

CORPORATE GOVERNANCE STATEMENT 2016



Lemminkäinen

Corporate Governance Statement

Lemminkäinen Corporation is a Finnish public listed company whose administration complies with current legislation, such as the Finnish Companies Act, the Accounting Act and the Finnish Securities Markets Act, and the company's Articles of Association. We also observe the rules, regulations and guidelines of Nasdaq Helsinki Ltd. and the Finnish Financial Supervisory Authority, and we adhere to the Finnish Corporate Governance Code for listed companies. This Corporate Governance Statement is prepared in accordance with the Corporate Governance Code, which is publicly available, e.g. on the Securities Market Association website www.cgfinland.fi.

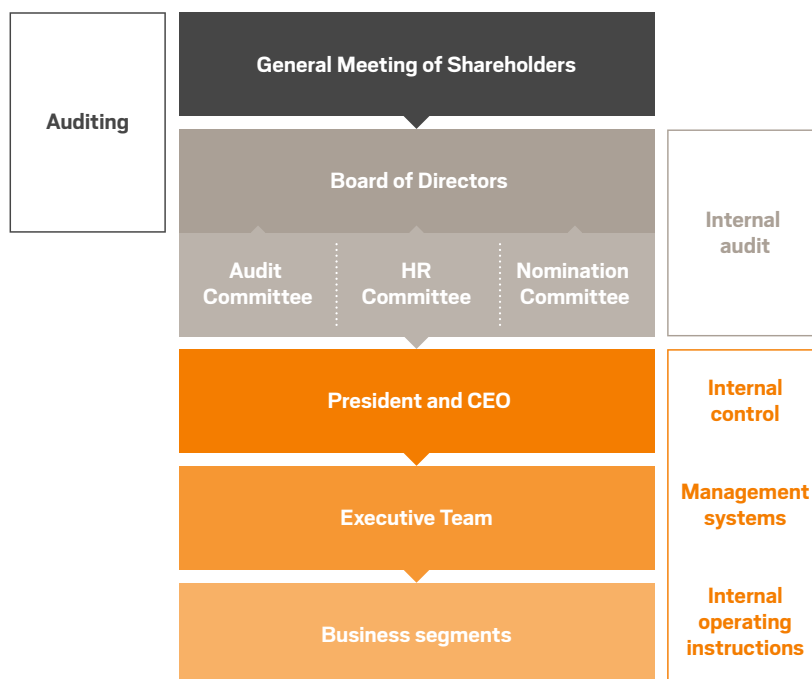
Simultaneously with this statement, Lemminkäinen has published the Board of Directors' report for the financial period 1 January–31 December 2016.

Lemminkäinen's administrative bodies

The General Meeting is where shareholders exercise their voting rights and is Lemminkäinen's highest decision-making body. The Annual General Meeting (AGM) elects the Board of Directors, which appoints the President and CEO. The Board of Directors and the President and CEO are responsible for the management of the Group. The Group Executive Team and other management personnel assist the President and CEO in his or her duties. The Board of Directors decides on the Group's administrative systems and ensures compliance with good governance principles.

General Meeting of Shareholders

Lemminkäinen's Annual General Meeting (AGM) is held annually within six months of the end of the previous financial year on a date determined by the Board of Directors. An Extraordinary General Meeting may be held if the Board of Directors deems it necessary, or if one is legally required.



Notice of a general meeting of shareholders is published on the company's website no later than three weeks prior to the meeting. All of Lemminkäinen's shareholders have the right to attend general meetings, as long as they follow the instructions given in the notice. Shareholders may either attend in person or authorise a representative to represent them. Each share carries one vote at a general meeting.

The AGM carries out all of the tasks stipulated in the Companies Act, such as adoption of the Financial Statements, profit distribution, granting discharge from liability to the members of the Board of Directors and the President and CEO, and making any potential changes to the company's Articles of Association. The AGM also elects the members of the Board of Directors and the auditors, and decides on their remuneration.

All members of the company's Board of Directors, the President and CEO, the Group Executive Team members and the auditor are present at the AGM. Unless there is a pressing reason for their absence, any prospective members of the Board of Directors who have been nominated for the first time should be present at the AGM that votes on their nomination.

2016 Lemminkäinen Corporation's 2016 Annual General Meeting was held in Helsinki on 22 March 2016. 62 shareholders attended the meeting, either in person or through an authorised representative, representing about 62 per cent of the company's total number of shares and votes.

Board of Directors

Lemminkäinen Corporation's AGM elects at least four and at most eight members each year to serve on the company's Board of Directors, which elects a Chairman and Vice Chairman from among its members. The Board members' terms of office end upon the conclusion of the first AGM held after their election.

The Board of Directors handles the company's administration and the appropriate arrangement of its operations. The Board also ensures that the supervision of bookkeeping and asset management is appropriate. The Board of Directors decides on matters of principle and on any issues that would have

wide-ranging implications for the company. The Board's task is to steer the company's operations in a manner that adds the greatest possible value to the capital invested in the company over the long term. The Board appoints and dismisses the President and CEO, supervises his or her actions, and decides on his or her remuneration and other terms and conditions of service. The Board also approves the values, Group's strategy and policies, as well as monitors their implementation and timeliness. The Board also ensures that the Group has a functional system of internal controls and that the Group's risk management principles have been defined. It also ensures that key business risks have been identified and are being systematically monitored. The Board approves the operational guidelines and annual plan for the Internal Audit, and also assesses its effectiveness. Lemminkäinen's President and CEO attends the Board's meetings to present matters for the Board's consideration, as does the CFO. Other members of the Executive Team and the company's management attend meetings as required. The Group's General Counsel acts as the secretary of the Board of Directors.

2016 At the Annual General Meeting held on 22 March 2016, the following were elected as members of the Board of Directors: Berndt Brunow, Noora Forstén, Finn Johnsson, Juhani Mäkinen, Heppu Pentti, Kristina Pentti-von Walzel and Heikki Rätty. At its organisational meeting on 22 March 2016, the Board appointed from among its members Berndt Brunow as Chairman and Juhani Mäkinen as Vice Chairman. The Board of Directors convened eleven times in 2016. Each member's attendance is shown in the table below.

In 2016, the Board continued to focus on Lemminkäinen's profitability improvement and the strengthening of the company's balance sheet and financing position. The most important agenda topics discussed included the updating of Lemminkäinen's operating model as well as streamlining the financing portfolio and preparing for the Court of Appeal's decisions in the asphalt cartel case.

The Board carried out a self-assessment of its structure, working methods, and compliance with its rules of procedure. The results of this self-assessment are used to develop the Board's working methods. The Board also assessed the independence of its members.

Members of the Board of Directors

| Member, education, main occupation | Independent of the company | Independent of major shareholders | Board of Directors | Audit Committee | Nomination Committee | HR Committee |
|---|----------------------------|-----------------------------------|--------------------|-----------------|----------------------|-----------------|
| Berndt Brunow, born 1950, B.Sc. (Econ.), Professional non-executive director | Yes | Yes | Chair (11/11) | | Chair (2/2) | Chair (5/5) |
| Juhani Mäkinen, born 1956, Counsellor of Law, Professional non-executive director | Yes | Yes | Vice (11/11) | Member (3/4) | | |
| Noora Forstén, born 1981, Secondary School Graduate, entrepreneur | Yes | No | Member (10/11) | | Member (2/2) | Member (5/5) |
| Finn Johnsson, born 1946, M.Sc. (Econ.), Professional non-executive director | Yes | Yes | Member (10/11) | | | |
| Heppu Pentti, born 1979, Secondary School Graduate, entrepreneur | Yes | No | Member (11/11) | | | |
| Kristina Pentti-von Walzel, born 1978, M.Sc. (Econ.), B.Sc. (Pol.Sc.), entrepreneur | Yes | No | Member (11/11) | Member (4/4) | Member (2/2) | Member (5/5) |
| Heikki Rätty, born 1953, M.Sc. (Econ.), Professional non-executive director | Yes | Yes | Member (11/11) | Chair (4/4) | | |

Chair=Chairman, Vice=Vice Chairman

Attendance rate in brackets

Members' of the Board of Directors share ownership

| Member | No. of shares on 31 Dec 2016 ¹⁾ |
|----------------------------|--|
| Berndt Brunow | 11,818 |
| Juhani Mäkinen | 7,254 |
| Noora Forstén | 2,320,438 |
| Finn Johnsson | 0 |
| Heppu Pentti | 4,232,230 |
| Kristina Pentti-von Walzel | 760,580 |
| Heikki Rätty | 2,105 |
| Total | 7,334,425 |

¹⁾ Including shareholdings of Board of Directors member's closely associated persons and controlled entities, if any.

Board committees

The Board of Directors has three committees: the Audit Committee, Nomination Committee, and HR Committee. The Board of Directors appoints the chairman and members for each committee from among its members. These committees assist the Board of Directors by preparing and drawing up proposals and recommendations for the Board's consideration. The Board of Directors has approved the rules of procedure governing these committees.

Audit Committee

The Audit Committee monitors and supervises Lemminkäinen's financial statements and financial reporting processes and the statutory audit of the consolidated and parent company's Financial Statements. The Committee monitors the adequacy and effectiveness of the Group's risk management, internal control and internal auditing. It also handles the section of the Group's Corporate Governance Statement that describes the main features of the internal control and risk management systems associated with the financial reporting process.

The Audit Committee deals with reports and plans prepared by the Internal Audit unit. It also assesses the independence of the statutory auditor or firm of authorised public accountants and, in particular, the provision of ancillary services to the audited firm. The Audit Committee evaluates potential auditors and submits a proposal for the Board of Directors' consideration.

The Audit Committee meets at least four times per annum. It comprises a Chairman and at least two members appointed by the Board of Directors. The company's auditor, Internal Auditor and management representatives are also invited to the meetings. Members of the Audit Committee must be independent of the company, and at least one member must also be independent of the company's major shareholders. All members must be competent in the Audit Committee's task domain, and at least one member must have expertise in accountancy, bookkeeping or auditing in particular.

2016 The Audit Committee convened four times in 2016. The members and their meeting attendance are presented in the Members of the Board of Directors table.

In addition to mandatory items, other matters discussed by the Audit Committee included the redemption of the hybrid bonds, effects of accounting standards updates, Internal Audit's reports as well as risk management.

Nomination Committee

The Nomination Committee makes preparations for the AGM by drawing up a list of proposed nominees for the Board of Directors and making a recommendation on their remuneration.

The Nomination Committee meets at least once per annum. It consists of Chairman and two to four members appointed by the Board of Directors. The majority of the members of the

Nomination Committee must be independent of the company. The President and CEO and other members of the company's management may not be members of the Committee.

2016 The Nomination Committee convened two times in 2016. The members and their meeting attendance are presented in the Members of the Board of Directors table.

The Committee made a proposal containing a list of proposed nominees for Lemminkäinen's Board and a recommendation on the remuneration of the Board of Directors' and its Committees' members. The AGM approved the Nomination Committee's proposal, which was presented at the AGM on 22 March 2016.

HR Committee

The HR Committee handles matters relating to senior management's salaries and incentives, as well as other key terms and conditions of their service agreements. The Committee also deals with Group-level remuneration, incentive and retention schemes as well as other HR issues.

The HR Committee meets at least once per annum. It consists of Chairman and two to four members appointed by the Board of Directors. The majority of the members of the HR Committee must be independent of the company. The President and CEO and other members of the company's management may not be members of the Committee.

2016 The HR Committee convened five times in 2016. The members and their meeting attendance are presented in the Members of the Board of Directors table.

At its meetings, the HR Committee discussed management incentive practices, short- and long-term management incentives, the elements and earning criteria of short- and long-term incentives in 2017, and who falls within the scope of the management incentive scheme. The Committee also discussed succession and talent planning as well as the findings of the employee survey. The Committee made remuneration recommendations, which were approved by the Board of Directors.

Board of Directors' diversity principle

Lemminkäinen considers diversity an essential aspect in responsible company operations and acknowledges the benefits of having a diverse Board of Directors, as it provides for decision making based on a wider variety of perspectives supporting informed decision making.

When preparing its proposal to the Annual General Meeting of Shareholders, the Nomination Committee reviews the size and composition of the Board of Directors, in order to secure that the skills and competencies required to address the current and future needs of the company are reflected in the competences of the members of the Board of Directors. When considering the skills and competences of the members, the Nomination

Committee considers, among other things, educational background, professional experience, age, gender, independence and availability. According to the Board of Directors charters, both genders shall be represented on the Board of Directors.

Management

President and CEO

The President and CEO is responsible for the day-to-day management of the company in line with the Board of Directors' guidelines and instructions. He or she is responsible for the management and planning of the Group's business in practice. The President and CEO undertakes the execution of measures approved by the Board of Directors and handles preparations for any measures that are strategically important at the Group level. The President and CEO ensures that the Group has adequate management resources and that the company's bookkeeping complies with legislation. He or she also ensures the appropriate arrangement of the Group's administration and asset management.

As of 1 August 2014, Casimir Lindholm, M.Sc. (Econ.), MBA (born 1971), has served as the President and CEO of Lemminkäinen Corporation.

Executive Team

Lemminkäinen's Group Executive Team consists of the parent company's President and CEO and other members appointed

by the Board of Directors. The President and CEO acts as the Chairman of the Executive Team and appoints its secretary.

The Executive Team meets regularly, at least once a month and supports the President and CEO in, for example, the preparation and execution of strategy, operating plans as well as matters of principle and any other significant matters. The Executive Team also assists the President and CEO in ensuring information flow and smooth internal cooperation.

2016 In 2016, Casimir Lindholm served as Lemminkäinen's President and CEO and the Chairman of the Executive Team. The other members of the Executive Team were Executive Vice Presidents Robert Blumberg (Paving), Harri Kailasalo (Infra projects), Pauli Mäkelä (Building construction, Finland), Jan Gustafsson (HR) as of 1 November 2016, Sari Inkilä (Strategy and Development) as of 1 November 2016, and Ilkka Salonen, CFO. The Head of Group Communications and Marketing acted as the secretary of the Executive Team. Executive Vice President, HR, Tania Jarret served as a member of the Executive Team until 1 November 2016.

The Executive Team held fourteen meetings in 2016. In 2016, the Executive Team's key topics were the strengthening of the company's balance sheet, the improvement of the company's operational efficiency as well as the internal development work related to operating models and development roadmap for the years 2017–2021.

Executive Team members' share ownership

| Member | No. of shares on 31 Dec 2016 ¹⁾ |
|--|--|
| Casimir Lindholm, born 1971, M.Sc. (Econ.), MBA, President and CEO | 6,979 |
| Robert Blumberg, born 1974, M.Sc. (Eng.), MBA, EVP, Paving | 500 |
| Jan Gustafsson, born 1974, Master of Laws, EVP, HR | 0 |
| Sari Inkilä, born 1974, M.Sc. (Eng.), EVP, Strategy and Development | 0 |
| Harri Kailasalo, born 1969, M.Sc. (Eng.), EVP, Infra projects | 3,388 |
| Pauli Mäkelä, born 1954, M.Sc. (Eng.), EVP, Building construction, Finland | 1,687 |
| Ilkka Salonen, born 1965, M.Sc. (Econ.), CFO | 10,000 |
| Total | 22,554 |

EVP=Executive Vice President

¹⁾ Including shareholdings of Executive Team member's closely associated persons and controlled entities, if any.

Controls

The principles of the internal control, risk management and internal audit adhered to by Lemminkäinen Corporation have been approved by the Board of Directors.

Internal control and risk management seek to ensure that the company's business is efficient and profitable, that reporting is consistent and reliable, and that applicable laws, regulations and the Group's operating principles are observed.

Internal control

The Board of Directors is responsible for ensuring that the Group's internal control and risk management are adequate for the scope of the company's business operations, and that their supervision is appropriately organised. The Board supervises the President and CEO to ensure that he or she handles the company's business operations and administration in accordance with the guidelines and instructions issued by the Board of Directors. In order to ensure adequate risk management, the Board of Directors discusses the Group's financial reports, business segment reviews and any substantial changes that have occurred in the company's business. The Board's Audit Committee also assesses the adequacy and efficiency of internal control and risk management.

The President and CEO is responsible for the organisation of internal control. Among other duties, he or she ensures that the company's bookkeeping complies with the law and that asset management is handled in a reliable manner.

Lemminkäinen's business is organised into business segments whose Executive Vice Presidents report to the President and CEO. The Group's other management and supervisors are responsible for internal control within their own areas of responsibility.

Business areas', business segments' and Group level financial reports and business reviews are a key measure to control and monitor the functions' efficiency and appropriateness. In addition, the Investment Board that convenes once a week decides on the Group's investments, project start-ups and tenders according to the defined approval limits.

Risk management

Risk management is an essential part of leading Lemminkäinen's business operations. Risk management seeks to ensure that the Group's strategic and operational targets are achieved with the best possible result and by increasing shareholder value.

Risk management is based on the risk management policy approved by the Board of Directors. The Board also supervises the implementation of risk management. If necessary, the

Board assesses and updates the Group's specified risk levels and decision-making authorisations. The President and CEO may tighten, but not loosen, these specifications set by the Board. The Board's Audit Committee monitors the adequacy and effectiveness of the Group's risk management in accordance with the annual action plan.

The President and CEO is responsible for the implementation of risk management. Members of the Group Executive Team are responsible for the execution of risk management in their respective areas of responsibility. Personnel receive training in systematic and effective risk management, including legal and contractual matters. Detailed guidelines for different areas, such as competition law and insider issues, have also been drawn up. Monitoring compliance with these guidelines falls within the scope of line operations and management, and internal training on them is also provided.

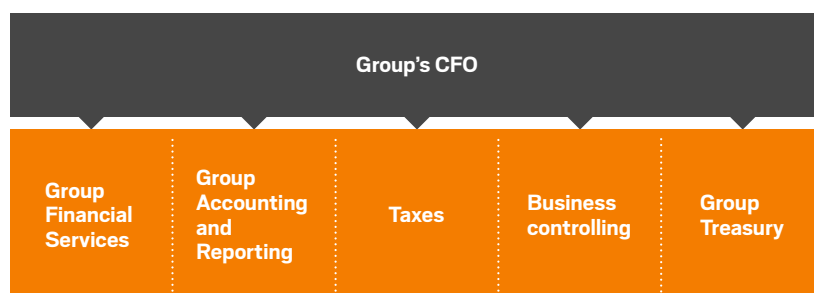
Additional information on the company's risk management can be found on Lemminkäinen's website www.lemminkainen.com/investors/

The main features of internal control and risk management systems associated with the financial reporting process

Internal control associated with the financial reporting process aims to ensure that the company's management has accurate and sufficient information available for leading the company and that the financial reports published by the company give a true view of the company's performance and financial position.

The structure and management of Lemminkäinen's financial reporting process

Lemminkäinen's financial administration is organised into the Group Financial Services function, the Group Accounting and Reporting (internal and external accounting) function, Taxes function, Group Treasury as well as segment-specific business controlling functions. The basic processes of financial administration in Sweden and Finland are handled in the Group Financial Services, whereas other foreign subsidiaries have separate financial administration organisations. All of the units mentioned above report to the Group's CFO.



Lemminkäinen's financial reporting process consists of internal and external accounting. Internal accounting focuses on the monitoring and forecasting of the Group's profit performance, financial position and measures, whereas external accounting fulfils the information presentation requirements of the International Financial Reporting Standards endorsed by the European Union and, with regard to the notes to the Financial Statements, the presentation requirements set by the Finnish accounting and company legislation. The accounting principles used in internal and external accounting are consistent. The Board of Directors' Report and the parent company's Financial Statements are prepared in accordance with the Finnish Accounting Act and the instructions and statements issued by the Finnish Accounting Standards Board.

Main features and control environment of internal control of the financial reporting process

The company publishes an external financial report (interim report or half year financial report) quarterly. Each year's final quarter is reported as part of the financial statements bulletin. The quarterly reports include a description of the Group's performance and financial position during the review period with comparative figures as well as a short-term forecast about the development of the operating environment and profit guidance. The Board of Directors discusses and approves the interim reports, the half year financial reports, the financial statements bulletin as well as the financial statements and the Board of Directors' report.

Group Accounting and Reporting provides guidance for Group companies in drawing up their quarterly external accounting Group reports. Group Accounting and Reporting function also supports and coordinates the Group Financial Services, the business segments' business controlling functions, and subsidiaries in their financial reporting. Additionally, Group Accounting and Reporting provides instructions on internal accounting reporting timetables and content and combines financial information from different business segments to prepare a monthly management report. The Group Executive Team, the Group's Board of Directors and the Board's Audit Committee monitor the development of the financial position and assess the achievement of targets monthly.

The tax function provides tax alignments, tax practices and tax consultation in the Group. The tax function ensures that the Group's tax matters are arranged and managed efficiently in all areas of tax and that the tax matters comply with the Group governance and procedures.

The business controlling functions ensure that the segments' profit units draw up the monthly internal accounting report in accordance with the specified principles and instructions.

Group Treasury provides reporting instructions for internal and external accounting related to financial transactions.

In addition, the function monitors the accuracy of the reporting. Based on the long-term and short-term cash flow forecast, Group Treasury ensures that the company has sufficient liquidity as well as proper and adequate financial instruments. Group Treasury also supports the entire financial organisation in treasury-related reporting and reporting reconciliation.

The Internal Audit function assesses processes associated with financial reporting. In 2016, the Internal Audit unit examined procedures related to financial closing process, management reporting and the project reporting process.

Risk management associated with the financial reporting process

One of the tasks of risk management is to identify and proactively deal with threats associated with the accuracy of financial reporting, the realisation of which could lead to a situation in which the management would not have sufficient and accurate information available for leading the company or the financial reports published by the company would not give materially correct information and assessment about the company's performance and financial position. The Group's CFO is responsible for risk management associated with financial reporting.

Lemminkäinen manages the risks associated with the financial reporting process by instructions related to accounting, reporting and investments as well as the treasury policy. One of the aims of the unified reporting process is to harmonise and simplify the financial reporting process and to mitigate the risks related to it.

Project-type operations, in which the percentage-of-completion method and the recognition-on-completion method of revenue recognition are applicable, are characteristic of Lemminkäinen's business. Approval authorisations determined by the magnitude and risks of the undertaking are defined for projects. The day-to-day financial control of construction projects is supervised by the project organisation. The business segment management regularly monitors the project forecast and any changes in it, project risks, the degree of project completion, and revenue recognition.

Internal Audit

The Internal Audit unit is subordinate to the Board of Directors and operates under the supervision of the President and CEO. It consists of the Head of Internal Audit and as many internal auditors as are required for the unit to carry out its work. Internal auditing resources are strengthened as required by procuring internal auditing services from external service providers. Its operating principles are defined in the internal audit charter approved by the Board of Directors. The Head of Internal Audit reports regularly to the Board of Directors' Audit Committee and additionally an annual report is issued to the Board of Directors.

The Internal Audit unit assists the Board of Directors in its supervisory role by obtaining information on the adequacy and functionality of risk management and internal control in the Lemminkäinen Group and its business units. The Internal Audit unit assesses the economy and efficiency of resource usage, the reliability of reporting, the protection and security of assets, and compliance with regulations, operating principles and guidelines. Malpractice reports are regularly submitted to the Board of Directors' Audit Committee.

2016 The internal audits focused on assessment of the implementation of new business steering and operating models, annual business planning process, business process controls, code of conduct compliance reviews and fraud investigations among other areas.

Insider administration

Lemminkäinen observes the Market Abuse Regulation (EU 596/2014, "MAR") and the regulations and guidance given under it, including the insider guidelines of Nasdaq Helsinki Ltd, which are supplemented by the insider rules and insider guidelines approved by Lemminkäinen's Board of Directors. The company maintains its insider lists using Euroclear Finland Oy's Sire system.

Lemminkäinen has determined that the Management, whose transactions shall be notified, construes the members of the Board of Directors and the President and CEO. These persons and their closely associated persons are required to notify the company and the Finnish Financial Supervision Authority of every transaction conducted on their own account relating to the Financial Instruments of (or linked to) Lemminkäinen. The share ownership of such Management as well as other Group Executive Team members has been made public.

Lemminkäinen also maintains company-specific registers of persons having authorised access to unpublished financial result information. The Management and the persons having

authorised access to unpublished financial result information are subject to trading restrictions before the announcement of the interim reports, half year financial report or financial statements bulletin

Lemminkäinen has determined not to establish and maintain a list of permanent insiders. All persons involved in insider projects are included as project insiders in the project-specific insider lists.

Auditing

Lemminkäinen has one auditor, which must be a firm of authorised public accountants approved by Finland's Central Chamber of Commerce. The Annual General Meeting elects the auditor for a term of office that runs until the end of the following Annual General Meeting.

The scope of the audit encompasses the Group's accounting records, the Financial Statements and the administration for each financial year. The auditor reports regularly to the Audit Committee and submits an Auditor's Report to the Annual General Meeting. The Auditor's Report contains a statement as to whether the Financial Statements give a true and fair view, as defined in the rules governing financial reporting, of the Group's financial performance and financial position, and as to whether the information contained in the Board of Directors' Report is consistent with the Financial Statements. In addition, the Auditor's Report contains a statement of the key audit matters. The auditor's fee is paid in accordance with the Annual General Meeting's decision.

2016 PricewaterhouseCoopers Oy, a firm of authorised public accountants, is Lemminkäinen's auditor. Markku Katajisto, Authorised Public Accountant, acted as the chief auditor.

In 2016, Lemminkäinen's audit fees totalled EUR 433,358 (383,783) and consultancy fees 145,837 EUR (174,500).

Remuneration

Decision-making order in remuneration

Lemminkäinen Corporation's Annual General Meeting elects the members of the Board of Directors on an annual basis and also determines their fees based on the proposal of the Nomination Committee of the Board of Directors.

On the basis of a proposal submitted by the HR Committee of the Board of Directors, Lemminkäinen's Board of Directors decides on the salaries, short- and long-term incentives and other benefits received by the President and CEO and the Group Executive Team.

Lemminkäinen's Board of Directors annually approves a remuneration policy, in which the key remuneration principles, for example, are determined.

The Board of Directors has the authorisation of the Annual General Meeting to decide on the issuing of a maximum of 4,643,980 shares and/or special rights entitling to shares and on the re-purchase of a maximum of 2,321,990 treasury shares. Both the authorisations can also be used for management remuneration arrangements. The Board of Directors has not used these authorisations..

Key remuneration principles

Members of the Board of Directors

The fees of the members of the Board of Directors are paid entirely as monetary compensation. The Board members' terms of office end upon the conclusion of the first Annual General Meeting held after their election.

Members of Lemminkäinen's Board of Directors do not fall within the scope of the company's share scheme, nor do they have an employment contract with Lemminkäinen.

President and CEO and Members of the Group Executive Team

According to the remuneration policy adopted by the Board of Directors, the remuneration of the President and CEO and the members of the Group Executive Team consists of a fixed basic salary, other benefits, annual short-term incentives (a performance bonus), and long-term incentives and pension schemes.

The fixed basic salary denotes monthly monetary compensation, which is determined by the nature of the position and the person's experience and performance.

The benefits available to the President and CEO and the Group Executive Team include the use of a company car

and mobile phone, the meal benefit and extended insurance coverage for accidents and travel during their leisure time.

Each year, Lemminkäinen's Board of Directors decides on indicators and targets for short- and long-term incentives for the President and CEO and the Group Executive Team. These seek to support the achievement of the company's strategic targets. On the basis of a proposal by the President and CEO, the Board decides on the targets to be reached and the size of the incentives.

Short-term incentives

Management's short-term incentives are based on the opportunity to receive an annual performance bonus. The size of this reward depends on whether or not the financial and operational targets specified at the beginning of each year have been achieved. Lemminkäinen's senior management is divided into two performance bonus groups, which determine the maximum percentage applicable to each individual. Individuals are allocated to these groups on the basis of the nature and commercial value of their position.

75 per cent of the performance bonus is based on financial targets and 25 per cent on operational targets. In addition, the precondition for paying performance bonuses is that the Group's operating profit exceeds the annually agreed level. The realisation of the performance bonus targets is monitored quarterly in the Group Executive Team.

In 2016, the size of the performance bonus for the President and CEO and the members of the Group Executive Team was based e.g. on the Group's or segment's operating profit, return on operating capital as percentage and the achievement of targets associated with the improvement of efficiency or other development-related targets.

The maximum performance bonus payable to the President and CEO is 80 per cent of the annual monetary salary and 60 per cent for other members of the Group Executive Team.

The performance bonus is paid annually as monetary compensation.

Long-term incentives

Shared-based incentive plan for 2013–2015

At the end of 2012, Lemminkäinen Corporation's Board of Directors decided to introduce a share-based incentive plan for the Group's President and CEO, the Group Executive Team and other key personnel. The plan consists of both a performance-based and a conditional reward. The conditional reward seeks to encourage the Group's key personnel to increase their holding in the company. The Board of Directors recommends that the

President and CEO and members of the Group Executive Team retain ownership of half of all the shares they receive through the plan until the value of their holding corresponds to half of their annual salary. They should maintain this holding during the validity of employment or service.

The reward paid through this plan may correspond to the value of a maximum of 700,000 Lemminkäinen Corporation shares (including the monetary portion). The value of the reward will be determined by the market price of the reward shares on the payment date. The Lemminkäinen Corporation shares handed over as rewards will be bought from the stock market. Therefore, the incentive plan will not have a diluting effect on the value of the shares. The purchase of shares is outsourced to a business partner.

PERFORMANCE-BASED REWARD

The plan consists of three earning periods: the calendar years 2013, 2014 and 2015. The company's Board of Directors decides on the plan's earning criteria and the targets to be set at the beginning of each earning period.

A possible performance-based reward for the earning period will be paid out partly in company shares and partly in cash. The cash portion will cover any taxes and tax-related costs arising from the reward. The shares may not be transferred during the two-year commitment period. If a key person's employment or service contract ends during the commitment period, they will generally have to return any reward shares to the company without compensation.

About 35 people fell within the scope of the performance-based remuneration system during the 2015 earning period. The reward for the earning period 2015 was paid out in 2016 partly in company shares and partly in cash. The cash portion will cover any deferred taxes and tax-related costs arising from the reward. The performance-based reward paid in 2016 was based on Lemminkäinen Group's equity ratio and its return on investment.

CONDITIONAL REWARD

In addition to the performance-based reward, the above-mentioned individuals also have the opportunity to receive a conditional reward based on share ownership and a continuation of their employment or service contract. In order to receive the conditional reward, a key person must already own or acquire a specified number of company shares, or a percentage thereof, by a specified date. The number and date are set by the Board of Directors. If they do so, key personnel will then be granted one share for each share acquired, as long as their employment or service contract remains valid and they retain ownership of these shares until the conditional reward is paid. The earning period for the conditional reward is the calendar years 2013–2015. The conditional reward will be paid by the end of April 2016, partly in shares and partly in cash. The cash portion will cover any taxes and tax-related costs arising from the reward.

Conditional reward was paid to 6 persons. In order to receive the conditional reward, a key person had to own or acquire a specified number of company shares, or a percentage thereof, by 30 June 2013. The number was set by the Board of Directors. The conditional reward was paid by the end of April 2016, partly in shares and partly in cash. The cash portion will cover any deferred taxes and tax-related costs arising from the reward.

Shared-based incentive plan for 2016–2018

At the end of 2015, Lemminkäinen Corporation's Board of Directors decided to introduce a new share-based incentive plan for the Group's President and CEO, the Group Executive Team and other key personnel. The plan aims to combine the objectives of the shareholders and key personnel in order to increase the value of the company, while committing the participants of the plan to the company and increasing their ownership in the company.

The plan consists of three earning periods: the calendar years 2016, 2017 and 2018. At the beginning of each earning period, the company's Board of Directors decides on the plan's earning criteria, the targets to be set, the number of shares to be allocated and the plan's participants. The potential reward for each earning period will be paid in four instalments, each of them 25 per cent of the total reward. The reward payment will take place during the four years following the earning period. If a participant's employment or service contract ends during the earning or payment period, they will not, as a rule, be entitled to any unpaid rewards.

The reward will be paid as a combination of shares and cash. The aim is that the cash portion will cover any taxes and tax-related costs arising from the reward. In paying rewards, Lemminkäinen Corporation may, at its discretion, use one or more of the following: new issued shares, the company's own existing shares, shares purchased from the market or cash. Possible purchase of the shares from the market can be outsourced to a business partner.

A reward paid through this plan may correspond to the value of a maximum of 1,200,000 Lemminkäinen Corporation shares (including the monetary portion).

The Board of Directors recommends that the President and CEO and members of the Group Executive Team retain ownership of 50 per cent of the shares they receive through the plan until the value of their holding corresponds to their six months' salary. They should maintain this holding during the validity of employment or service.

In the 2016 earning period, the share-based incentive plan covers about 110 persons, and the reward is based on Lemminkäinen Group's return on capital employed (ROCE). The President and CEO's maximum share-based reward was 38,000 gross shares and that of the other members of the Group Executive Team 12,500 gross shares.

Other long-term incentives

In 2015, an agreement was made on a performance bonus payable to the President and CEO, the members of the Group Executive Team and other key personnel for 2016–2018. The aim of the bonus was to ensure the continuity and profitability of the business over the long term. Due to rearrangements, the bonus system was adjusted in 2016 so that the bonus, if any, will be paid in 2018 if the person is still in employment relationship, and it is equivalent to a maximum of 12 months' monetary salary. The criteria for the payment of the bonus include the Group's financing arrangements succeeding as planned. The bonus is payable to the President and CEO and the members of the Group Executive Team who were members in June 2016.

Pension plan

As of 1 January 2010, additional pension plans for the President and CEO and the Group Executive Team have been based on a defined contribution plan and obtaining a paid-up policy. The pension fee is 20 per cent of the annual salary.

The President and CEO and other members of the Group Executive Team are entitled to retire upon reaching 63 years of age.

Dismissal-related remunerations

The President and CEO's contract of service may be terminated with six months' notice. Upon termination of the contract by the company, the President and CEO shall be

entitled to receive a one-off severance payment equivalent to 12 months' salary in accordance with his or her salary rate at the time of termination.

The contract of service of the members of the Group Executive Team may be terminated with six months' notice. Upon termination of the contract by the company, the member of the Group Executive Team shall be entitled to receive a one-off severance payment equivalent to 6 months' salary in accordance with his or her salary rate at the time of termination.

Remuneration report

Remuneration – Board of Directors

The 2016 Annual General Meeting decided that the Chairman of the Board is paid a fee of EUR 10,000 per month (2015: EUR 10,000) and Board members each receive EUR 3,000 per month (3,000). Members of the Board also received an attendance fee of EUR 500 per meeting (500).

The Chairman of the Audit Committee was paid an attendance fee of EUR 1,000 (1,000) and members EUR 500 (500) per committee meeting.

The members residing abroad were paid the attendance fee increased by EUR 1,000.

Travel expenses were reimbursed as invoiced.

Fees – Board of Directors, EUR per annum

| Member | 1 Jan–31 Dec 2016 | 1 Jan–31 Dec 2015 |
|----------------------------|-------------------|----------------------|
| Berndt Brunow | 120,000 | 120,000 |
| Juhani Mäkinen | 36,000 | 36,000 |
| Noora Forstén | 36,000 | 36,000 |
| Finn Johnsson | 36,000 | 36,000 |
| Heppu Pentti | 36,000 | 30,832 ¹⁾ |
| Kristina Pentti-von Walzel | 36,000 | 36,000 |
| Heikki Rätty | 36,000 | 36,000 |
| Total | 336,000 | 330,832 |

¹⁾ As of 25 March 2015 Heppu Pentti has been a member of the Group's Board of Directors. During 2014 and until April 2015 he was a member of the Board of Directors of two subsidiaries.

Meeting fees – Board of Directors, EUR per annum

| Member | 1 Jan–31 Dec 2016 | 1 Jan–31 Dec 2015 |
|----------------------------|--------------------------|--------------------------|
| Berndt Brunow | 5,000 | 5,500 |
| Juhani Mäkinen | 6,500 | 7,500 |
| Noora Forstén | 4,500 | 5,500 |
| Finn Johnsson | 13,500 | 15,000 |
| Heppu Pentti | 5,000 | 4,500 ¹⁾ |
| Kristina Pentti-von Walzel | 7,000 | 7,000 |
| Heikki Rätty | 9,000 | 9,500 |
| Total | 50,500 | 54,500 |

¹⁾ As of 25 March 2015

Remuneration – the President and CEO and members of the Group Executive Team

The salaries, short-term incentives, long-term incentives and the pension plan paid to the President and CEO and the

members of the Group Executive Team in 2016 are indicated in the tables below. The table's figures are calculated on accrual basis.

Remuneration and fees – President and CEO, EUR per annum

| Casimir Lindholm | 1 Jan–31 Dec 2016 | 1 Jan–31 Dec 2015 |
|-------------------------------------|--------------------------|--------------------------|
| Monetary salary | 494,210 | 496,462 |
| Benefits | 22,560 | 19,801 |
| Performance-based incentives | 96,201 | 42,762 |
| Pension schemes | 129,702 | 120,200 |
| Total | 742,673 | 679,224 |
| Share-based incentive (shares, no.) | 18,750 | 6,782 |

Remuneration and fees – Executive Team (excluding the President and CEO), EUR per annum

| | 1 Jan–31 Dec 2016 | 1 Jan–31 Dec 2015 |
|-------------------------------------|--------------------------|--------------------------|
| Monetary salary ¹⁾ | 1,300,837 | 1,464,294 |
| Benefits | 71,838 | 81,162 |
| Performance-based incentives | 190,146 | 127,063 |
| Pension schemes | 268,737 | 298,017 |
| Total | 1,831,558 | 1,970,535 |
| Share-based incentive (shares, no.) | 14,250 | 11,066 |

¹⁾ Includes compensation related to redundancy