MIPRO GROUP LTD OY COMMUNICATION ON PROGRESS (COP) REPORT 2016

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1 GENERAL

This document is the Communication on Progress (COP) report for Mipro Group Ltd Oy covering the reporting period of 11.03.2016 – 30.4.2017.

1.1 Statement by the Chairman of the Board

27 April 2017

To our stakeholders,

We are pleased to confirm that Mipro Group Ltd Oy and its subsidiaries support the United Nations Global Compact, including each of the Ten Principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress report, we describe our actions of integrating the Global Compact and its principles into our business strategy, company culture and daily operations. We commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Shuhm

Stiina-Maria Snäll

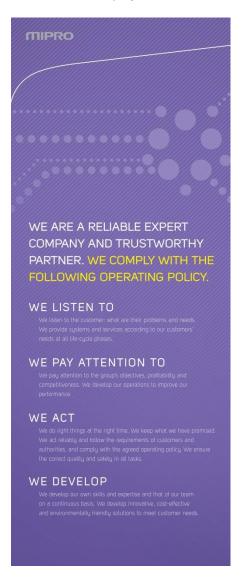
Chairman of the Board



1.2 About the company and COP

At Mipro Group, we have always been concerned about doing the things we do for the community. Operating in the field of functional and environmental safety, we understand our responsibility and impact on providing safe and functional solutions for mass transportation and providing clean water.

Reliable and responsible operations have always been the main focus in Mipro Group's activities, vision and values. It has been of the highest importance for the owners and the management in various company phases to do things right and keep our promises. In recent years, reporting on social responsibility has enabled us to communicate company activities and values to employees and stakeholders.



Reporting on our social responsibility has become not only a great tool for improving our operations, but also a way to remind ourselves why we are in this business in the first place. We want to actively be part of building and improving communities, and see the value and opportunity in building a successful company through both our local and global involvement in social responsibility.

Responsibility reporting and endeavours are important for us; we communicate our values to our stakeholders through them, and encourage other small and medium sized enterprises to participate. We strive to be in that group of companies that has a pervasive approach to corporate social responsibility, and have made it a natural part of their daily operations. In recent years our customers, personnel and job applicants have had a growing interest in corporate responsibility. Matters of responsibility are increasingly discussed; employees have taken initiatives related to responsibility.

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Mipro Group has special expertise in functional safety; we supply solutions to rail traffic and water supply ensuring the safety of operations for customers, and thus ensuring the safety of public transport, environment, water supply and drinking water. Customers and the legislation set strict requirements for the company's products and services in regard to reliability and functionality. Hence, responsibility is highly important for us in our daily business in regard to products and services.

The Group has evolved in recent years. Our operations and the number of employees have grown considerably and there have been other significant changes in the organization. In the midst of change and growth we have committed to continuity in the long term and our goal is to retain and strengthen the basic values, principles and operating policy of the Group.

During the reporting period we extended the coverage of the Social Responsibility Report to include all Mipro Group companies. Our previous reports focused solely on the operations of our largest group company Mipro Oy, but from this year onwards other subsidiaries as well as the parent company Mipro Group Ltd Oy are included in the report.

As for this year's report and our social responsibility work during the reporting period, we have given strong emphasis to environmental principles and the work pertaining to them. We have been working on transitioning from focusing only on recycling and saving energy to seeing the bigger picture on what we do as a company – we predict that in the future our products and business will have a remarkable role in solving environmental challenges.



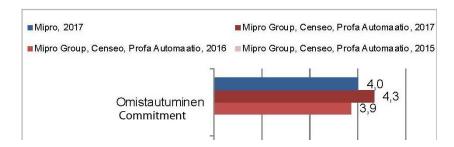


2 LABOUR AND HUMAN RIGHTS PRINCIPLES

We are committed to comply with human rights and labour legislation and we want to be a good and fair employer. Competent and committed personnel has been one of the company's main assets through its history and will be in the future. We have identified "Doing things together" as one of the key factors in our strategy.

The commitment of employees is reflected in their answers to our employee satisfaction surveys. The graph below shows on the scale of 1 to 5 the commitment of employees in the entire group in the years 2016 and 2017. The average commitment of all employees that answered to the surveys is as follows:

- 4.0 in 2017
- 4.0 in 2016
- 3.9 in 2015.

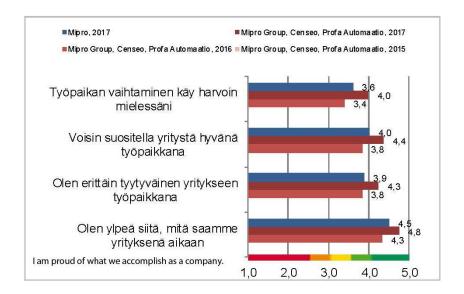


Based on the responses we received from our employee satisfaction surveys, it is clear that employees are very proud of what we have accomplished as a company and regard the group as a very good place to work.

The average rating that was given on the scale of 1 to 5 to the statement *I* am very proud of what we accomplish as a company is as follows:

- 4.5 in 2017
- 4.4 in 2016
- 4.2 in 2015.





2.1 Human Rights Principles

2.1.1 Assessment, Policy and Goals

Our goal is to adhere to all aspects of the Declaration of Human Rights, and through our own example and actions influence all our stakeholders and business partners to set their standards to a similar level.

As a company primarily based in Finland, Mipro Group adheres to Finnish laws and regulations. On that account, our standard on enforcing human rights is already at a high level. However, we do not wish to be complacent about our own and current partners' actions. Instead we have to look for ways to ensure that we will not be part of any human rights infringements either due to our own actions or even implicitly.

2.1.2 Implementation and outcomes

Our employees have been informed of the contents of the Declaration of Human Rights, and have been advised to look for and report any breaches of its contents caused either by our own actions or by our stakeholders. The Management system is reviewed periodically to ensure that human rights principles are appropriately taken into account in our daily operations.

Mipro Group has not been even implicitly involved in any breaches of human rights principles during the reporting period.

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2.2 Employees, employees' rights and labour law

2.2.1 Assessment, Policy and Goals

Our goal is to adhere to all local laws and regulations in addition to adhering to the labour principles stated in the Global Compact. As Finnish law is compliant with the labour principles set by the ILO conventions, we believe that our actions fulfil the labour principles to satisfactory levels when operating in Finland. However, we realise that we need to pay attention to recruitment and rights of employees when operating abroad and to our dealings with foreign stakeholders, should the need arise.

2.2.2 Implementation and outcomes

Our employees have been informed of the labour principles and contents of the ILO conventions, and have been advised to report any breaches of these terms should they come across any. All our employees have contracts of employment adhering to Finnish labour laws. Our recruitment process is designed to prevent any (even unintentional) possibility of breaching the contents of ILO conventions regarding child labour, forced labour or discrimination.

We provide training to our managers in matters related to labour legislation to ensure that we act correctly and in accordance with the laws. We aim to support the knowledge of employees about labour legislation by providing copies of the labour legislation to employee cafeterias.

Mipro Group has not been involved in any breaches of labour principles during the reporting period.

2.3 Equal opportunities and development

Assessment, Policy and Goals

We recognise the importance of a diverse, skilled workforce for our success. We are committed to creating a corporate culture that provides all employees with equal opportunities. We are dedicated to provide our employees with possibilities to develop their skills and knowledge in order to support their work and personal development in different stages of their careers.

Implementation and Outcomes

The outcome of this corporate culture is reflected in the composition of our top management - the management groups and board of directors of our group companies are divided approximately equally between women and men, and between people of various educational backgrounds and age. However, due to our location and the industry we operate in,

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the group does not attract job applicants with particularly diverse backgrounds. This is reflected in our employee demographics.

We support our employees in advancing their career, developing their skills and acquiring education. The management together with each employee define requirements for skills and knowledge and create individual plans for personal development and education. At the beginning of the employment relationship, a preliminary training plan is drawn up for the employee and it will be complemented during his/her career when needed. As the Group has grown rapidly, we also need to emphasise the importance of proper induction in the coming years in order to be able to address the induction and training challenges caused by growth.



The group companies participate in the Finnish Government's labour educational program that is designed to provide further education to job seekers and create jobs in the ICT sector¹. We also cooperate with local universities, colleges and polytechnics by providing their students with internships and practical job placement for thesis work. We employ students directly and also through their educational institutions. In all cases, we provide the students with the same benefits as the other employees and implement the same employment principles.

2.4 Occupational health and safety

2.4.1 Occupational health

Assessment, Policy and Goals

Our goal is to adhere to all local occupational health laws and regulations, and we believe that our actions result in a satisfactory occupational health environment for our operations in Finland.

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¹ Uusi IT-duuni, <u>www.itduuni.fi</u>

The experts we employ are critical for the success of the group; therefore our goal is to minimise the number of sick leaves. We aim to achieve a low level of absences caused by health-related issues through preventive actions and policies as well as with an inclusive employee health insurance policy.

Implementation and outcomes

Finland provides its citizens with wide-ranging public health services, which we have complemented with a comprehensive employee health insurance policy that gives our employees access to additional private health services. The policy includes instant access to basic private health services and complementary specialist services such as the services of a physiotherapist.

Mipro Group companies have implemented preventive policies that aim to ensure a satisfactory level of occupational health. The goal of the Early Support Program² is to identify possible health issues and take any necessary preventive actions as early as possible. We also conduct a semi-annual review of occupational health status with our private health care provider, which is reviewed by the management team of each subsidiary. We realise the importance of employees' own actions and thus we encourage our employees to actively take care of their own health and well-being.

The group has healthy, active and relatively young employees and as a result of this and our long-term focus on occupational health issues, we have been able to achieve a relatively low number of sick leave days. Our sick leave days per employee ratio is below the industry average in Finland. Furthermore, the number of long-term sick leaves has remained low over the years. For the reporting period, health-related absences have remained at the similar low level as in the previous reporting periods.

2.4.2 Occupational safety

Assessment, Policy and Goals

Managing occupational safety is a part of our management system, including controls required by Finnish law, and the ones we have put in place voluntarily. Our goal is simply to ensure the safety, health, well-being and physical ability of all our employees working in and outside the office.

The field we work in requires a multitude of trainings, approvals and certificates regarding safety. Keeping all these up to date on the employee level constitutes an integral part of occupational safety. Some of the required training is rather specific and not directly available; in such cases our goal is to acquire enough expertise in the company itself to be able to train our own employees with regard to occupational safety.

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² varhaisen tuen malli; http://www.ttk.fi/tyoterveyshuolto/tyokyvyn_hallinta

Implementation and outcomes

Occupational safety is managed by the occupational safety committee, which is responsible for and empowered by the management to handle all observations, notices, incidents and improvement suggestions regarding safety, well-being and work environment.

The committee works in a yearly cycle, which includes creating objectives, planning, implementation and measurement.

Occupational safety is measured by the number of incident-related absence days, "close call" incidents, safety-related deviations, audits of safety equipment usage, reviewing risk management documentation and a facility safety scorecard. The first meeting of the cycle is dedicated to a review of all the results of measurement.

In 2016, there were:

- Three close calls (including both own employees and subcontractors)
- Two minor incidents (subcontractors)
- · No safety-related deviations
- No reported cases of neglecting the use of safety equipment

As an outcome of our occupational safety work, Mipro Oy and its signalling system project received **the safest site award** in West Metro's safest metro site competition during the second period of 2015.

The safest metro site competition by West Metro is based on MVR/TR measurements (80%) and accident rate (20%). In all the eight reviews conducted for the competition, Mipro's signalling system project achieved first place.



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3 ENVIRONMENTAL PRINCIPLES

3.1 Assessment, Policy and Goals

Mipro Group operates in the field of environmental technology, and consequently is committed to take the environment into consideration in all company activities.

The group company Mipro Oy develops and supplies safety-related systems for rail traffic, industrial processes and water supply management that are characterised by a long lifecycle of maintainability and extendability. Today, Mipro Oy focuses strongly on digitalising the products and services of environmental industries, thus targeting total safety, practical efficiency of operations and value co-creation.



The group company Censeo Oy has comprehensive experience of safety management and assessment, risk management and environmental safety. This is an indisputable basis to provide efficient and competitive services for the management of safety in rail traffic, water supply and industrial operations.

Since May 2014 Mipro Oy has operated the Environmental Management System (EMS) certified according to ISO 14001:2015. The system is based on continual reviewing, self-assessment, planning and improvement. It requires us to adopt an active role and a preemptive stance in overcoming challenges and our impact on the environment. Furthermore, it encourages us to implement new technologies and practices which are environmentally friendly and sustainable.

The other Mipro Group companies operate in accordance with the Environmental Management System, although they do not have the system certified. Censeo Oy aims to have its operations certified in accordance with ISO 14001:2015 in the next reporting period.

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The following environmental principles that are applied in Mipro's management systems are, as appropriate, used in the other Group companies as well.

We apply the following environmental principles to develop our operation and products:

- 1. Our operation policy, products and services meet the requirements of legislation and regulations.
- 2. We develop our operation and products so as to reduce detrimental environmental impacts.
- 3. We develop products that have a long lifecycle and are maintainable and extendable.
- 4. We extend the lifecycle of the systems we have delivered by means of our own proactive measures. Our organisation structure and operation policy support lifecycle management tasks.
- 5. We track energy consumption and reduce the amount of waste generated by making correct daily choices.
- 6. We reduce the number of business trips by planning them carefully and by using remote meeting applications and remote connections.

3.2 Implementation and outcomes

Mipro Oy's implementation of EMS is described in the relevant documents and is part of the company-wide management system. All the roles and responsibilities are assigned, and Mipro Oy's EMS is subject to both internal and external reviews and audits.

During the reporting period, there were no incidents with an environmental impact. As such, no corrective actions were required during 2016. There were no incidents of non-compliance with environmental regulations and legislation. In order to be well informed and prepared for possible legislative and regulatory changes, we have developed a more systematic approach to the identification and review of relevant environmental regulation and legislation.

Outcomes and implementation of our six environmental principles are discussed shortly below.

Development (2)

We strive to make efficient solutions for safe transportation and water management, and continuously develop new and improved solutions for our clients.

We have started research and development programs during the reporting period; the most significant being the joint development initiative between Censeo Oy and Mipro Oy, as well as the Finnish ELY Centre for Economic Development, Transport and the Environment, SYKE Finnish Environment Institute, and the Mikkeli Waterworks and Environment unit. The project focuses on the processing, visualisation and management of environmental information collected from water systems. The target is to create a real-time situational awareness picture of the load situation in the water systems.

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During the reporting period an intra-group forum for environmental aspects was established. The aim is to activate employees to discuss environmental issues and come up with new ideas and openings in relation to the environment. Ideas relating to our everyday life, environmental aspects of the Group's own operations as well as new environmentally efficient solutions for clients are encouraged.

Lifecycle management (3, 4)

Mipro Group companies provide solutions with long lifecycles. The aim is to provide our clients with the best possible long-term yield on their investments in our solutions. During the reporting period we commenced work to take environmental aspects into account in all the various phases of our solutions' lifecycles.

Our subcontractors and cooperation partners are mainly Finnish and operate according to the relatively strict Finnish environmental laws and instructions. We require adequate environmental certificates from our suppliers to ensure they meet the safety requirements set by the legislation. We perform supplier audits and during the reporting period introduced environmental aspects as a criterion for procurements.

We monitor and manage the environmental load caused by our own actions by means of the environmental system. We have specified our own daily operations for site instructions, for example.

The products we develop and supply have a safe, high quality and long lifecycle. Furthermore, we provide lifecycle management services to ensure the value of the investment and as long a lifecycle as possible.

We destroy discarded equipment, including our own equipment and customers' equipment returning to us – for example in connection with service and upgrade – in a responsible manner, paying attention to information security and environmental aspects.

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We deliver electronic waste to an ISO 14001 certified company for disposal. We draw up and supply recycling instructions for imported equipment.

Energy consumption and waste (5)

In our own operations, office waste, emissions from transportation and energy consumption have been identified as our most significant sources of environmental impact.

To reduce the environmental impact we monitor the company's energy use and emissions. We have completed our site instructions with environmental aspects, for example by including a number of diverse environmental measurements, such as carbon dioxide emissions, on the site. We have also brought up environmental aspects in supplier audits.

Mipro encourages personnel to perform practical environmental actions in accordance with the principle that even the smallest act is of great significance for the environment. Again this year we arranged two environmental campaigns in which we reduced the kilometres travelled to and from work by car. In the spring campaign we saved 3536 driving kilometres and in the autumn campaign 3843 kilometres when personnel came to work by foot, bicycle, bus or car pool instead of driving their own car for five days.

In the autumn campaign we also calculated how significantly the reduced carbon dioxide emissions contributed to climate change mitigation.

Reduce business trips (6)

We strive to use video conferences and VoIP sessions for internal and external communication whenever possible. We have invested in video conference equipment and connections and made relevant arrangements inside the company and between different offices and with important customers. Our goal is to improve communication and reduce business trips at the same time. On average, employees use VOIP and instant messaging tools two to three times per day and on average they participate in or host two remote meetings each week.

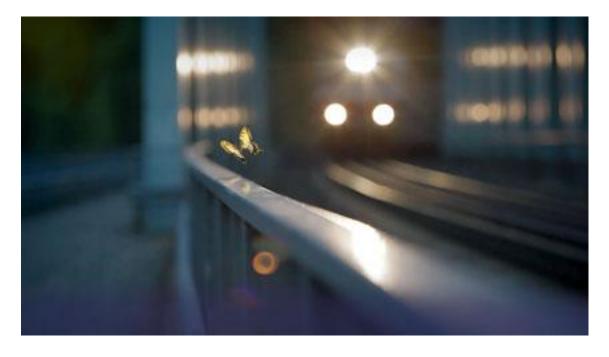
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4 TRUSTWORTHY PARTNER

Reliable and responsible operations have always been the main focus in Mipro Group's activities, vision and values. Legal compliance, business ethics, trustworthiness and responsibility are important values for us. We develop the business, set and review our goals over a very long time period, and focus our operations and goals on long-term continuity of the business. This is highly important for employees and customers as well as for the long lifecycle of our products.

We require all our partners and subcontractors to fulfil their statutory obligations. Partners and subcontractors must provide information regarding fulfilment of statutory tax requirements, proper insurance coverage, and statutory filings for example. As part of our internal purchasing and partner management procedures we check that such information is up-to date and available from all our subcontractors and partners.



4.1 Anti-corruption principles

Assessment, policy and goals

As a company primarily based in Finland, corruption and bribery have traditionally been exempt from the business environment. However, we realise that corruption appears in many forms outside the exact letter of the law and these can be hard to identify.

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During interactions with officials and customers there are many borderline, seemingly legal and silently accepted practices that are not in line with the principle of upholding a transparent and fair business environment. Our goal is to refrain from any such activities and encourage our stakeholders to do so as well through our example.

Implementation and outcomes

In our guidance and internal material, we outline what corruption (in all its forms) constitutes, and we inform our employees periodically against partaking in any form of corruption or bribery. They are also instructed to report on any evidence of corruption they come in contact with. To emphasise the importance of upright dealings, the group has given instructions and principles, and provided personnel with instructions concerning corporate gifts. In addition, our financial duties are separated, preventing individual employees from accessing company funds for unauthorised actions.

During the reporting period, we started going through our integrated management system to ensure that the principles of fair business practices and the UN Global Compact principles have been appropriately taken into account in the management system instructions. We have familiarised new employees with the subject.

We have not identified any cases of corruption or bribery within our sphere of influence during the reporting period.

5 OTHER

5.1 Developing the local community

Mipro Group participates in the development of our local communities by cooperating with educational and other institutions. We cooperate with local colleges, universities and polytechnics by offering their students summer and training jobs on a yearly basis. Our long-term goal-directed principle is to offer local young people possibilities to find permanent jobs in their own region as well.

Finland 100 - Mipro 50 campaign

Mipro Group wants to be involved in strengthening and developing Finland's competitiveness, and challenges other entrepreneurs who are ambitious to increase their growth, to participate in this community effort as well. In the spirit of Finland's centenary year we have started a campaign Finland 100 - Mipro 50 that aims at hiring 50 persons to Mipro Group and other, new and existing companies during the year 2017. Persons can find employment in our partner companies, subcontractors, or by establishing new start-ups, for example.

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5.2 Donations and charity

Mipro Group supports local sport activities and especially children's and young people's leisure time activities by giving donations. The main principle of donations contributed to leisure time activities is to support sport and culture clubs and societies so that they are able to provide hobbies and interests for as many young people as possible.

The aim of donations is to enable sensible activities that support children's and young people's growth and development; for example strengthen children's social relationships, promote their health, create inspiring environments or prevent young people from becoming isolated.

The company selects a different charity target for its Christmas donation every year. This year the Christmas donation was given to the John Nurminen Foundation and its Clean Baltic Sea projects. The target of the projects is to reduce the nutrient load of the Baltic Sea. https://www.johnnurmisensaatio.fi/en/



MIPROGROUP

Hyvää Joulua ja Onnellista Uutta Vuotta God Jul och Gott Nytt År Season's Greetings

Tällä joulukortilla on tuettu John Nurmisen Säätlön Puhdas Itämeri -hankkeita I är stöder vi John Nurminen Stiftelses projekt Ett Renti Östersjön, This year we support John Nurminen Foundation's Clean Baltic Sea projects.

