



**LASSILA & TIKANOJA PLC**  
**Corporate Governance 2019**

**EMPLOYED BY TOMORROW**

# Corporate Governance Statement 2019

Lassila & Tikanoja plc (“L&T” or “the company”) is a public limited liability company that is registered in Finland and listed on Nasdaq Helsinki Oy. In its decision-making and administration, Lassila & Tikanoja complies 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.

## Corporate Governance Statement 2019

L&T complies with the Finnish Corporate Governance Code approved by the Securities Market Association valid at any given time. This statement was prepared in accordance with the Finnish Corporate Governance Code that entered into force on 1 January 2016 (“Corporate Governance Code”). The company has also published a separate Remuneration Statement in accordance with the Corporate Governance Code. The full Corporate Governance Code is available at [www.cgfinland.fi](http://www.cgfinland.fi). L&T has not deviated from the recommendations of the Code.

This separate statement has been published in connection with the Report of the Board of Directors. This statement has been reviewed by the Audit Committee

of L&T’s Board of Directors and approved by the Board. The company’s auditor has verified that the statement has been issued and that the descriptions of the main features of the internal control and risk management systems relating to the financial reporting process included in the statement are consistent with the descriptions included in the financial statements.

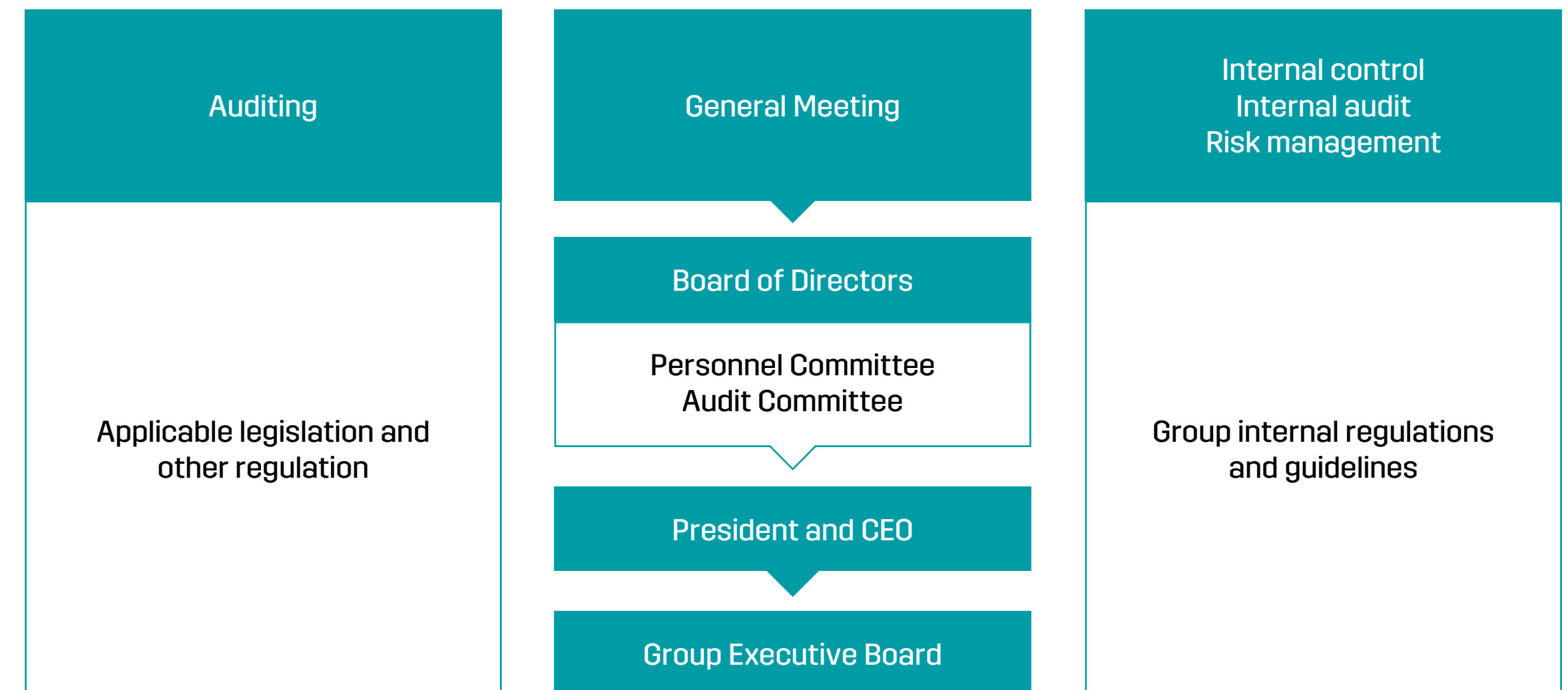
## Descriptions concerning corporate governance

### General Meeting of Shareholders

The Annual General Meeting is the supreme decision-making body of L&T. The Annual General Meeting decides on the matters stipulated in the Companies Act, such as the acceptance of the financial statements and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the auditors, and the compensation paid to them. The Annual General Meeting is held by the end of April as determined by the Board of Directors.

Each share of Lassila & Tikanoja plc entitles the holder to one vote.

## Governance structure



The notice to the meeting and other Annual General Meeting documents, including the Board of Directors’ proposals to the Annual General Meeting are disclosed to the shareholders at the latest three weeks before the

meeting at the company’s head office and website on [www.lt.fi/en/investors/corporate-governance/general-meeting](http://www.lt.fi/en/investors/corporate-governance/general-meeting). The notice to the meeting is also disclosed in a stock exchange release.

The members of the Board of Directors, President and CEO, principal auditor and prospective directors attend the General Meeting, unless there are well-founded reasons for their absence.

The minutes of the General Meeting will be available on the company's website within two weeks of the General Meeting. The resolutions by the General Meeting will be published in a stock exchange release immediately after the meeting.

## Board of Directors

### Composition and election of the Board of Directors

In accordance with the Articles of Association, the Board of Directors of Lassila & Tikanoja plc comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the General Meeting. The practice applied in the preparation of the proposal concerning the composition of the Board of Directors is to have major shareholders prepare proposals concerning the Board, including a proposal for the number of Board members, their remuneration and, if necessary, Board members to the General Meeting. The term of each member of the Board of Directors expires at the end of the next Annual General Meeting of Shareholders following his/her election. The Board elects a Chairman and a Vice Chairman from among its members.

### Board members

The following six members were elected to the Board of Directors by the Annual General Meeting of 2019.



#### Chairman Heikki Bergholm

born 1956

Independent of the company and major shareholders

**Board member** since 2008

**Board Committees:** Chairman of the Personnel Committee

**Education:** M.Sc. (Eng.)

**Key work experience:** Suominen Corporation Oyj: President and CEO (2002–2006); the former Lassila & Tikanoja Group: President and CEO (1998–2001), Vice President (1997–1998), President of business units (1986–1997), Lassila & Tikanoja Oy: CFO (1985–1986); Industrialisation Fund of Finland Ltd: Researcher and development manager (1980–1985)

**Current key board memberships:** Lakan Betoni Oy (1986–, COB); MB Funds (2002–); Finnish Foundation for Cardiovascular Research (2013–) Past key board memberships: Componenta (2003–2012); Forchem Oy (2007–2013); Kemira Oyj (2004–2007); Maillefer International Oy (2010–2014); Pohjola-Yhtymä Oyj (2003–2005); Solidium Oy (2013–2016); Sponda Oyj (1998–2004); and Suominen Corporation (2006–2011)



#### Vice Chairman Sakari Lassila

born 1955

Independent of the company and major shareholders

**Board member** since 2011

**Board committees:** Chairman of the Audit Committee

**Education:** M.Sc. (Econ.)

**Key work experience:** Indcrea Oy: Managing Director (2008–2018); Cupori Group Oy: member of the Management Board (2008–2014), Managing Director of Cupori AB (2012–2014); Carnegie Investment Bank AB, Finland Branch: executive positions (2002–2005); Alfred Berg Finland Oyj: executive positions within investment banking (1994–2002); Citibank Oy: head of corporate bank (1991–1994); Union Bank of Finland: supervisory and executive positions (1983–1991)

**Current key board memberships:** Evald and Hilda Nissi Foundation, Vice Chairman of the Board (member 1987–); Aplagon Oy, Chairman of the Board (2009–)



#### Teemu Kangas-Kärki

born 1966

Independent of the company and major shareholders

**Board member** since 2016

**Board committees:** Member of the Audit Committee

**Primary occupation:** CFO of Nokian Tyres Oyj

**Education:** M.Sc. (Econ.)

**Key work experience:** Fiskars Oyj, Chief Operating Officer and Deputy to the CEO (2018–2017), Interim President (2017), Chief Operating Officer and Chief Financial Officer, deputy to the CEO (2014–2017), President, Home Business Area (2012–2014), Chief Financial Officer (2008–2012); Alma Media Corporation, Chief Financial Officer (2003–2008); Kesko Group, Corporate Controller (2002–2003), Corporate Business Controller (2000–2001); Suomen Nestlé Oy, Finance Director (1999–2000); Smith & Nephew Oy, Financial Manager (1996–1998); Unilever Oy & Gmbh, Marketing Controller & Internal Auditor (1992–1996)



### Laura Lares

born 1966

Independent of the company and major shareholders

**Board member** since 2014

**Board committees:** Member of the Personnel Committee

**Primary occupation:** Managing Director of Ablers Oy

**Education:** Ph.D. (Tech.)

**Key work experience:** Woimistamo Oy: Managing Director (2012–2018); Kalevala Koru Oy & Lapponia Jewelry Oy: Managing Director (2007–2012); UPM Kymmene Corporation: Director of Wood Products Division, Director of Business Development & Human Resources (2004–2006).

**Current key board memberships:** Ablers Oy (2018–)

**Past key board memberships:** Lappeenranta University of Technology (2009–2017); Woikoski Oy (2012–2016)



### Miikka Maijala

born 1967

Independent of the company and major shareholders

**Board member** since 2010

**Board Committees:** Member of the Personnel Committee

**Primary occupation:** CEO of Clinius Ltd

**Education:** M.Sc. (Eng.)

**Key work experience:** GE Healthcare Finland Oy: Business Segment Manager 2004–2006); Instrumentarium Corporation (now GE Healthcare Finland Oy): Director, Business Development (2000–2004); Instrumentarium Corporation: supervisory and executive positions within sales, marketing and financial management (1992–2000)

**Current key board memberships:** Healthtech Finland (2008–)



### Laura Tarkka

born 1970

Independent of the company and major shareholders

**Board member** since 2017

**Board committees:** Member of the Audit Committee

**Primary occupation:** CEO of Kämp Group/Kämp

Collection Hotels

**Education:** M.Sc. (Eng.)

**Key work experience:** Diacor Terveyspalvelut Oy: CFO and deputy CEO (2013–2014); Fazer Group: Director (2007–2012); Icecapital Securities Ltd: investment banker (2001–2007); Mandatum Stockbrokers Ltd: investment banker (1997–2001)

**Current key board memberships:** Docrates Oy (2016–), Caruna Oy (2019–); The Finnish Fair Corporation, Member of the Supervisory Board (2019–)

### Diversity of the Board of Directors

The company considers diversity essential to achieving the company's strategic targets. Diversity is also viewed from several perspectives when planning the composition of the Board of Directors.

In the election of Board members, the aim is to ensure that the Board of Directors as a whole supports the company's business and its development. It is important from the point of view of the effective operation of the Board of Directors that the Board of Directors is sufficiently diverse and comprised of an adequate number of members, and that the members have diverse expertise and their experience supplements one another's.

In assessing the composition of the Board of Directors, it is, for example, considered whether the professional and educational background and gender and age distribution of the Board is adequately diverse and whether it suitably represents decision-making ability, skills and experience to be able to meet the requirements set by the company's business operations and strategic targets. The company's aim is that both genders are represented in the Board of Directors.

The principles regarding the diversity of the Board of Directors are taken into consideration in the successor planning of Board members. Both genders have been represented in the Board of Directors for a long time. In 2019, two of the six Board members were female, so the less represented gender accounts for 33 per cent of the Board of Directors.

### Independence of the members of the highest governance body

None of the members of the Board of Directors are in an employment relationship with the company. The Board of Directors has assessed that all of its members are independent of the company. In the assessment, it was taken into consideration that Heikki Bergholm has been a member of the Board of Directors for more than 10 years consecutively. The Board of Directors has not identified any reasons why Heikki Bergholm should not be considered independent of the company. All of the members of the Board of Directors are also independent of the company's major shareholders.

Shares in the company held by the Board members and any corporations over which they exercise control have been taken into account in terms of shareholding. Board members do not hold shares in any group companies other than Lassila & Tikanoja plc.

Information about the Board members' remuneration is disclosed in the Remuneration Statement published in connection with the Report of the Board of Directors and is available at [www.lt.fi/annualreport2019](http://www.lt.fi/annualreport2019).

### Board members' shareholding 31 December 2019

Heikki Bergholm	831,116
Sakari Lassila	17,152
Teemu Kangas-Kärki	2,738
Laura Lares	4,061
Miikka Majjala	75,248
Laura Tarkka	2,089
<b>Total</b>	<b>932,404</b>

### Duties of the Board of Directors

The Board of Directors is responsible for the management of the company, the proper arrangement of the company's operations, and the proper arrangement and supervision of the company's accounting and financial management. The Board of Directors decides upon matters that are of major importance, in view of the scope and size of the operations of the company. The Board of Directors is also responsible for the duties specified in the Companies Act and the Articles of Association, and in other regulations.

The Board of Directors has drawn up a written charter for its work. The charter was updated in 2019 and it governs the Board's work in addition to the company's Articles of Association and Finnish laws and regulations.

Duties of the Board of Directors:

- being responsible for the development of shareholder value
- confirming the company's goals
- deciding on the corporate strategy and confirming divisional strategies
- deciding on the Group structure and organisation
- ensuring the operation of the management system
- handling and adopting interim reports, consolidated financial statements and annual reports
- confirming the Group's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements as well as financing arrangements and contingent liabilities

- drawing up the dividend policy
- confirming treasury, investment, disclosure, risk management and insurance policies as well as the principles of internal control
- approving the sustainability programme
- nominating and dismissing the President and CEO and monitoring and evaluating his work
- deciding on the nomination, remuneration and other financial benefits of the President and CEO's immediate subordinates

The evaluation of the performance and working methods of the Board is conducted annually as an internal self-evaluation.

### Meetings of the Board of Directors

Board meetings are held at the company's head office in Helsinki, other locations of the group or other places decided on by the Board of Directors. If necessary, the Board of Directors may also hold meetings by telephone or electronically and make decisions without convening.

The Board of Directors convenes as often as its tasks require. It confirms its annual, regular meetings. Meetings held annually prior to the publication of the financial statements and each interim report as well as strategy, budget and other meetings confirmed in the annual programme of the Board are considered regular meetings. In addition to regular meetings, the Board can hold extraordinary meetings.

The company's President and CEO and CFO usually participate in Board meetings. Where necessary, such as in conjunction with discussing the strategy or budget, the meetings are also attended by other members of Lassila & Tikanoja plc's Group Executive Board. The company's General Counsel acts as the secretary of the Board of Directors.

Minutes are prepared of Board meetings, subject to the signature of members of the Board of Directors participating in the meeting as well as the President and CEO of the company and secretary to the Board. These minutes are kept at the company's headquarters.

The President and CEO is responsible for ensuring that the Board is provided with sufficient information for assessing the operations and financial situation of the company.

He also supervises and reports to the Board on the implementation of the Board's decisions.

### Activities of the Board of Directors in 2019

The Board of Directors had 15 meetings in 2019, two of which were held remotely. The average attendance rate of the members at the meetings was 98.9 per cent.

Key themes in Board work included strategy and directing and supporting its implementation, monitoring strategic projects, developing the business portfolio and directing risk management.

## Committees of the Board of Directors

The Board has an Audit Committee and a Personnel Committee, both of which consist of three (3) Board members. After the end of the Annual General Meeting, the Board of Directors elects chairmen and members of the Committees from among its number for a term of one year at a time. The committee members must have the expertise and experience required by the duties of the committee. The Board of Directors confirms the charters of the committees annually. The committees have no independent decision-making authority; the Board of Directors makes the decisions based on the preparation work by the committees. The chairman of the committee reports on the work of the committee at the Board meeting following the committee meeting. Minutes of the committees' meetings are provided to the Board members for information.

### Audit Committee

In its first meeting after the Annual General Meeting of 14 March 2019, the Board of Directors appointed Sakari Lassila (Chairman), Teemu Kangas-Kärki and Laura Tarkka as members of the Audit Committee. All of the members of the Audit Committee are independent of the company and its major shareholders.

The Audit Committee will convene at least four times a year. The duties of the Audit Committee pursuant to the charter include:

- monitoring the financial position and financing of the Group
- monitoring the reporting process of financial statements

- supervising the financial reporting process
- monitoring the efficiency of the company's internal control, internal audit and risk management systems
- reviewing the operating principles of the company's internal control
- reviewing the plans and reports of the company's internal audit
- reviewing the company's corporate governance statement
- reviewing the statement of non-financial information
- monitoring related-party transactions
- reviewing the corporate sustainability programme
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the auditing company
- evaluating the provision of non-audit services to the company by the auditing firm
- preparing the proposal and/or recommendation concerning the auditor of the company
- maintaining contact with the company's auditor and reviewing the reports prepared for the committee by the auditor
- assessment of compliance with laws and provisions.

The Audit Committee met five times in 2019. The attendance rate of the members at the meetings was 100 per cent.

## Meeting attendance of Board members in 2019

	Board of Directors	Audit Committee	Personnel Committee
Heikki Bergholm	15/15		4/4
Sakari Lassila	15/15	5/5	
Teemu Kangas-Kärki	14/15	5/5	
Laura Lares	15/15		4/4
Miikka Maijala	15/15		4/4
Laura Tarkka	15/15	5/5	

### Personnel Committee

In its first meeting after the Annual General Meeting of 14 March 2019, the Board of Directors appointed Heikki Bergholm (Chairman), Miikka Maijala and Laura Lares as members of the Personnel Committee. All of the members of the Personnel Committee are independent of the company and its major shareholders.

The Personnel Committee convenes at least twice a year. The duties of the Personnel Committee pursuant to the charter include:

- handling, evaluating and making statements on the salary structure of the Group management and personnel as well as remuneration and incentive schemes
- monitoring the functionality of the remuneration systems to ensure that the management's incentive schemes promote the achievement of the company's targets and are based on personal performance

- handling and preparing other questions related to management and personnel remuneration and drafting statements to the Board regarding them
- handling and preparing executive appointment issues for consideration by the Board of Directors.
- reviewing and preparing the personnel-related matters of the sustainability programme
- reviewing the Remuneration Statement

The Personnel Committee met four times in 2019. The attendance rate of the members at the meetings was 100 per cent.

## President and CEO

Lassila & Tikanoja plc's President and CEO is appointed by the Board of Directors. The President and CEO is responsible for day-to-day operations in keeping with the instructions of the Board of Directors. He is also responsible for the strategy process.

M.Sc. (Econ.) Eero Hautaniemi has served as the President and CEO since 1 January 2019. The more detailed personal and shareholding information of the President and CEO is disclosed below in connection with the personal and shareholding information of the members of the Group Executive Board.

## Group Executive Board

The Group Executive Board assists the President and CEO in the management of the company. The Group Executive Board has no authority based on legislation or the Articles of Association. The Group Executive Board is comprised of the President and CEO as the chairman and Group executives confirmed by the Board of Directors. The members of the Group Executive Board report to the President and CEO. The Group Executive Board convenes at least once a month.

On the date of this statement, the Group Executive Board was comprised of the following persons:



### Eero Hautaniemi

born 1965

President and CEO

**Member of the Group Executive Board since:**

1 January 2019

**Education:** M.Sc. (Econ.)

**Key work experience:** Oriola Oyj: President and CEO (2006–2017); GE Healthcare Finland Oy: President (2004–2005); GE Healthcare IT: General Manager, Oximetry, Supplies and Accessories business area (2003–2004); Instrumentarium Corporation: specialist and executive positions (1990–2003)

**Current key Board memberships:** Posti Group Corporation (2017–)

**Past key Board memberships:** Lassila & Tikanoja Plc (2007–2017); Nurminen Logistics Plc (2009–2012)



### Valtteri Palin

born 1973

CFO

**Member of the Group Executive Board since:**

1 August 2019

**Education:** M.Sc. (Econ.)

**Key work experience:** Lassila & Tikanoja Oyj, CFO, responsible for controller operations (2019); SRV Yhtiöt Oyj, CFO (2008–2019); SRV Toimitilat Oy, business controller (2005–2008); Skanska Oy, Finance Manager, business controller and controller (1998–2005)



### Tuomas Mäkipeska

s. 1978

born 1978

Vice President, Facility Services Finland

**Member of the Group Executive Board since:**

14 February 2012

**Education:** M.Sc. (Econ.)

**Key work experience:** Lassila & Tikanoja plc: CFO (2017–2019), Development Director (2012–2017), Vice President, Renewable Energy Sources (2015–2017); Deloitte: Management Consultant, Strategy & Operations (2005–2012); Fiskars Corporation: Project Manager (2004–2005); Rieter Automotive Management AG: Market Analyst (2003)



**Petri Salermo**

born 1970

Vice President, Environmental Services

**Member of the Group Executive Board since:**

1 January 2013

**Education:** QBA, EMBA (2020)

**Key work experience:** Lassila & Tikanoja plc: Business Director, Environmental Services (2009–2012), Sales Director, Environmental Services (2003–2009), Sales Manager, Environmental Services (2001–2003); Europress Oy: Sales Director (1998–2001), managerial positions in sales (1995–1998)



**Erik Sundström**

born 1957

Vice President, Facility Services Sweden

**Member of the Group Executive Board since:**

26 February 2019

**Education:** Contract law and management studies

**Key work experience:** Lassila & Tikanoja plc; Lassila & Tikanoja Service AB: President and CEO (2019–), Lassila & Tikanoja FM AB: President and CEO (2017–); Veolia FM AB, President and CEO (2017); Veolia Sverige AB, COO (2012–2017); Dalkia Energy and Building Services AB, President and CEO (2007–2012), Vice President (2004–2007), COO (2001–2004), Regional Director (1998–2001); Locum Drift AB, Business Manager (1995–1998); Locum AB, Regional Director (1992–1994)



**Antti Tervo**

born 1978

Vice President, Industrial Services

**Member of the Group Executive Board since:**

14 February 2012

**Education:** M.Sc. (Econ.)

**Key work experience:** Lassila & Tikanoja plc: Chief Officer responsible for procurement and supply chain (2012–2014); Siemens, North West Europe: Head of Commodity Management (2009–2012), Project Manager, Procurement and Supply Chain Management (2008–2009); Siemens Oy Finland and Baltics: Director, Procurement (2005–2009), Procurement Manager (2003–2005), Supply Chain Consultant (2001–2003)





### Sirpa Huopalainen

born 1965

General Counsel

**Member of the Group Executive Board since:**

26 February 2019

**Education:** OTK, Master of Laws (Aus.)

**Key work experience:** Lassila & Tikanoja Oyj, General Counsel (2012–); Atria Oyj, General Counsel (2007–2012); Metso Automation Oy, Legal Counsel (2004–2007); Metso Corporation, Legal Counsel (1999–2004); Rauma Oyj, Legal Counsel (1996–1999)



### Jorma Mikkonen

born 1963

Director, Corporate Relations and Sustainability

**Member of the Group Executive Board since:**

1 June 2015

**Education:** Master of Laws

**Key work experience:** Lassila & Tikanoja plc: Division Manager, Environmental Services (2009–2012), Division Manager, Industrial Services (2000–2009); Säkkiväline Oy: Administrative Director (1999–2000), Corporate Lawyer (1992–1999); Helsingin Suomalainen Säästöpankki: Corporate Lawyer (1991–1992)



### Hilppa Rautpalo

born 1974

HR Director

**Member of the Group Executive Board since:**

1 January 2020

**Education:** Master of Laws (trained at the bench)

**Key work experience:** Arctia Ltd, SVP, Legal Affairs and HR (2018–2019); Unisport-Saltex Oy, General Counsel, Group HR Director (2017–2018); Ekokem Oyj, SVP, Legal Affairs and HR (2013–2017); Amer Sports Oyj, Senior Legal Counsel (2007–2009); Metsä Group, Group Legal Counsel (2000–2007)

In 2019, members of the Group Executive Board also included Tutu Wegelius-Lehtonen (membership ended on 25 February 2019), Kirsi Matero (membership ended on 13 May 2019) and Juha Jaatinen (membership ended on 31 July 2019). Their information has been presented as per the situation on the date of termination of membership.

### Juha Jaatinen

born 1965

Interim CFO

**Member of the Group Executive Board since:**

26 February 2019

**Education:** M.Sc. (Econ.)

**Key work experience:** Evac Group, CFO (2016–2018); Okmetic Oyj, CFO, responsible for Finance, IT and Communication (2010–2016); Nokia Markets, Senior Business Controller (2008–2010); Nokia Multimedia, Director, Finance and Control (2004–2007); Nokia Mobile Phones, Business Controller, Entertainment business Unit, Development Manager, Financial Reporting System Specialist (1997–2003); ICL Data Controller (1995–1997)

### Kirsi Matero

born 1968

HR Director

**Member of the Group Executive Board since:**

1 January 2012

**Education:** M.Sc. (Econ.)

**Key work experience:** Atria Oyj: Group Vice President, Human Resources (2010–2011); Pfizer Oy: HR Director (2007–2010); Nokia Mobile Phones: Senior Business HR Manager (2004–2007); Nokia Mobile Phones and Nokia Networks: Business HR Manager and Competence Development Manager (1998–2003); Adulta Oy: Programme Manager (1996–1998); Shell Oil Products: Product Manager (1994–1995)

### Tutu Wegelius-Lehtonen

born 1970

Vice President, Facility Services

**Member of the Group Executive Board since:**

16 February 2015

**Education:** Lic. Tech.

**Key work experience:** Lassila & Tikanoja plc: Chief Procurement Officer (2015–2016); Hartwall Oy: Operations and Supply Chain Director (2014); Rexel Finland Oy: Director of Marketing and Business Development (2011–2014); YIT: managerial positions in procurement and logistics (2004–2008) and in YIT's Building Services and Building and Industrial Services divisions (2009–2011); Ensto: Director, Production and Logistics (1998–2004)

**Membership on other Boards:** The Real Estate Employers (Kiinteistöyönantajat ry), Member of the Board (2017–2019)

### Group Executive Board members' shareholding 31 December 2019

	31 December 2019
Eero Hautaniemi	20,403
Valtteri Palin	0
Tuomas Mäkipeska	7,948
Petri Salermo	14,929
Erik Sundström	0
Antti Tervo	8,094
Sirpa Huopalainen	5,419
Jorma Mikkonen	5,782
Hilppa Rautpalo*	0
<b>Total</b>	<b>62,575</b>

\* Member of Group Executive Board from 1 January 2020

Shares in the company held by the Group Executive Board members and any corporations over which they exercise control have been taken into account in terms of shareholding. Group Executive Board members do not hold shares in any group companies other than Lassila & Tikanoja plc.

Information about the remuneration paid to the President and CEO and the Group Executive Board is disclosed in the Remuneration Statement published in connection with the Report of the Board of Directors and is available at [www.lt.fi/annualreport2019](http://www.lt.fi/annualreport2019).

## Descriptions of internal control procedures and main features of risk management system

### The Group's financial reporting

The financial reporting principles represent an essential element of L&T's Integrated Management System. The financial information of the Group and its divisions are reported and analysed internally within the Group monthly and disclosed as interim reports, half-yearly reports and financial statements release on a quarterly basis. The Group's and its divisions' budgets and long-term financial plans are updated annually.

The Group's financial reporting process includes both financial accounting and management accounting. The internal control and risk management processes and procedures pertaining to the financial reporting process are explained in more detail below. Their purpose is to ensure that the information disclosed in the financial reports published by the company is essentially correct.

### Audit Committee

The Board of Directors' Audit Committee supervises and monitors the efficiency of L&T's financial reporting process and internal control systems. The Audit Committee has reviewed L&T's internal control policy and the Board of Directors has approved it.

The Audit Committee meets at least four times a year before the publication of interim reports and the financial statements release. In its meetings, the Audit Committee reviews the financial information presented by the Chief

Financial Officer, as well as interim and half-yearly reports and financial statements releases. The auditor is also invited to attend the meetings. The Audit Committee is presented in more detail in the Committees section.

### L&T's financial reporting process

L&T conducts a significant proportion of its business in Finland. Functions related to accounting, accounts payable and receivable, payments and financing in the financial reporting process in Finland are centralised. Organisation of these functions into different teams allows the separation of various finance-related tasks. To support the consistent process in Finland, L&T also runs a centralised accounting system and common operational practices.

L&T's foreign subsidiaries each have independent financial management departments operating in compliance with the accounting principles and reporting instructions issued by the Group's financial management. L&T's domestic business segments and foreign subsidiaries submit a monthly reporting package to the Group according to the Group's instructions. Controllers supervise the financial reports of domestic business segments and foreign subsidiaries.

L&T's Group financial management is responsible for preparing and updating the Group accounting policies and instructions, and for preparing reporting schedules. The financial management department consolidates subsidiaries' financial statements into consolidated financial statements, which include notes to the financial statements, and prepares interim and half-yearly reports and financial statement releases and the annual financial statements. Public financial reporting is realised

with the same principles and it is subject to the same control methods as monthly internal financial reporting. The Audit Committee reviews the interim report, half-yearly report and financial statements and proposes its recommendation on their processing to the Board of Directors. The Board of Directors approves the interim report, half-yearly report, financial statements release and financial statements prior to their publication.

### Internal control

Internal control is a material part of the Group's administration and management. The purpose of internal control is to ensure the reliability of the Group's financial reporting, efficiency and profitability of operations and compliance with legislation and other regulations. Tools of internal control include policies and principles, guidelines, manual and IT system-based automatic controls, follow-up reports and inspections or audits.

The company's Board of Directors has ratified L&T's internal control policy. The Board of Directors and the President and CEO are responsible for the organisation of internal control. The Audit Committee of the Board of Directors monitors the efficiency and performance of internal control and correctness of financial reporting.

The financial development of the company is monitored monthly by an operational reporting system covering the whole Group. In addition to actual data, the system provides budgets, forecasts and investment reports. L&T's operations and financial reports are monitored and compared against budgets and forecasts at different organisational levels. Group management, divisional management and area management as well as business unit management analyse the results and any

nonconformities. Those responsible for finances at the divisions also analyse the financial reports and prepare reports for management use. Their duties also include supervision of the accuracy of financial reports and analysis of results.

## Risk management

L&T has a defined risk management process that includes a review of financial, strategic, operational and damage-related risks.

### Key risk management principles

Risk management at L&T aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's strategic and financial objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

### Responsibilities

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management. Risk management at L&T Group is controlled by the risk management and insurance policy confirmed by L&T's Board of Directors. The policy specifies the objectives and principles, organisation and responsibilities and procedures of the

Group's risk management. The Group's financing policy confirmed by L&T's Board of Directors is followed in the management of financial risks. The principles for insurance risk management are specified in the Risk Management and Insurance Policy.

### Identification, assessment and reporting of risks

Risks are surveyed regularly and systematically at both division and company level and in central functions considered to be critical. 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 President and CEO and the Board of Directors.

## Other information disclosed in the CG statement

### Internal audit

Internal audit enhances the realisation of the monitoring responsibility of L&T's Board of Directors. It is the task of L&T's internal audit to support the company and its senior management in the achievement of strategic and financial goals by providing a systematic approach to assessing and developing the effectiveness of the organisation's internal control, risk management and governance systems and performance, efficiency and

appropriateness of business processes. The internal audit function provides recommendations for the development of the above-mentioned systems and processes.

The internal audit focuses primarily on proactive measures by participating in development projects and supporting the businesses in the identification of risks related to their planned operating models and the specification of risk management measures. The internal audit has no operational responsibility for projects and it does not participate in decision-making. In its operations, the internal audit complies with generally accepted international professional standards concerning internal audit and ethical principles, as well as the internal audit operating guidelines confirmed by L&T's Board of Directors.

The internal audit operates under the supervision of the Audit Committee of L&T's Board of Directors and the company's President and CEO and reports its observations and recommendations to the Audit Committee, President and CEO, management of each audited division and the auditor. Internal audit may purchase external outsourced services for carrying out audit tasks requiring additional resourcing or special expertise as necessary.

The Board's Audit Committee confirms the annual plan of internal audit, in which items to be audited are selected based on the Group's strategic objectives, estimated risks and focal areas specified by the Board of Director and the President and CEO. The audit plan is amended based on risks as necessary.

## Related-party transactions

In accordance with the Corporate Governance Code, the company evaluates and monitors transactions between the company and its related parties and aims to ensure that any conflicts of interest are taken into consideration in decision-making. If the related-party transactions are material to the company and deviate from the company's ordinary business operations or are made in deviation from ordinary market terms, the company must report the decision-making procedure concerning such related-party transactions.

L&T's related-party transactions are described in [Note 5.4](#) to the financial statements. L&T did not carry out any business transactions with related parties that were material to the company, deviated from its normal business operations or were not made on market or market equivalent terms in 2019.

## Insider guidelines

The company complies with the Market Abuse Regulation (596/2014, "MAR") and the Securities Market Act and related regulations and guidelines issued by the European Securities Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd. Moreover, the Board of L&T's has also verified insider guidelines to supplement the Guidelines for Insiders issued by Nasdaq Helsinki Ltd. Certain key aspects of the insider guidelines are described below. The insider guidelines clearly specify certain practices and decision-making procedures for ensuring that the

company's insider management has been arranged in a consistent and reliable way. The General Counsel is responsible for insider issues in the company.

As a result of MAR, L&T has not had a public insider list since 3 July 2016. L&T also no longer maintains a permanent company-specific insider register. Instead, the company's employees and service providers with access to certain insider information are recorded in project-specific lists of insiders. Service providers may keep a list of insiders concerning their own employees if so decided by the company in an individual case.

If a person holds inside information, trading in the company's securities is always prohibited. In addition, certain trading restrictions apply to certain managers and employees of the company also when said parties hold no inside information. L&T has specified the Board of Directors and the President and CEO as executives as referred to in the Market Abuse Regulation. Said persons may not trade in L&T's financial instruments on their own account or for the account of a third party for a closed period of 30 days preceding the publication of the company's interim reports, half-year report and financial statements release, including the date of publication. The closed period preceding result announcements and the restriction of trading during the closed period also apply to the persons who participate in the preparation of interim reports and the financial statements release, or who otherwise have regular access to L&T's undisclosed financial information.

These managers, i.e. Board members and the President and CEO, and the persons closely associated

with them are required to notify L&T and the Finnish Financial Supervisory Authority of all transactions involving financial instruments issued by L&T or related to L&T. Transactions by managers and the persons closely associated with them are published as stock exchange releases via the company website.

### Auditor

L&T has one auditor that must be a firm of auditors approved by the Finland Chamber of Commerce. The auditor is elected by the Annual General Meeting. KPMG Oy Ab, Authorised Public Accountants, was elected by the Annual General Meeting of 2019 as the company's auditor, with Leenakaisa Winberg, Authorised Public Accountant, as the principal auditor.

The auditors and the Board agree on the audit plan annually and discuss the audit's findings.

In 2019, the fees paid for the Group's statutory auditing to KPMG group totalled EUR 216,000 (168,000). The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 62,000 (30,000). Such other services were mainly related to consulting in accounting, taxation and financial reporting.



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