

PAROC SUSTAINABILITY REPORT

2016



BETTER BUILT ENVIRONMENT

As a pioneer in the insulation industry Paroc aims to fulfill the changing demands today's world sets for the environments we build for ourselves. Sustainable and durable choices can ensure fire safe, energy efficient and comfortable living and working environments in the future. By staying ahead of the competition and achieving growth, we can ensure the development of our solutions, operations and employees. We are open in our operations as we think that by inspiring others we can shape the entire construction industry.

Paroc's Sustainability report 2016 has been prepared for all stakeholders who are interested in the business of Paroc Group, the drivers behind the company's development, and its ongoing efforts to operate in a sustainable manner. This report describes how Paroc fulfils its economic, environmental and social commitments.



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ABOUT THIS REPORT

Paroc Sustainability Report 2016 describes our approach to corporate responsibility and the material themes, related actions and progress towards targets. Paroc reports on its sustainability annually. This report discusses Paroc Group operations between 1 January and 31 December 2016. The previous report was released in April 2016. The 2016 report complies with the Global Reporting Initiatives (GRI) G4 framework (core). The report is not externally assured.

Feedback about Paroc's sustainability reporting can be sent to group.communications@paroc.com

PAROC IN 2016

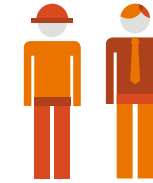
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PAROC IN BRIEF

Paroc is one of Europe's leading manufacturers of energy-efficient and fire-proof stone wool insulation solutions.

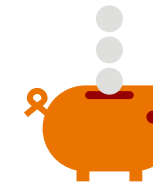
THROUGHOUT OUR 80-YEAR HISTORY WE HAVE EARNED A REPUTATION FOR HIGH PRODUCT PERFORMANCE, TECHNICAL EXPERTISE AND SUSTAINABILITY AMONG BUILDERS OF SINGLE-FAMILY HOMES, ARCHITECTS, CONTRACTORS, DEALERS AND INDUSTRIAL BUILDERS.



1,835
PERSONNEL



375 MEUR
NET SALES
(2015: 375 MEUR)

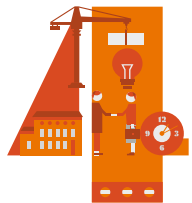


77 MEUR
EBITDA
(2015: 73 MEUR)

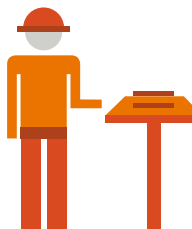


PAROC'S MISSION is to be an innovative and trusted partner for a sustainable built environment.

“**PAROC GROUP IS OWNED BY FUNDS ADVISED BY CVC CAPITAL PARTNERS AND PAROC EMPLOYEES AS MINORITY OWNERS.**”

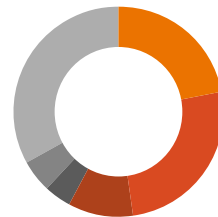


PAROC'S OPERATIONS are based on the company's values: customers, respect, innovation and performance.



PAROC'S PRODUCTS are manufactured in Finland, Sweden, Lithuania, Poland and Russia and delivered in our familiar red-and-white-striped packages through sales network in 14 European countries.

NET SALES BY AREA 2016 (2015)



- Finland 22% (22)
- Sweden 26% (25)
- Poland 10% (10)
- Lithuania 4% (5)
- Russia 5% (6)
- Other countries 33% (31)

LOCATION MAP

- Headquarters: Helsinki
- Plants
- ▲ Sales companies and rep. offices



WELCOMING WORDS FROM OUR CEO

If I look at the short-term future, the next two to three years, I believe our challenging business environment will continue; modest industry growth in Europe as well as economic and political uncertainty. To succeed will be tough for Paroc. But we have never been a stranger to challenges.

SUSTAINABILITY IS OUR BUSINESS

As said elsewhere in this report, the building industry and sustainability are totally entwined. Providing safe and sustainable building solutions directly impacts environmental performance through things like energy and waste efficiency, and lower emissions. It improves the quality of life of residents, workers and the communities they form. And it helps lower costs, create employment and ensure good working environments. When we add to this our internal efficiency programmes and responsibilities to our shareholders and employees, it is clear that Paroc's business incorporates triple bottom line thinking – economic, environmental and social performance.

SUSTAINABILITY STARTS WITH THE MEGATRENDS AND CUSTOMER DEMAND

Climate change and urbanisation are major trials for our planet. Noise and air pollution are fast joining more traditional concerns, such as energy consumption and waste. Paroc building solutions help our customers to mitigate risks, to reach targets set by the EU and various authorities, and to increase their competitiveness. Innovating and creating better

“

WE HAVE NEVER
BEEN A STRANGER TO
CHALLENGES.



products also helps our own productivity. And that brings us to a third megatrend – digitalisation. Technology has brought our customers and Paroc new opportunities to make the complex simple, to increase the efficiency of building solutions and internal operations, and so take sustainability to a new level. As an example, Paroc plans to channel 50% of sales via digital channels already by 2019.

A GOOD PERFORMANCE IN 2016

In this business climate, I would describe our improved financial results for 2016 as a good performance. We didn't get too much tailwind from the market as such, but we improved both our profitability and cash flow. Also our productivity improved year-on-year. I would attribute this achievement to the internal initiatives that are part of our longer-term sustainability and efficiency road map. As one example, our commitment to reducing energy consumption by 30% of 2011 figures by 2020 is a tremendous driver

“
**THE BUILDING SOLUTIONS WE
 CREATE TODAY WILL IMPACT
 PEOPLE'S LIVES FAR INTO
 THE FUTURE. THAT'S WHY
 WE HAVE TO ANTICIPATE
 CUSTOMER NEEDS AND
 CONTINUOUSLY INNOVATE.**

for product innovation and operational efficiency. This in turn creates real value for our shareholders, customers and society. And I'm happy to say we are delivering on our promises.

When we look at our various market regions, business in both Sweden and Finland was positive and one could almost say passed the turning point for future optimism. There were positive developments in Europe as a whole, while the Baltics showed flat demand and the Russian market was in decline. Overall our key markets turned to a more positive direction.

In these times of economic and political uncertainty, customer satisfaction and trust are paramount. I was delighted to see we reached our Net Promoter Score (NPS) targets in 2016. I'm also happy that we reached the targets we set for year-on-year product sales from innovation projects.

In the more traditional sustainability metrics, we increased energy efficiency by 1.4% and increased our capability to reduce emissions with new cleaning technology. We fell short of our waste targets due mostly to the one-off impact of ramping up our new line in Poland. And we experienced a setback in safety figures, even though the long-term trend is positive. We continued our retool recycling activities and expanded certification of first-tier suppliers to an impressive 75%, also adding logistics suppliers and more countries to the audit list. We also introduced a Fair Play channel for external stakeholders to report any ethical concerns.

STILL ROOM FOR IMPROVEMENT

While celebrating achievements, it's always wise to reflect on what we could do better. In my opinion, we could have pursued

customer focus even more aggressively in our operations. Faster innovation based on more information from customers and the market is another area that I hope we can improve on going forward. In hindsight, we overshot several targets when installing our new line in Poland, among them cost, waste material and time schedule. On the other hand, we gained valuable learning regarding the value of thorough project planning in future undertakings. We also know that the long-term impact of the line will be huge for productivity and sustainability.

Regarding our people, I want us to put even more effort on identifying and nurturing talent, developing good leadership, engaging our people in the company's direction and culture, and fostering collaboration both within and between teams. I think the new HR leadership we put in place towards the end of 2016 is ideal to promote these aspects.

AN EYE ON THE FUTURE

The building solutions we create today will impact people's lives far into the future. That's why we have to anticipate customer needs and continuously innovate. During 2016, we launched several innovative products, including PAROC PROOF roof insulation and a new partition wall solution. The significant investments we made in a new line in our plant in Poland will address increasing demand for specific products in Central Europe.

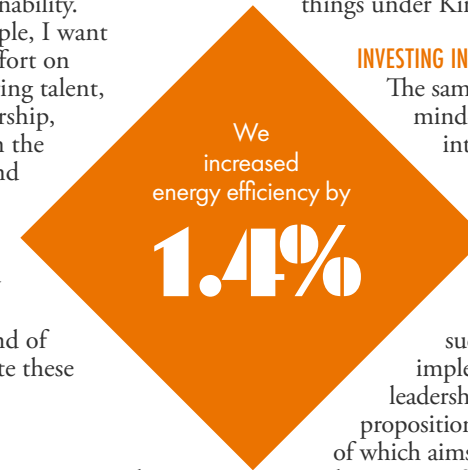
Protecting our competitiveness also means taking tough but necessary decisions.

Such as the decision to divest our panel business at the end of the year, a move that was part of a longer transformation process for Paroc, which allows us to concentrate on our core business of technical and building insulation. This sector holds the most potential for us in terms of profitable growth, our overall strategic target, which in turn enables us to continue to invest in sustainable solutions and activities. With a 30-year history and great brand, I believe our panel experts will continue to achieve great things under Kingspan ownership.

INVESTING IN OUR PEOPLE

The same future-oriented mind-set is needed for our internal competencies and efficiency. Investing in the right talent and building a culture of performance and sustainability is essential to Paroc's future success. In 2016, we began implementing safety behaviour, leadership and employee value proposition programmes, the latter of which aims at engaging potential and existing staff in the benefits and opportunities of working at Paroc.

In our 80-year anniversary, I am grateful to our customers, employees and business partners for helping us to leverage the power of sustainability. Our pragmatic, performance-driven approach to working, coupled with a curiosity to understand new things and embrace change will help us meet the coming challenges face on. It will lead us to be successful both in terms of business and the positive sustainability impact contained in that.



HIGHLIGHTS IN 2016



OF THE TOTAL AMOUNT OF WASTE WAS RECYCLED

“ PAROC ROS AND ROB SERIES OF FLAT ROOF SOLUTIONS AWARDED THE FM APPROVAL FOR MEETING ONE OF THE MOST RIGOROUS SAFETY STANDARDS IN THE WORLD.



1.4%

Increase in energy efficiency over 2015, as measured in megawatt hours per tonne.

CERTIFICATION OF FIRST-TIER SUPPLIERS EXPANDED TO



Paroc becomes a member of Deutsche Gesellschaft für Nachhaltiges Bauen e.V., a non-profit and non-governmental organisation, focused on promoting sustainability throughout the construction and real estate sectors in Germany.



SALES FROM OUR INNOVATIONS INCREASED BY 74% OVER 2015

BUILDING INSULATION PRODUCTS MANUFACTURED IN POLAND AND LITHUANIA RECEIVED KEYMARK CERTIFICATION, WHICH IS A VOLUNTARY QUALITY CERTIFICATION DEMONSTRATING THAT OUR PRODUCT PERFORMANCE IS VERIFIED BY CONSISTENT EXTERNAL MONITORING AND TESTING.

NPS 54
NET PROMOTER SCORE TARGET FOR KEY ACCOUNTS ACHIEVED.

OVER 250
Documented ideas for improvements in product, technology and processes generated by employees.



We continued to develop our activities in rewool recycling as an important recycling service to customers.



“ OUR ETHICAL REPORTING CHANNEL FAIR PLAY WAS LAUNCHED ALSO FOR EXTERNAL STAKEHOLDERS.

STAKEHOLDERS

We engage in active dialogue with our stakeholders; current and potential customers, employees, suppliers, owners, authorities, and associations. Our most important stakeholders have been identified based on their impact on Paroc’s business operations and, on the other hand, the impact of Paroc’s operations on those stakeholder groups.

Sustainable and long-term growth can only be achieved by answering our stakeholders’ needs and creating value for them. The frequency of dialogue with our stakeholders varies depending on the nature of the relationship and the engagement channels used. The following table describes interaction with our key stakeholder groups.

	Reasons for significance	Expectations and issues raised	Examples of cooperation and actions in 2016
Customers	<ul style="list-style-type: none"> Paroc’s business driver. By listening closely to our customers and working together to develop our cooperation we can create new solutions, build long-lasting relationships and success together. 	<ul style="list-style-type: none"> Product quality and safety Customer service Competitive pricing Transparency Energy efficient products Fire safety 	<ul style="list-style-type: none"> Regular meetings, continuous dialogue and cooperation Quarterly Net Promoter Score (NPS) surveys Annual customer survey Joint R&D projects Training sessions Trade shows and other customer events
Employees	<ul style="list-style-type: none"> Key enablers of Paroc’s long-term strategy and growth. It is essential to maintain engaged, healthy and motivated employees to ensure continuous development and a high-performing organisation. 	<ul style="list-style-type: none"> Operational efficiency Customer experience development Career development and training Equal opportunity and rewarding Good management and supervisory work Well-being at work 	<ul style="list-style-type: none"> Employee briefings and information sessions Annual performance and competence development discussions Training Occupational healthcare
Suppliers and partners	<ul style="list-style-type: none"> In order to produce high-quality, industry-leading products, the supply chain must be solid. By choosing our suppliers carefully and maintaining a close relationship and mutual trust, we can ensure a consistently high product quality for our customers. 	<ul style="list-style-type: none"> Mutually benefiting long-term partnership Economic sustainability Paroc’s responsibility and reputation Transparency 	<ul style="list-style-type: none"> Working according to set Paroc policies Joint continuous improvement of processes Supplier screening process
Society and authorities	<ul style="list-style-type: none"> Paroc operates in a heavily regulated industry. Though ongoing dialogue with authorities and government officials Paroc can better prepare for upcoming changes in the regulative environment both in terms of potential risks and business opportunities (e.g. tightened energy efficiency demands for the built environment). 	<ul style="list-style-type: none"> Transparency Engagement and local presence Social and environmental responsibility 	<ul style="list-style-type: none"> Quarry audits Continuous dialogue, working groups Pilot projects
Owners and investors	<ul style="list-style-type: none"> Drivers of Paroc’s financial performance and long-term growth. They have placed their trust in Paroc, and we strive to look for ways to improve and to do more with less to generate a healthy cash flow and profits. 	<ul style="list-style-type: none"> Value creation and return on investment Health and safety of the workers Improvement in sustainable manufacturing methods Customer communications 	<ul style="list-style-type: none"> Financial reporting, quarterly briefings and webcasts Q&A sessions, one-on-one meetings
Industry associations	<ul style="list-style-type: none"> Paroc is an active member in industry associations in all of its operating countries. Associations provide a platform for Paroc to stay on top of current industry trends and exchange ideas with peers. The associations are also an important channel to elevate Paroc’s views into national and EU level decision-making. 	<ul style="list-style-type: none"> Building standards and norms (fire safety, energy efficiency) Transparency and regulatory compliance 	<ul style="list-style-type: none"> Regular meetings and working groups with other association members Reporting about corporate responsibility according to G4 guidelines Participation in local initiatives



We contribute to the development of the building industry and construction product sector through several organisations and working committees.

ORGANISATIONAL ACTIVITIES		
	Industry association or international advocacy organisation	Nature of participation (board member, chair, committee membership, extra funding, strategic partnership)
International interest groups	EURIMA, Fire Safe Europe, EIF, EPAQ	Paroc is a board member in all of these organisations and participates in working groups.
Local interest groups, industrial and business organisations		
Finland	Confederation of Finnish Industries (EK), Finnisol, Sisäilmäyhdistys, Kattoliitto, Julkisivuyhdistys, PPT, Sisäkatkoyhdistys, RTT/Betoniyhdistys, RTT/Eristeteollisuus, RTT/RT, RaSi ry, East Office of Finnish Industries, Suomen Eristysyhdistys ry, Suomen LVI-liitto ry, VVS Föreningen i Finland rf, PSK Standardisointi ry, Suomen Palokatkoyhdistys ry	Paroc has a Board membership and participates in working groups in Finnisol. Paroc is a Board member in Sisäkatkoyhdistys, RT, RaSi ry and East Office of Finnish Industries. In RT Paroc also participates in the working group. In the Confederation of Finnish Industries (EK) Paroc is a member of the Energy Efficiency Committee. Paroc is a member in the other mentioned organisations.
Sweden	Swedish, SIS Swedish Standards Institute, Lösullsentreprenörerna, Isoleringsfirmornas förening, EMTF Energi- & Miljötekniska Föreningen, IKEM, Industriarbetsgivarna genom Byggnadsämnesförbundet, IDC West Sweden AB (Industrial Development Center), Arbetsgivarringen Skaraborg, Stålbbyggnadsinstitutet, Västsvenska handelskammaren	Paroc is a Board member and participates in working groups in Swedishol.
Norway	IPF Isolasjonsprodusentenes forening	Paroc is the Chair in IPF - Isolasjonsprodusentenes forening.
Latvia	LATIZOL, District heating supplier Association, Latvian Building Company Association	Board membership and working group participant in LATIZOL.
Lithuania	Mineral Wool Producers Association, Association of Housing Modernisation, Lithuanian Technical Insulation Contractors Association, Lithuanian Green Building Council, Lithuanian Builders Association, Baltic Investors Forum	Paroc has a Board membership in Mineral Wool Producers Association and Association of Housing Modernisation in Lithuania. In the other mentioned organisations Paroc is a member.
Estonia	ESTISOL, EETL, EKVÜ, EIEL, EKT	Paroc is the Chair in ESTISOL. In the other mentioned industrial organisations Paroc is a member.
UK	TIMSA, TICA	Paroc is a member.
Germany	GGM, Arbeitsgemeinschaft Industriebau e.V., Bundesfachgruppe der WKS-B-Isolierer, Die Deutsche Bauinterie, Industrieverband für Baustysteme im Metalleichtbau, IFBS Institut für bauen mit Stahl, VDI Verein Deutscher Ingenieure, VÖDU Verband österreichischer Dämmunternehmungen, Zentralverband Deutsches Baugewerbe, Fachverband Wärmedämmverbundsysteme e.V., Deutsche Gesellschaft für Nachhaltiges Bauen e.V.	Paroc is a member in the mentioned interest groups.
Poland	MIWO - Polish Mineral Wool Producers' Association, Polish Industrial Chamber, BCC – Polish Business Centre Club	Paroc is a Board member and participates in working groups in MIWO, and a member in the other mentioned organisations.
Russia	Rosizol	Paroc has a Board membership and participates in working groups.
France	SNI National Insulation Union	Paroc is a member.
Netherlands	VIB Dutch association of entrepreneurs in thermal insulation	Paroc is a member.
Belgium	Isol Belgium association of technical insulation on Process Industry	Paroc is a member.

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OUR APPROACH TO SUSTAINABILITY

Sustainability is part and parcel of our business and its components, be it strategy, R&D or product offering. It is a requirement for our business success and therefore goes hand in hand with planning, risk management and other core business processes.

Sustainability touches all of our operations, such as;

- Raw material extraction, where we aim to source close to our plants and aim to use non-virgin materials whenever possible.
- Responsible sourcing, where we ask our supplier network to demonstrate responsible operations aligned with our own code of conduct.
- Operational excellence, where we look at energy and material efficiency, emissions and waste.
- Delivery, where we pay attention to things like environmentally friendly logistics, installation safety, recycling and product quality to optimize the positive impact of our products on the environment.
- Product development, where we aim to create more long-lasting, safe and environment-friendly building solutions.
- People management, where the strong culture required to sustain a safe, engaged and motivated workforce is built over time through systematic programmes and people processes.

SUSTAINABILITY DRIVERS

In addition to business needs, our sustainability efforts are also driven by our Code of Conduct, values and company culture, which foster a mind-set and commitment in our people to pursue responsible business. On top of this are stakeholder expectations, industry trends and legislation, which are based on three main mega-trends; climate change, urbanization and digitalization.

MANAGING SUSTAINABILITY

Sustainability is therefore integrated deeply into all aspects of our business operations. It is not easy nor sensible to extract it from our business, except for reporting purposes. It is a regular item on the management team's meeting agenda and there are periodical in-depth reviews on core topics, such as with the quarterly management team meetings on legislation. CEO, **Kari Lehtinen**, has ultimate responsibility for sustainability, which is cascaded down through the line organization in the form of business targets.

Paroc's objective is to create economic added value by being an innovative and trusted partner for a sustainable built environment. To ensure profitable long-term growth, Paroc will continue to seek market expansion, develop operational excellence and differentiate through customer experience. Paroc's Board of Directors sets both short and long-term financial targets and is responsible for the company's management as well as the appropriate organisation and supervision of the company's assets and operations. The Board makes all major decisions on operating policies, strategies, capital expenditure, organisation and funding for example,



and approves and oversees the practical application of the company's values and policies. The CEO reports to the Board on the Group's operational performance and financial position.

A community of sustainability issue owners, coordinated by Environment and Sustainability Manager, **Emma Hansson**, comes together as the newly formed sustainability network, which interacts directly with the management team through the head of Group Technology and Operations, **Joakim Westerlund**.

GOVERNANCE STRUCTURE

GENERAL MEETING OF SHAREHOLDERS | PAROC GROUP'S AUDITOR

BOARD OF DIRECTORS

Audit Committee / Remuneration Committee

PRESIDENT AND CHIEF EXECUTIVE OFFICER

GROUP MANAGEMENT TEAM

BUSINESS UNITS

Building Insulation, Technical Insulation, Russia

FOCUS AREAS FOR SUSTAINABILITY

Our sustainability and corporate responsibility activities focus on the topics that are most important, or material, to our business. In 2015, in cooperation with an external partner we conducted comprehensive materiality analysis through benchmarking industry practises followed by in-depth interviews and an online-survey with our major stakeholders. We wanted to assess stakeholders' opinions on the most material themes we should concentrate on in our corporate responsibility work. The interviews provided valuable understanding of what our stakeholders consider as the biggest risks and opportunities for Paroc, both now and in the future. The results also confirmed that we are on the right track with our existing strategy and actions. During a workshop Paroc Management Team (PMT) discussed the emerged themes and topics, weighing them against Paroc's business operations and impacts, resulting in the prioritization and validation of the most material topics. These include:

INNOVATING A BETTER BUILT ENVIRONMENT

- Safety of the built environment
- Energy efficient products
- Innovating sustainable solutions and business models

ENSURING OPERATIONAL EXCELLENCE

- Energy consumption and emissions
- Operational efficiency
- Material efficiency in production
- Economic performance and profitable growth

SECURING PEOPLE'S WELLBEING

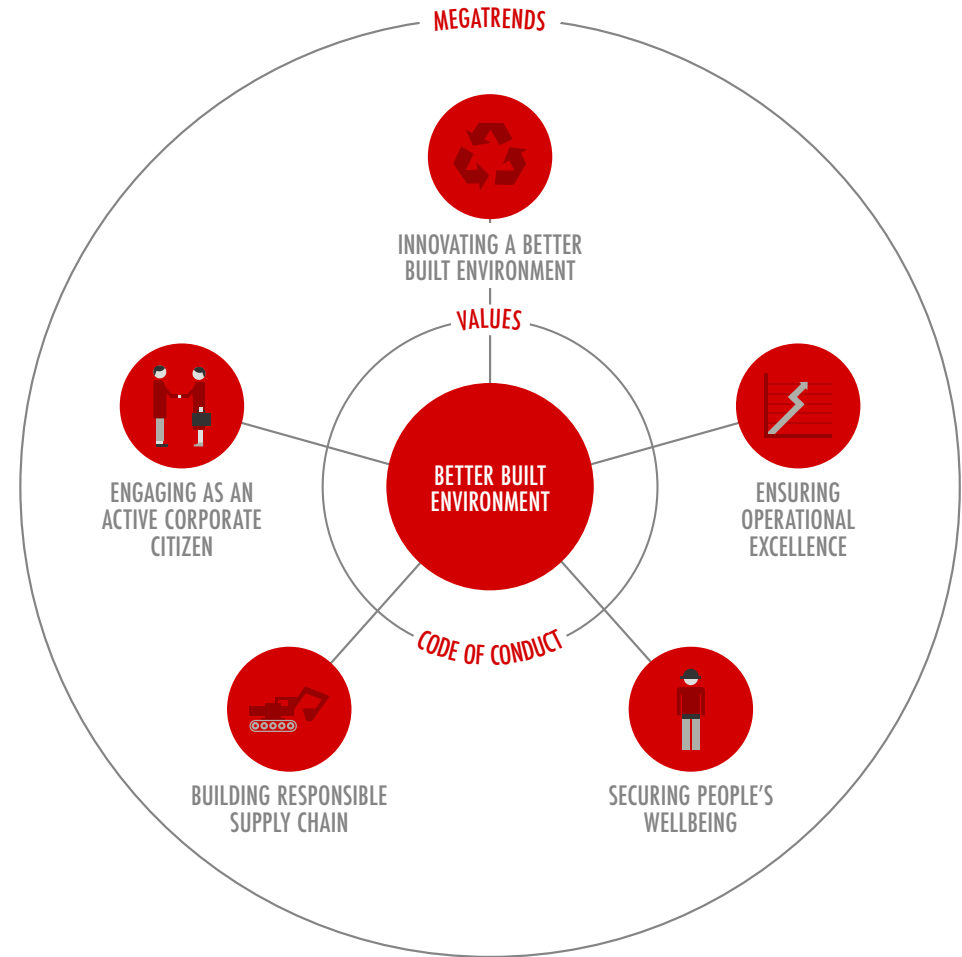
- Occupational health and safety
- Employee engagement, commitment and development
- Employee diversity, equal possibilities and rewarding

BUILDING RESPONSIBLE SUPPLY CHAIN

- Supply chain management
- Responsible sourcing

ENGAGING AS AN ACTIVE CORPORATE CITIZEN

- Ethics and good business conduct
- Continuous stakeholder dialogue





Taisiya Seledkova
Area Marketing Manager
Russia

“SUSTAINABILITY FOR ME MEANS FIRST OF ALL KEEPING OUR PROMISES.”

In 2016, as well as continuing the huge effort our people put into ongoing sustainability issues as part of everyday work, we focused in particular on the following:

- Energy and material efficiency
- Responsibility in the supply chain, including logistics
- Product stewardship
- Setting up a sustainability programme
- Fair Play ethical reporting channel for external stakeholders

On the positive side, responsible sourcing, reporting channel and operational excellence saw progress, with the exception of waste management. On the improvement side, we see that we can do better in OHS, code of conduct awareness and social responsibility at some of our sites.

SUSTAINABILITY NETWORK AIMS TO ADD MORE SYNERGY AND SUPPORT

The sustainability network was a new initiative in 2016, which aims to better manage common aspects, such as target-setting, monitoring, communication and reporting, and ensures there are as few gaps and overlaps as possible. The sustainability network will change the way our core sustainability issue owners work



together and strengthen the company-wide sustainability community.

Emma Hansson says: “I am quite happy with the progress we made last year. There has been a continuing and visible trend whereby everyone in the company, from top management to factory floor, have been more aware of their role and their need to be active in sustainability. I’m even happier to report that we are allocating still more resources to building on our strengths in sustainability and making more progress in the improvement areas we have identified. The future sustainability programme approach will help us do this.”

LOOKING AHEAD

In 2017, we will continue developing our sustainability programme and focusing on the identified priorities for example in energy and material efficiency, responsible sourcing and supply chain management, but also focus on increasing stakeholder transparency as a result of implementing the sustainability programme.

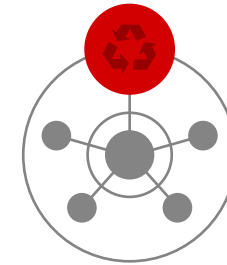
MAIN SUSTAINABILITY KEY PERFORMANCE INDICATORS

Our main KPI's in sustainability are for energy efficiency, material efficiency, waste, emissions and responsible sourcing.



Susanna Tykkä-Vedder
Development Manager
Finland

“IT’S A REALLY CUSTOMER-ORIENTED IDEOLOGY TO MAKE BUILDINGS THAT ARE SAFE AND SUSTAINABLE.”



INNOVATING A BETTER
BUILT ENVIRONMENT

INNOVATING FOR A BETTER BUILT ENVIRONMENT

New customer requirements, environmental needs and shareholder expectations mean that change is constant for anyone in the building industry. Therefore, to remain competitive, Paroc needs to continuously innovate its product offering and operations. That's also good news for sustainability.

We can split innovation at Paroc into two groups. Firstly, new products and services – either upgrades of existing offering, brand new solutions or new customer applications. Secondly, the more internally focused innovation to introduce new technologies or processes to produce our products in a better way.

As our overall business directly contributes to building a safer and more sustainable

environment, both forms of innovation benefit sustainability. The former through the creation of more long-lasting, safe and environment-friendly building solutions; the latter through directly reducing the cost, energy, raw materials, waste and emissions associated with producing these products.

2016 EXCEEDED EXPECTATIONS FOR INNOVATION SALES

The best metric for our innovation work is the percentage of sales from innovations. In 2016, sales from our innovations increased by a massive 74% over 2015. This represented 20 percentage points over the target we set ourselves for 2016. While one could argue that the target set for 2016 might have been modest (and it has indeed been raised for 2017), it is important to note that innovation sales came from both new solutions and improvements in the production process.

Innovation, as **Joakim Westerlund**, Chief Operating Officer explains, is never easy: "Two of the challenges to turning new ideas into real innovation in our customer offering and production process are the need both to prioritize the sheer number of tasks that our R&D people face and the need to balance daily firefighting with systematic and long-term development work. We are addressing these through clearer prioritization of tasks and nominating separate dedicated teams for R&D projects and for more ad hoc work."

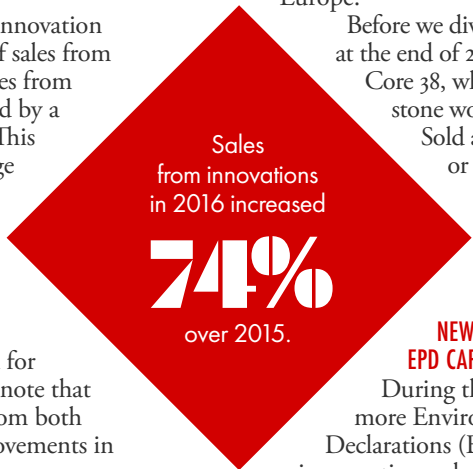
We began a large investment in our Polish factory located at Trzemeszno. The

objective of the project was to upgrade an existing production line and thereby improve the productivity and increase the capacity by 30%. After a year of design the installation work started on site in November 2015 and production started in April 2016. We upgraded one of the production lines there to enable delivery of more advanced Technical Insulation products to Central Europe.

Before we divested our panel business at the end of 2016, we launched Panel Core 38, which features improved stone wool in sandwich panels. Sold as either stone wool or ready panels, the new product offers designers and builders improved strength and Lambda values.

NEW AND IMPROVED EPD CAPABILITY

During the year we also produced more Environmental Product Declarations (EPD), especially in acoustic products, and set up the capability to produce our own EPDs, with third-party certification. This increases our ability to provide our customers and partners with more detailed sustainability information on, for example, environmental performance, materials and safe handling, for each individual product. This also helps them gain credits in building certification and related schemes. Our EPD improvements also increase transparency to end users and the public at large showing the environmental impact of the product and the different stages of the products life cycle. The EPD also enables our customers to compare our products to others.



EXAMPLES OF INNOVATION IN 2016

We launched a new solution for roof insulation – PAROC PROOF – the lamella surface of which makes installation easier and usage more efficient. Moreover, no separate wooden pallet is needed for transport of the product freeing space in often cramped building sites, where pallets are considered waste and they require additional processing, adding another step to the installation work.

In October, we launched a new partition wall product – PAROC Sonus. Its optimized

weight-density ratio makes it a very cost-effective solution. For the environment, this means fewer raw materials needed and less energy consumption. This product development project was a result of an idea processed in cross-company incubation workshops.

Another application these incubation workshops gave rise to is a new use for waste from the production process. This has led to negotiations with potential partners for the co-manufacture of a new bi-product from waste.

“NEW PARTITION WALL FEATURES LIGHTER, CHEAPER FIBRE AND REDUCES BOTH RAW MATERIAL NEED AND ENERGY CONSUMPTION.”

CUSTOMER ORIENTATION THE MAIN SOURCE OF INNOVATION

Innovation requires anticipating the future. During recent years, we have worked even more closely with customers and other external stakeholders on innovation, to ensure that the eventual results of our R&D efforts are relevant for real market needs and become viable solutions. Joakim explain how: "We do this by going deep into customer needs and cost structures of potential solutions. This means involving people from around our company in innovation efforts, from procurement staff to sales and other customer-facing staff. This helps us better understand in advance what is needed right along the supply chain, what we can do to renew our offering and what the concrete benefits will be for the customer, environment and our company. The result of this work is paying off in the form of marketable innovations and will continue to do so as we continue to work closely with our partners."

Needless to say, cooperation with organisations like EURIMA (the European Insulation Manufacturers Association) and the implications of megatrends, such as climate change and urbanization, form another important input to anticipating longer-term needs and fuelling innovation. In practice, these take the form of targets and legislation for energy efficiency, waste and emissions and include such EU targets as:

- Energy consumption of existing buildings has to be down 80% on 2005 levels.
- Near-zero energy waste in all buildings by 2021.
- 70% of demolition waste to be recyclable by 2020.

FM APPROVAL FOR BUILDING INSULATION PRODUCTS

During the year, our Building Insulation products - PAROC ROS and ROB series of



“

NEW CAPABILITY TO PRODUCE CERTIFIED PRODUCT-SPECIFIC ENVIRONMENTAL PRODUCT DECLARATIONS IN-HOUSE.



Tomas Fors
Segment Development Manager
Sweden

“WE'RE NOT ONLY SELLING PRODUCTS, BUT INFLUENCING HOW TO MAKE SYSTEMS THAT HELP SAVE THE ENVIRONMENT.”

flat roof solutions - were awarded the FM Approval for meeting one of the most rigorous safety standards in the world. This means that they successfully underwent FM Global's stringent testing, examined under realistic site conditions, including the assessment of the effects of fire, wind, rain and other natural forces. PAROC ROS and ROB roof slabs met the highest standards for quality, technical integrity, and performance.

This mark of quality has clear links to sustainability by preserving and protecting property, preventing harmful emissions into the air, water and ground, and minimizing repair and rebuilding materials. Furthermore, the products are judged to be able to maintain their functionality in the event of, for example, wind or fire. Investors and building owners are increasingly demanding FM approval.

OWN EMPLOYEES ENCOURAGED TO BE CREATIVE

In 2016, our organisation generated over 250 documented ideas for improvements in product, technology and processes. Around two thirds of the ideas came from R&D teams. But a growing portion (currently around 20%)

came from employees that are outside R&D through, for example, innovation competitions.

The incubation workshops, mentioned earlier, comprise people from around the company who come together about twice a month and brainstorm specific challenges and further process ideas. Every year, employee innovation campaigns and incubation workshops have led to the establishment of a major R&D project, and will therefore be continued in 2017.

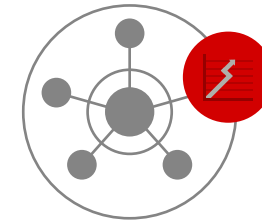
2017 AND BEYOND - MORE FOCUS ON APPLICATIONS

Due to the positive effect of customer orientation on innovation, going forward we will increase the focus of innovation efforts on needs and applications that we have identified together with customer. This focus will help to reduce the overall number of R&D projects and make them better actionable with clear ownership. This in turn will make prioritization easier and help us to better allocate resources to address both urgent issues and long-term product development needs. The building solutions we create today will impact people's lives far into the future, through things like energy and material efficiency, and lower emissions and waste.

“

A GROWING PORTION OF IDEAS COMES FROM EMPLOYEES OUTSIDE R&D AND EVERY YEAR, EMPLOYEE IDEAS HAVE LED TO A MAJOR R&D PROJECT.





ENSURING
OPERATIONAL
EXCELLENCE

CONTINUING TO DRIVE OPERATIONAL EXCELLENCE

In its simplest form, operational excellence for Paroc means making more out of less. More products and value for shareholders, the building industry and society with less energy, money, raw materials, waste and emissions.

PRODUCTIVITY ROSE BUT MISSED TARGETS SET

While year-on-year productivity figures rose, during 2016 we managed to achieve only about half of the ambitious target we had set. This, despite the fact that the gap was partially offset by indirect cost savings through maintenance and other efficiency improvements.

The main reason for not reaching our goal in operational excellence was underestimating the impact of our new line in our Trzemeszno factory in Poland. The ramp-up proved to

be more complex than anticipated, thereby negatively influencing results.

Taking a closer look at sustainability factors, in 2016 we achieved a 1.4% increase in energy efficiency over 2015, as measured in megawatt hours per tonne. This was due partly to new investments and to improvements in furnace operation, more specifically reducing energy consumption during the melting process, which was a continuation of 2015 activities. We have set a target of reducing our energy use by 30 per cent from the base year 2011 by the year 2020. There was no significant change in material efficiency. An increase in the amount of waste in 2016 can be seen as a temporary setback as it was due mainly to the one-off effects of closing a facility in Finland and ramping up a new line at our facility in Poland, as well as ramping up volumes at one of the Swedish plants.

Joakim Westerlund, Chief Operating Officer says: "When installing cleaning technology and new machinery, which will help both our productivity and sustainability performance in the long run, it is typical to see short-term operational disturbances. In the light of this, I think we did well. Although our 2016 operational result was below target, if we look at year-on-year figures and our progress over the years, we can say that we are on track."

EXAMPLES OF OPERATIONAL EXCELLENCE IN 2016

In 2016, one example of progress was capitalizing on the introduction of new line technology in the Parainen factory in Finland, where the capacity of production was increased and overall production efficiency improved significantly through several investments over the last three years.

In the area of emissions, in 2016 we realized new cleaning technology, including the installation of new incinerators for flue gas cleaning in Oulu and Hässleholm.

We continued to develop our activities in rewool recycling as an important recycling service to customers.

LOWERING EMISSIONS THROUGH CLEANING TECHNOLOGY

The introduction of new cleaning technology is part of our ongoing efforts to minimize emissions during melting, such as CO, sulphur/nitrogen oxides and dust, and limit downstream emissions, such as binder chemicals, formaldehyde, ammonia and dust. This is in line with EU legislation on emissions, which, for example, introduced even stricter emission sanctions during 2016.

THE DEMAND FOR REWOOL IS INCREASING

Our wool recycling service to customers demonstrates responsibility, enhances our reputation and helps meet EU regulation and building certification schemes. There is clearly increasing interest from customers in rewool. However, the service does not come without challenges. Currently, the wool is often contaminated, arrives in relatively small bags and cannot be stored inside. All this means that there is a high percentage of costly manual work involved, even before we can begin to process it.

To improve the cost efficiency of rewool and reuse it for production as opposed to the current lower-value bi-products, such as briquetting, we are looking at increasing the

“
OUR TARGET FOR 2017 IS TO
FURTHER SAVE 1 MILLION EUROS
IN ENERGY COSTS PER YEAR.





Susanna Tykkä-Vedder
Development Manager
Finland

“WE HAVE GREAT ACTIONS IN THE PRODUCTION SITE ALREADY SHOWING WE CAN DO THINGS WITH LESS MATERIAL AND LESS ENERGY.”

employees aware of the combined impact of small improvements on company success and the achievement of our vision – a better built environment. There is also more targeted training for specific topics, such as our energy efficiency programme, waste, emissions and cleaning technology.

Says **Beatrice Rantanen**, Environment, Health and Safety Director: “People at Paroc are increasingly aware of their responsibilities to core issues, like operational efficiency and safety. I can see this not only in the figures in the sites which implement the programmes, but also in everyone I talk to as I visit our locations. It’s great to see people’s awareness and commitment increase as sustainability becomes a mainstream public debate and our company culture develops.”

HIGH VISIBILITY IN PLANTS

To keep operational excellence concrete and ever-present, we are in the process of installing better visualisation aids for performance in the factories, such as energy consumption gauges, and ensuring the

DEVELOPMENT OF RECYCLING



- 89%
- 2016 → 86%
- 2015 → 87%
- 2014 → 85%
- 2013 → 83%

External materials included in 2016 figures with marginal impact.

involvement of external waste management partners and also helping customer to reduce the amount of waste themselves.

AN INCREASE IN WASTE OUT FROM PLANT

Our main metric for waste is measuring the amount of waste out from plant. Our target is to recycle more materials ourselves. In 2016, we fell short of our target of 11% (actual 15%) due mostly to the new line we installed at our Poland Trzemeszno plant and closing our Lappeenranta factory in Finland. In addition, there was an impact on waste from a quality

issue at Russia’s Tver factory and installation of new machinery at our Hällekis plant in Sweden. Despite this temporary setback in reducing waste, we can still see an overall trend of waste reduction in Paroc.

WAYS TO INVOLVE OUR PEOPLE IN OPERATIONAL EXCELLENCE

In 2016, we continued to encourage employees to participate in the constant drive for operational excellence through employee incentive schemes. In addition, the company carried out training of leaders to make

“ RAMPING UP NEW LINE IN POLAND NEGATIVELY IMPACTED OPERATIONAL EXCELLENCE.

systematic use of “war rooms” to monitor real-time performance in such key indicators as material efficiency, yield, quality and NPS (Net Promoter Score). The aim is to keep optimal use of energy and raw materials, along with safety, top of mind in all employee’s daily work.

CUSTOMER ORIENTATION ALSO DRIVING OPERATIONAL EXCELLENCE

Feedback mechanisms to ensure customer satisfaction are key inputs to making improvements in our operations, which also impacts our contribution to sustainability. Based on analysis of ongoing customer feedback, identifying the responsibility for responding to individual situations and follow-up action, NPS is Paroc’s main method to track and improve customer satisfaction.

In 2016, based on approximately 2,000 sets of customer feedback, our NPS score for key accounts was 54, which was the exact target we set ourselves.

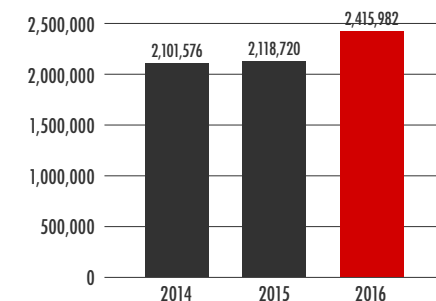
CEO **Kari Lehtinen** says: “Our overall NPS was at an excellent level and has improved constantly. Our main challenge going forward is to remain at this high level. NPS is important not just because the feedback loop helps us correct situations that directly affect customer satisfaction, it’s also vital input to company direction, such



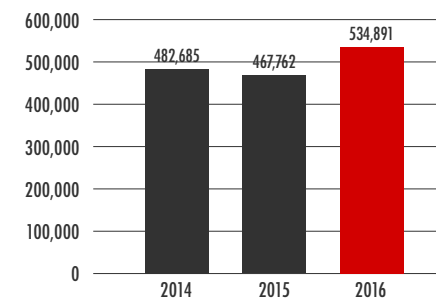
Emissions to air (t)	2014	2015	2016
Ammonia (NH ₃)	259	236	247
Carbon monoxide (CO)	2,287	2,272	1,972
Nitrogen oxides (NO _x /NO ₂)	267	270	217
Particles	368	263	341
Sulphur oxides (SO _x /SO ₂)	428	425	397
Total emission to air	3,609	3,467	3,175

External materials included in 2016 figures, but marginal impact due to small amounts.

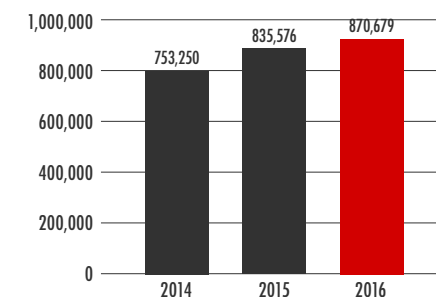
ENERGY CONSUMPTION (GJ)



MATERIALS USED (T)*

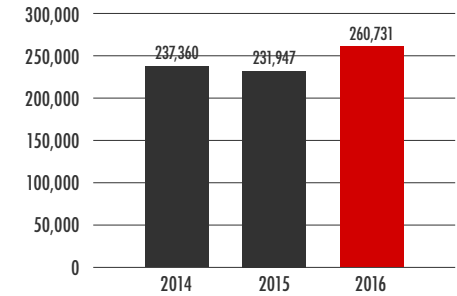


ELECTRICITY CONSUMPTION (GJ)

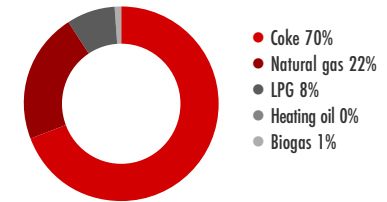




CARBON FOOTPRINT IN 2016 (GHG, T)



FUELS USED IN 2016, %



as product planning and setting out our digitalization road map.”

OPPORTUNITIES TO INCREASE OPERATIONAL EXCELLENCE THROUGH SIX SIGMA PROBLEM-SOLVING

One activity we carried out to boost operational excellence was the Six Sigma Green Belt training, which promotes problem solving based on statistical data. With our own Six Sigma in-house Black Belt, a more experienced master in Lean Six Sigma, we are able to increase understanding of new

tools and methodologies among plant workers to address root causes of problems, eliminate unnecessary variations and increase the stability of operations. Participants get to work on a wide range of individual examination projects, from variations in gas consumption to travel costs.

Although we are still reviewing the outcome, results to date suggest that the programme can save an impressive 20-30,000 euros per project. The pilot Green Belt programme was carried out in the Parainen

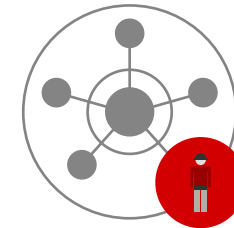
factory in 2016 and will be rolled out in all factories during 2017.

A LOOK AT 2017

The target for 2017 productivity improvement has been set at almost double compared to the performance in 2016. To achieve this, the company will continue to invest in increasing efficiency and to capitalize on ongoing improvement projects.

The target for waste out of plant for 2017 is 13% (2016 result was 15%).

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SIX SIGMA PROBLEM-SOLVING PROGRAMME SAVING 20-30,000 EUROS PER PROJECT.



SECURING PEOPLE'S WELLBEING

SECURING EMPLOYEE SAFETY AND WELL-BEING

Paroc's safety and well-being activities include Occupational Health and Safety (OHS) and a diverse range of code of conduct and employee welfare issues, from recruitment, competencies and career prospects to things like compensation, equal opportunity and anti-corruption.

With HR heading many of these initiatives, a change in the head of HR was an important milestone for employee well-being in itself. Says new Group HR Director, **Taija Lehtola**: "In a company like ours, which prides itself on innovation and customer service, the well-being of our employees throughout their time at Paroc is fundamental to our business success. Employee welfare is not something we can afford to look at as separately from the business."



Taija Lehtola
Group HR Director
Finland

“THE WELL-BEING OF OUR EMPLOYEES THROUGHOUT THEIR TIME AT PAROC IS FUNDAMENTAL TO OUR BUSINESS SUCCESS.”

A SOLID CULTURE BASED ON SYSTEMATIC LONG-TERM EFFORTS

In Paroc we believe in employing a diverse range of people from all backgrounds, experiences, levels of education, genders, ages and nationalities. The most suitable person with the most development potential is selected for the job and applicants are evaluated based on their competence, skills and accomplishments.

It is fair to say that no other sustainability-related issue involves every single employee to such an intense degree as employee safety and well-being. Senior management needs to set the standards and give the mandate. Managers need to implement the principles and make sure people adhere to them in everyday work. And employees need to reflect the culture and right behaviours in everything they say and do.

At Paroc, the strong culture required to sustain a safe, engaged and motivated workforce is based on clear company direction and values. It is built over time

through systematic programmes and people processes. Programmes, such as Leadership through safety, and clear policies for areas like recruitment and compensation, support this far-reaching responsibility to our employees and are reinforced by a Management by Objectives (MBO) process that touches every employee.

2016 MILESTONES

Despite the challenge of a change in HR leadership, we maintained good momentum in existing people programmes and new ones were established. One of the year's most important initiatives for employee well-being was Leadership through Safety, which promotes good practice in safety behaviours. During the year, we also kicked off a company-wide initiative to spread preventative safety actions in all our plants. Despite the safety actions, 2016 saw an 8% increase in accident frequency.

Another leadership initiative was the creation of a Paroc-wide leadership profile, which describes the competences and behaviours we expect from our leaders. The next steps will be to make sure the local leadership training activities strengthen the wanted behaviours and to look at creating a Group-wide leadership programme to develop even better leaders. Also linked to people development was the creation of an internal mentoring programme.

In 2015, we identified all significant Paroc employer brand touchpoints, and necessary changes and improvements to achieve our employer branding goals. One of the goals was to develop and harmonize the employer experience of each employee across our locations, and that of potential employees. During 2016, our main focus in development was on the initial phases of the experience,



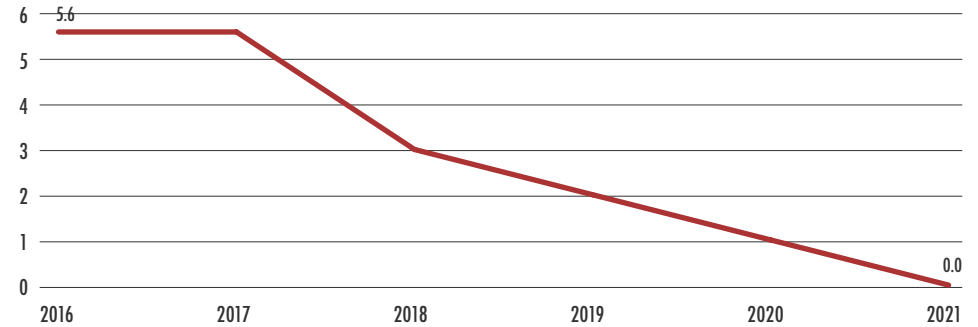
before joining (recruitment process) and when joining (induction process) as well as driving engagement among our employees. We have defined, for example, guidelines and tools for managers involved in the recruitment process to help them prepare for and conduct recruitments in a manner that reflects Paroc employer value proposition, spirit and way of working. We also identified metrics to monitor whether we're on a good path to accomplishing set targets for the processes.

As well as seeing the final closure of our Lappeenranta plant, the end of 2016 also

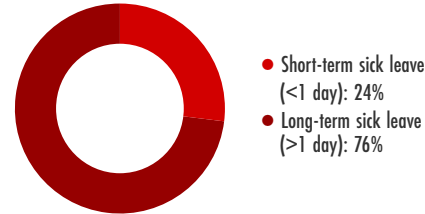
“
LEADERSHIP THROUGH SAFETY PROMOTES GOOD PRACTICE IN SAFETY BEHAVIOURS.”



LTIF (1) OUTCOME 2016 AND TARGET 2021



SICK LEAVE DUE TO ACCIDENTS



“
SITE-SPECIFIC SAFETY ACTIONS
BRINGING RESULTS.”

witnessed the sales of Paroc Panel System to Kingspan Group PLC.

In addition, we expanded our ethical reporting channel – Fair Play – from just employees to include also external stakeholders through our web pages.

CODE OF CONDUCT IS OUR BACKBONE

Vesa Karvonen, Paroc's Director of Legal Affairs says: "Our Code of Conduct acts as an overarching guidance for the way each of us at Paroc works. A kind of backbone for aligning our everyday decisions and choices to legislation and the ethical expectations of our stakeholders. For Paroc, it is particularly

relevant as we grow and internationalise, working with a more diverse range of suppliers, customers, authorities and other partners, and striving for a consistent way of working consistent across different cultures and business practices. Duly noted in the Code of Conduct are for example requirements for ethical behaviour and respect for human rights."

In 2016, there were no major violations of our Code. While adherence to our Code relies heavily on training to specific employee groups, such as Procurement and customer-facing teams, we are planning more widespread information sharing and training for all

employees in what our Code of Conduct means in practice, especially in everyday situations. As not all employees have access to PCs, we will especially target managers for on-line activities and mandate them to cascade the information to their teams.

In March, 2016, we launched an ethical reporting channel – Fair Play – on our web pages for external stakeholders. We released a similar channel for employees during 2015, which has been well-received. There were under 10 reports in total, almost all coming from employees and almost all genuine concerns. There were no major issues and no disciplinary action was taken as a result of

further investigation. Follow-up was handled by issue owners.

Thanks to efforts to put systems in place the previous year, in 2016, we were fully sanctions compliant in accordance with the requirements of the Financial Services Committee (FSC).

➔ Paroc's Code of Conduct can be found at <http://www.paroc.com/about-paroc/paroc-group/code-of-conduct>

OCCUPATIONAL HEALTH AND SAFETY

While we have seen a healthy decline in Lost Time Injury Frequency (LTIF) over the last



Marita Thim
Customer Service
Sweden

"I THINK WE DO MORE THAN JUST TALK. WE'RE THINKING OF SUSTAINABILITY EVERY DAY."

five years, 2016 was unfortunately a blip in this trend as the 2016 figure rose 8% higher than 2015 (from 5.2 to 5.6). This figure applied to both time off because of injuries and sick leave overall. There were no fatalities.

The reasons behind this increase in LTIF are not due to safety behaviours and awareness only, even if these are the predominant reasons for employee getting injured. Injuries revealed gaps in our safety systems that needed corrective actions to increase the level of worker safety.

During the year, we carried out a major safety training programme for leaders "Leadership through safety", which took around 150 leaders through the everyday behaviours and attitudes, which can mitigate safety risks. This programme will be rolled out to all employees in the upcoming years with the use of internal trainers.

In 2016, we also harmonised our use of personal safety protection across our sites and also with subcontractors. Furthermore, we strengthened the safety aspects in project working, that is building and installation works, by setting strict safety instructions on how subcontractors work at Paroc. Demanding

no less of them than from ourselves. We have also been piloting strict rules at certain sites, such as prohibiting use of mobile phones or wearing of rings and other jewellery while working in special areas.

When it comes to proactive safety work, it is important to note that those sites that had the most safety activities reported no or few injuries. We will continue the collection and processing of safety notes from employees as a valuable way to minimise risk.

PREVENTING HEALTH ISSUES AND PROMOTING WELL-BEING AMONG EMPLOYEES

As an example of employee well-being, every year employees have the possibility to take free flu vaccinations as well as free health examinations for breast cancer, osteoporosis and suspected thyroid problems, among other health issues.

Sites are encouraged to organise social events and we have recently witnessed friendly competitions as diverse as swimming, fishing, children's art for creating a calendar, fire safety and office olympics. Some of these contain health and safety training elements and small prizes, as with the safety reflector vests awarded to the first 50 employees who came to work by bike.

In 2016, we kicked off a company-wide programme, whereby we can determine the need and actions for preventative well-being at our plants. Together with plant managers, local HR and, if needed, external health care providers, we analyse the current situation and create an action plan for the safety of both plant and office workers. Actions are not only for preventing accidents but also looking at more complex yet practical issues, such as ways to ensure enough sleep and ergonomic factors. We will roll out this programme to all plants during 2017.



EMPLOYEE VALUE PROPOSITION LAUNCHED

To attract talent as well as keep our existing employees happy and motivated, we believe it's important to let people know about the benefits of working at Paroc. In 2016, we started communicating the results of a major employee value proposition initiative we began in 2015. Based on internal and external research we concluded that there are three distinct benefit areas:

- We offer employees interesting and challenging responsibilities, and new opportunities, in an international environment.
- Our Nordic roots, values and culture emphasise that we work together to achieve our goals, sharing the same respectful, friendly and pragmatic attitude.
- We are proud to be helping to create a better built environment and providing our customers with safe, long-lasting, energy-efficient and sustainable solutions.

PAROC GROUP TURNOVER BY COUNTRY, 2016				
Country	New employments	Ended employments	Paroc Group permanent employees 12/2016	Turnover
FI	21	124	347	20.89%
LT	37		236	7.84%
PL	16		477	1.68%
RU	25	2	156	8.65%
SE	61	44	405	12.96%

“ FREE HEALTH EXAMINATIONS FOR EMPLOYEES.

LEADERS IN THE DRIVING SEAT

Managers and team leaders at all levels are in a key position to reinforce our people processes and demonstrate the right ways of working to ensure employees are safe, capable and motivated to do their best work.

Manager responsibility for driving employee welfare means that we must invest in developing the skills managers need to support our people throughout their employment at Paroc, from the time they join us, to the time they leave. In this way, good leadership both optimises employee well-being and positively impacts our business.

LAPPEENRANTA PLANTS CLOSED AND PANEL UNIT DIVESTED

By April 2016, we had ceased most of the Lappeenranta plant's operations, due to the termination of the agreement to lease the land announced in 2013. The number of job reductions originally planned was estimated

at 242, of which seventeen employees were able to relocate to other Paroc sites and countries. In addition to statutory support for employees, the company was able to provide group and individual career counselling and support for job seeking, specific training courses, such as new vocational studies and a dedicated fund for those wanting to become entrepreneurs.

As part of its ongoing transformation and focus on building and technical insulation, in December, 2016, Paroc agreed on the sale of the entire share capital of its business unit Paroc Panel System (PPS) to Kingspan Group PLC. Paroc CEO, **Kari Lehtinen** said: "The arrangement supports our planned focus on building and technical insulation." The workforce of PPS – around 100 people in Finland, Sweden, Norway, Denmark and Germany - subsequently transferred to the new owner on the same terms of employment. The panels themselves

have been manufactured in Parainen, Finland. Paroc's HR and IT staff continue to support the transferred employees to ensure a smooth handover in, for example, payroll and infrastructure issues.

Efforts to increase business focus and competitiveness continue in 2017 as the company announced early 2017 the start of an employee consultation process regarding its plant in Oulu, Finland.

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

Mentioned above is the MBO process, which enforces the idea that every employee has the right to a personal development discussion at least once a year. According to the latest Paroc Pulse employee satisfaction survey in 2015, 92% of white collar and 77% of blue collar employees had received performance and career development reviews. The same group consists of 87% of female and 83% male employees.

In the MBO meeting, the manager and team member discuss core employment elements, like performance feedback, compensation, working environment, skill set and career plans. To give opportunities to our own people on a constant basis, we encourage job rotation both between and within teams. Opportunities and interests for further training are also discussed. Group level training programmes carried out in 2016 include for instance sales and customer focus, leadership trainings, safety, work related process trainings and trainings related to wellbeing.

To track employee engagement and satisfaction overall we run a company-wide survey every two years (next one due in 2017), although we recently decided to run also a lighter-weight pulse survey every six months, starting early 2018.

In addition to these, Paroc builds close relations with employee representatives, works

PAROC GROUP EMPLOYEE TURNOVER, 2016				
	New employments	Ended employments	Paroc Group permanent employees 12/2016	Turnover
All permanent employees	165	171	1,673	10.04%
By gender				
Female	33	27	281	10.68%
Male	132	144	1,392	9.91%
By age				
under 30	70	10	217	18.43%
30–50	87	97	1,092	8.42%
over 50	8	64	364	2.12%



Vladimir Vasiliev
Technology Development Manager
Russia

“WE CHANGE PAROC EVERY DAY WITH OUR OWN STEPS AND ACTIONS.”

councils and related working groups on an ongoing basis. The local conditions in each country naturally dictate the exact form of cooperation this takes. On Group level we engage via the European Work Council.

LABOUR PRACTICES

In Finland all blue collar and part of white collars are covered by collective labour agreements. Part of white collars mainly employees in management positions, are not covered. Total labour agreement coverage in Finland is 54 per cent.

In Poland all employees are covered by Remuneration Regulation, which is the bargaining agreement with the local unions.

Paroc Sweden has centrally negotiated collective bargaining agreements for white collars with Unionen, Ledarna and Sveriges Ingenjörer, and for blue collars with IFMetall. The agreements cover all employees, whether they are members in a union or not.

In Paroc Russia there are no signed collective agreements between the employer and the employees.

Collective agreements do not specify notice periods, but in all countries these are covered



AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE BY GENDER, AND BY EMPLOYEE CATEGORY*					
	Male	Female	White collar	Blue collar	Total training, hours
Finland	9,0	8,1	8,7	8,5	3,754
Sweden	38,0	38,0	36,0	40,0	16,816
Poland	18,0	25,0	20,0	16,0	3,626
Lithuania	14,0	26,0	25,0	12,0	5,624

*From Paroc production countries, Russia training figures not available.

NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT AND GENDER, 2016							
	Permanent, blue collar	Permanent, white collar	Total	Temporary, blue collar	Temporary, white collar	Total	Grand total
Male	979	413	1,392	95	9	104	1,496
Female	73	208	281	6	11	17	298
Total	1,052	621	1,673	101	20	121	1,794*

*Number of permanent active employees in 2016, end of year total 1835.

“
EMPLOYEE PULSE
SURVEY TO START
EVERY SIX MONTHS.”

by local legislation, such as defined in the Labor Code. The minimum notice periods in Paroc's operating countries are:

- In Finland two or six weeks
- In Sweden no specified time frame, as in practice it is the time needed for unions to process and analyse information, and if needed conduct an investigation during the consultation period.
- In Poland two weeks
- In Russia minimum two months

In Lithuania two months, plus specific regulations for employees with small children and employees close to retirement age, in which case it is four months.

LOOKING AHEAD TO 2017

As well as expanding Leadership through Safety training to all employees, preventive safety at plants and internal mentoring, we will look at creating a Group-wide leadership development programme. As we push ahead to our target of zero accidents by 2020, we will continue with a wide range of safety initiatives

at each site, which include clarifying roles and responsibilities of individual employees towards their safety and the safety of others, and developing instructions for machinery design and maintenance.

We will also introduce an employee pulse survey every every six months and we plan to implement code of conduct training to all employees. In addition, in autumn 2017, we will roll-out training relating to forthcoming EU legislation on personal information.

Taija sums up forthcoming sustainability activities in employee safety and well-being: "2017 will be a lot about continuing the good direction and momentum to date. I'd say if we can hire the right people, recognise achievements and potential, give our employees opportunities and engage them, and grow even better leaders, we'll be doing a great job. This will have a huge impact on our culture and team spirit. It will impact stakeholder trust and customer orientation, our readiness to execute on our strategy and our contribution to sustainability."

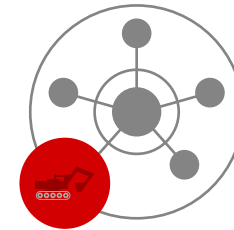
“
NO MAJOR VIOLATIONS OF OUR CODE OF CONDUCT.

COMPOSITION OF GOVERNANCE BODIES, 2016		
	Male	Female
Board of Directors ¹	6	0
Management Team ²	7	2

1) 4 members are 30–50 years old, 2 over 50

2) 8 members are 30–50 years old, 1 over 50





BUILDING RESPONSIBLE
SUPPLY CHAIN

SUSTAINABILITY THROUGH RESPONSIBLE SOURCING

Sustainability is one of Paroc's core values. This means it is built into Paroc's business strategy, culture and communication. This greatly helps our company with the more specialised yet nevertheless critical sustainability activities, such as responsible sourcing.

The benefits of ethical sourcing for us are clear; meeting environmental requirements and the increasing demands of stakeholders, who themselves are under pressure to show responsible sourcing; higher operational efficiency; building a strong reputation with external stakeholders and our employees; and securing competitive edge.

A MANAGEABLE COMMUNITY OF SUPPLIERS

The biggest environmental impact of our supplier operations is the extraction and transportation of natural resources.

Paroc has around 100 suppliers for materials directly related to production, such as fibre, and around another 100 other suppliers, including those for transportation and traded products. In addition to these, we have suppliers for indirect services, such as maintenance and security. Our suppliers are mostly in Europe, the majority in countries we operate in, and in Asia.

As well as a growing number of external audits, we also conduct internal audits on our suppliers and six quarries in Finland, which all have ISO9001 and ISO14001 certification. It is also important to keep in mind that in most of our supplier countries, governments and authorities already impose strict legislation on such topics as human rights, environmental performance, worker rights, company finance and health and safety.

2016 SAW INCREASE IN CERTIFIED RESPONSIBLE SOURCING

In 2015, we were awarded the BRE standard BES6001 certification for the supply of stone wool fibre in our European production. We continued the work in certifying the sourcing of production materials. We also put into practice a road map created in 2015 to certify main logistics suppliers too. The aim of this work is to take responsible sourcing beyond the levels of our BES6001 certification, which requires that 60% of our melted production material is responsibly sourced.

BRE's independent, third party assessment and BES6001 certification enable construction product manufacturers to ensure and prove that their products have been made with responsibly sourced constituent materials. For

Paroc, the standard covers issues related to quality, environment and occupational health and safety.

We are pleased to announce that in 2016, we were able to take the level of production materials certified from responsible sources up to 75% among first-tier suppliers (typically stone raw materials and chemicals). At the same time, in both internal and external audits, none of Paroc's suppliers were identified as having significant actual or potential negative impacts in the supply chain for labour practices or the environment.

While we increased the absolute volume of non-virgin materials used in our production, there was no change in the percentage as we simultaneously grew our overall production volume.

INCREASING RESPONSIBLE SOURCING ALSO WITH TRANSPORTATION COMPANIES

In 2016, we laid the groundwork for increasing responsible sourcing from transportation suppliers. One challenge here is the fact that our sourcing strategy for transportation differs from region to region as it takes into account local market conditions. However, we have seen good initial progress by including responsible sourcing requirements already at the tendering stage and we are ready for wider roll-out in 2017. The current percentage of responsibly sourced transportation is approximately 82%.

Patrik Ahlbäck, Purchasing and Logistics Director, explains why suppliers have reacted favourably to the requirement for more



75%
Certified responsible sourcing from first-tier suppliers.

transparency: "Transportation companies have responded positively to our sourcing requirements as they see this both as an industry trend and good practice as the mark of an industry forerunner. They recognise that more efficient transportation means lower costs and emissions, a better reputation, and so a competitive edge."

Going forward, we will favour route-based sourcing in more and more markets. We will also gain more transparency into and control over our supply chain, since as a consequence, we will work more closely and more directly with local, smaller companies.

OUR AIMS IN RESPONSIBLE SOURCING INCLUDE

- Increase the share of non-virgin materials.
- Reduce the CO2 footprint of raw material transportation.
- Minimise waste.
- Continue improving stakeholder engagement with strong focus on business ethics and labour practises.



Saku Lipasti
Development Engineer
Finland

“IF I WORK FOR A COMPANY THAT HAS A WIDE IMPACT, IT GIVES ME THE POSSIBILITY TO CONTRIBUTE.”

FREQUENT AND DEEPER DISCUSSION WITH MORE SUPPLIERS

We are increasing the degree of certified responsible sourcing through closer cooperation with a wider range of suppliers. One way we drive this is to include responsible sourcing indicators in our business plans, people's personal objectives and internal communications programme. Furthermore, we are looking to introduce training for non-procurement staff so that we can include responsible sourcing in the product design phase, sales process and so right along the value chain.

Patrik Ahlbäck talks about the challenges as we go deeper into our supply chain: “When auditing suppliers, it's important to recognise the fact that some regions have a very different starting point when it comes to the maturity of sustainability issues in business. Company values and aspirations may be similar, but the infrastructure may be lacking. In these cases, it's important to communicate our message clearly, show our own commitment and, should there arise a need for improvement, remain tough on our expectations and work



closely with the supplier to help them meet our requirements within a certain time frame.”

PLANS FOR 2017

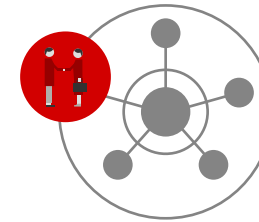
In 2017, we aim to take the percentage of certified responsible sourcing in a wider range of production materials suppliers also to 75%. In the same time frame, we aim to raise the amount of responsibly sourced transportation from approximately 82% to 85%. Other suppliers to be brought into the scope of certification include energy suppliers and briquette suppliers.

Our plan is also to go deeper into the sourcing of traded products, in other words ready products, such as tapes and mesh, which we buy to make up our customer offering. The target is to raise the amount of ethically sourced traded products to 60%. Audits will begin in the first half of 2017, mostly in Europe, China and other Asian countries. As part of this, we will expand cooperation with the external independent auditor, DNV GL, to carry out audits in East-Central Europe and Asia.

These targets are part of a three-year plan from 2015 to 2017. We will create responsible sourcing targets for 2018 onwards during 2017.

Adds Patrik Ahlbäck: “It's a significant investment for us but we cannot realise the full benefits of ethical sourcing unless we have concrete actions and can show proof of progress to our stakeholders.”

“
INCREASING RESPONSIBLE
SOURCING ALSO WITH
TRANSPORTATION COMPANIES.”



ENGAGING AS AN ACTIVE
CORPORATE CITIZEN

PAROC IS AN INTEGRAL OF SOCIETY

As a provider of efficient building solutions, Paroc has a major role to play in society. However, above and beyond the normal business relationships, we have built good relations with the wider communities in which we do business. This is important as our sites are typically near towns and business parks and we interact with the communities across environmental, social and economic dimensions.

COMMUNITY RELATIONS LINKED TO BUSINESS TOPICS

Emma Hansson, Environment and Sustainability Manager, says: "Actual cooperation initiatives with local communities tend to take two forms. On the one hand, we have safety and environmental initiatives, such as working with local firefighting associations. On the other, we sponsor events, such as local sports events or fire safety seminars for example."

Going forward, I would like us to be more systematic when it comes to our work with local communities; who we work with and on what. Obviously, safety and environment are of great importance, but in some of our countries we could maybe look at the social responsibility side more too. In Poland, for example, we already have great cooperation with local schools and community.”

SAFETY AND EDUCATION

Safety is a common theme in community projects. In Poland, for example, the company regularly distributes personal safety items in schools and kindergartens, and has co-funded the construction of a local cycle path.

In Russia, production employees from the Tver plant worked together to clean and upgrade a park in the village Izoplit near the plant. Volunteer work included gardening and raking, painting the park's sports equipment, clearing paths and installing benches.

With personal development and competence building being a key element for attracting and retaining employees, we work closely with educational institutions in, for example, Parainen, Finland, especially on vocational studies and additional qualifications.

In Lithuania, we cooperate with Vilnius Gediminas Technical University and Kaunas

In 2016 employees decided on Paroc's charity donation by voting and a donation was then made to the Baltic Sea Action Group to support its work for preservation of the Baltic Sea.





Julian Volkovicki
Senior Accountant
Lithuania

“IT’S VERY IMPORTANT TO THINK ABOUT HUMANS, THE SURROUNDING ENVIRONMENT AND NATURAL RESOURCES.”

University of Technology. In addition to giving open lectures about renovation and construction related topics including fire safety and energy efficiency, in Vilnius Gediminas Technical University we have established a scholarship for architecture and civil engineer students presenting most advanced project design, construction and energy saving solutions.

SUPPORTING UN BIOSPHERE RESERVATIONS

With its plant at Hällekis, central Sweden, Paroc supports the nearby Vättern lake region, one the worldwide biosphere reserves of the United Nations Education, Science and Culture Organization. Each reserve promotes solutions reconciling the conservation of biodiversity with its sustainable use and aims to better understand and manage changes and interactions between social and ecological systems, including conflict prevention and management of biodiversity.

TRANSPARENCY BETTER INTERNALLY THAN EXTERNALLY

Regarding transparency in sustainability matters towards external stakeholders, in addition to being an integral part of normal business relations, we use web pages, which

include the new Fair Play ethical reporting channel, and our sustainability report. For employees, we use intranet and a number of internal information routes, including monthly information sessions to business units, dedicated training programmes and extensive training and information sessions at plants.

ACTIVE LOBBYING FOR BETTER SAFETY ACROSS EUROPE

With strong representation in both Eurima and an offshoot set up by mineral wool manufacturers, Fire Safe Europe (FSE), Paroc is committed to driving consistent, high safety standards across its market areas. This is simply because our products are among the safest on the market and people have the right to live and work in as safe environments as feasibly possible. It is also good to remember that we are building the future building stock so the choices we make today influence renovations made in 2050 and beyond.

Says **Susanna Tykkä-Vedder**, Development Manager: “It’s important we help the European Community build consistency in both the right things to measure and transparency for stakeholders. The construction sector in European Committee for Standardisation (CEN) covers more than 3,000 work items on product standards and test methods (for use in building and civil engineering). As there are around 600 standards supported by 1,500 test standards related to our business, we need to carefully choose the ones we actively participate.”

Many Paroc people are involved in Eurima’s four main Committees working towards harmonised European regulations and standardisation.

- The Energy Efficiency Committee is committed to deliver buildings with better energy efficiency. With smart policymaking, very low or zero energy buildings can become



A MAJOR CITIZENSHIP INITIATIVE FOR 2017

In 2017, Paroc celebrates its 80 year anniversary. At the same time, Finland is holding its 100-year anniversary celebrations. As part of this, we announced our international sponsorship of Lahti2017 FIS Nordic World Ski Championships from February 22 to March 5.

Shared commitment to sustainability through for example energy and material efficiency boost the sponsorship cooperation. Paroc signed Lahti2017 partners’ responsibility commitment, which included requirements and guidance for management processes, health and safety, human rights and environmental impact. We participated in sustainability workshops with other partner organisations facilitated by Sitra.

Lahti2017 organizers worked intensely to minimize the negative environmental impacts of the event and enhance positive ecological, cultural and social effect. The event’s sustainability slogan ‘not for ten days, but for the next hundred years’ highlights durability and permanent operating models. Similarly Paroc throughout its history has also worked to promote sustainable development with continuous innovation and strive towards a better built environment.

the norm, European jobs can be created and we can all spend less on energy bills whilst contributing to a better environment.

- The Sustainable Construction Committee aims to reduce the environmental impact of a building over its entire lifetime, while providing healthier and more comfortable living and working environments.
- The Health and Safety Committee stresses that in any responsible industry, the assessment of possible effects that its products may have on health and the environment is an essential aspect of industry and product sustainability.
- The Technology and Standardisation Committee works with research and standardisation-related work items to increase the level of harmonised product information, regulations and test methods around the EU.

One of the two main focuses of our lobbying efforts in 2016 was the fire safety of facades. This includes some critical safety aspects, such as the fact that the amount of combustible insulation used in building envelopes has increased dramatically and windows are used as escape routes during a

fire. Thanks to the work of FSE, in 2016, the EC issued a tender for laboratories to research suitable fire testing methods for facades to be used in a consistent fashion across the EU.

The second main drive in 2016 was efforts in smoke toxicity. As well as toxic gases slowing down or killing victims trying to escape fires in buildings, research suggests firefighters face a higher risk of lung and skin cancer due to the various toxic gases they have to endure throughout their careers. Currently the only standardisation is on the density of smoke. The EC has recently commissioned BRE, ECORYS and VITO to make a study among member states to evaluate the need to regulate within the Framework of Regulation (EU) 305/2011 on the toxicity of smoke produced by construction products in fires.

“STANDARDS URGENTLY NEEDED FOR FIRE SAFETY.”

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED			
EUR 1,000	2014	2015	2016
Revenues	381,932	376,092	375,738
Operating costs	232,555	221,070	220,733
Employee wages and benefits	86,197	83,730	81,175
Community investments	76	54	65
Payments to government	7,546	7,957	5,094
Payments to providers of capital	22,082	29,045	26,238
Economic value retained	33,475	34,236	42,433



LOCAL TRAINING INITIATIVE FOR POLICE, FIRE DEPARTMENT AND BORDER GUARD

Vacated plant premises in Lappeenranta have since been utilized as realistic industrial environment for training purposes by local police, firemen and border guard. The idea for such use of the empty site arose in an information session held for authorities about the planned demolition. The factory site offers a complex and challenging place to train for example smoke diving as well as search and rescue. Variety in the area is particularly useful for training dogs.

Photo: The Finnish Defence Forces

Paroc Group reports on its finances on a quarterly basis. Paroc Group financial statements are audited by KPMG and reported to the audit committee. Paroc Group also has an internal audit function, run by an internal auditor.

CHANGES IN THE SCOPE OF ECONOMIC FIGURES

On December 14, 2016 Paroc sold its entire Panel System segment to Kingspan Group Plc. The disposal follows Paroc's growth strategy to seek market expansion and growth opportunities in the Building and Technical Insulation business segments. Subsequent to the disposal, Paroc has continued to sell stone wool to the Panel System factory in Parainen, Finland. Economic performance for 2016 and 2015 in this report has been presented for the continuing operations of the Group and excluding discontinued operations of Panel System segment.

DISTRIBUTION OF ECONOMIC VALUE ADDED TO OUR STAKEHOLDERS
ECONOMIC VALUE ADDED GENERATED 2016 (2015)



CUSTOMERS

MEUR 375.7 (MEUR 376)

We offer our customers high-quality, reliable and sustainable insulation products, solutions, know-how and services which help them reduce their environmental footprint.



DISTRIBUTION OF ECONOMIC VALUE ADDED



SUPPLIERS AND PARTNERS

MEUR 220.7 (MEUR 221)

We purchase raw materials, products, services and know-how from our partners, creating jobs and enabling long-term development of business and know-how together.



PERSONNEL

MEUR 81.2 (MEUR 83.7)

We are a significant employer, operating in 14 countries. We train and develop our personnel's competence and invest in health, safety and well-being of our employees.



INVESTMENTS

MEUR 24 (MEUR 31.5)

We invest in new markets to gain growth. Our investments are also directed at research and development as well as improving operational efficiency.



PUBLIC SECTOR

MEUR 5 (MEUR 7.9)

We pay income taxes according to local laws and regulations. We also work together with associations and provide training to stakeholders to promote sustainable construction. Our sponsorships are directed at local activities.



OWNERS AND INVESTORS

MEUR 26 (MEUR 27)

We pay interest to lenders and owners, and by growing the value of the company we can produce better profits to our owners.

GRI

Material aspects and boundaries.....	40
GRI index.....	41



MATERIAL ASPECTS AND BOUNDARIES

The aspects and indicators have been defined according to the Global Reporting Initiative's (GRI) G4 principles for defining materiality.

The boundary for environmental indicators was set to Paroc's production countries (Finland, Sweden, Lithuania, Poland and Russia). Business travel is excluded from the environmental indicators. Economic and social indicators are reported for the whole organization.

Any changes in the indicators, their scope, and boundary or measurement methods from previous reporting will be clarified in connection with the given indicators.

G4 SPECIFIC STANDARD DISCLOSURES		
Aspect	G4-indicators	Boundary
Innovating a better built environment		
Safety of the built environment	No GRI indicator applicable	Impacts occur outside Paroc's operations
Energy efficient products	No GRI indicator applicable	Impacts occur outside Paroc's operations
Innovating sustainable solutions and business models	Paroc internal KPI on innovation	Paroc Group
Ensuring operational excellence		
Energy consumption and emissions	G4-EN3, G4-EN6, G4-EN15, G4-EN21	Paroc Group, excl. contractors
Operational efficiency	G4-EN3	Paroc Group
Material efficiency in production	G4-EN1, Paroc internal KPI waste to landfill	Paroc Group
Economic performance and profitable growth	G4-EC1, G4-EC2	Paroc Group
Securing people's wellbeing		
Occupational health and safety	G4-LA6	Paroc Group, excl. contractors
Employee engagement, commitment and development	G4-LA9, G4-LA10, G4-LA11	Paroc Group, excl. contractors
Employee diversity, equal possibilities and rewarding	G4-LA1, G4-LA12	Paroc Group, excl. contractors
Building responsible supply chain		
Supply chain management	G4-EN32, G4-EN33, G4-LA15, G4-S09	Paroc's suppliers
Responsible sourcing	G4-EN29	Paroc's suppliers
Engaging as an active corporate citizen		
Ethics and good business conduct	G4-S04, G4-S05, G4-S07, G4-S08	Paroc Group
Continuous stakeholder dialogue	G4-PR5	Paroc Group

GRI INDEX

Code	GRI content	Location	Further information
Profile disclosures			
STRATEGY AND ANALYSIS			
G4-1	Statement from the CEO	Greetings from CEO	
G4-2	Description of key impacts, risks, and opportunities	Greetings from CEO, Paroc's approach	
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Paroc in brief	
G4-4	Primary brands, products and services	Paroc in brief	
G4-5	Location of the organisation's headquarters	Paroc in brief	
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Paroc in brief	
G4-7	Nature of ownership and legal form	Website: About Paroc	http://paroc.com/about-paroc
G4-8	Markets served	Paroc in brief	
G4-9	Scale of reporting organisation	Paroc in brief	
G4-10	Total number of employees and breakdown by employment type, employment contract, region and gender	Securing people's wellbeing	
G4-11	Percentage of total employees covered by collective bargaining agreements	Securing people's wellbeing	
G4-12	Description of the organisation's supply chain:	Building responsible supply chain	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Securing people's wellbeing	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Greetings from CEO, Ensuring operational excellence	
G4-15	List of externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Stakeholders, Building responsible supply chain	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation is active	Stakeholders	
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Entities included in the organisation's consolidated financial statements	Website: Investors	http://paroc.com/about-paroc
G4-18	Process for defining the report content and the aspect boundaries	Paroc's approach, Material aspects and boundaries	
G4-19	Material aspects identified	Paroc's approach	
G4-20	Aspect boundary within the organisation for each material aspect	Material aspects and boundaries	

G4-21	Aspect boundary outside the organisation for each material aspect	Material aspects and boundaries	
G4-22	Explanation of the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Engaging as an active corporate citizen	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	Engaging as an active corporate citizen	
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation	Stakeholders	
G4-25	Basis for identification and selection of stakeholders with whom to engage	Stakeholders	
G4-26	Organisation's approach to stakeholder engagement	Stakeholders	
G4-27	Key topics and concerns raised through stakeholder engagement, and how the organisation has responded to them	Stakeholders	
REPORT PROFILE			
G4-28	Reporting period for information provided	About this report	
G4-29	Date of most recent previous report	About this report	
G4-30	Reporting cycle	About this report	
G4-31	Contact point for questions regarding the report or its content	About this report	
G4-32	GRI content index	GRI index	
G4-33	Policy and current practice with regard to seeking external assurance for the report	About this report	
GOVERNANCE			
Governance structure and composition			
G4-34	Governance structure of the organisation, including committees of the highest governance body and committees responsible for decision-making on economic, environmental and social impacts	Paroc in brief, Paroc's approach	
Ethics and integrity			
G4-56	Description of the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Paroc in brief, Paroc's approach, Securing people's wellbeing	
SPECIFIC STANDARD DISCLOSURES			
DISCLOSURES ON MANAGEMENT APPROACH			
DMA	Disclosures on Management Approach	Paroc's approach	
CATEGORY: ECONOMIC			
Economic Performance			
EC1	Direct economic value generated and distributed	Engaging as an active corporate citizen	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Greetings from CEO	

CATEGORY: ENVIRONMENTAL			
Materials			
EN1	Materials used by weight or volume	Ensuring operational excellence	
Energy			
EN3	Energy consumption within the organization	Ensuring operational excellence	
EN6	Reduction of energy consumption	Ensuring operational excellence	
Emissions			
EN15	Direct greenhouse gas emissions (scope 1)	Ensuring operational excellence	
EN21	NO, SO and other significant air emissions	Ensuring operational excellence	
Compliance			
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental rules and regulations	GRI index	No monetary sanctions in 2016
Supplier environmental assessment			
EN32	Percentage of new suppliers that were screened using environmental criteria	Building responsible supply chain	
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	Building responsible supply chain	
CATEGORY: SOCIAL, LABOR PRACTICES AND DECENT WORK			
Employment			
LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Securing people's wellbeing	
Labor/management relations			
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Securing people's wellbeing	
Occupational Health and Safety			
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities by region and by gender	Securing people's wellbeing	
Training and Education			
LA9	Average hours of training per year per employee by gender and by employee category	Securing people's wellbeing	
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Securing people's wellbeing	
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Securing people's wellbeing	
Diversity and Equal Opportunity			
LA12	Composition of governance bodies and breakdown of employees by employee category according to gender, age group, minority group and other indicators of diversity	Securing people's wellbeing	

Supplier Assessment for Labor Practices		
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	Building responsible supply chain
HUMAN RIGHTS		
Human Rights Grievance Mechanisms		
HR12	Number of grievances about human rights impacts filed, addresses and resolved through formal grievance mechanisms	Securing people's wellbeing
SOCIETY		
Local Communities		
SO2	Operations with significant actual or potential negative impacts on local communities	Engaging as an active corporate citizen
Anti-corruption		
SO4	Communication and training on anti-corruption policies and procedures	Securing people's wellbeing
SO5	Confirmed incidents of corruption and actions taken	Securing people's wellbeing
Anti-competitive Behavior		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes	GRI index No such legal action in 2016
Compliance		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	GRI index No such fines in 2016
Supplier Assessment for Impacts on Society		
SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Building responsible supply chain
PRODUCTS RESPONSIBILITY		
Product and Service Labeling		
PR5	Results of surveys measuring customer satisfaction	Ensuring operational excellence



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