

PIHLAJALINNA PLC

STATEMENT OF NON-FINANCIAL
INFORMATION

2018



Pihlajalinna

BUSINESS MODEL DESCRIPTION AND RESPONSIBILITY

Pihlajalinna is one of the leading private social and healthcare service providers in Finland. The Group serves private persons, companies, insurance companies and public sector entities, such as municipalities and hospital districts. Pihlajalinna produces a broad range of social and healthcare services as well as wellbeing services. The service selection includes general practitioner and medical specialist services, occupational healthcare, social and healthcare outsourcing, fitness centre services, responsible doctor and remote consultation services as well as residential services and staffing services.

This report focuses on social issues, personnel-related matters, respect for human rights, anti-corruption and environmental issues. More information on Pihlajalinna's responsibility and its monitoring and development is available in the responsibility section of the Annual Report.

On 31 December 2018, Pihlajalinna had approximately 5,900 employees and 1,400 practitioners. The total number of private clinics, hospitals, dental clinics, fitness centres, service housing units with 24-hour assistance and reception centres was approximately 110. In addition, Pihlajalinna has four major municipal outsourcing arrangements and two partial 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 daytime activity centres). Pihlajalinna cooperated with approximately 100 municipalities in 2018.

Starting from 14 March 2018, Pihlajalinna's business operations are organised into four business areas: Southern Finland, Mid-Finland, Ostrobothnia and Northern Finland. Each business area is managed by a Head of Business Operations who is in charge of their area's business operations and service offering for both the private and the public sector. The Heads of Business Operations are members of the Group Management Team and they report to the CEO.

Pihlajalinna has a responsible basic mission: to look after the health and wellbeing 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.

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	Increase in sickness-related absences, failure in creating employee commitment, failure in recruitment and supervisory work, problems related to workplace atmosphere	Identifying problems at the unit level, supervisor training, active caring model, wellbeing programmes, 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 data protection and information security team, data protection practices and surveys, compliance with the EU General Data Protection Regulation, ensuring data protection in equipment maintenance

In 2018, Pihlajalinna's subcontracting of services (excluding physicians' fees) accounted for approximately a fifth of the Group's consolidated revenue. Services purchased from hospital districts represented just over three-fifths 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 order 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 to organise and engage in collective bargaining. The company does not condone any 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 regular surveys to measure job satisfaction. Pihlajalinna aims to improve wellbeing at work among its personnel by, among other things, high-quality supervisory work, comprehensive occupational healthcare services and wellbeing projects. Supervisory work and its development were one of the focus areas of Pihlajalinna's HR function in 2018. 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, supervision of work and management training. All Pihlajalinna supervisors have an obligation to participate in the training and their training record is monitored. The implementation of the active caring model continued as part of supervisor training. The Group has established a Group-wide cooperation organisation whose activities are aimed at building a common corporate culture and fulfilling the statutory cooperation requirements.

The wellbeing projects introduced in 2017 were expanded in 2018 to include all of Pihlajalinna's municipal outsourcings, four joint ventures in total. Approximately 2,600 employees were within the sphere of the wellbeing projects.

SOCIAL RESPONSIBILITY INDICATORS

INDICATOR	2018	2017
Average number of personnel (FTE)	4,868	3,879
Personnel at the end of the period (NOE)	5,850	4,753
Ratio of average annual pay to highest annual pay	5%	8%
Personnel exit turnover	13.7%	7.4%
Ratio of women to men among personnel	84% / 16%	86% / 14%
Ratio of fixed-term employees to permanent employees	25% / 75%	32% / 68%
Equality and non-discrimination plan	valid	valid
Action plan against inappropriate treatment at work	valid	valid
Sickness-related absences*	7.1%	7.7%
Occupational accidents** / work-related fatalities	327 / 0	284 / 0
Infringements against labour law	1 ***	1

* 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 28 June 2018, Kuusiolinna Terveys Oy, a partially (51%) owned subsidiary of Pihlajalinna, was ordered to pay one plaintiff compensation pursuant to the Non-discrimination Act for recruitment-related discrimination.

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 Marketing and Communications 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. 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.

Mikko Wirén
Chairman

Matti Bergendahl

Timo Everi

Gunvor Kronman

Leena Niemistö

Kati Sulin

Jari Sundström

Seija Turunen

Joni Aaltonen
CEO