



Sustainability Report



Table of Contents

- 1 Sustainability at Ensto.....5
 - 1.1 Ensto Group in brief5
 - 1.2 Message from the CEO: Sustainability driving new thinking models and market needs6
 - 1.3 Our values7
 - 1.4 Our vision9
 - 1.5 Our strategy9
 - 1.6 Our stakeholders.....9
 - 1.6.1 Working together.....11
 - 1.7 Highlights 2014-201612
 - 1.7.1 Sustainability highlights12
 - 1.7.2 Changes in the organizational structure.....12
 - 1.7.3 Economic performance.....13
 - 1.7.4 Acquisitions.....14
 - 1.7.5 Divestments14
 - 1.7.6 Changes in the corporate structure.....15
 - 1.7.7 Cooperation15
 - 1.8 Megatrends driving our business.....15
- 2 Our Sustainability Approach.....17
 - 2.1 Policies and voluntary commitments.....18
- 3 best Employee Experience.....19
 - 3.1 Personnel – diversity as a strength19
 - 3.2 Labor principles.....21
 - 3.3 Employee wellbeing22
 - 3.3.1 Values and objectives22
 - 3.3.2 Belief in company's future22
 - 3.3.3 Fair and even treatment22
 - 3.4 Employee health and safety.....23
 - 3.5 Competence management.....25
- 4 Smart Solution Creation.....26



5	Responsible Sourcing	30
5.1	Working with our suppliers.....	30
5.1.1	Supplier evaluation	31
5.2	Development of Ensto's Sourcing function.....	31
6	Lean Manufacturing and Delivery	32
6.1	Lean manufacturing at Ensto	34
6.1.1	5S – Sort, straighten, shine, standardize, sustain.....	34
6.1.2	Ensto equipment efficiency	35
6.1.3	SMED – Single-Minute Exchange of Die	35
6.1.4	War Room	35
6.1.5	Andon.....	36
6.1.6	Preventive Maintenance.....	36
6.1.7	Pull	37
6.2	Quality at Ensto.....	39
6.3	Delivery at Ensto	41
7	Environment	42
7.1	Reducing energy consumption	42
7.2	Rising environmental awareness	42
7.3	Ensto Green Office	43
7.4	Significant environmental aspects and risks.....	44
7.5	Environmental performance.....	44
7.5.1	Energy.....	44
7.5.2	Waste	46
7.5.3	Water.....	47
8	Human rights	48
8.1	Implementation of Human Rights.....	48
9	ANTI-CORRUPTION	48
10	Governance.....	49
10.1	Sustainability reporting steering team.....	49
10.2	UN Global Compact	50



- 11 about the report50
 - 11.1 GRI content index and UN Global compact.....50
 - 11.2 Ensto’s material aspects and boundaries51
 - 11.3 Reporting data collection51
- GRI CONTENT INDEX53
- UN Global Compact54



1 SUSTAINABILITY AT ENSTO

1.1 Ensto Group in brief

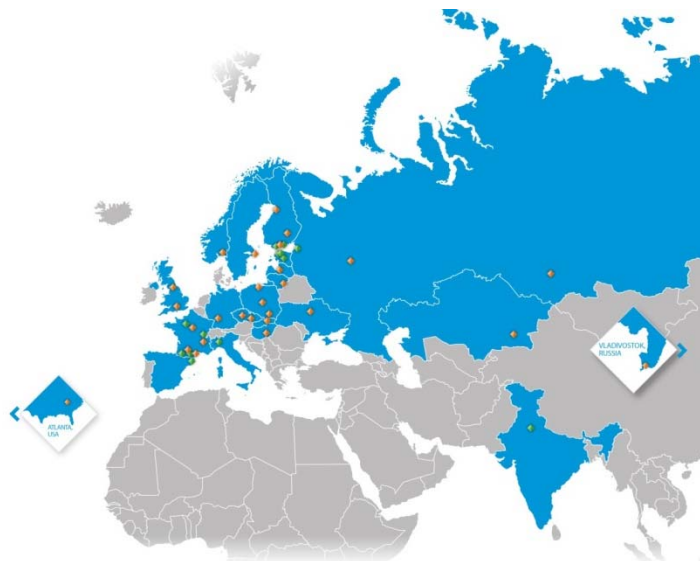
Ensto designs and provides smart electrical solutions to improve the safety, functionality, reliability and efficiency of smart grids, buildings and transportation. We believe in a better life with electricity and more sustainable tomorrow.

Ensto is an international family business founded in 1958 and employing 1,600 passionate professionals in Europe, USA and Asia. In 2016, we generated the turnover of ca 260 million euros. Ensto is limited company, owned by Ensto Invest Oy.

Ensto has four businesses: Ensto Electrification, Ensto Lighting, Ensto Utility Networks and Ensto Solutions.

Ensto Group has its headquarters in Porvoo, Finland and operates in 100 countries. Ensto has production in seven countries: Finland, Estonia, France, Spain, Italy, Russia and India.

Ensto's products are sold under the Ensto brand. Ensto's business model is mainly business-to-business. In some market areas, our business is done via wholesalers and distributors, and our biggest customers are contractors, building owners, electricity grid and fleet owners.





1.2 Message from the CEO: Sustainability driving new thinking models and market needs

The past year has been a significant year for Ensto and also for me. When I started as CEO of Ensto in April 2016, I got to learn a new business branch and a lot of amazing people. Not only Ensto's own employees but also our customers and other stakeholders.

In 2016 we started to plan our new strategy with our employees. The process started with Winning Together -survey and asking our employees how they see Ensto's future, which are our strengths and where should we focus on. In the strategy planning work we also carefully examined megatrends that have the biggest impact on our business environment. These are digitalization, urbanization, social change, shift of economic power and sustainability. All of these themes are more or less linked to responsible business and sustainable solutions.

Sustainability will drive new thinking models, practices and innovations. It will increase the use of sustainable energy sources. It also means that producers will be more accountable for ethics and compliance across their supply chain.

The world is using more energy to everyday living than ever before. At Ensto we believe that using electricity is the cleanest way to consume energy. We want to provide better life with electricity by providing good quality electrical solutions. We are not ignoring rural areas, but Ensto's future will be in smart cities powered by smart electricity. This is Ensto's strength.

Smart buildings, Smart transportation and Smart grid

Smart cities have a number of ecosystems. Ensto wants to play a big role in three ecosystems within smart cities: smart buildings, smart transportation and smart grid. A lot of business will take place in the intersections of these ecosystems. Electrical vehicle charging system can for example be a part of smart building, or electrical vehicle batteries can serve as demand response capacity for smart grid. Consumers have also become more aware of the energy sources they use and demand electrical solutions that are sustainable and do not burden environment unnecessarily. Innovative solutions, which reduce fossil fuel dependence such as electricity-powered transportation and other renewable energy related solutions will become a standard. Ensto offers solutions to support these market needs.

Regulations encourage towards more sustainable solutions

Regulations and government incentives will shape market trends and place. Monitoring relevant grids and buildings as well as transportation regulations are



becoming more and more common. Nordic countries have already adapted criteria to monitor electricity distribution in their markets. Ensto has a number of solutions to help electrical utilities to optimize their networks and provide good quality electricity to consumers. Consumers expect to get even quality electricity as a few volts change from rated voltage can cause e.g. higher power consumption.

Employees and partners in focus

Ensto wants to be known as electrical solution provider for smart cities. To achieve this we must maintain and cultivate our employee-first culture. I believe that best employee experience creates high customer loyalty and sustainable profitable growth. Human centricity, openness and responsibility are qualities that are valued at Ensto. We believe in winning together, and this applies to employees, customers, suppliers and other stakeholders

Ensto is committed to ethical and sustainable business conduct and compliance, which are expressed in Ensto Employee Code of Conduct. As producers are accountable for ethics and compliance across their supply chains, Ensto aims to build models to audit suppliers and partners even better than before. We have a Supplier Code of Conduct that we are introducing to all our suppliers. It is expected that all suppliers can commit to same ethical and environmental standards as we do.

Continued commitment to UN Global Compact and sustainable business

I am pleased to confirm that Ensto reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. In our Sustainability Report we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We discuss sustainability matters with our personnel, owners, partners, suppliers and customers. Our sustainability work builds Ensto's viable and long-term business. We also commit to share this information with our stakeholders using our primary channels of communication.

1.3 Our values

Ensto's values describe what we stand for and what we expect of others. Our values are what we know to be true, what underlie everything that takes place in our organization; they define how we work, and how we work defines how we are seen externally.



Trust Capital

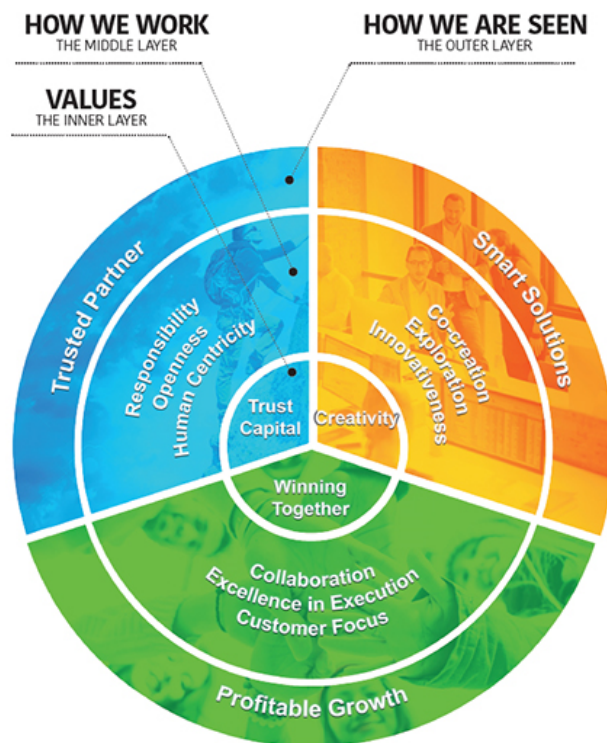
Trust is the basis for everything we do, and it must be earned every day. Human centricity, openness and responsibility are visible in every action we take. We always keep our promises, which makes us a Trusted Partner.

Creativity

Creativity drives innovativeness and we want to explore new technologies and business models. Together with our customers and other partners we create Smart Solutions.

Winning Together

We are a family business with family values. We collaborate, understand our customers' business and are excellent in execution. This leads to mutual Profitable Growth.





1.4 Our vision

Our vision is to create Better life. With electricity. We want to design and provide smart electrical solutions to improve the safety, functionality, reliability and efficiency of smart grids, buildings and transportation.

This means that we are going to provide smart electrical solutions, but our ultimate goal is to develop our solutions so that they will create better life for people who are using them. We want to move from technology-centricity to human-centricity.

1.5 Our strategy

In 2017 we launched our new strategy for the years 2017-2020. Our strategic targets are:

- Best employee experience
- Best customer loyalty
- Sustainable profitable growth
- Recognized electrical solution provider
- Delivery as differentiator

We provide electrical solutions for smart grids, buildings and transportation. Our solutions improve safety, functionality, reliability and efficiency.

We are the trusted partner as we always keep our promises. Our goal is to build close and long-term customer relationships. For us it is important to be able to fulfill customer promises accurately and efficiently through end-to-end supply chain control of core offering elements.

We want to explore new technologies and business models and find solutions for our customers by collaborating with them.

We seek growth in service business and from new solutions. We have also set a target to increase our revenue from geographic expansion.

1.6 Our stakeholders

We aim to build an open and transparent dialogue with the people and organizations affected by our operations, and aim to answer their needs according to our best ability. We are doing this by actively developing our relationships with employees, customers, communities, suppliers, students and other stakeholder groups. Through our sustainable and cleantech solutions we are able to create basis for better life with electricity.

Our main external communication channel is Ensto's webpage. We also publish a stakeholder magazine Ensto Today at least once a year. Environmental aspects are mainly communicated through sustainability report and Ensto Today.



From sustainability point of view our key stakeholders are Ensto's personnel, customers, owners, consumers, and suppliers. We have identified each key stakeholder group's expectations of Ensto. Based on their responses, we have made a decision about actions we need to take in order to meet these recognized expectations.

	EXPECTATIONS	OUR ACTIONS	HOW WE MEASURE PROGRESS
Personnel	<ul style="list-style-type: none"> • Permanent jobs and long-term careers • Equal opportunities and open company culture • Safe working environment • Occupational health care • Opportunities for training and personal development • Recognition for good performance 	<ul style="list-style-type: none"> • Developing leadership skills • Developing skills and competences • Job rotation • Promoting employee health and safety • Motivating pay and performance-based remuneration • Rising eco awareness 	<ul style="list-style-type: none"> • Employee Survey annually • Annual development discussions • Employee participation in trainings and e-learnings • Voluntary turnover rate • Accident frequency rate (AFR) • Number of internal promotions
Customers and consumers	<ul style="list-style-type: none"> • Good service level, high- quality products and competitive pricing • Long-term customer relationships • Expertise in the field of energy efficiency • Local presence in each market area 	<ul style="list-style-type: none"> • Improving the price-quality ratio product and solution development processes • Developing sales promotion programs in co-operation with customers • Making sustainability one of the main criteria in our product development • Training programs for customers • Participating fairs • Technical support 	<ul style="list-style-type: none"> • Regular brand and customer-satisfaction surveys • Systematic feedback • Learning processes for customers claims
Owners	<ul style="list-style-type: none"> • Long-term value creation • Responsible risk management and corporate governance based on family business values and ethical standards 	<ul style="list-style-type: none"> • Materiality survey for management and Board of Directors • Responsible risk management and good management of code of conduct. • Acting as a trusted partner for all our stake-holder groups 	<ul style="list-style-type: none"> • Profitable growth
Suppliers	<ul style="list-style-type: none"> • Responsibility and liquidity • Long-term business relationships 	<ul style="list-style-type: none"> • Conducting business in a reliable and responsible way • Updated supplier code of conduct • Regular partner meetings • Promoting expertise in the field of energy efficiency 	<ul style="list-style-type: none"> • Number and quality of suppliers • Concentrated purchasing • Compliance with the agreed terms of payment • Supplier score card
Media	<ul style="list-style-type: none"> • Open, relevant, reliable and timely communications 	<ul style="list-style-type: none"> • Press releases and conferences • Articles • Sustainability report • Web • Press visits 	<ul style="list-style-type: none"> • Media follow-up



Authorities	<ul style="list-style-type: none"> • Compliance with laws and regulations • Payment of taxes • Reliable employer • Open dialogue 	<ul style="list-style-type: none"> • Payment of taxes • Compliance with laws and regulations • Promoting expertise in the field of energy efficiency 	<ul style="list-style-type: none"> • Number of jobs • Amount of taxes paid • Amount of salaries paid
Partner organizations	<ul style="list-style-type: none"> • Open interaction and dialogue • Promoting common interest • Collaboration projects 	<ul style="list-style-type: none"> • Promoting expertise in the field of energy efficiency • Participation in the sector's development and complying with common rules and policies as well as providing economical support. • Training possibilities for students 	<ul style="list-style-type: none"> • Under development
Students and universities	<ul style="list-style-type: none"> • Trainee opportunities • Thesis opportunities • Summer jobs • Visits in Ensto • Sponsoring 	<ul style="list-style-type: none"> • Hire students for summer jobs • Offer intern, trainee and thesis positions • Sponsoring and taking part in student events • Take part in responsible summer job campaign in Finland • Host visits at Ensto • Cooperation projects with universities in Finland • Take part in development of curriculum in Finland 	<ul style="list-style-type: none"> • Number of thesis • Number of summer jobs
Communities	<ul style="list-style-type: none"> • Sponsoring • Open communication 	<ul style="list-style-type: none"> • Sponsoring sport clubs and teams • Corporate communication in website • Hosting school visits 	

CASE: Women in Tech

In October 2014 we participated the national Women in Tech day in Finland by inviting local school girls and boys to explore career opportunities the technology industry has to offer. During the visit, children were introduced to Ensto product development, industrial design, recycling in factory environment and emission-free electric traffic. For example children redesigned Ensto's electric vehicle charging points, learned about 3D printing and experienced the silence of electric vehicle when getting a ride.

1.6.1 Working together

Ensto works actively in many networks and forums, which are among others EWEA, BSW, Europacable, Cleantech Finland, Greenet Finland, SGS, DNW, UL, PCT, CPVS,



CLC. We have been funding co-research projects, participated in workshops and taken part and organized seminars.

1.7 Highlights 2014-2016

1.7.1 Sustainability highlights

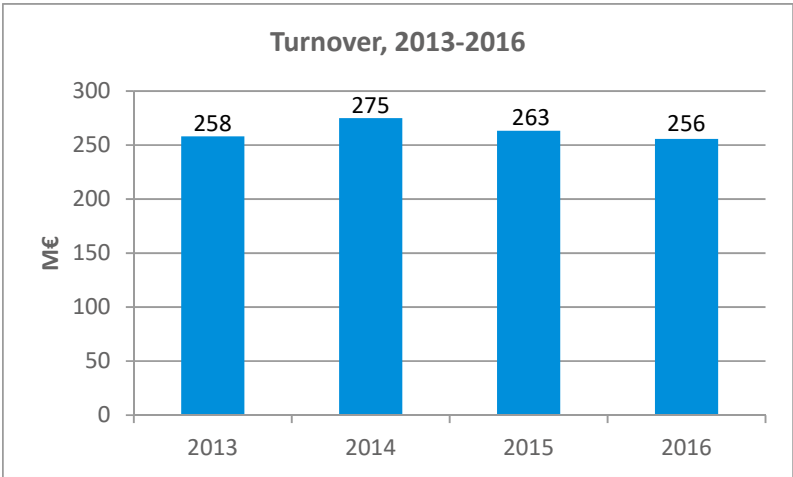
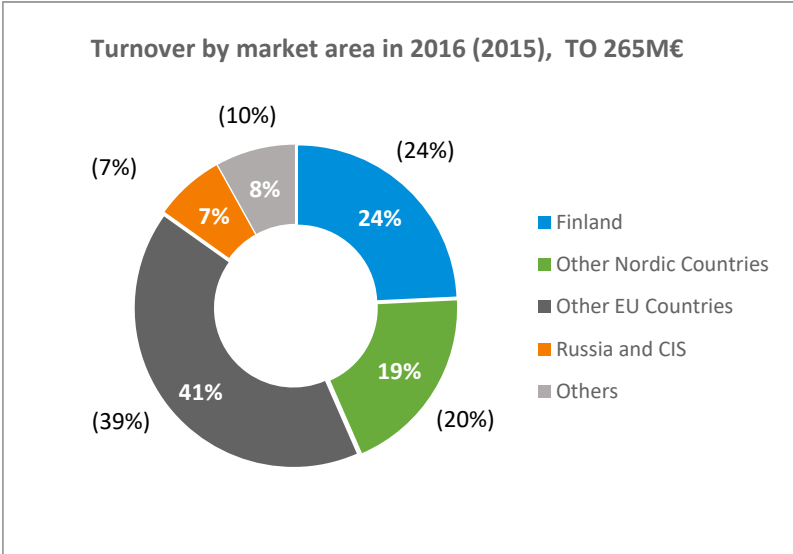
- 2016: our sustainability themes updated
- 2016: Ensto Green office launched in Estonia
- 2016: Ensto Electrification operations launched Ensto Operational Excellence (EOX) program in three factories in France.
- 2016: Smoke-free Ensto in Finland
- 2015: Ensto in Estonia got high recognition in Environment-friendly company competition in the Environmental Management category.
- 2014: Ensto in Finland participated in Women in Tech day by inviting school children to Ensto to learn about technology and what it might offer them in the future.

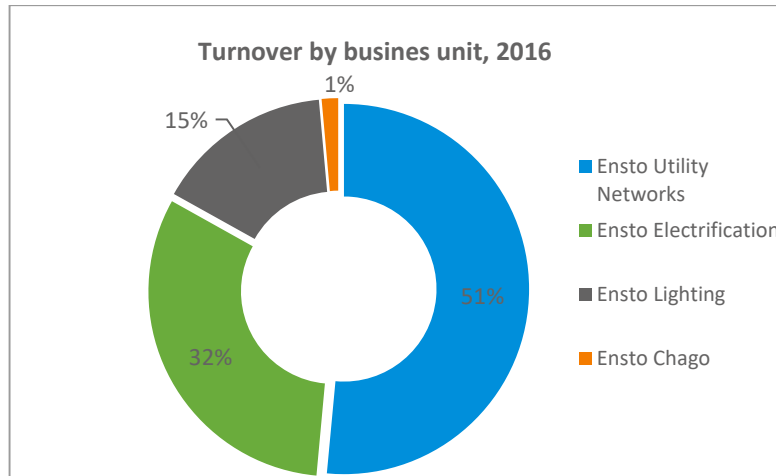
1.7.2 Changes in the organizational structure

- In January 2016 Ensto's whole lighting business was centralized under the Ensto Lighting business unit.
- In March 2016 the Ensto Building Technology and the Ensto Industrial Solutions businesses were combined to the Ensto Electrification business unit.



1.7.3 Economic performance





1.7.4 Acquisitions

- Ensto acquired the entire share capital of the Finnish luminaire manufacturer Alppilux Oy on April 15, 2014. The turnover of Alppilux was 13.5 M€ in 2013 and it employed approximately 70 persons in Finland, Sweden and Estonia.
- Ensto's ventilation company Ensto Enervent Oy acquired the entire share capital of Noram Produkter AS, a distributor of ventilation products, on September 30, 2015. Noram AS was based in Norway, had personnel of five and turnover of 30 MNOK.
- Ensto Novexia SA acquired the entire share capital of Tridelta Parafoudres SA from Tridelta International AG on April 8, 2016. Tridelta Parafoudres SA manufactures surge arresters for utility networks. Parafoudres employed approximately 40 professionals in France and had turnover of 12 M€.

1.7.5 Divestments

- Ensto Finland Oy sold its traditional metallic enclosure business, based in Ensto's factory in Mikkeli, Finland, to Casemet on March 17, 2016. Personnel of Ensto's Mikkeli factory was transferred to Casemet in this transaction. Casemet focuses on the manufacture of enclosures, electro-mechanical components, and sheet-metal structures in Finland.



- Ensto Oy sold the entire share capital of Ensto Enervent Oy and its Norwegian subsidiary Exvent AS to Ensto's former parent company EM Group Oy on August 31, 2016.
- Ensto Novexia Parafoudres SA sold its Metal Oxide Varistors production line to M&I Materials Ltd on December 14, 2016.

1.7.6 Changes in the corporate structure

As of January 1, 2017, Ensto's parent company is Ensto Invest Oy. Miettinen family continues to be the sole owner of Ensto Invest Oy. This change is related to a larger M&A where Ensto's former parent company, EM Group, was divided into three independent companies: Ensto Invest Oy (Ensto Group), Tianta Oy (Teleste Oyj's shares), and the new EM Group Oy (other ownerships).

1.7.7 Cooperation

Ensto signed a cooperation agreement with Emerson, global technology and engineering company based in the USA in August 2016. This agreement paves the way for both companies to offer an even more comprehensive range of ATEX products and industrial solutions for demanding environments. The product lines included in the agreement are control stations, enclosures, panel boards, plugs and receptacles, as well as LED lighting, fittings and heat tracing systems.

Through this agreement, Ensto became a preferred partner and exclusive subcontractor for Finland, Scandinavia and the Baltic countries to distribute electrical products under the Appleton, Nelson and SolaHD brands.

1.8 Megatrends driving our business

Ensto's management evaluates regularly the global megatrends that impact Ensto's business, examining related risks and opportunities to create the basis for our strategic planning. The five megatrends with the greatest impact on our business are: urbanization, digitalization, social change, shift of economic power and sustainability. These megatrends are described in the following table together with the related opportunities. Overall, these megatrends appear to bring us more opportunities than threats.



Megatrend	Impact	Implication
Urbanization	Increasing number of big cities and high-rise buildings will affect markets, customers and competition.	Our smart and safe solutions for smart grids, buildings and transportation will help to build long lasting utility networks and decrease CO ₂ in urban areas.
Digitalization	Data-driven business and new digital technologies disrupt value creation and collaboration models.	Our new business models and solutions will help our stakeholders to be more efficient, utilize resources more carefully and use data in a smart way.
Sustainability	New market needs will increase the demand of energy efficiently and ecologically produced services.	Our solutions reduce fossil fuel dependence, e.g. electricity-powered transportation and renewable energy related solutions. We will deploy Ensto wide Supplier Code of Conduct and build models to audit suppliers and partners.
Social Change	Health and well-being demands grow. Sharing of commodities becomes more popular as well as services.	We will concentrate on developing needed services to our customers. We will investigate and pilot new working models.
Shift in Economic Power	Changes in the balance of market and competitive landscape as economic power is shifting to emerging markets.	We need to make sure that that our suppliers act according to the laws and required standards. We need to keep an eye on the possible business opportunities on the emerging markets.



2 OUR SUSTAINABILITY APPROACH

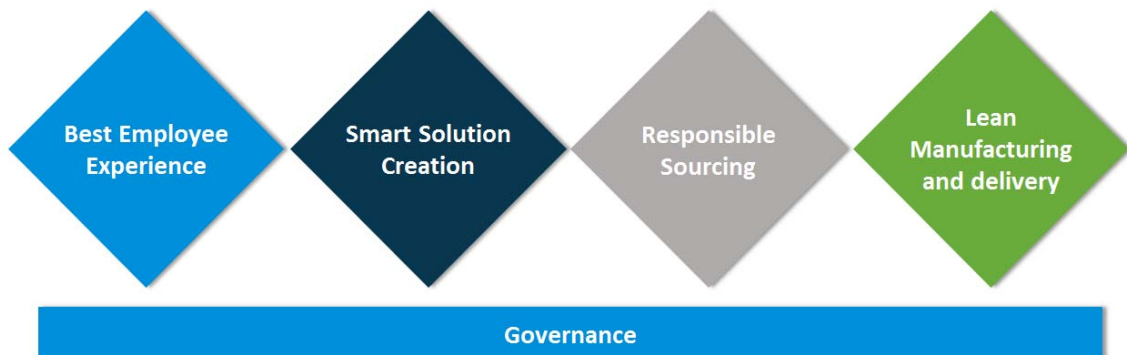
For us sustainability means responsible operation in all our actions as well as providing sustainable solutions for our customers. We constantly seek ways to reduce our energy consumption and operate more efficiently. We see sustainability as part of our everyday actions.

We contribute to building a better society with electricity by providing smart solutions, improving energy efficiency and focusing on sustainable development. To help us accomplish this, we aim to be at the front line of the electrical systems and supplies industry in producing clean, recyclable, trusted, and innovative products and solutions that have a long lifetime and a low environmental impact over their life cycle.

Sustainability at Ensto is managed by various guiding principles. The main principles are defined in the Ensto's Employee Code of Conduct as well as our main policies: Environmental Policy, Quality Policy and Safety and Health Policy. These, together with our values and a number of practical guidelines and quality and environmental standards guide our sustainable way of working.

We have updated our sustainability framework to be in line with our new business strategy. We have defined four sustainability themes by focusing our main stakeholders' needs and requirements. These focus areas are put into practice through concrete action plans that are followed at all levels of the organization. Responsible persons from the Ensto Management Team have been named for each theme. These persons are responsible for developing and enhancing these themes.

Sustainability Themes





The target of Best Employee Experience is to attract, develop and retain the best talents. This is done by offering equal opportunities and training to our employees, invest in wellbeing and work satisfaction. This theme also aims at raising the environmental awareness of our employees and other stakeholders.



Smart Solution Creation concentrates on supporting customers in sustainability by creating smart and safe solutions with low environmental impact. We seek ways to reduce energy consumption of our products with smart technology. We are embedding sustainability into internal processes by prioritizing materials with low environmental impact and developing product lifecycle management.



In Responsible Sourcing we concentrate on increasing transparency in sourcing activities. We aim to set clear, transparent and fair criteria and processes when choosing and managing suppliers and partners. We focus on that supplier criteria is communicated, understood and followed throughout the whole supplier chain.



Within the theme Lean Manufacturing and Deliver we concentrate on efficient operation by reducing energy consumption and material wastage, minimizing environmental impacts and utilizing circular economy. We put lot of effort on maintaining and improving high-quality, safe and energy efficient production methods and ensuring safe environment working conditions.

All of the themes are based on our governance, which include our values, ethical principles, policies and guidelines, sustainability management, principles of UN Global Compact, well-being of local communities and dialogue with our stakeholders.

2.1 Policies and voluntary commitments

We comply with all national laws and regulations wherever we operate. Ensto is a signatory of the United Nations Global Compact, and we are committed to its principles on human rights, environment, labor, and anti-corruption.

All Ensto's employees are responsible for integrating sustainability considerations into our daily work. In order to be successful in this task, we apply a set of policies and principles for maintaining the high standards of our operations. We expect all of our employees to fulfill these commitments in their everyday work.

- [Employee Code of Conduct](#)
- [Environmental policy](#)
- [Ethical principles](#)



- [Quality policy](#)
- [Safety and health policy](#)
- [United Nations Global Compact principles](#)

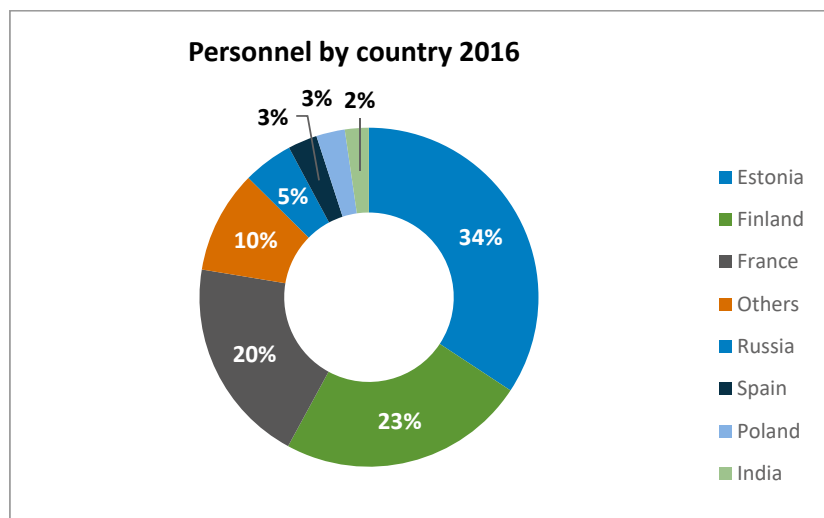
3 BEST EMPLOYEE EXPERIENCE

As a family business, we value the dedication, motivation, and spirit that Ensto people demonstrate in their daily work. We truly care for our people and, together with our employees, take responsibility for their well-being. We do our utmost to provide a safe and rewarding working environment and offer a high-quality occupational health care. We want to be an attractive employer for both current and potential employees. We consider close collaboration, based on trust capital, creativity and winning together, with our customers, suppliers, students, and the local communities, as integral part of the best employee experience.

3.1 Personnel – diversity as a strength

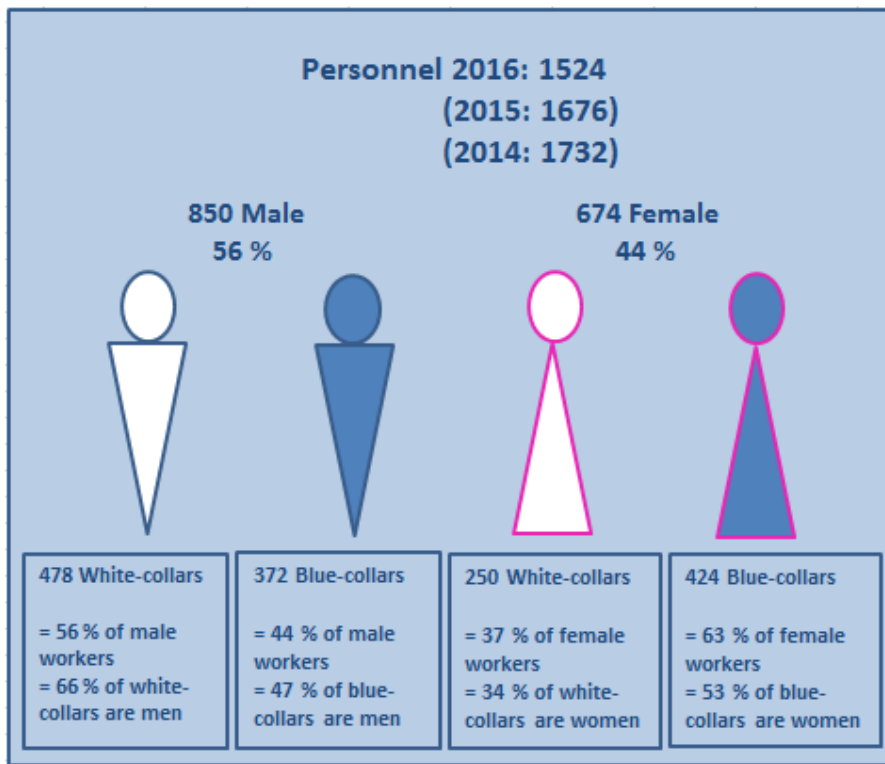
We believe that engaged and skilled personnel are the key to success. We see diversity as a strength that helps us attract the most talented and motivated people. It is our duty to offer people a working environment where every individual’s contribution and participation is appreciated, rewarded, and encouraged.

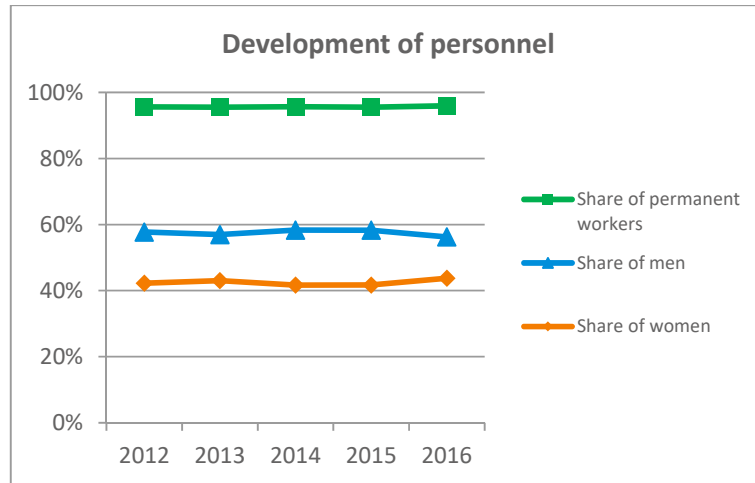
At the end of 2016 Ensto employed 1,524 people of which 1,510 were full-time employees. Ensto has employees in 20 countries. The majority of our employees are located in Estonia (34%), Finland (24%) and France (20%).





Our employee base is relatively evenly distributed in terms of age and gender and there have not been big changes over the years. At the end of 2016, 44% of our employees were female and 56% male. Factors like one's gender, nationality, ethnicity or age have no weight in our recruiting decisions. We also consider factors such as nationality, ethnicity, physical ability, education, and work experience as important aspects of diversity and provide equal opportunities to all of our employees, but do not actively gather data on these factors.





3.2 Labor principles

We do not tolerate any violation of human rights of labor laws in any part of our supply chain. We follow the ILO (International Labor Organization) minimum age limits for employment and local laws when being stricter than ILO. We also expect our supplier to follow these principles.

We do not use any form of forced labor and expect the same from our business partners. Salaries paid by Ensto are based on individual contracts and local collective agreements. We expect our suppliers to follow the local regulations of the minimum wages.

All our employees have right to establish and join groups for the promotion and defense of their occupational interests. Regular meetings and consultations are ongoing locally with local labor unions. In addition to the local collective unions and local cooperation bodies and forums, the Ensto Council convenes at least once a year. The Ensto Council’s role is to provide an opportunity for overseas units’ employee representatives to express their views on various issues as well as to act as a Group-wide discussion and information forum. Ensto Council fulfils the EWC-directive 2009/38/EC regulation.

There were no labor rights related non-compliances reported in 2016.



3.3 Employee wellbeing

One of the tools in caring for the wellbeing of our employees is the employee survey. Our surveys help us to gather valuable information about our employees' opinions and identify practices that will make Ensto a better place to work.

Every second year we conduct an Employee survey that is targeted at all our employees. In 2016 the survey received a response rate of 80.7%. It has been decided to conduct employee surveys annually from 2017 onwards.

3.3.1 Values and objectives

Based on the employee survey in 2016 awareness of values and objectives of Ensto has diminished since 2014. In Ensto, for example the following aspects correlate with this issue: living up to values in departments, how one's own work is linked to Ensto's goals, communicating of strategy and future prospects and accepting company's values and objectives.

This topic is very much in focus in the coming months, since Ensto's new strategy that was published early in 2017 will set us new objectives for the future. In the new strategy Ensto's values were revisited.

3.3.2 Belief in company's future

The latest employee survey revealed that people have trust in the top management in Ensto. This is a clear strength and has also a strong connection with the employee engagement in Ensto. This trust has also a strong connection with employees' views on company's future. Now the future views are more critical than two years ago. An important area to focus on is the implementation of changes as it is strongly connected with both the trust in leaders and how bright the future for the company seems.

Ensto's new strategy plays an important role in this: we want to restore our employees' confidence in the company's future by giving us a clear direction.

3.3.3 Fair and even treatment

The engagement level of employees is very much connected with the feeling how fairly and evenly the company treats them. Views on fair and even treatment of employees are in Ensto connected for example with fair rewarding, support for



professional development, and willingness to recommend the company as an employer. The latest employee survey indicates that this is a theme where improvement could be done.

This is a topic we want to pay attention to e.g. by offering further training for Ensto's leadership development program Ensto LEAD and giving support for professional development.

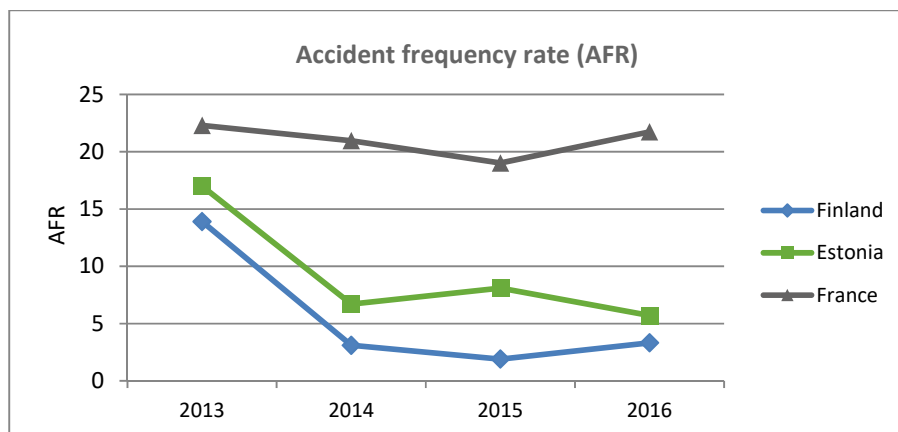
3.4 Employee health and safety

Main principles concerning safety aspects are set in our Safety and Health Policy. The compliance of our main policies is reviewed at least once a year by Ensto's Management Team in management reviews.

The health and safety of our employees is very important to us. We aim at zero accidents and are constantly developing our safety procedures in order to achieve our goal of becoming an accident-free workplace. The picture presents the accident frequency rates in Ensto's biggest operation countries. In 2014 we managed to reduce the accident frequency rate in Finland and in Estonia significantly. In the future we need to put more effort on reducing the number of accidents in France.

We continuously develop our processes and methods to improve health and safety conditions of our employees. The main development methods are Safety War Room practice in our factories, internal audits, external audits, health and safety walks and risk mappings.

We provide our employees with regular safety training, and our offices, factories, and laboratories are audited.



Picture: Accident frequency rate. Only Finland Enstonia and France are reported because no reliable data was available from rest of the sites.



Since the beginning of 2013, we have been using the HeiaHeia online wellness tool to actively encourage our employees to lead an active lifestyle and to take the responsibility of their own wellbeing. The goal of the tool is to provide some extra motivation for sports and everyday exercise.

Ensto Wellness Motivator is a position of trust appointed to one person at a time, for a period of one year. The task of the Wellness Motivator is to spread the word of importance of functional exercising and through different campaigns motivate Ensto personnel to exercise.

Ensto provides and organizes occupational health care services for its employees according to local requirements. Occupational health care services include physiotherapist's services to advise employees about ergonomics (especially postures and work movements) where possible. Ensto supports healthy and active lifestyle with activity clubs and events for personnel.

Organizing employee health care is an area that we feel we have succeeded well. According to the employee survey made in 2016 the satisfaction to the occupational health care rise slightly compared to the year 2014 being 3,3 out of 4 (4 being the highest score). Employees also felt that employee well-being is well taken care of. Satisfaction to employee well-being is significantly higher than in Europe general.

CASE: A Smoke-free Ensto

A smoke-free workplace has been shown to promote workers' health and wellbeing. Smoke-free work environments also protect non-smokers from passive smoking. Ensto supports its employees' being smoke-free and Ensto's locations in Finland have been non-smoking as of January 1, 2016. This campaign has encouraged also other Ensto locations being smoke-free and e.g. Ensto in France is smoke-free and Ensto plants in Estonia are planning to come along in 2018.

"For us at Ensto, the well-being of employees is very much in focus, as quite often is the case in family businesses. It's very important to the owners," says Susanna Simolin-Eriksson, HCM Manager, who in her work concentrates on employee well-being.

"Well-being of employees means, among other things, good occupational health and investment in the development of health care services. A smoke-free working



environment has significant importance. Actually, it is for us quite a matter of the heart,” continues Simolin-Eriksson.

In Finland Ensto supported its personnel who wanted to quit smoking in 2013-2015. There was a campaign where support was offered both as therapy and as medical substitution treatments. “Both direct and indirect health impacts of tobacco are undeniable, and they are of great importance to public health. We have achieved our goal if even a few employees manage to quit smoking thanks to the support we provide,” states Simolin-Eriksson.

CASE: Ensto True Blood

A blood donation campaign called “Ensto True Blood” was organized in 2014 at Ensto in Finland and in 2015 in Estonia. Also employees from other countries were encouraged to take part in the campaign. With Ensto True Blood we wanted to highlight the importance of blood donation and this way support local communities.

3.5 Competence management

One of the focus areas in our Best Employee Experience theme is to attract, develop and retain the best people. Long-term competence management plays a key role in this work. Ensto personnel are top professionals in their field. To be able to achieve and maintain that position, Ensto offers its personnel high-quality trainings in several work related areas. In addition, we deploy other development methods; such as projects, rotation etc.

We aim at developing our skills and competences related to, e.g.:

- Products and solutions (and related services)
- Sales
- ICT systems
- Languages
- Communications and marketing
- Lean manufacturing or agile delivery capability
- Leadership
- Processes and (QHSE) Quality, Health, Safety and Environment
- Project management

**CASE: Ensto LEAD superior training program**

World-class performance and Best Employee Experience requires excellent leadership skills. The Ensto LEAD superior training program is one good example of systematic approach to developing employees. The program is targeted at developing our managers' leadership skills and increasing synergies between Ensto's functions.

The learning methods in the program are interactive and discussion-oriented, including practical tasks and team exercises. More than 200 managers and team leaders have participated in the training program since 2011, and the program continues.

4 SMART SOLUTION CREATION

We provide our customers smart and safe solutions with low environmental impact and minimum life cycle energy demand. We utilize smart technology and digital means to support our customers in reducing energy consumption. We find it important that the energy usage of our solutions is less than the average. We prioritize recyclable and durable materials to ensure the longevity of our products. We put a great emphasize on easy and fast installation process in order to minimize the amount of excessive material or waste generated.

CASE: Electric vehicle charging solutions: Megatrends and Sustainability

Ensto's electric vehicle charging business is increasingly engaged in technologies which support and benefit from recognizable megatrends. As the EV (electric vehicle) industry realizes that EV charging is about more than a socket, Ensto EV charging business leads the transformation to the digital age.

Digitalization is permitting Ensto EV charging business to develop of a host of services on top of the physical platform.

EVs themselves are of course the most prominent argument for sustainability, with transportation thought to cause over one-quarter of CO₂ emissions. Although the potential for EVs to reduce carbon emissions is dependent on the type of electricity that charges the battery, in countries where hydroelectricity and nuclear energy dominate, EVs have the potential to more than halve total vehicle emissions.

The creation and marketing of Ensto EV charging solutions, which ease the acceptance and integration of EVs, is therefore in itself a sustainable activity.



Governments are supporting the rollout of renewables, with Japan developing V2H (vehicle-to-home) networks, where a homeowner's car functions as a mini power station storing renewable electricity produced onsite. V2H enables a homeowner's car to power a coffee machine, for example, so that the grid doesn't need to be tapped in the morning.

V2G (vehicle-to-grid) systems will not lag far behind, where vehicle owners will be able to sell energy to the grid or throttle their charging rates.

Germany is leading the way in solar and its storage in residential buildings. Ensto EV charging products are V2H- and V2G-ready, prepared for the day when the grid is also ready for bi-directional EV smart charging. This will allow electric vehicle charging to be matched with electricity systems, balancing electricity production with consumption.

Autonomous driving will also eventually find acceptance, and machine-to-machine communication between charging networks and vehicles will enable more sustainable behavior. Ensto's smart products are already prepared for this transition.

At a component level, materials used in Ensto chargers are recyclable. But given the speed of technology change, Ensto recognizes the importance of creating future-proof products, and our chargers can be easily updated with new software, reducing the need to consume new materials and extending their product lifespans beyond the norm.

Through creating smart products, which encourage thoughtful, intelligent behavior, Ensto both supports a sustainable future, as well as the profitable business of its clients.

A sustainable future and a profitable business are not mutually exclusive. Ensto makes EV charging smart business.

CASE: Life cycle assessment proof material efficiency in office electrification

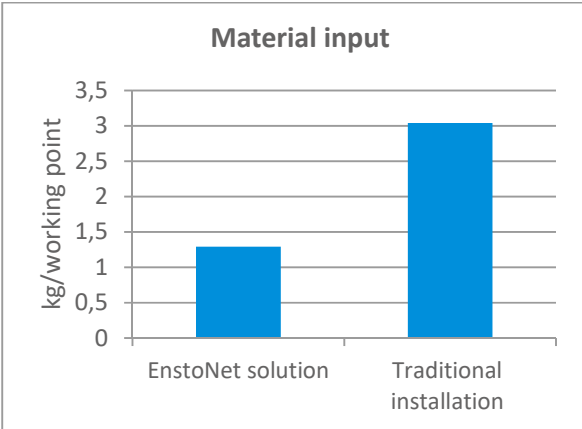
Life cycle assessment (LCA) is used in Ensto based on the customer needs. LCA is done mainly for the products that are close to the end customers (e.g. luminaires) since these products benefit from the environmental analysis most.

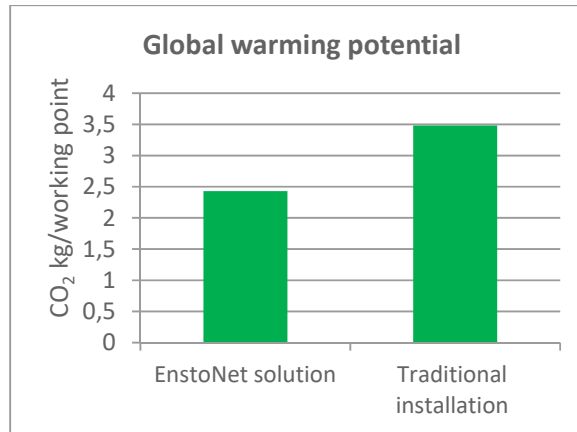
In 2015 life cycle assessment was carried out for EnstoNet products by a third party. EnstoNet is a prefabricated electrical cabling solution for industrial and commercial buildings. When using EnstoNet, less cable is needed, compared with traditional installation. This allows faster installation, more flexibility and uses less material.



The target of the LCA study was to demonstrate the CO₂ emission and material reductions when using Ensto's products compared to the competitor's solutions. The analysis was made in a system solution level by comparing the electrification designs in a 1,600m² office. The life-cycle assessment covers all environmental aspects for extraction and production of raw materials, manufacturing of key components, transport and assembly of the components until factory gate. The life cycle assessment has been performed according to ISO 14040 and ISO 14044.

The outcome is expressed per one electrified working point in a modern office. The results revealed that EnstoNet solution requires 2.4 times less material compared to the traditional installation. In addition, the carbon footprint per electrified work point is 30% lower.





CASE: Product portfolio management

In 2014 Ensto started a program for improving product portfolio management skills and practices. Ensto has wide range of products thus an efficient management of product portfolio is essential. In the program process was created for the product portfolio management with the product managers. Product portfolios are analyzed twice a year according to the process and needed actions are carried out. Product portfolio management is a dynamic decision process, where products are evaluated and their role and the status of the life cycle is determined. The process encompasses a number of decision-making processes including periodic reviews, making decisions on individual products and prioritizing them, so that it is easier to allocate resources.

The main target of Ensto's portfolio management project was to clarify the offering based on customer needs and remove the products that are at the end of their life cycle. To enhance the use of standard components, components were examined and made sure that no duplicates exist.

The clearest outcome of the process was the decrease of active items. In the future we expect to scrap fewer products and components and have more space in our stock. As a result of this program also better skills and IT- tools for product portfolio management, improved overall profitability, better positioning of the products and tangible results in handling low volume-low profitability products were expected. In the future portfolio management process could involve sustainable matters. Life cycle analysis, material choices as well as other sustainability criteria could be included in the portfolio management process.



5 RESPONSIBLE SOURCING

We strive to ensure that our suppliers and partners uphold high standards for responsible business practices and how they treat the people who work for them. When selecting suppliers we look for quality, reliability, transparency and ability to foster innovation.

We are committed to transparency and strive to build long-term, open, fair and mutually beneficial partnerships with our suppliers and partners as well as seek innovative ways of working together.

We take global responsibility for our actions, comply with regulatory frameworks and adhere to best practices, while minimizing our impact on environment. We are continuously developing our processes and the way we are working with our suppliers and partners to reach top performance in our projects.

5.1 Working with our suppliers

Ensto currently has close co-operation with around 4000 external suppliers. Through collaboration with our stakeholders, we aim to enhance long-term and fair relationships, ensure the highest quality and create a sustainable supply chain. In purchasing this means specifically that the suppliers shall be treated equally, without discrimination and purchasing decisions shall be based on open and clear criteria.

Ensto requires that suppliers' operations are performed in a manner that is appropriate, as it applies to their ethical, legal, environmental, and social responsibilities.

We select our major suppliers and subcontractors on their ability to meet our Ethical Principles which are based on Ensto's values and the principles of the UN Declaration of Human Rights, the UN Rights of the Child and the Declaration of the United Nations International Labor Organization.

Ensto requires all stakeholders to make efforts to manage and confirm (affirm) product compliance with regulations such as REACH, RoHS and Conflict Minerals.

Ensto Supplier Code of Conduct (SCoC) is part of Ensto's ethical code for purchasing and it requires that suppliers act in ethically, legally, environmentally and socially appropriate manner. The SCoC lists basic requirements on labor issues such as ban of child, forced and indentured labor, working hours and wages and benefits.



5.1.1 Supplier evaluation

We are evaluating our potential new suppliers in accordance with the suppliers' approval process and our current major suppliers on criteria of quality, operational efficiency, cost, occupational health & safety, social and environmental responsibility. Also human rights related criteria, anti-corruption principles and labor principles are important part of the evaluation process. We evaluate our suppliers on a yearly basis in order to:

- provide input information for sourcing, production development and management decisions
- keep management informed of actual or potential risks
- ensure ongoing compliance and conformity to Ensto activities and products related regulations and standards
- provide input information for supplier selection and auditing
- improve suppliers' performance

We are using supplier score card method for supplier evaluation. It is based on the quality performance of suppliers' products and services. If the supplier is not fulfilling the set criteria, the supplier will be audited or other development actions will be agreed with the supplier in order to ensure the fulfillment of the criteria.

The principles of no forced or compulsory labor and no child labor are included in Ensto Supplier Code of Conduct. In 2016 we conducted 18 supplier audits. No non-compliance cases were reported during these audits.

5.2 Development of Ensto's Sourcing function

An Ensto level Group Sourcing function was formed and it became part of the Ensto Group Services as of January 1, 2017. This function operates Ensto wide and covers all businesses and countries.

Although not all the details are yet in place it is already clear that the new organization will imply changes in the ways of working not only in the function but throughout the organization in terms of how group external purchases (spend) and suppliers are managed – and how co-operation between different SBUs, countries, sites and functions will be handled. In fact, co-operation is a key element going forward: "We expect to build and implement a pragmatic organization that ensures seamless and constant dialogue between various Ensto stakeholders," says Tomasz Bilinski, Director of Group Sourcing.



Launching the organization is only the first milestone in a long and exiting journey. Capturing synergies, reducing complexities and acting in a sustainable way are examples of principles that will guide the sourcing actions going forward. "We will of course need to have a strong grip on our spend and we will be on a continuous basis turning every stone to reduce our spend – however never sacrificing safety, security of supply nor quality. We don't expect the journey to be a walk in the park. In fact we have very realistic views on certain challenges ahead of us but that just makes the journey even more intriguing for me," says Tomasz Bilinski.

CASE: Circular Economy of IT equipment

In Finland, Sweden and Norway Ensto supplies its IT equipment from a leasing company 3 Step IT. That means that 3 Step IT takes care of the whole life cycle of IT equipment from supply to disposal. The only thing we need to do at Ensto, is to choose the right equipment and brand.

The advantages of leasing IT devices are that the satisfaction with IT rises when users get the latest technology, total costs are reduced and the old equipment is reused, rather than stored or dumped. Leasing rather than owning has a sustainability aspect. If old devices can be sold to another customer or parts of the computer can be used to build a new devices natural resources can be saved. Sending equipment for refurbishment rather than to landfill lowers also the overall carbon footprint of each machine. This is what circular economy is all about.

"One of the most important criteria for choosing 3 Step IT as a partner, was the intention to offer our personnel up-to-date IT equipment for their daily use. And at the same time we can be sure that the equipment no longer used are refurbished and remarketed in an ethical way," says Timo Hukkanen, Ensto's ICT Director. 3 Step IT is able to refurbish and re-market 95% of the IT equipment that is returned at the end of its leasing period. Majority of 3 Step IT's recycled computers end up in European markets. All the data is always wiped from the storage devices so it is safe to let the devices to be reused.

Most of the used computers are in perfectly good working order and can be sold or leased for example for the schools. The incentive for schools to use recycled computers is that they can save thousands of euros.

6 LEAN MANUFACTURING AND DELIVERY

Our culture of continuous improvement is based on sustainability and Lean manufacturing.



We are constantly working to minimize negative environmental impacts of our operations, minimizing both the resources used and the waste created. We are also utilizing possibilities of circular economy.

We focus on efficient and agile delivery capability and keep our promises to customer.

CASE: Circulation of metals in Ensto

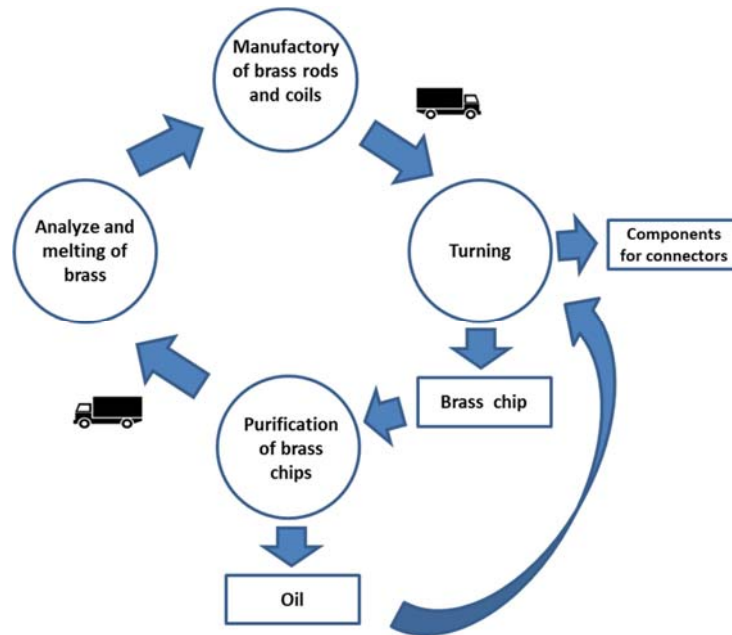
Circular economy has been daily business in Ensto's manufacturing in Finland for decades. Metal scrap that is produced in turning is carefully separated, kept apart and recycled. Copper, stainless steel, painted steel and aluminum are transported to Kuusakoski Oy, where new raw materials are produced. Recycled aluminum is even in some extent repurchased as Ensto's aluminum supplier acquires raw material from Kuusakoski Oy.

Brass scrap (later chips) has so called closed circulation as the brass chips are sold directly to one of Ensto's brass suppliers. Ensto purchases brass rods and coils from Germany. Brass is mainly used to manufacture components for connectors by turning coils and rods into desired shapes. Turning of brass creates lots of brass chips, since almost half of the purchased brass ends up to scrap. In 2015 153t brass chips were produced.

Oil is used in turning process, which contaminates the brass chips. Oil concentration of the brass chips needs to be fewer than 3%, in order to be recyclable, thus the brass chips need to be purified in the centrifuge. Recovered oil can be reused in turning which makes the purification process also in that sense profitable.

Clean brass chips are transported and sold back to the brass supplier to Germany. The concentration of brass is analyzed, the chips are melted with needed substrates, new brass rods and coils are produced and the cycle continues. The supplier uses mostly brass chips as raw material so the recycling rate is almost 100%. In the end of the life time Ensto's connectors hopefully end up to a recycling station and the brass returns back to the brass cycle.

Recycling of metals is not just reducing waste and saving environment but also saving money. The brass chips have the highest monetary value of Ensto's metal scrap. Recycling brass back to the manufacturer is also beneficial to Ensto since the price of the brass is cheaper for those who return their scrap back.



Picture: The brass cycle

6.1 Lean manufacturing at Ensto

Efficient and well-organized operations are an essential part of Ensto's company culture. We work hard to enhance delivery lead times, manufacturing flexibility, and logistics accuracy in order to meet our customer's current and future needs.

In order to promote lean manufacturing in our operations, we are running a company-wide internal program, "The Ensto Operational Excellence (EOX)". The program is all about continuous improvement and a focus on adding value and reducing waste, which results in shorter lead times, flexibility and top quality for the benefit of our customers.

Lean is about being effective and efficient. It is about doing what is right and doing it as well as can be done. It starts from the point of knowing what a customer wants, values and needs and works to find the best way to deliver that to them.

6.1.1 5S – Sort, straighten, shine, standardize, sustain

5S is a system to reduce waste and optimize productivity through maintaining an orderly, safe workplace and using visual guidelines to achieve more consistent operational results. 5S standardizes the industrial fundament of a factory and also improves it continuously. 5S comprises five principles to make people highly efficient and effective in doing their work.



6.1.2 Ensto equipment efficiency

We are improving our machine intensive work efficiency with the equipment efficiency method, by shortening set-up times, reducing cycle times and waste times.

6.1.3 SMED – Single-Minute Exchange of Die

We strive to be as efficient as Formula1 tyre change pit-stop while switching in production from one product to another. As a result we can run a lot of very small batches and guarantee very short production lead times to our customers.

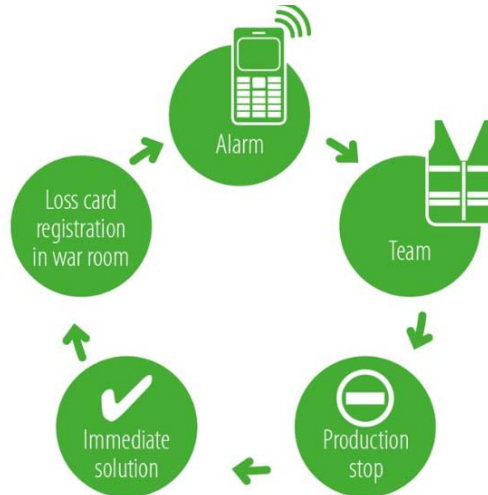
6.1.4 War Room

We have implemented War Rooms to our factories in order improve the efficiency, production lead time, flexibility, quality and communication within Ensto plants. War Room is a systematic approach to eliminate losses. It is based on the idea that we should continuously identify and measure performance losses in the plant. In this context losses are defined as lost productive time by machine or people. War Room is also one of the most important ways to empower our personnel.



6.1.5 Andon

We use Andon for identifying and creating method to fast reaction to quality problems in plants. Andon is a method to signal defined categories of problems, involve professional resources to fast and promptly to execute immediate actions. The target of the Andon implementation is to improve quality performance and reactiveness to quality problems in plants. Andon method empowers plant personnel to involve best resources to fast response to quality problems where solution to continue is unclear or problem may cause significant losses.



6.1.6 Preventive Maintenance

Preventive maintenance standardizes the basics of how maintenance environment should be organized. Main target for preventive maintenance is to improve the machine efficiency and reliability. Thus it also eliminates some repetitive failures and improves knowledge of plants machine capital.



< WEEK - MONTH - YEAR >				
MACHINE OR MACHINE GROUP				
WEEKLY	CHECK	■	■	
	CLEAN		■	■
	FILL		■	■
MONTHLY	CHECK	■	■	■
	CHANGE		■	■
	ADJUST	■	■	■
YEARLY	CHECK	■	■	■
	ADJUST		■	■
	FILL	■	■	■
	NOTICE			

6.1.7 Pull

Pull flow at Ensto is a material and production flow from the finished goods warehouse to the component and raw material supplier. In Pull the production activities at upstream level happens only when initiated by a request from the downstream level. This means that the items are pulled through the system by Kanban requests. The ultimate target of implementation of pull control is shorter lead times with improved delivery accuracy as well as improved flexibility, efficiency and traceability.



Assy

Assy helps us to make our production even more efficient through re-organized assembly cells and layouts as well as the pull-controlled material flow. As a result our



workers perform only value added activities and complete the products in the shortest possible time.



CASE: EOX implementation in France

EOX and Lean methods have been introduced to most Ensto organizations.

Ensto launched EOX program in three factories in France in summer 2016. With the support of the Group and after EOX was presented in Estonia, three Production Managers supported by Quality Manager got training from external consultants and started EOX adventure.

Thanks to the wide involvement of production teams, all the sectors of production have begun the 5S. People have quickly seen the interest of this powerful tool and nice opportunity to refresh production workstations. Meanwhile, convinced by the efficiency of the tool, some office employees have implemented 5S in their offices voluntarily.



EOX status

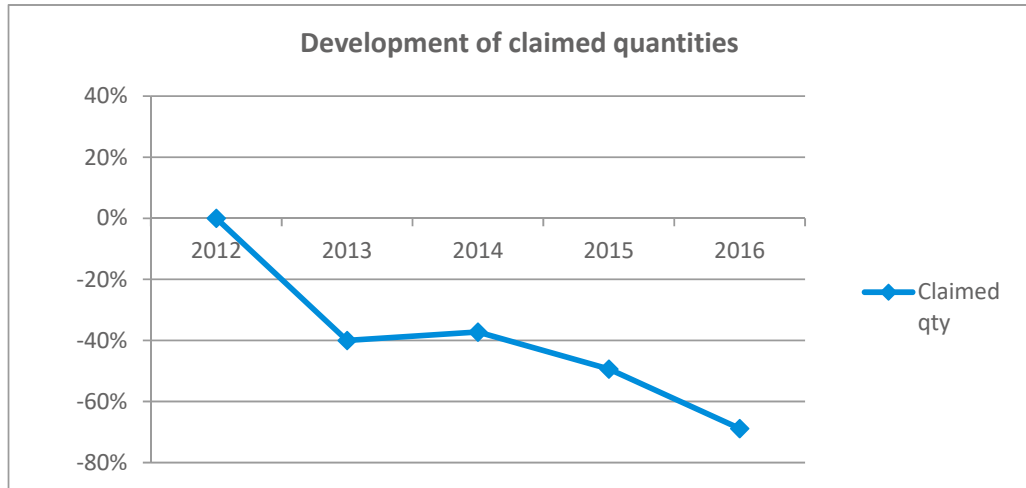
METHOD	WHAT IS IT ALL ABOUT?	OUR STATUS TODAY?	FUTURE TARGETS
5S	Sort, straighten, shine, standardize, sustain - Visual flow and organization of workflows	- Method standardized and extensively implemented in plants and offices, including HSE - Sustained by regular auditing and cross auditing processes	Sustain the current level Introduce to all Ensto plants
Equipment Efficiency	Improving machine intensive work efficiency by - SMED (Shortening set-up times) - Reducing cycle times - Reducing waste time	- Method standardized and implemented in machinery-intensive plants	Annual set-up, cycle time and waste time reduction targets on plant level
War Room	Continuous improvement through empowerment - Daily loss and improvement potential identification - Four-step improvement projects - Wide empowerment across organization	- Method standardized and extensively implemented in production, sourcing and logistics, customer care, HSE - In 2015, we - recorded 34.000 loss cards - completed 400 four-step loss elimination projects - reduced 27.000 hours of loss	Sustain the current level Introduce to all Ensto plants

METHOD	WHAT IS IT ALL ABOUT?	OUR STATUS TODAY?	FUTURE TARGETS
Pull Control (Kanban)	Efficient material and production flow according to market needs - Shorter lead times - Market-driven manufacturing - Supplier collaboration	- Half of production flow covered by pull (hrs) - Systematic method implemented - Main method to cut lead times	- Main method for handling material flow with suppliers, internal and inter-plant - 60-70% production flow covered (hrs)
ASSY	Efficient production methods through - Assembly cells and layout - Pull-controlled material flow	- Method standardized and implemented in assembly-intensive plants - 10-30% productivity improvements per project	- Annual total productivity increase target: 5%
Preventive Maintenance	Optimized use of investments - Reduces waste resulting from machinery breakdown - Longer lifetime of investments	- Method in implementation phase	Implementation in 2017

METHOD	WHAT IS IT ALL ABOUT?	OUR STATUS TODAY?	FUTURE TARGETS
Quality Assurance	Quality assurance - Processes and practices that ensure the high-quality of products and services in a proactive manner	Quality assurance development program divided into following themes - Supplier quality - Product development quality - Manufacturing process quality	Continuous improvement in product and service quality
Andon	Method to signal quality problems, to involve professional resources and to execute immediate actions. - Improve quality performance and reactivity to quality problems	- Method implemented in main plants - Method to bring about immediate problems solving team in the right place on time	Investigate the possibilities to utilize the method in other Ensto functions

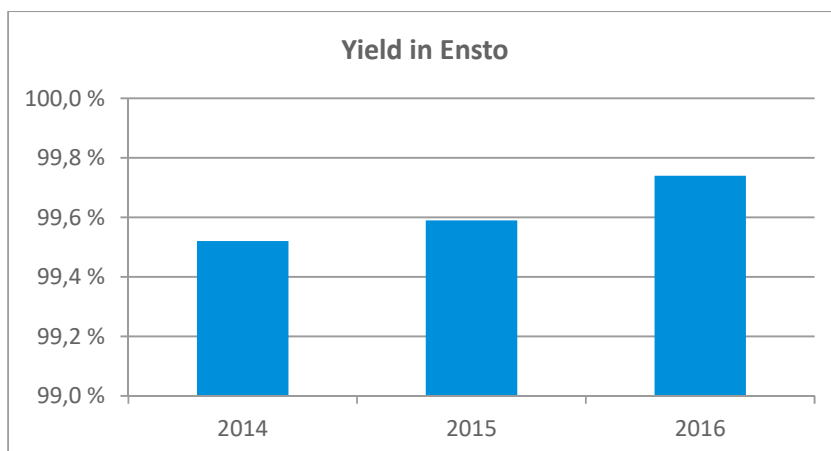
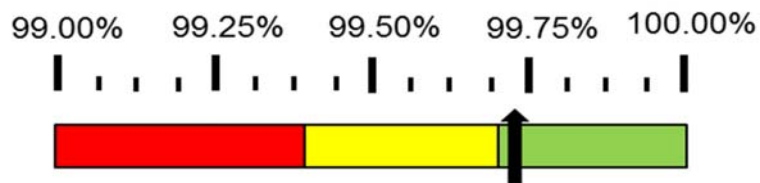
6.2 Quality at Ensto

The quality of our products, services and solutions is very important for us. A lot of effort has been put to improve and maintain high quality. In 2012 we started a persevering work to improve the quality which has led to impressive results. Compared to the year 2012 we have managed to reduce the number of claimed quantities by 69% in 2016. By providing high quality products, we meet our customers' requirements. Also less waste is generated, material usage is decreased and CO₂ emissions are reduced.



In Ensto yield is used to measure quality. Yield covers both internal and external quality and it is calculated by dividing the difference of sold and claimed quantities with sold quantities. Our current target for Ensto Finland and Ensto Ensek is to exceed 99.7% yield (including our own and trading products). We reached the target in 2016. All the factories have their own targets for the quality yield.

Yield 2016
99.74%



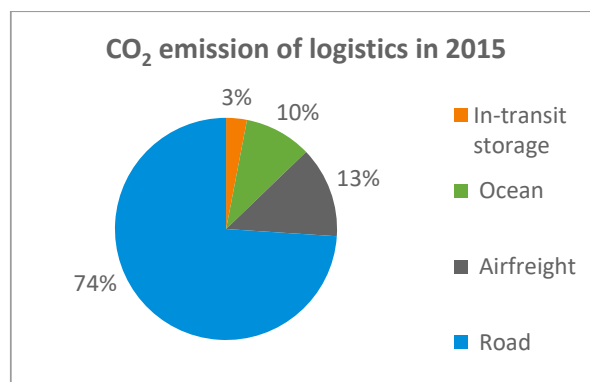
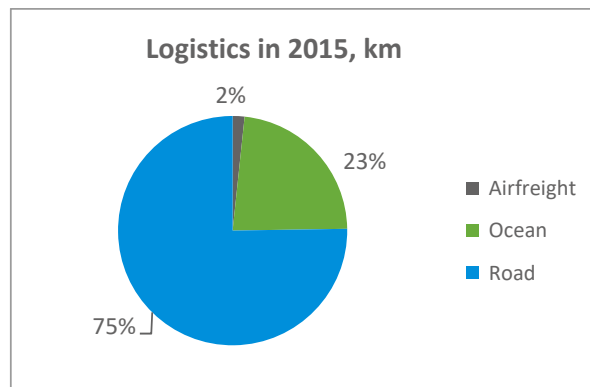


6.3 Delivery at Ensto

One of the criteria for selecting logistics partners for Ensto is environmental aspect. We require for our transportation partners to have clear consciousness of environmental issues and also to take concrete actions to decrease the CO₂ emissions in transportation. Model of transport is chosen based on the customer needs.

CASE: Sustainable logistics at Ensto

In Finland and Estonia we have one carrier partner responsible for approximately 80% of the deliveries. According to them the carbon footprint of forwarding and freight was 1,295 tons of CO₂ (equivalent) in 2015. 75% of the shipments (km) were done by road transportation, 23% by sea carriage and 2% by airfreight. Road transportation caused majority of carbon house dioxides (74%).





7 ENVIRONMENT

One of the themes in Ensto's sustainability work is reducing environmental impacts. The main focus is to assess and reduce the environmental impacts of our own operations, as well as the impacts of the entire supply chain.

In 2015 we established three main projects focusing on environmental themes for the years 2016-2018 which are reducing energy consumption, rising environmental awareness and Ensto Green Office. In the first phase, the scope of these projects is Ensto in Porvoo, Keila, Tallinn, and St. Petersburg and in Sweden. In coming years the programs will be rolled out also to other Ensto countries.

7.1 Reducing energy consumption

Reducing energy consumption is a project where the focus is in reducing the consumption of energy and other natural resources in our facilities and operations. One of the concrete targets is to reduce electricity consumption in our factories by 5% by the end of year 2018 (in relation to number of produced pieces). The base year for reduction is 2015.

7.2 Rising environmental awareness

Training and knowledge sharing play crucial roles when rising awareness of environmental challenges and with the awareness starts caring. It is shaping the attitudes and behaviors that can make a difference. When you learn that even the small everyday choices can have a big impact on the environment, then you are on the right road.

Rising environmental awareness strives to enhance the general level of "environmental awareness" among Ensto people by the following actions:

- Environmental card training for 20% of employees in factories
- Environmental training for product management and product development personnel
- Ensto Green Office training for all the Ensto employees working in office or office related environment

In 2016 there were 41 card owners in Porvoo (60% of target) and 22 in Estonia (25% of target). Trainings will continue in Russia in 2017.



7.3 Ensto Green Office

Although most of our environmental impacts are generated in our production plants, with concrete actions energy and material savings can also be found in the office as well. Ensto Green Office is Ensto's own environmental management system for office environment.

With Ensto Green Office we motivate our personnel to act in an environmentally friendly way in their everyday tasks. The aim of this program is to decrease the consumption of natural resources by improving the energy efficiency, by preventing waste generation and by increasing environmental consciousness of employees.

Ensto Green Office concentrates on decreasing energy, water and paper consumption as well as waste generation in office environments. Employees are also advised how to travel in a green way and how to take environmental aspects into account when purchasing. Also the office related product and service suppliers are included in Ensto Green Office program.

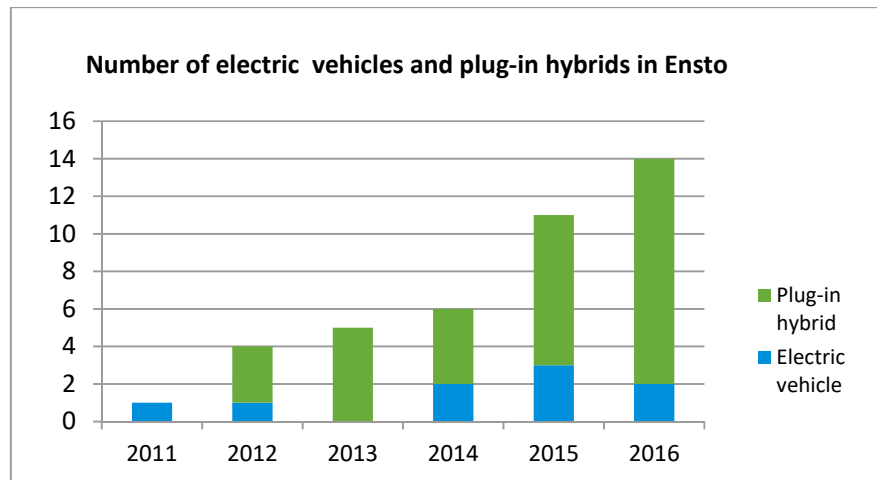
A local Green Office coordinator and team, consisting of employees from different positions and apartments, are responsible for implementing and developing the Ensto Green Office. Ensto Green Office is audited internally in a certification process. The coordinator reports to the concept owner once a year of the KPI and development of Ensto Green Office.

First pilot for Ensto Green Office started in 2016 in Keila in Estonia. Ensto Green Office will be implemented in all other Ensto offices and it will also be integrated to our existing audit systems.

CASE: Ensto encourages employees to choose environmentally friendly company cars

Our aim is to purchase and lease as environmentally friendly cars as possible. We encourage our employees to choose company cars with low CO₂ emission rates. Especially electrical and plug-in hybrid cars are favored. Charging the batteries of electrical and plug-in hybrid vehicles can be done at a number of Ensto's office parking places.

The value of the car benefit is calculated based on the CO₂ emissions of the car. This has encouraged employees to choose cars with smaller engines and plug-in hybrid cars. Maximum CO₂ emission limit for company cars is reviewed annually.



7.4 Significant environmental aspects and risks

Ensto Operations environmental aspects are evaluated regularly. Significant aspects introduction and risks avoiding is important part of employees training program. Based on risk evaluation results Environmental programs are created and goals and targets are defined. Program is followed regularly by management of Ensto locations and in annual Management Reviews.

In 2015 we introduced "Health and Safety and Environment War Room". Important part of HSE War room is to register all health and safety and environmental accidents or potential accidents and risks. Procedure how to respond to environmental incidents is described and audited regularly.

7.5 Environmental performance

Since 2010 we are regularly reporting our direct and indirect energy consumption. In our environmental reporting we have concentrated on tracking the most relevant sources of direct and indirect emissions – fuel and energy consumption as well as water consumption and waste disposal.

The energy performance data for the year 2016 is under collection process. We will report the values for the year 2016 as the data is collected and analysed properly.

7.5.1 Energy

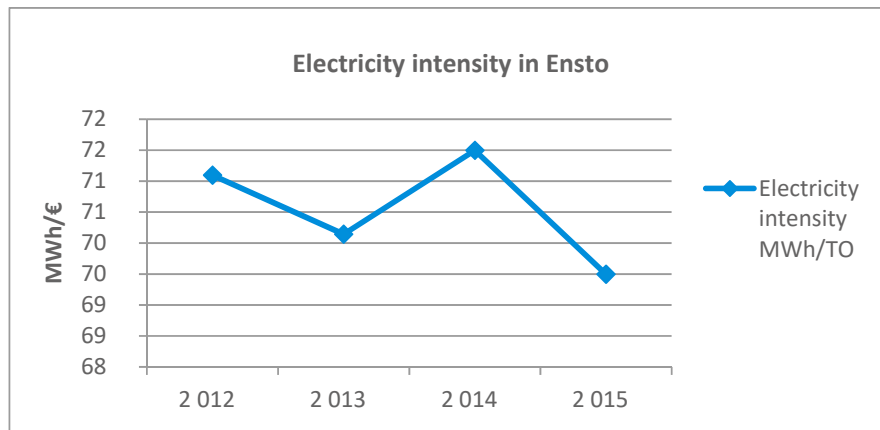
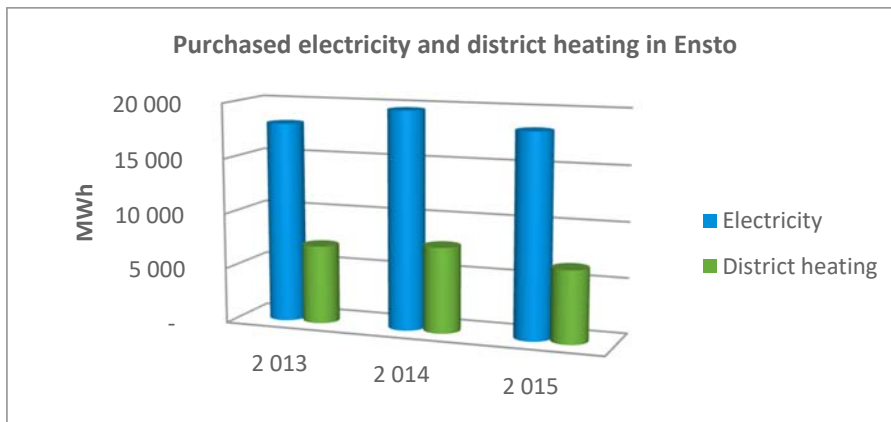
Ensto Finland has taken part in Energy Performance Agreements during the period 2008-2016. The aim was to reduce our main-site energy consumption by



nine percent by 2016 compared to 2009. With the procedures made in our operation we accomplished the annual saving of 1.3GWh and reached the 9% saving target. The energy savings were examined computationally and verified by a third party.

The main energy saving actions in 2014-2016 at Ensto in Finland were ventilation renovation in different parts of our factory, renewal of air compressors and installation of movement controllers to luminaires in cold storages.

We will take part in Energy Performance Agreements also for the next period 2017-2025.



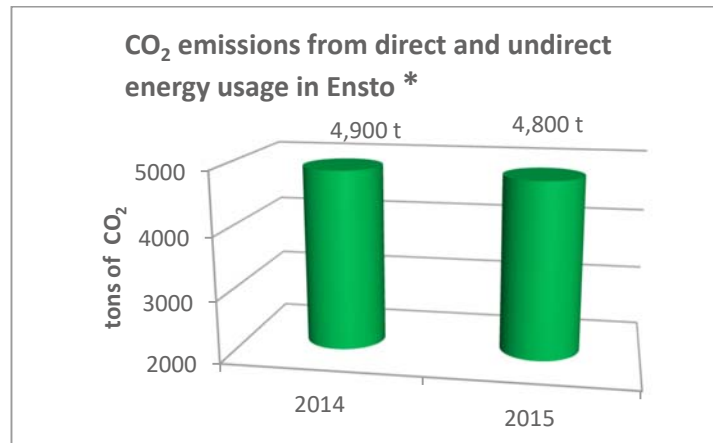
*Electricity intensity is calculated by dividing yearly purchased electricity by yearly turnover.



Direct energy consumption (GJ)	2013	2014	2015
Liquid (Diesel, Gasoline, Fuel Oil) *	2922	3623	3105
Gas (Natural, Propane)	9640	5980	14205
Others (LPG)	348	360	353

Indirect energy consumption (MWh)	2013	2014	2015
Heating (District)	7057	7707	6524
Electricity (Facilities, Machinery)	18083	19655	18284

*Fuel used in heating in Lohja is not included in the figures



- CO₂ emissions include the emissions from purchased electricity, and used fuels. CO₂ emissions from district heating is not included since the data was not available.

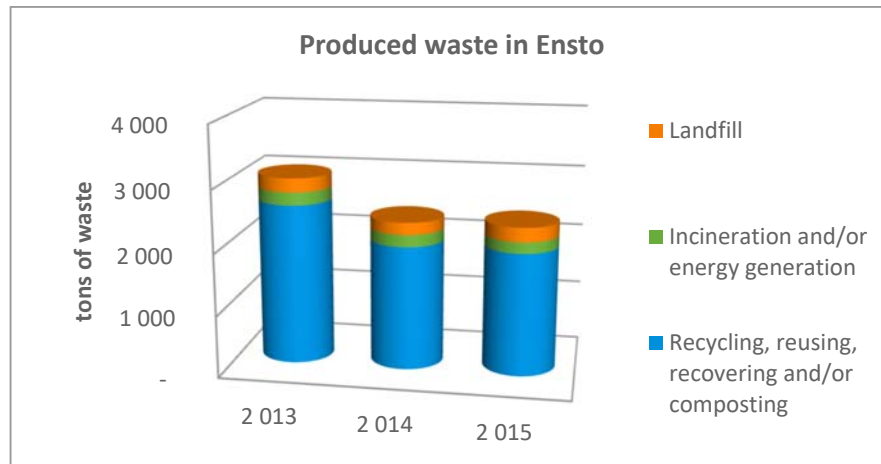
7.5.2 Waste

We are striving to find ways to eliminate waste, to reduce waste by recycling and reusing materials and components. Majority (58%) of the produced waste is metals, which are recycled and reused. Only 5% of the waste produced in 2015 was classified as hazardous waste.

We have set ourselves a goal of 0% landfill waste and have gained this target in majority of our locations. In 2015 still around 10% of the waste ended up to



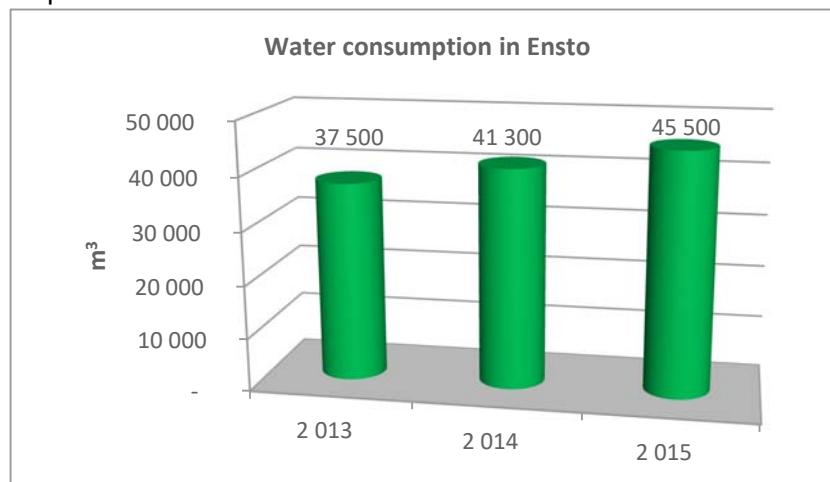
landfill. In some of our countries waste collection and management is still under development and therefore waste ending in landfills is inevitable.



We offer recycling stations in our facilities as well as collection points for hazardous waste for employees' personal use.

7.5.3 Water

Our water consumption has increased around 10% in 2015 compared to the previous year. Majority of the water is used at Ensto in Finland in surface treatment where the water usage has also grown the most. The reason for the higher water usage is our higher quality standard. Better finished products require more water.





8 HUMAN RIGHTS

The Ethical Principles of Ensto are based on our values, accepted practices and the fact that we in our operations comply with the principles of the UN Declaration of Human Rights, the UN Rights of the Child and the Declaration of the United Nations International Labor Organization as well as national laws and regulations.

One of our Ethical Principles is to respect all human beings. We emphasize trust and equality among all human beings. We have strict operational ethics and responsibility. We also expect our suppliers to respect and support the human rights.

8.1 Implementation of Human Rights

Our values, Ethical Principles and policies are available in our intranet and on our website. New policies and changes in existing ones are introduced to all of our personnel by Managing Directors of our country organizations.

Managing Directors of Ensto's companies in different countries are responsible for compliance with the local laws and regulations and following Human Rights.

The responsibilities of personnel and managers to notify about suspected non-compliances or violations of the Human Rights are described in the Employee Code of Conduct as well as the related process.

There were no human rights related non-compliances reported in 2016.

9 ANTI-CORRUPTION

The Ensto Employee Code of Conduct, approved by Ensto Board of Directors, outlines the proper practices and provides guidance to help employees recognize and deal with ethical issues. The Ensto Employee Code of Conduct applies to all Ensto's employees in their daily work concerning their responsibilities towards their country, the shareholders, the colleagues and the environment.



Responsibilities in the event of non-compliance are outlined in the Employee Code of Conduct.

10 GOVERNANCE

Ensto's Values and Employee Code of Conduct act as solid basis for a stable governance structure and work.

Ensto's corporate governance policy outlines the rights, roles, and responsibilities of the governing and management entities at Ensto. The policy covers owners (through Ensto Invest Oy), the Board of Directors, the President and CEO, and the Ensto Management Team.

Ensto Invest Oy has the fundamental responsibility to formulate and communicate their expectations regarding Ensto's value creation and respective risk tolerances to the governing bodies of Ensto. The primary role of Ensto's Board of Directors is to ensure future success and operational preconditions for Ensto. In order to guarantee objectivity, no person from the operational management of Ensto is allowed to be a member of the Board, and at least two Board members have to be unrelated to the family.

The corporate governance policy highlights, among other aspects, the objectivity of decision-making, adherence to ethical standards, legal compliance, effective procedures, and close and open dialogue. In addition, the policy states the principles and responsibilities for risk management in the organization as well as in audit requirements.

We have continuously developed our internal reporting systems in order to achieve reliable and consolidated information to further develop our processes.

10.1 Sustainability reporting steering team

A sustainability reporting steering team has been ensuring that the reporting process is carried out every two years. The sustainability reporting steering team has representatives from Corporate Communications, Group Sourcing, Operations, Human Capital Management, New Technologies, and Finance. The chairman of the steering team is Ensto's Brand and Communications Director.



10.2 UN Global Compact

Ensto is a UN Global Compact signatory since 2013.

We promote sustainable development in all our business activities and operations. We demonstrate this by committing to the Ten Principles of the UN Global Compact initiative. Through our participation in the UN Global Compact, we are continually learning how to strengthen existing, or develop new, internal practices and policies.

We have reported our progress on an annual basis. In the future Ensto will report about its sustainability efforts annually in a separate sustainability report and our Global Compact Communication on progress reporting will be combined with it.

11 ABOUT THE REPORT

Ensto is committed to continuous sustainability reporting. The sustainability reports have been published every second year starting from the year 2012. The previous report was published in December 2014.

This report covers the company's sustainability performance for the years 2014-2016, except the environmental performance, since the data gathering process for the year 2016 is still ongoing. In the future we have planned to publish this report annually. Because of Ensto's strategy renewal and its implementation processes, this report was delayed by one year.

This report was published in 2017 and it is only available in digital format because we want reduce the usage of printing materials. The report is not externally verified. This report covers all Ensto's business units and locations. The only exception is the data for employee turnover and accident frequency rate, which only covers our major production sites.

11.1 GRI content index and UN Global compact

At Ensto we report on our sustainability targets and performance regularly. It has been prepared according to the UN Global Compact principles and Global Reporting Initiative Standards (GRI). Ensto is also applying the new GRI Standards which were published in 2016 in its Sustainability reporting. For the list of referenced Disclosures see our GRI content Index.

The Global Reporting Initiative Content Index is provided to assist the reader in navigating through the report and to aid in findability and comparison.



For more information about the GRI guidelines, please see www.globalreporting.org.

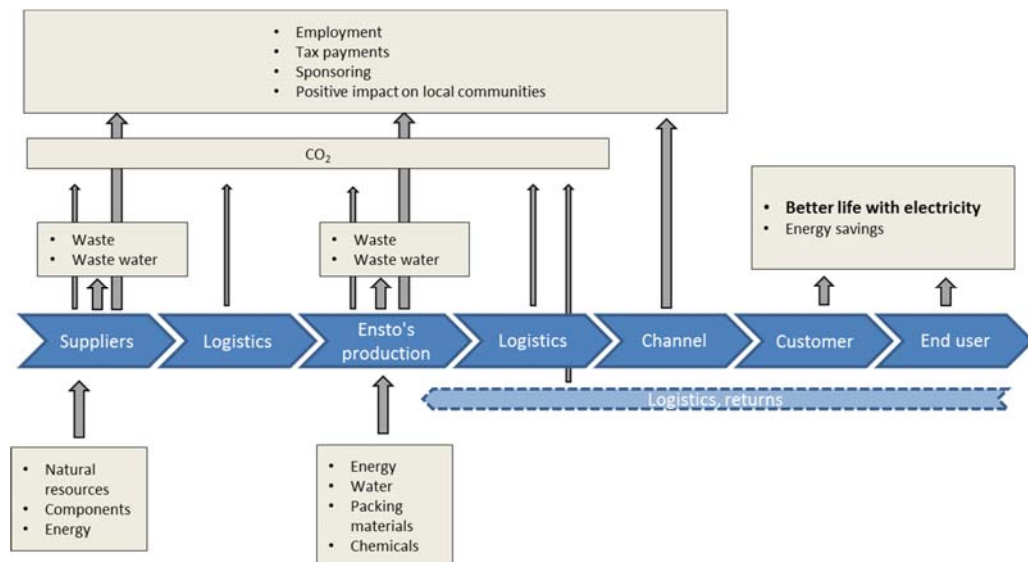
If you have any questions regarding our sustainability report or its content, please contact us through ensto@ensto.com.

11.2 Ensto's material aspects and boundaries

Our sustainability reporting focuses on our relevant impacts on our entire value chain as well as topics that are most important to our business. The material aspects reflect Ensto's strategic priorities and our customer's and other stakeholder's sustainability requirements. Also UN Global Compact principles guide our reporting topics as well as key performance indicators determined in the GRI Standard Guidelines. Material aspects were defined internally in Sustainability framework process.

We have concentrated on reporting environmental and social responsibility. As we are a family company, we have chosen not to publish our economic figures externally and therefore this report does not include values of our economic performance.

Ensto's impact on sustainability through the value chain



11.3 Reporting data collection

Financial data is based on data collection through our enterprise resource planning system (IFS). The figures used in Ensto Group's consolidated financial statements have been prepared according to the International Financial Reporting Standard.



The personnel data and the data related to the social performance, is collected through Human Resource Management system. The system includes accurate data on Ensto's employees globally, covering all business units and providing basic information as well as training data on all employees.

Part of the training data is collected by our local human resources personnel. However, the coverage and quality of training data still needs to be improved. Global health and safety reporting system is used for data collection and to set and monitor progress towards common health and safety targets in all Ensto operations.

Data gathering is an important part of our sustainability reporting. Environmental data is compiled from manufacturing plants. CO₂ emissions of the electricity production were collected from the energy producers whenever the data was available. CO₂ emissions of the electricity in Figueras in Spain and Milan in Italy factories were taken from European Environment Agency. CO₂ emissions of the electricity in Russia and India were taken from publication of International Energy Agency. CO₂ emission factors for fuels were gathered from different sources, which were Finland's Ministry of the Environment, Motiva and U.S Energy Information Administration.



GRI CONTENT INDEX

GRI standard	Disclosure	Reference	Reported
General disclosure			
102-14	CEO Statement	s. 5	fully
102-15	Description of key impacts, risks and opportunities	s. 8, 9, 10, 14, 15	partly, key risks are not reported
102-1	Name of the organization	s. 4	fully
102-2	a. Organization's activities. b. Primary brands, products, and services,	s. 4	fully
102-3	Location of organization's headquarters	s. 4	fully
102-4	Number of countries and names of countries with significant operations or that are relevant to sustainability topics covered in the report	s. 4	fully
102-5	Nature of ownership and legal form	s. 4	fully
102-6	Markets served (geographic breakdown, sectors served, types of customers and beneficiaries)	s. 4	fully
102-7	Scale of the organization	s. 4, 12, 13, 18	partly: financial matters reported only partly
102-8	Type of employees	s. 18	partly
102-9	Organization's supply chain	s. 51	fully
102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	s. 11	fully
102-16	Organization's values, principles, standards and norms of behavior	s. 6, 7, 8	fully
Commitments to external initiatives			
102-12	List externally developed economic, environmental and social charters, principles, or other initiatives	s. 5, 6	partly
102-13	A list of the main memberships of industry	s. 10	fully
Identified Material Aspects and Boundaries			
102-46	The process for defining the report content and the Aspect Boundaries.	s. 51	fully
102-47	A list of the material topics identified in the process for defining report content.	s. 51	fully
103-1	The Boundary for the material topic	s. 50	fully
Stakeholder engagement			
102-40	List of stakeholder groups engaged by the organization.	s. 8	fully
102-42	Basis for identification and selection of stakeholders with whom to engage.	s. 8, 9	fully
102-43	Organization's approach to stakeholder engagement,	s. 8, 9	partly: frequency of stakeholder engagement was not reported
102-44	Key topics and concerns that have been raised through stakeholder engagement	s. 8, 9	partly
Reporting profile			
102-50	Reporting period	s. 50	fully
102-51	Date of most recent previous report	s. 50	fully
102-52	Reporting cycle	s. 50	fully
102-53	Contact point for questions	s. 50	fully
Governance			
102-18	Governance structure of the organization	s. 49	fully
Environmental performance			
302-1	Energy consumption within the organization	s. 44, 45, 46	fully
302-3	Energy intensity	s. 45	fully
303-1	Total volume of water withdrawn	s. 47	fully
305-1	Direct greenhouse gas (GHG) emissions	s. 46	partly, GWP is not reported



306-2	Total weight of waste	s. 46, 47	fully
Social performance			
403-2	Types of injury, injury rate, occupational disease rate, lost day rate, absentee rate, and work-related fatalities, for all employees	s. 22, 23	partly: only accident frequency rate is reported
405-1	Diversity of employees	s. 18, 19, 20	partly: age distribution is not reported.

12 UN GLOBAL COMPACT

Full Support for the UN Global Compact

We promote sustainable development in all our business activities and operations. We have demonstrated this by committing to the Teb Principles of the United Nations (UN) Global Compact initiative. Through our participation in the UN Global Compact, we are continually learning how to strengthen existing, or develop new internal practices and policies.

When we became a signatory to the Global Compact, we started publishing an annual Communication on Progress (COP).

HUMAN RIGHTS	COVERED IN
Principle 1 Business should support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> Ethical Principles Ensto Employee Code of Conduct Supplier Code of Conduct
Principle 2 Make sure not to be complicit in human rights abuses.	<ul style="list-style-type: none"> Ethical Principles Ensto Employee Code of Conduct Supplier Code of Conduct
LABOR STANDARDS	COVERED IN
Principle 3 Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<ul style="list-style-type: none"> Ethical Principles Ensto Employee Code of Conduct Supplier Code of Conduct
Principle 4 The elimination of all forms of forced and compulsory labor	<ul style="list-style-type: none"> Ethical Principles Ensto Employee Code of Conduct Supplier Code of Conduct
Principle 5 The effective abolition of child labor	<ul style="list-style-type: none"> Ethical Principles Ensto Employee Code of Conduct Supplier Code of Conduct
Principle 6 Elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> Ethical Principles Ensto Employee Code of Conduct Supplier Code of Conduct
ENVIRONMENT	COVERED IN
Principle 7 Businesses should support a precautionary approach to environmental challenges	<ul style="list-style-type: none"> Ethical Principles Environmental Policy Safety and Health Policy Supplier Code of Conduct
Principle 8 Undertake initiatives to promote greater environmental responsibility.	<ul style="list-style-type: none"> Ethical Principles Environmental Policy Safety and Health Policy Ensto Group R&D Guidelines Supplier Code of Conduct
Principle 9 Encourage the development and diffusion of environmentally friendly technologies	<ul style="list-style-type: none"> Ethical Principles Environmental Policy Ensto Group R&D Guidelines
ANTI-CORRUPTION	COVERED IN



Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

- Ethical Principles
- Employee Code of Conduct
- Supplier Code of Conduct