

# Responsibility report 2016



## Table of contents

### Responsibility themes

VR Group and the sustainable development goals of the United Nations

VR Group responsibility targets

VR Group description of value creation

VR Group as payer of dividends and taxes

Responsibility management

Relevance

Responsibility themes and GRI aspects determined by VR Group

### **Stakeholders and memberships**

Public sector shareholders

Memberships

International dimension

VR Group stakeholders

### **Customer focus**

Customer orientation at VR

Customer orientation and customer management in VR Transpoint

Customer-oriented business operations in VR Track

### **Safety**

Safety in brief 2016

Safety management

Safety in figures 2016

Case: The role of human factor ensuring safety

### **Personnel**

Personnel matters

Personnel figures

Governing bodies, gender breakdown

Supervisory work and interaction in the work community

Continuous development of well-being at work

Rewarding

Human resources management

Opportunities and risks in human resources matters

Case: Rail logistics mentors

### **Environment**

Environmental commitments

Environmental goals

Environmental balance sheet of rail and road traffic

Energy-efficiency

Total energy consumption

Emissions and discharges

Waste and recycling

Soil and landscape

Cleanliness

Environmental management

Energy reviews in properties

### **Responsible procurement**

Managing the supplier network

Procurement management

### **GRI**

## Responsibility themes

Responsibility in VR Group covers five different themes. Responsibility means ensuring customer satisfaction, safety, well-being at work, environmental friendliness and transparent operations.

### 1. Customer focus

VR Group developed interaction and cooperation in all three business operations.

Cooperating with its partners, VR Transpoint has created new comprehensive logistics solutions, which combine rail and road transport with port operations and other logistics services in accordance with customers' needs.

The customer is at the core of VR Track's operations. Services and interaction are developed in cooperation with customers in alliance and other projects and on the basis of customer satisfaction surveys and feedback.

VR Passenger Services started updating its ticket sales channels with the aim of making the service experience easier and smoother. In June 2016, a large number of routes was made faster in different parts of Finland and new direct connections were introduced.

VR Group also makes every effort to ensure that its services are equally accessible to all customers. VR Group has made train travel easier for passengers with disabilities by introducing new rolling stock and new

services. VR Group has increased cooperation with passengers with disabilities, and in autumn 2016 it conducted its first customer satisfaction survey among this group of passengers. The survey will be carried out each year. A new free of charge service number for passengers with disabilities was introduced at the start of 2017.

### 2. Safety

There were no serious rail accidents during 2016. The most dangerous situation occurred in August, when a freight train collided into empty freight wagons at the Oulu shunting yard. The most probable and dangerous risks in rail traffic are connected with the coordination of rail traffic and track work and with level crossings. A special action programme was drawn up at the end of 2016 for the development of railway safety. This programme will extend into 2017.

VR Group achieved the accident rate target that it had set for the year. The target was a maximum of 15.5 accidents per million hours worked and the rate during 2016 was 13.0.

## Responsibility themes

### 3. Personnel matters

VR Group has made substantial inputs into the development of supervisory work over the past few years, and there have been improvements in many areas of supervisory work. According to personnel, supervisors give feedback and treat all employees fairly. They also tackle problems better than before, communicate on work-related matters and pay attention to occupational safety. During 2016, supervisors were provided with thematic and online training in which the aim was to ensure that supervisors can cope with their responsibilities and duties.

In spring, all VR Group employees were urged to join the Matkakumppani (travel partner) programme and to encourage discussion both inside and outside the Group. Travel partners are highly motivated VR Group staff members working in different tasks that are keen on using their own networks to communicate on their job and other topical issues concerning the company.

### 4. Environment

Of the objectives laid out in the environmental pledges that last until 2020, the share of renewable energy in VR Group's energy consumption and the share of landfill waste have already been achieved. There were no major leaks in the transport of dangerous goods during the year.

The environmental programme drawn up for implementing the environmental pledges was updated in 2016. The measures required of all units during the period 2017–2020 were entered in the programme.

### 5. Transparent operations

VR Group has its own ethical guidelines. The main principles concerning the guidelines have been communicated to all staff members. Each employee must also undergo training in the application of the guidelines. The Group also has separate anti-corruption guidelines and key persons are provided with training on the application of these guidelines. VR Group requires that its partners approve the ethical guidelines when concluding contracts with the Group. Under the guidelines, the partners are also expected to contribute to anti-corruption efforts.

## VR Group and the sustainable development goals of the United Nations

In 2015, UN member countries agreed on sustainable development goals and an action programme for the year 2030. The aim of the sustainable development agenda is to eradicate extreme poverty and to achieve sustainable development in which equal consideration is given to the environment, economy and humans. There are a total of 17 goals and they entered into force at the start of 2016. The goals apply to states, organisations and companies.

VR Group will assess in more detail the sustainable development goals in relation to its business operations. The goals that we have already adopted as focus areas are those that are connected with energy efficiency, slowing down of climate change, clean air, soil and water, human well-being and equality.



## VR Group responsibility targets

### Customer focus

- Dynamic, high-quality operations
- Meeting customer expectations and performing agreed tasks
- High-quality, smooth and better customer experience, developing personal customer service
- Closer cooperation and continuous development of operations and services in cooperation with customers
- Digital services and channels (especially on mobile platforms)
- Development of pricing and products
- Improved image of train travel
- More extensive dialogue with customers and stakeholders, as well as fast and more individualised customer communications
- Building and deepening successful partnerships
- Developing competence and new services in a changing operating environment

### Safety

- Accident frequency rate 14.0
- Number of serious accidents 0
- Shunting deviation frequency (downward trend)
- Exceptional events in rail traffic (downward trend)
- Safety briefings 2,800
- Safety observations 6,000

## VR Group responsibility targets

<h3>Personnel matters</h3>	<h3>Environment</h3> <p>(by the year 2020; the year 2012 has been set as the base year)</p>	<h3>Transparency</h3>
<ul style="list-style-type: none"> <li>• Competitive personnel costs</li> <li>• Motivated and competent personnel supports successful operations</li> <li>• HR analytics are at a level that supports strategic decision-making</li> <li>• Quality and efficiency of HR operations will improve</li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency of rail traffic will improve by 20 per cent</li> <li>• Share of renewable energy more than 60 per cent</li> <li>• No major leaks causing soil contamination</li> <li>• More than 85 per cent of our customers are satisfied with the level of cleanliness and tidiness on trains and at stations</li> <li>• Landfill waste will account for less than 15 per cent of all waste</li> <li>• The number of people considering VR Group environmentally friendly will increase by two percentage points</li> </ul>	<ul style="list-style-type: none"> <li>• Adhering to ethical guidelines</li> <li>• Systematic supplier management and centralised monitoring of monitoring information</li> <li>• All electricity purchased from renewable sources</li> <li>• Environmental criteria used for 100 per cent of all competitive tendering in special sectors</li> </ul>



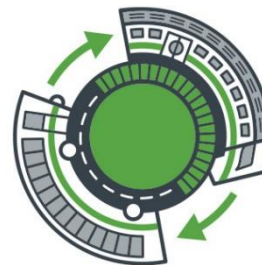
## VR Group description of value creation



Resources	VR Group	Outputs	Impacts
Human and intangible capital	Mission	Products	Economic impacts
Competent and motivated personnel, 7,898 Full Time Equivalents Brand and reputation Environmental and occupational health and safety management systems Customer information Partnerships Stakeholder cooperation	Our core mission is to provide our customers with high-quality and environmentally friendly travel and logistics services. We meet customer needs by providing infrastructure engineering services that cover the full life cycle of the project. We mainly operate in Finland, Sweden and Russia.	82.1 million train journeys 35.8 million bus and coach journeys 36.1 million tonnes of freight carried by rail 4.5 million tonnes of freight carried by road* High-quality infrastructure	<a href="#">Taxes</a> Dividends to state Track access charges Salaries, wages and other fringe benefits Payments to suppliers and partners Investments Higher shareholder value External costs arising from transport operations
Financial capital	Vision	Emissions and discharges	Environmental effects
Balance sheet EUR 2,002 million Equity ratio 68.8%	VR Group's vision is to be the leading Finnish travel, logistics and infrastructure services company. Services are customer-oriented and produced in a responsible manner.	CO <sub>2</sub> emissions NO <sub>x</sub> emissions Particle emissions <a href="#">Read more in the environmental balance sheet</a>	Energy -efficiency Low-emission services Helping to slow down climate change and participating in the circular economy Material efficiency

\* mass good logistics





Resources	VR Group	Outputs	Impacts
Production capital	Strategy	High-quality, innovative and safe services and solutions for our customers	Social impacts
Rolling stock ( <a href="#">link to environmental balance sheet</a> ) Infrastructure engineering equipment Real estate Rolling stock and equipment maintenance facilities Data systems and applications supporting the operations	Customer focus Competitiveness Growth Effective foundation	Rail and road passenger services Rail logistics and domestic and international road logistics services Infrastructure design, construction and maintenance Restaurant and café services on trains and at stations Punctuality Reliable and safe rolling stock and equipment Excellent customer service in person and online Smooth customer experience Customer service channels	Movement of people and goods Accessibility of people Providing jobs and income Making basic industries more competitive Added value for partners Engaging customers Occupational safety and well-being at work Brand value
External resources	Business operations		
Purchases and investments Goods and service suppliers	Passenger services VR Transpoint VR Track Pohjolan Liikenne Avecra		

## VR Group as payer of dividends and taxes

### Tax policy

Companies belonging to VR Group pay their taxes and other statutory charges in accordance with the provisions in their home countries. The aim of VR Group is to handle its taxes and other statutory payments correctly and on time.

The focus of VR Group's business is in Finland, but we also have operations in Sweden, Estonia and Russia.

The Group's centralised finance unit is responsible for taxation matters in Finland and it uses advisers in issues that are open to interpretation. In other countries, the local finance units deal with taxation matters and statutory charges.

### Taxes, dividends and statutory charges paid by VR Group

In 2016, VR Group comprised companies registered in Finland, Sweden, Russia and Estonia. Finnish companies accounted for 94.0 per cent of the Group's consolidated net sales. In 2016, the Group's result before taxes was EUR 34.3 million. Payments of income tax for the financial year totalled EUR 11.1 million. At the end of the year, VR Group had EUR 3.1 million in deferred tax receivables and EUR 86.4 million in deferred tax liability.

These taxes were paid almost entirely to Finland. A total of EUR 15.0 million in energy taxes was paid to Finland. Of this amount, excise duties on fuels accounted for EUR 13.3 million and excise duties on electricity EUR 1.7 million. The electricity used by rail traffic is exempt from excise duties.

VR Group owns real estate in different parts of Finland. A total of EUR 2.2 million in real estate taxes was paid to different municipalities.

VR Group paid a  
total of

**EUR**  
**71.4**

million in value added  
taxes to Finland.

The taxes paid during the financial year included EUR 71.4 million in value added taxes and EUR 102.6 million in withholding tax.

Employer's contributions (pension insurance contributions and other personnel expenses) totalled EUR 95.9 million in 2016. Social security contributions accounted for EUR 14.4 million of this total.

VR Group paid a total of EUR 100 million in dividends to the State of Finland for 2015. Track taxes and access charges totalled EUR 45.4 million. The total includes EUR 1.0 million in track tax and EUR 4.0 million in investment tax for the track section between Kerava and Lahti. Other charges to the authorities, such as licence fees collected by the Finnish Transport Safety Authority, totalled EUR 0.5 million.

Dividends, taxes and tax-like payments in 2016	EUR million
Dividends	100.0
Income tax	11.9
Deferred tax liability	0.2
<b>Direct taxes, total</b>	<b>12.0</b>
Basic track access charge	40.4
Track tax	1.0
Investment tax	4.0
<b>Track access charge and track tax, total</b>	<b>45.4</b>
Other statutory charges (incl. Trafi licence fees)	0.5
Vehicle tax	0.3
Traffic electricity tax	0.0
Fuel excise duties	13.3
Other excise duties on electricity	1.7
<b>Energy taxes, total</b>	<b>15.0</b>
<b>Paid to the state, total</b>	<b>173.3</b>
Real estate tax	2.2
Pension contributions	64.6
Other social expenses	31.3
<b>Employer's contributions, total</b>	<b>95.9</b>
Value added taxes (sales - purchases)	71.4
Taxes on wages and salaries (withholding)	102.6
<b>Taxes paid for the financial year</b>	<b>174.0</b>
<b>Grand total</b>	<b>445.4</b>

## Tax footprint report prepared by the Ownership Steering Department

Figures for the 2016 financial year						
	Finland	Sweden	Estonia	Russia	Lithuania	Latvia
Taxes paid for the financial year, EUR million						
income tax	8.67	0.38	0.00	0.00	0.00	0.00
real estate tax	2.32	0.00	0.00	0.02	0.00	0.00
production taxes	0.00	0.00	0.00	0.00	0.00	0.00
employer's contributions	7.52	6.42	0.18	0.23	0.02	0.02
other taxes	20.37	0.00	0.00	0.02	0.00	0.00
taxes paid for the financial year, EUR million						
value added taxes, sales	232.13	7.40	1.17	0.12	0.05	0.19
value added taxes, purchases	153.34	14.47	1.43	0.26	0.05	0.08
excise duties	0.00	0.00	0.00	0.00	0.00	0.00
withholding tax	95.24	7.09	0.11	0.11	0.01	0.03
taxes at source	0.02	0.00	0.00	0.00	0.00	0.00
other taxes	0.00	0.00	0.01	0.00	0.00	0.00
Net sales by country, EUR million	1,115.14	62.36	8.65	0.57	0.00	0.00
Profit before taxes, by country, EUR million	69.64	-36.35	0.10	0.95	0.00	0.00
Personnel by country	7,428	350	35	85	0	0

## Responsibility management

In VR Group, responsibility is part of the daily work and it has been integrated into the overall Group strategy. VR Group takes into account its corporate responsibility when making strategic decisions. Especially the values “customer-oriented operations” and “safety and responsibility” provide a basis for responsibility work in VR Group.

[Read more about our strategy >](#)

For VR Group, responsibility means ensuring customer satisfaction, safety, well-being at work, environmental friendliness and transparent operations.

Issues that are of vital importance for customers include the reliability and availability of services, pricing and equality. Safety means personnel, occupational, traffic and information safety. Issues that are of vital importance for personnel include responsible employment practices, ensuring well-being at work and developing competence. Energy-efficiency and emissions and discharges generated by operations are essential considerations in environmental responsibility. The transparency of operations comprises ethical business and the management of supply chains.

The aim in the VR Group management model is to ensure seamless cooperation between the different Group companies, business units and corporate services in order to meet the needs of customers and other stakeholders. Business operations are organised around customer groups. Responsibility is an integral part of goal-oriented

operations, and business operations and units are responsible for responsibility-related plans and measures. Responsibility management is described in more detail in theme-specific texts.

VR Group has prepared ethical guidelines, which are observed in all operations. The main principles concerning the guidelines have been communicated to all staff members. Each employee must also undergo training in the application of the guidelines. By the end of 2016, 75 per cent of VR Group personnel in Finland had undergone the training. In Sweden, the figure was 83 per cent. The ethical guidelines also contain instructions on anti-corruption work. VR Group also has separate anti-corruption guidelines and key staff members are provided training on how they should be applied. VR Group requires that its partners approve the ethical guidelines when concluding contracts with the Group. Under the guidelines, the partners are also expected to contribute to anti-corruption efforts.

Read more: [VR Group Code of Conduct](#)

## Relevance

The most relevant responsibility issues reported by VR Group arise from the expectations of the major stakeholders.

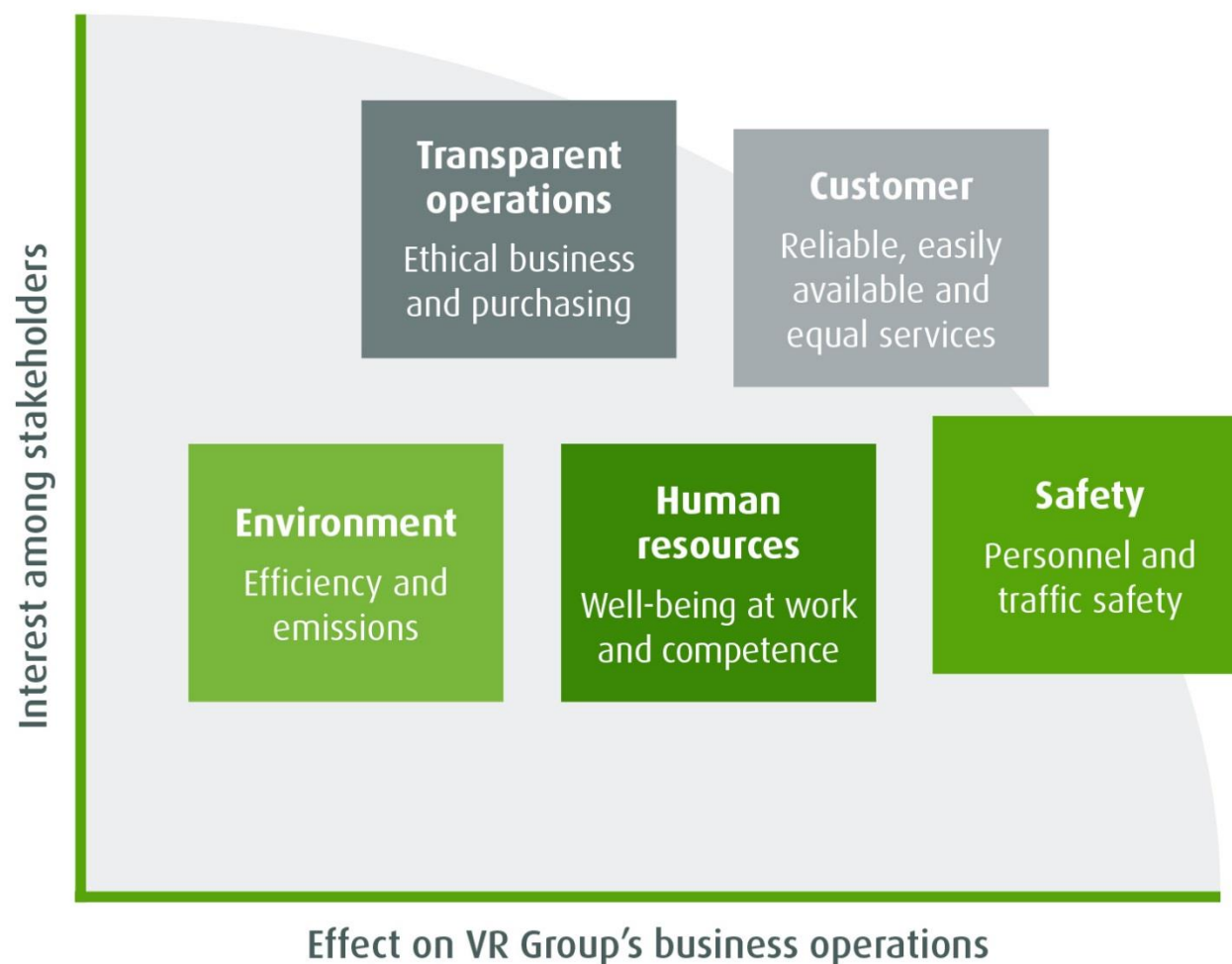
VR Group updated the most relevant matters concerning its responsibility operations in 2014. VR Group asked its personnel and external stakeholders to list the matters that are important for a responsible VR Group. Consumer and corporate customers, staff members, authorities, political decision-makers and representatives of non-governmental organisations and the media were among the respondents. Most of the comments concerned passenger services.

During the process of defining relevant responsibility themes, workshops were arranged for both experts and VR Group's Management Team. The company's own view of responsibility was formulated in these workshops.

One important viewpoint used to define relevance was the [VR Group strategy](#) and matters that help VR Group to achieve its strategic objectives or that have a significant financial impact. Relevance definition resulted in a matrix of the most essential responsibility themes that will be examined each year. The key indicators to be monitored and GRI indicators to be reported were selected on the basis of the relevant themes.

The results of the relevance definition will be considered in the strategy work.

## VR Group's Materiality analysis



## Responsibility themes and GRI aspects determined by VR Group

Responsibility themes	Aspects	Relevant GRI aspects	Scope of reporting
<b>Safety</b>	Customer safety, personnel safety, traffic safety, data security	Customer health and safety, occupational safety and health, customer privacy	Group operations in Finland, accident data also includes VR Track Sweden AB and Transpoint International.
<b>Customer focus</b>	Customer-oriented service - punctuality and reliability, pricing, attractiveness of rail traffic, customer communications, equal services, responsible products	Customer satisfaction	Group operations in Finland, Transpoint International is included in the part for VR Transpoint.
<b>Transparent operations</b>	Ethics and integrity, procurement and investments	Economic performance, anti-corruption, public policy, anti-competitive behaviour, prohibition of discrimination, compliance, marketing communications, procurement practices, supplier assessment for labour practices, supplier environmental assessment, supplier human rights assessment	Group as a whole
<b>Personnel matters</b>	Well-being at work, personnel competence, good employment practices	Labour/management relations, training and education, employment, diversity and equal opportunity, equal remuneration for women and men	Group operations in Finland
<b>Environment</b>	Energy efficiency, emissions-free operations, green energy, waste and recycling, cleanliness and tidiness	Energy, emissions, products and services, waste, compliance	Group operations in Finland, energy and emission figures also include road logistics subcontractors.





## Stakeholders and memberships

A large number of different parties take an interest in the operations of VR Group because it plays an important role in society. Regular cooperation with various stakeholders is important so that VR Group can respond to their expectations and, on the other hand, can improve the conditions for its own business operations.

The stakeholders of VR Group can be divided as follows: government sector operators, operators related to its business operations, and organisations and other stakeholders interested in the Group's operations. The Group has both Finnish and international stakeholders.

## Public sector shareholders

VR Group's public sector stakeholders are the State of Finland as owner, national and international decision-makers, the Ministry of Transport and Communications, and various authorities, with the Finnish Transport Agency and the Finnish Transport Safety Agency (Trafi) being the most important of these for the Group's operations.

Many of the parties involved in VR Group's business environment have more than one role. For example the Finnish Transport Agency is both an authority and a customer of the infrastructure operator VR Track.

The entire railway sector – and through this a significant part of the operations of the company – is strictly regulated in the European Union and at national level. Regulation is dynamic and is continuously changing the business environment in which VR Group operates.

The extensive discussion on the European Union's fourth railway package has played a major role in this process in recent years. The aim of the package is to create a unified European railway area, so that the prerequisites for operating in the market would be the same for the whole EU area. The fourth railway package was adopted during 2016. National implementation of the provisions contained in the package will be the next stage in the process.

## VR Group's stakeholders



## Stakeholders in business operations

Customers, personnel and business partners, such as subcontractors, are VR Group's stakeholders in its business operations. VR Group also has personnel, customers and partners outside Finland. Cities and regions, which are engaged in an active dialogue with the Group, are also important stakeholders.

VR's customer loyalty programme Veturi, which has rapidly gained popularity, provides the company with important information on travel wishes. The Veturi loyalty programme also provides a platform for communicating and listening to consumer customers and their wishes concerning the development of rail passenger services. Veturi allows VR to reach active customers committed to train travel and to provide them with benefits.

VR Group makes every effort to ensure that its services are accessible to all customers in the same manner. VR has made train travel easier for passengers with disabilities by introducing new rolling stock and new services. At the moment, there are disabled-friendly train services on nearly all lines. VR Group has increased cooperation with passengers with disabilities and in autumn 2016 it conducted its first customer satisfaction survey among this group of passengers. The aim of VR Group is to engage in a continuous dialogue and hold regular meetings with organisations representing people with disabilities. Each year, VR Group conducts an extensive survey among passengers with disabilities on services intended for this customer group. The aim is to obtain information for developing the services.

VR Transpoint is cooperating with its customers in the development of efficient logistics solutions. The cooperation also involves extensive action programmes in such areas as safety and training. Joint risk surveys help to improve safety in the customers' production plants. The purpose of the activities is to make the operating environment safer and to develop better operating practices.

VR Track is one of the leading alliance partners in the infrastructure business in Finland. In an alliance project, the client and service provider work closely together by forming a unified organisation to achieve their common goals.

## Subcontractors

VR Transpoint's domestic road services are mostly provided by subcontractors (contract carriers). Long-term carrier contracts and an extensive network of carriers ensure reliable and high-quality operations. VR Transpoint always uses partners complying with the requirements of the Act on the Contractor's Obligations and Liability.

VR Track has a large number of subcontractors and material suppliers. VR Track requires that its suppliers and contractors join the Luotettava kumppani (Reliable Business Partner) scheme to ensure that they meet the obligations of the Act on the Contractor's Obligations and Liability. The safety and environmental programmes steering the operations are also binding on the company's material suppliers and subcontractors.

## Memberships

VR Group takes part in the operations of a number of important organisations in its operating environment. It has closest relations with personnel organisations. VR Group personnel belong to the Finnish Locomotivemen's Union, Rautatievirkamiesliitto (Union of Railway Officials), Akava, the Trade Union for the Public and Welfare Sectors JHL, and Rautatiealan Teknisten liitto (Union of Railway Technical Personnel).

VR Group is a member in such organisations as the Service Sector Employers Palta. The Group also belongs to the Finnish Business & Society's (FiBS) network for responsible business.

VR Group is a member of the Climate Leadership Council (CLC). The Council brings together exemplary companies that are committed to mitigating climate change. VR Group is a forerunner in the utilisation of renewable energy and energy-efficiency. VR Track improves the energy efficiency of its construction sites with e.g. machine control and VR Transpoint in its freight transport operations by increasing electric traction. The goal of the Council is to improve its members' competitiveness and ability to respond to the threats posed by climate change and the scarcity of natural resources.

VR Track Oy is a business member of Infra ry. It also belongs to the Electrical Contractors' Association of Finland STUL, the Finnish

Geotechnical Society, the Advisory Committee for the Civil Engineering Sector MANK, the Finnish Association of Consulting Firms SKOL, Finnish American Chamber of Commerce, and the infrastructure, urban planning and training sectoral groups of BuildingSMART Finland. VR Track is also a network member of Intelligent Transport Systems Finland (ITS Finland). As a member of the network, VR Group can better follow developments in the sector and establish networks with other important actors.

Pohjolan Liikenne is a member in the Finnish Bus and Coach Association and VR Transpoint in the Finnish Association of Purchasing and Logistics. AVECRA is a member of the Finnish Hospitality Association MaRa.



## International dimension

The most important international organisations in the rail sector are the Community of European Railway and Infrastructure Companies (CER), the International Union of Railways (UIC) and the International Rail Transport Committee (CIT). CER represents the interests of the rail sector at EU level. The UIC acts globally as the sector's cooperation organisation and at a European level as the cooperation forum on technical issues. The International Rail Transport Committee CIT helps in the practical implementation of the COTIF agreement in international rail services. (Convention concerning International Carriage by Rail).

VR Group is a member of the Coordinating Council for Trans-Siberian Transportation, which develops and coordinates transportation on the Trans-Siberian railway. The Group is an affiliated member in the Council for Rail Transport of the CIS States, which coordinates rail services and cooperation between Russia, other CIS countries and the Baltic states. VR Group is also an observer in the Organisation for Railway Cooperation (OSJD), which promotes cooperation between railways in Eastern European countries, CIS countries, China and a number of other Asian countries.



## VR Group stakeholders

Stakeholders	Topics	Channels
<b>Public sector shareholders</b>		
State owner	Market environment and competitive situation, operations, aims and strategy of the company	Regular discussion with the owner, interim reports, financial statement information, report and financial statements of the Board of Directors, Corporate Governance Statement
National decision-makers	Market environment, contract traffic, oblige traffic, exclusive rights, track maintenance funding, and changes in railway legislation	Discussions with the authorities (Ministry of Transport and Communications, Parliament, municipal decision-makers and other regional authorities)
International decision-makers	Issues concerning international railway regulation	Discussions with the EU Commission, European Parliament and the European Union Agency for Railways
Other authorities, the most important of which are the Finnish Transport Agency and the Finnish Transport Safety Agency (Trafi)	Traffic safety, functioning of the traffic system, quality of traffic, rail network upgrading, and environmental issues	Cooperation groups and other regular discussions with the authorities
<b>Actors relevant to business operations</b>		
Passengers	Travel experience, customer service, service quality, development, digital services, travel networks, accessibility, punctuality, environmental issues, noise reduction and responsibility	In passenger services, passengers are now involved in the service development process (Veturi loyalty programme) Customer surveys Customer feedback, social media and targeted marketing
Logistics and infrastructure engineering customers, business partners	VR Transpoint is engaged in continuous development work with its customers in such areas as the development of logistics solutions and safety issues. VR Track is one of the leading alliance partners in the infrastructure business in Finland. Responsible subcontracting plays a central role in both logistics and infrastructure engineering.	Action programmes with customers, VR Track requires that its suppliers and contractors join the Luotettava kumppani (Reliable Business Partner) scheme. Safety and environmental programmes steering the operations.

Stakeholders	Topics	Channels
<b>Actors relevant to business operations</b>		
Personnel	Working capacity, well-being at work, personal goals, ethical guidelines, expanding the dialogue between management and personnel, supporting laid-off personnel in their efforts to find work	Intranet, in-house blogs, Yammer (internal social network), personnel surveys, occupational health services, performance reviews, and discussions with employers' organisations
<b>Organisations and other actors interested in the work of VR Group</b>		
Personnel organisations	Changes in the operating environment that have an impact on the status of the personnel	Regular discussions between the management and personnel organisations. Local union representatives are members of the extended Management Team. Personnel organisations take part in the work of VR Group's Supervisory Board.
Non-governmental and other similar organisations in Finland	Services, accessibility, environment and more efficient operations	Cooperation with WWF, Climate Leadership Council, Confederation of Finnish Industries, Service Sector Employers Palta and Finnish Business & Society. Active dialogue with the organisations representing people with disabilities. Membership in the most important infrastructure engineering organisations and Finnish Association of Purchasing and Logistics LOGY.
International organisations	Railway regulation at EU level and cooperation with Russia and other CIS countries.	Participation in the work of CER, UIC and CIT, as well as the work of CIS Council for Rail Transport.
Media	Daily operations and disruption situations, punctuality, opening up services to competition, provision of services, personnel relations, impacts of rail traffic on regional development and economy and mobility of individuals	Press releases and events, journalist visits and trips, interviews, websites, media phone service, social media





## Customer focus

Customers are the key to the success of VR Group's business operations. Ensuring customer satisfaction is an essential part of corporate responsibility.

## Customer orientation at VR

In February 2016, train fares were lowered permanently by an average of 25 per cent and the pricing was simplified. The new fares were favourably received: The number of journeys in VR's commercial traffic increased by 8.4 per cent. On the most important routes, the growth was even more impressive. Trains are also running fuller than before; in commercial traffic, the filling rate grew by more than 22 per cent.

VR started updating its ticket sales channels with the aim of making the service experience easier and smoother. The autumn saw the launch of a VR commuter mobile application in which single tickets for commuter trains can be purchased. As part of the introduction of the new application, commuter tickers also became available in the vr.fi online shop. The online shop, VR Mobile and the ticket vending machines will be completely overhauled in 2017. Customer information will also be improved: In the future, information on traffic disruptions will be provided more quickly and on a more individualised basis.

In addition to ticket prices, travel time is also important for customers. In June 2016, a large number of services were made faster in different parts of Finland and new direct connections were introduced. For example, travel time between Helsinki and Oulu is now more than 30 minutes shorter. Shorter travel times have increased the number of journeys, especially between large cities. In

autumn 2016, the number of trains in VR commuter traffic was increased and the timetables were adjusted so that they would better serve the customers' needs. The results of the survey, in which more than 8,000 Veturi loyalty programme customers took part, were considered in the changes.

Since summer 2016, restaurant services have been provided on all long-distance trains. More pleasant restaurant cars and a more attractive range of products will be introduced in 2017. The customer surveys carried out on trains and in the social media have been used in the design of the new restaurant cars. Customers will have an opportunity to test the new concept in spring 2017.

In September, a large door-to-door hackathon event took place in Helsinki in which VR and start-up companies jointly brainstormed customer service and business ideas for travel chains. VR also launched its own aims for travel chains and work in this area will continue in 2017. VR wants to join forces with its partners and build a country-wide network of travel chains, combining train journeys with other transport modes. In this scenario, customers could travel from door to door with a single ticket.

Travel comfort is one of the main reasons why people choose the train. In 2016, VR introduced new sleeping cars on the route between Helsinki and Kolari. The new double-deck cars feature air conditioning, electrical sockets, VR's wireless onboard network, and they are also disabled-friendly. VR is also planning improvements in the Extra Class to make it more attractive to customers, especially to commuters and business passengers.

A customer service development programme was launched in long-distance services with the aim of providing better and more comprehensive services on trains and at stations. A new customer service model for commuter services will be introduced in summer 2017. All Avecra personnel took part in sales training, which will continue in 2017.

Services will be developed in a more agile manner in cooperation with the customers. The aim is to have a smoother, easier and more individualised customer experience. The VR customer service technology team has a test group of train passengers that it uses in the development of new digital services. This means that customers have an opportunity to take part in the development process already at its initial stages. New services are introduced more quickly than before and they are developed on the basis of the customer experience.

The VR customer loyalty programme Veturi already has more than one million members who are continuously provided benefits and offers in cooperation with our partners. Improvements and new features will be added to Veturi in 2017. Customers will be offered more extensive and individualised services.

### **Customer satisfaction on the increase**

In December 2016, more than 80 per cent of the customers were satisfied or highly satisfied with VR's long-distance services. An increasing number of customers would also recommend the services to others. Train conductors received particularly positive feedback for their friendliness, service orientation and level of knowledge. Customers also appreciate the cleanliness and tidiness of the passenger compartments and the safety of train travel. (*Source: Customer satisfaction survey by Taloustutkimus*)

In HSL traffic, which is operated by VR, customer satisfaction in 2016 stood at 88.4 per cent. VR also did well in international comparisons: According to a recent report by the European Commission, Finnish rail customers are more satisfied with train services than their counterparts in other EU countries.

VR wants to provide all train users with smooth travel and to consider the needs of special groups. VR provides more extensive services for customers with disabilities than any other public transport operator. The services have been developed in cooperation with organisations representing people with disabilities and the authorities. In 2016, representatives of VR and organisations for persons with disabilities met and produced a joint customer survey. At the start of 2017, a new free of charge service number for passengers with disabilities was introduced, waiting times for the assistance service were shortened, and the content on VR's website intended for customers with disabilities was improved.

## Customer management at VR

### Goals, successes and challenges in customer service

VR aims to be the leading provider of travel services, offering an excellent travel experience in both personal and digital channels. VR wants more people to travel by train. VR moves people where there are large concentrations of the population and we are also providing innovative mobility solutions to sparsely populated areas.

- + The amount of customers started to rise due to the new pricing and faster routes. The amount of Allegro passengers and use of restaurant services were also on the rise.
- + In long-distance traffic customer satisfaction was on the rise. More passengers said they would recommend the routes to others. Also HSL-local commuters were more satisfied than before.
- + A fast and effective 4G onboard network has received positive feedback from our customers and the service is particularly appreciated by commuters.
- + Introduction of new customer service models has helped to improve the management of traffic disruptions. We have made extensive preparations for difficult winter conditions and, if necessary, timetables are also adjusted.
- + New products and services are developed in cooperation with the customers – Customers are testing them and provide feedback already during the development stage. Results of the customer surveys are used in the planning of routes and new train concepts.
- + The Veturi loyalty programme already has more than one million members. In the future, Veturi members will be provided with more comprehensive services and benefits.
- There are still problems with the punctuality of long-distance services. Extensive track infrastructure disruptions are one reason for the issue. VR is working to improve punctuality in cooperation with the Finnish Transport Agency, which is responsible for Finland's railway network.

**VR receives a large amount of feedback from its customers.**

[Read more about the feedback and refund claims >](#)

VR's target is that

**more people would travel by train.**

## Opportunities and risks in customer service

- + Train travel is safe, comfortable and environmentally friendly. With the faster services, it also an easy choice. The route network and products are developed in accordance with customers' travel needs, which will make train travel even more appealing. On a train, you can use the travel time in the way you want, while at the same time making use of the broad range of onboard services.
- + New rolling stock is comfortable and fast. The new restaurant car concept, which will be launched in 2017, and the refurbishment of the Extra Class and passenger compartments will make train travel more pleasant.
- + Travel chains will provide customers with door-to-door service with a single ticket. Partnerships and innovations will also bring VR's services to places where there are no rails.
- + VR makes inputs into the training of its customer service personnel and the development of the tools used by its employees.
- + Customers are provided with new digital services. The changes in vr.fi online shop, VR Mobile and ticket vending machines in 2017 mean that we can serve our customers faster and more smoothly. At the same time, more comprehensive services in different channels will be introduced: Customers will be offered more individualised services and communications.
- Intensive price competition in public transport will continue, which will require continuous and agile development of services and operating models.

**VR makes inputs  
into the training  
of its customer  
service  
personnel and  
the development  
of the tools used  
by its  
employees.**

## Customer orientation and customer management in VR Transpoint

For VR Transpoint, customer orientation means understanding the customer's business, supply chain and the needs of the sector. VR Transpoint wants to offer logistics solutions that meet the customers' needs and generate added value for their business operations. A key aspect in this is close cooperation and continuous development of operations together with customers.

Customer orientation also means meeting the expectations and wishes of the customers as well as the carrying out of the agreed tasks: easy and smooth service, flexible and efficient operations, punctuality and reliable delivery, as well as responsibility and reliability. In the future, VR Transpoint will give more detailed service pledges under which it will commit itself to joint goals with individual customers.

If necessary, VR Transpoint will assume overall responsibility for the customer's logistics chain and for coordinating it, which will make it easier to manage the service package in an efficient manner. Assuming overall responsibility and more comprehensive logistics solutions require efficient partner networks for such functions as cargo handling and port operations. The aim is to establish partnerships that benefit all parties involved.

As the operating environment is changing and competition is getting tougher, it is important to identify opportunities for growth and find

new efficient operating practices. It is essential that VR Transpoint is able to react quickly to the changing needs of the markets and its customers. This requires flexible transport models, multi-use rolling stock and vehicles, new skills and cooperation across sectoral borders in the organisation.

### Measures taken in 2016

Cooperating with its partners, VR Transpoint has created new comprehensive logistics solutions, which combine rail and road transports with port operations and other logistics services in accordance with customers' needs. Close cooperation has provided VR Transpoint with greater understanding of the requirements concerning customer needs and the logistics chain as a whole and improved the management of the overall process.

The team structure in the rail logistics contact centre has been revised. Many of the customers now have their own service advisors that manage customers' daily rail transports matters and ensure the smooth functioning of the transport chain. The introduction of the new system has made customer contacts easier, increased understanding of the customers' operations and made the service process smoother.



## Customer orientation and customer management in VR Transpoint

Better and more customer-oriented management of disruptions and providing customers with information on them has been a focus area in rail logistics. It has also been decided to reorganise the activities and allocate more resources to customer information. The work to develop the operating model has been launched with pilot customers on the basis of customer needs.

Safety cooperation with customers and partners has become closer. Joint safety risk surveys have been conducted in rail and road traffic and training has been provided in such areas as equipment handling and loading.

VR Transpoint has started developing new, multi-use rolling stock solutions that can meet the changing customer and market needs. Such solutions as the modifiable Finnwagon wagons for different types of containers and the Vectron electric locomotives, which are equipped with a last-mile diesel engine, allow efficient and flexible operating models to be introduced.

VR Transpoint has continued the development of its technologies, data systems and electronic services. Tablet computers have been introduced in shunting yard work. The Ralli project involving the updating of rail logistics data systems and processes has entered its final stages. The aim is to make operations more efficient and transparent and to improve the flow of information in the logistics chain.

Satisfaction with VR Transpoint's services has remained high and the trend has been upwards. In the latest customer satisfaction survey, VR Transpoint received an overall score of 3.85 (comparable result in the previous year's survey was 3.82). VR Transpoint received the highest marks for the service-oriented attitude of its personnel, keeping of promises and reliability as a partner.

VR Transpoint received  
an overall score

**3.85**

(2015: 3.82)

## Customer-oriented business operations in VR Track

The customer is at the core of VR Track's operations. Services and interaction are developed in cooperation with customers in alliance and other projects and on the basis of customer satisfaction surveys and feedback.

### Customer management

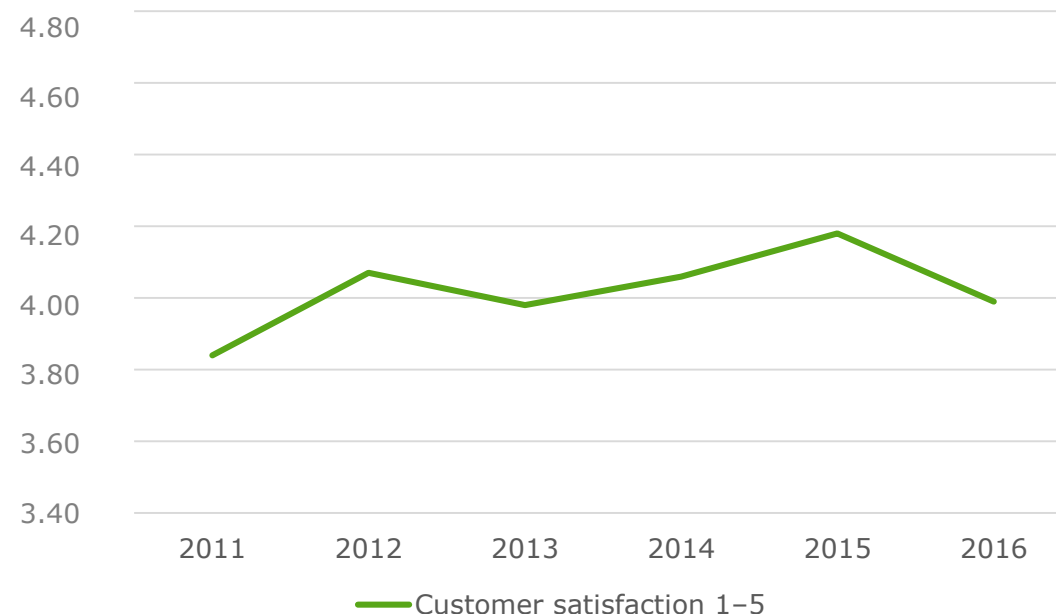
#### Objectives set for customer service

#### Continuous development of services in cooperation with customers

VR Track has put customer orientation and customer pledges at the core of its operations. The aim is to supply customers with safe and high-quality infrastructure engineering services. We are developing our services in cooperation with our customers in bilateral and alliance projects on a daily basis. In alliance projects, the common aim of the parties is to improve performance on a continuous basis. VR Track is applying the lessons learned from alliance projects in other projects and in other areas of its operations.

We monitor the satisfaction of our customers each year. In 2016, the customer survey was simplified and the number of questions was reduced. In the chart showing customer satisfaction trends, scoring has been updated in accordance with the 2016 survey.

#### VR Track customer satisfaction, scale 1-5



*VR Track customer satisfaction 2011–2016 on a scale of 1–5. In the 2016 customer satisfaction survey, traffic and occupational safety, professional skills and expertise, as well as the understanding of the customers' operations received the highest scores.*

The customer satisfaction in 2016 was below the previous year's levels. According to feedback, the most important development priorities are resourcing, adherence to timetables and availability of services. VR Track has carefully analysed the feedback and has initiated concrete measures to improve customer satisfaction.

In 2017, customer satisfaction will be monitored on a quarterly basis using a more limited set of indicators, and a more extensive survey will take place at the end of the year.

### **More extensive dialogue with customers and stakeholders**

VR Track has systematically developed interaction with its customers, especially in the field of project cooperation. Customer orientation of project staff and communications were two important focus areas during 2016. VR Track also developed interactive stakeholder communications in social media and by launching the online magazine for external stakeholders. The publication is intended to activate discussion among infrastructure engineering actors.

### **Successes and challenges**

- + In the 2016 customer satisfaction survey, traffic and occupational safety, professional skills and expertise, as well as the understanding of the customers' operations received the highest scores.
- + VR Track works in close cooperation with its customers. Alliance projects have helped us to improve our understanding of customers'

operations and to introduce more customer-oriented operating practices. Continuous training will ensure that our personnel are fully prepared for alliance partnerships in the future.

- + In 2016, the company made preparations for introducing a new operational control system for maintenance work. With the system, VR Track will be able to simplify and streamline operating practices and make them more efficient. As a result, we will be in a better position to meet customer demands in such areas as real-time data and openness. The operational control system will be introduced in stages during 2017. It will support VR Track in the launch and implementation of important customer projects. The introduction of the system will also require changes in maintenance operating practices and substantial inputs into personnel training.
- + The material services were reorganised so that they can provide customers with better service.
- Unlike in previous surveys, there was no improvement in customer satisfaction and the score was 3.99 (compared with 4.18 in 2015). Our aim is to regain the trust of our customers by closer cooperation. There is still room for improvement in VR Track's internal processes. We are planning to introduce a number of development measures to deal with problems so that we will be in a better position to meet our end customers' needs.



## Safety

Safety is part of our everyday life. That means that passengers and goods are transported safely and that safety risks are minimised at workplaces.

Our safety work ensures that operations can be performed in all conditions.

## Safety in VR Group during 2016

In its safety operations, VR Group ensures the implementation of its strategy by relying on uniform operating models that are based on risk assessments. All forms of safety support our business operations: traffic safety, occupational safety, corporate security, information security and corporate risk management.

There were no accidents in train traffic or shunting operations resulting in deaths among passengers or personnel. There were two serious train traffic accidents during the year. The most serious accident occurred in August, when a freight train collided into empty freight wagons at the Oulu shunting yard. In March a locomotive derailed after hitting a steel coil that had fallen from a wagon. There were a total of 29 level crossing accidents during 2016 and they claimed seven lives.

The number of deviations in shunting operations was at the previous year's level. In train operations, there was a rise in the number of deviations, particularly in the areas of incorrect access paths, passing of stop signs and collisions. A special action programme was drawn up at the end of 2016 for the development of railway safety. This programme will be extended into 2017.

Changes in the regulations governing rail traffic entered into force in June 2016. The changes strengthened the supervisory role of the Finnish Transport Safety Agency Trafi and many of the regulations were replaced with VR

Group's own guidelines. A comprehensive process in which the traffic safety personnel received training for the new guidelines and in which it was ensured that they are thoroughly familiar with them was successfully carried out during spring 2016.

VR Group achieved its accident rate target: The target had been 15.5 and the actual rate was 13.0 (accidents per million hours worked). There has been a substantial improvement in the accident rate over a period of several years.

As laid out in the current Rail Safety Programme, all development of operations is based on preemotive safety work carried out on a daily basis. The aim is to have a safety culture in which each employee understands the role of safety in their work and knows how to work safely.

The fact that the number of safety briefings held by supervisors increased from 2015 and the number of safety observations made by employees was well above the target are two indications of improvements in our safety culture.

The programme [Inhimillinen tekijä rautatiealalla \(Human factor in the rail sector\)](#) is also intended to lead to improvements in safety culture. The purpose of the programme is to increase awareness and understanding among VR Group's employees of the fact that safety is a matter of human action on several levels.

0

severe accidents  
or deaths among  
passenger  
accidents in train  
traffic / billion  
kilometers

## Safety management

Safety is one of VR Group's values.

VR Group's safety activities are based on the safety policy that has been approved by the company's Board of Directors and that defines the importance and meaning of safety in the company. The safety policy forms the basis for the Rail Safety Programme and long-term safety activities.

The Rail Safety Programme is approved for four-year periods. It contains safety goals for the period, and achievement of the goals is monitored through the safety management system.

Each business unit has its own occupational safety action programme. The programme sets out the occupational safety objectives and measures. The well-being and occupational health management system lays the basis for the implementation of the programme.

Vice President, Corporate Safety & Security is responsible for developing and coordinating safety and risk management as well as the Group level safety guidelines. The business directors are responsible for defining the safety responsibilities of their business operations as well as for assessing whether their business operation's rolling stock is fit for use in transport and arranging their maintenance.

0.4

collisions in train  
traffic / 10 million  
kilometres

0.2

train jumps in traffic /  
10 million kilometres



## Safety in figures 2016

As in previous years, there were no deaths or serious injuries among passengers in 2016.



Two out of one hundred employees are involved in work-related accidents resulting in an absence.



A total of **11 per cent** of the accidents are serious, resulting in an absence of more than one month.



Most of the injuries affect feet, legs, hands, fingers, knees, back and head.



There was a considerable increase in the number of safety briefings. They play an important role in the development of the safety culture.



Safety briefings are short safety sessions at which supervisors or experts provide information on topical safety issues and where lessons learned from accidents and dangerous situations are reviewed.



The average length of absence resulting from work-related accidents is **11.5 days**.



Most of the injuries occurring on way to work result from slips and falls during walking and cycling. Collisions with motor vehicles are the third most common cause.



## CASE: The role of human factor in ensuring safety

### What is meant by human factor?

Human factor provides a new perspective on safety thinking and serves as an impetus for understanding how humans act and how human action affects the operational environment. People at work can easily identify the risk factors associated with their tools and working conditions. Human factor allows us to take a wider view of the issues concerning human activities.

Human factors refer to the factors that affect our work and activities. Human factors at *individual level* include work management, situational awareness, alertness, risk taking, misunderstanding, motivation, stress and tiredness. At work level, human factors are examined from a broader perspective and such issues as organisation of work, agreed working methods and instructions are considered. At *group level*, consideration is given to issues affecting cooperation between team members and the flow of information inside the team. Management systems, responsibilities, resources, change management and openness are some of the *organisational factors* relevant in this context.



**The human factor has an increasing role in the modern safety critical rail system. Many factors affect how people operate – and at the same time people are responsible for success or failure in the end.**

## Giving human factors more visibility in the railway sector

In the railway sector, the human factor was given prominence in 2012, when the European Railway Agency ERA launched a project and an expert network on the subject. At VR Group, the human factor has been a focus area for many years in such matters as the management of working capacity risks and well-being at work. Human factors are also a consideration in the recruitment of new employees.

A survey of occupational safety culture commissioned by the H. Roos Foundation, which promotes occupational safety in railways, and the recommendations issued by the Safety Investigation Authority in its report on incidents (R2015-03) prompted VR Group to examine the issue from a wider perspective.

The human factor was highlighted in the Rata2016 seminar organised by the Finnish Transport Agency and held in June 2016. In the discussion on human effect on rail safety, references were made to the models of positive safety culture thinking promoted by the Finnish Transport Safety Agency Trafi and the survey commissioned by the Finnish Transport Agency, in which learning from mistakes and free flow of information are laid out as the guiding principles.

## Turning theory into practice

At VR Group, the process of turning the theory into practice started with the preparation of the human factor programme. In accordance with the programme, since the start of 2016, awareness of human factors has been systematically strengthened using such tools as a training pilot and by investigating deviations in more detail with the help of a human factor analysis tool.

In 2017, VR Group aims to start using the investigation analysis tool more extensively and in a more concrete manner and to prepare and start Group-wide training programmes covering the topic.



**Since the start of 2016, awareness of human factors has been systematically strengthened.**



## Personnel

Supervisory work, interaction and well-being support are key to job satisfaction and coping at work.

According to the personnel survey, the personnel of VR Group strongly believe in the Group's success and its capacity for renewal and development.

## Personnel matters

According to the personnel survey, the personnel of VR Group strongly believe in the Group's success and its capacity for renewal and development. The customer is increasingly at the core of operations.

Supervisory work stands out among the themes in the survey and there have been substantial improvements in many areas. The index describing supervisory work improved in nearly all business divisions and units.

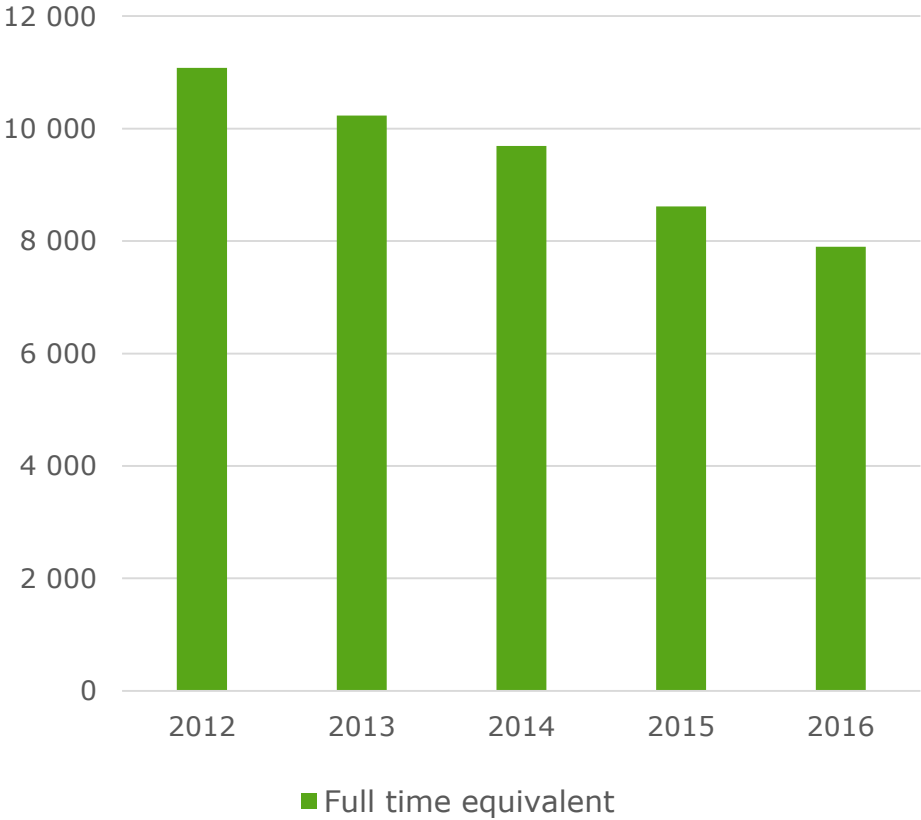
Other strengths were also highlighted in the survey. Respondents were satisfied with the occupational safety culture, and felt that they are doing an important job and provided with clear targets. Work motivation was high.

According to the personnel survey, the biggest drop has been in the way employees are informed about the direction of the company. There was also a slight weakening in the level of commitment and well-being at work, compared with 2015, especially among managerial and other office staff as well as experts.

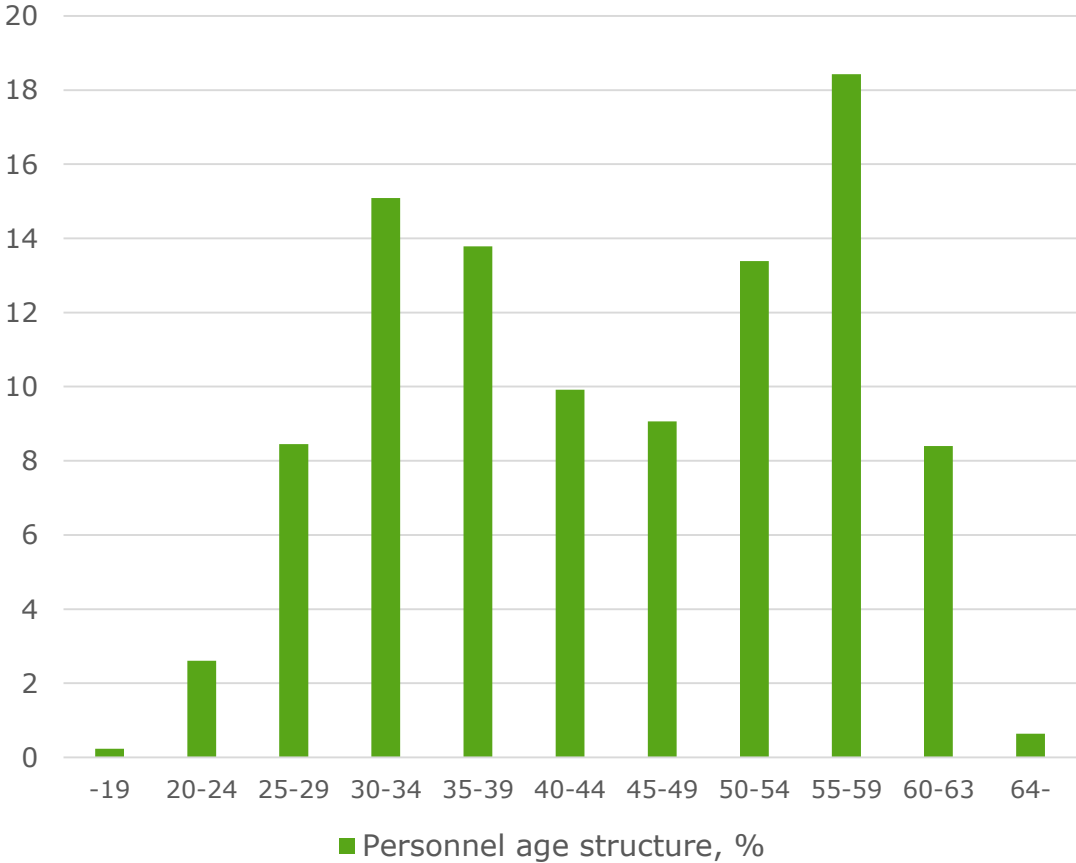
When asked to assess how VR Group has adhered to its values, the respondents were of the view that safety and responsibility are given high priority but that the Group has only been reasonably successful in goal-orientedness. The customer is increasingly at the core of the operations. It was felt that VR Group has been less successful in renewal and being successful together. There has been progress in the way in which personnel view their chances to participate in decision-making and develop their competence. Respondents in all personnel groups felt that their work inputs are more highly valued than before.

The overall result of the personnel survey was almost at 2015 levels. The result was 3.41 on a scale of one to five (in 2015: 3.43). A total of 72 per cent of all employees participated in the survey.

Full time equivalent



Personnel age structure, %



## Successes

- VR Group personnel feel that they are doing an important job and that they are provided with clear targets.
- They are also satisfied with the occupational safety culture.
- Supervisory work is of high quality and supervisors are considered fair.
- The customer is increasingly at the core of the operations.

## Development priorities

- Employee participation in the development of operations should be on a more continuous basis.
- The building of the culture of trust should be on a more effective basis.
- Employees should be more confident about the future and younger staff members should be made more committed to their work.
- Every effort must be made to ensure that well-being at work will remain at a high level.





Personnel figures (31 December 2016)	2016	2015	2014	2013
Full Time Equivalents – average	7,898	8,615	9,689	10,234
Change, %	-8.3	-11.1	-5.3	-7.6
Number of employees working outside Finland	470	514	580	531
Total salaries and wages EUR million	380.7	396.0	445.1	460.9
Permanent employees (average), % of Group work force <sup>1)</sup>	97.9	97.6	98.4	97.4
Fixed term employees (average), % of Group work force <sup>1)</sup>	2.1	2.4	1.6	2.6
Full time employees (average), % of Group work force <sup>1)</sup>	94.9	94.8	96.4	96.0
Part time employees (average), % of Group work force <sup>1)</sup>	5.1	5.2	3.6	4.0
% of men in work force <sup>1)</sup>	82.4	82.4	82.4	82.4
% of women in work force <sup>1)</sup>	17.6	17.6	17.6	17.6
Average age of personnel, years <sup>1)</sup>	44.3	44.5	44.9	45.0
Average length of employment relationships, years <sup>1)</sup>	15	16	18	19

The employment relationships of the personnel in VR Track's and VR Transpoint's foreign operations are given as employment relationships valid until further notice. This is because no information on fixed-term employment relationships has been collected.

1) The figures do not include the foreign operations of VR Track and VR Transpoint.

2) Since 2015, the figures describing the personnel turnover rate include both permanent and fixed term employees (until 2014 only permanent employees were included).

Personnel figures (31 December 2016)	2016	2015	2014	2013
Number of new employment relationships <sup>1) 2)</sup>	784	670	683	718
Number of employment relationships ended <sup>1) 2)</sup>	1,214	1,389	1,182	1,166
Total personnel turnover, % <sup>1) 2)</sup>	12.2	11.0	9.9	8.5
Retired <sup>1)</sup>				
old-age pension	375	359	408	445
disability pension	41	55	55	62
Average retirement age <sup>1)</sup>	59.4	59.1	59.1	58.9
% of personnel that have development interviews <sup>1)</sup>	78	80	73	78
Sick leave absences as % of regular working hours <sup>1)</sup>	4.9	5.0	5.4	5.3
Group's accident frequency rate (total number of accidents at work per million hours worked)	13.0	15.3	18.9	19.1

The employment relationships of the personnel in VR Track's and VR Transpoint's foreign operations are given as employment relationships valid until further notice. This is because no information on fixed-term employment relationships has been collected.

1) The figures do not include the foreign operations of VR Track and VR Transpoint.

2) Since 2015, the figures describing the personnel turnover rate include both permanent and fixed term employees (until 2014 only permanent employees were included).

## Personnel figures

Full Time Equivalents by country	
Finland	7,429
Sweden	351
Estonia	35
Russia	84

Gender breakdown among personnel			
	Men, Percentage:	Women, Percentage:	Total personnel, Percentage:
<b>Total personnel</b>	<b>82.4</b>	<b>17.6</b>	
Permanent employees	82.8	17.2	97.9
Fixed term	67.9	32.1	2.1
Full time	84.2	15.8	94.9
Part time	48.7	51.3	5.1

Age breakdown		Number	%
<b>Train drivers</b>		<b>1,154</b>	
	-29	107	9
	30-49	870	75
	50-	177	16
	Average age	38.2	
<b>Train crew</b>		<b>723</b>	
	-29	135	19
	30-49	353	49
	50-	235	32
	Average age	34.8	

Gender breakdown		Number	%
<b>Train drivers</b>		<b>1,154</b>	
	Male	1,107	96
	Female	47	4
<b>Train crew</b>		<b>723</b>	
	Male	485	67
	Female	238	33

## Governing bodies, gender breakdown

When selecting members to the Boards of Directors of the companies that it owns, the state owner observes its own guidelines and decisions concerning gender equality in the Boards of Directors of state-owned companies and the Government Action Plan for Gender Equality 2016–2019. In accordance with the Government Resolution on State Ownership Policy of 3 November 2011, the Government ensures compliance with gender equality objectives and adequate representation of both genders in the Boards of state-owned companies. Moreover, the objective laid out in the Government’s 2004 action plan for gender equality is that men and women should constitute at least 40 per cent each of the Board members in companies wholly owned by the state.

VR-Group Ltd observes the abovementioned gender equality principles. In 2016, there were three women and five men in the Board of VR-Group.

The representation of both genders in the Board of VR-Group Ltd is in accordance with the Corporate Governance Code.

Organ	Number	%
Supervisory Board	12	
age 30-50	7	58
age 50-	5	42
Board of Directors	8	
30-50	1	12
50-	7	88
Group Management Team	10	
30-50	8	80
50-	2	20
<b>Grand total</b>	<b>30</b>	
Supervisory Board	12	
Male	8	67
Female	4	33
Board of Directors	8	
Male	5	62
Female	3	38
Group Management Team	10	
Male	7	70
Female	3	30
<b>Grand total</b>	<b>30</b>	

## Supervisory work and interaction in the work community

### Positive trend in supervisory work is continuing

VR Group has made substantial inputs into the development of supervisory work over the past few years and there have been improvements in many areas of supervisory work. Performance of supervisors is assessed each year as part of the personnel survey. The Group's supervisor index stood at 3.74, which was slightly higher than in 2015 (3.72).

According to personnel, supervisors give feedback and treat all employees fairly. They also tackle problems better than before, communicate on work-related matters and pay attention to occupational safety.

A total of 77 per cent of all female employees take part in performance reviews; for men the figure is 80 per cent. This is slightly less than in 2015 (women 80%, men 81%).

VR Group provides supervisors with support, information and training for competence development. During 2016, supervisors were provided with thematic and online training in which the aim has been to ensure that supervisors can cope with their responsibilities and duties. Training provides supervisors with better capabilities to

succeed in their work.

The training used as a support instrument in the development of supervisory work has proved to be an effective development tool. Supervisors have been provided with group and individual training for change situations and other similar challenges. The Tulevaisuuden tekijät (Working for the future) training event, which is intended for middle management and arranged by Aalto EE every second year, took place in the autumn. The purpose of the event is to strengthen the role of the participants as strategy implementers and change actors, and to encourage them to build their own leadership style.

## Achieving results through interaction and cooperation

VR Group has continued the process of creating a fruitful discussion culture by developing the company-internal Yammer discussion channel and by rewarding staff members for their contribution to a good discussion culture. Most of the Group's personnel work on the go or in shifts, and they can be difficult to reach. Yammer has made this easier. Staff members have highlighted a vast number of different issues, matters and problems for which the parties concerned have worked together to find solutions.

In spring, all VR Group employees were urged to join the Matkakumppani (travel partner) programme and to encourage discussion both inside and outside the Group. Travel partners are highly motivated VR Group staff members working in different tasks who are keen on using their own networks to communicate on their job and other topical issues concerning the company. The networking provides travel partners with an opportunity to expand their own competence and they are also able to meet other people working in different parts of VR Group. Travel partners have been trained for such tasks as the use of social media channels.

Systematic inputs into student cooperation began during the year in review. Cooperation with students is important because VR Group must make itself better known among potential employees of the future. VR Group must be an attractive employer so that we can also get the necessary expertise in the future. Student cooperation was developed and students were met at recruiting fairs during the year.

There were also students working in VR Group during the year as seasonal employees and trainees, and for a number of students the stint in VR Group was part of their thesis work.

Business divisions and units of VR Group will engage in closer cooperation in such areas as the exchange student programme started in 2012. In this programme, young people are provided with an opportunity to spend a few days in VR Group as they are introduced to different jobs. Lessons learned from the exchange days will be shared through different channels both internally and externally during the spring and the autumn. The popularity of the programme increased during 2016. As part of the exchange student programme VR Group arranges an open door event at different locations twice a year. In 2016, there were visits to the Hyvinkää workshop and the Sköldvik shunting yard.

Ideat kehiin (New ideas) provides a digital idea channel for all VR Group employees in which everybody can take part in the development of their own workplace and the Group as a whole. Ideat kehiin is a channel for exchanging views, giving feedback and discussing problems, as well as for presenting best practices. The Ideat kehiin application also processes employee inventions and innovations. These ideas are also developed together with the Finnish Transport Agency and HSL. Good cooperation and joint development efforts help us to improve processes and services in a manner that benefits our customers.



## Continuous development of well-being at work

Well-being work in VR Group is extensive and it has produced results. Sick leave absences in VR Group are at a low level (4.9%) and there was a further decrease in them, compared with 2015. The trends in other well-being indicators (occupational health services and disability pension expenditure) have also been positive.

The Virkku programme of VR Group brings together measures that help improve well-being at work. An energetic work community where everybody feels well also results in good performance figures. There is a clear link between being in good physical condition, coping with the strain of irregular shift work and the reduction of working capacity risks. VR Group encourages its personnel to engage in physical exercise by subsidising their leisure time sports activities. The new physical exercise services agreement went into effect at the start of April. The agreement multiplied the number of facilities and the types of sport available to personnel. VR Group personnel can also use the HeiaHeia service, which provides training programmes and videos for people engaging in different sports.

VR Group took part in the Unelmien liikuntapäivä event (Exercise day of your dreams) in May by arranging events for its customers and personnel. Short physical exercise breaks were offered on trains and at a number of stations. Supervisors were invited to arrange events helping to activate the members of their work communities.

Targeted well-being training events were held in different units during 2016. In Raiteilla terveyteen (on the track to health), the first 100 VR Track employees aged over 55 were provided with training, and positive results were achieved. The work in VR Track is often physically demanding and performed in difficult conditions in different parts of the country because the work teams have to move as projects make progress. The purpose of the training is to encourage staff members to improve their health by adopting small changes in their daily life so that they can retire in good health. Employees of the commuter services unit were provided with mental and physical training so that they can better cope with coming changes.

Each business division has its own particular needs and situations. The focus in the preparation of well-being plans has shifted to business divisions, which will help to make the work more effective. Working capacity management has been put on a more effective and systematic basis by introducing a separate data system. Development work is continuing.

## Rewarding

The purpose of VR Group's incentive schemes is to encourage individuals employees and employee groups to act towards meeting the strategic goals of the Group. Incentives are connected to the objectives that are derived from action plans. The focus is on customer orientation and implementation of changes. Good management practices and development projects helping to introduce better operating practices and boosting productivity are some of the main tools. The VR Group Board of Directors decides annually on the principles and structure of the incentive schemes.

The system of incentive schemes was changed at the start of 2016 so that each Group employee is now covered by only one bonus scheme. Personnel incentive arrangements were improved by bringing the targets used as a basis for the bonuses closer to the employees.

A comprehensive analysis of the current state of the incentive schemes was carried out at the end of 2016. The results will be used in the work to develop the schemes during 2017.



Pay schemes in VR Group	
<b>Basic pay</b>	
	Pay schemes laid out in collective agreements
	Contractual pay schemes outside collective agreements
	Extra pay
<b>Fringe benefits</b>	
	Personnel ticket
	Physical exercise and leisure benefits
	Occupational health services
<b>Bonus schemes</b>	
	Personnel fund
	Project pay scheme
	Bonus scheme for supervisors and experts
	Management bonus scheme
<b>Special fees</b>	
	Excellent work performance
	Rewards for long service
	Initiative bonuses
	Recreational events
	Badges of merit

Pay schemes in VR Group	
<b>Opportunities for personal development</b>	
	Feedback
	On-the-job learning
	Vocational further training
	Talent Management
	Tulevaisuuden tekijät training
	Training for management and other key staff members
	Supervisory training
<b>Responsible employer</b>	
	Vibrant and rapidly developing sector
	Adhering to values
	Quality of management
	Tools and working conditions
	Reconciling work and family life
	Culture of continuous improvement
	Participating and influencing
	Smooth flow of information
	Positive image as an employer, internally and externally

## Human resources management

Good human resources management is an instrument ensuring that VR Group can adhere to its values. These values are as follows:

- Customer-oriented operations
- Safety and responsibility
- Successful together
- Goal-orientedness
- Renewal

In VR Group, management is based on the model for good supervisory work that is common for management and supervisors, and can be summed up into three key sectors: I demand, I engage, and I renew. Supervisory work balances the management of operations, human resource management and development.

The measures for the 2017 thematic year Kohti parempaa johtamista (Towards better management) were planned and launched during 2016. VR Group has also prepared Group-wide management values for discussion among the personnel and defined the characteristics of good management that are needed in renewal and development.

- I want to set a good example and act in accordance with the values of VR Group
- I cooperate with others and provide opportunities for participation
- I have trust in other people, value their work inputs and delegate authority

## Human resources strategy

VR Group has assessed its human resources strategy in connection with business strategy updates and the measures supporting the strategy have been derived from the requirements of the business operations. The strategic HR goals are linked to the strategic themes of the Group, which are growth, competitiveness, customer focus and effective foundation. These themes are supported by the human resources strategy.

# Values

Customer-oriented  
operations

Safety and  
responsibility

Successful together

Goal-orientedness

Renewal

## Goals for human resources management

The strategic goals for human resources management as follows:

- Personnel costs are at a competitive level
- A motivated and competent personnel supports the profitability of operations
- HR analytics are at a level that supports strategic decision-making
- Quality and efficiency of HR operations will improve

The following customer pledges provide the goals with concrete content:

### Change and supervisory work

We provide the management and other daily supervisory work with competent support committed to VR Group's business targets. We ensure comprehensive HR expertise in the planning and implementation of change projects and provide the instruments for personnel participation.

### Capabilities and competence

We ensure the definition of strategic competence as part of the strategy process at Group level and in business divisions. We create guiding principles and operating models for continuous and concrete competence development.

### Costs and productivity

We create solutions for our area of responsibility that improve productivity, flexibility and efficiency and help to lower personnel costs. We help to ensure that cost-awareness is a factor in our daily operations and that HR produces basic services in a good and cost-effective manner.



## Successes

- Colleagues are praised and there is a strong team spirit.
- Supervisors are praised and they receive thanks for their work.
- Occupational safety has improved and employees are satisfied with the occupational safety culture.

## Development priorities

- Information in VR Group should flow more freely and openly. Employees should be informed about work-related reforms at an earlier stage.
- Employees feel that their development suggestions are not adequately considered even though they could lead to improvements in productivity and performance.
- Coping with work should be a more important consideration in work shift planning.





## Changes improving HR management performance

- Strategic competence areas have been identified in all business divisions.
- New operating models have been developed for competence management.
- Each VR Group employee only belongs to one bonus scheme. Personnel incentive arrangements have been improved by bringing the targets used as bonus criteria closer to the employees.
- A comprehensive analysis of the current state of the incentive schemes has been produced. The results will be used in the incentive development work during 2017.
- More flexible working hour schemes have been developed and introduced.
- The collective agreement has been made more specific in cooperation with the Trade Union for the Public and Welfare Sectors. The structure of the collective agreement has been overhauled.
- A HR KPI scorecard based on Cognos data warehouse reporting has been introduced and it is being monitored. The scorecard supplies business divisions with trend data on changes in pay costs, overtime, sick leave absences and the number of employees.
- The new SuccessFactors HR system, which is based on cloud technology, has been introduced.
- Following a competitive tendering process, Silta Oy was selected as the provider of VR Group's outsourced payroll accounting services. The new contract period will start in October 2017 and it will lead to an annual reduction of about 20 per cent in the cost of services.
- Preparation of the well-being plans has been made the responsibility of business divisions, which will help to make well-being work more effective.
- Working capacity management has been put on a more effective and systematic basis by introducing a separate data system.

## Opportunities and risks in human resources matters

### Opportunities

- + Employees feel that they are doing an important job, have strong motivation and feel proud of what they are doing
- + Employees have broad-based skills
- + Successful working ability and workplace well-being activities
- + Successful cooperation with personnel organisations

### Risks

- Implementing changes in the operating culture
- Management of the work load as the personnel are aging, especially in heavy work tasks and shift work
- Ensuring future expertise

## CASE: Rail logistics mentors

### Rail logistics mentors

Flow of information was highlighted as a clear development priority in VR Group in the personnel survey carried out in 2015. Systematic work aimed at expanding the dialogue and improving internal communications were carried out in logistics during 2016.

Rail logistics mentoring provides a new channel between management and personnel. A mentor was appointed for each of the rail logistics service units. They are members of management and their task is to support supervisors and shunting yard employees. The purpose of mentoring is to ensure a better flow of information and that employees' views are heard. The mentors also assist in the solving of local challenges and the development of supervisory work. Logistics mentors and service areas have agreed on the practical content of the mentoring activities.

Mentoring provides management with an opportunity to visit operating locations more often and to familiarise themselves with what is happening in the areas under their responsibility. Mentors visit operating locations to talk to employees and to hear their views. Their task is to provide shunting yard employees with information and to make the process of sharing best practices more effective.

During mentors' visits, service unit employees have highlighted such issues as changes in work shifts, flow of information, information briefing practices, cooperation with customers, and rail projects. Supervisors have communicated wishes and suggestions to the mentors. These have included support in safety work and customer service, better communications and improving sales skills and traffic-related competence.

The visits have been considered a useful instrument and cooperation between production, sales and planning, and steering has been improved on the basis of the feedback provided during the visits.



# Environment

Ecofriendliness is a strong point and asset for rail traffic.

For decades, VR Group has systematically conducted its environmental work on a long-term basis.

## Environmental commitments

1

Making progress while saving energy



2

More renewable energy



3

For a cleaner soil and landscape



4

Less consumption, more recycling



5

The greenest choice



## Environmental goals

### VR Group's environmental goals for the period 2013–2020

Subject	Starting value	Goal 2020	Situation
Energy efficiency of rail traffic	0.46 MJ/pkm 0.20 MJ/tkm	0.36 MJ/pkm 0.16 MJ/tkm	0.39 MJ/pkm 0.17 MJ/tkm
Percentage of renewable energy	52%	> 60%	61%
There will not be any major leaks contaminating the soil in the transport of dangerous goods or in the use of chemicals	Dangerous goods 0 Chemicals 0	Dangerous goods 0 Chemicals 0	Dangerous goods 0 Chemicals 1
Percentage of respondents to customer surveys that are satisfied with cleanliness and tidiness on trains and at stations	80%	> 85%	81%
Percentage of landfill waste of all waste	20%	< 15%	6%
Percentage of respondents to customer surveys that consider VR environmentally friendly	69%	71%	69%

VR Group has made five environmental pledges for the period 2013–2020 and many of the targets laid out in them have already been achieved.

VR Group has prepared an environmental programme to support its environmental pledges. The programme contains the measures with which each of the Group's business operations intends to fulfil the promises. Although the pledges have been laid out for rail traffic, the objectives and measures have been planned for all VR Group's operations. Environmentally friendly solutions are sought in VR's passenger services, VR Transpoint, VR Track and in Group-level operations.

The main environmental points and the 2017-2020 environmental programme were updated in 2016.

Energy reviews of the Group's largest premises took place during 2016. The purpose of the reviews is to improve the energy efficiency and economic efficiency of the Group's properties. [Click here](#) to read more about the reviews.

Environmental pledges:

- Forward while saving energy
- More renewable energy
- For a cleaner soil and landscape
- Less consumption, more recycling
- The greenest choice



## Environmental balance sheet of rail and road traffic

### Energy



### Emissions and discharges

### Energy



### Emissions and discharges

#### Energy consumption of rail traffic

Electricity 624.7 GWH  
Diesel 24.8 million l

#### Rail rolling stock

Diesel locomotives	213
Electric locomotives	155
Electric multiple units	178
Railcars	16
Passenger cars	565
Freight wagons	8,854

#### Emissions of rail traffic

CO<sub>2</sub> emissions 66,000 t  
NO<sub>2</sub> emissions 1,454 t  
Particle emissions 31 t

#### Energy consumption of road traffic

Diesel fuel 25.5 million l  
Biodiesel 2.1 million l

#### Road vehicles

Contractors' vehicles	241
Buses and coaches	533

#### Emissions of road traffic

CO<sub>2</sub> emissions 61,000 t  
NO<sub>2</sub> emissions 293 t  
Particle emissions 3.2 t

#### Passenger services

Energy intensity  
0.39 MJ/tonne kilometre

#### Passenger services

Journeys	82.1 million
Passenger kilometres	3,868 million

#### Passenger services

CO<sub>2</sub> emission intensity  
1.7 g/hkm

#### Bus and coach traffic

Average consumption  
32.6 litres / 100 km

#### Bus and coach traffic

Journeys	35.8 million
----------	--------------

#### Road logistics\*

Average consumption  
44.4 litres / 100 km

#### Road logistics\*

Tonnes	4.5 million
--------	-------------

#### Rail logistics

Energy intensity  
0.17 MJ/tonne kilometre

#### Rail logistics

Tonnes	36.1 million
Tonne kilometres	9,445 million
Transport of dangerous goods	5.3 million t

#### Rail logistics

CO<sub>2</sub> emission intensity  
6.3 g/tkm

\* Mass goods logistics

## Energy-efficiency

The aim is to improve the energy efficiency of rail services by 20 per cent by 2020 (base level 2012). Rail and road services account for more than four-fifths of VR Group's total energy consumption.

### Rail traffic energy project is making progress

The installation of energy meters on electric locomotives and electric multiple units started during the year. The economic driving application was tested in scheduled rail traffic. VR will install energy meters on electric locomotives and electric multiple units and will introduce the economic driving application by the end of 2017.

Proportion of electric traction increased in passenger and freight traffic. Electric traction already accounts for nearly 90 per cent of all rail traffic even though only slightly more than half of the rail network is electrified. Test runs of the new Sr3 locomotives continued. Sr3 locomotive are also equipped with diesel engines, allowing the locomotives to move wagons in non-electrified track sections.

A ticket reform was introduced in passenger services, as a result of which passenger numbers and capacity utilisation rates have increased. There was a reduction in the oblige and contract traffic funded by the Ministry of Transport and Communications and VR's commercial services on lines with low traffic levels, which helped to improve performance-specific energy efficiency.

### More energy-efficient premises through energy reviews

A number of energy reviews were conducted during the year, the purpose of which was to examine energy saving potential in VR Group's premises. [Click here](#) to read about the results of the review.

Improving energy-  
efficiency of rail  
traffic by

**20%**

by the year 2020

## Total energy consumption

Total energy consumption, petajoules (PJ)	2016	2015	2014
VR Group (Scope 1+2+3)	4.87	4.81	5.27
Rail traffic (Scope 1+2)	3.13	3.19	3.45
Road traffic (Scope 1+3)	1.00	0.91	1.03
Non-renewable energy (Scope 1+2)	1.70	1.71	2.07
Renewable energy (Scope 1+2)	2.65	2.64	2.66
Proportion of Group's energy consumption in %	61.00	60.70	56.30
Direct energy consumption (Scope 1+3)	2.02	1.96	2.31
Indirect energy consumption (Scope 2)	2.85	2.85	2.95
Subcontracting in mass goods logistics (Scope 3)	0.52	0.46	0.54

Total energy consumption increased by 1.2 per cent.

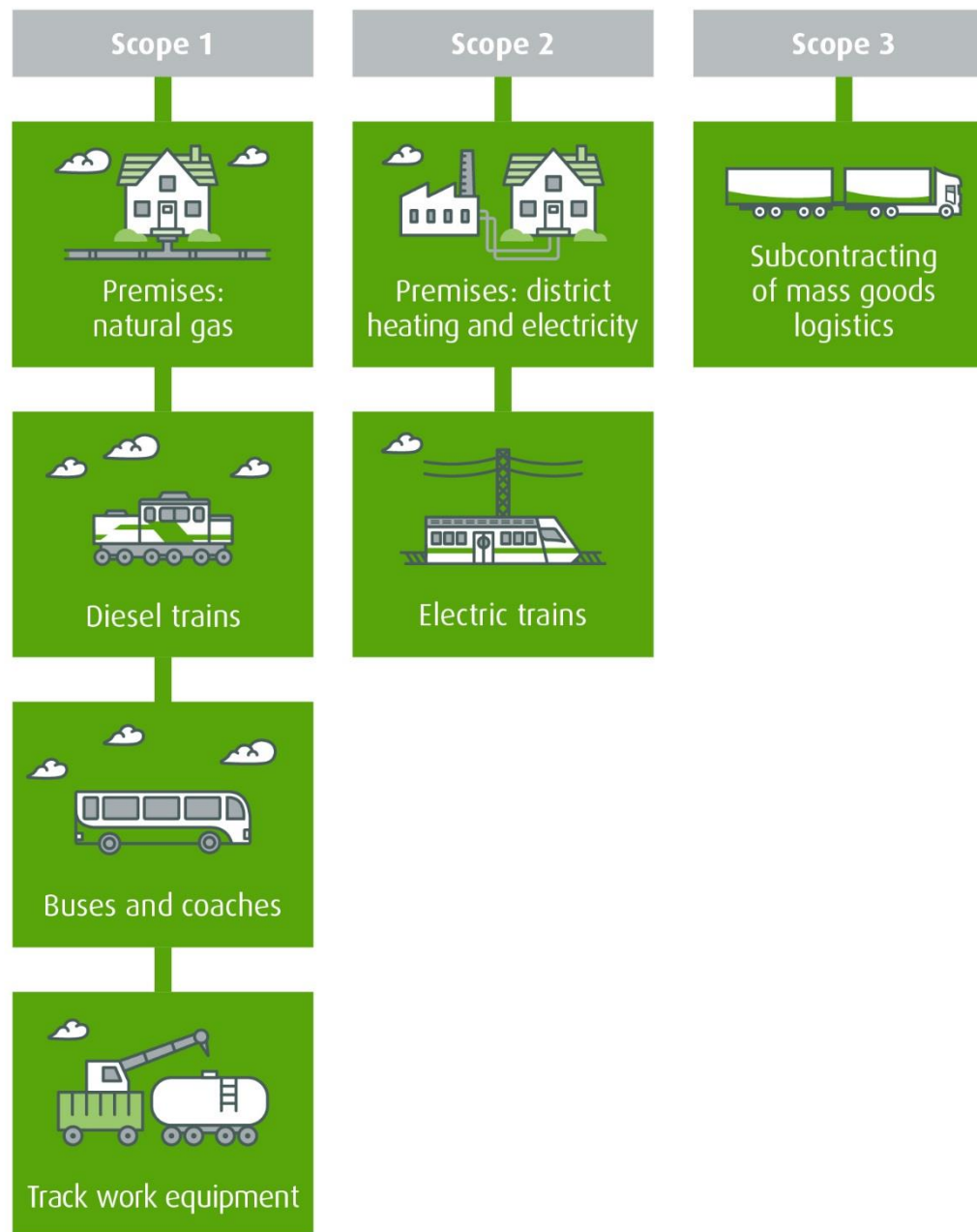
The figures for energy consumption are based on the invoicing of suppliers, our own consumption measurements and the reporting of contractor vehicles. The total energy consumption includes the energy consumption of the work places and operations that are located in Finland.

**Scope 1** energy consumption mainly consists of liquid fuels consumed by traffic and construction machines and natural gas used for heating properties.

**Scope 2** energy consumption comprises the electricity consumed by traffic and other operations and district heat used by premises.

**Scope 3** energy consumption comprises fuel consumed in mass goods logistics subcontracting.

## Forms of energy and how it is consumed



## Emissions and discharges

The aim of VR Group is to increase the proportion of renewable energy of its total energy consumption to more than 60 per cent by the year 2020.

VR Group has recognised the environmental awareness resulting from climate change as an opportunity for rail traffic and it will provide significant growth potential for rail traffic, which is considered environmentally friendly. More frequent occurrence of extreme weather phenomena is a threat connected with climate change. Extreme weather phenomena, such as storms and heavy snowfall, cause disruptions in traffic. Operational and readiness plans have been made to mitigate the effects of any disruptions. Rolling stock winter maintenance and melting capacity of rolling stock substructures have been developed and enhanced.

VR Group consumed a total of 700 GWh of electricity. All of the electricity used by VR Group is produced with hydropower and involves no greenhouse gas emissions. Its origin has been verified with certificates of origin.

In road transport, Pohjolan Liikenne won a number of bus service contracts in the capital region and as result of increased traffic, the company has purchased 75 new buses meeting EURO 6 emissions standards. The buses and coaches of Pohjolan Liikenne consumed 2.1 million litres of renewable diesel oil, which was 16 per cent of the total fuel consumption in bus and coach traffic.

Railway stations in Niirala, Vartius and Hanko changed over from oil heating to ground source heating.

In its [environmental balance sheet](#), VR Group gives the carbon dioxide emissions of its rail and road traffic and mass goods logistics subcontracting. The emissions are calculated on the basis of fuel consumption. As other emissions, VR Group reports the nitrogen oxide and particle emissions of rail and road traffic, which are calculated using the emission coefficients of the LIPASTO system of VTT and the RASTU project.

VR Group consumed  
a total of

700

GWh of electricity

## Waste and recycling

The aim of VR Group to reduce the proportion of landfill waste to less than 15 per cent of all waste (excl. scrapping) by the year 2020.

The basic objective is to prevent the generation of waste. The aim is to sort and recover all waste in an efficient manner. All VR Group operations and functions have taken measures to achieve the target. Treating waste as energy waste has significantly reduced the amount of landfill waste. In the future, VR Group aims to recycle an increasing proportion of its waste.

The target for reducing landfill waste was already achieved two years ago. In 2016, only six per cent (870 tonnes) of all waste generated by VR Group ended up at landfills.

VR Group generated 15,100 tonnes of waste during the review period. This total also includes scrapping. A total of 58 per cent of all waste was recycled. Most of the recycled waste was scrap steel from scrapped freight wagons and wheelsets unfit for operation. Spare parts keeping remaining old rolling stock operational have been collected from the wagons. Contaminated soil is not included in the reported waste figures.

In real estate waste management, collection points and systems increasing recovery and recycling were developed. There was cooperation with business operations and lessees.

In rolling stock maintenance, sorting efficiency improvements continued. Mixed waste containers were replaced with energy waste

containers. Sorting markings were updated at all depots and workshops. Work point-specific waste container markings were introduced in the Hyvinkää workshop and in logistics maintenance to speed up work processes. The type of waste is shown on the side of the waste containers at work points so that each type of waste can be put into the right container. Personnel have been provided with information and training on waste sorting. Brake friction pads were also separated from metal waste as energy waste.

# 6%

of all waste generated by VR Group  
ended up at landfills



## Soil and landscape

VR Group is committed to ensuring that its operations do not pollute the soil or groundwater.

The aim is that there are no major leaks contaminating the soil in the transport of dangerous goods or in the use of chemicals.

There were no major leaks in the transport of dangerous goods in 2016. There was one major leak from rolling stock during the year.

### Transportation of dangerous goods

During 2016, major emergency exercises were held at Kokkola, Tampere, Kouvola, Vainikkala and Oulu shunting yards. The purpose was to test the functioning of safety and rescue services and cooperation between different actors and authorities. The following parties took part in the exercises: emergency response centres, regional rescue services, the police, Finnish Border Guard, Finnish Transport Agency, VR Group, VR Transpoint rail logistics, VR Track, Finrail and companies and other operators located close to the exercise areas (such as port authorities).

VR Transpoint and regional rescue services provided companies and households in Tampere, Joensuu, Niirala and Vainikkala with information about how to prepare for major emergencies near

shunting yards through which dangerous goods are transported (VAK). The sheet contains overall information on the dangers that are involved in the transportation of dangerous goods through shunting yards, how one should act in case of an emergency, and where more information is available.

According to the legislation on the transport of dangerous goods, a railway company must have up-to-date safety reports for those shunting yards that have been designated by the Finnish Transport Safety Agency as places through which a significant amount of dangerous goods are transported. In addition, the regional rescue services must also draft their own external rescue plans for the shunting yards in question, as is required by the Rescue Act. Under a Ministry of the Interior decree, information about the plans and preparations for a major emergency must be supplied to all persons and organisations whose safety may be affected by the emergency.

In 2016, Trafi inspected the shunting yards through which dangerous goods are transported in Turku, Kokkola, Vainikkala and Tampere. Other shunting yards designated as VAK yards by Trafi are Mussalo in Kotka, Poitsila in Hamina, Kouvola, Sköldvik, Riihimäki, Oulu, Joensuu, Niirala and Ykspihlaja.

### **Clean-up of contaminated soil**

VR Group has a long history and it owns a large number of properties where soil contamination that occurred decades ago requires risk management. For many years, VR Group has been cleaning up soil contaminated by rolling stock maintenance and refuelling.

In 2016, VR Group spent EUR 1.1 million on soil surveys and clean-up. Soil was cleaned up in Helsinki, Kontiomäki, Kouvola, Nivala, Oulu, Pieksämäki and Turku. In Nivala, the aftermath of a train leak was cleaned from the soil. Elsewhere, the work involved the clean-up of old contaminated sites in connection with upgrading of structures, construction of buildings or changing the use of the area.

Groundwater monitoring required by the authorities was carried out at the Helsinki depot, at the Hyvinkää workshop, at the site of the former Pasila workshop, at the Kaipiainen rail welding workshop, at the Kokkola, Mikkeli and Pori locomotive sheds, and at the Kouvola, Riihimäki, Tampere and Turku depots. At the Riihimäki depot, oil was removed from groundwater by pumping.

### **One major leak**

There was one major fuel leak during the year.

A locomotive was derailed at the Tampere shunting yard on 13 July 2016. In connection with the accident, about 1,500 litres of diesel oil leaked into the track bed on a bridge.

The leak site was examined by excavating holes and by soil drilling. Based on the findings and a risk assessment, it was determined that the oil leaked to the soil is not a major risk factor in the existing land use situation. For this reason, it was determined that there is no immediate need for soil clean-up.

### **Examination of clean-up responsibilities in Pajuluoma is continuing**

The examination of clean-up responsibilities concerning the polluted sediments of Pajuluoma in Seinäjoki is continuing. There have been a large number of operators in the area over the years and the pollution occurred decades ago. The pollution is partially a result of the activities during the period when the Finnish State Railways had operations at the shunting yard. VR Group is of the view that it is not responsible for operations carried out before the establishment of VR Group. VR Group has cleaned up the soil of the depot site in its capacity as the land owner and surveys show that contaminants are no longer discharged from the area into Pajuluoma.

In summer 2014, the ELY Centre for Southern Ostrobothnia submitted an application for administrative enforcement to the Regional State Administrative Agency for Western and Inland Finland requesting the agency to order VR Group and the Finnish Transport Agency and, secondarily, the State of Finland, to clean up the contaminated sediments in an area covering one kilometre. On 11 October 2016, the Regional State Administrative Agency for Western and Inland Finland issued a decision under which it does not have competence in the matter as the administrative enforcement

authority referred to in the Water Act. As a result it decided not to review the application.

### **Outlook**

Soil clean-up will continue, especially in connection with building construction and when there are changes in land use. The areas owned by VR Group in city centres are sought-after sites for office and housing construction. Changes in urban structures and the trend towards more compact cities will also increase the need for decontamination of the sites.

## Cleanliness

The aim of VR Group is that at least 85 per cent of the customers responding to passenger services customer surveys are satisfied with the level of cleanliness and tidiness on trains and at stations.

In last year's customer surveys, 81 per cent of all respondents were satisfied with the level of cleanliness and tidiness. Cleanliness and tidiness levels in train passenger compartments and inside stations were above target. However, the goals for improving the cleanliness of the outdoor premises of stations, the atmosphere in stations, and the cleanliness of toilet facilities on trains have not been achieved. Achieving the target concerning the cleanliness of train toilets is the most challenging aspect in these efforts.

Cleanliness and tidiness are important from the perspective of occupational safety at VR Group's workshops, depots, work sites and terminals. In a clean and tidy working environment, the work can be carried out efficiently and in a safe manner. Cleanliness is also a theme in the work aimed at improving and maintaining quality, such as the 'Sujuva' (smooth) quality improvement programme of rolling stock maintenance.

VR Track introduced environmental indicators for its construction sites. The indicators are used for monthly monitoring of such aspects as overall tidiness and storage of items at the sites, and the correct use and storage of chemicals.

The stations and the areas adjacent to them, such as car parks, are owned by a large number of different parties, which makes overall organisation more difficult. The stations and the areas adjacent to them belong to VR Group, the Finnish Transport Agency and municipalities. The platform areas intended for passengers are the responsibility of the Finnish Transport Agency. VR Group maintains and works to improve the cleanliness and tidiness of passenger platforms and station areas in cooperation with the Finnish Transport Agency and municipalities.

**81%**  
of all passenger  
services customers  
were satisfied with  
the cleanliness and  
tidiness

## Environmental management

Responsibility and safety are the VR Group values that in particular create a solid framework for environmental management.

Environmental friendliness is a competitive factor and a major element in VR Group's strategy.

As laid out in its environmental strategy, VR Group is the safest and most environmentally friendly partner for customers and society. The company is a pioneer and active in developing environmental issues. VR Group is working to prevent climate change and is focusing on the use of renewable energy. Reducing and preventing harm to the environment are an integral element in environmental activities.

The environmental plans of VR Group companies and business operations are based on the principles of a common environmental policy and apply the principles of continuous improvement.

[Implementation of the VR Group environmental policy](#) and environmental pledges is an element in its management system.

For the latest on the environmental pledges, [visit the website of VR Group](#). The environmental programme prepared for meeting the environmental pledges was updated during 2016.

### Targets laid out in the environmental promises for 2020:

- Energy efficiency of rail traffic will improve by 20 per cent.
- Renewable energy will account for more than 60 per cent of VR Group's energy consumption.
- There will not be any major leaks contaminating the soil in the transport of dangerous goods or in the use of chemicals.
- At least 85 per cent of our customers will be satisfied with the level of cleanliness and tidiness on trains and at stations.
- Landfill waste will account for less than 15 per cent of all waste (excl. scrapping).
- The number of people considering VR Group environmentally friendly will increase by two percentage points.

## Successes and challenges

The fact that our customers appreciate the environmental friendliness of VR Group shows that our environmental work has been successful. In addition, the share of renewable energy in rail traffic is substantial and the transport of dangerous goods is safe. The amount of landfill waste has also declined. However, more work is needed before waste can be used as material instead of being burned. Problems with rail traffic infrastructure and rolling stock disruptions interfere with the efforts to improve energy efficiency.

## Opportunities and risks

By slowing down climate change, rail traffic offers great environmental potential. Improving [energy efficiency](#) and using renewable energy reduce emissions. Many of our customers value these environmental considerations and thus choose to travel by train. Considering the environmental aspects also reduce the costs arising from the operations.

Rail traffic also causes environmental impacts, such as noise and vibration. In addition, accidents may also cause contamination of soil and groundwater and other environmental damage. On the other

hand, rail traffic is affected by restrictions and requirements in rail services due to disturbance from noise and vibration as well as the possible increase in extreme weather conditions that cause service disruptions.

## Management system

VR Group has a joint environment management system which complies with the requirements laid out in the ISO 14001 standard and its implementation guidelines. Otto Lehtipuu, Senior Vice President for Corporate Relations and the Environment, is responsible for managing, developing and monitoring environmental matters in VR Group.



## Energy reviews in properties

### Energy reviews help to save property costs

During winter 2015–2016, VR Group carried out energy reviews in 14 of its properties that generate the highest energy costs. The purpose of the energy reviews is to analyse the breakdown of the energy use in the properties, examine the energy saving potential and to present proposals for energy saving measures.

The properties included in the reviews contain 94 buildings with a combined volume of 2.7 million building cubic metres. The reviews included the largest depot and station building and workshops.

Based on the reviews, more than one million euros could be cut from the EUR 7.2 million spent on energy and household water in the buildings. The measures would reduce carbon dioxide emissions by about 1,900 tonnes each year.

About one half of the proposals concerned ventilation systems, 20 per cent electrical systems and 15 per cent heating systems and other matters, such as improvements in structural energy efficiency. Replacing light fixtures and ventilation equipment, more efficient heat recovery arrangements, reducing unnecessary use of the ventilation systems and smart building technology control system were prioritised in the proposals.

The reviews will be used as site reviews carried out as part of the energy reviews that companies are obliged to do under the Energy Efficiency Act (1429/2014).



# Responsible procurement

VR Group makes its purchases in a responsible manner and also requires its subcontractors to act in the same way.

VR Group has about 2,000 regular suppliers of goods and services.

## Responsible procurement

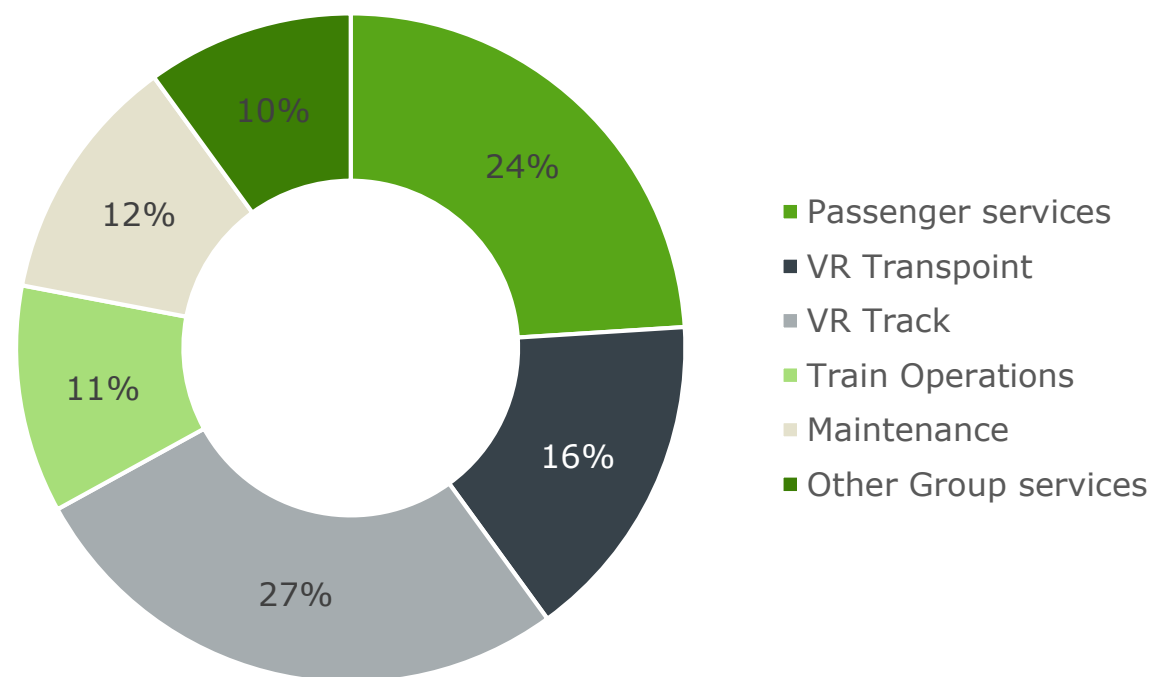
VR Group makes its purchases in a responsible manner and also requires its subcontractors to act in the same way.

All purchases of goods and services are in accordance with the procurement guidelines approved by the Group's Management Team, other guidelines and VR Group's procurement strategy. Most of the purchases are made by the centralised procurement unit.

Provisions on competitive tendering in rail traffic are laid down in the Act on Public Contracts in Special Sectors. Applicable parts of the EU public procurement directive entered into force in April 2016 and the national legislation on 1 January 2017. The new obligatory requirements include electronic tendering.

The most important aims in procurement are the purchasing of electricity generated from renewable sources (environmental pledges of VR Group) and the application of environmental criteria in the selection of suppliers and products in the competitive tendering carried out in accordance with the Act on Public Contracts in Special Sectors.

## Purchases classified by business function %

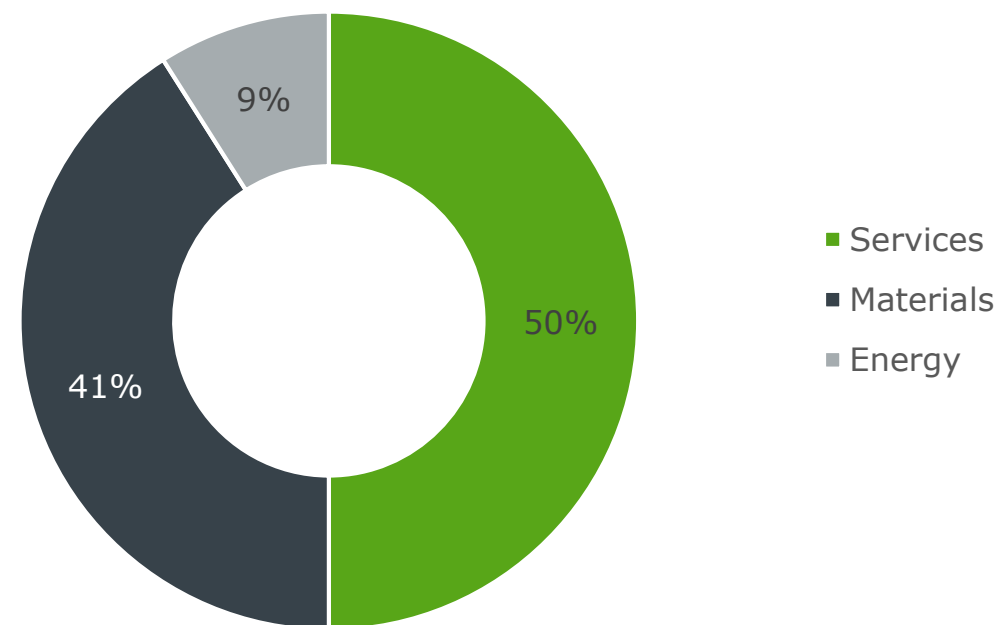


## Managing the supplier network

In 2016, VR Group purchased goods and services worth EUR 634 million, mostly through centralised procurement. VR Group has about 2,000 regular suppliers of goods and services.

The number of supply chains is higher and they follow the logic of different business operations. In all supply chains, most of the goods and services are purchased for own use to support the provision of services. The most important supply chains involve the rolling stock, spare parts and support services for rail traffic, materials and services for infrastructure engineering, energy purchases, and the needs concerning personnel and premises. The needs of road traffic in the field of subcontracting, vehicles, spare parts and services play a smaller role.

## Purchases classified by cost type %



## Responsible monitoring of suppliers

About 97 per cent of all suppliers are based in Finland and other European Union countries. The most important 250 suppliers come under supplier management and their operations are monitored on a centralised and regular basis. Monitoring of suppliers will be automated in procurement IT systems during 2017.

By seeking an invitation to take part in a competitive tendering process organised by VR Group, by submitting a tender in response to an invitation to tender or by entering into a contractual relationship, a company also commits itself to comply with VR Group's ethical procurement guidelines. The guidelines apply to working conditions, environmental protection and other similar standards. The suppliers also pledge that their supply chains comply with the ethical guidelines. The terms and conditions have been updated during the year and the data security terms have been made more specific.

The suppliers are divided into three monitoring categories. Depending on the monitoring category, the suppliers must conduct self-assessments on specific intervals. In the self-assessments, the focus is on such issues as the environment, non-discrimination and labour conditions. The financial situation of the supplier, its market position and performance are examined in more detail in a regular risk analysis. New suppliers are always required to carry out a self-assessment and VR Group's procurement also produces risk analyses of the new suppliers.

In 2016, supplier monitoring resulted in 104 risk analyses and 57 self-

assessments. A monitoring cover of 90 per cent had been set as the target for 2016 but this was not fully achieved.

The monitoring results show that 76 per cent of the suppliers taking part in the assessments had an ISO 14001 environmental system or an environmental system based on a similar standard in place, partially in place or in preparation. This is a clear improvement from the year 2015. About 80 per cent of the respondents have written anti-discrimination instructions. This is less than in 2015, which is partly explained with the reduction of the proportion of large companies. About 90 per cent of the respondents say that all their workers have written employment contracts. However, among the remaining ten per cent, written employment contracts cover more than 75 per cent of the employment relationships. The figures are the same as in 2015.

Only one respondent in three had a safety system based on a specific standard. However, 80 per cent of the respondent companies had a risk management system covering the safety and security of the company.

Based on the monitoring results, the procurement quality manager carried out three full-scale quality audits at suppliers.

A total of 17 competitive tendering processes for EU-based suppliers were finalised during 2016. There were also a total of 44 other competitive tendering processes. VR Group also concluded a total of 183 new or revised contracts. Environmental criteria were applied in 33 per cent of EU-wide tenders.

## Procurement management

Responsibility is the VR Group value that provides a solid basis for management and an objective-oriented approach directs its activities.

An objective-oriented approach means that VR Group operates efficiently so that it can provide internal customers with high-quality services.

Internal customer satisfaction is measured each year and the result for 2016 was better than in the year before. Chief Procurement Officer Simon Indola is responsible for centralised procurement in VR Group.

### Procurement management strategy

Under its procurement management strategy, VR Group seeks cost-effective solutions for the needs of its business operations from reliable partners in a systematic and transparent manner. Project progress is monitored using the procurement management system.

Seven category-specific strategies for important areas were prepared during 2016. The category strategy work will continue during 2017. The aim is to cover more than half of the value of all VR Group

purchases with the category strategy in 2018.

### Procurement policies and implementing them

Procurement is guided by the Group-level procurement guidelines approved by the Group's Management Team, guidelines for implementing projects and for supplier management and the procurement strategy. VR Group updated its approval guidelines in 2016. Provisions on competitive tendering in rail traffic are laid down in the Act on Public Contracts in Special Sectors.

The procurement aims the operating principles governing procurement and procurement risk management are set out in operational planning and operational guidelines.

The guidelines governing the company's business operations also contain ethical requirements concerning the operations of VR Group's business partners. Starting a business partnership is conditional on adhering to these guidelines. Compliance with the requirements is supervised by means of regular supplier self-assessments.



### Performance targets for management

Each year VR Group's Board of Directors sets savings targets for unit that are in line with the Group's long-term and short-term strategy. The strategy forms the basis for the action plans. The main targets for 2016 were the introduction of the category strategies, more efficient supplier management processes and monitoring, and the preparation of the purchasing of the new system.

### Changes in systems and structures during the review period that lead to improvements in management

- The project management system has facilitated project monitoring
- Introduction of electronic tendering (requirement laid down in the EU directive)
- Introduction of the contract management system
- Tendering for the new purchasing system and starting of the implementation process

### Opportunities and risks in procurement

- + VR Group is known as a reliable partner
- + Increasing the automation level of the order/delivery chain
- + Effective use of the supplier information collected from different systems

- Challenges concerning the availability of spare parts

### Successes and setbacks in procurement matters:

- + Most of the savings targets for 2016 were achieved
- + 100% of all electricity is already purchased from renewable sources (the target set for 2020 has been achieved)
- + Supplier management was made more systematic and the monitoring data was centralised
- + Supplier audit process was launched
- + VR Group did not receive any rectification requests in EU-wide tendering processes and none of its EU-wide purchasing decisions were appealed against in the Market Court

- The target set for the coverage of supplier management measures was not fully met
- There were delays in a number of purchases as a result of internal and external factors
- Implementation of a new purchasing system was delayed

## Responsible manufacturing of brake pads in Poland

VR Group uses 50,000 cast iron brake pads in its rolling stock each year. It is important for VR Group that the pads are manufactured in a responsible manner in accordance with the law and the process description supplied by the manufacturer. All pads that are no longer used are recycled.

In 2016, VR Group put the pad purchase out to tender. Odlewnia Zeliwa Bydgoszcz (OZB), which is part of the German Dihag group, was selected as the supplier in a EU-wide tendering process. OZB will supply VR Group with brake pads under a contract that will remain in effect until further notice. Under the requirements laid out as part of the tendering,

- 1) the supplier's operations must be guided by an ISO 9001 system or they must meet the requirements laid out in a similar quality system.
- 2) the supplier's environmental operations must be guided by an ISO 14001 system or they must meet the requirements laid out in a similar environmental system.

Based on the tendering requirements VR Group audited the supplier's operations, reviewing such matters as the principles guiding the supplier's operations, employment contracts, occupational safety, production solutions, production indicators and analyses as well as environmental issues. Two proposals for changes were submitted in the audit. In other respects, OZB's operating model was fully in accordance with the description and documentation that the company had provided.

Detailed tendering of goods and service suppliers and audits of their operations allows VR Group to ensure the responsibility of its supply chain and to establish whether laws are complied with, and whether such requirements as anti-corruption principles, employment conditions, ban on the use of child labour and non-discrimination provisions are observed.

Of the used pads,  
**100%**  
are recycled



## GRI

The Global Reporting Initiative (GRI) G4 guidelines have been used as the reference framework for this report. In VR Group's own assessment, the Group has applied the Core reporting guidelines. The 2016 report has not been verified.

For more details of the restrictions and aspect boundaries of the annual report, see the description of the annual report.

Indicator	Contents	Location/link	Comment
<b>General standard disclosures</b>			
	<b>Strategy and analysis</b>		
G4-1	Statement from the most senior decision-maker of the organisation	<a href="#">Review by the President and CEO</a>	
	<b>Organisational profile</b>		
G4-3	Name of the organisation	<a href="#">VR Group</a>	
G4-4	Primary products and services	<a href="#">VR Group</a>	
G4-5	Location of organisation's headquarters		<a href="http://www.vrgroup.fi/en/vrgroup/contact-information/">www.vrgroup.fi/en/vrgroup/contact-information/</a>
G4-6	Nature of ownership and legal form	<a href="#">VR Group</a>	
G4-7	Ownership structure and corporate form	<a href="#">VR Group</a>	
G4-8	Markets served	<a href="#">VR Group</a>	
G4-9	Scale of the reporting organization	<a href="#">Personnel</a>	
G4-10	Total workforce by employment type, gender, employment contract and region	<a href="#">Personnel, Report of the Board of Directors (can be downloaded as a PDF from the online report)</a>	
G4-11	Percentage of employees covered by collective bargaining agreements		A total of 96.9 per cent of the personnel are covered by collective agreements
G4-12	Describe the organisation's supply chain	<a href="#">Responsible procurement</a>	
G4-13	Significant changes during the reporting period relating to size, structure, or ownership of the organisation or its supply chain	<a href="#">Report of the Board of Directors (can be downloaded as a PDF from the online report)</a>	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	<a href="#">Environment</a>	
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	<a href="#">Environment/Energy-efficiency, Environment/Emissions</a>	
G4-16	Memberships in associations	<a href="#">Stakeholders and memberships</a>	

Indicator	Contents	Location/link	Comment
	<b>Identified material aspects and boundaries</b>		
G4-17	Aspect boundaries	<a href="#">Description of the annual report, Responsibility themes and GRI aspects determined by VR Group</a>	
G4-18	Process for defining report content	<a href="#">Description of the annual report</a>	
G4-19	List all the material aspects identified	<a href="#">Relevance</a>	
G4-20	The aspect boundary within the organisation	<a href="#">Description of the annual report, Responsibility themes and GRI aspects determined by VR Group</a>	
G4-21	The aspect boundary outside the organisation	<a href="#">Description of the annual report, Responsibility themes and GRI aspects determined by VR Group</a>	
G4-22	Explanation of the effect of any re-statements	<a href="#">Description of the annual report</a>	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	<a href="#">Description of the annual report</a>	
	<b>Stakeholder engagement</b>		
G4-24	List of stakeholder groups engaged by the organization	<a href="#">VR Group stakeholders</a>	
G4-25	Basis for identification and selection of stakeholders with whom to engage	<a href="#">Stakeholders and memberships</a>	
G4-26	Approaches to stakeholder engagement	<a href="#">Stakeholders and memberships</a>	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	<a href="#">Stakeholders and memberships</a> , <a href="#">Relevance</a>	
	<b>Report profile</b>		
G4-28	Reporting period	<a href="#">Description of the annual report</a>	
G4-29	Date of most recent previous report	<a href="#">Description of the annual report</a>	
G4-30	Reporting cycle	<a href="#">Description of the annual report</a>	



Indicator	Contents	Location/link	Comment
	<b>Report profile</b>		
G4-31	Contact point for questions regarding the report or its contents	VR Group/contact information	<a href="http://www.vrgroup.fi/en/vrgroup/contact-information/">http://www.vrgroup.fi/en/vrgroup/contact-information/</a>
G4-32	GRI Content Index	<a href="#">GRI</a>	
G4-33	Policy and current practice with regard to seeking external assurance for the report		There has been no external assurance of the report
G4-28	Reporting period	<a href="#">Description of the annual report</a>	
G4-29	Date of the previous report	<a href="#">Description of the annual report</a>	
	<b>Governance</b>		
G4-34	Governance structure and committees	<a href="#">Governance (can be dowloaded as a PDF from the online report)</a>	
	<b>Ethics and integrity</b>		
G4-56	Values and principles governing business operations	<a href="#">Responsibility management</a> , <a href="#">Safety management</a> , <a href="#">Customer orientation</a> , <a href="#">Human resource management</a> , <a href="#">Environmental management</a> , <a href="#">Procurement management</a>	
<b>Specific standard disclosures</b>			
	<b>Disclosure of management approach</b>		
	<b>Disclosures of management approach (DMA)</b>	<a href="#">Responsibility management</a> , <a href="#">Safety management</a> , <a href="#">Customer orientation</a> , <a href="#">Human resource management</a> , <a href="#">Environmental management</a> , <a href="#">Procurement management</a>	
	<b>Economic impacts</b>		
	<b>Economic performance</b>		
G4-EC1	Direct economic value generated and distributed	<a href="#">VR Group/Key figures, Profit and loss account (can be dowloaded as a PDF from the online report)</a>	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	<a href="#">Environment/Emissions</a>	
G4-EC3	Coverage of the organisation's defined-benefit plan obligations		Pension liabilities are fully covered.
G4-EC4	Significant financial assistance received from government		No financial assistance has been received from government

Indicator	Contents	Location/link	Comment
	<b>Environmental impacts // Energy</b>		
G4-EN3	Energy consumption within the organisation	<a href="#">Environment/Total energy consumption</a>	
G4-EN5	Energy intensity	<a href="#">Environmental balance sheet</a>	
G4-EN6	Reduction of energy consumption	<a href="#">Environment/Energy efficiency</a>	
G4-EN7	Reductions in energy requirements of products and services	<a href="#">Environment/Energy efficiency</a>	
	<b>Emissions and discharges</b>		
G4-EN15	Direct greenhouse gas emissions (Scope 1)	<a href="#">Environment/Emissions</a>	
G4-EN16	Indirect greenhouse gas emissions (Scope 2)	<a href="#">Environment/Emissions</a>	
G4-EN18	Greenhouse gas emissions intensity	<a href="#">Environmental balance sheet</a>	
G4-EN19	Emissions of ozone-depleting substances	<a href="#">Environment/Emissions</a>	
G4-EN21	NOx, SOx, and other significant air emissions	<a href="#">Environmental balance sheet</a>	
	<b>Effluents and waste</b>		
G4-EN23	Total weight of waste by type and disposal method	<a href="#">Environmental matters/Waste and recycling</a>	
G4-EN24	Total number and volume of significant spills	<a href="#">Environmental matters/Soil and landscape</a>	
	<b>Products and services</b>		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	<a href="#">Environment/Emissions</a>	
	<b>Compliance</b>		
G4-EN29	Compliance with environmental permits		There were no breaches of regulations referred to in GRI

Indicator	Contents	Location/link	Comment
	<b>Percentage of new suppliers that were screened using environmental criteria</b>		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	<a href="#">Responsible procurement (Most suppliers are from Europe)</a>	Supplier self-assessment
	<b>Environmental grievance mechanisms</b>		
G4-EN34	Number of grievances about environmental impacts	<a href="#">Environment/Emissions</a>	
	<b>Social impacts; personnel and labour practices</b>		
	<b>Employment</b>		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	<a href="#">Personnel, Report of the Board of Directors</a>	
G4-LA2	Employee benefits	<a href="#">Remuneration</a>	
	<b>Labour/management relations</b>		
G4-LA4	Operational changes		Minimum notice period in operational changes is between 1.5 weeks and 3.5 months. Minimum notice period and negotiating rights are laid down in collective agreements.
	<b>Occupational health and safety</b>		
G4-LA5	Worker health and safety committees		Occupational safety committees cover all personnel groups. Organisational changes introduced in many of the business operations had an impact on the reorganisation of the committees during 2016.
G4-LA6	Workplace accidents and absenteeism	<a href="#">Personnel, Safety in figures 2016</a>	

Indicator	Contents	Location/link	Comment
	<b>Education</b>		
G4-LA10	Programs for skills management and lifelong learning	<a href="#">Personnel/Supervisory work and interaction in the work community</a>	
G4-LA11	Performance and career development reviews	<a href="#">Personnel/Supervisory work and interaction in the work community</a>	
	<b>Diversity and equal opportunity</b>		
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender and age group	<a href="#">Personnel</a>	
	<b>Equal remuneration for women and men</b>		
G4-LA13	Ratio of basic salary and remuneration of women to men		Equality plan The pay systems used in VR Group are based on the collective agreements applied to the personnel group in question. Employee-specific contractual salaries are in proportion to market-based salaries and pay levels in other tasks in the Group.
	<b>Supplier assessment for labour practices</b>		
G4-LA14	Supplier assessments	<a href="#">Responsible procurement / Suppliers are mostly from Europe, Responsible manufacturing of cast iron brake pads in Poland</a>	Supplier self-assessments
	<b>Labour practices grievance mechanism</b>		
G4-LA16	Number of grievances about labour practices		There were no grievances referred to in GRI
	<b>Social impacts; human rights</b>		
	<b>Non-discrimination</b>		
G4-HR3	Total number of incidents of discrimination and actions taken		There were no incidents involving discrimination
	<b>Percentage of new suppliers that were screened using human rights criteria</b>		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	<a href="#">Responsible procurement / Most suppliers are from Europe</a>	Supplier self-assessment

Indicator	Contents	Location/link	Comment
	<b><i>Society</i></b>		
	<b><i>Anti-corruption</i></b>		
G4-S03	Risk assessments (corruption)		Risk assessments cover all business divisions No significant corruption-related risks were identified.
G4-S04	Training (ethical principles)	<a href="#">Corporate responsibility management</a>	
G4-S05	Confirmed incidents of corruption and actions taken		There were no incidents of corruption
	<b><i>Public policy</i></b>		
G4-S06	Contributions to political parties		VR Group does not support politicians or political parties with contributions
	<b><i>Anti-competitive behaviour</i></b>		
G4-S07	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes		On 25 January 2016, the Finnish Competition and Consumer Authority submitted a proposal for a penalty concerning Oy Pohjolan Liikenne Ab and VR-Group Ltd to the Market Court. The oral hearing was held in January 2017. The Market Court has not yet issued any decision on the case.
	<b><i>Compliance</i></b>		
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		There were no breaches of regulations referred to in GRI

Indicator	Contents	Location/link	Comment
	<b><i>Social impacts; product responsibility</i></b>		
	<b><i>Customer health and safety</i></b>		
G4-PR1	Safety reviews		Operational risks are monitored and assessed on a regular basis so that safety can be maintained and improved. Risks are also assessed whenever there are changes in operations and operational environments.
G4-PR2	Safety deviations		There were a total of seven deviations resulting in warnings and one deviation resulting in sanctions.
	<b><i>Product and service labelling</i></b>		
G4-PR5	Customer satisfaction	<a href="#">Customer focus</a>	
	<b><i>Marketing communications</i></b>		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications		There were no breaches referred to in GRI
	<b><i>Customer privacy</i></b>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		There were no breaches referred to in GRI
	<b><i>Compliance</i></b>		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		There were no breaches referred to in GRI



# VR GROUP