRAMEWORK DEVELOPED AS DEMANDS GROW

SRV's sustainability reporting is founded on a principle of relevance. The company complies with statutory and industry-wide reporting requirements, and provides both internal and external stakeholders with up-to-date and understandable information to support decision-making.

Unless otherwise mentioned in conjunction with a specific item, the scope of SRV's sustainability reporting are identical to those of SRV's financial reporting. SRV's long-term goal is to widen the scope of reporting coverage regarding both the themes and the value chain.

Among SRV's stakeholders, investors in particular have a strongly growing need for information on sustainability issues. Openness and transparency are the only ways to meet these needs and thereby bolster trust among all stakeholders.

In the case of reporting, the company focused particularly on the amendments to the Accounting Act with respect to non-financial reporting. A report on HR issues, social responsibility, human rights, environmental issues, bribery and corruption is provided in the financial statements section of the Report of the Board of Directors in accordance with the requirements of the Accounting Act. A summary of the report is also presented in the adjacent table. Additional information on the themes is available in different sections of the Annual Review.

The description of SRV's business model and value creation as part of the report is presented on pages 20–21 of the Annual Review.

Non-financial reporting according to the Accounting Act

THEMES	POLICIES, DUE DILIGENCE	ACTIVITIES, RESULTS	IDENTIFIED RISKS	RISK MANAGEMENT
HR ISSUES own operations, own personnel: occupational health and safety, coping at work, terms of employment	<ul style="list-style-type: none"> Legislation, permit terms, Code of Conduct, health and safety policy, HR policy HR plan, equality plan Prevention, orientation training Training, guidance 	<ul style="list-style-type: none"> Work of safety support group and safety team Supervisory work, development discussions Personnel survey Lost-time injury frequency Results of TR-measurements Safety observations Participation in trainings 	<ul style="list-style-type: none"> Lost-time injury frequency Work exhaustion Disability pensions 	<ul style="list-style-type: none"> Corporate Executive Safety Inspections Weekly statutory inspections (TR-measurements) Investigating and reporting of safety deviations Early support model Internal audits External audits Ethical Helpline
SOCIAL RESPONSIBILITY own operations, operations of contractors and sub-contractors: occupational health and safety, terms of employment	<ul style="list-style-type: none"> Legislation, permit terms, Code of Conduct, health and safety policy, HR policy Construction Contract Programme Prevention, orientation training Training, guidance 	<ul style="list-style-type: none"> Construction Contract Programme Procurement background checks Accident frequency Results of TR-measurements Safety observations 	<ul style="list-style-type: none"> Lost-time injury frequency Negligence of terms of employment (pay, worktime) Negligence of liabilities and societal duties (grey economy) 	<ul style="list-style-type: none"> Network Register Ethical Helpline
HUMAN RIGHTS own operations, subcontractors and contractors operations: see HR issues and Social responsibility, harassment, discrimination, privacy issues	<ul style="list-style-type: none"> Legislation, permit terms, Code of Conduct, health and safety policy, HR policy HR plan, equality plan Construction Contract Programme Prevention, orientation training Training, guidance 	<ul style="list-style-type: none"> Procurement background checks Reports in Ethical Helpline 	<ul style="list-style-type: none"> Accidents at work, work exhaustion, discrimination, harassment (right to life, health and a safe and healthy work environment) Negligence of terms of employment (pay, worktime) (right to reasonable and sufficient pay) Violations of privacy (right to privacy) 	<ul style="list-style-type: none"> Continuous implementation of Code of Conduct Network Register Ethical Helpline
BRIbery AND CORRUPTION PREVENTION own activities and operations of contractors and sub-contractors	<ul style="list-style-type: none"> Legislation, Code of Conduct Construction Contract Programme Cooperation with authorities 	<ul style="list-style-type: none"> Orientation and pre-checks of subcontractors liabilities Grey economy prevention days Reports in Ethical Helpline 	<ul style="list-style-type: none"> Illegal or inappropriate activities (misuse of power, conflicts of interest, bribery) Negligence of liabilities and societal duties (grey economy) 	<ul style="list-style-type: none"> Internal audits Implementation of Code of Conduct Network Register Ethical Helpline
ENVIRONMENTAL ISSUES own activities and operations of contractors and sub-contractors	<ul style="list-style-type: none"> Environmental policy ISO 14001- environmental management system Construction Contract Programme Environmental plan Waste management plan 	<ul style="list-style-type: none"> Material and energy efficiency Sustainable procurements Sustainable projects with less negative impact Construction waste and recycling rate Energy use CO₂ emissions 	<ul style="list-style-type: none"> Environmental incidents and accidents Illegal or inappropriate activities 	<ul style="list-style-type: none"> Project risk management process Internal audits Ethical Helpline

CASE: Investors are interested in environmental ratings and building lifecycle issues

In summer 2017, SRV interviewed representatives of financiers and investors about sustainability requirements both now and in the future. Major issues highlighted by the respondents included environmental certifications, lifecycle assessment of buildings and risk perspectives.

Properties that have not obtained environmental certification decline in value and have difficulties in finding financing. The location of a property will be even more important – also in terms of what certifications it can obtain.



Alternative forms of energy and the efficiency of energy use are on the rise. Now, investors are voluntarily seeking more information about issues relevant to property use, such as solar panels and electric car charging points. Real-estate asset managers consider the lifecycle issues of projects carefully and also evaluate how satisfied the end-users, the tenants, are with the end product.



Investors generally take a more proactive approach to sustainability. Funds have investor clients who are very enlightened. Customers demand verification and taking sustainability criteria into consideration. In the financing of housing construction, relatively little attention has been paid to sustainability issues – they are now taken into consideration through tighter credit risk parameters. In fact, in the case of construction companies, sustainability is often evaluated as part of the risk component.



SUSTAINABILITY PROGRAMME CLARIFIES ROLES

The material sustainability themes are presented in SRV's sustainability programme. The programme facilitates understanding the big picture and communicating issues to different stakeholders.

The Sustainability Director is responsible for compiling the sustainability programme in association with a network comprising representatives of business areas and different functions. Sustainability related policies and guidelines are approved by the Corporate Executive Team, which presents issues to SRV's Board of Directors as necessary. The executive teams of business areas deal with sustainability issues as part of their ordinary business management. The sustainability programme enables every SRV employee to find their own role in sustainability development.

Most of the targets set for 2017 in the programme were achieved either in full or in part. Reporting took the amendments to the Accounting Act into consideration, the risk management process was updated to cover sustainability aspects and a value creation model was built around the SRV Approach. In addition, the Code of Conduct was updated, and the preparations for an online course on it were initiated in 2017. Grey economy prevention days were organised quarterly with good results. Sustainability communications and content creation have been developed. Work on content also supports other ongoing projects.

The greatest challenges have been faced in establishing long-term objectives and indicators. This work will continue intensely in 2018. The development of the procurement process and the implementation of sustainability as part of the



THE SUSTAINABILITY PROGRAMME ENABLES EVERY SRV EMPLOYEE TO FIND THEIR OWN ROLE IN SUSTAINABILITY DEVELOPMENT.

process did not go as smoothly as anticipated, either. One of the challenges is that decision-making on procurements is divided among different parties. However, this work is proceeding, and a joint procurement and sustainability project team has been founded to support it.

A summary of the sustainability programme is presented in the adjacent table. More information on the themes of the sustainability programme and overviews of the achievement of its objectives are provided in the section on each theme in the Annual Review.



A JOINT PROCUREMENT AND SUSTAINABILITY TEAM WAS FOUNDED IN 2017.

Sustainability programme

THEME	GOALS FOR 2017	STATUS	OTHER ACHIEVEMENTS IN 2017	GOALS FOR 2018	LONG-TERM/CONTINUOUS GOALS
STRATEGY, SUSTAINABILITY MANAGEMENT, REPORTING	<ul style="list-style-type: none"> Reporting according to new requirements Setting long-term goals Including sustainability related risks to risk management framework 	<ul style="list-style-type: none"> ● ● ● 	<ul style="list-style-type: none"> Non-financial reporting embedded in the Board of Directors report Sustainability aspects included in the risk management process (evaluation twice a year) 	<ul style="list-style-type: none"> Setting long-term goals for all themes Developing indicators for responsible procurement Further development of value creation model 	<ul style="list-style-type: none"> Indicators in use for all themes Value creation works as tool for business development
RESPONSIBLE ACTOR IN SOCIETY	<ul style="list-style-type: none"> Implementation of Code of Conduct Grey economy prevention days quarterly 	<ul style="list-style-type: none"> ● ● 	<ul style="list-style-type: none"> Preparation of e-learning course on Code of Conduct New features of Network Register Pilot project with tax authorities 	<ul style="list-style-type: none"> Implementation of Code of Conduct, e-learning course, 80 per cent of personnel have passed Boosting the Ethical Helpline awareness 	<ul style="list-style-type: none"> Code of Conduct: continuously 100 per cent of personnel trained (e-learning course passed) Ethical Helpline awareness high through supply chain
QUALITY IN CONSTRUCTION AND FUTURE PROOF SPACES AND ENVIRONMENTS	<ul style="list-style-type: none"> Updating environmental policy More accurate reporting of all sites using the SRV Environment system 	<ul style="list-style-type: none"> ● ● 	<ul style="list-style-type: none"> Certification of environmental management system (ISO14001) Establishing environmental and safety start-up meeting procedure 	<ul style="list-style-type: none"> Updating the ISO9001 quality management certificate Certification of environmental, occupational health and safety and quality management systems for infra construction Updating the evaluation of environmental aspects and risks 	<ul style="list-style-type: none"> Streamlining operations and increasing efficiency of reporting in certified production Improving material efficiency (characteristic waste volume) Improving waste management (waste utilisation rate, sorting degree) Improving energy efficiency Zero environmental accidents
SAFE AND INSPIRING WORKPLACE SUPPORTING PERSONNEL WELLBEING	<ul style="list-style-type: none"> Zero accidents -level Safety training of partners Boosting collection and analysing safety observations Development of safety competition Development of e-tools Procedure for Corporate Executive safety inspections Developing wellbeing, education, remuneration and quality of management Human rights risk assessment 	<ul style="list-style-type: none"> ● ● ● ● ● ● ● ● 	<ul style="list-style-type: none"> Certification of Occupational Health and Safety management systems 1,100 remote orientation trainings, 64,508 orientation trainings in total Safe Organisation of the Year 2017 -award Site of the Year 2017 -award (REDI) SRV Site Step safety training New e-tool for safety observations Good ranking for the third time in Finland's Most Inspiring Workplaces competition 2,6 training days per person in Finland 270 participants in SiteSTEP Production training programme Leader 2020 -programme Renewed management model for occupational health Opportunity to earn academic credits in the building system training programme 	<ul style="list-style-type: none"> Lower accident frequency Higher TR-measurement results Increasing the number of safety observations Increasing the number of remote orientations, goal 25,000 orientations Corporate Executive safety inspections, goal 80 walks 3 training days per person Development of supervisory work and project management Manager and sitemanager 2020 -programme Development of cooperation with educational institutions, development of trainee programme 	<ul style="list-style-type: none"> Zero accident level Ranking among the top companies in Finland's Most Inspiring Workplaces competition Improving the employer image and employer experience Further development of supervisory work
RELIABLE AND COOPERATING PARTNER NETWORK	<ul style="list-style-type: none"> Development and boosting use of Network Register Updating the requirements of Construction Contract Programme 	<ul style="list-style-type: none"> ● ● 	<ul style="list-style-type: none"> Cooperation with Asiakastieto (background checks) Initiating the responsible procurement project team 	<ul style="list-style-type: none"> 100 per cent of subcontractors are members of Tilajavastuu.fi Regular partner meetings Guidance on risk classification inspection 	<ul style="list-style-type: none"> Risk management of contract partners as part of normal process Awareness of responsible conduct on a good level in partner network
COMMUNICATIONS AND STAKEHOLDER RELATIONS	<ul style="list-style-type: none"> Development of sustainability communications and content creation FIBS/"Carbon Neutral Business"-training 	<ul style="list-style-type: none"> ● ● 	<ul style="list-style-type: none"> Partner seminar on the occasion of SRV's 30th anniversary Stakeholder interviews for value creation model 	<ul style="list-style-type: none"> Stakeholder engagement in value creation model development Increasing visibility and top-of-mind awareness 	<ul style="list-style-type: none"> Channel in use for stakeholder activities and dialogue Strengthening responsibility image

TRUST IS EARNED AND VALUE CREATED BY CARRYING RESPONSIBILITY

SRV is in demand as a project implementer. Partners feel that working with SRV yields sustainable value for their own business.

SRV is a proactive player in the construction industry. It is known among its customers and other partners as a reliable, agile and innovative developer.

Day-to-day decision-making is guided by its values and Code of Conduct

SRV's values are timeless: sustainability, enthusiasm at work, result driven, courage in development and open collaboration. They are the firm foundation on which the company has built its operations for a long time – and which will continue to serve the company well going forward. Decisions are guided by the Code of Conduct, which covers matters such as safe working conditions, environmental issues and privacy protection. SRV's Code of Conduct is available on SRV's website.

All of SRV's companies, Board members, management and employees are obligated to comply with the Code of Conduct regardless of their position. SRV also seeks to get third parties, such as subcontractors and other cooperation partners, to commit to the Code of Conduct.

SRV has an Ethical Helpline through which anyone can anonymously report observed or suspected behaviour that contravenes the Code of Conduct. The company received two reports through the Ethical Helpline in 2017, and both cases were investigated by the internal audit function.

Trust is the cornerstone of value creation

During 2017, the company built a description of value creation around the SRV Approach. To obtain background information, the company interviewed customers, investors, financiers, decision-makers and influential players. Internal workshops discussed and defined the types of capital that are important to SRV, inputs, the role of value creation in projects, and the out-



ALL OF SRV'S COMPANIES, BOARD MEMBERS, MANAGEMENT AND EMPLOYEES ARE OBLIGATED TO COMPLY WITH THE CODE OF CONDUCT REGARDLESS OF THEIR POSITION.

puts and impacts of operations. Value creation is described on pages 20–21 of the Annual Review.

The aim is to turn the value creation model into one of the most important tools for developing business operations over unit and function boundaries. The model takes into account all kinds of capital, not just financial capital, and presents a broad range of inputs, outputs and impacts. It provides a new way of describing and presenting SRV's value creation and also serves the new information requirements of investors.

SRV's aim is to identify the areas in which the company makes decisions that create value (value for society) and in which decisions with a financial significance to SRV are made (value for SRV). The approach also identifies the criteria behind these decisions. Further information on value creation will be found on SRV's website.

Combating the grey economy with a professional touch

SRV is committed to promoting the prevention of the grey economy and economic crime, and is continually developing its operating methods and new tools to improve on-site safety and the transparency, legality and controllability of its entire supply chain.

The company's work to combat the grey economy is based on both long-term cooperation with the authorities and considerable investments in the development of its own processes. For instance, with the aid of the SRV Network Register, an IT-system

developed by SRV to combat grey economy, it is easy to ensure that tasks are carried out by SRV-approved contractors, and also to detect false contractor's liability documents. For more on SRV's cooperation with the Tax Administration on issues such as combating the grey economy, see page 37.

Level of performance is measured at the grey economy prevention days

At the quarterly grey economy prevention days, problem areas are highlighted and guidance is provided for personnel on contractors' obligations and liabilities, for instance. The grey economy prevention days concern all active SRV sites.

Four grey economy prevention days were held in 2017. On these days, construction sites inspected the documents required by contractors and their subcontractors under the Act on the Contractor's Obligations and Liability. The sites also inspected the personal identifications of all those working on site, determined their employers and tax numbers, and ensured they had received proper orientation. A summary of the coverage of the grey economy prevention days is presented in the accompanying table.

The results indicate that the greatest challenges involve orientation, site-attendance registration, and use of identity cards. SRV will respond to challenges by stepping up random checks as well as improving site fences and keeping them in good condition. If a person is on site without an identity card or has not completed orientation, his or her employer is always contacted and asked for a report. Orientation stickers indicate successfully complet-

ed orientation. They have been used on all SRV sites already for close to 10 years.

In 2017, the authorities performed six (6) separate inspections relating to contractors' obligations and liability. No deviations were found and SRV retained its zero-error status. In addition, a client carried out two inspections relating to these obligations at its sites (which are being implemented by SRV). These, too, found no errors.

The project management model has a wide-ranging impact on employment

SRV's construction projects in Finland are mainly carried out either as own development projects developer-contracted or construction contracts, which SRV's own experts and construction partner network implement efficiently, applying the SRV project management model. Although SRV has a lower number of employees in relation to its competitors, it employs significantly more subcontractors and suppliers thanks to its project management model. SRV's impact on employment therefore extends a long way down the value chain.

In 2017, SRV had a total of 4,857 (4,297) contractors working on a total of 90 (93) construction sites. 33,954 (27,391) people were recorded as working on the construction sites, of which 75.1 (75.8) per cent were Finnish and 24.9 (24.2) per cent were foreign. The most common foreign nationalities found on construction sites were Estonian, Polish, Latvian and Russian. People of over 100 nationalities work on SRV's sites.

When SRV makes an agreement with a foreign worker for work to be performed in Finland, their employment contract will comply with

Grey economy prevention days 2017

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Number of participating sites (of active sites)	48	45	42	44
Participating sites (of active sites), %	100	98	100	100
Total workforce on active sites (persons) (according to Network Register)	4,298	4,176	3,910	3,848
Number of workers inspected	3,390	2,585	2,296	2,483
Workers inspected, %	78.9	62.0	58.7	64.5
Number of companies inspected	1,134	971	892	1,009

AT THE GREY ECONOMY PREVENTION DAYS, PROBLEM AREAS ARE HIGHLIGHTED AND GUIDANCE IS PROVIDED ON CONTRACTORS' OBLIGATIONS AND LIABILITIES, FOR INSTANCE.

the same legislation and norms as for Finnish employees. The construction industry's current collective agreements apply to all workers hired by Finnish companies, both Finnish and foreign alike. Page 47 of this Annual Review features an article on the employees of a Polish contractor on an SRV site.

SRV as an employer and taxpayer

SRV has a significant impact on the surrounding community as both an employer and taxpayer. At the end of 2017, SRV employed 1,134 (1,081) people, of which 156 (181) worked for foreign subsidiaries. SRV pays its taxes and tax-like charges in accordance with local legislation.

A significant proportion of tax-like charges consist of salary-related taxes and VAT on goods and services. SRV also pays other taxes, such as income tax, transfer tax, and property tax. The company's impact as an indirect taxpayer is also considerable – SRV generates indirect revenue for the State from the income tax and social security payments paid via subcontracting and hired labour. More information about the taxes and tax-like charges paid by SRV in 2017 is presented in the accompanying table.

Collected taxes paid and Indirectly paid taxes in Finland

COLLECTED TAXES PAID IN FINLAND (EUR million)	2017	2016	2015
Payroll taxes	18	16	15
Social cost	1	1	1
Net VAT ¹	115	44	43
Corporate income tax	1	2	3
Collected taxes paid, total	135	63	62
Indirectly paid taxes in Finland²			
Indirectly paid payroll taxes	71	48	38
Indirectly paid social cost	13	8	7
Indirectly paid taxes, total (subcontractors and suppliers)	84	56	45
Subcontracting			
Subcontracting	219	174	155
External services	669	508	387

¹ The figures include SRV's share related to holding from the largest joint venture in Finland.

² Based on company's estimation.

CASE: Cooperation puts the tax authorities in touch with real-world challenges

Efforts to combat the grey economy are developed in cooperation with the authorities. Senior Advisor **Perttu Puukko** from the Finnish Tax Administration feels that electronic solutions are changing the construction industry and introducing new means of combating the grey economy.

"The construction industry is ahead of other sectors in its deployment of e-solutions – it is blazing the trail. Electronic collection and reporting of information steps up the efficiency of operations across the board. This also benefits efforts to combat the grey economy", says Puukko.

SRV uses the Network Register* to submit its statutory monthly report on workers at sites to the tax authorities. The company is also praised for its real-time information and reporting that goes beyond the minimum statutory requirements.

"In some situations, SRV already provides us with information that exceeds the minimum. One example is employee-level information. The real-time functionalities of the SRV Network Register facilitate more comprehensive reporting", says Puukko.

SRV's proactive attitude has helped to ensure smooth cooperation even when dealing with tough issues.



"Pilot projects are always necessary during development and SRV has always been prepared to do its part. The company has had the will to not only comply with the official requirements in its operations, but also go several steps beyond. One good example is the company's grey economy prevention days, which also provide us with valuable information", says Puukko.

"It's important for us at the Tax Administration to listen to stakeholder groups, such as through pilot projects – after all, in practice, things happen in the field. We gain real-world experiences and information about what works and what doesn't."

According to Perttu Puukko the new electronic solutions also benefit combating the grey economy.

HIGH-QUALITY CONSTRUCTION STANDS UP TO TIME AND SAVES ENVIRONMENT

SRV aims to provide the best customer experience in the construction business. The company’s high-quality and sustainable construction is based on professionally skilled personnel, the will to do things right, and ensuring that all the building blocks of quality are in place.

Well-functioning management systems play an integral part in high-quality operations, production efficiency, undisrupted implementation and consistent quality of the end product. SRV obtained ISO 9001 quality system certification for its construction operations in Finland in summer 2017, and towards the end of the year obtained ISO14001 environmental system certification and OHSAS 18001 occupational health and safety management certification.

A satisfied customer is the sign of good quality

A satisfied customer whose needs have been understood and fulfilled is the sign of good quality. The quality system of SRV’s construction process comprises project-specific quality design, the implementation and monitoring of design, monitoring of results, development of the operating model as well as training the employees who implement the system and maintaining their awareness. In practical implementation, the quality system is supported with model documents and descriptions of operating methods.

All work phases up to the possession transfer and commissioning of the completed building are carefully planned beforehand. The company assesses the risks of the project and prepares for them. During implementation, both the work and the quality of the end product are

WELL-FUNCTIONING MANAGEMENT SYSTEMS PLAY AN INTEGRAL PART IN HIGH-QUALITY OPERATIONS AND PRODUCTION EFFICIENCY.



verified with inspections. Mobile tools ensure that work supervisors are using up-to-date plans and can focus effectively on quality control.

Construction operations are monitored with regular internal quality inspections that assess both operations and the documentation prepared during the work. Inspections delve into matters with a key quality impact, such as systematic planning, the quality of plans, time control and the management of procurements and costs.

Long-term efforts geared towards real impact

SRV's environmental efforts are based on commitment to compliance with laws, environmental protection, and the development and continuous improvement of the standard of operations in accordance with an environmental management system. SRV also requires its subcontractors and partners to follow the same principles and comply with its guidelines.

The main objective in 2017 was to update the Group's environmental policy and set long-term objectives for environmental activities. Both are an integral part of the ISO 14001 environmental management system certification process, which was completed in full in autumn 2017. At the same time, the management processes were updated to the level required by the standard.

In accordance with its environmental policy, the goals of SRV's environmental activities are developing material efficiency and waste management on sites, reducing energy consumption of sites, implementing projects and buildings that place a smaller burden on the environment and encouraging partners to develop more sustainable operating methods.

Environmental plans guide site operations

The environmental impacts of sites are mainly caused by construction wastes, noise and dust, vibration, the consumption of energy, water and materials, and transportation. The management of run-off water, excavation water and chemicals is of key importance in preventing environmental contamination.

At SRV's sites in Finland, environmental activities are based on the environmental plan, waste management plan and other management plans drafted to address the special characteristics of the site. The environmental risks of subcontractors and means of preventing them are reviewed during contract negotiations, weekly



site meetings and the risk assessments of each work phase. When on-site operations begin, a kick-off meeting is held to deal with site safety and environmental issues, and an environmental officer is appointed for each site to coordinate environmental activities.

In SRV's own construction projects, project-specific environmental targets are defined together with the customer. The aim is to provide customers with enough information on factors with a significant bearing on environmental impacts for use in their decision-making, starting from the design phase.

Environmental indicators are monitored with a browser-based system into which information on waste volumes and the energy and water consumption is entered. The system is updated monthly, enabling quarterly reporting of the actual situation to line management. Statistics on the previous year are compiled and analysed at the beginning of the year for annual reporting and management reviews. Management reviews specify the objectives of environmental system development and the measures to be taken.

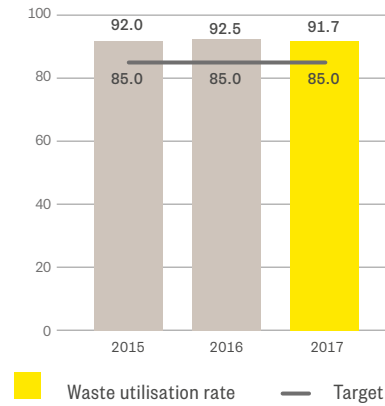
Material and energy efficiency as priorities

Material efficiency and minimising the amount of waste are main objectives of SRV's environmental activities. Design and procurement steering influence the selection of materials and technical solutions, but design in particular should ensure successful procurements. Sites ensure that waste is sorted to the maximum possible extent before it leaves the site. A waste management plan is drawn up on every construction site in collaboration with the waste management contractor.

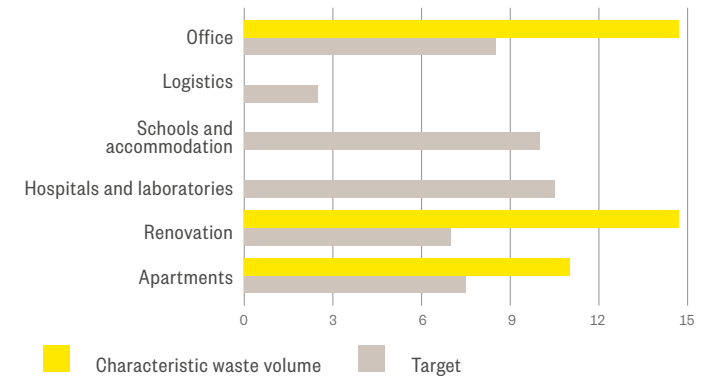
As from 2016, new projects have been covered by targets for the characteristic waste volume and sorting-at-source rate, which are set by type of building. The first sites for which these targets were set during the target meetings were completed in 2017.

Sites use a great deal of energy in different forms. Due to climate conditions, the greatest amount of energy is spent for heating. SRV seeks to improve energy efficiency by means such as equipment optimisation and updating equipment to current technology standards. The careful implementation of through-holes, covering the holes and weather protection can also impact on energy needs.

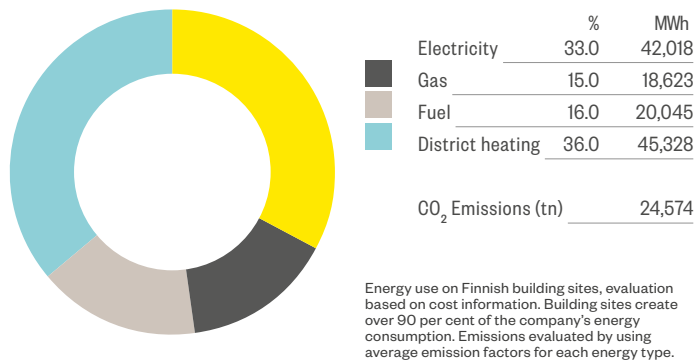
Waste utilisation rate¹ (%)



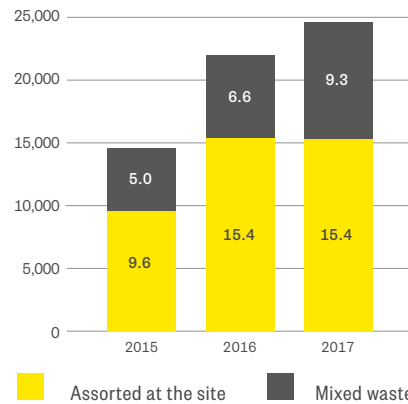
Characteristic waste volume per construction type² (kg/rm³)



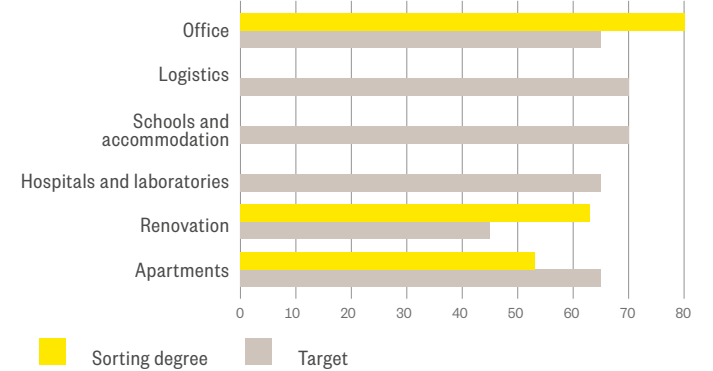
Energy use (%)



Construction waste¹ (1,000 tonnes)



Sorting degree per construction type² (%)



¹Finnish worksites. Reported amounts do not include demolition waste or soil excavation waste.

²Finnish worksites, average of projects completed during 2017. Reported amounts do not include demolition waste or soil excavation waste.

MANAGEMENT PLANS ARE PREPARED ON CONSTRUCTION SITES IN ACCORDANCE WITH THE CONDITIONS AND INFORMATION IS COMMUNICATED TO OFFICIALS AND LOCAL COMMUNITIES.

Impacts on surrounding environment are taken into consideration in planning phase

Construction has impacts on the surrounding environment not only during the construction process, but also indirectly by creating new long-term environments. The impacts are caused by factors such as dust, noise, vibration, traffic arrangements and changes in the ecosystem.

Site planning seeks to minimise impacts on the surrounding environment. The site also takes care of reporting and communications to neighbourhood residents. Management plans are prepared on construction sites in accordance with the site conditions, and information about the site's impacts and schedules is communicated to officials and local communities. Special nature characteristics, such as protected living environments and species, are taken into consideration when construction is planned.

Significance of environmental certifications is rising

Environmental certification is becoming increasingly important to customers and property investors. Certification helps to guarantee that the property will retain its value even as regulations become ever stricter. In 2017, SRV had many projects in progress for which environmental certification is sought. Autokeskus Konala, REDI and the Karuselli shopping centre in Kerava seek GOLD-level LEED certification, while the Verso project of the Lappeenranta University of Technology has set its sights on a Very Good BreeAm rating.

CASE: Confrontation of building materials is pointless

Construction is subject to ever-stricter norms and guidelines. However, Antti Aaltonen, Project Manager at SRV, says that the company does not want to make decisions on which materials to use in construction on the basis of politics or regulations.

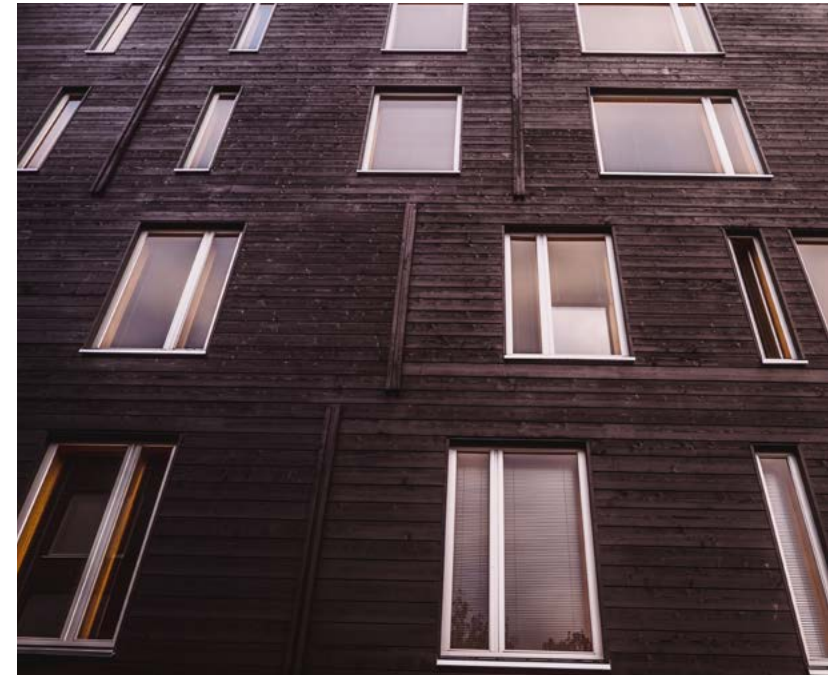
"The rule of thumb is to select the material that is suitable for the purpose at hand. From the perspective of construction companies, the confrontation of building materials is pointless, because there is no one correct alternative", says Aaltonen.

He says that the issue should be determined with a close eye on design and focusing on the user and usability.

"Most good and well-functioning buildings are so called hybrids: for instance, the hall buildings might feature concrete pillars and wooden beams, connected with steel fasteners. Even when you're making a wooden building, you also need concrete and steel", says Aaltonen.

Well, then, what about competition between materials? Wouldn't it be good to have consistent criteria for materials to ensure impartial and open competition?

"Ideally, construction companies should have three or more viable frame alternatives to choose from. All of these should be just as good – concepts that are



The rule of thumb is to select the material that is suitable for the purpose at hand.

equally complete and easy to implement. However, at present, concrete is clearly the dominant material."

In line with its strategy, SRV is always among the first in its field to adopt new innovations, and this is true of building materials, too.

"We're currently working on truly impressive, but also challenging wood projects. For instance, wood will be used more widely in construction in the future, and not just in detached houses. We already have references in this type of construction, giving us a competitive edge when negotiating for new projects of this kind. Back in the day, the same competitive edge helped us with alliance projects too", says Aaltonen.

"Most good and well-functioning hall buildings are so called hybrids. They feature a variety of materials."



Antti Aaltonen, Project Manager

CASE: Granite cladding to be reused for new facades in the Lapinmäentie project

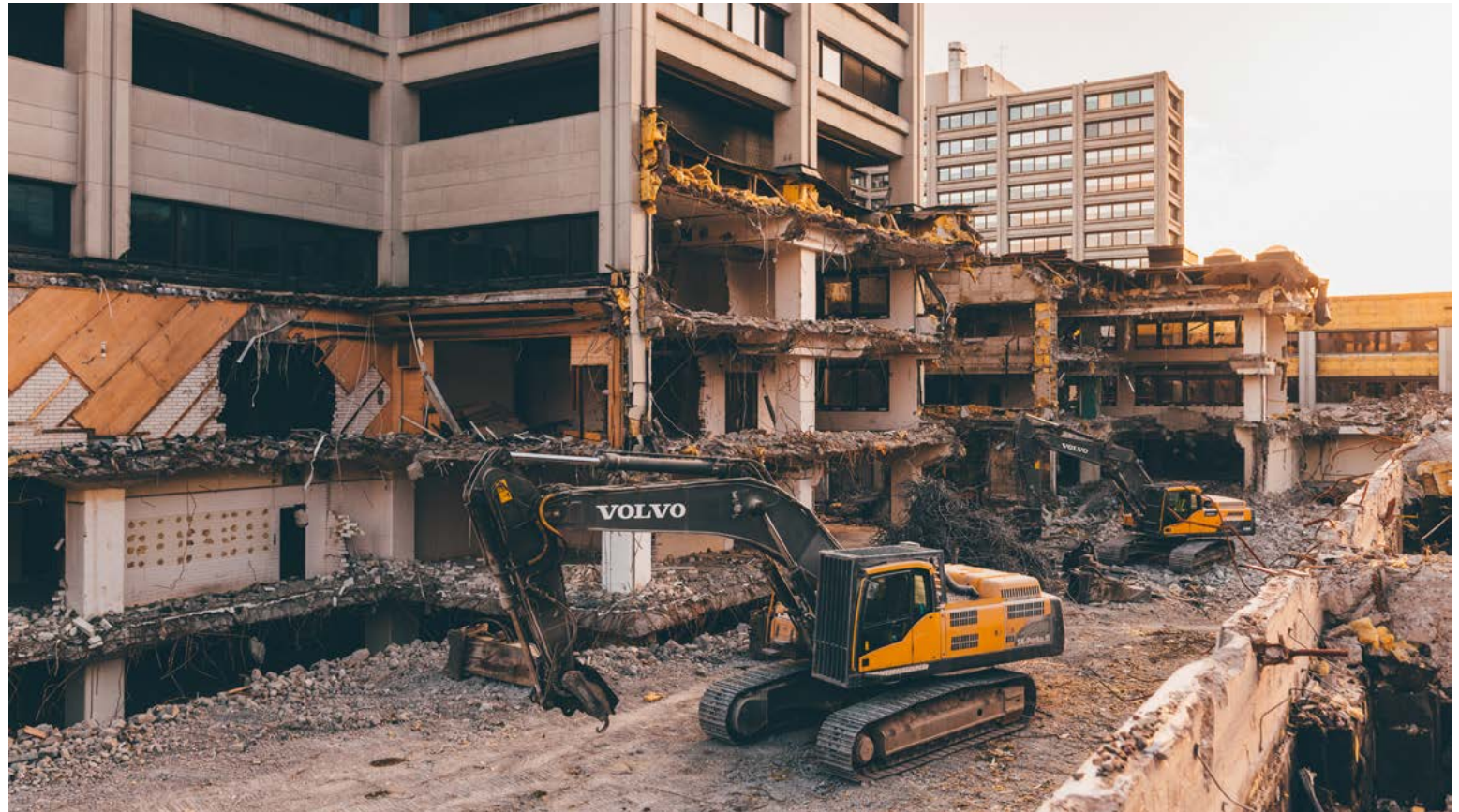
The Lapinmäentie project in Munkkivuori, Helsinki, took a major leap forward when the renewal of the block began in October with large-scale demolition work. The aim is to recycle 95 per cent of the demolition waste.

The old main building – Tower A and its foundations, which is known as the Pohjola Building – will be renovated. The other sections will be demolished, largely down to the cellar foundation slabs, while the retained sections, such as the swimming pool area, will be torn down to the park level. The total scope of this work is 45,000 square meter. Over the next years, seven residential towers will be erected on the plot.

The demolition works are expected to be completed in summer 2018. By then, around 130,000 tonnes of waste, such as concrete and bricks, will have been removed from the site.

“Demolition wastes are loaded into large lorry containers measuring 50 cubic metres – but even so, it will take more than 1,000 loads to transport it all”, say Design Manager **Henri Nyroos** and Project Manager **Kimmo Hyry**.

“Other waste fractions will most likely amount to just under 20,000 tonnes.”



The demolition work at Lapinmäentie started in October 2017.

About 1,500 cubic metres of granite cladding will be removed intact from the facade. They will be used in the new facade of the remaining section and in the yard for gate construction”, says Nyroos.

Most of the demolition wastes consist of concrete and bricks, which are crushed and used in a variety of earthworks. At the beginning, it was assessed whether

it would be possible to utilise demolition wastes on the site, thereby reducing the need for transport. However, plot logistics and scheduling posed problems. The area is cramped and does not have enough space to store the required amount of crushed material.

During the demolition process, the materials are sorted according to their further processing. Rebars are removed

from concrete. The concrete material is pulverised, magnetically separated and loaded for transport. Hazardous wastes and asbestos are delivered to Päijät-Hämeen Jätehuolto Oy. Metals are recycled by Kuusakoski Oy, along with clean wood and construction wastes. The demolition contractor reports and submits transport documents to SRV on a weekly basis.

GOOD ATTITUDE AND TAKING RESPONSIBILITY ARE THE KEY ELEMENTS OF SAFETY

SRV's safety activities are always based on exceeding legal requirements and being a safety pioneer in the construction industry. The company also requires the same standard of operations from its subcontractors and other partners.

SRV activities are guided by the Group's health and safety policy. On-site safety is based on preventative measures, orientation training, and following work safety instructions. Everyone working on SRV's construction sites has both the right and obligation to look after their own safety and the safety of others. The grey economy and economic crime hinder work safety risk management. Therefore transparency and knowing your business partners are important requirements also for promoting work safety.

SRV's long-term target is to achieve a zero-accident level. SRV is committed to practices supporting the zero-accident target in its operations.

SRV is the Safe Organisation of the Year

SRV was honoured as the Safe Organisation of the Year 2017 for its long-term safety efforts. The award is handed out by Turvallisuus- ja riskienhallinta, the journal of safety and risk management. The award is granted to an organisation whose safety operations have been organised exceptionally well and who has created a positive safety culture.

At the practical level, safety means, for instance, ensuring that sites are kept tidy and there is a low threshold for intervening in problems. Active making and recording safety observations is important, as early intervention into even the smallest of deviations can prevent serious consequences. The Network Register, developed in cooperation with the Finnish Tax Administration, also tangibly in-

creases the safety of employees and construction sites as well as promotes efforts to combat the grey economy.

Corporate Executive safety inspections support implementation

Safety is a top priority for SRV's top management and safety organisation. SRV's management takes an ongoing interest in work safety and its supervision. Site supervision is continuous, and the statutory weekly site inspection, TR measurement (for building construction) or MVR measurement (for civil engineering), is performed on a weekly basis. All safety deviations are investigated and reported.

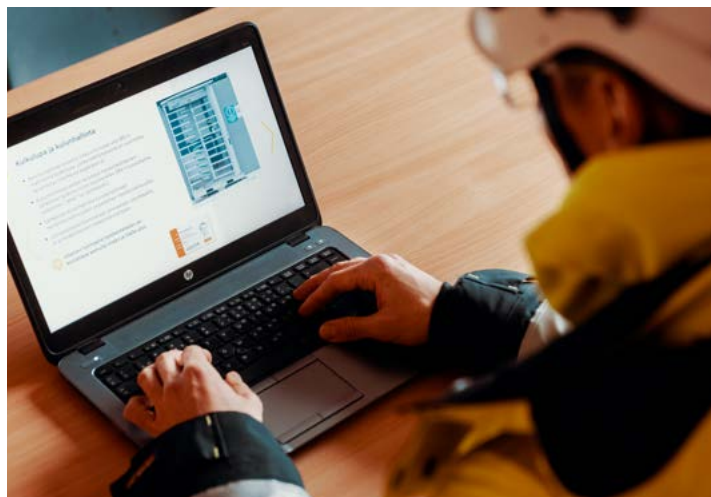
CASE: Remote orientation contributes to smooth operations and consistent quality

SRV introduced a remote orientation system in 2017. It seeks to standardise orientation practices and facilitate the collection of information on workers and their employers. Remote orientation comprises two components: general safety orientation and site-specific orientation, which the employee must complete and pass before arriving on the site.

"Remote orientation is one of our quality assurance tools. Previously, we had as many ways of working as we had sites. Now,

remote orientation enables us to ensure consistent quality in our orientation process", says SRV's Safety Manager **Jari Korpisaari**.

The system is user-friendly and works on all devices. Pre-prepared materials ensure consistent quality and familiarise workers with SRV's operating methods. Those coming to work at a new site can rest assured that the guidelines and rules are the same from one site to another. By the end of 2017, as many as two-thirds of the sites were using the system. Workers had completed



1,100 remote orientation sessions. The aim for 2018 is to complete 25,000 remote orientation sessions.

In 2018, remote orientation will also be launched in the most common languages used in the construction industry: English, Estonian, Russian and Polish. Foreign-language speakers accounted for 24.9 per cent of workers in 2017.

"Orientation had posed challenges. We were uncertain about whether workers understood its content and whether the translators had adequately conveyed SRV's safety culture. A standardised system that will be used by everyone eliminates these uncertainties", says Korpisaari.

The Corporate Executive safety inspections are part of implementation efforts and all Corporate Executive Team members carry out at least four safety inspections each year from year 2018 on. The aim is to demonstrate the importance of safety efforts to everyone. At the same time, the inspections also enable executives to personally observe the standard of operations on sites.

During the inspection, working methods, risks related to machinery and equipment, the working environment, site cleanliness, the clarity and availability of instructions, the general level of safety and safety management are observed. In 2017, 10 corporate executive safety inspections were carried out at different sites.

Orientation training utilises new technology

High-quality orientation also has a significant impact on improving occupational safety. During orientation training, everyone working on a project receives all of the essential information about the company, the project and its special features. In 2017, 64,508 people completed orientation on SRV's sites in Finland.

SRV introduced a remote orientation training system in 2017. It seeks to standardise orientation training practices and facilitate the collection of information on workers and their employ-

ers. A total of 1,100 remote orientation training sessions were carried out in 2017. For more on remote orientation training, see page 43 of the Annual Review.

Positive development in occupational safety

In 2017, the themes of occupational safety efforts were still the development of collecting and analysing safety observations, new electronic solutions, increasing management commitment and the efficient implementation of safety efforts. SRV Site STEP safety training was started as part of the broader training offering, a supplier was selected for the new electronic observation tool and corporate executive safety inspections started as planned. All sites participated in the annual internal occupational safety competition. In addition, Operations in Finland once again attained level 3 ("On the way to international leadership") in the Zero Accident Forum.

There was positive development in occupational safety in 2017. The number of safety observations remained on the 2016 level and 3,600 safety observations were recorded in 2017.

The accident frequency for SRV's own personnel decreased by about 60 per cent on 2016. In 2017, SRV's accident frequency was 5.6 (accidents per million hours worked) for its own personnel and 17.6 for contractors' employees.

OCCUPATIONAL SAFETY	2017	2016
Lost-time injury frequency (LTIF) rate (SRV personnel, number/one million hours worked)	5.6	14.6
Lost-time injury frequency (LTIF) rate (subcontractors, number/one million hours worked)	17.6	20.8
Lost-time injuries (SRV personnel) number of	8	11
Lost-time injuries, serious (SRV personnel) number of	2	2
Lost-time injuries (sub-contractors) number of	118	103
Lost-time injuries, serious (sub-contractors) number of	6	11
Weekly statutory construction site safety measurement, average, SRV sites (%)	93.6	94.6
Weekly statutory construction site safety measurements performed, number of	2,332	2,500
Safety observations, number of	3,594	3,500

CASE: Everyone must do their part to ensure safety

The day has already started at the Espoon Piruetti site when **Juha Toimela**, SVP, Operations in Finland, steps into the site office and greets everyone cheerfully. It's time for the corporate executive safety inspection. All Corporate Executive Team members are expected to complete at least four safety inspections each year. The aim is to commit executives even more firmly to safety efforts and to demonstrate the importance of these efforts to everyone.

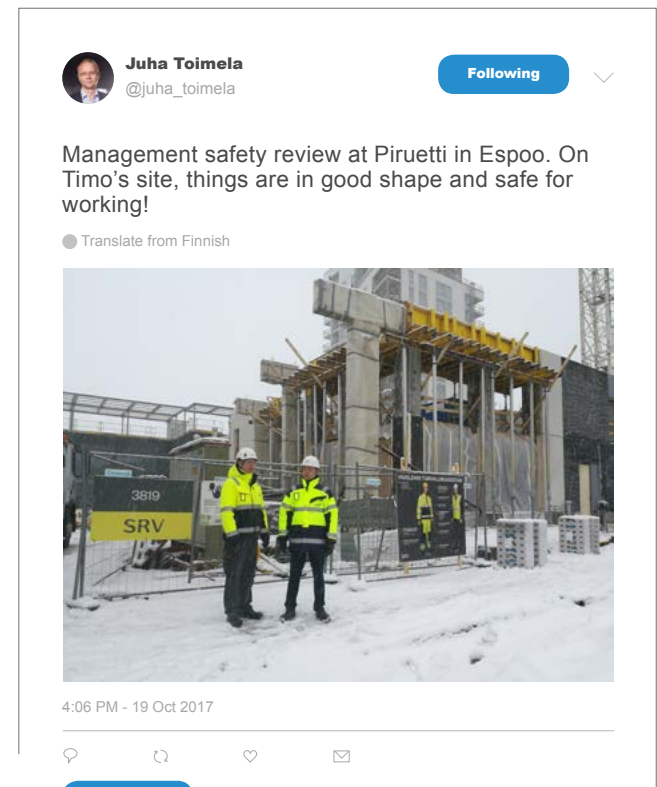
"The safety level at our sites has improved over the years. However, even one

occupational accident is one too many. We set out to ensure safety in all our operations. The entire work crew plans and prepares for the implementation of each work phase in order to assess the risks involved in it. This has clearly improved the preconditions for safe work. We've also achieved growth in the number of safety observations", says Juha Toimela.

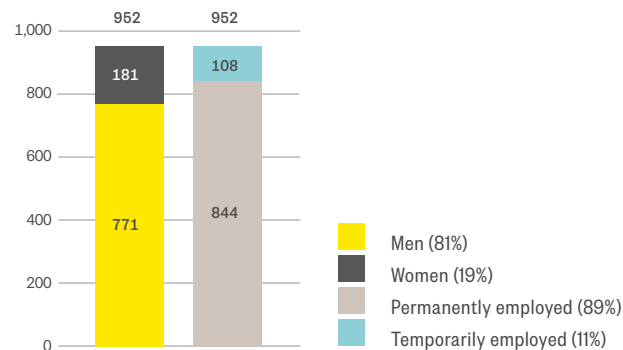
Timo Lavikainen, the Site Manager of Piruetti, puts on his hardhat and leads Toimela on a tour of the site. During the inspection, they

observe working methods, risks related to machinery and equipment, the working environment, site cleanliness, the clarity and availability of instructions, the general level of safety and safety management. All observations are recorded in an electronic reporting application. In 2017, 10 corporate executive safety inspections were carried out at different sites.

"Discussions with site personnel are always valuable, because executives get feedback on safety management from those who perform the work in the field", says Toimela.

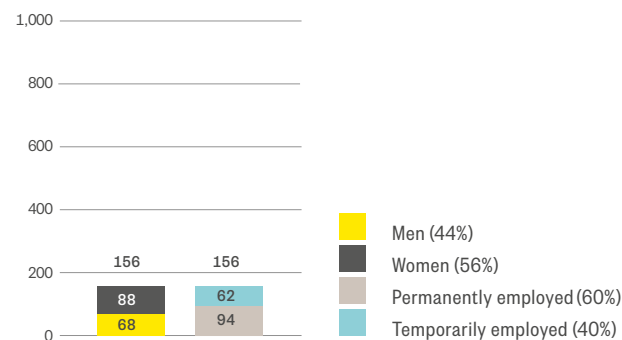


Employees¹ in Finland 2017 (persons)



¹ Personnel on 31 December 2017.

Employees¹ internationally 2017 (persons)



A total of 126 accidents leading to absence occurred on SRV construction sites during 2017, 8 of which were serious. 95 per cent was the 2017 goal for the TR measurements taken during the statutory weekly safety inspection required on building construction sites. SRV fell short of this target, with an average TR measurement of 93.6 per cent. Injuries on upper limbs, most of which were cut or compressed fingers, were the most common injuries in 2017. They were followed by lower limb injuries, of which the most common injury was a sprained ankle.

Systematic and ambitious safety efforts will continue in 2018 with the goal of zero accidents. The number of remote orientation training sessions and corporate executive safety inspections will be increased. More new technology will be utilised according to plans. SRV is seeking a level 2 ranking in the Zero Accident Forum. The company will continue to hold meetings with partners and UPA (safety audit by an external service provider) safety assessments of external service providers. The new SRV Safety system for monitoring achievements and objectives in safety efforts will be taken into use. A summary of safety goals and achievements is presented in the table on page 44.

A communal and inspiring workplace

The number of people employed by SRV has been growing. SRV employed 1,134 people (1,089) on average in 2017. At the end

of the year, 853 (806) of these worked in Operations in Finland and 156 (181) in International Operations. 99 (94) people worked in Group operations and SRV Kalusto. 24 per cent of SRV's personnel were women and 76 per cent men.

HR work in 2017 focused on occupational wellbeing, training and quality of management. SRV ranked well for the third time in Finland's Most Inspiring Workplaces competition. The company's goal is to rank among the top companies in the future. The personnel survey response rate increased to a delightful 82.1 per cent in 2017 and the results were clearly above the norm for (white-collar) employees. Efforts to improve wellbeing at work is decisively continued and the practical actions are planned and executed on a unit level.

There were 2.6 training days per employee in Finland (2.2) and more than 270 people were in the SiteSTEP training programme. In the building systems training program the participants have an opportunity to earn academic credits towards a degree. The Leader 2020 management training programme was completed by 38 participants, also the Executive Team took part in the programme.

A new model for the management of cooperation in occupational health with a new partner was adopted. In 2018, the aim is to further increase the number of training days. In addition, SRV is investing on the development of supervisory work and project management, among other things, by organising the Manager

A LONG-TERM OBJECTIVE IS TO ATTRACT THE BEST EXPERTS TO WORK AT SRV, IN LINE WITH THE COMPANY'S NEEDS. THIS REQUIRES ENHANCING THE COMPANY'S EMPLOYER IMAGE AND EMPLOYEE EXPERIENCE.

2020 programme, which about 140 SRV supervisors are participating in.

One important concrete goal is to increase and develop cooperation with educational institutions. A long-term objective is to attract the best experts in different areas to work at SRV, in line with the company's needs. At the practical level, this requires enhancing the company's employer image and employee experience.

SRV is committed to respecting human rights

Everyone at SRV is treated equally. Discrimination or harassment is not tolerated under any circumstances. The company takes steps to ensure that its subcontractors and other partners are also committed to respecting human rights. SRV is committed to compliance with its equality plan, which is part of the HR plan. The HR plan is updated annually.

At the practical level, the most important human rights in SRV's own operations are right to life, health, a safe and healthy working environment and privacy. In the supply chain, the company also pays attention to the right to reasonable and sufficient pay.

In 2017, SRV started assessing human rights impacts. The results will be reported on when the assessment is completed in spring 2018. The most important human rights impacts, risks and related risk management measures are described in the Report of the Board of Directors and the table on page 31.

WORKING IN A NETWORK REQUIRES COOPERATION AND TRUST

SRV cooperates with established subcontractors and partners, who commit to agreed operating methods and can demonstrate the sustainability of their operations.

The company is primarily involved in developer-contractor projects, its own development projects, or project management contracting. SRV's own experts and network of construction partners implement projects in accordance with the SRV project management model, which is why the company has a lower number of employees in relation to its competitors. However, it employs significantly more subcontractors and suppliers thanks to this project management model.

SRV's success is also tied to the successes of others in the network. Cooperation must be seamless. In a network of thousands of people, the majority of whom are partners' employees, long-term efforts are required to implement shared sustainable working methods on a practical level.

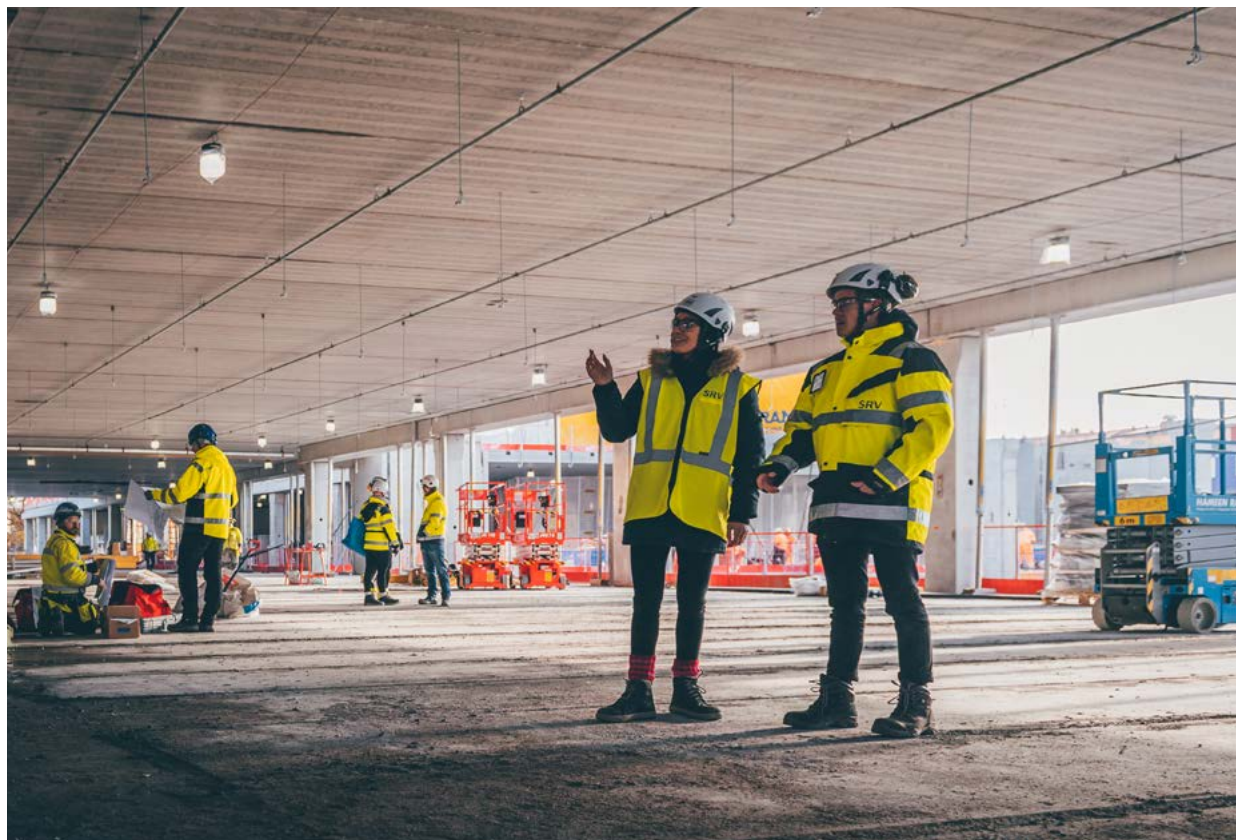
The Network Register ensures responsible operations

SRV adheres to official procurement procedures in the management of new suppliers and existing supplier relationships, and the Network Register is an element of this. The Network Register is an IT system that helps SRV to combat the grey economy, promote cooperation with the authorities, improve construction site safety, and ensure a continuous overall picture of large projects.

The Network Register makes it easy to monitor the status of contractors' liability documentation and ensure that tasks are performed by SRV-approved contractors. SRV's subcontractors commit to carrying out the agreed contract themselves. Contracts may not be sold on or transferred without SRV's express permission.

The SRV Network Register also facilitates the management of foreign employees. The register contains details of every foreign employee's statutory documentation, such as a copy of their passport, their employer's accident insurance, and information about their collective agreement applied. Foreign companies also supply documents required by the Act on the Contractor's Obligations and Liability, as per their country of domicile.

New features of the Network Register were introduced in 2017, including adding checks of user rights into the system in order to prevent



THE COOPERATION WITH THE PARTNER NETWORK MUST BE SEAMLESS.

misuse. The introduction of the Network Register has generated practical benefits for SRV as a whole, the authorities and, indirectly, also the entire industry. For more on SRV's cooperation with the Finnish Tax Administration, such as on the development of the SRV Network Register, see page 37 of the Annual Review.

Progress in the development of sustainable procurements

In its procurements, SRV is committed to operating responsibly and sustainably. Contractors and subcontractors commit to complying with SRV's sustainability requirements when they sign the Construction Contract Programme, which is appended to every agreement. The Construction Contract Programme also requires contractors' subcontractors to commit to compliance with the programme's requirements. The requirements set out in the Construction Contract Programme have been updated to be consistent with SRV's Code of Conduct. In future, sustainability requirements will also be included in agreements or separate supplier requirements. The issue is considered as part of the development of overall sustainability in procurements.

The development of sustainable procurements took a leap forward when a working group was established to promote the issue. The team consists of procurement and sustainability experts, and its aim is to ensure that sustainability requirements are truly implemented at the practical level in the procurement of both services (work) and materials. Processes will be developed and the assessment and monitoring of the suppliers of subcontractors will be boosted and expanded to cover elements other than financial responsibility as well. One example is the cooperation started with Asiakastieto, from which SRV will receive more extensive background reports on suppliers. Cooperation enhances supervision efficiency and frees up resources for use in other aspects of supplier (sustainability) risk management.

The goal for 2018 is that 100 per cent of subcontractors will be members of Tilajavastuu.fi, a register for information stipulated in the Act on the Contractor's Obligations and Liability. Regular partner meetings will also continue to be held, as in 2017. In addition, guidelines will be drafted for the inspection of risk categories. A longer-term objective is to continuously (and verifiably) improve the level of sustainability in the partner network and integrate the management of contractual partner risks into the normal process, also with respect to sustainability. This also supports the aim of increasing awareness of sustainable operations in the partner network.

CASE: Multi-talented international experts on SRV's sites

Of those working on SRV's construction sites 24.9 per cent are foreign. Most of them are employed by subcontractors. One of these subcontractors is Real Construct, a Polish firm specialising in auxiliary construction work. SRV has cooperated with the company for 10 years now on projects such as Bio-medicum, Helsinki City Theatre and the new campus building of Aalto University.

"For each project, we assemble a suitable team capable of carrying out the widest range of construction work. For instance, a bricklayer should also be able to perform professional levelling and reinforcement. Stints abroad usually last a few months", says **Andrzej Daszynski**, Regional Director, Finland at Real Construct.

The company has received particularly good feedback on how well it handles safety issues. "The safety of workers is one of our main priorities, no one wants to get injured. At our headquarters in Krakow, we also deal with occupational safety issues every day. It's important for workers to understand how to follow all the safety instructions in the field.

"We earn our place at the site by doing our work well."

Maciek Florek, Real Construct



SRV has cooperated with Real Construct for 10 years.

If we notice any safety risks, we comment on them immediately", says Daszynski.

The team leader, **Maciek Florek**, provides orientation to every Real Construct employee who arrives on site. He translates the site orientation and work risk assessments into Polish, and ensures that the workers have truly understood the instructions. On site, Florek himself communicates in English. He has not run into any actual language problems on sites. "We've always come to an understanding", says Florek with a laugh.

At SRV sites, everyone must be treated equally. Discrimination in any form is not accepted.

"New foreign workers arriving at a new site are always put under a magnifying glass. The quality of their work is evaluated very critically. We gain credibility and earn our place by doing our work well. This can take a few months, but after that, cooperation flows smoothly", says Florek.

In 2017, SRV had a total of 4,857 contractors working on a total of 90 construction sites. 33,954 people were recorded as working on the construction sites, of which 75.1 per cent were Finnish and 24.9 per cent were foreign. The most common foreign nationalities found on construction sites were Estonian, Polish, Latvian and Russian. People of over 100 nationalities work on SRV's sites.

STAKEHOLDERS EXPECT OPENNESS AND CONCRETE ACTIONS

The basic assumption behind sustainability is that communications are open, operations are transparent and the views of stakeholders influence operations.

SRV’s communications seek to provide information about the company’s business activities and operating environment so that its various stakeholders can form a correct and justified picture of the company. In crisis situations, SRV adheres to three general principles: communications must be fast, based on facts, and seek to establish open discussion with other parties impacted by the crisis.

Although statutory requirements keep mounting, and the company must respond to them, it is also important to carefully listen to the needs and wishes of stakeholders. Any stakeholder can in its turn step into the role of a customer, and the customer experience is vital for reputation and trust. In 2018, stakeholders expect even more concrete action from companies to tackle major sustainability challenges.

SRV’s most important stakeholders are its personnel, the Board of Directors and management, customers, shareholders, investors, financiers, partners, local associations, neighbours at construction sites, the authorities, the media, NGOs and other partner associations. The table on the next page presents what different stakeholders are interested in and how SRV interacts with them.

The value creation model draws on the views of stakeholders

The themes and perspectives of SRV’s sustainability programme (page 34) are based on the stakeholder survey carried out in 2016. In 2017, the company interviewed customers, investors, financiers, decision-makers and influential players. These stakeholders were asked about their views on issues such as SRV’s strategy. That said, the main focus was on sustainability themes and decision-making criteria, both now and in the future. The results of the survey were used in the description of SRV’s value creation model, which is presented on pages 20–21 of the Annual Review.

SRV seeks to involve stakeholders even more closely in the development of business operations as well, such as by inviting them to participate in design in the early phase of a project. One exam-

SRV’s stakeholders

STAKEHOLDER GROUPS	MAIN EXPECTATIONS, NEEDS	HOW SRV INTERACTS WITH STAKEHOLDER GROUPS?
OWN PERSONNEL	Safety and wellbeing at work, training and development, good corporate spirit, strong reputation, ethically sound behaviour, financial performance and stability	Personnel survey, development discussions, internal communications, day to day manager work, personnel initiatives, recreational activities, personnel representation, advisory board
BOARD AND MANAGEMENT	Share value development, building and protecting brand and reputation, risk management, financial performance and stability	Board of directors meetings, corporate executive meeting, annual general meeting
CUSTOMERS, CLIENTS (private homebuyers, property investors, users of premises, developers, landowners)	Customer experience, quality, tailor made solutions, flexibility, easiness and safety of buying, predictability, innovations, location, services, return on investment, brand and reputation, ecological viewpoints, ethically sound behaviour, financial performance and stability	Sales and marketing, face to face meetings, content creation, joint development projects, research, surveys, customer engagement, events, external communication
SHAREHOLDERS, INVESTORS, FINANCIERS, ANALYSTS	Share value development, building and protecting brand and reputation, risk management, ESG requirements, financial performance and stability	Annual general meeting, investor relations activities, answering to e.g. ESG inquiries, participating investor events, presentations, external communications
PARTNERS (subcontractors, suppliers, designers, consultants, other partners)	Trustworthiness, fair competition, good reputation, interesting projects, financial performance and stability	Face to face meetings, tenders, training, information events, external communications
INDUSTRY ASSOCIATIONS	Promoting industry interests, agreements, joint statements, preparing for future legislation	Participating to activities, meetings, committee work, events, presentations
AUTHORITIES, DECISION MAKERS	Facts, background information, expertise, efficiency, quality, addressing societal challenges	Continuous dialogue, meetings, providing information
MEDIA	Facts, interesting topics, openness and transparency, short response time, providing information and answers to questions, proactive communication	Interviews, meetings, events, external communications
NON-GOVERNMENTAL ORGANISATIONS, GENERAL PUBLIC, THE SOCIETY	Facts, background information, expertise, common interest, addressing societal challenges, openness and transparency, ethically sound behaviour	Answering to inquiries, providing information, meetings, external communications
LOCAL COMMUNITIES, NEIGHBOURHOODS	Being fair neighbours, low impact on everyday lives of communities, staying within pre-agreed schedules, minimising heavy traffic, danger, disturbance, noise, providing timely and accurate information, well organised site and surroundings, functioning walkways and driveways	Information events, everyday work and dialogue at sites, neighbour communications, external communications

ple of this is the residential towers in Keilaniemi. They are still being designed, but going forward SRV will hone the apartments together with those interested in them. For more on Keilaniemi, see page 25 of the Annual Review.

In 2017, SRV's representatives met with investors and analysts at both small-scale meetings and large public events. For instance, at the Sijoitus Invest fair at Messukeskus Helsinki, Expo and Convention Centre, they met hundreds of Finnish housing and share investors over a two-day period. More information for investors can be found on pages 60–61 of the Annual Review.

In June 2017, SRV celebrated its 30 years in business with a two-day party attended by several thousand people in Suvilahti, Helsinki. Personnel, partners, REDi neighbours and city residents were invited.

Cooperation supports the development of the entire industry

SRV is involved in industry development via close cooperation with other industry actors, such as the Confederation of Finnish Construction Industries RT. SRV is also an active member of Finnish Business and Society (FiBS). For instance, in 2017, SRV participated in a FiBS training programme on the assessment of human rights impacts. SRV representatives responsible for sustainability, project development, communications, legal affairs and R&D took part in this programme.

SRV is particularly active in its environmental responsibility efforts. In 2017, the company completed FiBS Carbon Neutral business training, participated in stakeholder workshops, events and training, and pondered biodiversity issues from the perspective of the construction industry at an action group of the Confederation of Finnish Construction Industries RT.

SRV also examined energy efficiency investments and participated in the annual Energy Awareness Week during the review year. SRV's representatives have been active in the Environment and Energy group of the Confederation of Finnish Construction Industries RT as well as Green Building Council Finland. In 2018, among other measures, the company seeks to participate in piloting the Levels framework for environmental performance and reporting in cooperation with other construction companies.



Nina Ebeling from LocalTapiola, Seppo Kopsa from SRV, Jari Korpisaari from SRV, Harri Leinikka from T-Media and Anne-Maria Flanagan from SRV participated in the panel discussion.

CASE: Thirty years of partnerships, past and future

The partner seminar held on the occasion of SRV's 30th anniversary in June pondered investors' requirements regarding sustainability as well as the significance of reputation in partnerships. Representatives of SRV's subcontractors were invited to the seminar. On that sunny day, dozens of interested parties arrived at the venue.

In the first guest speech, **Nina Ebeling**, Investment Manager at LocalTapiola, emphasised the tangible importance of sustainability in investment decisions.

"Sustainability is integral to the investment philosophy behind all of LocalTapiola's share and corporate loan investments. Investment decisions are based on our in-house analyses. The issues that investors

find important are the impact of sustainability factors on long-term value, risk management and profit potential", Ebeling summarised.

Harri Leinikka, CEO of T-Media, shed light on the significance of reputation in partnerships and how the reputation of a company influences stakeholder support for a company and thereby the decisions and operations of stakeholders.

"Will you buy from a company, invest in it or become its employee? Sustainability and responsibility will become significantly more important in business operations, and far more resources will be invested in them over the next five years", predicted Leinikka.

The lively panel discussion that concluded the seminar dealt with the challenges faced in highly networked operating models and how working in close-knit networks influences reputation. The panel also discussed enhancing occupational safety and combating the grey economy in subcontractor networks and at the site level.

"Good partners who know their business are critically important for SRV's success. When SRV develops the monitoring of its own network, it also has the interests of its partners in mind. Sustainable operations benefit all companies that do their job right in the entire chain", says **Seppo Kopsa**, Procurement Director at SRV.

CORPORATE GOVERNANCE

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SRV'S CORPORATE GOVERNANCE IS BASED ON FINNISH LEGISLATION, SRV'S ARTICLES OF ASSOCIATION AND THE 2015 FINNISH CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES. SRV'S SHARES ARE LISTED ON NASDAQ OMX HELSINKI, AND SRV OBSERVES THIS EXCHANGE'S RULES AND REGULATIONS FOR LISTED COMPANIES. THE COMPANY ALSO COMPLIES WITH THE REGULATIONS OF THE FINANCIAL SUPERVISORY AUTHORITY.



CORPORATE GOVERNANCE STATEMENT (CG Statement)

Introduction

SRV Group Plc (hereinafter SRV or the Company) adheres to the Finnish Corporate Governance Code for listed companies, as approved by the Securities Market Association. This Corporate Governance Statement (CG Statement) has been drafted in accordance with the Corporate Governance Code that entered into force on 1 January 2016. The Company has also published a separate salary and remuneration report in accordance with the Corporate Governance Code. The Corporate Governance Code is available in its entirety at the Internet site of the Securities Market Association, www.cgfinland.fi.

This statement is published separately from the Report of the Board of Directors. The CG Statement has been reviewed by the Audit Committee and approved by the Board of Directors.

In its corporate governance and decision-making, the Company complies with the Finnish Companies Act, regulations concerning listed companies, SRV's Articles of Association, the

standing orders of SRV's Board of Directors and its committees, and the rules and guidelines of Nasdaq Helsinki Oy.

Descriptions concerning Corporate Governance

Administrative structure

The administration, management and supervision of SRV are divided between the General Meeting of Shareholders, the Board of Directors, and the President & CEO. An internal auditing unit reporting to the Board of Directors is responsible for internal auditing, and external auditing is carried out by auditors. The President & CEO attends to line operations with the assistance of the Corporate Executive Team.

General Meeting

The General Meeting of Shareholders is SRV's highest decision-making body. The Annual General Meeting is held once a year by the end of June on a date determined by the Board of Directors.

The AGM makes decisions on matters such as the election and remuneration of Board members, the Chair of the Board, the auditor and deputy auditor; the adoption of the financial statements and consolidated financial statements; the release of Board members and the President & CEO from liability; and the disposal of profits as shown in the balance sheet. In addition, the General Meeting can deal with other matters specified in the Companies Act as being the business of General Meetings and matters included on the agenda by shareholders as set out in the Companies Act. An Extraordinary General Meeting shall be held when the Board of Directors deems it necessary or when required by law.

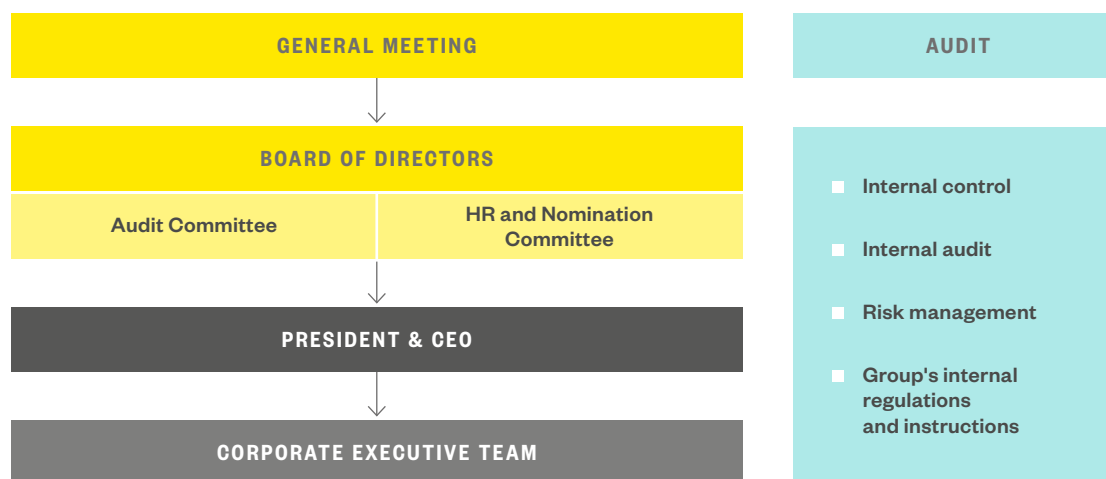
The President & CEO, the Chair of the Board and the members of the Board of Directors are present at General Meetings in order to ensure dialogue between shareholders and the Company's administrative bodies, and so that shareholders can exercise their right to request information. Anyone nominated for the Board of Directors must be present at the General Meeting that will decide on their election.

Each SRV share confers its holder the right to one vote at a General Meeting. In 2017, the Company's Annual General Meeting (AGM) was held on 23 March 2017. A total of 57 shareholders attended the meeting, representing about 63 per cent of the Company's shares and votes. The minutes of the AGM are available on the Company's website, [link](#).

Board of Directors

Election and composition of the Board of Directors

SRV's Board of Directors comprises five to eight members who are elected by the General Meeting. The General Meeting elects one of the Board members as its Chair. The Board of Directors' HR and Nomination Committee prepares the proposal to the General Meeting on the number of Board members to be elected, the candidates, and the Chair. The Board of Directors elects the Vice Chair from amongst its number. The term of office for Board members begins at the General Meeting at which they are elected and ends at the close of the next Annual General Meeting.



The following six members were elected to the Board of Directors at the 2017 AGM:

Name	Year of birth	Education	Main occupation
Ilpo Kokkila (Chair)	1947	MSc. (Tech.)	Pontos Oy, Chair of the Board
Olli-Pekka Kallasvuo (Vice Chair)	1953	Master of Laws, LL.D.h.c.	Investor
Minna Alitalo	1962	MSc. (Econ.)	Alko Oy, Executive Vice President, Purchasing and Logistics
Juhani Elomaa	1960	MSc. (Pol.), eMBA	Taaleri Plc, CEO and partner
Juhani Hintikka	1966	MSc. (Tech.)	Ficolo Oy, Chair of the Board
Timo Kokkila	1979	MSc. (Tech.)	Pontos Group, CEO

The General Meeting elected **Ilpo Kokkila** as Chair of the Board. The Board chose **Olli-Pekka Kallasvuo** as Vice Chair from among its members.

The Board members in 2017 also included **Arto Hiltunen** and **Risto Kyhälä**. Their membership ended at the 2017 AGM and the information below was valid on 23 March 2017.

Name	Year of birth	Education	Main occupation
Arto Hiltunen	1958	MSc. (Econ.)	Board professional
Risto Kyhälä	1963	MSc. (Tech.)	Avara Oy, Chair of the Board

Independence of Board members

The Board of Directors conducts an annual assessment of the independence of its members. Each Board member submits sufficient information for this purpose and also self-evaluates their independence. The Board of Directors then evaluates the independence of its members and announces which of its members have been deemed to be independent of the Company and of its major shareholders.

The Board of Directors has evaluated that, of the members, **Minna Alitalo**, **Juhani Elomaa**, **Juhani Hintikka** and **Olli-Pekka Kallasvuo** are independent of both the Company and its major shareholders. **Ilpo Kokkila** and **Timo Kokkila** are major shareholders and are not independent of the Company.

Shareholdings of the Board of Directors, 31 Dec. 2017

Name	Holding, 31 Dec. 2017
Ilpo Kokkila Share ownership in a company under his control (Kolpi Investments Oy)	- 11,505,457
Olli-Pekka Kallasvuo	133,332
Minna Alitalo	-
Juhani Elomaa	10,000
Juhani Hintikka	-
Timo Kokkila	7,617,216

Shareholdings include the shares owned by the Board member and any shares owned by a company under their control. Board members do not own shares in any other company that is part of the same group as SRV.

Information on the remuneration of Board members is disclosed in a separate salary and remuneration re-port published at the same time as this statement, [link](#).

Tasks and standing order of the Board of Directors

The Board of Directors has prepared written standing orders for its activities, specifying the key tasks and operating principles of the Board and its Chair. The Chair of the Board ensures and supervises that the Board efficiently and appropriately discharges the tasks set for it in legislation, the Articles of Association, and its rules of procedure.

The Board's task is to lead and supervise the Company's operations in accordance with the Companies Act, SRV's Articles of Association, and any other applicable legislation and regulations. The Board of Directors decides on matters of principle and far-reaching significance to the Group, including:

- approving and overseeing the Group's strategy;
- approving and overseeing the annual budget and action plan;
- approving and overseeing the principles for risk management and internal control;
- the most important business matters (such as acquisitions and significant contract agreements, investments and divestments);
- appointing the President & CEO and other members of the Corporate Executive Team, and approving the terms and conditions of their service contracts and remuneration schemes; and
- approving remuneration schemes for other personnel.

The standing orders of the Board of Directors are available in their entirety on the Company's website, [link](#).

Meetings of the Board of Directors

The Board of Directors meets regularly according to a preset schedule, and also when necessary. The Board of Directors is quorate when more than half of its members are present and one of them is the chair or the vice chair. The CEO and General Counsel, who serves as the secretary of the Board, participate in Board meetings. Other members of the Corporate Executive Team participate in Board meetings by invitation of the Board. The Board of Di-

rectors conducts an annual assessment of its activities and working procedures, and develops its activities based on the results.

The Board of Directors convened 17 times in 2017. Members had an average attendance rate of 97 per cent at Board meetings. The attendance record of Board members is as follows:

Name	Participation (%)	Present at
Ilpo Kokkila (Chair)	100	17/17
Olli-Pekka Kallasvuo (Vice Chair)	94	16/17
Minna Alitalo	100	17/17
Juhani Elomaa*	100	10/10
Juhani Hintikka*	100	10/10
Timo Kokkila	100	17/17
Arto Hiltunen**	86	6/7
Risto Kyhälä**	86	6/7

* Member of the Board as from 23 March 2017

** Member of the Board until 23 March 2017.

Diversity of the Board of Directors

The Company has drafted diversity principles for the Board of Directors. The Board of Directors' HR and Nomination Committee prepares the proposal to the General Meeting on the number of Board members to be elected, the candidates, and their remuneration. The committee must take the diversity requirement into consideration when preparing the proposal. In its preparatory work, the committee must evaluate the requirements set for the qualifications of Board members in light of the Company's situation. It must also assess how sufficiently diverse the Board is in terms of members' age and gender distribution, and other factors such as their experience, knowledge of the Company's business functions, and education. Board members must have sufficient competence and the ability to devote enough time to Board work, considering the current and planned needs of the Company. There must be an adequate number of Board members.

Members must have a range of different areas of expertise that support the achievement of the Company's current strategic objectives. In addition to expertise in the field of industry, these areas of expertise include finance and funding, digitalization, busi-

ness management, strategy development and management, and international business operations. Board members must have sufficient education that supports the Company's operations and achievement of objectives.

The Company has met the requirements set for diversity in the composition of the Board of Directors. All members of the Board of Directors have a university degree. Three have a masters in technology, one a masters in political science and an eMBA, one in economics, and one in law (trained on the bench). All Board members are serving or have served in corporate managerial or Board positions in different fields of business. The Board also has professional expertise in construction and property investments. In 2017, the ages of the Board members ranged from 38 to 70. Both genders are represented on the Board, with five men and one woman. In future, the Company will seek to ensure a more gender-balanced Board, not only through the competences required from Board members, but also in the preparation of the Board candidate proposal.

Board Committees

General

The Board of Directors has established two committees: an Audit Committee and an HR and Nomination Committee. The committees operate in accordance with the standing orders approved by the Board of Directors, and report to the Board. The committees do not have independent power of decision. Their task is to enhance the effectiveness of the Board of Directors by preparing matters for decision by the Board and the General Meeting.

Audit Committee

The Audit Committee assists the Board of Directors in its role in the preparation of financial reporting and supervision tasks as well as audit related matters. The Audit Committee monitors the Company's financial reporting and prepares matters concerning financial reporting, assessments and risk management for the Board. The Audit Committee follows trends in SRV's financial position, asks questions of the auditors, follows and reviews drafts of the financial statements and interim reports, and monitors the effectiveness of internal control, internal auditing and risk management systems. In addition, the Audit Committee prepares the election of the auditor for presentation to the General Meeting as well as monitors and

evaluates both the independence of the auditor and the non-audit services provided by the auditor.

The Audit Committee is comprised of three members whom the Board of Directors elects from amongst its number. The standing orders of the Audit Committee are available on the Company's website, [link](#).

Until the Annual General Meeting of 23 March 2017, the members of the Audit Committee were Minna Alitalo, Olli-Pekka Kallasvuo and Timo Kokkila, and from the Annual General Meeting of 23 March 2017 the members were Minna Alitalo, Juhani Elomaa and Timo Kokkila. Minna Alitalo chaired the Audit Committee in 2017.

The Audit Committee convened four times during 2017. The average attendance rate of Audit Committee members was 100 per cent. The attendance rate at Committee meetings is shown below:

Name	Participation (%)	Present at
Minna Alitalo	100	4/4
Juhani Elomaa *	100	3/3
Timo Kokkila	100	4/4
Olli-Pekka Kallasvuo **	100	1/1

* Member of the Audit Committee as from 23 March 2017

** Member of the Audit Committee until 23 March 2017

HR and Nomination Committee

The HR and Nomination Committee prepares the proposal concerning the election and remuneration of members of the Board of Directors and its Chair for presentation to the General Meeting. The committee also considers matters relating to the appointment and remuneration of the CEO and other management, and remuneration and incentives for personnel. The committee assesses the activities of senior management, oversees successor planning, plans competence development for management and personnel, and monitors personnel satisfaction and working capacity.

The HR and Nomination Committee comprises three members whom the Board of Directors elects from amongst its number. The standing orders of the HR and Nomination Committee are available on the Company's website, [link](#).

Until the Annual General Meeting of 23 March 2017, the members of the HR and Nomination Committee were Ilpo Kokkila, Arto Hiltunen and Risto Kyhälä, and from the Annual General Meeting of 23 March 2017 the

members were Ilpo Kokkila, Juhani Hintikka and Olli-Pekka Kallasvuo. Ilpo Kokkila chaired the HR and Nomination Committee in 2017.

The HR and Nomination Committee convened four times during 2017. The average attendance rate of HR and Nomination Committee members was 92 per cent. The attendance rate at Committee meetings is shown below:

Name	Participation (%)	Present at
Ilpo Kokkila	100	4/4
Juhani Hintikka *	100	3/3
Olli-Pekka Kallasvuo *	67	2/3
Arto Hiltunen **	100	1/1
Risto Kyhälä **	100	1/1

* Member of the HR and Nomination Committee as from 23 March 2017

** Member of the HR and Nomination Committee until 23 March 2017

President & CEO

The President & CEO attends to the practical management of SRV's business operations and administration. The CEO is responsible for preparing matters to be dealt with and decided by the Board of Directors, implementing the Board's decisions, and ensuring that any goals set by the Board are attained. The CEO ensures that the Company's bookkeeping complies with applicable legislation, and that funds are managed in a reliable manner. The CEO also serves as the Chair of the Corporate Executive Team. The Board of Directors appoints the CEO and Deputy CEO, and relieves them of their duties.

Juha Pekka Ojala (1963–), BSc. (CE), has served as President & CEO of SRV Group Plc as from 1 January 2015. The holdings of the President and CEO are disclosed below with the holdings of the Corporate Executive Team members. Information on the President & CEO agreement and his remuneration is disclosed in a separate salary and remuneration report published at the same time as this statement, [link](#).

SRV's Deputy CEO is **Timo Nieminen** (1958–), MSc. (Tech.).

Corporate Executive Team

The Corporate Executive Team assists the President & CEO in operational planning, line management, and decision-making. It also prepares matters to be dealt with by the Company's Board of Directors. The Corporate Executive Team handles matters concerning business operations and operational control and development.

The Corporate Executive Team does not have formal legal status. The Corporate Executive Team includes the President and CEO as the Chair and the members appointed by the Company's Board of Directors. Each member of the Corporate Executive Team has his or her own area of responsibility. The Vice President, Development Affairs acts as the secretary of the Corporate Executive Team.

On the publication date of this statement, the Corporate Executive Team included the following members:

Name	Year of birth	Education	Area of responsibility
Juha Pekka Ojala	1963	BSc. (CE)	President and CEO, Chair of the Corporate Executive Team
Timo Nieminen	1958	MSc. (Tech.)	Executive Vice President, Senior Vice President, Project Development, Deputy to CEO, Vice Chair of the Corporate Executive Team
Juha Toimela	1963	MSc. (Tech.), MBA	Executive Vice President, Senior Vice President, Operations in Finland
Pirjo Ahanen	1958	MSc. (Econ.)	Senior Vice President, Human Resources
Päivi Kauhanen	1975	High-school graduate	Senior Vice President, Communications
Veli-Matti Kullas	1956	MSc. (Tech.)	Senior Vice President, International Operations
Johanna Metsä-Tokila	1977	LL.M.	Senior Vice President, General Counsel
Antero Nuutinen	1963	BSc. (CE)	Senior Vice President, Housing and Regional Offices
Ilkka Pitkänen	1966	MSc. (Econ.)	CFO

Share ownership of the President and CEO and other Corporate Executive Team members at 31 Dec. 2017

Name	Holding, 31 Dec. 2017
Juha Pekka Ojala	259,205
Timo Nieminen	676,310
Juha Toimela	17,158
Pirjo Ahanen	2,832
Päivi Kauhanen	1,331
Veli-Matti Kullas	208,930
Johanna Metsä-Tokila	32,016
Antero Nuutinen	98,560
Ilkka Pitkänen	18,000

Shareholdings include the shares owned by the Corporate Executive Team member and any shares owned by a company under their control. Corporate Executive Team members do not own shares in any other company that is part of the same group as SRV.

Information on the remuneration of Corporate Executive Team members is disclosed in a separate salary and remuneration report published at the same time as this statement, [link](#).

Descriptions of risk management, internal control procedures and the internal audit

Risk management system

SRV engages in systematic risk management, both to protect itself against factors that might hinder its business operations and to recognise new opportunities. The Company improves the profitability and stability of its operations by identifying and reacting to strategic and operational risks in time. Risk management is part of SRV's management system. It supports the Company's values, vision, strategy and the attainment of its earnings objectives.

Risk management seeks to ensure that controllable risks do not jeopardise SRV's operations. To this end, SRV ensures that it has a systematic and comprehensive approach for identifying and assessing risks, and also for reporting on operations and implementing any required risk management measures. SRV's Group-level risk management process comprises the identification of material risks related to the Company's operations, assessment of the status of risks, and the planning of measures to eliminate risks or mitigate their impacts. Risks identified during this process are rated in terms of their severity.

Overall responsibility for risk management rests with the Company's Board of Directors and the President & CEO. The Board of Directors approves SRV's risk management strategy and policy, and assesses its Group-wide framework for risk management. The Audit Committee reviews a quarterly report on operational risks and reports on them to the Board of Directors. Line management is in charge of implementing, leading and supervising day-to-day risk management. The Group's risk management function supports the application of risk management policies and develops Group-wide ways of working.

General description of internal control

SRV continuously monitors its functions to ensure the reliability of its result. Internal control seeks to ensure that the Company's operations are efficient and productive, reporting is reliable, and laws and regulations are complied with. However, the internal control system cannot provide full certainty that risks will not be realised.

SRV's business operations are guided by consistent Group-wide business principles, decision-making authorisations and the Company's values. Internal control is founded on a healthy corporate and management culture, and on specified reporting and its fundamental principles. In particular, internal control is based on financial reports, management reports, risk reports and internal audit reports. The Company's main operations are controlled by means of written internal instructions, operating policies and procedures. The Board of Directors has approved the Group's internal decision-making authorisations.

Financial control

The internal control system is the responsibility of SRV's Board of Directors and Audit Committee, the Corporate Executive Team, the executive teams of SRV's business areas, and financial administration. Management's monthly financial reporting is a key control process in ensuring the efficiency and expediency of the Group's financial reporting. It includes analyses of deviations between actual results, budgets and continuously updated forecasts.

The internal control system applied to business operations is the responsibility of the executive teams of SRV's business areas and the Group's controller function, in accordance with SRV's Group policies and instructions. Monthly financial reporting is a key control process in ensuring the effectiveness and efficiency of operations. It also includes analyses of deviations between actual results, budgets, and continuously updated forecasts for overall financial performance and individual construction projects.

Financial management and operational control are supported and coordinated by the Group's financial administration and the SRV's controller function. SRV has drafted Group-level reporting models for standardising the financial reporting of its business functions. Their reports seek to ensure that control covers

all the major aspects of SRV's business operations. This ensures that any deviations from financial objectives are identified, communicated and reacted to efficiently, in a harmonised and timely manner.

Financial control measures also include management's continual business control procedures. Financial reports define key control indicators that aim to measure and support business efficiency and consistency, and to monitor progress towards the attainment of SRV's objectives.

Reliability of financial reporting

The monitoring of financial reporting reliability is based on the principles and guidelines SRV has defined for the financial reporting process. The interpretation and application of financial statement standards are centralised in the Group's financial administration. Budgeting and reporting processes are based on SRV's internal guidelines. The Group's financial administration is responsible for preparing and maintaining these instructions on a centralised basis. The principles are applied consistently throughout the Group.

Internal audit

The internal audit is part of SRV's internal control framework. It is an independent, objective and consulting function. The internal audit is intended to support the Board of Directors and management in the monitoring of good administration, internal control and the efficiency of risk management. This function carries out independent audits of business functions, Group companies, processes and especially of selected targets to ensure the functionality of internal control. The internal audit seeks to ensure compliance with internal policies, guidelines and regulations.

It operates under the supervision of the Audit Committee and reports on its observations to the Audit Committee, which in turn reports to the Board of Directors. The Audit Committee confirms the annual plan for the internal audit. The focus areas of the internal audit are identified risks in business operations. The Group's CFO has administrative responsibility for the functionality of the internal audit.

In 2017, the internal audit was handled by the Group's Head of Internal Audit in cooperation with an external service provider, Ernst

& Young Oy. Internal audits were carried out in 2017 in accordance with the annual plan for internal audits.

Other information

Insider administration

The Company complies with the insider guidelines approved by the Board of Directors. This insider policy describes essential rules, instructions and procedures concerning market abuse and, in particular, the prohibition on market manipulation and using insider information.

According to the Market Abuse Regulation (MAR), the Company's management includes the members of SRV's Board of Directors and the President & CEO. Management and their close circle must report all business transactions involving the Company's securities to both SRV and the Financial Supervisory Authority. The Company will issue a stock exchange release on all such transactions.

SRV's management may not trade in the Company's securities (either in person or through a third party) during a 30-day "closed window" before the publication of each of the Company's financial statement bulletins or interim reports, and not on the date of publication of the Company's interim reports or financial statement bulletins. This prohibition remains in force whether or not the person in question is in possession of any insider information at the time.

The Company maintains and updates a register of those who regularly receive unpublished financial information via their position or authorisations ("those who participate in the preparation of financial re-views"). The closed window and non-disclosure obligations also apply to these individuals, and they are also forbidden from providing information or advice to others for the purpose of trading in the Company's securities.

SRV draws up a list of individuals who have access to insider information and who have signed an employment contract with the Company, or who otherwise perform duties which grant them access to insider information. SRV does not maintain a permanent insider register. Instead, all individuals participating in insider projects are included in project-specific insider lists. Anyone whose name appears on one of these lists may not trade in the Company's se-

curities until they have been notified that any trading restrictions have been lifted.

SRV recommends that trading be restricted to situations in which the market is in possession of the most comprehensive information about factors affecting the Company's securities, that is, after the publication of an interim report or financial statement bulletin. SRV recommends that those who are in a management position or prepare financial reviews should make long-term investments rather than trading in securities belonging to or related to the Company. Insider policy forbids the aforementioned individuals from engaging in short-term trading and speculative activities with securities belonging to or related to the Company.

SRV's insider administration organisation consists of the General Counsel, the person responsible for insiders, and the insider register custodian. Insider administration is responsible for the daily management and supervision of compliance with the MAR and SRV's insider policy, which includes tasks such as maintaining insider registers, supervising insider issues, arranging training, giving advice, and sending notifications to management, insiders and other relevant organisations. SRV's insider administration function cooperates with the Company's communications, which handles the publication of management's business activities.

Audit

The auditor is elected at the Annual General Meeting to a term of office that ends at the close of the next Annual General Meeting following the auditor's election. The Company's auditor must be a firm of Authorised Public Accountants approved by the Finnish Patent and Registration Office, and the chief auditor must be an Authorised Public Accountant.

The Annual General Meeting of 23 March 2017 elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the Company's auditor with Samuli Perälä, Authorised Public Accountant, as the chief auditor.

The auditor was paid auditing fees of EUR 287,000 in 2017. The auditor was paid an additional EUR 93,000 for other services (including all the companies belonging to the same group or chain).

RISK MANAGEMENT

SRV has published a separate Corporate Governance Statement in its 2017 Annual Report and on the company's website. Detailed information about the company's business risks and risk management is provided in the 2017 Notes to the Financial Statements and Annual Report, and on the company's website.

The most significant risks currently concern the REDI project, the Russian economy, and the rouble exchange rate.

In its Russian business, fluctuations in the rouble exchange rate expose SRV to translation and transaction risks. A ten per cent weakening or strengthening of the rouble against the euro at the reporting date would have had an impact of about EUR 11 million on the Group's equity translation differences.

SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV. In order to reduce exchange rate risks, the company intends to convert a substantial share of the loans of associated companies to roubles in the first half of 2018, and to hedge the remaining exchange rate risk in accordance with the hedging policy approved by the Board of Directors.

A 10 per cent change in the exchange rate would correspondingly have an impact of about EUR 13 million on SRV's earnings.

In order to improve comparability in the case of actual earnings, as from 20 July 2017 SRV has adopted the new concept of "operative operating profit". It differs from the IFRS definition of operating profit in that it eliminates the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts.

Sustainability risks

Changes in legislation, such as the amended Accounting Act, require companies to provide a more detailed description of sustainability-related risks and their management.

SRV's risk management framework and risk assessment process was developed during 2017 to provide more comprehensive coverage of sustainability risks as well. SRV's identified



sustainability risks include environmental risks, occupational safety risks, and contractors' professional conduct.

One of the focuses of risk assessment has been respecting human rights in the company's own operations and in the sourcing chain. For more on the assessment of human rights impacts, see page 45 of the Annual Review. The Report of the Board of Directors also provides a compact summary of sustainability risks and their management.

BOARD OF DIRECTORS



Minna Alitalo
 b. 1962, MSc. (Econ.)
 Executive Vice President,
 Purchasing and Logistics,
 Alko Inc (2014-)
 Member of the Board (2012-)
 Chairman of the Audit
 Committee (2013-)
 Member of the Audit
 Committee (2012-)



Juhani Hintikka
 b. 1966, MSc. (Tech.)
 Chairman of the Board,
 Ficolo Oy (2017-)
 Member of the Board
 (2017-)
 Member of the HR and
 Nomination Committee
 (2017-)



Ilpo Kokkila
 b. 1947, MSc. (Tech.)
 Chairman of the Board, SRV
 Group Plc (1987-)
 Chairman of the Board,
 Pontos Oy
 Chairman of the HR and
 Nomination Committee
 (2007-)



Juhani Elomaa
 b. 1960, MSc. (Pol.), eMBA
 CEO and partner, Taaleri Plc
 (2007-)
 Member of the Board (2017-)
 Member of the Audit
 Committee (2017-)



Olli-Pekka Kallasvuo
 b. 1953, LL.D.h.c.
 Member of the Board and
 Vice Chairman (2011-)
 Chairman of the Audit
 Committee (2012-2013)
 Member of the Audit
 Committee (2011-2017)
 Member of the HR and
 Nomination Committee
 (2017-)



Timo Kokkila
 b. 1979, MSc. (Tech.)
 CEO, Pontos Oy
 Member of the Board (2010-)
 Member of the Audit
 Committee (2010-)

More information on Board members is available at:
www.srv.fi > Investors > Corporate governance > Board of directors

CORPORATE EXECUTIVE TEAM



Juha Pekka Ojala
b. 1963, BSc. (CE)
President & CEO
Joined the Group in 1997.



Päivi Kauhanen
b. 1975
Senior Vice President,
Communications
Joined the Group in 2015.



Antero Nuutinen
b. 1963, BSc. (CE)
Senior Vice President,
Housing and Regional Offices
Joined the Group in 1988.



Timo Nieminen
b. 1958, MSc. (Tech.)
Executive Vice President,
Deputy CEO,
Senior Vice President,
Property Development
Joined the Group in 1987.



Veli-Matti Kullas
b. 1956, MSc. (Tech.)
Senior Vice President,
International Operations
Joined the Group in 2004.



Ilkka Pitkänen
b. 1966, MSc. (Econ.)
CFO
Joined the Group in 2014.



Pirjo Ahanen
b. 1958, MSc. (Econ.)
Senior Vice President,
Human Resources
Joined the Group in 2006.



Johanna Metsä-Tokila
b. 1977, LL.M.
Senior Vice President,
General Counsel.
Joined the Group in 2016.



Juha Toimela
b. 1963, MSc. (Tech.), MBA
Executive Vice President,
Senior Vice President,
Operations in Finland
Joined the Group in 2009.

More information on Corporate Executive Team members is available at:
www.srv.fi > SRV as a company > Corporate executive team

INFORMATION FOR INVESTORS

In 2017, SRV's representatives met with many investors and analysts at both small-scale meetings and large public events, such as fairs. At the SijoitusInvest fair at Messukeskus Helsinki, Expo and Convention Centre, they met hundreds of Finnish housing and share investors over a two-day period. At the fair, CEO Juha Pekka Ojala spoke about how urbanisation influences SRV's operations. In addition, SRV also attended the two-day Tampere Investment Fair for private investors. The main theme at this fair was the Tampere Central Deck and Arena project.

In autumn 2017, SRV hosted a trip to Russia by Suomen Osakesäästäjät, an association of share investors. SRV presented the operations of Okhta Mall, a shopping centre that it partly owns in St Petersburg, to about 100 Finnish share investors. The company also provided an overview of the Russian market situation and its future plans in this market.

SRV has met dozens of equity and bond investors in separate road show events in the Nordic countries and Central Europe in 2017.

During the review year, analysts following SRV were invited not only to the company's quarterly report events, but also to its 30th anniversary party and partner seminar. In addition, the Living Lab and REDI site have been presented to analysts and investors.

SRV'S SHARE

SRV Plc's share is quoted on Nasdaq Helsinki. The company has one class of shares. The shares are in the book-entry securities system maintained by Euroclear Finland Oy.

- Listing: Nasdaq OMX Nordic Helsinki
- Listed since: 12 Jun. 2007
- No. of shares 60,499,575
- Trading currency: EUR
- Listing: Mid Cap Helsinki
- Trading code: SRVIV
- ISIN code: FI0009015309

What issues raised questions in 2017?

During the year, we had many discussions about SRV's 30-year history, but above all about the major events of the year and the company's future. The most frequently asked questions of the year are compiled in the adjacent list.

Why is it worth investing in SRV?

SRV's business operations focus on Finland. In the long term, we seek profitable growth in commercial and housing construction in Finland's developing city centres, in locations with good traffic connections, particularly next to rail lines. Our order backlog in Finland has been at a good level for a long time.

Megatrends such as urbanisation, population gain in growth centres, and the ageing and growing affluence of the population are the drivers of SRV's projects in Finland. Our long and systematic work on plots and properties in city centres and next to good traffic connections paves the way for large area development projects. For example, the diverse REDI project has started soaring towards the sky in the Kalasatama district of Helsinki, and the tallest residential tower in Espoo, Niittyhuippu, was completed in 2017.

As urbanisation continues, a large number of new housing units will be needed in growth centres. Accordingly, SRV aims to further increase the share of its revenue accounted for by housing construction. We are already one of the largest housing builders in the Greater Helsinki Area.

We have taken a very long-term view in our operations in Russia. Focusing clearly on the shopping centre business in a large market provides us with diverse earnings potential as a company that develops, commercialises, invests in and builds projects. The Russian economy has been turbulent and it is difficult to forecast economic trends in the country. Considering the challenging market situation, our Russian projects have progressed well. Sales and visitor numbers at the Pearl Plaza shopping centre in St Petersburg, which is partly owned by SRV, hit new highs in 2017. The company's second shopping centre in St Petersburg, Okhta Mall, was opened in September 2016, and its operations were ramped up as planned during the year. 4Daily, built in Moscow, was opened in 2017.

As planned, we have expanded our operations and now implement business construction projects that cater to the needs of companies and organisations,

apartment building projects for day-to-day living, attractive shopping centres and entire area development projects – without forgetting about earthworks, rock construction and special projects such as hospitals and public construction.

I participated in your share issue more than ten years ago and am disappointed in the performance of your share. What are you going to do about it?

As we ourselves have noted, our current earnings level falls short of what it should be, and we are constantly working to improve profitability. We have recently managed to improve the profitability of many of our projects, and the significant growth in the share of operations accounted for by housing construction has also improved our figures. We are forging ahead with our efforts to reach our strategic profitability level and will communicate openly about our progress to all stakeholders, including shareholders.

MEGATRENDS, SUCH AS URBANISATION, ARE THE DRIVERS OF SRV'S PROJECTS IN FINLAND. WE ARE ALREADY ONE OF THE LARGEST HOUSING BUILDERS IN THE GREATER HELSINKI AREA.

Why does SRV have so much debt?

SRV is not just a construction company, but also a real estate investor and developer. We are currently working on numerous projects in which we are also in the role of an owner, which ties up our capital. Our large shopping centre projects in Finland and Russia tie up the most capital. Earlier, we have already announced that we intend to divest our Russian shopping centres when the market is ripe, and they have been fully leased and are running smoothly. In February 2018 we announced that SRV's Board of Directors has decided to investigate the possible sale of the Pearl Plaza shopping centre in St Petersburg with the other owner of the centre. Our largest ongoing project in Finland is REDI in the Kalasatama district of Helsinki. This project is valued at over a billion euros and SRV is on board as one of the owners. When the REDI shopping centre opens its doors in autumn 2018 and the first residential units have been recognised as income in spring 2019, we will certainly be able to partly fulfil expectations, and our balance sheet will become lighter.

Of course, we have also committed capital into building a huge number of developer-contracted housing units in growth centres. This money is tied up during design and construction. Although we sell these housing units during the construction phase, the sold units are recognised as income for us only when the building has been completed. We are considering changing our segment reporting from the beginning of 2019 such that we would report construction and real estate operations separately instead of the present geographical segment division. In this way, investors will obtain a better picture of how,

for example, the different types of business generate profit and where capital has been committed.

In your reporting, you now use the term operative operating profit. What does it mean?

We have three shopping centres operating in Russia. Earlier, our operating currency in Russia was the euro. However, the shopping centre leasing market has become increasingly rouble-based in the country. The operating currency of SRV's property-related subsidiaries and associated companies was therefore switched to the rouble during 2016. This accounting change makes us even more susceptible to fluctuations in the rouble exchange rate, which has at times dramatically impacted our earnings.

To be able to describe our actual business situation exclusive of currency exchange rate impacts, we introduced the concept of operative operating profit in 2017. This is intended to better highlight our performance in actual business operations. Operative operating profit differs from the official IFRS definition of operating profit in that it eliminates the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts. All other earnings effects resulting from changes in the rouble exchange rate are in the operating profit, where they belong.

The need for housing in the Greater Helsinki Area keeps growing. Does this mean that going forward SRV will focus mainly on the Greater Helsinki Area in its housing

production? How many units should be built at an annual level to satisfy the housing needs in full?

This is exactly right. We will focus our housing production where the market is. At present, the population of the Helsinki region (1.5 million) is forecast to increase by about 10–15 per cent by 2040, which means 10,000–15,000 new units per year. The actual annual production volume has fallen almost 5,000 units short.

If the demand for housing remains brisk, do you have enough good plots in mind?

Our project development has taken a long-term view and our stock of plots is good. We

are assessing new sites all the time. For instance, we began acquiring sites along the Western Metro over 10 years ago, and now we are looking 10 years ahead. We acquire plots ourselves but also participate in competitions. In addition, there are now new ways of acquiring plots, such as optional rented plots.

In which hospital projects are you involved and do you believe that the hospital construction boom will continue for a long time?

The total contract value of our current hospital projects is about EUR 830

million. Two of our largest ongoing hospital projects are Hospital Nova in Jyväskylä and the new building project at the Tampere University Hospital. The construction of the Siltasairaala Hospital, the largest construction project in the history of the Hospital District of Helsinki and Uusimaa HUS, started at the beginning of 2018. Our newest completed medical project, the Health and Wellness Centre TeHyKe, implemented in Kalasatama, Helsinki, was handed over to the client in October 2017 and opened in February 2018.

Ilkka Pitkänen, CFO

“THE TOTAL CONTRACT VALUE OF OUR CURRENT HOSPITAL PROJECTS IS ABOUT EUR 830 MILLION.”



MORE INFORMATION

Contact details

Investor relations:
CFO
Ilkka Pitkänen
Tel: +358 (0)40 667 0906
ilkka.pitkanen@srv.fi

SVP, Communications
Päivi Kauhanen
Tel: +358 (0)50 598 9560
paivi.kauhanen@srv.fi
Twitter: @PaiviKauhanen

Communications Manager
Tiina Niemi
Tel: + 358 (0)40 5027549
tiina.niemi@srv.fi
Twitter: @tiiniemi

viestinta@srv.fi

Address: Derby Business Park,
Tarvonsalmenkatu 15,
02600 Espoo, Finland
Tel: 358 (0)20 145 5200
Internet: www.srv.fi

Annual Report online:
annualreport2017.srv.fi

