

Pihlajalinna Oyj

**Statement of
non-financial
information**

2017



Pihlajalinna

BUSINESS MODEL DESCRIPTION AND RESPONSIBILITY

Pihlajalinna is one of the leading private social and healthcare services providers in Finland. The company serves private persons, companies, insurance companies and public sector entities, such as municipalities and hospital districts. The company produces a broad range of social and healthcare services. The service selection includes general practitioner and medical specialist services, social and healthcare outsourcing, residential services and staffing services. On 31 December 2017, Pihlajalinna had approximately 4,800 employees and 900 practitioners. The total number of private clinics, hospitals, dental clinics, service housing units with 24-hour assistance and reception centres was approximately 80. In addition, Pihlajalinna has four major municipal outsourcing arrangements that have dozens of business locations combined (including health centres, maternity and child health clinics, service housing units with 24-hour assistance and day centres).

Pihlajalinna has a responsible basic mission: to look after the health and well-being of people in Finland. With regard

to social responsibility and customer trust, Pihlajalinna aims to ensure the quality, safety and efficiency of the services it provides, while also looking after its personnel and ensuring the data protection and information security of customers. As a major provider of public services, Pihlajalinna also bears responsibility for the use of society's funds and the payment of taxes to Finland. This report focuses on social issues, personnel-related matters, respect for human rights, anti-corruption and environmental issues. More information on the management, monitoring and development of Pihlajalinna's responsibility is available in the responsibility section of the company's Annual Report.

Pihlajalinna strives to continuously improve its operations and develop more effective social and healthcare services. The company carefully monitors the quality of care and service and surveys customer satisfaction. Pihlajalinna's business risks are described in the Board of Directors' report. The Group's most significant responsibility risks are related to human resource management, reputational and brand risks, and customer management. These risks and the relevant risk management actions are described in the table below.

RISK	POTENTIAL PROBLEMS	RISK MANAGEMENT ACTIONS
Human resource management	Sickness-related absences, failure to create employee commitment, failure in recruitment and supervisory work, problems related to workplace atmosphere	Identifying problems at the unit level, supervisor training, early intervention model, monitoring cost impacts, cooperation with the insurance company and the occupational health function
Reputational and brand risks	Adverse events, inappropriate treatment of patients/customers, conflicts with trade unions, unethical activities, breaches of data protection and warnings issued by the authorities	High-quality and ethical operations, procedural guidelines and instructions, introductory and subsequent training, creating a foundation of trust, clear processes in areas such as recruitment, internal audit, cooperation with the authorities, crisis communication policy and practices, communication
Customer management	Problems related to the processing of customer data	Up-to-date information security policy, the Group's information security group, data protection practices and surveys, taking the EU General Data Protection Regulation into consideration and preparing for its implementation, ensuring data protection in equipment maintenance

In 2017, Pihlajalinna's subcontracting of services (excluding physicians' fees) accounted for approximately a quarter of the Group's consolidated revenue. Services purchased from hospital districts represented some three quarters of the total subcontracting volume. These are typically specialised care services in municipal outsourcing. Other subcontracting was mainly related to residential, laboratory and imaging services. According to Pihlajalinna's assessment, the company's subcontracting does not entail significant business risks due to the nature of its operations and the relevant regulation.

PERSONNEL AND SOCIAL ISSUES

As an employer, Pihlajalinna aims to develop the work ability and wellbeing of its personnel in such a way as to strengthen

the company's competitiveness both as an employer and in its business operations. Investing in employee competence and ensuring high-quality supervisory work help Pihlajalinna achieve its strategic goals.

Pihlajalinna respects internationally recognised human rights and complies with Finnish labour law and collective agreements as well as the legislation governing human rights and equality in all of its business locations. Pihlajalinna respects its employees' right of organisation and collective bargaining. The company does not condone discrimination based on employees' and practitioners' origin, nationality, religious beliefs, ethnicity, gender, age or any other such factor. All decisions related to recruitment, remuneration and promotion are based on the competence and performance of each employee.

Pihlajalinna uses surveys to measure job satisfaction. The competencies of supervisors and local HR experts, related to areas such as management and employment relationships, are strengthened by means such as regular supervisor meetings and management training. The Group has established a Group-wide cooperation organisation. Its activities are aimed at building a common corporate culture and fulfilling the statutory cooperation requirements.

Pihlajalinna aims to improve wellbeing at work among its personnel by, among other things, high-quality supervisory work, occupational healthcare and wellbeing projects. Supervisory work and its development, for example through training, were one of the focus areas of Pihlajalinna's HR function in 2017. The Group also introduced a new active caring model during the year. The model involves agreeing on responsibilities and operating methods aimed at resolving challenges related to work ability and performance in a proactive and systematic manner. Supervisors, occupational safety and health delegates and employee representatives were invited to participate in training related to the new model. More than 220 people participated in the training.

In municipal outsourcings, two wellbeing pilot projects were launched at Mäntänvuoren Terveys, Jämsän Terveys and Jokilaakson Terveys. The pilot projects covered approximately one thousand employees. Based on the results, the plan is to expand the projects into two other municipal outsourcing arrangements.

Social responsibility indicators

Indicator	2017	2016
Average number of personnel (FTE)	3,879	3,526
Number of employees at the end of the period (NOE)	4,753	4,407
Ratio of average annual pay to highest annual pay	8%	7.3%
Personnel exit turnover	7.4%	7.2%
Ratio of women to men among personnel	86% / 14%	87% / 13%
Ratio of fixed-term employees to permanent employees	32% / 68%	30% / 70%
Equality and non-discrimination plan	valid	valid
Action plan against inappropriate treatment at work	valid	valid
Sickness-related absences*	7.7%	6.7%
Occupational accidents** / work-related fatalities	284 / 0	244 / 0
Infringements against labour law	1***	0

*The sickness-related absence rate is calculated as the ratio of sickness-related absences to planned working hours. The figure includes sickness-related absences caused by accidents.

** Occupational accidents include accidents that occurred at work and during commutes and work-related travel

*** On 25 October 2017, Pihlajalinna was ordered by a court to pay compensation to one plaintiff for the unjustified termination of an employment contract as well as compensation for discrimination in relation to a dismissal that took place in 2015.

RESPONSIBLE GOVERNANCE, HUMAN RIGHTS, ANTI-CORRUPTION AND BRIBERY

Pihlajalinna reports on governance and the remuneration of the Board of Directors and the management in the Corporate Governance Statement published on the company's investor website at investors.pihlajalinna.fi. Pihlajalinna's responsibility is monitored by the Board's Audit Committee, and a representative of the Board of Directors participates in the planning and monitoring of responsibility reporting. The Head of Communications and IR is in charge of responsibility reporting and reports to the Management Team and the Board of Directors.

Pihlajalinna requires legal compliance from its personnel and suppliers. The company also has a Code of Conduct, the principles of which the suppliers are required to adhere to. The Code of Conduct covers topics such as workers' rights, bribery, conflicts of interest, political activities, fair competition and purchasing. The Group Management Team is responsible for ensuring that the personnel is familiar with the Code of Conduct. Supervisors are responsible for adherence to the Code of Conduct.

Pihlajalinna promotes transparency in taxation by publishing its tax footprint in the Annual Report. Pihlajalinna pays all of its taxes to Finland.

ENVIRONMENTAL RESPONSIBILITY

In all of its operations, Pihlajalinna bears responsibility for the environment and takes action to protect the environment in accordance with the relevant legislation and official regulations.

In Pihlajalinna's business operations, environmental impacts are primarily related to energy consumption, material consumption and waste management. Due to the nature of the company's operations, the opportunities to influence the environmental impacts are limited. The aim is to improve the employees' awareness of the environmental impacts of their work and to minimise the negative environmental effects of operations while always ensuring that work with patients is performed in accordance with the relevant guidelines and instructions. As environmental issues do not involve material business risks or opportunities based on the company's materiality analysis, the company does not report information related to its environmental impacts.

Turku, 12 February 2018

Mikko Wirén
Chairman

Leena Niemistö

Jari Eklund

Timo Everi

Seija Turunen

Jari Sundström

Joni Aaltonen
CEO