

# LEADER OF THE REGENERATIVE SOCIETY

**Annual review 2020**  
Lassila & Tikanoja Plc



Lassila & Tikanoja Annual report 2020 contains two reviews:  
Annual review 2020 and Financial review 2020.

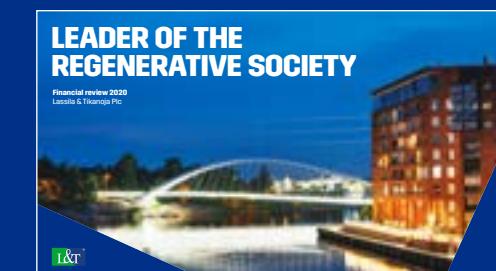
The Annual review contains a summary of L&T's business operations, strategy and value creation, and sustainability efforts. The sustainability section is formed based on GRI Standards' reporting principles Core level, and it describes L&T's sustainability efforts and achievements in more detail.

The Financial review contains the report by the Board of Directors, corporate governance statement, remuneration statement and the financial statement.

You can download the reports below.



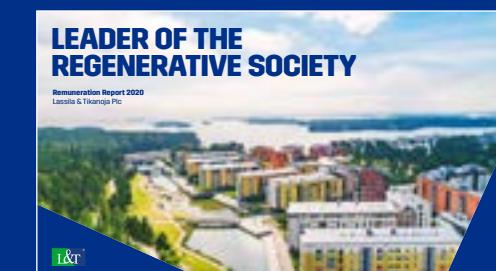
Annual review 2020



Financial review 2020



Corporate Governance Statement 2020



Remuneration Report 2020

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# INTRODUCTION

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# L&T in brief

Lassila & Tikanoja is a Finnish service company established in 1905 that is making the circular economy a reality. Together with our customers, we keep materials and properties in productive use for as long as possible and we enhance the use of raw materials and energy. By investing in sustainable circular economy solutions, we create increasing value for our customers, personnel and society in general. Achieving this also means growth in value for our shareholders.

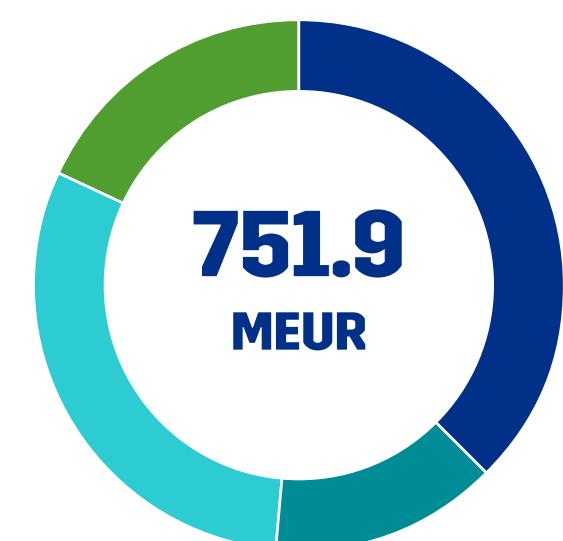
Sustainability is an integral element of our strategy, business and day-to-day work. Our objective is to grow our carbon handprint, which refers to the positive climate impact of our operations. We bear social responsibility by looking after the work ability of our personnel, promoting diversity in working life and by offering jobs to those who are struggling to find employment. We ensure the

compliance of our operations by adhering to our Code of Conduct.

L&T's business operations are divided into four divisions: Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden. L&T operates in Finland and Sweden. In response to a significant change in the operating conditions, we started the process of winding down our Russian operations in 2020. Most of our operations in Russia ended during the year under review. The process of shutting down the business will continue in 2021.

Our net sales in 2020 amounted to EUR 751.9 million and we employed 8,139 circular economy professionals. L&T is listed on Nasdaq Helsinki and had 20,731 shareholders at the end of the reporting year.

## Net sales by division

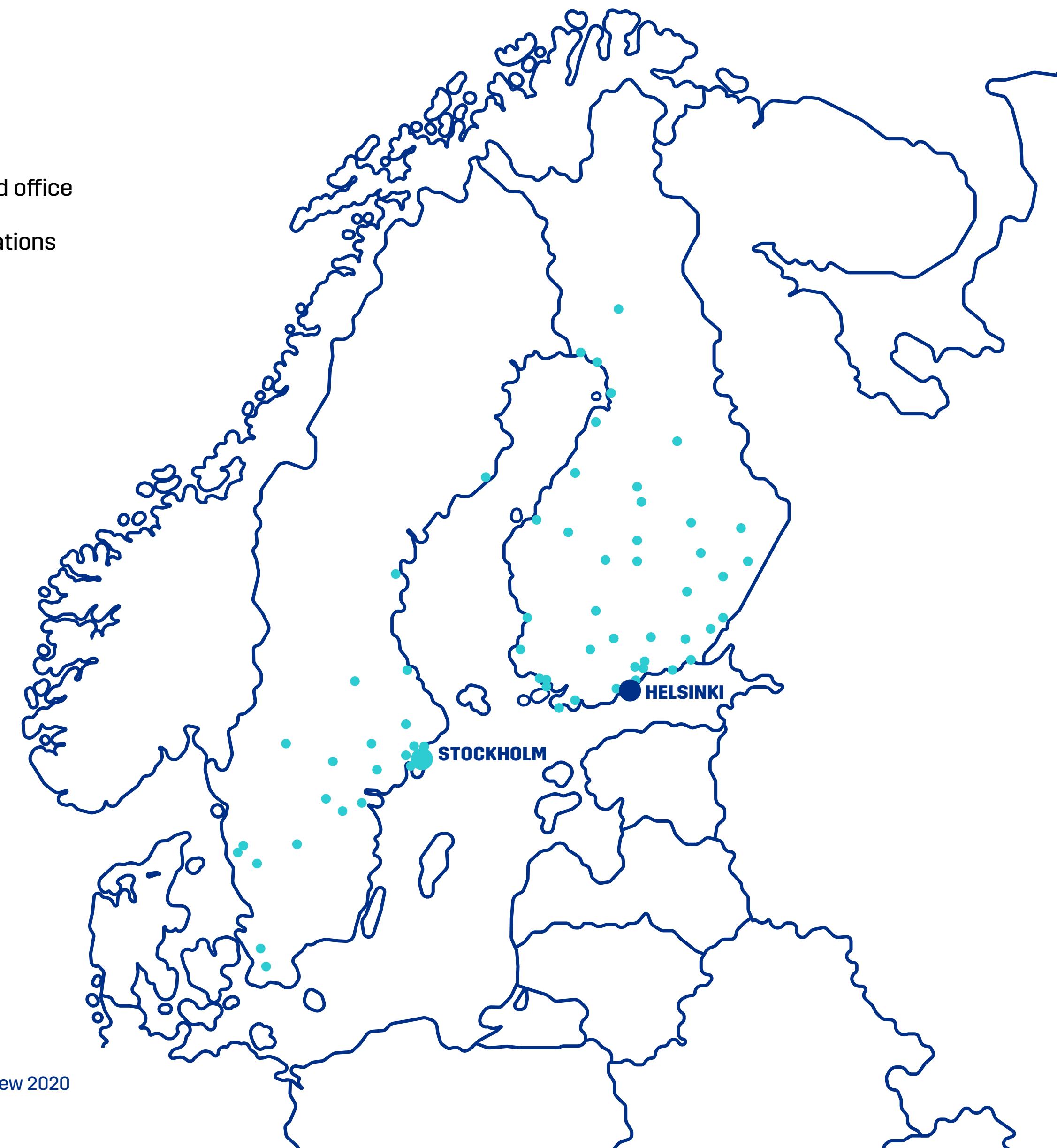


- Environmental Services 38%
- Industrial Services 14%
- Facility Services Finland 31%
- Facility Services Sweden 18%

## Personnel by country



- Head office
- Locations



## CEO's review

# Exceptional circumstances put the company's resilience to the test

We entered 2020 with a positive mindset and good expectations. We had carried out a comprehensive strategic renewal process in 2019 and set our long-term financial and operational objectives. Then came COVID-19, which brought a great deal of uncertainty to our operating environment.

These types of extraordinary circumstances are a real test for any company. The organisations that perform well in exceptional conditions are those that have the capacity to react quickly to changes. It is not only a matter of risk management and adaptation but also being able to build a competitive advantage in an entirely new and unpredictable situation. We performed well in this respect. L&T's organisations and teams at all levels were able to adapt their operations to the changed circumstances and our management and supervisory work was highly intensive.



**“The past year has shown that we are able to operate efficiently even under difficult circumstances. All of our employees deserve a great deal of credit for this.”**

#### Improved stakeholder support

The premise of our strategy is that L&T's shareholder value will grow when we operate in line with our stakeholders' expectations and create value for them. We improved our stakeholder value across all of our key performance indicators. Our customer experience and employee experience improved significantly while we simultaneously reduced our carbon footprint and increased our carbon handprint. L&T's reputation in the eyes of the public also improved, reaching a record-high level. These results show that we have performed very well as a company under challenging circumstances.

#### Good financial performance

L&T's overall financial performance during the year was strong. I'm particularly pleased about the substantial improvement in the profit performance of Facility Services Finland after several difficult years.

COVID-19 had a negative impact on all of our businesses. Service demand was unpredictable, and in separately order services in particular, our volumes were substantially lower throughout the year. We did an excellent job of adapting our operations to the unusual circumstances, which enabled us to limit the financial impact of COVID-19.

#### Development projects moved ahead as planned

I am very proud of the fact that we managed to implement our chosen strategy and move ahead with our develop-

ment projects as planned in spite of the exceptional circumstances. We worked very hard on our development efforts this year. We had ERP system projects under way in two of our business divisions. We reached the investment stage in Environmental Services and the specification stage in Industrial Services progressed according to plan. We also moved ahead with the renewal of our HR systems.

In terms of workload, the incorporation of our divisions was our largest project during the year. L&T's businesses were incorporated as separate companies, which improves the transparency and management of the businesses.

#### Plenty of opportunities on the horizon

Our operating environment is still characterised by a number of uncertainties due to COVID-19. Nevertheless, the past year has shown that we are able to operate efficiently even under difficult circumstances. All of our employees deserve a great deal of credit for this.

The 2020s will be a very significant decade. Mitigating climate change is truly a must-win battle that will lead to radical changes in energy systems, material consumption, technologies and everything else.

Although the present circumstances have put the circular economy to the test in the short term, its significance in mitigating climate change is undeniable. There is a need for determined policy measures to ensure that sustainable choices are also financially attractive.

Sustainability challenges present business opportunities for us. That is why I am optimistic about the future changes in our operating environment. The year of COVID-

#### We support the UN Global Compact initiative

Lassila & Tikanoja adheres to the principles of the UN Global Compact initiative. “We are committed to operating responsibly and we engage in active co-operation with our stakeholders to build a more sustainable future,” says Eero Hautaniemi, President and CEO of Lassila & Tikanoja plc.



19 has taught us to be even more agile than before, and this is a quality that will play an important role in solving the challenges of the future.

**Eero Hautaniemi**  
President and CEO

# Why invest in Lassila & Tikanoja?

L&T has reinvented itself many times over the course of its history. Climate change, dwindling natural resources and growing sustainability requirements are taking this circular economy company towards a new path of growth.

## The increased importance of the circular economy and sustainability supports L&T

Global megatrends, such as climate change and increasingly scarce natural resources, are accelerating the transition to a circular economy, creating new opportunities for L&T's business and growth.

The correction towards sustainable economy in the coming years will bring radical changes in industrial engineering, energy systems and the way we use and consume resources.

This development is expedited by tighter regulations and increasing sustainability requirements. The significance of recycled materials as industrial raw materials will increase. At present, only 10 per cent of materials in the EU are reused.

## A circular economy pioneer with a strong market position

Originally established as a wholesale company over a century ago, L&T has reinvented itself and its business many times over the years. We have grown into a leading expert on the circular economy, a company that keeps materials and properties in productive use for as long as possible.

Our competitive advantage in all of our businesses is based on strong presence in the various steps of the value chain of our customers' materials and constructed environment. We also have a broader circular economy service offering than our competitors do.

We have the capabilities and resources needed for the development and implementation of demanding circular economy solutions that increase the sustainability of industry, commerce and households.

## Sustainability actions for customers and in L&T's own operations

L&T's circular economy service solutions reduce carbon dioxide emissions. The emission reductions implemented by L&T for its customers in 2020 amounted to 1.2 million CO<sub>2</sub>-equivalent tonnes. The emissions of L&T's own operations represented only 4.4 per cent of this amount. L&T seeks to continuously grow the carbon handprint of its actions, which refers to the company's positive effect on the climate, and to reduce its carbon footprint. A significant proportion of L&T's services can be linked to the mitigation of, and adaptation to, climate change. L&T has also achieved high rankings in comparisons of the climate and sustainability efforts of international companies.

L&T has 8,139 employees in total, and in 2020, L&T's tax footprint was EUR 169.6 million. The company is committed to building a diverse workplace community and promoting social responsibility by offering jobs to those who are struggling to find employment.

## L&T aims for profitable growth

L&T is pursuing growth of 5 per cent during the 2019–2024 strategy period. The growth is pursued both inorganically and through acquisitions. We aim for profitable growth in our selected segments.

All of our businesses build future growth driven by the circular economy and the opportunities it brings.

L&T's financial position is stable and its working capital is managed well. The company has a strong cash flow and balance, which allows investing in growth and the development of business operations. We pay a steady dividend to our shareholders.

The economic cycle has little effect on the demand for L&T's services. There is a steady demand for professional waste management, cleaning and property services.

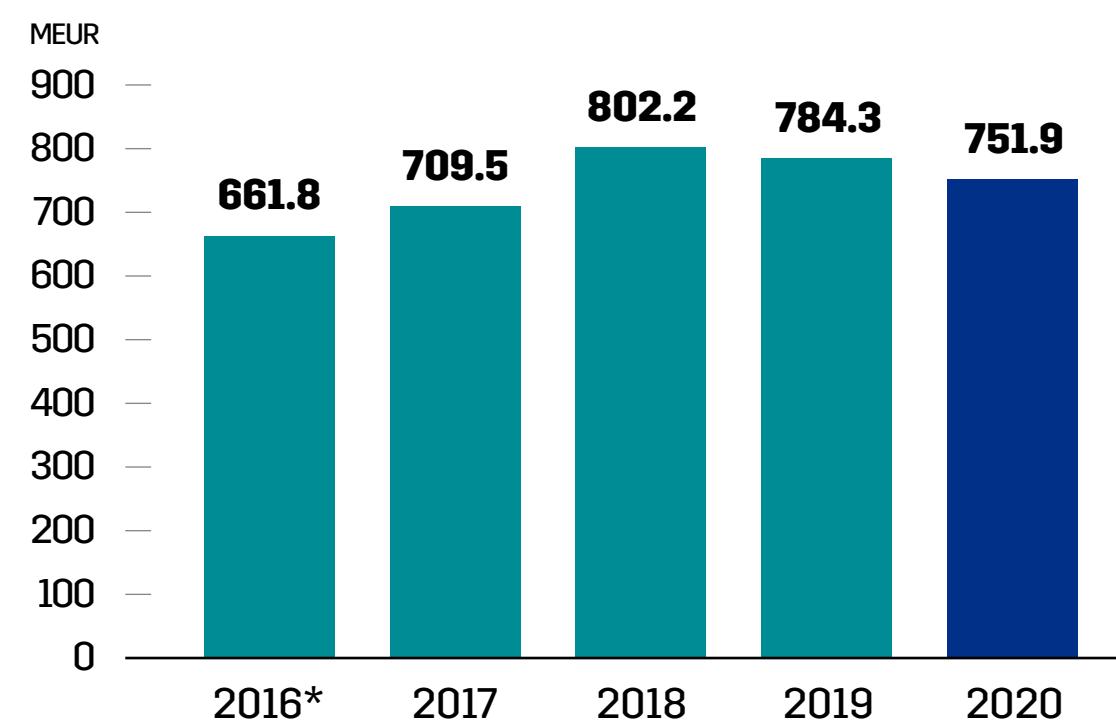
# YEAR 2020

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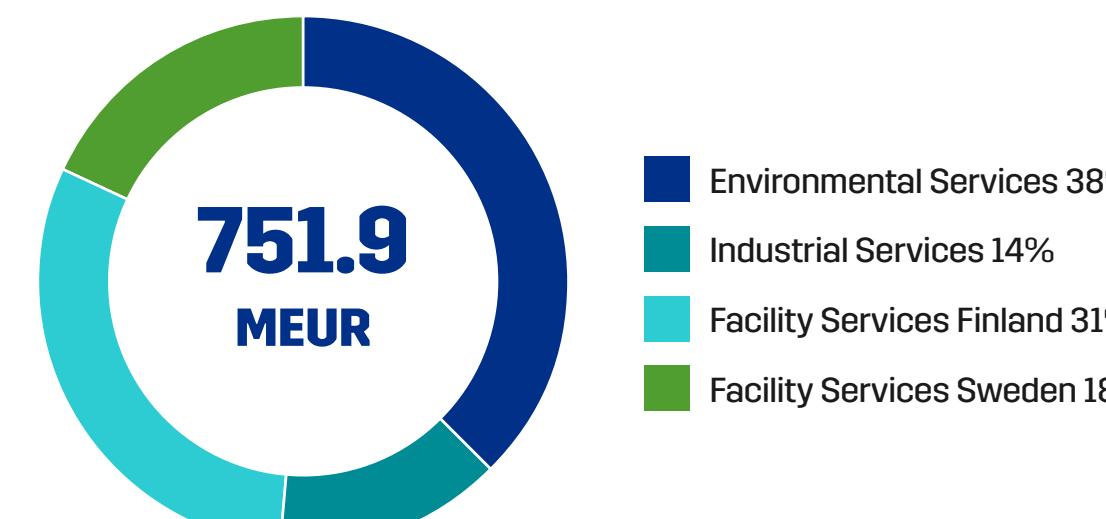


# Key figures

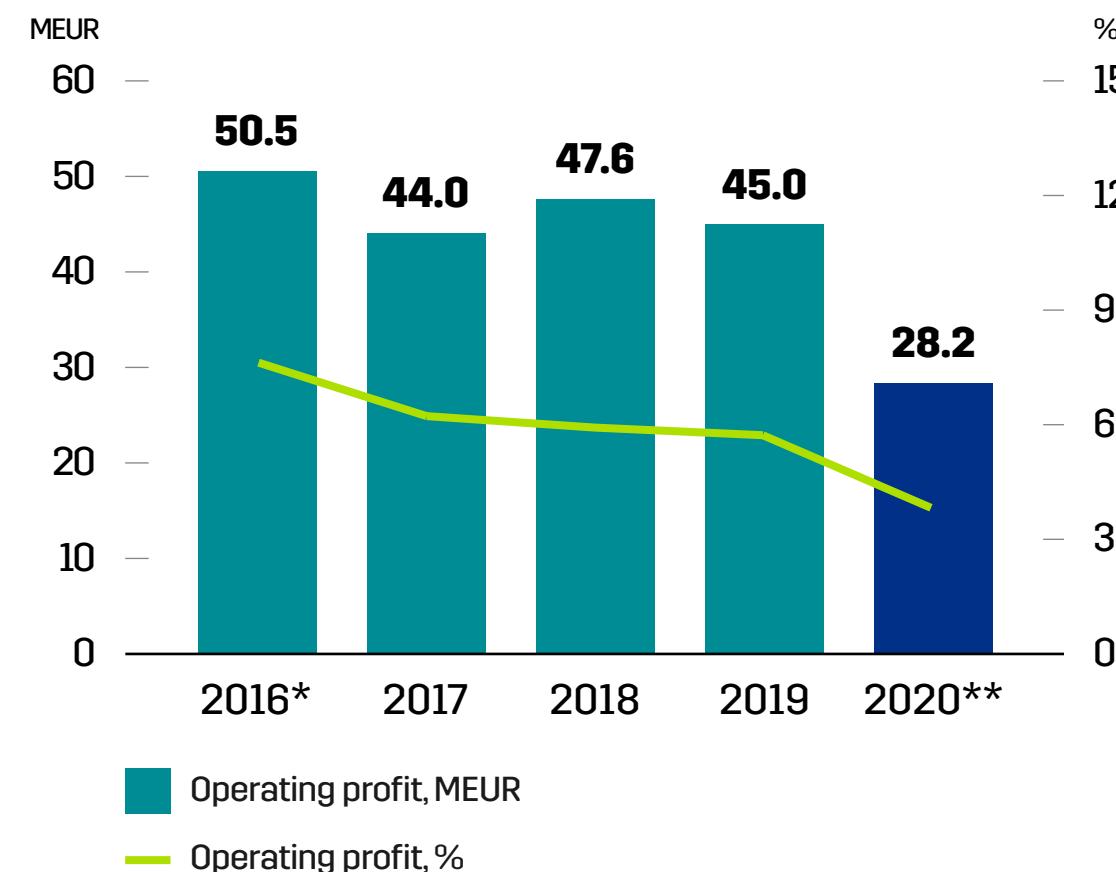
## Net sales



## Net sales by division



## Operating profit

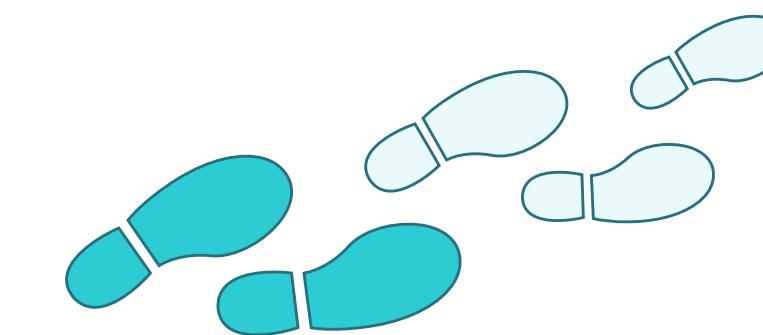


\* IFRS have not been adjusted for the comparison year 2016.

\*\* In 2020, the discontinuation of Russian operations had a negative impact of MEUR 9.0 of expenditure on operating profit, and in 2019, the sale of the entire share capital of L&T Korjausrakentaminen Ltd. had a positive impact of MEUR 4.5.

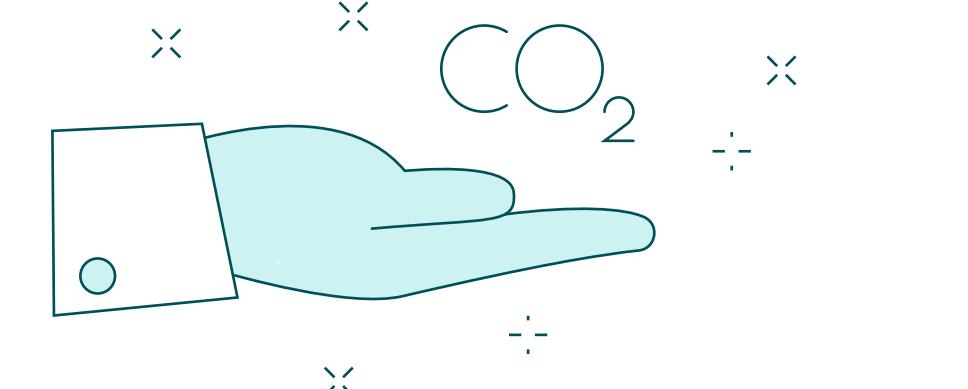
## Carbon footprint (Scope 1 and 2)

**36.7**  
tonnes CO<sub>2</sub> (eq)



## Carbon handprint

**1.2**  
million tonnes CO<sub>2</sub> (eq)



## Customer Net Promoter Score

**13**  
points improvement



## Employee recommendation rate

**82%**



**Key figures**

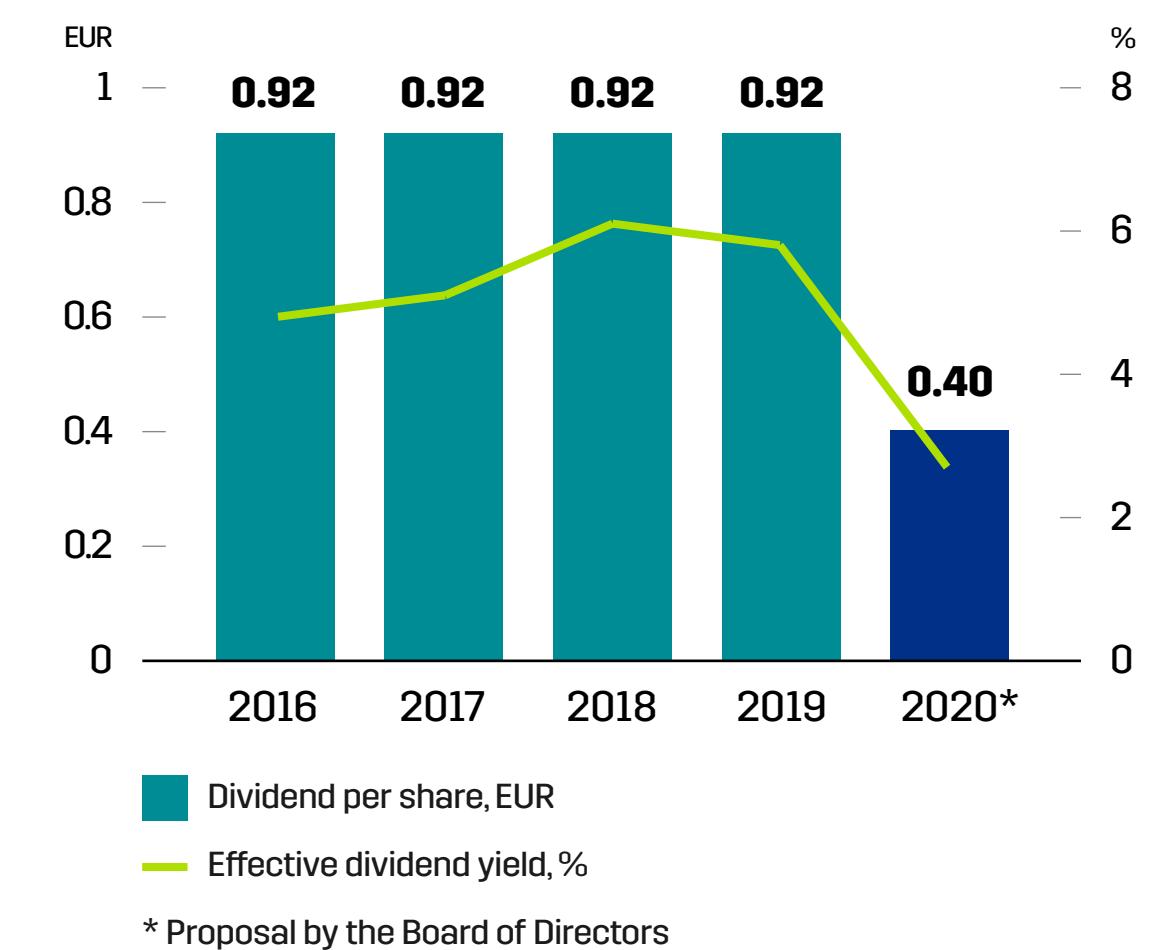
	<b>2020</b>	<b>2019</b>	<b>2018**</b>
Net sales, EUR million	751.9	784.3	802.2
Operating profit, EUR million	28.2	45.0	47.6
Adjusted operating profit***, EUR million	39.0	40.5	-
Profit before tax, EUR million	23.3	42.0	42.7
Return on equity, % (ROE)	9.6	16.8	16.1
Return on investment****, %	7.5	12.4	12.8
Gearing, %	70.9	66.8	46.8
Equity ratio, %	33.0	35.6	38.1
Gross capital expenditure, EUR million	48.2	46.1	37.8
Total number of full-time and part-time employees at year end	8,139	8,207	8,600
Earnings per share, EUR	0.50	0.90	0.89
Operating cash flow/share, EUR	2.18	2.46	2.35
Dividend/share, EUR	0.40*	0.92	0.92

\* Proposal by the Board of Directors

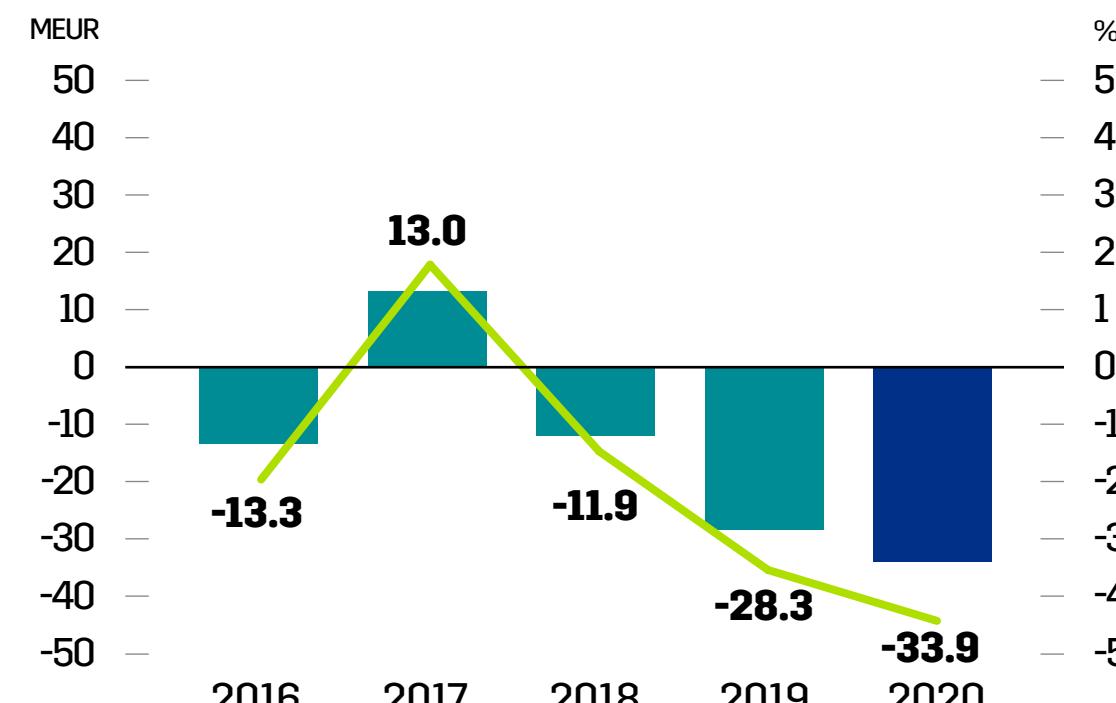
\*\* The figures are not directly comparable with those for 2020 and 2019 due to IFRS 16

\*\*\* Lassila &amp; Tikanoja started using adjusted operating profit as a new optional key figure in 2020.

\*\*\*\* Rolling 12-month

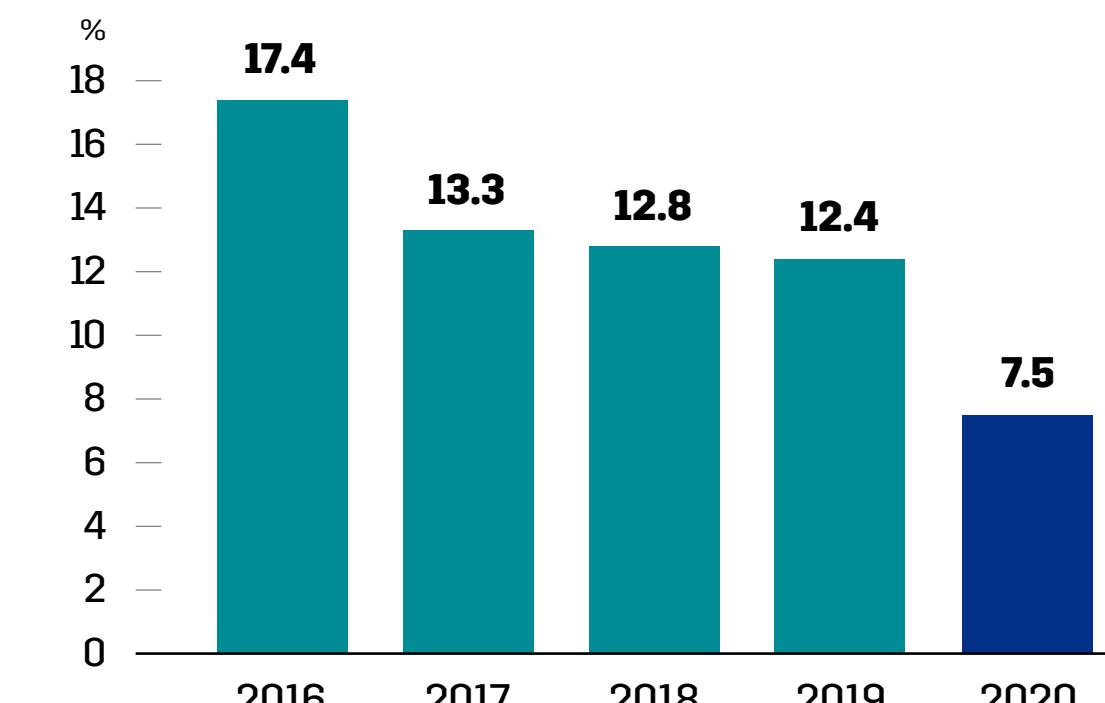
**Dividend per share and dividend yield**

\* Proposal by the Board of Directors

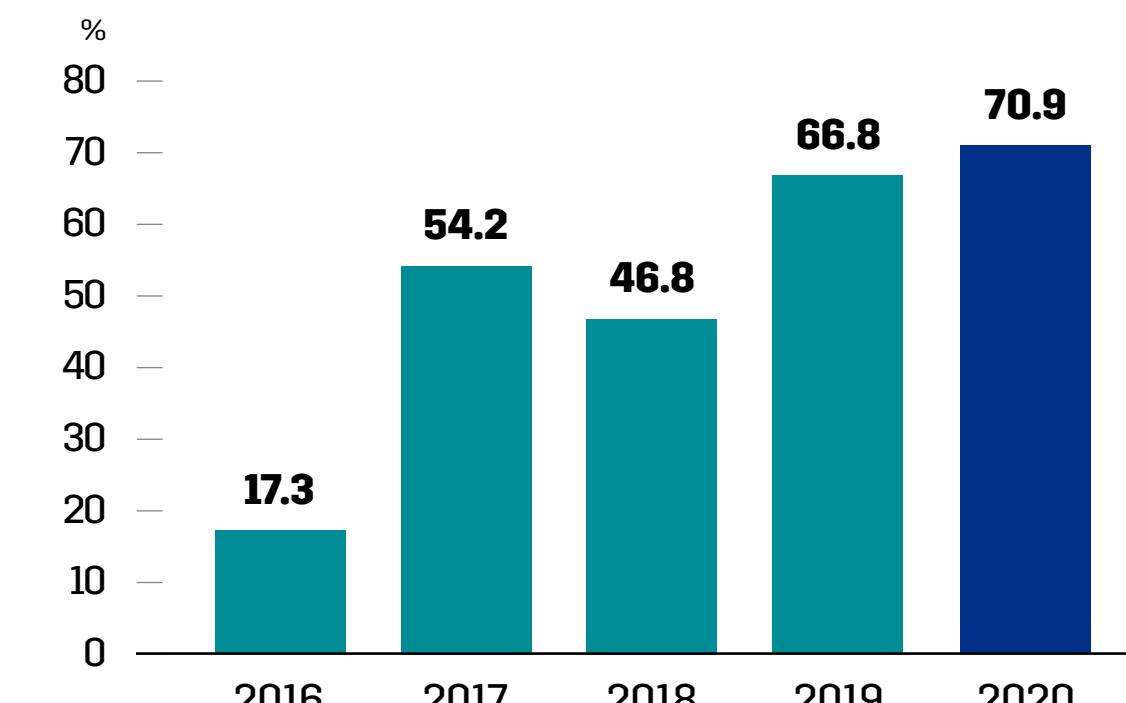
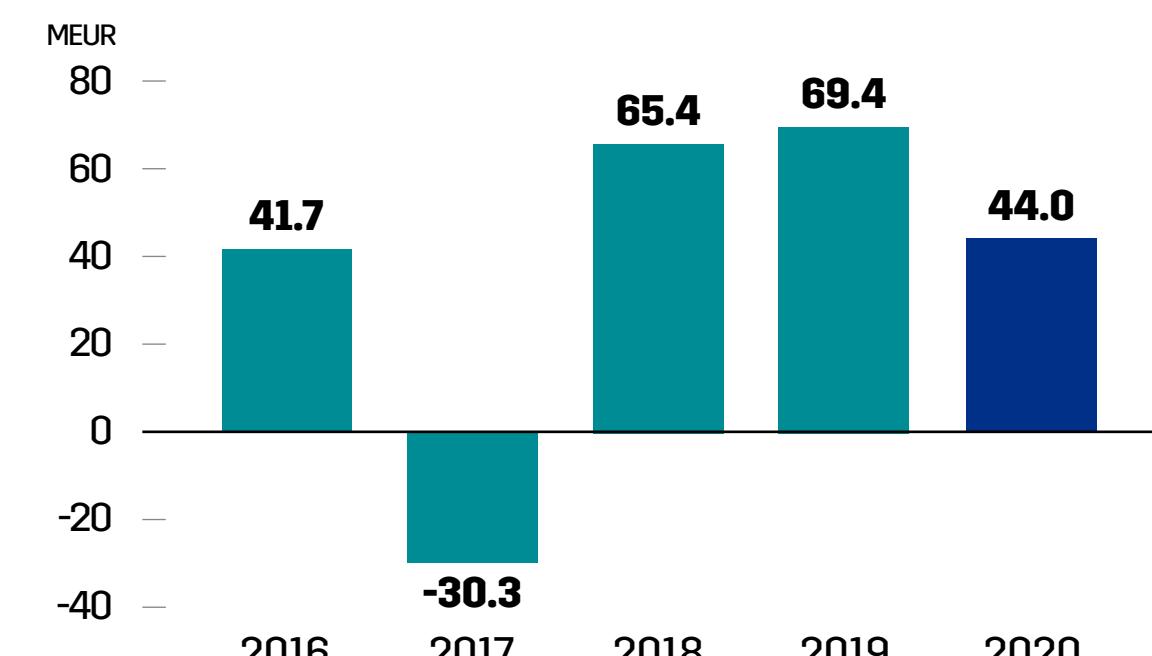
**Net working capital**

Net working capital, MEUR

Net working capital, % of net sales

**Return on investment (ROI)\***

\* rolling 12 months

**Gearing****Net cash from operating and investing activities**

# Key events from an exceptional year

**MARCH**

## Emission reduction targets approved by the Science Based Targets initiative

By 2030, L&T intends to halve its carbon footprint per kilometre driven from the 2018 level and to reduce the emissions of its supply chain. The targets were validated as science-based targets for emissions reductions by the Science Based Targets initiative (SBTi), which aims for the global reduction of greenhouse gas emissions.

**APRIL**

## Battling COVID-19 with disinfection services and the steam cleaning of waste containers

The spread of the COVID-19 epidemic to Finland significantly increased the need for disinfection services, enhanced cleaning and the steam cleaning of waste containers. We supported our customers in ensuring higher hygiene standards for their properties and disinfecting premises in response to actual or suspected cases of infection. We trained more than 100 cleaners to provide disinfection services in the spring of 2020.

**MARCH**

## We prepared for the spread of the coronavirus

As the novel coronavirus spread to Finland and Sweden, we prepared for the epidemic through internal planning and active dialogue with our customers. To ensure the safety and work ability of our personnel, we invested in hygiene safety in various ways, including specifications to our work and safety instructions and strengthening our procurement channels for personal protective equipment.

**APRIL**

## Decision to discontinue L&T's business in Russia

In response to a significant change in the operating conditions, we decided to discontinue our Russian operations. Most of the winding down process took place in 2020 and the remainder will be completed in 2021.

**MAY**

## Maintenance partner in the Puotila school life-cycle project in Helsinki

Lujatalo, with L&T as its partner, was chosen to implement the Puotila comprehensive school life-cycle project in Helsinki, which is one of the City of Helsinki's first projects implemented with the life-cycle model. The new school building will be commissioned in August 2022. L&T will subsequently be responsible for the building's maintenance and the optimisation of energy consumption for a period of 20 years. The building will have a very high level of energy efficiency, practically close to a zero-energy building.



JUNE-JULY

### Responsible Summer Job 2020

We again participated in the Responsible Summer Job campaign. Promoting the employment opportunities of young people is a key element of our social responsibility. We offer lots of different career opportunities which give young people valuable experience, their first steps in working life and perhaps even career opportunities.

DECEMBER

### L&T again reaches the Leadership level in the CDP assessment

L&T again achieved excellent results in the international climate disclosure report commissioned by the world's leading investors and produced by CDP, an organisation that promotes sustainability in economic activity and the mitigation of climate change. With a Leadership-level score of A-, we were ranked among the world's top companies in the CDP's climate assessment. Companies ranked at the Leadership level are considered to operate in accordance with best practices with regard to the environment, have a good understanding of the risks and opportunities relating to climate change and prepare and implement strategies to mitigate the risks and take advantage of the opportunities.



JUNE-JULY

### We expanded our recycling services in the Kuusamo region and our industrial services in Southeast Finland

We acquired the waste management and recycling business of Kuusamon Jätehuolto Oy in June. The acquisition represents another step in our efforts to enhance recycling in Lapland. In July, we acquired Oakland Service Oy, a company that specialises in the provision of demanding special cleaning services for industrial facilities, the construction sector and the maritime trade in South and Southeast Finland.

NOVEMBER

### We achieved a high ranking in a customer service competition

The excellent customer service of L&T's Environmental Services and Industrial Services divisions won second place in the national Contact Centre of the Year competition. The competition also provided us with valuable information on our operations, which will help us identify our strengths and develop our operations further.



DECEMBER

### The winner of L&T's learning environment competition was announced

In the spring of 2020, L&T challenged all lower comprehensive schools in Finland to take a circularity-inspired look at their learning environment and come up with ideas on improving the environment and conserving energy. A total of 10 schools across Finland accepted the challenge and entered L&T's learning environment competition. Kytöpuisto school in Vantaa was chosen as the winner.

# Business areas

## Environmental Services



L&T Environmental Services help customers make the circular economy a reality. Our services include waste management, recycling, environmental products, environmental management and renewable energy sources.

**12  
million**

containers emptied by the Environmental Services

## Industrial Services



The Industrial Services division includes process cleaning, sewer maintenance, hazardous waste services and environmental construction. We serve our customers in the waste and side stream value chain from the creation of waste to their reuse and material recycling.

**Over  
160,000  
tonnes**

recovered side streams and soil by the Industrial Services

## Facility Services Finland



Facility Services Finland produces property service solutions for the circular economy by providing cleaning and support services, property maintenance and technical services. Our goal is to improve the value and life-cycle of our customers' properties and the satisfaction of property users.

**16,000  
customer sites**

served by the Facility Services Finland

## Facility Services Sweden



Facility Services Sweden makes the circular economy a reality with profitable properties with a long and sustainable life-cycle. We provide technical services and cleaning services for properties.

**11,500  
m<sup>2</sup>**

total area of the customer properties where Facility Services Sweden provided technical services

# Business environment and regulation

Mitigating climate change is the greatest challenge of the 2020s. The correction towards a sustainable economy to be achieved over the next decade will mean structural changes in energy systems and the material economy. Circular economy will play a critical role in achieving this change, and L&T's business services support this change. The opening up of new business opportunities will be significantly influenced by regulation as well as the growing sustainability-related expectations of our customers and stakeholders.

## European Green Deal 2019–2024

The European Green Deal is the EU's new growth strategy, which sets out the path for Europe becoming the first climate-neutral continent by 2050. Circular economy plays a key role in the European Green Deal. Circular economy promotes the efficient and sustainable use of resources as well as biodiversity. The European Green Deal outlines the investments and financing instruments needed for the change, which have been subsequently complemented by the stimulus measures related to the COVID-19 pandemic.

## The EU's tightening climate policy

In late 2020, the EU reached an agreement on increasing the 2030 climate targets from the previous level of 40 per cent to at least 55 per cent. The European Commission will draft detailed legislative proposals by June 2021 on how the target will be achieved.

L&T supports ambitious climate targets. The required structural transformation will be accomplished over an investment cycle, which makes it important to have a predictable and stable framework for change. As a member of the Climate Leadership Coalition (CLC), we support the CLC's climate initiatives.

An EU-wide market-based framework with a high-enough price for carbon would provide the necessary strong incentive for the development of clean and climate-friendly solutions. Accordingly, we support the expansion and enhancement of the EU's emissions trading system as well as stricter energy efficiency requirements.

## EU Circular Economy Package

As part of the European Green Deal, the EU also updated its Circular Economy Package. The updates are focused on preventing the creation of waste, designing sustainable products, reparability, strengthening the markets for recycled raw materials and restricting the exporting of waste outside the EU.

L&T's view is that achieving systemic change in the material economy calls for the reassessment of the entire value chain. With this in mind, the priorities outlined in the EU's circular economy policy are appropriate. The focus of circular economy has thus far been too much on municipal waste, the impact of which on the material economy as a whole is minor. Looking at material flows as a whole, only 10 per cent of materials are reused in the EU. With the new programme, the focus of circular economy will shift

to side streams in industry, agriculture and forestry, which play a key role in mitigating climate change.

The EU should build and strengthen the internal market for recycled raw materials by developing EOW regulations and introducing obligations concerning the use of recycled materials in manufacturing. A strong internal market provides the foundation for the development of waste processing technologies and capture.

## The Finnish Government programme (2013–2023) supports the transition to a circular economy

The Finnish Government programme includes very ambitious climate goals aimed at transforming Finland into a low-carbon society within the next 10 years. Circular and bioeconomy, energy efficiency and new technologies play a central role in the implementation of this transition. Investment subsidies and a sustainable development tax reform are used as means to speed up the development.

In L&T's view, the use of market-based instruments by the public authorities will play a key role in accelerating development over the coming years. In the energy sector, these instruments will largely come from the EU, but in the material economy, there are no effective market-based

instruments for promoting circularity. The effect of waste taxes as a market-based instrument is negligible, which is why the waste tax base should be expanded to include new materials, and in the waste hierarchy, the incineration of waste. Furthermore, the EU's new plastics contribution should be targeted at mixed waste to create economic incentives for improving the sorting of waste at source.

## Reform of the Finnish Waste Act

A waste regulation package was confirmed by the European Commission in 2018, setting out even more ambitious goals for the recycling of municipal waste and packaging waste. The Finnish Ministry of the Environment is drafting amendments to the Waste Act that include the necessary measures for the implementation of the EU's waste directives in Finland's national waste legislation.

To achieve the future recycling targets, Finland must direct more than 600,000 tonnes of material from energy recovery to material recycling over the next 15 years. This will significantly increase the sorting-at-source of waste, separate collection and the processing of waste into recycled raw materials. The drafting of the amendments to the Waste Act is still ongoing. The reforms are scheduled to be discussed by the parliament in the spring and enter into force on 1 July 2021.

L&T supports stricter obligations concerning sorting and separate collection as well as other methods that

promote material recycling in line with the EU's objectives. In addition to the introduction of stricter requirements regarding separate collection, it is also necessary to introduce market-based instruments to ensure that industrial users are found for these materials, preferably here in Finland. This would ensure new national circular economy investments and jobs.

Producer responsibility is a key tool used by the EU to direct waste to be used as industrial raw materials. A key aspect of producer responsibility is the power to decide on the solutions for reaching the targets. The producer responsibility regulations for packaging waste proposed by the Ministry of the Environment are focused on the implementation of minimum collection requirements. L&T believes it is more important to come up with ways to promote investments and solutions that support the development of recycled raw material markets for plastics and fibres.

The Ministry of the Environment's proposal on implementing producer responsibility for packaging waste at the household level would introduce more complexity, hierarchy and costs to the producer responsibility market. The proposal would mean an exclusive right for municipalities to collect packaging waste from residential properties. For packaging waste, Finland has a producer responsibility system in place, based on which producers pay for the waste management costs associated with the products they bring to the market. Organising the separate

collection of packaging waste as a joint activity by municipalities and producers and related agreements on costs would have a negative impact on the market-based operations and operating conditions of private companies.

According to the updated proposal of the Ministry of the Environment, the dual waste transport system for residential properties would remain in place, but it would be only focused on mixed waste, which would only be of marginal significance in the future.

**The significance of sustainability is growing**  
Growing stakeholder expectations are driving companies to take on an increasingly active role in mitigating climate change. At the same time, the capital and financial markets use various initiatives related to the climate and responsible investing to guide the sustainable development of companies.

Companies are expected to take concrete action to reduce their own emissions. Stakeholder expectations also encourage companies to develop new business solutions to reduce the emissions of customers and other stakeholders, i.e. increase their carbon handprint.

These trends elevate sustainability to a strategic position amongst companies and promote the growth of the market for sustainable business solutions.

## Ensuring the availability of labour will become increasingly strategic

Challenges associated with the availability of labour have increased and spread to a larger number of professions. The decreasing size of age cohorts will increase these challenges in the years to come. The labour market is becoming the applicant's market. Consequently, the measures used to promote the motivation and work ability of existing personnel in various career stages will become increasingly critical.

The service sector will also become increasingly dependent on foreign workers. Employment-based migration should be promoted by streamlining permit processes and eliminating the labour market test for non-EU and non-EEA workers.

Members of the working-age population who cannot be employed without special measures have drifted outside the labour market. Bringing these people back into working life is critical for balancing public finances and for promoting social justice. L&T sees labour potential in these special groups. Tapping this potential calls for determined policy measures to streamline processes and reform the pension system.

Shifting the responsibility for the provision of employment services to municipalities (the local government experiment) is, in L&T's view, critical for enhancing and developing public employment services.

# STRATEGY AND VALUE CREATION

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# L&T's strategy: We create more value with the circular economy

At Lassila & Tikanoja, we want to contribute to solving the major issues related to climate change and sustainability. We want to take advantage of the opportunities presented by the circular economy together with our customers. Our strategy, "We create more value with the circular economy", guides our operations during the 2019–2024 strategy period.

The core of L&T's updated strategy is to make the circular economy a reality and to help our customers achieve their sustainability goals.

In the exceptional circumstances created by the COVID-19 pandemic, we have continued to execute our strategy and our development and investment projects have progressed as planned.

All of our businesses build future sustainable growth based on the circular economy and the opportunities it brings.

- **Environmental Services** circulates customers' materials efficiently and with the highest possible degree of processing, replacing fossil fuels by renewable raw materials.
- **Industrial Services** recovers industrial waste and side streams and takes care of the maintenance of industrial processes.
- **Facility Services** improves the value of our customers' properties and aims for the continuous improvement of energy efficiency, supporting the principles of the circular economy.

## Principles guiding the company's development:

We seek to operate in markets that grow faster than the GDP and in which

- we can be among the three largest companies in the market
- we have a strong position in the value chain
- competitive advantages can be created
- there are synergies with the circular economy.



## BUILDING A REGENERATIVE SOCIETY

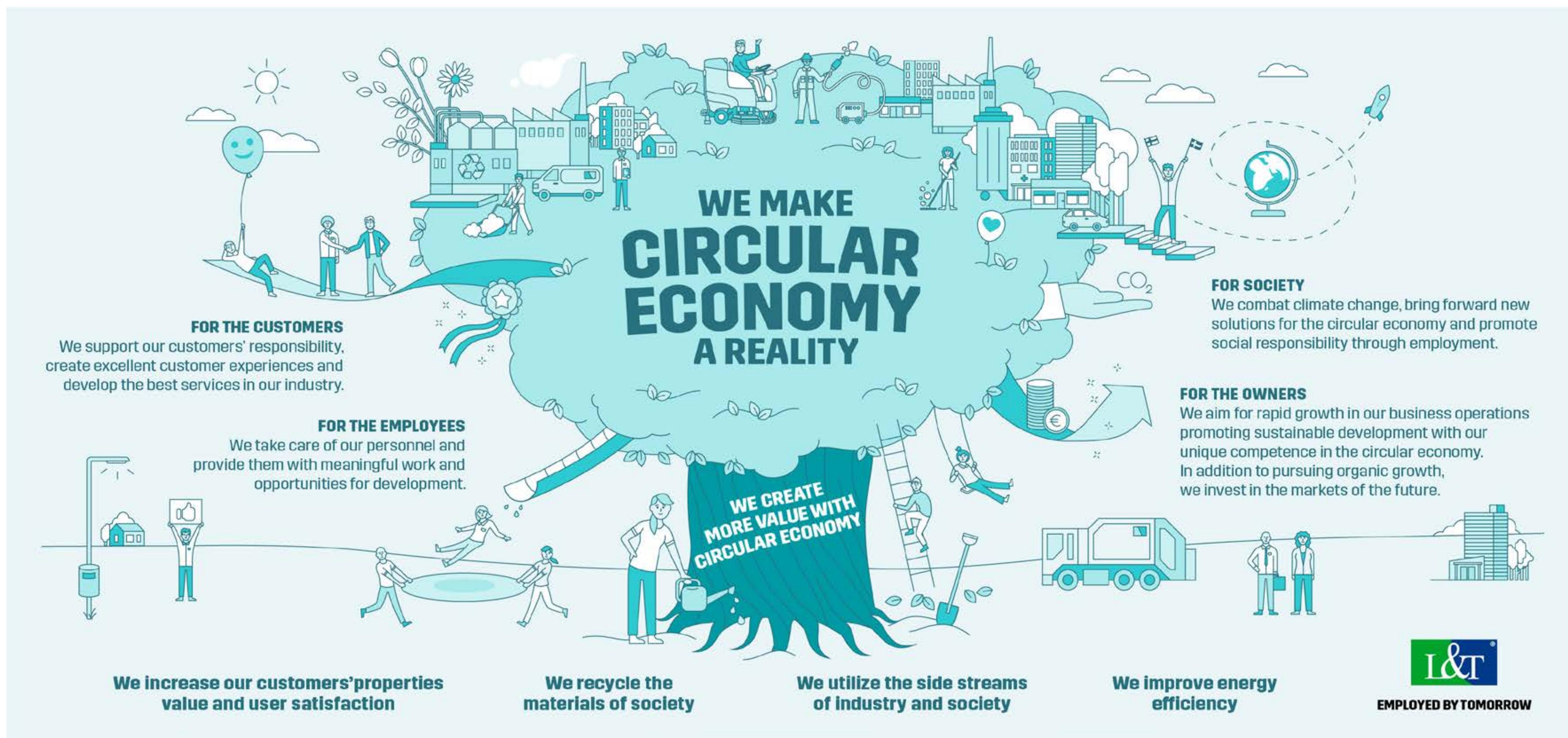
### Together towards full circularity

Our goal is a society that is in balance with the environment and uses natural resources as efficiently as possible.

It is time to roll up our sleeves and take action. We are a leader in the circular economy and we work together with our customers and partners to turn big ideas into reality.

Combined, our small actions on a daily basis have a big impact. We want to get the circular economy started in earnest.

We are moving together towards full circularity.



## We create more value with the circular economy

By investing in the sustainable solutions of the circular economy, we are seeking increasing value for all our key stakeholders.

- Value for customers:** Our strategy is to support our customers' sustainability, create excellent customer experiences and develop the best services in our industry. The value of the work we have done for our customers can be seen in, for example, an improved recycling rate, more efficient energy consumption or improved property user satisfaction. We continuously develop our services according to our customers' needs and regularly measure our success. Our goal is an excellent and continuously improving customer experience.

- Value for employees:** We take care of our personnel and offer meaningful work with competitive pay as well as opportunities for development. We want our personnel to enjoy their work and go home in good health at the end of each day. This is how we pursue continuously a better personnel experience and an increase in the personnel recommendation rate.

- Value for society:** The value we create for society comes from mitigating climate change and conserving natural resources by providing new circular economy solutions. Our objective is to continuously grow our carbon handprint, which refers to the positive climate impact of our operations. We also promote social responsibility by offering work to

### Long-term goals

Long-term goals	Target 2024	Outcome 2020
Net Promoter Score	NPS >25	NPS increased by 13 points*
Employee recommendation rate, %	>80%	82%
Carbon footprint intensity	-50% per kilometre driven by 2030, compared to 2018	818 gCO <sub>2</sub> -ekv**.
Carbon handprint intensity	Grows faster than net sales	Decrease from base year 14.1% 9.6%***
Net sales	5%	-4.1%
Return on invested capital	15%	7.5%
Gearing	less than 125%	70.9%

\* The Net Promoter Score (NPS) is determined by asking the customers who decide on agreements or orders how likely they would be to recommend Lassila & Tikanoja to a friend or colleague (on a scale of 0–10). The NPS index is calculated by deducting the share of critics (scores 0–6) from the share of promoters (scores 9–10).

\*\* Emissions from own operations (Scope 1 and 2) per kilometre driven

\*\*\* Carbon handprint intensity, i.e. the carbon handprint relative to net sales. The outcome describes the change to 2019.

persons who have difficulties finding employment or are unable to work full days.

- Value for the owners:** We aim for rapid growth in our business operations promoting sustainable development with our unique competence in the circular economy. We pursue organic growth and invest in the markets of the future.

We have made the following strategic choices in order to be able to increase the value for shareholders:

- we invest in circular economy operations
- we pursue growth especially in Sweden and in services for the industry
- we focus on improving the profitability of Facility Services in Finland
- we actively assess potential acquisition targets.

As part of our strategy, we have defined the principles that guide the company's development and enable us to increase the company's value creation in the long term.

## The carbon footprint targets have been validated as science-based targets for emissions reductions by the Science Based Targets initiative (SBTi).

In addition to traditional financial indicators, L&T's long-term targets include sustainability and stakeholder objectives on which we report at least once a year.

### L&T's value creation in 2020

L&T's value creation starts from the work we do on a daily basis: as we manage our customers' material flows and properties, we observe our working environment and use our observations to develop our customers' operations with the help of our circular economy professionals.

## L&T's value creation in 2020

### INPUTS

#### Our work input

- 8,139 L&T employees
- 13.7 million hours worked
- Investments in safety, work ability and well-being: MEUR 8.9
- Benefits paid from the sickness fund: MEUR 1.5
- Nearly 34,600 observations to improve safety

#### Our resources

- 853 heavy vehicles
- 52 recycling plants, terminals and transhipments stations
- 740,000 tonnes of customer materials collected
- 16,000 properties under maintenance (Finland)

#### Our financial input

- Shareholders' equity MEUR 192.6
- Interest-bearing liabilities MEUR 186.7
- Investments EUR 48.2

### ACTIVITIES



- More than 49,000 companies and 120,000 households
- Containers emptied 12 million times
- 14,500 hectares of managed forests
- More than 100,000 maintenance actions in Finland
- Nearly 3,000 energy efficiency proposals

### OUTPUTS

#### Healthy personnel

- Employee recommendation rate 82%
- Sickness-related absence rate 4.7% (Finland)
- Retirement age 63.7 years
- Health presentage 50% (Finland)
- 32 persons returned to working life
- LTA accident frequency 13\*

#### Realising the circular economy

- Reuse and recycling rate of customer materials 58.6%
- More than 430,000 tonnes secondary raw materials
- 2.8 TWh of fossil energy replaced
- 40,000 tonnes of waste rendered non-hazardous
- Over 160,000 tonnes of soil and side streams delivered for material recycling

#### Profitable growth

- Net sales MEUR 751.9, decline -4.1%
- Salaries, fees and social security contributions paid MEUR 315.1
- Goods, services etc. purchased MEUR 369.5
- Dividends and capital repayment paid MEUR 35.0
- Investments into the development of business MEUR 32.4

### IMPACTS

#### Mitigating climate change

- Carbon handprint of operations 1.2 million tonnes CO<sub>2</sub> (eq.)
- Carbon footprint intensity of our own operations 818 gCO<sub>2</sub> (eq.), -14.1% from base year (2018)

#### Social employment and prevention of marginalisation

- L&T's working ability team worked with 657 people in 2020

#### Improved service promoter score

- Two out of four of the business areas reach the strategic Net Promoter Score target (>25)

#### Increased well-being

- Added value created: MEUR 391.7
- Tax footprint: MEUR 169.6

\* Number of accidents leading to absence per one million working hours

## More value with the circular economy in 2020

### Value for personnel

8,139 L&T employees

#### Promoter score

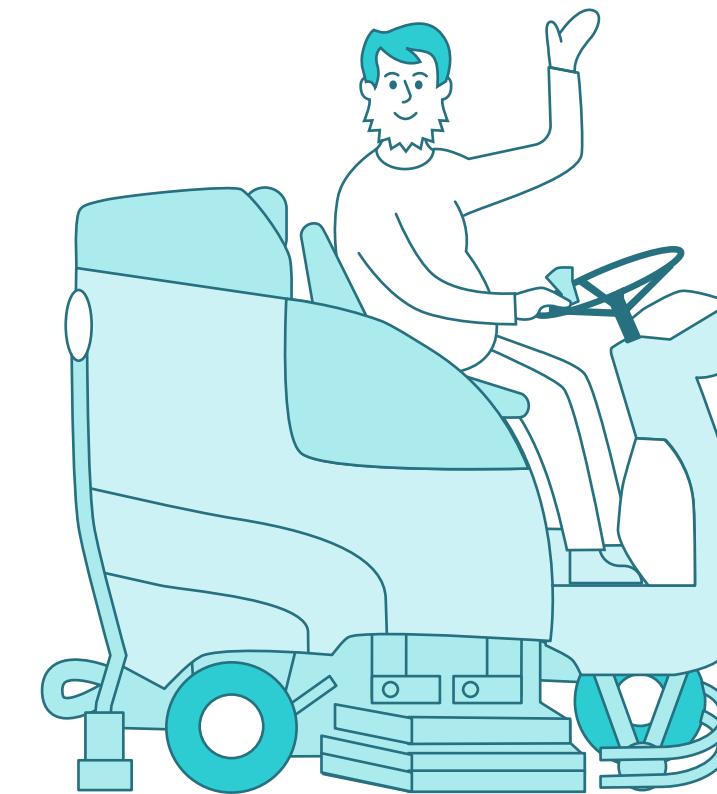
- 82% would recommend L&T as a workplace

#### Going home healthy

- Health percentage 50% (Finland)
- Sickness-related absences 4.7% (Finland)
- LTA accident frequency\* 13

#### Retiring in good health

- Average age of retirement 63.7 years
- Career paths and competence development



\* The Lost Time Accidents rate refers to the lost working time due to accidents per million working hours.

### Value for society

#### Mitigating climate change

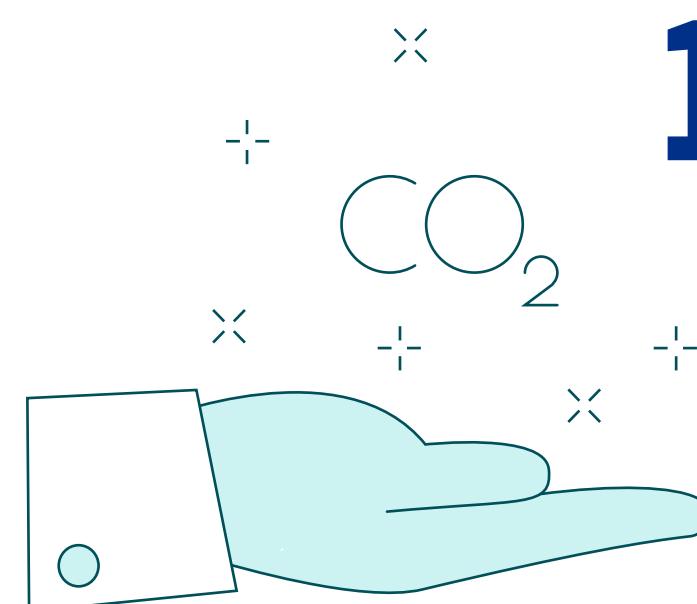
- The carbon handprint of L&T's operations is 1.2 million tonnes CO<sub>2</sub> (eq.)

#### Social employment and prevention of marginalisation

- L&T's working ability team worked with 657 people in 2020

#### Increased well-being

- Added value created: MEUR 391.7
- Tax footprint: MEUR 169.6



## Carbon handprint

# 1.2 million tonnes CO<sub>2</sub> (eq.)

L&T's operations reduce emissions by an amount that equals the annual emissions generated by 120,000 Finns.

Source: <https://www.sitra.fi/artikkeli/keskivertosuomalaisen-hiihtilajanjalki/>

### Value for customers

More than 49,000 companies and 120,000 households

#### Net Promoter Score

- Two out of four of the business areas reached the strategic target (>25)

#### Reuse and recycling rate of customer materials

- 58.6%

#### Increased energy efficiency

- 2.8 TWh saved (or fossil TWh replaced)

#### Better conditions

- More satisfied property users
- Preservation of the value of property and forest assets



#### Net Promoter Score

# 2/4

Two out of four business areas reached the strategic target (NPS >25).



### Value for shareholders

20,731 shareholders

#### Sustainable growth of the company's financial value

- Net sales, MEUR 751.9
- Adjusted operating profit\*, MEUR 39.0
- Invested capital MEUR 379.2
- Gearing 70.9%

#### Stable dividends

- Dividends paid MEUR 35.0
- 6.1% of market capitalisation

#### Adjusted operating profit\*

# 39.0 MEUR

Adjusted operating profit accounted for 5.2 per cent of net sales

\* Lassila & Tikanoja started using adjusted operating profit as a new optional key figure in 2020.

# BUSINESS AREAS

- 22 Environmental Services
- 24 Industrial Services
- 26 Facility Services Finland
- 28 Facility Services Sweden



# Environmental Services in 2020

L&T Environmental Services support customers in making the circular economy a reality. Our services include waste management, recycling, environmental products, environmental management and renewable energy sources.

The Environmental Services division's net sales decreased to EUR 289.4 million (2019: 311.2). The decline in net sales was attributable to the lower volumes and prices of recycled raw materials, the decrease in demand caused by the COVID-19 pandemic and our decision to discontinue our Russian operations.

Operating profit declined to EUR 20.0 million (2019: 32.8) due to the cost effect of EUR 9.0 million recognised in relation to the discontinuation of Russian operations. Excluding Russia, the operating profit of Environmental Services declined to EUR 28.4 million (2019: 30.5). However,



profitability remained at a good level due to active adjustment measures and improved productivity.

### Market situation

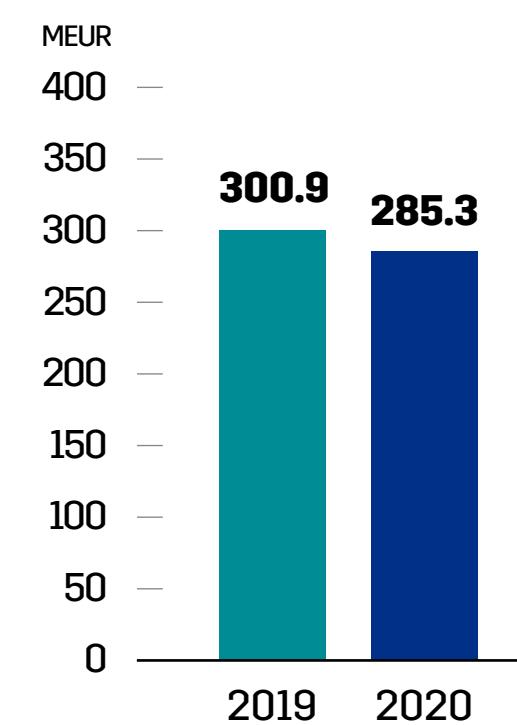
The economic uncertainty caused by the pandemic had a negative impact on the demand for L&T's services and secondary raw materials in 2020.

Awareness of climate change remained at a high level in spite of the pandemic and the understanding of the role of the circular economy in the mitigation of climate change gained strength. Our customers continued to set ambitious sustainability targets and we had the privilege of helping them achieve those goals.

We strengthened our position as a leading circular economy operator by investing in new, innovative circular economy services and material-specific circular economy solutions. This allows us to improve our customers' material efficiency and maximise the reuse and recycling of materials. The share of consulting and digital services is increasing alongside our traditional services.

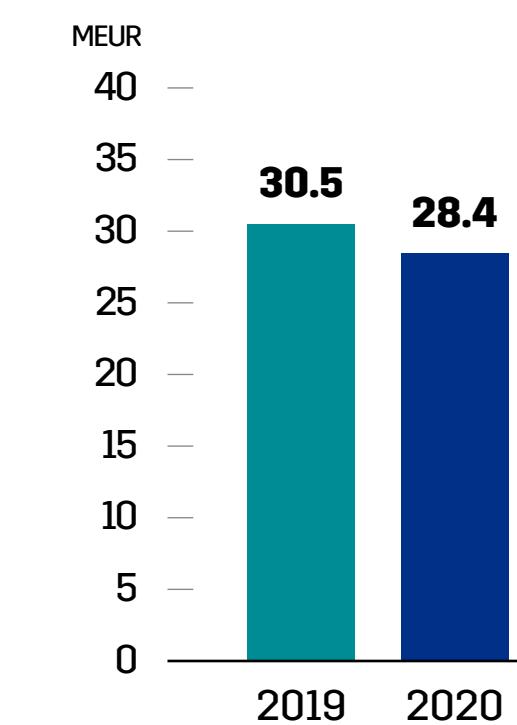
Our circular economy is based on strong presence in the different steps of the value chain of our customers' materials and our circular economy service offering which is more extensive than that provided by the competition.

### Net sales



\* Russian operations not included

### Operating profit



\* Russian operations not included

## Key actions and achievements in 2020

- Digital service use increased significantly due to the COVID-19 pandemic. Growth was seen throughout the year in the use of electronic services for corporate customers, the Oma L&T service and the Environmental Web reporting system that supports customers' environmental management.
- We expanded our growth-stage circular economy services, such as Helpponouto and environmental management expert services, to new regions and customers.
- In response to a significant change in circumstances, we decided to discontinue our Russian operations in 2020.
- We launched Helmi, a pallet produced entirely from recycled plastic.
- Finnish Packaging Recycling RINKI Ltd chose L&T as its partner for emptying cardboard, glass and plastic packaging containers as well as small metal recycling containers at all Rinki eco take-back points in the Uusimaa region.
- We acquired the waste management and recycling business of Kuusamon Jätehuolto Oy in June. The acquisition represents another step in our efforts to enhance recycling in Lapland.
- Our customer satisfaction grew and personnel satisfaction remained excellent.

# Industrial Services in 2020

The Industrial Services division includes process cleaning, sewer maintenance, hazardous waste services and environmental construction. We serve our customers in the waste and side stream value chain from the creation of waste to their reuse and material recycling.

The Industrial Services division's net sales increased to EUR 101.8 million (2019: 98.9). Operating profit declined to EUR 7.1 million (2019: 9.9).

In Industrial Services, demand for services fluctuated heavily due to the COVID-19 pandemic and was difficult to predict in 2020. Scheduled industrial maintenance breaks were postponed to the latter part of the year due to the pandemic, which had a negative impact on net sales and financial performance earlier in the year. Fluctuating demand and lower prices for recycled raw materials reduced operating profit from the



comparison period. In the second half of 2020, net sales increased due to new customer agreements and annual maintenance projects postponed from the first half of the year, and operating profit was at the previous year's level.

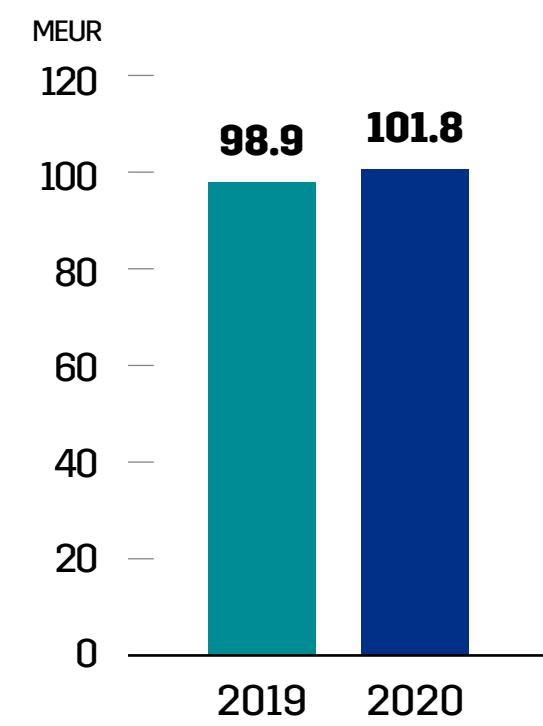
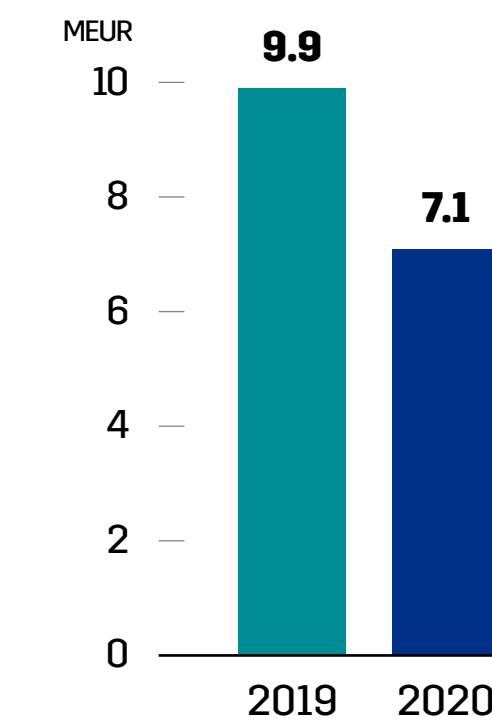
### Market situation

The economic uncertainty caused by the COVID-19 pandemic was reflected in the demand for industrial services in 2020 and made it difficult to predict. The measures and recommendations issued by the authorities to manage the pandemic and the resulting customer-specific production restrictions and adjustment measures are expected to be reflected in the demand for separately ordered services, such as process cleaning.

Our position as a leading provider of industrial services is based on our strong presence in the various steps of the customer's value chain. We develop and manage extensive bundle of services by utilising L&T's comprehensive service provision. Our business is based on knowing the customers, and our customer satisfaction was maintained at an excellent level. We acquired new customers in 2020, which strengthened our market position.

As the environmental requirements get stricter, industries must take a more active approach to the recovery of waste and side streams.

We help our customers in this work by developing new cleaning and processing methods.

**Net sales****Operating profit**

### Key actions and achievements in 2020

- We developed our operating methods to ensure hygiene safety in connection with significant industrial maintenance shutdowns.
- The new material efficiency centre in northern Finland started its operations in October 2020. It processes industrial side streams and contaminated soil from the region into useful materials.
- We continued our active development efforts to improve the processing methods of liquid waste.
- We expanded the Industrial Services division's operations in southern and southeastern Finland as well as in the Turku region by acquiring the share capital of Oakland Service Oy. Oakland Service provides demanding special cleaning services for industrial facilities, the construction sector and the maritime trade as well as sewer maintenance services for businesses and housing companies. We also expanded our operations in the Savo region.
- We continued significant process cleaning co-operation with companies in the chemical and forest industries and signed new co-operation agreements.
- We continued with the planning of the new operating model and ERP system with the aim of deploying them in 2021.
- Customer satisfaction remained high in 2020 and personnel satisfaction improved.

# Facility Services Finland in 2020

Facility Services Finland provides property service solutions for the circular economy by producing cleaning and support services, property maintenance and technical services. Our goal is to improve the value and life-cycle of our customers' properties and the satisfaction of property users.

The net sales of Facility Services Finland decreased to EUR 232.3 million (2019: 249.1). Operating profit improved substantially and amounted to EUR 3.2 million (2019: -4.1).

The operating profit of Facility Services Finland improved significantly due to improved operational efficiency and quality. Operating profit increased in all service branches, especially in the cleaning business.

The COVID-19 pandemic weakened demand in all service branches, especially in the maintenance of technical systems. However, Facility Services



Finland was able to take advantage of the opportunities created by the COVID-19 pandemic and adapt its operations to the lower demand conditions resulting from the pandemic. Employee and customer satisfaction improved significantly, rising to record levels.

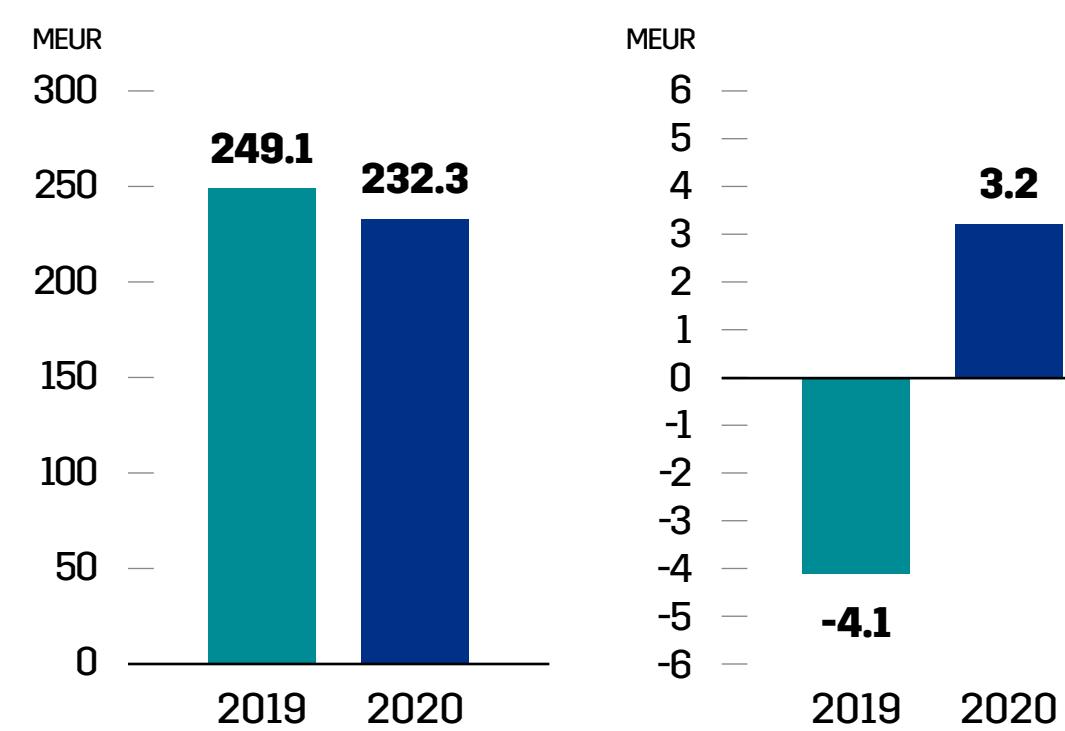
### Market situation

The measures and recommendations issued by the authorities to restrict the COVID-19 pandemic and the resulting customer-specific production restrictions and adjustment measures affected the operations of Facility Services Finland throughout 2020 and they are expected to still cause disruptions in service production during 2021. The effect was apparent in all services with an emphasis on separately ordered maintenance of technical systems services.

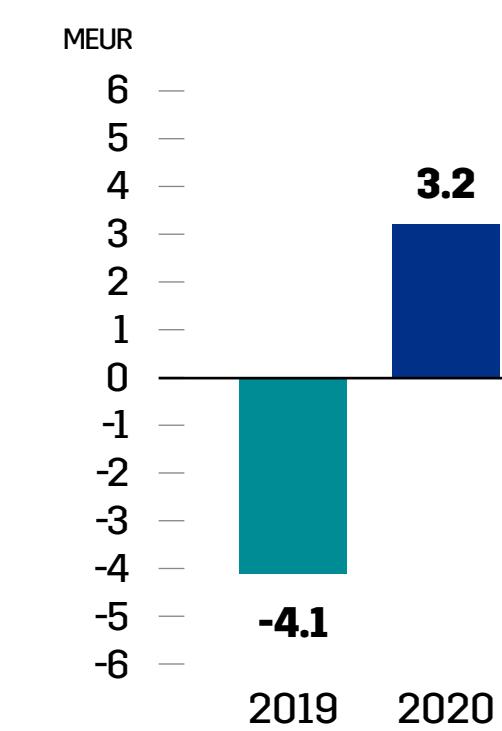
The accumulated repair backlog of the property stock continued to grow. Increasing sustainability requirements support the demand for energy efficiency solutions and solutions related to the analysis and optimisation of various conditions. As a result of urbanisation, market growth is focused on growth centres.

The availability of labour is becoming a bottleneck to the long-term growth of the market. The multi-year earnings development programme of the property service sector has increased salaries in the field substan-

### Net sales



### Operating profit



tially faster than the general development of income, but this has not resolved the labour availability problem. The decline in general economic activity caused by the COVID-19 pandemic improved the availability of labour in 2020.

We seek growth in selected strategic customer segments. This will be achieved by developing circular economy solutions for properties, enabling the improvement of the value and life-cycle of our customers' properties and the satisfaction of property users.

### Key actions and achievements in 2020

- We improved the customer experience in all of our service branches and the personnel experience in all sectors of our organisation.
- We established tens of epidemic cleaning strike forces across Finland. The epidemic cleaning strike forces disinfected hundreds of premises following COVID-19 exposures.
- We trained our customers and other stakeholders regarding the significance of high-quality cleaning in the prevention of various epidemics. We organised a series of webinars and published a number of information packages on topics such as ensuring the hygiene safety of office premises and schools.
- The L&T Smartti service for the management of energy efficiency in properties was expanded to include a property optimisation service that takes advantage of artificial intelligence.
- We sparked discussion about the working conditions of schools by creating a new subject, learning environment studies. We provided schools with learning materials that help engage students in improving their learning environments.
- Lujatalo, with L&T as its partner, was chosen to implement the Puotila comprehensive school life-cycle project in Helsinki, which is one of the City of Helsinki's first projects implemented with the life-cycle model.
- We entered into new customer relationships despite the challenging market situation and improved the quality of operations in all our service lines.

# Facility Services Sweden in 2020

Facility Services Sweden makes the circular economy a reality through profitable properties with long and sustainable life-cycles. We provide technical services and cleaning services for properties.

The Facility Services Sweden division's net sales grew to EUR 134.5 million (2019: 131.8) in 2020. Operating profit declined to EUR 3.5 million (2019: 3.8).

The impact of the COVID-19 pandemic was visible throughout the year in Sweden. Operating profit during the review period was weighed down by a higher-than-usual sickness rate and the resulting increase in subcontracting costs, on the one hand, and the reduced orders of part of the customer base, on the other hand. The Swedish state's support measures for businesses slightly compensated for the impacts of the pandemic starting from the beginning of May. The profit of Facility Services Sweden is good considering the difficult COVID-19 situation in Sweden.



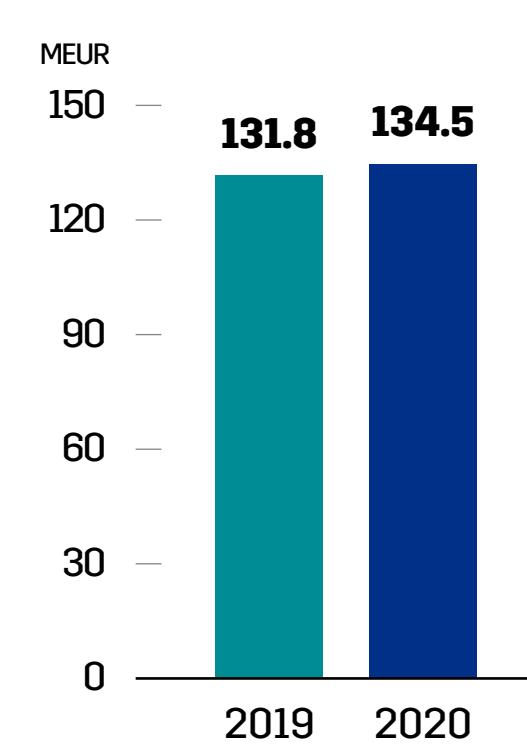
## Market situation

In the Swedish facility services market, the majority of our business operations is within technical systems services. In technical systems services, we are the market leader within the hospital segment, which has strong growth prospects. The privatisation of hospital and municipal maintenance services, the accumulated renovation debt of the property base as well as the more technical property base increase the market in the short and medium term. Facility Services Sweden strengthened its position in hygiene cleaning services for the food industry in 2020. The commercial sector also presents stable growth opportunities.

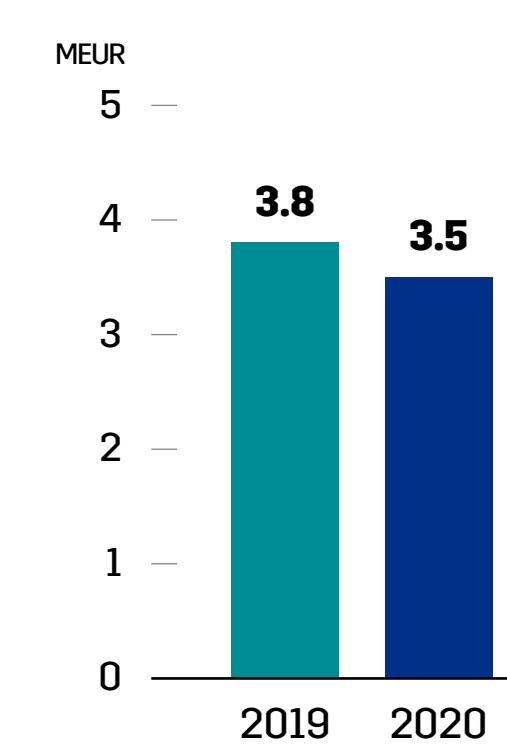
The growth of sustainability requirements is a significant opportunity for our business. Customers want to reduce their carbon footprint and energy consumption, and we are here to help them reach their goals.

Instead of competing with prices, we focus on lowering customers' life-cycle costs with the help of quality services, high technical systems competence and understanding local customer accounts. We make the circular economy a reality through profitable properties with long and sustainable life-cycles.

### Net sales



### Operating profit



## Key actions and achievements in 2020

- We provided strong support for our customers in the hospital segment at the outset of the COVID-19 pandemic. For example, we helped adapt the ventilation of operating rooms to suit the treatment of COVID-19 patients, which provided more treatment capacity for the growing group of patients.
- At the start of the COVID-19 pandemic, we acquired significant new customers in the context of supporting the safe use of public premises during the pandemic.
- We strengthened our position in hygiene cleaning services in the food industry.
- We switched to a common ERP system, which enhanced co-operation.
- In accordance with our new procurement plan, we are transitioning to using electric vehicles as our company cars.
- We enhanced our internal communication to ensure that our employees had access to up-to-date information on pandemic-related work instructions and the situation in general.
- Our customer satisfaction grew and we achieved our target level. More than 80 per cent of our personnel are prepared to recommend L&T as an employer.

# SUSTAINABILITY

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- 70 Ensuring compliance with regulations



# Sustainability is the starting point for our business

At Lassila & Tikanoja, we are committed to operating sustainably and being an action leader in the circular economy. There are plenty of circular economy thought leaders in Finland. We combine expertise with the ability to put the circular economy into practice. For us, sustainability means supporting our customers' sustainability efforts, reducing the environmental impacts of our operations, promoting employee well-being and diversity as well as ensuring the sustainability of our value chain.

Sustainability is an integral aspect of L&T's strategy, business operations and day-to-day work, because our operations play a central role in enabling the sustainability of our customers. The most significant impacts of our operations are reflected in the sustainability benefits we create for our customers.

We continuously seek better results in the utilisation of customer materials, reduction of emissions and energy consumption as well as the development of circular economy solutions and services.

Due to the nature and scale of our operations, we can have a significant impact on the mitigation of – and adaptation to – climate change. We systematically increase our carbon handprint while reducing the carbon footprint of our operations.

As a large employer and service company, we bear social responsibility by looking after the occupational well-being and work ability of our employees as well as ensuring equality and diversity. We believe that a good employee experience goes hand in hand with a good customer experience. We want to promote fair treatment in

the society in co-operation with our customers through employment, and do this by, for example, providing work for people who are struggling to find employment.

Our sustainability efforts cover the entire value chain of our business. We take an uncompromising approach to ensuring the compliance and sustainability of our operations. We recognise our environmental and employer obligations and reduce the environmental impacts of our operations. In our supply chain, we evaluate and monitor the responsibility of our suppliers and require our partners to operate in accordance with our sustainability principles.

Our premise is that when we operate sustainably and create sustainable added value for our various stakeholders, we will also increase the value we create for our owners. We regularly report on the financial impacts of our operations and our tax footprint.

More information on our value creation for our various stakeholders is provided under "L&T's value creation in 2020" on page 19.

## Our key commitments

L&T is committed to supporting international declarations and agreements. The most significant of these are the following:

- UN Sustainable Development Goals since 2018
- Global Compact principles since 2018
- ILO Declaration on Fundamental Principles and Rights at Work
- Universal Declaration of Human Rights.

We have also set scientific climate targets approved by the Science Based Targets initiative and made a commitment to reducing the emissions generated by our own operations by 2030 in line with the target. We are also committed to reporting on the climate impacts of our operations in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our report in accordance with the TCFD recommendations is provided under "Risks and opportunities of climate change".

## Our key sustainability commitments and sustainable development indices



### L&T promotes its customers' responsibility

- We extend the life of properties and provide guidance on sorting waste.
- We create good working and living conditions and help conserve energy.
- We provide industrial support services and take care of side streams in an environmentally sustainable and safe manner.
- We reduce the environmental impacts of our transports.
- We process customer waste and side streams for utilisation according to the order of priority.
- We provide bio and secondary raw materials for the industry, thereby increasing the carbon handprint of our operations.
- We take care of our personnel and employ special groups.
- We also ensure the sustainability of our subcontractors.
- We increase our customers' environmental expertise.
- We contribute to creating the conditions for the circular economy and help our customers transition to the circular economy.



## BUILDING A REGENERATIVE SOCIETY



## A responsible partnership

Lassila & Tikanoja is one of Kesko's strategic sustainability partners in areas such as waste management, circular economy and cleaning services. The wide-ranging partnership covers hundreds of K Group operating locations.

"This is a partnership between two leading companies in their respective industries. L&T has the necessary resources, expertise and know-how as well as the desire to continuously develop the partnership," says **Hanna Lehmuskoski**, Environmental Manager for grocery retail operations at Kesko.

"Kesko is one of the world's most sustainable retail operators. Its targets exceed the industry averages and regulatory requirements by a large margin. Our job is to help Kesko achieve results that are in line with its ambitious targets," says **Petri Salermo**, Senior Vice President, Environmental Services at L&T.

## Our sustainability efforts are guided by our sustainability programme

The development of L&T's sustainability is driven by the Group's sustainability programme. The programme takes into account the material aspects of sustainability and sets measurable targets where applicable.

The focal points of our sustainability programme are determined based on the impacts of our operations, the expectations of the central stakeholders and the strategic priorities. We have also taken into account the special characteristics of the business and operating environment of a service company in the environmental sector as well as the UN Sustainable Development Goals and the objectives of the Global Compact initiative. More information on the materiality analysis of sustainability and the choices made is provided under "[Materiality and stakeholder engagement](#)" in this report.

The key sustainability targets of the sustainability programme are included in the Group's long-term strategic objectives and we aim to regularly report on our progress towards these targets in 2021 in connection with our interim reports.

## Managing sustainability

At L&T, the management of sustainability is integrated into business management. Sustainability is an element of the company's strategy. L&T's Board of Directors confirms the sustainability programme in connection with the strategy.

and sets the company's long-term targets.

In 2020, we revised and enhanced our sustainability management model, which will be adopted at the beginning of 2021. Our goal is for the revised management model to support the management and implementation of the sustainability programme and increasingly integrate sustainability into the company's management system.

The Board of Directors has monitored the progress of the sustainability programme annually. In January 2021, the Board's Personnel Committee will be renamed as the Personnel and Sustainability Committee. Going forward, sustainability will be on the committee's agenda regularly, at least three times per year.

The Group Executive Board and the business-level management teams guide and regularly monitor the progress of the sustainability programme. Starting from 2021, the monitoring of sustainability will be on the agenda of management teams at least on a quarterly basis, which will enable the more effective management of sustainability. The development efforts will primarily take place in business-driven working groups. The Director of Corporate Relations and Responsibility and the communications and sustainability organisation operating under their supervision are in charge of the practical coordination and reporting of sustainability. In addition, each L&T employee has an obligation to perform their duties in compliance with the principles concerning sustainability.

In our decision-making and corporate governance,

## L&T corporate responsibility - key elements



### Circular economy and climate change mitigation

#### STRATEGIC GOALS:

- We increase the carbon handprint of our operations faster than net sales.**
- We will reduce our own carbon footprint by 50% per kilometre driven from the 2018 level by 2030.**

We promote the sustainable use of materials and energy and reduce the amount of waste generated by our customers.

### A healthy, diverse and productive workplace community

#### STRATEGIC GOAL:

- Increasing the employee promoter score to 80%.**

We look after the well-being, work ability and occupational safety of our personnel.

We provide employment to special groups and persons with disabilities.

We create economic growth and well-being.

### Sustainable industry and cities

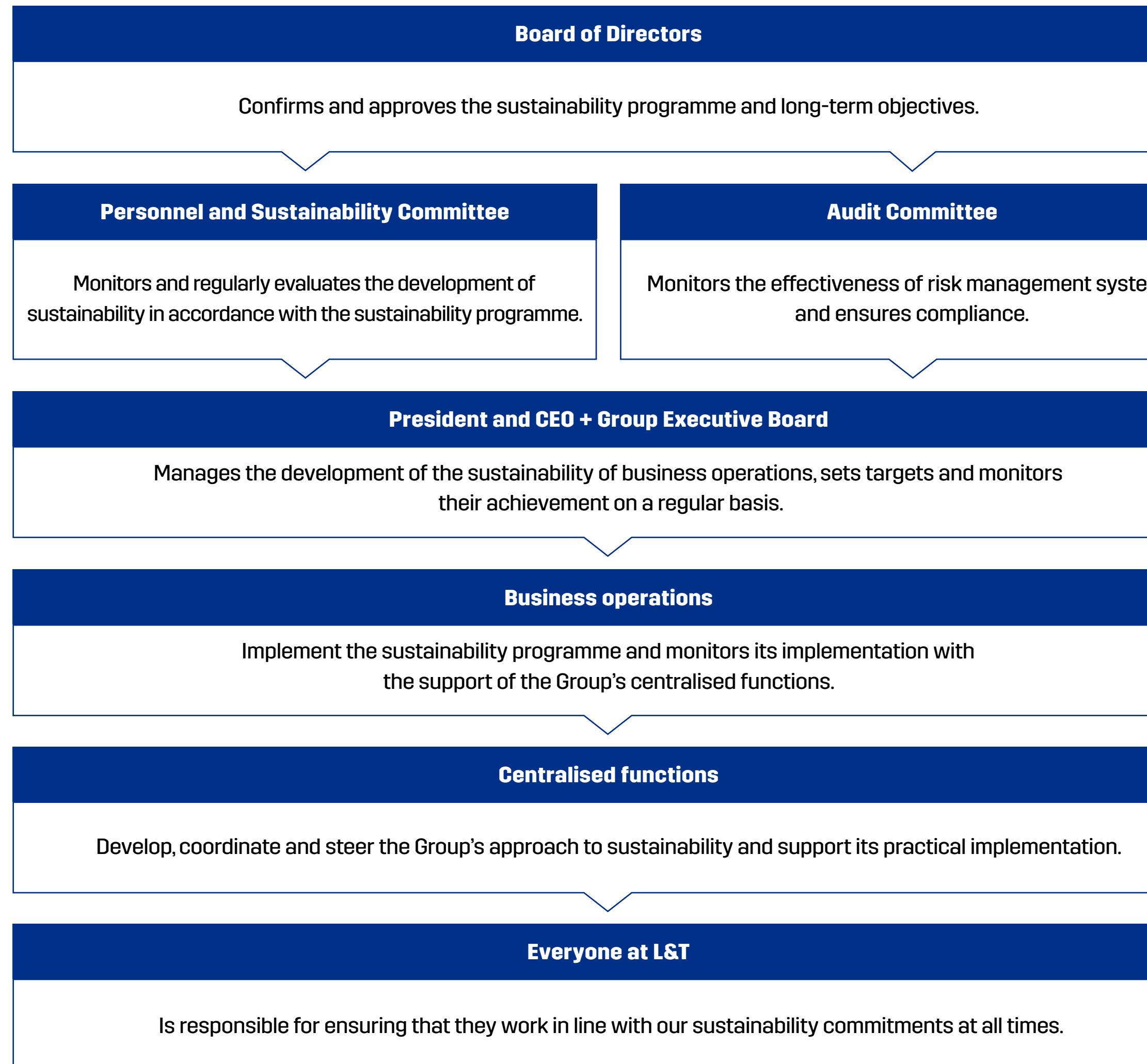
We promote the development of industrial infrastructure in line with the principles of sustainable development, the recovery of industrial side streams and closed cycles.

We find innovative solutions to build sustainable cities and create healthy and safe environments.

### Legal and regulatory compliance

We ensure that everything we do complies with our legal and ethical responsibilities.  
We ensure that all our goods and services are responsibly sourced.

## Managing sustainability at L&T



we observe the Finnish Companies Act, other regulations governing listed companies, L&T's Articles of Association, the charter of L&T's Board of Directors and its committees and the rules and guidelines of Nasdaq Helsinki Ltd.

The management of risks related to sustainability is part of the Group's comprehensive risk management, which aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's objectives are achieved. More information on the key risks and their management is provided in the [Financial Review](#) beginning on page 30.

### Our management system supports uniform operating methods

The objective of L&T's management system is to improve management practices, clarify rules and make the implementation of the strategy more efficient. The well-being of personnel, a safe working environment and exemplary operation in environmental matters are central to the system. The management system has been certified in accordance with ISO 9001, ISO 14001 and ISO 45001 standards. In 2020, certification covered nearly 90 per cent of L&T's business operations and personnel in Finland. In Sweden, the certification covered all of our business operations.

# Materiality guides our sustainability efforts and stakeholder relations

The focus areas of our sustainability programme and sustainability efforts are based on a materiality analysis. The assessment of materiality is an ongoing process that guides our sustainability efforts and stakeholder relations.

The material aspects of L&T's sustainability are based on the key impacts of our operations and the expectations of our stakeholders. The materiality assessment is based on an extensive stakeholder survey conducted in 2018 as well as regular stakeholder-specific surveys and dialogue. The assessment also takes into account the UN Sustainable Development Goals and the Global Compact principles.

## The key impacts of our business

### Environmental impacts

L&T's environmental impacts occur particularly through the services we produce for our customers. We increase our customers' material reuse and recycling, process materials into secondary raw materials for the needs of industries and replace fossil fuels with biofuels and solid recovered fuels. This allows us to significantly mitigate climate change and preserve natural resources.

In our own activities as a significant logistics operator, we particularly focus on reducing the emissions caused by collection and transport services. We also ensure the environmental sustainability of our material processing, storage and final disposal operations as well as uncompromising compliance with environmental legislation and standards. We require the same of our subcontractors.

### Social impacts

As a significant employer and service enterprise, the focus of L&T's social sustainability is on the Group's employees. The key impacts of our operations are related to promoting the work ability of our personnel, improving occupational well-being and safety as well as promoting diversity. Through our actions in these areas, we can have an impact on the extension of careers and employee satisfaction, for example.

We can also reduce inequality in society by offering work to people who have difficulties finding employment or are unable to work full days.

We respect human and labour rights as well as national legislation, agreements and other obligations to ensure the equal treatment of our personnel. We require the same of our subcontractors.

### Economic impacts

The sustainable growth of shareholder value is the key economic impact of our operations. We pursue faster and more profitable growth compared to our market, all the while maintaining a good financial standing and financial flexibility.

We are among the most significant employers in our operating locations and the wages and taxes we pay – as well as our purchases – have a substantial impact on municipal finances and economic activity in each area.

We ensure the sustainability of our governance by observing the Finnish Companies Act, other regulations governing listed companies, L&T's Articles of Association, the charter of L&T's Board of Directors and its committees and the rules and guidelines of Nasdaq Helsinki Ltd in our decision-making and administration.

### Stakeholder expectations

Our stakeholder engagement is focused on the stakeholders who are the most affected by the impacts of our operations and whose actions have the greatest influence on the achievement of our business objectives and sustainability targets.

Our key stakeholders include our customers, current and potential employees, investors as well as national and regional policymakers and influencers, including non-governmental organisations and the media.

With the help of an extensive stakeholder survey and regular stakeholder engagement, we have comprehensively assessed our stakeholders' expectations concerning our operations and summarised these expectations in three key themes.

- **An action leader in sustainability**

As a leader in its field, L&T is expected to develop the entire industry in the right direction for society and to conduct itself correctly and sustainably in environmental matters.

- **A good employer**

As a large employer and service enterprise, we are also expected to be a responsible employer that looks after the well-being of its personnel and treats its personnel appropriately and fairly while exercising special care with regard to the employment of people who are in vulnerable positions.

- **A useful partner**

L&T is expected to be a useful partner for its customers, developing new services and supporting the customers in their work towards their goals as well as keeping its promises.

## Stakeholder engagement in 2020

Stakeholder	Key expectations	Description of relevant interaction in 2020
<b>Customers</b>	A good employer, a useful partner, interaction	<ul style="list-style-type: none"> <li>We conducted a Net Promoter Score (NPS) survey of our corporate customers in Finland and Sweden and received more than 2,700 assessments of our operations. Our group-level result improved by 13 points compared to the previous survey. We put the results to use at the division, service line and unit levels to improve the customer experience.</li> <li>We conducted 90 digital customer-specific satisfaction surveys that provided valuable information on our day-to-day performance. The performance of our customer service was measured by means of a continuous survey that was sent to more than 67,000 contact persons.</li> <li>During the year under review, more than 50 customers had access to L&amp;T's online training on waste management and we organised hundreds of other customer training and information events, mostly as webinars and remote meetings. Furthermore, we conducted more than 200 joint development projects of different sizes with our customers.</li> <li>We managed and developed customer relationships through development and steering groups.</li> <li>We sent more than 60 newsletters to our customers to address current issues. We actively produced content for our blogs and invited interested parties to subscribe to them by e-mail. We also organised 10 customer events to share information about L&amp;T's services. The majority of these were organised remotely due to the COVID-19 pandemic.</li> </ul>
<b>Personnel</b>	A leader in sustainable business, a good employer	<ul style="list-style-type: none"> <li>We conducted a Filinki personnel satisfaction survey to collect data on employee motivation, supervisory work and management. Based on the results, we identified development measures and began to implement them in our organisation.</li> <li>We focused on regular communication aimed at our personnel with regard to topics such as COVID-19 and the use of safe working methods and procedures. We developed the digital competencies of our employees to support their ability access our communications.</li> <li>We continued to develop our human resources management with the aim of continuously improving supervisory work and employee engagement as well as build more effective operating models.</li> <li>We supported the professional development of our personnel through learning on the job, career paths, job rotation and training. We promoted the competence of our supervisors by providing training related to supervisory work and supervisor communications, for example. Personnel development was based on development discussions.</li> <li>We work together with shop stewards and aim to have employees represented at various levels of management, from the group level to the business level.</li> <li>We communicated with our personnel using our upgraded intranet, the Letti personnel magazine, videos, newsletters, text messages, WhatsApp messages and our internal Yammer and Facebook networks.</li> </ul>
<b>Potential employees</b>	A good employer	<ul style="list-style-type: none"> <li>We continued national and systematic co-operation with education institutes by means of vocational, recruitment and apprentice training as well as workplace learning periods.</li> <li>We participated in projects, such as the lisisti töihin project coordinated by the Finnish Institute for Health and Welfare, to improve the opportunities of persons with reduced work ability to find employment in the open labour market.</li> <li>During the year under review, we participated in 11 virtual recruitment and career events to provide information on L&amp;T's career opportunities and operations.</li> <li>We recruited more than 600 summer workers and joined the Responsible Summer Job campaign.</li> <li>We participated in the HuippuHarkka programme coordinated by the Finnish Children and Youth Foundation. We offered six training periods during the programme and signed employment agreements with two young participants at the end of their training period.</li> <li>We offer rewards for recruitment referrals and engage in national co-operation with Employment and Economic Development Offices and Centres for Economic Development, Transport and the Environment. We regularly survey L&amp;T's employer image to support its continued development.</li> <li>Our employee ambassadors were active on social media using the #ihantikkana hashtag. We produced content illustrating the daily work of L&amp;T employees on Instagram, Twitter and Facebook.</li> <li>We also focused on recruitment marketing on social media and traditional media.</li> </ul>

<b>Stakeholder</b>	<b>Key expectations</b>	<b>Description of relevant interaction in 2020</b>
<b>Investors and shareholders</b>	A useful partner, a leader in sustainable business	<ul style="list-style-type: none"> <li>• We met with investors and analysts at approximately 30 different events, including seminars, group meetings and webinars – most of which were conducted remotely – as well as our Annual General Meeting.</li> <li>• We engaged in active dialogue with identified analysts who monitor L&amp;T regarding the company's ESG performance with the aim of developing our reporting to respond to market expectations even better.</li> <li>• We used stock exchange releases, press releases and our website for regular communication with the capital markets.</li> </ul>
<b>Decision-makers and influencers (including national and regional decision-makers and NGOs)</b>	A leader in sustainable business, a good employer	<ul style="list-style-type: none"> <li>• We participated actively in the work of industry and labour market organisations in Finland and at the EU level.</li> <li>• In 2020, the focus in Finland was on the implementation of the EU's Circular Economy Package and the reform of the Finnish Waste Act, which is scheduled to be discussed by the parliament during the beginning of year 2021. We also participated in the preparations in Finland concerning market-based instruments to promote the circular economy.</li> <li>• We participated in the preparation of decisions concerning waste transport systems at the municipal level.</li> <li>• We proposed new initiatives to the labour and industry authorities concerning the promotion of employment of persons with disabilities.</li> </ul>
<b>Media</b>	A leader in sustainable business, a good employer	<ul style="list-style-type: none"> <li>• We responded to dozens of media contacts to satisfy journalists' information needs or to identify interviewees.</li> <li>• We published 32 press releases and organised media events and meetings in connection with our interim reports, for example. We addressed current topics in opinion pieces.</li> </ul>

## Materiality assessment

In our materiality assessment of sustainability, we identified the sustainability aspects that are the most material with respect to our business and strategy. We placed them in three categories based on stakeholder expectations and the impacts of our operations. As drivers of our sustainability efforts, we have also identified six UN Sustainable Development Goals that we are committed to promoting.

## Leadership and best practice

The material aspects of sustainability with respect to the impacts of L&T's operations, strategy and stakeholders, in which we pursue leadership and aim to create best practices in our industry.

## Responding to stakeholder expectations

Other areas of sustainability which we consider relevant for the company's operations and stakeholders, in which we aim to meet the expectations of our stakeholders and act according to them.

## Compliance

For other sustainability aspects that are material to L&T's business operations, our aim is, at a minimum, to ensure regulatory compliance.

## Sustainability materiality analysis 2020

### UN Sustainable Development Goals guide our sustainability efforts

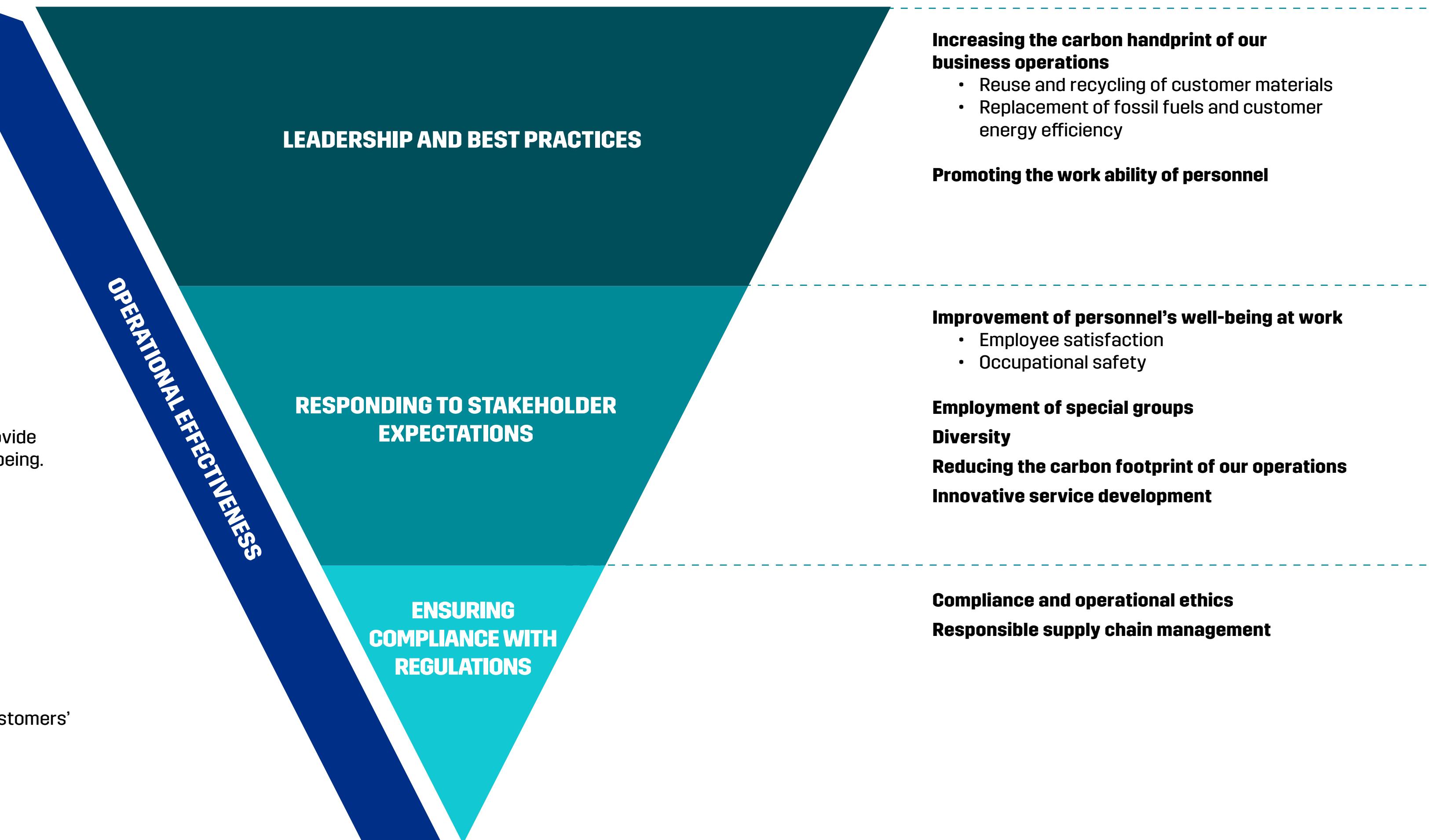
We replace virgin raw materials with secondary raw materials and fossil fuels with bioenergy, and we create new service solutions that promote the circular economy and reduce our own emissions.



We endeavour to build a healthy, diverse and productive work community, provide diverse employment and create sustainable economic added value and well-being.



We promote sustainable industry and sustainable cities by developing our customers' operations and by creating new innovative service solutions.



# L&T's sustainability programme 2019–2024

Priorities	Aspects	Goals and indicators
 <b>Circular economy and climate change mitigation</b>	<ul style="list-style-type: none"> <li>• We increase the carbon handprint of our operations.</li> <li>• We reduce our own carbon footprint.</li> <li>• We promote the sustainable use of materials and energy and reduce the amount of waste generated by our customers.</li> </ul>	<p><b>Strategic goals:</b>  <b>Increasing the carbon handprint of our operations faster than net sales.</b>  <b>Reducing our emissions by -50% per kilometre driven by 2030, compared to 2018.</b></p> <p><b>Supporting indicators:</b>          Increasing the reuse and recycling rate of waste collected from customers to 60%, rising to 70% in the long term.          Improving customers' energy efficiency          70% (by spend) of L&amp;T's biggest suppliers and subcontractors will set their own emission targets by the end of 2024</p>
 <b>A healthy, diverse and productive workplace community</b>	<ul style="list-style-type: none"> <li>• Looking after the well-being, work ability and occupational safety of our personnel.</li> <li>• We provide employment to special groups and persons with disabilities.</li> <li>• We promote the creation of a diverse workplace community</li> <li>• We create economic growth and well-being.</li> </ul>	<p><b>Strategic goal:</b>  <b>The employee recommendation rate 80%.</b></p> <p><b>Supporting indicators:</b>          The average retirement age will rise to 64, with a long-term target of 65.          Reducing sickness-related absences to 4.5%.          The occupational health rate 45%.          Continuous improvement of occupational safety, with the ultimate target being zero accidents.          Employment of special groups.          Increased well-being, increasing financial added value.          Reporting the tax footprint.</p>
 <b>Sustainable industry and cities</b>	<ul style="list-style-type: none"> <li>• We promote the development of industrial infrastructure in line with the principles of sustainable development, the recovery of industrial side streams and closed cycles.</li> <li>• We find innovative solutions to build sustainable cities and create healthy and safe environments</li> </ul>	<p><b>Supporting indicators:</b>          Developing and introducing new, sustainable and safe methods.          Increasing the productive use of industrial side streams and contaminated land.          Solutions for maintaining sustainable urban infrastructure and developing sustainable cities.          Creating healthy and safe conditions for people.          Reducing the use of chemicals and increasing the proportion of ecolabelled products.</p>
 <b>Ensuring regulatory compliance</b>	<ul style="list-style-type: none"> <li>• We ensure that everything we do complies with our legal and ethical responsibilities.</li> <li>• We ensure that all our goods and services are sustainably sourced.</li> </ul>	<p><b>Supporting indicators:</b>          No serious accidents or infractions.          All new L&amp;T employees are required to familiarise themselves with our Code of Conduct and this is reviewed regularly.          Focusing procurement on suppliers who are committed to L&amp;T's sustainable supply chain policy.          We conduct annual risk-based audits of all our suppliers.</p>



# L&T leads the way in mitigating climate change

L&T aims to mitigate climate change and be an action leader in the circular economy. We realise our environmental responsibility particularly by increasing our carbon handprint.

Environmental responsibility and sustainable development are the starting point for our business. The services we produce for our customers reduce emissions. This constitutes our carbon handprint, and increasing it is one of our strategic long-term objectives. In addition to focusing on our positive climate impacts, we also mitigate climate change by reducing the greenhouse gas emissions of our own operations. During the year under review, our emission reduction target was validated as science-based targets by the Science Based Targets initiative (SBTi), which aims for the global reduction of greenhouse gas emissions. We are also active in our efforts to promote the necessary operating conditions for the circular economy.

## Sustainability programme priorities



### Circular economy and climate change mitigation

Priorities and objectives 2019–2024	Indicators 2020	Our success	Notes
<b>We increase the carbon handprint of our operations</b>			
<p>Strategic goal:</p> <p>The carbon handprint of our operations grows faster than our net sales</p> <p>Carbon handprint growth vs. net sales growth</p>	<ul style="list-style-type: none"> <li>L&amp;T's carbon handprint: 1.2 million (2019: 1.2) CO<sub>2</sub> equivalent tonnes.</li> <li>Change in carbon handprint 9.6%* vs. net sales growth (-4.1%)</li> <li>Energy items replaced 2.8 TWh (2019: 2.6)</li> </ul>		*Carbon handprint intensity: ratio to EUR 1 million
<b>We reduce our own carbon footprint</b>			
<p>Reducing our emissions by -50% per kilometre driven by 2030, compared to 2018.</p> <p>Reducing other indirect emissions caused by the supply chain: 70% of L&amp;T's biggest suppliers and subcontractors will set their own emission targets by 2025.</p>	<ul style="list-style-type: none"> <li>Carbon footprint intensity: 818 CO<sub>2</sub> equivalent grams*. Reduction from base year 14.1%</li> </ul>		*Carbon footprint intensity: Scope 1 and 2 emissions divided per kilometre. Base year 2018.
<b>We promote the sustainable use of materials and energy and reduce the amount of waste generated by our customers.</b>			
<p>Increasing the reuse and recycling rate of customer materials to 60% with a long-term goal of 70%.</p> <p>Improving customer energy efficiency.</p>	<ul style="list-style-type: none"> <li>Reuse and recycling rate 56.8% (54.8). Change in material volumes to recycling 0.3%*, all material streams -6.2%*, share of mixed waste 19% (24.1).</li> <li>Energy monitoring covers 218 (370) locations, 2,539 (3,392) proposals made to improve energy efficiency.</li> </ul>		*Comparison year 2019



## Systematic management of environmental responsibility

L&T's environmental policy specifies the principles that the Group observes in its own operations and in the services it produces for customers. The cornerstones are uncompromising compliance with environmental legislation and standards as well as the principle of continuous improvement. Sustainable management of environmental issues is part of L&T's operative risk management process.

The environmental risks involved in our operations mainly relate to our fleet, waste storage and processing as well as chemical safety. An ISO 14001 certified environmental system and efficient self-monitoring constitute the foundations of our risk management. Environmental risks are regularly surveyed by means of inspections and audits, for example. Deficiencies and risk factors are entered into a system that is then used to follow up on the processing of the issues.

Professional waste treatment operations are subject to environmental permits and regulatory compliance. In 2020, L&T had 68 (2019: 67) environmental permits that governed the Group's management and monitoring of environmental issues. Facilities subject to environmental permits have contingency plans and rescue plans that determine how they are prepared for significant environmental incidents. We regularly conduct internal and external audits to ensure that the plans are appropriate.

L&T's environmental responsibility covers our entire value chain and we require our partners and suppliers to

manage environmental issues responsibly. Environmental responsibility issues are taken into account in our procurement process by means of self-assessments, for instance. Waste is only handed over to operators that are authorised to receive or process it.

## The carbon handprint as a key performance indicator

L&T's business has a large carbon handprint. Our services generate significant emission reductions for our customers. These reductions arise from our customers replacing virgin raw materials with recycled raw materials and fossil fuels with bio- and solid recovered fuels, for example.

Increasing our carbon handprint is one of our strategic objectives. As the carbon handprint of our operations increases, the carbon footprint of our customers decreases. This way, we support our customers in achieving their environmental responsibility targets. L&T's carbon handprint, i.e. the emission reductions created by our operations, totalled about 1.2 million (2019: 1.2) CO<sub>2</sub> equivalent tonnes in 2020. The carbon handprint intensity was -1,638 tCO<sub>2</sub>e, representing a year-on-year increase of 9.6 per cent. The carbon handprint intensity is calculated by expressing the carbon handprint relative to the company's net sales. The 2020 calculation covers L&T's Finnish operations.

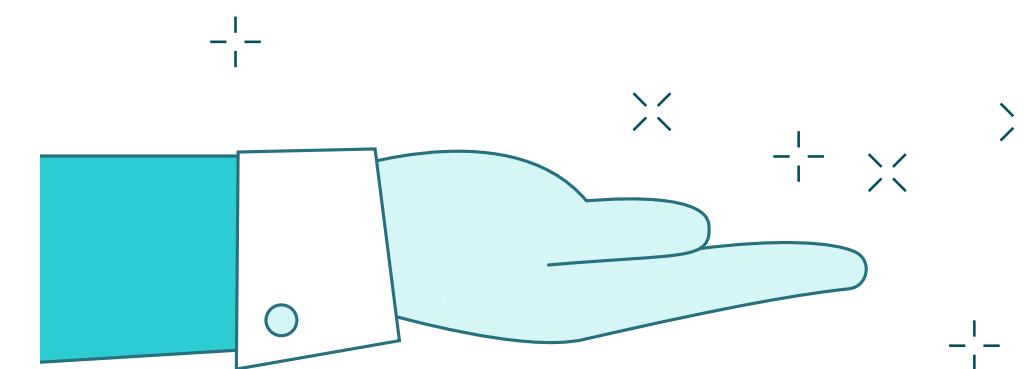
In Finland in 2020, power plants, heating plants and cement kilns replaced fossil fuels by biofuels and solid recovered fuels produced and supplied by L&T by a com-

## The carbon handprint of our operations

Carbon handprint, i.e. emission reductions from operations

# 1.2 million

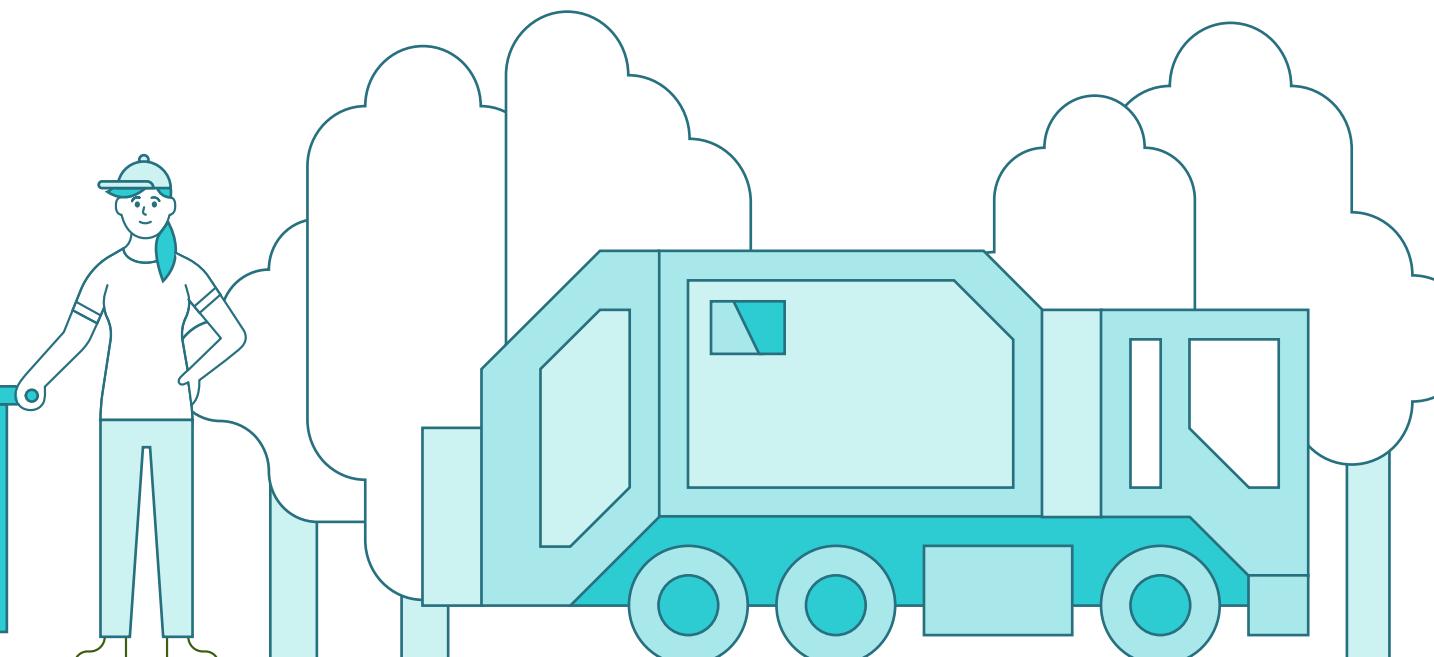
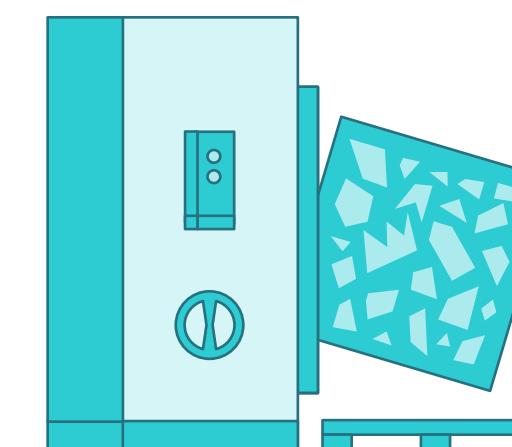
CO<sub>2</sub> equivalent tonnes. (1.2)



L&T's operations reduce emissions by an amount that equals the annual emissions generated by

# 120,000

Finns.



# -885.9

# -345.7

thousand tonnes CO<sub>2</sub> (eq.)

**BIOFUEL AND RECOVERED FUEL DELIVERIES, AND ENERGY SAVINGS GENERATED FOR CUSTOMERS**

**MATERIAL RECYCLING**

**OUR STRATEGIC GOAL:**  
The carbon handprint of our operations grows **faster than our net sales**.



## Circular economy and climate change mitigation



# Carbon handprint

**= Climate benefits, or the greenhouse gas emission reduction potential created for customers by a company's services.**

The carbon handprint is affected by, among other things, replacing non-renewable raw materials with renewables and reducing the amount of waste.

Source: Sitra, VTT i

putational total of 2.8 TWh (2.6 TWh). L&T produces bio-fuel from the side and scrap streams of forestry activities that increase carbon sinks in forests. Hog fuel is produced from wood waste from the construction, industrial and commerce sectors as well as wood packaging that cannot be restored for reuse. Solid recovered fuels (SRF) are produced from municipal and construction waste that is not suitable for recycling.

We continuously develop our carbon handprint calculations and our figures for 2020 include hazardous waste services related to oils and batteries as well as part of the emission reductions achieved by Smartti Energy Services. We have continued our co-operation with the carbon handprint project of VTT Technical Research Centre of Finland and Lappeenranta-Lahti Technical University to extend the calculation of our handprint to cover different environmental aspects instead of just the reduction of climate emissions.

### International recognition for mitigating climate change

L&T again achieved excellent results in 2020 in international assessments of the climate efforts of businesses. With a Leadership-level score of A-, which is the second-highest rating possible, we were ranked among the world's top companies in the CDP climate assessment. The 2020 report and results are available on the CDP website.

### Reducing the carbon footprint starts from the company's own operations

L&T's strategic objective is to halve the carbon footprint (Scope 1 and 2) of its operations per kilometre driven by 2030, compared to 2018. Furthermore, we seek to reduce the indirect emissions generated in our supply chain so that 70 per cent of our largest suppliers and subcontractors (by spending) have set goals to reduce their own emissions by 2024.

L&T's emission reduction targets were validated in 2020 as science-based targets for emissions reductions by the Science Based Targets initiative (SBTi), which aims for the global reduction of greenhouse gas emissions. Our emission targets correspond to the Paris Agreement goal of limiting the warming of the climate to well below 2 degrees Celsius.

The absolute carbon footprint of L&T's own operations in 2020 was 36.7 tCO<sub>2</sub>e (2019: 43.1 tCO<sub>2</sub>e). The absolute emissions decreased from the previous year due to the reduced use of fossil diesel. Our science-based emission reduction target, i.e. emission intensity, is calculated by dividing L&T's direct (transport, production vehicles, work machines) and indirect (purchased electricity, district heat) greenhouse gas emissions by kilometres driven. The 2020 calculation covers L&T's operations in Finland and Sweden. More information on the CO<sub>2</sub> calculation principles is provided on [page 78](#). In 2020, the emission intensity was 818 gCO<sub>2</sub>e per kilometre, a decrease of 14.1 per cent compared to the baseline.

### Science-based emission reduction target in 2020

	2020	2019	2018
The carbon footprint of L&T's own operations relative to kilometres driven	818 gCO <sub>2</sub> -eq./kilometre driven	867 gCO <sub>2</sub> -eq./kilometre driven	958 gCO <sub>2</sub> -eq./kilometre driven
Change from baseline, % (2018)	-14.1%	-8.9%	-


**Circular economy and climate change mitigation**
**Actions to be taken to achieve the objectives**

To achieve our ambitious objectives, we will adopt zero-emission technologies and fuels in transport operations and switch to renewable energy in the heating of our properties. We will also engage the commitment of our supply chain to our objectives.

We have continued our long-term measures to reduce the emissions arising from collection and transport services.

- We maintained the driving style index of our heavy vehicle operators at a high level at 9.1 (2019: 9.2). The index reflects the safety and economy of driving style on a scale of 4–10.
- Driving style monitoring continued for the vehicles of the Environmental Services and Industrial Services divisions. Driving style monitoring equipment has now been installed in a total of 969 vehicles (2019: 920).
- In addition to monitoring, we develop our drivers' driving style through training and unit-specific action plans. During the year under review, 120 drivers (2019: 336) participated in training on economical driving.
- We reduced the environmental impact of our fleet by increasing utilisation rates and optimising routes. We had a total of 853 heavy vehicles (2019: 824) in use in Finnish operations in 2020.
- We replaced older heavy vehicles with new lower-emission vehicles that meet the Euro 6 vehicle emission standards. The engines of Euro 6 vehicles represent a major leap forward in the reduction of

particulate matter emissions. In 2020, 48 per cent of our fleet of heavy vehicles in Finland met Euro 6 standards.

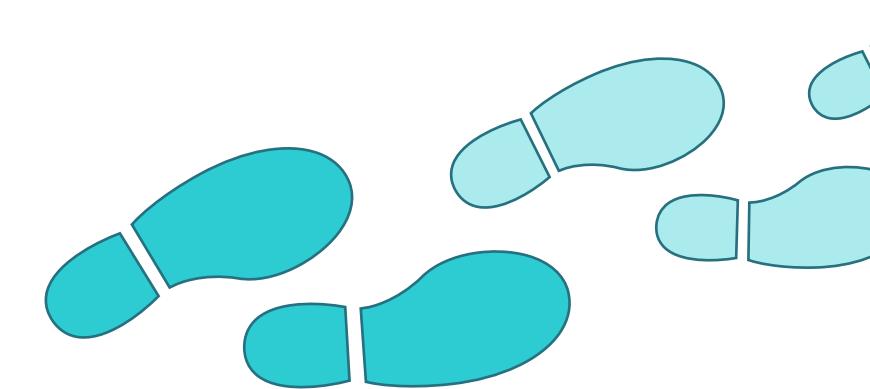
- We continued our active efforts to optimise routes. Efficient optimisation reduces fleet requirements and kilometres driven while also reducing the stops and visits to yard areas. We have a renewed route optimisation system in use which has further streamlined our operations.
- We have 10 biogas-powered heavy vehicles, and 17 biogas-powered and 4 electric vans in our fleet. In 2021, our goal is to increase the number of bio-gas-powered or electric vehicles to at least 55.
- During the year under review, we doubled our volume of renewable diesel in Finland compared to the previous year and reduced our consumption of fossil diesel. The renewable diesel we use is produced from waste and scraps. Our biogas use grew fivefold compared to the previous year. Using renewable fuels enables us to reduce transport-related greenhouse gas emissions and other emissions that diminish air quality. It also represents an example of how we put the circular economy into practice: we transport waste using fuel made from waste.
- In late 2020, we became the first operator in Finland to introduce a biogas-powered sweeper.
- We developed the energy efficiency of industrial process cleaning methods.
- We invested in vehicle charging infrastructure in the Helsinki metropolitan area.

**Emissions caused by our own operations**

**Carbon footprint, i.e. emissions generated by the Group's own operations**

**36.7**

thousand CO<sub>2</sub> equivalent tonnes. (43.1)



**OUR STRATEGIC GOAL:**

The emissions generated by our own operations will be reduced by

**-50%**

per kilometre driven by 2030 (compared to 2018).

**35.5**

**TRANSPORT, PRODUCTION VEHICLES, WORK MACHINES**

**16.6**

**CONTRACTOR FUEL CONSUMPTION**

**PURCHASED ELECTRICITY**

**0.004**

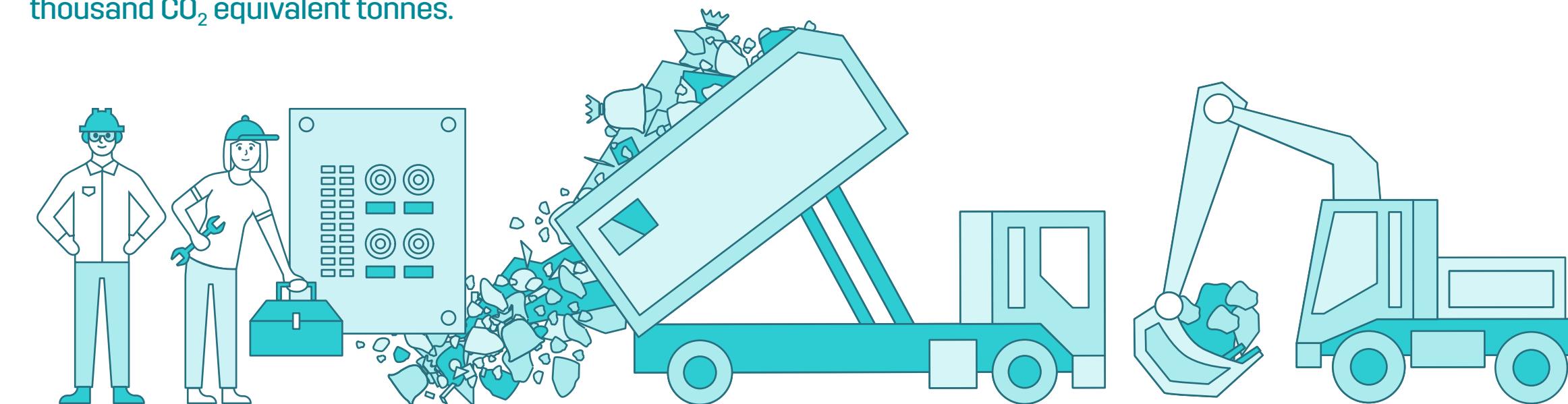
**DISTRICT HEATING**

**1.2**

**WORK-RELATED TRAVEL**

**1.2**

thousand CO<sub>2</sub> equivalent tonnes.



 **Circular economy and climate change mitigation****Energy intensity**

We continuously develop the energy efficiency of our operations. L&T's energy intensity, or energy consumption relative to net sales, was 266 MWh per million euros in 2020 (2019: 290).

Energy intensity is calculated by dividing L&T's own energy consumption by net sales. Energy consumption covers our operations in Finland and Sweden, and the fuels used by our fleet as well as the electricity and district heat consumed at our operating locations.

**Improving energy efficiency at L&T's own properties**

In 2020, the energy consumption of L&T's own properties declined from previous year. Our electricity consumption totalled 28,800 MWh (2019: 31,600 MWh) and our consumption of district heat amounted to 7,800 MWh (2019: 8,600 MWh). In 2021, L&T's operations in Finland will make a commitment to the Confederation of Finnish Industries' general energy efficiency agreement action plan for industry for the period 2017–2025 with the aim of improving the energy efficiency of L&T's properties by 7.5 per cent compared to 2020.

L&T's recycling plants use an operating model based on continuous improvement and the Mahti plant information system. The employees at the facilities can monitor processes and electricity consumption in real time from displays installed on the machines. Other measures include using LED lights exclusively when replacing lighting and configuring conveyors to stop automatically when no material is coming in. During the year under

review, we made an energy investment at the Pori recycling plant, which included switching from oil heating to renewable energy.

Our property managers are responsible for monitoring the energy consumption of our properties. They keep an eye on the energy consumption and use of our properties and assess renovation needs. We use renewable electricity at our properties in Finland, which means that our electricity consumption generates no emissions. The total energy consumption of our properties in Finland and Sweden, including electricity and district heat, was 77.8 per cent renewable.

**Recycling and material recovery**

L&T promotes the transition to the circular economy in its own operations as well as its customers' operations. We continuously develop new services that promote the circular economy and our aim is to increase the use of recycled raw materials instead of virgin raw materials.

In accordance with the order of priority in waste management, we primarily direct the generated material streams to be reused or recycled.

To reduce the environmental impact of the materials collected from customers and to promote the circular economy, we continuously strive to find new solutions to recover materials at the highest possible refining rate and in accordance with the order of priority in waste management. In 2019, we opened a plastic processing line that makes it possible to recycle even more difficult-to-recycle plastic varieties.

 **CARBON HANDPRINT**

## Towards carbon neutrality in partnership with Paulig

Great leaps are achieved through collaboration. Paulig is looking for new ways of reducing emissions and taking major steps towards carbon neutrality.

"The Vuosaari roastery is Paulig's first carbon neutral production facility and we have reduced the roastery's GHG emissions by 98 per cent since 2014. Our goal is for all of our production facilities to be carbon neutral by 2023," says **Timo Tuukkanen**, Facility & Security Manager at Paulig. L&T has reduced the energy consumption of the Vuosaari roastery by implementing demand-controlled ventilation. These changes have reduced energy consumption and costs. L&T's energy management centre ensures that the temperatures and carbon dioxide concentrations at the roastery and office premises are at the levels specified by Paulig. The energy management centre also controls property maintenance actions. Energy efficiency experts inspect the building automation systems regularly to ensure the optimal functioning of the equipment.

 **Circular economy and climate change mitigation**

During the year under review, the Finnish Government introduced significant national restrictions in the spring in response to the COVID-19 epidemic. These measures affected the recycling and material business by changing the points of origin of collected materials. The closure of public premises and offices and the shift to remote work moved material streams to households.

In 2020, 58.6 per cent (2019: 54.8%) of the material streams collected from our customers and managed by L&T could be reused or recycled for use as raw material for new products. Some 433,000 tonnes of materials were delivered to reuse and recycling. Our reporting covers the key material streams from the perspective of material reuse and recycling, namely municipal waste, hazardous waste, industrial waste and construction waste collected from corporate customers in Finland. In 2020, their combined volume was 740,000 tonnes (2019: 788,000). Slurry, contaminated soil and ash are excluded from reporting.

#### **Increasing the recycling rate with new services**

The recycling rate reported by L&T is the weighted average of our customers' recycling rates. It also includes materials that cannot be recycled. The development of the recycling rate also depends on the customer industry. Some of our customers have even achieved a recycling rate of more than 80 per cent. Our aim is to develop and increase the reuse and recycling rate of material collected from customers. To achieve this goal, we actively

look for new material streams whose refining rate we can increase.

- Examples of reuse include pallets forwarded directly or after repairs to reuse and goods collected via the EasyCollection service, which are forwarded to reuse via our partners.
- Recycling includes material streams sorted at source collected from our customers, which we process or forward to be processed for use as raw materials for new products through our partners. The most significant of these are fibres (recyclable paper and cardboard), plastic and metal.
- Examples of other forms of recovery include energy recovery and the use of materials in the construction of waste areas. Energy recovery from waste is divided into two categories: recovery as a waste-derived fuel and recovery in the incineration of mixed waste. We prefer the recovery of waste not suitable for recycling or environmental construction as a waste-derived fuel, which includes solid recovered fuels, shredded used wood and tyre shreds used for energy production.
- Hazardous waste, such as oily waste, solvents, batteries and fluorescent tubes, is processed by L&T at the company's own facilities or forwarded to trusted partners for recovery. In 2020, we collected 55,000 tonnes (2019: 55,000) of hazardous waste from our customers, with 73 per cent (2019: 69) of

 **BUILDING A REGENERATIVE SOCIETY**

## **Increasing the recycling rate of construction waste**

Increasing the recycling rate of the construction industry gives new life to useful materials. L&T supports Hartela in improving its recycling.

At Hartela's apartment building construction site in Raisio, the construction of the building's interior parts creates plastic and cardboard packaging waste. The other major waste fractions include wood, wool, concrete and steel. Separate collection containers are provided for each type of waste and there are small containers, front loading containers next to the open-top containers. Investment in containers and guidance has increased the site's recycling rate to 75 per cent. The goal of L&T's and Hartela's collaboration is to increase the recycling rate of the entire Group to 70 per cent.

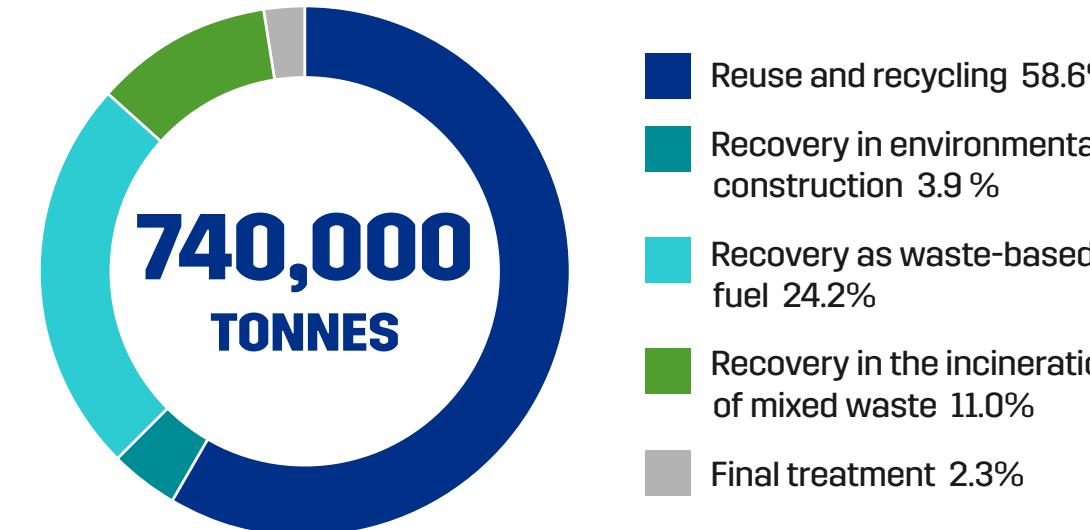


## Circular economy and climate change mitigation

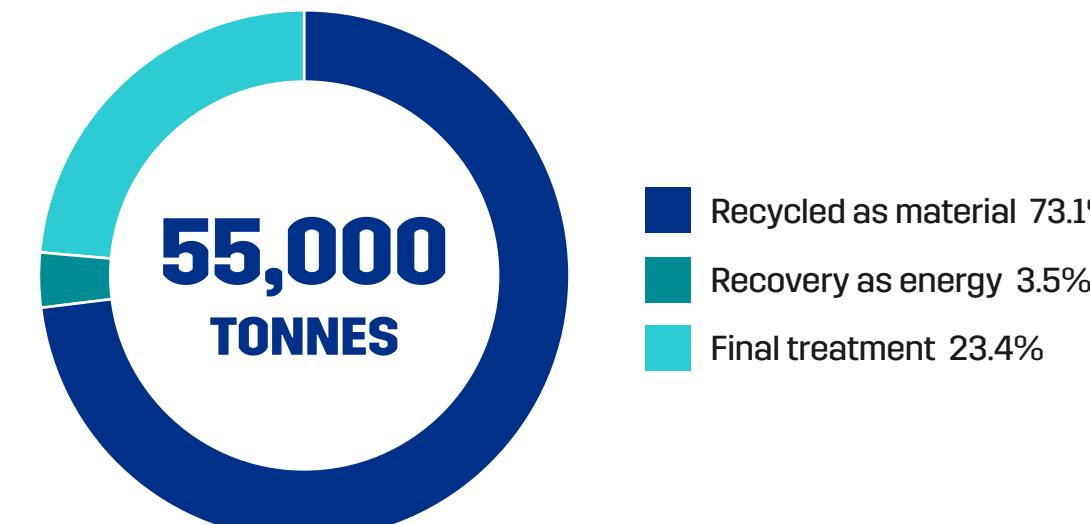
this total recycled. Part of the hazardous waste was recovered as energy and non-recoverable waste was sent for final treatment. In 2020, 5.6 per cent (2019: 5.3%) of hazardous waste was transported to other EU countries for treatment. L&T does not export waste outside the EU and we did not import any hazardous waste during the year under review.

- L&T participates in the Green deal agreement on the development of national oil waste management. Under the agreement, we have made a commitment to develop our operations to increase the reuse of waste oil, engage our customers in sustainable oil waste management and ensure that the waste oil produced through our own operations will be delivered to the appropriate treatment. Our aim is that all of the waste oil we collect will be reused and that we will increase the amount of waste oil we collect from our customers by 10 per cent by 2025. We collected over 11,000 tonnes of waste oil from our customers in 2020.

### Recycling rate of materials managed by L&T



### Recycling rate of hazardous waste



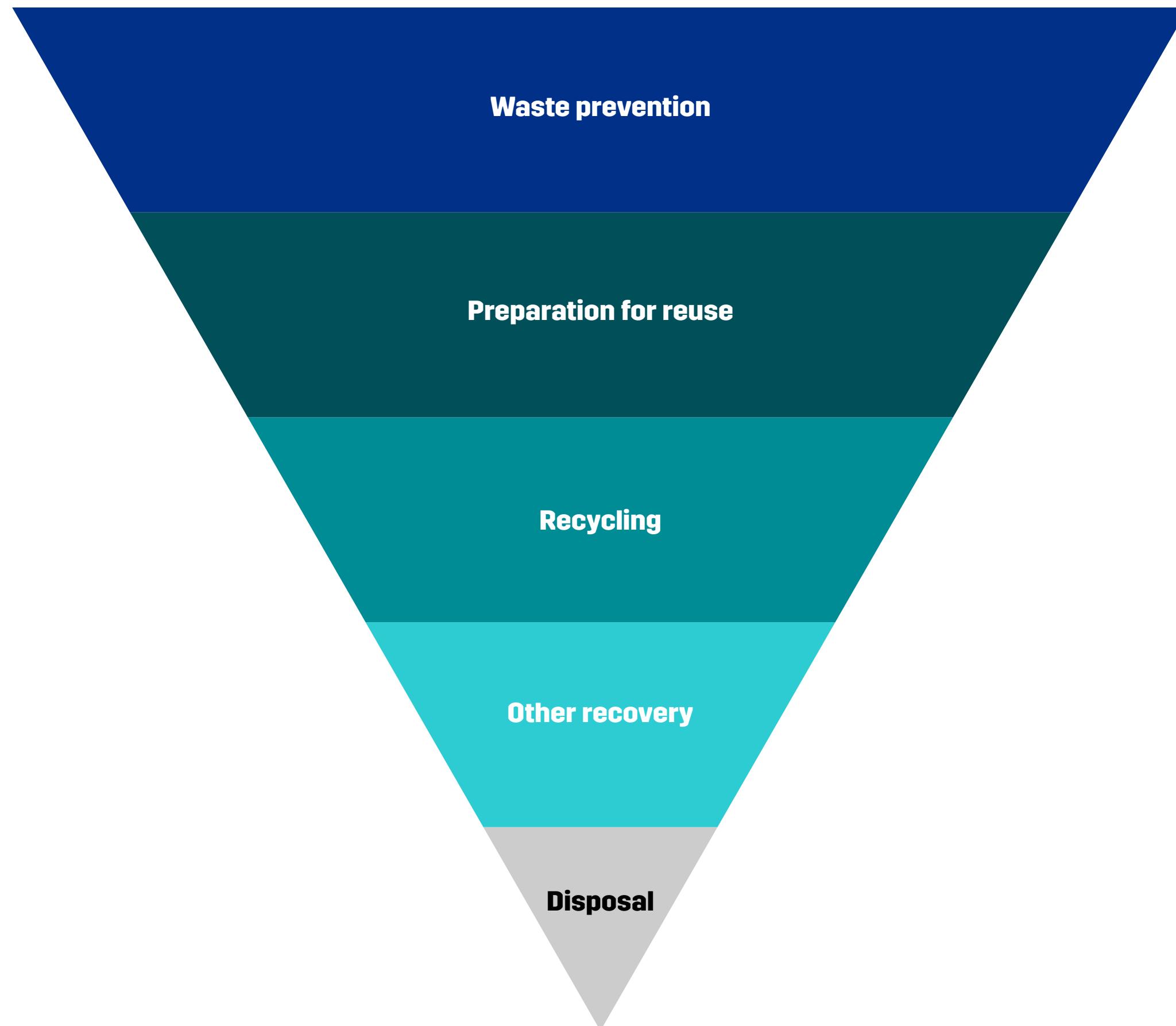
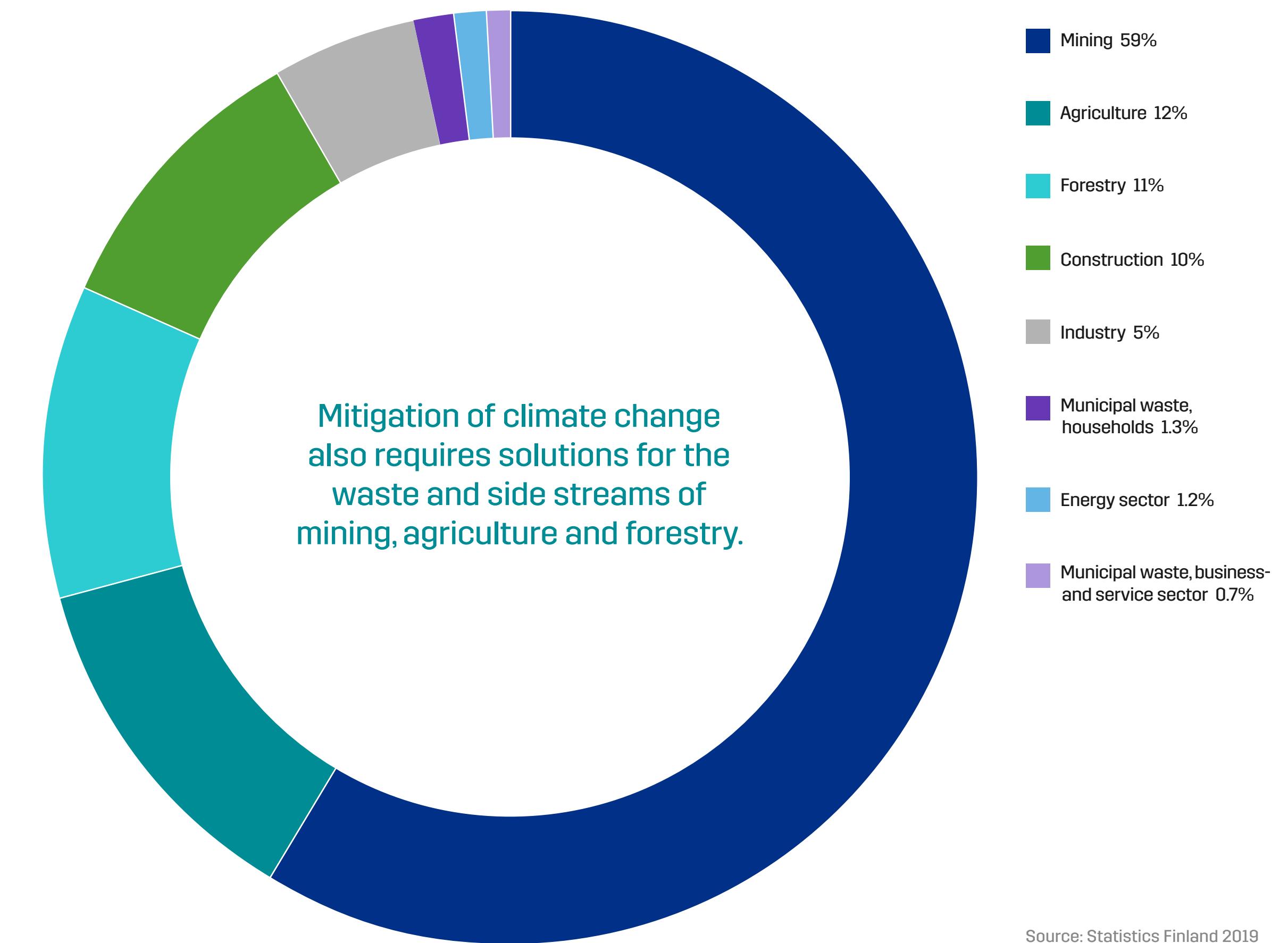
### Sorting at the source is crucial

Increasing the sorting of materials at source plays a key role in the development of the recycling rate. When materials are diligently sorted at source, they can be recovered and utilised effectively. The volume and share of materials sorted at source of the material flows managed by L&T has increased continuously. In 2020, 81 per cent (2019: 76) of all materials were sorted at source, with only 19 per cent (2019: 24) ending up in mixed waste.

L&T is continuously developing new services in co-operation with its customers to facilitate sorting at source.

Material flows managed by L&T	2020*	2019	2018
Waste-based materials total, t	740,000	788,000	868,000
Materials sorted at source, %	73.4	68.9	68.1
Hazardous waste sorted at source, %	7.4	7.0	6.3
Mixed waste, %	19.2	24.1	25.5

\*The figures for 2020 do not include Russian operations.

**Waste management order of priority****Waste and side stream volumes in Finland**



## Improving customers' efficiency

L&T has a long track record of working to improve customers' energy efficiency through preventive maintenance, energy efficiency observations and repairs, among other things.

In Finland, L&T's services related to the improvement of energy efficiency are packaged under the L&T Smartti Energy Efficiency concept. We also work to improve energy efficiency in Sweden. The services include energy surveys, energy consumption optimisation and an Energy Management Centre.

### L&T Smartti Energy Services

L&T Smartti Energy Services support the customer's sustainability targets through the surveying and development of energy efficiency and the monitoring of the results in practice.

L&T's Energy Management Centre in Kuopio remotely monitors the technical building systems of customer properties. The centre works in close co-operation with property managers: it monitors and analyses data and the property managers make on-site observations. This enables the production of analyses and concrete suggestions for improving the energy efficiency of the properties involved. In 2020, the Energy Management Centre monitored 218 sites (2019: 370). A total of 2,539 improvement suggestions were made (2019: 3,392).

As part of the operations of the energy management centre, we launched the Smartti Automation service in 2020. Smartti Automation is an intelligent and proactive

energy management system that can be used to control an existing property automation system and achieve cost-effective improvements in the energy efficiency of a property.

Examples of L&T Smartti services:

- An Energy Manager that takes charge of managing the energy efficiency of sites. The Energy Manager can draw up a long-term plan of energy efficiency measures for the company, assume the responsibility for the comprehensive energy management of properties and monitor not only consumption but also other conditions and comfort.
- Surveys to improve energy efficiency
- Updating equipment and the optimisation of equipment use and programming.
- Energy project planning, feasibility studies and project management to support the implementation of larger projects.
- Training on sensible energy management for the users of technical building systems.
- An Energy Management Centre whose monitoring activities ensure that the property's technical systems operate as planned and energy consumption remains at the desired level after the energy efficiency measures are implemented.
- Reporting of the achieved emission reductions and cost savings to the customers and their stakeholders.

### L&T SMARTTI – savings achieved by the properties and production facilities included in the service

	2020	2019
Energy savings generated for properties	821 MWh/a	1,306.3 MWh/a
Electricity	143.9 MWh/a	766.7 MWh/a
District heating	677.1 MWh/a	539.6 MWh/a
Cost savings generated for properties	48,751 €/a	103,610 €/a
Emission savings generated	-124.6 tCO <sub>2</sub> /a	-209.6 tCO <sub>2</sub> /a
Customer sites surveyed	3 sites*	18 sites

\* The decrease in the number of surveyed customer sites in 2020 is mainly due to the COVID-19 pandemic. During the year, site-specific restrictions to prevent the spread of the virus were widely introduced at customer sites. The restrictions resulted in delays to site surveys.



## Report of the risks and opportunities of climate change in accordance with TCFD

L&T reports on the risks and opportunities related to climate change in accordance with the TCFD (Task Force for Climate-related Financial Disclosures) recommendations.

This increases transparency and knowledge about measures related to the mitigation of climate change. Due to the nature of our operations, L&T plays a significant role in the mitigation of climate change and the transition towards low-carbon circular economy. Our operations have a large carbon handprint, which means that we generate significant emission reductions for our customers.

### **L&T's climate strategy**

The mitigation of climate change is a strategic priority for L&T. Our businesses produce solutions that facilitate the transition towards low-carbon circular economy, promote the sustainable use of materials, energy and natural resources and reduce the volume of waste generated and energy consumed. We support our customers by enhancing the use of energy and materials and by replacing fossil fuels with renewable energy sources. Furthermore, we support our customers in the mitigation of climate impacts by optimising the use of properties and their technical systems. L&T has the strong market position required for the implementation of such changes in all of its business areas.

The mitigation of climate change calls for radical reforms to increase the use of renewable energy, improve energy efficiency, promote the reuse of materials and

### The most important impacts of climate change on our operations

Goals	Measures	Climate impacts and impacts to business operations
Transition to low-carbon circular economy	L&T is committed to increasing the share of the reuse and recycling of waste collected from the customers from the current level of 58.6% to 60% and, in the long run, to 70%.	The circular economy plays a key role in the mitigation of climate change. The EU is introducing more ambitious reuse and recycling targets for waste and packaging materials, which presents new growth opportunities for L&T in the various stages of material value chains.
Increasing carbon handprint	L&T is committed to increasing its carbon handprint, i.e. the emission reductions generated for customers, which amount to approximately 1.2 million tonnes of carbon dioxide equivalent. Our goal for the strategy period is to increase the carbon handprint of our operations faster than our net sales.	The significance of renewable energy continues to grow, as long-term climate policy promotes the phasing out of fossil fuels. Biofuels and waste-based fuels will play a significant role during the transition period. L&T's operations help our customers to significantly mitigate climate change. The carbon handprint of the recycling of materials is also significant, approximately 28 per cent of our total carbon handprint.
Securing the value of property	L&T's operations help retain the value of our customers' real estate and forest assets.	The physical effects of climate change increase the risk of changes in the value of assets. The built environment in Finland is not adequately prepared for the increased impacts of extreme weather phenomena and the resulting increase in property maintenance needs. L&T's services improve the energy efficiency and life-cycle management of industrial and other premises, which helps secure the value of property. In addition to reducing emissions, there is a need for active measures to increase carbon sinks. L&T's services may increase carbon sinks in young forests in particular, considering the current thinning backlog of one million hectares.



shift to low-emission engine and fuel solutions. The significance of biomass and waste-based fuels as solutions for the transition period is growing. L&T's businesses are in a good position for this development, which enables us to take advantage of climate-related opportunities.

The monitoring of the outcomes of climate change related to our business operations is integrated in L&T's strategy process. We have assessed the impacts of climate change on our business operations both during the five-year strategy period and in the long term until 2035. Our assessment takes into account, for example, the development of prices for emission rights and carbon emissions, different scenarios of the integration of bioeconomy and low-carbon economy, the EU's circular economy package, changes in national waste legislation, national recycling and reuse goals by industrial sector and waste fraction as well as planned investments in the energy sector. The assessment method is based on the qualitative evaluation of uncertainties in our business environments and the creation of qualitative scenarios about our business environment based on the changes with the highest degree of uncertainty and the financial impact.

L&T's is able to change its business model flexibly according to the different climate scenarios. The reference scenario was a business environment where the status quo remains unchanged. The business effects of climate change were assessed in the different scenarios through aspects of change in the industry related to regulation, the business model and technological develop-

### Based on the assessment, we have identified the following climate-related risks

Climate-related risks	Impact	Management measure
<b>Transition risks</b>		
Political and regulatory (risk of higher prices of carbon emissions and fossil fuels)	L&T's collection and transport services cause direct (Scope 1) emissions. The company has 853 heavy vehicles and we consume some 14.3 million litres of diesel oil annually. Low-emission Euro 6 vehicles account for 48 per cent of L&T's fleet.	We regularly assess the legislation concerning fuels and emission requirements. To manage the risk associated with fuel price increases, we improve the efficiency of our transports and strive to reduce the fuel consumption of the vehicles. We invest in low-emission vehicles and replace fossil diesel with renewable diesel. We optimise transport routes and develop economic driving styles.
Technology (investment in new technologies fails)	As the market leader, L&T promotes the development of industrial infrastructures towards a low-carbon economy and seeks to find innovative solutions that mitigate climate change.	We invest in energy-efficient production equipment and efficient waste recycling plants. We research new technologies and solutions which allow our customers to reduce their climate impacts even more efficiently.
Reputation	Climate change causes increased concerns with our stakeholders and expectations concerning its mitigation.	L&T makes the circular economy a reality, and through the services we produce, we participate in the mitigation of climate change and adjusting to it. Our work is valuable for all stakeholders.
<b>Physical risks</b>		
Acute and chronic (changes in precipitation and extreme variation of weather conditions)	L&T has more than 200 properties, including recycling plants, transfer stations, terminals, warehouses and office properties. Extreme weather conditions may have an impact on L&T's waste collection and property maintenance operations.	L&T's properties are not located in the identified climate risk areas. The physical risks concerning the facilities are a part of the identification and assessment of property risks.

 **Circular economy and climate change mitigation**

ment. The alternative strategic scenarios were presented to the Board of Directors as a part of the strategy process, allowing the Board Of Directors to also use them in future decision-making, if necessary.

The mitigation of climate change provides L&T's business operations with strategic development opportunities. L&T's strategic mission is to make the circular economy a reality. Transitioning to resource-efficient circular economy is essential for the mitigation of global warming. We support this transition by improving the material, energy and cost efficiency of our customers and by ensuring that materials and the built environment retain their value. Our solutions enable our customers to reduce their waste volumes, extend the life-cycle of their properties, recycle and reuse materials, reduce the consumption of natural resources, fossil fuels and energy and thereby reduce their emissions. We research new technologies and solutions which allow our customers to reduce their climate impacts even more efficiently. New projects that increase the processing rate of various material flows promote the circular economy and improve the carbon handprint of L&T's operations.

L&T produces biofuels from cutting waste, wood material unsuitable for wood processing and side streams from the forest industry. Crushed wood for combustion is produced from wood waste from the construction, industry and trade sectors as well as wood packaging which cannot be returned for reuse. We produce solid recovered fuel (SRF) from energy and construction waste not suitable for recycling.

L&T aims to optimise the emissions of its waste management services. However, as it is not possible to avoid all emissions, we have developed a carbon neutral waste management service. This involves measuring the carbon footprint caused by L&T's waste management operations and compensating the emissions by means of certified forestation projects. L&T also provides solutions that support adaptation to climate change. These services are related to the reduction of the key physical risks of climate change and supporting adaptation measures.

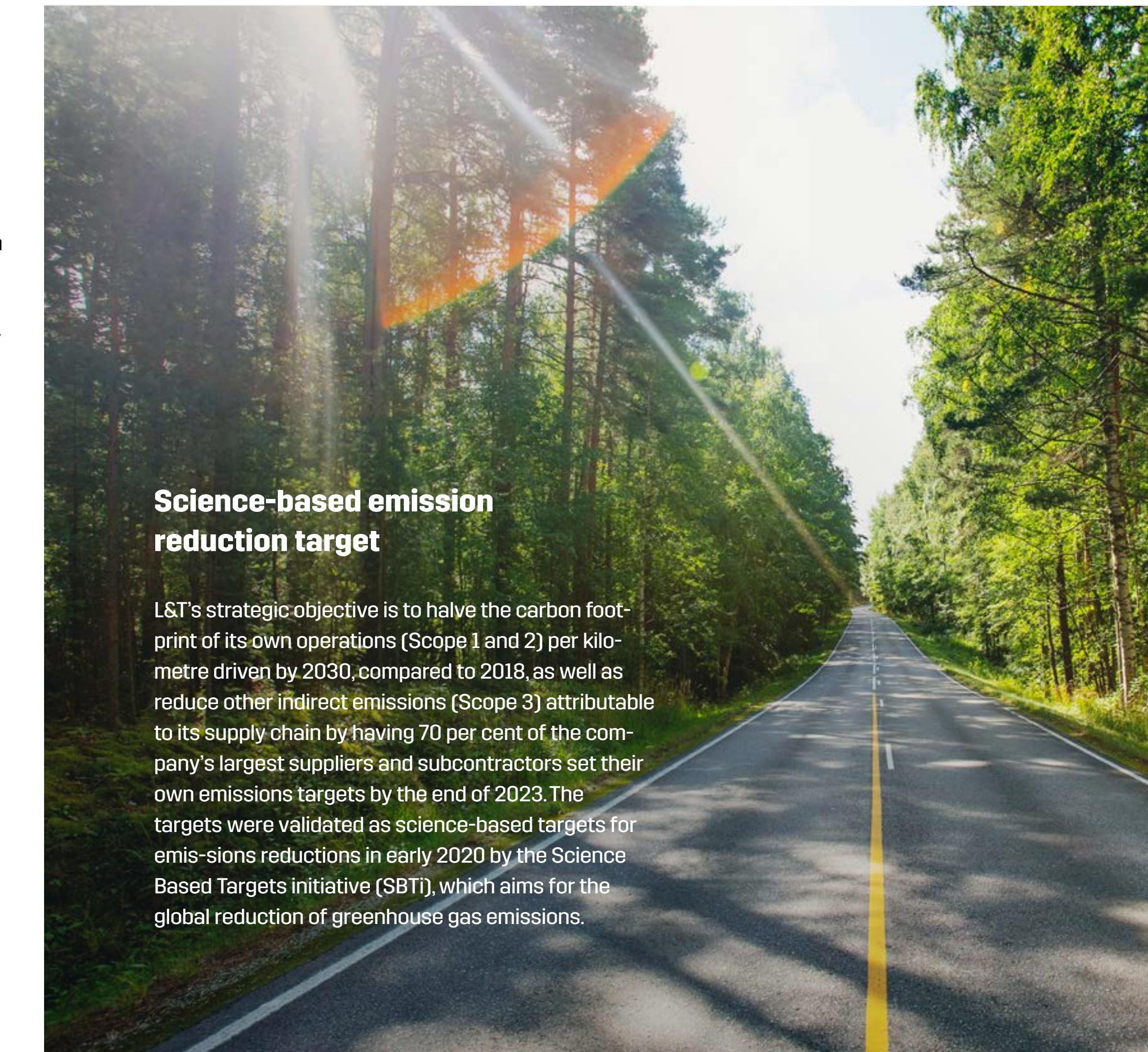
**The EU taxonomy**

L&T has carried out a preliminary analysis related to the EU taxonomy. Based on our assessment, we estimate that a significant proportion of our business operations is related to the mitigation of, and adaptation to, climate change. In the preliminary assessment, we have identified division-specific operations and services that are low-carbon services in the EU taxonomy or promote the transition to carbon neutral economy by 2050 or both.

The current preliminary estimate of the classification is available on our [website](#). We will update our assessment as the EU taxonomy classification develops.

**Climate risk management**

The opportunities related to the climate are significant for L&T. They are managed systematically as a part of the planning of business operations, and they are integrated in our strategy as described above. Climate risks refer to risks posed by climate change to business operations

**Science-based emission reduction target**

L&T's strategic objective is to halve the carbon footprint of its own operations (Scope 1 and 2) per kilometre driven by 2030, compared to 2018, as well as reduce other indirect emissions (Scope 3) attributable to its supply chain by having 70 per cent of the company's largest suppliers and subcontractors set their own emissions targets by the end of 2023. The targets were validated as science-based targets for emissions reductions in early 2020 by the Science Based Targets initiative (SBTi), which aims for the global reduction of greenhouse gas emissions.



and society as a whole. The risks may be related to the transition to a low-carbon economy as well as the physical impacts of climate change.

L&T assesses the significance of climate risks based on their likelihood and the magnitude of the economic consequences. We use methods similar to those used in the assessment of business risks and opportunities.

The risks related to climate change are assessed using the same risk matrix as any other risk. Many of the risks and opportunities related to climate change, such as the growing consumption of fossil fuels and the increase in extreme weather conditions are related to L&T's business operations and have therefore been prioritised in the company's risk management. Risk management at L&T aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's strategic and financial objectives are achieved.

Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors. Climate risks do not form a separate risk assessment category at L&T; instead, they are processed as a part of the above mentioned risk assessment and management processes. Risks are surveyed regularly and systematically at both division and company level. The significance of risks is assessed by a risk matrix. Measures for managing and minimising the identified risks are prepared and responsibility for these measures is

allocated to specified individuals or units. The most significant risks identified and the preparations for them are regularly reported to the Group Executive Board, the President and CEO and the Board of Directors.

#### Governance

Climate-related risks and opportunities are managed through L&T's governance model and business management. L&T's Board of directors is in charge of this as part of the management of business operations and the Group's divisions. The Board of Directors approves climate goals and the sustainability programme. The President and CEO is responsible, with support from the Group Executive Board, for measures related to climate, and the businesses implement them as part of their normal annual planning in accordance with the sustainability programme. The sustainability programme includes the group-level goals and measures related to the mitigation of climate change

L&T is a signatory to the UN Global Compact initiative and has set a science-based emission reduction target in line with the Paris Agreement. The emission reduction target was validated by the Science Based Targets initiative in 2020. L&T is an active member of the Climate Leadership Council (CLC) and the City of Helsinki climate partners network.

### L&T's climate targets and progress in 2020

Climate target	Progress
Increase the carbon handprint faster than net sales	Carbon handprint 1,2 million tonnes CO <sub>2</sub> e Carbon handprint intensity growth 9.6% compared to 2019.
Reduce the emissions of L&T's own operations by 50% per kilometre driven by 2030, compared to 2018	The carbon footprint intensity decreased by 14.1% relative to the comparison year and was 818 gCO <sub>2</sub> e per kilometre driven
70% of our largest suppliers and subcontractors (based on spend) have set targets for reducing their own emissions by 2025.	We aim to incorporate target setting into our contracts.

#### Indicators and targets

Although L&T's own operations do create greenhouse gas emission, they only amount to approximately 4.4 per cent of its carbon handprint. Emissions from L&T's fleet of heavy vehicles are the most significant source of direct greenhouse gas emissions. L&T's operations created 54,500 CO<sub>2</sub>-equivalent tonnes of emissions, of which 35,500 CO<sub>2</sub>-equivalent tonnes were our own direct emissions (Scope 1) from transport and production vehicles and machinery. L&T does not consume significant amounts of purchased electricity or heat (Scope 2). Our own elec-

tricity consumption was 28.8 GWh and district heat consumption amounted to 7.8 GWh. The majority of the purchased electricity comes from renewable energy sources.

L&T has specified key indicators and targets for the climate impacts of its business model. The most significant performance indicator is the carbon handprint, which measures the climate benefit generated by L&T's services for its customers or the potential to reduce greenhouse gas emissions.

CDP ranked L&T as one of the leading companies in mitigating climate change and awarded it a Leadership level score of A-.



**A healthy, diverse and productive workplace community**

# A diverse and healthy workplace community is a competitive advantage

As a major employer, the focus of L&T's social sustainability is on the Group's employees. The most significant aspects of our responsibility for our employees include diversity, increasing job satisfaction, maintaining the work ability of our personnel and improving occupational safety. We also want to actively employ special groups, such as people with reduced work ability and disabilities.

## The management of responsibility for employees at L&T

At L&T, responsibility for employees is managed through the Group's human resources policies and plans. The aims of the HR policies include ensuring that

- L&T's employees have the necessary level of professional competence
- the number, quality and retention of employees are at the level required for effective performance
- employees maintain their work ability and functional capacity throughout their careers until retirement on old-age pension

## Sustainability programme priorities



**A healthy, diverse and productive workplace community**

Priorities and objectives 2019–2024	Indicators 2020	Our success	Notes
<b>Looking after the well-being, work ability and occupational safety of our personnel.</b>			
<p>Strategic goal: Employee recommendation rate 80%.</p> <p>The average retirement age will rise to 64, with a long-term target of 65.</p> <p>Reducing sickness-related absences to 4.5%.</p> <p>Occupational health rate 50%.</p> <p>Continuous improvement of occupational safety, with the ultimate target being zero accidents.</p>	<ul style="list-style-type: none"> <li>• Employee recommendation rate 82%</li> <li>• The average age of retirement was 63.7 years</li> <li>• Sickness-related absences in Finland: 4.7%</li> <li>• Occupational health rate in Finland: 50%</li> <li>• Overall accident frequency (TRIF) 24</li> <li>• Accident frequency (LTA) 13</li> <li>• Number of proactive occupational safety measures: 69,020</li> </ul>	<span style="color: green;">◆</span>	<p>Our employee recommendation rate rose above the target level. We will continue our determined efforts to improve employee satisfaction.</p> <p>In 2020, we adopted the occupational health rate as a new performance indicator. It is the number of employees who were healthy during the reporting period as a percentage of the total number of employees.</p> <p>The number of proactive measures to promote occupational safety reached an all-time high during the reporting period</p>
<b>We provide employment to vulnerable groups and persons with disabilities.</b>			
<p>We offer work to people for whom it is difficult or impossible to find employment in the open job market.</p>	<ul style="list-style-type: none"> <li>• L&amp;T's working ability team worked with 657 people in 2020</li> </ul>	<span style="color: green;">◆</span>	
<b>We create economic growth and well-being.</b>			
<p>Increasing well-being, economic added value Reporting the tax footprint.</p>	<ul style="list-style-type: none"> <li>• Economic added value EUR 391.7 million (426)</li> <li>• Tax footprint: EUR 169.6 million (174)</li> </ul>	<span style="color: green;">◆</span>	

**A healthy, diverse and productive workplace community**

- employees are encouraged and motivated to perform well and contribute to the company achieving its objectives

Managers and supervisors are in charge of the practical implementation of the HR policies and plans, but the entire personnel is responsible for acting in accordance with the policy.

We observe national legislation, agreements and other obligations in our employment relationships. L&T observes the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organisation as well as international agreements. We are committed to supporting the UN Global Compact initiative and its principles pertaining to human rights and labour.

L&T mainly operates in Finland and Sweden with local partners and the risk of human rights violations is low in these countries. There was public discussion in 2020 regarding the exploitation of employees that occurred in a few companies in the cleaning industry in Finland. The discussion did not concern L&T or its subsidiaries. Several of L&T's customers conduct audits of L&T's social responsibility practices, and based on the audits carried out in 2020, there were no observed shortcomings in the company's performance as regards social responsibility. L&T complies with laws and collective labour agreements

in its operations. The company exercises particular care with regard to employment relationships with employees who are in a vulnerable position.

We respect our employees' freedom to unionise. L&T monitors its personnel's compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. The Group is also compliant with the applicable legislation governing contractors' obligations and liability, and requires the same of its suppliers.

The HR policies and plans are supplemented by the sustainability principles (L&T's Code of Conduct), which emphasise the importance of fair and equal treatment and respect for each person's dignity, privacy and individual rights. We do not tolerate any kind of discrimination, intimidation, harassment or bullying at the workplace.

The management of personnel risks is a key component of our risk management process. The most significant personnel risks in L&T's operations are related to the availability of competent and motivated employees, the potential weakening of job satisfaction and the potential increase of costs related to disabilities and accidents.

### **The COVID-19 pandemic had an impact on L&T's employees**

The year 2020 was exceptional due to the COVID-19 pandemic also for our personnel. We updated our work instructions and procedures on several occasions as the pandemic progressed.

Employee well-being and coping was supported in a number of ways during the year, including a dedicated coronavirus helpline offered by the occupational health provider and digital chat services that help employees cope with the situation psychologically.

Supervisors were trained and provided with support on managing remote work and internal communication with the entire personnel as significantly increased.

To ensure the availability of personal protective equipment for our employees, we established our own centralised PPE warehouse. This enabled us to ensure access to protective equipment for our employees in spite of the occasional market shortages of products such as respirators and safety gloves. We also purchased two non-disposable face masks for all of our employees, or 19,000 units in total, to increase the safety of our employees during commutes and in their free time.



**We are a diverse team**



## A healthy, diverse and productive workplace community

### A diverse workplace community

At L&T, we believe that purposefully building a diverse workplace community is one way of ensuring sustainable growth. We develop our culture and operating methods with the aim of making it even easier for employees from diverse backgrounds to join our organisation, enjoy being part of our community, and through employment, becoming well-integrated in Finnish society. Motivation is the most important competence in the service sector. Everything else can be developed through training.

In 2020, L&T approved a new diversity plan for 2020–2022 that fulfils the requirements stipulated by the Finnish Equality Act and Non-Discrimination Act. The plan outlines concrete measures by which the company will promote and develop the diversity and equality of the working environment.

The recruitment of special groups is a long-term component of our sustainability programme. Through various projects, we have employed groups such as young people at risk of marginalisation, asylum seekers and people with reduced work ability. We aim to make this an ongoing element of our social employment concept.

We are an international workplace community and key HR materials are provided in English in addition to Finnish. Foreign nationals have represented 16.3 per cent of our employees in Finland. Citizens of other EU countries represented 29.9 per cent of our personnel with a foreign background and third-country nationals 70.1 per cent. There were 82 different nationalities represented in our personnel at the end of 2020.

At L&T, men and women are fairly evenly represented in various roles. At the same time, within our divisions, there can be substantial gender imbalances between different roles. We aim to build a diverse workplace community and create the conditions for having men and women represented in all job roles. Our overall objective is to increase diversity in all of our employee groups.

### Feeling good in 2020

Competent personnel and employee retention are at the core of L&T's success. We conducted a Fiilinki job satisfaction survey in August–September. The response rate for the Group as a whole was 67 per cent.

The 2020 survey showed improved scores across the board, with the higher indicators of supervisor quality being a particularly positive result. Our employee recommendation rate, which is one of L&T's strategic objectives, developed favourably and stood at 82 per cent (2019: 73%).

In our Finnish operations, the most progress was seen in the Facility Services division, where all of the key personnel indicators improved significantly. We continued to implement the job satisfaction improvement measures we began in the previous year: supervisors and employees were provided with training, we continued to implement structural changes to clarify roles and increase the profile of supervisors and we also continued our consistent communications on our strategy.

The development measures taken in response to the results of the Fiilinki survey have been closely monitored at different organisational levels.

### In 2020, we focused particularly on the following areas:

- **The diversity plan for 2020–2023 was approved late in the year.** The plan fulfils the requirements stipulated by the Finnish Equality Act and Non-Discrimination Act.
- **We continued to develop supervisory work and supervisor communication.** For example, we organised supervisor training on recruitment interviews, supporting the mental health of employees and holding effective communication meetings and team meetings.
- **We increased communication to employees due to COVID-19.** The pandemic increased the need for internal communication and we significantly increased it in the spring and again late in the year. We also developed the digital competencies of our employees to support their ability to access our communications.
- **Employees were engaged in decision-making.** Employees had better opportunities to influence equipment specifications, for instance, and other concrete issues that influence their day-to-day work.
- **We clarified the roles of employees and our operating guidelines.** We continued to clarify roles and some of our divisions introduced electronic induction training and work instructions.
- **We continued to recognise accomplished employees.** Employee of the month and supervisor of the month awards were given out based on customer feedback and employee feedback in Environmental Services, Industrial Services, property maintenance as well as cleaning and support services. We also launched a "Safety Promoter of the Month" award in Industrial Services.



## A healthy, diverse and productive workplace community

### Pandemic led to service production adjustments

One of our goals related to improving the employee experience has been to find new roles within the company for persons who are at risk of termination. During the reporting year the restrictions and recommendations issued by the authorities to prevent the spread of the pandemic led to customer-specific production restrictions and adjustment measures. This led to temporary layoffs in the Finnish operations and shortened working-hours in the Swedish operations. The duration of the layoffs varied. At the end of the review period, the total number of temporarily laid off employees throughout the Group was approximately 130. In 2020, 88 employees were laid off permanently. We managed to find new roles inside the Group to some of the employees under statutory employer - employee negotiations. In 2020, we had to carry out 34 statutory employer-employee negotiations. We also carried out statutory employer-employee negotiations due to the incorporation of Lassila & Tikanoja plc's businesses. The agenda of the negotiations concerning incorporation did not include temporary layoffs or redundancies.

When implementing restructuring measures, we observe the minimum periods and negotiation times stipulated by national legislation.

### The average age of retirement developed

Employees with a high level of work ability and well-being are our most important asset and one of our key success factors. The aim of our sustainability programme is to support the work ability of our personnel and reduce sickness-related absences and early retirement.

L&T has a long track record of purposeful efforts to increase the average retirement age of our personnel. Through various support measures, we have been able to increase our average retirement age (including retirement on old-age pension and disability pension) to 63.5 years (2019: 63.1) in Finland and 63.7 years (2019: 63.2) in the Group as a whole. The long-term target is to increase the retirement age to 65 years.

<b>Employee recommendation rate, %</b>	<b>2020</b>	<b>Target (2024)</b>
Finland	82%	
Sweden	86%	
L&T Group*	82%	>80%

\*The figure includes operations in Finland and Sweden

<b>Employee Net Promoter Score, eNPS</b>	<b>2020</b>
Finland	25
Sweden	46
Group	28

<b>Exit turnover, %</b>	<b>2020</b>	<b>2019*</b>
<b>L&amp;T Group, weighted average</b>	17.0%	24%
Finland	18.9%	27.8%
Sweden	6.5%	9.1%
Russia	30.9%**	8.2%

<b>By division</b>		
Environmental Services	5.4%	8.3%
Industrial Services	5.3%	10.6%
Facility Services Finland	24.3%	37.7%
Facility Services Sweden	6.5%	9.1%

### Key measures taken in 2020:

- The Suitable Work model we launched in 2016 continued to be implemented in 2020. The Suitable Work model has allowed us to find duties suitable for the health and motivation of our employees already before it is possible to utilise vocational rehabilitation or if the criteria are not met.
- We supported the extension of careers through diverse co-operation with our partners. To support employees' return to work, we made active use of instruments such as partial sickness allowance and vocational rehabilitation.
- During the past three years, we have been able to return 186 persons to a new career by various means, 32 of which occurred in 2020.

\* The calculation method has been changed. The figure for 2019 reflects turnover, whereas the figure for 2020 reflects exit turnover.

\*\* This figure is affected by the discontinuation of Russian operations that began during the year under review.



## A healthy, diverse and productive workplace community

### Support for employee well-being and work ability

The work performed by L&T's employees is primarily physically strenuous, but the significance of mental resources is also highlighted in working life today. L&T wants to support the physical and mental well-being of its personnel and help them actively look after their health. In addition to occupational health services and a sickness fund, each year we offer rehabilitation services to our personnel along with well-being services paid for by L&T. In 2020, we invested EUR 8.9 million in work ability, well-being and occupational safety. The L&T sickness fund paid benefits amounting to EUR 1.5 million to its members.

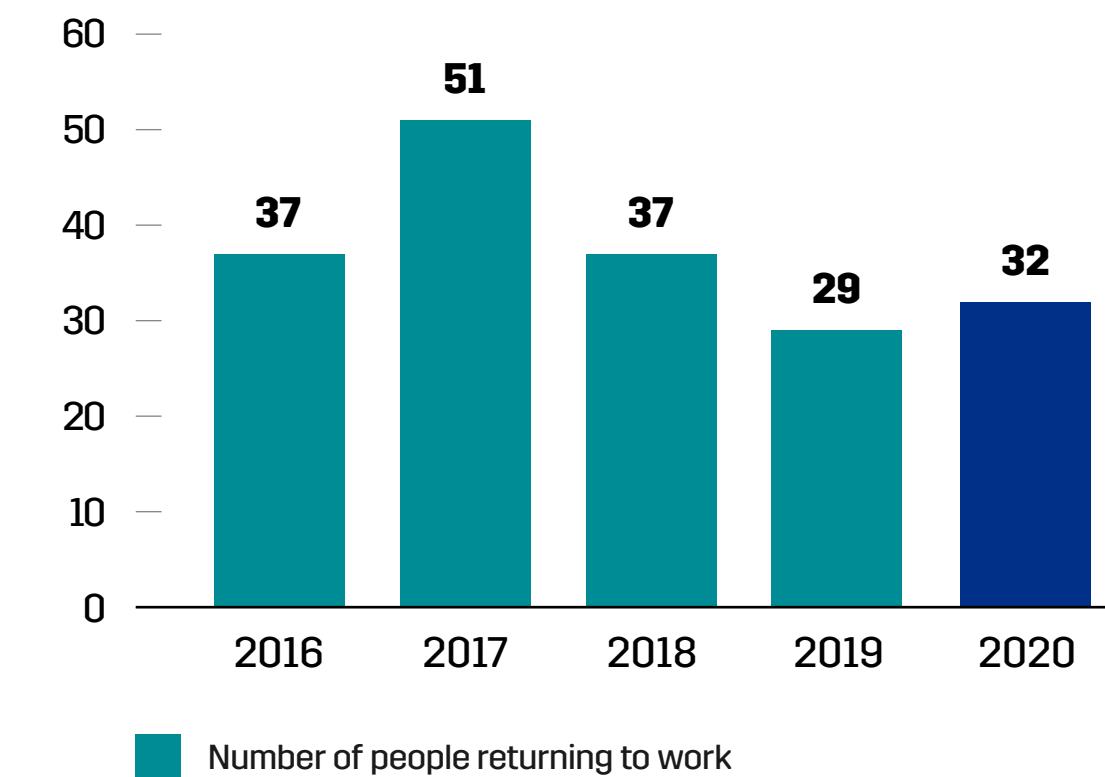
L&T has been supporting our employees' exercise and other hobbies via personnel clubs for several years now. In 2020, there were 25 clubs operating across Finland, organising various sports and cultural activities for their members.

### Sickness-related absences

We use L&T's early care model and diverse measures to support employees' return to work with the aim of reducing sickness-related absences.

During the year under review, the COVID-19 pandemic affected sickness-related absences, which increased due to the pandemic in both Russia and Sweden. In Finland, our sickness-related absence rate declined from the preceding years. Our sickness-related absence rate was 4.7 (2019: 5.0) in Finland, 6.0 (2019: 5.2) in Sweden and 5.2 (2019: 2.4) in Russia.

### People with partial work ability returning to work



Our early care model aims to use co-operation between the employee, the supervisor, occupational health services and the HR function to address problems and find solutions to them at an early stage. We regularly organise training for supervisors on the early care model. The training is aimed at improving interaction between supervisors and their subordinates and supporting the supervisors' ability to address problems.

Over the past few years, we have actively monitored the implementation of intervention discussions in accordance with the early care model. We support and guide supervisors on holding the discussions. The number of supervisors who had a backlog of intervention discussions decreased further in 2020.

We offer direct appointments with a physical therapist in co-operation with our occupational health provider. Their goal is to prevent the prolongation of musculoskeletal disorders, speed up the initiation of rehabilitation and actively influence working methods and conditions. In 2020, we continued the process of making these appointments part of our established operating practices.

We continued the use of our revised alternative work model in 2020. In the model, the doctor is able to focus on the assessment of work ability and functional capacity, and the alternative duties are agreed upon at the workplace within the boundaries set by the doctor. The revised model has increased the use of alternative work particularly in the context of musculoskeletal disorders and injuries, for which the 2020 target was achieved.

### We monitor the occupational health rate of our personnel

During the year under review, we adopted the occupational health rate as a new performance indicator in Finland. It is the number of employees who were healthy during the reporting period as a percentage of the total number of employees.

Our occupational health rate in Finland was 50 per cent in 2020. This means that up to half of our personnel had no sickness-related absences during the year.

The occupational health rate directs attention to a positive indicator, i.e. the number of people who remained healthy.

Sickness-related absences, %	2020	2019	2018
Finland	4.7	5.0	5.0
Sweden	6.0	5.2	5.1
Russia	5.2	2.4	2.7

Occupational health rate, %	Target	
	2020	2024
Finland	50	45

Average retirement age	2020	2019	2018
L&T Group, weighted average	63.7	63.2	63.2
Finland	63.5	63.1	63.2
Sweden	65.0	65.0	64.5
Russia	57.5	57.5	57.5

**A healthy, diverse and productive workplace community****Rehabilitation and well-being projects support coping with work**

L&T actively supports the well-being and career extension of its employees. In 2020, well-being training paid for by L&T and Kela's rehabilitation groups were offered to the personnel. Participation in Kela's rehabilitation groups suffered from the COVID-19 pandemic in particular. Most of the rehabilitation activities planned for the early part of the year had to be postponed or cancelled and finding applicants for the rehabilitation activities planned for the second half of the year was difficult. 238 L&T employees participated in well-being training and rehabilitation activities during the year under review. The well-being training participants received individual well-being training to support their psychological well-being, sleep, lifestyle and physical exercise. KILLA and Tules rehabilitation are intended for improving and supporting work ability and extending careers.

We monitor the impact of rehabilitation and well-being projects by means of service producer reports and L&T's surveys. The participants of the well-being training rated the service good or very good on average.

We also offered the Elixia Online exercise service to our employees to promote well-being.

**Employment opportunities for special groups and people with reduced work ability**

We have made a long-term commitment to promoting the employment of special groups and people with reduced work ability. We constantly look for new ways to reach a broader audience of applicants in population groups that have previously not been recognised in society as skilled workers.

While the COVID-19 epidemic slowed down our external recruitment in 2020, we continued to increase our employment capabilities. We developed training on the management of a diverse workplace community and trained our service masters and customer group managers for cleaning and support services in the Helsinki metropolitan area on the management of people with reduced work ability.

We want to further expedite the employment of people with reduced work ability. During the year under review, we focused on identifying factors that slow down the employment process and developed the process towards inclusive job design. In 2021, we will start working together with special vocational institutes, with our cleaning and support services in the Helsinki metropolitan area serving as the pilot unit. The goal is to create long-term employment relationships through this collaboration.

With regard to groups that are outside the open labour market, we continued the employment of asylum seekers, for example.

**EMPLOYED BY TOMORROW**

## Flexible employment on the terms of the employee's health

Around 0.5 million people are on disability pensions in Finland, and some 30,000 of them would like to work. L&T provides people with reduced work ability with opportunities to continue in working life.

**Jukka Hirvonen** worked as a supervisor in the damage repair services unit. In 2011, health problems began to weigh on and he had to reduce his work load. At first, he worked shorter weeks, but even that did not help. "L&T was very flexible. I went to work every other day and to dialysis treatment every other day. It wasn't easy, but I was happy to stay in working life."

Eventually he had to go on sick leave and he was away from work for nearly four years. When his return to work got closer, L&T offered him lighter duties. He now works 20-hour weeks handling invoicing and matters related to safety. Hirvonen says the support of L&T played a key role in enabling him to return to work at all. "The change started from L&T's willingness to employ me and my own desire to stay in working life."

**A healthy, diverse and productive workplace community****Key measures taken in 2020:**

- We participate in the lisisti töihin project coordinated by the Finnish Institute for Health and Welfare, which is aimed at improving the opportunities of persons with reduced work ability to find employment in the normal labour market.
- We continued to purposefully increase our employment capabilities. We developed training on the management of a diverse workplace community and trained our service masters and customer group managers for cleaning and support services in the Helsinki metropolitan area on the management of people with reduced work ability.
- We participated in the Responsible Summer Job 2020 campaign and committed to providing summer jobs in accordance with the principles of responsible summer jobs for our summer workers.
- We supported young people's employment and studies by offering on-the-job training, internship and thesis writing opportunities to students. In 2020, we employed 151 people under the age of 18 and more than 600 summer workers. There are interns from various educational institutions in all of our divisions on a continuous basis.
- We also aim to promote our own employees continuous opportunities to increase their professional competence, for example, through year-round apprenticeship training. Examples of the degrees attainable through apprenticeships include vocational degrees and special qualifications in facility services as well as a logistics degree that includes lorry driver qualification.
- We participated in the HuippuHarkka programme coordinated by the Finnish Children and Youth Foundation, which aims to provide young people with positive experiences in working life. During the project, L&T's mentors met with young people and we participated in the "Towards working life – tips from professionals to young people" seminar aimed at young people. We offered six training periods during the programme and signed employment agreements with two young participants at the end of their training period.

**Occupational safety and health**

L&T is committed to continuously improving occupational safety and the zero accidents approach. Our goal is to think and act safely, which will make all occupational accidents avoidable. Our efforts in the area of occupational safety are also aimed at preventing and minimising accidents, occupational diseases as well as other hazards to physical and mental health arising from work and the working environment.

L&T's occupational safety activities are coordinated under an ISO 45001 certified management system as well as the Group's occupational safety management principles. The certification covers nearly 90 per cent of L&T's business operations and personnel in Finland. The certification also covers employees that are not part of L&T's own personnel but work in our premises. In Sweden, the certification covers all of our business operations. The business operations that are not certified adhere to our management system and the related principles in their operations.

Safety is on the agenda of our meetings from the Executive Board down, and it is also linked to personal bonuses of most service production supervisors. The Group Executive Board and the Board of Directors receive monthly reports on the development of occupational safety.

**The management of occupational safety is part our day-to-day work**

We use effective proactive measures – such as safety

observations, regular Safety Walks, occupational safety sessions and various risk assessments – to improve our safety as well as the safety of our customers and other stakeholders, while also eliminating risk factors.

Our employees have access to an electronic system that can also be used by phone. Anyone can use the system to report safety observations. We encourage our employees to report their safety observations and we monitor the activity of reporting.

We increase our employees' awareness of occupational safety and risks starting from induction training and also through online training and clear guidelines as well as by providing regular information on instructions, procedures and operating models. We also ensure that the subcontractors who work at our operating locations are trained on occupational safety. Our employees also participate in occupational safety training organised by our customers to ensure that we always adhere to the occupational safety instructions of each operating location. Our systematic efforts on this front are aimed at making our employees realise that everyone can contribute to occupational safety.

The COVID-19 pandemic affected the management of occupational safety in 2020 and we drafted separate clear instructions to prevent the spread of the virus. Our customers also drafted their own COVID-19 protection guidelines, which we observed at our customer locations. Our general guideline is that when two sets of instructions exist, our employees must always follow the stricter of the two.



## A healthy, diverse and productive workplace community

If an accident occurs, it is always investigated. Accident investigations are conducted using an investigation method that helps reveal the root causes of accidents and agree on effective corrective actions. In addition to accident investigations, accident panels carry out a further review of accidents together with the employees involved to ensure that sufficient corrective actions are taken.

### Occupational health services promote work ability

All L&T employees are entitled to statutory occupational health care from the beginning of their employment, regardless of the type and duration of employment. We also complement our comprehensive occupational health services with L&T's sickness fund. In 2020, occupational health services covered 6,673 employees in Finland.

We work closely together with our occupational health provider and the key content particularly includes broadly recognising work-related hazards, preventing them and developing working conditions.

### Our common operating model covers all of our employees

We engage in effective co-operation with our employees and each division has its own occupational safety and health committee. The committees organised their own statutory meetings in 2020.

L&T has invested more time and resources in occupational safety in the past few years and the results speak for themselves. Our total recordable injury frequency

(TRIF) has developed in line with our target and the number of proactive measures has been at a good level. In 2020, L&T had one case of diagnosed occupational disease.

### The overall accident frequency was in line with the target

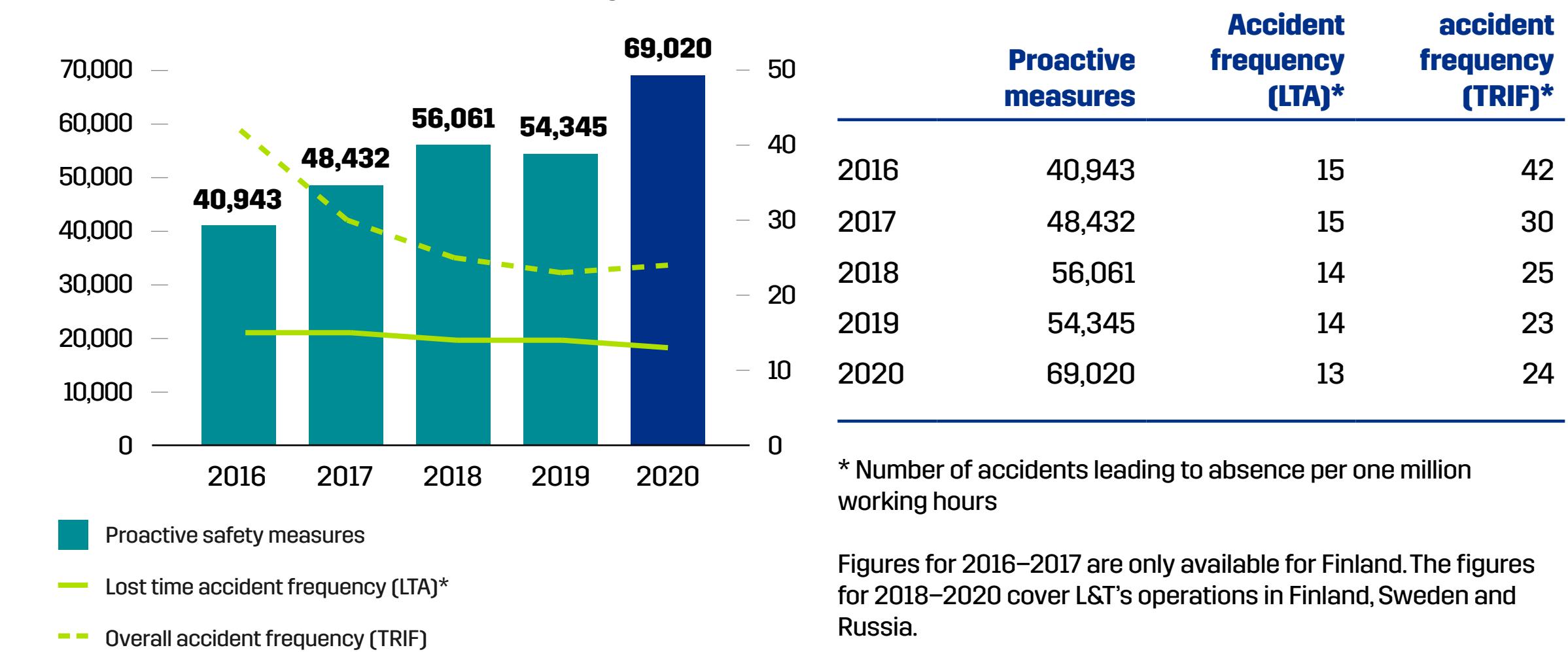
Occupational safety at L&T developed largely in line with our targets in 2020 in spite of the COVID-19 pandemic. The overall accident frequency was in line with the target and stood at 24 (target: 25) in the company as a whole. Our LTA indicator, which measures accidents leading to absences, continued to develop favourably but fell short of our ambitious target. The result was 13 (target: 10). We will continue our purposeful efforts to engage everyone at L&T in the development of safety. There were no fatal accidents during the year under review.

### A record number of proactive occupational safety measures

The aim of proactive occupational safety measures is to proactively detect and identify occupational safety risks as well as define and implement the measures necessary for their prevention. In Finland, the proactive measures are documented in a system, which can also be used to monitor the implementation of different practical measures.

Proactive measures related to occupational safety are used in L&T's own units as well as at customer facilities. Operating in a proactive manner helps us develop our own safety as well as the safety of our customers. A sig-

## Development of occupational safety in L&T



\* Number of accidents leading to absence per one million working hours

Figures for 2016–2017 are only available for Finland. The figures for 2018–2020 cover L&T's operations in Finland, Sweden and Russia.

**A healthy, diverse and productive workplace community**

nificant proportion of our Safety Walks and safety observations are made at our customer locations. Unit-specific targets have been set for proactive measures and their achievement is monitored regularly.

The number of proactive occupational safety measures (safety observations, Safety Walks, occupational safety sessions and risk assessments) was tremendously high at 69,020 (54,345). The number of measures exceeded our ambitious target.

In 2020, our proactive measures continued to be focused on having our actions be more evenly distributed across all units and appropriately targeted. We have also focused on activating our employees, and these efforts have seen us engage a growing number of employees in the promotion of safety; for example, by making safety observations.

**Special monitoring of high-risk jobs**

Jobs at L&T also include work sites and tasks in which the risks related to occupational safety are higher than normal. These include, for instance, sites where work is performed at night, the processing of hazardous waste, industrial cleaning and the cleaning of pharmaceutical factories and health care facilities, for example.

High-risk jobs also include work in locations that require the use of special chemicals, or where customer processes can involve exposure to chemicals or radiation, for instance.

The supervisor must assess the hazards and exposure risks of each operating location and, if necessary, contact the occupational health care services locally to assess exposure agents. Employees assigned to environments that involve a particular risk of illness must undergo a pre-employment medical check-up conducted by the occupational health care provider before commencing work, if possible, and no later than one month after starting the work, regardless of the nature and duration of employment. Such employees are also invited to follow-up examinations at regular intervals.

**Development of occupational safety at**

L&T	2020	2019	2018
<b>Proactive occupational safety measures total</b>	69,020	54,345	56,061
Safety observations	34,590	28,814	32,195
Safety Walks	15,655	12,217	12,372
Occupational safety sessions	14,383	10,132	10,657
Risk assessments	4,392	3,182	837

The figures cover operations in Finland, Sweden and Russia.

**Key measures taken in 2020:**

- The year under review was exceptional due to the COVID-19 pandemic and we invested in ensuring that our employees could work safely. We established our own inventory of personal protective equipment related to COVID-19 and developed our PPE procurement channels to ensure the availability of protective equipment for our employees. There were shortages of hand sanitiser in the early stages of the epidemic, so we bottled it ourselves.
- We launched “Safety under the helmet” training for supervisors. The aim of the training was to build an increased understanding of the factors that influence people’s choices and ability to concentrate, which in turn affect safety at work.
- L&T engages in proactive occupational safety efforts. As part of these efforts, we carried out a project focused on topics such as using artificial intelligence to analyse safety data and thereby identify new development areas.
- We took several concrete occupational safety development measures, including the introduction of a new type of safety footwear for all employees in Environmental Services and a project to improve the safety of open-top containers, which included modernising old open-top containers and issuing safety specifications for new containers. In Facility Services, we organised safety training for all cleaning supervisors. In Industrial Services, we introduced a start-of-work checklist for employees to use on mobile devices to assess last-minute risks.
- We continued our long-term efforts to develop safety and invested in increasing the activity of our employees with regard to proactive safety measures.
- Our environmental management system was certified according to the ISO 45001 standard.



### A healthy, diverse and productive workplace community

## We create economic growth and increase well-being

As a responsible corporate citizen, our goal is to increase L&T's financial value sustainably, create economic growth and increase well-being. We are among the most significant employers in our operating locations. The salaries, wages and taxes we pay, as well as the goods and services we buy, have a substantial impact on municipal finances and other businesses in each economic area. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders as dividends.

The most important direct flows of money from our operations consist of customers' service fees, purchases of goods and services, salaries, bonuses and social security costs, taxes, compensation to financiers and shareholders, and investments.

We comply with local legislation in the payment, collection, accounting and reporting of taxes. We pay and report taxes in the countries we operate in. A key principle is the high-quality and timely submission of tax forms and ensuring that other statutory requirements are met.

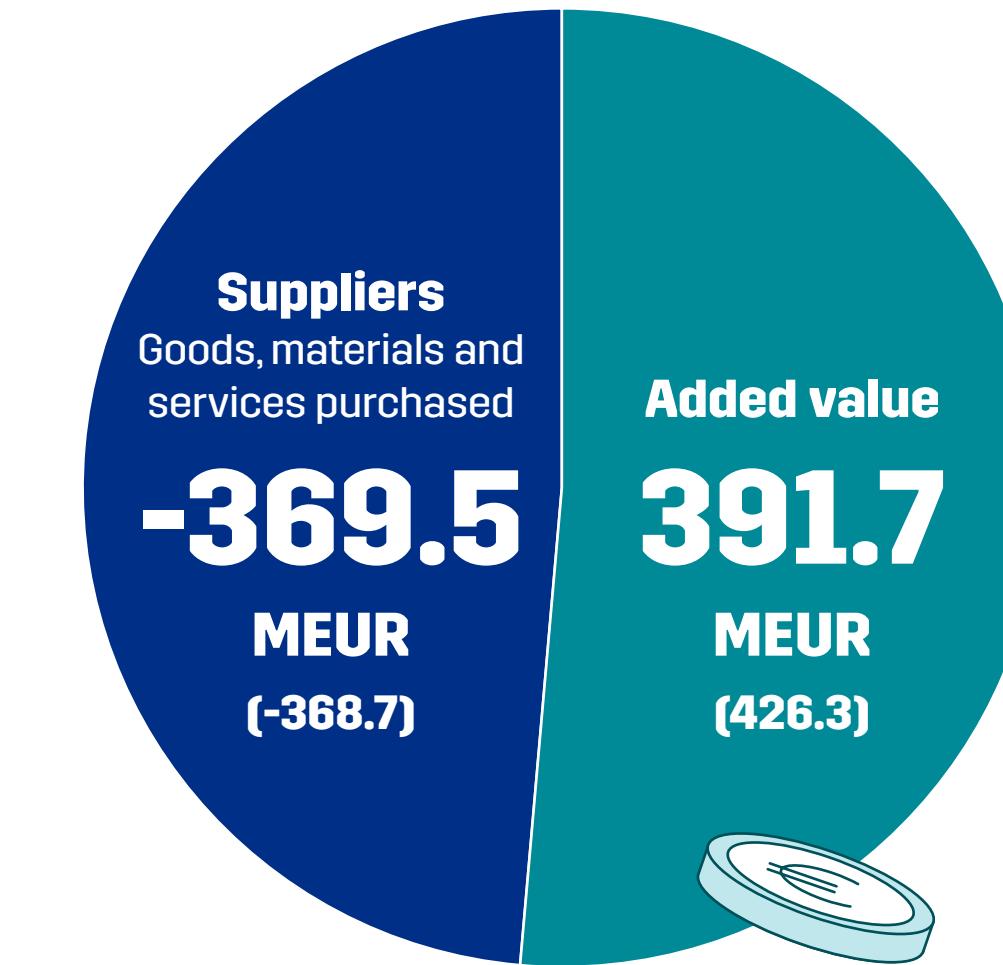
As part of our sustainability programme, we publish our tax footprint, which summarises the taxes and tax-like payments that accumulate for society as a result of our business operations. In addition to direct and indirect taxes, L&T's tax footprint reporting includes withholding taxes on salaries, as well as social security contributions.

The tax footprint summary includes taxes and tax-like payments for which L&T is responsible for paying or collecting the tax or payment in question. However, taxes included in the purchase price of a product or service, or for which L&T has no statutory reporting obligation, are not included in the tax footprint summary data. Relevant taxes and payments are classified by type and by country in this report.

## Distribution of financial added value

Customers, income:

**761.2 (794.9)**  
MEUR



## Distribution of added value

### Owners

Dividends and capital repayment paid

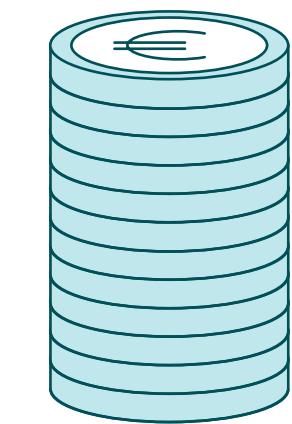
**-35.0 (-35.3)**  
MEUR



### Employees

Salaries, fees and social security contributions paid

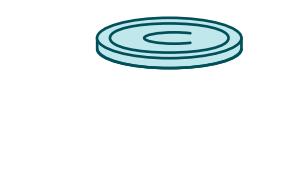
**-315.1 (-327.1)**  
MEUR



### Creditors

Net financial costs/expenses

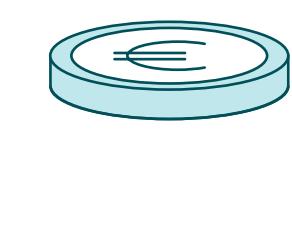
**-3.6 (-3.7)**  
MEUR



### Public sector

Income taxes

**-5.5 (-9.1)**  
MEUR



### Business development

**32.4 (51.1)**  
MEUR





**A healthy, diverse and productive workplace community**

### L&T's tax footprint

Taxes and tax-like payments, EUR million	2020			2019			Total	
	Finland	Sweden	Russia	Finland	Sweden	Russia	2020	2019
Income taxes/corporate taxes	4.6	0.8	0.2	6.0	1.0	0.3	5.5	7.3
Withholding taxes on salaries and forest taxes, and tax-at-source	46.6	11.2	0.2	47.4	11.4	0.3	58.0	59.1
Social security contributions	2.9	13.3	0.6	1.7	13.5	0.8	16.8	16.0
Production taxes	0.5	0.0	0.0	0.2	0.0	0.0	0.5	0.2
Value added tax (tax on consumption)	66.7	20.4	0.8	69.4	19.8	1.5	87.9	90.8
Yle broadcasting tax	0.0			0.0			0.0	0.0
Lottery tax	0.0			0.0			0.0	0.0
Property tax	0.3	0.0	0.1	0.3	0.0	0.2	0.5	0.5
Insurance premium tax	0.5	0.0	0.0	0.7	0.0	0.0	0.5	0.7
Total	122.0	45.7	1.9	125.7	45.6	3.1	169.6	174.4





# We provide sustainable circular economy solutions to industrial operators and cities

L&T supports its customers' sustainability by providing a comprehensive range of services. We increase the recovery of industrial side streams and contaminated soil and develop services that reduce emissions and the impact of chemicals through new solutions and strong professional competence.

When we conducted a materiality assessment of sustainability, we recognised that our services can significantly influence the sustainability of our industrial and municipal customers and the development of their infrastructure in line with the principles of sustainable development. The development of innovative solutions is part of our work with customers and we manage it in accordance with our customer relationship management practices and L&T's management system. As part of the continuous development of our business, we evaluate and specify the targets and indicators of this focus area to ensure that they clearly reflect our development.

## Sustainability programme priorities



### Priorities and objectives 2019–2024

**We promote the development of industrial infrastructure in line with the principles of sustainable development, the recovery of industrial side streams and closed cycles.**

Developing and introducing new, sustainable and safe methods.

Increasing the productive use of industrial side streams and contaminated land.

### Indicators 2020

- We invest in innovation and development of methods
- More than 160,000 tonnes of utilised side streams and soil materials

### Our success

### Notes

### We find innovative solutions to build sustainable cities and create healthy and safe environments.

We promote the development of sustainable cities and solutions to maintain sustainable urban infrastructure provision.

Creating healthy and safe conditions for people.

Reducing the use of chemicals and increasing the proportion of ecolabelled products.

- Through the Smart & Clean Foundation, we have promoted the development of clean solutions in the Helsinki metropolitan area's municipalities.

- The share of ecolabelled cleaning products was 59.9% of total. The share decreased from the previous year due to the COVID-19 pandemic and increased use of disinfectants.



## Added value through sustainable industry solutions

L&T recovers industrial side streams and contaminated soil for use in infrastructure construction to help conserve virgin natural resources. We manage the full range of industrial waste, from hazardous materials to slurry and ash. We produce industrial raw materials and fuel for power plants from waste that suits these purposes. We also use industrial side streams and waste as earth construction materials in place of virgin materials. L&T supports its industrial customers in meeting their sustainability goals and works together with customers to develop industrial infrastructure in line with the principles of sustainable development. We also continuously develop methods which allow us to reduce the amount of waste created, increase the effectiveness of the energy consumption of our customers, reduce their emissions and improve their occupational safety.

## Comprehensive services for reducing waste and emissions

L&T's services for industrial facilities span the entire value chain of waste and side streams, from the point the material is generated all the way to its recovery and recycling. The service solutions consist of components such as cleaning industrial process equipment, in-house logistics, environmental management and property maintenance. The comprehensive approach to operations ensures cost efficiency and sustainability. All operations are carried out in accordance with the current legislation and environmental permits.

In 2020, we partnered with several industrial enterprises in the areas of maintenance, property support services and environmental management. Our goal is to produce support services even more efficiently than before, allowing customers to deal with a single point of contact, and to provide services that enable production facilities to operate efficiently every day. Optimisation of the big picture and taking a proactive approach to occupational safety are key aspects of our operations.

We have introduced an efficient [blast cleaning method](#) that allows us to clean the furnaces of our industrial customers during use. This reduces the emissions caused by process shutdown and start-up, improves the efficiency of the boiler and reduces the amount of waste created. The protected equipment makes it possible to perform the cleaning safely both during use and during maintenance shutdowns.



## Sustainable industry and cities

### Recovery of side streams and contaminated soil

We work purposefully to enable our industrial customers to have their industrial side streams (such as slag, sediment, slurry, ash and contaminated soil) recovered and used primarily as industrial raw materials and secondarily in infrastructure in various structural solutions. The aim is to replace the use of virgin soil.

L&T receives, processes and recycles side streams and contaminated soil from all parts of Finland. The majority of the materials is recycled: we produce industrial raw materials and fuel for power plants from waste that suits these purposes. We also use industrial side streams and waste as earth construction materials in the structures of waste facilities and landfills, for example.

We constantly try to find new ways to recycle industrial side streams and contaminated soil in ways which produce the highest possible added value. In 2020, we facilitated the recovery of more than 160,000 tonnes of industrial side streams and contaminated soil.

### Sustainable cities need infrastructure expertise

L&T wants to be actively involved in the development of sustainable cities. Through our services, we can contribute to the maintenance of sustainable urban infrastructure, the development of cities that operate according to circular economy model as well as the creation of healthy and safe conditions for people.

We act as a property maintenance and cleaning partner for several municipalities in Finland and Sweden. Our goal is to be able to extend the lifecycle of properties, increase the efficiency of energy use, promote the recycling of waste and create good conditions for living and working. At the same time, we seek to reduce the environmental impact of our own operations.

In our maintenance services business, we utilise a weather service to enable the timely and efficient use of our snow-ploughing equipment, for instance. We have been able to reduce driving maintenance-related driving and our carbon footprint with our operating model and the ERP system that supports it. The introduction of a remote water meter reading solution serves the same goal. We have also utilised IoT solutions in the optimisation of electricity and heating energy and the appropriate use of properties.

In sewer maintenance, we capture images of and maintain hundreds of kilometres of municipal sewers each year. Regular examination of the sewer network's condition and proactive maintenance are the best way to reduce the risk of blockages and water damage.

We also empty wells and remove blockages. Some of the waste from the wells can be refined into industrial raw materials and fuel for power plants. This allows us to reduce the volume of waste ending up at landfills and reduce the costs of waste.



## BUILDING A REGENERATIVE SOCIETY



## Using contaminated soil in residential areas

There are more than 10,000 sites of contaminated soil in Finland. They can be recovered as long as the soil is processed appropriately. L&T treated soil for use as the foundation for a new residential area in Muurame.

New housing is under construction in the Kinkomaa hospital area. This called for soil decontamination, as tonnes of construction and demolition waste had been dumped under a former parking area over the years. "Some practices that used to be acceptable are no longer allowed. We are taking responsibility for people's well-being and providing a clean environment," says **Minna Helsingius**, Communications and Marketing Manager at Jykia Oy, the company in charge of developing the area. L&T excavated nearly 15,000 tonnes of soil in Kinkomaa and transported it to L&T's treatment plant in Leppävirta. L&T has five treatment plants across Finland that have the combined annual capacity to decontaminate thousands of tonnes of soil.

**Sustainable industry and cities****Our disinfection solutions helped cities maintain hygiene safety during the epidemic**

Safe distances, enhanced hygiene practices, the avoidance of unnecessary contact and remote work became the new normal that characterised almost the entire year. While many companies and public facilities closed their doors in the spring to prevent the spread of COVID-19, supermarkets, pharmacies and public transport continued to operate normally, for example. This required a special focus on hygiene practices.

In these new and challenging circumstances, L&T's disinfection solutions helped ensure hygiene safety. Our innovative disinfection methods helped prevent the spread of COVID-19 and clean exposed premises efficiently and safely. We ensured hygiene safety by enhancing our maintenance cleaning operations at our customers' premises and by providing disinfection product packages to offices and hand sanitiser solutions to metro stations, for example.

During the year under review:

- we enhanced our maintenance cleaning at 3,070 customer sites
- we disinfected 550 premises exposed to COVID-19
- we supplied our customers with a total of 17,100 litres of hand sanitiser.

**Reducing chemicals is part of sustainability**

L&T aims to reduce the use of chemicals in its operations and at customer locations. We also constantly expand the use of chemical-free methods in our cleaning sites.

Only tap water is used for the cleaning of all sites and surfaces where this is possible. We are introducing cleaning methods based on so-called processed waters in which minerals and impurities are removed from water in a water treatment facility. The water is usually also ionised in order to remove its surface tension. This results in the same cleaning effect as when detergents are used. Furthermore, we are starting to utilise cleaning agent dispensers in big sites which ensures the minimal use of chemicals in accordance with the user instructions. Our goal is to continuously reduce the total consumption of cleaning agents and increase the amount of ecolabelled products. Ecolabelled cleaning products accounted for 59.9 per cent of the total in 2020 (2019: 71.2). The share of ecolabelled products decreased from previous year due to the COVID-19 pandemic and increased use of disinfectants.

**BUILDING A REGENERATIVE SOCIETY**

## Helping a hospital quickly prepare for COVID-19

When the COVID-19 pandemic hit the world in the spring of 2020, hospitals needed the services of technical systems maintenance professionals. L&T helped Södersjukhuset hospital in Stockholm get ready for COVID-19 by making adjustments to ventilation, for example.

At the outbreak of the COVID-19 pandemic, many wards in the hospital were quickly allocated to new uses. "The first priority was to quickly adapt the ventilation in the operating rooms to suit the treatment of COVID-19 patients. We changed the ventilation system from positive pressure to negative pressure to create the right conditions for treating a dangerous infectious disease," says L&T's Location Manager **Ivan Markovic**.

Markovic leads a team of 40 people who look after the complex technical systems of Södersjukhuset hospital.

"We are proud to have played a role in mitigating the impacts of the epidemic."

**Sustainable industry and cities****Development projects and co-operation forums**

- As a corporate partner of the Smart & Clean Foundation, L&T is committed to a five-year development programme to create clean urban solutions for the Helsinki metropolitan area in collaboration with the local municipalities.
- As a Climate Partner of the City of Helsinki, L&T helps the City achieve its new climate targets, according to which Helsinki will be completely carbon neutral by 2035.
- We are developing a calculation model for the carbon handprint of process cleaning in co-operation with the VTT Technical Research Centre of Finland.
- L&T is partnering with the University of Helsinki, Aalto University, the Finnish Meteorological Institute and the Häme University of Applied Sciences on the CO-CARBON project, which aims to measure and model the carbon binding capacity of urban green areas as well as develop design, construction and maintenance practices to enhance carbon binding in connection with the pursuit of other ecological and social benefits.

- We participated in the UUMA3 programme from 2018 to 2020. The programme focused on developing concrete actions to promote the achievement of circular economy and environmental benefits in groundworks using recovered materials.
- We have also participated in the CircVol project in Oulu. The project sought new solutions for the utilisation of high-volume industrial side streams in infrastructure and earth construction.





# Sustainable business practices

By operating in compliance with laws and regulations, L&T seeks to ensure that the Group's operations involve no serious damage or offences. To ensure the regulatory compliance of its operations, we have documented our sustainable business principles in our Code of Conduct, which applies to our contract suppliers as well.

## We ensure the compliance of our operations

In our administration, we comply with Finnish legislation, our Articles of Association, the rules and regulations of Nasdaq Helsinki and the Finnish Corporate Governance Code for listed companies. Our operations are also guided by the policies and operating principles approved by the Board of Directors or the Group Executive Board as well as our environmental permits.

We follow the local legislation in the countries where we operate and we also ensure the sustainability of our operations by adhering to our sustainability principles as documented in our Code of Conduct. The Code applies to all L&T personnel in all of our operating countries as well as our contract suppliers. Where necessary, policies and operating instructions have been

## Sustainability programme priorities



### Priorities and objectives 2019–2024

#### We ensure that everything we do complies with our legal and ethical responsibilities.

No serious damage or offences.

All new L&T employees are required to familiarise themselves with our Code of Conduct and this is reviewed regularly.

### Indicators 2020

- Zero incidents of serious damage and zero offences.
- Familiarisation with the Code: In Sweden, 92% of the personnel have completed the course, in Finland 79% of the salaried employees.

### Our success

### Notes

#### We ensure that all our goods and services are responsibly sourced.

We use suppliers who are committed to the L&T responsible supply chain policy.

We conduct annual risk-based audits of all our suppliers.

- At the end of the year, 93.4% of all of our service purchases were made from suppliers registered with the Reliable Partner service.
- In Finland, we commissioned 46 supplier self-assessments and carried out 16 supplier audits based on risk assessment.



## Ensuring compliance with regulations

issued to supplement the Code. We are committed to supporting the UN Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption.

### Ensuring the regulatory compliance of environmental management

In 2020, L&T had 68 (2019: 67) environmental permits that determined how the Group managed and monitored environmental matters. A total of 10 permit amendment applications were submitted to the authorities during the year. The parties concerned were consulted in writing in connection with each permit amendment.

During the year, L&T received a total of 21 (2019: 26) local complaints related to waste processing operations. The highest number of complaints was received in Jyväskylä, concerning the possible unpleasant odours released by the hazardous waste treatment plant. To prevent odour issues, we are in the process of making improvements to odour removal equipment and we have restricted the reception of malodorous material (bilge water) at the plant. There were also complaints of unpleasant odours in Lahti and complaints of littering in Kokkola and Mustasaari. The complaints were received either directly from local residents or via the local environmental authorities, and they were recorded in the monitoring system. The complaints were handled in co-operation with the authorities with the aim of mitigating future negative impacts.

In 2020, we collected 55,000 tonnes (2019: 55,000) of hazardous waste from our customers. Of this total,

5.6 per cent (2019: 5.3) was transported to other EU countries for treatment. L&T does not export hazardous waste outside the EU and no hazardous waste was imported by the company during the year under review. Read more [on the treatment on hazardous waste](#).

### Damage and offences

In L&T's sustainability programme, we have set a goal of zero incidents of serious damage or offences in the Group's own operations. This goal was achieved in 2020.

### Personnel

During the year under review, there were no serious accidents in L&T's operations that caused permanent injuries to anyone. All accidents were investigated in accordance with the Group's occupational safety practices to prevent their reoccurrence. Read more on L&T's [occupational safety practices](#).

### Environment

In L&T's operations in 2020, there were no incidents classified as serious environmental damage. However, during the year under review, in our Finnish operations there were three incidents of environmental damage classified as adverse events and 26 incidents classified as minor.

The environmental incidents classified as adverse events took place at L&T's plants in Oulu, Merikarvia and Pori. Oil was found in the soil of a ditch near the Oulu plant during the year under review. The corrective actions taken in response to the finding included a soil analysis, the removal of the contaminated soil and determining the

source of the leak. In Merikarvia, deficiencies were found in the functioning of the stormwater pumping station, which led to soil contamination in the ditch at the end of the plant's discharge pipe. The stormwater pumping station was stopped immediately. Following an assessment of the situation, the decision was made to upgrade the pump station and commence soil decontamination. An environmental inspection officer from Pohjois-Satakunnan Peruspalvelu joint municipal authority (PoSa) conducted an inspection visit and approved the pump station's repair plan and process. At the Pori plant, an alignment defect was found in the water systems. The problem was remedied immediately.

The minor environmental incidents in Finland involved broken hoses, soil contamination, chemical damage, ignition or nascent fires, container leaks and littering.

L&T takes all environmental incidents seriously. Corrective action is taken immediately when an incident is detected or L&T is informed of an incident. We co-operate with the authorities to assess and restrict damages and ensure appropriate communication.

### Prevention of environmental damage

L&T seeks to prevent environmental damage by means of Environmental walks, for example, or observation tours focused on the inspection of key factors related to the condition of the property in terms of the environment. Each L&T site with an environmental permit must conduct an Environmental walk at least once every quarter. Furthermore, we have prepared comprehensive environmental instructions for the personnel for various preventative

actions, such as the emptying and maintenance of oil traps, property waste management and the use and storage of chemicals.

In 2020, we continued to focus particularly on chemical safety. We use a chemical management system that enables the consistent and effective management of chemical safety in all of our divisions. We will continue to develop our operations in 2021 by reviewing our Environmental walk guidelines, for example.

### L&T's Group-wide Code of Conduct

To ensure the regulatory compliance, sustainability and ethics of its operations, L&T has documented its sustainability principles in its Code of Conduct, which applies to all L&T employees as well as contract suppliers. Supervisors are responsible for ensuring the personnel's familiarity with the Code of Conduct and monitoring compliance with the guidelines.

All L&T employees must follow the L&T Code of Conduct as well as prevent actions that are contrary to guidelines and instructions. Violations of the Code of Conduct are primarily reported to the immediate supervisor, who assist in the interpretation of the Code in ambiguous situations. Employees can also use a confidential reporting channel by phone or e-mail. The channel is available in all of our operating countries. The internal auditor handles all reports received via the reporting channel in accordance with a jointly agreed process.

The Code of Conduct is published on the L&T website. The Code of Conduct addresses issues such as anti-bribery corruption and bribery, compliance with com-



## Ensuring compliance with regulations

petition law and environmental regulations as well as non-discrimination. We have online courses on the Code of Conduct in Finnish, Swedish, English and Russian. The Swedish-language online course is aimed at the Swedish market and it has been adapted where necessary to correspond to Swedish legislation and issues relevant to our business operations in Sweden. New L&T employees study the Code of Conduct as part of their induction training programme and we also provide regular refreshers on the Code of Conduct.

In 2020, 79 per cent of our salaried employees had completed the online training on the Code of Conduct in Finland. In Sweden, the online course has been completed by 92 per cent of salaried employees and other employees. The online training is part of the induction training programme for new L&T employees and its implementation is promoted in all personnel groups.

Our internal auditor received 4 (2019: 12) reports of infringements against the Code of Conduct during the year. The reports were received directly from our personnel, through supervisors or via our electronic whistleblowing channel. All of the reports required further investigation and they led to corrective measures. The measures ranged from reprimands to warnings.

### Other infractions

In 2020, one report was submitted to the Finnish Data Protection Ombudsman regarding data protection and privacy at L&T. L&T has submitted a response to the Ombudsman regarding the case, but the Ombudsman

has yet to issue a decision. We operate in strict compliance with the EU's General Data Protection Regulation and L&T's data protection policy. During the year under review, we redefined our processes pertaining to personal data as part of the incorporation of our businesses and updated our privacy statement. We also continued our development efforts concerning the retention periods of personal data and the centralised management of access rights, and we also moved forward with risk assessments of business-critical software.

There were no incidents of bribery or corruption at L&T in 2020. More information on our supplier co-operation practices is provided on [page 73](#). Bribery and corruption-related risks are assessed on a process-specific basis and the risk assessments cover most of our service branches. The internal control function focuses on addressing risk management measures in development projects and also takes into account corruption-related risks. We continuously improve our operating model concerning development projects to prevent or effectively reduce the possibility of corruption. During the year under review, our risk assessments were focused on fees paid and the accrual of net sales. The identified risks of the targets of assessment were related to the lack of automation in the detection and prevention of misconduct. Going forward, we will focus even more on data quality and gradually increase the use of analytics in internal control. During the year, we also focused on the development of our notification form regarding side activities and the related handling processes, which are aimed at identi-

fying conflicts of interest among employees. Our employees are aware of our anti-corruption guidelines and they occasionally request more detailed information from our Legal Affairs department regarding the receiving of gifts, for example.

Risks related to human rights have been assessed at L&T as part of the risk management process. More information is provided in the [Financial Review](#) on page 30. L&T mainly operates in Finland and Sweden with local partners, and no significant risks related to human rights have been identified in the Group's operations. The company does not tolerate any kind of discrimination, harassment, bullying, racism or inappropriate treatment or the use of child labour, any form of forced labour or any other practices in violation with basic human rights in its own operations or as part of its supply chain. Human rights are included in the Code of Conduct and in the Code of Conduct attachment to the agreement which must be followed by all subcontractors and suppliers. Furthermore, human rights are assessed as a part of supplier self-assessment.

We prevent the use of child labour by our centralised diversity plan and reporting. Forced labour is prevented by, for example, our centralised payroll system which ensures that we pay all the employees in accordance with the collective labour agreements applicable to us. The salary is always paid to the employee's personal bank account. There were no grievances related to human rights or reported incidents of discrimination at L&T in 2020.

### Code of Conduct

To ensure the sustainability of our operations, we have documented our responsible business principles in our Code of Conduct, which applies to everyone at L&T as well as our contract suppliers. The key items of the Code of Conduct are as follows:

1. We comply with the applicable legislation and regulations
2. Our actions are honest and transparent
3. Our actions are in the interest of the company
4. We respect each other and our workplace
5. Occupational safety is important to us
6. We make no compromises on our environmental responsibilities
7. We require responsible actions from our suppliers
8. We take action against misconduct



# Sustainable procurement

L&T requires that all suppliers comply with the relevant legislation, agreements and terms of employment, and that they commit to our sustainability principles, which focus on the observation of legislation, transparency of operations and honesty, matters related to the employer's responsibilities as well as environmental matters. Our sustainability principles are documented in L&T's Supplier Code of Conduct. Our contract suppliers commit to observing L&T's Code of Conduct when they sign an agreement with the company. We also require that all service providers have signed up to the Reliable Partner service.

## Ensuring the compliance of suppliers

When we select a new supplier, we emphasise the quality and reliability of the supplier's action, the observation of environmental matters and ethical operating principles in addition to the cost efficiency of the goods or services provided. When selecting a new contract supplier, we evaluate the level of the supplier's sustainability by means of a self-assessment query, which focuses on the assessment of the supplier in terms of, for instance, environmental aspects, supply chain management, occupational safety and quality management. We use the answers to make sure that the supplier meets our requirements. Furthermore, we may conduct any other investigations we deem necessary in terms of the company's financial situation, for example. In Sweden, new subcontractors are approved in the company's internal co-operation meetings, which are also attended by representatives of trade unions.

We ensure the compliance of our existing suppliers by means of self-assessments whenever the contract is renewed and, if necessary, in other phases as well. We also engage in regular supplier co-operation with our most important suppliers and monitor their operations using specifically set indicators. Furthermore, we conduct supplier audits based on the risks identified.

## Description of supply chain and risks

We mostly operate with domestic companies in Finland and Sweden, which improves the visibility of the supply chain. We have assessed that the biggest risks in our supply chain are related to the waste treatment operators and recipients of waste as well as our subcontractors. With regard to waste treatment operators and recipients of waste, the most significant risks are related to taking environmental issues into consideration. With regard to subcontractors, the risks are mostly related to ensuring occupational safety and that employment conditions are followed.

## Anti-corruption and bribery

L&T is committed to supporting the UN Global Compact initiative and its anti-corruption principles. The prevention of corruption and bribery is also based on national legislation and agreements. Internally, our operations are guided by the L&T Code of Conduct, which includes anti-bribery and corruption guidelines related to, for example, accepting and offering gifts and hospitality as well as the avoidance of conflicts of interest. We have defined separate permit procedures to ensure that all customer events are appropriate and that all sponsorships and supporting

marketing operations are transparent.

Our procurement is guided by our procurement principles and the more detailed procurement guidelines. Our procurement processes are transparent and procurement decisions are based on competitive contracts. Mandates and the limits for approval in terms of procurement are defined in the company's guidelines on authorisation on the basis of position. In case of potential conflicts of interests in procurement decisions, the persons concerned are disqualified from the decision-making and left outside of the daily co-operation with the supplier. Supplier co-operation must not involve any bribery or the kind of hospitality or exchange of gifts that could influence procurement decisions.

## Progress in 2020

- Active co-operation between our procurement function and occupational safety department ensured the adequate availability of personal protective equipment in spite of the impacts of the COVID-19 pandemic. The continuity of the procurement of protective equipment was ensured through effective management of supply channels.



## Ensuring compliance with regulations

- We commissioned supplier self-assessments for 46 suppliers.
- Based on risk identification, audits conducted in accordance with the audit plan were targeted particularly at recipients of waste, waste processing partners and subcontractors. Based on our risk assessments, we also carried out audits in other procurement categories.
- We conducted 16 supplier audits. To prevent the spread of COVID-19, we conducted part of the audits remotely. However, due to the pandemic, we were unable to complete all of our planned audits during the year under review. The observations made in the audits were related to, for instance, suppliers' processes and means to ensure the responsibility of their own procurement.

## We continue to develop the sustainability of our procurement activities

We will continue to develop the sustainability of our procurement activities in 2021. Our goal is to further develop our operating model to better account for differences between our procurement categories and to ensure

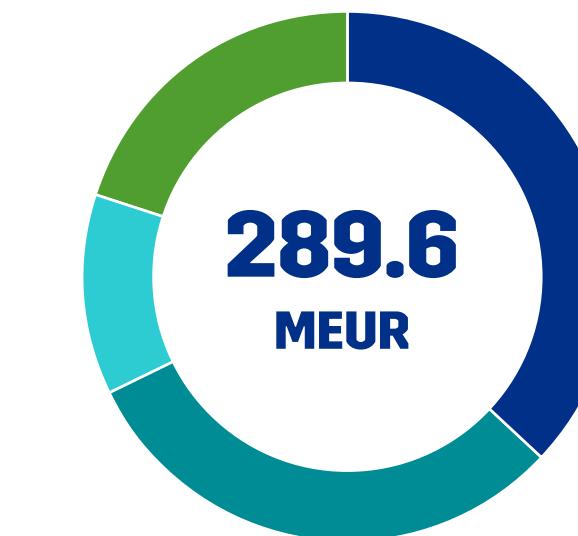
that our operating procedures enable us to maintain a transparent and up-to-date supply chain. We also aim to actively engage our supply chain in setting emission reduction targets and thereby ensure the achievement of our science-based emission reduction target (SBT). In our businesses in Sweden, we aim to further develop procedures to ensure supplier sustainability.

### L&T's purchases in 2020

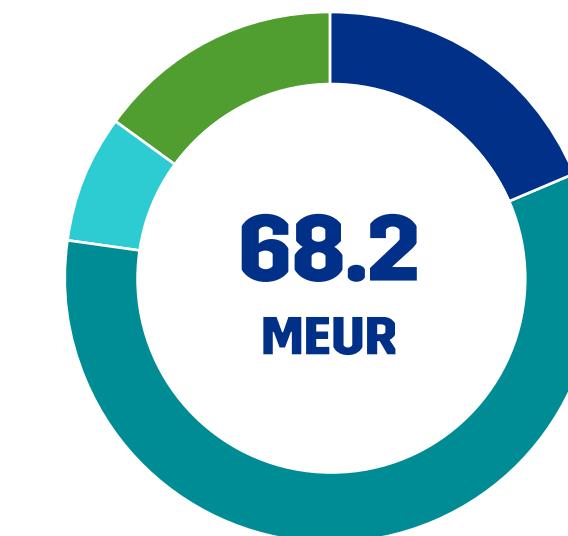
In 2020, L&T's purchases of materials, goods and services in Finland totalled approximately EUR 289.6 million (2019: 302) and our purchases in Sweden totalled approximately EUR 68.2 million (2019: 63).

L&T's purchases are mainly from domestic suppliers. In Finland, 96 per cent (2019: 95) of purchases were made from companies operating in Finland, and 3.7 per cent (2019: 4.7) from companies operating in other EU countries. Purchases from outside the EU represented 0.2 per cent (2019: 0.3) of our total purchases. In Sweden, domestic purchases accounted for 98 per cent (2019: 97.8) of the total, while 2 per cent of purchases were from other EU countries (2019: 2.2). Hardly any purchases were made from non-EU suppliers in our Swedish operations.

## Breakdown of procurement in Finland and Sweden



█ Direct material procurement\* 37%  
█ Direct service procurement\*\* 31%  
█ Vehicles and equipment 12%  
█ Indirect procurement, real estate and facilities 20%



█ Direct material procurement\* 19%  
█ Direct service procurement\*\* 59%  
█ Vehicles and equipment 8%  
█ Indirect procurement, real estate and facilities 15%

\* Direct material procurement includes: technical materials and supplies, raw materials and material payments.

\*\* Direct procurement includes: external workforce.

Purchases by country, %	Finland	Sweden
Domestic	96.0%	98.0%
From the EU	3.7%	2.0%
Outside the EU	0.2%	0%

# APPENDICES

- 76 Tables with more specific information
- 81 Sustainability reporting principles and GRI index



# Tables with more specific information

## Environmental figures

Materials	Unit	2020	2019	2018	2017	2016	Energy	Unit	2020	2019	2018	2017	2016								
<b>Material flows managed by L&amp;T</b>																					
Waste-based materials total	t	740,000	788,000	868,000	801,000	769,000	Diesel	MWh	144,002	164,665	170,798	160,094	152,846								
Materials sorted at source	%	73.4%	68.9%	68.1%	67.1%	65%	Petrol	MWh	656	3,010	2,804	2,459	2,416								
Hazardous waste sorted at source	%	7.4%	7.0%	6.3%	5.9%	6%	Fuel oil	MWh	17,070	17,936	18,539	17,506	17,855								
Mixed waste	%	19.2%	24.1%	25.5%	27.1%	29%	Gas	MWh	1,499	1,219	509	-	-								
<b>Recycling and recovery rate of material flows managed by L&amp;T</b>																					
Reuse and recycling	%	58.6%	54.8%	54.2%	53.8%	53.7%	Electricity	MWh	28,842	31,603	31,322	31,716	31,122								
Recovery in environmental construction	%	3.9%	4.8%	5.4%	5.9%	5.6%	District heating*	MWh	7,840	8,624	8,960	9,898	9,537								
Recovery as a waste-based fuel	%	24.2%	23.9%	24.8%	23.3%	23.3%	Total	MWh	199,909	227,057	232,932	221,673	213,776								
Recovery in the incineration of mixed waste	%	11.0%	9.6%	9.2%	11.2%	11.0%	The figures for 2020 do not include Russian operations														
Final treatment	%	2.3%	6.9%	6.4%	5.7%	6.3%	*District heating consumption figures cover L&T's operations in Finland														
<b>Reuse and recycling rate of hazardous waste</b>																					
Hazardous waste total	t	54,781	55,170	54,914	46,866	47,009	**L&T's own energy consumption relative to net sales														
Recycled as material	%	73.1%	69.2%	67.0%	64.0%	66.3%															
Recovery as energy	%	3.5%	2.1%	6.6%	10.6%	10.2%															
Final treatment	%	23.4%	28.7%	26.4%	25.4%	23.5%															
Hazardous waste intensity*	t/MEUR	73	70	68	66	71															

The figures for 2020 do not include Russian operations

\*Hazardous waste managed by L&T relative to net sales

Carbon footprint	Unit	2020	2019	2018	2017	2016	Carbon handprint	Unit	2020	2019	2018	2017	2016	
<b>L&amp;T's own emissions</b>														
Scope 1: Transport, production vehicles, work machines,	1,000 tCO <sub>2</sub> eq.	35,5	41,5	45,5	42,3	43,8	Material recycling*	1,000 tCO <sub>2</sub> eq.	-345,7	-340,0	-373,3	-377,0	-355,1	
Scope 2: Purchased electricity in Finland (market-based)	1,000 tCO <sub>2</sub> eq.	0,0	0,0	0,0	0,0	0,0	Biofuel and recovered fuel deliveries,	1,000 tCO <sub>2</sub> eq.	-885,9	-823,6	-805,8	-697,0	-678,8	
Scope 2: Purchased electricity in Finland (location-based)	1,000 tCO <sub>2</sub> eq.	4,0	4,9	5,0	5,6	5,5	Total**	1,000 tCO <sub>2</sub> eq.	-1,231,7	-1,172,1	-1,187,0	-1,081,1	-1,037,3	
Scope 2: Purchased electricity, other countries (location-based)*	1,000 tCO <sub>2</sub> eq.	0,004	0,2	0,2	0,2	0,2	Carbon handprint intensity: carbon handprint relative to net sales	tCO <sub>2</sub> -eq./MEUR	-1,638	-1,494	-1,480	-1,589	-1,567	
Scope 2: Purchased district heating in Finland (location-based)*	1,000 tCO <sub>2</sub> eq.	1,2	1,4	1,7	1,7	1,7	The figures for 2020 do not include Russian operations							
Scope 3: Fuel consumption by contractors**	1,000 tCO <sub>2</sub> eq.	16,6	14,3	15,3	13,4	14,1	* Calculation extended. Textiles, batteries and oils included as new materials for 2020 and comparison years subject to availability							
Scope 3: Work-related travel**	1,000 tCO <sub>2</sub> eq.	1,2	1,4	1,5	1,5	1,5	** Calculation extended. The property and production facility customers of the Smartti services' in which measures for energy efficiency have been implemented are included for the years 2019-2020							
<b>Total***</b>	<b>1,000 tCO<sub>2</sub> eq.</b>	<b>54,5</b>	<b>58,8</b>	<b>64,3</b>	<b>59,2</b>	<b>61,4</b>								
Emission intensity: Scope 1+2 emissions relative to kilometres driven (SBTi)	gCO <sub>2</sub> -eq./kilometres driven	818	867	958	-	-								
Emission intensity: Scope 1+2 emissions relative to net sales	tCO <sub>2</sub> -eq./MEUR	48,8	54,9	59,1	65,5	69,2								

The figures for 2020 do not include Russian operations

\*Scope 2 market-based figures are not reported because the emission factors available do not significantly differ from those in the location-based data

\*\*Only includes L&T's operations in Finland

\*\*\*The calculated Scope 2 emissions include electricity purchased in Finland on a market-based basis

# CO<sub>2</sub> emission calculation principles

L&T's CO<sub>2</sub> emission calculations for 2020 cover the Group's business operations in Finland and Sweden as specified below. L&T's Russian operations were excluded from the calculations in 2020 due to the unavailability of comprehensive and verifiable data due to the ongoing winding down of the Russian operations during the year. For the comparison years, the Russian operations are included in the figures.

## Carbon handprint

The carbon handprint, which refers to the calculated reductions in emissions facilitated by L&T's operations, have been calculated for the entire value chain, from the collection of waste to the use of secondary raw materials and fuel.

The recycling of waste can replace the use of virgin raw materials and thereby reduce the GHG emissions of raw material procurement and processing.

The carbon handprint has been calculated on a material-specific basis and it is based on the degree to which

the recycled material reduces emissions compared to the corresponding production using virgin raw materials.

In energy production, GHG emissions are reduced when fossil fuels are replaced with biofuels and solid recovered fuels. For fuels, the carbon handprint takes into account L&T's biofuel and solid recovered fuel deliveries and the resulting GHG emissions compared to producing the corresponding amount of energy using fossil fuels. The reference values used in the calculations are primarily based on coal. The emission factors are based on Statistics Finland's fuel classification 2020.

In addition, the calculation covers the properties and production facilities involved in Smartti services, and the calculated energy efficiency measures produced for them. The source of the emission factors is Statistics Finland 2018.

Calculated reductions in emissions have been calculated using the model created by VTT for the entire value chain, from the collection of waste to the use of the secondary raw material or fuel. The carbon handprint calculations for 2020 cover L&T's operations in Finland.

## Carbon footprint

The data on emissions from L&T's operations for 2020 cover the Group's operations in Finland and Sweden. The emissions have been calculated based on the international Green House Gas Protocol reporting standard and emission calculation model, utilising, for example, the Statistics Finland database. In accordance with the calculation model, emissions are divided into three categories:

1. Scope 1: Direct GHG emissions
  - Fuel consumed by L&T's heavy duty vehicles and production vehicles in Finland and Sweden
2. Scope 2: Indirect GHG emissions from purchased energy
  - L&T's electricity consumption in Finland and Sweden as well as district heat consumption in Finland
3. Scope 3: Other significant indirect GHG emissions
  - Work-related travel and contractor fuel consumption in Finland.

Subcontractors' emissions have been calculated based on transport volumes and estimated fuel consumption.

**Personnel in figures**

	2020	2019	2018	2017	2016
<b>Total number of full-time and part-time employees at year-end</b>	8,139	8,207	8,600	8,663	7,931
Finland	6,673	6,479	6,871	7,041	7,035
Sweden	1,370	1,355	1,422	1,332	637
Russia	96	373	307	290	259
<b>Average number of employees, converted to full-time</b>					
Finland	5,853	5,946	6,199	6,288	6,305
Sweden	1,109	1,020	1,066		
Russia	235	342	301		
<b>Personnel by country, %</b>					
Finland	82.0%	78.9%	80.0%	81.3%	88.7%
Sweden	16.8%	16.5%	16.6%	15.4%	8.0%
Russia	1.2%	4.5%	3.5%	3.3%	3.3%
<b>Personnel by gender</b>					
female	40.6%	40.0%	42.5%	42%	45%
male	59.4%	60.0%	57.5%	58%	55%
<b>Personnel by gender, supervisory positions</b>					
female	40.7%	38.7%	36.0%		
male	59.3%	61.3%	64.0%		
<b>Personnel by employee group*</b>					
Salaried employees, %	18.1%	16%	17%	16%	16%
Employees, %	81.9%	84%	83%	84%	84%
<b>Leased employees by employee group*</b>					
Salaried employees, person-days	289	252	347	312	
Employees, person-days	15,011	23,841	34,556	20,965	

	2020	2019	2018	2017	2016
<b>Personnel by type of employment, %</b>					
Finland					
Permanent (men%/women%)	95.6% (56.7/43.3)	94.9%	95.0%	93.2%	93%
Temporary (men%/women%)	4.4% (67.4/32.6)	5.1%	5.0%	6.8%	7%
Full-time (men%/women%)	69.0% (63.9/36.1)	67.1%	67.7%	66.3%	66%
Part-time (men%/women%)	20.6% (34.8/65.2)	21.5%	20.2%	22.4%	22%
Sweden					
Permanent (men%/women%)	80.8% (73.9/26.1)	75.8%	74.5%		53%
Temporary (men%/women%)	19.2% (51.1/48.9)	24.2%	25.5%		47%
Full-time (men%/women%)	68.5% (78.5/21.5)	65.9%	63.7%	64.0%	25%
Part-time (men%/women%)	31.5% (50/50)	34.1%	36.3%	36.0%	75%
Russia					
Permanent (men%/women%)	96.8% (77.2/22.8)	99.2%	99.3%	97.0%	93%
Temporary (men%/women%)	3.2% (66.7/33.3)	0.8%	0.7%	3.0%	7%
Full-time (men%/women%)	92.6% (80.7/19.3)	95.9%	94.3%	92.4%	93%
Part-time (men%/women%)	7.4% (28.6/71.4)	4.1%	5.7%	7.6%	7%
<b>Called in when necessary**</b>	10.4%	11.4%	12.1%	11.3%	12%

\*Information is only available for Finnish operations

\*\*Type of employment is used only in Finland

	2020	2019	2018	2017	2016		2020	2019	2018	2017	2016
<b>Number of different nationalities</b>	82	85	85	85	84	<b>Average retirement age</b>					
<b>Share of employees with an immigrant background, %*</b>	16.3%					L&T Group, weighted average	63.7	63.2	63.2	63.0	63.2
From the EU	29.9%	30.8%	35.0%	36.6%	41%	Finland	63.5	63.1	63.2	63.0	63.2
From outside the EU	70.1%	69.2%	65.0%	63.4%	59%	Sweden	65.0	65.0	64.5	64.2	
<b>Employees under the age of 18 hired*</b>	151	185	174			Russia	57.5	57.5	57.5	57.5	
<b>Age distribution of personnel</b>						<b>Exit turnover, %*</b>					
14–20 years (men%/women%)	3.0% (41.5/58.5)	3.5%	3.1%			L&T Group, weighted average	17.0%	23.8%	26.3%		
21–30 years (men%/women%)	20.7% (60.4/39.6)	21.3%	21.1%			Finland	18.9%	27.8%	30.8%		
31–40 years (men%/women%)	25.6% (64.4/35.6)	25.2%	25.9%			Sweden	6.5%	9.1%	7.5%	8%	
41–50 years (men%/women%)	22.0% (61.2/38.8)	22.6%	23.2%			Russia	30.9%	8.2%	5.3%	6%	
51–60 years (men%/women%)	22.2% (55.1/44.9)	21.7%	21.2%			<b>Turnover by division</b>					
Over 60 years (men%/women%)	6.6% (53.2/46.8)	5.7%	5.6%			Environmental Services**	5.4%	8.3%			
<b>Sickness-related absence, %</b>						Industrial Services	5.3%	10.6%			
Finland	4.7%	5.0%	5.0%	4.8%	4.8%	Facility Services Finland	24.3%	37.7%			
Sweden	6.0%	5.2%	5.1%	4.5%	4.4%	Facility Services Sweden	6.5%	9.1%			
Russia	5.2%	2.4%	2.7%	2.5%	2.5%	<b>Number of statutory employer–employee negotiations**</b>	34	56	43		
<b>Occupational health rate, %*</b>						Terminated	88	132	72		
Finland	50%					Temporarily laid off	927	9	9		

\*Information is only available for Finland

\* The calculation method was updated during the year under review. The figure for 2020 reflects exit turnover, whereas the figures for the comparison years reflect turnover

\*\* Information is only available for Finnish operations

\*\*\*Information is available for Finnish and Swedish operations

# Sustainability reporting principles

We report on sustainability as part of our Annual Review. The statement of non-financial information stipulated by the Accounting Act is included in section “Report by the Board of Directors” of the Financial Review.

Our sustainability report covers the reporting period 1 January–31 December 2020 and the report adheres to the GRI (Global Reporting Initiative) Core framework. The report is published in Finnish and English and it is available on our website and in print. The previous report was published on 20 February 2020 and the next report will be published in the spring of 2022.

In our reporting, we focus on the material sustainability aspects of our operations in accordance with our sustainability programme. The material aspects of sustainability have been determined based on the key impacts of our operations, stakeholder expectations and our business priorities. More information on the materiality assessment of sustainability is provided in the sec-

tion on materiality and stakeholder engagement in this report.

In addition to relevance and comprehensiveness, the report observes the other reporting principles according to the GRI standards. For more information about the consultation of stakeholders and taking their expectations into account, please refer to [pages 35](#) of this report. The reporting is linked to the wider context of sustainable development through the UN Sustainable Development Goals, for example. These have also been incorporated into the GRI index. The calculation principles of key figures on environmental sustainability are provided [here](#).

This report includes all Group companies and subsidiaries and the aim is to have it cover L&T's own operations in Finland and Sweden as well as Russia where applicable. We began winding down our Russian operations in 2020 and most of our operations in Russia ended during the year under review. The process of discontinuing our business in Russia will be completed in 2021. The environmental sustainability indicators for 2020 presented in this report do not include our Rus-

sian operations. In the figures pertaining to personnel and occupational safety, our Russian operations are included to the extent that the information in question was available. Furthermore, we have included the materials collected from our customers and the emissions created in the subcontracting chain due to the nature and impact of our operations. We continuously develop our reporting and we have indicated the more detailed country-specific reporting scope in connection with the reported indicators along with any changes in calculation methods compared to the previous years and whether customer or supplier data is included in the calculations.

The Financial Review was approved by the company's Board of Directors and the Annual Review was approved by the President and CEO. Key environmental and personnel sustainability indicators are certified by an independent third party (KPMG). The certification was commissioned by Director, Corporate Relations and Sustainability Jorma Mikkonen.

Read the independent assurance report [here](#).

## Global Compact progress report

L&T is committed to the UN Global Compact initiative, according to which the Group promotes human rights, labour rights, environmental efforts and anti-corruption. This is a COP (Communication on Progress) report in line with the initiative. The report describes the implementation of the 10 principles of the initiative and their integration into the Group's business strategy, culture and day-to-day operations. We use the GRI indicators to measure our adherence to the principles and report them as part of the GRI index.

For more information on our sustainability reporting, please contact us at [viestinta@lassila-tikanoja.fi](mailto:viestinta@lassila-tikanoja.fi).

## Sustainability programme priorities, material aspects and reporting boundaries

**Our reported GRI indicators have been selected based on materiality**

Sustainability programme priorities	Material GRI aspects and L&T's own material aspects of sustainability	Reporting boundaries	Sustainability programme priorities	Material GRI aspects and L&T's own material aspects of sustainability	Reporting boundaries
Circular economy and climate change mitigation	<ul style="list-style-type: none"> <li>• Economic activity</li> <li>• Carbon footprint*</li> <li>• Fossil energy items replaced*</li> <li>• Energy</li> <li>• Emissions</li> <li>• Material flows processed*</li> <li>• Recycled materials' share of material flows*</li> <li>• Effluents and waste</li> </ul>	<ul style="list-style-type: none"> <li>• Own operations</li> <li>• Customers</li> <li>• Supply chain</li> </ul>	Sustainable industry and cities	<ul style="list-style-type: none"> <li>• Treated contaminated soil*</li> <li>• Biodiversity</li> <li>• Reducing the overall use of cleaning agents and increasing the proportion of ecolabelled products</li> </ul>	<ul style="list-style-type: none"> <li>• Own operations</li> <li>• Customers</li> </ul>
A healthy, diverse and productive workplace community	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Employer-employee relations</li> <li>• Occupational health and safety</li> <li>• Retirement age*</li> <li>• Sickness-related absences*</li> <li>• Training</li> <li>• Employee recommendation rate*</li> <li>• Diversity and equal opportunities</li> <li>• Non-discrimination</li> <li>• Economic activity</li> <li>• Indirect economic impacts</li> <li>• Tax footprint*</li> </ul>	<ul style="list-style-type: none"> <li>• Own operations</li> <li>• Society</li> </ul>	Ensuring regulatory compliance	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Anti-competitive behaviour</li> <li>• Effluents and waste</li> <li>• Environmental compliance</li> <li>• Customer health and safety</li> <li>• Customer privacy</li> <li>• Compliance with regulations concerning social and economic issues</li> <li>• Procurement practices</li> <li>• Supplier environmental assessments</li> <li>• Supplier social assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Own operations</li> <li>• Customers</li> <li>• Supply chain</li> </ul>

\* L&T's material aspects

# GRI Index

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
<b>Gri 102: general standard disclosures</b> <span style="float: right;">2016</span>						
<b>Organisation</b>						
102-1	Name of the organisation	Financial review: Corporate governance, <a href="#">p.3</a>	Lassila & Tikanoja plc			
102-2	Activities, brands, products, and services	Financial review: Report by the Board of Directors, <a href="#">p.19–20, 23</a> ; Annual review: L&T in brief, <a href="#">p.3</a> , Business areas, <a href="#">p.12</a> , Environmental Services, <a href="#">p.22–23</a> , Industrial Services, <a href="#">p.24–25</a> , Facility Services Finland, <a href="#">p.26–27</a> , Facility Services Sweden, <a href="#">p.28–29</a>				
102-3	Location of headquarters	Financial review: Financial statements, <a href="#">p.43</a>				
102-4	Location of operations	Financial review: Financial statements, <a href="#">p.43</a> ; Annual review: L&T in brief, <a href="#">p.3</a>				
102-5	Ownership and legal form	Financial review: Corporate governance, <a href="#">p.3</a>				
102-6	Markets served	Financial review: Report by the Board of Directors, <a href="#">p.19–20, 23</a> ; Annual review: L&T in brief, <a href="#">p.3</a> , Business areas, <a href="#">p.12</a>				
102-7	Scale of the organisation	Financial review: Report by the Board of Directors, <a href="#">p.20</a> , Key figures, <a href="#">p.35</a> ; Annual review: L&T in brief, <a href="#">p.3</a> , Key figures, <a href="#">p.8–10</a>				
102-8	Information on employees and other workers	Financial review: Report by the Board of Directors, <a href="#">p.28</a> ; Annual review: Key figures, <a href="#">p.8–9</a> , A healthy, diverse and productive workplace community, <a href="#">p.53, 55–56, 58–59</a> , Appendices, <a href="#">p.79</a>		6	8	
102-9	Supply chain	Financial review: Report by the Board of Directors, <a href="#">p.19–23</a> ; Annual review: Ensuring compliance with regulations, <a href="#">p.73–74</a>				
102-10	Significant changes to the organisation and its supply chain	Financial review: Report by the Board of Directors, <a href="#">p.20, 24</a> , Financial statements, <a href="#">p.45</a> ; Annual review: L&T in brief, <a href="#">p.3</a> , CEO's review, <a href="#">p.4–5</a> , Key events from an exceptional year, <a href="#">p.10–11</a>	In response to a significant change in the operating conditions, we started the process of winding down our Russian operations in 2020. Most of our operations in Russia ended during the year under review. The process of winding down the business will continue in 2021.			
102-11	Precautionary Principle or approach	Financial review: Report by the Board of Directors, <a href="#">p.28, 30</a>			7	
102-12	External initiatives	Annual review: CEO's review, <a href="#">p.5</a> , Key events from an exceptional year, <a href="#">p.10–11</a> , Introduction to sustainability, <a href="#">p.31–32</a>				
102-13	Membership of associations	Annual review: Introduction to sustainability, <a href="#">p.32</a> , Sustainable industry and cities, <a href="#">p.69</a> , <a href="https://www.lt.fi/en/responsibility/managing-corporate-responsibility">https://www.lt.fi/en/responsibility/managing-corporate-responsibility</a>				
<b>Strategy</b>						
102-14	Statement from senior decision-maker	Annual review: CEO's statement, <a href="#">p.4–5</a>				

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
102-15	Key impacts, risks, and opportunities	Financial review: Report by the Board of Directors, <a href="#">p. 20, 28–31</a> ; Annual review: Why invest in L&T, <a href="#">p. 6</a> , Business environment, <a href="#">p. 13–14</a> , Strategy and value creation, <a href="#">p. 16–20</a> , Introduction to sustainability, <a href="#">p. 31–32</a> , Materiality and stakeholder engagement, <a href="#">p. 35</a> , Circular economy and climate mitigation, <a href="#">p. 49–52</a> , A healthy, diverse and productive workplace community, <a href="#">p. 54, 59</a>		7, 8, 9, 10, 11, 12, 13		
<b>Ethics and integrity</b>						
102-16	Values, principles, standards, and norms of behaviour	Annual review: Strategy and value creation, <a href="#">p. 16–20</a> , Ensuring compliance with regulations, <a href="#">p. 70–74</a> , <a href="https://www.lt.fi/en/responsibility/code-of-conduct">https://www.lt.fi/en/responsibility/code-of-conduct</a>		10		
102-17	Mechanisms for advice and concerns about ethics	Annual review: Ensuring compliance with regulations, <a href="#">p. 70–74</a> , <a href="https://www.lt.fi/en/responsibility/code-of-conduct">https://www.lt.fi/en/responsibility/code-of-conduct</a>		10		
<b>Governance</b>						
102-18	Governance structure	Financial review: Corporate governance, <a href="#">p. 3–14</a> ; Annual review: Introduction to sustainability, <a href="#">p. 33–34</a>				
102-19	Delegating authority	Financial review: Corporate governance, <a href="#">p. 27</a> ; Annual review: Introduction to sustainability, <a href="#">p. 33–34</a>				
102-20	Executive-level responsibility for economic, environmental, and social topics	Financial review: Corporate governance, <a href="#">p. 27</a> ; Annual review: Introduction to sustainability, <a href="#">p. 33–34</a>				
102-26	Role of highest governance body in setting purpose, values, and strategy	Financial review: Corporate governance, <a href="#">p. 7</a> ; Annual review: Introduction to sustainability, <a href="#">p. 33–34</a>				
102-31	Review of economic, environmental, and social topics	Financial review: Corporate governance, <a href="#">p. 7</a>				
102-32	Highest governance body's role in sustainability reporting	Annual review: Introduction to sustainability, <a href="#">p. 33</a>				
<b>Stakeholder engagement</b>						
102-40	List of stakeholder groups	Annual review: Materiality and stakeholder engagement, <a href="#">p. 36–37</a>				
102-41	Collective bargaining agreements	Annual review: Appendices, <a href="#">p. 80</a>	In Finland and Sweden, all L&T employees are within the scope of a collective agreement. No information available from Russia.	3	8	
102-42	Identifying and selecting stakeholders	Annual review: Materiality and stakeholder engagement, <a href="#">p. 35</a>				
102-43	Approach to stakeholder engagement	Annual review: Materiality and stakeholder engagement, <a href="#">p. 36–37</a>				
102-44	Key topics and concerns raised	Annual review: Materiality and stakeholder engagement, <a href="#">p. 36–37</a>				
<b>Reporting practice</b>						
102-45	Entities included in the consolidated financial statements	Financial review: Financial statements, <a href="#">p. 91</a>				
102-46	Defining report content and topic boundaries	Annual review: Introduction to sustainability, <a href="#">p. 35, 37</a> , Sustainability reporting, <a href="#">p. 81–82</a>				
102-47	List of material topics	Annual review: Materiality and stakeholder engagement, <a href="#">p. 35, 38–39</a> , Sustainability reporting, <a href="#">p. 82</a>				

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
102-48	Restatements of information	No significant changes	Changes are reported in connection with relevant performance indicators.			
102-49	Changes in reporting	GRI index	The environmental responsibility data reported due to the shutdown of the Russian business cover only continuing operations for the reporting year. Changes have been reported in the context of thematic data.			
102-50	Reporting period	Annual review: Sustainability reporting, p.81	1.1.2020 - 31.12.2020			
102-51	Date of most recent report	Annual review: Sustainability reporting, p.81	February 2020			
102-52	Reporting cycle	Annual review: Sustainability reporting, p.81	Annual			
102-53	Contact point for questions regarding the report	Annual review: Sustainability reporting, p.81	<a href="mailto:viestinta@lassila-tikanoja.fi">viestinta@lassila-tikanoja.fi</a>			
102-54	Claims of reporting in accordance with the GRI Standards	Annual review: Sustainability reporting, p.81	This report has been prepared in accordance with the GRI Standards: Core option.			
102-55	GRI content index	Annual review: Sustainability reporting, p.83-88				
102-56	External assurance	Annual review: Sustainability reporting, p.91-92				
<b>GRI 103: Management approach</b>						<b>2016</b>
103-1	Explanation of the material topic and its Boundary	Annual review: Materiality and stakeholder engagement, p.35, 38–39, Sustainability reporting, p.82		7, 9, 7, 8, 9	11, 12, 13	
103-2	The management approach and its components	Annual review: Introduction to sustainability, p.33–34, 39, Circular economy and climate change mitigation, p.40–52, A healthy, diverse and productive workplace community, p.53–54, 56–63, Sustainable industry and cities, p.65–69, Ensuring compliance with regulations, p.70–74		7, 8, 9		
103-3	Evaluation of the management approach	Financial review: Report by the Board of Directors, p.26–27; Annual review: Introduction to sustainability, p.33–34		7, 8, 9		
<b>Topic specific content</b>						
Topic specific content is reported regarding aspects identified as material.						
<b>Economic impacts</b>						
<b>GRI 201: Economic performance</b>						<b>2016</b>
201-1	Direct economic value generated and distributed	Financial review: Financial statements, p.102; Annual review: A healthy, diverse and productive workplace community, p.53, 63–64	The management approach is described in the section 'Business areas'			8
201-2	Financial implications and other risks and opportunities due to climate change	Financial review: Report by the Board of Directors, p.19–20, 26; Annual review: Circular economy and climate change mitigation, p.49–52	We do not report financial information related to climate change.	7	9, 11, 12, 13	
201-4	Financial assistance received from government	Financial review: Financial statements, p.56				9, 11

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
<b>GRI 203: Indirect economic impacts</b>			The management approach is described in the section 'Strategy and value creation'			<b>2016</b>
203-2	Significant indirect economic impacts	Annual review: Why invest in L&T, p.6, Strategy and value creation, p.16–20, Sustainable industry and cities, p.69, Ensuring compliance with regulations, p.74		1, 2, 3, 4, 5, 6, 7, 8, 9, 10		7, 9, 11, 12, 13
<b>GRI 204: Procurement practices</b>			The management approach is described in the section 'Ensuring compliance with regulations'			<b>2016</b>
204-1	Proportion of spending on local suppliers	Annual review: Ensuring compliance with regulations, p.74				
<b>GRI 205: Anti-corruption</b>			The management approach is described in the sections 'Ensuring compliance with regulations' and 'Strategy and value creation'			<b>2016</b>
205-1	Operations assessed for risks related to corruption	Financial review: Report by the Board of Directors, p.29; Annual review: Ensuring compliance with regulations, p.72	We assess risks associated with corruption and bribery across units and per process. Most of our services have been assessed.	10	16	
205-2	Communication and training about anti-corruption policies and procedures	Annual review: Ensuring compliance with regulations, p.71–73		1, 10	16	
205-3	Confirmed incidents of corruption and actions taken	Annual review: Ensuring compliance with regulations, p.72	No incidents in 2020.	1, 10	16	
<b>GRI 206: Anti-competitive behavior</b>			The management approach is described in the section 'Ensuring compliance with regulations'			<b>2016</b>
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Annual review: Ensuring compliance with regulations, p.72	No incidents in 2020.	10	16	
<b>Environmental impacts</b>						
<b>GRI 301: Materials</b>			The management approach is described in the section 'Circular economy and climate change mitigation'. The aspect is defined material but the suggested GRI indicators are not suitable for L&T's operations. L&T's own substitute indicators have been used to report this aspect.			<b>2016</b>
LT3	Material flows processed	Annual review: Circular economy and climate change mitigation, p.45–46, Tables with more specific information, p.76	Replaces GRI indicator 301-1 that is not directly applicable	8, 9	9, 11, 12, 13	
LT4	Share of material flows represented by recycled materials	Annual review: Circular economy and climate change mitigation, p.40, 45–46, Tables with more specific information, p.76	Replaces GRI indicators 301-2 and 306-2 that are not directly applicable.	8, 9	9, 11, 12, 13	
<b>GRI 302: Energy</b>			The management approach is described in the section 'Circular economy and climate change mitigation'.			<b>2016</b>
302-1	Energy consumption within the organisation	Annual review: Circular economy and climate change mitigation, p.44, Tables with more specific information, p.76	Consumption of renewable diesel during the reporting year 3,345 MWh.	7, 8	7, 11, 13	
302-3	Energy intensity	Annual review: Circular economy and climate change mitigation, p.44, Tables with more specific information, p.76		8	7	

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
LT1	Carbon handprint	Annual review: Circular economy and climate change mitigation, p. 40–42, 52, Tables with more specific information, p. 77	The ratio of carbon footprint to revenue is reported with the aim of increasing our carbon footprint faster than our revenue.	9	13	
LT2	Replaced fossil energy	Annual review: Strategy and value creation, p. 19–20, Circular economy and climate change mitigation, p. 40	L&T's own indicator that describes the impact of operations.	9	9,13	
<b>GRI 304: Biodiversity</b>				The management approach is described in the section 'Sustainable industrial and cities'		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	GRI index	L&T does not operate in protected areas or in areas of high biodiversity.	7		2016
LT5	Contaminated soil treated	Annual review: Sustainable industries and cities, p. 67	L&T's own indicator that describes our activities to safeguard biodiversity.	8		
<b>GRI 305: Emissions</b>				The management approach is described in the section 'Circular economy and climate change mitigation'.		
305-1	Direct (Scope 1) GHG emissions	Annual review: Circular economy and climate change mitigation, p. 50, 52, Tables with more specific information, p. 77–78	The reporting covers fossil greenhouse gases	7,8	13	2016
305-2	Energy indirect (Scope 2) GHG emissions	Annual review: Circular economy and climate change mitigation, p. 42, Tables with more specific information, p. 77–78	Market-based greenhouse gas emissions have only been reported for purchased electricity in Finland. Other market-based data is not reported as the available emission factors do not differ materially from region-specific data	9	13	
305-3	Other indirect (Scope 3) GHG emissions	Annual review: Circular economy and climate change mitigation, p. 43, Tables with more specific information, p. 77–78	The reporting covers fossil greenhouse gases	9	13	
305-4	GHG emissions intensity	Annual review: Circular economy and climate change mitigation, p. 40, 42, Tables with more specific information, p. 77	L&T has set a science-based long-term emissions intensity target, which in 2020 reached the validation of the Science Based Targets initiative. The emission intensity is calculated for Scope 1 and Scope 2 divided by kilometres driven.	8,9	13	
<b>GRI 306: Effluents and waste</b>				The management approach is described in the section 'Ensuring compliance with regulations'. We report in accordance with the 2016 GRI standards, as the revised indicators in GRI 303: Water and wastewater and GRI 306: Waste, do not provide indicators relevant to L&T's operations.		
306-3	Significant spills	Annual review: Ensuring compliance with regulations, p. 71–73	During the reporting year, the operations did not result in any significant spills to the environment.	7		2016
306-4	Transport of hazardous waste	Annual review: Ensuring compliance with regulations, p. 71		7		
<b>GRI 307: Environmental compliance</b>				The management approach is described in the section 'Ensuring compliance with regulations'		
307-1	Non-compliance with environmental laws and regulations	Annual review: Ensuring compliance with regulations, p. 71	No reported incidents in 2020.	7		

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
<b>GRI 308: Supplier environmental assessments</b>						
308-1	New suppliers that were screened using environmental criteria	Annual review: Ensuring compliance with regulations, p.73–74	The management approach is described in the section 'Ensuring compliance with regulations'	7	13	2016
308-2	Negative environmental impacts in the supply chain and actions taken	Annual review: Ensuring compliance with regulations, p.73–74		7	13	
<b>Social impacts</b>						
<b>GRI 401: Employment</b>						
401-1	New employee hires and employee turnover	Annual review: A healthy, diverse and productive workplace community, p.57, Tables with more specific information, p.80	The calculation method has been changed for 2020. The reported data for 2020 covers the exit turnover. Exit turnover reported by region only. New employee hires during reporting year is not reported.	6	8	2016
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Annual review: A healthy, diverse and productive workplace community, p.54, 55, 57, 58, 59, 61	The sickness fund is offered to permanent personnel in Finland. Data is not available for Sweden and Russia.	6	8	
<b>GRI 402: Labor / management relations</b>						
402-1	Minimum notice periods regarding operational changes	Annual review: A healthy, diverse and productive workplace community, p.54, 57, Tables with more specific information, p.80	In restructuring situations, we follow the minimum periods.	3	8	2016
<b>GRI 403: Occupational health and safety</b>						
403-1	Occupational health and safety management system	Annual review: Introduction to sustainability, p.34, A healthy, diverse and productive workplace community, p.53–54, 60–61, <a href="https://www.lt.fi/en/responsibility/code-of-conduct/safety-management-principles">https://www.lt.fi/en/responsibility/code-of-conduct/safety-management-principles</a>		6	8	2018
403-2	Hazard identification, risk assessment, and incident investigation	Annual review: A healthy, diverse and productive workplace community, p.54, 60–62	Reported only for our own personnel, broken down by country of operation. Does not include absence frequency.	1,6	3,8	
403-3	Occupational health services	Annual review: A healthy, diverse and productive workplace community, p.58–62	Reporting covers operations in Finland	1,6	3,8	
403-4	Worker participation, consultation, and communication on occupational health and safety	Annual review: A healthy, diverse and productive workplace community, p.60–61	Employees can participate and give feedback directly, for example, to HR	1,6	3,8	
403-5	Worker training on occupational health and safety	Annual review: A healthy, diverse and productive workplace community, p.60–62	L&T also organises various occupational health and safety trainings for employees outside the organisation.	1,6	3,8	
403-6	Promotion of worker health	Annual review: A healthy, diverse and productive workplace community, p.58–59		1,6	3,8	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Annual review: A healthy, diverse and productive workplace community, p.60–61, <a href="https://www.lt.fi/en/responsibility/code-of-conduct">https://www.lt.fi/en/responsibility/code-of-conduct</a> <a href="https://www.lt.fi/en/responsibility/code-of-conduct/safety-management-principles">https://www.lt.fi/en/responsibility/code-of-conduct/safety-management-principles</a>		1,6	3,8	
403-8	Workers covered by an occupational health and safety management system	Annual review: Introduction to sustainability, p.34, A healthy, diverse and productive workplace community, p.53–54, 60–61, <a href="https://www.lt.fi/en/responsibility/code-of-conduct/safety-management-principles">https://www.lt.fi/en/responsibility/code-of-conduct/safety-management-principles</a>		1,6	3,8	

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
403-9	Work-related injuries	Annual review: Strategy and value creation, p. <u>19–20</u> , A healthy, diverse and productive workplace community, p. <u>53, 60–62</u> , Ensuring compliance with regulations, p. <u>71</u>	Partly reported.	1, 6	3, 8	
HR 1	Retirement age	Annual review: Strategy and value creation, p. <u>19, 20</u> , A healthy, diverse and productive workplace community, p. <u>53, 57, 58</u> , Tables with more specific information, p. <u>80</u>	L&T's own indicator, which is considered as material.	6	3, 8	
HR 2	Sickness-related absence	Annual review: Strategy and value creation, p. <u>19, 20</u> , A healthy, diverse and productive workplace community, p. <u>53, 58</u> , Tables with more specific information, p. <u>80</u>	L&T's own indicator, which is considered as material.	1, 6	3, 8	
HR 3	Health rate	Annual review: Strategy and value creation, p. <u>19, 20</u> , A healthy, diverse and productive workplace community, p. <u>53, 58</u> , Tables with more specific information, p. <u>80</u>	L&T's own indicator, which is considered as material.	1, 6	3, 8	
<b>GRI 404: Training and education</b>				The management approach is described in the section 'A healthy, diverse and productive workplace community'		
404-2	Programs for upgrading employee skills and transition assistance programs	Annual review: A healthy, diverse and productive workplace community, p. <u>56–60, 62</u>		6	8	2016
HR 3	Employee recommendation rate	Annual review: Key figures, p. <u>8</u> , Strategy and value creation, p. <u>19–20</u> , A healthy, diverse and productive workplace community, p. <u>53, 56</u>	L&T's own indicator, which is considered as material.		8	
<b>GRI 405: Diversity and equal opportunity</b>				The management approach is described in the section 'A healthy, diverse and productive workplace community'		
405-1	Diversity of governance bodies and employees	Financial review: Corporate governance, p. <u>6</u> ; Annual review: A healthy, diverse and productive workplace community, p. <u>53, 55–56</u> , Tables with more specific information, p. <u>80</u>	In the reporting we utilise L&T's own age categorisation..	1, 6	8	2016
<b>GRI 406: Non-discrimination</b>				The management approach is described in the sections 'A healthy, diverse and productive workplace community' and 'Ensuring compliance with regulations'		
406-1	Incidents of discrimination and corrective actions taken	Annual review: Ensuring compliance with regulations, p. <u>72</u>		1, 6	8	2016
<b>GRI 414: Supplier social assessment</b>				The management approach is described in the sections 'A healthy, diverse and productive workplace community' and 'Ensuring compliance with regulations'		
414-1	New suppliers that were screened using social criteria	Annual review: Ensuring compliance with regulations, p. <u>72</u>		1, 2, 3, 4, 5, 6, 10	8	2016
414-2	Negative social impacts in the supply chain and actions taken	Financial review: Report by the Board of Directors, p. <u>28–29</u> ; Annual review: A healthy, diverse and productive workplace community, p. <u>54</u> , Ensuring compliance with regulations, p. <u>72–74</u>		1, 2, 3, 4, 5, 6, 10	8	2016
<b>GRI 415: Public policy</b>				The management approach is described in the section 'Strategy and value creation'		
415-1	Political contributions	GRI index	During the reporting year we did not give out any political contributions.			2016

GRI standard	GRI content	Location	Additional information or omissions	Global Compact	SDG	Standard version
<b>GRI 416: Customer health and safety</b>			The management approach is described in the section 'Ensuring compliance with regulations'			<b>2016</b>
416-2	Assessment of the health and safety impacts of product and service categories	Annual review: Ensuring compliance with regulations, <a href="#">p. 71-72</a>	No reported cases in 2020.		7,9	
<b>GRI 418: Customer privacy</b>			The management approach is described in the section 'Ensuring compliance with regulations'			<b>2016</b>
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual review: Ensuring compliance with regulations, <a href="#">p. 72</a>			1	
<b>GRI 419: Socioeconomic compliance</b>			The management approach is described in the sections 'A healthy, diverse and productive workplace community' and 'Ensuring compliance with regulations'			<b>2016</b>
419-1	Non-compliance with laws and regulations in the social and economic area	GRI index	No reported cases in 2020.		1,2	
<b>GRI 419: Socioeconomic compliance</b>			The management approach is described in the section 'Sustainable industrial and cities'			
LT6	Reduction in use of cleaning agents and increment in the proportion of ecolabelled substances	Annual review: Sustainable industry and cities, <a href="#">p. 65, 68</a>	L & T's own indicator, which is considered as material.		8	

# Independent Assurance Report to the Management of Lassila & Tikanoja Oyj

This document is an English translation of the Finnish report.

We have been engaged by the Management of Lassila & Tikanoja Oyj (hereafter “L&T”) to provide limited assurance on selected corporate responsibility indicators presented in L&T’s Annual Review 2020 (hereafter “Selected Corporate Responsibility Information”) for the year ended 31 Dec 2020.

The Selected Corporate Responsibility Information consists of the indicators presented in the following sections of L&T’s Annual Review 2020:

- Circular economy and climate change mitigation
- Healthy, diverse and productive workplace community
- Table “Environmental figures”
- Table “Personnel in figures”

## Management’s responsibilities

The Management of L&T is responsible for the preparation and presentation of the Selected Corporate Responsibility Information in accordance with the reporting criteria, i.e. *GRI Sustainability Reporting Standards*, and the information and assertions contained within it. The Management is also responsible for determining L&T’s objectives with regard to sustainable development performance

and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

## Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Selected Corporate Responsibility Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and on greenhouse gas data within the Selected Corporate Responsibility Information in accordance with ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board IAASS. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected Corporate Responsibility Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

## Procedures performed

A limited assurance engagement on Selected Corporate Responsibility Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Corporate Responsibility Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed a member of L&T’s senior management and relevant staff responsible for providing the Selected Corporate Responsibility Information;
- Assessed the application of the *GRI Sustainability Reporting Standards* reporting principles in the presentation of the Selected Corporate Responsibility Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Corporate Responsibility Information;
- Reviewed the presented Selected Corporate Responsibility Information and assessed its quality and reporting boundary definitions;
- Assessed of the Selected Corporate Responsibility Information’s data accuracy and completeness through a review of the original documents and systems on a sample basis and;
- Conducted a site session to review the Selected Corporate Responsibility Information on one of L&T’s sites.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

### Conclusion

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the *GRI Sustainability Reporting Standards*.

Helsinki, 19 February 2021

KPMG Oy Ab

Leenakaisa Winberg  
*Partner, APA, KHT*

Tomas Otterström  
*Partner, Advisory*



## **LEADER OF THE REGENERATIVE SOCIETY**

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