



**LASSILA & TIKANOJA PLC**  
**Annual Review 2019**

**EMPLOYED BY TOMORROW**

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You are reading Lassila & Tikanoja's Annual Report 2019. The Financial Review 2019 (including the Board of Directors' Report, Corporate Governance and Financial statements) is available at [www.lt.fi/annualreport2019](http://www.lt.fi/annualreport2019)

# INTRODUCTION

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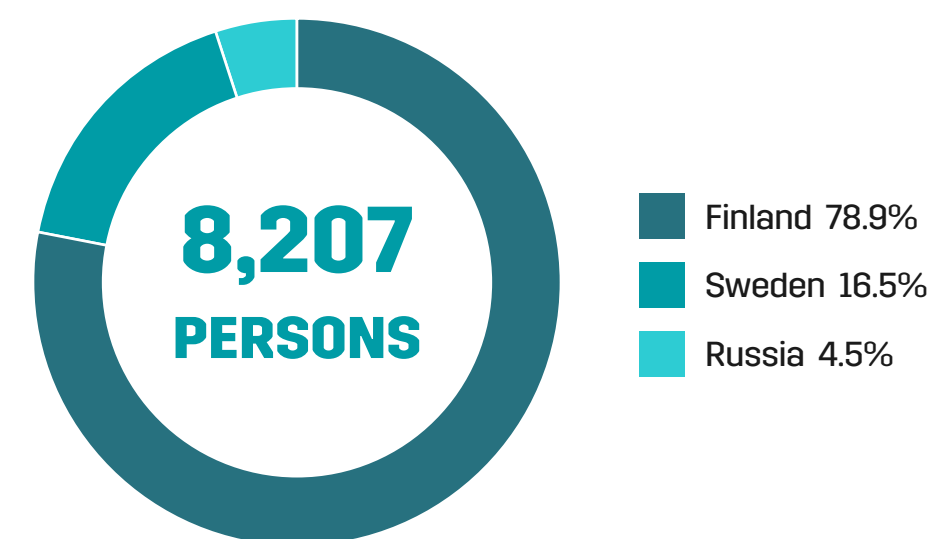
# We make circular economy a reality

Lassila & Tikanoja is a service company that is putting the circular economy into practice. 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. This is to create more value with the circular economy for our customers, personnel and society in a broader sense. Achieving this also means growth in value for our shareholders. Our objective is to continuously grow our actions' carbon handprint, our positive effect on the climate. We assume our social responsibility by, for example, looking after the work ability of our personnel and also offering jobs to those who are struggling to find employment. L&T operates in Finland, Sweden and Russia. The company's net sales in 2019 amounted to EUR 784.3 million and the company employs 8,207 people. L&T is listed on Nasdaq Helsinki.

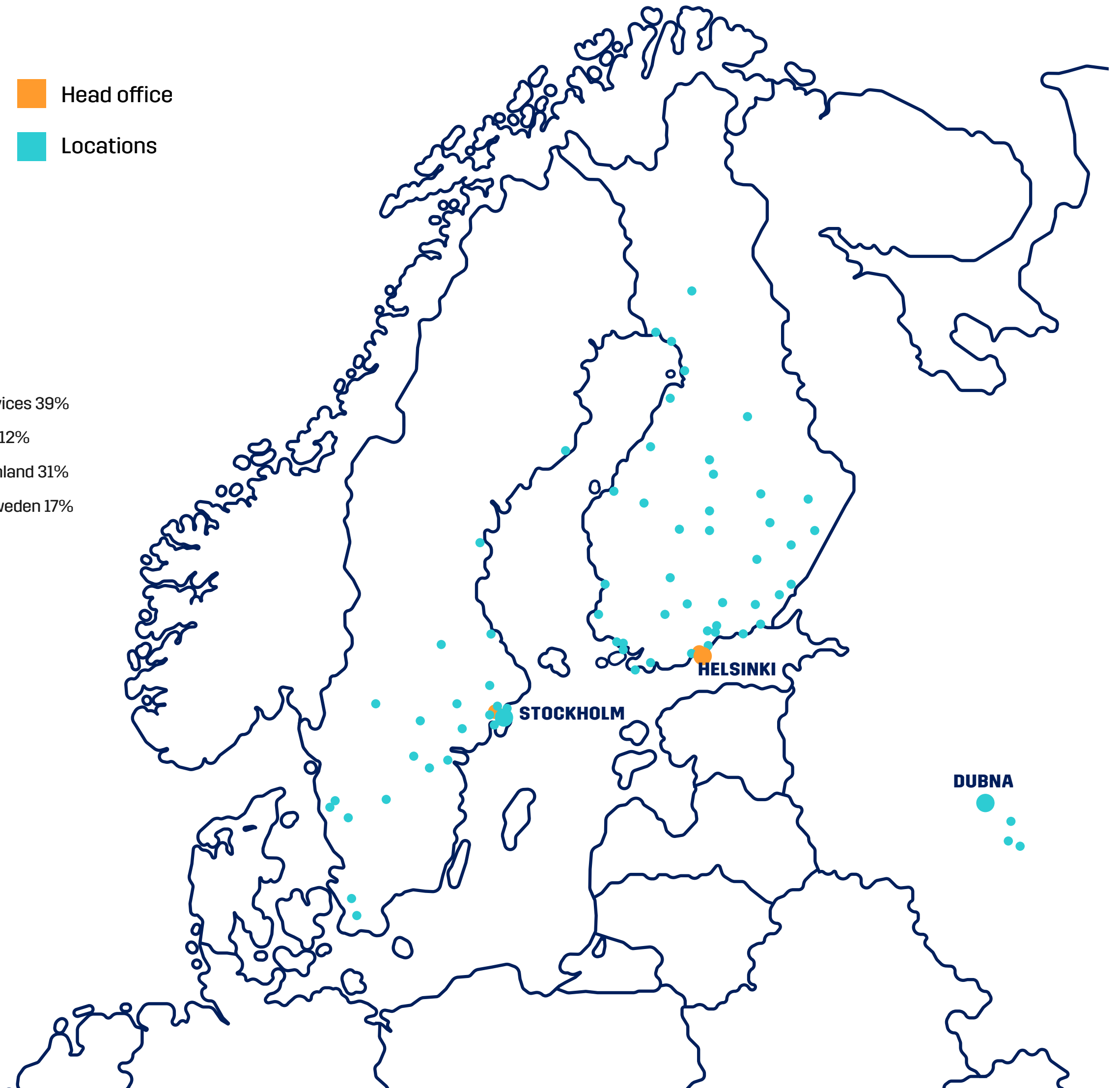
Net sales by division



Personnel by country



Head office  
Locations



# What does a sustainable tomorrow mean for us?

The world has changed permanently. Now is the time for all of us to start thinking and acting differently so that we ensure a sustainable tomorrow. It is a healthy tomorrow which keeps the world viable for future generations as well.

We here in the North cannot continue to waste natural resources recklessly. Instead, we must lead the way by introducing the operating models of the circular economy. In the circular economy, existing materials and the constructed environment are kept in profitable use for as long as possible. Energy is produced from renewable sources and used sparingly. This ensures the adequacy of natural resources for the needs of tomorrow and controls the progress of climate change.

We cannot afford to waste anyone's input to safeguard our well-being. We must include everyone in the

working life who wishes to work. This includes people who were not born in the North or who are unable to work a full day. We must also create a framework in which we are able to work until retirement and enjoy a healthy life also after the active career. All this ensures our competitiveness in the future as well and allows a more even distribution of well-being for all of us.

Enough of talking about what would be better. Now is the time for action.

We at L&T have always been pioneers. For us, a sustainable tomorrow has stood for daily practical actions for a long time already. Our professionals take care of our customers' materials and properties in accordance with the circular economy. We are not, however, satisfied with this, but rather take another step for a sustainable tomorrow.

We will continue to challenge ourselves, our customers and the entire society to think differently. We will make the circular economy a reality together.



See video:  
**Annual review 2019**

**CEO's review:**

# Employed by tomorrow

When I started working as Lassila & Tikanoja's President and CEO at the beginning of 2019, I felt that I knew the company pretty well after having worked in the company's Board of Directors for ten years already. I must admit, though, that I have learned a lot about our company during the year. I am happy to say that L&T has taken some giant development leaps over the course of the past couple of years. First and foremost I have enjoyed the fact that in the service sector with lots of employees, the President and CEO really gets to work together with others and do concrete things in order to develop the company.

## A challenging year in terms of finances

The past year was a challenging one in Finnish Facility Services in terms of financial indicators. Luckily, three of our four divisions achieved very good results and almost reached their goals.

Facility Services has made massive investments in development over the past couple of years. The introduction of new management systems, operating models and systems supporting them has included even bigger challenges than expected, and these have been reflected in the division's result and our customer and personnel experience. The challenging change project was man-

**“I might not be the most fierce do-gooder, but I do really enjoy doing things that make the world a better place for future generations. It's a pleasure to do a job that has a purpose.”**

**Eero Hautaniemi**  
President and CEO



**MAKING THE CIRCULAR ECONOMY A REALITY:**  
Read more about Eero and watch the video.



aged with determination. The personnel were extensively involved in the implementation of the change and trained in the new roles and operating models. We are already seeing a turn for the better in customer and personnel satisfaction. The operating environment of Facility Services Finland has undergone substantial changes, and the changes implemented were absolutely necessary in order to ensure that we remain competitive. The work to complete the change will continue for some more time.

### Added value with the circular economy

We completed a comprehensive strategy update in 2019, which was also presented to the investors in the Capital Markets Day at the beginning of November. The strategy brings L&T's divisions closely under the umbrella of circular economy and gives us a strong mandate to start developing new service solutions in order to mitigate climate change in co-operation with our customers. In conjunction with the strategy, the Board of Directors also confirmed our new long-term goals. In addition to the financial goals, we have now, for the first time, also included goals related to the improvement of customer and personnel experience as well as ambitious climate goals related to the reduction of our emissions but also, and in particular, for the increasing of our carbon handprint. The

new strategy and the strategic goals bring sustainability to the core of L&T's strategy and management.

### Structures and portfolio to serve the strategy

In recent years, L&T has started to emphasise the more independent position of the divisions. This change in the management model is aimed at improving the transparency of operations, competitiveness and agility. We introduced the new division structure at the beginning of 2019 and the business portfolio of Facility Services was clarified by the divestiture of our renovation business. At the same time, renewals of management models, organisation and supervisor roles were implemented within the divisions to support the change. The changes implemented are aimed at improving our personnel and customer experience and therefore give us excellent preconditions for the implementation of the strategy we have chosen.

### Employed by tomorrow

In the next decade, combatting climate change will have a substantial impact on the lives of each one of us, the operation of companies and the operating conditions. A correction towards a sustainable economy is inevitable and it is already high time to start taking action. We view this

correction as an enormous business opportunity. We are producing the concrete solutions needed for the practical execution of the ambitious goals of all kinds of roadmaps, from goals to action.

We also have an important social mission. We are able to promote social justice and prevent marginalisation by providing employment to personnel groups who have not been able to find their place in the society without special support.

In addition to its traditional purpose, L&T participates in resolving the challenges of the society. This is a unique role for a listed company and indicative of the ongoing change.

I'm proud to tell my own sons that I am employed by tomorrow.

I wish to thank all of our employees for a job well done, once again.

### Eero Hautaniemi

President and CEO

**“We also have an important social mission – we provide employment to personnel groups who have not been able to find their place in the society without special support.”**

# YEAR 2019

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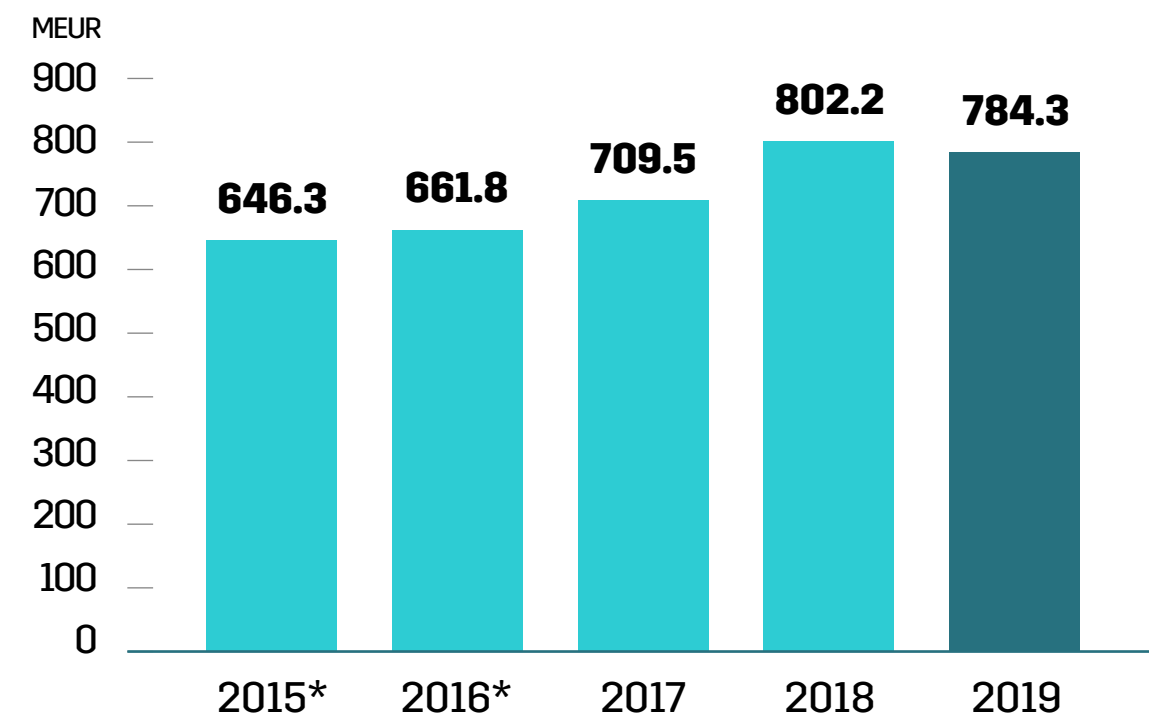




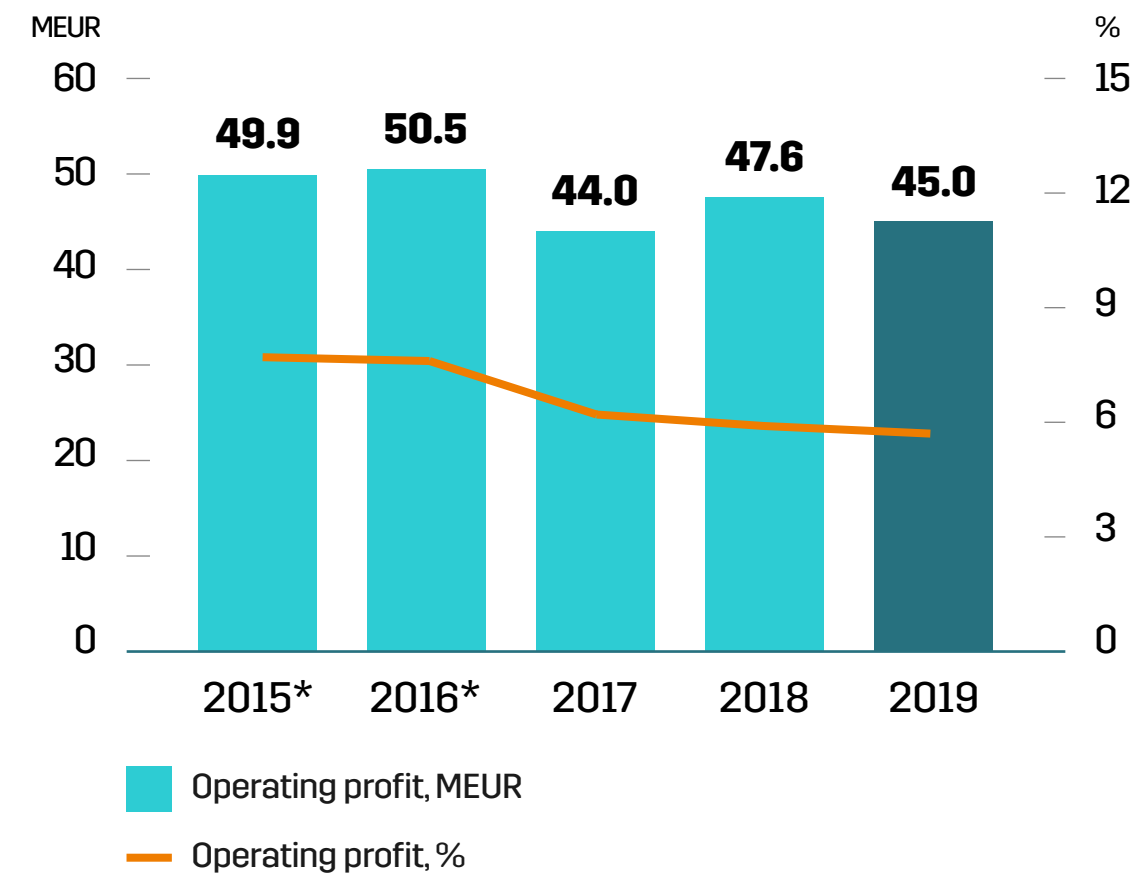
Key figures

# Key figures

## Net sales



## Operating profit



\* IFRS have not been adjusted for the comparison years 2015–2016.

## Net sales by division



L&T's net sales in 2019:

**EUR 784.3 million**

L&T's operating profit was EUR 45.0 million and earnings per share were EUR 0.90.



**1%**  
The increase of L&T's carbon handprint compared to the previous year.

**73%**  
L&T's Employee Net Promoter Score in 2019

**2/4**  
L&T divisions that achieved the Net Promoter Score (NPS) target for services.

Key figures

Key figures

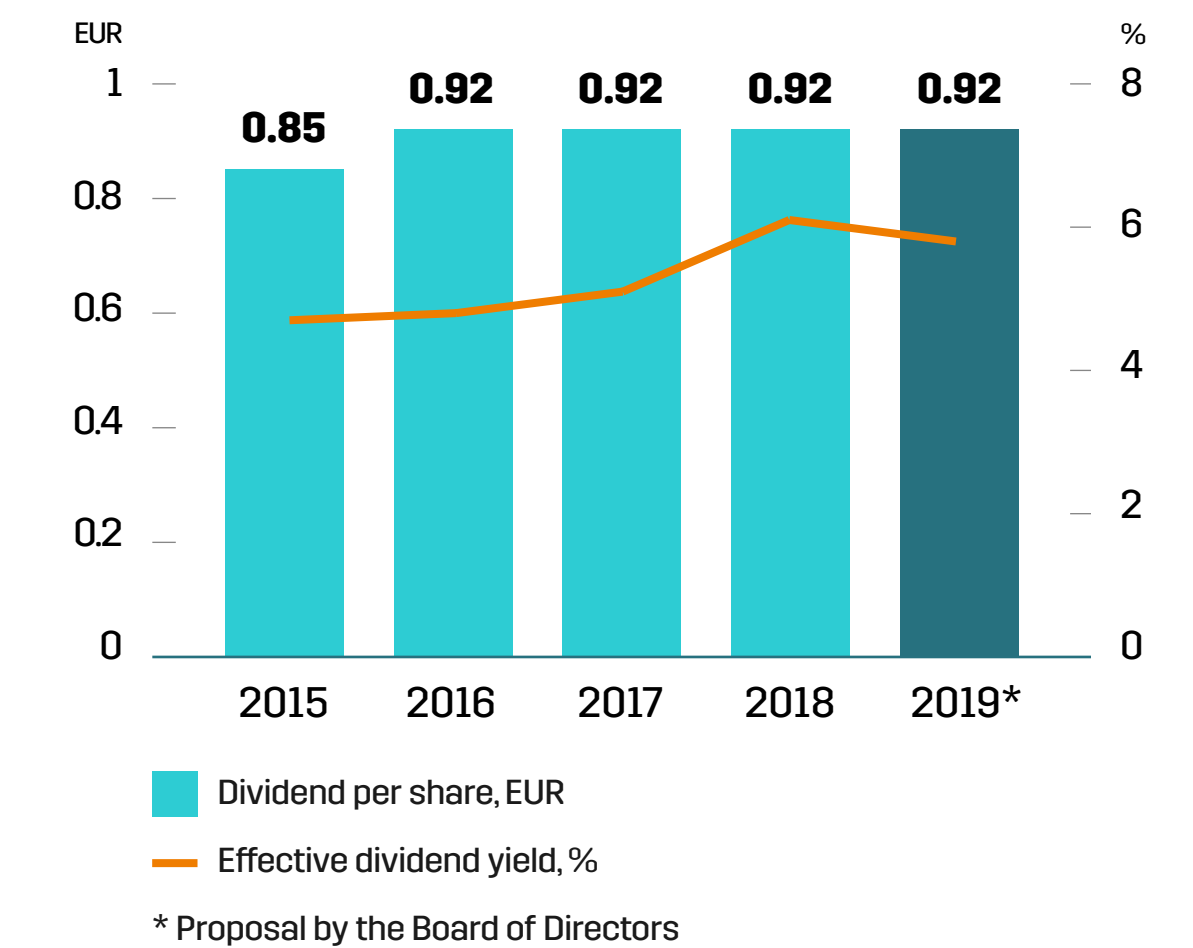
	2019	2018**	2017**
Net sales, EUR million	784.3	802.2	709.5
Operating profit, EUR million	45.0	47.6	44.0
Profit before tax, EUR million	42.0	42.7	42.5
Return on equity, % (ROE)	16.8	15.9	15.2
Return on investment***, %	12.4	12.7	13.3
Gearing, %	66.8	46.1	54.2
Equity ratio, %	35.6	38.6	38.6
Gross capital expenditure, EUR million	46.1	37.8	113.2
Total number of full-time and part-time employees at year end	8 207	8,600	8,663
Earnings per share, EUR	0.90	0.89	0.87
Operating cash flow/share, EUR	2.46	2.35	1.61
Dividend/share, EUR	0,92*	0.92	0.92

\* Proposal by the Board of Directors

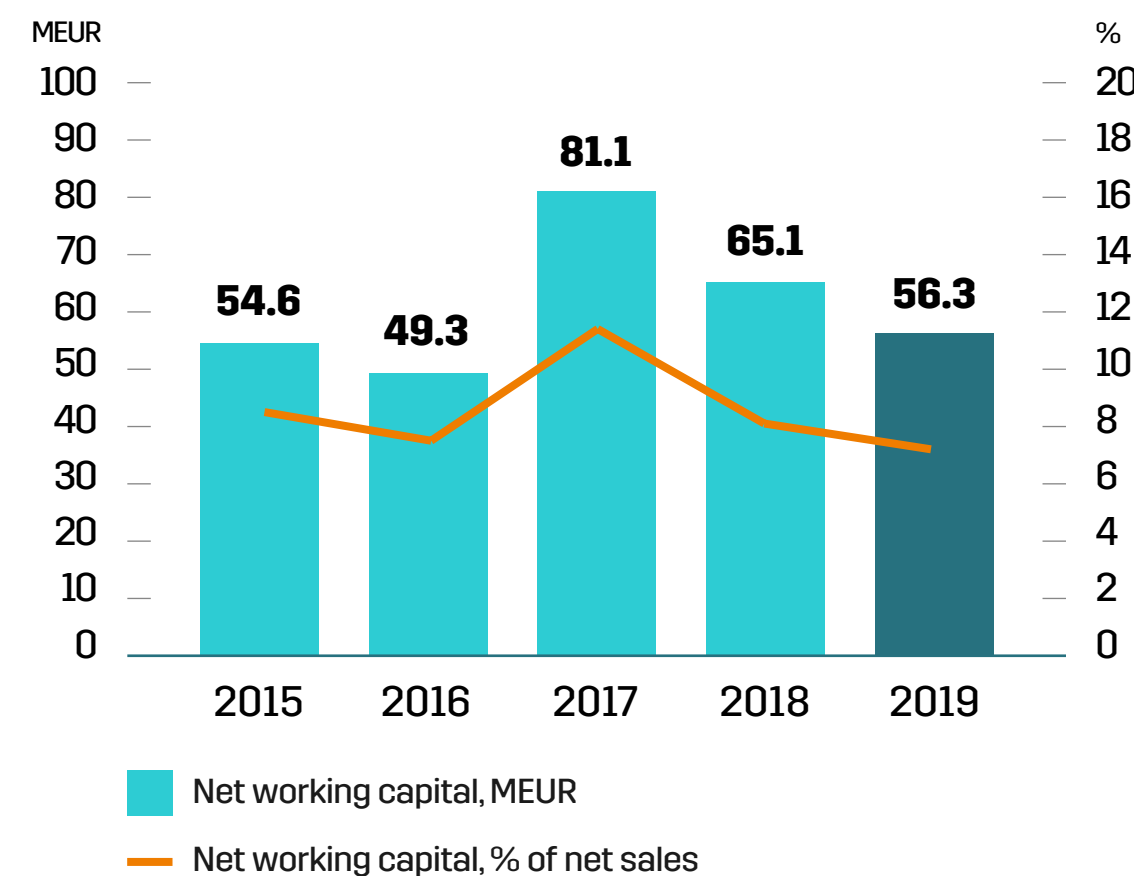
\*\* The figures are not directly comparable with those for 2019 due to IFRS 16

\*\*\* Rolling 12-month

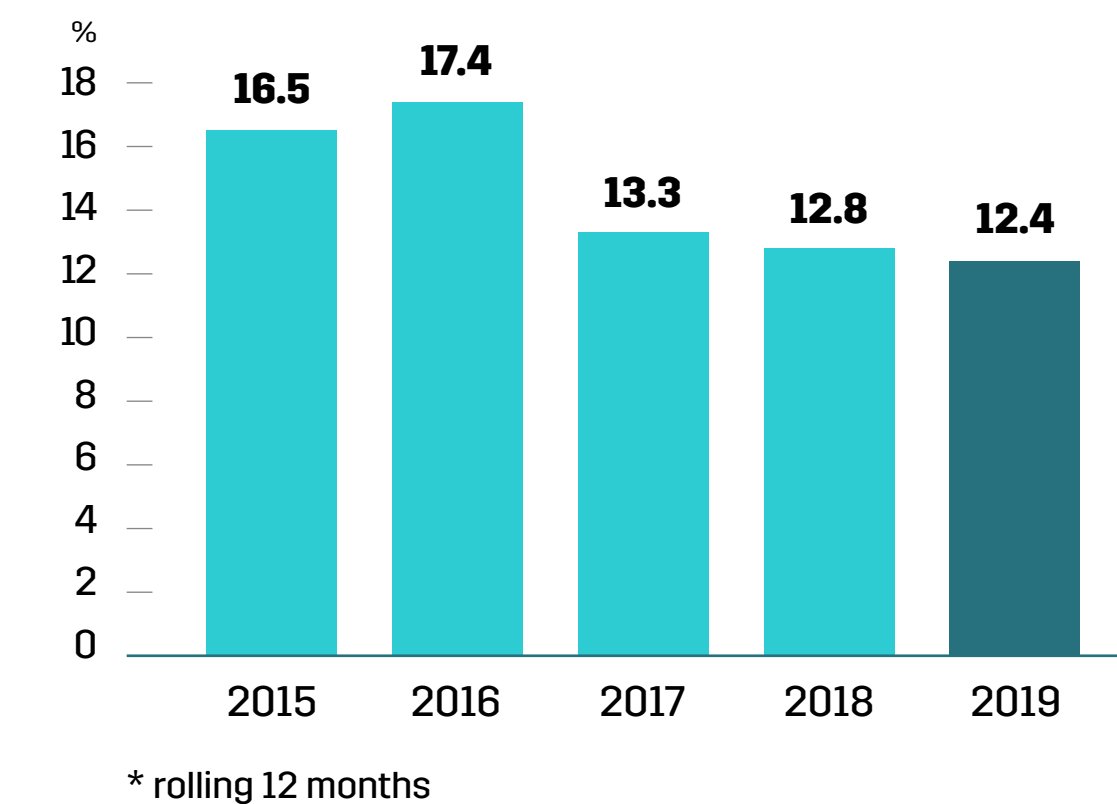
Dividend per share and dividend yield



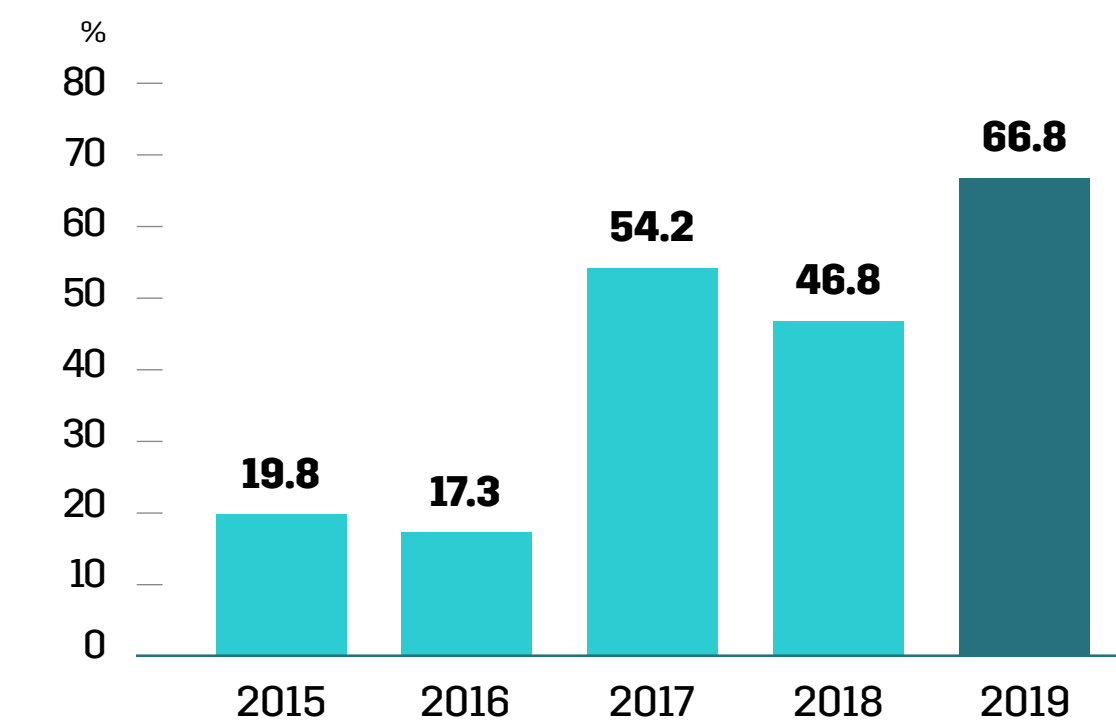
Net working capital



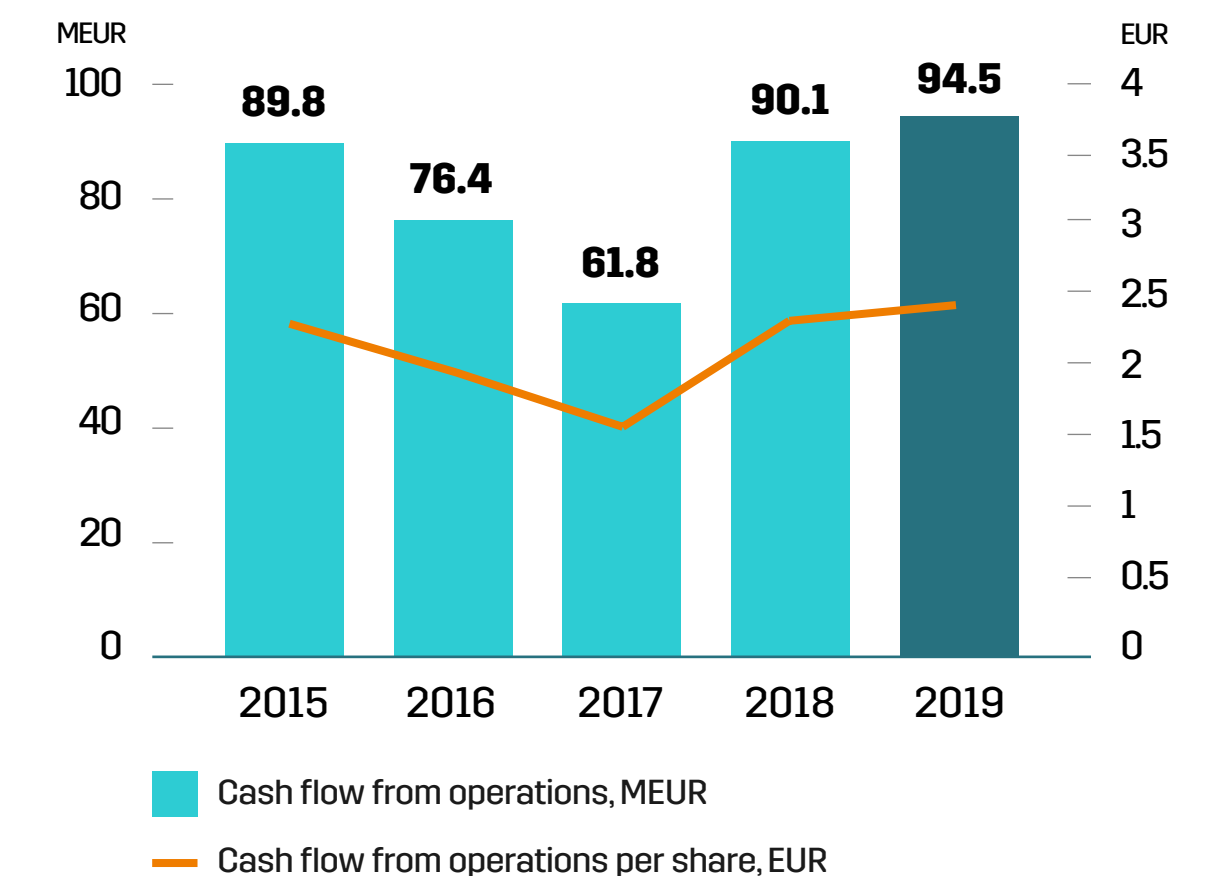
Return on investment (ROI)\*



Gearing



Cash flow from operations



# Why invest in Lassila & Tikanoja

## Five reasons for investing in a company which makes the circular economy a reality.

1. The increased importance of the circular economy and sustainability support L&T
2. L&T's market position is strong and it's a pioneer in circular economy services
3. L&T is pursuing profitable growth
4. L&T's operations mitigate the climate change
5. L&T is a sustainable employer with a positive impact on the society

### 1. The increased importance of the circular economy and sustainability support L&T

L&T started as a wholesaler more than one hundred years ago. Many phases have led to it becoming a service company which makes the circular economy a reality. Global megatrends, such as climate change and increasingly scarce natural resources, are boosting the circular economy and L&T's operations.

The correction towards sustainable economy in the coming years will result in radical changes in industrial engineering, energy systems and the way we use and consume resources. This change will bring lots of new business opportunities for sustainable service solutions mitigating climate change and promoting the circular economy. The tighter regulation and increasing sustainability requirements speed up this development.

We are constantly developing sustainable service solutions in co-operation with our customers, promoting the move towards a sustainable economy. We expect the society to support the demand for our services. Companies want to become more responsible operators in the society, regulators want to impose stricter environmental demands and consumers are increasingly aware and demand environmentally sustainable services.

### 2. L&T's market position is strong and it's a pioneer in circular economy services

We are the leading circular economy operator in Finland and have strengthened our position with our new, innovative circular economy services. Our competitive advantage is based on strong presence in the different steps of the value chain of our customers' materials and constructed environment and our circular economy service offering which is more extensive than that provided by the competition. We have the ability and the resources needed for the implementation of demanding circular economy solutions for the needs of the industry, commerce and households.

Stricter material efficiency and recycling requirements and the increased importance of secondary raw materials as industrial raw materials increase the demand for environmental and industry services. At the moment, only 10% of materials in the EU are recycled.

Correspondingly, there is a cumulated property maintenance backlog in the property sector, buildings are becoming more technical and complex and the energy efficiency requirements are getting stricter, which increases the demand for the circular economy services in the property sector.

Read more in the [Business areas section](#).

### 3. L&T is pursuing profitable growth

L&T is pursuing an annual growth of 5% in the strategy period 2019-2024. The growth is pursued both inorganically and through acquisitions. All our business operations build future growth for the circular economy and are based on the opportunities created by it.

L&T's financial position is strong 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. We are pursuing profitable growth in our selected segments.

Read more on our [investor pages](#).

## Why invest in Lassila &amp; Tikanoja

#### 4. L&T's operations mitigate the climate change

L&T's circular economy service solutions reduce carbon dioxide emissions. The emission reductions implemented by L&T for its customers in 2019 amounted to 1.2 million tonnes CO<sub>2</sub> (eq.), which corresponds to the annual emissions of as many as 120 000 Finns. L&T's own emissions accounted for just 4% of this. The company seeks to continuously grow the carbon handprint of its actions, or our positive effect on the climate, and to reduce our carbon footprint. Most of L&T's services can be linked to the mitigation of climate change.

L&T does well in global comparisons of climate and sustainability work performed by companies. With a Leadership-level grade A-, the second best, L&T was again ranked among the world's top companies in the CDP Climate assessment, for example. Companies ranked at the Leadership level are considered to operate in accordance with best practices with regard to the environment, understand the risks and opportunities relating to climate change well and to prepare and implement strategies to mitigate or utilise these risks and opportunities.

Read more about our [carbon handprint](#).

#### 5. L&T is a sustainable employer with a positive impact on the society

L&T's goal is to increase the company's financial value sustainably while creating economic growth and increasing well-being. L&T is among the most significant employers in its operating locations. The salaries, wages and taxes we pay, as well the purchases we make, have a substantial impact on municipal finances and other businesses in each economic area. L&T has 8,207 employees in total, and in 2019, L&T paid approximately EUR 174 million in taxes.

L&T provides its personnel with work that matters as well as career and development opportunities. In our operations, we try to make sure that our employees get to go home healthy after the day's work and ultimately retire in good health. Furthermore, the company promotes its social responsibility by offering work to persons with poor employment prospects or unable to work full days. Our average retirement age in 2019 was 63.2, which is clearly higher than the Finnish average.

Read more about our [healthy, diverse and productive workplace community](#).



# Key events from an eventful year

Our journey from the circular economy mindset to concrete actions has been rewarding and full of events. The steps taken in cooperation with our customers and partners have shown how we make the circular economy a reality.



## 18 times around the globe with the “Kinkkutemppu” campaign

The results of the Kinkkutemppu Christmas ham grease recycling campaign organised in co-operation between various environmental actors were published after Christmas. The Kinkkutemppu campaign, organised for the third time in 2018, inspired a record number of Finns to take action to promote the circular economy. The number of participants grew by 40,000 from the previous year, as 185,000 households recycled grease from Christmas ham cooking and turned it into renewable fuel. As much as 13% of all Finnish Christmas ham grease or approximately 100,000 kg was recycled into renewable fuel. The amount of fuel produced would be enough for driving around the globe nearly 18 times! The Kinkkutemppu campaign was organised in 2019 as well, and its results will be published at the beginning of 2020.

### JANUARY



#### Leadership level reached in the CDP assessment

The year started with, again, achieving 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, we were ranked among the world's top companies in the CDP Climate assessment. Companies ranked at the Leadership level are considered to operate in accordance with best practices with regard to the environment, understand the risks and opportunities relating to climate change well and to prepare and implement strategies to mitigate or utilise these risks and opportunities.

### FEBRUARY

#### L&T became the biggest processor of beverage bottles and cans with a deposit

L&T and Palpa expanded their co-operation in the recycling of beverage packaging at the beginning of the year. The agreement, which spans over several years and represents an expansion, made L&T Palpa's biggest partner for the processing, collection and transport of recycled materials. Our habit of actively developing customer co-operation with new ideas and service models were an important reason for Palpa to seek more extensive co-operation with us. Our goal to promote occupational safety both internally and at the customer interfaces was also an important factor.

### MARCH

#### Green Deal to develop waste oil management

Green Deals are an example of successful voluntary environmental regulation, which L&T actively promotes. L&T is the market leader in the collection of waste oil and we were the first company in the environmental industry to join the Green Deal on Developing National Waste Oil Management. In joining the Green Deal, we made a commitment to providing waste oil collection services nationwide with the aim of enabling the reuse of all waste oil collected from our customers. We also committed to increasing the amount of oil we collect by 10% by 2025.



## Key events from an eventful year



### What's Muovimuuvi?

We launched our big plastic collection initiative, the Muovimuuvi campaign, at the beginning of 2019. Muovimuuvi stands for concrete actions leading to an increasing proportion of plastic in Finland being recycled into raw materials for new products. We work with consumers and companies every day to expand the plastic collection activities. Our goal is to include one million Finns in the plastic collection scheme by 2020. In practice, Muovimuuvi resulted in several different operations in 2019, such as the campaign to collect plastic waste from summer houses carried out in co-operation with K-Rauta. Muovimuuvi will continue with new operations in 2020.

### L&T Korjausrakentaminen Oy sold to Recover Nordic Group

At the end of April, we completed the measures related to the finalisation of the acquisition of L&T Korjausrakentaminen Oy by Recover Nordic Group. With this acquisition, we sold the entire share capital of our subsidiary L&T Korjausrakentaminen Oy specialising in damage repair and renovation services to Recover Nordic Group. Working together with the damage repair service market leader offers a stable future for our personnel as well as an opportunity to develop our operations along the different services of the growing company. For our customers, this means that their familiar and reliable services will continue with renewed strength.

### L&T published its Global Compact progress report

L&T committed to supporting the UN Global Compact initiative and its principles in 2018. In spring 2019, we published our first progress report, describing the actions implemented in 2018 to promote the integration of the Global Compact initiative and its principles into the company's business strategy, culture and daily activities. The progress report for 2019 will be published as a part of the company's sustainability reporting according to the GRI standards.

## APRIL

## MAY



### Molok and Lassila & Tikanoja join forces to improve sorting opportunities in properties

Efficient recycling requires well-functioning waste containers. People want to sort their waste and it must be possible to do that effortlessly. In April, we signed a co-operation agreement with Molok Oy, authorising L&T as Molok Oy's authorised maintenance service provided nationally all over Finland. The maintenance partnership between the companies facilitates daily property maintenance work. This allows us to jointly promote the long-term use of Molok waste sorting stations and improve the living experience of housing company residents.

### Responsible Summer Job 2019

We decided to participate in the Responsible Summer Job campaign as a main partner this time, because we feel that promoting the employment prospects of young people is a central part of our social sustainability as a company. We offer lots of different career opportunities which give young people valuable experience, first steps in the working life and perhaps even career opportunities.

The campaign resulted, as we had hoped, in high visibility in social media used by young people and in various media in the form of blogs, articles, social media links and, for instance, video clips. We also conducted a survey to see how satisfied the summer workers were with us as an employer, what our employer image was like and what areas could be developed further in the coming years. We value this valuable.



Key events from an eventful year



### We strengthened our services in Kymenlaakso

L&T acquired the share capital of Tank Service Finland Oy, a Hamina-based company specialized in washing containers. Tank Service Finland specialises in washing various types of containers and related services, such as container storage, repair, inspection and heating. Tank Service Finland's annual net sales are approximately EUR 800,000. The acquisition is part of L&T's strategic geographical expansion.

### New material efficiency centre for Northern Finland

We started the construction of the new material efficiency centre for Northern Finland. The centre will begin its operation in 2020. It will process industrial side streams and contaminated soil from the region into useful materials.

### Finland at the cutting edge of modern plastic recycling

In September, one of the most modern waste plastic processing lines in Northern Europe was opened in our plastic recycling plant in Merikarvia. The new line helps to recover more challenging and dirty plastic waste efficiently for the needs of the Finnish plastic industry. The waste processing line has a large carbon handprint: recycled plastic produced by the plant can be used to replace the production of virgin plastic, saving over 400,000 barrels of oil a year. When recycled plastic is used in the production of plastic products instead of virgin raw material, up to 40,000 tonnes of climate emissions are avoided.

## JUNE

## JULY

## AUGUST

## SEPTEMBER



### L&T became the first company to stop using glyphosate

In June, we announced that we would be the first nationwide player in Finland to stop using glyphosate, which has a negative impact on biodiversity. In recent years, a lot of new research data has been produced on glyphosate and its impacts. With our decision, we wanted to promote biodiversity as well as the safety of our personnel and the people who use the areas in question.



### City Refinery promotes next-generation sustainable material and energy solutions

We are working together with the Helsinki-based energy company Helen and VTT Technical Research Centre of Finland to develop a City Refinery that will refine side streams from recycling plants, industrial facilities, agriculture and forestry into high-grade biofuels and bio-based raw materials. The heat generated as a by-product by the refinery will be used for heating properties in the Helsinki region and the carbon dioxide generated by the facility will be contained and used in the production of new raw materials. City Refinery will be an important step on the path towards zero-emission energy production and the bioeconomy in mitigating climate change.

Key events from an eventful year



### A new kind of explosive cleaning to clean furnaces without interrupting the process

In October, we launched a new cleaning method of industrial furnaces. The method is based on the explosive cleaning known in the industry and developed further by our own Production Manager Hannu Honkasalo. The new technology allows us to safely clean industrial furnaces at a temperature of more than one thousand degrees. This means that the process no longer needs to be shut down for cleaning. The new method will significantly reduce industrial emissions in the shut-down and start-up stages of processes.

### L&T got certified in energy management

L&T's systematic work in energy management got certified in Sweden by EEF, Energieffektiviseringsföretagen. EEF's certification is designed to ensure clarity in the marketing of as well as the quality of energy-related services and energy efficient products, focusing on what is best for the client.

### Carbon-neutral waste management for 7,000 residents

Our carbon neutral waste management took a leap forward in November when Turku Student Village Foundation (TYS) acquired the carbon neutral waste management service for all of its residential houses. TYS homes house approximately 7,000 people. Carbon-neutral waste management is therefore a significant choice, helping the City of Turku to reach its emission goals. This co-operation agreement is a concrete example of the true pioneer spirit of our customers and our ability to help them make something concrete for the environment.



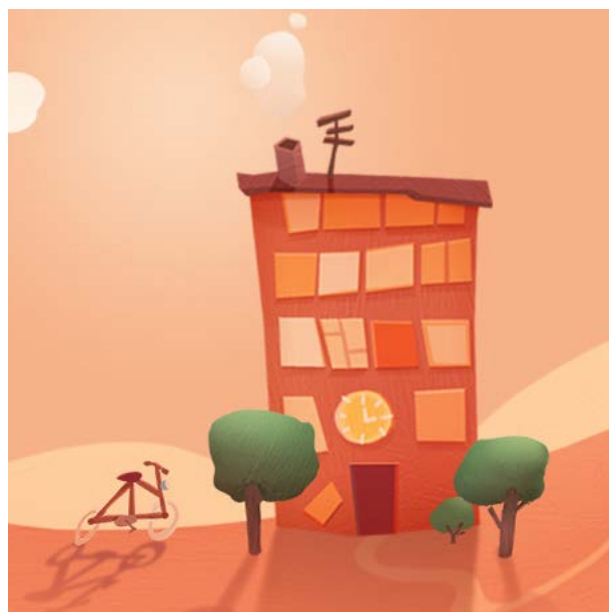
## OCTOBER

## NOVEMBER

## DECEMBER

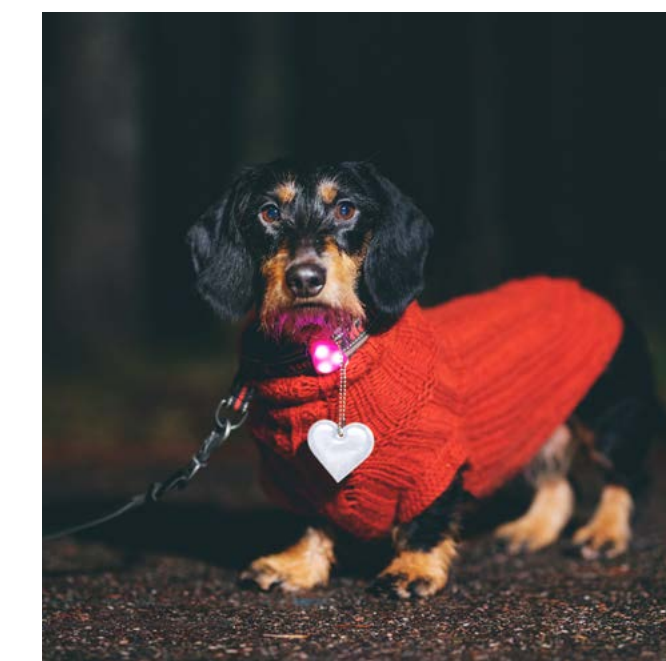
### Learning environment studies to develop the Finnish school system into an even better one

We got into schools in 2019 in the cheerful pilot project aimed at developing the Finnish top-grade school into an even better one. We are developing a new subject for Finnish schools called learning environment studies. A better learning environment makes the pupils feel better and learn better and improves the working conditions of teachers. At the same time, we make the circular economy a reality by helping pupils to grow into sustainable development natives. Our expert advice will be available free of charge to everyone once the teacher's guide is published in 2020.



### L&T organised a Capital Markets Day for investors

In this event, our President and CEO Eero Hautaniemi shared his vision of L&T's future with investors and analysts together with the Director, Corporate Relations and Sustainability Jorma Mikkonen, CFO Valtteri Palin and Vice Presidents of business segments. We also launched our updated strategy in this event, explained our plans related to its implementation and reviewed the company's current situation and the market.



### Our Christmas action in 2019

Lassila & Tikanoja are helping make roads safer. Christmas time is the darkest period of the year. This is why we once again handed out 50,000 reflectors made of recycled plastic as Christmas presents. The reflectors were handed out by doers of the circular economy, i.e. our employees, all across Finland. In addition to handing out reflectors, at Christmas time, we again participated in the Kinkkutemppu 2019 campaign to collect the grease accumulated from the baking of the traditional Christmas ham.



# The move towards sustainable economy supports our business

All in all, L&T's business environment developed positively in 2019. The understanding of the role of the circular economy in the mitigation of climate change increased. At the same time, the role of companies and cities in the mitigation of climate change was emphasised, which sped up the demand for sustainable business solutions. The labour market situation became increasingly difficult.

## Circular economy has a critical role in the mitigation of climate change

According to IPCC reports, the circular economy has an increasingly critical role in the mitigation of climate change. In addition to mitigating the climate change, the circular economy also helps to mitigate the overconsumption of natural resources.

Until now, the regulation of circular economy has focused on municipal waste, which only represent a marginal share of the total waste generated (4–10% in the EU depending on the production structure). In the coming

years, the circular economy will focus on construction and industrial waste as well as side stream from agriculture and the forest industry, which opens up new market opportunities.

## Chinese ban on waste imports caused a market disturbance

The prohibition on waste imports placed by China entered into force at the beginning of the year 2018, resulting in a global market disturbance in the demand for secondary raw materials (plastics, fibres, metals). In what follows, the EU must be able to utilise the waste generated in the EU even more independently, but the construction of the required recycling infrastructure and sinks will take several years. Determined political action will be needed to correct the situation and strengthen the market for secondary raw materials.

## The Finnish government programme 2019-2023 supports the transition towards the circular economy

The Finnish government programme includes very ambitious climate goals aimed at transforming Finland into a low-carbon society within the next ten years. Circular and bioeconomy, improved 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.

## Implementation of new recycling goals in Finland

The Commission of the EU approved the new Action Plan for a Circular Economy in December 2015, aimed at speeding up Europe's transition into the circular economy. As part of this plan, a waste regulation package was approved in the EU in 2018, placing even more ambitious goals for the recycling of municipal waste and packaging waste, among other things. In 2019, a workgroup appointed by the Ministry of the Environment prepared a proposal of the actions required for the implementation of the waste directives in national waste legislation.

## Social influence

In 2019, L&T's focus areas in exercising influence on society were:

1. Promoting the circular economy
2. Opening of municipal service markets
3. Ensuring the neutrality of competition
4. Labour policy actions to ensure the availability of workforce
5. Safeguarding of market-based waste collection activities

**Our business is supported by megatrends such as the mitigation of climate change and the demand for sustainable business solutions.**

## Business environment

## L&amp;T's focus areas in exercising influence on society 2019

Target	Background	Regulation	L&T's position
<b>Promoting the circular economy</b>	<ul style="list-style-type: none"> <li>The Commission of the EU approved the new Action Plan for a Circular Economy in 2015, aimed at speeding up Europe's transition into the circular economy. As part of this plan, a waste regulation package was approved in the EU in 2018, speeding up the transition towards the circular economy.</li> </ul>	<ul style="list-style-type: none"> <li>In 2019, the workgroup appointed by the Ministry of the Environment prepared a proposal of the actions required for the implementation of the waste directives in national waste legislation.</li> <li>The municipal waste recycling target increased from the current target of 50% to 65% by 2030. The recycling target for packaging materials was elevated to 70% by 2030 with material-specific target values.</li> <li>The government proposal is still being prepared with the aim of entry into force of the Waste Act in summer 2020.</li> </ul>	<ul style="list-style-type: none"> <li>L&amp;T supports the proposed actions to increase the sorting of waste at the source and property-specific separate collection.</li> <li>L&amp;T opposes the proposal's legally mandated municipal monopoly for the collection of packaging waste from housing properties and the proposal to terminate waste transport arranged by the property proprietor.</li> <li>L&amp;T wishes that means would be included in the proposal to smoothen the productisation of waste and thereby their use as replacement raw material.</li> <li>In parallel with the recycling goals, L&amp;T is hoping for effective means of control promoting recycling and the development of secondary raw material markets.</li> </ul>
<b>Ensuring the availability of workforce</b>	<ul style="list-style-type: none"> <li>The labour-intensive service sector is increasingly struggling to find skilled workforce. The challenges of workforce availability are getting worse as the age classes become smaller.</li> <li>The shortage of labour is becoming a national challenge and a bottleneck to the development of the service sector.</li> </ul>	<ul style="list-style-type: none"> <li>The Finnish government has set a goal of 75% employment for its term of office. Extensive labour policy reforms are being prepared to reach this goal.</li> </ul>	<ul style="list-style-type: none"> <li>The service sector will be increasingly dependent on foreign labour in the future. Using foreign labour should be facilitated by removing the need-based discretion and by making the permit processes smoother.</li> <li>There is an growing group of people outside the labour market who cannot find employment without special actions. L&amp;T sees these special groups as an important labour resource and wishes to promote the employment of such special groups.</li> <li>In education, there is a need for closer co-operation between enterprises and education institutions.</li> <li>If we want to keep the people with reduced work ability in employment, incentives supporting this should be created in the pension system.</li> </ul>
<b>Ensuring competition neutrality between private and public entities</b>	<ul style="list-style-type: none"> <li>The Public Procurement Act which entered into force on 1 January 2017 set tight limits for in-house entities (external sales 5% with a maximum of EUR 500,000) of entities operating as public procurement entities.</li> <li>A special 10% limit for in-house entities is applicable to the waste sector until 1 January 2030.</li> </ul>	<ul style="list-style-type: none"> <li>The amendments to the Waste Act enters into force on 1 January 2020, creating an electronic platform to ensure that the so-called secondary waste management responsibility of municipalities can be implemented in the market in a competition-neutral manner.</li> <li>According to the Finnish government programme, a permanent 10% limit for external sales will be applicable in the waste sector from 1 January 2030.</li> </ul>	<ul style="list-style-type: none"> <li>Waste management is becoming an even more integral part of the common raw material market, and the waste market should therefore be reformed and opened up.</li> <li>The current hierarchical and exclusive distribution of responsibilities slows down innovation in technology and services and the development of the secondary raw material market.</li> <li>L&amp;T finds that no special regulation related to public procurements should apply to the waste industry; instead, the same in-house limits should apply as in any other public service.</li> <li>The public sector must operate in the markets in the form of a corporation, using market pricing, and the market-based operations must be transparently separated in the public sector's accounting.</li> </ul>

## Business environment

Target	Background	Regulation	L&T's position
<b>Promoting the use of renewable energy</b>	<ul style="list-style-type: none"> <li>• Reports published by the IPCC have shown that the current measures to mitigate climate change are not adequate, which is why the targets and measures must be reassessed.</li> <li>• It has been agreed that by 2030, CO<sub>2</sub> emissions will be reduced by 40%.</li> <li>• In addition, regulation on emissions trading, the effort sharing sector and land use, the energy efficiency directive and the renewable energy directive have been reformed over the past couple of years.</li> <li>• While the emission decrease goals have been tightened, it has also been acknowledged that maintaining and increasing the carbon sinks of forests and soil is necessary at the same time.</li> <li>• Increasingly strict climate targets will force us to replace fossil fuels in the production of energy and heat at an accelerated schedule.</li> <li>• In addition to reducing emissions, there is a need for active measures to increase carbon sinks.</li> <li>• The new technologies do not yet allow a transition to renewable and CO<sub>2</sub> neutral energy production. Biofuels play a critical role as a solution for the transition period.</li> <li>• The increasingly ambitious targets need to be supported by solutions that make renewable energy a more attractive alternative than fossil fuels.</li> </ul>	<ul style="list-style-type: none"> <li>• EU member states are currently preparing their national energy and climate plans in order to achieve the ambitious goals set for 2030.</li> <li>• At the same time, the members states are preparing long-term low-emission strategies presenting the plans for the development of CO<sub>2</sub> emissions and carbon sinks by 2050.</li> <li>• The new EU commission introduced its new Green Deal programme at the end of 2019, including the commission's climate goals for the term in office. The goals of the programme are to:             <ul style="list-style-type: none"> <li>- Include the climate neutrality objective in legislation</li> <li>- Revise the energy taxation</li> <li>- One trillion euro investment subsidies to climate investments within the next decade</li> <li>- Increasing the emission reduction goal to 55% in 2030</li> <li>- Include traffic and construction in emissions trading</li> <li>- Specify criteria for sustainable financing</li> <li>- Introduce a carbon duty system</li> </ul> </li> <li>• The Finnish government programme set ambitious national climate goals:             <ul style="list-style-type: none"> <li>- Emission-free production of electricity and heat in 2030</li> <li>- The world's first fossil-free well-being society and carbon neutrality by 2035</li> <li>- A sustainable development tax reform</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• L&amp;T supports the described initiatives and measures to minimise the impacts of climate change.</li> <li>• Energy, climate and waste policy should be managed as a whole. Policy decisions should be long-term and predictable to support critical technological development and investments.</li> <li>• In the emissions trading sector, the measures should be aimed at the development and implementation of new technologies.</li> <li>• The reduction of industrial process emissions calls for not only new technologies, but also new circular economy solutions.</li> <li>• Biofuels and various waste-based fuels play a critical role as a solution for the transition period both in the ETS and the ESD sector.</li> <li>• What is required is the breakthrough of new technologies that make it possible to turn biomass and various side streams into energy, raw materials, nutrients and chemicals in a modular manner.</li> <li>• In the effort sharing sector, fuel taxation and public procurement should be geared towards the use of cleaner fuels in transport.</li> <li>• To accelerate carbon sinks, there is a need for steering methods that allow the nearly million hectares of thinning backlog in young forests to be acted on.</li> <li>• The operating conditions of combined heat and power production (CHP) must be ensured.</li> <li>• The CHP approach allows the production of electricity and heat from wood chips with a very high rate of utilisation. CHP production ensures electricity production capacity during the cold and dark seasons.</li> </ul>

## Business environment

## Lobbying organisations, programmes, projects and networks

The focus of L&T's lobbying activities is on ensuring the operating conditions of the circular economy. L&T is a member of nearly a hundred local, regional, national and EU-level lobbying organisations.

We participate in the work of the following organisations either through membership in the Board or in other working groups:

- The Association of Finnish Environmental Industries and Services (YTP)
- Finnish Employers' Federation of Road Transport (ALT)
- Kiinteistöyönantajat ry (Employers' association of property management)
- The Bioenergy Association of Finland
- The Chemical Industry Federation of Finland
- Confederation of Finnish Industries
- Federation of Waste Management and Environmental Services (FEAD)
- Association for Waste Recycling (AWR) in Russia
- Bureau of International Recycling (BIR), paper division
- European Recovered Paper Association (ERPA)
- Fastighetsentreprenörerna
- AFF-forum

We are also an active participant in the following programmes, projects and networks that promote the circular economy, sustainability, material efficiency and energy efficiency:

- The Finnish Innovation Fund Sitra: Circular economy roadmap update and the projects derived from it
- CLC, Climate Leadership Council: Working groups related to the circular economy and bioeconomy
- Helsinki metropolitan area Smart & Clean Foundation
- Business Finland: Virtual service environment, servitised data and technology project.
- VTT Technical Research Centre of Finland, Wastebusters project
- Aalto University, Indoor Air Police project
- Finnish Business and Society (FIBS), sustainability network
- The Carbon Neutral Municipalities project (HINKU)
- The Climate Partners network of the City of Helsinki and business life
- Zero Accident Forum
- UUMA 3 project on the use of recovered materials in earth construction
- Clic, or Circular Economy Service Platform development project, bringing together material producers and the secondary market.
- The Finnish Industrial Symbiosis System, which aims to help enterprises and other parties enhance the mutual recovery of resources and create new business.

- The Virtual Service Environment D project (Virpa-D) aimed at creating world-class user experiences for the users of business premises to promote the productivity of work, smooth day-to-day life and well-being.
- EEF or Energieeffektiviseringsföretagen, bringing together service providers aimed at improved energy efficiency.
- HVE or Higher Vocational Education. In this project, L&T's employees in Sweden participate in school boards with the aim of improved education and employment of the students. Some of the former students have been employed by L&T.

# 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.

**14  
million**

Number of  
containers emptied  
at 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  
**300,000  
tonnes**

Volume of recovered side  
streams and soil in the  
Industrial Services  
division

## 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 lifecycle our customers' properties and the satisfaction of property users.

**15,000**

Number of customer  
sites for Facility Services  
Finland

## Facility Services Sweden

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

**11,000  
m<sup>2</sup>**

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

# STRATEGY AND VALUE CREATION

23 Strategy and value creation

28 Targets 2024



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

In autumn 2019, Lassila & Tikanoja updated its strategy for the strategy period 2019-2024. The new strategy coincides with a period of time in which we must find solutions to important questions related to combatting climate change and corporate social responsibility. We want to solve these big questions with our strategy “We create more value with the circular economy” and to grasp the opportunities of circular economy together with our customers.

L&T's updated strategy is still focused on circular economy, but the company's position in the circular economy field has been strengthened. In what follows, our mission is to make the circular economy a reality and to help our customers achieve their sustainability goals.

All our business operations build future sustainable growth for the circular economy and are based on the opportunities created by it.

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

## Principles guiding the company's development:

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

- we can be among the three largest companies in the market,
- our operations are hard to replace,
- competitive advantage can be created and
- synergies with the circular economy exist.

**The circular economy means making smarter and more efficient use of existing resources. In the circular economy, the value of existing materials and properties is maintained in productive use for as long as possible.**

# WE MAKE CIRCULAR ECONOMY A REALITY

**FOR THE CUSTOMERS**

We support our customers' responsibility, create excellent customer experiences and develop the best services in our industry.

**FOR THE EMPLOYEES**

We take care of our personnel and provide them with meaningful work and opportunities for development.

**FOR SOCIETY**

We combat climate change, bring forward new solutions for the circular economy and promote social responsibility through employment.

**FOR THE OWNERS**

We aim for rapid growth in our business operations promoting sustainable development with our unique competence in the circular economy. In addition to pursuing organic growth, we invest in the markets of the future.

**WE CREATE MORE VALUE WITH CIRCULAR ECONOMY**

**We increase our customers' properties value and user satisfaction**

**We recycle the materials of society**

**We utilize the side streams of industry and society**

**We improve energy efficiency**



**EMPLOYED BY TOMORROW**



## 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 personnel:** We take care of our personnel and provide them with meaningful work and opportunities for development. We want our personnel to enjoy their work and go home in good health after a working day. This is how we pursue a better personnel experience and an increase in the personnel recommendation rate.

- **Value for society:** The value created for our society is formed out of actions for controlling climate change and preserving natural resources by introducing new solutions into the circular economy. The objective of this is to continuously grow our actions' carbon handprint, our positive effect on the climate. Furthermore, we promote social responsibility in society through employment. We also want to offer work to persons with poor employment prospects or unable to work full days.
- **Value for shareholders:** 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 a part of our strategy, we also determined the principles guiding the company's development, enabling us to increase the company's value creation in the long term.

### L&T's value creation in 2019

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 8,207 professionals.

**L&T's carbon handprint, or the emission reductions created by the operations, totalled approx. 1.2 million CO<sub>2</sub> tonnes in 2019. This corresponds to the annual emissions of 120,000 Finns.**

## Strategy and value creation

## L&amp;T's value creation in 2019

## INPUTS

## Our work input

- 8,207 L&T employees
- 13.6 hours worked
- Investments in safety, work ability and well-being: MEUR 7.7
- Benefits paid from the sickness fund: MEUR 1.5
- 28.800 observations to improve safety

## Our resources

- 892 heavy vehicles
- 21 recycling plants and terminals
- 788,000 tons of customer materials collected
- 15,000 properties under maintenance

## Our financial input

- Shareholders' equity MEUR 203
- Interest-bearing liabilities MEUR 177.4
- Investments EUR 46.1

## ACTIVITIES



- 50,000 companies and 120,000 households
- Containers emptied 14 million times
- 12,000 hectares of managed forests
- 1,100,000 maintenance actions
- 4,200 energy efficiency proposals

## OUTPUTS

## Healthy personnel

- Employee promoter score 73%
- Sickness-related absence rate 5.0% (Finland)
- Retirement age 63.2 years
- 29 persons returned to working life
- LTA accident frequency 14\*

## Realising the circular economy

- Reuse and recycling rate of customer materials 54,8%
- 400,000 tonnes secondary raw materials
- 2.6 GWh of fossil energy replaced
- 38,000 tonnes of waste rendered non-hazardous
- 300,000 tonnes of soil and side streams delivered for material recycling

## Profitable growth

- Net sales MEUR 784.3, decline -2.2%
- Paid wages: MEUR 259.7
- Goods, services etc. purchased: MEUR 368.7
- Dividends and capital repayment paid: MEUR 35.3
- Investments into the development of business: EUR 51.1

## IMPACTS

## Mitigating climate change

- Carbon handprint of operations 1.2 million tonnes CO<sub>2</sub> (eq.)
- CO<sub>2</sub> emissions of our own operations 45.3 tonnes CO<sub>2</sub> (eq.), -5% from 2018

## Natural resources saved

- 3 million trees and 67,000 tonnes oil

## Social employment and prevention of marginalisation

- Over 700 persons from special groups\*\* employed

## 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 426.3
- Tax footprint: MEUR 174.4

## Shareholder value

- Total return 11.8%

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

\*\* People who need special support to be employed, such as those with partial working ability, those with disabilities or marginalized groups.

## More value with the circular economy in 2019



### Value for personnel

8,207 L&T employees

#### Promoter score

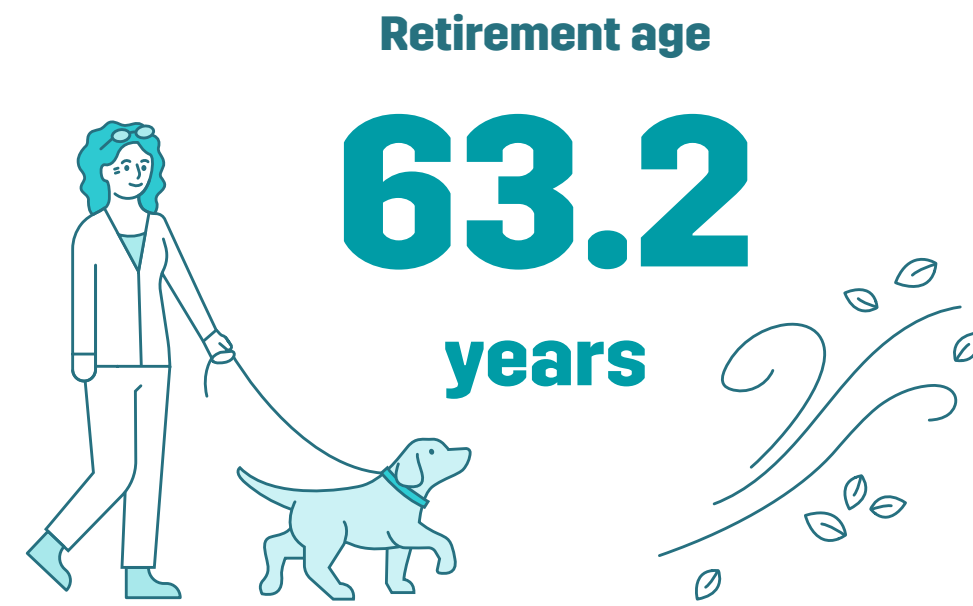
- 73% would recommend L&T as a workplace

#### Going home healthy

- Sickness-related absences 5.0%, LTA accident frequency\* 14

#### Retiring in good health

- Average age of retirement 63.2 years
- Career paths and competence development



The average age of retirement among L&T employees is two years higher than the Finnish national average.

Source: <https://www.etk.fi/wp-content/uploads/elakkeellesiirtymisika-tyoelakejarjestelmassa-2018-kuviot.pdf>

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



### Value for customers

55,000 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

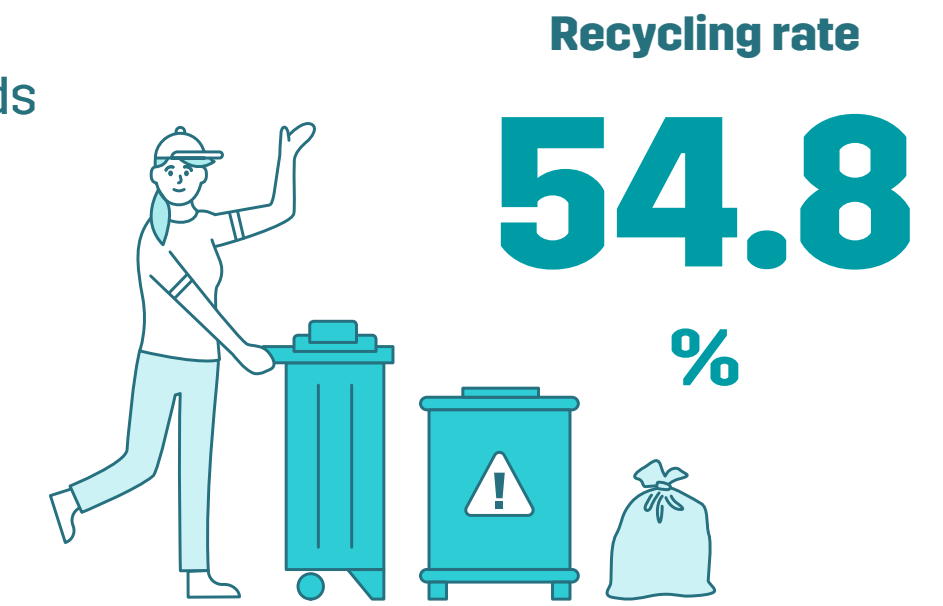
- 54.8%

#### Increased energy efficiency

- 2.6 MWh saved (or fossil GWh replaced)

#### Better conditions

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



The recycling rate of L&T's customers is 13 percentage points higher than the average recycling rate in Finland.

Source: Suomen ympäristökeskus (13.12.2019)



### Value for society

#### Mitigating climate change

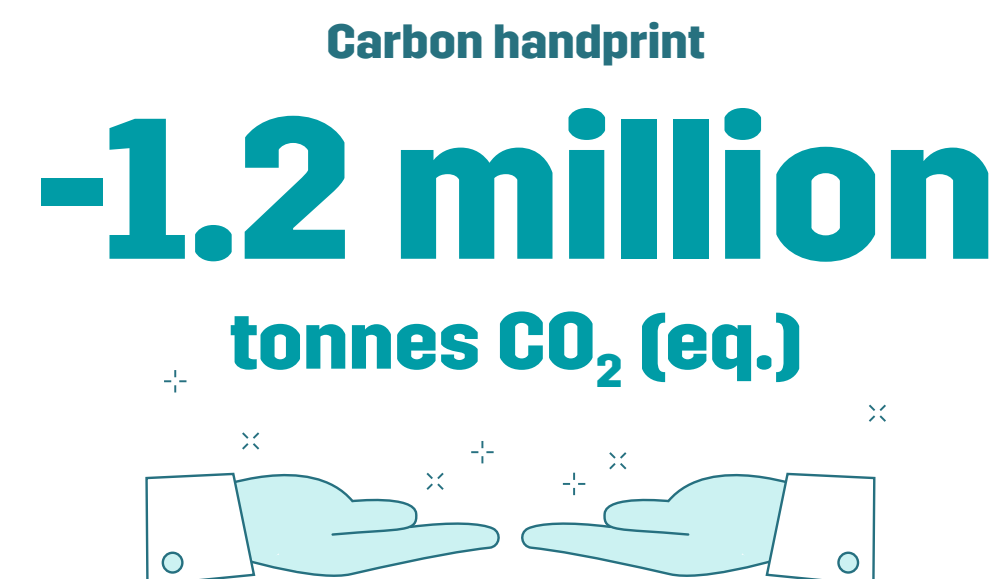
- The carbon handprint of L&T's operations is 1.2 million tonnes CO<sub>2</sub>

#### Social employment and prevention of marginalisation

- Over 700 persons from special groups employed

#### Increased well-being

- Added value created: MEUR 426.3
- Tax footprint: MEUR 174.4



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

Source: <https://www.sitra.fi/artikkelit/keskivertosuomalaisen-hiilijalanjalki/>



### Value for shareholders

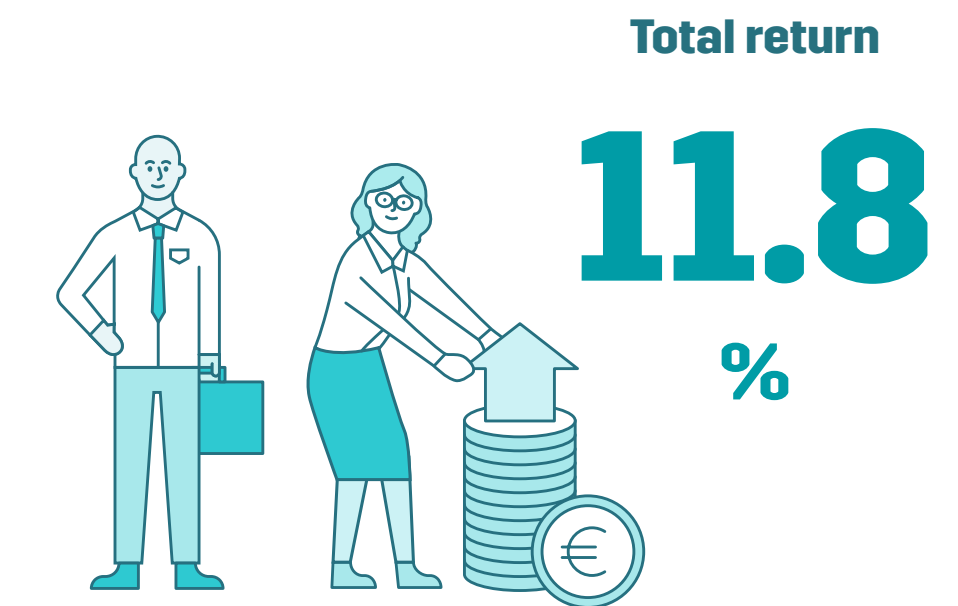
15,500 shareholders

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

- Net sales, -2.2%
- Operating margin, -5.5%
- Invested capital 12.4%, Gearing 66.8%

#### Stable dividends

- Dividends paid MEUR 35.3
- 5.9% of market capitalisation
- Total return 11.8%



L&T total return is at a good level, although the total return of the companies listed on Nasdaq Helsinki can be up to 17.9%.

Source: [http://www.nasdaqomxnordic.com/indeksit/historialliset\\_kurssitiedot/?languageid=4&Instrument=FI0008900220](http://www.nasdaqomxnordic.com/indeksit/historialliset_kurssitiedot/?languageid=4&Instrument=FI0008900220)

## Targets 2024

# Climate impact, customers and employees part of our long term goals

When the strategy was updated, Lassila & Tikanoja also updated its long-term goals to match the renewed strategy and value creation for various stakeholders. In addition to the traditional financial indicators, we introduced sustainability and stakeholder goals which will be reported at least once a year from 2020.

We will be investing heavily on the strengthening of customer and personnel experience in the coming years. In a service company such as L&T, these two indicators go hand in hand. We also believe that they predict the direction of the company's financial development.

In terms of customer experience, our goal is to improve the promotion by customers so that the NPS (Net Promoter Score) of all our business operations is at least 25. For our own personnel, we seek to increase the promoter score so that more than 80% of L&T's personnel recommend the company as a place of work.

We want to be the most sustainable company in our industry and do our part in controlling climate change. We measure this development with both the carbon handprint, measuring the positive climate impact of our opera-

## Long-term goals

	Target 2024	Outcome 2019
Net Promoter Score	NPS > 25	2/4 of the business operations reached the goal*
Employee Net Promoter Score (%)	(>) 80%	73%
Carbon footprint	- 50% by 2030 compared to 2018	-5%**
Carbon handprint	Grows faster than net sales	1%***
Growth in net sales	5%	-2.2%
Return on invested capital	15%	12.4%
Gearing	less than 125%	66.8%

\* NPS or net promoter score is based on asking the customers who make the decisions about agreements or orders how likely they would recommend Lassila & Tikanoja to a friend or a colleague (on a scale of 0-10). The NPS index is calculated by deducting the share of critics (score 0-6) from the share of promoters (score 9-10).

\*\* The reduction of absolute emissions (Scopes 1 and 2) will be reported according to SBT from 2020 onwards.

\*\*\* Carbon handprint intensity (i.e. carbon handprint relative to revenue)

tions, and the carbon footprint, which measures the emissions of our own operations.

During the strategy period, we seek to increase our carbon handprint faster than our organic net sales. In practice this means that we steer our operations towards services which allow us to help our customers reduce their climate impacts. We aim to reduce our own carbon footprint or the emissions of our own operations by 50% by 2030.

The key financial target is our organic growth rate goal of more than 5%. In the current market growth this means that we will be assessing acquisition opportunities more actively in the coming years to meet this goal. We set our goal for the return on invested capital at 15% and increased the gearing ratio cap so that we will be able to invest flexibly on our own operations or company acquisitions as necessary.

# BUSINESS AREAS

31 Environmental Services

33 Industrial Services

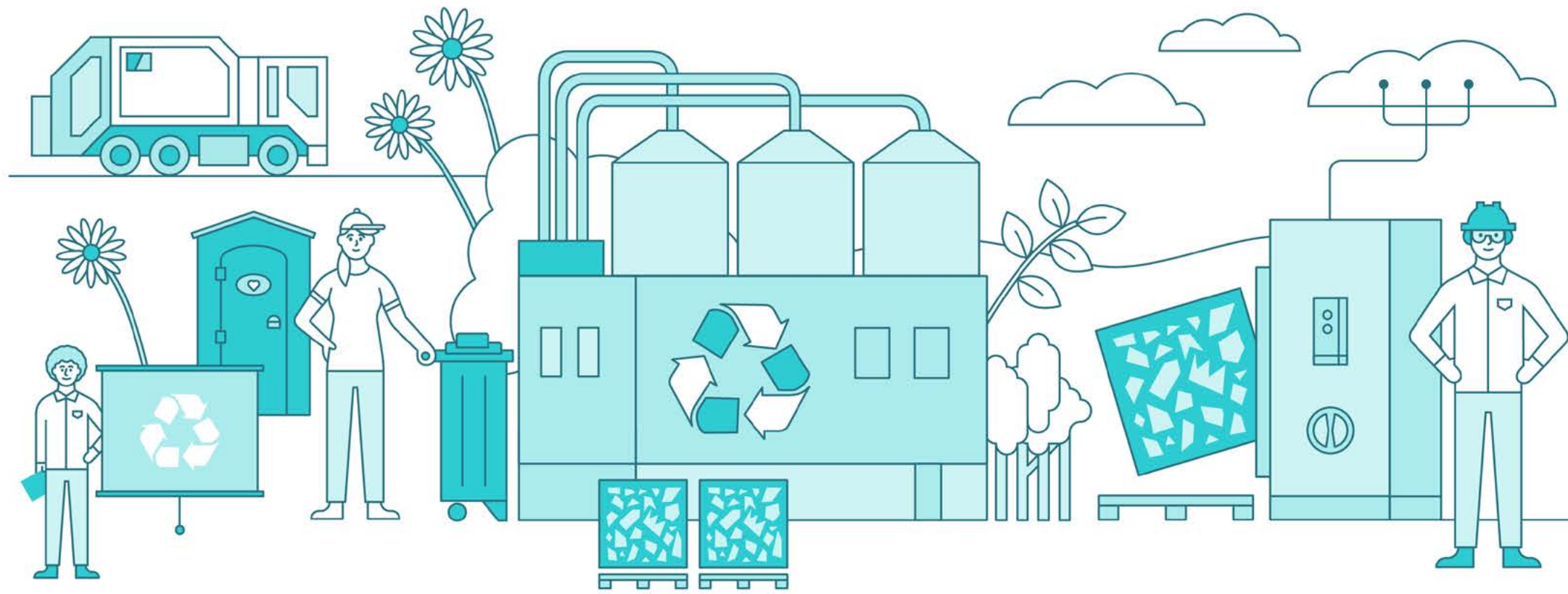
35 Facility Services Finland

37 Facility Services Sweden

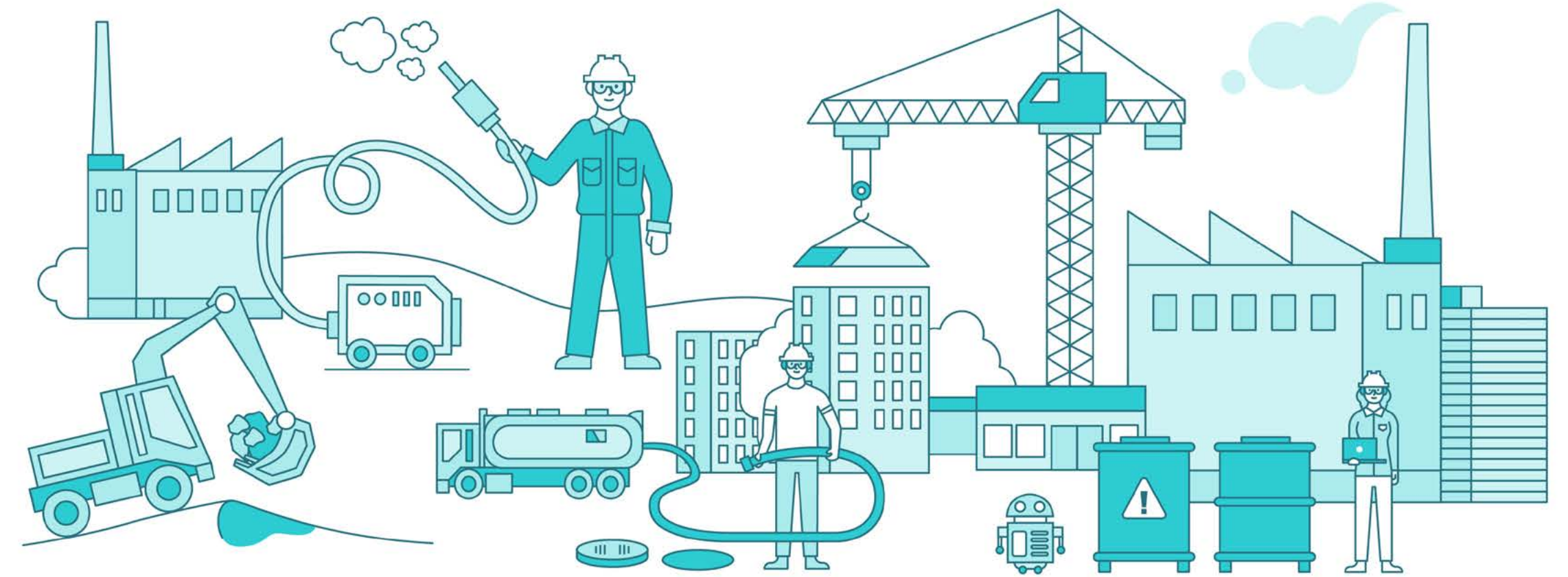


# Business areas

## ENVIRONMENTAL SERVICES



## INDUSTRIAL SERVICES



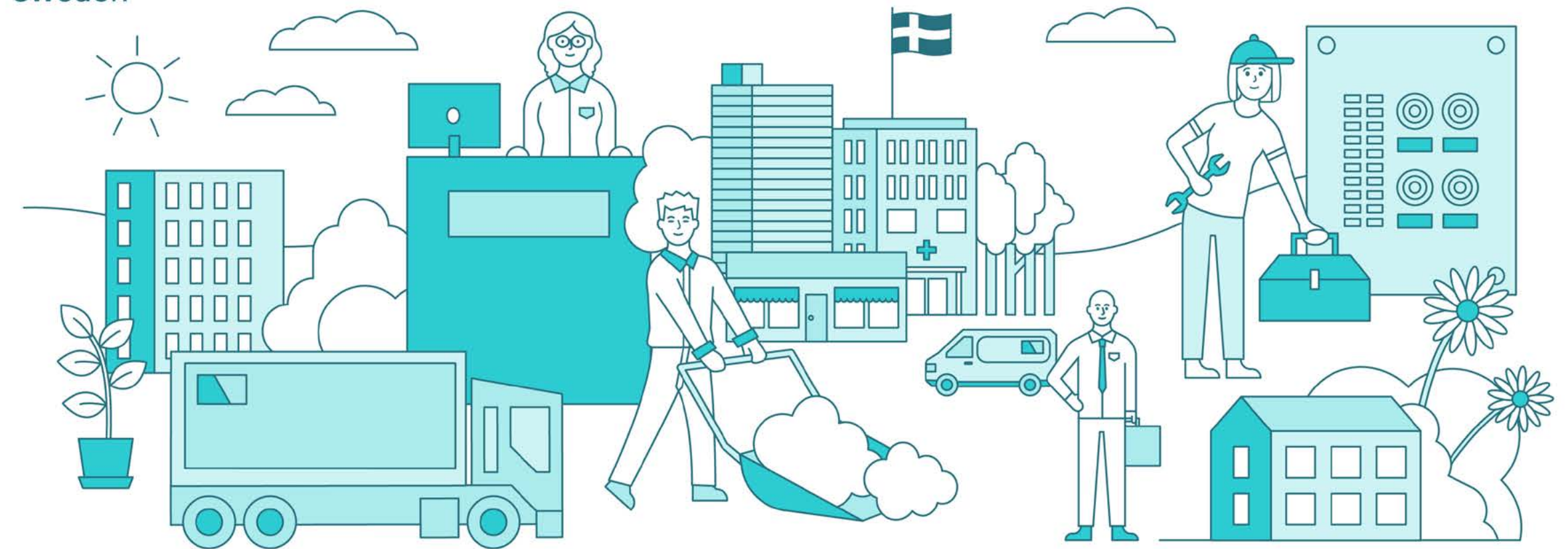
## FACILITY SERVICES

Finland



## FACILITY SERVICES

Sweden



# Environmental Services in 2019

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.

The Environmental Services division's net sales for 2019 amounted to EUR 311.2 million (309.4). Operating profit grew by 3.8 per cent to EUR 32.8 million (31.6).

Demand remained good particularly in the retail and industrial segments. Labour and subcontracting costs were increased by a shortage of drivers and the challenging weather conditions during the first quarter. Nevertheless, operating profit increased due to the enhanced efficiency of operations and the improved result of the renewable energy sources business.

## Market situation

The market situation of our serviced remained relatively stable throughout the year. The demand for central secondary raw materials was mostly good. The demand for wood chips and waste-based fuels increased as expected. The market disturbance in secondary raw materials

**“The field is interesting, and I want to constantly improve myself. That’s the only way to find the best solutions for the customer. If you ever stop and think you’re done, you’ll hit a wall pretty quickly.”**

**Saara Tuhola**

Environmental Manager  
Tampere

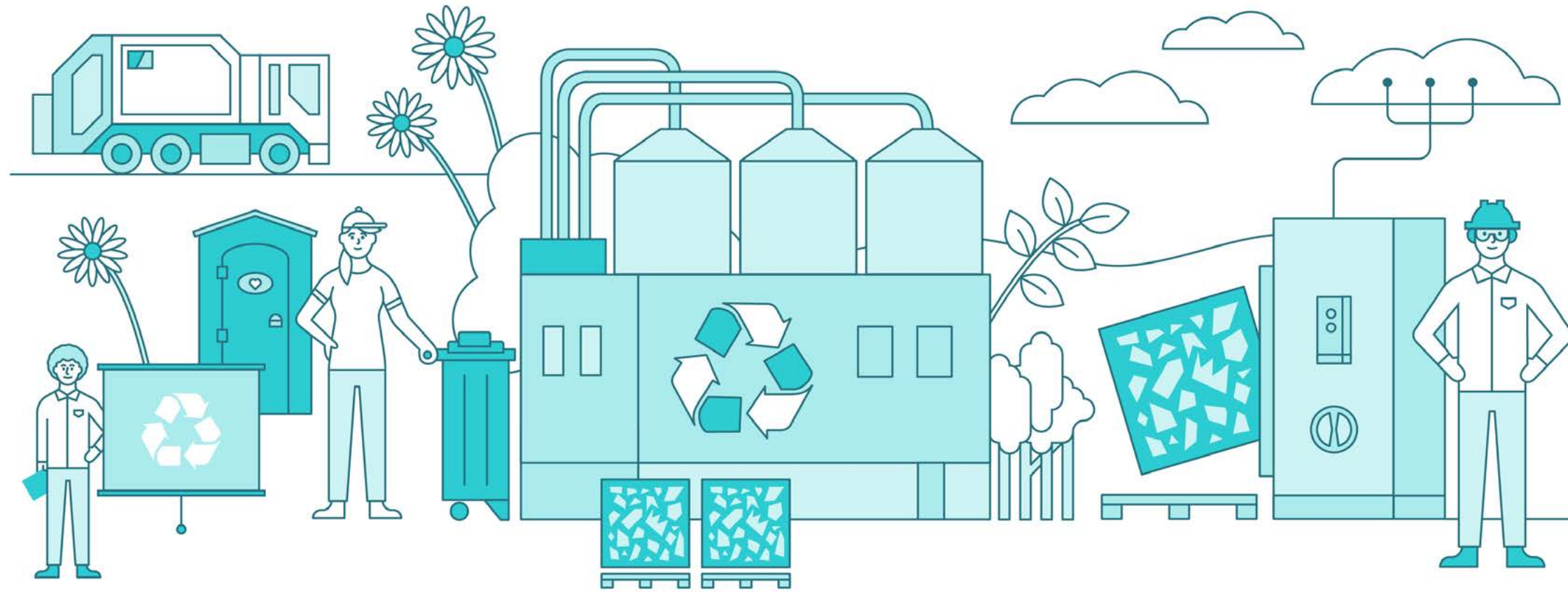


**MAKING THE CIRCULAR ECONOMY A REALITY:**

Read more about Saara and watch the video.



**ENVIRONMENTAL SERVICES**

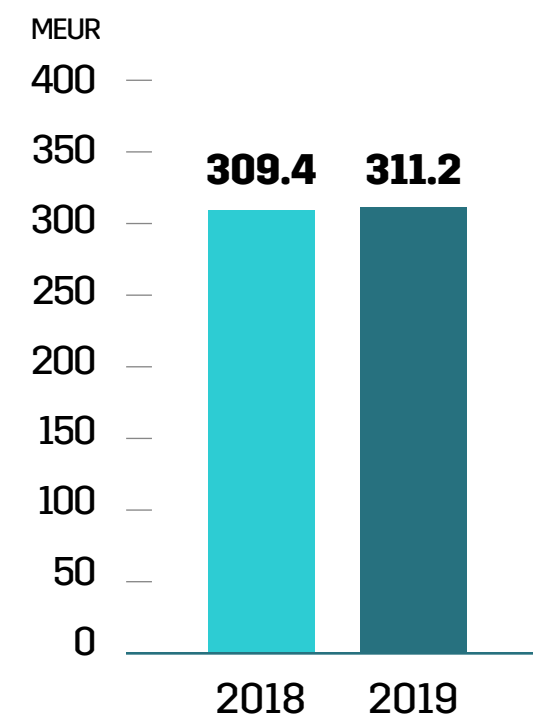


caused by the Chinese waste import prohibition reduced the demand for cardboard packaging.

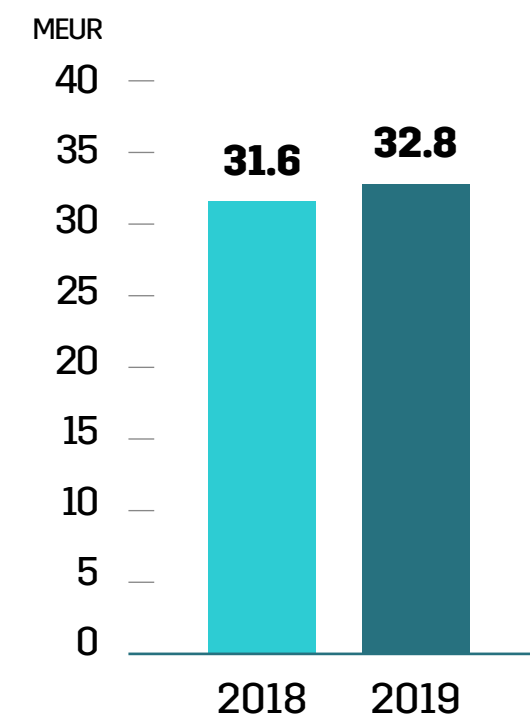
We strengthened our position as the leading circular economy operator by investing in new, innovative circular economy services and material-specific circular economy solutions. This allows us to improve our customers' material efficiency and maximise the reuse and recycling of materials.

The increasing sustainability requirements of our customers increased the demand for service solutions promoting circular economy. The share of consulting and digital services is increasing as an addition to 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**



**Operating profit**



**Key actions and achievements in 2019**

- We introduced a new waste plastic processing line in Merikarvia, increasing our plastic processing capacity to 20,000 tonnes. The new facility allows the cleaning and granulation of hard and unclean plastic fractions for use as raw materials in the plastics industry.
- We started the Muovimuuvi campaign aimed at bringing one million Finns access to separate collection of plastic. Furthermore, we encourage and assist Finnish companies to increase the separate collection of plastic by 20% by 2020.
- We introduced the digital Oma L&T service for business customers in order to improve our service and the monitoring of service. We also renewed the Environmental Web reporting system to support the management of our customers' environmental goals even better.
- We expanded our growth-phase circular economy services such as EasyCollection, Hävikkimestari and environmental management expert services to new regions and customers.
- We developed entirely new circular economy solutions in cooperation with our customers. Solutions tested in practice included Helppolava, Raksanouto and carbon neutral waste management, among other things.
- We strengthened our service in Uusimaa by acquiring the waste management and recycling businesses of Keski-Uudenmaan Keräyspaperi Oy and Jätehuolto Jorma Eskolin Oy.
- We expanded the co-operation with Suomen Palautuspakkaus Oy (Palpa) in the collection of drink containers by concluding a multi-year agreement on the provision of recycling services for drinks containers covered by the Finnish deposit return scheme.
- Our personnel satisfaction remained excellent. We invested in personnel communications by introducing smart phones for drivers.



# Industrial Services in 2019

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 amounted to EUR 98.9 million (96.5). Operating profit was EUR 9.9 million (10.0).

The demand for services was strong almost throughout the year. In the latter part of the year, industrial demand was affected by the increased uncertainty in the world economy as well as industrial action. The slowing down of the construction sector was compensated by the increased project business and new customer accounts in industrial sites. The division's profitability remained at a good level.

## Market situation

The market situation in our division was stable, and the demand for industrial services remained good for almost the entire year. Uncertainty did, however, increase at the end of the year due to the poorer economic cycle

**“Somebody else has calculated the benefits that the measures reap for the customer, and I do the work in practice. Customers could have someone else do the job, but I provide the best service and top quality.”**

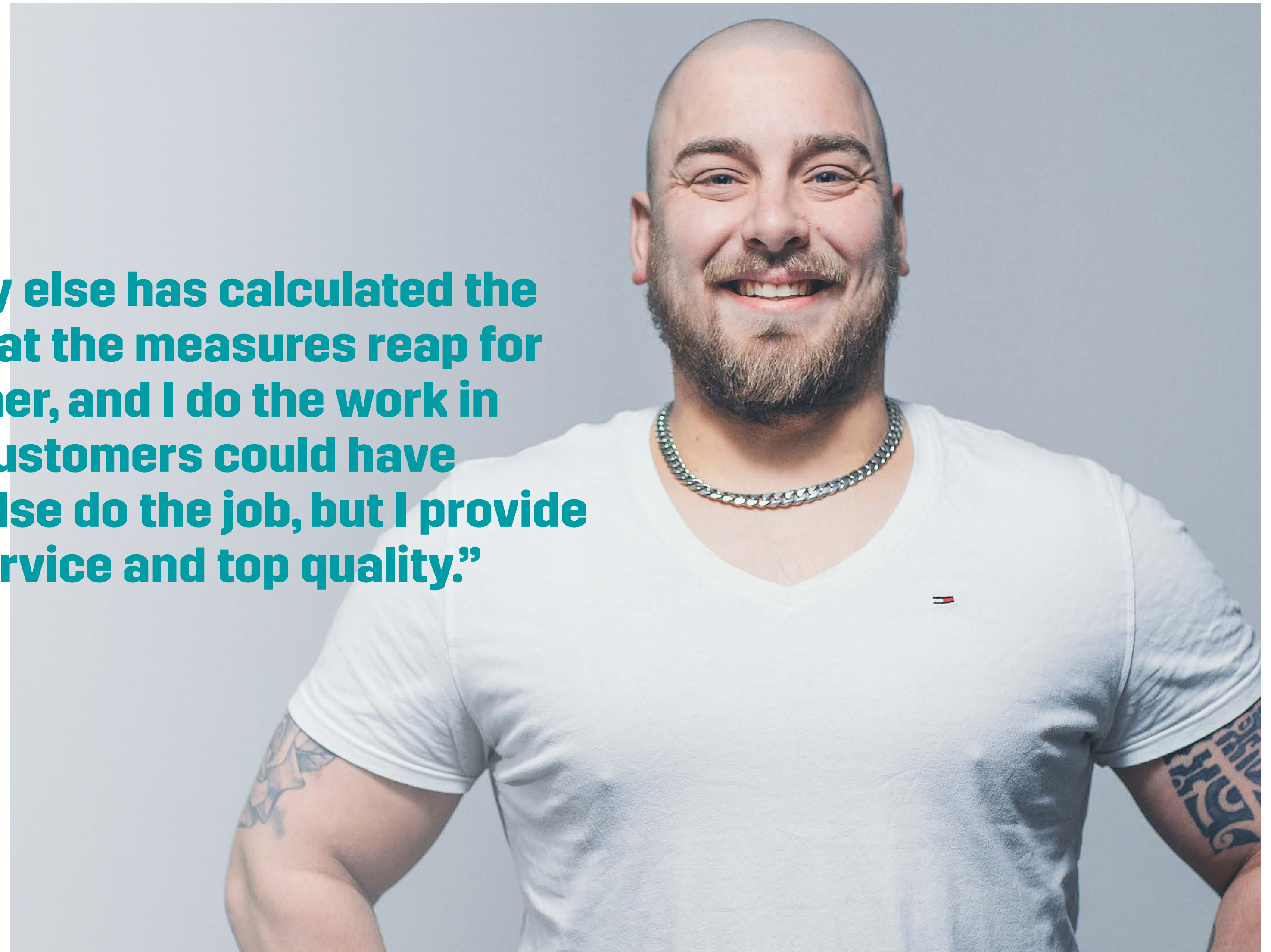
### Matias Sirkiä

Process cleaner  
Naantali

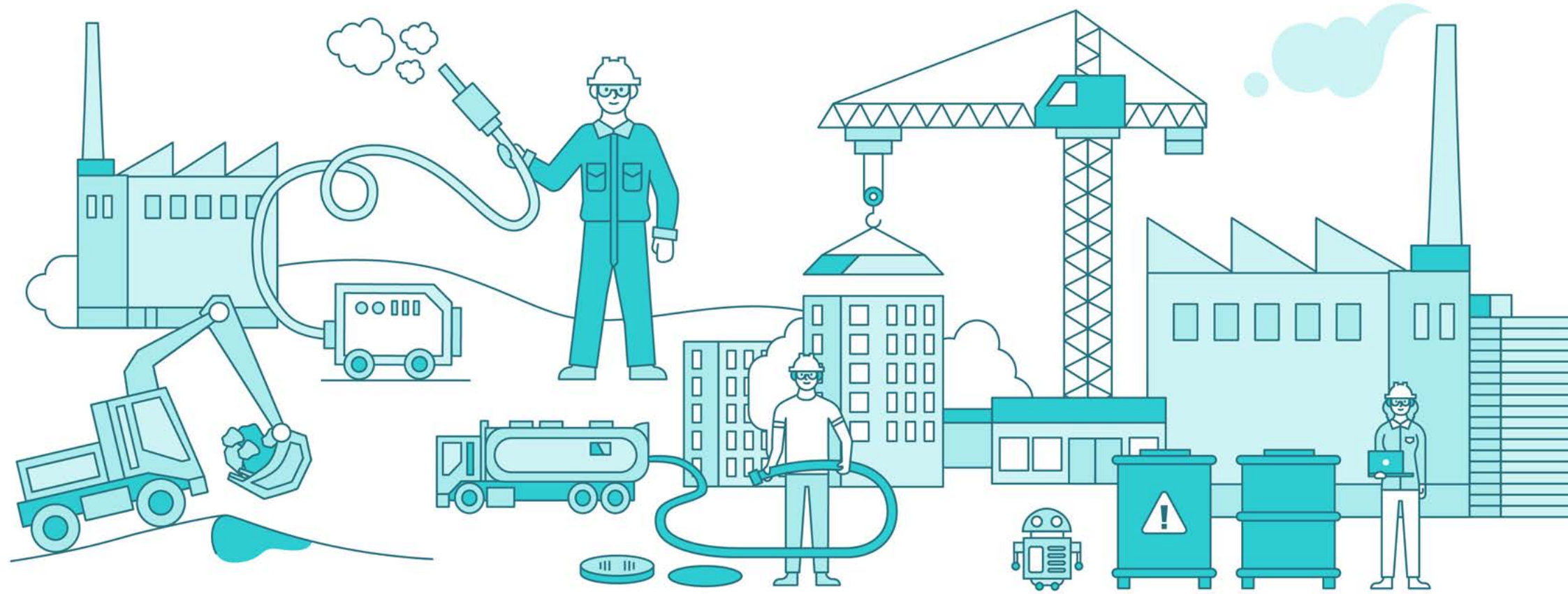


#### MAKING THE CIRCULAR ECONOMY A REALITY:

Read more about Matias and watch the video.



## INDUSTRIAL SERVICES

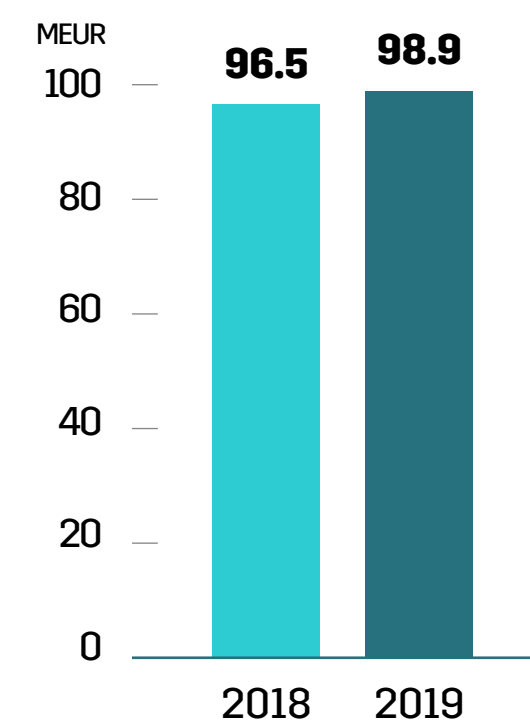


and collective action in the industry. The slowing down of the construction sector was compensated for by the increased project business and new customer accounts in industrial sites.

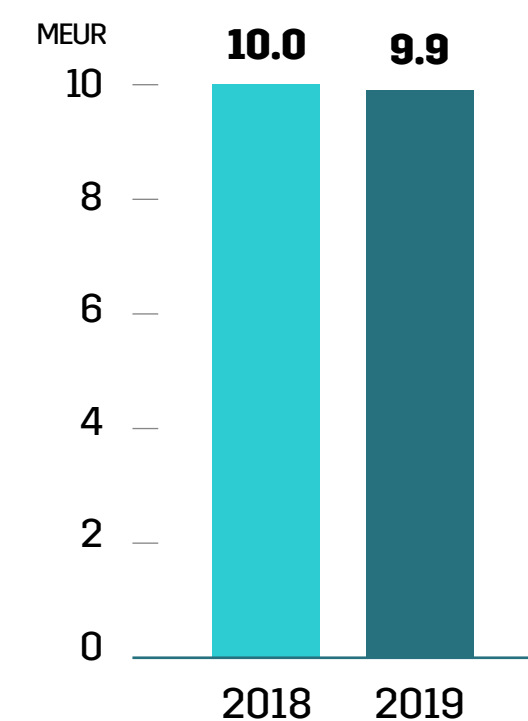
Our market position continued to improve. Our position as the leader of our sector is based on strong presence in the different steps of the customer's value chain. We manage and develop the customer's overall operations utilising L&T's comprehensive service provision. Our business is based on knowing the customers, and our customer satisfaction was maintained at an excellent level.

The ageing of urban sewer networks and the cumulation of maintenance backlog has increased the demand for sewer network renovation and maintenance services. 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 2019

- We continued to actively develop various service and method solutions promoting the circular economy.
  - We started the construction of the new material efficiency centre for Northern Finland. The centre will begin its operation in 2020. It will process industrial side streams and contaminated soil from the region into useful materials.
  - We have developed an explosive cleaning method suitable for industrial furnaces which allows the cleaning of the furnace during use.
  - We continued the active development in order to improve the processing methods of liquid waste.
  - We developed the processing methods for oil filters and oil-based waste.
  - We acquired the share capital of Tank Service Finland Oy, a Hamina-based company specialising in the washing of containers. The acquisition is part of L&T's strategic geographical expansion.
- We continued significant process cleaning co-operation with companies in the chemical and forest industries and made new co-operation agreements.
- We continued to plan the new operating model and the ERP system, aiming at the introduction of these towards the end of 2020.

# Facility Services Finland in 2019

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 lifecycle our customers' properties and the satisfaction of property users.

The Facility Services Finland division's net sales for the full year totalled EUR 249.1 million (269.6). The decline in net sales was due to the divestment of L&T Korjausrakentaminen Oy. Operating profit was EUR -4.1 million (5.2) excluding the effect of the divestment of L&T Korjausrakentaminen Oy.

The substantial year-on-year decline in operating profit was mainly due to costs related to the implementation of a new operating model in the technical services business, the contract portfolio of the property maintenance business being lower than in the comparison period as well as costs associated with the efficiency improvement and restructuring programme implemented in the fourth quarter.

## Market situation

The market situation of facility services remained stable and the competition remained intense. Demand for servic-

**“I design cooling systems, and it's nice to work with a customer who sees the value of your work from the standpoint of energy efficiency, operational reliability and environmental impact. A smart customer also understands the circumstantial challenges that arise in a large entity.”**

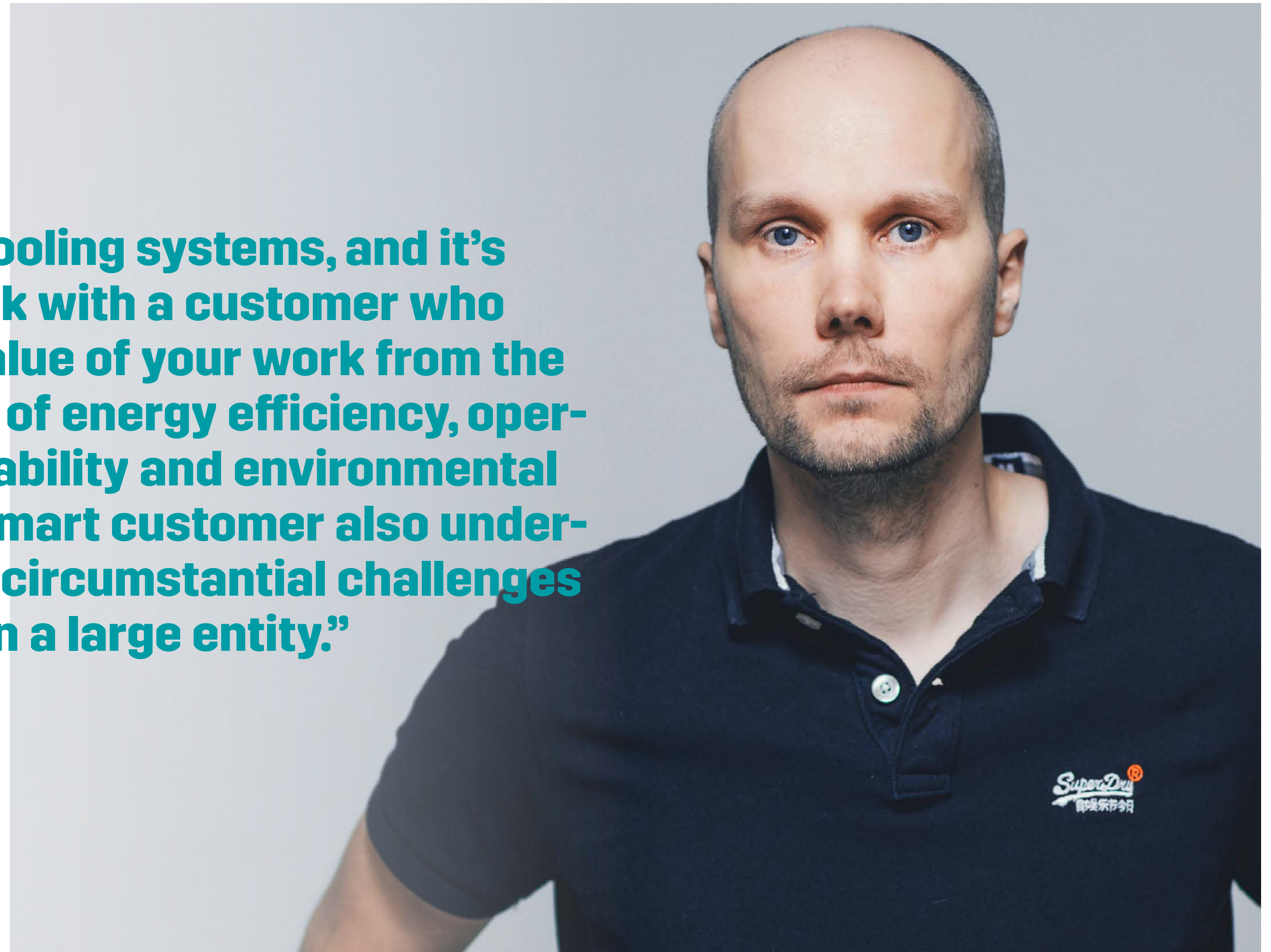
**Jussi Friman**

Project Manager  
Seinäjoki



**MAKING THE CIRCULAR ECONOMY A REALITY:**

Read more about Jussi and watch the video.



**FACILITY SERVICES**

Finland

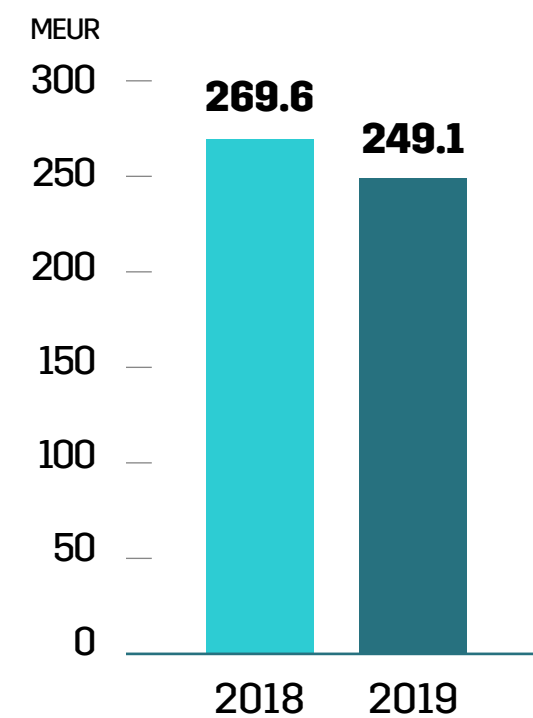


es remained good, mainly due to the cumulated maintenance backlog of the property base. The increasing sustainability requirements increased the demand for energy efficiency solutions and solutions related to the analysis and optimisation of different circumstances. As a result of urbanisation, market growth focused on growth centres.

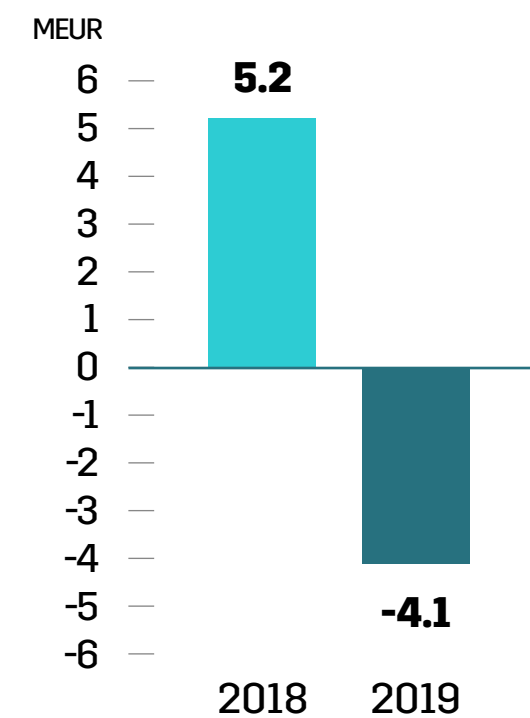
Workforce availability is becoming a bottleneck in terms of market growth. The multi-year earnings development programme of the property service sector has raised the salaries in the field clearly faster than the general development of income, but this has not resolved the workforce issue.

We seek growth in selected customer segments by developing circular economy solutions for properties, allowing the improvement of the value and life cycle our customers' properties and the satisfaction of property users.

**Net sales**



**Operating profit**



**Key actions and achievements in 2019**

- We improved the customer experience in all of our service branches and the personnel experience in all sectors of our organisation.
- We clarified our service portfolio by integrating the maintenance of technical systems into the division and letting go of our renovation and damage repair services.
- We renewed the management system and operating model of our division to support the execution of the strategy.
- We introduced an ERP system in cleaning services and continued its implementation in the maintenance of technical systems.
- Our commercial ability increased in all services and we opened significant new customer accounts during the year.
- We launched the L&T Smartti service for the management of energy efficiency in properties.
- We tested and introduced modern sensor technology which allows the optimisation of conditions in different kinds of properties.
- We started to develop the working conditions of schools by creating a new subject, learning environment studies.
- In the planning and maintenance of green areas, we were the first company in the sector to stop using glyphosates as pesticides.
- We started a social employment service concept, which offers employment to various special groups and fights against marginalisation.

# Facility Services Sweden in 2019

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

The Facility Services Sweden division's net sales for 2019 amounted to EUR 131.8 million (134.0). Operating profit was EUR 3.8 million (4.2). Measured in SEK, net sales increased by 1.1 per cent.

The demand for technical services increased in Sweden, but sales growth was slowed by problems related to the availability of labour. Facility Services Sweden implemented organisational reforms and a cost savings programme in the fourth quarter. Measured in SEK, the operating profit of the technical services business in Sweden was on par with the comparison period, while the operating profit of the cleaning business declined year-on-year.

## Market situation

In the Swedish facility services market, the majority of our business operations is within technical systems services. Demand remained on a good level. In technical systems services, we are the market leader within the hospital

**“Environmental issues are the key to opening more opportunities for us in the future. In addition to energy savings, making clean water last, for instance, will also be a challenge that will require developing smart answers.”**

**Sara Wennmark**  
Business Director  
Solna, Sweden



**MAKING THE CIRCULAR ECONOMY A REALITY:**  
Read more about Sara and watch the video.



**FACILITY SERVICES**

Sweden

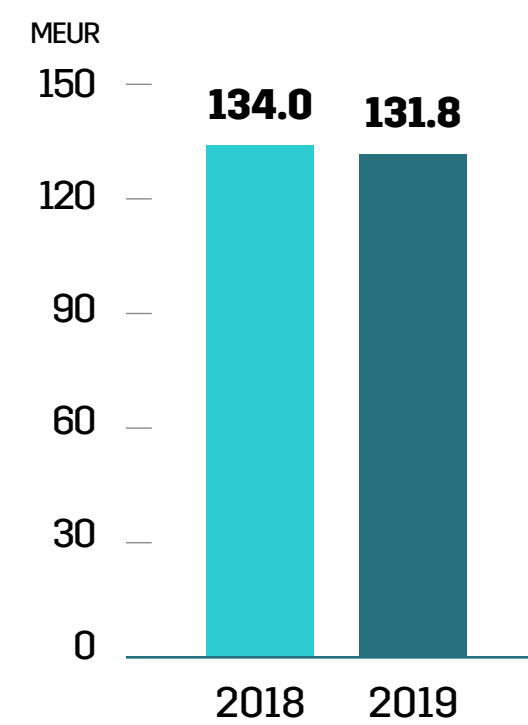


segment, which has strong growth prospects. The privatisation of hospital and municipal maintenance services, the accumulated renovation debt of the property base as well as the more technical property base increase the market in the short and medium term. The commercial sector has steady growth opportunities as well, and the segment's sales grew the most last year.

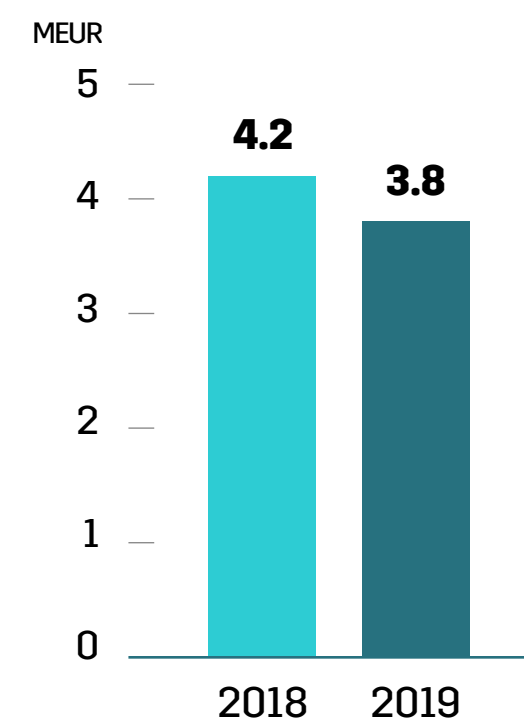
The growth of responsibility requirements is a significant opportunity for our business operations. Customers want to reduce their carbon footprint and energy consumption, and we are here to help them reach their goals.

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 with profitable properties with a long and responsible life cycle.

**Net sales**



**Operating profit**



**Key actions and achievements in 2019**

- We updated our strategy, which aims for strong growth through both acquisitions and organic growth. In addition, the new strategy focuses on developing new services and solutions.
- We strengthened our position in the hospital segment. With the help of the new customer accounts, we are now the market leader within Swedish municipal hospital operations. As per our strategy, we have also grown in the commercial segment with the help of new customer accounts.
- We invested in developing and digitalising our working methods. One example is the new digital platform EDrift which enables the collection and analysis of property-related data. In addition, we participated in the Grow Smarter EU project, which looks for new working methods and technical solutions that aim for responsible urban growth.
- We invested in attracting competent employees and strengthening the L&T brand through co-operation with schools and the industry's educational institutions and organisations.
- We improved our internal communications by introducing a new intranet, i.e. an internal communications channel through which the personnel receives up-to-date information.

# SUSTAINABILITY

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# Sustainability is at the heart of our strategy

Lassila & Tikanoja renewed its strategy in 2019, bringing sustainability to the core of its operations even more strongly than before. At the same time, we elevated the most important sustainability goals to the same level with our long-term financial goals.

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 ensuring the sustainability of our customers. The most significant impacts of our operations become concrete in the sustainability benefits created for our customers.

This guides us to continuously seek better results in the utilisation of customer materials, reduction of emissions and energy consumption as well as utilisation of new, environmentally sustainable methods and the development of services promoting the circular economy.

Due to the nature and extent of our operations, we have a significant impact on controlling climate change. We seek to increase the carbon handprint of our operations and, at the same time, reduce our own carbon footprint.

We are a major employer and service company, and we carry our social responsibility by taking care of the wellbeing of our personnel and their ability to work. We believe that good employee experience is strongly correlated with good customer experience.

We want to promote fair treatment in 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.

As we are a prominent participant in the day-to-day workings of society, we must make no compromises when it comes to sustainability and regulatory compliance in our operations. We observe our environmental and employer obligations and minimise the environmental impacts of our operations. We also require that our suppliers operate in accordance with our sustainability principles.

We believe that when we act sustainably, thereby creating value to our various stakeholders, the value created to our shareholders will also increase. We report the financial effects of our operations and our tax footprint transparently.

For more information about our value creation to the different stakeholders, see the report section [L&T's value creation in 2019](#).

We are committed to support the UN sustainable development goals and the Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption. We also reported the climate impacts of our operations for the first time in 2019 according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. For more information about our report in accordance with the TCFD recommendations, see section [Risks and opportunities of climate change](#).

## Our central sustainability commitments and sustainable development indexes





**L&T promotes its customers' responsibility**

- 1 We extend the life of properties and provide guidance on sorting waste. We use environmentally sustainable cleaning methods.
- 2 We create good conditions and help conserve energy.
- 3 We provide industrial support services and take care of side streams in an environmentally sustainable and safe manner.
- 4 We reduce the environmental impacts of our transports.
- 5 We process customer waste for utilisation according to the order of priority.
- 6 We provide bio and secondary raw materials for the industry, thereby increasing the carbon handprint of our operations.
- 7 We take care of our personnel and employ vulnerable groups.
- 8 We also ensure the sustainability of our subcontractors.
- 9 We increase our customers' environmental expertise.
- 10 We ensure the preconditions for the circular economy and help our customers to transfer to the circular economy.



## Our sustainability efforts are guided by our sustainability programme

L&T's sustainability is guided by the sustainability programme. In our sustainability programme, we have considered the material aspects of our sustainability and set measurable targets where applicable.

The focal points of our sustainability programme are determined on the impacts of our operations, the expectations of the central stakeholders and our strategic priorities. For more information about the sustainability materiality analysis and the selections made, see section [Materiality and stakeholder engagement](#).

The most significant sustainability goals were added to the company's long-term strategic goals in the strategy update of 2019. We thereby gave them an even more central role in our sustainability programme as well. In 2020, we will be renewing our sustainability management model to support the implementation of the strategy and the sustainability programme even better.

## Managing sustainability at L&T

At L&T, sustainability is integrated into the company's strategy. The Board of Directors confirms the sustainability programme in conjunction with the strategy. At the same time, the Board sets the company's long-term goals. In 2019, also the most relevant sustainability goals were included in these for the first time. The Board of Directors monitors the progress of the sustainability programme annually.

The Group Executive Board steers and regularly monitors the implementation of the programme. Development is mostly done in workgroups based on the business op-

erations, but the Director of Corporate Relations and Sustainability and the communications organisation operating under their supervision are in charge of the practical coordination and reporting of the sustainability work.

The businesses and other functions are in charge of the sustainability and compliance of their operations in accordance with the company's management system. In addition, each L&T employee has an obligation to perform their duties in compliance with the principles regarding sustainability.

Our decision-making and administration are compliant with the Finnish Companies Act, other regulations governing listed companies, Articles of Association of Lassila & Tikanoja plc, charter of L&T's Board of Directors and its committees and the rules and guidelines of Nasdaq Helsinki Ltd.

To ensure the sustainability of our operations, we have documented our sustainable business principles in our Code of Conduct, which applies to everyone at L&T as well as our contract suppliers. Where necessary, the Code of Conduct is also supplemented with more detailed policies and principles. For more information about these, see our [website](#).

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. For more information about the central risks and how they are managed, see [the Financial Review](#), pages 30–31.

## L&T's sustainability – key elements

**7 AFFORDABLE AND CLEAN ENERGY**

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

**13 CLIMATE ACTION**

**8 DECENT WORK AND ECONOMIC GROWTH**

**10 REDUCED INEQUALITIES**

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

**11 SUSTAINABLE CITIES AND COMMUNITIES**

**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% 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%.**

Looking 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.

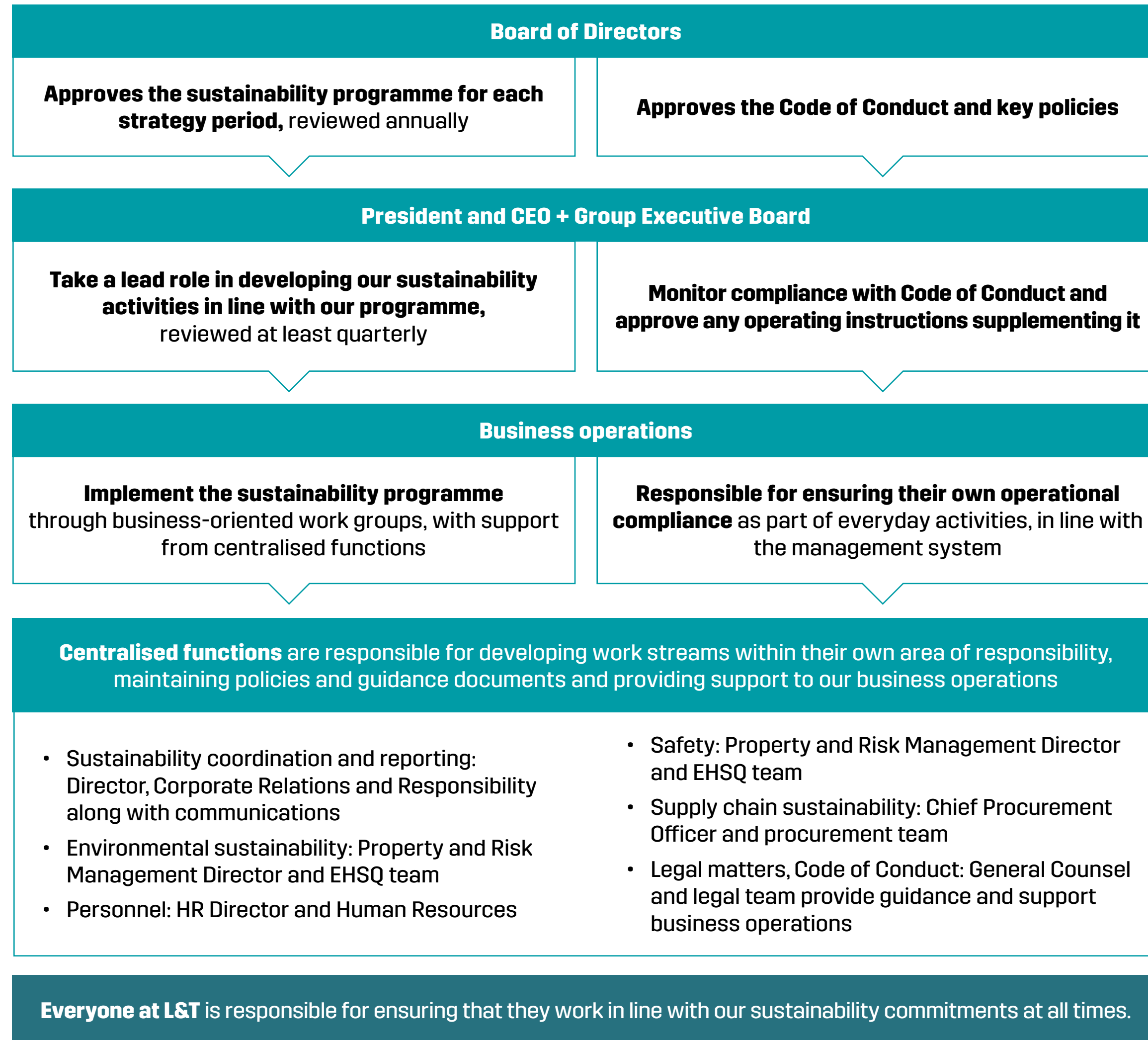
We find innovative solutions to build sustainable cities and create healthy and safe environments.

**Ensuring compliance with regulations**

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**



# Materiality guides our sustainability efforts and stakeholder relations

We have utilised a materiality analysis to help us focus our sustainability and stakeholder efforts on the issues that relate to the most impacts of our operations and are the most significant to our stakeholders. We have also observed the UN Sustainable Development Goals and the Global Compact in our assessment.

In 2019, we updated our sustainability materiality analysis to support the central findings of the extensive stakeholder survey conducted in 2018 and our updated strategic policies. The materiality assessment is based on the central impacts of our operations and the expectations of our stakeholders.

## Central impacts of L&T's operations

### Environmental impacts:

L&T's environmental impacts are generated particularly through the services it produces for customers when we increase our customers' material reuse and recycling rates, process them into secondary raw materials for the needs of industries and replace fossil fuels with bio and solid recovered fuels. This allows us to significantly mitigate climate change and preserve natural resources.

In our own activities, we particularly focus on reducing the emissions caused by collection and transport services as a significant logistics operator. Additionally, we must 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 from our subcontractors.

### Social effects

As a major employer and service enterprise, the focus of L&T's social responsibility is on the Group's employees. The central effects of our operations concern improved well-being at work and occupational safety of our personnel as well as maintaining their ability to work. This allows us to impact the lengthening of careers, among other things.

Furthermore, our operations reduce inequality in society as we also offer work to persons with poor employment prospects or to those 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.

### Financial effects:

As we are a listed company, the sustainable increase of shareholder value is a central financial effect of our operations. We reach for faster and more profitable growth compared to our market, all the while maintaining a good financial standing and economic flexibility.

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

We ensure the sustainability of our governance by following the Finnish Companies Act, other regulations governing listed companies, Articles of Association of Lassila & Tikanoja plc, 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 work is focused on the stakeholders who experience the biggest impacts of our operations and have the biggest possibilities to influence the realisation of our business and sustainability goals through their actions.

Our key stakeholders include our customers, our own personnel, potential employees, investors, national and regional policymakers and the media.

We conduct an extensive stakeholder survey every two years and engage in regular dialogue in order to chart shareholder expectations to our operations comprehensively. We have crystallised these expectations into three key perspectives.

- **A leader in sustainable business**  
As the leader in its sector, L&T is expected to develop the entire business to the right direction for the community and to conduct itself correctly and sustainably in environmental matters.
- **A good employer**  
As a significant employer and service company, we are also expected to be a sustainable employer that takes care of the well-being of its personnel and treats its personnel appropriately and fairly.
- **A useful partner**  
L&T is expected to be a useful partner for its customers, developing new services and supporting customers in their work towards their goals as well as keeping our promises.

## Stakeholder work in 2019

Stakeholder	Key expectations	Description of relevant interaction in 2019
<b>Customers</b>	A good employer, a useful partner, interaction	<ul style="list-style-type: none"> <li>• We conducted two Net Promoter Score surveys in Finland and one in Sweden and received more than 5,800 assessments of our operations. We utilised the results at the division, service line and unit levels to improve the customer experience.</li> <li>• We also conducted more than 35 customer-specific electronic 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 which was sent to more than 40,000 contact persons.</li> <li>• We gave online waste management training to almost 40 customers and organised more than 80 other customer training events.</li> <li>• Furthermore, we had hundreds of lighter customer-specific information events and conducted more than 110 cooperation projects with our customers.</li> <li>• We managed and developed customer relationships through development and steering groups.</li> <li>• We sent 20 newsletters to our customers to discuss current topics. We actively produced content for our blogs and invited interested parties to subscribe to them by e-mail. In addition, we organised more than 40 customer events to share information about L&amp;T's services.</li> </ul>
<b>Personnel</b>	A leader in sustainable business, a good employer	<ul style="list-style-type: none"> <li>• We started using a new personnel satisfaction survey to regularly collect information about personnel motivation, supervisors' management and leadership. We conducted two measurements during the year and implemented development actions based on the results in different organisational levels.</li> <li>• Our work ability operations included the piloting of new operational models to keep persons with disabilities at work in the Meaningful Work project and the Suitable Work project.</li> <li>• All divisions focused on the renewal of operating models, aiming at better supervisor work, improved participation of personnel and a more agile operating model.</li> <li>• We supported the professional development of our personnel through learning on the job, career paths, job rotation and training. We ensured the competence of our supervisors through measures including coaching focused on the development of managerial work, business development and leadership. The development of personnel was based on performance reviews.</li> <li>• We agreed on a new operating model with the Shop Stewards, aiming at extensive personnel representation at different levels from the group to the divisions.</li> <li>• We communicated with our personnel using the renewed 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 created a hybrid model for recruitment and apprentice training in cooperation with a partner with the goal of training new experts and future professionals for the field.</li> <li>• We participated in 50 different recruitment and career events during the year to present our operations and disseminate information on job opportunities at L&amp;T.</li> <li>• We recruited almost 1,000 summer workers, organised five walk-in recruitment events and acted as the main partner of the Responsible Summer Job campaign.</li> <li>• We decided to participate in the national the Children and Youth Foundation's Huippuharkka project in which we provide apprentice positions to at least 30 young people by the end of 2020.</li> <li>• We introduced recruitment tip rewards, increased national cooperation with TE Offices and ELY Centres and, in order to develop our employer image, surveyed our personnel's views of L&amp;T's employer image by means of a feedback survey.</li> <li>• Our employee ambassadors were active on social media using the #ihantikkana hashtag. We produced content describing the daily work of people at L&amp;T to Instagram, Twitter and Facebook.</li> <li>• We also invested on the social media and media marketing of recruitment significantly more than before.</li> </ul>

Stakeholder	Key expectations	Description of relevant interaction in 2019
<b>Investors and shareholders</b>	A useful partner, a leader in sustainable business	<ul style="list-style-type: none"> <li>• We organised a Capital Markets Day in November based on our renewed strategy. Almost 30 analysts and institutional investors participated in the day.</li> <li>• We also met with investors and analysts at approximately 30 different events, including seminars, group meetings and our Annual General Meeting.</li> <li>• We used stock exchange releases, press releases and our website for regular communications with the capital markets.</li> </ul>
<b>Decision-makers and influential actors (including national and regional decision-makers and organisations)</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 2019, we focused on the Finnish implementation of EU's circular economy package and in particular the part aimed at the renewal of the Waste Act.</li> <li>• We engaged Finnish municipalities in the promotion of the recycling of plastic in the Muovimuuvi campaign.</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 28 press releases and organised media events and meetings. We discussed current topics in opinion pieces.</li> </ul>

## Sustainability materiality analysis

In the sustainability materiality analysis, we assessed the most material topics with respect to our business and strategy and classified them into three categories based on stakeholder expectations and the impacts of our operations:

### 1. Leadership and best practice

The key material topics from the point of view of impacts of L&T's operations, strategy and stakeholders, in which we pursue leadership and aim to create best practices in our industry.

### 2. 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.

### 3. Compliance

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

As particular focal areas for our sustainability work, we have selected six of the UN Sustainable Development Goals (SDGs) which we are committed to promoting over the coming years.

## Sustainability materiality analysis 2019

### 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.**

This allows us to influence sustainable development goals 7, 12 and 13.



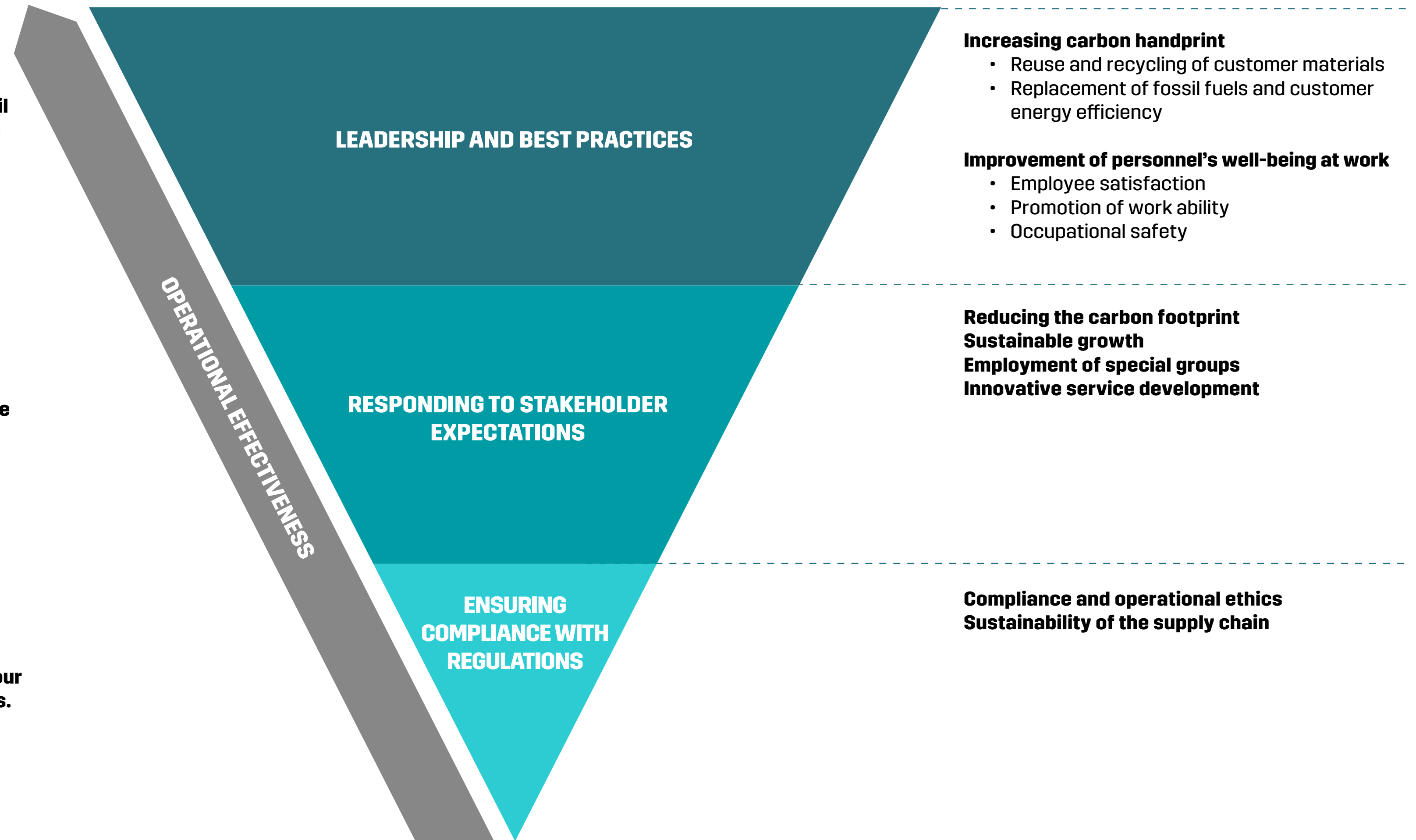
**We endeavour to build a healthy, diverse and productive work community, provide diverse employment and create sustainable economic added value and well-being, which addresses the sustainable development goals.**

This allows us to influence sustainable development goals 8 and 10.







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

This allows us to influence sustainable development goals 9 and 11.



# 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: Increasing the size of our carbon handprint faster than net sales. Reducing our own emissions by 50% from the level of 2018 by 2030</b></p> <p>Supporting indicators: Increasing the reuse and recycling rate of waste collected from customers to 60%, rising to 70% in the long term. Improving customer energy efficiency.</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 vulnerable groups and persons with disabilities.</li> <li>We create economic growth and well-being.</li> </ul>	<p><b>Strategic goal: Increasing the employee promoter score to 80%.</b></p> <p>Supporting indicators: The average retirement age will rise to 64, with a long-term target of 65. Reducing sickness-related absences to 4.5%. Continuous improvement of occupational safety, final goal 0 accidents. Employment of special groups. Increased well-being, increasing financial added value. Increasing 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>Supporting indicators: 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. Innovations to create healthy and safe conditions for people. Reducing the use of chemicals and increasing the proportion of ecolabelled products.</p>
 <b>Ensuring compliance with regulations</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>Supporting indicators: No major damage or infractions. All new L&amp;T employees are required to familiarise themselves with our Code of Conduct and this is reviewed regularly. We use suppliers who are committed to the L&amp;T sustainable supply chain policy. We conduct annual risk-based audits of all our suppliers.</p>





CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION

# Emission reductions through services that promote circular economy

L&T puts sustainability into practice particularly through the services it produces for customers. The primary goal is always to direct materials collected from customers towards reuse or recycling, guided by the order of priority as stipulated by law and the circular economy approach.

The reduced emissions of our customers resulting from our services also create our carbon handprint. Increasing the carbon handprint was made one of our strategic goals in 2019. In addition to increasing our carbon handprint, we endeavour to mitigate the climate change also by reducing the greenhouse gas emissions of our own operations. We are also active in our efforts to promote the necessary operating conditions for the circular economy.

## Management of environmental sustainability at L&T

L&T's environmental policy specifies the environmental aspects and principles that the Group observes in both its own operations as well as 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 to chemical safety. An ISO 14001 certified environmental system and efficient self-monitoring form the foundations of our risk management. Environmental risks are regularly surveyed e.g. with inspections and audits. Any observed defects and risk factors are entered into a system that is then used to follow up on the processing of the issues.



## Focus areas of the sustainability programme: Circular economy and climate change mitigation

Priorities and objectives 2019-2024	Indicators 2019	Our success	Notes
<b>We increase the carbon handprint of our operations.</b>			
Strategic goals: The carbon handprint of our operations grows faster than organic net sales. Carbon handprint growth vs. net sales growth.	<ul style="list-style-type: none"> <li>L&amp;T's carbon handprint 1.2 million tonnes CO<sub>2</sub> (eq.) (1.2)</li> <li>Carbon handprint growth* +0.9% vs. net sales growth (-2.2%)</li> <li>Energy items replaced 2.6 TWh (2.5)</li> </ul>	✓	We increased our biofuel and recovered fuel deliveries  *Carbon handprint intensity, relation to million euros
<b>We reduce our own carbon footprint.</b>			
Reducing our own emissions by -50% from the level of 2018 by 2030. Reducing other indirect emissions caused by the supply chain: 70% of L&T's biggest suppliers and subcontractors will set their own emission targets by 2025.	<ul style="list-style-type: none"> <li>Reduction of emissions* -5.1% (+6.8),</li> <li>Emission intensity 57.8 CO<sub>2</sub> thousand tonnes CO<sub>2</sub> (eq.) (59.5)</li> <li>The company has committed to set Science Based goals during 2020 to control climate risks</li> </ul>	✓	We succeeded in the reduction of our absolute emissions*  *Scope 1 and 2, reported according to SBT from 2020
<b>We promote the sustainable use of materials and energy and reduce the amount of waste generated by our customers.</b>			
Increasing the reuse and recycling rate of customer materials to 60% with a long-time goal of 70%. Improving customer energy efficiency.	<ul style="list-style-type: none"> <li>Reuse and recycling rate 54.8% (54.2). Material volumes to recycling -8.2%, all material streams -9.2%. Amount of mixed waste 24.1% (25.5)</li> <li>Start of L&amp;T Smartti energy efficiency services, energy monitoring covers 370 (368) locations, 3,392 (3,942) proposals made to improve energy efficiency.</li> </ul>	✓	We increased our recycling rate and reduced the amount of mixed waste  Initiation of the Smartti services



## CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION

Professional waste treatment operations are subject to environmental permits and regulatory compliance. In 2019, L&T had 67 (70) environmental permits that determined how the Group managed and monitored environmental matters. Facilities subject to environmental permits have contingency plans and rescue plans that determine how they are prepared for significant environmental incidents. Environmental issues are also covered in regularly conducted internal audits.

L&T requires sustainable management of environmental issues of its partners and suppliers. This requirement is factored into the procurement process e.g. in the form of self-assessments. Waste is only handed over to operators that are authorised to receive or process it.

### L&T's carbon handprint

L&T's business has a large carbon handprint. Our services provide substantial reductions of emissions to our customers as a result of, for example, the fact that our industrial customers are replacing primary raw materials with secondary raw materials or replacing fossil fuels with bio and solid recovered fuels (SRF) or succeed to reduce, with our help, the amount of waste generated in their operations. In 2019, we made increasing the carbon handprint one of our strategic goals. While the carbon handprint of L&T's operations increases, the carbon footprint of our customers decreases. This allows us to support our customers in meeting their sustainability goals.

### L&T's operations have major benefits for the climate

L&T's carbon handprint, or the emission reductions created by its operations, totalled about 1.2 million tonnes CO<sub>2</sub> (eq.) (1.2) in 2019. The emission reductions were generated by our customers being able to replace virgin raw materials with secondary raw materials, or fossil fuels with biofuels and solid recovered fuels.

In Finland in 2019, power plants, heating plants and cement kilns replaced fossil fuels by biofuels and solid recovered fuels produced and supplied by L&T by a computational total of 2.6 TWh (2.5 TWh). L&T produces biofuel from the side and scrap streams of forestry activities increasing the carbon sinks of 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 developed our carbon handprint calculation in 2019 to also include the emission reductions generated by the energy efficiency services and [explosive cleaning services](#) provided to our customers. We will report these as a part of our carbon handprint from 2020. We also started co-operation with the carbon handprint project of VTT Technical Research Centre of Finland and Lappeenranta-Lahti Technical University in order to extend the calculation of our handprint to cover different environ-

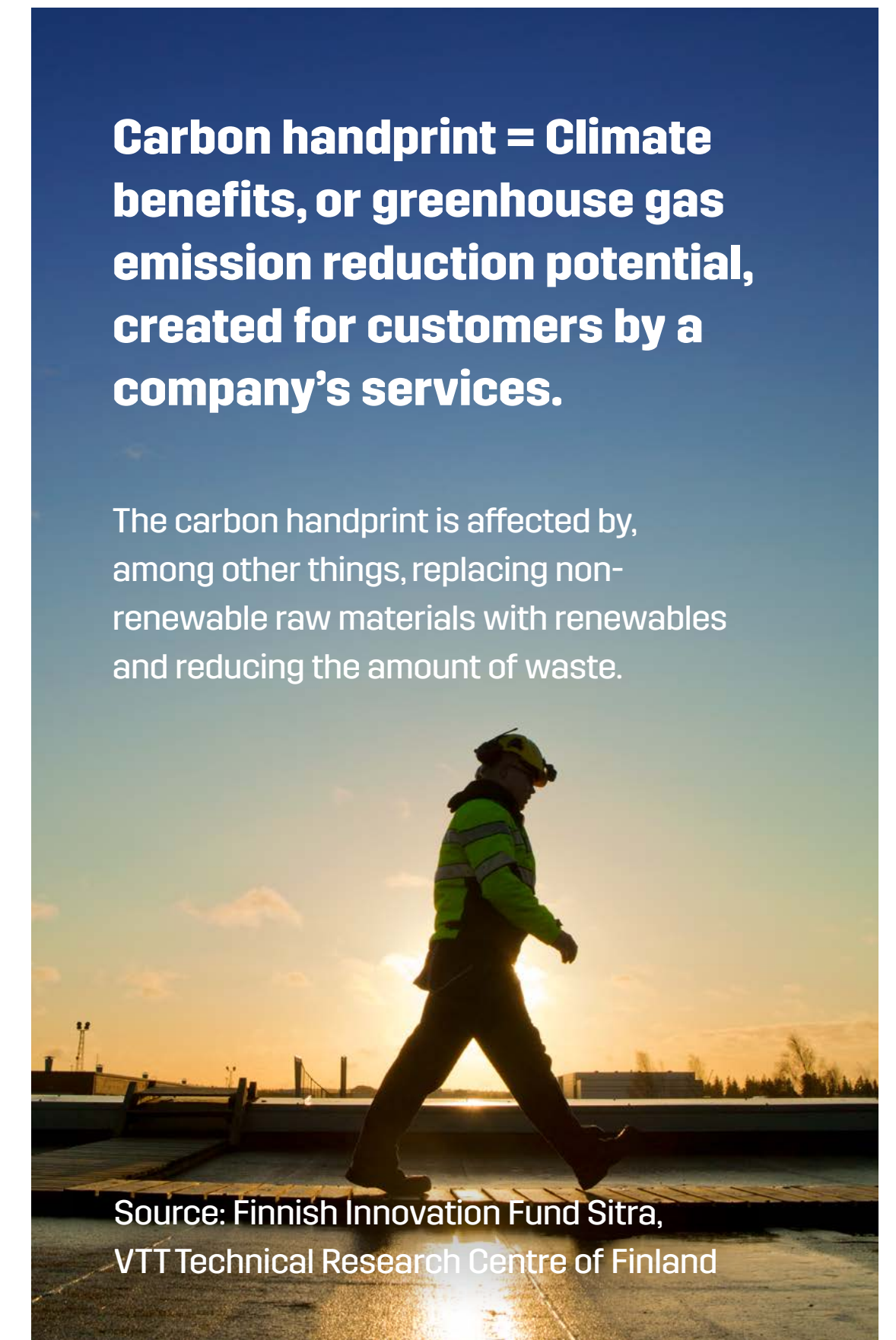
mental aspects instead of just the reduction of climate emissions.

### L&T ranked among the leading companies in mitigating climate change

In 2019, 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 grade A-, the second best, we were ranked among the world's top companies in the CDP Climate assessment. A total of 38 companies in the Nordic countries and 13 companies in Finland achieved the Leadership level by receiving a grade of A or A-. Companies ranked at the Leadership level are considered to operate in accordance with best practices with regard to the environment, to well understand the risks and opportunities relating to climate change and to be preparing and implementing strategies to mitigate or utilise these risks and opportunities. The 2019 report and results are available on the CDP website.

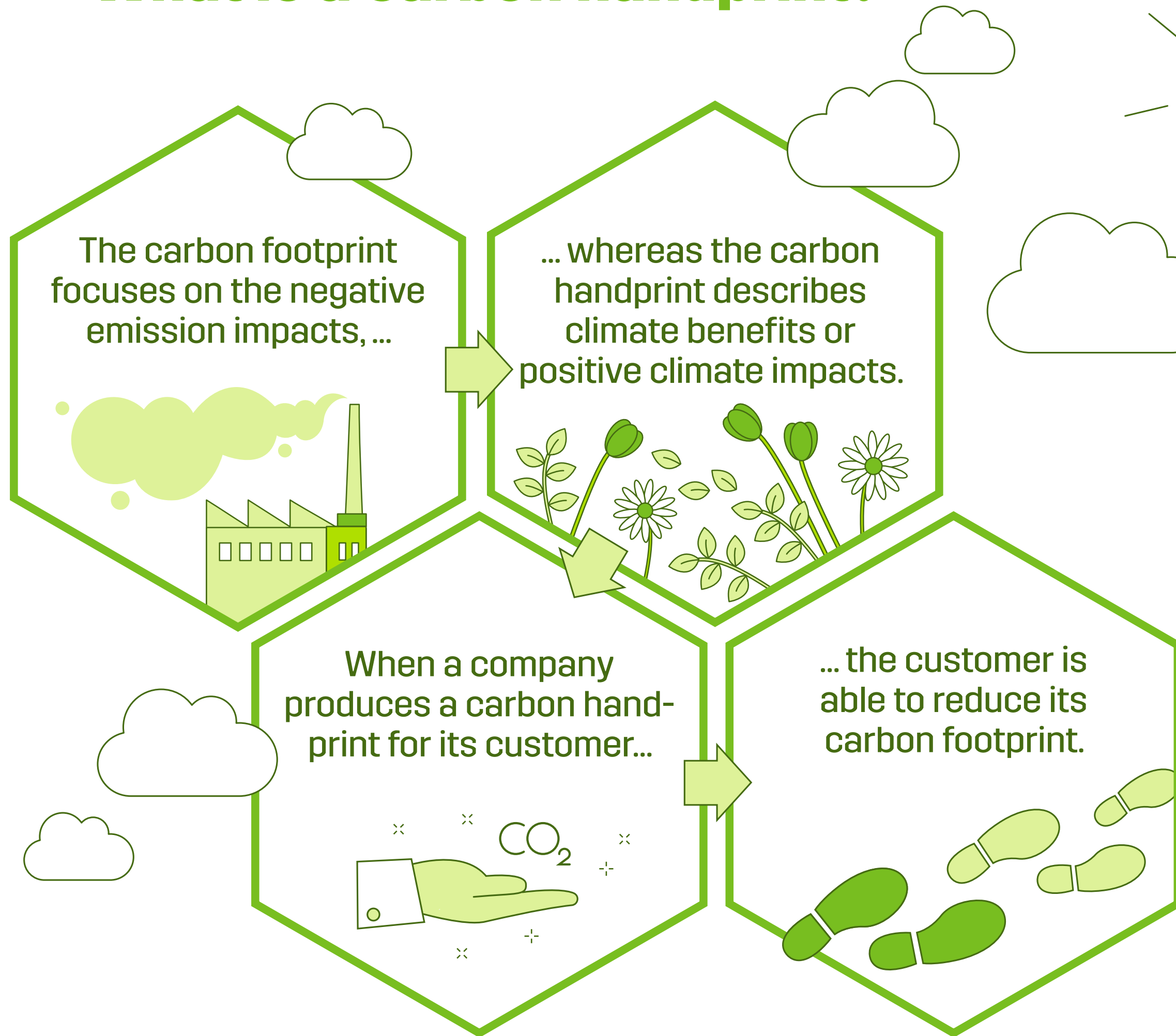
**Carbon handprint = Climate benefits, or greenhouse gas emission reduction potential, created for customers by a company's services.**

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



Source: Finnish Innovation Fund Sitra,  
VTT Technical Research Centre of Finland

# What is a carbon handprint?



**L&T's operations create significant emission reductions for our customers**  
**= LARGE CARBON HANDPRINT**

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

Is equivalent to emissions from **120,000** Finnish people.



**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION**

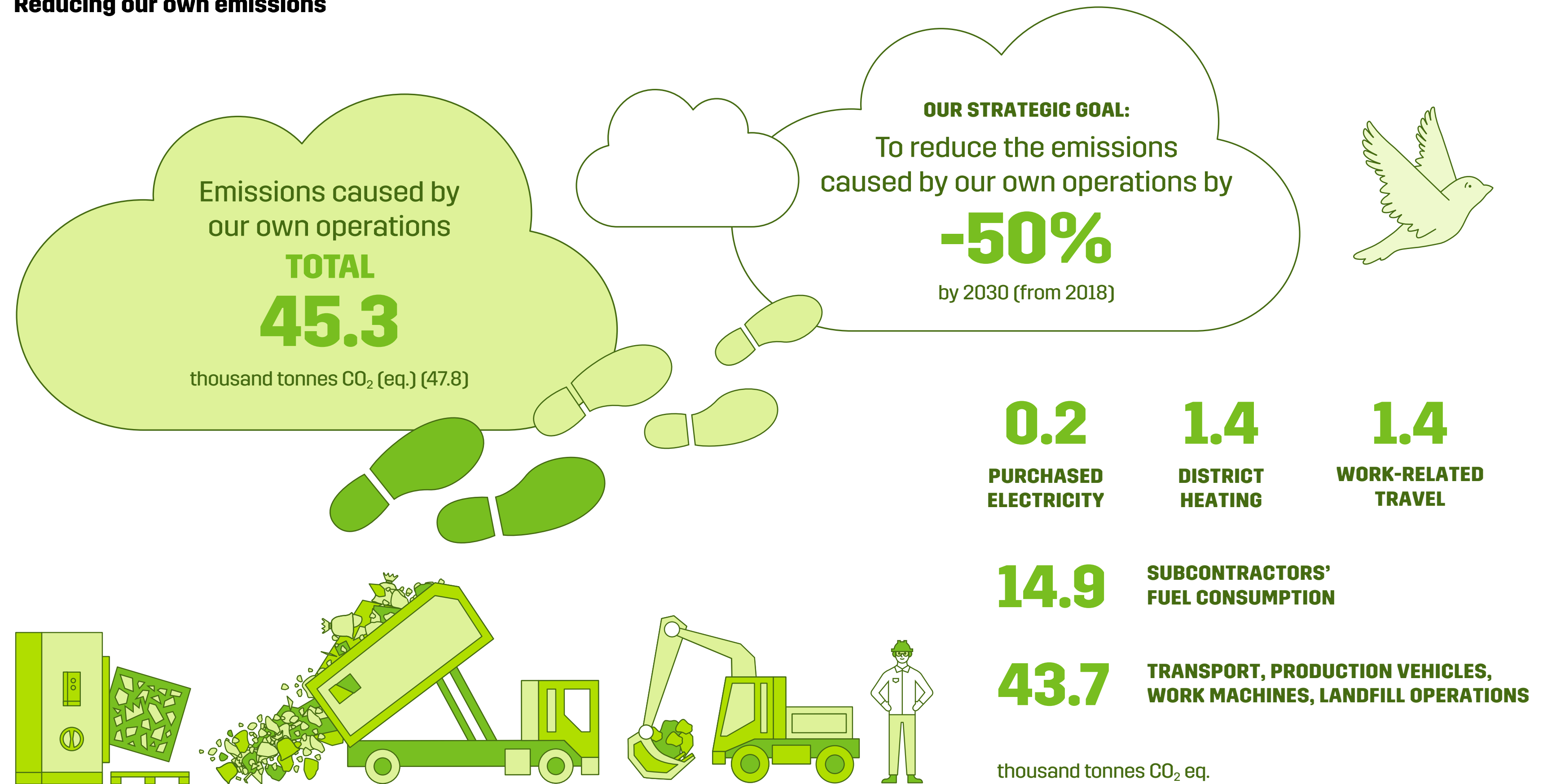
**Reducing L&T's own emissions**

While making the increasing of our carbon handprint a strategic goal, we also set a new goal to reduce our own harmful emissions, also known as our carbon footprint. Our goal is to reduce our greenhouse gas emissions by 50 per cent from the level of 2018 by 2030. Furthermore, we seek to reduce the indirect emissions generated in our supply chain so that 70 per cent of our biggest suppliers and subcontractors have set goals to reduce their own emissions by 2025. We will report the progress of our emissions according to the SBT goal from 2020.

In 2019, we continued to take active measures to reduce the emissions arising from collection and transport services. We added lower-emission vehicles to our fleet and used lower-emission fuels, and we continued to optimise transport routes and improve the driving styles of our drivers.

- The average driving style index of L&T's drivers of heavy vehicles improved to 9.2 (9.2). The index reflects the safety and economy of driving style on a scale of 4–10. The calculation is based on a weighted average.
- 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 920 vehicles (920).

**Reducing our own emissions**





## CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION

- In addition to monitoring, we develop our drivers' driving style by training and, if necessary, unit-specific action plans. In 2019, a total of 336 drivers (235) participated in economical driving training.
- We reduced the environmental impact of our fleet by increasing utilisation rates and optimising routes. We had a total of 892 heavy vehicles (891) in operation in 2019.
- 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 2019, 79 per cent (75) of our fleet of heavy vehicles in Finland and Russia met Euro 4 standards or better.
- We continued our active efforts to optimise routes. Over the past five years, we have optimised more than 3,000 routes. Route optimisation reduces the fleet requirements and kilometres driven while also reducing the stops and visits to yard areas. The number of optimised routes depends on the route structure of the areas being optimised each year. We started using a new route optimisation tool in 2019 which makes the optimisation of routes even more efficient.
- We introduced 2 new gas-fuelled heavy vehicles and will increase the number of gas-fuelled vehicles to 10 in 2020.

- Part of our heavy fleet runs on the waste-based Neste MY Renewable fuel instead of diesel. Using Neste MY Renewable has enabled 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.

### Energy intensity stayed at the same level

L&T's energy intensity, or energy consumption relative to net sales, was 290 MWh per million euros in 2019 (290). The downward trend of our energy intensity is a testament to the success of the many measures we have taken to improve our energy efficiency.

Energy intensity is calculated by dividing L&T's own energy consumption by net sales. Energy consumption includes the fuels used by our fleet and the electricity and district heat consumed at our operating locations.

In 2019, the energy consumption of L&T's own properties remained at the same level as in the previous year. Our electricity consumption in 2019 totalled 31,600 MWh (2018: 31,300 MWh) and consumption of district heat amounted to 8,600 MWh (2018: 9,000 MWh).

L&T's recycling plants have adopted an operating model based on continuous improvement and deployed the Mahti facility information system. The reduction of energy consumption has been one aspect of the change

in the operating model. 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.

We continued to monitor energy consumption at our properties in 2019 with the help of our Property Managers. Among other things, they keep an eye on the energy consumption and use of properties and assess renovation needs. We also use green electricity in Finland, which means that our electricity consumption does not give rise to any greenhouse gas emissions. We encourage our employees to work remotely in the operations and tasks in which it is possible.

### Emissions from our own operations are very small compared to the carbon handprint

While L&T's own operations do give rise to greenhouse gas emissions, the amount pales in comparison to our carbon handprint. The most significant source of direct greenhouse gas emissions are the emissions generated by collection and transport services, which is why reducing them is one of our key sustainability targets. In 2019, L&T's own operations (Scope 1 & 2) generated 45.3 tonnes CO<sub>2</sub> (eq.) (47.8) of emissions. The absolute emissions decreased from the previous year due to the reduced use of fossil diesel. However, our emission in-

tensity, or the ratio of emissions to net sales, fell to 57.8 million tonnes CO<sub>2</sub> (eq.) (59.5) per million euros. Our emission intensity has decreased each year since 2014. This is due to factors including our active measures to optimise routes and promote an economical driving style.

The emission intensity has been calculated by dividing L&T's direct (transport, production vehicles, work machines, landfill operations) and indirect (purchased electricity, district heat) greenhouse gas emissions by net sales. Our target which was updated in the sustainability programme in 2019 is to reduce emissions by 50 per cent by 2030, compared to the level of 2018. For more information about the CO<sub>2</sub> calculation principles [here](#).



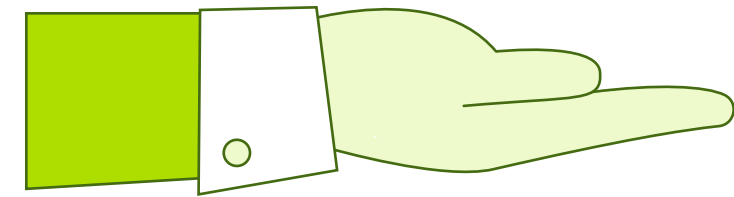
**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION**

**Carbon handprint and carbon footprint**

Carbon handprint or calculated emission savings total

**1.2 million**

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



Carbon footprint or our own emissions total

**45.3**

thousand tonnes CO<sub>2</sub> equivalent (47.8)



**-823.6** **BIOFUEL AND RECOVERED FUEL DELIVERIES**

**-340.0** **MATERIAL RECYCLING**

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



**43.7** **TRANSPORT, PRODUCTION VEHICLES, WORK MACHINES, LANDFILL OPERATIONS**

**14.9** **SUBCONTRACTORS' FUEL CONSUMPTION**

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



**PURCHASED ELECTRICITY**

**0.2**

**DISTRICT HEATING**

**1.4**

**WORK-RELATED TRAVEL**

**1.4**



Scientific emission reduction goal:  
**-50%**  
from the level of 2018 by 2030.

In 2019, we set a scientific emission reduction goal which guides the development of our operations in accordance with the 1.5-degree goal of the Paris Climate Agreement. Our goal is to reduce the greenhouse gas emissions of our own operations by -50% from the level of 2018 by 2030. Furthermore, we seek to reduce the indirect emissions generated in our supply chain (Scope 3) so that 70% of our biggest (spending) suppliers and subcontractors have set goals to reduce their own emissions by 2025. Our emission reduction goal is currently being validated by the Science Based Targets organisation, and the decision about the validation of the goal will arrive in early 2020. We will report the development of our emissions according to the new SBT goal from 2020.

**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION****Recycling and material recovery**

L&T strives to promote the transition to the circular economy in its own operations as well as its customers' operations. We have invested in new services that promote the circular economy, increase our customers' material and energy efficiency and reduce costs. We have also increased the carbon handprint of our operations and our goal is to further increase the use of secondary raw materials instead of virgin materials. In accordance with the order of priority in waste management, we primarily direct the generated material streams to be reused or recycled. In 2019, we opened a new plastic processing line which makes it possible to recycle even more difficult-to-recycle plastic sorts.

To reduce the environmental impact of the materials collected from customers and to promote the circular economy, L&T continuously strives 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, 54.8 per cent (54.2) 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. Over 400,000 tonnes of materials were delivered to reuse and recycling.

This report 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 and Russia. In 2019, their combined volume was 788,000 tonnes (868,000), of which 432,000 tonnes (470,500) was reused or recycled. Slurry, contaminated soil and ash are excluded from reporting.

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 industry of our customer, but certain customers have even achieved a recycling rate of even more than 80 per cent.

Our aim is to continuously increase the reuse and recycling rate of waste collected from customers. To achieve this goal, we actively look for new material streams whose refining rate we can increase and develop new service solutions for our customers to promote the circular economy.

- Our services helping to reduce the amount of waste generated include, for example, the Hävikkimestari service which helps restaurants reduce food waste, and the Raksanouto service which, on the other hand, prevents surplus products and materials generated at construction sites from ending up at the skip.
- Reuse includes pallets forwarded directly or after repairs to reuse and goods collected via the Easy-Collection service, which are forwarded to reuse via 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. In 2019, we opened a new plastic processing line which makes it possible to recycle even more difficult-to-recycle plastic sorts.

- Other forms of recovery include, among other things, utilisation as energy and the use of materials in the construction of waste areas in environmental construction. 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, which includes oily waste, solvents, batteries and fluorescent tubes, among other things, are processed by L&T at the company's own facilities or forwarded to trusted partners for recovery. In 2019, we collected 55,000 tonnes (55,000) of hazardous waste from our customers, with 69 per cent (67) of this total recycled. Part of the hazardous waste we collected was recovered as energy and non-recoverable waste was sent for final treatment. In 2019, 5.3 per cent (5.0) of hazardous

waste was transported to other EU countries for treatment. We did not import any hazardous waste to Finland in 2019.

In 2019, L&T was the first environmental company to join the Green Deal agreement aimed at improving waste oil management nationwide. In the agreement, we 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. In 2019, we collected 10,000 tonnes of waste oil from our customers.

**Sorting at source promotes recycling**

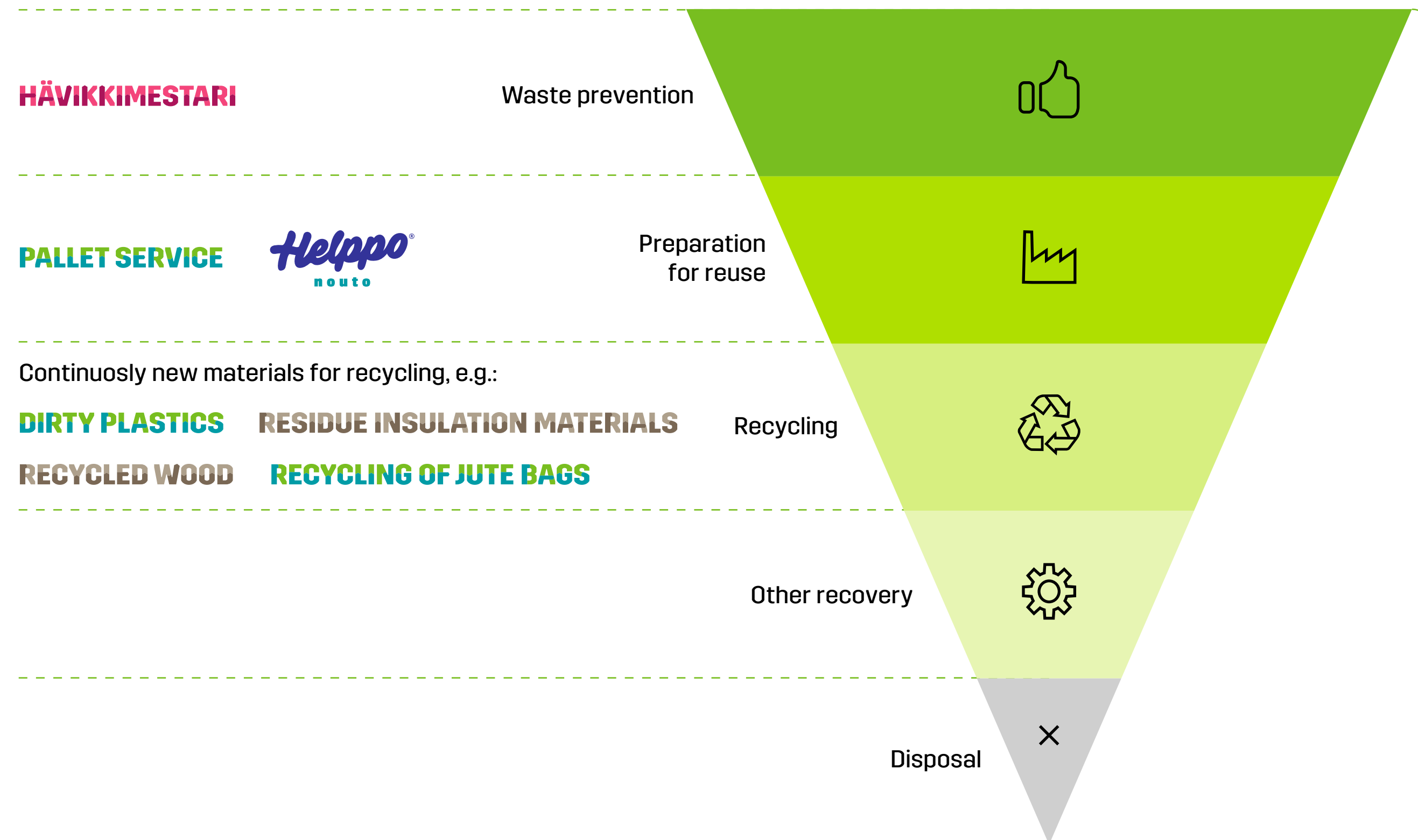
Increasing sorting of materials at source plays a key role in the development of the recycling rate. When materials are diligently sorted at source, they can be recovered and utilised effectively. The volume and share of materials sorted at source of the material flows managed by L&T has increased continuously. In 2019, 76 per cent (74) of all materials were sorted at source, with only 24 per cent (26) ending up in mixed waste. L&T is continuously developing new services in co-operation with its customers to facilitate sorting at source.



**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION**

**Waste management order of priority**

Examples of L&T's services allowing our customers to transition to the circular economy



Services supporting our customers' environmental management

- OMA L&T
- CARBON-NEUTRAL WASTE MANAGEMENT
- ENVIRONMENTAL MANAGER
- ENERGY MANAGER
- TRAINING AND DEVELOPMENT SERVICES
- ENVIRONMENTAL WEB
- ONLINE TRAINING

Material flows managed by L&T	2019	2018	2017
Waste-based materials total, t	788,000	868,000	801,000
Materials sorted at source, %	68.9	68.1	67.1
Hazardous waste sorted at source, %	7.0	6.3	5.9
Mixed waste, %	24.1	25.5	27.1

THE SHARE OF MIXED WASTE IN THE MATERIAL STREAMS CONTROLLED BY L&T HAS **declined by -5 p.p.** SINCE 2016.

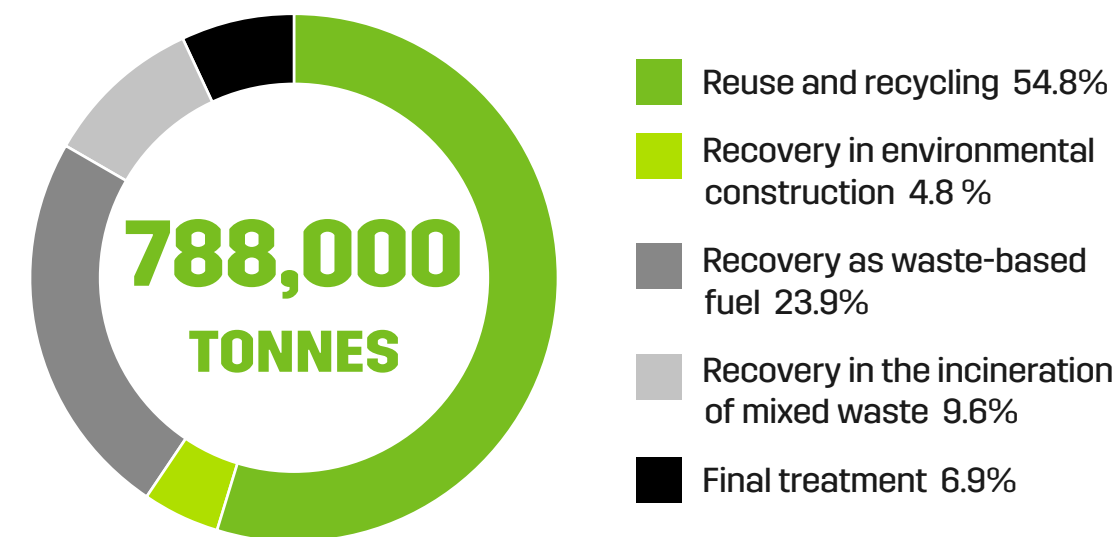




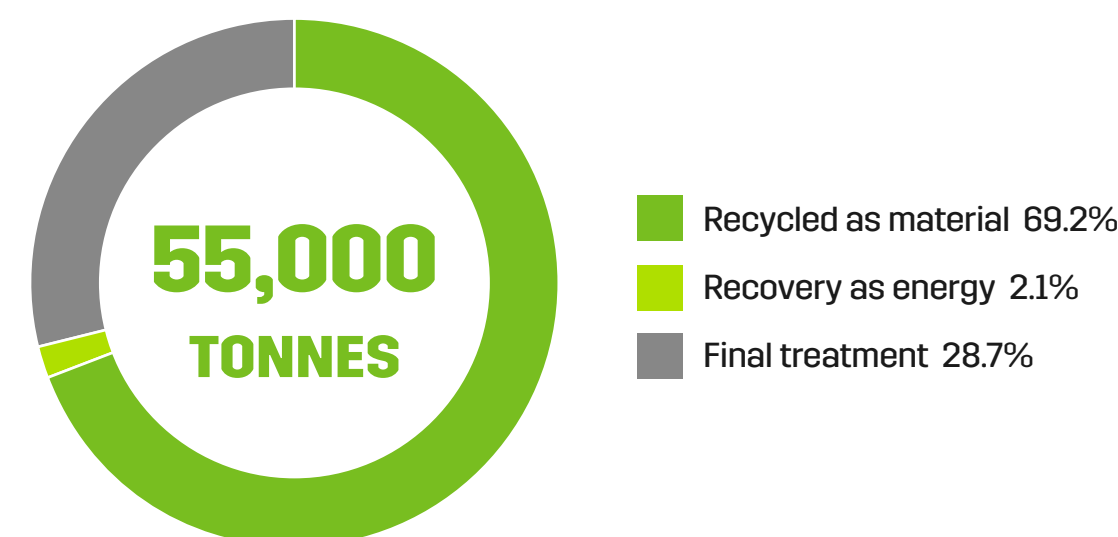


CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION

Recycling rate of materials managed by L&T



Recycling rate of hazardous waste



Improving customers' energy 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 2019, we expanded our offering further and combined our services aimed at improving the energy efficiency of properties under the L&T Smartti Energy Efficiency concept.

L&T's Energy Management Centre in Kuopio remotely monitors the technical building systems of customer properties. The aim is to find the most energy-efficient way to use the 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 results in analyses and concrete suggestions for improving the energy efficiency of the properties involved. In 2019, the Energy Management Centre monitored 370 sites (368). A total of 3,392 suggestions for improving energy efficiency were made (3,942).

We also work to improve energy efficiency in Sweden. The services include energy surveys, energy consumption optimisation and an Energy Management Centre that serves a similar function to its counterpart in Kuopio. Our customer properties include office buildings, hospitals, residential properties and schools representing some 11 million square metres combined.

L&T Smartti reduces the customer's carbon footprint. L&T Smartti Energy Efficiency solution consists of servic-



Read more about Merikarvia Plasticbot line.

L&T makes plastic move

The circulation of plastic in Finland was enhanced when L&T opened the new Plasticbot line at the Merikarvia plastic recycling plant. Plastic is turned from waste into a raw material for Finnish industry.

Opened in September, the new processing line doubles the plant's capacity, and the new washing line means that dirtier plastic film and commercial packaging can now be efficiently recycled.

"In the past, thousands of tonnes of dirty plastic were exported from Finland for processing elsewhere. We are now able to provide the plastic industry with more domestic raw materials," says Production Manager **Mikko Mäenpää** from L&T.

The secondary raw material produced by the plant can reduce the consumption of oil for plastic production by as much as 400,000 barrels annually.

In the new processing line, plastic enters the washing line, where it is shredded, washed and dried. The line is designed to be eco-friendly: the waters used in the closed cycle are purified and recycled. Water only needs to be added at a rate that replaces the water that evaporates during the process.

"We didn't just buy a washing machine, we also bought a system for treating the water used in the washing process," Mäenpää points out.

The output of the process is plastic granulate. It is shipped to customers in big bags, cardboard octabins or tanker trucks. L&T produces more than a hundred different granulates for different purposes.



**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION**

es related to energy efficiency, energy consumption and energy measurement at properties and production facilities. For customers, the service outcomes are financial savings and a reduced carbon footprint, achieved without compromising on the building's conditions. The L&T Smartti services support the customer's own sustainability goals by charting areas of development in order to improve energy efficiency, by implementing development actions and by monitoring the results in practice. Energy efficiency services are offered for many different kinds of properties, including retail, office and residential buildings as well as warehouses and production facilities. The L&T Smartti energy services include, among other things:

- An Energy Manager that takes charge of managing the energy efficiency of the customer's 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 efficiency management of properties and monitor not only energy consumption, but also the property's conditions and comfort.
- Chartings to improve the energy efficiency in a practical manner as a part of the customer's daily life.
- Updating of equipment and the optimisation of equipment use and programming.
- Energy project design, profitability assessment

and 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 energy consumption remains at the desired level after the energy efficiency measures are implemented.
- Reporting of the emission and cost savings achieved with the energy efficiency measures to the customers and their stakeholders.

**L&T SMARTTI – properties and production facilities included in the service 2019** **18 customer sites charted**

Energy savings generated for properties	Electricity: 766.7 MWh/a Heat: 539.6 MWh/a Total: 1,306.3 MWh/a
Cost savings generated for properties	103,610 €/a
Emission savings generated	209.6 tCO <sub>2</sub> /a

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

L&T reports the risks and opportunities related to climate change in accordance with the TCFD (Task Force for Climate-related Financial Disclosures) recommendations as we want to increase transparency and knowledge about the measures of companies related to the mitigating of climate change.

Due to the nature of L&T's operations, the company plays a significant role in the mitigation of circular economy and in the transition towards low-carbon circular economy. L&T's business has 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 focal point for L&T and strongly connected to our strategy based on the creation of value. All our operations produce solutions which 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 their climate impacts by optimising the use of properties and their technical systems. L&T has the



**Meira and L&T built a textbook example of the circular economy**

Approximately one million kilos of the 13 million kilos of coffee Meira produces annually is roasted using biogas. The source of the biogas comes from the company's own production: the coffee waste is generated as a side stream of the roasting operations at the Labio plant in Lahti.

The Vallila roastery has created a textbook example of the circular economy at its finest. Meira has been very satisfied with the project. Recycling coffee waste reduces Meira's CO<sub>2</sub> emissions by about 77 tonnes per year and increases the recycling rate by 21 percentage points.



Read more about the case and watch a video

**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION**

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 shift to low-emission engine and fuel solutions in transport. The significance of biomass and waste-based fuels as solutions for the transition period is constantly growing. L&T's business operations are in a good position for this development and allow us to efficiently benefit from the opportunities related to climate.

The monitoring of the outcomes of climate change related to our business operations is integrated in L&T's strategy process. When we have considered different options and analysed the strategic business environment, 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 considers, among other things, the development of prices for emission rights and carbon emissions, the different scenarios of the mutual integration of bioeconomy and low-carbon economy, the EU's circular economy package, changes in national waste legislation, national recycling and reuse goals divided by industrial sector and waste fraction as well as the 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 development. 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 strategic opportunities for development in the resolution of climate challenges. L&T's strategic mission is to make the circular economy a reality. Transition to resource-efficient circular economy is a central factor in the mitigation of global warming. We intend to do this by improving the material, energy and cost efficiency of our customers and by ensuring that materials and the constructed environment retain their value. Our solutions allow our customers to reduce their waste volumes, extend the lifecycle 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

**L&T aims at the circular economy and the mitigation of climate change.  
The most important impacts of climate change on our operations are:**

Goals	Measures	Climate impacts and impacts to business operations
Transition to low-carbon circular economy	L&T has made a commitment to increase the share of the reuse and recycling of waste collected from the customers from the current 55% to 60% and, in the long run, to 70%.	The circular economy is a key to mitigating 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 has made a commitment to increase its carbon handprint or the emission reductions generated to the customers through our actions, totalling approximately 1.2 million tonnes CO <sub>2</sub> (eq.).  Our goal during the strategy period is to increase the carbon handprint of our operations faster than organic net sales.	The significance of renewable energy continues to grow with the long-term climate policy encouraging the termination of the use of fossil fuels. Biofuels and waste-based fuels will play a significant role during the transition period. L&T's operations help our customers significantly to mitigate climate change. The carbon handprint of the recycling of materials is also significant, approximately 30% 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 constructed environment in Finland is not properly 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 lifecycle 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.

**CIRCULAR ECONOMY AND CLIMATE CHANGE MITIGATION**

more efficiently. New projects increasing the degree of processing of various material flows promote the circular economy and improve the carbon handprint of L&T's operations.

A significant part of L&T's business operations or as much as 50 per cent is related to the mitigation of and adapting to climate change. These services are already low-carbon services in the EU taxonomy or promote the transition to carbon neutral economy by 2050 or both. Examples of our services mitigating climate change include, among other things, the collection and transport of non-hazardous waste and the recovery of waste as materials.

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 has tried to optimise the emissions of its waste management services. But as it is not possible to avoid all emissions, we have developed a carbon neutral waste management service. In this service, we measure the carbon footprint caused by L&T's waste management operations and compensate the emissions by means of certified forestation projects. Furthermore, L&T provides

solutions which help to adapt to climate change. These services are related to the reduction of the key physical risks of climate change and supporting the adjustment measures.

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

L&T assesses the significance of climate risks based on the likelihood and the magnitude of 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

**Based on the assessment, we have identified the following risks related to the climate:**

Climate risks	Impact	Management measure
<b>Transition risks</b>		
Political and regulatory (risk of increased pricing of carbon emissions and fossil fuels)	L&T's collection and transport services cause direct (Scope 1) emissions. The company has approximately 892 heavy vehicles and we consume some 16.4 million litres of diesel oil annually. The share of low-emission Euro 4–6 vehicles of L&T's fleet is 79 per cent.	We monitor and regularly assess the legislation concerning fuels and emission requirements. In order to control the risk caused by fuel price increases, we improve the efficiency of our transports and try to reduce the fuel consumption of the vehicles. We have added low-emission vehicles to our fleet and used fuels which cause lower emissions. We are optimising the transport routes and developing an economic driving style.
Technology (investment on 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 which 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 almost 200 properties including recycling plants, transfer stations, terminals for storage and processing as well as 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

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

Risks and opportunities related to the climate are managed through L&T's governance model and sustainability management. The company's Board of directors is in charge of the management of climate risks and opportunities as a part of strategic guidance and the guidance of business operations and divisions. The Board of Directors approves climate goals and the sustainability programme for the strategy period. The President and CEO is responsible, with support from the Group Executive Board, for measures related to climate, and the business operations implement the measures as a 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 of the UN Global Compact initiative and has made a commitment to set a scientific emission reduction goal in order to reduce its emissions in line with the Paris Climate Agreement. The emission reduction goal is currently being validated by the Science Based Targets organisation, and the decision about the validation of the goal will arrive in early 2020. L&T is an active member of the Climate Leadership Council and the climate partner network of the City of Helsinki.

### Meters and targets

Even though L&T's own operations do create greenhouse gas emission, they only amount to approximately 4 per cent of its carbon handprint. Emissions from the collection and transport services are the most significant source of direct greenhouse gas emissions. L&T's operations created 61,600 tonnes CO<sub>2</sub> (eq.) of emissions, 43,700 tonnes of which came from our own direct emissions (Scope 1) from the transport and production vehicles, machinery and landfill operations. L&T does not consume significant amounts of purchased electricity or heat. Its own consumption of electricity was 31.6 GWh and that of district heat 8.6 GWh. The majority of electricity purchased comes from renewable energy sources.

L&T has specified key meters and goals for the climate effects of its business model. The most significant performance meter is the carbon handprint, which measures the climate benefit generated by L&T's services to its customers or the potential to reduce greenhouse gas emissions. The carbon handprint is generated by our customers being able to replace virgin raw materials with secondary raw materials, or fossil fuels with biofuels and solid recovered fuels, and reduce waste. In Finland, power plants, heating plants and cement kilns replaced fossil fuels with bio and solid recovered fuels (SRF) produced by L&T for the calculated total amount of 2.6 TWh in 2019.

CDP listed L&T as one of the leading companies which mitigate climate change and granted it a management level classification of A-. L&T also received the ISS-OEKOM award.

### L&T's climate goals:

- to increase the carbon handprint of our operations faster than organic net sales
- to reduce the carbon dioxide emissions from our own operations by 50% by 2030 from the level of 2018
- that 70% of our biggest (spending) suppliers and subcontractors have set goals to reduce their own emissions by 2025.

### L&T's climate performance:

- carbon handprint: 1,163,600 tonnes CO<sub>2</sub> (eq.) of emissions avoided
- carbon footprint of L&T's operations 61,600 tonnes CO<sub>2</sub> (eq.)

**A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY**

# Actions for employee well-being, work ability and safety

As a major employer and service enterprise, the focus of L&T's social sustainability is on the Group's employees. The material aspects of L&T's responsibility for its employees include increasing job satisfaction, maintaining the work ability of L&T personnel and promoting occupational safety. We also want to work actively for the promotion of employment of vulnerable groups, such as immigrants and persons with reduced work ability.

**Our responsibility as an employer**

L&T's personnel sustainability is managed through the company's HR policy. The goal of the HR policy is to ensure that L&T's personnel have the adequate competence, that the amount, quality and retention of personnel are at a level required for profitable operations, that the

personnel's work ability and ability to function are maintained throughout their working life and that the personnel is encouraged to perform well and motivated to work so that the company's goals can be achieved. Supervisors are in charge of the practical implementation of the HR policy, but the entire personnel has the responsibility to act in accordance with the policy.

National legislation, agreements and other obligations are applied in employment relationships. L&T respects their 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 personnel policy is 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. The Group does not tolerate any kind of discrimination, intimidation, harassment or bullying at the workplace.

L&T observes the UN Declaration of Human Rights and

**Focus areas of the sustainability programme:  
A healthy, diverse and productive workplace community**

Priorities and objectives 2019-2024	Indicators 2019	Our success	Notes
<b>Looking after the well-being, work ability and occupational safety of our personnel.</b>			
Strategic goal: Increasing the Employee Net Promoter Score to 80%.	<ul style="list-style-type: none"> <li>Employee Net Promoter Score 73%</li> <li>Average age of retirement 63.2 years</li> <li>Sickness-related absence 5.0% (Finland)</li> </ul>	—	-
Supporting indicators: The average retirement age will rise to 64, with a long-term target of 65.	<ul style="list-style-type: none"> <li>Overall accident frequency 23</li> <li>LTA frequency rate 14*</li> <li>Proactive occupational safety actions 54,345 pcs.</li> </ul>		
Reducing sickness-related absences to 4.5%.			
Continuous improvement of occupational safety, ultimate goal 0 accidents.			
<b>We provide employment to vulnerable groups and persons with disabilities.</b>			
We employ groups who face difficulties finding employment in the open market.	Vulnerable groups employed	✓	-
In 2020, our goal is to employ 36 people with partial working ability in jobs that are tailored to their needs and capabilities.			
<b>We create economic growth and well-being.</b>			
Increased well-being, increasing financial added value	Economic added value 426 EUR million (417).	—	Divestment of the renovation business reduced the tax footprint.
Increasing the tax footprint.	Tax footprint 174 EUR million (185)		

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



## A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY

workers' rights as defined by the International Labour Organisation (ILO). L&T is committed to supporting the UN Global Compact initiative and its principles pertaining to human rights and labour. Furthermore, L&T is a signatory to FIBS's Diversity Charter.

The management of personnel risks is a key component of the Group's 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. Risks related to human rights have been assessed as part of the risk management process. However, as L&T mainly operates in Finland and Sweden with local partners, no significant risks related to human rights have been identified in the Group's operations.

### Feeling good in 2019

Competent personnel and retention of employees are at the core of L&T's success. L&T is in a period of significant development. New systems and operational models have been and will be introduced as customer requirements change.

We started measuring employee motivation, management and supervisor work at L&T in 2019 with the online Fiilinki survey. The surveys were conducted in May and in October, and they reached almost 5,000 people. The overall response rate in the group rose to 56 per cent in the autumn from 52 per cent in the spring.

In both surveys in 2019, we obtained the Group's best results in terms of clarity of the personnel's own role

and goals. The indicators measuring the quality of supervisor work had increased positively in the results for the autumn. Additionally, in Finland employees felt that versatility and significance of work are clearly increasing. Employee Net Promoter Score was included in the company's strategic goals in the autumn and it developed positively in 2019 both in Finland and in Sweden. The Group-level Employee Net Promoter Score was 71 per cent in the spring and 73 per cent in the autumn.

In terms of Finnish operations, the development was particularly positive in the Facility Services division where all the central personnel indicators had improved while the division implemented very extensive reforms of operating models. Positive development was generated by, for example, training offered to all supervisors and employees, structural changes clarifying the roles and raising the supervisor profile, consistent communicating of the strategy and, for instance, monthly telephone calls between supervisors and team members.

Based on the result, there is still work to be done in terms of personnel confidence in L&T's future. Confidence did, however, improve in the autumn both in Finland and in Sweden. We endeavour to continue the positive trend by, for example, implementing the company's new strategy in 2020. Supervisory work will be another focal point of development in 2020.

The results of the Fiilinki survey have been opened from the division level until the supervisor level, and the development actions based on the results have been monitored intensively at different organisational levels.

## In 2019, we focused particularly on the following areas:

- **Development of supervisory work and supervisor communications throughout the divisions.** We clarified the roles of supervisors and developed supervisory work throughout the organisation. We organised supervisor communications training, for example, training the supervisors on how to deal with difficult situations, provide constructive feedback and take a more regular and active approach towards communications with team members.
- **We increased communication to employees and introduced new means of communication.** Old employee phones were replaced with modern ones, and work phones were acquired for all drivers. A new intranet was introduced in Sweden and in Finland, starting with salaried employees and the employees of property maintenance and Environmental Services. The use of information displays was branched out to new units.
- **We increased the opportunities for employee influence.** Employees had better opportunities to influence equipment specifications, for instance, and other matters which concretely impact daily work.
- **We clarified the roles of employees and our operating guidelines.** We introduced shared operating culture guidelines for the employees of different divisions and units. We clarified the roles and made our salary practices more consistent, for example. We paid attention to the atmosphere at work by encouraging the employees to maintain a good atmosphere.
- **We continued recognising 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 continued rewarding Specialists of the Quarter.



**A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY**

**Several people to new positions**

One of the goals of the improvement of personnel experience is to find new employment within the company for persons who are laid off. In 2019, we had to carry out 56 statutory employer-employee negotiations, and as a result of these, 132 people were laid off and nine were temporarily laid off. When implementing restructuring measures, we comply with the statutory minimum periods and negotiation times. We were able to complete several replacements during the year. The organisational change of centralised services is a good example of this: we were to find new positions for all the employees.

**Average age of retirement remained good**

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 to reduce sickness-related absences and early retirement.

L&T has a long track record of systematic efforts to increase the average retirement age of our personnel. Through diverse support measures, we have been able to increase our average retirement age (including retirement due to old-age and disability) to 63.1 years (63.2) in Finland and 63.2 years in the Group as a whole (63.2). Our long-term target is to increase the retirement age to 65.0 years.

Employee Net Promoter Score	2019 (Finland and Sweden)	Target (2024)
Finland	72%	
Sweden	81%	
Group	73%	>80%

Turnover %	2019	2018
<b>L&amp;T Group, weighted average</b>	24%	26%
Finland	27.8%	30.8%
Sweden	9.1%	7.5%
Russia	8.2%	5.3%

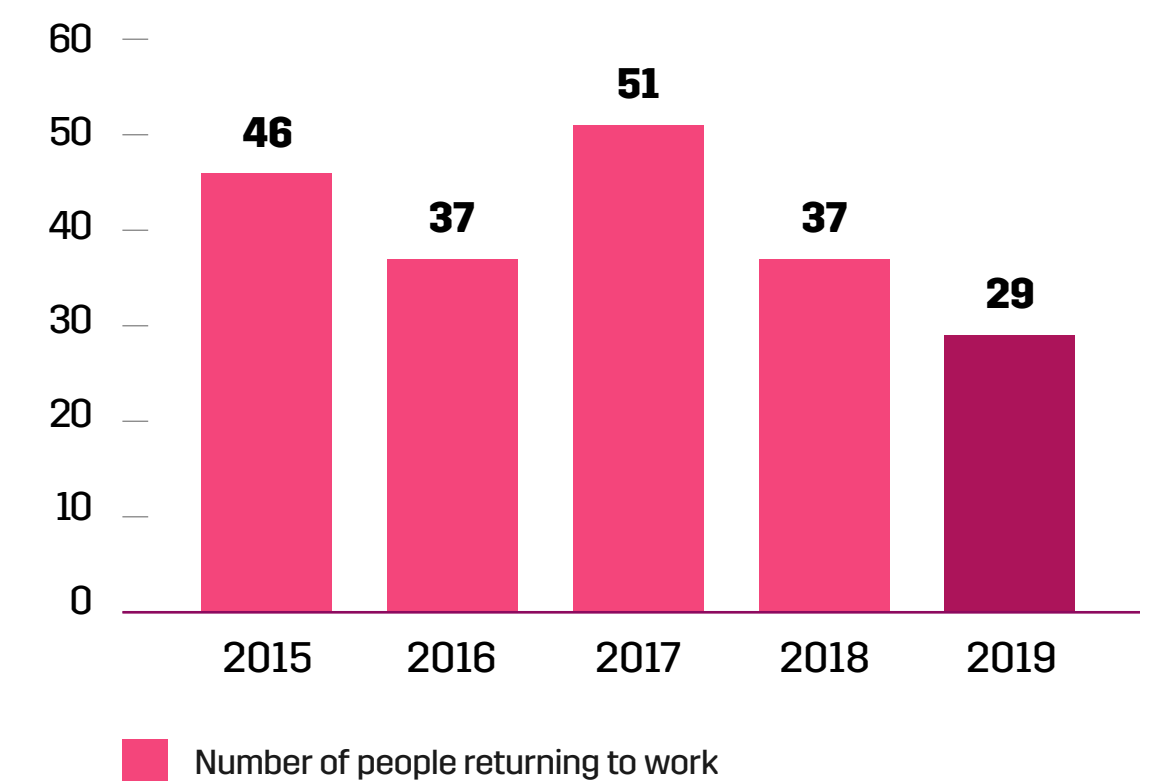
By division in Finland		
Environmental services	8,3%	
Industrial services	10,6%	
Facility Services Finland	37,7%	
Facility Services Sweden	9,1%	

**Key measures taken in 2019**

- **The Suitable Work model, launched in co-operation with our pension insurance partner in 2016, continued to be implemented in 2019.** The Suitable Work model has allowed us to find suitable work assignments for those employees who are unable to use vocational rehabilitation yet or if the criteria for vocational rehabilitation are not met.
- **We supported the extension of careers through active co-operation with our partners and our use of occupational rehabilitation, for example, was significantly higher than the average.** Within the past five years, we have been able to provide new careers to 200 persons by means of occupational rehabilitation, 29 of whom in 2019.
- **In 2018, we joined forces with the Kide Foundation, which promotes human rights and participation, to launch Meaningful Work, a two-year co-operation project (which is still ongoing).** The participants in the project include eight people who were in an employment relationship with Lassila & Tikanoja and most of whom had already been sidelined from working life for an extended period of time. The Meaningful Work project provides new ways to prevent the risk of disability retirement. The

project aims to create innovative methods to support traditional rehabilitation and provide people at risk of retirement with opportunities to work in appropriate proportion to their abilities and resources. The project presents people at risk of retirement with a genuine opportunity to return to working life. The Kide Foundation has developed VAKU, a coaching-oriented vocational rehabilitation model, to help project participants build up their work ability and operating capacity.

**People with partial work ability returning to work**







## A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY

### Employee well-being and work ability were supported by various measures

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 2019, we invested EUR 7.7 million in work ability, safety and well-being, and 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 already. In 2019, there were 25 clubs operating across Finland, organising various sports and cultural activities for their members.

### Sickness-related absences remained unchanged

By using L&T's early care model and versatile support actions, we have been able to reduce our sickness-related absence rate for several years already, but development on this front did not match our expectations in the past two years. The sickness-related absence rate was 5.0 per cent (5.0) in Finland, 5.2 (5.1) in Sweden and 2.4 (2.7) in Russia.

The early care model aims to use co-operation between the employee, the supervisor, occupational health

services and the HR function to address problems at an early stage and find solutions to them. We regularly organise training for supervisors to promote the practical implementation of the early care model. The training is aimed at improving interaction between supervisors and their employees and supporting the supervisors' ability to address problems.

In the past year, we monitored the realisation of interventions in accordance with the early care model in particular. We aim at supporting and guiding the supervisors in interventions. In 2019, the number of supervisors with accumulated, unrealised interventions was reduced significantly.

We introduced direct appointments with a physical therapist in co-operation with occupational health care services in early 2019. The goal is to prevent the prolongation of musculoskeletal disorders, speed up the initiation of rehabilitation and actively impact the working methods and conditions. The use of direct appointments did not start as actively as we had hoped, but we are constantly developing this process in co-operation with occupational health care services.

In 2019, we developed the operating model for alternative work in such a way that the doctor is able to focus on the assessment of the ability to work and function, and the alternative duties are agreed at the workplace within the boundaries set by the doctor. The reformed operating model was introduced mid-year, and it has already made the co-operation between occupational health care services and the workplace easier.

A healthy, diverse and productive workplace community

### CASE



### Hope for a return to working life

The number of people retiring on disability pension is growing. At the same time, there is a shortage of labour. "The way people are categorised as either being able to work or being on disability is too black and white. Instead of work ability, we should focus on the individual's functional capacity", says **Jorma Mikko**, Director, Corporate Relations and Sustainability at L&T. L&T and the Kide Foundation carried out a project to pilot a new approach to rehabilitation. Of the eight participants, two got an internship and two were admitted to a programme of study. "We wanted to show society that there is always hope and it always pays off to try."



Read more about the case and watch a video

### Sickness-related absence, %

	2019	2018
Finland	5.0	5.0
Sweden	5.2	5.1
Russia	2.4	2.7

### Average retirement age

	2019	2018
L&T Group, weighted average	63.2	63.2
Finland	63.1	63.2
Sweden	65.0	64.5
Russia	57.5	57.5

### Rehabilitation and well-being projects in 2019

L&T actively supports the well-being and continued careers of its employees. In 2019, well-being training paid for by L&T's and Kela's rehabilitation groups were offered to the personnel. During the year, some 200 L&T employees participated in these. The participants of the well-being training received individual coaching supporting their well-being, related to mental well-being, sleep, lifestyle or exercise. KIILA and Tules rehabilitation are intended for improving and supporting the ability to work and to extend the career.



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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 found the service good or very good on average. The participants of Kela's KIILA and outpatient TULES rehabilitation groups appointed for L&T's employees found that the benefit created was very good.

Furthermore, we offered our personnel lectures on cognitive brain ergonomics and the Elixia Online service, allowing video instructions for exercise at one's own pace regardless of time and place.

### Occupational safety

L&T is committed to continuously improving occupational safety and our zero accidents approach. Our goal is to think and act safely, which will ultimately 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 directed by a management system certified according to the OHSAS 18001 standard as well as the occupational safety management principles. Safety is on the agenda of all 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.

We use effective proactive measures—such as safety observations, 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 use an electronic safety system that can also be accessed from mobile devices.

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. Additionally, accident panels perform a further review of accidents, in co-operation with the employees involved, to ensure that the relevant root causes are identified and that sufficient corrective actions are taken.

### Our common operating model covers the Group's entire personnel

We engage in effective co-operation with personnel, and each division has its own occupational safety committee. All of the committees organised their own statutory meetings in 2019 and also got together at L&T's national occupational safety and health day, which was attended by the members of the occupational safety committees.

The company invested more time and resources in occupational safety in the 2010s than before, and the results speak for themselves. Over a period of five years, our total recordable injury frequency (TRIF) was cut in half and the number of proactive measures was at a good

level. There were no cases of diagnosed occupational diseases in 2019.

### Overall accident frequency in line with the target

Occupational safety at L&T developed partly in line with targets in 2019. The overall accident frequency was in line with the target, 23 (25) in the whole company. LTA, which measures accidents leading to lost time, was also unchanged at 14 (14), which does not meet our target. In what follows, we will pay even more attention to including all L&T employees in the safety work.

There were no fatal accidents at L&T in 2019.

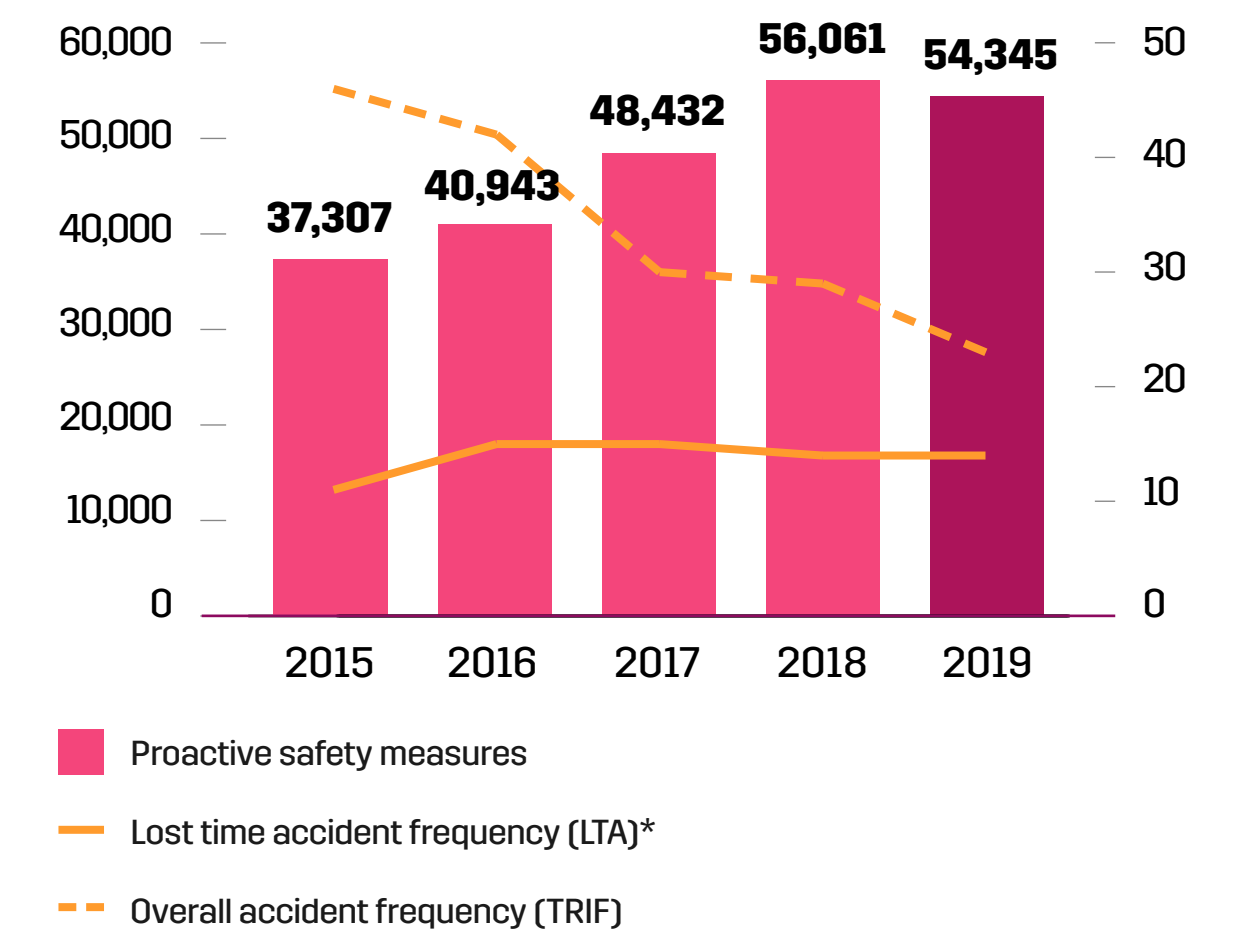
### 54,345 proactive occupational safety measures

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 significant 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.

Actions related to preventative occupational safety (safety observations, Safety Walks, occupational safety

### Development of occupational safety in L&T



\* Accident frequency and overall accident frequency per million working hours

Years 2015–2017 data available only from Finland.



## A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY

sessions and risk assessments) were high in numbers again and clearly over the target level with a total of 54,345 pcs. (56,061). This was slightly less than in the previous year due to the divestiture of the renovation business.

In terms of proactive measures, we focused in 2019 especially on the more even distribution of measures between all units and the focusing of measures at exactly the right targets.

### Jobs with elevated risk

The jobs at L&T include locations and duties that involve elevated risks. These include night-time work, the handling of hazardous waste and industrial cleaning. There are also hazards associated with cleaning jobs at pharmaceutical production facilities and healthcare facilities as well as other locations that require the use of special chemicals, or where customer processes can involve exposure to chemicals, radiation or other hazards.

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 working, 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

	2019	2018
<b>Proactive occupational safety measures TOTAL</b>	54,345	56,061
Safety observations	28,814	32,195
Safety Walks	12,217	12,372
Occupational safety sessions	10,132	10,657
Risk assessments	3,182	837
<b>Accidents</b>		
Overall accident frequency	23	25
LTA frequency rate*	14	14

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

### Key measures taken in 2019

- **We updated and relaunched** our strategic Clean Sheet development programme for occupational safety. The goals of the programme are to continuously improve safety and to implement a culture supporting it and operating practices promoting safety.
- **We centralised our personal protective equipment and work clothing orders** at the company level to be better able to ensure the quality and correctness of PPE and the suitability of work clothing for our work duties.
- **The Swedish cleaning operations** were included in the occupational safety management model which had already been in use in technical facility services.
- **The OHSAS 18001 certification** expanded to include the Finnish property maintenance business as well.



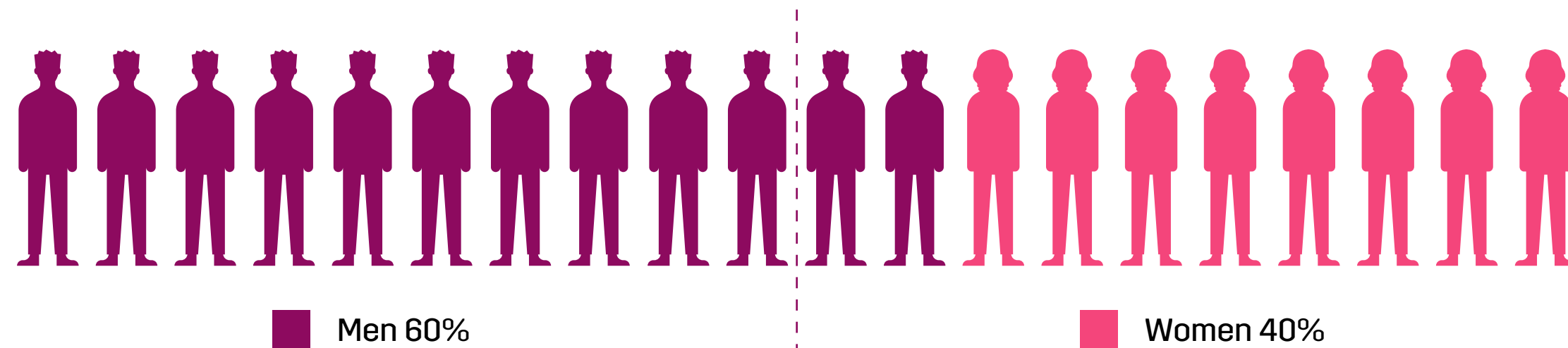
## A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY

### Diversity at L&T

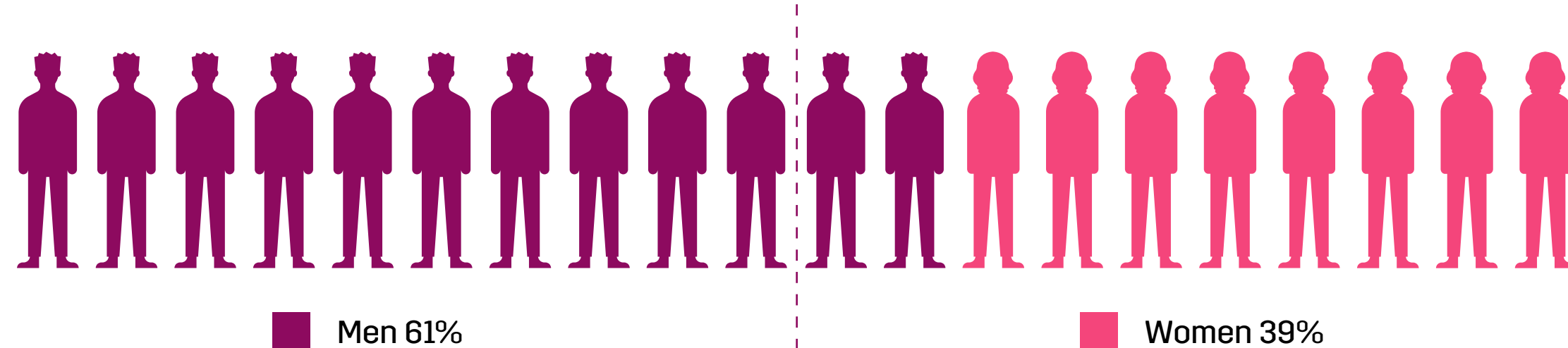
The promotion of diversity is one of the most important themes in our sustainability programme. We believe that a diverse workplace where people feel well is one of our resources. We seek to use many kinds of methods to offer employment to, for example, immigrants, those struggling to find work, those needing re-education as well as young

people, and we want to have a culture of working without discrimination. Our diversity is illustrated by the fact that approximately 17 per cent (15) of our employees in Finland have immigrant backgrounds, with 85 (85) different nationalities represented. The age distribution of the personnel is also very broad. Women account for 40 per cent (43) of our personnel in general and 39 per cent (36) of our supervisors.

### Personnel distribution by gender, %



### Personnel distribution by gender, in managerial positions, %

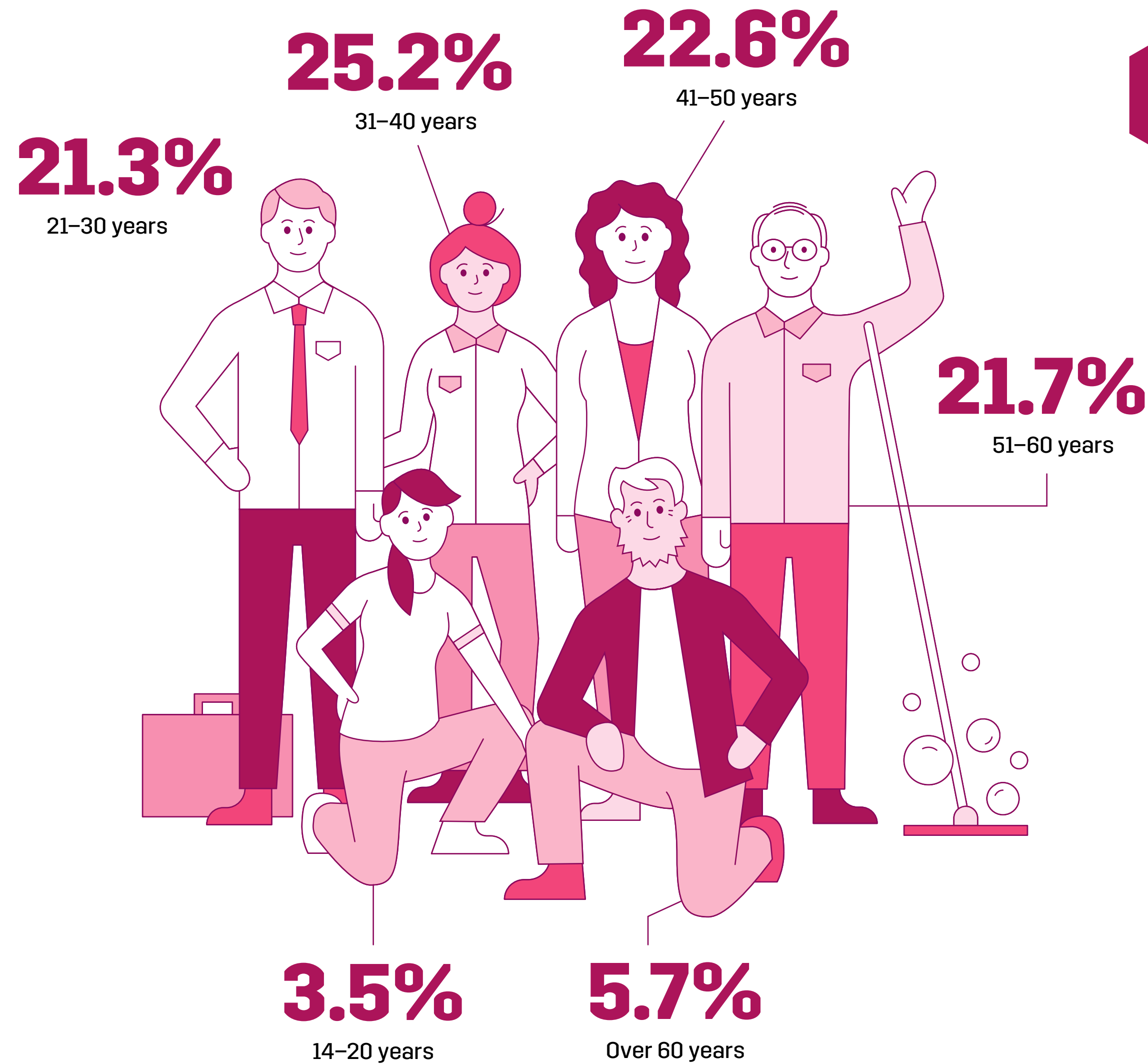


### Key measures taken in 2019

- **We joined the “Iisisti töihin” project coordinated by the Finnish Institute for Health and Welfare**, aimed at improving the opportunities of persons with reduced work ability to find employment in the normal labour market. In 2019, we focused on finding different ways to offer work for persons with reduced work ability who wanted to work. Our goal for 2020 is to provide employment to 36 persons with reduced work ability at duties customised according to their skills.
- **We signed up for the Responsible Summer Job 2019 campaign** and committed to providing summer jobs in accordance with the principles of responsible summer jobs for our summer employees.
- **As in previous years, we supported young people’s employment and studies** by offering on-the-job training, internship and thesis-writing opportunities to students. In 2019, we employed 185 people aged under 18 and over 700 summer workers. There are interns from various educational institutions in all of L&T’s divisions on a continuous basis.
- **We also try to offer our own employees continuous opportunities to increase their professional competence**, for example, through year-round apprenticeship training leading to vocational degrees and special qualifications in facility services as well as a degree in logistics degree that includes lorry driver qualification.
- **We joined the Children and Youth Foundation’s HuippuHarkka project** which will continue until the end of 2020. HuippuHarkka aims at giving young people genuine meetings and positive experiences of work. With the project, we have made the commitment to provide internships for at least 30 young people aged 18-29.
- **At the end of the year, we started a project, the aim of which is to establish a diversity plan.** This is planned to be implemented during 2020.

A healthy, diverse and productive workplace community

Age distribution of personnel



CASE



Read more about the case and watch a video

L&T's atmosphere creates a virtuous cycle

In Linköping, Sweden, L&T is setting an excellent example of a diverse workplace and creating a good employee experience. This is achieved through good management, which correlates with a good customer experience.

L&T's team in Linköping has received excellent results in employee surveys. When asked to name the most important factor in having a workplace with good social relations, Team Leader **Elma Bijedic** highlights a culture of quick reaction, clear goals and the use of feedback. At L&T, we have created a positive atmosphere of people learning from each other and respecting each other's differences and personalities.

Clarity in management is especially important, as you need to create the right conditions for the employees to perform their duties professionally and achieve their goals. The management provides active and conscious support to the employees. Elma Bijedic also emphasises the importance of pointing out opportunities for personal development. Most of the team members at Linköping have been with the company for a long time. The employees are loyal to the company, each other and their supervisors.

Satisfied employees results in very satisfied customers. The employees are willing to go the extra mile, which creates very important added value for our customers. Our employees are our largest and most important resource.



**A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY**

**Creating economic growth and increasing well-being**

L&T's goal is to increase the company's financial value sustainably, create economic growth and increase well-being. L&T is among the most significant employers in its 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.

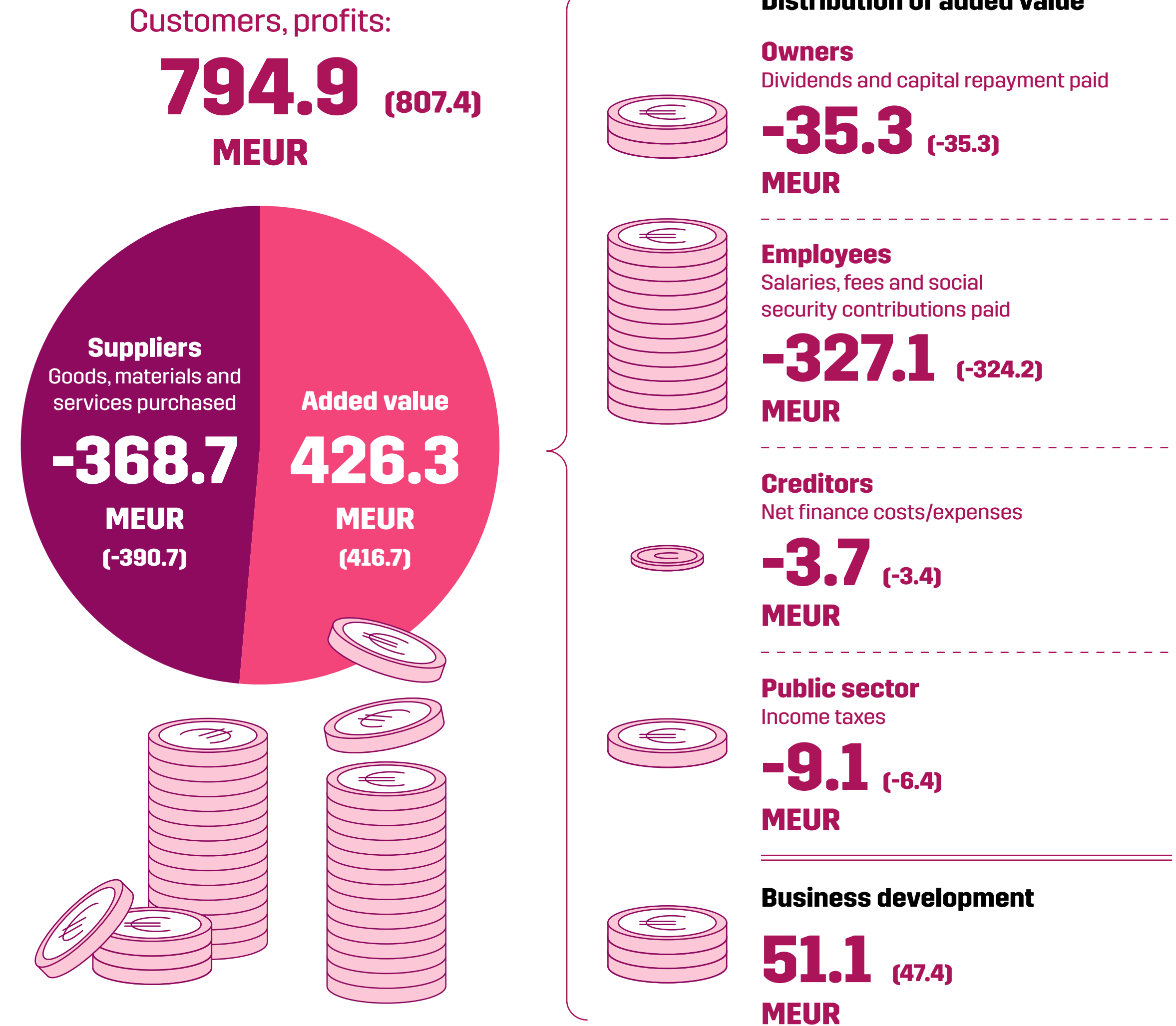
The most important direct flows of money from our operations consist of customers' service fees, purchases of goods and services, salaries, bonuses and social security costs, taxes, compensation to financiers and shareholders, and investments.

L&T complies 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 in L&T's tax management 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 report transparently on 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**



A healthy, diverse and productive  
workplace community



## A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY

### L&T's tax footprint

Taxes and tax-related costs, EUR million	2019			2018			Total	
	Finland	Sweden	Russia	Finland	Sweden	Russia	2019	2018
Income taxes/corporate taxes	6.0	1.0	0.3	4.7	0.6	0.0	7.3	5.3
Withholding taxes on salaries and forest taxes, and tax-at-source	47.4	11.4	0.3	48.3	11.3	0.3	59.1	59.9
Social security contributions	1.7	13.5	0.8	1.9	13.5	0.6	16.0	15.9
Production taxes	0.2	0.0	0.0	0.1	0.0	0.0	0.2	0.1
Value added tax (tax on consumption)	69.4	19.8	1.5	81.0	20.7	0.9	90.8	102.5
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	0.2	0.3	0.0	0.2	0.5	0.5
Insurance premium tax	0.7	0.0	0.0	0.5	0.0	0.0	0.7	0.5
<b>Total</b>	<b>125.7</b>	<b>45.6</b>	<b>3.1</b>	<b>136.8</b>	<b>46.0</b>	<b>1.9</b>	<b>174.4</b>	<b>184.7</b>

In 2019 paid  
**EUR 174.4**  
MILLION IN TAXES.



This corresponds to  
the taxes paid by nearly

**17,000**

average Finnish earners.



L&T's Employee  
Net Promoter Score was

**73%**

in 2019



SUSTAINABLE INDUSTRY AND CITIES

# Sustainable solutions for industries and cities

L&T's services support the sustainability of its customers by, for instance, increasing the utilisation of industrial side streams and contaminated soil and by developing service solutions which reduce emissions or the chemical load.

When L&T updated its responsibility programme in 2018, the decision was made to include Sustainable industry and cities as a new section in the programme. This was based on the observation made during the materiality assessment that our services can help our industrial and municipal customers significantly towards sustainability and to developing their infrastructure in line with the principles of sustainable development. We develop new solutions continuously as part of working with customers and manage them in accordance with the management practices of the customer account or the company's management system.

In 2019, we further clarified the goals and indicators of this section especially in terms of reducing the use of cleaning agents and chemicals in line with the updated goals of the environmental system applicable to cleaning. We continue to further specify the goals and indicators in 2020.

OVER  
**300,000 tonnes**  
OF SIDE  
STREAMS AND  
SOIL UTILISED.



Focus areas of the sustainability programme:  
Sustainable industry and cities

Priorities and objectives 2019-2024	Indicators 2019	Our success	Notes
<b>We promote the development of industrial infrastructure in line with the principles of sustainable development, the recovery of industrial side streams and closed cycles.</b>			
Developing and introducing new, sustainable and safe methods.	<ul style="list-style-type: none"> <li>New innovations and methods.</li> <li>Side streams and soil materials utilised over 300,000 tonnes.</li> </ul>	✓	-
Increasing the productive use of industrial side streams and contaminated land.			
<b>We find innovative solutions to build sustainable cities and create healthy and safe environments.</b>			
Solutions for maintaining sustainable urban infrastructure and developing sustainable cities.	<ul style="list-style-type: none"> <li>New innovations, methods, projects and development programmes.</li> <li>Share of ecolabel cleaning products above the previous year's level.</li> </ul>	✓	-
Innovations to create healthy and safe conditions for people.			
NEW! Reducing the use of chemicals and increasing the proportion of ecolabelled products.			





## SUSTAINABLE INDUSTRY AND CITIES

### Sustainable industry

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 or improve their occupational safety.

### Blast cleaning reduces 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 existing legislation and environmental permits.

In 2019, L&T partnered with several industrial enterprises in the areas of maintenance, property support services and environmental management solutions. Our goal is to produce support services even more efficiently than before, allowing customers to deal with a single point of contact. We try to make it possible for industrial facilities to operate efficiently every day of the year. Optimisation

of the big picture and taking a proactive approach to occupational safety are key aspects of our operations.

In 2019, we introduced an [explosive cleaning method](#) which allows us to clean the furnaces of our industrial customers during use, thereby reducing the emissions caused by process shutdown and start-up, improving boiler efficiency and reducing the amount of waste generated. The protected equipment makes it possible to perform the cleaning safely both during use and during maintenance shutdowns.

### Over 300,000 tonnes of side streams or contaminated soil recycled

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

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 structures of waste facilities and landfills, for example, in place of virgin materials.

We constantly try to find new ways to recycle industrial side streams and contaminated soil in ways which

### CASE



Read more about blast cleaning

### Explosive cleaning keeps processes running

L&T is constantly developing solutions for the quick and effective cleaning of boilers for industrial customers.

Soot and ash accumulate in industrial boilers, reducing their efficiency. In explosive cleaning, a pressure wave blasts the soot and ash deposited in the boiler to make it fall out. The technique itself is not new, but L&T Production Manager **Hannu Honkasalo** has developed the technique to make it possible to use at temperatures exceeding 1,000 °C. This means that the process does not need to be shut down during cleaning. "The advantage is that we can do it through a small opening. Not having to open the larger maintenance hatch improves safety. The cleaning can be completed quickly, bringing the boiler back to full load."

Honkasalo is already developing an even safer cleaning method based on compressed air. There are plans for both a mobile and a fixed device that release pressure shocks at the target at specified intervals. Both techniques are used for the same types of equipment: recovery boilers, waste boilers and biomass boilers as well electrostatic precipitators, silos and flue gas ducts.

The person carrying out the explosive cleaning process must hold a blasting licence, but that alone is not enough. In a large power plant, you need to know exactly what you are doing. A mistake in explosive cleaning can damage the boiler and necessitate a shutdown of production.

"Experience is essential for risk avoidance. You need to be familiar with the blasting agent and the process of the boiler."



## SUSTAINABLE INDUSTRY AND CITIES



produce the highest possible added value. In 2019, we facilitated the recovery of more than 300,000 tonnes of industrial side streams and contaminated soil. In 2019, we focused on the development of the recycling of ash in particular.

In 2019, L&T restored an area of 550 square metres of contaminated soil at an old train depot at the request of its customer in Helsinki. The total volume of soil removed was 5,200 tonnes. Thanks to the cleaning, the contaminated area was restored into safe and healthy soil suitable for infrastructure construction. According to the impact assessment conducted by Gaia Consulting (2019), the benefits of the project can be summed up as follows:

1. Avoidance of environmental and health risks caused by the contaminated soil.
2. Opportunity to build housing for almost 1,000 people in the area and to build business premises which may provide employment for as many as 6,000 people.
3. The value of the cleaned soil increases by up to one million euros or more.

We improved our opportunities to provide material efficiency solutions in Northern Finland when we got the environmental permit decision in July 2019 for the processing centre which will be built in Vällimaa, Oulu. The decision included the permission to start operations in

spite of appeals. The construction of the new centre has started, and our goal is to initiate operations in 2020.

### Development projects and co-operation forums

In 2019, L&T participated in the Clic Circular Economy Platform project aimed at developing a circular economy information and service platform to promote the recovery of side streams. The platform will integrate the full range of services needed for collecting, processing and producing side streams and bringing them to market. In the first phase, a commercial network of enterprises using the platform will be built in the forest industry ecosystem in Southeast Finland, the region where the project's key players are already operating.

We participated in the UUMA3 co-operation forum, which aims to promote the use of secondary materials in earth construction in Finland to support the circular economy and make the use of secondary materials an approach that is perceived as being equal with the use of natural rock material. These measures can produce significant technical, economic and environmental benefits. In 2018-2021, the UUMA3 programme will make the use of secondary materials in earth construction a more concrete option in the construction activities of Finnish municipalities and the Finnish Transport Infrastructure Agency.

We participated in the Northern Ostrobothnia Industrial Symbiosis System (NOISS) project which promotes



## SUSTAINABLE INDUSTRY AND CITIES

the establishment of industrial symbioses in Northern Ostrobothnia. The project seeks to identify opportunities for industrial symbioses in the region and to improve the utilisation of company resources which are not used fully at the moment. At the same time, the goal is to create a customised operating model for the promotion of the circular economy in Northern Ostrobothnia to promote the utilisation of resources and co-operation between companies.

Furthermore, we participated in CircVol projects in Turku and Oulu as well as through the steering group. These projects seek new solutions for the utilisation of high-volume industrial side streams in infrastructure and earth construction.

### Sustainable cities

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 principles as well as the creation of healthy and safe conditions for people to live and work in.

We partner with several municipalities in Finland and Sweden in the maintenance and cleaning of their properties. Our goal is to be able to extend the lifecycle of the properties, increase the efficiency of energy use, promote the recycling of waste and to create good conditions for living and working. At the same time, we seek to reduce

the environmental impact of our own operations.

For more information about the reduction of our own emissions especially in terms of heavy machinery, see section [Reducing the carbon footprint](#) of this report. In our maintenance services business, we utilise weather service to enable the timely and efficient use of our snow-ploughing equipment, for instance. We have been able to reduce driving related to maintenance and our carbon footprint with our new operating model and the ERP system supporting it. The introduction of a remote water meter reading solution serves the same goal. Furthermore, we have utilised IoT solutions in the optimisation of electricity and heating energy and the purposeful and optimal use of properties.

Our sewer maintenance services take care of the video imaging and maintenance of hundreds of kilometres of municipal sewers each year. Regular examination of the sewer network's condition and preventative maintenance are the best way to keep the sewer network in good condition, as it reduces the risk of blockage and water damage. In 2019, we introduced new technology for the examination of sewer lines. We use a sewer washing nozzle with a camera which allows us to see live video of the washing while the work is performed and make general observations about the condition of the sewer.

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 landfill and reduce the costs of waste.

### Reducing the use of chemicals

L&T's goal is to continuously reduce the use of chemicals in its operations and at customer locations. In 2019, we were the first national operator in Finland to stop using glyphosate as a pesticide. 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 annually reduce the total consumption of cleaning agents and increase the volume of ecolabelled products. In 2019, the share of ecolabelled cleaning agents was 71.2 per cent, an increase of 0.2 per cent compared to 2018.

**We contribute to sustainable urban infrastructure's maintenance, the development of cities that operate according to circular economy principles and the creation of healthy and safe conditions for people to live and work in.**



## 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. Among the foundation's key projects, we were involved in projects related to food and plastic in 2019.

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.

Our target is to reduce our transport emissions by 25 per cent by 2020, using the emissions level and operating volume of 2012 as a baseline.

In 2019, L&T participated in the virtual service environment D project (Virpa-D), aiming to create world-class user experiences for the users of business premises to promote the productivity of work, smoothness of day-to-day life and well-being. L&T's role in the project is to be in charge of the development of data-driven user services. The goal is to create a business model that emphasises service production outcomes, the conditions created and user satisfaction instead of focusing on individual service performances.

The service was piloted at L&T's corporate headquarters and customer locations in 2019.

In June 2019, we announced our plans to develop the City Refinery following the circular economy logics in co-operation with Helen and VTT. Our goal is to build a facility in Vuosaari, Helsinki, which utilises innovative gasification technology and refines scraps and waste streams into products with a high degree of processing. The gasification enables carbon to be contained in the closed circuit, preventing its release into the atmosphere as carbon dioxide. The end products of processing will be raw materials for industrial use, such as transportation fuels or future raw materials for the plastics industry. The Ministry of Economic Affairs and Employment granted an EUR 7.9 million energy subsidy to the City Refinery in December 2019. Our goal is to obtain the investment decision in the latter half of 2020. Other operators may also join the City Refinery project in the lines of working together in the circular economy.

### CASE



Read more about the Salo IoT pilot case

### Data analysis is crucial in property maintenance

L&T is taking a results-driven approach to property maintenance. In the traditional model, cleaning and maintenance are scheduled at regular intervals regardless of the actual needs. Smart technology makes it possible to monitor needs in real time through sensors placed in buildings that provide data on user volumes, air quality and the functioning of technical systems.

Technology also enables the proactive detection of technical problems. Planning the work done by maintenance personnel is also more efficient when the data accumulated at the property is used appropriately.

“The goal is to achieve a better service experience, more satisfied customers, more sustainable operations and cost savings,” says **Antti Toivanen** from L&T.

The new operating model reduces the service response times and optimises the number of hours worked. The model is based on L&T's Kiito ERP system.

In 2018–2019, L&T participated in the Virpa D research project focused on the use of a results-driven operating model in a number of locations, including the Salo IoT Campus. L&T is also developing specifications for a scalable system that will make it possible to take advantage of the lessons learned in Salo at other sites.



## ENSURING COMPLIANCE

# Sustainable business principles guide our actions

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 our operations, we have documented our sustainable business principles the Code of Conduct, which applies to our contract suppliers as well. The sustainability programme aims at the continuous promotion of operating in accordance with the Code Of Conduct, both in our own operations as well as in our supply chain.

## How do we ensure that everything we do complies with our legal responsibilities?

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 issued to supplement the Code. In 2018, we made a commitment to support the UN Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption.



## Focus areas of the sustainability programme: Ensuring compliance

Priorities and objectives 2019-2024	Indicators 2019	Our success	Notes
<b>We ensure that everything we do complies with our legal and ethical responsibilities.</b>			
No serious accidents or infractions.  All new L&T employees are required to familiarise themselves with our Code of Conduct and this is reviewed regularly.	<ul style="list-style-type: none"> <li>Zero incidents of serious damage and zero offences.</li> <li>Familiarisation with the Code: In Sweden, 75% of the personnel have taken the course, in Finland 81% of the salaried employees.</li> </ul>	✓	The implementation of the Code of Conduct to Finnish employees has started and will continue in 2020.
<b>We ensure that all our goods and services are sustainably sourced.</b>			
We use suppliers who are committed to the L&T sustainable supply chain policy.  We conduct annual risk-based audits of all our suppliers.	<ul style="list-style-type: none"> <li>At the end of the year, 93.6% of all service purchases were made from suppliers registered with the Reliable Partner service.</li> <li>In Finland, we conducted 102 supplier self-assessments and performed 30 supplier audits based on risk assessment.</li> </ul>	—	We will continue to develop the sustainability of our supply chain.



## ENSURING COMPLIANCE

### Accidents and infractions

In L&T's sustainability programme, we have set a goal of zero serious accidents or infractions in the Group's own operations. We reached this goal with flying colours in 2019.

The accidents that occurred during the year were all minor and caused no permanent or serious damage to anyone. The company's occupational safety practices were followed in terms of these accidents in order to avoid similar incidents in the future. For more information about L&T's [occupational safety practices](#).

Four cases of minor environmental damage in Finland. They were related to minor container leaks, overfilling of oil or chemical containers and suspected contamination of soil. Furthermore, 11 lesser environmental damages were reported in Finland, related to broken hoses, starting fires and overfilling of containers. 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 once every quarter. Furthermore, we have prepared comprehensive environmental instructions for our 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 2019, we focused on chemical safety specifically and will continue this work in 2020.

In 2019, L&T had 67 (70) environmental permits that determined how the Group managed and monitored en-

vironmental matters. 12 permit change applications were submitted to the authorities during the year. Written consultation of stakeholders has been included in each change of permit. The environmental permit process for the material efficiency centre in Välimaa, Oulu, also included an Environmental Impact Assessment (EIA), during which several consultations of local residents and other stakeholders were arranged.

During the year, L&T received a total of 26 (19) local complaints related to waste processing operations. The highest number of complaints was received in Lahti, concerning the possible unpleasant odours released by the hazardous waste treatment plant. We have been working in co-operation with other operators in the area in order to determine the root causes of the unpleasant odours, increased our self-monitoring and replaced the anemometer equipment. Complaints about unpleasant odours were also made in Jyväskylä, among others, and in Turku, there were complaints about littering. 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 cooperation with the authorities with the aim of mitigating future negative impacts.

In 2019, we collected 55,000 tonnes (55,000 t) of hazardous waste from our customers. 5.3 per cent (5.0) of this was transported to other EU countries for treatment. We did not import any hazardous waste to Finland in 2019. For more information about the [treatment of hazardous waste](#).

### Code of Conduct for all L&T

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. The management is 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. Immediate supervisors assist in the interpretation of guidelines 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 addresses issues such as bribery and anti-corruption, compliance with competition law and environmental regulations as well as non-discrimination. New L&T employees study the Code of Conduct as part of their induction training programme, and we also provide regular refreshers of the Code of Conduct by means of online courses, among other things.

In 2019, all new L&T employees studied the Code of Conduct as part of their induction training programme. Furthermore, the Code of Conduct online course updated in 2018 was translated into Swedish and localised, where necessary, to comply with Swedish legislation and mat-

**In 2019, we put special effort into safe usage and storage of chemicals, and will continue this work in 2020.**



## ENSURING COMPLIANCE

ters relevant to the business. By the end of the year, 75 per cent of salaried employees and employees in Sweden completed the updated online course.

In summer 2019, a version of the online course suited to the needs of Finnish employees was prepared in co-operation with union representatives. This version was also translated into English and Russian. The implementation of the course started in 2019 with employees of Property Maintenance Services and Environmental Services. All in all, 51.3 per cent of Property Management employees and 59.6 per cent of the Environmental Services employees completed the course. The implementation will continue in 2020 with employees of the other service branches taking the updated course.

Our internal auditor received 12 (13) 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 most of them led to corrective measures. The measures ranged from reprimands to warnings. In some cases, the reports led to changes to the company's existing processes.

### Other infractions

There were no complaints regarding breaches of customer privacy, loss of customer data or other data protection or data safety violations specified in EU legislation substantiated by the authorities at L&T in 2019. We continued to further specify our practices related to the processing of personal data in the various phases of our business

processes and investigated as well as determined the justifications for the processing of personal data and storage times of personal data in particular. We started a project to identify and minimise the risks related to data protection. We decided to perform risk assessments of a couple of software applications critical to our business which will need replacement in the near future and to prepare risk assessments each time a new information system project is initiated. Furthermore, we started a project related to the centralised administration of access rights.

We assessed the risks related to bribery and corruption on a process-specific basis over divisional limits. This risk assessment covered most of our service branches. In 2019, the risk assessment focused on external invoicing, the accrual of net sales and manual allocation. The risks identified were related to the lack of automation in the identification and prevention of irregularities. Attention will be paid to the quality of data and additional analytics will be implemented in internal audits in phases. Several development projects were running during the year in which the operating model was developed. In these projects, we have attempted to prevent or minimise the possibility of corruption. In our experience, L&T's personnel has become more aware of the matter especially after completing the updated Code of Conduct course, and Legal Affairs has received requests for further information about the receipt of gifts, for example.

There were no incidents of bribery or corruption at L&T in 2019. For more information about our practices related to supplier co-operation, see next page.

Risks related to human rights have been assessed at L&T as part of the risk management process. For more information, see pages 30–31 of the [Financial Review](#). As L&T mainly operates in Finland and Sweden with local partners, 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.

Our child labour mitigation efforts include means of centralised diversity reporting which investigates employee age distribution, among other things. Our efforts to prevent forced labour include, 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 2019. Take a closer look at our [Code of Conduct](#) on our website.





## SUSTAINABLE PROCUREMENT

# Ensuring 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 Code of Conduct supplier instructions. Our contract suppliers commit to comply with L&T's Code of Conduct when the agreement is signed. We also require that all service providers belong 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 questionnaire, 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 waste treatment operators and recipients of waste as well as our subcontractors. In terms of waste treatment operators and recipients of waste, the risks are largely related to the observation of the environment. 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, among other things, 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 2019

- We conducted supplier self-assessments for 102 suppliers. One of the focal points was the assessment of waste treatment.
- We introduced a digital tool for conducting supplier self-assessments in the company's centralised procurements, allowing us more extensively to monitor the information and report.
- We updated the supplier audit scheme in which our audit goals have been raised to the level corre-





**SUSTAINABLE PROCUREMENT**

sponding to our procurement volume and the risks identified in our supply chain. We decided that the audits will be targeted based on risks identified especially on the recipients of waste and waste treatment operators as well as subcontractors. Furthermore, we conduct supplier audits based on the risks identified in other procurement categories as well.

- We conducted the audits in accordance with the updated plan and completed 30 supplier audits in Finland. The suppliers to be audited were selected based on the risks identified in supplier self-assessments or otherwise. The observations made in the audits were related to, for instance, ensuring that the operating methods in accordance with our requirements concerning occupational safety or the induction training of employees were followed as well as documentation practices.

**We continue to focus on the development of sustainable procurement**

We will continue the development of sustainable procurements with the goal of re-evaluating our operating model in a way which observes the differences between categories to a higher extent. In the Swedish business operations, our goal is to ensure the sufficient actions in order to ensure the sustainable operating practices of our suppliers.

**L&T's purchases in 2019**

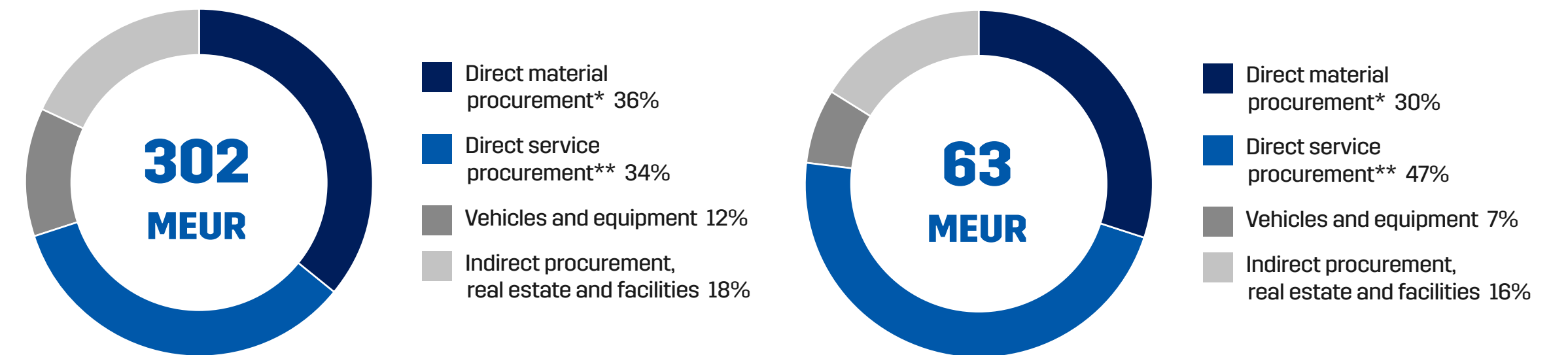
In 2019, L&T's purchases of materials, goods and services totalled approximately EUR 302 million (318) in Finland. The decrease in purchases is mainly due to the divestiture of L&T Korjausrakentaminen Oy.

In Sweden, L&T's total purchases amounted to approximately EUR 63 million (68). In Russia, L&T's total purchases were about EUR 3 million (5).

L&T's purchases are mainly from domestic suppliers. In Finland, 95 per cent (94.9) of purchases were made from companies operating in Finland, and 4.7 per cent (5.0) from companies operating in other EU countries. Purchases from outside the EU represented 0.3 per cent (0.1) of our total purchases. In Sweden, 97.8 per cent (99.3) of purchases were made from companies operating in Sweden, and 2.2 per cent (0.6) from other EU countries. The percentage of purchases from outside the EU was negligible (0.1). In Russia, purchases were made solely from companies operating in Russia.

<b>Purchases by country</b>	<b>Finland</b>	<b>Sweden</b>	<b>Russia</b>
Domestic	95.0%	97.8%	100%
From the EU	4.7%	2.2%	0%
Outside the EU	0.3%	0%	0%

**Breakdown of procurement in Finland and Sweden**



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

\*\* Direct procurement includes: external workforce.

# Tables with more specific information

## Environmental figure table

MATERIALS	Unit	2017	2018	2019
<b>Material flows managed by L&amp;T</b>				
Waste-based materials total	T	801,000	868,000	788,000
Materials sorted at source	%	67.1 %	68.1 %	68.9 %
Hazardous waste sorted at source	%	5.9 %	6.3 %	7.0 %
Mixed waste	%	27.1 %	25.5 %	24.1 %
<b>Recycling and recovery rate of material flows managed by L&amp;T</b>				
Reuse and recycling	%	53.8%	54.2%	54.8%
Recovery in environmental construction	%	5.9%	5.4%	4.8%
Recovery as a waste-based fuel	%	23.3%	24.8%	23.9%
Recovery in the incineration of mixed waste	%	11.2%	9.2%	9.6%
Final treatment	%	5.7%	6.4%	6.9%
<b>Reuse and recycling rate of hazardous waste</b>				
Recycled as material	%	64.0%	67.0%	69.2%
Recovery as energy	%	10.6%	6.6%	2.1%
Final treatment	%	25.4%	26.4%	28.7%

ENERGY	Unit	2017	2018	2019
<b>L&amp;T's own energy consumption</b>				
Diesel	MWh	160,094	170,798	164,665
Petrol	MWh	2,459	2,804	3,010
Fuel oil	MWh	17,506	18,539	17,936
Gas	MWh		509	1,219
Electricity	MWh	31,716	31,322	31,603
District heating*	MWh	9,898	8,960	8,624
<b>TOTAL</b>	<b>MWh</b>	<b>221,673</b>	<b>232,932</b>	<b>227,057</b>
Energy intensity**	MWh/MEUR	328	290	290

\*Information on the consumption of district heating has been collected only for Finland.

\*\*L&T's own energy consumption in proportion to net sales.

Greenhouse gas emissions and reductions	Unit	2017	2018	2019
<b>L&amp;T's own emissions</b>				
Scope 1: Transport, production vehicles, work machines, landfill operations	1,000 tCO <sub>2</sub> eq.	42.8	45.8	43.7
Scope 2: Purchased electricity in Finland (market-based)	1,000 tCO <sub>2</sub> eq.	0.0	0.0	0.0
Scope 2: Purchased electricity in Finland (area-specific)	1,000 tCO <sub>2</sub> eq.	5.6	5.0	4.9
Scope 2: Purchased electricity in Russia and Sweden (area-specific)**	1,000 tCO <sub>2</sub> eq.	0.2	0.2	0.2
Scope 2: Purchased district heating in Finland (area-specific)**	1,000 tCO <sub>2</sub> eq.	1.7	1.7	1.4
Scope 3: Fuel consumption by contractors****	1,000 tCO <sub>2</sub> eq.	13.5	15.1	14.9
Scope 3: Work-related travel****	1,000 tCO <sub>2</sub> eq.	1.5	1.5	1.4
<b>TOTAL*****</b>	<b>1,000 tCO<sub>2</sub> eq.</b>	<b>59.7</b>	<b>64.4</b>	<b>61.6</b>
Emission intensity*****	tCO <sub>2</sub> eq./M€	66.2	59.5	57.8
<b>Carbon handprint</b>				
Material recycling	1,000 tCO <sub>2</sub> eq.	-377.0	-373.3	-340.0
Biofuel and recovered fuel deliveries	1,000 tCO <sub>2</sub> eq.	-697.0	-805.8	-823.6
<b>TOTAL</b>	<b>1,000 tCO<sub>2</sub> eq.</b>	<b>-1,074.0</b>	<b>-1,179.1</b>	<b>-1,163.6</b>
Carbon handprint intensity*****	tCO <sub>2</sub> eq./M€	-1,589	-1,470	-1,484

The numbers include the entire L&T group in Finland, Russia and Sweden, unless otherwise mentioned. L&T FM is included starting from 2018.

\*Information on the consumption of district heating has been collected only for Finland.

\*\*L&T's own energy consumption in proportion to net sales.

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

\*\*\*\*Figures only cover L&T's operations in Finland.

\*\*\*\*\*The calculated Scope 2 emissions include electricity purchased in Finland as market-specific (not area-specific).

\*\*\*\*\*L&T's Scope 1 and Scope 2 emissions in relation to net sales.

\*\*\*\*\*Carbon handprint in proportion to net sales.

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

Carbon handprint or the calculated emission reductions have been calculated for the entire value chain from the recycling of waste until the use of recycled material and fuel.

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

Carbon handprint has been calculated on a material-specific basis and based on the degree to which the recycled material reduces emissions compared to the corresponding production using virgin raw materials.

In energy production, greenhouse gas 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 greenhouse gas emissions compared to producing the corresponding amount of energy using fossil fuels.

Mainly coal has been used for comparison in the calculation. Statistics Finland's fuel classification 2019 was used as the source of emission coefficients.

The emissions have been calculated based on the international Green House Gas Protocol reporting standard and emission calculation model, utilising, for example, the VTT Technical Research Centre LIPASTO database. In accordance with the calculation model, emissions are divided into three areas:

1. Direct GHG emissions (fuel consumed by landfill operations, L&T heavy duty vehicles, production vehicles and company-owned cars);
2. Indirect GHG emissions from purchased energy (total electricity and district heating consumption at L&T's Finnish locations); and
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. 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 calculations cover all of the Group's operations.

Tables with more specific information

**Personnel in figures**

	2019	2018	2017		2019	2018	2017
<b>Total number of full-time and part-time employees at year-end</b>	8,207	8,600	8,663	<b>Personnel by employee group*</b>			
Finland	6,479	6,871	7,041	Salaried employees, %	16%	17%	16%
Sweden	1,355	1,422	1,332	Employees, %	84%	83%	84%
Russia	373	307	290	<b>Leased employees by employee group*</b>			
<b>Average number of employees, converted to full-time</b>				Salaried employees, person-days	252	347	312
Finland	5,946	6,199	6,288	Employees, person-days	23,841	34,556	20,965
Sweden	1,020	1,066		<b>Personnel by type of employment, %</b>			
Russia	342	301		Finland			
<b>Personnel by country</b>				permanent	94.9%	95.0%	93.2%
Finland	78.9%	80.0%	81.3%	temporary	5.1%	5.0%	6.8%
Sweden	16.5%	16.6%	15.4%	full-time	67.1%	67.7%	66.3%
Russia	4.5%	3.5%	3.3%	part-time	21.5%	20.2%	22.4%
<b>Personnel by gender</b>				Sweden			
female	40.0%	42.5%	42%	permanent	75.8%	74.5%	
male	60.0%	57.5%	58%	temporary	24.2%	25.5%	
<b>Personnel by gender, supervisory positions</b>				full-time	65.9%	63.7%	64.0%
female	38.7%	36.0%		part-time	34.1%	36.3%	36.0%
male	61.3%	64.0%		Russia			
				permanent	99.2%	99.3%	97.0%
				temporary	0.8%	0.7%	3.0%
				full-time	95.9%	94.3%	92.4%
				part-time	4.1%	5.7%	7.6%
				<b>Called in when necessary***</b>	11.4%	12.1%	11.3%

\*Information is only available for Finnish operations

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

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

Tables with more specific information

	2019	2018	2017		2019	2018	2017
<b>Number of different nationalities</b>	85	85	86	<b>Turnover</b>			
<b>Proportion of employees with an immigrant background, %*</b>	16.6%	15,2%	15.6%	L&T Group, weighted average	23.8%	26,3%	
From the EU*	30.8%	35,0%	36.6%	Finland	27.8%	30.8%	
From outside the EU*	69.2%	65,0%	63.4%	Sweden	9.1%	7.5%	8%
<b>Employees under the age of 18 hired*</b>	185	174		Russia	8.2%	5.3%	6%
<b>Age distribution of personnel</b>				Turnover by division*			
14-20 years	3.5 %	3.1%		Environmental services	8.3%		
21-30 years	21.3%	21.1%		Industrial Services	10.6%		
31-40 years	25.2%	25.9%		Facility Services Finland	37.7%		
41-50 years	22.6%	23.2%		Facility Services Sweden	9.1%		
51-60 years	21.7%	21.2%		<b>Number of statutory employer-employee negotiations*</b>	56	43	
Over 60 years	5.7%	5.6%		terminated*	132	72	
<b>Sickness-related absence, %</b>				temporarily laid off*	9	9	
Finland	5.0	5.0	4.8	<b>Employees covered by collective bargaining agreements, %**</b>	100%	100%	100%
Sweden	5.2	5.1	4.5	<b>Ratio of the highest annual earnings to median earnings (full-time employees)*</b>	1.12	1.15	
Russia	2.4	2.7	2.5				
<b>Average retirement age</b>							
L&T Group, weighted average	63.2	63.2	63				
Finland	63.1	63.2	63,9				
Sweden	65.0	64.5	64.2				
Russia	57.5	57.5	57.5				

\*Information is only available for Finnish operations

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

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

# Sustainability reporting

We report on sustainability as part of our Annual Review, which is part of the Annual Report 2019. The statement of non-financial information required in 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 2019. This report has been prepared in accordance with the GRI Standards: Core option. The report is published in Finnish and English on our website as a pdf file, and printouts are made mainly for use in the Annual General Meeting. The previous report was published in February 2019 and the next one will be published in February/March 2021.

We focus on the reporting of the most material sustainability aspects of our operations in accordance with our sustainability programme. Our sustainability material

topics have been determined based on the most central impacts of our operations, the expectations of stakeholders and our business priorities.

For more information about the updated materiality assessment based on Lassila Tikanoja's/our renewed strategy, see section [Materiality and stakeholders](#) of this report. In this year's report we have paid special attention to the impacts of the central themes. These have been described concretely in our [value creation model](#).

In addition to relevance and comprehensiveness, the report observes the other reporting principles of the GRI standards. For more information about consulting stakeholders and observing their expectations, see pages [44-47](#) of this report. The reporting is linked to the wider context of sustainable development through the UN sustainable development goals (SDGs), for example. The SDGs have also been included in the [GRI index](#). The calculation principles of the key figures of environmental sustainability can be found [here](#).

The report includes all Group companies and subsidiaries, and it covers L&T's own operations in Finland, Sweden and Russia to the extent that the data has been 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.

If information concerning certain indicators was not available for all of our operating countries, or if a calculation has changed from previous years, or if customers' or suppliers' data is newly included in the calculation, this is disclosed next to the indicator.

The Financial Review was approved by the company's Board of Directors and the Annual Report 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 certification report [here](#).

## UN Global Compact Communication on Progress

In 2018, L&T made the commitment to support the UN Global Compact initiative and its ten principles pertaining to human rights, labour rights, the environment and anti-corruption. We report on our progress as part of our/this sustainability report and GRI index. Our sustainability report describes the actions implemented in 2019 to promote the integration of the Global Compact initiative and its principles into the company's business strategy, culture and daily activities. We use the GRI's indicators to measure observation of the principles and report them as part of the GRI index.

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

# GRI Index

## GRI 102: General disclosure

GRI Standard	Report content	Location	More information	UNGC principle	SDG
<b>Organizational profile</b>					
102-1	Name of the organization	Financial review, p. 3			
102-2	Activities, brands, products, and services: a. Description of the org's activities & b. Primary brands, products and services, including an explanation of any products or services are banned in certain marketp.	Annual review, p. 4, 5, 7, 21, 24, 30			
102-3	Location of headquarters	Financial review, p. 44			
102-4	Location of operations	Financial review, p. 44, Annual review, p. 4			
102-5	Ownership and legal form	Financial review, p. 3			
102-6	Markets served: geographical locations; sectors served; types of customers and beneficiaries	Financial review, p. 19–20, Annual review, p. 3, 21			
102-7	Scale of the organization: total n of employees; total number of operations; net sales; total capitalization broken down in terms of debt and equity; quantity of products or services provided	Financial review, p. 21, 24–25, Annual review, p. 3, 9, 10			
102-8	Information on employees and other workers	Financial review p. 25, Annual review, p. 85	Gender not disaggregated per region or employee type.	6	8, 10
102-9	Supply chain	Annual review, p. 80, 81			
102-10	Significant changes to the organization and its supply chain	Financial review, p. 19–25			
102-11	Precautionary Principle or approach	Financial review, p. 28–31		7	
102-12	External initiatives	Annual review, p. 13, 14, 15, 16			
102-13	Membership of associations	Annual review, p. 20			



	GRI Standard	Report content	Location	More information	UNGC principle	SDG
<b>Strategy</b>						
	102-14	Statement from senior decision-maker	Annual review, p. 6, 7			
Comprehensive	102-15	Key impacts, risks, and opportunities	Financial review, p. 27–31, Annual review, p. 5, 6, 7, 11, 12, 17, 18, 19, 25, 26, 27, 41			
<b>Ethics and integrity</b>						
	102-16	Values, principles, standards, and norms of behavior	Annual review, p. 40, 77, 78, 79, 80, 81, <a href="http://www.it.fi/en/responsibility/code-of-conduct">www.it.fi/en/responsibility/code-of-conduct</a>		10	16
Comprehensive	102-17	Mechanisms for advice and concerns about ethics	Annual report, p. 78–79		10	16
<b>Governance structure</b>						
	102-18	Governance structure	Financial review, p. 3, 6–7, 12–14, 27, Annual review, p. 42–43			
Comprehensive	102-19	Delegating authority	Financial review, p. 27, Annual review, p. 42–43			
Comprehensive	102-20	Executive-level responsibility for economic, environmental, and social topics	Financial review, p. 27, Annual review, p. 42–43			
Comprehensive	102-26	Role of highest governance body in setting purpose, values, and strategy	Financial review, p. 6, Annual review, p. 42–43			
Comprehensive	102-31	Review of economic, environmental, and social topics	Financial review, p. 13			
Comprehensive	102-32	Highest governance body's role in sustainability reporting	Financial review, p. 27, Annual review, p. 42–43, 87			
<b>Stakeholder engagement</b>						
	102-40	List of stakeholder groups	Annual review, p. 45–46			
	102-41	Collective bargaining agreements	Annual review, p. 86	In Finland and Sweden, all employees are covered by collective bargaining agreement. Information for Russia is not available.	3	8
	102-42	Identifying and selecting stakeholders	Annual review, p. 44			

	<b>GRI Standard</b>	<b>Report content</b>	<b>Location</b>	<b>More information</b>	<b>UNGC principle</b>	<b>SDG</b>
	102-43	Approach to stakeholder engagement	Annual review, p. 44–46			
	102-44	Key topics and concerns raised	Annual review, p. 44–46			
Public policy	415-1	Political contributions	Financial review, p. 57	We did not give out any political contributions		
<b>Reporting practice</b>						
	102-45	Entities included in the consolidated financial statements	Financial review, p. 12, 93			
	102-46	Defining report content and topic boundaries	Annual review, p. 42, 44, 46–47, 49, 87			
	102-47	List of material topics	Annual review, p. 42, 47–48			
	102-48	Restatements of information	Financial review, p. 46			
	102-49	Changes in reporting	Annual review, p. 58–61	In 2019, for the first time, we are reporting according to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).		
	102-50	Reporting period	Annual review, p. 87			
	102-51	Date of most recent report	Annual review, p. 87			
	102-52	Reporting cycle	Annual review, p. 87			
	102-53	Contact point for questions regarding the report	Annual review, p. 87			
	102-54	Claims of reporting in accordance with the GRI Standards	Annual review, p. 87			
	102-55	GRI content index	Annual review, p. 88–96			
	102-56	External assurance	Annual review, p. 97–98			
<b>We increase the carbon handprint of our operations</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46, 49–50			
	103-2	The management approach and its components	Annual review, p. 42, 49, 50, 52			
	103-3	Evaluation of the management approach	Annual review, p. 42			

	<b>GRI Standard</b>	<b>Report content</b>	<b>Location</b>	<b>More information</b>	<b>UNGC principle</b>	<b>SDG</b>
Economic performance	201-2	Financial implications and other risks and opportunities due to climate change	Annual review, p. 58–61	We do not report financial information related to climate change.	7	9,11,12,13
Energy	LT1	Carbon handprint	Annual review, p. 25–28, 49, 50–51, 54, 83	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, p. 49, 50, 61		9	9,13
<b>We reduce our own carbon footprint</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46		7,8,9	7,9,11,12,13
	103-2	The management approach and its components	Annual review, p. 42, 49–50, 52		7,8,9	7,9,11,12,13
	103-3	Evaluation of the management approach	Annual review, p. 42		7,8,9	7,9,11,12,13
Energy	302-1	Energy consumption within the organization	Annual review, p. 53–54, 58, 61, 82–83		7,8	7,11,13
	302-3	Energy intensity	Annual review, p. 82		8	7
	302-4	Reduction of energy consumption	Annual review, p. 49–50	Reduction of energy consumption focusses on L & T's own operations, and in particular in the reduction of fossil diesel.	8,9	7,13

	GRI Standard	Report content	Location	More information	UNGC principle	SDG
Emissions	305-1	Direct (Scope 1) GHG emissions	Annual review, p. 53, 83–84	We only report fossil greenhouse gases	7,8	13
	305-2	Energy indirect (Scope 2) GHG emissions	Annual review, p. 83–84	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, p. 83–84	See 305-1	9	13
	305-4	GHG emissions intensity	Annual review, p. 83	The emission intensity is calculated as Scope 1 and Scope 2 divided by turnover.	8,9	13
	305-5	Reduction of GHG emissions	Annual review, p. 49, 52–53	Reduction of greenhouse gases focusses on L & T's own operations, and in particular in the reduction of fossil diesel.	8,9	13
<b>We promote the sustainable use of materials and energy and reduce the amount of waste generated by our customers</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46, 55		7,8,9	7,9,11,12,13
	103-2	The management approach and its components	Annual review, p. 42, 49–50, 55		7,8,9	7,9,11,12,13
	103-3	Evaluation of the management approach	Annual review, p. 42		7,8,9	7,9,11,12,13
Materials	LT1	Material flows processed	Annual review, p. 55, 56, 82	Replaces GRI indicator 301-1 that is not directly applicable.	8,9	9,11,12,13
	LT2	Share of material flows represented by recycled materials	Annual review, p. 82	Replaces GRI indicators 301-2 and 306-2 that are not directly applicable.	8,9	9,11,12,13

	GRI Standard	Report content	Location	More information	UNGC principle	SDG
<b>We look after the well-being, work ability and occupational safety of our personnel</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46		1,6	8
	103-2	The management approach and its components	Annual review, p. 40, 42, 43, 44, 62, 63		1,6	8
	103-3	Evaluation of the management approach	Annual review, p. 42		1,6	8
Employment	401-1	New employee hires and employee turnover	Annual review, p. 64	Employee turnover reported per region only.	6	8
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Annual review, p. 65–67		6	8
Labour/management	402-1	Minimum notice periods regarding operational changes	Annual review, p. 64	In restructuring situations, we follow the minimum periods of consultation in accordance with national law.	3	8
Occupational health & safety	403-1	Workers representation in formal joint management–worker health and safety committees	Annual review, p. 66		6	8
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Annual review, p. 66	Reported only for our own personnel, broken down by country of operation. Does not include absence frequency.	1,6	3,8
	403-3	Workers with high incidence or high risk of diseases related to their occupation	Annual review, p. 66		6	3
	HR 1	Retirement age	Annual review, p. 62–65, 86	Retirement age is 63.2 years	1,6	3,8
	HR 2	Sickness-related absence	Annual review, p. 65, 86		1	3,8
Training and education	404-2	Programs for upgrading employee skills and transition assistance programs	Annual review, p. 45, 52, 63, 64, 69		1	8
	404-3	Percentage of employees receiving regular performance and career development reviews	Annual review, p. 45		6	8
	HR 3	Staff recommendation rate	Annual review, p. 64	L&T's own indicator, the "Fiilinki" survey initiated in 2019, response rate 56%		8

	GRI Standard	Report content	Location	More information	UNGC principle	SDG
<b>We provide employment to vulnerable groups and persons with disabilities</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46		1,6	10
	103-2	The management approach and its components	Annual review, p. 40, 42, 43, 44, 62, 63		1,6	10
	103-3	Evaluation of the management approach	Annual review, p. 42		1,6	10
Diversity & equal opportunity	405-1	Diversity of governance bodies and employees	Financial review, p. 5–6, Annual review, p. 68		1,6	10
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Annual review, p. 79	No reported cases in 2019	1,6	10
<b>We create economic growth and well-being</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46,			8
	103-2	The management approach and its components	Annual review, p. 40, 42, 43, 44, 70			8
	103-3	Evaluation of the management approach	Annual review, p. 42			8
Economic performance	201-1	Direct economic value generated and distributed	Financial review, p. 57, Annual review, p. 70			8
	201-4	Financial assistance received from government	Financial review, p. 57	In 2019, grants and assistance received from the government for product development and projects amounted to EUR 15 839,20.		
Indirect economic impacts	203-2	Significant indirect economic impacts	Annual review, p. 25–27, 58			
	HR 4	Tax footprint	Annual review, p. 71			
<b>We promote the development of industrial infrastructure in line with the principles of sustainable development, the recovery of industrial side streams and closed cycles</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46			9,11
	103-2	The management approach and its components	Annual review, p. 40, 42–44, 72–74			9,11
	103-3	Evaluation of the management approach	Annual review, p. 42			9,11

	GRI Standard	Report content	Location	More information	UNGC principle	SDG
Materials	LT5	Contaminated soil treated	Annual review, p. 72–74		9	9,11
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		L&T does not operate in protected areas or in areas of high biodiversity.		
<b>We find innovative solutions to build sustainable cities and create healthy and safe environments</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46			9,11
	103-2	The management approach and its components	Annual review, p. 40, 42–44, 72–76			9,11
	103-3	Evaluation of the management approach	Annual review, p. 42			9,11
	LT6	Reduction in use of cleaning agents and increment in the proportion of eco-labeled substances	Annual review, p. 75	2019 L&T's own indicator since 2019.	8	11
<b>We ensure that everything we do complies with our legal and ethical responsibilities</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46			
	103-2	The management approach and its components	Annual review, p. 40, 42–44, 72–76			
	103-3	Evaluation of the management approach	Annual review, p. 42			
Anti-corruption	205-1	Operations assessed for risks related to corruption	Financial review, p. 29, Annual review, p. 79	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, p. 78–79	In Sweden 75% and in Finland 81% of employees have overtaken the training on the Code of Conduct.	1,10	16
	205-3	Confirmed incidents of corruption and actions taken	Annual review, p. 79	No incidents	1,10	
Anti-competitive behaviour	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Annual review, p. 78, 79	No incidents	10	

	GRI Standard	Report content	Location	More information	UNGC principle	SDG
Effluents and waste	306-3	Significant spills	Annual review, p. 78	No significant spills	7	
	306-4	Transport of hazardous waste	Annual review, p. 55, 78			
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Annual review, p. 78	No incidents	7	
Customer health & safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Annual review, p. 77	No incidents	7	
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual review, p. 79	No incidents		
Socioeconomic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Annual review, p. 77–79	No incidents		
<b>We ensure that all our goods and services are sustainably sourced</b>						
Management approach	103-1	Explanation of the material topic and its Boundary	Annual review, p. 42, 44, 46, 80, 81		1,2,3,4,5,6, 10	12
	103-2	The management approach and its components	Annual review, p. 42–44, 80, 81		1,2,3,4,5,6, 10	12
	103-3	Evaluation of the management approach	Annual review, p. 42		1,2,3,4,5,6, 10	12
Procurement practices	204-1	Proportion of spending on local suppliers	Annual review, p. 81			
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	Annual review, p. 77, 80–81	We conducted 102 supplier self-assessments in Finland and 30 supplier audits based on risk assessments through our centralised purchasing system.	7	13
	308-2	Negative environmental impacts in the supply chain and actions taken	Annual review, p. 77, 80–81			
Supplier social assessment	414-1	New suppliers that were screened using social criteria	Annual review, p. 77, 80–81	Same as 308-1	1,2,3,4,5,6, 10	8
	414-2	Negative social impacts in the supply chain and actions taken	Annual review p. 80–81			



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

We were engaged by the Management of Lassila & Tikanoja (hereafter “L&T”) to provide limited assurance on L&T’s corporate responsibility data presented in L&T’s Annual Review that is included in areas “Circular economy and climate change mitigation” and “Healthy, diverse and productive workplace community” as well as in tables “Environmental figures” and “Personnel in figures” for the year ended Dec 31, 2019 (hereafter “Corporate Responsibility Data”).

## Management’s responsibilities

The Management of L&T is responsible for the measuring, preparation and presentation of the Corporate Responsibility Data in accordance with the GRI Sustainability Reporting Standards. The Management of L&T is also responsible for establishing and maintaining appropriate performance management and internal control systems as the entity determines is necessary to enable the preparation of Corporate Responsibility Data that is free from material misstatement, whether due to fraud or error.

## 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 engagement on Corporate Responsibility Data 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 Corporate Responsibility Data in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board IAASB. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Corporate Responsibility Data 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 Corporate Responsibility Data consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Corporate Responsibility Data, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included for example:

- An interview with senior management at selected business unit level concerning sustainability strategy and policies for Corporate Responsibility Data, and the implementation of these across the business;

- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Corporate Responsibility Data;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the Corporate Responsibility Data;
- A review of the presented Corporate Responsibility Data with an assessment of information quality and reporting boundary definitions;
- An assessment of conformity with the reporting principles of GRI Sustainability Reporting Standards in the presentation of the Corporate Responsibility Data;
- Assessment of data accuracy and completeness through a review of the original documents and systems on a sample basis;
- A site visit conducted to 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, and 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, 14. February 2020

KPMG OY AB

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