

CORPORATE GOVERNANCE STATEMENT

SRV's corporate governance is based on Finnish legislation, SRV's Articles of Association and the 2015 Finnish Corporate Governance Code for listed companies. SRV's shares are listed on NASDAQ OMX Helsinki, and SRV observes this exchange's rules and regulations for listed companies. The company also complies with the regulations of the Financial Supervisory Authority.

SRV Group Plc (hereinafter SRV or the company) adheres to the 2015 Finnish Corporate Governance Code for listed companies.

The 2015 Finnish Corporate Governance Code for listed companies is available at the Internet site of the Securities Market Association, www.cgfinland.fi.

This statement is published separately from the Report of the Board of Directors.

ADMINISTRATIVE BODIES

The administration, management and supervision of SRV are divided between the General Meeting of Shareholders, the Board of Directors, and the President & CEO. An internal auditing unit reporting to the Board of Directors is responsible for internal auditing, and external auditing is carried out by auditors. The President & CEO attends to line operations with the assistance of the Corporate Executive Team.

General Meeting of Shareholders

The General Meeting of Shareholders is SRV's highest decision-making body. Each SRV share confers its holder the right to one vote at a General Meeting. The company's Annual General Meeting (AGM) was held on 22 March 2016. A total of 58 shareholders attended the meeting, representing about 63 per cent of the company's shares and votes. The minutes of the AGM are available on the company's website.

The AGM makes decisions on matters such as the election and remuneration of Board members, the Chair of the Board, the auditor and deputy auditor; the adoption of the financial statements and consolidated financial statements;

the release of Board members and the President & CEO from liability; and the disposal of profits as shown in the balance sheet. The General Meeting may also deal with other matters specified in the Companies Act as being the business of General Meetings, such as increases or decreases in share capital, share issues or buybacks, and amendments to the Articles of Association. As per the Companies Act, the General Meeting will also deal with matters added to the agenda by shareholders. An Extraordinary General Meeting shall be held when the Board of Directors deems it necessary or when required by law.

The President & CEO, the Chair of the Board and the members of the Board of Directors are present at General Meetings in order to ensure dialogue between shareholders and the company's administrative bodies, and so that shareholders can exercise their right to request information. Anyone nominated for the Board of Directors must be present at the General Meeting that will decide on their election.

Board of Directors

SRV's Board of Directors comprises five to eight members who are elected by the General Meeting. The General Meeting elects one of the Board members as its chair. The Board of Directors elects the vice chair from amongst its number. The term of office for Board members begins at the General Meeting at which they are elected and ends at the close of the next Annual General Meeting. The Board of Directors evaluates the independence of its members and announces which of its members have been deemed to be independent of the company and of its major shareholders.

The Annual General Meeting of 22 March 2016 elected six members to the Board of Directors. The following members were elected¹:

Ilpo Kokkila	Chair, MSc. (Tech.), b. 1947 Pontos Oy, Chair of the Board
Olli-Pekka Kallasvuo	Vice Chair, Master of Laws, LL.D.h.c., b. 1953 Board professional
Minna Alitalo	MSc. (Econ.), b. 1962 Alko Oy, Executive Vice President, Purchasing and Logistics
Arto Hiltunen	MSc. (Econ.), b. 1958 Board professional
Timo Kokkila	MSc. (Tech.), b. 1979 Pontos Group, Investment Director
Risto Kyhälä	MSc. (Tech.), b. 1963 Avara Oy, Chair of the Board

¹ Position on the date of reporting.

The General Meeting elected **Ilpo Kokkila** as Chair of the Board. The Board chose **Olli-Pekka Kallasvuo** as Vice Chair from among its members.

Of the Board members, **Minna Alitalo**, **Arto Hiltunen**, **Olli-Pekka Kallasvuo** and **Risto Kyhälä** are independent of both the company and its major shareholders. **Ilpo Kokkila** and **Timo Kokkila** are major shareholders and are not independent of the company.

The Board of Directors convened 21 times in 2016. Members had an average attendance rate of 97.6 per cent at Board meetings. The attendance record of Board members is as follows:

Ilpo Kokkila	21/21
Minna Alitalo	21/21
Arto Hiltunen	21/21
Olli-Pekka Kallasvuori	19/21
Timo Kokkila	20/21
Risto Kyhälä	21/21

The Board of Directors has prepared written standing orders for its activities, specifying the key tasks and operating principles of the Board and its Chair. The Chair of the Board ensures and supervises that the Board efficiently and appropriately discharges the tasks set for it in legislation, the Articles of Association, and its rules of procedure.

The Board's task is to lead and supervise the company's operations in accordance with the Companies Act, SRV's Articles of Association, and any other applicable legislation and regulations. The Board of Directors decides on matters of principle and far-reaching significance to the Group, including:

- Approving and overseeing the Group's strategy
- Approving and overseeing the annual budget and action plan
- Approving and overseeing the principles for risk management and internal control
- The most important business matters (such as acquisitions and significant contract agreements, investments and divestments)
- Appointing the President & CEO and other members of the Corporate Executive Team, and approving the terms and conditions of their service contracts and remuneration schemes
- Approving remuneration schemes for other personnel.

The standing orders of the Board of Directors are available in their entirety on the company's website.

The Board of Directors meets regularly according to a pre-set schedule, and also when necessary. The Board of Directors is quorate when more than half of its members are present and one of them is the chair or the vice chair. The CEO and General Counsel, who serves as the secretary of the Board, participate in Board meetings. Other members of the Corporate Executive

Team participate in Board meetings by invitation of the Board.

The Board of Directors conducts an annual assessment of its activities and working procedures, and develops its activities based on the results.

Diversity of the Board of Directors

The purpose of Board diversity

The diversity of the Board of Directors supports the company's business operations and their development. Diversity enhances the work of the Board of Directors through the various perspectives on the company's development and operational steering that are brought to the table by people of different ages and with differing educational backgrounds and experience. Diversity fosters open discussion and strengthens Board members' decision-making.

Accounting for diversity in the election of Board members

The Board of Directors' HR & Nomination Committee prepares a proposal to the General Meeting on the number of Board members to be elected, the candidates, and their remuneration.

The committee must take the diversity requirement into consideration when preparing this proposal. In its preparatory work, the committee must evaluate the requirements set for the qualifications of Board members in light of the company's situation. It must also assess how sufficiently diverse the Board is in terms of members' age and gender distribution, and other factors such as their experience, knowledge of the company's business functions, and education. Board members must have sufficient competence and the ability to devote enough time to Board work, considering the current and planned needs of the company. There must be an adequate number of Board members.

Members must have a range of different areas of expertise that support the achievement of the company's current strategic objectives. In addition to knowledge of the company's fields of business, these areas of expertise include:

- Finance and funding
- Business management
- Strategy development and management
- Business in Russia.

Board members must have sufficient education that supports the company's operations and achievement of objectives.

The majority of Board members must be independent of the company. At least two members who are independent of the company must also be independent of the company's major shareholders.

Ensuring diversity

The company has met the requirements set for diversity in the composition of the Board of Directors. All members of SRV's Board of Directors have a university degree: three have a masters in technology, two in economics, and one in law (trained on the bench). All members are serving or have served in corporate managerial positions in different fields of business. Most of these companies have engaged in international operations. The Board also has professional expertise in construction and property investments. Both genders are represented on the Board, with the age of the members ranging from 37 to 69. The longest term of office held by a Board member is 30 years (Chair Ilpo Kokkila, who is one of the Company's founders) and the shortest is four, with a median term of six years.

Board Committees

The Board of Directors has established two committees: an Audit Committee and an HR & Nomination Committee. The committees operate in accordance with the standing orders approved by the Board of Directors, and report to the Board. The committees do not have independent power of decision. Their task is to enhance the effectiveness of the Board of Directors by preparing matters for decision by the Board and the General Meeting.

Audit Committee

The Audit Committee assists the Board of directors in its role in the supervising the Company's financial reporting, as well as matters relating to the audit. The Audit Committee monitors the company's financial reporting and prepares matters concerning financial reporting, assessments and risk management for the Board. In order to discharge its tasks, the Audit Committee follows trends in SRV's financial position, asks questions of the auditors, reviews drafts of the financial statements and interim reports, and monitors the effectiveness of internal control,

internal auditing and risk management systems. The Audit Committee also prepares a proposal on the election of the auditor for presentation to the General Meeting and evaluates and monitors the independence of the Company's audit firm as well as evaluates the non-audit services provided to SRV by the audit firm.

The audit committee is composed of three members which are elected among The Board. The Audit Committee Rules of Procedure are available on the company's website.

Minna Alitalo chaired the Audit Committee in 2016, the other members being Olli-Pekka Kallasvuo and Timo Kokkila. Of the members, Minna Alitalo and Olli-Pekka Kallasvuo are independent of the company and its major shareholders. Timo Kokkila is a major shareholder and is not independent of the company.

The Audit Committee convened four times during 2016. The attendance rate at Committee meetings is shown below:

Minna Alitalo	4/4
Olli-Pekka Kallasvuo	4/4
Timo Kokkila	3/4

HR & Nomination Committee

The HR & Nomination Committee (formerly the Nomination and Remuneration Committee before March 2016) prepares matters concerning the election and remuneration of members of the Board of Directors and its chair for presentation to the General Meeting. The committee also considers matters relating to the appointment and remuneration of the CEO and other management, and remuneration and incentives for personnel. The committee assesses the activities of senior management, oversees successor planning, plans competence development for management and personnel, and monitors personnel satisfaction and working capacity.

HR and Nomination Committee is composed of three members which are elected among The Board. The HR and nomination Committee Rules of Procedure are available on the company's website.

Ilpo Kokkila chaired the HR & Nomination Committee in

2016, the other members being Arto Hiltunen and Risto Kyhälä. Of the members, Arto Hiltunen and Risto Kyhälä are independent of the company and its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company.

The HR & Nomination Committee convened four times during 2016. The attendance rate at Committee meetings is shown below:

Ilpo Kokkila	4/4
Arto Hiltunen	4/4
Risto Kyhälä	4/4

President & CEO

The President & CEO attends to the practical management of SRV's business operations and administration. The CEO is responsible for preparing matters to be dealt with and decided by the Board of Directors, implementing the Board's decisions, and ensuring that any goals set by the Board are attained. The CEO ensures that the company's bookkeeping complies with applicable legislation, and that funds are managed in a reliable manner. The CEO also serves as the Chair of the Corporate Executive Team. The Board of Directors appoints the CEO and Deputy CEO, and relieves them of their duties.

Juha Pekka Ojala (1963–), BSc. (CE), was President & CEO of SRV Group Plc in 2016. SRV's Deputy CEO is **Timo Nieminen** (1958–), MSc. (Tech.).

Corporate Executive Team

The Corporate Executive Team and its working committee assist the President & CEO in operational planning, line management, and decision-making. They also prepare matters to be dealt with by the company's Board of Directors. The Corporate Executive Team and its working committee handle matters concerning business operations and operational control and development. The most significant issues handled by the Corporate Executive Team in 2016 were planning and supervising the implementation of the company's current strategy, planning SRV's strategy revision, and overseeing major projects (both ongoing and under development).

Corporate Executive Team 2016

Juha Pekka Ojala	President & CEO, Chair of the Corporate Executive Team b. 1963, BSc. (CE)
Timo Nieminen	Executive Vice President, Property Development Finland Deputy CEO, Vice Chair of the Corporate Executive Team b. 1958, MSc. (Tech.)
Pirjo Ahanen	Senior Vice President, Human Resources b. 1958, MSc. (Econ.)
Katri Innanen	Senior Vice President, General Counsel (until 31 May 2016) b. 1960, LL. M. (trained on the bench)
Päivi Kauhanen	Senior Vice President, Communications b. 1975, high-school graduate
Veli-Matti Kullas	Vice President, Project Development in Russia b. 1956, MSc. (Tech.)
Jussi Kuutsa	Vice President, Business Operations in Russia (until 30 November 2016) b. 1964, MSc. (Econ.)
Johanna Metsä-Tokila	General Counsel (as of 1 June 2016) b. 1977, LL. M. (trained on the bench)
Antero Nuutinen	Senior Vice President, Housing and Regional Offices b. 1963, BSc. (CE)
Valtteri Palin	Senior Vice President, Financial Administration b. 1973, MSc. (Econ.)
Ilkka Pitkänen	CFO b. 1966, MSc. (Econ.)
Juha Toimela	Senior Vice President, Operations in Finland b. 1963, MSc. (Tech.), MBA

The Corporate Executive Team's 2016 working committee consisted of Juha Pekka Ojala, Timo Nieminen, **Päivi Kauhanen**, **Veli-Matti Kullas**, **Antero Nuutinen**, **Ilkka Pitkänen**, **Johanna Metsä-Tokila** (as from 1 June 2016), and **Juha Toimela**. The Group's development director acts as the secretary of the Corporate Executive Team and its working committee. In 2016, the Corporate Executive Team convened 13 times and its working committee¹ 32 times.

¹ The composition and meeting procedures of SRV's Corporate Executive Team was revised from the beginning of 2017. The working committee, which convened weekly and consisted of only some of the Corporate Executive Team members, was completely abolished.

REMUNERATION

The General Meeting decides on the remuneration paid to the members of the Board of Directors and its committees. The Board of Directors decides on the terms of employment and other compensation of the President & CEO, Deputy CEO, and members of the Corporate Executive Team. For more detailed information on remuneration, see the Salary and remuneration report published on SRV Group Plc's website.

AUDIT

The auditor is elected at the Annual General Meeting to a term of office that ends at the close of the next Annual General Meeting following the auditor's election. In a public limited company, at least one auditor elected by the Annual General Meeting must be an authorised public accountant or a firm of authorised public accountants.

The Annual General Meeting of 22 March 2016 elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor with **Samuli Perälä**, Authorised Public Accountant, as the chief auditor.

The auditor was paid auditing fees of EUR 293,000 in 2016. The auditor was paid an additional EUR 97,000 for other services (including all the companies belonging to the same group or chain).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR SRV'S FINANCIAL REPORTING

SRV continuously monitors its functions to ensure the reliability of its result. Internal control seeks to ensure that the company's operations are efficient and productive, reporting is reliable, and laws and regulations are complied with. However, the internal control system cannot provide full certainty that risks will not be realised.

SRV's business operations are guided by consistent Group-wide business principles, decision-making authorisations and the company's values. Internal control is founded on a healthy corporate and management culture, and on specified reporting and its fundamental principles. In particular, internal control is based

on financial reports, management reports, risk reports and internal audit reports. The company's key operations are controlled by means of written internal operating policies and procedures.

SRV's business is based on the implementation of construction projects. SRV's revenue is generated by construction projects, and the company's result depends on both the profitability of individual projects and their progress.

Financial control

The internal control system applied to business operations is the responsibility of the executive teams of SRV's business areas and the Group's controller function, in accordance with SRV's Group policies and instructions. Monthly financial reporting is a key control process in ensuring the effectiveness and efficiency of operations. It also includes analyses of deviations between actual results, budgets, and continuously updated forecasts for overall financial performance and individual construction projects.

The internal control system is the responsibility of SRV Group Plc's Board of Directors and Audit Committee, the Corporate Executive Team and its working committee, the executive teams of SRV's business areas, and financial administration. Management's monthly financial reporting is a key control process in ensuring the accuracy of the Group's financial reporting. It includes analyses of deviations between actual results, budgets and continuously updated forecasts. An external auditor audits financial reporting on a regular basis and reports directly to the Audit Committee.

Financial management and operational control are supported and coordinated by the Group's financial administration and the SRV's controller function. SRV has drafted Group-level reporting models for standardising the financial reporting of its business functions. Their reports seek to ensure that control covers all the major aspects of SRV's business operations. This ensures that any deviations from financial objectives are identified, communicated and reacted to efficiently and effectively, in a standardised and timely manner.

Financial control measures also include management's continual business control procedures. Financial reports define key control indicators that aim to measure and support business efficiency and consistency, and to monitor progress towards the attainment of SRV's objectives.

The Board of Directors has approved the Group's internal decision-making authorisations.

Reliability of financial reporting

The monitoring of financial reporting reliability is based on the principles and guidelines SRV has defined for the financial reporting process.

The interpretation and application of financial statement standards are centralised in the Group's financial administration, which maintains the SRV IFRS Accounting Manual under the supervision of the company's Audit Committee. The Group's financial administration supervises compliance with these standards and instructions.

The supervision of budgeting and reporting processes is based on SRV's budgeting instructions. The Group's financial administration is responsible for drafting and maintaining these instructions centrally. The principles are applied consistently throughout the Group.

Risk management system

SRV engages in systematic risk management, both to protect itself against factors that might hinder its business operations and to recognise new opportunities. The company improves the profitability and stability of its operations by identifying and reacting to strategic and operational risks in time. Risk management is part of SRV's management system. It supports the company's values, vision, strategy and the attainment of its earnings objectives.

Risk management seeks to ensure that controllable risks do not jeopardise SRV's operations. To this end, SRV ensures that it has a systematic and comprehensive approach for identifying and assessing risks, and also for reporting on operations and implementing any required risk management measures.

Overall responsibility for risk management rests with the company's Board of Directors and the President & CEO. The Board of Directors approves SRV's risk management strategy and policy, and assesses its Group-wide framework for risk management. The Audit Committee reviews a quarterly report on operational risks. Line management is in charge of implementing, leading and supervising day-to-day risk management. The Group's risk management function supports the application of risk management policies and develops Group-wide ways of working.

INTERNAL AUDIT

The duties of the internal auditing function include making an unbiased and objective assessment of the appropriateness and efficiency of the company's internal control system, risk management, and management and administrative processes. The internal audit supports the organisation's development and assists the Board of Directors in its supervisory responsibilities.

The internal audit operates under SRV's Board of Directors, and is the responsibility of the Head of Internal Audit. If required, the internal audit may use the services of an external provider. The audits are based on the Audit Plan, which is approved annually by the Audit Committee. Audit reports are submitted to the Audit Committee, and also annually to the company's Board of Directors.

INSIDER ADMINISTRATION

The company complies with the insider guidelines approved by the Board of Directors. SRV revised its insider policy to comply with the EU Market Abuse Directive and Regulation ("MAR") that came into force on 3 July 2016, and has followed these revised guidelines since 3 July 2016. This insider policy describes essential rules, instructions and procedures concerning market abuse and, in particular, the prohibition on market manipulation and using insider information.

According to the MAR, the company's management includes the members of SRV Group Plc's Board of Directors and the President & CEO. Management and their close circle must report all business transactions involving the company's securities to both SRV and the Financial Supervisory Authority. The company will issue a stock exchange release on all such transactions.

SRV's management may not trade in the company's securities (either in person or through a third party) during a 30-day closed window before the publication of each of the company's financial statement bulletins or interim reports. SRV applies a "closed window" from the end of every quarter to the day following the publication of the company's financial statement bulletin or interim report. The closed window covers at least the 30 calendar days before the publication of a financial statement bulletin or interim report, as well as the day of

publication itself. This prohibition remains in force whether or not the person in question is in possession of any insider information at the time.

The company maintains and updates a register of those who regularly receive unpublished financial information via their position or authorisations ("those who participate in the preparation of financial reviews"). The closed window and non-disclosure obligations also apply to these individuals, and they are also forbidden from providing information or advice to others for the purpose of trading in the company's securities.

SRV draws up a list of individuals who have access to insider information and who have signed an employment contract with the company, or who otherwise perform duties which grant them access to insider information. SRV does not maintain a permanent insider register. Instead, all individuals participating in insider projects are included in project-specific insider lists. Anyone whose name appears on one of these lists may not trade in the company's securities until they have been notified that any trading restrictions have been lifted.

SRV recommends that trading be restricted to situations in which the market is in possession of the most comprehensive information about factors affecting the company's securities, that is, after the publication of an interim report or financial statement bulletin. SRV recommends that those who are in a management position or prepare financial reviews should make long-term investments rather than trading in securities belonging to or related to the company. Insider policy forbids the aforementioned individuals from engaging in short-term trading and speculative activities with securities belonging to or related to the company.

SRV's insider administration organisation consists of the General Counsel, the person responsible for insiders, and the insider register custodian. Insider administration is responsible for the daily management and supervision of compliance with the MAR and SRV's insider policy, which includes tasks such as maintaining insider registers, supervising insider issues, arranging training, giving advice, and sending notifications to management, insiders and other relevant organisations. SRV's insider administration function cooperates with Group communications, which handles the publication of management's business activities.

SHARE OWNERSHIP AT 31 DECEMBER 2016

Members of the Board of Directors	Holdings
Ilpo Kokkila ¹	[No holdings]
Share ownership in a company under his control (Kolpi Investments Oy)	11,505,457
Olli-Pekka Kallasvuo	133,332
No holdings in companies under his control	
Minna Alitalo	[No holdings]
No controlled companies	
Arto Hiltunen	[No holdings]
No controlled companies	
Timo Kokkila	7,617,216
No controlled companies	
Risto Kyhälä	10,000
No controlled companies	

¹ Shareholding notified in accordance with the flagging notification received by the company on 22 December 2016. The change of shareholding had not been recorded in the Euroclear system on 31 December 2016.

President & CEO, and Deputy CEO	Holdings
Juha Pekka Ojala	242,626
Timo Nieminen	655,390
No controlled companies	

Corporate Executive Team	Holdings
Pirjo Ahanen	2,832
Päivi Kauhanen	[No holdings]
Veli-Matti Kullas	199,330
Johanna Metsä-Tokila	31,000
Antero Nuutinen	77,240
Valtteri Palin	[No holdings]
Ilkka Pitkänen	[No holdings]
Juha Toimela	3,332