Annual Report 2024
Lassila & Tikanoja plc

This is a voluntary prepared pdf report, so it does not fulfill the disclosure obligation pursuant to Section 7:5§ of the Securities Markets Act. Translation of the Finnish original.

LEADER OF THE **REGENERATIVE SOCIETY**

Contents

L&T in brief

Lassila & Tikanoja is a Finnish service company established in 1905 that is making the circular economy a reality. Together with our customers, we keep materials, manufacturing sites and properties in productive use for as long as possible and increase the efficiency of the use of raw materials and energy.

By investing in sustainable circular economy solutions, we create value for our customers, personnel and society in general. Achieving this also means growth in value for our shareholders.

Sustainability is an integral element of our strategy, business and day-to-day work. Our objective is to grow our carbon handprint, which refers to the positive climate impact of our operations.

We bear social responsibility by looking after the work ability of our personnel, promoting diversity in working life, and offering jobs to those who are struggling to find employment. We ensure the compliance of our operations by adhering to our Code of Conduct.

L&T's business operations are divided into four divisions: Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden. L&T operates in Finland and Sweden.

Our net sales in 2024 amounted to EUR 770.7 million, and we employed about 7,400 circular economy professionals. L&T is listed on Nasdaq Helsinki and had 24,523 shareholders at the end of the period under review.

CEO's review

In circular economy businesses, solid performance continued in 2024. Both Environmental Services and Industrial Services improved their profitability, and net sales of the divisions in total grew compared to the previous year. In Environmental Services, net sales were on par with the comparison period. In Industrial Services, net sales increased by 2.9 per cent from the previous year.

In Environmental Services, the challenging business environment was reflected in the demand for recycling and waste management services throughout the financial period. Especially in the construction industry customer segment, the demand decreased compared to the comparison period. In addition, the municipalisation of collection of packaging material waste from housing properties continued in 2024. Through the efficiency improvement measures implemented in the first half of the year, the costs of service production were successfully adapted to the current market situation. The division's market position remained solid in corporate and producer responsibility organisation customers and the position in the municipal contracts strengthened.

In Industrial Services, the hazardous waste business line saw strong demand throughout the year. In the process cleaning business, the annual maintenance breaks were carried out as planned and resourcing was successful. In the environmental construction business, the weak economic situation in the Finnish construction market was reflected in a decrease in the volumes of material flows delivered to material treatment centres. In Sweden, Industrial Services expanded to the Gävleborg region through an acquisition.

In facility services businesses, the year 2024 was twofold. In Finland, the net sales of facility services decreased as planned due to the termination of unprofitable customer agreements, and the operating profit more than doubled compared to the previous year. In Sweden, the adjusted operating loss of facility services increased as net sales decreased by 16.0 per cent from the comparison period.

In Facility Services Finland, all business lines achieved a better result than in the comparison period. Performance of the cleaning business was particularly strong. Measures to streamline the cost structure and the efficiency of the operations continued. The number of employees in the division has decreased by more than 450 people compared to the comparison period.

In Facility Services Sweden, the decline in net sales and the increase in the adjusted operating loss were impacted by the discontinuation of a significant customer relationship in late 2023 as well as two public-sector customer agreements turning unprofitable during 2024. The measures to simplify operating models and adjust the cost level continued throughout 2024. The number of employees in the division decreased by 155 people from the comparison period. The turnaround in Facility Services Sweden progressed more slowly than expected, but the new customer accounts won towards the end of the year as well as the additional measures initiated to improve profitability create conditions for achieving a turnaround during 2025.

In December 2024, the company initiated the planning of the possible separation of its circular economy businesses Environmental and Industrial Services and facility services businesses into two independent listed companies. The plan is to separate the circular economy businesses into a newly listed company through a partial demerger of Lassila & Tikanoja plc. It is expected that the separation of the circular economy and facility services businesses could increase shareholder value by enabling both businesses to pursue their own strategies and growth opportunities more effectively.

Lassila & Tikanoja renewed its operating model in 2024. Continuing the operating model work, the company launched an efficiency programme aiming for improved performance at the beginning of 2025, encompassing both the circular economy and facility services businesses. The efficiency programme aims for an annual performance improvement of at least EUR 8 million by the end of 2026 compared to the 2023 level, including the impact on the annual cost level of having two separate listed companies. The efficiency programme focuses on, among other things, simplifying procedures and improving the efficiency of direct and indirect procurement and fleet usage.

Eero Hautaniemi
President and CEO

WE SUPPORT
UN GLOBAL COMPACT

We support the UN Global Compact initiative

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

Report by the Board of Directors

Financial performance and governance

Financial performance

Group net sales and financial performance

Net sales for 2024 totalled EUR 770.7 million (802.1), representing a year-on-year decrease of 3.9%. The organic decrease in net sales was 4.2%. Adjusted operating profit was EUR 43.2 million (37.9), representing 5.6% (4.7) of net sales. Operating profit was EUR 9.8 million (37.3), representing 1.3% (4.6) of net sales. Operating profit included items affecting comparability totalling EUR 33.4 million, consisting mainly of impairment of goodwill allocated to Facility Services Sweden, provisions relating to Facility Services Sweden's onerous contracts and disputes as well as expenses arising from the restructuring of business operations. Earnings per share were EUR -0.05 (0.77).

Net sales increased in Industrial Services, were on par with the comparison period in Environmental services and decreased in Facility Services Finland and Sweden. Operating profit improved in Environmental Services, Industrial Services and Facility Services Finland and operating loss increased in Facility Services Sweden.

The result for the financial year was negatively affected by net financial expenses rising to EUR -8.6 million (-6.3). The result for the comparison period was positively affected by the fair value of EUR 1.3 million of an interest rate swap being recognised in financial items due to the termination of the interest rate swap. The result for the period was positively affected by L&T's EUR 3.2 million (3.6) share of the profit of the joint venture Laania Oy.

Division reviews

Environmental Services

The Environmental Services division's net sales for 2024 totalled EUR 281.5 million (283.7). Adjusted operating profit was EUR 26.6 million (25.9). Operating profit was EUR 26.2 million (25.9).

In the Environmental Services division, the profitability improved in 2024, despite the challenging business environment affecting the demand for recycling and waste management services throughout the financial year. Especially in the construction industry customer segment, the demand decreased compared to the comparison period. In addition, the municipalisation of collection of packaging material waste from housing properties continued in 2024. Through the efficiency improvement measures implemented in the first half of the year, the costs of service production were successfully adapted to the current market situation. The division's market position remained solid in corporate and producer responsibility organisation customers. The position in the municipal contracts strengthened

On 16 October 2024, the company announced that it had signed an agreement to acquire Stena Recycling Oy's pallet business. The net sales of Stena Recycling Oy's pallet business amounted to approximately EUR 10.5 million in 2023. The business includes the plant areas in Klaukkala and Lieto, and it employs approximately 13 people. The transaction is subject to the approval of the competition and consumer authority.

There has been a significant systems renewal project under way in Environmental Services, which also includes the deployment of a new ERP system. The implementation phase of the project began in the second half of 2024, during which the first pilot units transitioned to production. The total investment in the system projects by the end of 2024 was approximately EUR 19.1 million. L&T expects to commence amortisation of the system renewal investment during the second quarter of 2025.

Industrial Services

The Industrial Services division's net sales for 2024 increased to EUR 145.1 million (141.0). Adjusted operating profit was EUR 16.2 million (14.0). Operating profit was EUR 15.1 million (13.8). Operating profit was reduced by a change of EUR 1.0 (0.2) million in the fair value of the deferred consideration related to the acquisition of Sand & Vattenbläst i Tyringe AB ("SVB"). The change in the fair value is due to the expected improvement of SVB's EBITDA level in 2025.

In Industrial Services, profitable growth continued. The hazardous waste business line saw strong demand. In the process cleaning business, the annual maintenance breaks were carried out as planned and resourcing was successful. In the environmental construction business, the weak economic situation in the Finnish construction market was reflected in a decrease in the volumes of material flows delivered to material treatment centres.

The process cleaning business of the Industrial Services division was expanded in Sweden to the Gävleborg region through an acquisition that was completed on 1 February 2024. L&T acquired the entire share capital of PF Industriservice AB, which provides process cleaning services. PF Industriservice had net sales of approximately EUR 2.5 million in the financial year preceding the transaction, and it has approximately seven employees. PF Industriservice offers various process cleaning services to customers in the forest industry, energy sector and construction industry. Following the acquisition, the Industrial Services division has approximately 100 employees in Sweden, and process cleaning services are offered to industrial customers in southern and central Sweden.

Facility Services Finland

The net sales of Facility Services Finland totalled EUR 238.0 million (250.0) in 2024. Adjusted operating profit was EUR 9.6 million (4.4). Operating profit was EUR 9.4 million (4.4).

In Facility Services Finland, all business lines achieved a better result than in the comparison period. There was strong demand for data-driven cleaning services and AI-assisted energy efficiency services in the division. Measures to streamline the cost structure and efficiency of the operations continued and the division's operating profit improved clearly. The number of employees in the division has decreased by more than 450 people compared to the comparison period.

Facility Services Sweden

The net sales of Facility Services Sweden division decreased to EUR 111.9 million (133.2) in 2024. Adjusted operating profit was EUR -7.5 million (-3.7). Operating profit was EUR -35.1 million (-3.7). Operating profit included items affecting comparability totalling EUR 27.5 million, consisting of impairment of goodwill, provisions relating to onerous contracts and disputes as well as expenses arising from the restructuring of business operations. Operating profit before the amortisation of purchase price allocations of acquisitions was EUR -33.8 million (-2.5).

The impairment of goodwill is due to weaker than anticipated development of net sales and operating profit in the Swedish facility services business. The provisions concerning onerous contracts relate to two public-sector customer agreements. According to the company's estimate, the future expenses of these agreements will exceed their expected revenue.

The decline in net sales and weakening of profitability in Facility Services Sweden were impacted by the discontinuation of a significant customer relationship in late 2023 as well as two public-sector customer agreements turning unprofitable during 2024. The measures to simplify operating models and adjust the cost level continued throughout 2024. The number of employees in the division decreased by 155 people from the comparison period. The turnaround in Facility Services Sweden progressed more slowly than expected, but the new customer accounts won towards the end of the year as well as the additional measures initiated to improve profitability create conditions for achieving a turnaround during 2025.

MEUR	2024	2023	Change %
Net sales			
Environmental Services	281.5	283.7	-0.8
Industrial Services	145.1	141.0	2.9
Facility Services Finland	238.0	250.0	-4.8
Facility Services Sweden	111.9	133.2	-16.0
Interdivisional net sales	-5.8	-5.8	
The Group total	770.7	802.1	-3.9
Operating profit			
Environmental Services[1]	26.2	25.9	0.8
Industrial Services	15.1	13.8	9.4
Facility Services Finland	9.4	4.4	110.9
Facility Services Sweden	-35.1	-3.7	-844.8
Group administration and others	-5.7	-3.2	
The Group total[1]	9.8	37.3	-73.6
Adjusted operating profit			
Environmental Services[1]	26.6	25.9	2.6
Industrial Services	16.2	14.0	15.7
Facility Services Finland	9.6	4.4	115.3
Facility Services Sweden	-7.5	-3.7	-103.0
Group administration and others	-1.6	-2.8	
The Group total[1]	43.2	37.9	14.1

%	2024	2023
Operating margin		
Environmental Services[1]	9.3	9.1
Industrial Services	10.4	9.8
Facility Services Finland	3.9	1.8
Facility Services Sweden	-31.3	-2.8
The Group total[1]	1.3	4.6
Adjusted operating margin		
Environmental Services[1]	9.5	9.1
Industrial Services	11.2	9.9
Facility Services Finland	4.0	1.8
Facility Services Sweden	-6.7	-2.8
The Group total[1]	5.6	4.7

MEUR	2024	2023
Gross capital expenditure		
Environmental Services	18.4	40.2
Industrial Services	17.4	17.5
Facility Services Finland	1.1	1.0
Facility Services Sweden	0.1	0.5
Group administration and others	0.4	1.2
The Group total	37.5	60.3

MEUR	2024	2023
Capital employed		
Environmental Services[1]	207.3	208.0
Industrial Services	92.4	92.2
Facility Services Finland	17.0	21.7
Facility Services Sweden	29.9	59.9
Group administration and others	49.5	43.2
The Group total[1]	396.1	425.0

%	2024	2023
Return on capital employed (ROCE)		
Environmental Services[1]	12.6	13.0
Industrial Services	16.4	14.7
Facility Services Finland	51.4	19.4
Facility Services Sweden	-77.9	-5.9
The Group total[1]	3.3	10.1

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

Financing and capital expenditure

Net cash flow from operating activities in 2024 totalled EUR 81.4 million (93.6). Net cash flow from operating activities after investments totalled EUR 40.8 million (50.9). Net cash flow from operating activities after investments for the financial year was reduced by acquisitions, which had a total impact of approximately EUR 1.5 million. In 2024, a total of EUR 3.2 million in working capital was released (5.1 released). Net cash flow from operating activities for the comparison period was positively impacted by significant tax refunds as well as fair value of an interest rate swap being recognised in financial items due to the termination of the interest rate swap.

At the end of the financial year, interest-bearing liabilities amounted to EUR 186.9 million (193.7). Net interest-bearing liabilities totalled EUR 153.0 million (160.9). The average interest rate on long-term loans, excluding lease liabilities, with interest rate hedging, was 3.8% (4.0%). The company had no interest rate swaps at the end of the financial year.

The EUR 100.0 million commercial paper programme was unused at the end of the financial year, as was the case in the comparison period. The account limit totalling EUR 10.0 million and the committed credit limit totalling EUR 40.0 million were not in use, as was the case in the comparison period.

Net financial expenses totalled EUR -8.6 million (-6.3). Net financial expenses for the comparison period were affected positively by the fair value of EUR 1.3 million of an interest rate swap being recognised in financial items due to the termination of the interest rate swap. The effect of exchange rate changes on net financial expenses was -0.0 million (-0.0). Net financial expenses were 1.1% (0.8) of net sales.

The equity ratio was 35.4% (36.7) and the gearing ratio was 73.2% (69.5). The Group's total equity amounted to EUR 209.2 million (231.3). Translation differences caused by changes in the exchange rate of the Swedish krona affected equity by EUR -2.1 million. Cash and cash equivalents at the balance sheet date totalled EUR 33.9 million (32.9).

Gross capital expenditure for the financial year totalled EUR 37.5 million (60.3). The capital expenditure consisted primarily of machine and equipment purchases, as well as investments in information systems. Acquisitions accounted for approximately EUR 2 million (0) of the gross capital expenditure.

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in Note 5.4 Related-party transactions in the notes to the consolidated financial statements. Subsidiary loans and their terms are presented in Note 11 of the financial statements of the parent company.

Outlook

Net sales in 2025 are estimated to be at the same level as in the previous year, and adjusted operating profit is estimated to be at the same level or better compared to the previous year.

Resolutions by the Annual General Meeting

TThe Annual General Meeting of Lassila & Tikanoja plc, which was held on 21 March 2024, adopted the financial statements and consolidated financial statements for the financial year 2023, discharged the members of the Board of Directors and the President and CEO from liability, and adopted the remuneration report and remuneration policy for the company's governing bodies. The Annual General Meeting resolved on the use of the profit shown on the balance sheet and the payment of dividend, the composition and remuneration of the Board of Directors, the election and remuneration of the auditor, the adoption and remuneration of the sustainability auditor, and authorising the Board of Directors to decide on the repurchase of the company's own shares and on a share issue and the issuance of special rights entitling to shares.

The Annual General Meeting resolved that a dividend of EUR 0.49 per share be paid on the basis of the balance sheet adopted for the financial year 2023. It was decided that the dividend be paid on 3 April 2024.

The Annual General Meeting confirmed the number of members of the Board of Directors as seven (7) in accordance with the proposal of the Shareholders' Nomination Board. Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen, Anni Ronkainen and Pasi Tolppanen were re-elected, and Juuso Maijala was elected as a new member to the Board until the end of the following Annual General Meeting. Jukka Leinonen was elected as the Chairman of the Board and Sakari Lassila was elected as the Vice Chairman.

The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor. PricewaterhouseCoopers Oy has announced that it will name Samuli Perälä, Authorised Public Accountant, as the principal auditor. In addition, the company's auditor was adopted also as the company's sustainability auditor to audit the sustainability report for the financial year 2024.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 21 March 2024.

Partial demerger and the efficiency programme

On 13 December 2024, the company announced, that the Board of Directors of Lassila & Tikanoja plc has decided to initiate the planning of the possible separation of its circular economy businesses Environmental and Industrial Services and facility services businesses into two independent listed companies. The plan is to separate the circular economy businesses into a newly listed company through a partial demerger of Lassila & Tikanoja plc.

According to the Board of Directors' preliminary assessment, the separation of the circular economy and facility services businesses could increase shareholder value by enabling both businesses to pursue their own strategies and growth opportunities more effectively.

The Board of Directors of Lassila & Tikanoja estimates that planning the possible partial demerger will take approximately 12 months. The planning will start immediately. The possible partial demerger and listing of the circular economy businesses requires the approval of the Extraordinary General Meeting of Lassila & Tikanoja plc.

Lassila & Tikanoja renewed its operating model in 2024. Continuing the operating model work, the company will launch an efficiency programme aiming for improved performance at the beginning of 2025, encompassing both the circular economy and facility services businesses. The efficiency programme aims for an annual performance improvement of at least EUR 8 million by the end of 2026 compared to the 2023 level, including the impact on the annual cost level of having two separate listed companies.

As of 1 January 2025, Lassila & Tikanoja will have three reportable segments: Circular Economy Business, consisting of current Environmental Services and Industrial Services divisions, Facility Services Finland, and Facility Services Sweden. The change in reporting structure will be reflected in Lassila & Tikanoja's financial reporting starting from Q1 2025. Adjusted comparison figures based on the new segment structure will be published before the first interim report for 2025.

Events after the financial year

On 10 January 2025, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board proposes to the Annual General Meeting to be held on 27 March 2025 that the Board of Directors to have eight (8) members. The Nomination Board proposes that, of the current members, Teemu Kangas-Kärki, Sakari Lassila, Jukka Leinonen, Juuso Maijala, Anni Ronkainen and Pasi Tolppanen be re-elected to the Board of Directors, and that Tuija Kalpala and Anna-Maria Tuominen-Reini be elected as new members to the Board of Directors. In addition, the Nomination Board proposes that Jukka Leinonen be elected as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman. Of the current members of the Board of Directors, Laura Lares has informed the Nomination Board that she is not available for re-election for the next term of the Board of Directors. The CV's of Tuija Kalpala and Anna-Maria Tuominen-Reini are available on Lassila & Tikanoja's website at www.lt.fi/en/company/management-and-board-of-directors/board-of-directors. The current members of the Board of Directors are presented on the same page.

According to the currently valid Articles of Association, the management of the company and the proper arrangement of its operations are the responsibility of a Board of Directors comprising a minimum of three (3) and a maximum of seven (7) members appointed by the General Meeting of Shareholders. The Nomination Board's proposal requires an amendment to Article 4 of the Articles of Association, which will be included in full in the notice of the Annual General Meeting. Of the company's shareholders, the Evald and Hilda Nissi Foundation, Nordea Nordic Small Cap Fund Oy and the group of shareholders consisting of Chemec Oy, CH-Polymers Oy, Maijala Eeva, Maijala Investment Oy, Maijala Juhani, Maijala Juuso, Maijala Miikka, Maijala Mikko, Maijala Roope and Maijala Tuula, who are represented on the Nomination Board and collectively represent approximately 22.1% of all shares and votes in the company, have declared that they are in favour of the proposal.

Lassila & Tikanoja received a notification from Nordea Funds Ltd on 31 January 2025, according to which its voting rights in Lassila & Tikanoja increased above 5 percent on 30 January 2025. Nordea Funds Ltd's direct holding in Lassila & Tikanoja is 1,912,244.00 shares, which is 4.93% of Lassila & Tikanoja's total shares and votes increased to 1,946,154.00, which is 5,02% of total voting rights.

Long-term financial and customer-related targets

Long-term financial targets remained the same. Lassila & Tikanoja does not consider long-term financial targets as market guidance for any year. Read more about L&T's sustainability and stakeholder targets on page 16.

Indicator	Target	2024	2023
Annual growth in net sales, %	5%	-3.9	-5.0
Return on capital employed, %[1]	15%	3.3	10.1
Gearing, %[1]	Less than 125%	73.2	69.5
Net Promoter Score, NPS	> 50 by 2026	37	35

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

Changes in the Group Executive Board

On 8 April 2024, Lassila & Tikanoja announced that Juha Saarinen, M.Sc.(Tech.) has been appointed as Chief Purchasing Officer and a member of the Group Executive Board effective from 1 August 2024. Saarinen joined L&T from Kamux plc, where he served as Chief Purchasing Officer.

On 3 May 2024, the company announced that CFO Valtteri Palin had decided to pursue career opportunities outside L&T. On 6 May 2024, the company announced that Joni Sorsanen, M.Sc.(Econ.) had been appointed as Chief Financial Officer (CFO) and a member of the Group Executive Board of Lassila & Tikanoja. He took up his post on 10 July 2024. Sorsanen joined L&T from Consti plc, where he served as CFO.

On 16 May 2024, the company announced that Petri Salermo, Senior Vice President, Environmental Services, and Sirpa Huopalainen, General Counsel, had decided to pursue career opportunities outside L&T. In addition, Mikko Taipale, Senior Vice President, Facility Services Sweden, would no longer be a member of the Group Executive Board after 16 May, but he would continue to be employed by the company. From 16 May 2024 onwards, Antti Tervo, Senior Vice President, Industrial Services, has also been responsible for the Environmental Services division, and Antti Niitynpää, Senior Vice President, Facility Services Finland, has also been responsible for Facility Services Sweden. Hilppa Rautpalo, Senior Vice President, Human Resources, has also been responsible for legal affairs from 16 May 2024 onwards.

Dividend policy

The amount of dividend is tied to the results for the financial year. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

Proposal for profit distribution

In 2024, the Group's earnings per share were EUR -0.05 (0.77) and net cash flow from operating activities after investments per share amounted to EUR 1.07 (1.33). The Board of Directors will propose a dividend of EUR 0.50 per share to the Annual General Meeting to be held on 27 March 2025. A dividend of EUR 0.49 per share was paid for the financial year 2023.

Shares and shareholders

Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2024. The registered share capital of the company is EUR 19,399,437. The number of shares is 38,798,874. The average number of shares excluding the shares held by the company was 38,163,886. Each share carries one vote. The Articles of Association do not set an upper limit on the share capital and number of shares. A share has neither a nominal value nor a book equivalent value. The company's shares are included in the book-entry system of securities maintained by Euroclear Finland Ltd. Euroclear Finland maintains the company's official list of shareholders.

Shareholders

At the end of the financial year, the company had 24,522 (24,959) shareholders. Nominee-registered holdings accounted for 13.9% (10.2) of the total number of shares.

Holdings of the Board of Directors, the President and CEO and the Executive Board

The members of the Board, the President and CEO and the Executive Board, and organisations under their control held a total of 250,887 shares in the company on 31 December 2024, representing 0.6 per cent of the total number of shares and votes.

Lassila & Tikanoja plc transferred 13,332 shares to the members of the Board of Directors as a part of their annual fee based on a decision made by the Annual General Meeting on March 21, 2024.

Share-based incentive plans

In December 2022, the Board of Directors of Lassila & Tikanoja plc decided to establish two new long-term share-based incentive plans for the Group's key employees. The aim of the new plans is to align the objectives of the company, shareholders and key employees in order to increase the value of the company in the long term, to retain the key employees at the company and to offer them competitive reward plans that are based on earning and accumulating the company's shares as well as on appreciation of the share price. The Performance Share Plan 2023–2027 comprises three (3) three-year (3) performance periods covering the calendar years 2023–2025, 2024–2026 and 2025–2027.

	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
Breakdown of shareholding by sector on 31 December 2024				
Corporations and housing associations	948	3.9	3,640,595	9.4
Financial and insurance corporations	47	0.2	7,960,468	20.5
General government	16	0.1	2,807,226	7.2
Households	23,236	94.8	16,755,334	43.2
Non-profit institutions serving households	206	0.8	6,189,691	16.0
Foreign shareholders	69	0.3	795,091	2.1
Shares not transferred to the book-entry securities system	0		40,528	0.1
Own shares	1		609,941	1.6
Total	**24,523**	**100**	**38,798,874**	**100**
Nominee-registered	9		5,395,065	13.9
Breakdown of shareholding by size of holding on 31 December 2024				
Number of shares				
1–1 000	21,894	89.3	4,794,129	12.4
1,001–5,000	2,140	8.7	4,550,843	11.7
5,001–10,000	268	1.1	1,916,966	4.9
10,001–100,000	186	0.8	5,167,635	13.3
100,001–500,000	22	0.1	4,734,383	12.2
over 500,000	12	0.0	16,984,450	43.8
Shares not transferred to the book-entry securities system	0		40,528	0.1
Own shares	1		609,940	1.6
Total	**24,523**	**100**	**38,798,874**	**100**
Nominee-registered	9		5,395,065	13.9

Major shareholders on 31 December 2024, excluding nominee-registered shares

	Shareholder	Number of shares	Percentage of shares and votes
1	Evald and Hilda Nissi´s Foundation	3,496,487	9.0
2	Nordea Nordic Small Cap Fund	1,706,300	4.4
3	Maijala Juhani	1,529,994	3.9
4	Bergholm Heikki	895,000	2.3
5	Åbo Akademi University Foundation	816,282	2.1
6	Ilmarinen Mutual Pension Insurance Company	790,000	2.0
7	Varma Mutual Pension Insurance Company	729,791	1.9
8	Maijala Mikko	720,000	1.9
9	Lassila & Tikanoja plc	609,941	1.6
10	Elo Mutual Pension Insurance Company	574,180	1.5
11	The State Pension Fund	512,000	1.3
12	Turjanmaa Kristiina	480,000	1.2
13	Phoebus	385,000	1.0
14	Oy Chemec Ab	366,320	0.9
15	Maijala Eeva	346,000	0.9
16	Samfundet folkhälsan i Svenska Finland rf	336,800	0.9
17	Security Trading Oy	330,000	0.9
18	Brotherus Ilkka	285,000	0.7
19	Lassila Juha	184,785	0.5
20	OP Pohjola Group	175,128	0.5
	20 largest owners total	**15,269,008**	**39.4**

During the performance period 2023–2025, the earning of rewards is based on the following performance criteria: return on capital employed (ROCE), total shareholder return (TSR) and reduction of the carbon footprint (ESG). The target group of the Performance Share Plan during the performance period 2023–2025 consists of approximately 36 key employees, including the Group's President and CEO and the Group Executive Board.

During the performance period 2024–2026, the earning of rewards is based on the following performance criteria: return on capital employed (ROCE), total shareholder return (TSR) and reduction of the carbon footprint (ESG). The target group of the Performance Share Plan during the performance period 2024–2026 consists of approximately 38 key employees, including the Group's President and CEO and the Group Executive Board.

During the performance period 2025–2027, the earning of rewards is based on the following performance criteria: return on capital employed (ROCE), total shareholder return (TSR), reduction of the carbon footprint (ESG) and revenue growth. The target group of the Performance Share Plan during the performance period 2025–2027 consists of approximately 50 key employees, including the Group's President and CEO and the Group Executive Board.

The transitional share-based incentive scheme 2023–2026 consists of two (2) earnings periods of one (1) year each, corresponding to the calendar years 2023 and 2024. The earnings period is followed by a two-year retention period. The aim of the scheme is to support the transition from the old share-based incentive scheme to the new share-based incentive scheme.

The earning of rewards for the 2023 and 2024 earnings periods is based the return on capital employed (ROCE) and the reduction of the carbon footprint (ESG). The target group of the transitional share-based incentive scheme for the earnings periods 2023 and 2024 consists of approximately 10 key employees, including the Group's President and CEO and the Group Executive Board. The rewards paid in February 2024 based on the performance period 2023 corresponded to the value of approximately 42.998 Lassila & Tikanoja plc shares, also including the portion paid in cash.

Trading in shares in 2024

The company's shares are quoted on the mid-cap list of Nasdaq Helsinki Oy in the Industrials sector. The trading code is LAT1V and the ISIN code is FI0009010854.

The volume of trading in L&T's shares in 2024 was 8.6 million shares, which represents 22.5% (14.8) of the average number of outstanding shares. The value of trading was EUR 75.8 million (57.1). The highest share price was EUR 10.36 and the lowest 7.71 EUR The closing price was EUR 7.87. At the end of the financial year, the market capitalisation excluding the shares held by the company was EUR 300.5 million (373.9).

Flagging notifications

On 26 August 2024, Lassila & Tikanoja plc received a notification pursuant to chapter 9, section 5 of the Securities Markets Act, according to which Protector Forsikring ASA's shareholding in Lassila & Tikanoja increased above the 5% limit on 23 August 2024.

Own shares

At the end of the period, the company held 609,941 of its own shares, representing 1.6% of all shares and votes.

Authorisations for the Board of Directors

The Annual General Meeting held on 21 March 2024 authorised Lassila & Tikanoja plc's Board of Directors to decide on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling their holders to shares.

The Board of Directors is authorised to purchase a maximum of 2,000,000 company shares (5.2% of the total number of shares). The repurchase authorisation is effective for 18 months.

The Board of Directors is authorised to decide on the issuance of new shares or shares that may be held by the company through a share issue and/or issuance of option rights or other special rights conferring entitlement to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that under the authorisation, a maximum of 2,000,000 shares (5.2% of the total number of shares) may be issued and/or conveyed. The authorisation is effective for 18 months.

Risks and 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 Group'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. The risk management process also aims to assess the opportunities associated with risks.

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 the division and company levels and in Group functions considered to be critical. Risk surveys also cover risks related to the collection and reporting of sustainability information, such as potential errors in connection with the collection or consolidation of information. The significance of risks is assessed using 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 impact of risks is analysed in terms of their effects on EBIT, among other things, and the assessment of the probability of the realisation of the risks takes into account the nature of operations and the risk mitigation measures taken by the Group. The most significant identified risks, and the preparations for those risks, are regularly reported to the President and CEO and the Board of Directors.

Risk analysis

On pages 7-8 are described the most important strategic, operational and sustainability related risks of L&T's business which, if realised, can endanger or prevent the achievement of business objectives. Financial risks and their management are described in note 4.2 to the consolidated financial statements.

Near-term risks and uncertainties

General economic uncertainty may affect the level of economic activity among customers, which may reduce the demand for L&T's services.

Changes in costs, such as the price of fuel and energy and interest rates, may have an impact on the company's financial performance.

The Finnish Waste Act was amended in July 2021. Under the reforms to the Waste Act, municipalities take on a larger role in organising the collection of packaging materials and biowaste from housing properties. As a consequence of the reform, L&T's direct customer agreements with housing properties on the separate collection of packaging waste and biowaste will be transferred to municipalities for competitive bidding gradually between 1 July 2022 and 1 July 2025. L&T estimates that, as a result of municipalisation, approximately EUR 30 million of the Finnish waste management market will be moved out of the scope of free competition between 2024 and 2026. L&T participates in the competitive tendering of municipal contracts and is a significant operator in municipal contracts. Nevertheless, L&T estimates that the overall impact of the change will be negative for the company.

The company has several ERP system renewal projects under way. Temporary additional costs arising from system deployments and establishing the operating model may weigh down the company's result.

Production costs may be increased by regional challenges related to employee turnover and labour availability.

The geopolitical situation involves continued uncertainty due to Russia's war of aggression. The indirect impacts on overall economic activity in Finland and Sweden may have a negative impact on net sales and profit.

Lassila & Tikanoja announced in December 2024 that the company's Board of Directors has decided to initiate the planning for the separation of the company's circular economy businesses, i.e., Environmental and Industrial services, and facility services businesses into two independent listed companies, with the circular economy businesses being separated into a new listed company. The planning and related measures for the partial demerger may include risks related to, for example, the retention of skilled personnel, customer relationships, costs, and the execution of potential transactions.

The Group company Lassila & Tikanoja FM AB is a claimant and a defendant in legal proceedings in Sweden concerning unpaid receivables invoiced from a former customer of L&T. In June 2022, Lassila & Tikanoja FM AB took legal action in the District Court of Solna against the former customer company of L&T, demanding payment for unpaid receivables. At the end of the review period, the amount of receivables on the company's balance sheet was approximately EUR 0.6 million. The former L&T customer company in question has rejected Lassila & Tikanoja FM AB's claims and the payment obligation, and brought a counterclaim demanding compensation totalling approximately SEK 144 million from Lassila & Tikanoja FM AB. The dispute is still pending. Lassila & Tikanoja considers the counterclaim to be without merit and has not recognised any provisions in relation to it.

Strategic, operational and sustainability risks

Strategic risks

Risk	Risk description	Risk management
Markets	• The general economic development of L&T's operating countries, changes in the competitive landscape and the functioning of the financial markets have an impact on the Group's business operations. • Changes in markets and the market environment, such as market changes pertaining to recycled raw materials may have an unfavourable effect on the Group's business operations and business growth. • Geopolitical conflicts may cause uncertainty, which can have an effect on the general level of economic activity and industrial production capacity, thereby reducing the demand for L&T's services. • The development of the market prices of emission rights, secondary raw materials, electricity and oil products may increase production costs.	• Creating and regularly updating scenarios, regular assessment, sharpening and updating of the strategy, taking industry changes into account and recognising the need for renewal as part of the continuous strategy process. • Continuous monitoring and analysis of market development and the business environment. • L&T is independent of large individual customers and has a diverse service offering. • Development of new service products.
Regulation	• The political environment in L&T's operating countries affects the Group's business operations, and changes in regulation, such as the municipalisation of waste management for certain waste fractions in the residential segment may have a negative impact on L&T's businesses.	• Active monitoring of legislative developments, anticipating future changes in a timely manner, and dialogue with the public authorities and legislators.
Technology	• The competitiveness of L&T's offering influences the Group's future growth. The Group's profitability may be adversely affected by errors in judgement when it comes to technology choices concerning service production and the fleet.	• Continuous monitoring and analysis of the business environment pertaining to L&T's operations and fleet. • Temporal diversification of fleet purchases.
Employees	• Challenges related to the availability of labour and employee turnover may complicate service production. • The potential reduction of employee satisfaction may affect L&T's competitive advantage, which is largely based on the work of skilled and motivated personnel. • A permanent increase in sickness rates and the personnel's disability and accident pension costs may negatively affect L&T's competitiveness and profitability.	• Improving the employee experience by developing induction training and supervisory work as well as by promoting job rotation and career advancement opportunities for employees. • Co-operation with municipal employment services, central government organisations and various educational institutions to ensure the availability of labour. • Promoting work-based immigration and the employment of special groups. • Regularly conducted job-specific and site-specific risk assessments and workplace surveys, and supporting the employees' work ability and capacity to cope with the demands of work through activities that promote work ability. • L&T's own sickness fund, which supports L&T's work ability management and complements occupational health care. • The Suitable Work model, which supports the rehabilitation and employment of people at risk of disability pension.
Strategic development projects	• Strategic development projects are under way in L&T's divisions to improve operational efficiency and operating models. Some of the projects also involve the renewal of key IT systems. Slower-than-expected progress or other challenges with the projects could weaken L&T's competitiveness. • Potential delays in strategic development projects aimed at growth could affect the renewal of business operations, which could slow L&T's future growth.	• Responsibilities have been assigned for the regular monitoring of the implementation of strategic projects, and corrective action is taken as necessary. Alternative paths forward are assessed as part of the projects. • L&T continuously evaluates and develops the capabilities required for the implementation of strategic development projects and, where necessary, acquires the necessary capabilities from external partners.

Operational risks

Risk	Risk description	Risk management
ICT systems, data security and data protection	• Disruptions, delays and functional challenges related to information and communications systems and their deployment may affect L&T's operations and customer service. • The renewal of business-critical systems may cause disruptions in service production. • Cyber crime could pose risks to L&T's data security and business continuity.	• Developing the systems environment and ensuring the reliability of the ICT environment by, for example, identifying which systems are critical to operations and defining the allocation of responsibilities between the system vendors and L&T. • Comprehensive planning of the deployment of new systems and related operating models. • Data security guidelines and employee training.
Damage-related risks	• A fire at a recycling plant may result in a momentary or extended interruption of the plant's operations. The significance of the risk of fire is reduced by the fact that individual plants or production lines have no substantial impact on L&T's overall profitability.	• Business continuity planning, developing first-hand fire extinguishing preparedness and training employees on how to respond to a fire or other hazardous situations. • Continuous insurance cover that extends to all of the Group's operating countries and subsidiaries and that includes policies for injuries, property damage, business interruption, third-party liability, environmental damage and transport damage, for example.
Procurement risks	• Rising fuel, electricity and other procurement costs could have a negative impact on L&T's profitability.	• Supply chain management, the diversification of propulsion sources and the improvement of efficiency.
Acquisitions	• The success of acquisitions may affect the achievement of the Group's growth and profitability targets. Failures in acquisitions may impact the Group's competitiveness and profitability and change the Group's risk profile.	• Acquisition agreements, the strategic and financial analysis of potential acquirees' business operations, comprehensive due diligence. • Effectively executed business integration programmes.
Financing risks	• Potential interest rate hikes may increase the company's interest costs.	• More detailed information on the management of financing risks is provided in note 4.2 to the consolidated financial statements.

Sustainability risks

Risk	Risk description	Risk management
Environmental risks	• Extreme weather phenomena, such as substantial increases in annual rainfall and snowfall, may lead to higher costs due to complications in service production. • Changes in regulations concerning environmental sustainability, such as changes to the carbon neutrality targets for transport or the promotion of the circular economy, or changes in the interpretation of regulations, may increase production costs or weaken customer demand. • L&T's business includes the collection and transport of non-hazardous and hazardous waste, as well as their processing at the Group's own plants. Incorrect handling of hazardous waste or damage to equipment may result in harmful substances being released into the environment. L&T may become liable for damages due to this.	• L&T's own climate targets, the actions aimed at achieving the targets and the separate climate targets set for the supply chain are in line with the observations made in the scenario analysis. L&T manages transition risks by assessing market changes and responding to them in a timely manner. In addition, we take a proactive approach to influencing regulatory developments in their preparatory stages through the industry's key advocacy organisations, for example. • Systematic environmental surveys of plants, preventive maintenance plans for equipment, audits and the long-term training of personnel. • Insurance.
Social risks	• Safety is at the heart of L&T's operations. Accidents are possible in spite of thorough occupational safety processes and training. • Potential deficiencies in respecting human rights in the company's own operations, such as inappropriate working conditions, harassment, racism, discrimination and other unethical conduct could lead to legal proceedings, liability for damages and reputational risk.	• Comprehensive training, communication, safety management guidelines and principles, as well as regular safety surveys and proactive safety efforts. • Diversity training and other training for supervisors, as well as instructions and a process for preventing harassment and discrimination. • Careful compliance with legislation and collective agreements. Careful risk assessment and implementing risk-based preventive measures.
Ethical business	• Potential deficiencies in respecting human rights in the supply chain such as inappropriate working conditions, harassment, racism, discrimination and other unethical conduct could lead to reputational risk.	• Careful compliance with legislation and collective agreements. • Whistleblowing channel available on the intranet and the Group website. • L&T mainly operates in Finland and Sweden with local partners, and the risk of human rights violations is low in these countries.

Sustainability report

ESRS 2 General Disclosures

BP-1 – General basis for preparation of the sustainability statements

Lassila & Tikanoja plc (hereinafter referred to as "L&T") is a multi-service company that comprises the Environmental Services, Industrial Services and Facility Services businesses in Finland and the Industrial Services and Facility Services businesses in Sweden. The company's Sustainability report has been prepared in accordance with Commission Delegated Regulation (EU) 2023/2772 (hereinafter referred to as "European Sustainability Reporting Standards") supplementing Directive 2013/34 of the European Parliament and of the Council as regards sustainability reporting standards (CSRD), the provisions of which concerning sustainability have been implemented in Chapter 7 of the Finnish Accounting Act (1336/1997). This Sustainability report covers all L&T Group companies presented in the consolidated financial statements for the financial year 1 January–31 December 2024, p. 119, unless otherwise stated in connection with the reported information.

The information in the Sustainability report is reported at the Group level, including the parent company Lassila & Tikanoja plc (hereinafter referred to as "L&T" or "the company") and all subsidiaries. The information concerning the company's own workforce is also divided into country-specific figures. L&T does not report information on a company-specific basis. L&T reports value chain information in accordance with disclosures in relation to specific circumstances. Information concerning trade secrets and intellectual property rights has not affected the reporting of information that is material to L&T.

BP-2 – Disclosures in relation to specific circumstances

The reported sustainability topics and sustainability indicators are based on L&T's double materiality assessment, which was completed in 2024. The definitions of short-, medium- and long-term presented in section 6.4 of ESRS 1 have been applied in the double materiality assessment. With regard to metrics, L&T applies the reporting period used in the financial statements. More information on the double materiality assessment and its results is provided in section ESRS 2 IRO-1, pp. 26–29.

The assessment of impacts, risks and opportunities as well as the company's related policies, actions, targets and metrics apply, as a rule, to L&T's own operations, with the exception of the following disclosures which apply to the value chain:

ESRS E1 Climate change

- L&T reports scope 3 emissions in accordance with the GHG Protocol (upstream and downstream).
- The carbon handprint describes the emissions avoided through the services provided to L&T's customers.
- L&T has set a separate climate target for the value chain.

ESRS E4 Biodiversity and ecosystem services

- The metrics concerning the remediation of contaminated soil sites and meadow restoration projects are related to services provided to customers.

ESRS E5 Resource use and circular economy

- L&T's recycling rate target applies to materials collected from customers.

ESRS S2 Workers in the value chain

- The information applies to L&T's direct suppliers and their employees.

There are uncertainties associated with the reported scope 3 emissions data, as the background data used is mainly based on euro-denominated procurement data and emission factors in accordance with emission categories. The background data provided by the supplier or a third party and any assumptions made in the calculation are stated in the greenhouse gas calculation principles. The GHG calculation principles are described in section E1-6, p. 50.
The calculation principles applicable to each topic and the background data

List of references in the Sustainability Report

ESRS	Disclosure Requirement	Subject	Page number in the Sustainability Report
ESRS 2 General Disclosures	GOV-4 – Statement on sustainability due diligence	Human rights risk assessment process Procurement policies and practices	15
ESRS 2 General Disclosures	SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business models	Descriptions of policies, actions, targets and metrics	19
ESRS 2 General Disclosures	IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statement	The material Disclosure Requirements and their page numbers are listed in the disclosure indexing	30
ESRS E1 Climate change	Disclosure Requirement related to ESRS 2 GOV-3 – Integration of sustainability-related performance in incentive schemes	Climate-related aspects of the remuneration of the members of the administrative, management and supervisory bodies	14
ESRS E1 Climate change	ESRS 2 IRO-1 – Material impacts, risks and opportunities and their interaction with strategy and business models	Material impacts, risks and opportunities concerning climate change mitigation	26
ESRS S1 Own workforce	ESRS 2 SBM-3 – Impacts, risks and opportunities from the perspective of the strategy and business model	Use of leased employees Material impacts, risks and opportunities concerning own workforce	19
ESRS G1 Business conduct	G1-2 – Management of relationships with suppliers	Reported under S2 Workers in the value chain	79

used in the calculations are presented in connection with each topic. The disclosure indexing related to the European Sustainability Reporting Standards (ESRS) is reported in section ESRS 2 IRO-2, pp. 30–35. Aside from the verification of sustainability reporting, L&T has not otherwise certified or obtained third-party assurance for the metrics presented in the Sustainability Report.

L&T's sustainability report presents comparative data only for greenhouse gas emissions information. However, these comparative year values have not been included as part of the verification of other data in the sustainability report. For other comparative data, L&T utilizes the transitional provision concerning comparative values presented in ESRS 1, section 7.1, in the first year of preparing the sustainability report.

With regard to transitional provisions, the ESRS 1 standard's Appendix C list of phased-in disclosure requirements has been applied. They are listed in the disclosure indexing in section ESRS 2 IRO-2, pp. 30–35. L&T uses the transitional provision when calculating the anticipated financial impacts related to the SBM-3 disclosure requirements. In addition, L&T applies the the transitional provision related to the value chain presented in ESRS 1 paragraph 10.2 in the following topics:

- E1 Biogenic CO2 emissions in all scope 3 categories
- E1 Emission data in scope 3 category 2 (capital goods)
- E4 Value chain information
- S2 Consultation of value chain workers

The Sustainability Report is published annually. The reporting period is the same as for financial reporting, i.e. 1 January 2024–31 December 2024.

GOV-1 – The role of the administrative, management and supervisory bodies

The Board of Directors and Board committees

L&T's Board of Directors is the most senior body responsible for sustainability. 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 duties of the Board of Directors include overseeing the company's strategy, major business decisions and the risk management process, and approving key policies and principles pertaining to business conduct. The Board of Directors approves the company's strategic sustainability targets and metrics, the key policies that guide the company's operations and the results of the company's double materiality assessment, for example. Progress towards strategic targets is presented to the Board of Directors four times per year, in connection with each interim report. In addition, the Board of Directors annually reviews the results of the company's risk management, which also cover the company's climate risks.

Three separate CSRD-related training sessions were organised for the Board of Directors in 2024. The training sessions provided the Board members with information on the company's material sustainability-related impacts, risks and opportunities, as well as the company's development areas and progress towards targets. The company does not have a separate control procedure in place for managing sustainability-related impacts, risks and opportunities. Instead, the company assesses them as part of the strategic risk management process. The company's climate risks, for example, are assessed in accordance with L&T's risk management process. L&T will develop its control procedure for sustainability-related impacts, risks and opportunities in 2025.

The Board of Directors has two committees: an Audit Committee and a Personnel and Sustainability Committee. The Audit Committee consists of four Board members, and the Personnel and Sustainability Committee consists of three Board members. 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 Personnel and Sustainability Committee prepares the double materiality assessment on behalf of the Board of Directors. The double materiality assessment is then discussed by the Audit Committee and approved by the Board of Directors. The double materiality assessment is updated and approved annually by the Board of Directors. 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.

Personnel and Sustainability Committee

The sustainability programme's new focus areas and future development areas are discussed regularly by the Personnel and Sustainability Committee of the Board of Directors. Based on a presentation by L&T's Senior Vice President, Corporate Relations and Responsibility, the committee prepares the results of the company's double materiality assessment, which are based on an assessment of the company's impacts, risks and opportunities. The Personnel and Sustainability Committee also monitors and assesses the development of L&T's business environment, regulation and stakeholder support. The Personnel and Sustainability Committee met four times in 2024.

Audit Committee

The charter of the Audit Committee includes monitoring and assessing the development of sustainability in the company and the results of the company's ESG assessments and analyses, and assisting the Board of Directors in the preparation and monitoring of sustainability reporting. The Committee monitors and evaluates sustainability-related target setting in the short and long term and the effectiveness of risk management systems. In 2024, the Audit Committee monitored the progress of the preparations for sustainability reporting as part of the process of working on the Report by the Board of Directors. In 2024, the Audit Committee discussed sustainability themes on three occasions.

Diversity and expertise of the Board of Directors

Both genders have been represented in the Board of Directors and its committees for a long time. In 2024, the Board of Directors had seven members, of whom 71% were male and 29% were female. The age range of the Board members was 49–69 years. None (0%) of the members of the Board of Directors are in an employment relationship with the company. The Board of Directors has assessed that all (100%) of its members are independent of the company.

The members of the Board of Directors are familiar with the circular economy sector. They have extensive experience in different business areas and an understanding of different markets and their special characteristics through their previous experience. The experience and competence of the members of the Board of Directors supports the strategic development of the service business. The Board of Directors has assessed its own performance and expertise in the areas that are the most significant to the company. The members of the Board of Directors have assessed the extent to which their expertise corresponds to the company's business, industry, services, geographical scope and material aspects of sustainability.

From the perspective of sustainability, the key areas of expertise of the Board of Directors are:

- environmental responsibility (ESRS E1 Climate change, ESRS E4 Biodiversity and ecosystems, ESRS E5 Resource use and circular economy),
- human resource management (ESRS S1 Own workforce),
- corporate governance (ESRS 2 General Disclosures, ESRS G1 Business conduct),
- supply chain management (ESRS S2 Workers in the value chain, ESRS G1 Business conduct),
- International market knowledge (Finnish and Swedish markets) and
- industry expertise (ESRS E5 Resource use and circular economy, ESRS S1 Own workforce).

Chief Executive and Group Executive Board

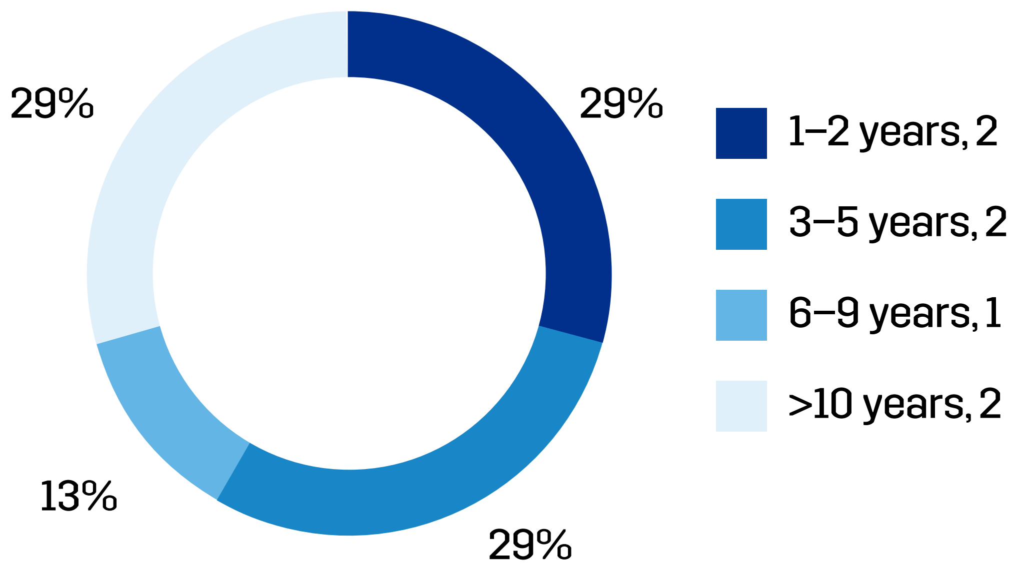
The President and CEO is responsible for L&T's operations in keeping with the instructions of the Board of Directors, and is in charge of the company's strategy process. The President and CEO reports to L&T's Board of Directors. The President and CEO is assisted by the members of the Group Executive Board, each of whom is, in their own area of responsibility, in charge of the development of sustainability and the management and implementation of the identified development themes. These include, among other things, the policies submitted to the

Diversity and sustainability expertise of the Board of Directors

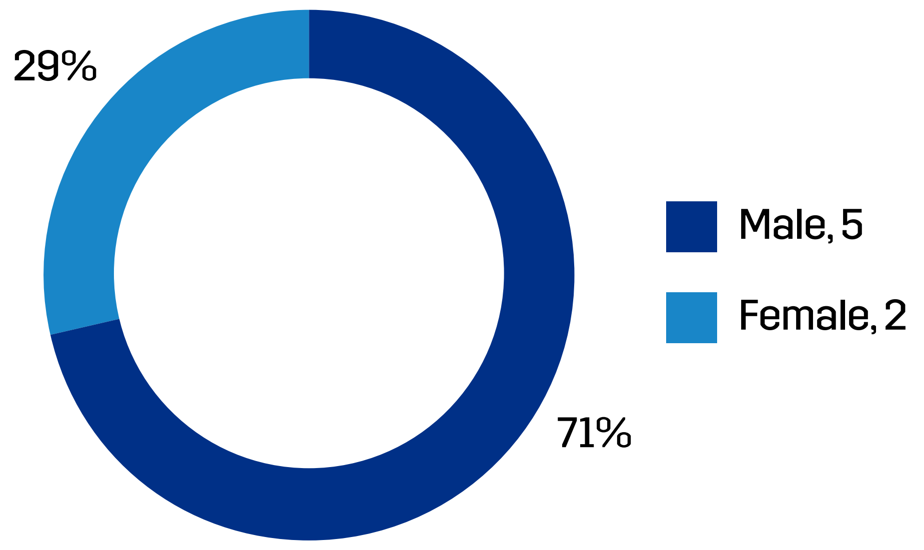
Name	Board member since	Sustainability expertise	Independent of the company	Independent of the shareholders	Audit Committee	Personnel and Sustainability Committee	Concurrent Board memberships in listed companies
Jukka Leinonen	2021	• Environmental responsibility (E1, E4, E5) • Human resources management (S1)	⬢	⬢		Chairman	1
Sakari Lassila	2011	• Governance (ESRS 2, G1) • Supply chain management (S2, G1)	⬢	⬢	Chairman		
Teemu Kangas-Kärki	2016	• Governance (ESRS 2, G1)	⬢	⬢	Member		1
Laura Lares	2014	• Environmental responsibility (E1, E4, E5) • Human resources management (S1) • Governance (ESRS 2, G1) • Industry expertise (E5, S1)	⬢	⬢		Member	
Juuso Maijala	2024	• Human resources management (S1) • Supply chain management (S2, G1)	⬢	⬢	Member		
Anni Ronkainen	2023	• Human resources management (S1) • Governance (ESRS 2, G1)	⬢	⬢	Member		4
Pasi Tolppanen	2020	• International market expertise (Finland and Sweden) • Industry expertise (E5, S1)	⬢	⬢		Member	

The table presents the key areas of expertise of the members of the Board of Directors on 31 December 2024. A particular area of expertise not being specifically mentioned for a Board member does not mean that the member in question lacks expertise in that area.

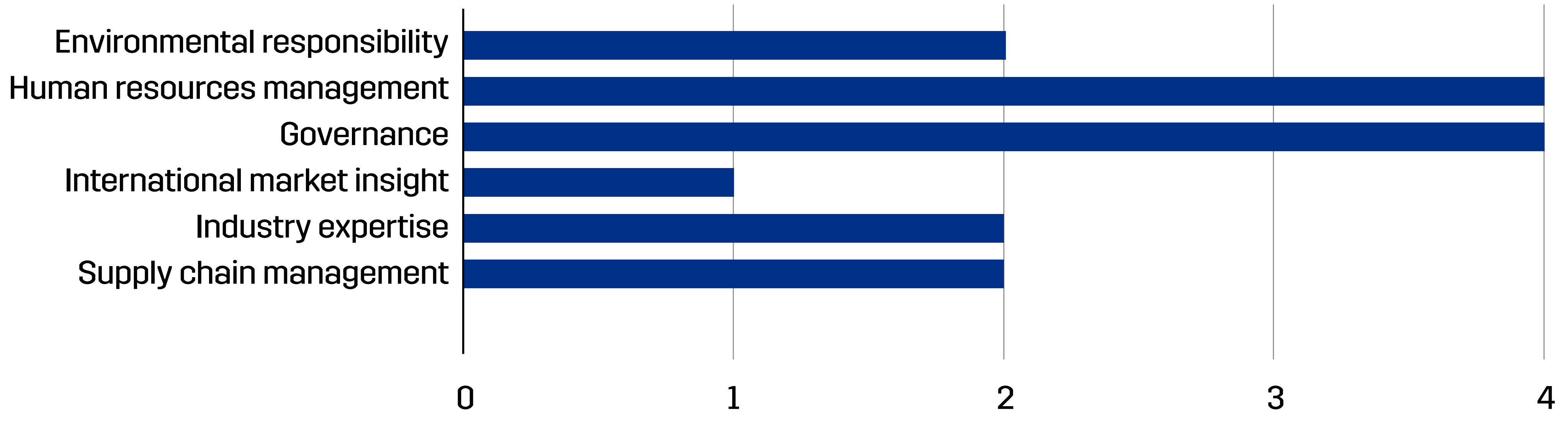
Duration of Board membership in years



Gender distribution



Main sustainability expertise based on self-assessment (number of persons)



company's Board of Directors for approval, the sustainability programme and its strategic targets, as well as the results of the double materiality assessment. L&T's President and CEO monitors the implementation of the sustainability targets and reports to the Board of Directors and its committees on their impacts, risks and opportunities. The members of the Group Executive Board report to L&T's President and CEO. In 2024, the members of L&T's Group Executive Board participated in the Board of Directors' training sessions that covered CSRD-related topics.

The development of L&T's sustainability is driven by the company's sustainability programme. Approved by the Board of Directors, the programme takes into account the material aspects of L&T's sustainability and sets measurable targets to be monitored. The focus areas of the programme have been determined based on the impacts of L&T's operations, the expectations of key stakeholders and the Group's strategic priorities. L&T has also taken into account the special characteristics of the operations and business environment of a service company in the environmental sector as well as the UN's sustainable development principles and the objectives of the Global Compact initiative.

The Group Executive Board steers the implementation of the sustainability programme and monitors it quarterly. Development primarily takes place in business-driven working groups, but the Director of Corporate Relations and Sustainability and the communications and sustainability organisation operating under their supervision are in charge of the practical coordination and reporting of sustainability efforts. The businesses and other functions are in charge of the sustainability and compliance of their operations in accordance with the Group's management system. L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and ISO 45001 standards. On 31 December 2024, L&T's Group Executive Board consisted of eight members, of whom 13% were female and 87% were male.

Compliance task force

Policies and principles are prepared by the compliance task force, which operates under L&T's General Councel and Senior Vice President, HR and Legal, and meets at least four times per year. The President and CEO and the Group Executive Board approve all policies and principles, and some are also subsequently approved by the Board of Directors.

The compliance task force also reviews compliance related to sustainability reporting, develops the company's monitoring activities related to legislation, and monitors incidents reported via the company's whistleblowing channels. The compliance task force consisted of the Senior Vice President, HR and Legal, and the Compliance Officer as permanent members, as well as the Vice President in charge of occupational safety and risk management, the Head of Sustainability and the Vice President in charge of communications. The compliance task force prepares a separate compliance review for the Group Executive Board at least twice a year and for the Audit Committee at least once a year.

Key policies, responsibilities and training related to policies

Subject area	Policy	Responsibility	The most senior approval body	Training intended for personnel
Corporate governance	Employee Code of Conduct	Senior Vice President, HR and Legal	Board of Directors	Online training
Corporate governance	Anti-corruption and anti-bribery policy	Senior Vice President, HR and Legal	CEO and Group Executive Board	Online training
Corporate governance	Information security policy	Chief Information Officer	CEO and Group Executive Board	Online training
Corporate governance	Data protection policy	Senior Vice President, HR and Legal	Board of Directors	Part of online training on the information security policy
Corporate governance	Tax policy	Chief Financial Officer	Board of Directors	Part of the induction of separately identified experts
Corporate governance	Policy on supplier gifts and hospitality	Senior Vice President, Corporate Relations and Sustainability	CEO and Group Executive Board	Part of the induction of separately identified experts
Society	HR policy	Senior Vice President, HR and Legal	CEO and Group Executive Board	Part of induction
Society	Occupational Safety Policy	The executive in charge of occupational safety	CEO and Group Executive Board	Online training
Society	Human rights policy	Senior Vice President, HR and Legal	Board of Directors	Part of online training on the Code of Conduct
Society	Supplier Code of Conduct	Chief Purchasing Officer	CEO and Group Executive Board	Part of the contractual requirements
Environment	Environmental policy	Senior Vice President, Corporate Relations and Sustainability	CEO and Group Executive Board	No specific training, implementation through objectives, targets, metrics and monitoring

L&T's compliance task force ensures that the company's policies are up-to-date. Most of the company's sustainability-related policies are public and can be found on the company's website. L&T also has internal plans that guide its operations, such as business-specific diversity plans and guidelines that supplement policies, which can be found via the company's internal communication channels.

Policies are updated at two-year intervals in collaboration with specialists. Responsible parties and approvers have been designated for each policy. The governance-related Employee Code of Conduct, anti-corruption and anti-bribery policy, data protection policy, information security policy, guidelines on gifts and hospitality in procurement activities, and related targets and metrics are described in more detail in section G1-1, pp. 77–79. The occupational safety policy, personnel policy and human rights policy are described in more detail in section S1-1, pp. 63–64. The Supplier Code of Conduct is described in more detail in section S2-1, pp. 74–75. The environmental policy is described in more detail in section E1-2, p. 47.

L&T also requires that employees complete online training on policies and principles on a job role-specific basis. Statistics on the completion of these training activities are monitored by the compliance task force and the Group Executive Board. The development of competence is the responsibility of the Senior Vice President, HR and Legal, together with the HR organisation. The HR organisation also prepares company-specific personnel development plans. The company's key policies and principles with relevance to the sustainability report are listed on p. 13. All of the listed policies and principles, with the exception of the information security policy, are publicly available on L&T's website.

GOV-2 – Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

Sustainability matters are taken into account in the company's strategy, in connection with major business decisions and in risk management processes to the extent that they are material to the strategy, decision or process. This also includes the assessment of material impacts, risks and opportunities. The Board of Directors additionally monitors, as part of the risk management process, that L&T has sufficient capabilities to identify, assess and manage risks effectively. The Board of Directors annually approves the results of L&T's double materiality assessment, which address L&T's material impacts, risks and opportunities. L&T's key sustainability targets are reported to the Board of Directors four times per year in connection with interim reports, and they are part of the company's strategic objectives. In connection with interim reports, the Board of Directors assesses the measures necessary for achieving the targets and metrics. The sustainability risk management process is part of the company's overall risk management process. The due diligence process related to acquisitions is described in more detail in section ESRS 2 GOV-4, p. 15.

L&T's strategy is based on the idea of being a leader of the regenerative society. The company's aim is to mitigate climate change and biodiversity loss and promote the sustainable use of raw materials and natural resources.

During the reporting period, the following sustainability-related topics, among others, were discussed in the meetings and training sessions of the Board of Directors and its committees:

- The content of the Sustainability report, related responsibilities and preparation for sustainability reporting (discussed in three training sessions)
- Reviewing policy updates and approving new policies (human rights policy and tax policy)
- Approval of climate transition plan
- Approval of the results of the double materiality assessment
- Monitoring the development of sustainability reporting preparedness in three meetings of the Audit Committee
- Monitoring regulation concerning sustainability
- Development of the key targets of the sustainability programme.

During the reporting period, the following sustainability-related topics, among others, were discussed in the meetings of the Group Executive Board:

- Environmental, quality, personnel, and occupational safety policies
- Anti-corruption and anti-bribery policy
- Guidelines concerning gifts and hospitality in procurement
- The Group's climate transition plan
- The results of the double materiality assessment
- Identification and assessment of human rights risks
- Progress of the sustainability programme
- Regulation concerning sustainability

GOV-3 – Integration of sustainability-related performance in incentive schemes

L&T's Personnel and Sustainability Committee has drafted, and the Board of Directors has approved, the Remuneration Policy, which was presented to the Annual General Meeting on 21 March 2024. The Remuneration Policy describes the remuneration principles concerning the Company's governing bodies, namely the Board of Directors and the President and CEO. During the financial year 2024, L&T complied with the Remuneration Policy presented to the Annual General Meeting. There were no deviations from the Remuneration Policy and no clawback of remuneration. In accordance with the Remuneration Policy, the aim of the remuneration scheme of the Board of Directors and the President and CEO is to contribute to the positive development of shareholder value, as well as to enhance the Company's competitiveness, long-term financial success, and fulfilment of the strategy and goals set by the Company. An analysis of the total compensation of the Board of Directors, the President and CEO and the Group Executive Board is prepared annually by an external consultant that is independent of the company. The analysis is reviewed by the Personnel and Sustainability Committee.

On 21 March 2024, the Annual General Meeting resolved, in accordance with the proposal of the Shareholders' Nomination Board, on the remuneration of L&T's Board of Directors and the grounds thereof for 2024. The remuneration of the Board of Directors did not include remuneration components related to sustainability matters.

The remuneration of the President and CEO consists of a fixed monthly salary and benefits, and a separate annually decided short-term incentive. The objectives of the short-term incentive scheme are set – and their achievement assessed – annually. In addition, the President and CEO is included in the share-based incentive scheme, which serves as a long-term incentive scheme. The Board of Directors decides on the remuneration and financial benefits payable to the President and CEO. Prior to the decision-making of the Board of Directors, the matter is prepared by the Personnel and Sustainability Committee of the Board.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2024 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (70% weight), improving working capital (20% weight) and the employee Net Promoter Score (eNPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponded to the financial year 2024, the incentive bonus was earned at 35.1% of the maximum amount The President and CEO will be paid EUR 92,565 in the financial year 2025 for the earnings period that corresponds to the financial year 2024. The short-term incentive scheme and the share-based incentive scheme that serves as a long-term incentive scheme constitute the variable components of the President and CEO's remuneration.

The long-term incentive scheme includes a share-based incentive programme that covers the financial years 2023–2027. L&T's emission reduction targets (scope 1 and 2) are part of the company's strategic goals and they have been taken into account in the long-term incentive scheme for senior management. As a rule, the earnings period of the plan is three calendar years. L&T's Board of Directors decides on the earning criteria for each earnings period based on the Personnel and Sustainability Committee's proposal. The Board of Directors monitors and evaluates performance annually.

The share-based incentive schemes with the years 2023 and 2024 as the earnings periods, and the three three-year earnings periods of 2023–2025, 2024–2026 and 2025–2027, are described below:

- The share-based incentive scheme with the financial year 2023 as the earnings period. The reward is based on the Group's return on capital employed (ROCE) with a weight of 80% and carbon footprint reduction with a weight of 20%. The earnings criteria for the earnings period that corresponds to the financial year 2023 were achieved to such an extent that the reward represented 51.3% of the maximum amount. In the financial year 2024, the Presi-

dent and CEO was paid a total of EUR 145,727 under the long-term incentive scheme (corresponding to 16,108 L&T shares to be transferred and including the cash component) for the earnings period that corresponded to the financial year 2023, calculated at the average share price on 23 February, 2024.
- The share-based incentive scheme with the financial year 2024 as the earnings period. The reward is based on the Group's return on capital employed (ROCE) with a weight of 80% and carbon footprint reduction with a weight of 20%. The earnings criteria for the earnings period that corresponds to the financial year 2024 were achieved to such an extent that the reward represented 23.51% of the maximum amount. In the financial year 2025, the President and CEO was paid a total of EUR 60,827.68 under the long-term incentive scheme (corresponding to 7,382 L&T shares to be transferred and including the cash component) for the earnings period that corresponded to the financial year 2024, calculated at the average share price on 25 February, 2025.
- The share-based incentive scheme with the financial years 2023–2025 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2023–2025 (50% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), and carbon footprint reduction (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2026.
- The share-based incentive scheme with the financial years 2024–2026 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2023–2025 (50% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), and carbon footprint reduction (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2027.
- The share-based incentive scheme with the financial years 2025–2027 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2025–2027 (30% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), carbon footprint reduction (20% weight) and revenue during the period 2025–2027 (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2028.

GOV-4 – Statement on sustainability due diligence

L&T applies due diligence in its operations. Information related to sustainability themes has been taken into account as part of the company's processes concerning acquisitions, procurement and human rights risk assessment.

Due diligence process in the context of acquisitions

In connection with acquisitions, various practices of the company being acquired are identified and assessed. Examples of these include employment contracts, occupational safety management and occupational health. Depending on the nature of the operations, compliance with environmental permits and the current state of production are also examined, provided that they may have impacts related to L&T's climate targets, for instance. Due diligence always includes a financial and legal evaluation. L&T's due diligence obligation concerning acquisitions is fulfilled at the business management level, in collaboration with the company's Legal Affairs function. If necessary, external M&A professionals are utilised to assist in the evaluation of the subject of the acquisition. The due diligence reports are available to the President and CEO, the Group Executive Board and the Board of Directors when they make the investment decision.

Due diligence process in procurement

Supplier due diligence is taken into account at different stages of the procurement process. L&T's compliance-related expectations are set out in the Supplier Code of Conduct, which is included in the appendices to L&T's procurement agreements. Compliance is verified during the cooperation through self-assessment questionnaires, audits and monitoring in accordance with the Contractor's Liability Act. In addition, the supplier's financial and legal information is reviewed in connection with contract negotiations. L&T uses many long-term suppliers, which promotes the transparency of the chain and enables the long-term development of various operating models. The Group's Chief Purchasing Officer is responsible for supplier cooperation and its development. The policies, actions and objectives are described in more detail in section ESRS S2, pp. 74–76.

Due diligence process in human rights risk assessment

L&T observes the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organization (ILO), international agreements and the UN Guiding Principles on Business and Human Rights. L&T is committed to supporting the UN Global Compact initiative and its principles pertaining to human rights and labour rights. Human rights are also taken into account in L&T's public policies and plans, such as the Employee Code of Conduct, Supplier Code of Conduct, human rights policy, occupational safety policy and internal diversity plan. L&T's human rights principles have been approved by the President and CEO and the Group Executive Board.

In 2024, L&T carried out a company-wide human rights risk assessment that covered not only the company's own operations but also the impacts of L&T's supply chain. The assessment is based on the UN Guiding Principles and the OECD Guidelines for Multinational Enterprises. The human rights risk assessment process corresponds to the key components of due diligence described in the OECD Guidelines.

In the human rights risk assessment, L&T identified and assessed its actual and potential human rights impacts and particularly vulnerable groups that are directly or indirectly impacted by its operations. The assessment took into account the severity and likelihood of the identified potential human rights risks and examined the scale, scope, severity and remediability of the potential impacts.

The assessment also takes into account the company's existing measures to prevent adverse impacts. Industry-specific special features and the identified risks associated with them have also been taken into account in the final assessment. These include, for example, publicly reported abuses in Finland concerning the use of foreign labour in the cleaning industry. The identification of L&T's key human rights impacts is based on, for example, reports and surveys by various organisations and public authorities, country-specific risk assessments and information obtained from supplier audits and self-assessment surveys. The results of the assessment have also been the subject of dialogue with employee representatives.

L&T's direct human rights impacts are related to the occupational safety and well-being of employees and contractors, for example. Other potential direct impacts include the non-discrimination of personnel, particularly in industries with employees representing many different countries and cultures. L&T has comprehensive policies and measures in place to promote occupational safety and well-being and prevent discrimination. These policies and measures are described in more detail in section S1, pp. 63–73.

L&T's operations may also have indirect impacts on workers in the supply chain. The potential indirect human rights impacts are related to work practices and occupational safety. All forms of child labour and forced labour are strictly prohibited and against the Supplier Code of Conduct. A more detailed description of L&T's practices is provided in section S2, pp. 74–76. L&T has not identified any risks related to the use of child labour or forced labour in its own operations.

L&T's President and CEO and the Group Executive Board decide on the focal points and approach to sustainability work, including human rights, and related targets as part of the company's sustainability programme. The President and CEO and the Group Executive Board also approve L&T's policies together with the Board of Directors. Each division is responsible for allocating resources to the policies and putting them into action. L&T's sustainability organisation is responsible for assessing human rights impacts in close cooperation with the company's HR and procurement functions. Human rights issues have also been taken into account in personnel training, such as the online training on the Code of Conduct and occupational safety training.

L&T has an anonymous whistleblowing channel in place. All workers and other operators in the value chain can use it to report suspected misconduct related to working conditions or human rights violations. The whistleblowing channel is described on L&T's public website, intranet, Employee Code of Conduct and Supplier Code of Conduct. A more detailed description of whistleblowing practices and reports is provided in section G1-1, pp. 77–79.

GOV-5 – Risk management and internal controls over sustainability reporting

Risk management pertaining to sustainability reporting takes into account the processes related to sustainability reporting, the data used and its quality, as well as the necessary internal and external systems and resources. The aim of the risk management model is to ensure the identification, assessment and management of key risks related to the sustainability report. Risks are monitored at all stages of the sustainability reporting process so that they are identified and assessed proactively and any deficiencies can be addressed in a timely manner.

The risk assessment is the responsibility of L&T's compliance task force together with the Group CFO. Its key results are reported annually to the President and CEO and the Group Executive Board, as well as the Audit Committee. This ensures that risk management measures are implemented consistently and support the company's sustainability targets.

The risk assessment model in use includes risk prioritisation methods that involve the assessment of risks based on their impacts and likelihood. The final results also take into account the company's existing policies and practices. The most significant risks are related to topics that are material in terms of their impact or likelihood.

Based on L&T's risk assessment, the most significant risk related to sustainability reporting concerns changes in CSRD reporting and their predictability, for example with regard to the machine readability of data or sector-specific requirements. These factors may affect the content of disclosures and require system changes that the company must take into account in a timely manner. L&T closely monitors the development of legislation and engages in active dialogue with auditors and other key stakeholders.

There may be risks related to the completeness and integrity of data, as some of the environmental indicators are compiled manually from several of the company's information systems. L&T has increased the specificity of the related instructions, clarified the process descriptions and developed internal control to ensure that any data errors are detected at a sufficiently early stage.

L&T conducts internal audits to ensure that the risk management and control systems function as expected and that they are complied with. The risk management process related to sustainability reporting can also be addressed in connection with internal audits. Internal audit results are reported to the President and CEO and the Group Executive Board, as well as the Audit Committee.

SBM-1 – Strategy, business model and value chain

Business model and value chain

L&T's business builds sustainable future growth based on the circular economy and the opportunities it brings, creating added value for customers, investors and other stakeholders. The company had four divisions in 2024:

- Environmental Services keeps customers' materials in circulation as efficiently as possible and with the highest possible degree of processing, as recycled or secondary raw materials. With its services, L&T helps customers to minimise waste generation and supports customers in sorting and preparing materials for recycling.
- Industrial Services develops ways to effectively utilise the side streams of industry and society according to the principles of the circular economy. Industrial Services also includes process cleaning and sewer maintenance services. The division operates in Finland and Sweden.
- Facility Services in Finland and Sweden improve the value of our customers' properties and aim for the continuous improvement of energy efficiency in line with the goal of a circular economy.

From the beginning of 2025, L&T will have three divisions: Circular Economy Business, consisting of the previous Environmental Services and Industrial Services, as well as Facility Services Finland and Facility Services Sweden.

L&T is operates in the service sector and is a significant employer. With this in mind, the occupational well-being and work ability of the personnel are key success factors for the company's business. L&T employs 7,441 people in Finland and Sweden.

In its circular economy business, L&T operates the waste and side stream value chain. The operations cover the waste generation, supporting the customer in the sorting of waste and the selection of waste collection containers, as well as transport, recycling, secondary use and reuse. Together with its customers and partners, L&T ensures efficient waste logistics and the recycling of raw materials.

In facility services, the company extends the lifespan of properties through efficient and timely cleaning and maintenance, and improves the efficiency of, and reduces, the energy consumption of properties. L&T's key customers include operators in the fields of manufacturing, construction and commerce, as well as public sector entities and property sector operators.

The upstream value chain of activities related to the circular economy includes the waste and side streams generated in different customer industries, such as heavy manufacturing, construction, commerce, the public sector and other properties. L&T is responsible for the waste management of tens of thousands of companies and households in Finland. L&T manages waste logistics and the recycling of raw materials efficiently, working in close cooperation with partners that support L&T's operations in the collection, handling and processing of materials and provide various support services.

L&T also supports customers' sorting of materials at source and waste reporting, as well as the continuous maintenance and energy efficiency of properties. Key partners include waste management and logistics companies and subcontractors that provide services. The recycled materials processed by L&T are sold to industrial customers that use them as raw materials in their production activities.

L&T takes care of the collection of waste from customer sites and directs the material flows it collects for treatment in accordance with the order of priority in waste management. L&T provides the pre-treatment of materials received from customers as a service, and the company has several recycling plants of its own where recycled raw materials are produced for industrial use from the materials collected from customers. Waste fractions for which L&T does not have its own processing facilities are forwarded to partners that have an environmental permit and the expertise required for processing the waste fraction in question.

Contaminated soil masses at customer sites are cleaned in the environmental construction business. The soil masses are processed at the customer site or transported to L&T's treatment centres for processing. After cleaning, the soil masses are returned to the site, used in earth construction at another site, or directed to final disposal.

Strategy

L&T's mission is to make the circular economy a reality, and the company helps its customers achieve their sustainability targets.

Climate change and biodiversity loss are megatrends whose mitigation creates business opportunities for L&T. Mitigating climate change and biodiversity loss requires circular economy actions from society, businesses and individuals. Businesses need responsible partners to support the transition to a circular economy and to improve the energy efficiency of properties.

Cities continue to grow, and the expectations concerning the built environment are increasing, which creates demand for L&T's services. Properties are expected to have long life spans, and changes in needs and the use of buildings over the years must be taken into account in maintenance and new construction.

L&T's strategy, "A leader of the regenerative society", guides the Group's operations during the 2022–2026 strategy period. In October 2023, L&T's

Strategic sustainability targets

Indicator	Target	2024
Employee Net Promoter Score, eNPS	>50 by 2026	21
Carbon footprint (Scope 1 and 2 per kilometre driven)	-50% by 2030, using 2018 as the base year	-42%

Board of Directors completed a review of the company's strategy. According to the revised strategy, the Circular Economy Business will seek growth by focusing particularly on business opportunities related to the circular economy of materials. Growth will be sought through business development and potential complementary acquisitions in Finland and Sweden.

The Circular Economy Business division's strong market position, broad customer base and significant material volumes provide a good basis for growing the materials business. As for material streams, the division will continue to focus on plastic, wood waste and metals, but opportunities related to other streams are also being explored.

In industry, new business opportunities are emerging around the processing and value increase of industrial flows, industrial support services and the restoration of the built environment. Growth is also sought in the Swedish market in industrial services and material value chains.

The Facility Services Finland and Facility Services Sweden divisions focus on developing paths to profitable growth alongside improving their profitability.

In December 2024, L&T's Board of Directors decided to initiate the planning of the separation of the company's circular economy businesses, i.e. the Environmental Services division and the Industrial Services division, and the facility services businesses into business operations into two independent listed companies. The plan is to separate the circular economy businesses into a newly listed company through a partial demerger of Lassila & Tikanoja plc.

According to the Board of Directors' assessment, the separation of the circular economy and facility services businesses could increase shareholder value by enabling both businesses to pursue their own strategies and growth opportunities more effectively.

L&T's strong balance sheet and the favourable development of the contract portfolio create excellent conditions for organic and inorganic growth during the strategy period. L&T wants to be the best sustainability partner for its customers and an excellent workplace for the best experts in its field. During the strategy period, L&T will invest in the renewal of operating models, which will enable even more cost-efficient service production. The company continuously develops its material processing capabilities and the competence of its personnel in accordance with the principles of the circular economy.

L&T measures the success of its strategy by financial, sustainability and stakeholder targets.

Business environment

The business environment was challenging throughout 2024. The general economic uncertainty was reflected in service demand, material volumes and prices.

The circular economy has been identified as having a critical role in combating climate change and biodiversity loss. At the same time, it presents significant business opportunities for clean technologies and solutions.

In Finland, the adoption of new technologies and the development of the circular economy have been slowed down by the fact that recycled raw materials are not competitive with virgin and fossil raw materials.

Finland entered the EU's sanctions and early warning procedure in 2024 with regard to waste policy. Relative to the recycling targets, Finland has an overcapacity of over one million tonnes in waste incineration, which slows down recycling. In 2023, Finland's circular material use rate (CMUR) was 0.6%. The average CMUR in the EU was 11.5%.

According to the current Government Programme, waste regulation in Finland will be reformed in three waves. Preparation of all three waves began in 2024.

The Parliament approved the first phase of Waste Act reforms in December. The reforms resulted in the waste management of institutional housing, prisons and garrisons being opened up to competition. The change will enter into effect on 1 January 2026, which is also the date on which the waste management markets in the health care and social welfare sector will be opened up more broadly.

The second part of the Waste Act will improve the competitive conditions in the waste management industry. The reforms are aimed at rectifying problems that have emerged with regard to secondary responsibility for waste management and tighten the regulation concerning in-house entities. According to the current estimate, the Government's proposals will be submitted to the Parliament in 2025 and enter into force after 2026.

In the third part of the Waste Act, the aim is to implement a comprehensive reform of the Waste Act by enacting a new Circular Economy Act. This reform aims to improve the operating conditions of the circular economy more broadly by strengthening the priority of recycling and reuse and restricting the incineration of waste. The planning of the legislation began in July 2024 and the planning stage is scheduled to be completed in 2025.

The Finnish Government is in the process of implementing reforms to the Finnish Act on Public Procurement and Concession Contracts. These reforms are important to the entire service sector and will involve tighter provisions concerning in-house entities. The reform of the Act on Public Procurement and Concession Contracts is scheduled to enter into force on 1 January 2027.

When implemented, the reforms to the Waste Act and the Act on Public Procurement and Concession Contracts will improve L&T's operating conditions and more broadly promote the development of the private service markets in Finland.

At the EU level, the year 2024 was characterised by elections and the organisation of the new Commission. The European Parliament that concluded its term purposefully implemented the European Green Deal in challenging circumstances by introducing extensive reforms that promote L&T's business objectives in the medium and long term.

The new Commission's objectives and work programme emphasise the changed geopolitical situation and concerns about the competitiveness of European companies.

In the EU's circular economy policy, regulation is shifting to the upstream part of value chain. An estimated 80% of the environmental impact of products is determined in the design stage. The plans are to expand ecodesign regulations to cover practically all product categories in the coming years. Product-specific regulations will lay down requirements for the durability, reliability, reusability, upgradeability and reparability of products, as well as the presence of substances of concern and the minimum recycled content of products.

Ecodesign regulations and related obligations to use recycled raw materials will create an internal European market for recycled raw materials, which will enable large-scale industrial investments in new technologies.

In the current situation, the development of the circular economy has been largely hindered by the fact that the use of recycled raw materials has primarily had a voluntary basis. Recycled raw materials have to compete with virgin raw materials with a very different cost structure. A systemic change in the materials economy requires market-based instruments that provide incentives for the use of recycled raw materials instead of virgin raw materials.

The EU's green transition initiatives and tightening sustainability regulations set increasingly ambitious targets for the sustainability of business activities.

The European Corporate Sustainability Reporting Directive (CSRD) will take reporting accuracy and transparency to a new level. Corporate sustainability reporting will become more standardised and transparency will increase. L&T takes a favourable stance towards these developments. They will improve the quality of sustainability efforts and enhance the comparability of sustainability between companies.

L&T's sustainability programme supports the company's strategy

The long-term targets of L&T's sustainability programme take into account the potential impacts of the business environment. The targets included in the current sustainability programme promote L&T's mission to make the circular economy a reality throughout the value chain.

- L&T is moving towards a fully circular economy together with its customers. Through its services, L&T creates solutions to mitigate climate change and biodiversity loss, promotes the circularity of materials and creates solutions for the sustainable use of the built environment.
- L&T values diversity and equality at the workplace and invests in well-being at work and occupational safety.
- L&T acts appropriately and transparently throughout the value chain. Good corporate governance is a cornerstone of L&T's sustainability.

L&T's sustainability programme includes short-term and long-term targets extending to 2030. The short-term targets correspond to L&T's strategy period. The targets for 2030 correspond to the time frame of the UN Sustainable Development Goals. The key measurable targets of the sustainability programme concern L&T's climate targets, the recycling rate, the occupational safety frequency of the personnel, the health and job satisfaction of the personnel and the coverage of training on the Code of Conduct. Compliance in the supply chain is measured by the coverage of the Supplier Code of Conduct and related self-assessments.

The targets of the sustainability programme

- L&T's climate target is net zero by the end of 2045. This target applies to the entire value chain.
- L&T's target is to increase its customers' recycling rate to 70% by 2030.
- L&T's target is to reduce its total recordable incident frequency (TRIF) to 19 by 2026.
- L&T's target is for the sickness-related absence rate to be under 4.3% by 2026.
- L&T's target is to achieve an eNPS of 50 by 2026.
- L&T's target is for 100% of the company's own personnel to have completed training on the Code of Conduct.

Relevant SDGs

L&T is committed to supporting the UN Sustainable Development Goals (SDG) in its operations. The company has identified the following SDGs as especially relevant to its operations:
- SDG 7: affordable and clean energy
- SDG 8: decent work and economic growth
- SDG 10: reduced inequalities
- SDG 11: sustainable cities and communities
- SDG 12: responsible consumption and production
- SDG 13: climate action
- SDG 15: life on land.

Commitment to national and international initiatives

L&T is committed to supporting the following key declarations and agreements:
- UN sustainable development principles since 2018
- Global Compact principles since 2018
- ILO Declaration on Fundamental Principles and Rights at Work
- Universal Declaration of Human Rights
- Society's commitments to sustainable development

Value creation

By investing in the sustainable solutions of the circular economy, L&T aims to create increasing value for all of its key stakeholders.

Resources

- L&T has robust expertise in circular economy and facility services and the development of sustainable products. The company offers diverse services

Key stakeholders and their interests, expectations and engagement

Stakeholder	Key areas of interest in 2024	Responding to expectations	Engagement
Customers	Customer service and satisfaction, operational quality, circular economy, recycling and remediation, and sustainability.	• L&T developed sustainability-promoting business solutions related to the restoration of nature and the promotion of diversity. • L&T developed the effectiveness of its digital service channels and implemented business-specific measures to improve services and the customer experience.	A customer survey (NPS) to measure the net promoter score (NPS) among corporate customers, and several customer-specific surveys. Customer service (telephone, digital service channels) and dialogue with customer relations officers and sales. Marketing communications, digital events and other events.
Personnel	The employees' physical and mental well-being, ability to cope with work, training and competence development, as well as job satisfaction and the employee experience.	• L&T provided diverse physical and mental well-being services to employees along with learning-on-the-job opportunities, career paths and training. • L&T revised and expanded its training offering and implemented business-specific measures to improve the employee experience.	Feedback and development discussions, Fiilinki personnel surveys, co-operation and European Works Council activities, workshops, digital events and other events as well as internal communication channels such as the intranet and Teams.
Potential employees	Employer brand and the employee experience.	• As in the previous years, L&T made extensive use of digital avenues to reach potential job applicants and share information working at L&T. The company also participated in various career and recruitment events.	Co-operation with educational institutions, recruitment and career events, development of the employer image and sharing information through social media channels.
Investors and shareholders	Financial performance, the strategy and its progress, the sustainability of operations and ESG ratings, customer satisfaction and employee satisfaction.	• L&T participated in several ESG surveys and expanded its sustainability reporting. • L&T also engaged in active dialogue with investors on sustainability-related topics.	Stock exchange releases, financial reports, annual reporting, the Group's website, webcasts, regular investor meetings and the Annual General Meeting.
Decision-makers and influencers (including national and regional decision-makers), industry organisations and employer organisations	Circular economy and climate change mitigation, employment, the functioning of the market and competitive neutrality.	• L&T participated in the activities of industry and labour market organisations. • L&T promoted initiatives aimed at strengthening the green transition and developing the labour market. • In Finland, L&T implemented initiatives to accelerate the circular economy, promote job opportunities for people with reduced work ability and promote employment-based immigration.	Participation in associations, dialogue with the public authorities and decision-makers, co-operation projects, other projects, responding to surveys, the company website and annual reporting.
Media and NGOs	Practical steps related to the circular economy, actions to promote biodiversity, and human rights.	• L&T published numerous press releases and participated in several interviews. • L&T engaged in dialogue and surveyed expectations related to the sustainability programme.	Press releases, interviews, publications, media events, the company website and social media channels. Dialogue and responding to surveys.
Suppliers and subcontractors	Circular economy, quality, sustainable procurement.	• L&T engaged in dialogue and carried out audits and self-assessments.	Dialogue, responding to surveys, audits and self-assessments.

in different areas of the circular economy to facilitate the improved circularity of materials.
- L&T continuously develops new solutions to promote energy efficiency, smart cleaning, industrial side streams, nature-related services and the circular economy. The solutions improve the efficiency of the customers' operations and reduce environmental impacts.

L&T looks after the well-being and safety of employees and invests in work ability and well-being. Training opportunities and certifications, such as ISO 9001, ISO 14001 and ISO 45001, support the quality and sustainability of operations.

Results

- Recycled and reused products save natural resources and reduce waste.
- With its business solutions, Facility Services promotes the energy efficiency, productivity and value of properties, as well as biodiversity.
- Occupational safety has improved from each year to the next, and L&T also introduces good practices to its subcontractors and partners.
- L&T is the first workplace for many young people.
- L&T creates good for society at large. The added value created by L&T in 2024 was EUR 430.0 million. The Group paid EUR 6.8 million in taxes.

SBM-2 – Interests and views of stakeholders

L&T's stakeholder engagement is focused on the stakeholders who are the most affected by the impacts of the company's operations and whose actions have the greatest influence on the achievement of the L&T's business objectives and sustainability targets. Stakeholder expectations are taken into account in L&T's strategy development and business choices. Stakeholder views were also a key part of L&T's double materiality assessment.

The company's key stakeholders include customers, current and potential employees, and investors, as well as national and regional policymakers and influencers, non-governmental organisations, the media, and suppliers and subcontractors.

L&T engages in active dialogue with its key stakeholders. The company regularly measures stakeholder support by means of customer and employee satisfaction surveys and a reputation survey carried out by a third party. Through dialogue and measurements, L&T identifies stakeholder expectations and determines what development measures are necessary. The results of the customer and employee satisfaction survey and the reputation survey, as well as any related development areas, are reported at least once a year to the President and CEO and the Group Executive Board, as well as the Personnel and Sustainability Committee of the Board of Directors. L&T's current strategy and the targets of the sustainability programme are in line with stakeholder expectations. The targets of the sustainability programme are updated regularly, taking into account any changes in the business environment and stakeholder expectations. The key future development areas are described in connection with each topic as part of the company's sustainability reporting.

L&T has summarised stakeholder expectations into the following three perspectives:
- A leader in sustainability: As a leader in its field, L&T is expected to develop the entire industry in the right direction for society and to conduct itself correctly and sustainably in environmental matters.
- A good employer: As a large employer and service company, L&T is expected to be a responsible employer that looks after the well-being of its personnel and treats its personnel responsibly and fairly while exercising special care with regard to the employment of people who are in vulnerable positions.
- A useful partner L&T is expected to be a useful partner to its customers, developing new services and supporting the customers in their work towards their goals as well as keeping its promises.

L&T takes the interests, views and rights of its own workforce into account in its strategy and business model in many ways. L&T has identified and assessed the impacts, risks and opportunities related to its own workforce. The key themes include occupational safety; working time; adequate wages; freedom of association; the information, consultation and participation rights of workers; social dialogue; work–life balance; health and safety; and gender equality. Attracting the best professionals in the industry is a strategic priority for L&T, and the well-being of the personnel is a key success factor for the company's business. L&T engages in extensive and diverse dialogue with its personnel, and the views of the personnel are taken into account in drawing up the business strategy. In addition, L&T's Code of Conduct for Personnel, personnel policy, human rights policy and occupational safety policy guide operations and ensure respect for employees' rights. The company's own workforce is described under topic ESRS S1, pp. 63–73.

L&T also takes the interests, views and rights of value chain workers and respecting their human rights into account in its operations. L&T's Supplier Code of Conduct lays down minimum requirements that suppliers must respect and adhere to in their own operations and the supply chain. The Supplier Code of Conduct covers topics including respect for workers' rights, occupational safety and the prohibition of the use of child labour and forced labour, for example. L&T requires its suppliers to commit to the Supplier Conduct, and they are also incorporated into L&T's procurement agreements. L&T also uses a separate self-assessment model to monitor and assess compliance with the Supplier Code of Conduct. The company has also identified and assessed potential human rights risks in the supply chain in cooperation with the procurement function. The assessment is part of the company's human rights principles. L&T has a separate, public and anonymous whistleblowing channel through which value chain workers can report misconduct. L&T processes potential human rights violations in accordance with clear procedures and carries out corrective measures as necessary. Value chain workers are described in more detail under section ESRS S2, pp. 74–76.

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business models

In 2023–2024, L&T carried out a double materiality assessment in accordance with the requirements of the European Corporate Sustainability Reporting Directive (CSRD) for the first time. The assessment focused on L&T's impacts on society and the environment as well as the financial risks and opportunities associated with these impacts. The assessment was based on the sustainability topics presented in the European Sustainability Reporting Standards, and their sub-topics and sub-sub-topics. In addition, the double materiality assessment was focused on entity-specific metrics related to the carbon handprint (MCO_2e), carbon dioxide intensity (tCO_2e/km), employee satisfaction (eNPS) and sickness-related absences (%).

In addition to L&T's own operations, the assessment of the value chain covered contract suppliers and waste treatment partners, particularly with regard to the circular economy, climate and value chain workers, as well as customers as part of material flows in the circular economy. Based on the results of the double materiality assessment, the material ESG impacts, risks and opportunities manifest themselves in the short term, and their significance is expected to increase in the future as the business environment develops and customer expectations increase.

Impacts, risks and opportunities related to the environment

L&T's environment-related impacts arise from the company's strategy and business models. L&T's business model focuses on promoting sustainable development through circular economy solutions. The services produced for customers reduce emissions and promote material recycling and energy efficiency. At the same time, they promote the sustainable use of natural resources and reduce the value chain's dependence on virgin raw materials. For the customers, this is reflected in efficient waste management in which the recycling of materials is the priority, regardless of the type of waste.

The energy efficiency solutions produced by Facility Services have a positive impact on the electricity consumption of customers' properties, while also reducing emissions arising from energy use. The nature-related services produced by the company, such as contaminated soil remediation projects in environmental construction, meadow restoration projects in facility services and the removal of invasive species have a positive impact on biodiversity. These measures support the preservation of biodiversity and improve the state of the environment.

L&T's business units are dependent on energy with regard to logistics and property operations, for example. This also generates a significant amount of carbon dioxide emissions. However, most of the emissions are generated in the supply chain. Climate change mitigation measures are key to reducing these impacts.

L&T's carbon handprint is created through services produced for customers. The carbon handprint reveals the extent to which a company has, through conscious choices and decisions, avoided emissions and adverse environmental impacts compared to its previous operating practices. L&T aims to continuously increase the positive climate impact of its operations.

The potential risks are related to tighter regulation and changes in markets and financial drivers, such as financing. Regulatory changes can increase costs, for example as the company transitions towards lower-emission operations. At the same time, however, regulatory changes create new opportunities, particularly with regard to energy efficiency and renewable energy, as well as the development of recycling solutions and material efficiency.

Impacts, risks and opportunities related to own workforce, value chain workers and business conduct

As a large operator in the service sector, L&T's own workforce is a key resource in the implementation of the company's strategy and services. L&T's operations are also dependent on the supply chain and the services and products it produces. Through its operating practices, the company influences the well-being, occupational safety, occupational health, diversity and work practices of its own workforce and value chain workers.

The strong legislation and social structure in Finland and Sweden provide a good foundation for promoting positive work-related practices in the value chain. Through its operating practices, the company also influences the human rights and working practices of workers in the value chain and thereby mitigates potential risks that, if realised, could weaken the L&T's reputation, have an adverse impact on labour availability and increase employee turnover. At the same time, L&T promotes the implementation of best practices in the supply chain.

Good corporate governance practices provide the foundation for L&T's business activities. The key impacts, risks and opportunities associated with business conduct are related to L&T's good corporate culture, such as the company's Code of Conduct, anti-corruption and anti-bribery practices and whistleblowing processes. The company's policies, principles and instructions guide operating practices in both its own operations and the value chain, and the related measures strengthen the company's reliability in the eyes of customers and stakeholders.

Risks related to corruption and bribery can cause negative reputational and financial impacts on the company. L&T uses regular training, audits and strict rules to engage the commitment of the parties concerned. Compliance with the Code of Conduct presents significant opportunities for L&T. It strengthens the company's reputation as a responsible operator and creates trust among customers and stakeholders.

The company annually assesses opportunities and risks, as well as their financial effects and related risk management measures. During the reporting period, L&T has managed the material impacts, risks and opportunities related to its financial position, financial results and cash flows by means of the company's existing risk management methods and policies. The material sustainability risks did not create significant financial effects during the reporting period, and the financial effects of risks are expected to remain low in both the short and the long term. No related adjustments to carrying values are expected over the next financial period.

L&T estimates that the resilience of its strategy and business models regarding its capacity to address its material impacts and risks and and to take advantage of its material opportunities is good during the strategy period 2022–2026. The company has well-established risk management practices and the capacity to adapt to market changes, and the company engages in close monitoring of the business environment. L&T seeks growth in circular economy businesses by investing in business solutions related to the circular economy of materials. Growth will be sought through business development and potential complementary acquisitions.

The financial effects of the material impacts, risks and opportunities, and their effects on strategy and business

The current and anticipated effects of the company's material impacts, risks and opportunities on its business model, value chain, strategy and decision-making are subject to continuous monitoring. L&T responds to these effects by making changes to its strategy and business model as necessary. L&T has set comprehensive sustainability targets that apply to the entire value chain, especially with regard to the climate. The sustainability of the supply chain is also promoted through requirements set out in procurement agreements and their monitoring.

A more detailed description of L&T's material impacts, risks and opportunities is presented on pages 21–29. The impacts on the environment, own workforce and value chain arise from L&T's strategic objectives and business model, while the issues that fall under business conduct are perceived as basic preconditions for good corporate governance. The table also presents L&T's key management methods at a high level. Potential value chain impacts related to the material topics were also identified during the assessment.

L&T has also described the material impacts, risks and opportunities related to climate change, biodiversity and ecosystems, own workforce and workers in the value chain, and their interaction with the company's strategy and business model, as part of the topical ESRS standards.

- The impacts, risks and opportunities related to climate change are also described in section E1 Climate change, under disclosure requirement SBM-3 Material impacts, risks and opportunities and their interaction with the strategy and business model p. 47.
- The impacts, risks and opportunities related to biodiversity and ecosystems are also described in section E4 Biodiversity and ecosystem services under disclosure requirement SBM-3 Material impacts, risks and opportunities and their interaction with the strategy and business model p. 57.
- The impacts, risks and opportunities related to own workforce are also described in section S1 Own workforce, under disclosure requirement SBM-3 Material impacts, risks and opportunities and their interaction with the strategy and business model p. 64.
- The impacts, risks and opportunities related to workers in the value chain are also described in section S2 Workers in the value chain under disclosure requirement SBM-3 Material impacts, risks and opportunities and their interaction with the strategy and business model p. 75.

E Environment

Sub-topic	Sub-sub-topic	Dependencies	Impacts	Risks and opportunities	Management measures
ESRS E1 Climate change					
Climate change mitigation	N/A	• Dependence on natural resources through energy supply, for example • Dependence on social resources through developing legislation	**Negative impact:** L&T's own operations and value chain (scope 1–3) cause a significant amount of GHG emissions. The impact is actual.	**Risks:** Regulation can create transition risks, such as changes in the pricing of energy and emissions, and affect the progress technological solutions related to the fleet. Legislation governing recycling affects the recycling of materials and, consequently, the emissions directly generated in the value chain. The risks apply to the entire value chain. Failure to achieve climate targets may affect the availability and price of financing for L&T's own operations and the fulfilment of loan terms. The risks apply to L&T's own operations. **Opportunities:** The achievement of climate targets throughout the value chain may create positive impacts on the environment and society and promote L&T's sustainability image. The opportunities apply to L&T's own operations. This opportunity does not exceed the financial threshold set for it, but is significant for the company. L&T's material recycling services can help reduce emissions arising from customers' operations. The avoided emissions constitute L&T's carbon handprint. The opportunities apply to the value chain and customers in particular.	• The general principles set out in L&T's environmental policy to mitigate climate change and increase the use of renewable energy. • Climate targets set by L&T for the entire value chain and actions to promote them. In 2024, L&T further specified its action plan to reduce emissions in the value chain. • Measures to increase fleet investments and the use of renewable energy. • Proactively influencing legislative processes through industry advocacy organisations.
Energy	N/A	• Dependence on natural resources through energy supply, for example • Dependence on social resources through developing legislation	**Positive impact:** L&T's energy efficiency services have a positive impact on the environment and society at the customer interface. Energy efficiency measures targeted at the company's own properties reduce energy consumption in Finland and Sweden. The impact is potential.	**Opportunities:** Regulatory changes and customers' increasingly ambitious climate targets create opportunities for energy efficiency solutions and services. Emissions avoided in customers' operations increase L&T's carbon handprint. The opportunities apply to the value chain and customers in particular.	• The general principles set out in L&T's environmental policy for promoting energy efficiency. • Measures to develop energy efficiency solutions and expert services as part of the service offering. • Measures to promote the energy efficiency of properties and fleet investments that reduce energy consumption.

Sub-topic	Sub-sub-topic	Dependencies	Impacts	Risks and opportunities	Management measures
ESRS E4 Biodiversity and ecosystems					
Impacts on ecosystem services and dependencies on them	N/A	• Indirect dependence on natural resources in the value chain through the availability of raw materials • Dependence on natural ecosystem services, including water and energy • Dependence on social resources through developing legislation	**Negative impact** Potential emissions to water, air and soil from L&T's own treatment plants may have a negative impact on species and ecosystems in the area in question. The impact is potential. The manufacturing of products purchased by L&T and the production of services can potentially have impacts on biodiversity and ecosystems locally, regionally and globally. The impact is potential. **Positive impact** L&T Industrial Services restores contaminated soil sites for customers. L&T's planning and maintenance of green areas produces meadow restoration projects and removes invasive species from the yards of properties together with customers. The impact is potential.	**Risks** Deviations from the provisions of the environmental permits of the company's operating locations may lead to liability for damages, costs incurred from remedial measures and reputational damage. The risks apply to L&T's own operations. **Opportunities** Tighter regulation and customers' sustainability targets can create business opportunities for the nature-related services provided by the Industrial Services division and the planning and maintenance of green areas business line. The opportunities apply to the value chain and customers in particular.	• The general principles defined in L&T's environmental policy regarding biodiversity. • The environmental permits of treatment plants and the measures taken in accordance with the permits. • Measures to develop nature-related services. • Various cooperation projects with customers and other stakeholders. • The customer feedback channels of the operating locations and dialogue with local residents. • The identification of the environmental impacts of L&T's own operations and environmental risk assessment, as well as internal audits and related plans on how the impacts of L&T's own operations will be taken into account in future operations. • Monitoring the progress of L&T's landscaping services and contaminated soil restoration services using monitoring metrics.
ESRS E5 Resource use and circular economy					
Resource inflows, including resource use	N/A	• Dependence on natural resources through raw materials, for example • Dependence on social resources through developing legislation	**Positive impact** The materials collected from L&T's customers are recycled in accordance with the principles of the circular economy, which reduces the value chain's dependence on fossil and primary raw materials. These are reported as outflows in order to avoid double counting. The impact is actual.	**Risks** Changes in customer expectations and customers' recycling targets. The risks apply to both L&T's own operations and the value chain. **Opportunities** The recycling targets arising from regulation create opportunities for material recycling. The opportunities apply to L&T's own operations.	• The principles defined in L&T's environmental policy concerning the circular economy, and the procurement principles that take into account sustainable development, which guide the conservation of raw materials, energy, and nature. • Development of operations and services, taking into account changes in the business environment and customer expectations, as well as active dialogue with corporate customers and partners.
Resource outflows related to products and services	N/A	• Dependence on natural resources through raw materials, for example • Dependence on social resources through developing legislation	**Positive impact** Recycling of materials with partners to create raw materials for new products and packaging. Remediation of contaminated soil sites. The impact is actual.	**Opportunities** The recycling targets arising from regulation create opportunities for material recycling. The opportunities apply to both L&T's own operations and the value chain.	• The principles defined in L&T's environmental policy concerning the circular economy, and the procurement principles that take into account sustainable development, which guide the conservation of raw materials, energy, and nature. • Development of operations and services, taking into account changes in the business environment and customer expectations, as well as active dialogue with corporate customers and partners.
Waste	N/A	• Dependence on natural resources through raw materials, for example • Dependence on social resources through developing legislation	**Negative impact** The final disposal sites managed by L&T may cause emissions to soil and water bodies. The impact is actual. Treatment plants may cause emissions to soil and water bodies. Potential unpleasant odours and littering in the immediate environment. The impact is actual.	**Risks** Deviations from the provisions of the environmental permits of the company's operating locations may lead to liability for damages, costs incurred from remedial measures and reputational damage. The risks apply to L&T's own operations.	• The environmental permits of treatment plants and the measures taken in accordance with the permits.

S Society

Sub-topic	Sub-sub-topic	Dependencies	Impacts	Risks and opportunities	Management measures
ESRS S1 Own workforce					
Working conditions	Secure employment Working time Adequate wages Social dialogue Freedom of association, the existence of works councils and the information, consultation and participation rights of workers Collective bargaining negotiations, including those covered by collective agreements Work–life balance Health and safety	• As a company operating in the service sector, L&T is dependent on human resources with regard to its own workforce	**Negative impact** Inadequate working conditions could impair employee well-being. The impacts are potential. Any deficiencies in occupational health and safety practices could affect the physical and mental work ability of employees and L&T's business operations. The impacts are potential. **Positive impact** Measures promoting working conditions have a positive impact on the well-being and safety of employees as well as on L&T's employer image and customer relationships. The impacts are potential.	**Risks** Impacts on L&T's employer image. The risks apply to L&T's own operations. Employee availability challenges may be reflected in business growth. The risks apply to L&T's own operations.	• Operations in countries with well-developed labor legislation and commitment to international agreements (UN principles, ILO). • Personnel-related policies (Code of Conduct, personnel policy, human rights policy, occupational safety policy), other instructions and action plans, as well as monitoring systems and surveys. • Practices for identifying and assessing human rights risks. • Targets, metrics and processes for promoting occupational safety and health, and proactive safety measures. • The option for employees to join or not join a trade union. • Dialogue and employee surveys to take the views of employees into account. • A whistleblowing channel for reporting suspected misconduct. • Remote work opportunities based on the nature of the work and flexible working hours. • Working time monitoring. • Sickness fund for employees.
Equal treatment and equal opportunities for all	Gender equality and equal pay for work of equal value Training and skills development Measures against violence and harassment in the workplace Diversity	• Dependence on human resources with respect to the company's own workforce	**Negative impact** Potential unequal treatment, increased harassment and impacts on well-being at work. The potential negative impacts would be related to isolated cases. The impact is potential. Potential decline of employee competence. The impact is potential. **Positive impact** Improved well-being at work. The impact is potential. Competent personnel. The impact is potential.	**Risks** Impacts on L&T's employer image. The risks apply to both L&T's own operations and the supply chain. Employee availability challenges may be reflected in business growth. The risks apply to both L&T's own operations and the supply chain. **Opportunities** Employee commitment to L&T. The opportunities apply to both L&T's own operations and the supply chain. The most competitive and competent employees. The opportunities apply to both L&T's own operations and the supply chain.	• Policies on addressing discrimination and harassment that apply to L&T. • A whistleblowing channel for reporting incidents of discrimination, inappropriate behaviour or harassment. • Regural pay equality survey. • Gender-neutral job titles. • Various training programs for employees and collaboration with educational institutions. • Training and support for supervisors. • Regular target setting and performance reviews with employees and monitoring their implementation. • Coverage of training hours.

Sub-topic	Sub-sub-topic	Dependencies	Impacts	Risks and opportunities	Management measures
ESRS S2 Workers in the value chain					
Working conditions	Secure employment Working time Adequate wages Social dialogue Freedom of association, including the existence of works councils Collective bargaining Work–life balance Health and safety	• Dependence on human resources with respect to the workforce in the value chain • Dependence on society through developing legislation	**Negative impact** Potential inadequate working conditions and practices, such as working time monitoring, could impair the occupational safety and well-being of workers in the supply chain and increase inequality. The impact is potential. In Finland and Sweden, the negative impacts on value chain workers have not been assessed to be extensive or systemic, but rather potentially involving individual cases. The impact is potential. **Positive impact** Adopting L&T's occupational safety practices in the subcontracting chain can promote occupational safety in the supply chain and contribute to the occupational well-being of workers in the supply chain. The impact is potential.		• Requirements related to working conditions are taken into account in L&T's Supplier Code of Conduct (SCoC), which is integrated into procurement activities. • Human rights policy and practices for identifying and assessing human rights risks. • L&T's targets set for SCoC coverage and separately set targets for supplier self-assessment. • Measures to promote the occupational safety of employees in the subcontracting chain, such as induction training. • A public whistleblowing channel for reporting suspected cases of misconduct in the value chain.

G Governance

Sub-topic	Sub-sub-topic	Dependencies	Impacts	Risks and opportunities	Management measures
ESRS G1 Business conduct					
Corporate culture	N/A		**Negative impact** Inadequate measures to engage the employees' commitment to an ethical corporate culture may lead to actions that violate legislation or are unethical, as well as weaken the employer image and increase unequal treatment and harassment. The impacts are potential. **Positive impact** L&T has principles and measures for promoting an ethical corporate culture and protecting whistleblowers, which promote the trust of the personnel. The impacts are potential.		• L&T's Employee Code of Conduct. • The goals of the online training on the Code of Conduct and the internal processes developed for the monitoring of the goals. • Measures concerning communication and induction. • A whistleblowing channel for reporting misconduct in its own operations and value chain.
Whistleblower protection	N/A		**Negative impact** If a whistleblower's anonymity cannot be ensured, the whistleblower could face retaliation, and a lack of anonymity could prevent others from raising concerns about misconduct. The impacts are potential.		• Reports via L&T's whistleblowing channel are completely anonymous. • The persons processing whistleblower reports are designated and limited. • Communications regarding the whistleblowing
Relationships with suppliers, including payment practices	N/A		**Negative impact** Unequal treatment may occur among suppliers. The impacts are potential. **Positive impact** L&T's supplier requirements and monitoring activities can contribute to sustainable practices in the supply chain. The impacts are potential.		• The Supplier Code of Conduct. • Joining of goods and services suppliers to the reliable partner service maintained by Vastuu Group. • Open dialogue with suppliers. • Processes for monitoring payment terms.
Corruption and bribery	Prevention and detection, including training. Incidents		**Negative impact** Inadequate measures to prevent corruption and bribery can lead to legal violations, which can damage the company's reputation or have legal repercussions. The impacts are potential. **Positive impact** Extending anti-corruption and anti-bribery practices to the value chain can prevent corruption and bribery. The impacts are potential.		• Anti-corruption and anti-bribery policy. • Procurement principles concerning gifts and hospitality. • Guidelines on authorisation on the basis of position. • Anti-corruption and anti-bribery training. • A whistleblowing channel for reporting misconduct, and related internal processes. • The company's own communications and induction.

IRO-1 – The process to identify and assess material impacts, risks and opportunities

L&T's double materiality assessment focused on L&T's impacts on society, the environment and governance, as well as the financial risks and opportunities associated with these impacts. The assessment was based on the ESRS sustainability topics and their sub-topics and sub-sub-topics. The double materiality assessment was carried out in three stages and it covers the company's operations in Finland and Sweden. In the first stage, L&T's impact on the surrounding society and environment, and financial effects, were assessed in workshops attended by internal specialists using a bottom-up model. The workshops examined the positive and negative effects of these impacts and their likelihood (potential/actual).

Existing information, numerical data, customer feedback, tacit knowledge within the organisation, the results of the company's previous materiality assessments and information obtained from public sources were used in the assessment of topics related to sustainability matters. The workshops also assessed the impacts of the value chain with regard to both suppliers and customers. These assessments were mainly based on the company's existing collected data and focused on operators with whom L&T has a direct business relationship.

The results of the workshops were confirmed by a separate expert working group in order to ensure the comparability of the results of the different working groups and the quality of the assessment data. Finally, a list of sustainability topics that are material to L&T was prepared. The list was then discussed by the Group Executive Board and the Personnel and Sustainability Committee of the Board of Directors.

In the next stage, the views of key stakeholders were collected through a separate online survey and targeted interviews. The online survey focused on matters that, based on the first stage, were material or required more detailed examination with stakeholders. More in-depth stakeholder interviews were conducted with key suppliers, customers and other stakeholders, and the aim was to survey stakeholder sustainability expectations and potential development needs more broadly.

Finally, the material obtained from the internal workshops and stakeholder feedback was combined and turned into a coherent whole. The final results were discussed by L&T's European Works Council and reviewed by L&T's Group Executive Board and the Personnel and Sustainability Committee and approved by the Board of Directors.

Working method

Impact materiality

L&T's assessment of impact materiality took into account the scale, scope and irremediable character of the impacts on a five-point scale where a score of five was deemed significant for each aspect. The assessment also took into account changes in potential impacts in the short term (reporting period), medium term (2–5 years) and long term (over 5 years) and examined the likelihood of occurrence of the potential impacts. In addition, the assessment took into account potential negative human rights impacts, the severity of which takes precedence over their likelihood. The materiality threshold was defined as a score of eight (maximum score 15), which meant that the impact would be deemed significant for the company.

The assessment also took into account the results of stakeholder surveys and interviews, especially when the score for a topic concerning a sustainability matter did not, in the internal assessment, exceed the threshold value used in the materiality assessment.

Financial materiality

The assessment of L&T's financial effects was based on L&T's risk assessment process. The impact of risks is analysed in terms of their effects, and the assessment of the likelihood of their realisation took into account the nature of operations and the risk mitigation measures taken. The aim of the application of L&T's risk assessment process was to ensure that sustainability-related risks are identified in a similar way to the company's strategic and operational risks. Changes in the markets for recycled raw materials, the development of regulation with regard to waste management, for example (ESRS E5 Circular Economy) and challenges related to the availability and turnover of labour (ESRS S1 Own workforce) have also been taken into account in L&T's strategic risks.

The assessment also took into account changes in potential impacts in the short term (reporting period), medium term (2–5 years) and long term (over 5 years) and examined the likelihood of occurrence of the potential impacts. The materiality threshold was defined as a score of eight (maximum score 15), which meant that the risks and opportunities would be deemed significant for the company.

During the double materiality assessment process, L&T reviewed its impacts and dependencies as well as their links to risks and opportunities by analysing the impact of each sustainability topic on the company's business model, current risk management methods, processes and personnel. L&T has also assessed the risks and opportunities caused by changes in legislation. The assessment also took into account dependencies on natural resources, human resources and social resources.

For example, changing legislation, such as the EU Green Deal, may increase costs and reporting requirements. These risks are managed by the company's climate-related transition plan, which includes emission reduction targets and the investments required for them. This helps to manage financial risks. Investments in workplace safety and well-being, in turn, can improve the availability and retention of personnel, which reduces the risks arising from these factors.

Results of the double materiality assessment

Based on the double materiality assessment, L&T's material impacts on society and the environment (impact materiality) and sustainability-related risks and opportunities (financial materiality) are related to climate change (E1), biodiversity and ecosystems (E4) and the circular economy (E5) with regard to the environment, and the company's own workforce (S1) and workers in the value chain (S2) with regard to society. The topic area of business conduct (G1) is also material for L&T. All of these topic areas are also included in L&T's current sustainability programme and they are linked to the company's strategy.

The environmentally material sustainability matters (E1, E4 and E5) are in line with L&T's strategy, which aims to mitigate climate change and biodiversity loss and promote the sustainable use of raw materials. The circular economy plays a key role in achieving these goals. L&T's strategy is also dependent on society and people, which is reflected in the impacts, risks and opportunities associated with both its own workforce (S1) and workers in the value chain (S2). L&T's aim is to provide employees with a balanced daily life in which everyone can be who they are, and to promote human rights in the supply chain (S2). The policies concerning business conduct and L&T's corporate culture (G1) provide the foundation for sustainable business. L&T aims for good and fair governance.

Description of the processes to identify and assess material climate-related impacts, risks and opportunities

Based on the double materiality assessment, L&T's material impacts, risks and opportunities related to climate change were related to climate change mitigation and improving energy efficiency. L&T's entity-specific disclosure obligations apply to the carbon handprint and carbon intensity (gCO_2/km), which is also one of the sustainability conditions of L&T's bond.

Climate change and biodiversity loss are megatrends whose mitigation creates both opportunities and risks for L&T's business activities. The company's positive impacts arise from services provided by its businesses that produce solutions that facilitate the transition to a low-carbon circular economy. They promote the sustainable use of materials, energy and natural resources and reduce the amount of waste generated and energy consumed. The negative impacts of L&T's own operations arise from transport-related emissions and purchased products and services, for example. The transition to a low-emission fleet and significantly increasing the use of renewable energy are key measures for achieving L&T's goals. Most of L&T's emissions are generated in the value chain, for which the company has drawn up a separate action plan.

The positive climate impact of the services is measured using the carbon handprint. It describes the emissions avoided through companies' conscious choices and solutions relative to previous operating practices. L&T's carbon handprint is created through services produced for customers, such as energy efficiency solutions and material recycling.

Climate risk assessment

The Task Force for Climate-related Financial Disclosures (TCFD) recommendations have been applied in assessing the risks and opportunities related to climate change. The results of L&T's climate scenarios have been used as background material in assessing the impacts of changes in the environment, markets and regulation. Climate risks have been assessed in accordance with L&T's risk model in the short term (reporting period), medium term (2–5 years) and long term (over 5 years), and they were most recently updated in 2024. The impact of risks is analysed through EBIT effects and likelihood, taking into account the nature of the risk and the existing mitigation measures. The short and medium-term horizons correspond to the time horizons applied for the company's strategic risks. The actions are described in more detail in section E1-3, pp. 47–48.

The assessment took into account physical risks and transition risks and their impact on L&T's personnel and business. The value chain impacts are mainly based on changes in the service offering of the businesses. Physical risks may arise from the effects of natural phenomena, such as temperature changes (chronic risk) or potential flooding (acute risk). These are expected to intensify due to climate change. Transition risks include the potential impacts of regulatory and market changes on L&T's key business areas, as well as the impacts of new technologies, particularly on the development of L&T's low-emission fleet.

Physical risks

Chronic climate risks, such as the impacts of temperature changes and weather fluctuations on the company's operations, have been examined in connection with L&T's assessment of physical risks. The impacts of acute climate risks, such as potential flooding, on properties have been estimated to be minimal, as the company's sites are not located in particularly flood-sensitive areas.

According to L&T's assessment, the company's assets and businesses are sensitive to these climate-related risks to a significant extent. L&T's operations are evenly distributed across Finland and Sweden, which means that operations can be temporarily relocated as necessary in the event of a disturbance. In addition, L&T's properties and movable property are insured.

Transition risks

L&T's material transition risks are related to regulatory changes that affect, in particular, the carbon neutrality goals of transport and the promotion of the circular economy, as well as potential market changes that may affect the availability of renewable fuels or the development of low-emission technologies. In L&T's risk assessment, the background factors behind regulatory risks include the price development of emission rights, bioeconomy and low-carbon economy scenarios, the EU's circular economy package, potential changes in national waste legislation and national recycling and reuse targets. The reference framework used in the assessment was a climate scenario in which global warming can be limited to 1.5°C.

L&T has assessed the exposure and sensitivity of its businesses to identified transition events. The assessment takes into account the likelihood, scope and duration of transition risks. These transition risks are significant for L&T's materials business in particular. L&T's activities and business models are sensitive to changes in legislation, as the waste industry is subject to strong regulatory steering. Investments made by energy sector operators, particularly in renewable fuels, or the growing adoption of new technologies ino the use of heavy equipment, for example, will, in turn, influence the achievement of L&T's emission targets and the company's climate transition plan. These also indirectly affect the fulfilment of the loan terms linked to the company's climate targets.

The current targets, operating models and measures increase L&T's resilience in the changing business environment. The company has a strong market position in all of its business areas. In addition, the climate transition plan enables the effective implementation of changes. Increasing the use of renewable energy sources and sustainable raw materials, and phasing out fossil carbon, particularly in transport, will continue to be key focal points. Risk management is enhanced by assessing regulatory and market changes and reacting to them in a timely manner. The company seeks to proactively influence legislative processes through key industry advocacy organisations, for example.

The transition to a resource-efficient circular economy is an integral part of L&T's climate change mitigation strategy. This change also creates new opportunities for L&T through the services offered by the company. The added value provided to customers is reflected in improved material, energy and cost efficiency, amongst other things. At the same time, L&T is implementing measures to reduce its own carbon footprint with regard to transport emissions, for instance. L&T regularly assesses climate risks as part of its risk assessment and adapts its strategy accordingly. The climate scenarios and the related assumptions have not had significant impacts on the company's financial statements or key financial figures.

Regulatory and market-related transition risks have been taken into account as part of L&T's strategic risks.

Description of the processes to identify and assess material impacts, risks and opportunities related to pollution and water and marine resources

L&T also examined the sub-topics and sub-sub-topics of E2 Pollution and E3 Water and marine resources in the double materiality assesment. The assessment of pollution and water and marine resources took into account the location and ownership of sites, water and biodiversity-related impacts obtained from WWF databases, and the nature of operations at the sites, which may cause actual and potential impacts, risks and opportunities for L&T's own operations. Sufficiently high-quality data was not available for the value chain, which meant that the assessment was superficial. L&T did not organise a separate stakeholder consultation related to these sub-topics in connection with the assessment.

Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities

L&T's most significant impacts, risks and opportunities are related to ecosystem services. The significant environmental impacts relate to water and land use in L&T's processing and storage areas and waste treatment plants. Tightening regulation and customers' sustainability targets may present new business opportunities, especially for L&T's Industrial Services division and maintenance of green areas, whose activities include the remediation and restoration of contaminated soil sites, the implementation of various meadow restoration projects and the removal of invasive species at customer sites.

The material impacts, risks and opportunities concerning biodiversity and ecosystems have been identified in accordance with the double materiality assessment process. The background data for the assessment also included information obtained from environmental permit processes, customer feedback, particularly with regard to sites engaging in production operations, and the background information obtained from databases as mentioned above.

Transition risks have been examined indirectly as part of the climate risk assessment. L&T has not assessed systemic risks related to biodiversity and ecosystems.

Dependence on biodiversity and ecosystems

L&T's operations are dependent on ecosystem services provided by nature, such as water, energy and the use of other natural resources. Ecosystem services and changing regulations also present new business opportunities for L&T. They include consulting services that support the biodiversity-related efforts of L&T's customers, the remediation of contaminated soil sites, meadow restoration and the removal of invasive species, and various stormwater solutions.

The production of products and services purchased by L&T can also have an impact on biodiversity and ecosystems at the local, regional and global level. As the data obtained on the value chain is still incomplete and involves a lot of uncertainties, the impacts, risks and opportunities have been assessed mainly for L&T's own operations.

Material impacts of L&T's own operations and risk management

The material environmental impacts of L&T's own operations are related to water and land use, particularly at L&T's processing and storage areas and waste treatment plants. The operations of the plants are subject to the provisions of environmental permits and related monitoring. L&T also implements mitigation measures aimed at ensuring the sites' adherence to the requirements stipulated by their environmental permits. Environmental risks are also assessed as part of the company's site-specific environmental risk assessment process. Local residents and stakeholders also have the opportunity to raise concerns related to the operations of the sites through L&T's customer feedback channel, for example. L&T engages in open dialogue with the public authorities and local residents on the impacts of operations and corrective measures to prevent adverse impacts. Sites located in biodiversity-sensitive areas are presented in the table in section E4 SBM-3, p. 56. No mitigation measures related to biodiversity have been separately specified for L&T's sites by the authorities.

Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

L&T identified and assessed material impacts, risks and opportunities related to resource inflows and outflows and waste as part of the double materiality assessment. L&T analysed its operations to identify and assess the actual and potential impacts, risks and opportunities in its own operations and the value chain. The material impacts, risks and opportunities related to resource use and the circular economy are described in a table in section ESRS 2 SBM-3, p. 22.

L&T did not separately consult the local communities around recycling plants or processing centres as part of the double materiality assessment. Within the environmental permit processes for sites and regional cooperation, the company engages in regular dialogue with local residents about the environmental impacts of its sites.

L&T has analysed its assets and operations to identify the actual and potential impacts, risks and opportunities in its own operations and the upstream and downstream value chain. The information used in the analysis included environmental permits concerning the company's operations, general national and international reports and studies, and stakeholder consultations in various forums.

Description of the processes to identify and assess material impacts, risks and opportunities related to L&T's own workforce

In its double materiality assessment, L&T has identified and assessed the impacts, risks and opportunities related to its own workforce. The material impacts, risks and opportunities are related to the following sub-topics and sub-sub-topics: occupational safety, working time, adequate wages, freedom of association, the existence of works councils and the information, consultation and participation rights of workers. These topics play a key role in L&T's strategy and business model, and they have a direct impact on the company's operations and its adaptation. The material impacts, risks and opportunities related to the company's own workforce are described in more detail in section S1 SBM-3, p. 63.

The well-being of the personnel is taken into account in L&T's strategy and business model. The availability of personnel is a key factor for business growth, and a sustainable personnel policy is an important competitive factor. The company engages in regular dialogue with its personnel, and the views of the personnel are a key input in the process of drawing up the business strategy.

L&T has recognised that young summer workers and people whose Finnish or English language skills are not at the level of other personnel groups may be at greater risk of harm, especially with regard to occupational safety. The induction and training of these groups are key measures for managing risks. L&T has established an understanding of the risks to workers through the double materiality assessment, regular dialogue, the identification of special groups and the assessment of occupational safety risks.

Description of the processes to identify and assess material impacts, risks and opportunities related to value chain workers

L&T has identified and assessed the material impacts, risks and opportunities concerning value chain workers as part of the double materiality assessment. Material impacts were identified and assessed with regard to the following sub-sub-topics, among others: working time monitoring, payment of wages, occupational safety, and occupational well-being. The material impacts related to value chain workers are described in more detail in section S2 SBM-3, p. 75.

L&T has identified that certain value chain workers who possess particular characteristics, who work under particular conditions, or who engage in particular activities, may be at greater risk of harm. Among workers in subcontracting, workers with a foreign background may have inadequate language proficiency in particular, which can make it more difficult to understand and implement the appropriate occupational safety practices. They may also have inadequate knowledge of national work practices. Young employees who lack previous work experience can also be more vulnerable to various types of violations. In addition, workers who work at L&T's or customers' premises, particularly in logistics, environmental construction projects and process cleaning and property maintenance in production-related tasks which may involve an actual elevated occupational safety risk, may be at risk of harm. Potential impacts may also be related to the inadequate implementation of work practices, such as unclear records of working time. L&T has established an understanding of the impacts on value chain workers through the double materiality assessment, procurement cooperation and the assessment of occupational safety risks.

Description of the processes to identify and assess material impacts, risks and opportunities related to business conduct

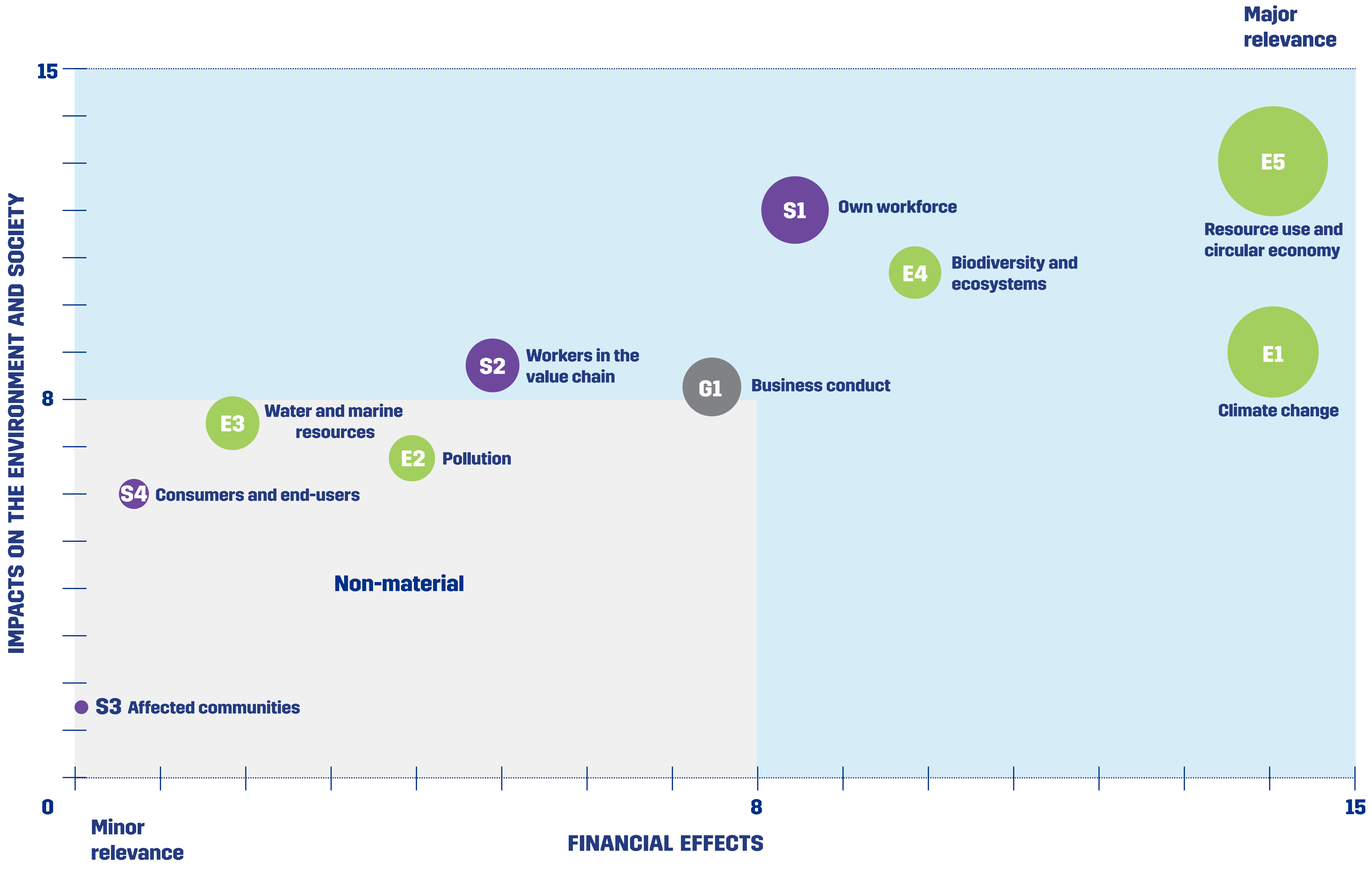
The material impacts, risks and opportunities identified in the double materiality assessment were related to the following sub-topics and sub-sub-topics: corporate culture, prevention and detection and incidents of corruption and bribery, the protection of whistleblowers and relationships with suppliers. The geographical location, activities, industry and business structure of L&T's businesses have been taken into account as background data in the assessment of the related material impacts.

Corporate culture emerged as a material topic on the basis of impact materiality in the double materiality assessment. With regard to financial materiality, the risks and opportunities related to business conduct did not exceed the set threshold. Taking into account the information needs and views of key stakeholders with regard to the company's material topics, and having assessed these views and needs in relation to the company's business operations, L&T also identified the following topics as material: prevention and detection of corruption and bribery; incidents of corruption and bribery; whistleblower protection; and relationships with suppliers. The geographical location, activities, industry and business structure of L&T's businesses have been taken into account as background data in the assessment of these material impacts, risks and opportunities.

Updating the double materiality assessment

The double materiality assessment process is integrated into L&T's existing risk management process and implemented in cooperation with business-level specialists, risk management functions and financial organisations. The impacts, risks and opportunities associated with sustainability matters are assessed during the process, taking into account potential changes in the business environment. The results of the assessment will be updated annually, and they will be discussed and approved by L&T's Group Executive Board and Board of Directors. The next update to the double materiality assessment will be carried out in 2025.

Results of the double materiality assessment



Overview of the results

The double materiality assessment separately examined the impacts, risks and opportunities of each sustainability topic, sub-topic and sub-sub-topic on L&T's operations. In addition, the impacts, risks and opportunities of L&T's operations on the environment, people and society were examined for each sustainability topic, sub-topic and sub-sub-topic, on a scale of 0–15.

All sub-topics and sub-sub-topics whose score exceeded the threshold value for impact materiality or financial materiality were considered to be material topics. The threshold value was eight for both impact materiality and financial materiality. The materiality threshold is indicated by a blue background colour in the graph. In the graph, the X and Y axes take into account the maximum scores assigned to each ESRS topic, even if they consist of different sub-topics.

The average score of the impact assessment of the ESRS topics is expressed in the graph by the size of the point. This makes it possible to identify how large a proportion of the sub-topics or sub-sub-topics under each topic were identified as material in the double materiality assessment. For example, E4 Biodiversity and ecosystems is a topic that is identified as material, but the average score for the topic is relatively low, which means that only a few sub-sub-topics were identified as material in the assessment.

Colour coding

- Material sub-topics
- Non-material sub-topics
- Environment (E)
- Society (S)
- Governance (G)

IRO-2 – Disclosure Requirements in ESRS covered by the undertaking's sustainability statements

The following tables list all of the the disclosure requirements of ESRS 2 and the six sustainability reporting standards (ESRS) material to L&T that have been applied in the preparation of this Sustainability Report. L&T has omitted all disclosure requirements in S3 and S4, as they did not exceed the materiality thresholds. The tables can be used to navigate to information on a specific disclosure requirement in the Sustainability Report. The tables also show where L&T has placed information on a specific disclosure requirement that is not included in the Sustainability Report and is included by reference to the financial statements. If L&T does not yet have information on a specific disclosure requirement, no reference has been made to it.

Disclosure requirement		Paragraph/included reference and page number	Material /Non-material
ESRS 2 General Disclosures			
BP-1	General basis for preparation of sustainability statements	Sustainability Report: ESRS 2 General Disclosures, p. 10	Material
BP-2	Disclosures in relation to specific circumstances	Sustainability Report: ESRS 2 General Disclosures, p. 10	Material
GOV-1	The role of the administrative, management and supervisory bodies	Sustainability Report: ESRS 2 General Disclosures, p. 11	Material
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Sustainability Report: ESRS 2 General Disclosures, p. 14	Material
GOV-3	Integration of sustainability-related performance in incentive schemes	Sustainability Report: ESRS 2 General Disclosures, p. 14	Material
GOV-4	Statement on due diligence	Sustainability Report: ESRS 2 General Disclosures, p. 15	Material
GOV-5	Risk management and internal controls over sustainability reporting	Sustainability Report: ESRS 2 General Disclosures, p. 15	Material
SBM-1	Strategy, business model and value chain	Sustainability Report: ESRS 2 General Disclosures, p. 16	
SBM-2	Interests and views of stakeholders	Sustainability Report: ESRS 2 General Disclosures, p. 18	Material
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Sustainability Report: ESRS 2 General Disclosures, p. 19	Material
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 26	Material
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Sustainability Report: ESRS 2 General Disclosures, p. 30	Material

Disclosure requirement		Paragraph/included reference and page number	Material /Non-material
ESRS E1 Climate change			
E1 ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	Sustainability Report: ESRS 2 General Disclosures, p. 14	Material
E1-1	Transition plan for climate change mitigation	Sustainability Report: ESRS E1 Climate change, p. 46	Material
E1 ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Sustainability Report: ESRS E1 Climate change, p. 47	Material
E1 ESRS 2 IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 26	Material
E1-2	Policies related to climate change mitigation and adaptation	Sustainability Report: ESRS E1 Climate change, p. 47	Material
E1-3	Actions and resources in relation to climate change policies	Sustainability Report: ESRS E1 Climate change, p. 47	Material
E1-4	Targets related to climate change mitigation and adaptation	Sustainability Report: ESRS E1 Climate change, p. 48	Material
E1-5	Energy consumption and mix	Sustainability Report: ESRS E1 Climate change, p. 49	Material
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Sustainability Report: ESRS E1 Climate change, p. 50	Material
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	-	Non-material
E1-8	Internal carbon pricing	-	Non-material
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	L&T is utilising the transitional provision for the required data.	Material
ESRS E2 Pollution			
E2 ESRS 2 IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 27	Material
E2-1	Policies related to pollution	-	Non-material
E2-2	Actions and resources related to pollution	-	Non-material
E2-3	Targets related to pollution	-	Non-material
E2-4	Pollution of air, water and soil	-	Non-material
E2-5	Substances of concern and substances of very high concern	-	Non-material
E2-6	Impact metrics related to biodiversity and ecosystems change	-	Non-material

Disclosure requirement		Paragraph/included reference and page number	Material /Non-material
ESRS E3 Water and marine resources			
E3 ESRS 2 IRO-1	Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 27	Material
E3-1	Policies related to water and marine resources	-	Non-material
E3-2	Actions and resources related to water and marine resources	-	Non-material
E3-3	Targets related to water and marine resources	-	Non-material
E3-4	Water consumption	-	Non-material
E3-5	Anticipated financial effects from water and marine resources-related impacts, risks and opportunities	-	Non-material
ESRS E4 Biodiversity and ecosystems			
E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	Sustainability Report: ESRS E4 Biodiversity and ecosystems, p. 56	Material
E4 ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Sustainability Report: ESRS E4 Biodiversity and ecosystems, p. 56	Material
E4 ESRS 2 IRO-1	Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 27	Material
E4-2	Policies related to biodiversity and ecosystems	Sustainability Report: ESRS E4 Biodiversity and ecosystems, p. 57	Material
E4-3	Actions and resources related to biodiversity and ecosystems	Sustainability Report: ESRS E4 Biodiversity and ecosystems, p. 57	Material
E4-4	Targets related to biodiversity and ecosystems	Sustainability Report: ESRS E4 Biodiversity and ecosystems, p. 58	Material
E4-5	Impact metrics related to biodiversity and ecosystems change	Sustainability Report: ESRS E4 Biodiversity and ecosystems, p. 58	Material
E4-6	Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities	L&T is utilising the transitional provision for the required data.	Material
ESRS E5 Resource use and circular economy			
E5 ESRS 2 IRO-1	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 28	Material
E5-1	Policies related to resource use and circular economy	Sustainability Report: ESRS E5 Resource use and circular economy, p. 59	Material
E5-2	Actions and resources related to resource use and circular economy	Sustainability Report: ESRS E5 Resource use and circular economy, p. 59	Material
E5-3	Targets related to resource use and circular economy	Sustainability Report: ESRS E5 Resource use and circular economy, p. 60	Material
E5-4	Resource inflows	Sustainability Report: ESRS E5 Resource use and circular economy, p. 60	Material
E5-5	Resource outflows	Sustainability Report: ESRS E5 Resource use and circular economy, p. 62	Material
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	L&T is utilising the transitional provision for the required data.	Material

Disclosure requirement		Paragraph/included reference and page number	Material /Non-material
ESRS S1 Own workforce			
S1. ESRS 2 SBM-2	Interests and views of stakeholders	Sustainability Report: ESRS 2 General Disclosures, p. 18	Material
S1. ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Sustainability Report: ESRS S1 Own workforce, p. 63	Material
S1-1	Policies related to own workforce	Sustainability Report: ESRS S1 Own workforce, p. 63	Material
S1-2	Processes for engaging with own workers and workers' representatives about impacts	Sustainability Report: ESRS S1 Own workforce, p. 64	Material
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	Sustainability Report: ESRS S1 Own workforce, p. 65	Material
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Sustainability Report: ESRS S1 Own workforce, p. 65	Material
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Sustainability Report: ESRS S1 Own workforce, p. 67	Material
S1-6	Characteristics of the undertaking's employees	Sustainability Report: ESRS S1 Own workforce, p. 67	Material
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Sustainability Report: ESRS S1 Own workforce, p. 69	Material
S1-8	Collective bargaining coverage and social dialogue	Sustainability Report: ESRS S1 Own workforce, p. 69	Material
S1-9	Diversity metrics	Sustainability Report: ESRS S1 Own workforce, p. 70	Material
S1-10	Adequate wages	Sustainability Report: ESRS S1 Own workforce, p. 70	Material
S1-11	Social protection	Sustainability Report: ESRS S1 Own workforce, p. 70	Material
S1-12	Persons with disabilities	-	Non-material
S1-13	Training and skills development metrics	Sustainability Report: ESRS S1 Own workforce, p. 70	Material
S1-14	Health and safety metrics	Sustainability Report: ESRS S1 Own workforce, p. 71	Material
S1-15	Work–life balance metrics	Sustainability Report: ESRS S1 Own workforce, p. 72	Material
S1-16	Compensation metrics (pay gap and total compensation)	Sustainability Report: ESRS S1 Own workforce, p. 72	Material
S1-17	Incidents, complaints and severe human rights impacts	Sustainability Report: ESRS S1 Own workforce, p. 73	Material

Disclosure requirement		Paragraph/included reference and page number	Material /Non-material
ESRS S2 Workers in the value chain			
S2 ESRS2 SBM-2	Interests and views of stakeholders	Sustainability Report: ESRS 2 General Disclosures, p. 18	Material
S2 ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Sustainability Report: ESRS S2 Workers in the value chain, p. 74	Material
S2-1	Policies related to value chain workers	Sustainability Report: ESRS S2 Workers in the value chain, p. 74	Material
S2-2	Processes for engaging with value chain workers about impacts	Sustainability Report: ESRS S2 Workers in the value chain, p. 75	Material
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	Sustainability Report: ESRS S2 Workers in the value chain, p. 75	Material
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	Sustainability Report: ESRS S2 Workers in the value chain, p. 75	Material
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Sustainability Report: ESRS S2 Workers in the value chain, p. 76	Material
ESRS S3 Affected communities			
ESRS 2 SBM-2	Interests and views of stakeholders	-	Non-material
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	-	Non-material
S3-1	Policies related to affected communities	-	Non-material
S3-2	Processes for engaging with affected communities about impacts	-	Non-material
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	-	Non-material
S3-4	Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	-	Non-material
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	-	Non-material

Disclosure requirement		Paragraph/included reference and page number	Material /Non-material
ESRS S4 Consumers and end-users			
ESRS 2 SBM-2	Interests and views of stakeholders	-	Non-material
ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	-	Non-material
S4-1	Policies related to consumers and end-users	-	Non-material
S4-2	Processes for engaging with consumers and end-users about impacts	-	Non-material
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	-	Non-material
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	-	Non-material
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	-	Non-material
ESRS G1 Business conduct			
G1 ESRS GOV-1	The role of the administrative, management and supervisory bodies	Sustainability Report: ESRS 2 General Disclosures, p. 11	Material
G1 ESRS IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Sustainability Report: ESRS 2 General Disclosures, p. 28	Material
G1-1	Corporate culture and business conduct policies and corporate culture	Sustainability Report: ESRS G1 Business conduct, p. 77	Material
G1-2	Management of relationships with suppliers	Sustainability Report: ESRS G1 Business conduct, p. 79	Material
G1-3	Prevention and detection of corruption and bribery	Sustainability Report: ESRS G1 Business conduct, p. 79	Material
G1-4	Confirmed incidents of corruption or bribery	Sustainability Report: ESRS G1 Business conduct, p. 79	Material
G1-5	Political influence and lobbying activities	-	Non-material
G1-6	Payment practices	Sustainability Report: ESRS G1 Business conduct, p. 79	Material

Disclosures stemming from other legislation

The following table contains all other data points derived from EU legislation listed in Appendix B of ESRS 2. The table shows where the data points can be found in our report and which data points have been assessed to be non-material on the basis of the double materiality assessment. If L&T does not yet have information related to a specific data point, it is indicated with a dash (-).

				Reference to other EU legislation			
Disclosure requirement	Data point	Sustainability disclosure	Location and page	SFDR	Pillar 3	Benchmark Regulation	EU Climate Act
ESRS 2 GOV-1	21 (d)	Board's gender diversity	GOV-1 – The role of the administrative, management and supervisory bodies, p. 11	x		x	
ESRS 2 GOV-1	21 (e)	Percentage of board members who are independent	GOV-1 – The role of the administrative, management and supervisory bodies, p. 11			x	
ESRS 2 GOV-4	30	Statement on due diligence	GOV-4 – Statement on sustainability due diligence, p. 15	x			
ESRS 2 SBM-1	40 (d) i	Involvement in activities related to fossil fuel activities	Not applicable	x	x	x	
ESRS 2 SBM-1	40 (d) ii	Involvement in activities related to chemical production	Not applicable	x		x	
ESRS 2 SBM-1	40 (d) iii	Involvement in activities related to controversial weapons	Not applicable	x		x	
ESRS 2 SBM-1	40 (d) iv	Involvement in activities related to cultivation and production of tobacco	Not applicable			x	
ESRS E1-1	14	Transition plan to reach climate neutrality by 2050	E1-1 – Transition plan for climate change mitigation, p. 46				x
ESRS E1-1	16 (g)	Undertakings excluded from Paris-aligned Benchmarks	Not applicable		x	x	
ESRS E1-4	34	GHG emission reduction targets	E1-4 – Targets related to climate change mitigation and adaptation, p. 48	x	x	x	
ESRS E1-5	38	Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors)	E1-5 – Energy consumption and mix, p. 49	x			
ESRS E1-5	37	Energy consumption and mix	E1-5 – Energy consumption and mix, p. 49	x			
ESRS E1-5	40–43	Energy intensity associated with activities in high climate impact sectors	E1-5 – Energy consumption and mix, p. 49	x			
ESRS E1-6	44	Gross Scopes 1, 2, 3 and Total GHG emissions	E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions, p. 50	x	x	x	
ESRS E1-6	53–55	Gross GHG emissions intensity	E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions, p. 50	x	x	x	

Disclosure requirement	Data point	Sustainability disclosure	Location and page	Reference to other EU legislation			
				SFDR	Pillar 3	Benchmark Regulation	EU Climate Act
ESRS E1-7	56	GHG removals and carbon credits	Non-material				x
ESRS E1-9	66	Exposure of the benchmark portfolio to climate-related physical risks	L&T is utilising the transitional provision for the required data.			x	
ESRS E1-9	66 (a); 66 (c)	Disaggregation of monetary amounts by acute and chronic physical risk; Location of significant assets at material physical risk	L&T is utilising the transitional provision for the required data.		x		
ESRS E1-9	67 (c)	Breakdown of the carrying value of the undertaking's real estate assets by energy-efficiency classes	L&T is utilising the transitional provision for the required data.		x		
ESRS E1-9	69	Degree of exposure of the portfolio to climate-related opportunities	L&T is utilising the transitional provision for the required data.			x	
ESRS E2-4	28	Amount of each pollutant listed in Annex II of the E-PRTR Regulation emitted to air, water and soil	Non-material	x			
ESRS E3-1	9	Water and marine resources	Non-material	x			
ESRS E3-1	13	Dedicated policy	Non-material	x			
ESRS E3-1	14	Sustainable oceans and seas	Non-material	x			
ESRS E3-4	28 (c)	Total water recycled and reused	Non-material	x			
ESRS E3-4	29	Total water consumption in m^3 per net revenue on own operations	Non-material	x			
ESRS 2 SBM-3 – E4	16 (a)	List of material sites in own operations	E4 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model, p. 56	x			
ESRS 2 SBM-3 – E4	16 (b)	Sites located in affected biodiversity-sensitive areas	E4 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model, p. 56	x			
ESRS 2 SBM-3 – E4	16 (c)	Operations that affect threatened species	E4 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model, p. 56	x			
ESRS E4-2	24 (b)	Sustainable land/agriculture practices or policies	E4-2 – Policies related to biodiversity and ecosystems, p. 57	x			
ESRS E4-2	24 (c)	Sustainable oceans/seas practices or policies	E4-2 – Policies related to biodiversity and ecosystems, p. 57	x			
ESRS E4-2	24 (d)	Policies to address deforestation	E4-2 – Policies related to biodiversity and ecosystems, p. 57	x			

Disclosure requirement	Data point	Sustainability disclosure	Location and page	Reference to other EU legislation			
				SFDR	**Pillar 3**	**Benchmark Regulation**	**EU Climate Act**
ESRS E5-5	37 (d)	Non-recycled waste	E5-5 – Resource outflows, p. 62	x			
ESRS E5-5	39	Hazardous waste and radioactive waste	E5-5 – Resource outflows, p. 62	x			
ESRS 2 SBM-3 – S1	14 (f)	Risk of incidents of forced labour	S1 SBM-3 – Impacts, risks and opportunities from the perspective of the strategy and business model, p. 63	x			
ESRS 2 SBM-3 – S1	14 (g)	Risk of incidents of child labour	S1 SBM-3 – Impacts, risks and opportunities from the perspective of the strategy and business model, p. 63	x			
ESRS S1-1	20	Human rights policy commitments	S1-1 – Policies related to own workforce, p. 63	x			
ESRS S1-1	21	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	GOV-4 – Statement on sustainability due diligence, p. 15			x	
ESRS S1-1	22	Processes and measures for preventing trafficking in human beings	S1-1 – Policies related to own workforce, p. 63	x			
ESRS S1-1	23	Workplace accident prevention policy or management system	S1-1 – Policies related to own workforce, p. 63	x			
ESRS S1-3	32 (c)	Grievance/complaints handling mechanisms	S1-3 – Processes to remediate negative impacts and channels for own workforce to raise concerns, p. 65	x			
ESRS S1-14	88 (b) & (c)	Number of fatalities and number and rate of work-related accidents	S1-14 – Health and safety metrics, p. 71	x		x	
ESRS S1-14	88 (e)	Number of days lost to injuries, accidents, fatalities or illness	Not applicable	x			
ESRS S1-16	97 (a)	Unadjusted gender pay gap	S1-16 – Compensation metrics (pay gap and total compensation), p. 72	x		x	
ESRS S1-16	97 (b)	Excessive CEO pay ratio	S1-16 – Compensation metrics (pay gap and total compensation), p. 72	x			
ESRS S1-17	103 (a)	Incidents of discrimination	S1-17 – Incidents, complaints and severe human rights impacts, p. 73	x			
ESRS S1-17	104 (a)	Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	Not applicable	x		x	
ESRS 2 SBM-3 – S2	11 (b)	Significant risk of child labour or forced labour in the value chain	S2 SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model, p. 74	x			
ESRS S2-1	17	Human rights policy commitments	S2-1 – Policies related to value chain workers, p. 74	x			
ESRS S2-1	18	Policies related to value chain workers	S2-1 – Policies related to value chain workers, p. 74	x			

				Reference to other EU legislation			
Disclosure requirement	**Data point**	**Sustainability disclosure**	**Location and page**	**SFDR**	**Pillar 3**	**Benchmark Regulation**	**EU Climate Act**
ESRS S2-1	19	Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	Not applicable	x		x	
ESRS S2-1	19	Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8	GOV-4 – Statement on sustainability due diligence, p. 15			x	
ESRS S2-4	36	Human rights issues and incidents connected to upstream and downstream value chain	S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions, p. 75	x			
ESRS S3-1	16	Human rights policy commitments	Non-material	x			
ESRS S3-1	17	Non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines	Non-material	x		x	
ESRS S3-4	36	Human rights issues and incidents	Non-material	x			
ESRS S4-1	16	Policies related to consumers and end-users	Non-material	x			
ESRS S4-1	17	Non-respect of UNGPs on Business and Human Rights and OECD Guidelines	Non-material	x		x	
ESRS S4-4	35	Human rights issues and incidents	Non-material	x			
ESRS G1-1	10 (b)	Anti-corruption and anti-bribery principles aligned with the United Nations Convention against Corruption	Not applicable	x			
ESRS G1-1	10 (d)	Protection of whistleblowers	Not applicable	x			
ESRS G1-4	24 (a)	Fines for violation of anti-corruption and anti-bribery laws	G1-4 – Corruption and bribery, p. 79	x		x	
ESRS G1-4	24 (b)	Standards of anti-corruption and anti-bribery	G1-3 – Prevention and detection of corruption and bribery, p. 79	x			

EU taxonomy

In this section, Lassila & Tikanoja publishes information on environmentally sustainable economic activities in accordance with the EU taxonomy. The information is based on Regulation (EU) 2020/852 of the European Parliament and of the Council (Taxonomy Regulation). The Regulation contains key performance indicators that companies are required to report with regard to their environmentally sustainable economic activities.

The taxonomy specifies six key environmental objectives against which a company's various business activities are assessed. The environmental objectives are: climate change mitigation, climate change adaptation, water and marine resources, the circular economy, pollution, and biodiversity and ecosystems. For the financial year 2024, L&T reports the taxonomy-aligned, taxonomy-eligible and non-taxonomy-eligible proportions of business activities for three key performance indicators (turnover, operating expenditure and capital expenditure).

With regard to taxonomy alignment, L&T reports the extent to which the business in question supports the environmental objectives. An activity is considered to be taxonomy-aligned if it contributes substantially to one of the specified environmental objectives while doing no significant harm (DNSH) to the other objectives. In addition, the activity must comply with the criteria concerning minimum safeguards.

L&T's assessment

L&T has carried out assessments concerning taxonomy eligibility and taxonomy alignment on the basis of the company's best interpretation of the EU Taxonomy Regulation, the Climate Delegated Act, the Complementary Climate Act, the Environmental Delegated Act and the currently available guidelines issued by the European Commission.

Taxonomy eligibility has been assessed on the basis of the descriptions of economic activities and related NACE codes provided in the European Commission's Delegated Regulations. The assessment related to the taxonomy has been carried out on turnover, capital expenditure and operating expenditure associated with climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. L&T does not have business activities related to nuclear energy or fossil natural gas.

The financial indicators concerning the taxonomy are based on figures extracted from L&T's financial management systems and ERP systems. When calculating the proportion of turnover of products related to taxonomy-aligned and taxonomy-eligible economic activities (note 1.2 to the financial statements), L&T takes into account revenue from services and products that have a clear connection to the identified economic activities. For capital expenditure and operating expenditure, data from 2024 was analysed and compared to the screening criteria.

Capital expenditure consists of additions to property, plant and equipment, intangible assets and right-of-use assets, including additions arising from acquisitions (notes 3.1, 3.3 and 3.4 to the financial statements). Operating expenditure consists of non-capitalised direct expenses that are necessary to ensure the continuous and efficient operation of property, plant and equipment. The expenses include maintenance, repair and servicing of the fleet and buildings, short-term rents and similar expenses, and other direct expenses related to the maintenance of the assets in question. Operating expenditure does not include discontinued operations. The assessments concerning taxonomy eligibility and taxonomy alignment take into account only the operating expenditure and capital expenditure that correspond to the technical screening criteria for the activity. L&T does not have separate capital or operating expenditure plans for the taxonomy.

L&T reports on the taxonomy at the Group level. Specialists from each division and representatives of the businesses have assessed whether the economic activities identified in the taxonomy meet the criteria for taxonomy alignment. The assessment is based on the activity-specific technical screening criteria described in the Taxonomy Regulation and the DNSH criteria. The climate-related DNSH criteria are assessed annually as part of L&T's risk management process through the TCFD framework. L&T's climate risks are described in section ESRS 2 SBM-3, pp. 19-21.

L&T's operations are regulated and require separate environmental permits that specify environmental requirements for water, soil contamination and nature. We comply with all environmental requirements that are applicable to our operations. The practices and procedures are described in more detail in section E4-2, p. 57.

L&T has a management system in place that covers all of L&T's services with regard to ISO 9001, ISO 14001 and ISO 45001 certification. The EHSQ management model ensures that L&T's operations comply with the permit conditions, and they are monitored and reported on regularly. L&T also strives to manage and reduce the environmental impacts of its activities through training and technical solutions. The technical screening criteria have been examined side by side in order to achieve the greatest possible consistency in reporting and to avoid double accounting.

Minimum safeguards

In addition to the technical screening criteria, the Taxonomy Regulation lays down minimum safeguards that concern labour and human rights, the prevention of corruption and bribery, fair competition and taxation. At L&T, the minimum safeguards have been assessed at the Group level.

L&T observes the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organization (ILO), international agreements and the UN Guiding Principles on Business and Human Rights, and complies with the six steps outlined in the OECD Guidelines for Multinational Enterprises. L&T's human rights impacts are discussed in more detail in section ESRS 2 GOV-4, p. 15.

In the prevention of corruption and bribery, L&T complies with national legislation and agreements. These principles have also been incorporated into a separate anti-corruption and anti-bribery policy, which clearly prohibits bribery, the receiving and giving of gifts, and other unethical conduct. L&T's guidelines on receiving gifts and hospitality are public and can be found on the company's website and intranet. The prevention of corruption and bribery is discussed in more detail in G1-3, p. 79.

The main principles concerning taxation are described in L&T's tax policy, which has been approved by L&T's Board of Directors. The policy covers all of L&T's divisions in all operating countries and applies to all employees. L&T complies with local legislation in the payment, collection, accounting and reporting of taxes. A key principle is the high-quality and timely submission of tax forms and reporting of other legally required information to the authorities.

L&T pays and collects taxes in the operating countries in which its business creates value, and does not transfer the created value to low-tax jurisdictions. In the pricing of intra-Group transactions, L&T complies with the applicable transfer pricing legislation, the OECD transfer pricing guidelines and the recommendations of the tax administration. All of L&T's investment and location decisions are made on the basis of business needs. Tax effects are assessed and taken into account as part of the decision-making process, and businesses and group structures are dealt with on the basis of their economic substance. L&T does not participate in arrangements made purely for tax reasons without business substance.

L&T operates in Finland and Sweden, supports fair competition and complies with good business conduct and the rules of competition law in all of its business operations. All business activities undertaken by L&T either in full or in part are structurally transparent and financially justified. In its acquisition processes, L&T complies with competition law, carries out due diligence on the subjects of acquisition and submits the legally required notifications to the competition authorities.

L&T's Code of Conduct includes basic rules on compliance with competition law and legislation. In addition, L&T provides training on competition law for employees whose role involves an identified need for more in-depth training. The training on competition law was updated in September 2024. The purpose of the training is to help the personnel identify situations that may be questionable or prohibited from the perspective of the rules of competition law, and to provide more detailed instructions on the course of action to take in different situations.

L&T has due diligence processes in place with regard to taxation, anti-corruption, anti-bribery and fair competition. Requirements concerning human rights, labour rights and corruption have been taken into account as separate principles, included in the Code of Conduct and training, and taken into consideration in the company's procurement processes and guidelines. The Group-level policies apply to all of L&T's business operations in Finland and Sweden.

Identified taxonomy-eligible activities

The taxonomy-eligible and taxonomy-aligned activities of L&T's Environmental Services and Industrial Services divisions include, among other things, the collection and transport of waste, recovery of materials from non-hazardous waste, hazardous waste treatment, wastewater collection and treatment, sale of second-hand goods, and environmental construction services related to the remediation of contaminated sites and areas. These circular economy businesses include activities related to climate change mitigation 5.5 (Collection and transport of non-hazardous waste in source segregated fractions) and 5.9 (Material recovery from non-hazardous waste), activities related to the transition to a circular economy and the prevention and recycling of waste 2.3 (Collection and transport of non-hazardous and hazardous waste); 2.7 (Non-hazardous waste sorting and material recovery) and 5.2 (Sale of second-hand goods), activities related to pollution prevention and control 2.1 (Collection and transport of hazardous waste); 2.2 (Hazardous waste treatment) and 2.4 (Remediation of contaminated sites and areas), and an activity related to the sustainable use of water and marine resources 2.2 (Urban waste water treatment).

Among taxonomy-eligible and taxonomy-aligned activities, the business operations of the Facility Services divisions in Finland and Sweden include, for example, the installation, maintenance and repair of energy efficiency equipment and renewable energy technology, as well as the installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings. The business operations also include expert services related to improving the energy efficiency of buildings. In taxonomy reporting, L&T has taken into account the climate change-related activities 7.3 (Installation, maintenance and repair of energy efficiency equipment); 7.4 (Installation, maintenance and repair of electric vehicle charging stations in buildings); 7.5 (Installation, maintenance and repair of equipment for measuring, regulating and controlling the energy performance of buildings); 7.6 (Installation, maintenance and repair of renewable energy technologies) and 9.3 (Professional services related to the energy efficiency of buildings).

Turnover

Financial year N		2024		Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activities	Code	Turnover	Proportion of Turnover, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2.) proportion of turnover, year N-1	Category enabling activity	Category transitional activity
		(MEUR)	(%)	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N	Y; N	Y; N	Y; N	Y; N;	Y; N	Y; N	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	11.3	1.5 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Material recovery from non-hazardous waste	CCM 5.9	2.5	0.3 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	9.1	1.2 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.1	0.02 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	5.1	0.7 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1.0	0.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Professional services related to energy performance of buildings	CCM 9.3	6.3	0.8 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Collection and transport of hazardous waste	PPC 2.1	21.0	2.7 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Treatment of hazardous waste	PPC 2.2	4.8	0.6 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Remediation of contaminated sites and areas	PPC 2.4	3.2	0.4 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Collection and transport of non-hazardous and hazardous waste	CE 2.3	33.2	4.3 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Sorting and material recovery of non-hazardous waste	CE 2.7	11.6	1.5 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Sale of second-hand goods	CE 5.4	8.9	1.2 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**118.0**	**15.3 %**	**4.6 %**	**0.0 %**	**0.0 %**	**3.8 %**	**7.0 %**	**0.0 %**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**			
Of which Enabling		**21.5**	**2.8 %**	**2.8 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	Y	Y	Y	Y	Y	Y	Y		E	
Of which Transitional		**0.0**	**0.0%**	**0.0%**						Y	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Material recovery from non-hazardous waste	CCM 5.9	0.6	0.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	7.4	1.0 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	2.6	0.3 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Urban waste water treatment	WTR 2.2	0.2	0.03 %	N/EL	N/EL	EL	N/EL	N/EL	N/EL										
Collection and transport of hazardous waste	PPC 2.1	1.5	0.2 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Collection and transport of non-hazardous and hazardous waste	CE 2.3	10.1	1.3 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Sorting and material recovery of non-hazardous waste	CE 2.7	7.6	1.0 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**30.0**	**3.9 %**	**1.4 %**	**0.0 %**	**0.03 %**	**0.2 %**	**2.3 %**	**0.0 %**										
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		**148.1**	**19.2 %**	**6.0 %**	**0.0 %**	**0.03 %**	**4.0 %**	**9.3 %**	**0.0 %**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		622.6	80.8 %																
TOTAL (A+B)		**770.7**	**100 %**																

Code: CCM = Climate Change Mitigation, WTR = Water and Marine Resources, PPC = Pollution Prevention and Control, CE = Circular Economy.
A.1: Y – Yes, a taxonomy-eligible and taxonomy-aligned activity with regard to the environmental objective in question, N – No, a taxonomy-eligible but not taxonomy-aligned activity with regard to the environmental objective in question, N/A - Not applicable, a non-taxonomy-eligible activity with regard to the environmental objective in question
A.2: EL – A taxonomy-eligible activity with regard to the objective, N/EL – A non-taxonomy-eligible activity with regard to the objective

Capital Expenditure

Financial year N			2024	Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activities	Code	CapEx	Proportion of CapEx, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2.) proportion of CapEx year N-1	Category enabling activity	Category transitional activity
		(MEUR)	(%)	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N	Y; N	Y; N	Y; N	Y; N;	Y; N	Y; N	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	1.8	3.0 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Material recovery from non-hazardous waste	CCM 5.9	0.9	1.4 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.4	0.7 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.1	0.2 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.2	0.4 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.1	0.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Professional services related to energy performance of buildings	CCM 9.3	0.3	0.6 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Collection and transport of hazardous waste	PPC 2.1	2.3	3.7 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Treatment of hazardous waste	PPC 2.2	0.4	0.7 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Collection and transport of non-hazardous and hazardous waste	CE 2.3	3.8	6.3 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Sorting and material recovery of non-hazardous waste	CE 2.7	1.3	2.2 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Sale of second-hand goods	CE 5.4	1.0	1.7 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**12.8**	**20.9 %**	**6.3 %**	**0.0 %**	**0.0 %**	**4.5 %**	**10.1 %**	**0.0 %**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**			
Of which Enabling		**1.1**	**1.8 %**	**1.8 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	Y	Y	Y	Y	Y	Y	Y		E	
Of which Transitional		**0.0**	**0.0 %**	**0.0 %**						Y	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Material recovery from non-hazardous waste	CCM 5.9	0.2	0.4 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.5	0.8 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.1	0.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Urban waste water treatment	WTR 2.2	0.01	0.02 %	N/EL	N/EL	EL	N/EL	N/EL	N/EL										
Collection and transport of hazardous waste	PPC 2.1	0.2	0.3 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Collection and transport of non-hazardous and hazardous waste	CE 2.3	1.2	1.9 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Sorting and material recovery of non-hazardous waste	CE 2.7	0.9	1.4 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**3.0**	**5.0 %**	**1.3 %**	**0.0 %**	**0.02 %**	**0.3 %**	**3.3 %**	**0.0 %**										
A. CapEx of Taxonomy-eligible activities (A.1+A.2)		**15.8**	**25.8 %**	**7.6 %**	**0.0 %**	**0.02 %**	**4.7 %**	**13.5 %**	**0.0 %**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		45.4	74.2 %																
TOTAL		**61.2**	**100 %**																

Code: CCM = Climate Change Mitigation, WTR = Water and Marine Resources, PPC = Pollution Prevention and Control, CE = Circular Economy.
A.1: Y – Yes, a taxonomy-eligible and taxonomy-aligned activity with regard to the environmental objective in question, N – No, a taxonomy-eligible but not taxonomy-aligned activity with regard to the environmental objective in question, N/A - Not applicable, a non-taxonomy-eligible activity with regard to the environmental objective in question
A.2: EL – A taxonomy-eligible activity with regard to the objective, N/EL – A non-taxonomy-eligible activity with regard to the objective

Operating Expenditure

Financial year N		2024		Substantial Contribution Criteria						DNSH criteria (Does Not Significantly Harm)									
Economic Activities	Code	OpEx	Proportion of OpEx, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate change mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Taxonomy-aligned (A.1) or taxonomy-eligible (A.2.) proportion of OpEx, year N-1	Category enabling activity	Category transitional activity
		(MEUR)	(%)	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N; N/A	Y; N	Y; N	Y; N	Y; N	Y; N;	Y; N	Y; N	(%)	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	0.8	2.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Material recovery from non-hazardous waste	CCM 5.9	0.03	0.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.3	0.9 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.1	0.2 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.2	0.6 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0.04	0.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Professional services related to energy performance of buildings	CCM 9.3	0.3	0.8 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y		E	
Collection and transport of hazardous waste	PPC 2.1	0.7	1.9 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Treatment of hazardous waste	PPC 2.2	0.2	0.4 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Remediation of contaminated sites and areas	PPC 2.4	0.04	0.1 %	N/A	N/A	N/A	Y	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Collection and transport of non-hazardous and hazardous waste	CE 2.3	2.5	6.7 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Sorting and material recovery of non-hazardous waste	CE 2.7	0.9	2.3 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Sale of second-hand goods	CE 5.4	0.7	1.8 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**6.7**	**18.1 %**	**4.7 %**	**0.0 %**	**0.0%**	**2.5 %**	**10.8 %**	**0.0 %**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**			
Of which Enabling	,	**0.9**	**2.6 %**	**2.6 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	Y	Y	Y	Y	Y	Y	Y		E	
Of which Transitional		**0.0**	**0.0 %**	**0.0 %**						Y	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**	**EL; N/EL**										
Material recovery from non-hazardous waste	CCM 5.9	0.01	0.02 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.4	1.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Installation, maintenance and repair of charging stations for electric vehicles in buildings	CCM 7.4	0.1	0.2 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL										
Urban waste water treatment	WTR 2.2	0.02	0.04 %	N/EL	N/EL	EL	N/EL	N/EL	N/EL										
Collection and transport of hazardous waste	PPC 2.1	0.1	0.1 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL										
Collection and transport of non-hazardous and hazardous waste	CE 2.3	0.7	2.0 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
Sorting and material recovery of non-hazardous waste	CE 2.7	0.6	1.5 %	N/EL	N/EL	N/EL	N/EL	EL	N/EL										
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**1.9**	**5.1 %**	**1.3 %**	**0.0 %**	**0.04 %**	**0.1 %**	**3.6 %**	**0.0 %**										
A. OpEx of Taxonomy-eligible activities (A.1+A.2)		**8.5**	**23.1 %**	**6.1 %**	**0.0 %**	**0.04 %**	**2.6 %**	**14.4 %**	**0.0 %**										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		28.3	76.9 %																
TOTAL		**36.8**	**100 %**																

Code: CCM = Climate Change Mitigation, WTR = Water and Marine Resources, PPC = Pollution Prevention and Control, CE = Circular Economy.
A.1: Y – Yes, a taxonomy-eligible and taxonomy-aligned activity with regard to the environmental objective in question, N – No, a taxonomy-eligible but not taxonomy-aligned activity with regard to the environmental objective in question, N/A - Not applicable, a non-taxonomy-eligible activity with regard to the environmental objective in question
A.2: EL – A taxonomy-eligible activity with regard to the objective, N/EL – A non-taxonomy-eligible activity with regard to the objective

Specifications to reporting

In 2024, L&T made adjustments to the calculation parameters related to EU taxonomy reporting with regard to capital expenditure and operating expenditure. Due to the adjustment of the calculation parameters, the taxonomy-aligned or taxonomy-eligible figures for the reporting year 2023 are not presented in the tables, as they are not comparable.

Following the adjustments to the calculation parameters, the calculation of operating expenditure no longer takes into account personnel expenses that cannot be allocated with certainty to taxonomy-eligible activities, or expenses arising from energy purchasing. Following the adjustments, the calculation of capital expenditure no longer takes into account the depreciation of capital expenditure.

In the adjacent table, L&T presents the total amounts of capital and operating expenditure for the previous year, calculated using the revised calculation principles. Personnel expenses and energy expenses have had a significant effect on the total amount of operating expenditure.

Transitional activities (nuclear power and natural gas)

A transitional activity is an economic activity that supports the transition to a climate-neutral economy and for which there are no technologically and economically feasible low-carbon alternatives. L&T does not have any taxonomy-eligible or non-taxonomy-eligible nuclear power or natural gas-related economic activities as described in the Complementary Climate Delegated Act. Consequently, Template 1: Nuclear and fossil gas-related activities (Complementary Climate Delegated Act, Annex III) is presented on the right, and templates 2–5 are omitted.

Reconciled figures

	Updated calculation principles, review of the figures for the reporting period 2023, MEUR	Figures published in the Annual Review 2023, MEUR	Change %
Turnover	802.1	802.1	0 %
Capital Expenditure	81.1	61.1	33 %
Operating Expenditure	36.9	769.9	-95 %

Nuclear energy-related activities	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Fossil gas-related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

E1 Climate change

E1-1 – Transition plan for climate change mitigation

Climate targets are part of L&T's strategic objectives. The company's target is to achieve net zero for its own operations and the entire supply chain by 2045. L&T is also committed to phasing out fossil fuels in the long term. L&T's climate targets are described in more detail in section E1-4, p. 48.

The targets are in line with the Paris Agreement. L&T is not excluded from the EU's Paris Agreement benchmarks.

L&T's own operations (scope 1 and 2) account for approximately 10% of total emissions, of which approximately 97% are generated by transport (scope 1 emissions). Scope 2 emissions include all greenhouse gas (GHG) emissions arising from the use of electricity, heating and cooling energy at L&T's properties. Scope 2 emissions account for 3% of the emissions of L&T's own operations. The majority, approximately 90%, of L&T's total emissions are generated in the value chain (scope 3).

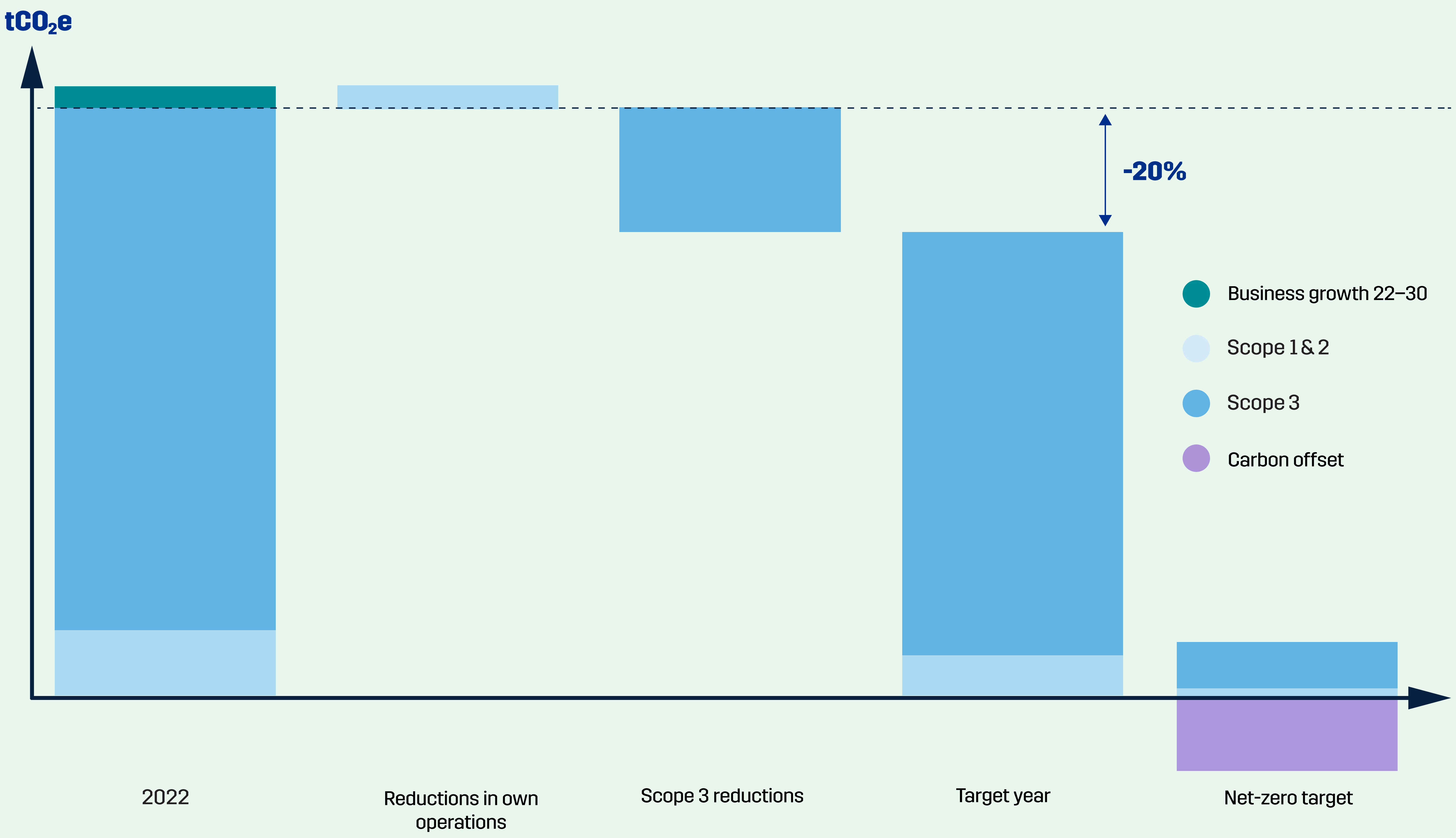
To achieve the targets, L&T has drawn up a separate climate transition plan that includes an assessment of the key measures concerning L&T's own operations and supply chain until 2030. The key aspects of the transition plan are related to the company's measures to phase out fossil carbon in transport operations with respect to both fuel use and the fleet, so that by 2030, 36% of the transport fuels used in the company's own operations would be renewable, and 20% of L&T's own fleet would consist of low-emission vehicles, such as vehicles powered by biogas or electricity.

In addition to focusing on its own operations, L&T seeks to promote its value chain emission reduction targets by intensifying its cooperation with value chain partners. In 2024, L&T further specified its action plan for reducing emissions generated in the value chain. In the near future, the aim is to improve the quality of the emissions data obtained from the supply chain and increase awareness of climate change mitigation measures in the supply chain. The company also develops solutions that promote the recycling of customers' materials.

The lock-in of potential GHG emissions is not estimated to cause a significant transition risk or prevent the achievement of emission reduction targets in respect of the company's own operations, as the power source of the fleet in use can be adjusted during use, for example by replacing fossil energy with renewable energy. Moreover, the availability of renewable energy is expected to remain good in the future.

L&T's climate targets are part of the company's strategic business objectives. A more detailed transition plan that supports the targets and examines the effectiveness of the key measures targeted at the company's own operations in relation to the emission targets, and their potential financial effects, has been approved by the Board of Directors.

L&T's key means of decarbonisation and their impact on L&T's short-term targets



L&T has planned to reduce the emissions generated by its own operations by approximately 31% by 2030, using 2022 as the base year. Of the planned emission reductions in L&T's own operations, 70% is made up of the increased use of renewable energy and 30% is made up of changes in the fleet's propulsion sources. L&T estimates that, in 2030, 20% of the fleet will consist of low-emission vehicles and the use of renewable energy will nearly double when compared to 2024.
The drivers of the planned emission reductions in the value chain include increasing the recycling rate and emission reduction measures in subcontracted logistics. In addition, scope 3 emissions are expected to decrease organically as a result of other decarbonisation measures in the value chain.
The company's long-term net-zero target is to reduce emissions by 90% from the 2022 level and offset the share of emissions that cannot be reduced in the company's own operations or value chain.

The plan takes into account the anticipated capital and operating expenditure to achieve the climate targets set for the company's own operations by the end of 2030. The long-term measures extending to 2045 are not yet at a sufficiently detailed level due to insufficient transparency. The adequacy of the measures and the related financing plan will be reviewed annually as part of L&T's investment decisions.

The significant capital expenditure required to implement L&T's planned measures is related to increasing the relative share of low-emission equipment in the fleet by 2030. The planned measures will increase L&T's annual capital expenditure, which in turn will increase depreciation and amortisation in L&T's income statement. As a counterbalance to increasing depreciation and amortisation, L&T anticipates that low-emission equipment will reduce the annual operating expenditure of the fleet in the income statement. With respect to non-low-emission equipment, L&T will significantly increase the use of renewable fuels in accordance with the transition plan. This measure is expected to increase annual fuel expenditure in L&T's income statement by 2030.

The alignment of the company's economic activities with the criteria established in Commission Delegated Regulation (EU) 2021/2139 is mainly focused on the renewal of the fleet, which is expected to reduce the company's general environmental impact. Although the renewal of the fleet is not directly related to the activities specified in the taxonomy to a significant degree, it supports the company's aim of operating more sustainably.

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business models

The monitoring of the outcomes of climate change related to our business operations is integrated in L&T's strategy process. The company has assessed the impacts of climate change both during the short strategy period of five years and in the long term, extending to 2035. The resilience analysis is based on a qualitative assessment of the uncertainties in the business environment, which takes into account changes in the market and the operating environment and their significant financial effects. The most recent scenario review was carried out in 2023.

The resilience analysis was focused on L&T's own operations. With regard to transition risks, it considered changes in markets and regulation and, with regard to physical risks, it considered weather fluctuations in Finland and Sweden. The analysis takes into account L&T's own climate targets and related measures, such as L&T's emissions reduction measures in logistics as well as fleet investments and measures promoting the recycling of materials.

The company's resilience analysis applies the IPCC scenarios of climate warming of 1.5°C, less than 2°C and 4°C by the end of the century (RCP 2.6 and RCP 6.0), which have been assessed in relation to the latest climate research data on changes in weather in Finland. The International Energy Agency's (IEA) background data and assumptions (APS, NZE2050 and STEPS) have also been utilised in the analysis.

The evaluated scenarios included a business environment in which legislation and measures support and guide companies towards targets aligned with the net zero objective. The other extreme was a business environment in which change slows down and the necessary measures are implemented slowly. 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 uncertainties in the resilience analysis are related to regulatory changes and market changes. They have been taken into account in the background of L&T's climate transition plan as influencing factors related to low-emission fleet investments. The flexibility of the business model in the operating environments outlined in the different climate scenarios is on a stable foundation. The reference scenario was a business environment where the status quo supports the 1.5°C climate path in the short term and the long term.

In connection with the latest strategy work, L&T tightened its climate targets so that the company's long-term goal is net zero by 2045. The assessment indicated that L&T's updated climate targets, the actions aimed at achieving the targets and the separate climate targets set for the supply chain are in line with the observations made in the scenario analysis.

E1-2 – Policies related to climate change mitigation

L&T's climate targets are guided by the company's environmental policy, which describes not only L&T's own operations but also the principles pertaining to the value chain. The environmental policy, which is published on L&T's website, has been approved by the President and CEO and the Group Executive Board.

L&T's environmental policy describes the company's material targets and principles with regard to climate change mitigation, the use of renewable energy and the promotion of energy efficiency. L&T is committed to net zero targets by 2045 and also encourages its partners to set their own climate targets and reduce their dependence on fossil raw materials. In addition, emissions generated in L&T's own operations and the value chain are reduced by promoting the use of renewable raw materials and improving energy efficiency. The environmental policy takes into account customer solutions by which L&T promotes its customers' climate targets. The positive climate impact of the value chain arises when the company's services are used to replace virgin raw materials with recycled and renewable raw materials or when L&T implements energy efficiency measures for customers. At the same time, L&T's own carbon handprint increases.

The principles laid down in the policy are reviewed regularly, at two-year intervals. The responsibility for updating the policy and its content lies with the company's SVP, Public Affairs and Sustainability, who prepares the key principles of the policy together with L&T's specialists. Other stakeholders have not been engaged for the time being. L&T's divisions and units look after the implementation of the policy and allocating the necessary resources in their respective operations. Climate targets concerning the supply chain have been taken into account in L&T's new procurement agreements.

E1-3 – Actions and resources in relation to climate change policies

L&T's climate targets and environmental policy principles are put into action in the units through division-specific sub-targets, guidelines and circular economy and energy efficiency solutions implemented for customers. In addition, climate targets and their monitoring are one of the key themes of L&T's communications, and the topic as a whole is also discussed regularly at the divisions' internal personnel briefings.

Measures to reduce emissions caused by L&T's own operations

The key measures related to climate change mitigation and renewable energy deployment in L&T's own operations are focused on the deployment of low-emission equipment and the use of renewable fuel in the fleet. The company also invests in training drivers on an economical driving style and the use of the equipment. The measures support L&T's efforts to phase out fossil carbon both in the short term (by 2030) and the long term (by 2045).

L&T made good progress towards its emission reduction targets in 2024. Emissions caused by L&T's own operations have decreased by 43% since 2018. The renewal of the fleet and a significant increase in the use of renewable fuels had a substantial impact on the scope 1 emissions caused by L&T's own operations. Over the past six years, 20,200 tCO_2e in emissions reductions were achieved, which corresponds to approximately 85% of the expected emission reductions achieved by 2030 (23,700 tCO_2e).

The following measures were taken in 2024 to promote the targets related to L&T's own operations, for example:

- In L&T's circular economy businesses, driving style monitoring equipment had been installed in 1,157 vehicles by the end of 2024.
- During the reporting year, 246 drivers participated in training courses on economical driving. A total of 78% of drivers have completed training on economical driving.
- In 2024, L&T electrified the fleet of Facility Services Sweden in particular, where electric vehicles accounted for 84% of the fleet at the end of 2024. L&T has 69 low-emission heavy-duty vehicles and 370 light-duty vehicles that run on either biogas or electricity.
- 24% of the diesel oil used by L&T in transport operations was replaced with HVO (Hydrotreated Vegetable Oil) made from renewable raw materials.
- L&T engage in route planning on an ongoing basis. It has enabled L&T to improve the efficiency of operations and reduce emissions, kilometres driven and working hours.

L&T's properties will switch to renewable electricity by 2030. Currently, the electricity used in Finland is produced with nuclear energy and certified with guarantees of origin. The energy efficiency of properties is being improved, for example, by optimising the controls of building systems and replacing heating systems. All oil heating systems at properties owned by L&T have been replaced with air-to-water heat pumps. In 2024, energy efficiency measures were taken at 15 properties. The measures have led to emission reductions of 26.8 tCO_2e, corresponding to approximately 3.5% of scope 2 emissions. The projected scope 2 emission reductions for 2030 amount to approximately 1,000 tCO_2e, using 2018 as the baseline.

Good progress has also been made towards L&T's validated SBTi emission reduction targets. Emission intensity (scope 1 & 2, tCO_2e per kilometre driven) decreased by 42% from the 2018 level, and the company is in line with the selected emission reduction path. The target is also one of the conditions of L&T's sustainability-linked bond. In 2024, 12% of L&T's significant suppliers had set their own emission reduction targets in accordance with the SBTi. The supply chain target was updated to an absolute emission reduction target in 2023, and measures to engage suppliers in line with the SBT target were not continued in 2024.

L&T's carbon handprint

L&T's carbon handprint is created by, for example, energy efficiency measures carried out for customers and services that promote the circular economy of the value chain. L&T's building technology services promote energy efficiency in Finland and Sweden through preventive maintenance, energy surveys, energy efficiency consulting and the optimisation of energy consumption.

In addition, the Smartti automation service developed by L&T Facility Services is used to control building automation systems, which improves the energy efficiency of properties. L&T also offers a blast cleaning method for the cleaning of boilers in industrial power plants, which reduces emissions and improves efficiency.

In 2024, the carbon handprint of L&T's operations was 438 MCO_2e, which was approximately 4% lower than in 2023. The decrease in the carbon handprint was particularly attributable to the slowdown in general economic activity and the challenging economic situation in the construction sector. These factors were reflected in L&T's operations in the form of declining waste volumes.

Climate efforts in the supply chain

Most of L&T's total emissions consist of supply chain emissions, such as emissions arising from purchased goods and services, waste processing and transport contracting. L&T has analysed the most significant sources of scope 3 emissions in the supply chain and prepared a medium-term action plan based on the analysis. The measures contribute to climate change mitigation, promote of renewable energy deployment and reduce the value chain's dependence on fossil carbon.

Approximately 40% of L&T's scope 3 emissions arise from the incineration of waste, such as plastics contained in mixed waste and waste-to-energy material, and the disposal of hazardous waste. The company's goal is to enhance sorting at source in cooperation with customers by facilitating the recycling of raw materials in mixed waste and waste-to-energy material, which also reduces the climate impact of the waste. L&T also develops solutions to improve the recycling of hazardous waste. It is also key to improve the quality of supply chain data so that emissions calculations are increasingly based on primary data received from suppliers.

A significant proportion of L&T's scope 3 emissions are generated during transport subcontracting. In 2023, a supplier-specific transport emissions reporting model was introduced in L&T's Industrial Services division. The use of the model was subsequently expanded in the Environmental Services business in 2024. In 2024, emissions from transport subcontracting decreased by 23% when compared to the previous year's emissions, but they were still 2% higher than the emissions in the base year (2020). This corresponds to approximately -2% of the projected emission reduction to be achieved by 2030 (6,150 tCO_2e).

Going forward, L&T will increase cooperation with its suppliers to improve the transparency of the entire chain and increase the suppliers' climate awareness.

Anticipated financial effects

The emission reduction measures related to L&T's own operations require financial capital and operating expenditure which L&T's taxonomy reporting does not fully take into account, as some of the measures are not taxonomy-eligible due to the sector classification included in the Taxonomy Regulation. The most significant capital expenditures are allocated particularly to low-emission fleet investments in accordance with the transition plan, while the key operating expenditures include the costs incurred from the use of renewable fuel, for example. The significant capital and operational expenditures of L&T's measures are described as part of the financial analysis of the transition plan in section E1-1, p. 46–47. Disclosures required by the Taxonomy Regulation are reported as part of the taxonomy, p. 40–45.

L&T's measures are also partially dependent on external factors, such as market development, technological innovations and changes in legislation, which may either promote or hinder the achievement of climate targets. The company closely monitors the development of the business environment and adapts its strategy accordingly.

E1-4 – Targets related to climate change mitigation and adaptation

L&T updated its climate targets in late 2023. The focus of the targets is on phasing out fossil raw materials. L&T's target is to achieve net zero across the entire value chain (scope 1, 2 and 3) by reducing the absolute GHG emissions of the chain as a whole by at least 90% by 2045. The target also requires that the emissions that remain after the emission reductions are offset by carbon sinks, climate-positive projects or carbon sequestration. The benchmark years for the target are 2018 for L&T's own operations and 2022 for the value chain. No separate stakeholder consultations have been conducted in connection with the setting of targets.

With regard to L&T's own operations, 2018 is the first year for which the scope and integrity of fuel and energy consumption data are at a sufficient level to ensure the reliability of the benchmark. L&T has assessed that the year in question represents the normal level of operations. With regard to value chain emissions, 2022 is the first year for which the scope and integrity of the background data are at a sufficient level to ensure the reliability of the benchmark. L&T has estimated that the COVID-19 pandemic's impacts on the level of economic activity were only very minor in that year, and they have no impact on the reliability of the benchmark.

In addition to the long-term targets, L&T has set separate short-term targets. The absolute emission reduction targets for the entire value chain by 2030 are as follows:

- Halving the emissions of L&T's own operations by 2030, using 2018 as the baseline (2018: 47,400 tCO_2e).
- 20% reduction in value chain emissions by 2030, using 2022 as the baseline (2022: 271,200 tCO_2e). The company has also set separate targets for transport subcontracting: 30% reduction in emissions from transport subcontracting by 2030, using 2020 as the baseline (2020: 20,501 tCO_2e).

L&T's Board of Directors has approved the company's climate targets and they are undergoing the SBTi (Science Based Targets initiative) validation process. SBTi validation for the targets is expected in 2025. L&T's climate targets for 2030 and 2045 are aligned with the goal of limiting global warming to 1.5°C in accordance with the Paris Agreement and the European Union's climate targets.

Our current SBTi-validated short-term climate targets are based on L&T's previous climate targets, which corresponded to the goals of the Paris Agreement to limit global warming to well below 2°C. In addition to L&T's own operations, the targets included a coverage target for the company's suppliers' climate targets as follows:

- L&T's target is to halve the carbon footprint of our own operations (scope 1 and 2), i.e. emission intensity per kilometre driven, by 2030, using 2018 as the baseline.
- L&T's target is for 70% of the largest suppliers and subcontractors (based on spending) to have set targets for reducing their emissions by 2024.

In addition to having established emission targets, L&T is committed to the Confederation of Finnish Industries' general energy efficiency agreement action plan for industry for the period 2017–2025. The company's aim is to improve the energy efficiency of its properties by 7.5% by 2025, using 2020 as the baseline. This corresponds to total savings of 2,758 MWh.

The key decarbonisation levers of the emission targets are described in more detail in section E1-1, p. 46.

L&T's climate targets have not, for the time being, taken into account GHG removal or GHG emission mitigation projects. Similarly, the company does not apply internal carbon pricing schemes in measures related to its targets. The results of the previously presented scenario analysis and the expectations of external stakeholders, which have been surveyed in connection with L&T's double materiality assessment process, for example, have been taken into account as background data for the targets.

Acquisitions, divestments or changes in calculation principles and methods may affect the recalculation of the emission values for the benchmark years selected for the climate targets. No significant changes have been identified in L&T's business environment that would have required recalculations of the benchmark data in 2024. The emission calculation principles are presented in section E1-6, p. 50.

E1-5 – Energy consumption and mix

The share of renewable energy of L&T's total energy consumption increased in 2024. Renewable energy accounted for 25% of total energy consumption. In L&T's operations, fuels account for 83% of total energy consumption, and the amount of renewable energy produced by the company itself came to 85 MWh.

Systematic progress has been made towards L&T's energy efficiency target. The consumption of purchased energy decreased by 5.3% from the comparison year 2023. The energy efficiency of L&T's properties was improved by optimising building technology controls and upgrading lighting, for example. In 2024, we continued the renewal of heating systems and replaced some of the natural gas and oil-powered heating systems of properties with air-to-water heat pumps. The renewal of heating systems will continue in 2025.

In 2024, the energy consumption of L&T's properties in Finland was 124.1 TJ, of which 77% was emission-free. The energy consumption of properties in Finland decreased by 5.4% when compared to 2023. The origin of the purchased electricity used by L&T in Finland is certified with guarantees of origin. L&T's own energy consumption is disaggregated in the table to the right.

Calculation principles

The energy consumption calculation includes all energy purchased and produced by L&T, measured in MWh. The end-use of energy includes the fuel purchased by L&T during the reporting year, renewable electricity produced by L&T itself and the amount of purchased electricity and heat. The information is obtained from L&T's own systems and the energy suppliers' reporting systems. The calculation excludes the energy use of leased premises where the use of electricity or district heat is included in the lease costs and L&T does not have an agreement with the energy supplier.

Local factors are used to calculate the energy content of different fuels. The origin of L&T's purchased electricity in Finland is cerfified with guarantees of origin. In Sweden, L&T uses multiple electricity suppliers, and the origin of the purchased electricity depends on the agreement. Purchased electricity is classified as fossil when the electricity production method is a mixture of nuclear energy and renewable energy, or contains fossil production. 77% of the energy purchased by L&T has been certified to be emission-free by means of an agreement or guarantees of origin acquired from the market afterwards.

The energy intensity is calculated on operations in industries that have significant climate impacts. Commission Delegated Regulation (EU) 2022/1288 defines high impact climate sectors as the NACE sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.

The calculation of L&T's energy intensity is based on the Group's total energy consumption and total net sales, as the reporting of energy consumption does not currently enable categorisation according to NACE classification. L&T's total net sales amounted to EUR 770.7 million (note 1.2 to the financial statements). The following table lists, at the two-digit level of detail, the NACE sectors in which L&T has significant operations:

NACE Rev.2 classification	Description
C16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
C22	Manufacture of rubber and plastic products
E37	Sewerage
E38	Waste collection, treatment and disposal activities; materials recovery
E39	Remediation activities and other waste management services
F43	Specialised construction activities
L68	Real estate activities
M71	Architectural and engineering activities; technical testing and analysis
N81	Services to buildings and landscape activities

Own energy consumption, MWh	2024
Fuel consumption from coal and coal products	0
Fuel consumption from crude oil and petroleum products	121,600
Fuel consumption from natural gas	30
Fuel consumption from other fossil sources	0
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	8,400
Total fossil energy consumption	**130,000**
Share of fossil sources in total energy consumption, %	**62**
Consumption from nuclear sources	**26,600**
Share of consumption from nuclear sources in total energy consumption, %	**13**
Fuel consumption for renewable sources including biomass	52,500
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	500
Consumption of self-generated non-fuel renewable energy	85
Total renewable energy consumption	**53,100**
Share of renewable sources in total energy consumption, %	**25**
Total energy consumption	**209,700**

Aggregate consumption data reporting is based on raw data.

Energy intensity	2024
Total energy consumption from activities in high climate impact sectors, MWh	209,700
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors, MWh/MEUR	272

E1-6 – Gross scope 1, 2, 3 and Total GHG emissions

In 2024, L&T's GHG emissions decreased from the comparison year 2023. In 2024, the emissions of L&T's own operations amounted to 27,200 tCO_2e, of which 97% was generated by the fuel consumption of the fleet. L&T reports scope 2 emissions using the market-based approach, as it better reflects the company's choices regarding purchased energy and the emissions arising from energy production.

The majority of L&T's total emissions arise in the supply chain (scope 3), including the procurement of purchased products and services, fuel consumption by contractors and emissions generated by the final processing of materials. Scope 3 emissions accounted for 91% of L&T's total emissions in 2024. L&T did not carry out any GHG removal during the reporting period, and L&T did not have any contractual emissions related to purchased energy.

L&T reports on biogenic emissions for the first time in 2024. Biogenic emissions arise from the use of bio-based fuel, such as renewable diesel. For 2024, L&T only reports the biogenic emissions of its own operations.

In 2024, scope 3 calculations were expanded to also take into account emissions arising from employee commuting in Finland. L&T has also retrospectively calculated the emissions caused by commuting for the base year 2022. No significant changes have been made to L&T's other scope 1, 2 or 3 calculation principles.

GHG calculation principles

GHG emissions are calculated in accordance with the GHG Protocol and they are based on the reporting requirements of the GHG Protocol Corporate Standard and scope 3. Biogenic CO_2 emissions arise from the combustion of biofuels and organic materials. Scope 2 biogenic carbon dioxide emissions are based on location-based emission factors for district heating.

Financial control has been used as the consolidation method in L&T's GHG calculations. The report covers the scope 1 emissions of all of L&T's production plants and vehicles. Scope 2 emissions are reported using both the market-based and location-based approaches. Scope 3 emissions are reported for L&T as a whole. 12% of the calculation of scope 3 emissions is based on information obtained from suppliers.

GHG calculation includes all greenhouse gases covered by the GHG Protocol (CO_2, CH_4, N_2O, HFCs, PFCs, SF6 and NF3). Emissions have been converted into carbon dioxide equivalents based on the Global Warming Potential (GWP) factors of different greenhouse gases, as specified in the IPCC Fifth Assessment Report.

GHG emissions		Retrospective			Milestones and target years		
	Base year	2024	2023	% N/N-1	2030	2045	Annual target, %
Scope 1 GHG emissions							
Gross scope 1 GHG emissions, tCO_2e	45,500	26,450	30,320	-13%	-50%	-90%	4.2%
GHG emissions from regulated emission trading schemes, %							
Scope 2 GHG emissions							
Gross location-based scope 2 GHG emissions, tCO_2e	6,900	3,030	2,160	40%			
Gross market-based scope 2 GHG emissions, tCO_2e	1,900	760	890	-15%	-50%	-100%	4.2%
Significant scope 3 GHG emissions							
Total gross indirect (scope 3) GHG emissions, tCO_2e	271,200	262,200	279,300	-6%	-20%	-90%	3.1%
1 Purchased goods and services	113,320	103,200	99,430	4%			
2 Capital goods	560	1,010	3,400	-70%			
3 Fuel and energy-related activities (not included in scope 1 or scope 2)	9,490	10,840	9,590	13%			
4 Upstream transportation and distribution	20,501[1]	20,970	27,310	-23%	-30%		
6 Business travel	1,190	1,480	1,540	-4%			
7 Employee commuting	6,900	6,310					
12 End-of-life treatment of sold products	126,900	118,400	138,000	-14%			
Total GHG emissions							
Total GHG emissions (location-based), tCO_2e		291,700	311,700	-6%			
Total GHG emissions (market-based), tCO_2e		289,400	310,500	-7%			

The base year for L&T's scope 1 and scope 2 emission reduction targets is 2018. The base year for the scope 3 emission reduction targets is 2022.The annual reduction target (%) has been calculated for the 2030 targets. Aggregate emissions data reporting is based on raw data.
[1] L&T has a separate emissions reduction target for transport subcontracting, with 2020 as the base year.

GHG intensity	2024	2023	% N/N-1
GHG intensity based on net revenue, scope 1 and 2 (market-based), tCO_2e/MEUR	35	39	-9%
GHG intensity based on net revenue, scope 1, 2 and 3 (market-based), tCO_2e/MEUR	376	387	-3%
GHG intensity based on kilometres driven, scope 1 and 2 (market-based), tCO_2e/km	556	613	-9%

Biogenic CO_2 emissions, tCO_2	2024
Biogenic scope 1 CO_2 emissions	17,800
Biogenic scope 2 CO_2 emissions	6,900

Summary of scope 3 calculations

List of scope 3 categories included in the report	**Category 1: Purchased products and services** **Category 2: Capital goods (fleet)** **Category 3: Indirect emissions from purchased energy (other than scope 1 and scope 2)** **Category 4: Emissions from subcontracted transport** **Category 6: Business travel Category** **Category 7: Employee commuting Category** **Category 12: Final treatment of materials**
List of scope 3 activities excluded from the report and the reasons for their exclusion	**Category 5: Waste generated in operations – excluded** • L&T processes its own waste alongside the waste it processes on behalf of its customers. Their emissions are reported in scope 3 Category 12. Based on a qualitative assessment, these emissions are less than 2% of the company's scope 3 Category 12 emissions and are therefore not reported on a disaggregated basis. **Category 8: Upstream leased assets – excluded** • Based on a qualitative assessment, this category is not relevant. L&T does not have leased assets that are not yet included in scope 1 or 2 calculations or other scope 3 activities. **Category 9: Downstream transportation and distribution – excluded** • Based on a qualitative assessment, this category is not relevant. Due to the current system limitations, it is not possible to make a precise distinction between upstream and downstream transportation based on the participation of the transport subcontractor, and therefore emissions related to downstream transport subcontracting are reported in their entirety in scope 3 category 4. **Category 10: Processing of sold products – excluded** • Based on a qualitative assessment, this category is not relevant. L&T primarily produces services. Emissions related to the processing of sold products are estimated to be minimal (less than 2%) compared to the other scope 3 categories. Emissions from waste materials sold for recycling are included in the calculations for category 12. **Category 11: Use of sold products – excluded** • According to a quantitative assessment, the emissions during use of products and equipment sold by L&T are less than 1% of the company's total scope 3 emissions, so they have been excluded from the calculation. This estimate is based on the energy consumption of the equipment and the emission factors of electricity production in Finland. **Category 13: Downstream leased assets – excluded** • Based on a qualitative assessment, the category is not relevant, as L&T does not have leased assets that are not yet included in scope 1 or 2 calculations or other scope 3 activities. **Category 14: Franchises – excluded** • Based on a quantitative assessment, the emissions of the Huomenta franchising chain owned by the company represent less than 1% of L&T's total scope 3 emissions, so they have been excluded from the calculation. The estimate is based on the computational euro-based CO_2 intensity of cleaning and the net sales figures produced by the chain. **Category 15: Investments – excluded** • Based on a qualitative assessment, this category is not relevant. L&T has no emissions related to investments that are not yet included in scope 1 or 2 calculations or other scope 3 activities. L&T does not provide financial services.

Scope	Description of the data types and sources used in calculating emissions	Description of the calculation principles, allocation methods and assumptions used in calculating emissions
Scope 1, Direct emissions	Activity data (primary data): • Finland: Fuel data measured in kilograms or litres and registered in the Alekstra (SaaS) reporting system or the supplier's system • Sweden: Fuel data measured in kilograms or litres and registered in the Ziklo Fleet Services (SaaS) reporting system	Emission factors (secondary data): • Finland: Statistics Finland Fuel Classification 2024[1] • Sweden: Miljöfordon – CO2 -utsläpp för drivmedel 2023[2]
Scope 2, Emissions from the production of purchased energy	Activity data (primary data): • Finland: Energy consumption data measured in kWh and entered in the Enerkey reporting system (SaaS) • Sweden: Energy consumption data collected from the energy suppliers' invoices (kWh)	Emission factors (secondary data): Market-based, Finland: • Electricity: L&T's purchases Guarantees of origin for electricity (Veni) • District heating: Supplier-specific emission data from the Enerkey reporting system (SaaS) Market-based, Sweden: • Electricity: Supplier-specific emission data based on energy supply agreements • District heating: Supplier-specific emission data collected from the energy supplier Location-based, Finland: • Electricity: Motiva[3] • District heating: Motiva[3] Location-based, Sweden: • Electricity: Swedish Energy Agency[4] • District heating: Swedenergy - Energiföretagen Sverige (industry organisation)[5]

Scope	Description of the data types and sources used in calculating emissions	Description of the calculation principles, allocation methods and assumptions used in calculating emissions
Upstream scope 3 emissions		
1: Purchased products and services	Activity data (primary data): Quantities (weight or volume) and amounts (EUR) of purchases obtained from L&T's procurement data. Emission factors (secondary data): ENVIMAT 2019 publication (euro-based emission factors adjusted for annual inflation)[6]	The calculation of purchased products and services includes all materials and services that are not included in scope 1, 2 or other scope 3 calculations. Emission calculations for products and services are based on purchase data and euro-based emission factors. The emission factors have been obtained from external publicly available sources (literature) and adjusted for annual inflation. Coverage: All activities in Finland and Sweden
2: Capital goods	Activity data (primary data): Quantities obtained from L&T procurement data (weight or volume) and the amount of purchases (EUR) Emission factors (secondary data): ENVIMAT 2019 publication (euro-based emission factors adjusted for annual inflation)[6]	The calculation of capital goods includes the procurement of production equipment and is based on purchase data and euro-based emission factors. The calculation includes all fleet-related purchases that are considered to be capital goods. The emission factors have been obtained from external publicly available sources (literature) and adjusted for annual inflation. Coverage: All activities in Finland and Sweden
3: Activities related to fuel and energy (not included in Scope 1 or 2)	Activity data (primary data): Fuel and energy consumption data as measured and entered in suppliers' reporting systems Emission factors (secondary data): DEFRA 2024: WTT and T&D emission factors for fuels, electricity and heat[7]	Indirect energy emissions (other than scope 1 and scope 2) include upstream emissions from energy production and distribution and WTT emissions for purchased fuels. The emission factors are based on DEFRA's location-based public data, and the basic data is the amount of fuel/energy purchased during the reporting year. Coverage: All activities in Finland and Sweden
4: Upstream transportation and distribution	Activity data (primary data): Fuel consumption data provided by the supplier or, if the data is not available, the monetary purchase amounts (in euros) from L&T's procurement system. Emission factors (secondary data): Statistics Finland Fuel Classification 2024[1], DEFRA 2024: WTT emission factors for fuels[7], Cost Index of Road Transport of Goods 2024[8]	The emission calculations of transport and machinery contractors are based on procurement data and estimated fuel consumption, as well as actual fuel consumption data provided by contractors. The data is combined with fuel classification data published by Statistics Finland and the WTT emission data for fuels published by DEFRA. Coverage: All divisions in Finland. There are no significant purchases related to transport contracting in Sweden.
6: Business travel	Activity data (primary data): CWT travel agency, monetary purchase amounts obtained from L&T's procurement systems (in euros), kilometre allowances entered in L&T's HR system Emission factors (secondary data): DEFRA 2024: Passenger car emissions/km[7]	The information concerning business travel is based on total emission data for flights and train journeys received from the travel service provider (travel-based). Emissions generated by taxi journeys are estimated on the basis of taxi travel costs. All purchases of taxi journeys are compared to the average price per taxi kilometre, supplemented by the WTW emission factors for passenger car transport per kilometre driven published by DEFRA. Business travel by private car is based on kilometre allowances paid, combined with the WTW emission factors per kilometre driven provided by DEFRA. Coverage: All divisions in Finland and Facility Services Sweden

Scope	Description of the data types and sources used in calculating emissions	Description of the calculation principles, allocation methods and assumptions used in calculating emissions
7: Employee commuting	Activity data (primary data): Employee's home address, Traficom's national commuting survey[9] Emission factors (secondary data): DEFRA 2024: Passenger travel emission data and WTT emission factors for fuels[7], Aalto University study: Public transport emissions/km[10]	Emissions from commuting are calculated on the basis of the postal code provided by the employee to the employer. The average commute and form of commuting were assessed on the basis of a national transport survey, which examined the share of different modes of transport and daily journeys in cities and communities of different sizes. The annual working days of part-time employees were estimated on the basis of average weekly working hours. The calculation method and the sources used involve a significant amount of uncertainties, so they can only be used as a very high-level estimate of the climate impacts of commuting by L&T employees. Coverage: All activities in Finland and Sweden. For Swedish personnel, commuting emissions were estimated based on the number of personnel and the calculated average commuting emissions of Finnish personnel. The estimate accounts for 15% of the total reported commuting emissions.
Downstream Scope 3 emissions		
12: End-of-life treatment of sold products	Activity data (primary data): Waste data from L&T's ERP system Emission factors (secondary data): Emission factors reported by the suppliers, Ecoinvent 3.11, Statistics Finland Fuel Classification 2024[1], SYKE[11]	The end-use of products includes waste fractions delivered to L&T's partners, mainly for energy incineration. The calculation is based on the provided tonnage data. The emission factors were obtained from partners or external publicly available sources (literature) when supplier-specific information was not available. Coverage: All circular economy business operations in Finland. Facility Services and the operations in Sweden do not have significant emissions related to waste treatment, and these have been taken into account in the calculation of Scope 3 Category 1.

Sources:
1) Statistics Finland: Fuel Classification 2024, https://stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html
2) Miljöfordon – CO2 -utsläpp för drivmedel 2023, https://www.miljofordon.se/bilar/miljoepaaverkan/
3) Motiva, https://www.motiva.fi/ratkaisut/energiankaytto_suomessa/co2-paastokertoimet
4) Swedish Energy Agency, https://www.energimyndigheten.se/klimat/hallbarhetskriterier/fragor-och-svar-om-hallbarhetskriterier/
5) Energiföretagen, https://www.energiforetagen.se/statistik/fjarrvarmestatistik/miljovardering-av-fjarrvarme/
6) Finnish Environment Institute: The carbon footprint and natural resource usage of public procurement and household consumption, http://hdl.handle.net/10138/300737
7) DEFRA (2024), https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024
8) Kuorma-autoliikenteen kustannusindeksi (2024), https://stat.fi/tup/kustannusindeksit/kuorma-autoliikenteen-kustannusindeksi.html
9) Traficom: Henkilöliikennetutkimus 2021, https://www.traficom.fi/fi/julkaisut/henkiloliikennetutkimus-2021-suomalaisten-liikkuminen
10) Sree Manikanta Kumar Kanujula (2022) Carbon Emission Estimator for Public Transportation in Finland. Aalto University, https://urn.fi/URN:NBN:fi:aalto-202301291841
11) Finnish Environment Institute (SYKE) Y-Hiilari, https://www.syke.fi/fi/ymparistotieto/laskurit-ja-tyokalut#y-hiilari-%E2%80%93-hiilijalanj%C3%A4ljen-laskentaan-yrityksille

GHG intensity based on kilometres driven: an entity-specific metric established on the basis of the double materiality assessment

Lassila & Tikanoja plc issued a EUR 75 million bond linked to the company's sustainability targets in May 2022. The financial characteristics of the bond are partly linked to the development of the company's GHG intensity per kilometre driven (gCO_2e/km) through the development of the interest rate.

GHG intensity based on kilometres driven is a metric that indicates the amount of GHG emissions generated by the company in relation to the kilometres driven during its operations. The calculation is based on the principles of the GHG Protocol and takes into account the emissions of the company's own operations and the data on kilometres driven collected by the fleet's on-board computers. The metric does not take biogenic emissions into account.

In 2024, L&T's GHG intensity per kilometre driven was 556 gCO_2e/km (2023: 613 gCO_2e/km). Emission intensity has decreased due to the electrification of light vehicles and the increased use of renewable fuels in heavy vehicles. More detailed emissions data is presented in the tables on p. 50.

Carbon handprint: an entity-specific metric established on the basis of the double materiality assessment

The carbon handprint measures the positive climate impacts of L&T's services. Emission reductions are created when fossil and virgin raw materials are replaced by renewable and recycled raw materials or when the energy efficiency of customers' operations is improved. The calculations take into account the entire value chain from waste collection to the use of secondary raw material. Increasing the carbon handprint is a key long-term target for L&T and a material metric.

In 2024, emissions avoided as a result of L&T's operations decreased by 4% and totalled -438.2 MCO_2e. Intensity describes the carbon handprint generated by services relative to the Group's total net sales. In 2024, L&T's carbon handprint intensity was -569 tCO_2e/MEUR. In 2024, the carbon handprint of energy efficiency measures implemented by L&T increased in particular. In 2024, the slowdown of general economic activity and the challenging economic situation in the construction sector had a negative impact on the carbon handprint of material recycling in the Environmental Services division.

Basis of calculation

The carbon handprint describes the computational avoided emissions attributable to L&T's services. L&T's carbon handprint calculation takes into account emissions avoided through waste recycling, energy production, blast cleaning and energy services.

For recycled materials, the carbon handprint has been calculated on a material-specific basis and it is based on the degree to which the recycled material reduces emissions compared to the corresponding production using virgin raw materials. Data on the weight of materials is obtained from L&T's own systems.

In energy production, GHG emissions are reduced when fossil fuels are replaced with biofuels and solid recovered fuels. For fuels, the carbon handprint takes into account L&T's solid recovered fuel deliveries and the resulting greenhouse gas emissions compared to producing the corresponding amount of energy using fossil fuels. The reference values used in the calculations are primarily based on coal. The emission factors are based on Statistics Finland's fuel classification 2023.

Blast cleaning carried out by L&T's Industrial Services improves the energy efficiency of power boilers. GHG emissions are reduced when less fuel is used for producing energy. The calculation is based on a model created by VTT Technical Research Centre of Finland regarding the effects of cleaning on the energy efficiency and CO2 emissions of power boilers.

In addition, the calculation of energy efficiency measures covers the computational savings generated by energy efficiency measures for L&T's Energy Services' customers, as well as the energy savings generated for properties and production plants connected to the Smartti automation system. The emission factors are based on the average emission factors published by Statistics Finland for the rolling period 2020–2022.

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.

Future development areas

In addition to the existing measures, L&T will focus particularly on developing the monitoring of the supply chain's climate targets and the practical implementation of emission reduction measures.

Carbon handprint, MCO_2e	2024
Material recycling	-331.6
Biofuel and recovered fuel deliveries	-102.0
Energy efficiency measures	-4.6
Total	**-438.2**
Carbon handprint intensity, tCO_2e/MEUR	-569

E4 Biodiversity and ecosystem services

E4-1 – Transition plan and consideration of biodiversity and ecosystems in strategy and business model

L&T aims to mitigate climate change and biodiversity loss and promote the sustainable use of raw materials by means of the circular economy. Fostering biodiversity is also one of the focal points of L&T's sustainability programme. In this respect, the company's positive impact arises through nature-related services aimed at the built environment in particular.

Biodiversity is promoted in L&T's operations particularly from three perspectives. They are climate change mitigation, the use of sustainable raw materials and fostering biodiversity in the built environment Measures to mitigate climate change and promote the circular economy indirectly support L&T's nature-related efforts, as the measures promote the use of recycled raw materials in the chain and safeguard the adaptability of species and the functioning of ecosystems. The remediation of contaminated soil sites and various solutions in the maintenance of green areas business, such as meadow restoration and the removal of invasive species, increase biodiversity in the built environment. The perspectives are also in line with the EU's climate targets, circular economy package and biodiversity strategy.

L&T has not separately assessed transition risks, physical risks and systemic risks related to biodiversity and ecosystems. The company will develop its risk assessment concerning biodiversity in the coming years. The material transition risks and physical risks related to biodiversity and ecosystems have been assessed indirectly as part of climate risks, which are described in more detail in the section E1 SMB-3, p. 47. The company's current business model and strategy are strong in relation to these risks.

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

The key nature-related impacts of L&T's own operations are related to water and land use, particularly at L&T's processing and storage areas and waste treatment plants. These plants and facilities are subject to the provisions of environmental permits and related monitoring, among other things. The environmental permits take into account the natural habitat types, habitats of species and protected areas in the locations in question.

In addition to being evaluated as part of environmental permit processes, the environmental impacts of operations have also been assessed by means of the WWF Water Risk Filter and WWF Biodiversity Risk Filter tools. The aim of the assessment was to conduct a preliminary examination of the extent to which L&T's operations are resilient with respect to the challenges caused by climate change and ecosystem change. The results can also be utilised later in the resilience analysis of the business operations with regard to biodiversity. The assessment covered all of L&T's 199 sites and properties in Finland and Sweden.

The WWF Water Risk Filter tool utilises the most common climate scenarios of the Intergovernmental Panel on Climate Change (IPCC), namely RCP2.6, RCP4.5 and RCP6.0. These scenarios assess how the climate could develop at different levels of GHG emissions. RCP2.6 describes a scenario in which emissions remain very low. RCP4.5 describes moderate medium-level growth in emissions, and RCP6.0 describes a scenario in which the growth of emissions is slightly higher but still controlled.

The scenarios examined the impacts of the sites on the status of water bodies and water ecosystems at the present time and in 2030 and 2050. The assessment identified one L&T site that exceeded the set risk values (Seinäjoki, Runkotie). However, the site does not have any production operations that are estimated to have an impact on the good state of the water body.

The impacts of L&T's own operations on biodiversity-sensitive areas have been assessed using the WWF Biodiversity Risk Filter and IBAT tools. The WWF Biodiversity Risk Filter was used to identify potential site-specific biodiversity risks, while the IBAT assessment focused on the location of sites under L&T's control in areas of significance for biodiversity. Actual risks and impacts have also been assessed in connection with the environmental permit processes for the sites.

Based on the assessment, it is estimated that the L&T's sites have a low impact on the environment in biodiversity-sensitive areas. L&T's sites are not located in areas belonging to the Natura 2000 network, UNESCO World Heritage Sites or areas classified as protected areas in Annex II, Appendix D, to Commission Delegated Regulation (EU) 2021/2139. None of L&T's sites are located in biodiversity hotspots or areas where biodiversity risk is classified as very high.

Six of L&T's sites are located in the immediate vicinity of a nature conservation area, in industrial zones where the potential environmental impacts of operations have been taken into account in zoning. Three of these sites also have a valid environmental permit.

L&T also estimates that the dependency of the sites on natural resources in their local areas is low, as the operations of the plants do not require any changes in land use or significant use of natural water resources. L&T's sites located near biodiversity-sensitive areas are listed in the table below.

Sites located near biodiversity-sensitive areas

Site	Identified biodiversity-sensitive area	Description of L&T's activities
Puhoksentie 15, 82500 Kitee	Sopensuo, Natura 2000 site	Municipal waste from households and companies is sorted and loaded at L&T Environmental Services' Sopensuo transfer and waste station. The site has an environmental permit issued by the City of Kitee Environmental Committee.
Viikintie 33, 00560 Helsinki	Vanhankaupunginlahti bird wetland, Natura 2000 site	Municipal waste, construction waste and wood waste generated in the Helsinki metropolitan area are received at L&T Environmental Services' Viikki transfer station. The waste is sorted and loaded for recovery or disposal by a waste processor that has the required permits. The site has an environmental permit issued by the Regional State Administrative Agency of Southern Finland.
Teollisuustie 9, 33330 Tampere	Myllypuro, Natura 2000 site	L&T Environmental Services' Pirkanmaa collection centre processes recyclable waste from households and companies, as well as production scrap and construction waste. Waste is stored and sorted in an indoor facility before it is forwarded to recovery or disposal. The site has an environmental permit issued by the Pirkanmaa Regional Environment Centre.
Minkkikatu 9, 04430 Järvenpää	Lemmenlaakso grove, Natura 2000 site	L&T Environmental Services' recycling plant, focused on the sorting and repair of recycled pallets. The plant receives and processes recyclable wood and plastic pallets.
Rautakatu 6, 21600 Parainen	Parainen limestone areas, Natura 2000 site	A branch of L&T Environmental Services in the Turku region, where equipment is stored for the implementation of regional waste management. No waste is stored or processed at the site.
Jalostamontie 1, 21100 Raisio	Vanto area of deciduous woodland	L&T Industrial Services' site where equipment is stored for the implementation of process cleaning and waste management services for local customers. No waste is stored or processed at the site.

The negative impacts of the sites on land degradation, desertification, soil sealing or threatened species have been assessed as low.

A description of material impacts, risks and opportunities concerning biodiversity and ecosystems, and potential dependencies, is presented in section ESRS 2 SBM-3, p. 19.

E4-2 – Policies related to biodiversity and ecosystems

L&T's biodiversity-related efforts, impacts and dependencies on ecosystem services are guided by the company's policies, such as the environmental policy, the environmental permit obligations concerning L&T's sites, and measures to promote biodiversity in customers' operations. L&T's environmental management system is ISO 14001-certified.

Environmental policy

L&T's environmental policy, which is publicly available on the company's website, includes a commitment to fostering biodiversity by promoting the circular economy, preventing the pollution of soil and water, and supporting the sustainable use of forests. In addition, L&T provides its customers with solutions for the remediation of contaminated soil sites and the promotion of biodiversity in the built environment. The principles laid down in the policy apply to both L&T's own operations and projects carried out in the customer interface.

The policy has been approved by the President and CEO together with the Group Executive Board, and it applies to all of L&T's operations. The principles laid down in the policy are reviewed regularly, at two-year intervals. The Senior Vice President, Corporate Relations and Responsibility, is in charge of the content of the policy and updating the policy. L&T's divisions and units are responsible for the implementation of the Policy and the allocation of the necessary resources in their respective operations. External stakeholders have not been separately consulted in the preparation of the environmental policy.

Environmental permits

L&T's circular economy operations are strictly regulated and subject to environmental permits that specify requirements pertaining to water, soil contamination and nature. They also include related monitoring processes. L&T's treatment and storage areas and waste treatment plants are subject to environmental permits.

The process of applying for an environmental permit includes consultation with stakeholders relevant to the activity, such as local communities and the public authorities. The Senior Vice Presidents in charge of L&T's divisions are responsible for environmental permits in collaboration with the persons in charge of the sites subject to permits. All environmental permit decisions are publicly available.

L&T's policies, such as the environmental policy and environmental permit obligations, guide measures that have an impact on biodiversity in the value chain as follows:

- Impact minimisation. Promoting the circular economy reduces the value chain's dependence on virgin raw materials. In addition, the prevention of soil and water pollution reduces negative environmental impacts in L&T's own operations.
- Positive impacts. Through the remediation of contaminated soil sites, the removal of invasive species and meadow restoration projects, L&T improves the state of ecosystems and extends the impacts of its biodiversity efforts to the customer interface. At the same time, they can mitigate the potential physical risks arising from ecosystem degradation, such as the spread of invasive species. The measures are also in line with tightening regulation.

Landscaping services and the remediation of contaminated soil sites are based on maintaining the health of soil, water and local ecosystems. In addition, these services promote the sustainable use of natural resources and can improve the comfort of the living environments of local communities. At the same time, land and green areas in cities are used appropriately, which can increase their economic, natural and social value. The monitoring metrics used by L&T are described in more detail in section E4-5, p. 58.

L&T does not have separate site-specific policies concerning the protection of ecosystems or biodiversity-sensitive areas. Environmental permits take into account the impacts on local ecosystems, such as water bodies and soil. Environmental permits may include obligations for L&T to assess and minimise the environmental impacts of its operations in potential sensitive environments.

L&T's main industry is not directly focused on agriculture. Taking into account the nature of the operations and the geographical location of the sites, the impacts on seas are low. For this reason, L&T does not have separate policies on these topics.

E4-3 – Actions and resources related to biodiversity and ecosystems

The aim of L&T's policies is to minimise the environmental impacts of the Group's own operations and to ensure that all plants requiring an environmental permit operate in accordance with the terms of the permit. Measures taken in cooperation with customers to foster biodiversity in the built environment, in turn, have a positive impact on ecosystem services throughout the chain.

Impacts of own operations and risk management

Contingency and rescue plans have been drawn up for sites subject to environmental permits. These plans also cover the preparedness of the plants with regard to potential environmental incidents. Environmental matters are also examined in internal audits conducted at the plants on a regular basis.

In 2024, L&T developed its own operations by updating L&T's internal environmental permit process to ensure compliance with the content of environmental permits at its sites and by updating the environmental assessment process. These assessments have begun and they will continue in 2025. The assessments will also apply to operations that are not subject to environmental permits.

L&T had 52 sites subject to an environmental permit in 2024. During the year, isolated instances of stormwater and waste water related limits being exceeded were observed at a few of the sites, but they have not led to serious environmental incidents. All instances of the limits being exceeded have been addressed in accordance with the new guidelines, and the necessary corrective measures have been agreed on with the sites in question. At hazardous waste treatment plants, efforts have been made to develop and optimise the process so that even unexpected concentrations in the waste being treated can be appropriately managed.

Measures taken in cooperation with customers

Customer projects to promote biodiversity in the built environment continued in 2024. They included meadow restoration and the removal of invasive species at a number of customer sites. The measures have increased the abundance of native plant species and insect and bird populations at the sites in question.

The total land area covered by meadow restoration projects in 2024 was 16.4 hectares. This represented an increase of 89% from the previous year. Invasive species, such as lupine and rosa rugosa, were removed from areas totalling 28 hectares. In 2024, the use of gritting sand in the eradication of invasive species and meadow restoration was also experimented with in a pilot project. The results of the project are encouraging and the activity will continue in the coming years.

Good progress was also made in the remediation of contaminated soil sites in 2024. The company developed its industrial environmental construction services to promote the restoration of nature and the prevention of biodiversity loss. In 2024, L&T's Industrial Services division treated 125,800 tonnes of contaminated soil. In addition, L&T's Industrial Services started research cooperation with Tampere University to develop impact calculation concerning the benefits of nature restoration. The project will continue until 2026 and is partially funded by Business Finland.

Thus far, L&T has not used biodiversity offsets in its own operations or value chain, or directly incorporated local or indigenous knowledge into biodiversity and ecosystems-related actions. Although these are not yet part of L&T's established operating practices, the company recognises the value of such knowledge, particularly in the development and implementation of nature-based solutions. L&T strives to develop its operations to promote diversity and ecosystems.

In the coming years, L&T will develop its risk assessment related to biodiversity and create a roadmap to promote the company's nature-related efforts. The roadmap will also include more detailed targets and metrics related to biodiversity. In 2025, L&T will prepare an assessment of the nature-related impacts of it business activities that takes into account the physical transition and systemic risks related to biodiversity and ecosystems with regard to L&T's own operations. In 2025 and 2026, L&T will create a roadmap for promoting the company's nature-related efforts. The roadmap will include a more detailed biodiversity action plan, targets and related actions.

E4-4 – Targets related to biodiversity and ecosystems

The focus of L&T's sustainability efforts has been the implementation of climate and circular economy targets, which also have an indirect impact on biodiversity. In the coming years, L&T intends to develop a more detailed action plan to foster biodiversity. This will include setting concrete targets and specifying related actions.

E4-5 – Impact metrics related to biodiversity and ecosystems change

The progress of L&T's measures taken at the customer interface is monitored through L&T's monitoring metrics:

- Total area of customer sites subject to meadow restoration, in hectares
- Removal of invasive species from customer sites, in hectares
- Total amount of soil mass treated in contaminated soil site remediation projects during the reporting year, in tonnes

More detailed information on the progress of the actions related to the metrics is provided in section E4-3, p. 57.

Basis of calculation

The areas in hectares of customer sites subject to meadow restoration and the removal of invasive species are based on site sizes specified in the work instructions for work carried out at the customer sites in question during the reporting period. The information is obtained by using the area calculator of the National Land Survey of Finland's map service, and the necessary measures and areas are agreed on with the customer before starting the work. Information on the work carried out during the year is maintained, monitored and reported in an aggregated manner using L&T's internal system.

The total amount of soil mass treated in contaminated soil site remediation projects during the reporting year in tonnes is based on scale weights measured at the treatment plants. Weight data is maintained, monitored and reported in an aggregated manner using L&T's internal system.

E5 Resource use and circular economy

E5-1 – Policies related to resource use

L&T's activities, material impacts, risks and opportunities related to resource use and circular economy are managed by means of the public environmental policy approved by L&T's President and CEO and the Group Executive Board, and L&T's procurement principles.

The environmental policy applies to all of L&T's business operations in all of its operating countries. L&T also has non-public operating guidelines related to resource use and circular economy, which only apply to the circular economy businessess, Environmental Services and Industrial Services.

In addition to being managed by means of policies, L&T 's activities, impacts, risks and opportunities related to the circular economy are managed and guided by means of the business strategy and obligations laid down in environmental permits, as well as internal operating instructions and certifications. All of L&T's operations are certified and meet the requirements of the ISO 14001 standard, the management of which is the responsibility of the Senior Vice President in charge of risk management.

Environmental policy

L&T's targets and key objectives related to resource use and circular economy are guided by the Group's environmental policy, which describes the principles observed in L&T's own operations and the value chain.

L&T's environmental policy does not include policies concerning the process of monitoring targets. The company will further specify its target monitoring process in 2025.

L&T's environmental policy does not address the transition away from the use of primary resources, but it takes into account the increased use of secondary resources in the value chain. In its environmental policy, the company commits to promoting the sustainable use of natural resources by preventing waste, managing the recovery of materials to be recycled and reused and by replacing fossil fuels with bio-based and recycled raw materials.

L&T's circular economy-related targets and environmental policy principles are put into action at the unit level through division-specific sub-targets, guidelines and circular economy services and solutions offered to customers. The implementation is the responsibility of the business units with the support of the EHSQ and sustainability functions.

Recycling and waste management services, circular economy-related consulting and environmental construction are among the company's core businesses, which include separate commercial business unit and division-specific targets in addition to Group-level targets. The monitoring of the implementation of L&T's policies concerning the circular economy is based on L&T's ISO 9001 and ISO 14001-certified management systems.

L&T's Senior Vice President, Corporate Relations and Responsibility, is in charge of the implementation of the environmental policy in the Group's operations. L&T's divisions and units are responsible for the implementation of the policy and the allocation of the necessary resources in their respective operations. Stakeholders have not been separately consulted in connection with the preparation of the environmental policy. The principles of environmental policy are reviewed regularly, at two-year intervals.

Procurement principles

L&T takes the procurement and use of renewable natural resources into account in its procurement principles, which have been approved by the President and CEO and the Group Executive Board. The procurement principles are in line with the principles of sustainable development in terms of the conservation of raw materials, energy and the environment. The procurement principles apply to L&T's own operations and the entire value chain. The procurement principles are reviewed regularly, at two-year intervals. L&T's Chief Purchasing Officer is in charge of the implementation of the procurement principles. The principles are put into action by means of online training for L&T's employees who are engaged in procurement activities. The principles are put into action among suppliers through regular communication. Stakeholder representatives have not been consulted in the preparation of the procurement principles.

E5-2 – Actions and resources related to resource use and circular economy

L&T's strategy is to create more value with the circular economy for customers, the personnel and society in a broader sense. L&T's principle is to promote the sustainable use of natural resources by preventing waste, managing the recovery of materials to be recycled and reused and by replacing fossil fuels with bio-based and recycled raw materials. The company also strives to promote the preconditions of the circular economy in its operating environment. L&T has set a target for increasing its recycling rate, which is described in more detail in section E5-3, p. 60.

As a circular economy company, L&T has the opportunity to influence the operating conditions of the circular economy indirectly among its customers and the end-users of secondary raw materials. L&T's actions to promote the operating conditions of the circular economy are aligned with the EU's climate goals, circular economy package and biodiversity strategy.

Material inflows and outflows directly related to L&T's own operations are relatively minimal. Examples of such inflows include products and equipment purchased by L&T, while the outflows directly related to L&T's own operations include the company's own waste flows.

L&T's measures to achieve the targets and objectives are related to the prevention and reuse of waste, preparation for reuse, recycling, other recovery and disposal in accordance with the EU's waste hierarchy. L&T's inflows and outflows are presented on p. 61.

The company's circular economy operations are geographically located in Finland. There is comprehensive environmental legislation in Finland, and the operations are subject to site-specific environmental permits. The environmental permit process includes consultation of stakeholders. Any environmental incidents caused by the operations are addressed together with the Finnish environmental authorities, and the authorities approve the remedies for potential environmental incidents. L&T monitors its disposal sites after the closure of each site, and the company has recognised the necessary provisions in its financial accounts for potential future remedies.

L&T's business model and operations are founded on promoting the circular economy. In 2024, L&T implemented the following measures or is planning the following measures to achieve the targets and objectives of the aforementioned policies related to resource use and circular economy:

Preventing the generation of waste

L&T supported and consulted its corporate customers on preventing the generation of waste. The company's comprehensive customer reporting tools provided customers with visibility into the waste flows generated in their operations, enabling the customer to take measures to reduce the generation of waste. A total of 261 customers were supported in preventing the generation of waste during the review period.

Preparation for reuse

L&T engages in repair business activities that involve repairing damaged pallets and returning them to use. In 2024, L&T expanded its pallet repair business by signing an agreement to acquire Stena Recycling's pallet repair business. The finalisation of the transaction is subject to approval by the competition authority, which is expected in the first half of the year 2025.

Recycling

With its expert services, L&T supported and developed its customers' sorting at source and other circular economy-related upstream activities in the value chain in order to direct customers' waste and side streams to recycling. L&T forwards separately collected waste fractions from customers to be utilised with the highest possible degree of processing.

L&T has its own waste pre-treatment plants that process different waste fractions, such as fibres, wood waste, glass and metals, and treatment plants that produce secondary raw materials, such as plastic granules.

Contaminated soil masses at customer sites are cleaned in the environmental construction business. The soil masses are processed at the customer site or transported to L&T's treatment centres for processing. After cleaning, the soil masses are returned to the site, used in earthworks at another site or disposed of.

L&T's own sites have comprehensive sorting opportunities for waste fractions generated in the company's own operations, and the fractions are recycled in accordance with the order of priority in waste management. The amount of material flows related to L&T's own operations is very small compared to the customer material flows handled by the company.

In 2024, L&T organised several training activities, customer events and webinars related to the correct sorting of different waste fractions. The company engaged in active dialogue with corporate customers and partners on the technological choices and opportunities related to the recycling of biowaste.

Other recovery

L&T produces recycled fuel from customers' non-recyclable waste materials to replace fossil fuels in, e.g. district heat production.

Disposal

The company has its own disposal sites for soil masses and fractions that cannot be safely reused or recycled. L&T is planning two new disposal sites, one of which is expected to be completed in 2025 and the other in 2026–2027.

E5-3 – Targets related to resource use and circular economy

In its environmental policy, L&T has set a target of increasing the recycling rate of the materials processed by the company to 70% by 2030. The recycling target is the weighted average of L&T's customers' recycling rates. The target is absolute. The target covers municipal waste collected from L&T's corporate customers, hazardous waste, industrial waste and construction waste in Finland. It also includes materials that cannot be recycled, such as hazardous waste containing PFAS compounds. L&T has set an interim target of increasing the recycling rate to 60% by 2026. The target applies to L&T's own operations.

The recycling target is related to resource outflows. The development of the recycling rate ultimately depends on the recycling and material choices made by L&T's customers and the industries they operate in. L&T's goal is to provide customers with the opportunity to process different waste fractions in accordance with the highest possible level of the waste hierarchy. The final decision on the processing of each waste fraction is always made by the customer. The industries of L&T's customers also differ in the waste fractions generated by the business activities. For example, the commerce sector achieves a higher recycling rate than the construction industry due to the different nature of the business and the associated material flows. There are still several waste fractions that cannot be recycled safely, and some hazardous waste is processed at an incineration plant that is authorised to process hazardous waste.

The recycling target supports L&T's policy of promoting the circular economy and recycling by increasing the proportion of secondary raw materials used in the value chain. The recycling target is related to the "recycling" section of the order of priority laid down in the waste hierarchy.

The target is aligned with the goals of the EU's circular economy package. The target is not science-based. A large proportion of the customers of L&T's Environmental Services division have also set a recycling rate target for their waste.

The target has been approved by the company's President and CEO and the Group Executive Board, and it covers the entire Group. The target was set in 2018 and is voluntary in nature, i.e. not required by law. No stakeholders have been consulted in setting the target.

In 2024, L&T's recycling rate decreased to 55.2%. The recycling rate was decreased particularly by contaminated soil representing a higher relative share of all material flows managed by L&T. The recycling rate was favourably affected by the authorities' changed interpretation of the recycling definition of certain waste fractions and the increased amount of plastic and fibres. The weak economic situation in the construction sector reduced the amount of construction waste processed by L&T.

The recycling rate calculation according to the sustainability standard poorly reflects the material recycling efforts undertaken by a recycling and waste management operator like L&T. The tonnage of contaminated soil masses handled by L&T's environmental construction project business varies significantly from year to year, depending on the number and profile of work sites. The tonnage of contaminated soil masses is substantially larger in magnitude than other material recycling streams, such as plastic, wood, or fiber material streams, and therefore, they significantly affect the overall recycling rate.

L&T will draw up a separate roadmap in 2025 to promote the company's circular economy operations. It will include a circular economy action plan, targets and related actions.

E5-4 - Resource inflows

The material inflows related directly to L&T's own operations are relatively minimal. Examples of such inflows include products purchased by L&T and used for service production.

Packaging and packaging waste are not material to L&T's own operations.

L&T's business includes the processing and refining of various types of waste and raw materials. L&T processes and refines waste and raw materials received from corporate customers at its premises. Examples of such waste and raw materials include plastic, wood, glass, cardboard and paper, as well as hazardous waste, such as oil and treated wastewater.

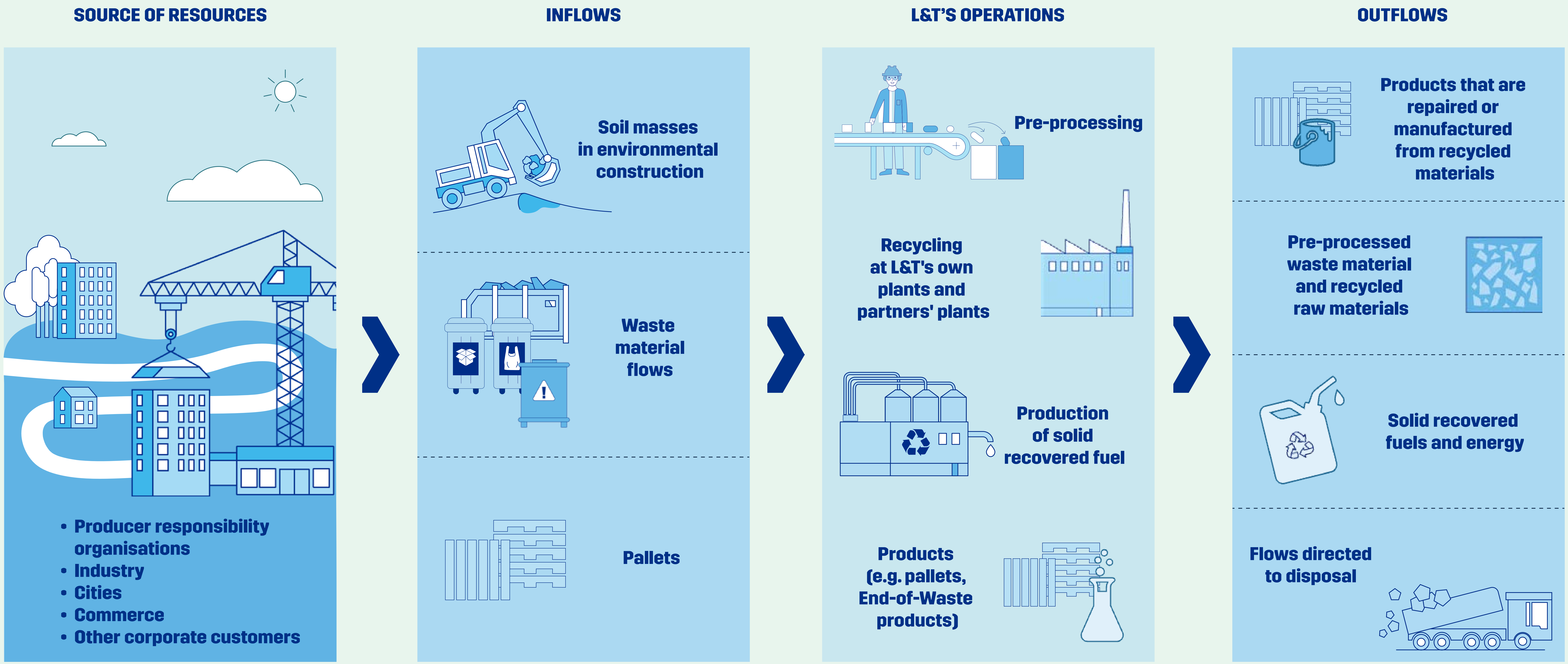
The total weight of the products, technical materials and biological materials used during the reporting period is presented in section E5-5, p. 62.

L&T is a service company that does not, as a rule, manufacture products itself. The procurement of biological materials required for service production is low, and the procurement of renewable fuels is described in section E1-3, p. 47.

Aside from the verification of sustainability reporting, L&T has not otherwise certified or obtained third-party assurance for the calculation or reporting of data on waste and materials.

As L&T is a recycling and waste management operator, some of the customers' waste streams could also be defined as resource inflows. To avoid double counting, L&T addresses all flows in section E5-5, p. 62.

L&T'S INFLOWS AND OUTFLOWS



E5-5 – Resource outflows

As a recycling and waste management operator, L&T collects and processes significant amounts of various waste materials and soil masses from its customers. Waste materials and soil masses are processed, recycled or forwarded as they are for further use by the same customer or a different customer.

The significant material flows forwarded to reuse and recycling consisted mainly of municipal waste collected from corporate customers, such as plastic, paper, cardboard and biowaste, hazardous waste sorted at source, industrial waste and construction waste in Finland. The company also processes sludge, soil masses and ash. In addition, L&T produces solid recovered fuel and forwards waste to incineration and disposal. The waste streams processed by L&T are affected by the industries in which the company's customers operate and the development of their business.

L&T is a significant producer of recycled raw materials. The company's plastics refinery in Merikarvia produces plastic granules from customers' plastic waste, which can be used to manufacture new plastic products. The company recycles hazardous waste, such as glycol and waste oil, for reuse. The company does not manufacture products at a significant scale.

The total amounts of waste generated by L&T's own operations are shown in the adjacent table.

Calculation principles

The reporting of data on waste and materials includes waste and materials collected from L&T's customers and the waste generated at L&T's own sites. The data is obtained from L&T's own ERP systems. The amounts indicated in tonnes in the reporting are based on either the actual weighed weight or assumed weights based on container-specific average weight measurements. Waste quantities are stated inclusive of moisture.

In determining the waste treatment method, information received from the recipients of the materials on the waste treatment method or waste fraction-specific assumptions on the waste treatment method are used to the extent that supplier-specific information is not available. It is estimated that there are no significant differences between the assumed and actual treatment methods at the level of Group reporting.

Waste and material flows managed by L&T

1,000 kg	Non-hazardous waste	Hazardous waste	Total[1]
Waste and material flows	900,000	163,000	1,063,000
Materials redirected from disposal	809,000	49,900	859,000
Preparation for reuse	25,300	0	25,300
Recycling	519,000	42,200	561,000
Other recovery	265,000	7,700	272,000
Materials directed to disposal	90,300	113,000	204,000
Incineration	190	16,400	16,600
Landfill disposal	88,800	94,700	184,000
Other disposal	1,300	2,400	3,700
Non-recycled waste	355,000	121,000	476,000
Non-recycled waste, %	39	74	45

As L&T is a recycling and waste management operator, some of the customers' waste streams could also be defined as resource inflows. To avoid double counting, L&T addresses all flows in section E5-5 Resource outflows.
[1]The figures in the column are based on data that has not been rounded.

S1 Own workforce

SBM-3 Impacts, risks and opportunities from the perspective of the strategy and business model

In L&T's double materiality assessment, the company has identified and assessed the impacts, risks and opportunities related to its own workforce with reference to the sub-topics and sub-sub-topics of the European Sustainability Reporting Standards. The identified material impacts, risks and opportunities included occupational safety, working time, adequate wages, freedom of association, the existence of works councils and the information, consultation and participation rights of workers, social dialogue, collective bargaining, work-life balance, health and safety, gender equality and equal pay for work of equal value, training and skills development, measures against violence and harassment in the workplace, and diversity. A description of the material impacts, risks and opportunities is presented in the ESRS 2 section, in the table in section ESRS 2 SBM-3, p. 23.

L&T operates in the service sector and is a significant employer. With this in mind, the well-being of its personnel is a key success factor for the company's business. One of L&T's strategic priorities is to attract the industry's best professionals to the Group companies, as people are a vital asset for a company in the service sector. The well-being of the personnel is a risk, as L&T's services and the customer experience delivered by the company to its customers are created through interaction with motivated and competent personnel. For a company that operates in the service sector, the availability of personnel is a key factor that can either enable or limit the growth of the business. In the competition for suitable employees, a sustainable personnel policy and sustainable operating practices are very important. The company engages in extensive and diverse dialogue with its personnel on a regular basis, and the views of the personnel are a key input in the process of drawing up the company's business strategy.

The company's goal is to ensure that L&T's personnel have the right competence, that the amount, quality and retention of personnel are at a level required for profitable operations, that the work community is diverse and equal, that the personnel's work ability and ability to function are maintained throughout their working life and that the members of the personnel are encouraged and motivated to perform at a high level so that the company's goals can be achieved.

In this sustainability report, L&T's own workforce covers employees and non-employee workers. Employees are included in personnel, while non-employee workers are included in subcontracting.

L&T strives to provide its personnel with an excellent employee experience, a safe and healthy work community, high-quality management and opportunities to increase their competence and develop in their work. Taking the company's policies, activities and geographical location into account, the potential negative impacts on the personnel are not widespread or systemic.

L&T's personnel responsibility perspectives are in line with national laws, agreements and other obligations. We respect human rights as defined by the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organization (ILO), international agreements and the UN Guiding Principles on Business and Human Rights. We are also committed to supporting the UN Global Compact initiative and its principles pertaining to human rights and labour.

The company has over 7,400 employees in Finland and Sweden. The largest groups of employees are cleaners, drivers and property maintenance and technical maintenance employees. The company also has 1,160 employees in various roles in sales, customer service, financial management and personnel management, as well as other expert roles. L&T uses leased employees and subcontractors in some of its business operations. This is described in more detail in section S1-7, p. 69.

The company has assessed potential negative impacts on L&T's various personnel groups. L&T has recognised that young summer workers could be at greater risk in terms of occupational safety than other personnel groups if the induction training of young seasonal workers is not carried out as required by the company's occupational safety guidelines. L&T's cleaning services also include workers whose Finnish or English language proficiency is not at the same level as that of other personnel groups, and who could be exposed to occupational safety risks if their induction and training are not carried out with sufficient care.

L&T operates in Finland and Sweden, where the legal requirements related to working conditions, such as reasonable working hours, occupational safety, annual holiday, parental leave and part-time work, are at a high level. All employees in both operating countries have the right to belong to, or not belong to, a trade union. The company does not operate in countries where the risk of forced labour or child labour is high.

In Finland and Sweden, legislation, collective agreements and the supervisory activities of the authorities establish minimum requirements for occupational safety and health. Potential risks related to working conditions could, if realised, result in legal and/or financial consequences. Should they materialise, such risks could have a detrimental effect on the employer's reputation. This, in turn, would reduce labour availability and increase personnel turnover. The risks are managed by means of standardised processes and contract templates, as well as regular supervisor training.

Employment contracts are always concluded in writing. L&T is also a member of employer organisations in the industries it operates in. Through its membership in industry organisations, L&T also demonstrates its commitment to the applicable collective agreements and ensures that the employer has access to the latest interpretations on the application of collective agreements.

L&T monitors compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. L&T also complies with the applicable legislation governing contractors' obligations and liability, and requires the same of its suppliers. L&T's Code of Conduct emphasises fair and equal treatment and respect for the human dignity, privacy and rights of each individual. Supervisor training, support for supervisors and measures such as the monitoring of working hours ensure that supervisors act in accordance with the applicable rules and guidelines and know how to support the personnel in urgent situations.

A description of the material impacts, risks and opportunities and dependencies related to L&T's own workforce is presented in the table in section ESRS 2 SBM-3, p. 23 and has been identified in accordance with the double materiality analysis process presented on p. 19.

S1-1 Policies related to own workforce

L&T's actions, impacts and risk management related to the company's own workforce are guided by L&T's Code of Conduct, business strategy, public HR Policy, public Human Rights Policy, public Occupational Safety Policy and various guidelines. The principles and policies apply to all business operations in all operating countries.

Code of Conduct

L&T Group's Code of Conduct sets expectations for sustainable and ethical conduct by L&T's personnel. The Code of Conduct calls for compliance with laws, rules and regulations, integrity and transparency, respect for human rights and colleagues, and safety at work, among other things. The Code of Conduct is approved by the company's Board of Directors and updated at two-year intervals. The Code of Conduct applies to L&T Group. The company has a separate Supplier Code of Conduct for the supply chain. The General Councel and Senior Vice President, HR and Legal, is in charge of the implementation of the Code of Conduct, and the Group Executive Board monitors compliance with the Code of Conduct. The Code of Conduct for L&T personnel is a public document that is available on L&T's website, intranet and the notice boards of the company's operating locations. The Code of Conduct has been the subject of dialogue with employee representatives.

HR Policy

Objectives related to L&T's own workforce are guided by the Group's HR Policy. The HR Policy has been approved by the President and CEO and the Group Executive Board. In the HR Policy, L&T commits to compliance with national legislation, collective labour agreements, internationally recognised human rights and the core principles of the International Labour Organization (ILO). The Policy lays down L&T's commitment to equality and to combating the use of child labour and all forms of discrimination. The HR Policy is updated on a regular basis, at two-year intervals, and the Senior Vice President, HR and Legal, is in charge of its implementation together with the HR organisation. The Policy is put into action as part of the Group's personnel management processes. The HR Policy has been discussed with the company's shop stewards before its entry into force.

Human Rights Policy

L&T's Human Rights Policy aims to influence the company's potential direct or indirect human rights impacts concerning its personnel, supply chain and customers. In the Human Rights Policy, L&T commits to respecting human rights as defined by the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organization (ILO), the OECD Guidelines and the UN Guiding Principles on Business and Human Rights. The Policy describes the company's commitment to supporting the UN Global Compact initiative and its principles concerning human rights and labour rights, and complying with national laws, agreements and other obligations.

L&T does not, under any circumstances, tolerate trafficking in human beings, forced labour, the use of child labour in violation of children's rights, or modern slavery in its own operations or in the activities of its supply chain.The Human Rights Policy also establishes zero tolerance for all forms of inappropriate behaviour, harassment and discrimination in our own operations and in our supply chain. We do not discriminate against anyone on the basis of gender, pregnancy, childbirth, gender identity, gender expression, age, ethnicity, nationality, language, religion, ideology, opinion, political activities, union activities, family relations, health, disability, sexual orientation or any other reason pertaining to an individual. Race, ethnic origin, skin colour and national or social origin are also prohibited grounds for discrimination.

The Human Rights Policy has been approved by the company's Board of Directors, and L&T's senior management is committed to respecting and promoting human rights. The Human Rights Policy has been discussed with the company's shop stewards. Responsibility for the Human Rights Policy lies with the Group's Senior Vice President, HR and Legal. The Human Rights Policy is implemented as part of the company's HR processes. The policy covers all L&T Group companies and divisions in all operating countries, and it applies to the entire personnel. The Human Rights Policy is updated at two-year intervals. The company does not have a separate compensation mechanism for human rights violations. Instead, L&T complies with Finnish and Swedish legislation with regard to any compensation.

Occupational Safety Policy

L&T's Occupational Safety Policy covers both the Group's own operations and the company's supplier network. It describes the key occupational safety goals, responsibilities and organisation, as well as our commitment to complying with legislation and regulatory requirements concerning our operations. The Occupational Safety Policy is the responsibility of the Vice President in charge of occupational safety and risk management, who puts the Policy into action together with the occupational safety organisation. The goal of L&T's occupational safety activities is to guarantee a safe workplace for all personnel. The company is committed to the idea of zero accidents and believes that all accidents and damage can be prevented. In the event of any action or conduct in violation of the applicable legislation, orders issued by the authorities or instructions, the company takes immediate action in accordance with mutually agreed rules. L&T's Occupational Safety Policy has been approved by the President and CEO and the Group Executive Board, and it is updated at two-year intervals. The Occupational Safety Policy has been discussed together with the Group's shop stewards.

Guidelines and plans

L&T's policies are supplemented by division-specific and country-specific guidelines and plans, which apply only to employees as a rule. In Finland, L&T has drawn up guidelines on the prevention of inappropriate behaviour, harassment and discrimination that apply to the entire personnel, as well as an occupational health and safety action plan and an occupational health care action plan. L&T also prepares division-specific equality and non-discrimination plans in Finland, as well as wage surveys in accordance with the Equality Act. The company has a process for conducting target-setting and development discussions.

In Sweden, the Industrial Services business has its own anti-discrimination guidelines, substance abuse policy, operating guidelines and occupational safety guidelines. In Sweden, Facility Services has its own substance abuse policy, non-discrimination and equality policy, working environment and safety manual and a process for the prevention of discrimination and harassment.

S1-2 Engaging with own workers and their representatives

L&T's own workforce constitutes one of the company's most important stakeholders. L&T engages in diverse and close engagement with the company's own workers and their representatives. The primary methods of engaging with the company's own workers include, for example, the company's intranet and internal newsletters, personnel briefings, strategy days and other events, supervisor communications, target-setting and development discussions, the activities of the European Works Council and, in Finland, the activities of L&T Finland's Group Cooperation Forum and industry-specific dialogue in accordance with the Act on Co-operation within Undertakings.

Planning the process of engaging with the company's own workers and their representatives is the responsibility of the Senior Vice President, HR and Legal, who is a member of the Group Executive Board. In addition to the Senior Vice President, HR and Legal, engagement with workers' representatives in Finland is the responsibility of the Senior Vice Presidents in charge of each division, the employee relations team, which works under the Senior Vice President, HR and Legal, and consists of employment lawyers, and the occupational safety team, which includes the occupational safety manager. In Sweden, engagement with workers and their representatives is the responsibility of the CEO of L&T Sweden and the HR Manager.

In Finland, engagement with workers' representatives on actual and potential material impacts on the company's own workforce takes place in quarterly dialogue pursuant to the Act on Co-operation within Undertakings, in change negotiations pursuant to the Act on Co-operation within Undertakings, in the twice-yearly meetings of the Finnish Group Co-operation Forum or in the quarterly meetings of occupational safety and health committees.

As a rule, the meetings are organised at the company level or the unit level. For personnel groups that do not have a representative, direct engagement with the employees belonging to the personnel group in question is used instead.

Each L&T company also has its own occupational safety and health committee. The occupational safety and health committees discuss themes related to occupational safety and health in particular. Each committee convened in 2024 in accordance with the legally required meeting schedule.

European Works Council meetings, which are held twice a year, bring together employee representatives from both operating countries to discuss various issues.

L&T engages in dialogue with internal and external stakeholders on the promotion of human rights. Employee representatives in Finland and Sweden have been consulted in drawing up L&T's Human Rights Policy. When the Policy was drawn up, a workshop on the theme of human rights was organised for the employee representatives and deputy members who make up L&T's European Works Council. The Human Rights Policy was also discussed in consultation with employee representatives in dialogue meetings held in Finland in June 2024.

Fiilinki and Pulsen personnel surveys

All of L&T's personnel have the opportunity to give feedback on themes related to their work and management through the annual Fiilinki/Pulsen personnel satisfaction survey. The personnel satisfaction survey can be completed in Finnish, Swedish, English, Estonian and Russian. The survey is anonymous.

S1-3 Processes to remediate negative impacts and channels for own workforce to raise concerns

L&T aims for an organisational culture in which everyone can speak up if they suspect or observe any violations of the law or L&T's policies and instructions.

The personnel are encouraged to report any grievances they observe and potential violations related to L&T's activities. Grievances and incidents can be reported to one's direct supervisor or by using a whistleblowing channel that runs on the technical platform of an external service provider. In addition, all reported incidents of harassment are recorded in a separate electronic harassment reporting system in Finland and Sweden.

Suspected incidents of misconduct can be reported anonymously via L&T's whistleblowing channel. Instructions concerning the whistleblowing channel and guidelines for the prevention of harassment, discrimination and inappropriate behaviour are available to all of the company's personnel on the intranet. The instructions concerning the whistleblowing channel are also available on the company's external website, and information about it is also distributed by means of posters and digital information displays at the company's operating locations, for example. Updates to the instructions concerning the whistleblowing channel are discussed in dialogue with employee representatives, and the representatives have the opportunity to ask questions and comment on any planned changes.

Employee representatives and employees also have the opportunity to raise concerns to the management in regular dialogue meetings and other formal and informal discussions with management. L&T's annual personnel satisfaction survey also provides the opportunity to anonymously raise concerns through answers given to open-ended questions.

All violations and suspicions of inappropriate conduct that L&T becomes aware of are appropriately investigated. Reports of suspected misconduct received via the whistleblowing channel are handled confidentially by the Legal Affairs department, by a separately designated individual holding a master's degree in law. Reports of suspected misconduct are reviewed by the Compliance Team and with the President and CEO, and reported to the Audit Committee of the Board of Directors.

Persons belonging to L&T's own workforce and their representatives who may be subject to potential negative impacts can use the channels at the level of the company in which they are employed or have been hired to work. The whistleblowing channel can also be used to report suspected misconduct concerning operations carried out by another L&T Group company.

L&T prohibits retaliation against all persons who submit whistleblower reports in good faith and takes disciplinary action against anyone found to have been guilty of retaliation. This is separately mentioned in the instructions concerning the whistleblowing channel and in the company's Human Rights Policy and Anti-corruption and Anti-bribery Policy.

In 2024, the company did not separately survey the extent to which the personnel are aware of the channels and mechanisms through which they can raise concerns or whether they trust these channels and mechanisms. L&T will assess this in connection with the personnel survey in 2025.

Third-party mechanisms, such as those maintained by the state, NGOs, industry associations and other co-operation initiatives to raise concerns, are available to all members of the company's own workforce and their representatives. L&T Group does not prevent the use of such mechanisms unless the matter concerns a trade secret, for example, in which case the requirement for non-disclosure could restrict the use of such mechanisms. L&T regularly monitors any complaints made regarding the company through the OECD National Contact Point and reports of suspected misconduct received in the OECD database.

L&T Group has a grievance mechanism for processing employee-related matters in Finland and Sweden as required by Regulation (EU) 2022/1288.

S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions

The material aspects related to L&T's own workforce include increasing employee satisfaction, strengthening the work ability of the personnel, developing diversity and improving occupational safety. L&T's strategic objective is to increase the Employee Net Promoter Score (eNPS) to 50 by 2026. The most significant risks related to own workforce in L&T's business environment concern occupational safety. The company also strives to maintain a non-discriminatory, harassment-free and equal workplace.

The company's impacts, risks and opportunities related to its own workforce are described in more detail in section ESRS 2 SBM-3, p. 23.

L&T is a diverse work community that accepts and respects differences. At L&T, we believe that our extensive diversity work strengthens the employee experience of everyone at L&T. The company develops its culture and operating practices so that everyone finds it easy to join L&T and enjoy being part of the work community.

L&T prevents discrimination and inappropriate behaviour and builds an equal work community by various means, including processes, wages that are in line with the applicable collective agreements, job classification based on how demanding each role is, and by providing guidance and training to the personnel, and supervisors in particular.

Atypical employment relationships (e.g. part-time and fixed-term employment relationships) may pose particular human rights risks from the perspective of adequate wages and working hours, for example. The use of such employment relationships at L&T is always based on legislation, the nature of the business and customer needs, particularly in Facility Services Finland and Facility Services Sweden.

The company has identified the quality and coverage of data on personnel in Sweden as a development area for 2025. L&T will carry out a system development project and further specify its data collection process.

Development of job satisfaction and strengthening the work ability of the personnel

Employees with a high level of work ability and well-being are L&T's most important asset and one of the Group's key success factors. Well-being encompasses physical, mental and social well-being. The work performed by L&T's employees is primarily physically strenuous, but mental resources are also significant. The company helps its personnel find their own way of looking after their well-being. As an employer, L&T also constantly looks for ways to develop work and the working environment to support work ability.

The target for work ability management is to reduce sickness-related absences to 4.5%. To achieve the target set for sickness-related absences, L&T will continue the purposeful implementation of the action plan for promoting health.

Among L&T's operating countries, occupational health care is a statutory right in Finland. The company provides its personnel with preventive and statutory occupational health care and medical care through its occupational health provider. The company also complements its occupational health care services with the L&T sickness fund in Finland. In 2024, occupational health services covered all of the Group's personnel in Finland. Leased employees are covered by statutory occupational health care through their respective employers. In Sweden, the personnel are covered by the national health care system.

The company co-operated with the occupational health provider in 2024 to promote musculoskeletal health and prevent prolonged symptoms, expedite the start of rehabilitation and influence working methods and working conditions. Measures related to ergonomics and work arrangements have been implemented according to local and job-specific needs.

During the review period, mental well-being was supported through low-threshold services that employees can take advantage of during times of stress or change, relationship crises or challenges related to supervisory work. For more complicated challenges related to mental well-being and mental health, employees have been provided with support and short-form therapy by an occupational health psychologist.

L&T aims to reduce sickness-related absences by using L&T's early care model and diverse measures to support employees' return to work. Sickness-related absences decreased in Finland and increased slightly in Sweden during the period under review. Our sickness-related absence rate was 4.9% in Finland and 5.4% in Sweden.

In accordance with our early care model, potential challenges related to work ability are addressed through co-operation between the employee, the supervisor and occupational health services at the earliest possible stage. During the past few years, we have monitored the implementation of early care discussions by using the early care implementation percentage as the indicator. In 2024, the number of supervisors who had a backlog of early care discussions decreased from the previous year.

L&T continued to organise regular work ability briefings during the period under review. They involve supervisors having unit-specific meetings to discuss practical measures related to early care, interaction and supporting health and well-being with other supervisors and the personnel. We also regularly organised training related to the early care model. The aim is to improve the supervisors' ability to enhance interaction, address problems and seek solutions to difficult situations and potential challenges related to work ability.

We supported returning to work after extended sickness-related absences and used various support measures to this end. These typically include supporting the employee's return to their previous job or a similar position by temporarily adapting the work duties, as well as using partial sickness allowance or workplace rehabilitation. If the current job is no longer suitable for the employee, they can receive assistance in finding a more suitable position that corresponds to their work ability and skills through vocational rehabilitation or the Suitable Work operating model.

Target-setting and development discussions are a key tool for developing job satisfaction. The aim of the discussions is to ensure that everyone at L&T has targets that promote the achievement of our shared objectives. The discussions are also intended to ensure that job descriptions are clear and that employees have the required competencies and conditions for successful performance. These measures support job satisfaction.

As a rule, a development discussion is held with all employees at least once a year. The discussion is voluntary for employees on fixed-term employment relationships of less than one year, and for part-time employees whose weekly working hours do not exceed 20 hours. The purpose of the discussions is to evaluate the past period, set targets for the upcoming period and discuss the employee's workload, well-being, competence and career wishes. In 2024, 99% of white-collar employees in L&T's companies in Finland had a target-setting and development discussion with their supervisor.

The quality of supervisory work has a significant impact on the development of job satisfaction. Good leadership requires effective dialogue between supervisors and employees, as well as between coworkers.

In 2024, we provided support for success in supervisory work through various training activities, for example. We organised regular training for new supervisors to familiarise them with L&T's supervisory practices and help them manage employee performance. Supervisors were also offered brief training activities on topics such as managing diversity, employment relationships, managing teams and holding successful target-setting and development discussions. In L&T's divisions, the development of leadership and supervisory work was closely linked to enabling the achievement of strategic goals.

Diversity

We have made a long-term commitment to promoting the employment of people with reduced work ability. We constantly look for new ways to reach a broader audience of applicants in population groups that have previously not been recognised in society as skilled workers. To achieve good results, it is important to seek progress by focusing on carefully selected groups of people with reduced work ability. This makes it possible to plan the best possible support for people with reduced work ability employed by L&T and ensure in advance that supervisors have sufficient capability to support such employees at work.

At L&T, we believe that the challenges associated with the availability of labour that are typical to our sector can be partially solved by employing people with reduced work ability. The key is to promote the employment of people with reduced work ability in close co-operation between L&T, the public sector and customers, to ensure that all stakeholders are sufficiently committed and have an understanding of the positive shared goal.

To promote the employment of people with reduced work ability, L&T has co-operation projects under way with partners including municipalities in the Helsinki metropolitan area and other organisations. To ensure the successful implementation of the projects, L&T's Facility Services organisation includes a dedicated project manager focused on the availability of labour and promoting the employment of people with reduced work ability.

Occupational safety

Occupational safety work is carried out systematically in all units and teams. Proactive risk assessment is key to mitigating occupational safety risks. The majority of the personnel work at customer sites, which is why site-specific risk assessments are carried out in cooperation with the customers. The results of the risk assessments are reviewed with the employees working at each site as part of induction training or occupational safety briefings.

The key measures during the review period included regular safety briefings for employees in production roles, safety walks to observe potential risk areas in the working environment, as well as safety observations and various risk surveys for all personnel. Every L&T employee has access to a system for making occupational safety observations on a mobile phone. The observations are forwarded to the supervisor for further processing.

The reporting of proactive safety measures is based on information obtained from the Lassila & Tikanoja Group's systems. Aside from the verification of sustainability reporting, Lassila & Tikanoja has not otherwise certified or obtained third-party assurance for the reporting.

We increased our employees' awareness of occupational safety and risks, starting from induction training and also through online occupational safety

Proactive safety measures

	2024	2023	2022
Safety observations	73,449	63,570	50,713
Safety Walks	20,770	21,720	19,534
Occupational safety sessions	19,488	21,343	20,923
Risk assessments	1,172	852	1,152
Total	114,879	107,485	92,322

training and clear guidelines, as well as by providing regular briefings on instructions, procedures and operating models. We also ensure that the subcontractors who work at our operating locations are trained in occupational safety. Our employees also participate in occupational safety training organised by our customers to ensure that we always adhere to the occupational safety instructions of each operating location. A separate "Safety Under the Helmet" training series was launched in 2022. All employees working in L&T Group companies in Finland participated in the training series. The training series was completed in 2024. The training activities were focused particularly on influencing the root causes of occupational accidents.

If an accident occurs in spite of our preventive measures, it is investigated. Accident investigations are conducted using a method that helps us better identify the root causes of accidents and target corrective actions appropriately. In addition to accident investigations, accident panels carry out a further review of accidents to ensure that the corrective actions are sufficient.

Resource allocation for the management of material risks and opportunities arising from the personnel

L&T has allocated a wide range of resources for the management of material risks arising from the personnel. L&T has an adequate and comprehensive HR management organisation and occupational health and safety organisation in all of its operating countries. The organisation includes the work ability team, employee relations team, payroll administration, business-specific HR Business Partners, HR service team, competence development team and HR system team. Each division also has its own occupational safety manager.

The necessary amount of financial and human resources is allocated annually to dialogue with the personnel and personnel representatives, but the exact amounts have not been defined in advance. Approximately EUR 40,000 in financial resources is budgeted for EWC activities each year, along with an adequate amount of human resources for the matters addressed.

In Finland, L&T has also provided medical care as part of occupational health care services and a comprehensive sickness fund.

S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

The targets related to the company's own workforce have been approved by the company's President and CEO and the Group Executive Board. Time-linked and performance-oriented targets concerning L&T's employees, such as eNPS, TRIF and the sickness-related absence rate, are the subject of regular dialogue with personnel representatives through dialogue meetings held in L&T's Finnish companies. The personnel representatives have the opportunity to share their thoughts regarding development measures that promote achievement of the targets. The targets related to L&T's own workforce are absolute and apply to the entire Group. The base year for the targets is 2020. In the base year, the eNPS was 82, the sickness-related absence rate was 4.7%, and TRIF was 24.

L&T engaged in dialogue with personnel representatives in 2024 regarding the results of the personnel satisfaction survey and the development of eNPS.

Progress towards the targets related to L&T's own workforce is monitored on a quarterly basis, and the results are presented to the entire personnel in personnel briefings.

The results of the personnel satisfaction survey are discussed in team-specific workshops. The workshop participants together agree on concrete measures for the team to increase employee satisfaction and develop supervisory work in day-to-day operations.

S1-6 – Characteristics of the undertaking's employees

In L&T's reporting, an employee refers to a person who is in an employment relationship with an L&T company in Finland or Sweden. The term "personnel" is used to refer to employees. The term "own workforce" covers employees and non-employees. Non-employees refer to persons who work in L&T companies as leased employees or self-employed people. The definition of "own workforce" does not include subcontractors.

L&T uses temporary workforce only as necessary. Fixed-term employment contracts are typically used for seasonal roles, such as summer jobs, and to balance out seasonal fluctuations in Industrial Services. Long-term temporary employees are mainly used in project-type roles or as substitutes in connection with family leave. Temporary employees are provided social benefits and other employment benefits that correspond to those of permanent employees and are offered on the same terms.

L&T aims to offer full-time employment where possible. The number of employees on part-time and "zero hours" contracts varies by division. Part-time work is common among the youngest and oldest wage-earners. As a rule, part-time duties include cleaning work in Facility Services, process cleaning work in Industrial Services, and customer service and lorry driver roles in Environmental Services.

The number of employees on "zero hours" contracts is very low. In the Environmental Services division, part-time employees work under a "zero hours" contract and, as a rule, at their own request. L&T has surveyed the reasons for part-time positions in a selective manner. Typically, part-time positions in Environmental Services and Facility Services are sought by students and people looking for additional work. In the Industrial Services division, part-time positions are sought by project workers.

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries.

The number of employees is reported as the head count, unless otherwise

Target	Target 2030	2024
eNPS	>70	outcome 21 target 25
Sickness-related absences (%)	4	outcome 5.0 target 4.7
TRIF	15	outcome 19 target 21

stated. The reporting does not include employees on long-term absences. L&T employs approximately 750 seasonal summer workers, thesis workers and trainees per year, not all of whom are in an employment relationship at the end of the reporting period, when the number of employees is calculated.

The calculation of the average number of personnel (FTE) is based on actual working days. Working days are based on all days worked regardless of the duration of the working day. In other words, if an employee works one hour in a day, this counts as one actual working day in the calculations. The calculation does not take overtime into account, which means that a person cannot count for more than 1 FTE in the report.

Non-guaranteed hours employees

Non-guaranteed hours employees refers to persons who are called in when necessary. Personnel called in when necessary are often called in to work at short notice. It is typical of this type of work that the parties have not made an advance commitment to offering work repeatedly, or coming to work. The employment contracts of personnel called in when necessary may be temporary or valid until further notice.

In Finland, employees called in when necessary refers to employees who are on a "zero hours" contract and have no fixed weekly working time obligation. The reporting on non-guaranteed hours employees does not include employment contracts that specify a variable amount of weekly working hours (e.g. 10–20 hours/week), as the HR system used by L&T's companies in Finland does not recognise these types of range-based contracts/variable working hours. However, persons on these types of contracts are reported as part-time employees.

In Sweden, employees called in when necessary refer to employees who are on a temporary employment contract with a zero-percent employment relationship. This means that they do not have guaranteed working hours and are called in according to their employer's needs. The employer submits work requests at the agreed hourly wage.

Exit turnover of the personnel

Reporting on the exit turnover of the personnel includes employment relationships terminated on the employee's initiative. This refers to the termination of a trial period on the employee's initiative, resignation, retirement, death, or the cancellation of an employment relationship. Fixed-term employment relationships are not included in the reporting of exit turnover. This means that summer workers, for example, are not included. The reported exit turnover also includes employment relationships terminated on the employer's initiative, such as dismissals on personal and collective grounds, terminations of trial periods on the employer's initiative, cancellations of employment contracts and severance agreements.

Employee turnover	2024
Number of employees who have left the undertaking during the reporting period	1,806
Employee turnover, %	22

Personnel in figures	2024
Men	4,724
Women	2,712
Other[1]	3
Not specified	2
Total number of employees	7,441
Finland	6,313
Sweden	1,128
Average number of employees, reported as full-time equivalents	5,980

[1] Gender, self-reported by the employees

Employees by gender, reported by head count

2024	Women	Men	Other[1]	Not specified	Total
Number of employees	2,712	4,724	3	2	7,441
Number of permanent employees	2,499	4,237	0	2	6,828
Number of temporary employees	213	397	3	0	613
Number of non-guaranteed hours employees	273	497	3	0	773
Number of full-time employees	1,692	3,646	0	2	5,340
Number of part-time employees	747	581	0	0	1,328

[1] Gender, self-reported by the employees

Employees by country, reported by head count

2024	Finland	Sweden	Total
Number of employees	6,313	1,128	7,441
Number of permanent employees	5,822	1,006	6,828
Number of temporary employees	491	122	613
Number of non-guaranteed hours employees	678	95	773
Number of full-time employees	4,521	819	5,340
Number of part-time employees	1,114	214	1,328

S1-7 – Characteristics of non-employee workers in the undertaking's own workforce

L&T employes non-employee workers in its operations. Non-employee workers are people provided by undertakings primarily engaged in employment activities, and in L&T's reporting they are referred to as rental workers. Rental workers can be employed in all divisions, but they are primarily used in cleaning services and in annual maintenance work in the process cleaning business of the Industrial Services division. The use of rental workers is most common in production roles to substitute for sickness-related absences or address personnel shortages, and to respond to the changing human resource needs in the process cleaning business. Rental workers receive training for their tasks in the same manner as employees, and they are covered by L&T's occupational safety systems. In Sweden, rental workers are used primarily in expert roles to a small extent.

Calculation principles

L&T reports the head count of non-employees included in its own workforce (rental workers and self-employed people) as full-time equivalents (FTE) at the end of the reporting period as the average for the reporting period. Aside from the verification of sustainability reporting, Lassila & Tikanoja has not otherwise certified or obtained third-party assurance for the calculation of the head count of non-employees.

In Finland, the FTE calculation of leased employees is based on purchases of leased employee services and the average hourly earnings determined for each L&T group company and personnel group. The calculation of average hourly earnings is based on estimates of each personnel group's average hourly earnings provided by the HR functions of L&T's group companies. The estimates are based on the hourly wages specified in the applicable collective agreements. The average hourly earnings figures are multiplied by the leased employee multiplier, which is based on the multipliers of the largest leased employee service providers for each L&T group company and personnel group. The FTE for leased employees has been calculated by dividing the calculated working hours by 7.5 and by the number of working days in the year.

In Sweden, the FTE calculation of leased employees is based on purchases of leased employee services and the working hours used as the basis of invoicing. The FTE for leased employees has been calculated by dividing the invoiced working hours by 7.5 and by the number of working days in the year.

S1-8 – Collective bargaining coverage and social dialogue

All blue- and white-collar employees (100%) at L&T's companies in Finland are covered by collective agreements. At L&T's companies in Finland, collective agreements do not apply to senior white-collar employees or persons in executive positions. The terms of employment of the above-mentioned personnel groups are determined in accordance with the applicable legislation. However, in the employment relationships of senior white-collar employees in 2024, L&T applied the practices applicable to white-collar employees in the L&T company in question with regard to holiday pay, sick pay, annual holiday, family leave and salary increases. In Facility Services Sweden, all employees (100%) except senior management are covered by a collective agreement. The terms of employment for senior management are specified in their employment contracts.

L&T Group has established a European Works Council (EWC) for informing and consulting personnel representatives with regard to transnational matters. A separate agreement on the EWC has been signed at L&T, and EWC activities at L&T are organised in accordance with the agreement. The agreement was in force in 2024. Finland and Sweden are represented in the EWC.

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries.

Collective bargaining coverage

The calculation of collective agreement coverage does not include senior white-collar employees and executives, as Lassila & Tikanoja does not have an applicable collective agreement for those personnel groups.

Social dialogue

The personnel are entitled to elect a representative at the workplace. The task of a personnel representative is to ensure that employees' voices are heard in workplace decision-making and that their rights are protected.

Examples of such representatives include shop stewards, employee representatives, occupational safety delegates, EWC representatives and national group cooperation representatives. The number of persons covered by personnel representation is reported by country according to the proportion of L&T employees who have actually elected a personnel representative for their personnel group.

Average number of non-employees, reported as full-time equivalents	2024
Average number of non-employees, reported as full-time equivalents	63.2
White-collar employees	7.2
Blue-collar employees	56.0

Collective bargaining coverage and social dialogue

	Collective bargaining coverage		Social dialogue
Coverage rate	Employees – EEA	Employees – Non-EEA	Workplace representation – EEA only
0–19%			
20–39%			
40–59%			Sweden
60–79%			
80–100%	Finland, Sweden		Finland

S1-9 Diversity

At L&T, we believe that purposefully building a diverse workplace community is one way of ensuring sustainable growth. Our overall objective is to increase diversity in all of our personnel groups.

At L&T, men and women are employed in different roles in a balanced manner, and the company offers work for people of different ages and at different career stages.

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries. In the reporting, senior management comprises the members of L&T's Group Executive Board.

S1-10 – Adequate wages

L&T pays adequate wages to all employees in accordance with the applicable benchmarks in Finland and Sweden.

Wage surveys were conducted in accordance with the Equality Act in L&T's Finnish divisions (Facility Services, Environmental Services, Industrial Services and Group Services) in 2024. The wage surveys did not reveal any unjustified differences in pay between the genders. We assess the realisation of pay equality between the genders as part of our two-year diversity plans.

At L&T, gender is not a factor in pay. Remuneration at L&T is influenced by, for example, the content and demands of the job, the employee's competence, performance and experience, and the provisions of any applicable collective agreement. At L&T, non-discrimination in remuneration is promoted by ensuring that remuneration is based on the demands of the role, which are assessed by means of objective criteria. The categories used for the demands of each role and wages are based on the collective agreements applied at L&T, for example.

L&T operates in a number of different industries, which is why average pay is not an appropriate indicator for the level of structure of wages. In the wage survey conducted in 2024, the pay of female employees on hourly wages was 95%, and the pay of female employees on monthly salaries 98%, of the pay of male employees in corresponding positions.

The reporting is based on payroll data for positions for which pay comparisons in accordance with the Equality Act can be reliably conducted without compromising the protection of privacy. The next wage survey will be conducted in 2026 at the latest, as part of our diversity plans.

In 2024, we started preparing for the amendments to the EU's Pay Transparency Directive, which are currently estimated to be implemented in Finnish legislation in 2026.

S1-11 – Social protection

All of L&T's employees in Finland and Sweden are covered by social protection, as referred to in the sustainability reporting standard, against loss of income due to major life events.

S1-13 – Training and skills development

Employees play a key role in the successful execution of our strategy. There are many jobs at L&T that do not require training or previous experience. Through high-quality induction training, we help our employees perform their new duties and ensure a successful employee experience right from the start of the employment relationship. The digitalised Polku induction training model used in cleaning services, for example, is used in the induction training of hundreds of cleaning employees each year.

The main focus of competence development is on day-to-day learning on the job, but training and coaching also play a role. The L&T Academy provides a range of training opportunities on various broad themes, particularly for supervisors and specialists. Examples of the training themes in autumn 2024 include project management, employment relationships, supervisory work, financial management, data protection, occupational well-being and time management, L&T's business, diversity, sustainability and IT.

The concise L&T Academy training materials have lowered the threshold for our personnel to increase their competence. We also offer division-specific training to help employees develop their professional skills and maintain their professional qualifications as well as to support the achievement of strategic goals.

We engage in co-operation with various educational institutions. In 2024, our personnel were offered apprenticeship training for completing basic, vocational and specialist vocational qualifications in cleaning and facility services as well as basic qualifications in logistics.

In 2024, the employees of L&T companies in Finland spent an average of 5.5 hours participating in various training activities. The figure is based on training entries and the number of personnel at the years end. This figure does not cover all of our training activities and all of the hours of training completed by L&T employees. During their working hours, our specialists and supervisors, in particular, also participate in various seminars and training programmes provided by various organisations, partners and companies. We also offer internships and thesis writing opportunities at L&T in areas including cleaning, property maintenance, sales and customer service.

L&T ensures that all drivers complete the necessary professional qualifications for drivers and that their qualifications are continuously updated. In addition, mandatory training related to professional qualifications, which in Finland include a hygiene passport, wet room cleaning, first aid (EA1 and EA2) and hot work card qualifications, for example, is offered to all employees who need it. In Finland, the completion of training activities is monitored via the HR system.

Distribution of employees by age group, number of persons	2024
Under 30 years old	1,366
30–50 years old	3,726
Over 50 years old	2,349

Gender distribution at top management level	2024 Number	2024 Percentage
Men	7	87.5
Women	1	12.5

Training and skills development	2024
Employees who participated in regular target-setting and development discussions, %	78
Men	75
Women	81
Other	0
Not specified	100
Blue-collar employees	72
White-collar employees	98
Average number of training hours per employee	5.5
Men	6.5
Women	3.7
Other	0.0
Not specified	6.0
Blue-collar employees	5.1
White-collar employees	6.8

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries.

Employees who participated in regular performance and career development reviews
The proportion of the personnel covered by target-setting and development discussions is based on the number of target-setting and development discussions held during the reporting period for personnel who were active employees at the end of the reporting period and who are within the scope of target-setting and development discussions, and is expressed as a percentage of all personnel. Persons who are considered to be within the scope of target-setting and development discussions at the end of the period must meet the following criteria:

- A person who, at the end of the reporting period, is not on an extended uninterrupted absence (over 30 days)
- A person for whom the working hours specified in the employment contract amount to at least 20 hours per week
- A person whose employment relationship has lasted at least 90 days (white-collar employees) or 60 days (blue-collar employees)
- A person whose temporary employment relationship has lasted at least 360 days

Average number of training hours per employee
The calculation of average hours of training takes into account all training hours entered in the company's HR systems during the reporting period. The number of training hours is reported by gender based on the average head count (FTE).

S1-14 – Health and safety metrics

L&T's occupational safety target is zero accidents. The company's strategic metric for occupational safety is the total recordable incident frequency (TRIF). L&T's TRIF target for 2030 is 15. For the year 2026, the company has set a TRIF target of 20. In 2024, the number of occupational accidents recorded for L&T Group employees was 243. Safety is on the agenda of meetings from the Executive Board down, and it is also linked to personal bonuses of most service production supervisors. The development of occupational safety is reported on a monthly basis to the Group Executive Board, the Board of Directors and the divisions, down to the unit level.

L&T's occupational safety activities are certified and audited by a third party. L&T's occupational safety activities are guided by an ISO 45001 certified management system and occupational safety policy. The certification covers 100 per cent of L&T's business operations and personnel.

We engage in effective co-operation with our personnel, and each L&T company has its own occupational safety committee. Each committee convened in 2024 in accordance with the legally required meeting schedule. There were no diagnoses of occupational diseases in 2024. In 2024, the company had no fatalities due to work-related injuries or work-related ill health.

Calculation principles

The reporting is based on information obtained from the EHSQ systems of the Lassila & Tikanoja Group and its subsidiaries. The number of occupational accidents, the number of fatal accidents and the total recordable incident frequency (TRIF) cover both employees and non-employees. The accident frequency has been calculated per million working hours. The reporting of cases of occupational diseases only covers L&T's employees, as the relevant information is not available for non-employees. The company applies the transitional provision in this respect.

Entity-specific metric: Sickness-related absence rate

The sickness-related absence rate measures the working hours lost due to illness or accidents in relation to the planned working hours for the reporting period. L&T's target was to have a sickness-related absence of less than 4.7% in 2024. The longer-term target is a sickness-related absence rate of less than 4% by 2030. In 2024, the sickness-related absence rate was 5.0%.

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries. Aside from the verification of sustainability reporting, Lassila & Tikanoja has not otherwise certified or obtained third-party assurance for the calculation of the sickness-related absence rate.

The calculation takes into account absences of persons working at L&T due to an illness or accident. Absences related to a child's illness or care are excluded from the calculation. The calculation takes into account absences with a medical certificate issued by a health care professional and sickness-related absences reported by employees themselves.

Entity-specific metric: Employee Net Promoter Score (eNPS)

The Employee Net Promoter Score (eNPS) is an indicator of the employees' satisfaction with their employer. The Employee Net Promoter Score is measured by means of an annual online survey that is sent to all employees. The survey is available in Finnish, Swedish and English. The personnel survey measures personnel motivation, the day-to-day work of the teams, teamwork, supervisory work and leadership, as well as the personnel's willingness to recommend L&T.

Occupational Health and Safety	2024
Total recordable incident frequency (TRIF)	19
Employees	19
Finland	20
Sweden	17
Other workers	0
Finland	0
Sweden	0
Number of accidents	243
Employees	243
Finland	213
Sweden	30
Other workers	0
Finland	0
Sweden	0
Fatal accidents	0
Cases of occupational illnesses	0
Occupational diseases resulting in death	0
Working hours	12.6
Employees	12.5
Finland	10.8
Sweden	1.8
Other workers	0.1
Finland	0.1
Sweden	0.0
Occupational health and safety management system coverage, all employees, %	100
Finland	100
Sweden	100

Entity-specific metric: Sickness-related absence rate	2024
Sickness-related absence %	5.0
Finland	4.9
Sweden	5.4

Calculation principles

The reporting is based on information obtained from the internal systems of the Lassila & Tikanoja Group and its subsidiaries.

S1-15 Work-life balance metrics

In L&T's operating countries, Finland and Sweden, all of the personnel (100%) have a statutory right to parental leave. In 2024, 15% of the personnel took parental leave during the year. Of the persons who took parental leave 39% were women and 61% were men.

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries. The calculation of the number of employees entitled to take family leave is based on employees in an active employment relationship. Family leave includes maternity leave, paternity leave, parental leave and informal care leave available under national legislation or collective agreements.

The calculation for L&T Finland includes all types of family leave pursuant to Chapter 4 of the Employment Contracts Act, except absences for compelling family reasons, absences for taking care of a family member or someone close to the employee, and informal care leave, as stipulated by sections 7, 7a and 7b of the Employment Contracts Act. This is because L&T's Finnish companies do not have separate codes for itemising such absences. Instead, they are entered under the same code as other unpaid absences in the companies' reporting. Consequently, the calculation includes pregnancy leave, parental leave, childcare leave, paternity leave (old employees) and temporary absence due to a child's illness.

For Facility Services Sweden, SVB and PF, the term "family leave" includes full-time or part-time parental leave (föräldrarledigt), paternity leave (pappaledigt), paternity leave for an adoptive father (pappaledigt 10 dgr vid barns adoption), temporary childcare leave (tillfällig föräldrapenning dvs VAB, vård av sjukt barn), informal care leave (vård av närstående) and pregnancy allowance (graviditetspenning).

Persons who have indicated a gender other than male or female in the HR system, or who have not specified any gender information, are not included in the calculation of the percentage.

S1-16 – Compensation metrics (pay gap and total compensation)

L&T reports the percentage-based gender pay gap of its employees by personnel group. The personnel groups used are "blue-collar employees" and "white-collar employees", with the latter category including all of L&T's white-collar employees, senior white-collar employees and executives. The percentage-based pay gap is also reported on a country-specific basis for Finland and Sweden.

Calculation principles

The reporting is based on information obtained from the HR systems of the Lassila & Tikanoja Group and its subsidiaries.

Ratio between the remuneration of female and male employees
L&T reports the percentage-based gender pay gap of its employees by personnel group. The pay is based on total hourly wages, average hourly earnings and, for employees on monthly salaries, the total salary.

The personnel groups used are "blue-collar employees" and "white-collar employees", with the latter category including all of L&T's white-collar employees, senior white-collar employees and executives. Persons who have indicated a gender other than male or female in the HR system, or who have not specified any gender information, are not included in the figures. In other words, the comparison is based on the pay of men and women. The percentage-based pay gap is also reported on a country-specific basis for Finland and Sweden.

L&T's Swedish operations report information on pay in the local currency. The necessary currency conversions are carried out after the end of the reporting period using the average exchange rate for the reporting period.

Annual total remuneration ratio
The highest paid individual in the calculations for the reporting period was the President and CEO of L&T Group. The calculation takes into account the taxable pay of all employees.

L&T's Swedish operations report information on pay in the local currency. The necessary currency conversions are carried out after the end of the reporting period using the average exchange rate for the reporting period.

Entitlement to, and use of, family leave	2024
Percentage of employees entitled to family leave	100
Percentage of entitled employees that took family leave	15
Women	39
Men	61
Other[1]	0

[1] Gender, self-reported by the employees

Ratio between the remuneration of the highest paid individual and the median remuneration for employees	2024
Ratio between the annual remuneration of the highest paid individual and the median annual remuneration for employees (excluding the highest paid individual)	29

Ratio between the remuneration of female and male employees	2024	
	Finland	Sweden
Total	15	13
Blue-collar employees	21	16
White-collar employees	19	16

The difference of average pay levels between female and male employees, expressed as percentage of the average pay level of male employees

S1-17 – Incidents, complaints and severe human rights impacts

L&T 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 in its supply chain.
No confirmed incidents of discrimination or harassment, and no serious human rights incidents, were reported to L&T in 2024. Consequently, in 2024, L&T did not pay any fines, penalties or compensation for damages in relation to complaints and incidents of misconduct. In the reported information, a "reported incident of discrimination or harassment" refers to a suspected incident of harassment or discrimination on the basis of gender, pregnancy, childbirth, gender identity, gender expression, age, ethnicity, nationality, language, religion, ideology, opinion, political activities, union activities, family relations, health, disability, sexual orientation or any other reason pertaining to an individual, or any other form of inappropriate behaviour or harassment brought to the attention of the company.

Calculation principles

L&T's Finnish companies have their own electronic harassment reporting system, and L&T's Swedish company has its own system. SVB and PF do not have electronic harassment reporting systems in use. The number of reported incidents is monitored and maintained at the Group level using the company's internal system.

Incidents and human rights violations reported via the whistleblowing channel	2024
Incidents of discrimination or harassment reported during the reporting period	7
Confirmed incidents of discrimination and harassment	0
Total amount of fines, penalties and compensation for damages as a result of confirmed incidents, €	0

S2 Workers in the value chain

SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model

The material impacts, risks and opportunities concerning value chain workers have been identified in accordance with the double materiality assessment presented in the general disclosures, section IRO-1, p. 26. L&T's material impacts are related to working practices in the supply chain, such as working time monitoring, the payment of wages, occupational safety and well-being at work.

The assessment was focused on L&T's direct suppliers on whom information was already available. The downstream value chain impacts were considered to be minor. L&T has also assessed the impacts of the supply chain as part of the company's human rights risk assessments, which is described in more detail in section GOV-4, p. 15.

Description of the supply chain

The structure of the supply chain and the origin of suppliers may affect the impacts on employees in the supply chain. L&T's purchases are mainly from locally operating companies in Finland and Sweden. These countries comply with the rule of law and are also known for their high level of social trust and comprehensive labour market regulations.

In 2024, approximately 96% of the purchases of L&T Group's Finnish subsidiaries were made from companies operating in Finland, and about 3% were made from companies operating in other EU countries. Purchases from outside the EU represented approximately 0.5%. Of the purchases of L&T's Swedish subsidiaries, 99% were made from companies operating in Sweden and 0.5% from other EU countries. Hardly any purchases were made from non-EU suppliers.

The purchasing activities in L&T's supply chain are divided fairly evenly between direct service procurement, such as transportation subcontracting and other subcontracting, material procurement, such as various substances and supplies, fleet procurement and indirect procurement, such as ICT and occupational health services.

Actual or potential impacts on supply chain workers

L&T's actions may have indirect impacts on the employees of direct suppliers in the supply chain.

L&T's operations depend on, among other things, subcontracting, such as transportation subcontracting, which is used to supplement L&T's in-house logistics. Typically, subcontracted employees work at L&T's or customers' premises, particularly in logistics, environmental construction projects and process cleaning and property maintenance in production-related tasks which may involve an actual elevated occupational safety risk, for example. In addition, potential impacts may be related to the inadequate implementation of work practices, such as unclear records of working time.

Efforts are made to minimise the potential impacts through procurement agreements that take into account L&T's Supplier Code of Conduct. In addition, L&T regularly reviews occupational safety observations made at its own premises or customers' premises together with suppliers and their employees, and takes corrective measures as necessary.

L&T recognises that potential impacts can also occur deeper in the value chain, especially in countries with inadequate practices or legislation concerning working life. Violations related to working conditions and human rights are more likely in these countries than in non-risk countries. Examples of such supply chains include the production of L&T's workwear and the procurement of raw materials for the company's fleet and ICT equipment.

Description of L&T's supply chain workers

The workers in L&T's supply chain in Finland and Sweden can be categorised as follows:

- Subcontracted production workers, especially in transportation, seasonal snow clearing and landscaping work in property maintenance and industrial process cleaning.
- Specialists in ICT services and primary health care.
- Specialists and production workers at the plants of material recycling partners.

Particularly vulnerable groups of workers may work in different parts of the supply chain. In subcontracting, one example of such groups is workers with a foreign background, whose inadequate language proficiency may make it more difficult to understand and implement the appropriate occupational safety practices. They may also have inadequate knowledge of national work practices. Young employees who lack previous work experience can also be more vulnerable to various types of violations. The employees of subcontractors working at L&T's sites receive induction training for their duties according to the same principles as L&T's own personnel.

Potential negative impacts may also emerge in L&T's value chain. However, considering the geographical location of operations in Finland and Sweden, the impacts on employees are not estimated to be extensive or systemic, but rather incidental. These impacts may occur as isolated incidents, such as inadequate use of personal protective equipment or work-related injuries caused by repeated physical strain.

L&T's operations can also have positive impacts on value chain workers. Extending L&T's occupational safety practices to subcontracting and monitoring them develops occupational safety capabilities throughout the chain and promotes the use of best practices in the supply chain. In addition, L&T's Supplier Code of Conduct lays down basic requirements for good conduct and practices. The supplier self-assessment model created to support these requirements, for its part, increases the supply chain's awareness of L&T's expectations and practices with regard workers' rights and human rights, occupational safety and working conditions, for example.

All forms of child labour and forced labour are strictly prohibited and constitute violation of the Supplier Code of Conduct. L&T has not identified any risks related to the use of child labour or forced labour in its own operations. In Finland and Sweden, strong legislation, supervision by the public authorities and compliance with the rule of law reduce the risks in the business environment.

S2-1 – Policies related to value chain workers

L&T is committed to respecting workers' rights and human rights throughout the value chain. L&T's human rights principles and requirements are described in the company's human rights policy and they cover the entire value chain. The human rights policy is described in more detail in section S1-1, p. 65. L&T's Supplier Code of Conduct, which is incorporated into L&T's procurement agreements, also takes into account the sustainability-related expectations for L&T's suppliers. L&T's human rights policy and the Supplier Code of Conduct both include a commitment to respecting human rights and complying with the UN Guiding Principles, the ILO Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. L&T is also committed to the principles of the Global Compact. L&T requires that the suppliers' personnel, suppliers and subcontractors also comply with these principles and guidelines.

The Supplier Code of Conduct lays down obligations for L&T's suppliers with regard to compliance with law, business conduct, respecting human rights, including the prohibition of child labour, forced labour and trafficking in human beings, safeguarding health and safety, and reducing environmental and climate impacts. The Supplier Code of Conduct also describes L&T's whistleblowing channel, through which actors in the value chain can anonymously report misconduct. The Supplier Code of Conduct is incorporated into the appendices to L&T's procurement agreements and it is publicly available on the company's website.

The Group's Chief Purchasing Officer is in charge of the development of the Supplier Code of Conduct, and its content is reviewed and updated at two-year intervals. The participants in the regular review of the Supplier Code of Conduct also include L&T's key internal stakeholders, such as Legal Affairs and the sustainability organisation. Thus far, other stakeholders have been consulted in the process of drawing up the policy. L&T's divisions and units are responsible for the implementation of the policy and the allocation of the necessary resources in their respective operations. The Supplier Code of Conduct is publicly available on I&T' website and it has been approved by the President and CEO together with the Group Executive Team.

L&T's human rights principles are described in more detail in section GOV-4, p. 15. The principles include risk identification and assessment, procedures for raising concerns, and policies for the implementation of appropriate remedies. The policies are in alignment with the OECD Guidelines for Multinational Enterprises.

S2-2 – Processes for engaging with value chain workers about impacts

L&T has a whistleblowing channel through which L&T's employees, customers, suppliers and other stakeholders can report suspected misconduct concerning L&T's operations in relation to violations of legislation or the Supplier Code of Conduct. The whistleblowing channel enables people to report suspected misconduct related to L&T's operations confidentially. Practices concerning the whistleblowing channel are described in more detail in section S2-3, p. 75.

Going forward, L&T will develop its processes to more broadly promote communication with value chain workers and related monitoring.

S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns

Processes used by L&T

L&T's Supplier Code of Conduct lays down clear requirements for respecting the rights of value chain workers, including working conditions, safety and respect for human rights. Suppliers commit to the Supplier Code of Conduct in connection with procurement agreements.

Compliance with the Supplier Code of Conduct is monitored in accordance with an annual plan through supplier self-assessments and audits. In L&T's self-assessment model, the supplier assesses its performance in terms of corporate ethics, occupational safety, the environment, quality and supply chain sustainability practices, taking into account policies, principles and measures to promote these areas.

The survey also covers zero-tolerance issues pertaining to the use of child labour and forced labour, and the supplier's commitment to L&T's Supplier Code Of Conduct. Any deviations concerning the zero tolerance questions always require further action in cooperation with the supplier in question.

If significant deviations are revealed in the self-assessment, L&T initiates a dialogue with the supplier to jointly agree on an action plan and timetables for remediation. The action plan also takes into account potential impacts on delivery times so that critical deviations are corrected as a matter of priority. The progress of the measures and their effectiveness can be assessed by means of new self-assessments or audits, for example.

Cooperation with the supplier is typically not terminated in such instances, as doing so would not promote the position of workers in the supply chain. However, if the partner fails to demonstrate their desire and commitment to address the identified shortcomings, the cooperation may be terminated.

Whistleblowing channel

Value chain workers can report any misconduct or shortcomings they observe by using L&T's public anonymous whistleblowing channel. The processing of whistleblower reports is supported by an impartial third party, which ensures independence and confidentiality. Instructions on how to submit a whistleblower report and a description of the operating model are presented in a transparent manner on the website of the company and the whistleblowing channel. Suppliers and their workers are informed about the use and purpose of the whistleblowing channel as part of L&T's Supplier Code of Conduct and on the company's procurement website.

L&T prohibits retaliation against all persons who submit whistleblower reports in good faith and takes disciplinary action against operators found to have been guilty of retaliation. Whistleblowers are also protected by Finnish and Swedish legislation. The company's commitment to whistleblower protection is communicated in the Supplier Code of Conduct, the external website and the home page of the whistleblowing channel.

Each report is processed by an investigation team appointed on a case-by-case basis. The team's composition takes into account the expertise required by the subject, while avoiding potential conflicts of interest. The whistleblower receives confirmation of the receipt of the whisteblower report within seven days of the report being received. In addition, the whistleblower will be informed, no later than three months after the report has been received, of the actions that have been taken in response to the report. The channel has been designed to be as easy-to-use as possible to make reporting convenient and effortless.

L&T investigates all reports and determines the necessary remedies. In 2024, a total of 15 reports were received through L&T's whistleblowing channels. Of these, none were related to the supply chain.

L&T monitors the issues raised through the whistleblowing channel and evaluates the effectiveness of the channel accordingly. Reports received via the whistleblowing channel are documented and categorised by topic, which allows the company to identify the most common problems and recurring themes in the value chain. It is also possible to send feedback to L&T regarding the usability of the channel and the support provided. The company also monitors how actively the channel is used in order to assess whether the channel reaches its target group.

S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions

Actions to promote the working practices of suppliers' employees

L&T's material impacts are related to working practices among workers in the supply chain, such as working time, the payment of wages, occupational safety and working conditions. L&T's expectations for suppliers are presented in the Supplier Code of Conduct, which includes requirements for respecting the rights of workers, working practices and safe working conditions.

Compliance with the Supplier Code of Conduct is assessed by means of supplier self-assessment surveys, in which suppliers are asked to describe their targets, policies and actions in relation to their own operations. In addition, L&T conducts risk-based audits to ensure that workers' rights are respected and the working conditions are safe.

L&T's self-assessment survey was widely deployed in 2024. In connection with this, the internal assessment process was developed with regard to supplier scoring and deviations. Starting from 2025, significant deviations will be addressed by the procurement management team. The self-assessment process is described in more detail in section S2-3, p. 75.

In addition, L&T updated the supplier audit model, which was implemented among the company's personnel responsible for audits by means of separate additional training. The model will be developed further based on feedback and experiences. The actual deployment took place at the end of 2024.

In 2024, L&T introduced a supplier management system through which it can systematically monitor compliance in the value chain, including compliance with the Supplier Code of Conduct and self-assessments. The company also further specified its internal monitoring processes and supplier obligations.

At the end of the year, 59% of suppliers had made a commitment to L&T's Supplier Code of Conduct or corresponding principles, and 55% of suppliers had completed L&T's self-assessment survey. No deviations related to the zero tolerance issues were detected in the survey results.

L&T will continue to integrate sustainability criteria into its procurement processes in the coming years. The Supplier Code of Conduct will be updated in 2025. In addition, L&T will develop the risk assessment process to promote the identification and management of risks. At the same time, L&T will assess measures aimed at increasing supplier awareness and promoting the engagement of workers in the supply chain.

No serious human rights violations or significant problems, such as child labour or forced labour, have been observed in L&T's current value chain. If such reports were to be received, the company would take immediate action by initiating an investigation and implementing remedies in cooperation with the supplier in question.

Actions to promote the occupational safety of subcontractors' employees

L&T minimises occupational safety risks related to workers in the subcontracting chain by maintaining and developing occupational safety practices, such as proactive safety efforts and risk management processes.

L&T requires its subcontractors to ensure a safe and healthy workplace for their personnel by complying with the legislation governing their operations and L&T's Supplier Code of Conduct. Subcontractors can participate in safety efforts by making safety observations and start-of-work checklists. Depending on their role, subcontractors may also have the opportunity to participate in L&T's safety briefings aimed at the prevention of accidents.

Accidents occurring in the work of subcontractors in L&T's operations are recorded in the Clean Sheet reporting channel (subcontractors in L&T's operations in Finland and in Industrial Services Sweden). Such accidents are processed in accordance with the same operating model as accidents involving L&T's own personnel. Proactive measures taken by subcontractors are included in L&T's reporting.

L&T monitors the implementation of proactive measures, accidents and the implementation of corrective measures at the unit, business line and division levels. Risk assessments are updated regularly or immediately whenever significant changes take place with regard to roles, customer sites or work tasks. After an accident has occurred, L&T ensures that the risk in question has been included in risk assessments.

L&T aims to increase the occupational safety competence of supply chain workers and improve their occupational safety going forward. Whenever safety observations are reported via the Clean Sheet reporting channel, the person who submits the report receives a response. In addition, all accidents are investigated and efforts are made to identify their root causes. L&T's goal is to develop long-term cooperation with suppliers and provide their personnel with a stable and safe working environment.

S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities

L&T has set Group-wide targets related to managing impacts on workers in the supply chain and improving the transparency of the supply chain:

- 100% coverage of the Supplier Code of Conduct among contract suppliers by 2026. The objective is to ensure that all contract suppliers are committed to the L&T's Supplier Code of Conduct, including respect for workers' rights and safe working conditions.
- 90% of contract suppliers covered by the self-assessment process by 2026. The objective is to collect comprehensive information on suppliers' policies, practices and potential risks, and to improve compliance management with regard to the supply chain.

The targets are used to monitor potential negative impacts in the supply chain and to promote sustainable practices throughout the chain. The targets presented above are absolute and based on 2023 as the base year. However, reliable baseline information is not available, as the reporting practices have varied between business units in the past.

L&T's targets have been developed in cooperation with the company's procurement function. They have been approved by the President and CEO, the Group Executive Board and the Board of Directors. Due to the nature of the targets, the company has not engaged in direct dialogue with value chain workers or their representatives. However, the targets are based on an analysis of the company's supplier network and generally accepted sustainability practices.

L&T aims to improve the transparency of the supply chain through self-assessment processes and monitoring so that potential negative and positive impacts can be identified and taken into account in the development of procurement-related targets in the future. The results of the monitoring are used to identify the strengths and development areas associated with the existing supply chain practices and to assess the effectiveness of the targets.

Calculation principles

L&T monitors the fulfilment of the targets concerning contract suppliers on the basis of total purchases. The reporting is based on information obtained from the supplier management service of an external service provider used by the Group.

G1 Business conduct

G1-1 – Business conduct policies and corporate culture

The compliance of L&T's business conduct and the company's corporate culture are guided by the applicable legislation and the company's policies and principles. The policies and principles concerning governance and corporate culture comprise the corporate governance principles that the company adheres to in all of its activities and in all countries of operation.

L&T is also committed to supporting the UN Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption.

L&T's Board of Directors approves L&T's Code of Conduct, human rights policy, disclosure policy, tax policy and the code concerning the governance of a listed company. The President and CEO and the Group Executive Board approve other Group-wide policies, such as the policy for the prevention of corruption and bribery, and the data protection policy.

The General Councel and Senior Vice President, HR and Legal, who is a member of the Group Executive Board, is in charge of the implementation of the policies that create and develop L&T's corporate culture. The Legal Affairs unit, which operates under the Senior Vice President, HR and Legal, puts the policies into action with the support of the line organisation.

Corporate culture is created, developed and promoted through various measures. Online and in-person training are used to ensure that the employees are aware of the policies and principles they are required to follow. The training activities cover examples of situations which the personnel may encounter in their work. Records are kept of course completions so that the HR and Legal Affairs functions can ensure that employees have completed the training modules that are relevant to their role. The company has separate trainings for its personnel on topics such as the Code of Conduct, data security including data protection and the prevention of corruption and bribery, including guidelines on accepting gifts and hospitality in the context of procurement activities.

Internal communications and personnel briefings are used to develop and promote L&T's corporate culture. Themes related to ethical business conduct are regularly discussed on L&T's intranet and in internal newsletters and personnel briefings, and the company's senior management communicates its commitment to the principles and leads by example to demonstrate the importance of the principles in the company.

Corporate culture and commitment to the Code of Conduct are assessed annually as part of the employee satisfaction survey, which provides all employees with an opportunity to give anonymous feedback on supervisory work, the company's commitment to sustainability, day-to-day operations and various changing themes. The response rate of the personnel survey has remained at a good level, approximately 70%, for several years.

The results of the personnel survey are discussed by the company's Board of Directors and the Group Executive Board and at the team level. The results of the survey are analysed, and team-level and Group-level actions are taken on the basis of the results.

Policies, principles and guidelines that are of particular relevance to corporate culture

Code of Conduct for employees

L&T's Code of Conduct for employees sets expectations for sustainable and ethical conduct by L&T's personnel. The Code of Conduct calls for compliance with laws, rules and regulations, integrity and transparency, respect for human rights and colleagues, and safety at work, among other things. The Code of Conduct is approved by the Group's Board of Directors and updated at two-year intervals. The Senior Vice President, HR and Legal, is in charge of the implementation of the Code of Conduct, and the Group Executive Board monitors compliance with the Code of Conduct. The Code of Conduct for employees is a public document that is available on L&T's website, intranet and the notice boards of the company's operating locations. The Code of Conduct has been the subject of dialogue with employee representatives.

L&T's target is for 100% of its employees in Finland and Sweden to have completed online training on the Code of Conduct for employees, which familiarises them with the content of the Code of Conduct and provides practical examples. The target is absolute and approved by the Board of Directors. The personnel have not been consulted in setting the target. The base year for the target is 2022.

In 2022, 58% of the new white-collar employees who joined the company during the year in Finland completed the online training on the Code of Conduct. In Sweden, 54% of all employees have completed the corresponding online training. Starting from 2023, online training on the Code of Conduct needs to be completed once every two years.

The online training is part of the induction of all new employees, and reminders about the Code of Conduct are sent out regularly, at two-year intervals. In 2024, L&T redesigned the online training on the Code of Conduct for mobile workers. The new training is designed to be completed on a mobile device, which promotes the completion rate of the training among mobile groups of employees. The redesigned mobile course for employees was piloted in autumn 2024 in the Facility Services Finland division's property maintenance and technical maintenance businesses. By the end of 2024, 63% of the employees in the businesses in question had completed the training. L&T's aim is that other mobile workers will complete the training during 2025.

In 2025, L&T will focus on developing the coverage of training on the Code of Conduct for Personnel.

Supplier Code of Conduct

L&T has a separate Supplier Code of Conduct that describes the expectations on supply chain representatives. The company requires its suppliers to familiarise themselves with the Supplier Code of Conduct, adhere to it and continuously develop their operations according to it. The topics covered by the Supplier Code of Conduct include corruption, bribery, data security, legal compliance, human and labour rights, health and safety, supplier self-assessments and whistleblowing.

Suppliers are responsible for ensuring that their personnel, suppliers and subcontractors adhere to the Supplier Code of Conduct. Suppliers are required to notify L&T of the use of subcontractors and carry out a self-assessment at the start of cooperation and subsequently whenever requested by L&T. The Supplier Code of Conduct is approved by the President and CEO and the Group Executive Board. The Supplier Code of Conduct is updated at two-year intervals. The Chief Purchasing Officer is in charge of the implementation of the Supplier Code of Conduct, and the procurement team monitors compliance with it. The Supplier Code of Conduct is a public document. It is available on L&T's website and incorporated into contract terms.

L&T's target is for 100% of the company's contract suppliers to have committed to the Supplier Code of Conduct by 2026. The target is absolute and was set in 2023. From 2025 onwards, the Supplier Code of Conduct will be incorporated into all new agreements, and acceptance of the Supplier Code of Conduct will be sought separately for suppliers who already have an existing agreement in place. Reliable data on the baseline for this target is not available, as the reporting practices of the business lines have varied. The target has been approved by the Board of Directors. Due to the nature of the target, L&T has not engaged in direct dialogue with suppliers about the target. The target is based on L&T's analysis of the supplier network and generally accepted sustainability practices.

In 2024, L&T deployed a supplier management system which the company uses to systematically monitor suppliers in the value chain and their agreements. The company also further specified its internal monitoring processes and supplier obligations.

In 2025, L&T will improve the coverage of training on the Supplier Code of Conduct by identifying contract suppliers more comprehensively than before. L&T will then implement the Supplier Code of Conduct among contract suppliers.

Anti-corruption and anti-bribery policy

L&T's anti-corruption and anti-bribery policy lays down the Group's ground rules for preventing corruption and bribery. The company complies with the applicable legislation in all of its operations. L&T is committed to anti-corruption and anti-bribery operating principles in accordance with the UN Convention. L&T prohibits all forms of bribery and corruption. In the policy, L&T takes a position on issues such as lawful and ethical business conduct, fair competition, acceptable hospitality, the avoidance of conflicts of interest and the identification and prevention of corruption and bribery.

L&T's anti-corruption and anti-bribery policy is approved by the President and CEO and the Group Executive Board. L&T's anti-corruption and anti-bribery policy, as well as its implementation, is the responsibility of the Senior Vice President, HR and Legal, and it is monitored by the Group Executive Board. L&T updates the policy at two-year intervals. The policy covers all of the Group's companies and divisions. It applies to L&T's own workforce in all operating countries and other parties participating in the business activities, such as consultants. The policy has been the subject of dialogue with employees and employee representatives and it has been discussed in a European Works Council meeting.

The company has assessed that, among its internal functions, procurement, sales and business management are the most vulnerable to corruption and bribery. The completion of online training on the prevention of corruption and bribery is monitored particularly closely for employees In the aforementioned roles. If an employee fails to complete the course within the due date, a separate discussion on the prevention of corruption and bribery will be held with the person. The anti-corruption and anti-bribery policy is public and available on L&T's website and intranet. Actions to prevent and detect corruption and bribery are described in more detail in section G1-3, p. 80.

L&T's target is for all employees to act in accordance with the policy. The company will also ensure that 100% of the white-collar employees and executives identified as particularly relevant to anti-corruption and anti-bribery activities complete the online training on the content of the policy by 2026. The target is absolute and applies to all of L&T's own operations in Finland and Sweden.

L&T created the anti-corruption and anti-bribery policy in 2024. The company also prepared online training on the content of the policy. The aim of the training is to prevent corruption and bribery. Monitoring began in 2024 and, by the end of the year, 83% of the individuals assessed by the company to be most vulnerable to corruption and bribery had completed the online training.

In 2025, L&T will ensure that potential corruption and bribery is detected by reminding all of the personnel and value chain workers about the anonymous whistleblowing channel.

Data protection and information security policies

The data protection policy defines L&T's internally approved data protection principles to be followed when processing the personal data of customers, partners and other stakeholders, as well as employees and job applicants. With the data protection policy and the function-specific data protection instructions derived from the policy, L&T aims to ensure the lawful processing of personal data and an appropriate level of data protection.

The data protection policy is supplemented by a separate information security policy, which is guided by external and internal requirements, such as requirements established by legislation and the public authorities, contractual requirements and the general situation and development of information security and related threats. The implementation of the information security policy is supported by supplementary information security guidelines, specifications, plans and training activities. The data protection policy and information security policy apply to the entire company.

The data protection policy has been approved by the Board of Directors, and the information security policy has been approved by the President and CEO and the Group Executive Board. The policies are reviewed and updated at two-year intervals if necessary. The Senior Vice President, HR and Legal is in charge of the implementation of the data protection policy and monitoring compliance with data protection legislation and data protection instructions at L&T. The Chief Information Officer is in charge of the implementation and monitoring of the information security policy.

Due to the nature of the policies, L&T has not engaged in direct dialogue with its personnel regarding the policies. The data protection policy is public and available on L&T's website and intranet. The information security policy is intended only for internal use within the company, and it is available to employees on the intranet.

L&T provides its employees with instructions and training on data protection and information security. All employees are required to be familiar with the data protection and information security obligations related to their duties and to comply with said obligations. In 2024, 85% of white-collar employees had completed online training on the content of the information security policy, which also includes the key subject areas of the data protection policy.

In 2024, the company prepared for compliance with the NIS2 Directive and the Cyber Security Act by documenting L&T's practices in a centralised information security management system, for example.

In 2025, L&T will update its data protection and information security policies and, in connection with this, establish numerical targets and a target schedule for all of L&T's own operations on the basis of 2024. The year 2024 establishes the baseline for the targets.

Guidelines concerning gifts and hospitality in procurement

L&T has a separate guidelines on receiving gifts and hospitality from suppliers, or giving gifts and hospitality. The guidelines supplements L&T's Code of Conduct for employees and the anti-corruption and anti-bribery policy. The guidelines define a reasonable gift or hospitality that an L&T employee may accept and in which situations no hospitality of any kind may be accepted. The guidelines applies to L&T's management and all employees engaged in procurement activi-

Training coverage, %	2024
Code of Conduct for employees	64
White-collar employees	84
Blue-collar employees	59
Information security	68
White-collar employees	85
Blue-collar employees	64
Prevention of corruption and bribery	83
Persons in key positions	81
Administrative, management and supervisory bodies	91

Violations of good corporate governance or ethical corporate culture	2024
All reports related to unethical conduct	**23**
Reports leading to an investigation	15
Critical incident reports reported to the Board of Directors	0
Anti-competitive behaviour	**0**
Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	0

Coverage of training on the prevention of corruption and bribery	Persons in key positions	AMSB[1]
Training coverage, persons		
Number of employees	150	44
Persons trained	121	40
Training method and training duration, hours		
Computer-aided training	0.5	0.5
Recurrence		
Refresher training	Annually	Annually
Topics covered		
Gifts and bribery	X	X
Conflicts of interests	X	X
Hospitality and entertainment	X	X
Corruption	X	X
Sponsorship	X	X
Cooperation with the public authorities	X	X
Procedures in case of suspicion/detection	X	X

[1] Administrative, management and supervisory bodies

ties. The guidelines have been approved by the President and CEO and the Group Executive Board, and it is updated at two-year intervals. The Chief Purchasing Officer is in charge of the implementation of the guidelines. L&T created the guideline on hospitality and gifts in procurement in 2024. L&T has not defined any targets for the guidelines.

Guidelines on authorisation on the basis of position

The guidelines on authorisation on the basis of position define the decision-making bodies and decision-making procedure at L&T. The guidelines define who can, or must, decide on matters and up to what euro amount. They also specify when decision-making must be escalated and when consultation with Legal Affairs or other expert organisations is required prior to decision-making. Decisions must be made in accordance with the defined policies and guidelines. The Senior Vice President, HR and Legal is responsible for the guidelines on authorisation on the basis of position with the support of Legal Affairs. The guidelines on authorisation on the basis of position apply to all of the personnel and are approved by the President and CEO and the Group Executive Board.

Calculation principles

The completion rate of online courses is expressed as a percentage of the target group. The coverage of training describes the percentage of active employees at the end of the reporting period, or members of the Board of Directors, to whom the training in question has been assigned who have successfully completed it. Information on the completion and assignment of training is obtained directly from L&T's own systems.

Reporting prohibited conduct

If an employee observes or suspects prohibited conduct at L&T, such as corruption, bribery or conflicts of interest, they must report them to their supervisor, the HR function or Legal Affairs. Reports can also be submitted via L&T's whistleblowing channel. Reports via the whistleblowing channel can be submitted anonymously. Links and instructions for the whistleblowing channel are available on the company's intranet and website, the Code of Conduct for employees, the Supplier Code of Conduct and on notice boards and information displays.

L&T encourages its own workforce and supply chain representatives to speak up if they suspect a violation of the Code of Conduct for employees, the Supplier Code of Conduct or the anti-corruption and anti-bribery policy, if they become aware of misconduct, particularly in cases where they are offered a bribe or asked to give a bribe, or if they suspect that a particular incident involves bribery. Occasionally, reports that do not belong there are also submitted to the whistleblowing channel, and these are redirected to the correct channels. 'All reports related to unethical conduct' includes all reports submitted to the whistleblowing channels, regardless of the report's content. The number of reports and contacts that resulted in investigations excludes those redirected to other channels.

L&T investigates all suspected incidents of misconduct. Any person reporting, in good faith, their suspicions within the scope of whistleblower legislation and participating in the investigation of any suspected misconduct will not suffer any negative consequences as a result, such as being subsequently discriminated against or being at risk of being put in a disadvantageous position. L&T takes disciplinary action against anyone who is found to have taken any prohibited retaliatory measures.

Reports submitted via the whistleblowing channel are investigated by L&T's Compliance Officer, Legal Affairs or other individuals who report to the Senior Vice President, HR and Legal and who have a master's degree in law. L&T's compliance team processes all reports leading to an investigation, and the team reports all violations and critical incident reports to the Audit Committee of the Board of Directors.

G1-2 – Management of relationships with suppliers

L&T's procurement agreements specify the delivery and payment terms for suppliers, the fulfilment of which is monitored by the person in charge of procurement at L&T. More detailed information on payment practices is provided in section G1-6, p. 80.

Social and environmental requirements for suppliers are taken into account in L&T's procurement agreements and may vary depending on the procurement category and supplier. L&T also aims to avoid unequal treatment of suppliers through consistent procurement agreements and open dialogue.

L&T requires all of its contract suppliers to commit to the company's Supplier Code of Conduct, which includes requirements pertaining to working conditions, respect for human rights, reducing environmental and climate impacts, and ethical business conduct. Compliance with the Supplier Code of Conduct is monitored regularly by means of supplier self-assessment questionnaires. The results of the self-assessments are evaluated and any deviations lead to corrective action or a reassessment of the contractual partnership. The policies, actions and targets concerning the Supplier Code of Conduct and supplier self-assessments are described in more detail in sections S2-1, S2-2 and S2-3, pp. 75–76.

G1-3 – Prevention and detection of corruption and bribery

L&T has a separate anti-bribery and anti-corruption policy that is approved by the President and CEO and the Group Executive Board. The Senior Vice President, HR and Legal is in charge of the implementation of the policy together with Legal Affairs. The divisions supports Legal Affairs in the implementation.

The company has identified roles that involve a higher exposure to corruption than other roles. These roles include procurement, sales and business management roles, including the Group Executive Board. All individuals in these roles (100%) receive training including case examples on the content of L&T's anti-bribery and anti-corruption policy. Their completion of the training activities is monitored. In 2025, L&T's Board of Directors will also complete online training on the prevention of corruption and bribery. A more detailed description of the policies is provided in section G1-1, p. 77.

The company has separate online training on the prevention of corruption and bribery. The training specifies practices that are prohibited in the company, provides example cases of such practices and explains what action to take when corruption or bribery is observed or suspected in the organisation. The training takes about 30 minutes to complete.

Suspected incidents of corruption and bribery can be reported to one's manager, HR or Legal Affairs, or via the whistleblowing channel. Reports submitted via the whistleblowing channel can be submitted anonymously.

The reports are processed by L&T's Compliance Officer, Legal Affairs or other individuals who report to the Senior Vice President, HR and Legal and who have a master's degree in law. The persons processing the reports do not process reports concerning their own organisation and are thus separate from the chain of command involved.

The reports are processed by the Compliance task force and reported to the Audit Committee of the Board of Directors once a year.

G1-4 – Incidents of corruption or bribery

L&T was not informed of any violations related to corruption or bribery during the review period, and the company was not subject to any fines or sanctions related to corruption or bribery. No representatives of L&T's management have been convicted of bribery or corruption.

G1-6 – Payment practices

L&T adheres to the principles of transparency and good operating practices with regard to its payment practices. L&T has not established any category-specific payment category specifications. Instead, they are agreed separately together with the suppliers. In 2024, the average term of payment for the company's invoices was 38 days from receipt of invoice. L&T paid the majority, i.e. 85%, of supplier invoices within the average term of payment or earlier. Of these suppliers (term of payment 38 days or less), 83% were categorised as small suppliers with an annual spend of less than EUR 20,000.

L&T has no currently pending legal proceedings related to late payments. L&T adheres to the pre-agreed payment terms and ensures that all business partners receive their payments on time. Any deviations in payment practices are handled separately with the aim of quickly finding a solution that satisfies both parties.

Calculation principles

The average term of payment is calculated in days from the date on which the invoice is delivered to L&T or its subsidiary. The information is based on the accounting data concerning purchase invoices.

Key figures

KEY FIGURES

Key figures on shares

	2024	2023 restated[2]	2022	2021	2020
Earnings per share (EPS), EUR	-0.05	0.77	0.83	0.90	0.50
Earnings per share (EPS), diluted, EUR	-0.05	0.76	0.83	0.90	0.50
Equity per share, EUR	5.48	6.06	5.78	5.52	5.05
Dividend per share, EUR[1]	0.50	0.49	0.47	0.46	0.40
Payout ratio, %[1]	n/a	64.0	56.9	51.0	79.7
Effective dividend yield, %[1]	6.4	5.0	4.4	3.4	2.7
P/E ratio, %	-173.3	12.8	12.9	14.9	30.0
Net cash flow from operating activities after investments per share, EUR	1.07	1.33	1.08	0.05	1.15
Share price adjusted for issues:					
lowest, EUR	7.71	9.00	9.72	12.82	10.06
highest, EUR	10.36	11.84	13.62	16.10	16.76
average, EUR	8.81	10.11	11.16	14.31	13.55
closing, EUR	7.87	9.80	10.64	13.44	15.06
Market capitalisation 31 December, MEUR	300.5	373.9	405.9	512.2	573.9
Number of shares adjusted for issue, 1,000 pcs					
average during the year	38,164	38,127	38,116	38,111	38,103
at year end	38,189	38,154	38,146	38,112	38,105
average during the year, diluted	38,268	38,232	38,128	38,127	38,118
Adjusted number of shares traded during the year, 1,000 pcs	8,605	5,649	9,397	9,615	12,266
As a percentage of the average	22.5	14.8	24.7	25.2	32.2
Volume of shares traded, MEUR	75.8	57.1	104.9	137.6	166.1

[1] 2024 proposal by the Board of Directors
[2] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.
[3] The calculation has been re-defined in 2024. The figure for year 2023 has been adjusted accordingly.

Key figures on financial performance

	2024	2023 restated [2]	2022	2021	2020
Net sales, MEUR	770.7	802.1	844.1	812.5	751.9
Operating profit, MEUR	9.8	37.3	42.9	42.2	28.2
% of net sales	1.3	4.6	5.1	5.2	3.8
Adjusted operating profit, MEUR	43.2	37.9	40.9	42.4	39.7
% of net sales	5.6	4.7	4.8	5.2	5.3
EBITDA, MEUR	89.0	95.8	98.3	95.1	85.2
% of net sales	11.5	11.9	11.6	11.7	11.3
Result before taxes, MEUR	4.4	34.6	37.8	39.0	23.3
% of net sales	0.6	4.3	4.5	4.8	3.1
Result for the period, MEUR	-1.7	29.2	31.5	34.4	19.0
% of net sales	-0.2	3.6	3.7	4.2	2.5
Cash flow from operating activities, MEUR	81.4	93.6	71.8	65.6	83.0
Balance sheet total, MEUR	607.9	648.8	660.5	632.3	596.6
Return on equity, % (ROE)	-0.8	12.9	14.6	17.1	9.6
Capital employed, MEUR	396.1	425.0	437.2	406.0	379.2
Return on capital employed, % (ROCE)	3.3	10.1	10.4	10.8	7.5
Equity ratio, %	35.4	36.7	34.3	34.2	33.0
Gearing, %	73.2	69.5	75.9	79.4	70.9
Net interest-bearing liabilities, MEUR	153.0	160.9	167.3	167.1	136.5
Gross capital expenditure, MEUR[3]	37.5	60.3	58.2	72.3	48.2
% of net sales	4.9	7.5	6.9	8.9	6.4
Average number of employees in full-time equivalents	5,980	6,743	6,820	7,319	7,197
Total number of full-time and part-time employees at year end	7,441	8,159	8,371	8,171	8,139

Reconciliation of alternative performance measures

The company discloses certain other widely used performance measures that can for the most part be derived from the income statement and balance sheet. The formulas for these performance measures are provided in the section Calculation of key figures. In the company's view, these measures clarify the result of operations and financial position based on the income statement and balance sheet.

Reconciliation of the adjusted operating profit to the operating profit

1 January - 31 December MEUR	2024	2023
Operating profit[1]	9.8	37.3
Items affecting comparability:		
- costs arising from business restructurings	4.6	0.3
- costs arising from acquisitions	1.3	0.3
- impairment of goodwill	23.3	-
- other items	4.1	-
Adjusted operating profit[1]	43.2	37.9

Other items consist mainly of provisions relating to Facility Services Sweden's onerous contracts and disputes.

Reconciliation of gross capital expenditure

1 January - 31 December MEUR	2024	2023
Intangible and tangible assets from business acquisitions	2.0	-
- increases to right-of-use assets excl. heavy vehicles from business acquisitions	-0.1	-
Other increases to intangible and tangible assets	59.2	81.1
- increases to right-of-use assets excl. heavy vehicles	-19.4	-18.1
- other adjustments	-4.2	-2.7
Gross capital expenditure[2]	37.5	60.3

Return on capital employed (ROCE), %, by segment

1 January - 31 December	2024	2023
Environmental Services[1]		
Capital employed (MEUR), average of the beginning and the end of the period	207.7	202.7
Operating profit	26.2	25.9
+ financial income	0.1	0.3
Return on capital employed, MEUR	26.2	26.3
Return on capital employed (ROCE), %	12.6	13.0
Industrial Services		
Capital employed (MEUR), average of the beginning and the end of the period	92.3	93.7
Operating profit	15.1	13.8
+ financial income	0.1	0.0
Return on capital employed, MEUR	15.1	13.8
Return on capital employed (ROCE), %	16.4	14.7
Facility Services Finland		
Capital employed (MEUR), average of the beginning and the end of the period	19.4	25.0
Operating profit	9.4	4.4
+ financial income	0.6	0.4
Return on capital employed, MEUR	10.0	4.8
Return on capital employed (ROCE), %	51.4	19.4
Facility Services Sweden		
Capital employed (MEUR), average of the beginning and the end of the period	44.9	61.0
Operating profit	-35.1	-3.7
+ financial income	0.1	0.1
Return on capital employed, MEUR	-34.9	-3.6
Return on capital employed (ROCE), %	-77.9	-5.9

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.
[2] The calculation has been re-defined in 2024. The figure for year 2023 has been adjusted accordingly.

Calculation of key figures

Key figures on shares

Earnings per share (EPS)	=	$\dfrac{\text{Result attributable to equity holders of the parent company}}{\text{Adjusted average basic number of shares}}$	
Earnings per share (EPS), diluted	=	$\dfrac{\text{Result attributable to equity holders of the parent company}}{\text{Adjusted average diluted number of shares}}$	
Equity per share	=	$\dfrac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted basic number of shares at the balance sheet date}}$	
Dividend per share[1]	=	$\dfrac{\text{Dividend for the financial period}}{\text{Adjusted basic number of shares at the balance sheet date}}$	
Payout ratio, %[1]	=	$\dfrac{\text{Dividend per share}}{\text{Earnings per share}}$	x 100
Effective dividend yield, %[1]	=	$\dfrac{\text{Dividend per share}}{\text{Closing price of the financial period}}$	x 100
P/E ratio, %	=	$\dfrac{\text{Closing price of the financial period}}{\text{Earnings per share}}$	
Net cash flow from operating activities after investments per share	=	$\dfrac{\text{Net cash from operating and investing activities as in the cash flow statement}}{\text{Adjusted average basic number of shares}}$	
Market capitalization	=	Basic number of shares at the balance sheet date excluding treasury shares x closing price of the financial period	

[1] The calculations are also applied with capital repayment.

[2] In the last quarter of 2024, the Company has clarified the definition of items affecting comparability to include also other material items outside ordinary course of business.

Key figures on financial performance

Adjusted operating profit	=	Operating profit +/- items affecting comparability	
Items affecting comparability[2]	=	Substantial costs arising from business restructurings or acquisitions, gains and losses from divestments and costs arising from the discontinuation of businesses as well as other material items outside ordinary course of business	
EBITDA	=	Operating profit + depreciation, amortisation and impairment	
Return on equity, % (ROE)	=	$\dfrac{\text{Result for the period}}{\text{Equity (average of the end and of the beginning of the period)}}$	x 100
Capital employed	=	Equity + Interest-bearing financial liabilities	
Return on capital employed, % (ROCE)	=	$\dfrac{\text{Operating profit + financial income + share of results in associated companies and joint ventures}}{\text{Equity + Interest-bearing financial liabilities (average of the end and of the beginning of the period)}}$	x 100
Equity ratio, %	=	$\dfrac{\text{Equity}}{\text{Total equity and liabilities - advances received}}$	x 100
Gearing, %	=	$\dfrac{\text{Net interest-bearing liabilities}}{\text{Equity}}$	x 100
Net interest-bearing liabilities	=	Net interest-bearing liabilities - cash and cash equivalents	
Gross capital expenditure	=	Investments in intangible and tangible assets excluding right-of-use assets and other adjustments including leased heavy vehicles and assets acquired through acquisitions	
Organic growth, %	=	$\dfrac{\text{Net sales for the reporting period - net sales from business acquisitions during previous 12 months - net sales for the comparative period + net sales from divestments during previous 12 months}}{\text{Net sales for the comparative period - net sales from divestments during previous 12 months}}$	x 100

Financial statements

Consolidated income statement

1 January - 31 December MEUR	2024	2023 restated[1]	Note
Net sales	770.7	802.1	1.2
Other operating income	4.6	6.2	1.4
Materials and services	-228.2	-246.5	
Employee benefit expenses	-342.7	-352.8	1.3
Other operating expenses	-115.5	-113.1	1.4
Depreciation, amortisation and impairment	-55.9	-58.5	1.7
Impairment of goodwill	-23.3	-	1.7, 3.2
Operating profit	9.8	37.3	
Financial income	0.8	2.5	
Financial expenses	-9.3	-8.7	
Exchange rate differences (net)	-0.0	-0.0	
Financial income and expenses	-8.6	-6.3	1.8
Share of the result of associated companies and joint ventures	3.2	3.6	
Result before taxes	4.4	34.6	
Income taxes	-6.1	-5.4	1.9
Result for the period	-1.7	29.2	
Attributable to:			
Equity holders of the company	-1.7	29.2	
Earnings per share attributable to the equity holders of the parent company:			
Earnings per share, EUR	-0.05	0.77	4.4
Diluted earnings per share, EUR	-0.05	0.76	4.4

Consolidated statement of comprehensive income

1 January - 31 December MEUR	2024	2023 restated[1]	Note
Result for the period	-1.7	29.2	
Other comprehensive income, net of tax			
Items not to be recognised through profit or loss			
Items arising from re-measurement of defined benefit plans	-0.0	-0.0	2.6
Items not to be recognised through profit or loss, total	-0.0	-0.0	
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	-	0.1	4.2
Change in fair value of interest rate swap, reclassified to profit and loss	-	-1.0	4.2
Currency translation differences	-2.1	0.1	
Items potentially to be recognised through profit or loss, total	-2.1	-0.9	
Other comprehensive income, total	-2.1	-0.9	
Total comprehensive income, after tax	-3.8	28.3	
Attributable to:			
Equity holders of the company	-3.8	28.3	

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

More information on taxes in consolidated statement of comprehensive income is presented in note 1.9 Income taxes.

Consolidated statement of financial position

31 December MEUR	2024	2023 restated[1]	Note
ASSETS			
Non-current assets			
Intangible assets			3.1
Goodwill	157.0	180.8	
Other intangible assets	42.2	38.2	
	199.2	219.0	
Tangible assets	164.3	164.9	3.3
Right-of-use assets	69.1	76.0	3.4
	233.4	240.9	
Other non-current assets			
Shares in associated companies and joint ventures	18.9	17.6	3.5
Other shares and holdings	0.2	0.2	3.5
Deferred tax assets	2.0	3.1	1.9
Other receivables	1.0	1.5	3.5
	22.0	22.5	
Total non-current assets	454.7	482.4	
Current assets			
Inventories	9.2	7.8	2.2
Trade receivables[2]	86.5	98.6	2.1, 4.1
Contract assets[2]	16.1	18.1	1.2, 2.1, 4.1
Income tax receivables	0.3	1.2	2.1
Other receivables	7.1	7.9	2.1, 4.1
Cash and cash equivalents	33.9	32.9	4.1
Total current assets	153.2	166.5	
TOTAL ASSETS	607.9	648.8	

31 December MEUR	2024	2023 restated[1]	Note
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			4.3
Share capital	19.4	19.4	
Other reserves	-13.5	-11.5	
Invested unrestricted equity reserve	0.6	0.6	
Retained earnings	202.7	222.8	
Total equity	209.2	231.3	
Liabilities			
Non-current liabilities			
Deferred tax liabilities	26.6	28.3	1.9
Retirement benefit obligations	1.1	1.2	2.6
Provisions	9.0	7.2	2.5
Borrowings	115.1	115.5	4.1
Lease liabilities	53.2	56.1	3.4, 4.1
Other liabilities	13.4	13.2	2.4
	218.4	221.4	
Current liabilities			
Borrowings	0.5	0.6	4,1
Lease liabilities	18.1	21.5	3.4, 4.1
Trade and other payables	158.8	172.8	2.3, 4.1
Income tax liabilities	0.3	0.3	2.3
Provisions	2.5	0.9	2.5
	180.3	196.1	
Total liabilities	398.7	417.5	
TOTAL EQUITY AND LIABILITIES	607.9	648.8	

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.
[2] The Company has redefined the presentation of contract assets in 2024 and adjusted contract assets and trade receivables for year 2023 accordingly.

Consolidated statement of cash flows

1 January - 31 December MEUR	2024	2023	Note
Cash flows from operating activities			
Result for the period[1]	-1.7	29.2	
Adjustments			
Income taxes[1]	6.1	5.4	1.9
Depreciation, amortisation and impairment[1]	79.2	58.5	1.7
Financial income and expenses	8.6	6.3	1.8
Gains and losses on sale of tangible and intangible assets	-1.3	-1.6	
Share of result of associated companies and joint ventures	-3.2	-3.6	3.5
Provision	3.6	-1.2	2.5
Other adjustments	1.2	0.7	
Net cash generated from operating activities before change in working capital	92.5	93.6	
Change in working capital			
Change in trade and other receivables	14.6	7.2	
Change in inventories	-1.4	0.0	
Change in trade and other payables	-9.9	-2.1	
Change in working capital	3.2	5.1	
Interest and other financial expenses paid	-9.2	-8.2	
Interest and other financial income received	0.8	2.5	
Income taxes paid	-5.9	0.5	
Net cash from operating activities	81.4	93.6	

1 January - 31 December MEUR	2024	2023	Note
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	-1.5	-	5.3
Purchases of property, plant and equipment and intangible assets	-42.7	-44.9	
Proceeds from sale of property, plant and equipment and intangible assets	1.9	2.2	
Dividends received from joint venture	1.8	-	
Dividends received from other non-current investments	0.0	-	
Net cash from investing activities	-40.5	-42.7	
Net cash from operating and investing activities	40.8	50.9	
Cash flows from financing activities			
Proceeds from short-term borrowings	60.0	10.0	4.1
Repayments of short-term borrowings	-60.0	-10.0	4.1
Proceeds from long-term borrowings	-	40.0	4.1
Repayments of long-term borrowings	-0.6	-68.4	4.1
Repayments of lease liabilities	-20.4	-21.2	
Dividends paid	-18.7	-17.9	
Net cash from financing activities	-39.7	-67.5	
Net change in cash and cash equivalents	1.1	-16.6	
Cash and cash equivalents at the beginning of the period	32.9	49.5	
Effect of changes in foreign exchange rates	-0.1	0.0	
Cash and cash equivalents at the end of the period	33.9	32.9	4.1

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

Consolidated statement of changes in equity

MEUR	Share capital	Currency translation differences[1]	Hedging reserve[1]	Invested unrestricted equity reserve	Retained earnings	Total equity	Note
Equity on 1 January 2023	19.4	-11.5	0.9	0.6	211.0	220.4	
Total comprehensive income							
Result for the period[2]					29.2	29.2	
Other comprehensive income items		0.1	-0.9		-0.0	-0.9	
Total comprehensive income[2]	-	0.1	-0.9	-	29.2	28.3	
Transactions with shareholders							
Share-based benefits					0.5	0.5	1.5
Dividends paid					-17.9	-17.9	
Returned dividends					0.0	0.0	
Transactions with shareholders, total	-	-	-	-	-17.4	-17.4	
Equity on 31 December 2023[2]	19.4	-11.5	-	0.6	222.8	231.3	
Total comprehensive income							
Result for the period					-1.7	-1.7	
Other comprehensive income items		-2.1			-0.0	-2.1	
Total comprehensive income	-	-2.1	-	-	-1.7	-3.8	
Transactions with shareholders							
Share-based benefits					0.3	0.3	1.5
Dividends paid					-18.7	-18.7	
Returned dividends					0.0	0.0	
Transactions with shareholders, total	-	-	-	-	-18.4	-18.4	
Equity on 31 December 2024	19.4	-13.5	-	0.6	202.7	209.2	

[1] Included in other reserves of equity in the consolidated statement of financial position.
[2] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

For more information on equity please refer to note 4.3 Equity, and on taxes recognised in equity to note 1.9 Income taxes.

Notes to the consolidated financial statements

General information

The Lassila & Tikanoja Group specialises in environmental management and property and plant support services. The Group has business operations in Finland and Sweden.

The Group's parent company is Lassila & Tikanoja plc (business identity code 1680140-0). Lassila & Tikanoja plc is a Finnish public limited liability company domiciled in Helsinki, Finland. The registered address of the Company is Valimotie 27, 00380 Helsinki, Finland.

Lassila & Tikanoja plc is listed on the Nasdaq Helsinki.

The consolidated financial statements are available on the company website at www.lt.fi/en or from the parent company's head office, address Valimotie 27, 00380 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanoja plc on 25 February 2025.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as adopted by the EU. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU according to the procedure described in regulation (EC) 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

The Company has redefined the presentation of contract assets in 2024 and adjusted contract assets and trade receivables for year 2023 accordingly. The change has no impact on the results and no material effect on the consolidated financial statements' depiction of the Group's financial position.

Figures in these financial statements are presented in millions of euros, unless otherwise stated.

Application of new or amended IFRS standards

New and amended standards adopted in 2024

The Group has applied the new standards and interpretations published by IASB with the effective date 1 January 2024. These standards, amendments and interpretations did not have material impact on the entity in the current period, and they are not expected to have any material impact on the entity in the future reporting periods and on foreseeable future transactions.

New or amended IFRS standards and interpretations to be applied in future financial periods

The Group applies new standards and interpretations from the effective date. If the effective date is other than the first day of a financial year, the Group applies the standard or interpretation from the beginning of the following financial year.

On 9 April 2024, the International Accounting Standards Board (the IASB) issued IFRS 18 "Presentation and Disclosure in Financial Statements". The standard replaces IAS 1 "Presentation of Financial Statements" and it also introduces amendments to several other IFRS standards, such as IAS 7 "Statement of Cash Flows" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The standard includes:

- new required totals, subtotals and new categories in the statement of profit or loss,
- new disclosure requirements of managment-defined performance measures (MPMs) and
- guidance on aggregation and disaggregation.

The company is currently analysing the requirements of the new standards and possible changes needed to the information systems and charts of accounts.

The standard is effective for annual reporting periods beginning on or after 1 January 2027. Early application of the standard is allowed. The Group applies the standard from the effective date, i.e. for annual reporting periods beginning on or after 1 January 2027.

The impact from any other new and amended standards issued but not yet effective is not considered to be material to the Group's financial reporting.

Critical judgements by Management

When preparing IFRS financial statements, the Group management must make estimates and assumptions concerning the future, the outcome of which may differ from the estimates and assumptions made. The management also has to use judgement when making decisions on the selection and application of accounting principles.

Considerations based on discretion apply, in particular, to cases where the applicable IFRS standards provide for alternative methods of recognition, measurement or presentation.

The preparation of financial statements requires the management to make estimates and assumptions that affect the carrying amounts of assets and liabilities on the balance sheet date and the amounts of income and expenses. The estimates and assumptions reflect the management's best understanding on the balance sheet date, based on previous experience and assumptions about the future that are considered to have the highest probability on the balance sheet date. The most significant area where management has used the judgement described above relates to the measurement of assets and liabilities of acquired business operations.

Key assumptions regarding the future and key uncertainty factors related to estimates on the closing date that involve a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are described in the following notes:"

1.2 Revenue from contracts with customers
1.9 Income taxes
2.4 Other non-current liabilities
2.5 Provisions
3.2 Goodwill impairment testing
3.4 Right-of-use assets and lease liabilities
5.3 Business acquisitions

1 Financial result

1.1 Segment reporting

Accounting policy

Segment information is reported to the highest operational decision-maker, consistent with internal reporting. The highest operational decision-maker is Lassila & Tikanoja plc's President and CEO. Segment assets are those operating assets that are employed by a segment in its operating activities and that can be allocated to the segment on a reasonable basis. Items reported under Group administration and other include items related to Group level functions such as expenses associated with Group management, as well as costs incurred from operating as a public company and the corresponding assets and liabilities. Lease liabilities and eliminations are also included in Group Administration and other.

The Group's operating segments

The Group has four reportable segments, which are the Group's business divisions - Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden.

Environmental Services division consists of the waste management and recycling business, selling of waste containers and their maintenance, and new circular economy solutions. The division operates only in Finland.

Industrial Services division covers solutions for industrial material flows and their utilisation, industrial process cleaning solutions, collection and disposal of hazardous waste and sewer system maintenance and repair. The division has operations both in Finland and in Sweden.

Facility Services Finland division provides cleaning and other support services for facilities, property maintenance and technical maintenance, including energy management.

Facility Services Sweden division provides cleaning and other support services for cleaning facilities and technical maintenance.

2024 MEUR	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden	Group administration and other	Group
External net sales	280.0	142.8	236.0	111.9	-	770.7
Inter-division net sales	1.5	2.3	2.0	0.0	-5.8	-
Total net sales	281.5	145.1	238.0	111.9	-5.8	770.7
Operating profit	26.2	15.1	9.4	-35.1	-5.7	9.8
Operating margin, %	9.3	10.4	3.9	-31.3		1.3
Adjusted operating profit[1]	26.6	16.2	9.6	-7.5	-1.6	43.2
Adjusted operating margin, %[1]	9.5	11.2	4.0	-6.7		5.6
Financial income and expenses						-8.6
Share of result in associated companies and joint ventures						3.2
Profit before tax						4.4
Income taxes						-6.1
Profit for the period						-1.7
Assets	287.3	148.0	68.9	51.8	51.8	607.9
Liabilities	80.0	56.4	51.9	22.0	188.5	398.7
Gross capital expenditure[1]	18.4	17.4	1.1	0.1	0.4	37.5
Depreciation, amortisation and impairments[3]	30.1	13.4	6.8	28.1	0.9	79.2

2023 MEUR	Environmental Services[2]	Industrial Services	Facility Services Finland	Facility Services Sweden	Group administration and other	Group[2]
External net sales	282.1	138.8	247.9	133.2	-	802.1
Inter-division net sales	1.5	2.2	2.1	0.0	-5.8	-
Total net sales	283.7	141.0	250.0	133.2	-5.8	802.1
Operating profit	25.9	13.8	4.4	-3.7	-3.2	37.3
Operating margin, %	9.1	9.8	1.8	-2.8		4.6
Adjusted operating profit[1]	25.9	14.0	4.4	-3.7	-2.8	37.9
Adjusted operating margin, %[1]	9.1	9.9	1.8	-2.8		4.7
Financial income and expenses						-6.3
Share of result in associated companies and joint ventures						3.6
Profit before tax						34.6
Income taxes						-5.4
Profit for the period						29.2
Assets	290.5	151.0	78.7	83.5	45.1	648.8
Liabilities	82.5	60.2	56.9	23.6	194.3	417.5
Gross capital expenditure[1] [4]	40.2	17.5	1.0	0.5	1.2	60.3
Depreciation, amortisation and impairments	31.5	12.8	8.1	5.0	1.0	58.5

[1] Unaudited
[2] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.
[3] Includes impairment of goodwill allocated to Facility Services Sweden totalling EUR 23.3 million.
[4] The calculation has been re-defined in 2024. The figure for year 2023 has been adjusted accordingly.

Geographical segments

Accounting policy

The Group operates in Finland and Sweden. Net sales of geographical areas are reported based on the geographical location of the customer, and assets are reported by geographical location of the assets.

MEUR	2024	2023
Net sales		
Finland	628.2	645.3
Sweden	133.1	150.1
Other countries	9.5	6.8
Total	770.7	802.1
Assets[1]		
Finland	561.3	600.9
Sweden	46.6	47.9
Total	607.9	648.8
Capital expenditure[2]		
Finland[1]	33.2	57.6
Sweden	4.3	2.6
Total	37.5	60.3

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.
[2] The calculation has been re-defined in 2024. The figure for year 2023 has been adjusted accordingly.

1.2 Revenue from contracts with customers

Accounting policy

Revenue from contracts with customers is recognised when or as the performance obligation is satisfied by transferring a promised good or service to the customer. A good or a service is transferred when the customer obtains control of the good or service. Revenue is recognised based on the transaction price to which L&T expects to be entitled in exchange for transferring the good or service.

The Group acts as a principal in all of its contracts with customers.

The Group applies the practical expedient and does not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. This is because the contract period in the Group's customer contracts for project deliveries, is typically short. However, in long-term service agreements the contract period can be several years. For these contracts the Group applies the practical expedient according to which the Group is entitled to a consideration from the customer that corresponds directly with the value to the customer from Groups performance completed to date. In these contracts the Group recognises revenue for the amount that it is entitled to invoice.

Services business

Services business comprises of long-term service agreements and separately ordered services.

Long-term service agreements include for example waste management and recycling services which is part of Environmental Services as well as cleaning and property maintenance services included in Facility Services. Long-term service agreements include one or more performance obligations depending on the amount of distinct services provided to the customer. A typical characteristic of long-term services is that services are delivered evenly throughout the contract term. With one contract customer can order for example inside cleaning services, outside cleaning and upkeep services and property maintenance services that are distinct performance obligations. Each service is a distinct performance obligation as the customer can benefit from the services on its own and could order the services from different service providers. If a contract contains more than one distinct performance obligation, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

In addition to the long-term service agreements, L&T offers services which are separately ordered as part of Industrial Services and Facility Services. Compared to the long-term service agreements, services that are ordered separately are typically short-term in nature and they are provided either occasionally or on a non-recurring basis.

Revenue from services business is recognised over time, as the customer simultaneously receives and consumes the benefits from the services provided. Revenue from services that are invoiced with a fixed monthly fee is recognised evenly over the contract term as also the work is performed evenly over the term. Revenue from services that are invoiced based on hourly fees is recognised based on the work performed. The management has identified that there may be seasonal fluctuation especially in the long-term service agreements of Facility Services as the work performed differs between seasons during the year. Management has estimated that the costs for these services incur evenly throughout the period and, thus, revenue is recognised evenly over the period.

Industrial Services receives contaminated soil from customers, for which the performance obligation is the receipt and processing of soil. Measuring progress towards complete satisfaction of the performance obligation is based on the output method. Revenue is recognised based on the amount of processed soil. Customer is invoiced when soil is received and the payment received from the customer is treated as a contract liability.

Project business

Project business includes projects for industrial process cleaning and closing of landfills which are part of Industrial Services business and renovation and building technology projects as well as refrigeration and cooling service projects for retailers and energy management projects included in Facility Services. In project business the customer orders the entire project at once and the project is considered as a single performance obligation. In some cases, a contract can also consist of several different locations and each location creates a distinct performance obligation. If the contract contains more than one distinct performance obligation, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

Revenue from project business is recognised over time as the projects mainly relate to enhancing an asset that the customer controls. In project business the input method based on costs incurred is used for measuring the progress towards complete satisfaction of the performance obligation. The management has estimated that the costs incurred for a project can be determined reliably. Also, due to the contract structure in project business the management has determined that L&T has an enforceable right to payment for performance completed to date. In project business, invoicing is typically based on a predetermined payment schedule.

Sale of equipment and materials

Sale of equipment consists of sale of compactors and balers to customers included in Environmental Services business. Sale of materials consists of sale of wood-based fuels and recycled fuels as well as of sale of other recycled raw materials in Environmental Services business. Each equipment or material delivery creates a distinct performance obligation in the sale of equipment and materials. The equipment delivered by the Group does not involve any additional warranties that would be considered as a distinct performance obligation.

Control of the delivered product is transferred when the physical possession of the product has been transferred to the customer, which typically occurs at delivery.

Environmental Services business delivers wood-based fuels and recycled fuels to customers. The consideration received from a customer is based on the amount of delivered fuel and the energy level of the fuel or on the amount of the delivered material. In some cases, the final transaction price is determined after the customer has measured the amount of fuel delivered, and, thus, there is uncertainty relating to the amount of final transaction price. Management has estimated that the level of uncertainty related to the transaction price is low and any adjustments to be made to the transaction price when the uncertainty is resolved are not considered to be material.

Lease income

In addition to the sale of compactors and balers, customers can also lease the equipment through an external financing company. The agreement made between the Group and the financing company includes a repurchase obligation at the end of the lease period with a predetermined residual value. Due to the repurchase obligation management has determined that all the risks and rewards incidental to ownership of the assets are not transferred substantially to the customer and, thus, the leased equipment is treated as tangible assets. At the inception of the lease, advances received from the financing company as well as the residual value of the asset are recognised as a liability in the balance sheet. Lease income is recognised monthly during the lease term. Management has estimated that the amount of payment received from the financing company does not Include a significant financing component.

Estimating variable consideration

The contracts with customers may include components of variable considerations, such as bonuses and penalties for delay. Management has determined that the level of uncertainty relating to the variable consideration is typically low. The estimate of the amount of variable considerations is reassessed at the end of each reporting period.

Contract balances

Contract assets and trade receivables

A contract asset is a right to consideration in exchange for goods or services that are transferred to a customer. If goods or services are transferred to a customer before the invoice is sent to the customer, the amount is recognised as a contract asset. If the company has an unconditional right to the consideration, a trade receivable is recognised in the statement of financial position.

Contract assets and trade receivables are assessed for impairment in accordance with IFRS 9. The general payment term for customers is 14 days, but it can vary depending on the specific case.

Contract liabilities

A contract liability is an obligation to transfer goods or services to a customer for which L&T has received consideration from the customer. If a customer pays consideration before goods or services are transferred to the customer, a contract liability is recognised in the statement of financial position when the payment is made by the customer.

Incremental costs of obtaining a contract

The company does not have material incremental costs to obtain a contract. The company applies a practical expedient which allows the costs to obtain a contract to be recognised when they occur.

Disaggregation of revenue

Net sales consist of services for which revenue is recognised over time, products for which revenue is recognised at a point in time as well as lease income.

2024 MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	228.4			49.6	3.5	281.5
Industrial Services	63.8	66.0	9.9	5.5		145.1
Facility Services Finland	169.3	62.1	6.6			238.0
Facility Services Sweden	46.0	62.0	3.8			111.9
Total	507.5	190.1	20.3	55.1	3.5	776.5
Interdivision						-5.8
External net sales						770.7

2023 MEUR	Long-term service agreements	Separately ordered services	Projekti-liiketoiminta	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	229.6			50.5	3.5	283.7
Industrial Services	65.5	58.5	11.8	5.2		141.0
Facility Services Finland	181.5	64.2	4.3			250.0
Facility Services Sweden	56.1	74.0	3.1			133.2
Total	532.6	196.8	19.2	55.7	3.5	807.9
Interdivision						-5.8
External net sales						802.1

Services for which revenue is recognised over time include sales revenue from long-term service agreements, separately ordered services and the project business. Services for which revenue is recognised at a point in time include revenue from the sale of equipment and materials.

Critical judgements by Management

The amount and timing of revenue recognition involves management's judgement especially in the following areas:

- Identification of performance obligations for services business
- Timing of revenue recognition in services and project business
- Treatment of repurchase agreements relating to compactors and balers in Environmental Services business including the assessment of the materiality of financing component
- Measurement of variable consideration

These judgements have been described in more detail in the description relating to revenue recognition.

Contract balances

MEUR	2024	2023
Trade receivables[1]	86.5	98.6
Contract assets[1]	16.1	18.1
Contract liabilities	8.2	8.9

[1] The Company has redefined the presentation of contract assets in 2024 and adjusted the figures for year 2023 accordingly..

Contract assets consist of uninvoiced sales, which will be invoiced during the following reporting period and related to which the company does not have unconditional right to consideration at balance sheet date.

Contract liabilities are mainly related to the long-term service agreements and are recognised as revenue entirely during the following period. Contract liabilities are included in the balance sheet item Trade and other payables.

No revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods

1.3 Employee benefit expenses

Accounting policy

The Group's employee benefits include wages, salaries and bonuses paid to employees, post-employment benefits (defined contribution plans and defined benefit plans), share-based payments and other personnel expenses (statutory social security costs).

Details on share-based payments are disclosed in note 1.5 Share-based payments. The employee benefits of the top management are disclosed in note 5.4 Related-party transactions. Details on the items of defined benefit pension plans in the consolidated statement of financial position are shown in note 2.6 Retirement benefit obligations.

MEUR	2024	2023
Wages and salaries	276.6	282.8
Pension costs		
Defined contribution plans	59.3	60.8
Defined benefit plans	0.0	0.0
Share-based payments	0.4	0.5
Other personnel expenses	6.3	8.7
Total	342.7	352.8

Average number of employees in full-time equivalents	2024	2023
Finland	5,175	5,608
Sweden	805	1,135
Total	5,980	6,743

1.4 Other operating income and expenses

Accounting policy

Other operating income includes items that are not considered as being directly related to the Group's normal business, such as gains from sales of assets and business activities and received compensations. Other operating expenses include, for instance, fees for expert and consulting services, losses from sales of assets and business activities, bad debts and changes in allowances for credit losses, expenses related to the use of vehicles and machinery, ICT costs, voluntary social security costs, travel costs, real estate costs and implementation costs of cloud computing arrangements.

Government grants

Government grants or other grants relating to actual costs are recognised in the income statement when the Group complies with the conditions attached to them and there is reasonable assurance that the grants will be received. They are presented in other operating income. Government grants directly associated with the recruitment of personnel, such as employment grants, apprenticeship grants and the like, are recognised as reductions in personnel expenses.

Grants for acquisition of property, plant and equipment are recognised as deductions of historical cost. The grant is recognised as income over the economic life of a depreciable asset, by way of a reduced depreciation charge.

Other operating income

MEUR	2024	2023
Gains on sales of property, plant and equipment	1.7	1.7
Reimbursements and government grants[1]	0.4	2.0
Other	2.6	2.4
Total	4.6	6.2

[1] The figure in 2023 includes a compensation totalling EUR 1.6 million paid by the previous supplier of a new ERP system relating to the termination of the co-operation.

Other operating expenses

MEUR	2024	2023
ICT costs	16.8	16.8
Travel costs	8.8	9.0
Bad debts and changes in allowances for impairment	1.6	1.0
Changes in provisions for onerous contracts	3.3	-
Fuels for vehicles and machinery	25.2	27.8
Maintenance and repair of vehicles and machinery	29.2	29.6
Insurances	3.2	3.1
Property maintenance costs	5.3	5.0
Expert fees[1]	8.6	6.9
Voluntary social security costs	6.1	6.8
Marketing costs	1.7	1.6
Losses on sales of intangible and tangible assets	0.4	0.1
Other[2]	5.4	5.1
Total	115.5	113.1

[1] The figure in 2023 includes a compensation totalling EUR 0.9 million paid by the previous supplier of a new ERP system relating to the termination of the co-operation.

[2] The figure in 2023 includes a compensation totalling EUR 0.5 million paid by the previous supplier of a new ERP system relating to the termination of the co-operation.

1.5 Share-based payments

Accounting policy
The Group has several incentive arrangements for which payments are made either as equity instruments or cash. The benefits granted under the arrangements are measured at fair value on the grant date and recognised as expense evenly over the vesting period. The effect of the arrangement on profit and loss is recognised under employee benefit expenses.

Performance Share Plan 2023–2027

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 14 December 2022 on a new share-based incentive programme. The Performance Share Plan 2023–2027 comprises three three-year performance periods covering the calendar years 2023–2025, 2024–2026 and 2025–2027. The Board of Directors decides on the performance criteria of the plan and the performance levels to be set for each performance criterion at the beginning of a performance period.

The rewards to be paid based on the performance period 2023–2025 correspond to the value of approximately 173,032 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. The target group of the Performance Share Plan during the performance period 2023–2025 consists of approximately 36 key employees, including the Group's President and CEO and the Group Executive Board. Potential rewards of performance period 2023-2025 will be based on return on capital employed (ROCE), total shareholder return (TSR) and reduction of the carbon footprint (ESG) during the period 2023-2025.

The rewards to be paid based on the performance period 2024–2026 correspond to the value of approximately 202,672 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. The target group of the Performance Share Plan during the performance period 2024–2026 consists of approximately 38 key employees, including the Group's President and CEO and the Group Executive Board. Potential rewards of performance period 2024-2026 will be based on return on capital employed (ROCE), total shareholder return (TSR) and reduction of the carbon footprint (ESG) during the period 2024-2026.

The rewards to be paid based on the performance period 2025–2027 correspond to the value of approximately 324,578 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. The target group of the Performance Share Plan during the performance period 2025–2027 consists of approximately 50 key employees, including the Group's President and CEO and the Group Executive Board. Potential rewards of performance period 2025-2027 will be based on total shareholder return (TSR), return on capital employed (ROCE), reduction of the carbon footprint (ESG), and revenue growth during the period 2025-2027.

Bridge Plan 2023–2026

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 14 December 2022 on a new share-based incentive programme. The Bridge Plan 2023–2026 has two (2) one-year (1) performance periods covering the calendar years 2023 and 2024. A performance period is followed by a two-year retention period. The aim of the plan is to support the transition from the old Performance Share Plan to the new Performance Share Plan.The Board of Directors decides on the performance criteria of the plan and the performance levels to be set for each performance criterion at the beginning of a performance period.

The rewards to be paid based on the performance period 2023 corresponded to the value of approximately 83,800 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. The target group of the Bridge Plan during the performance period 2023 consisted of approximately 10 key employees, including the Group's President and CEO and the Group Executive Board. The rewards paid based on the performance period 2024 corresponded to the value of approximately 42.998 Lassila & Tikanoja plc shares, also including the portion paid in cash. Rewards of performance period 2023 were based on return on capital employed (ROCE) and reduction of the carbon footprint (ESG) in 2023.

The rewards to be paid based on the performance period 2024 correspond to the value of approximately 71,433 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. The target group of the Bridge Plan during the performance period 2024 consists of approximately 9 key employees, including the Group's President and CEO and the Group Executive Board. Potential rewards of performance period 2024 will be based on return on capital employed (ROCE) and reduction of the carbon footprint (ESG) in 2024.

Expenses arising from share-based incentive programmes, MEUR

	2024	2023
Share component	0.4	0.5
Total	0.4	0.5

Information on the share-based incentive programmes

	Performance share plan 2023-2027			Bridge plan 2023-2026	
Share-based incentive programme	Performance period 2025-2027	Performance period 2024-2026	Performance period 2023-2025	Performance period 2024	Performance period 2023
Grant date	-	17 Jan 2024	16 Jan 2023	17 Jan 2024	16 Jan 2023
Start of the earnings period	1 Jan 2025	1 Jan 2024	1 Jan 2023	1 Jan 2024	1 Jan 2023
End of the earnings period	31 Dec 2027	31 Dec 2026	31 Dec 2025	31 Dec 2024	31 Dec 2023
Average share price at grant date	-	9.88	11.48	9.88	11.48
Maximum number of shares	324,578	202,672	173,032	71,433	83,800
Realisation on closing date, shares					42,998
Returned shares					
Obligation to hold shares, years	-	-	-	2	2
Release date of shares	-	-	-	31 Mar 2027	31 Mar 2026
Number of persons included	50	38	36	9	10

1.6 Expenses related to leases

Accounting policy

The Group leases production and office premises including related land areas, vehicles and ICT equipment. At the commencement date of a lease contract, a right-of-use asset and a lease liability, measured as the present value of the remaining lease payments, is recognised in the statement of financial position.

The right-of use asset is subsequently measured at cost less accumulated depreciation and less any accumulated impairment losses and adjusted for any remeasurements of the lease liability. Depreciation is calculated using the straight-line method from the commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset. The depreciations of right-of-use assets are presented in depreciation, amortisation and impairments in the income statement.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or price level or if the Group changes its assessment of whether it will exercise a purchase, extention or termination option. The interest expense on the lease liability is included in the financial income and expenses in the income statement. In the statement of cash flows, the amortisation of lease liabilites is presented in the cash flows from financing activities and the interest paid in the cash flows from operating activities.

The Group applies the exemption for short-term leases to production and office premises leases and the exemption for low-value assets to leases of ICT equipment. For these leases, the right-of-use asset and lease liability is not recognised. The lease payments of low-value assets and short-term leases are included in Other operating expenses and Materials and services in the income statement.

MEUR	2024	2023
Depreciation expense of right-of-use assets	-21.1	-21.6
Interest expenses on lease liabilities	-2.9	-2.4
Expenses related to leases of low-value assets	-3.3	-4.2
Total	-27.3	-28.2

In 2024, the cash flows related to leases totalled EUR -26.7 million (-27.8).

1.7 Depreciation, amortisation and impairments

Accounting policy

Depreciation and amortisation

Depreciation and amortisation is recognised on a straight-line basis over the ecomomic useful life of an asset, or over the lease period, if shorter.

Intangible assets: 5-10 years
Intangible assets from acquisitions: 3-13 years
Buildings and structures: 5-30 years
Vehicles: 6-15 years
Machinery and equipment: 4-15 years

Goodwill is not amortised, but is tested annually for impairment during the last quarter of the year. For completed landfills the Group applies the units of production method, which involves depreciation on the basis of the volume of waste received. Land is not depreciated.

Impairments

On each balance sheet date, the Group assesses the carrying amounts of its assets for any impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is made.

The recoverable amount is the higher of an asset's fair value less selling costs and its value-in-use. Value-in-use refers to the estimated future net cash flows available from an asset, discounted to the present value. The discount rate used is the pre-tax rate, which reflects the market view of the time value of money and the risks associated with the asset.

An impairment loss is recognised in the income statement when an asset's carrying amount exceeds its recoverable amount. Impairment losses attributable to a cash-generating unit are used for deducting first the goodwill allocated to the cash-generating unit and, thereafter, the other assets of the unit on an equal basis.

Intangible assets under construction are software projects that cannot be tested separately for impairment, as they do not generate separate cash flows. There is no need for impairment if, at the end of the financial period, it is clear that the projects will be completed and the software will be introduced. Intangible assets under construction are, however, tested for impairment as part of the cash generating unit to which they belong.

An impairment loss of an asset other than goodwill recognised in prior periods is reversed if there is a change in circumstances and the recoverable amount has changed. An impairment loss recognised on goodwill is not reversed. Goodwill impairment testing is described in note 3.2. Goodwill impairment testing.

Gains and losses on sales of assets

Gains and losses on sales and disposal of assets are recognised through profit or loss and are presented in other operating income or expenses.

MEUR	2024	2023
Depreciation and amortisation[1]		
Intangible assets	-6.0	-6.8
Buildings	-5.4	-5.5
Machinery and equipment	-23.4	-22.7
Right-of-use assets	-21.1	-21.6
Other tangible assets	-0.0	-0.0
Total	-55.9	-56.6
Impairments[2]		
Goodwill	-23.3	-
Intangible assets	-	-1.9
Total	-23.3	-1.9
Gains / losses on sales of intangible and tangible assets		
Gain on sales of intangible and tangible assets	1.7	1.7
Loss on sales of intangible and tangible assets	-0.4	-0.1
Total	1.3	1.6

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

[2] Impairment of goodwill in 2024 is related to Facility Services Sweden. More information on the impairment testing is presented in note 3.2 Goodwill impairment testing. Impairment of intangible assets in 2023 consists of expenses of the previous supplier of the new ERP system capitalised in prepayments and construction in progress.

1.8 Financial income and expenses

Accounting policy
Exchange rate gains and losses arising from foreign-currency transactions and the translation of monetary items are recognised in the income statement. Foreign exchange gains and losses on business transactions are included in the respective items above operating profit. Foreign exchange gains and losses on financial assets and liabilities are included in financial income and costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost of that asset. There were no such costs capitalised at the end of the reporting period.

Transaction costs directly attributable to borrowing are included in the historical cost of the liability and recognised as an interest expense during the expected life of the liability applying the effective interest method.

MEUR	2024	2023
Financial income		
Interest income on loans and other receivables	0.8	1.2
Fair value of interest rate swap - transfer from OCI[1]	-	1.3
Total financial income	0.8	2.5
Financial expenses		
Interest expenses on borrowings measured at amortised cost	6.1	5.7
Interest expenses on lease liabilities	2.9	2.4
Other financial expenses	0.3	0.5
Losses on foreign exchange	0.0	0.0
Total financial expenses	9.4	8.7
Financial income and expenses	-8.6	-6.3

[1] The interest rate swap that was used for hedging cash flows related to floating rate loans was terminated in June 2023 in conjunction with the refinancing of the hedged loan. The fair value of the interest rate swap totalling EUR 1.3 million was recognised as financial income in the consolidated income statement.

1.9 Income taxes

Accounting policy
The Group's income taxes consist of current taxes and deferred taxes. Tax expenses are recognised in the income statement, with the exception of items directly recognised in equity or comprehensive result, in which case the tax effect is recognised in the corresponding item. Current taxes for the taxable profit for the period are determined according to prevailing tax rates in each country. Taxes are adjusted by current taxes related to previous periods, if any.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. The deferred taxes are determined using tax rates enacted by the balance sheet date and that are expected to apply when the deferred tax asset is realised or liability settled. No deferred tax is recognised for impairment of goodwill that is not tax-deductible. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

The most significant temporary differences arise from fair value measurements related to acquisitions and new intangible assets.

Income tax in the income statement[1]

MEUR	2024	2023
Income tax for the period	-6.7	-6.3
Income tax for previous periods	-0.1	-0.0
Change in deferred tax	0.7	0.9
Total	-6.1	-5.4

The reconciliation of income tax expense recognised in the income statement and income tax calculated at the statutory tax rate in Finland

MEUR	2024	2023
Profit before tax	4.4	34.6
Income tax at Finnish tax rate 20%	-0.9	-6.9
Difference between tax rate in Finland and in other countries	0.1	0.0
Non-deductible expenses	-5.1	-0.2
Tax exempt income	0.7	1.2
Income tax for previous periods	-0.1	-0.1
Unrecognised deferred tax on loss for the period	-0.7	-0.1
Utilisation of previously unrecognised tax losses	0.0	-
Other items	-0.1	0.6
Total	-6.1	-5.4

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

Tax effects of components of other comprehensive income

	2024			2023		
MEUR	Before tax	Tax expense/ benefit	After tax	Before tax	Tax expense/ benefit	After tax
Items arising from re-measurement of defined benefit plans	-0.0	0.0	-0.0	-0.0	0.0	-0.0
Hedging reserve, change in fair value	-	-	-	-1.2	0.2	-0.9
Currency translation differences	-2.1	-	-2.1	0.1	-	0.1
Components of other comprehensive income	-2.1	0.0	-2.1	-1.1	0.2	-0.9

Deferred taxes in the statement of financial position[1]

MEUR	2024	2023
Deferred tax assets	2.0	3.1
Deferred tax liabilities	-26.6	-28.3
Deferred taxes, net	-24.7	-25.1

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

At the balance sheet date, the Group companies had tax losses totalling EUR 3.3 million (0.0), on which no deferred tax asset has been recognised as the realisation of the tax benefit is not considered probable.

Deferred taxes are recognised in the statement of financial position as tax assets and tax liabilities. Deferred tax assets and deferred tax liabilities are set off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been effective in Finland from January 1 2024. The Group has not recognised any tax expense related to the top-up tax in 2024. The Group has applied a temporary mandatory relief from deferred tax accounting for the potential impacts of the top-up tax and would account for it as a current tax if it would incur. According to the assessment by company, the risk for any exposure to top-up tax for the Group is limited as the Group's operations are in Finland and Sweden which both have corporate tax rates above 15 percent.

Critical judgements by Management

The recognition of deferred tax assets involves management's judgement. The appropriateness for recognising deferred tax assets is assessed at each balance sheet date. For this purpose, the Group estimates the probability of subsidiaries generating recoverable taxable income against which unused tax losses and unused tax compensations can be utilised. The factors used in the estimates may differ from the actuals, which may lead to write-down of deferred tax assets.

Deferred tax assets and liabilities[1]

MEUR	1 Jan 2024	Recognised in income statement	Recognised in equity	Exchange rate differences	Business acquisitions	31 Dec 2024
Deferred tax assets						
Tax losses	1.4	0.7		-0.1		2.1
Pension benefits	0.2		0.0			0.2
Provisions	1.8	0.2				1.9
Unused depreciation	1.7	-0.0				1.6
Other temporary differences	4.8	-0.5				4.3
Netting of deferred taxes	-6.6					-8.1
Total	3.1	0.4	0.0	-0.1	-	2.0
Deferred tax liabilities						
Acquisitions	-26.3	0.4		0.1	-0.2	-26.0
Appropriations	-7.6	0.2				-7.4
Other temporary differences	-1.0	-0.3				-1.3
Netting of deferred taxes	6.6					8.1
Total	-28.3	0.3	-	0.1	-0.2	-26.6

MEUR	1 Jan 2023	Recognised in income statement	Recognised in equity	Exchange rate differences	Business acquisitions	31 Dec 2023
Deferred tax assets						
Tax losses	1.6	-0.3		0.1		1.4
Pension benefits	0.2		0.0			0.2
Provisions	1.7	0.1				1.8
Unused depreciation	1.4	0.3				1.7
Other temporary differences	2.0	2.7				4.8
Netting of deferred taxes	-5.1					-6.6
Total	1.9	2.7	0.0	0.1	-	3.1
Deferred tax liabilities						
Acquisitions	-24.4	-1.7		-0.1		-26.3
Appropriations	-7.4	-0.2				-7.6
Fair value adjustments	-0.2		0.2			-
Other temporary differences	-1.1	0.1				-1.0
Netting of deferred taxes	5.1					6.6
Total	-28.1	-1.8	0.2	-0.1	-	-28.3

2 Operational assets and liabilities

2.1 Trade and other receivables

Accounting policy

Trade receivables are measured at historical cost less expected credit losses. The receivables are non-interest bearing and the general payment term for customers is 14 days. Trade receivables include also uninvoiced sales, when the company has satisfied the performance obligations and has an unconditional right to the consideration. Trade receivables are classified as financial assets, that are explained in more detail in notes 4.1 Financial assets and liabilities and 4.2 Financial risk management.

A simplified impairment model allowed by IFRS 9 standard is applied to the recognition of expected credit losses. Expected credit losses are calculated by dividing trade receivables into categories based on maturity and by multiplying said categories with the credit loss percentages, which are based on historical data on credit losses realised from trade receivables and the outlook for the short-term future. This impairment model covers the company's trade receivables and contract assets.

Based on historical data and the outlook for the short-term future, an allowance for impairment is recognised as follows (credit loss percentage applied in the previous year in brackets): Trade receivables not past due 0.1 per cent (0.1), past due 1-90 days 0.7 per cent (0.8); past due 91-365 days 17.7-18.1 per cent (11.6-23.1 per cent). Trade receivables due over 360 days are written down completely. If the customer has become insolvent, such as in the case of bankruptcy or debt restructuring, the trade receivable is written down as a final credit loss when a payment can no longer be expected with reasonable certainty.

MEUR	2024	2023
Trade receivables[1]	86.5	98.6
Contract assets[1]	16.1	18.1
Accrued income	6.7	7.6
Prepayments	0.2	0.3
Tax receivables	0.3	1.2
Other receivables	0.3	0.0
Total	110.1	125.8
Specification of accrued income		
Employees' health care compensation	1.6	1.6
Licences	0.6	0.7
Other	4.5	5.4
Total	6.7	7.6

[1] The Company has redefined the presentation of contract assets and adjusted the figure for year 2023 accordingly. Contract assets consist of uninvoiced sales, which will be invoiced during the following reporting period and related to which the company does not have unconditional right to consideration at balance sheet date.

Change in allowance for impairment

MEUR	2024	2023
Allowance for impairment, 1 January	0.5	0.5
Change in the income statement	-0.1	0.0
Allowance for impairment, 31 December	0.4	0.5

Impairment losses and changes in allowance for impairment are presented in note 1.4 Other operating income and expenses.

Financial assets are not collateralised. No impairment was recognised on other financial assets.

Maturity of trade receivables, contract assests and allowance for impairment

MEUR	2024 Trade receivables and contract assets	2024 of which the allowance for impairment	2023 Trade receivables and contract assets	2023 of which the allowance for impairment
Trade receivables and contract assets not past due"	92.2	0.1	100.0	0.1
Past due 1-90 days	10.1	0.1	16.3	0.1
Past due 91-365 days	0.5	0.1	0.8	0.1
Past due over 365 days	0.2	0.2	0.2	0.2
Total	103.1	0.4	117.2	0.5

2.2 Inventories

Accounting policy

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The inventories of Environmental Products in Environmental Services are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method.

At its recycling plants, recyclable materials are processesed into secondary raw materials for sale. The cost of the inventories of these materials comprises raw materials, direct labour costs, other direct costs of manufacturing and a proportion of variable and fixed production overheads based on normal operating capacity.

MEUR	2024	2023
Raw materials and consumables	4.2	3.0
Finished goods	1.2	1.0
Other inventories	3.8	3.8
Total	9.2	7.8

The carrying value of the inventories was written down to the net realisable value. The expense of EUR 0.0 million (0.0) is included in Materials and services in the income statement.

2.3 Trade and other current payables

Accounting policy

Trade and other current non-interest-bearing liabilities are recognised in the balance sheet at historical cost. The impact of discounting is not essential considering the maturity of the payables.

Trade payables are classified as financial labiliies that are presented in notes 4.1 Financial assets and liabilities and 4.2 Financial risk management.

MEUR	2024	2023
Advances received	10.5	11.2
Trade payables	51.7	63.7
Current tax liabilities	0.3	0.3
Other liabilities	23.6	21.8
Accrued expenses and deferred income	73.0	76.1
Total	159.2	173.1
Accrued expenses and deferred income		
Liabilities related to personnel expenses[1]	66.7	69.5
Other accrued expenses	6.3	6.6
Total	73.0	76.1

[1] Liabilities related to personnel expenses include ordinary accruals for salaries, pensions and other statutory personnel expenses.

The advances received include contract liabilities as well as advances received for rental payments. The fair values of trade and other current payables equal their book values.

2.4 Other non-current liabilities

MEUR	2024	2023
Advances received	6.7	7.2
Deferred consideration	6.7	5.9
Other liabilities	0.0	0.0
Total	13.4	13.2

Deferred consideration is related to the acquisition of 70 per cent share of Sand & Vattenbläst i Tyringe AB ("SVB") that offers process cleaning services in Sweden. The acquisition took place on 1 February 2022. SVB is consolidated with 100 per cent share in the Group and, in connection with the arrangement, L&T has recognised in financial liabilities an estimate of the deferred consideration for the acquisition. The deferred consideration relates to the acquisition of non-controlling interest and is measured at fair value, which is reflected in the present value of the estimated liability. It will mature on 1 February 2026 at the earliest. A reconciliation of the changes in the deferred consideration is presented in note 4.1 Financial assets and liabilities.

Critical judgements by Management

The preparation of calculations used in valuation of the deferred consideration requires the use of management judgement. The EBITDA forecast used in the calculations is based on actual development and management's view on the growth outlook for the business. Though the assumptions used are appropriate according to the management's judgement, the EBITDA forecast used in the calculation may fundamentally differ from the actual figures realised in the future.

2.5 Provisions

Accounting policy

A provision is recognised when the Group has a legal or factual obligation towards a third party resulting from an earlier event, fulfilment of the payment obligation is probable, and its amount can be reliably estimated. Provisions are measured at the current value of the expenditure required to settle the obligation. Increase in provisions due to the passage of time is recognised as interest expense. Changes in provisions are recognised in the income statement in the same item in which the provision is originally recognised.

Environmental provisions are recognised when the Group has an existing obligation that is likely to result in a payment obligation, the amount of which can be reliably estimated. Environmental provisions related to the restoration of sites are made at the commencement of each project. The costs recognised as a provision, as well as the original acquisition cost of assets, are depreciated over the useful life of the asset, and provisions are discounted to present value. Changes in estimates related to environmental provisions are recognised as adjustments to the costs recognised as a provision.The most significant provisions recognised in the statement of financial position are the site restoration provisions for landfills and the processing sites for contaminated soil.

A provision for an onerous contract is recognised when the costs required to meet the obligations exceed the benefits received from the contract.

MEUR	2024	2023
Non-current provisions	9.0	7.2
Current provisions	2.5	0.9
Total	11.5	8.1

Critical judgements by Management

Recognition and measurement of provisions require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure might differ from the estimates made. Especially for environmental provisions it is typical, that the expenses might occur after a very long period or accumulate over a long period of time. This increases the uncertainty of the estimates. The carrying amounts of provisions are reviewed regularly and adjusted when needed to consider changes in cost estimates, regulations, applied technologies and conditions.

Obligations covered by the environmental provisions

The Group has leased site that it uses as landfill from the city of Kotka. In Varkaus the Group uses a site for intermediate storing, processing and final disposal of contaminated soil. At the expiry of the leases or at the discontinuation of operations, the Group is responsible for site restoration comprising landscaping and post-closure environmental monitoring called for in the terms and conditions of environmental permits.

The Munaistenmetsä landfill site in Uusikaupunki serves as a final disposal area for municipal waste, contaminated soil and industrial by-products. The new processing site for hazardous waste, in accordance with the new environmental permit, was completed in December 2024. The area will receive its operational permit during early 2025.

The material recycling centre in the landfill area in Oulu receives, processes and recovers various types of waste and side streams, such as industrial waste, contaminated soil, construction and demolition waste as well as municipal waste.

The landfill area in Pori receives and processes gypsum, construction and demolition waste as well as contaminated soil and other smaller items. The application prepared for the new environmental permit will be sent for processsing to the regional state administrative agency in early 2025. The application seeks extensive reception and handling operations for both non-hazardous and hazardous waste.

Provisions for onerous contracts

Provisions for onerous contracts are related to Facility Services Sweden's fixed-priced contracts with public sector customers. According to management judgement, future costs related to the contracts exceed the expected benefits.

Other provisions

Other provisions consist mainly of provisions for restructuring and accident insurance contribution as well as restoration provisions for leased premises.

MEUR	Environ-mental provisions	Onerous contracts	Other provisions	Total
Provisions at 1 Jan 2024	7.2	-	0.9	8.1
Additions	0.6	3.3	1.2	5.1
Used during the year	-0.4	-	-0.2	-0.6
Effect of discounting	-1.0	-	-	-1.0
Provisions at 31 Dec 2024	6.3	3.3	1.9	11.5

MEUR	Environ-mental provisions	Onerous contracts	Other provisions	Total
Provisions at 1 Jan 2023	7.4	-	1.7	9.1
Additions	0.2	-	0.7	0.9
Used during the year	-0.3	-	-0.7	-1.0
Reversals	-0.2	-	-0.9	-1.1
Effect of discounting	0.1	-	-	0.1
Provisions at 31 Dec 2023	7.2	-	0.9	8.1

2.6 Retirement benefit obligations

Accounting policy

Pension plans are categorised as defined benefit and defined contribution plans. Under defined contribution plans, the Group pays fixed contributions for pensions, and it has no legal or factual obligation to pay further contributions. All pension arrangements that do not fulfil these conditions are considered defined benefit plans. The Group operates pension schemes in accordance with local regulations and practices in the countries in which it operates, and these pension schemes are mainly defined contribution plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate.

The company operates a few defined benefit plans originating mainly from business acquisitions. The Group is responsible for some of these defined benefit pension plans, while others are covered by pension insurance. The obligations have been calculated for each plan separately, using the projected unit credit method. Pension costs are recognised in the income statement over employees' periods of service, in accordance with actuarial calculations. When calculating the present value of pension obligations, the discount rate is based on the market yield of the high-quality bonds issued by companies, whose maturity materially corresponds to the estimated maturity of the pension obligation. The risk premium is based on bonds issued by companies with an AA credit rating. The pension plan assets measured at fair value on the balance sheet date are deducted from the present value of the pension obligation to be recognised in the statement of financial position. The net liability (or asset) associated with a defined benefit pension plan is recognised in the statement of financial position.

The current service cost (pension expense) and the net interest of the defined benefit plan's net debt are recognised in the income statement and included in employee benefit expenses. Items (such as actuarial gains and losses and return on funded defined benefit plan assets, except items related to net interest) arising from the revaluation of the net liabilities (or assets) associated with a defined benefit plan are recognised in other comprehensive income in the period in which they arise.

Past service costs are recognised as expenses through profit or loss at the earlier of the following: when the plan is rearranged or downsized, or when the entity recognises the related restructuring expenses or benefits related to the termination of employment.

The Group has in Sweden pension deposits concerning a few people. The Group has no legal or factual obligation to pay further contributions to these arrangements. The value of the deposits is recognised in other non-current receivables and a corresponding liability is recognised in pension liabilities.

MEUR	2024	2023
Amounts recognised in the statement of financial position		
Present value of funded obligations	0.3	0.3
Fair value of plan assets	-0.3	-0.3
	0.0	0.0
Present value of unfunded obligations	0.5	0.5
Liability related to pension deposits	0.6	0.6
Closing net liability	1.1	1.2
Changes in present value of obligation		
Opening defined benefit obligation	1.4	1.5
Interest cost	0.0	0.0
Actuarial gain (-) and loss (+) on obligation	0.0	0.0
Benefits paid	-0.1	-0.1
Change in liability related to pension deposits	-0.1	-0.1
Closing value of obligation	1.4	1.4
Changes in fair value of plan assets		
Opening fair value of plan assets	0.3	0.3
Interest income	0.0	0.0
Actuarial gain (+) and loss (-)	0.0	0.0
Benefits paid	-0.0	-0.0
Closing fair value of plan assets	0.3	0.3

MEUR	2024	2023
Movements in the liability recognised in the statement		
Opening liability	1.2	1.2
Expense recognised in the income statement	0.0	0.0
Actuarial gain (-) and loss (+)	0.0	0.0
Contributions paid	-0.0	-0.1
Change in liability related to pension deposits	-0.1	-0.1
Closing liability	1.1	1.2
Amounts recognised in the statement comprehensive income		
Interest cost	0.0	0.0
Interest income	-0.0	-0.0
Actuarial gain (-) and loss (+)	0.0	0.0
Total	0.0	0.1

The Group estimates that it will contribute EUR 36 thousand to defined benefit plans in 2025.

MEUR	2024	2023
Present value of obligation	1.4	1.4
Fair value of plan assets	-0.3	-0.3
Deficit	1.1	1.2
Principal actuarial assumptions used, %		
Discount rate	3.1	4.0
Expected rate of return on plan assets	3.1	2.7
Expected rate of salary increase	2.1	3.7
Expected rate of inflation	1.9	2.5

Defined contribution maturity of the obligation

MEUR	2024	2023
Maturity of less than one year	0.1	0.1
1-5 years	0.3	0.3
5-10 years	0.3	0.3
10-15 years	0.2	0.2
15-20 years	0.1	0.2
20-25 years	0.1	0.1
25-30 years	0.1	0.1
over 30 years	0.1	0.1
Total	1.1	1.3

3. Intangible and tangible assets and other non-current assets

3.1 Goodwill and other intangible assets

Accounting policy

Goodwill represents the portion of the acquisition cost by which the aggregate of the consideration given, the share of non-controlling owners in the acquired entity and the previously owned share exceed the fair value of the acquired net assets at the time of acquisition. Goodwill is not amortised, but is tested annually for impairment during the last quarter of the year. Goodwill is presented in the statement of financial position at historical cost less impairment losses, if any.

Intangible assets acquired in a business combination are measured at fair value. The useful lives of intangible assets are estimated to be either finite or indefinite. In L&T, the intangible assets recognised in business combinations include mainly customer relationships. The amortisation period for customer relationships is on average 10 years.

Other intangible assets are recognised at historical cost less accumulated amortisation and impairment losses. The costs of software projects are recognised in other intangible assets starting from the time when the projects move out of the research phase into the development phase and the outcome of a project is an identifiable intangible asset. Such an intangible asset must provide L&T with future economic benefit that exceeds the costs of its development. The cost comprises all directly attributable costs necessary for preparing the asset to be capable of operating in the manner intended by the management. The largest cost items are consultancy fees paid to third parties.

The depreciation period for computer software and software licences is five to ten years.

Goodwill impairment testing is described in note 3.2 Goodwill impairment testing and amortisation and impairment of other intangible assets is described in note 1.7. Depreciation, amortisation and impairments.

MEUR	Goodwill	Customer relationships arising from acquisitions	Agreements on prohibition of competition arising from acquisitions	Other intangible assets arising from acquisitions	Intangible rights	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2024	194.7	59.1	1.5	10.1	9.8	18.4	14.6	308.2
Additions					0.1	0.0	9.5	9.7
Business acquisitions	0.8	0.7	0.0					1.5
Disposals					-0.0	-0.9		-1.0
Impairments	-23.3							-23.3
Transfers between items						3.3	-3.3	-
Exchange differences	-1.6	-0.7	-0.0	-0.0	-0.1	-0.0		-2.5
Acquisition cost, 31 Dec 2024	170.7	59.1	1.4	10.0	9.8	20.8	20.9	292.6
Accumulated depreciation, 1 Jan 2024	-13.9	-43.1	-1.4	-9.8	-7.2	-13.8		-89.2
Accumulated amortisation on disposals and transfers					0.0	0.9		1.0
Amortisation charge		-3.3	-0.0	-0.1	-0.6	-2.0		-6.0
Exchange differences	0.3	0.5	0.0	0.0	0.1	0.0		0.9
Accumulated depreciation, 31 Dec 2024	-13.6	-45.9	-1.4	-9.9	-7.8	-14.8		-93.4
Carrying amount at 31 Dec 2024	157.0	13.2	0.0	0.2	2.0	5.9	20.9	199.2

Other intangible assets arising from acquisitions include mainly environmental permits. Other intangible assets consist primarily of software and software licences.

Contractual commitments related to intangible assets totalled EUR 0.1 million (0.0).

MEUR	Goodwill	Customer relationships arising from acquisitions	Agreements on prohibition of competition arising from acquisitions	Other intangible assets arising from acquisitions	Intangible rights	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2023	194.6	59.1	24.2	10.0	9.5	31.8	8.2	337.4
Additions					0.4	0.0	10.1	10.6
Disposals			-22.7		-0.1	-15.2		-38.0
Impairments							-1.9	-1.9
Transfers between items						1.6	-1.8	-0.1
Exchange differences	0.1	0.0	0.0	0.0	0.0	0.1		0.2
Acquisition cost, 31 Dec 2023	194.7	59.1	1.5	10.1	9.8	18.4	14.6	308.2
Accumulated depreciation, 1 Jan 2023	-13.9	-39.7	-24.0	-9.8	-6.6	-26.2		-120.2
Accumulated amortisation on disposals and transfers			22.7		0.1	15.1		37.9
Amortisation charge		-3.3	-0.1	-0.1	-0.7	-2.6		-6.8
Exchange differences	0.0	-0.1	-0.0	-0.0	-0.0	-0.1		-0.2
Accumulated depreciation, 31 Dec 2023	-13.9	-43.1	-1.4	-9.8	-7.2	-13.8		-89.2
Carrying amount at 31 Dec 2023	180.8	16.1	0.1	0.2	2.6	4.6	14.6	219.0

3.2 Goodwill impairment testing

Accounting policy

The goodwill impairment testing is conducted at least annually during the last quarter of the year or more frequently if there is any indication that goodwill may be impaired. Impairment testing is conducted according to the business structure in force at the time of the impairment testing.

In impairment testing, recoverable amounts are estimated on the basis of an asset's value-in-use. Future cash flows are based on annual estimates of income statements and maintenance investments made by the management in connection with the strategy process for a four-year period. The management bases its estimates on actual development and views on the growth outlook for the industry (general market development and unit profitability, pricing, municipalisation decisions, personnel costs and raw material costs). Approved investment decisions are taken into account in the growth estimates.

Cash flows extending beyond the four-year forecast period are calculated using the so-called terminal value method. The growth rates used in the calculations are based on the management's estimates of long-term growth and development of profitability.

Critical judgements by Management

The preparation of value-in-use based calculations used in goodwill impairment testing requires the use of management judgement. The future cash flows are based on forecasts for the strategy period approved by the Board of Directors. These forecasts are based on actual development and management's view on the growth outlook for the industry. The terminal growth rate is based on the management's view on the long-term growth outlook for the business. The discount rates used reflect the best estimate of the weighted average cost of capital. Though the assumptions used are appropriate according to the management's judgement, the estimated cash flows may fundamentally differ from those realised in the future.

Goodwill allocation

The carrying amounts of goodwill are allocated to cash-generating units in accordance with the table below:

MEUR	2024	2023
Environmental Services	87.6	87.6
Industrial Services	31.2	30.6
Facility Services, Finland	28.6	28.6
Facility Services, Sweden	9.6	34.0
Total	157.0	180.8

Goodwill Impairment testing in 2024

The goodwill impairment testing has been prepared based on value-in-use calculations in which future cash flows are discounted to net present value. The terminal growth rate used in the value-in-use calculations of cash-generating units is 2.0 per cent, which corresponds to the mid-term inflation goal of the European Central Bank. The same terminal growth rate is used in all cash-generating units based on similar business environment.

The discount rates used in calculations are based on the Group's weighted average cost of capital (WACC). Factors in WACC are risk-free interest rate, market risk premium, company-specific beta, cost of capital as well as the ratio between equity and liabilities. A discount rate has been defined for each cash generating unit.

Discount rates used in the calculations (pre tax)

%	2024	2023
Environmental Services	8.9	9.4
Industrial Services	8.9	9.4
Facility Services, Finland	8.8	9.3
Facility Services, Sweden	8.8	9.3

In Facility Services Sweden, the result for year 2024 was weaker than expected, and also the forecasts for the strategy period were adjusted downwards. According to the value-in-use calculations used in the impairment testing, the value-in-use of Facility Services Sweden was EUR 22 million, which was below the carrying amount of the tested assets. Thus, an impairment totalling EUR 23 million was recognised on goodwill allocated to Facility Services Sweden in 2024. The impairment is presented on row Impairment of goodwill in the Consolidated income statement.

The value in use of the other cash generating units in the Group exceeded the carrying amounts of the tested assets. Thus, no impairments on goodwill allocated to them were recognised in 2024.

Sensitivity analyses of impairment testing

A sensitivity analysis of each cash-generating unit was performed, during which the key calculation assumptions were tested. The key assumptions used in the testing were discount rate and EBITDA per cent used in calculation of the terminal value. The EBITDA per cent was based on the historical development of the cash-generating unit. In the sensitivity analysis, a key assumption was tested by changing the threshold values to a value at which the value-in-use would equal the carrying amount.

In Facility Services Sweden, the impairment testing resulted in an impairment of goodwill. Regarding the other cash-generating units, any change in the key assumptions which would be considered as somewhat likely could not result in the carrying amount of the cash-generating unit exceeding the value-in-use.

3.3 Tangible assets

Accounting policy

Tangible assets are recognised at historical cost less accumulated depreciation and impairment losses. The historical cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs immediately arising from the acquisition, construction or manufacture of tangible assets that meet the conditions are capitalised as part of the asset's acquisition cost. Possible restoration costs are also included in the acquisition cost.

In business combinations, tangible assets are measured at fair value on the acquisition date. In the statement of financial position, tangible assets are shown less accumulated depreciation and impairment, if any.

Tangible assets are depreciated using the straight-line method over their expected useful lives, excluding new landfills. For completed landfills the Group applies the units of production method, which involves depreciation on the basis of the volume of waste received. The expected useful lives are reviewed on each balance sheet date, and, if expectations differ materially from previous estimates, the depreciation periods are adjusted to reflect the changes in expectations of future economic benefits.

Depreciation in the financial statements is based on the following expected useful lives:

Buildings and structures	5–30 years
Vehicles	6–15 years
Machinery and equipment	4–15 years

Land is not depreciated.

When an asset included in tangible assets consists of several components with different estimated useful lives, each component is treated as a separate asset. Ordinary repair and maintenance costs are recognised in the income statement during the period in which they are incurred. Costs of significant modification and improvement projects are capitalised if it is probable that the projects will result in future economic benefits to the Group. Gains and losses on sales and disposal of tangible assets are recognised through profit or loss and are presented in other operating income or expenses.

Depreciation and impairment of tangible assets is described in note 1.7 Depreciation, amortisation and impairments.

MEUR	Land	Buildings	Machinery and equipment[1]	Other	Prepayments and construction in progress	Total[1]
Acquisition cost, 1 Jan 2024	7.7	146.1	416.4	0.3	16.0	586.5
Additions	0.0	0.7	10.4	0.0	18.6	29.7
Business acquisitions			0.3	0.0		0.4
Disposals		-3.7	-20.4		-0.1	-24.1
Transfers between items		9.5	16.9		-26.4	0.0
Exchange differences		-0.0	-0.3	-0.0	-0.0	-0.3
Acquisition cost, 31 Dec 2024	7.7	152.6	423.4	0.4	8.0	592.2
Accumulated depreciation, 1 Jan 2024	-	-113.8	-307.7	-0.1		-421.7
Accumulated depreciation on disposals and transfers		2.6	19.9			22.5
Depreciation for the period		-5.4	-23.4	-0.0		-28.8
Exchange differences		0.0	0.1	0.0		0.1
Accumulated depreciation, 31 Dec 2024	-	-116.5	-311.2	-0.2		-427.9
Carrying amount at 31 Dec 2024	7.7	36.1	112.3	0.2	8.0	164.3

The carrying amount of machinery and equipment includes EUR 12.0 million (11.9) of compactors and balers sold through an external financing company. Due to the repurchase obligation the leased equipment is treated as tangible assets.

Contractual commitments related to property, plant and equipment totalled EUR 8.6 million (14.0).

MEUR	Land	Buildings	Machinery and equipment[1]	Other	Prepayments and construction in progress	Total[1]
Acquisition cost, 1 Jan 2023	8.2	141.6	416.1	0.3	9.0	575.1
Additions	0.0	0.7	15.2	0.0	22.4	38.3
Additions	-0.5	-0.1	-26.4		-0.0	-27.0
Transfers between items		4.0	11.5		-15.4	0.1
Exchange differences		0.0	0.0	0.0	0.0	0.0
Acquisition cost, 31 Dec 2023	7.7	146.1	416.4	0.3	16.0	586.5
Accumulated depreciation, 1 Jan 2023	-0.5	-108.4	-310.8	-0.1		-419.8
Accumulated depreciation on disposals and transfers	0.5	0.1	25.8			26.4
Depreciation for the period		-5.5	-22.7	-0.0		-28.3
Exchange differences		-0.0	-0.0	-0.0		-0.0
Accumulated depreciation, 31 Dec 2023	-	-113.8	-307.7	-0.1		-421.7
Carrying amount at 31 Dec 2023	7.7	32.3	108.7	0.2	16.0	164.9

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

3.4 Right-of-use assets and lease liabilities

Accounting policy

A right-of-use asset is recognised from a lease contract at the commencement date of the lease, which is the date that the underlying asset is made available for use. Right-of-use assets are measured at cost less any cumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of lease liability recognised, any initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Possible restoration obligations are also considered in the cost of the right-of-use asset. At each balance sheet date, the carrying amounts of right-of-use assets are assessed for any impairment, as described in note 1.7 Depreciation, amortisation and impairments.

The lessee recognises the lease liability at the inception of the contract by discounting the future minimum lease payments to the present value. Since the interest rate implicit in the lease is not readily available in most of the Group's lease contracts, the future minimum lease payments are discounted using The Group's incremental borrowing rate. According to the standard, the incremental borrowing rate is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic situation. The Group has determined the incremental borrowing rate taking into consideration the lease term and the financial environment of the lease.

The Group's lease liability covers the lease liabilities of commodities leased through a financial company as well as the lease liabilities of other lease agreements excluding the short-term leases or leases for low-value assets, for which the right-of-use asset and lease liability is not recognised.

The Group's lease agreements do no include significant variable rents or residual value guarantees.

MEUR	Land	Buildings and constructions	Machinery and equipment	Total
Acquisition cost, 1 Jan 2024	15.1	59.2	81.7	155.9
Additions	0.4	16.0	3.5	19.9
Business acquisitions	-	0.1	0.0	0.1
Disposals	-1.8	-6.3	-14.7	-22.8
Exchange differences	-	-0.3	-0.4	-0.7
Acquisition cost, 31 Dec 2024	13.6	68.7	70.1	152.5
Accumulated depreciation, 1 Jan 2024	-4.5	-33.6	-41.8	-79.9
Accumulated depreciation on disposals and transfers	0.4	4.9	11.9	17.2
Depreciation for the period	-1.0	-10.3	-9.8	-21.1
Exchange differences		0.1	0.3	0.4
Accumulated depreciation, 31 Dec 2024	-5.1	-38.8	-39.4	-83.3
Carrying amount at 31 Dec 2024	8.5	29.9	30.8	69.1

MEUR	Land	Buildings and constructions	Machinery and equipment	Total
Acquisition cost, 1 Jan 2023	16.4	55.1	67.8	139.2
Additions	1.2	11.0	20.0	32.2
Disposals	-2.4	-6.9	-6.1	-15.5
Exchange differences	-	0.0	0.0	0.0
Acquisition cost, 31 Dec 2023	15.1	59.2	81.7	155.9
Accumulated depreciation, 1 Jan 2023	-3.7	-28.3	-36.0	-68.0
Accumulated depreciation on disposals and transfers	0.2	4.4	5.2	9.8
Depreciation for the period	-1.0	-9.6	-10.9	-21.6
Exchange differences	-	-0.1	-0.1	-0.1
Accumulated depreciation, 31 Dec 2023	-4.5	-33.6	-41.8	-79.9
Carrying amount at 31 Dec 2023	10.6	25.6	39.9	76.0

On the balance sheet date, no new lease agreements are known which will become valid in the coming financial years that would have a significant impact on the amount of debt resulting from a right-of-use asset or a lease agreement.

Lease liabilities and their maturity have been presented in notes 4.1 Financial assets and liabilities and 4.2 Financial risk management.

For more information about the expenses related to leases, please refer to note 1.6 Expenses related to leases.

Critical judgements by Management

The Group has lease contracts relating mainly to real estate and land areas which are valid until further notice. For such contracts, the management evaluates the lease term on a lease-by-lease basis. In evaluating the lease term the Group considers e.g. any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to the Group's operations taking into account, for example, whether the underlying asset is a specialised asset, the location of the underlying asset and the availability of suitable alternatives. The lease term is reassesed in future periods to ensure that the lease term reflects the current circumstances.

3.5 Other non-current assets

Accounting policy

The Group's other non-current assets consist of shares in associated companies and joint ventures as well as other shares and holdings. The Group's interests in associated companies and joint ventures are accounted for using the equity method of accounting. The Group's share of its associated companies' or joint ventures' post-acquisition profits or losses after tax are recognised in the income statement and as adjustment to investment in associated companies or joint ventures in the balance sheet accordingly. When the Group's share of losses in an associated company or a joint venture equals or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company or joint venture. Other shares and holdings include shares in a few smaller companies as well as golf shares, and they are measured at fair value through profit or loss. Other receivables mainly include deposits related to pension obligations in Sweden as well as non-current advance payments.

On 1 July 2024, Lassila & Tikanoja's Environmental Services division acquired the rest 60 per cent of the shares of Suomen Keräystuote Oy. Previously Suomen Keräystuote Oy was L&T's associated company, of which L&T's ownership was 40 per cent. The transaction does not have a significant impact on the Group's figures.

MEUR	Shares in associated companies and joint ventures	Other shares and holdings	Other receivables
Acquisition cost, 1 Jan 2024	17.6	0.2	1.5
Disposals	-0.0	-	-0.6
Share of the result of associated companies and joint ventures	3.2	-	-
Received dividends	-1.8	-	-
Exchange differences	-	-	-0.0
Acquisition cost, 31 Dec 2024	18.9	0.2	1.0

MEUR	Shares in associated companies and joint ventures	Other shares and holdings	Other receivables
Acquisition cost, 1 Jan 2023	14.0	0.2	1.9
Additions	-	-	0.0
Disposals	-	-	-0.3
Share of the result of associated companies and joint ventures	3.6	-	-
Exchange differences	-	-	0.0
Acquisition cost, 31 Dec 2023	17.6	0.2	1.5

Information about the substantial joint venture

Name	Name	Direct ownership (%) 2024	Direct ownership (%) 2023
Laania Oy	Helsinki	55	55

Financial information about the substantial joint venture

MEUR	2024	2023
Intangible and tangible assets	3.5	3.3
Right-of-use assets	2.6	2.4
Other non-current receivables	0.0	0.0
Inventories	52.8	40.7
Trade and other receivables	28.8	40.2
Assets total	87.8	86.7
Non-current interest bearing liabilities	22.7	22.4
Trade payables	13.4	14.4
Other current payables	17.3	17.9
Liabilities total	53.4	54.8
Net sales	151.3	153.4
Depreciation and amortisation	-1.5	-1.4
Financial income and expenses	-1.0	-1.2
Income taxes	-1.4	-1.6
Result for the period	5.8	6.5
Average number of personnel during the financial year	123	113
The reconciliation of the joint venture's financial information to the carrying amount recognised by the Group:		
The Group's ownership, %	55.0	55.0
The Group's share of net assets	18.9	17.6
The value of the joint venture in the consolidated statement of financial position	18.9	17.6

4. Financial risks and capital structure

4.1 Financial assets and liabilities

Accounting policy

The Group's financial assets and liabilities include cash and cash equivalents, trade and other receivables, trade and other payables, bank loans, bonds, commercial papers, lease liabilities and derivatives. Financial assets and liabilities are classified into following measurement categories:

Fair value through profit and loss

- Derivatives
- Deferred considerations relating to acquisitions

Amortised cost

- Cash and cash equivalents
- Trade and other receivables
- Interest-bearing liabilities, such as bank loans, bonds, commercial papers, lease liabilities
- Trade and other payables

This classification is performed when the asset or liability is acquired. The classification of financial assets into different measurement categories depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset acquired. The classification of financial liabilities into different measurement categories depends on the purpose for which the financial liabilities were initially acquired.

A financial asset is derecognised when the rights to the cash flows from the asset expire, or when all material risks and rewards of the ownership of the asset have been transferred outside the Group. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets measured at amortised cost

Cash and cash equivalents consist of cash on hand, bank deposits redeemable on demand and other short-term liquid investments. Their maturity is no longer than three months from the acquisition date. They are recognised as of the settlement date and measured at historical cost. Foreign currency transactions are translated into euros using the exchange rates prevailing on the balance sheet date. The used credit limits are included in current interest-bearing liabilities.

Trade and other receivables are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months from the balance sheet date. Trade are recognised at historical cost less allowances for impairment. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. Impairments are recognised as an expense in the income statement. Sold non-recourse trade receivables' credit risk and contractual rights are transferred from the Group on the selling date and related expenses are recognised as financial expenses.
More information about allowance for impairment of trade receivables is presented in note 2.1 Trade and other receivables.

Financial liabilities measured at fair value through profit or loss

Derivatives which are not designated as hedges as well as deferred considerations related to acquisitions are measured at fair value through profit and loss. Derivatives within this category are short-term liabilities with a maturity of less than 12 months and are measured at fair value using the market price on the balance sheet date. Deferred considerations are recognised in the balance sheet on group level only. They are usually non-current liabilities with maturity more than 12 months. Measurement of fair value of the deferred considerations depends on the sale and purchase agreement. Both realised and unrealised gains and losses arising from the changes in fair value are recognised in the income statement for the financial period during which they incurred.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are recognised in the statement of financial position on the settlement date at fair value, on the basis of the consideration received. Transaction costs directly attributable to the acquisition or issue of a loan are included in the original carrying amount of financial liabilities. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in the income statement using the effective interest rate method. Financial liabilities that expire within 12 months from the balance sheet date, including bank overdrafts in use, are recognised within current interest-bearing liabilities, and those expiring in a period exceeding 12 months, are recognised within non-current interest-bearing liabilities.

Interest rate swaps

Fair values of interest rate swaps are valued using a technique based on present value of future cash flows, which is supported by market interest rates at the balance sheet date. Fair values describe the prices that the Group would gain or should pay, if the derivative financial instruments were cancelled at the balance sheet date. At the balance sheet date the company did not have any interest rate swaps.

Lease liabilities

Fair value of lease liabilities is calculated by discounting future cash flows using the incremental borrowing rate. More information on the accounting policies for lease liabilities is presented in note 3.4 Right-of-use assets and lease liabilities.

Fair value hierarchy of financial assets and liabilities measured at fair value

Financial assets and liabilities recognised at fair value must be categorised by using a three-level fair value hierarchy that reflects the significance of the input data used in fair value measurement. Hierarchy level 1 includes such financial instruments, whose fair value is directly based on quated prices in active markets. Financial instruments of hierarchy level 2 include over-the-counter (OTC) derivatives as well as loan receivables and loans measured at amortised cost. A financial instrument is categorised to level 3 if it's fair value cannot be determined based on observable market information.

In the Group, derivatives and deferred consideration relating to acquisitions are recognised at fair value. Derivatives, which comprise interest rate swaps are categorised in hierarchy level 2. The fair values of financial instruments are based on prices derived from prices quoted in an active market or generally accepted valuation models that are, to a significant degree, based on verifiable market data. The fair value of the deferred consideration is categorised in hierarchy level 3. Its valuation is described in more detail on the following page.

Reconciliation of financial liabilities recognised at fair value according to the level 3

MEUR	2024	2023
Carrying amount 1 Jan	5.9	5.7
Change in fair value	1.0	0.2
Exchange differences	-0.2	0.0
Carrying amount 31 Dec	6.7	5.9

Deferred consideration is related to the acquisition of 70 per cent share of Sand & Vattenbläst i Tyringe AB ("SVB") that offers process cleaning services in Sweden. The acquisition took place on 1 February 2022. SVB is consolidated with 100 per cent share in the Group and, in connection with the arrangement, L&T has recognised in financial liabilities an estimate of the deferred consideration for the acquisition. The deferred consideration relates to the acquisition of non-controlling interest and is measured at fair value, which is reflected in the present value of the estimated liability. It will mature on 1 February 2026 at the earliest.

The valuation of the deferred consideration is based on the shareholder agreement and is affected by the acquired company's balance sheet structure and EBITDA forecast for 2025. More information on the deferred consideration is presented in note 2.4 Other non-current liabilities.

Net interest-bearing liabilities

MEUR	2024	2023
Loans from financial institutions	40.3	40.8
Bonds	74.8	74.7
Lease liabilities	53.2	56.1
Non-current interest-bearing liabilities	168.3	171.7
Lease liabilities	18.1	21.5
Current loans	0.5	0.6
Current interest-bearing liabilities	18.6	22.1
Total interest-bearing liabilities	186.9	193.7
Cash and cash equivalents	33.9	32.9
Net interest-bearing liabilities	153.0	160.9

	2024			2023				
MEUR	Amortised cost	Fair value through profit or loss	Carrying amounts by balance sheet item	Amortised cost	Fair value through profit or loss	Carrying amounts by balance sheet item	Fair value hierarchy level	Note
Non-current financial assets								
Other receivables	0.9		0.9	1.3		1.3		
Current financial assets								
Trade and other receivables[1]	86.8		86.8	98.6		98.6		2.1
Cash and cash equivalents	33.9		33.9	32.9		32.9		
Total financial assets	121.6	-	121.6	132.8	-	132.8		
Non-current financial liabilities								
Borrowings	115.1		115.1	115.5		115.5	2	
Lease liabilities	53.2		53.2	56.1		56.1		4.2
Deferred consideration		6.7	6.7		5.9	5.9	3	
Current financial liabilities								
Borrowings	0.5		0.5	0.6		0.6	2	
Lease liabilities	18.1		18.1	21.5		21.5		4.2
Interest liabilities	2.2		2.2	2.3		2.3		
Trade and other payables	56.9		56.9	69.4		69.4		2.3
Total financial liabilities	246.0	6.7	252.7	265.4	5.9	271.3		

[1] The Company has redefined the presentation of contract assets in 2024 and adjusted contract assets and trade receivables for year 2023 accordingly.

Non-current other liabilities do not include advances received. Trade and other receivables do not include tax receivables and accruals, and trade and other payables do not include statutory liabilities (e.g. tax liabilities), accrued expenses and deferred income. The fair values of balance sheet items do not differ significantly from the carrying amounts of the balance sheet items.

Change in net interest-bearing liabilities

	2024					2023				
MEUR	Loans from financial institutions	Bonds	Lease liabilities	Cash and cash equivalents	Total	Loans from financial institutions	Bonds	Lease liabilities	Cash and cash equivalents	Total
Carrying amount on 1 Jan	-41.4	-74.7	-77.6	32.9	-160.9	-52.0	-92.3	-72.5	49.5	-167.3
Change in net interest-bearing liabilities, cash:										
Proceeds from non-current loans					-	-40.0				-40.0
Repayments of non-current loans	0.6				0.6	50.7	17.7			68.4
Proceeds from current loans	-60.0				-60.0	-10.0				-10.0
Repayments of current loans	60.0				60.0	10.0				10.0
Repayments of lease liabilities			20.4		20.4			21.2		21.2
Change in cash and cash equivalent				1.1	1.1				-16.6	-16.6
Total cash flows	0.6	-	20.4	1.1	22.1	10.7	17.7	21.2	-16.6	33.0
Change in net interest-bearing liabilities, non-cash:										
Change in lease liablities			-14.1		-14.1			-26.4		-26.4
Other changes	0.0	-0.1		-0.1	-0.2	0.0	-0.1		0.0	-0.1
Total non-cash movements	0.0	-0.1	-14.1	-0.1	-14.3	0.0	-0.1	-26.4	0.0	-26.5
Carrying amount on 31 Dec	-40.8	-74.8	-71.3	33.9	-153.0	-41.4	-74.7	-77.6	32.9	-160.9

4.2 Financial risk management

The principles for L&T's financial risk management are defined in the treasury policy approved by the Board of Directors. The purpose of financial risk management is to mitigate significant financial risks and strive to reduce the unfavourable effects of fluctuations in the financial market and other risk factors on the Group's result.

The Group's financing and liquidity management are handled centrally by the Group's finance function, which is managed by the CFO. Transactions related to financial risk management are carried out by the Group's finance function.

Foreign exchange risk

The Group consists of a parent company operating in Finland and subsidiaries operating in Finland and Sweden. The parent company's and the Finnish subsidiaries' functional and reporting currency is the euro. The foreign subsidiaries' functional and reporting currency is the currency of their country of location. Thus, changes in foreign exchange rates have impact on the Group's result and equity.

Translation risk

The exposure to translation risk consists of net investments in foreign subsidiaries, which include equity investments and retained earnings. The position of net investments in foreign subsidiaries is not hedged, as these holdings are considered long-term strategic investments.

In 2024, translation differences totalling EUR -2.1 million (0.1) were accumulated in the equity due to the fluctuations of currency rates. The translation difference is totally related to the Swedish business. At the balance sheet date, the Swedish krona denominated translation position was EUR 33.1 million (67.3).

Transaction risk

The business operations of the Group's foreign subsidiaries are carried out almost completely in their functional currency and thus does not cause any transaction risk. Group companies operating in Finland use euro as the invoicing currency for sales almost exclusively. Financing for subsidiaries is mainly provided through intra-Group loans that are denominated in the functional currency of each subsidiary. The amount of the internal loans within the Group is small, and thus does not cause significant transaction risk.

The company has recognised in financial liabilities an estimate of a deferred consideration related to the acquisition of Sand&Vattenbläst i Tyringe AB. The Swedish krona denominated deferred consideration exposes the company to a translation risk.

Price risk of investments

The Group has not invested in listed securities, the value of which changes as the market prices change, and is thus not exposed to securities price risk. The Group has a 55% holding in Laania Oy, a joint venture established on 1 July 2022 with Neova. The investment in the joint venture is accounted for using the equity method of accounting, and it's carrying amount in the balance sheet was EUR 18.9 million (17.6) at the end of the reporting period. More information on the joint venture and its measurement can be found in note 3.5 Other non-current assets. The Group's other holdings in unlisted shares are not material, and there is no substantial price risk related to these shares.

Commodity price risk

The fluctuations of the world market price of crude oil are reflected in the price of fuel used in production equipment as well as in the purchase prices of environmental products through oil-based raw materials. In waste management, some customer contracts specify such invoicing periods and contract terms that the sales prices cannot be raised monthly. This means that the rise in fuel prices is passed on to service prices with a delay.

The Group manages the raw material price risk for environmental products through fixing sales prices for a period not exceeding the period for which the suppliers' purchase prices are valid.

Interest rate risk

The Group's interest rate risk is primarily related to borrowings, which are tied to variable interest rates and create cash flows that vary with the interest rate level. The Group seeks to keep interest costs steady. As a result, the aim is to tie over 50 per cent of the company's borrowings to fixed interest rates. When necessary, part of the cash flows associated with variable-rate borrowings is hedged against interest rate risk with interest rate swaps. At the balance sheet date, the Group did not have interest rate swaps.

At end of the financial period, 65 per cent (65) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 35 per cent (35). Therefore changes in the interest rate level will not impact interest costs in full. The average interest rate of long-term loans, excluding lease liabilities, with interest rate hedging, was 3.8 per cent (4.0).

Most of the Group's net sales are generated by long-term service agreements. Due to good cash flow predictability, the Group's treasury policy specifies that the company shall seek to ensure adequate level of liquid assets in proportion to the current short-term financing requirements.

Credit and counterparty risk

Financial instruments involve the risk of the counterparty being unable to fulfil its contractual commitments. Counterparty risk is managed by making financial and derivative contracts with major Nordic banks only.

The Group has a wide customer base consisting of companies, industrial plants, office and business properties, institutional property owners, housing corporations, public sector organisations and households. Its accounts receivable consist mostly of a high number of relatively small receivables and there are no significant concentrations of credit risk.The Group has credit control guidelines to ensure that services and products are sold only to customers with an appropriate credit standing or, if a customer's creditworthiness is inadequate, prepayment is required. Most customer relationships are based on long-term service contracts, and customers are not generally required to provide collateral.

A simplified credit loss model is used for trade receivables and contract assets. The amount of expected credit losses is based on the lifetime expected credit losses of receivables. The model is based on historical observed default amounts over the expected life of the trade receivables and is adjusted for forward-looking estimates depending on the overdue of the receivables. More information on allowance for expected credit losses can be found in note 2.1 Trade and other receivables.

With regard to Finnish trade receivables, collection operations are managed centrally by the finance function. The foreign subsidiaries manage the collection of their trade receivables locally.

Financial assets and related credit risk

MEUR	2024	2023
Other non-current receivables	0.9	1.3
Trade receivables	86.5	98.6
Other current receivables	0.2	0.0
Cash and cash equivalents	33.9	32.9

Liquidity and refinancing risk

Liquidity risk management ensures that the Group continuously will be able to answer for its financial obligations associated with operations at the lowest possible cost. The Group seeks to maintain good liquidity through efficient cash management. The liquidity situation is monitored in real time and predicted using cash flow forecasts. The Group uses a group bank account system which facilitates the management of cash funds. To ascertain the availability of funding, the Group uses several banks in its financial operations. Refinancing risk is managed by a broad-based maturity profile of loans and by maintaining the level of the average duration of the loan portfolio for at least two years.

The Group seeks to keep its cash assets fairly small, while ensuring sufficient credit limits for liquidity management purposes. To meet any temporary need for cash arising from cash flow fluctuations, the Group has an EUR 10 million account limit. In May 2022, the Group signed a committed credit limit linked to responsibility targets totalling EUR 40 million. The credit limit will mature in the first quarter of 2025. The account limit as well as the committed credit limit were not in use at the balance sheet date, as was the case in the comparison period. In addition, the Group has commercial paper programme totalling EUR 100 million which was all unused at the balance sheet date (comparison period: all unused). At the end of the financial period, the Group's liquid assets amounted to EUR 33.9 million (32.9).

In the second quarter of 2023, the company refinanced a EUR 50 million bank loan that would have matured in the third quarter of 2024. The refinanced bank loan totalling EUR 40 million will mature in the third quarter of 2026. The interest rate swap used by the company to convert part of the EUR 50 million bank loan into a fixed interest loan was terminated in conjunction with the refinancing of the bank loan. The fair value of the interest rate swap, EUR 1.3 million, was recognised as financial income in the consolidated income statement.

During the third quarter of 2023, the Company repaid the the remaining EUR 17.7 million of the bond issued in 2018.

The new bank loan totalling EUR 40 million includes following financial covenants: equity ratio and net debt to EBITDA ratio. These covenants restrict giving of collaterals to other financiers and discontinuance or disposal of present business. A breach of the covenants may lead to the early termination of the loan. At the end of the reporting period, the financial covenants were fulfilled. The company excepts them to be fulfilled also after the following 12 months. In addition to financial covenants, the expenses of the committed credit limit and the senior unsecured sustainability-linked notes issued in May 2022 as well as the new bank loan totalling EUR 40 million are linked to sustainability targets, namely carbon footprint and accident frequency.

The following table shows the Group's financial liabilities classified according to contractual maturity dates at the balance sheet date. The figures shown are undiscounted contractual cash flows.

Maturity of financial liabilities

MEUR 2024	Carrying amount	Contractual cash flows	2025	2026	2027	2028	2029	2030 and later
Loans from credit institutions	40.8	40.8	0.5	40.3	0.1	0.0	-	-
Bonds	74.8	75.0	-	-	-	75.0	-	-
Interest liabilities	2.2	13.8	4.4	4.4	2.5	2.5	-	-
Lease liabilities	71.3	76.0	21.2	16.1	8.2	6.7	5.8	18.0
Trade and other payables	56.9	56.9	56.9	-	-	-	-	-
Total	246.0	262.5	83.0	60.7	10.8	84.2	5.8	18.0

MEUR 2023	Carrying amount	Contractual cash flows	2024	2025	2026	2027	2028	2029 and later.
Loans from credit institutions[1]	41.4	41.4	0.6	0.5	40.3	0.1	0.0	-
Bonds[1]	74.7	75.0	-	-	-	-	75.0	-
Interest liabilities[1]	2.3	19.0	4.7	4.6	4.6	2.5	2.5	-
Lease liabilities	77.6	81.6	22.4	18.8	8.5	6.2	5.3	20.4
Trade and other payables	69.4	69.4	69.4	-	-	-	-	-
Total	265.4	286.4	97.0	23.9	53.4	8.8	82.9	20.4

[1] In 2024, the company added interest liabilities to the maturity table and transferred the future interest payments of borrowings on a separate line. The figures for 2023 were adjusted accordingly.

Breakdown of borrowings and facilites

MEUR	2024 In use	2024 Undrawn	2024 Total	2023 In use	2023 Undrawn	2023 Total
Loans from financial institutions and pension loans	40.8	-	40.8	41.4	-	41.4
Bonds	74.8	-	74.8	74.7	-	74.7
Account limit	-	10.0	10.0	-	10.0	10.0
Committed credit facility	-	40.0	40.0	-	40.0	40.0
Commercial paper programme	-	100.0	100.0	-	100.0	100.0
Lease liabilities from financial institutions	25.3	24.7	50.0	32.8	17.2	50.0
Other lease liabilities	46.0	-	46.0	44.9	-	44.9
Total	186.9	174.7	361.6	193.7	167.2	360.9

Sensitivity to interest rate risks arising from financial instruments

The following sensitivity analysis illustrates the sensitivity of the Group's profit for the period and equity to changes in the interest rate level with regard to financial instruments in the statement of financial position, including financial assets and liabilities.

The following assumptions have been used in calculating sensitivity to changes in the interest rate level:

- The change in the interest rate level is assumed to be a rise of +1.0 percentage point and a decrease of -1.0 percentage point.
- The exposure underlying the calculation includes interest-bearing financial liabilities.

Sensitivity analysis of interest rate risk arising from financial instruments

MEUR	2024 Profit after tax	2023 Profit after tax
Floating rate loans:		
+ 1.0% change in market interest rates	-0.3	-0.3
- 1.0% change in market interest rates	0.3	0.3

Derivative financial instruments and hedge accounting

Accounting policy

In accordance with L&T's financing policy, derivative agreements are used for the reduction of financial risks related to changes in market interest rates. At the beginning of year 2023, the Group had one interest rate swap, which had been implemented to protect the cashflows of floating rate loans from the interest rate risk. This interest rate swap was prematurely terminated in June 2023.

Derivatives are recognised in the balance sheet initially at fair value. After the acquisition they will, however, be recognised at the fair value applicable at the balance sheet date. The fair values are based on market prices at the balance sheet date. Any profits and losses from the measurement at fair value are processed in the accounting according to the purpose of use of the derivative agreement.

All interest hedges meet the requirements of effective hedging stated in the L&T's risk management. Any profits and losses resulting from derivatives under hedge accounting are recognised in line with the underlying asset. Hedge accounting is applied to all interest swap agreements.

The efficiency of hedging relationships is registered initially and in conjunction with each interim report by evaluating the hedging instrument's ability to reverse the changes in the cashflow of the hedged item. If the hedging is effective, the changes in the fair value of hedging instruments are recognised in the hedging reserve within equity. When a hedging instrument matures, it is sold or when the criteria for hedge accounting no longer meet the Group's risk management requirements, the profit or loss generated from the hedging instrument remains in equity until the hedged cash flow is realised. If the hedged cash flow is no longer expected to become realised, the profit or loss generated from the hedging instrument is immediately recognised in the income statement. Any ineffective part of a hedging relationship is also immediately recognised in the income statement.

The positive fair values of all derivatives are recognised in the balance sheet as derivative receivables. Correspondingly, the negative fair values of derivatives are recognised as derivative liabilities. All fair values of derivatives are included in short-term assets or liabilities.

At the balance sheet date the company did not have any interest rate swaps.

Interest rate swaps

The interest rate swap that was used for hedging cash flows related to floating rate loans was terminated in June 2023 in conjunction with the refinancing of the hedged loan. The fair value of the interest rate swap totalling EUR 1.3 million was recognised as financial income in the consolidated income statement. In the comparison period, the hedge was effective, and the changes in the fair value of interest rate swap were presented in other comprehensive income for the period. The fair value of the swap contract was based on the market data at the balance sheet date.

4.3 Equity

Accounting policy

Ordinary shares are presented as share capital. Any expenses arising from the issue or acquisition of treasury shares are presented as a valuation allowance within equity. If the Group repurchases any equity instruments, the acquisition cost of such instruments is deducted from equity.

Lassila & Tikanoja plc has one share series. There is no maximum to the number of the shares and the share capital in the Articles of Association. A share has neither a nominal value nor a book equivalent value. All issued shares have been paid for in full.

The Annual General Meeting held on 21 March 2024 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling their holders to shares.

The Board of Directors is authorised to purchase a maximum of 2,000,000 company shares (5.2 per cent of the total number of shares). The repurchase authorisation is effective for 18 months. During the reporting period, the authorisation was not used.

At the end of the financial year 2024, the company held 609,941 treasury shares (644,772) representing 1.6 per cent (1.7) of all shares and votes.

Invested non-restricted equity reserve includes other equity type investments and share subscription prices to the extent that they are not expressly designated to be included in the share capital.

Other reserves

Translation reserve

Translation differences arise from the translation of the equity and earnings of foreign subsidiaries into euros.

Hedging reserves

Hedging reserve includes effective changes in the fair values of derivative instruments used for hedging of cash flows.

MEUR	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan 2024	38,154	19.4	0.6	-10.0	10.1
26 February 2024 Transfer of own shares	21			0.3	0.3
2 May 2024 Transfer of own shares	13			0.2	0.2
At 31 Dec 2024	38,189	19.4	0.6	-9.4	10.6

MEUR	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan 2023	38,146	19.4	0.6	-10.1	9.9
8 May 2023 Transfer of own shares	8			0.1	0.1
At 31 Dec 2023	38,154	19.4	0.6	-10.0	10.1

Capital management

The objective of the Group's capital management is to secure the continuity of operations and maintain an optimal capital structure to enable investments, taking the cost of capital into account. The capital includes equity and liabilities less advances received.

The amount of annual dividend is linked to earnings. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

The development of the capital structure is monitored quarterly using the equity ratio and gearing.

MEUR	2024	2023
Equity in the consolidated statement of financial position[1]	209.2	231.3
Equity and liabilities total[1]	607.9	648.8
Current advances received	-10.5	-11.2
Non-current advances received	-6.7	-7.2
Total	590.7	630.4
Equity ratio, %[1]	35.4	36.7

MEUR	2024	2023
Equity in the consolidated statement of financial position[1]	209.2	231.3
Non-current financial liabilities	168.3	171.7
Current financial liabilities	18.6	22.1
Cash and cash equivalents	-33.9	-32.9
Net interest-bearing liabilities	153.0	160.9
Gearing, %[1]	73.2	69.5

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

4.4 Earnings per share and dividend per share

Accounting policy

Basic earnings per share is calculated by dividing the result for the period attributable to equity holders of the parent company by the adjusted weighted average number of ordinary shares outstanding during the period excluding ordinary shares purchased by the company and held as treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to asume conversion of all dilutative potential ordinary shares.

	2024	2023
Result attributable to equity holders of the company, MEUR[1]	-1.7	29.2
Adjusted weighted average number of ordinary shares outstanding during the year, million shares	38.2	38.1
Earnings per share, EUR[1]	-0.05	0.77
Dilutive effect of the share-based incentive programme, million shares	0.1	0.1
Adjusted average number of shares during the period, diluted, million shares	38.3	38.2
Earnings per share, diluted, EUR[1]	-0.05	0.76

[1] The figures for year 2023 have been restated due to an error related to the previous period. For more information on the correction please see note 5.7 Correction of an error in calculating depreciation.

At the Annual General Meeting on 27 March 2025, the Board of Directors will propose that a dividend of EUR 0.50 per share be paid for the 2024 financial year. On the basis of a decision taken by the Annual General Meeting, the company paid a dividend of EUR 0.49 per share for 2023.

4.5 Commitments and contingent liabilities

MEUR	2024	2023
Collaterals for own commitments		
Mortgages on rights of tenancy	0.1	0.1
Company mortgages	0.5	0.5
Other securities	0.0	0.0
Bank guarantees required for environmental permits	25.0	26.6
Other bank guarantees	7.1	6.5
Mortgages under own control		
Company mortgages	0.2	0.2
Liabilities on behalf of the joint venture		
Account limit	-	2.8
Bank guarantees	16.5	16.5
Term loan facility guarantee	-	11.0
Revolving credit facility	-	5.5
Future lease payments		
Within one year	0.8	0.9
Over one year	0.5	0.7

The Group has a 55% holding in Laania Oy, a joint venture established on 1 July 2022 together with Neova. The amount of the liabilities on behalf of the joint venture is disclosed as the Group's share of the maximum amount of liability, in relation to the Group's holding.

Future lease payments consist of minimum leasing commitments related to lease agreements for low-value assets, to which the Group has elected to apply recognition exemption permitted by IFRS 16. For more information on leases please refer to notes 1.6 Expenses related to leases and 3.4 Right-of-use assets and lease liabilities.

The Group company Lassila & Tikanoja FM AB is a claimant and a defendant in legal proceedings in Sweden concerning unpaid receivables invoiced from a former customer of the Group. In June 2022, Lassila & Tikanoja FM AB took legal action in the District Court of Solna against the former customer company of L&T, demanding payment for unpaid receivables. After taking into account the recognised impairments, the carrying amount of the receivables on the Company's balance sheet was approximately EUR 0.6 million at the balance sheet date. The former L&T customer company in question has rejected Lassila & Tikanoja FM AB's claims and the payment obligation, and brought a counterclaim demanding approximately SEK 144 million from Lassila & Tikanoja FM AB. The dispute is still pending. L&T considers the counterclaim to be without merit and has not recognised any provisions relating to it.

In addition to the above mentioned dispute, Lassila & Tikanoja plc is party to a few disputes related to the Group's ordinary business operations. The outcome of these disputes are not expected to have a material effect on the Group's financial position.

5. Consolidation and other notes

5.1 Consolidation

Subsidiaries

The consolidated financial statements include the parent company Lassila & Tikanoja plc and all subsidiaries in which the Group exercises control. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

Intra-Group shareholdings are eliminated using the acquisition method. Consideration given and the identifiable assets and liabilities of an acquired company are recognised at fair value on the date of acquisition. Any costs associated with the acquisition, with the exception of costs arising from the issuance of debt securities or equity instruments, are recognised as expenses. Any conditional additional sale price is measured at fair value on the date of the acquisition and classified as a liability or as equity. Additional sales price classified as a liability is measured at fair value on the closing day of each reporting period, and the resulting gains or losses are recognised through profit or loss. Additional sales price classified as equity will not be re-measured. Any non-controlling interests in the acquired entity are recognised either at fair value or at the proportionate share of non-controlling interests in the acquired entity's net identifiable assets. The principle applied in measurement is specified separately for each acquisition. The treatment of goodwill from acquisition of subsidiaries is explained in note 3.1 Goodwill and other intangible assets. The subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The profit or loss for the period and the comprehensive income are attributed to the parent company's shareholders and non-controlling interests, even if this would result in the non-controlling interest being negative. Equity attributable to non-controlling interests is presented as a separate item in the statement of financial position, as an equity component. Changes in the parent company's holdings in the subsidiary not resulting in loss of controlling interest are recognised as equity transactions. The Group has no non-controlling interests

In an acquisition achieved in stages, the previous holdings are measured at fair value and the resulting gains or losses are recognised through profit or loss. If the Group loses its controlling interest in the subsidiary, its remaining holdings are measured at fair value on the date when control ceases, and the difference is recognised through profit or loss.

All intra-Group transactions, receivables, liabilities and unrealised gains, as well as distribution of profits within the Group, are eliminated in the consolidated financial statements. Unrealised losses due to impairment of assets are not eliminated. The distribution of profit or loss for the period between equity holders of the parent company and the non-controlling interest is presented in a separate income statement and the statement of comprehensive income, and the share of equity belonging to the non-controlling interest is presented as a separate item in the consolidated statement of financial position under equity.

Associated companies and joint ventures

Associates companies are entities over which the Group has significant influence but no control. L&T has significant influence when it holds more than 20% of the voting rights or otherwise has significant influence but a non-controlling interest. Joint ventures are arrangements in which the Group has joint control.

The Group's interests in associated companies and joint ventures are accounted for using the equity method of accounting. Investments in associated companies and joint ventures are initially measured at fair value. The Group's share of its associated companies' or joint ventures' post-acquisition profits or losses after tax are recognised in the income statement. When the Group's share of losses in an associated company or a joint venture equals or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company or joint venture.

Foreign currency translation

Figures indicating the performance and financial position of the Group entities are specified in the currency of the economic operating environment in which the entity primarily operates (functional currency). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Any transactions in foreign currencies are recognised in the functional currency using the exchange rate in effect on the transaction date. In practice, it is customary to use a rate that is close enough to the transaction day rate. Monetary assets denominated in foreign currency are translated into euros using the exchange rates in effect on the balance sheet date. Non-monetary assets are translated using the exchange rate in effect on the transaction date. The Group has no non-monetary assets denominated in foreign currency that are measured at fair value. Exchange rate gains and losses arising from foreign-currency transactions and the translation of monetary items are recognised in the income statement. Foreign exchange gains and losses on business transactions are included in the respective items above operating profit. Foreign exchange gains and losses on financial assets and liabilities are included in financial income and costs.

The income statements of the Group entities whose functional currency is not the euro are translated into euros at average exchange rates for the period, and the statements of financial position at the exchange rates in effect at the balance sheet date. The difference in exchange rates applicable to the translation of profit in the income statement and statement of comprehensive income result in a translation difference recognised in the translation reserve within equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences in equity items accumulating after the acquisition, are recognised in the translation difference reserve.

Goodwill and fair value adjustments to the carrying amounts of the assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into euros at the closing rate.

5.2 Group companies

	The Group's holding of shares and votes, %
The Group's parent company	
Lassila & Tikanoja plc	
Finnish subsidiaries	
L&T Kiinteistöhuolto Oy, Helsinki	100.0
L&T Kiinteistötekniikka Oy, Helsinki	100.0
L&T Siivous Oy, Helsinki	100.0
L&T Ympäristöpalvelut Oy, Helsinki	100.0
L&T Teollisuuspalvelut Oy, Helsinki	100.0
Suomen Keräystuote Oy, Helsinki	100.0
Foreign subsidiaries	
Lassila & Tikanoja FM AB, Stockholm, Sweden	100.0
Lassila & Tikanoja Service AB, Stockholm, Sweden	100.0
Sand & Vattenbläst i Tyringe AB, Hässleholm, Sweden	70.0
Joint ventures	
Laania Oy, Helsinki[1]	55.0

[1] Information on the joint venture is disclosed in note 3.5 Other non-current assets

During the reporting period, L&T Toimi Oy was merged to Lassila & Tikanoja plc and Ciscternservice i Hässleholm AB and PF Industriservice AB were merged to Sand & Vattenbläst i Tyringe AB.

5.3 Business acquisitions

Accounting policy

In business combinations, all property, plant and equipment acquired is measured at fair value on the basis of the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. Tangible assets will be depreciated over their useful life according to the management's estimate, taking into account the depreciation principles followed within the Group.

Intangible assets arising from business combinations are recognised separately from goodwill at fair value at the time of acquisition if they are identifiable. In connection with acquired business operations, the Group mostly has acquired agreements on prohibition of competition and customer relationships as well as environmental permits. The fair value of customer agreements and customer relationships associated with them has been determined on the basis of estimated duration of customer relationships and discounted net cash flows arising from current customer relationships. The value of agreements on prohibition of competition is calculated in a similar manner through cash flows over the duration of the agreement. Intangible assets are amortised over their useful life according to the agreement or the management's estimate.

Critical judgements by Management

Assets and liabilities acquired in business combinations as well as assets and liabilities classified as held for sale are measured at fair value. Whenever possible, the management uses available market values when determining the fair values. When this is not possible, the measurement is based on the historical income from the asset. In particular, the measurement of intangible assets is based on discounted cash flows and requires the management to make estimates on future cash flows. Although these estimates are based on the management's best knowledge, actual results may differ from the estimates. The carrying amounts of assets are reviewed continuously for impairment. More information on this is provided in note 1.7. Depreciation, amortisation and impairments.

Business acquisitions 2024

On 1 February 2024, Lassila & Tikanoja's Industrial Services division acquired all of the shares of PF Industriservice AB, a company that provides process cleaning services in Sweden. Through the acquisition, L&T's Industrial Services division's process cleaning services business expanded to the Gävleborg area in Sweden. In the fair value measurement, intangible assets based on customer relationships with a value of EUR 0.7 million, as well as goodwill with a value of EUR 0.8 million were identified. The goodwill is mainly based on the regional position of the acquired business and its future development prospects.

On 1 July 2024, Lassila & Tikanoja's Environmental Services division acquired the rest 60 per cent of the shares of Suomen Keräystuote Oy. Previously Suomen Keräystuote Oy was L&T's associated company, of which L&T's ownership was 40 per cent. The transaction does not have a significant impact on the Group's figures.

In 2024, business acquisitions had an EUR 2.6 million million impact on the Group's net sales for the financial period and EUR 0.2 million on operating profit. If the acquisitions in 2024 had been completed on 1 January 2024, the Groups net sales would have been approximately EUR 770.8 million and operating profit approximately EUR 9.8 million.

In 2024, expenses totalling EUR 0.1 million (-) related to the acquisitions were recognised in the income statement.

The acquisition price calculations prepared according to IFRSs are final. The figures for such acquired businesses, that are not material to the Group when considered separately, are stated in aggregate.

Business acquisitions 2023

There were no business acquisitions in 2023.

Business acquisitions

Fair value, MEUR	2024[1]	2023
Intangible assets	0.7	-
Property, plant and equipment	0.4	-
Right-of-use assets	0.1	-
Receivables	0.2	-
Cash and cash equivalents	0.5	-
Total assets	1.9	-
Other liabilities	0.4	-
Deferred tax liabilities	0.2	-
Total liabilities	0.6	-
Net assets acquired	1.2	-
Total consideration	2.1	-
Goodwill	0.8	-
Impact on cash flow		
Total consideration	-2.1	-
Consideration paid in cash	-2.1	-
Cash and cash equivalents of the acquired company	0.5	-
Total impact on cash flow	-1.6	-

[1] Includes the acquistion price calculation for PF Industriservice AB.

5.4 Related-party transactions

The related parties of the Lassila & Tikanoja Group are the senior management (members of the Board of Directors, President and CEO of the Lassila & Tikanoja plc and the other members of the Group Executive Board) and the immediate family of the senior management and companies controlled by the aforementioned persons, the Group's subsidiaries, the associated company (Suomen Keräystuote Oy until 1 July 2024), the joint venture (Laania Oy) and the L&T sickness fund.

Lists of the Group's parent and subsidiary relationships, associated companies and joint ventures are presented in note 5.2. Group companies.

The contributions paid by the group companies to the L&T sickness fund during the financial year amounted to EUR 1.0 million (1.0).

Transactions with the joint venture

The Group's business transactions with Laania Oy are presented in the following table. In the first quarter of 2024, Laania paid dividends totalling EUR 1.8 million to Lassila & Tikanoja. The Group has also provided guarantees for Laania's financing arrangements, which are specified in note 4.5 Commitments and contingent liabilities.

MEUR	2024	2023
Net sales	3.1	2.2
Purchases of materials and services	-0.9	-1.3
Trade and other receivables	0.0	0.0

Employee benefits to the President and CEO

TEUR	2024	2023
Salaries and other short-term employee benefits	473.9	466.8
Bonuses	89.4	63.9
Share-based payments	145.7	-
Pension expenses, statutory	48.7	45.9
Total	757.8	576.6

Employee benefits to other members of the Group Executive Board

TEUR	2024	2023
Salaries and other short-term employee benefits	1,510.4	1,697.8
Bonuses	134.7	136.5
Termination benefits	697.3	-
Share-based payments	246.6	-
Pension expenses, statutory	160.0	198.9
Total	2,749.0	2,033.3

Salaries and remunerations paid to members of the Board of Directors

TEUR	2024	2023
Jukka Leinonen, Chairman of the Board	97	76
Sakari Lassila, Deputy Chairman of the Board	67	52
Teemu Kangas-Kärki	50	39
Laura Lares	49	38
Juuso Maijala[1]	48	-
Anni Ronkainen[2]	50	37
Pasi Tolppanen	49	39
Laura Tarkka[3]	-	3

[1] Board member since 21 March 2024
[2] Board member since 23 March 2023
[3] Board member until 23 March 2023

In 2024, 21,499 Lassila & Tikanoja plc's shares were transferred to the President and CEO and the members of the Group Executive Board from the share-based incentive programmes (in 2023, no shares were transferred).

On 2 May 2024, 13,332 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (8 May 2023: 8,484).

The members of the Board of Directors, the President and CEO or other members of the Group Executive Board have no pension contracts with the company.

In 2024, the company sold services included in normal business operations at market price to parties related to the key personnel for a total amount of EUR 5 thousand (7).

The members of the Board are not included in the share-based incentive programmes.

No loans were granted and no guarantees nor other securities given to persons belonging to the related parties.

5.5 Auditing costs

MEUR	2024	2023
Auditing	0.3	0.3
Other assignments in accordance with the auditing act	0.0	0.0
Tax consulting services	0.0	0.0
Other services	0.1	0.0
Total	0.5	0.4

Non-audit services performed by the statury auditor PricewaterhouseCoopers Oy in the financial year 2024 totalled EUR 143.2 thousand (EUR 71.1 thousand in 2023). The non-audit services include the assurance of sustainability report.

5.6 Events after the balance sheet date

On 10 January 2025, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board proposes to the Annual General Meeting to be held on 27 March 2025 that the Board of Directors to have eight (8) members. The Nomination Board proposes that, of the current members, Teemu Kangas-Kärki, Sakari Lassila, Jukka Leinonen, Juuso Maijala, Anni Ronkainen and Pasi Tolppanen be re-elected to the Board of Directors, and that Tuija Kalpala and Anna-Maria Tuominen-Reini be elected as new members to the Board of Directors. In addition, the Nomination Board proposes that Jukka Leinonen be elected as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman. Of the current members of the Board of Directors, Laura Lares has informed the Nomination Board that she is not available for re-election for the next term of the Board of Directors. The CV's of Tuija Kalpala and Anna-Maria Tuominen-Reini are available on Lassila & Tikanoja's website at www.lt.fi/en/company/management-and-board-of-directors/board-of-directors. The current members of the Board of Directors are presented on the same page.

According to the currently valid Articles of Association, the management of the company and the proper arrangement of its operations are the responsibility of a Board of Directors comprising a minimum of three (3) and a maximum of seven (7) members appointed by the General Meeting of Shareholders. The Nomination Board's proposal requires an amendment to Article 4 of the Articles of Association, which will be included in full in the notice of the Annual General Meeting. Of the company's shareholders, the Evald and Hilda Nissi Foundation, Nordea Nordic Small Cap Fund Oy and the group of shareholders consisting of Chemec Oy, CH-Polymers Oy, Maijala Eeva, Maijala Investment Oy, Maijala Juhani, Maijala Juuso, Maijala Miikka, Maijala Mikko, Maijala Roope and Maijala Tuula, who are represented on the Nomination Board and collectively represent approximately 22.1% of all shares and votes in the company, have declared that they are in favour of the proposal.

Lassila & Tikanoja received a notification from Nordea Funds Ltd on 31 January 2025, according to which its voting rights in Lassila & Tikanoja increased above 5 percent on 30 January 2025. Nordea Funds Ltd's direct holding in Lassila & Tikanoja is 1,912,244.00 shares, which is 4.93% of Lassila & Tikanoja's total shares and votes increased to 1,946,154.00, which is 5,02% of total voting rights.

5.7 Correction of an error in calculating depreciation

In December 2024, the company discovered a computational error in calculating depreciation on compactors and balers rented to customers by Environmental Services division. The error resulted in an understatement of depreciation recognised for 2023, and a corresponding overstatement of property, plant and equipment on the financial position. The error did not have any impact on the periods prior to year 2023.

The error has been corrected by restating each of the affected financial statement line items for the prior year as follows:

Consolidated statement of financial position (extract)

MEUR	31 Dec 2023 Reported	Change	31 Dec 2023 Restated
Tangible assets	166.0	-1.1	164.9
Deferred tax liabilities	28.5	-0.2	28.3
Retained earnings	223.6	-0.9	222.8
Total equity	232.2	-0.9	231.3

Consolidated income statement (extract)

MEUR	31 Dec 2023 Reported	Change	31 Dec 2023 Restated
Depreciation, amortisation and impairment	-57.4	-1.1	-58.5
Operatin profit	38.4	-1.1	37.3
Adjusted operating profit[1]	39.0	-1.1	37.9
Result before taxes	35.7	-1.1	34.6
Income taxes	-5.7	0.2	-5.4
Result for the period	30.1	-0.9	29.2

Result for the period attributable to:

Equity holders of the company	30.1	-0.9	29.2

[1] Unaudited

Both basic and diluted earnings per share of the prior year decreased by EUR 0.02 due to the correction.

Financial statements of the parent company

Income statement of the parent company

EUR thousand	2024	2023	Note
Net sales	23,632.9	24,741.6	1
Other operating income	2,864.3	375.6	4
Employee benefit expenses	-10,493.5	-10,377.5	2
Other operating expenses	-18,120.6	-16,458.1	3,4
Depreciation, amortisation and impairment	-767.2	-904.3	
Operating result	-2,884.2	-2,622.8	
Financial income and expenses	-19,462.2	-13,729.0	5
Result before appropriations and taxes	-22,346.4	-16,351.8	
Appropriations			6
Increase/decrease in accumulated depreciation difference	-57.6	270.2	
Group contribution	35,281.0	28,168.0	
	35,223.3	28,438.2	
Income taxes	-5,265.2	-4,666.3	7
Result for the period	7,611.7	7,420.0	

Balance sheet of the parent company

EUR thousand	2024	2023	Note
ASSETS			
Non-current assets			
Intangible assets			8
Intangible rights	2.4	15.6	
Other intangible assets	2,381.5	1,576.6	
Advance payments and construction in progress	243.8	1,364.7	
	2,627.6	2,957.0	
Tangible assets			9
Buildings and constructions	124.0	144.6	
Machinery and equipment	43.7	59.1	
Other tangible assets	42.2	42.2	
	209.9	245.9	
Investments			10
Shares in group companies	125,696.4	159,081.9	
Shares in joint venture	9,946.8	9,946.8	
Other shares and holdings	105.8	170.8	
	135,749.0	169,199.5	
Total non-current assets	138,586.5	172,402.4	
Current assets			
Non-current receivables			
Loan receivables from group companies	2,225.3	766.0	
Prepaid expenses and accrued income	236.7	307.7	
Other non-current receivables	59.7	139.5	
Deferred tax assets	85.7	96.5	12
	2,607.4	1,309.7	
Current receivables			
Receivables from group companies	53,587.9	33,380.4	11
Trade receivables	-	7.1	
Other receivables	267.1	111.9	
Prepaid expenses and accrued income	818.5	1,042.5	11
	54,673.5	34,542.0	
Cash and cash equivalents	32,013.6	30,437.3	
Total current assets	89,294.5	66,289.1	
Total assets	227,880.9	238,691.4	

EUR thousand	2024	2023	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			13
Share capital	19,399.4	19,399.4	
Invested non-restricted equity reserve	727.1	727.1	
Retained earnings	32,037.9	43,188.0	
Profit for the period	7,611.7	7,420.0	
	59,776.1	70,734.6	
Accumulated appropriations			
Depreciation difference	237.6	179.9	
Obligatory provisions			14
Non-current	248.7	261.4	
Current	21.2	50.1	
	269.9	311.5	
Liabilities			15
Non-current			
Loans from credit intitutions	40,000.0	40,000.0	
Bonds	75,000.0	75,000.0	
	115,000.0	115,000.0	
Current			
Trade payables	3,214.5	2,187.9	
Liabilities to group companies	43,870.5	45,438.3	
Other liabilities	713.5	424.4	
Accrued expenses and deferred income	4,798.8	4,414.8	
	52,597.4	52,465.4	
Total liabilities	167,597.4	167,465.4	
Total shareholders' equity and liabilities	227,880.9	238,691.4	

Cash flow statement of the parent

EUR thousand	2024	2023
Operating activities		
Profit (+) / loss (-) before appropriations and taxes	-22,346.4	-16,351.8
Adjustments:		
Depreciation, amortisation and impairments	767.2	904.3
Gains and losses on sales of non-current assets	-1.6	-
Financial income and expenses	-13,763.2	2,280.4
Impairment of investments held as non-current assets[1]	33,225.5	11,448.6
Provisions	-28.9	-558.9
Merger gain	-2,661.4	-105.9
Other adjustments	116.8	88.0
Cash flow before change in working capital and change in cash pool account balance	-4,692.1	-2,295.3
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	240.5	1,010.8
Increase/decrease in current non-interest-bearing liabilities	1,610.9	174.9
Cash flow from operations before financial income/expenses and tax	-2,840.7	-1,109.6
Change in cash pool account balance	-12,223.1	3,934.4
Interest expenses and other financial expenses paid	-6,097.3	-5,349.3
Interest received from operations	2,787.6	3,426.9
Direct taxes paid	-4,587.9	-4,359.9
Cash flow from operating activities	-22,961.3	-3,457.5
Investing activities		
Increase in loan receivables from subsidiaries	-1,497.8	-719.3
Proceeds from sale of other shares	65.0	-
Capital repayment	-	11,000.0
Investments in tangible and intangible assets	-531.5	-1,234.0
Proceeds from sale of tangible and intangible assets	1.6	16.5
Received dividends	17,018.5	-
Cash flow from investing activities	15,055.7	9,063.3
Financing activities		
Paid group contributions	-3,358.0	-
Received group contributions	31,526.0	23,550.0
Proceeds from short-term borrowings	60,000.0	10,000.0
Repayments of short-term borrowings	-60,000.0	-10,000.0
Proceeds from long-term borrowings	-	40,000.0
Repayments of long-term borrowings	-	-67,730.0
Dividends paid	-18,686.2	-17,909.4
Cash flow from financing activities	9,481.8	-22,089.4
Change in cash and cash equivalents	1,576.2	-16,483.6
Cash and cash equivalents at 1 January	30,437.3	46,921.0
Cash and cash equivalents at 31 December	32,013.6	30,437.3
Cash and cash equivalents at 31 December		
Cash and cash equivalents	32,013.6	30,437.3

[1] The impairments relate to shares of a Swedish subsidiary.

Accounting policies of the parent company

Basis of preparation

Lassila & Tikanoja plc is the parent company of the Lassila & Tikanoja Group, domiciled in Helsinki. The Company provides to other group companies administrative services, which are centralised to the parent company.

The financial statements of Lassila & Tikanoja plc have been prepared in accordance with the Finnish Accounting Standards (FAS). The financial statements are prepared in euros and the items in the financial statements are measured at historical cost.

When appropriate, the financial statements of Lassila & Tikanoja plc comply with the Group's accounting policies based on IFRS. The accounting policies of the consolidated financial statements are presented in the notes to the consolidated financial statements. The accounting policies of Lassila & Tikanoja plc described in the following chapters differ from the accounting policies of the consolidated financial statements.

Subsidiary shares

Subsidiary shares in the balance sheet are measured at historical cost less impairment losses. The carrying amounts of the subsidiary shares are assessed as part of the Group's impairment testing, where cash flow forecasts based on value-in-use calculations are prepared for the Group's cash-generating units. In the impairment testing of subsidiary shares, the cash flows are further allocated to subsidiaries' recoverable amounts. An impairment loss is recognised, if the carrying amount of the subsidiary shares and the amount of net loan receivables from the subsidiary exceed the recoverable amount of the corresponding assets.

Leases

The lease payments of the lease contracts are expensed over the rental period, and they are included in other operating expenses. Assets leased and related liabilities are not recognised in the parent company's balance sheet.

Research and development expenditure

Research and development expenditure is recognised as an expense.

Obligatory provisions

Obligatory provisions in the balance sheet are based on legal or contractual obligations towards third parties, that have not been realised, are related to the past or current financial period and at the balance sheet date it is certain or probable, that the obligation will be realised, but the exact amount and timing are uncertain and the corresponding income from the obligation is neither certain nor probable. The changes in obligatory provisions are included in the income statement.

Pensions

Most of the company's pension plans are defined contribution plans, under which the company pays fixed contributions for pensions to insurance companies. These payments are recognised to the income statement in the financial period to which they relate.

The defined benefit plans operated by the company are small and concern only a few persons.

Notes to the financial statements of the parent company

1. Net sales

EUR thousand	2024	%	2023	%
Net sales				
Administrative services, group companies	23,632.9	100.0	24,741.6	100.0
Total	23,632.9	100.0	24,741.6	100.0
Net sales by market area				
Finland	23,632.9	100.0	24,741.6	100.0
Total	23,632.9	100.0	24,741.6	100.0

2. Personnel and administrative bodies

	2024	2023
Average number of personnel		
Salaried employees	95	102
Total	95	102

EUR thousand	2024	2023
Personnel expenses		
Salaries and bonuses	8,884.7	8,599.7
Pension expenditure	1,427.1	1,461.3
Other salary-related expenses	181.8	316.5
Total	10,493.5	10,377.5

Salaries, bonuses and pension benefits of the management are described in the note 5.4 Related-party transactions of the consolidated financial statements.

No loans were granted to the related parties of the Group Companies.

3. Auditor's fees

EUR thousand	2024	2023
Auditing	58.8	57.3
Other assignments in accordance with the auditing act	14.3	1.4
Tax consulting services	7.0	8.3
Other services	104.0	38.1
Total	184.1	105.1

4. Other operating income and expenses

EUR thousand	2024	2023
Other operating income		
Government grants	-	20.1
Merger gains	2,661.4	105.9
VAT refund	-	232.9
Compensations received	187.0	-
Other operating income	15.9	16.6
Total	2,864.3	375.6
Other operating expenses		
ICT costs	10,445.5	10,350.6
Travel costs	211.6	272.6
Vehicles and machinery	61.4	38.5
Rents and real estate costs	1,622.7	1,549.7
Expert fees	4,995.5	3,271.3
Voluntary social security costs	400.6	444.9
Other	383.3	530.5
Total	18,120.6	16,458.1

5. Financial income and expenses

EUR thousand	2024	2023
Interest and other financial income	19,806.3	3,426.9
Interest and other financial expenses	-6,043.0	-5,707.3
Impairment of investments held as non-current assets	-33,225.5	-11,448.6
Total financial income and expenses	-19,462.2	-13,729.0
Financial income and expenses include:		
Interest income		
from group companies	2,149.4	951.2
from others	638.2	1,202.0
Dividend income		
from group companies	15,200.0	-
from joint ventures	1,818.4	-
from others	0.1	-
Other financial income[1]		
from others	0.2	1,273.7
Interest expenses		
to group companies	-757.3	-687.9
to others	-5,063.3	-4,640.3
Other financial expenses		
to others	-222.4	-379.0
Impairments of shares in group companies	-33,225.5	-11,448.6
Total	-19,462.2	-13,729.0

[1] Other financial income in 2023 consists of the fair value of an interest rate swap, that was recognised in the income statement in June 2023 due to the termination of the swap contract.

6. Appropriations

EUR thousand	2024	2023
Increase/decrease in accumulated depreciation difference		
Intangible assets	-57.6	270.2
	-57.6	270.2
Group contribution		
Group contribution received	35,281.0	31,526.0
Group contribution paid	-	-3,358.0
Total group contributions	35,281.0	28,168.0
Total appropriations	35,223.3	28,438.2

7. Income taxes

EUR thousand	2024	2023
Income taxes on operations for the financial year	5,274.6	4,516.6
Income taxes from previous financial years	-20.2	-234.8
Change in deferred taxes	10.8	384.5
Total	5,265.2	4,666.3

8. Intangible assets

2024

EUR thousand	Intangible rights	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan	307.0	7,614.4	1,364.7	9,286.1
Additions	-	-	401.8	401.8
Disposals	-	-739.5	-	-739.5
Transfers between items	-	1,522.8	-1,522.8	-
Acquisition cost, 31 Dec	307.0	8,397.7	243.8	8,948.4
Accumulated amortisation, 1 Jan	-291.3	-6,037.8		-6,329.1
Accumulated amortisation on disposals and transfers	-	739.5		739.5
Amortisation during the period	-13.2	-717.9		-731.2
Accumulated amortisation, 31 Dec	-304.6	-6,016.2		-6,320.8
Total carrying amount, 31 Dec	2.4	2,381.5	243.8	2,627.6

Other intangible assets include several ICT projects.

2023

EUR thousand	Intangible rights	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan	344.6	22,052.9	832.4	23,229.9
Additions	-	-	1,191.8	1,191.8
Disposals	-37.7	-15,098.0	-	-15,135.6
Transfers between items	-	659.5	-659.5	-
Acquisition cost, 31 Dec	307.0	7,614.4	1,364.7	9,286.1
Accumulated amortisation, 1 Jan	-308.2	-20,314.4		-20,622.6
Accumulated amortisation on disposals and transfers	37.7	15,098.0		15,135.6
Amortisation during the period	-20.8	-821.4		-842.2
Accumulated amortisation, 31 Dec	-291.3	-6,037.8		-6,329.1
Total carrying amount, 31 Dec	15.6	1,576.6	1,364.7	2,957.0

9. Tangible assets

2024 EUR thousand	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan	358.7	289.0	42.2	689.9
Disposals	-	-15.0	-	-15.0
Acquisition cost, 31 Dec	358.7	274.0	42.2	674.9
Accumulated depreciation 1 Jan	-214.1	-229.9		-444.0
Accumulated depreciation on disposals and transfers	-	15.0		15.0
Depreciation during the period	-20.6	-15.4		-36.0
Accumulated depreciation, 31 Dec	-234.7	-230.3		-465.0
Total carrying amount, 31 Dec	124.0	43.7	42.2	209.9

2023 EUR thousand	Buildings and constructions	Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan	358.7	424.2	42.2	825.1
Disposals	-	-135.2	-	-135.2
Acquisition cost, 31 Dec	358.7	289.0	42.2	689.9
Accumulated depreciation 1 Jan	-193.5	-307.0		-500.6
Accumulated depreciation on disposals and transfers	-	118.7		118.7
Depreciation during the period	-20.6	-41.6		-62.1
Accumulated depreciation, 31 Dec	-214.1	-229.9		-444.0
Total carrying amount, 31 Dec	144.6	59.1	42.2	245.9

10. Investments

EUR thousand	Shares in Group companies	Shares in joint ventures	Other shares and holdings	Total
2024				
Acquisition cost, 1 Jan	159,081.9	9,946.8	170.8	169,199.5
Impairments[1]	-33,225.5	-	-	-33,225.5
Disposals	-160.0	-	-65.0	-225.0
Acquisition cost, 31 Dec	125,696.4	9,946.8	105.8	135,749.0
Total carrying amount, 31 Dec	125,696.4	9,946.8	105.8	135,749.0
2023				
Acquisition cost, 1 Jan	181,590.5	9,946.8	170.8	191,708.1
Impairments[1]	-11,448.6	-	-	-11,448.6
Disposals[2]	-11,060.0	-	-	-11,060.0
Acquisition cost, 31 Dec	159,081.9	9,946.8	170.8	169,199.5
Total carrying amount, 31 Dec	159,081.9	9,946.8	170.8	169,199.5

[1] Impairments relate to a company belonging to the Facility Services business in Sweden.
[2] The figure includes a capital repayment totalling EUR 11 million from L&T Hankinta Ky, that was liquidated in December 2023.

	Holding of shares and votes, %
Holdings in group companies	
L&T Kiinteistöhuolto Oy, Helsinki	100.0
L&T Kiinteistötekniikka Oy, Helsinki	100.0
L&T Siivous Oy, Helsinki	100.0
L&T Ympäristöpalvelut Oy, Helsinki	100.0
L&T Teollisuuspalvelut Oy, Helsinki	100.0
Lassila & Tikanoja Service Ab, Stockholm, Sweden	100.0
Lassila & Tikanoja FM AB, Stockholm, Sweden	100.0
Sand & Vattenbläst i Tyringe AB, Hässleholm, Sweden	70.0
Joint ventures	
Laania Oy, Helsinki	55.0

11. Short-term receivables

EUR thousand	2024	2023
From Group Companies		
Cash pool receivables	18,306.9	1,840.7
Trade receivables	-	13.6
Group contribution receivable	35,281.0	31,526.0
Prepaid expenses and accrued income	-	0.0
Total	53,587.9	33,380.4
Prepaid expenses and accrued income		
Employees' health care compensation	29.6	25.6
Licences	604.6	653.9
Other	184.4	363.0
Total	818.5	1,042.5

The financing of the Group companies is centralised to the parent company. The intra-group financing between the parent company and the subsidiaries is conducted on an arm's length basis.

12. Deferred tax assets

EUR thousand	2024	2023
Unused depreciation	4.7	6.4
Obligatory provisions	54.0	62.3
Impairment of non-current assets	27.0	27.0
From mergers	-	0.8
Total	85.7	96.5

13. Shareholders' equity

EUR thousand	2024	2023
Restricted equity		
Share capital at 1 Jan / 31 Dec	19,399.4	19,399.4
Restricted equity, total	19,399.4	19,399.4
Non-restricted equity		
Invested non-restricted equity reserve 1 Jan	727.1	727.1
Invested non-restricted equity reserve 31 Dec	727.1	727.1
Retained earnings at 1 Jan	50,608.1	60,992.5
Dividend distribution	-18,706.0	-17,928.4
Expired dividends	19.1	36.0
Transfer of treasury shares	116.8	88.0
Retained earnings at 31 Dec	32,037.9	43,188.0
Profit for the period	7,611.7	7,420.0
Non-restricted equity total	40,376.7	51,335.2
Shareholders' equity at 31 Dec	59,776.1	70,734.6
Distributable funds		
Retained earnings	32,037.9	43,188.0
Profit for the period	7,611.7	7,420.0
Invested non-restricted equity reserve	727.1	727.1
Total distributable funds	40,376.7	51,335.2

14. Obligatory provisions

EUR thousand	2024	2023
Pension liabilities	248.7	261.4
Restructuring provisions	21.2	50.1
Total	269.9	311.5

15. Liabilities

Repayments of non-current borrowings in coming years

EUR thousand	2026	2028
Loans from credit institutions	40,000.0	-
Bonds	-	75,000.0

EUR thousand	2024	2023
Short term liabilities to Group Companies		
Trade payables	19.8	13.4
Interest-bearing liabilities	43,467.6	41,995.8
Group contribution liabilities	-	3,358.0
Other liabilities	218.7	-
Accrued expenses and deferred income	164.4	71.1
Total	43,870.5	45,438.3
Accrued expenses and deferred income		
Personnel expenses	1,942.6	2,098.8
Interest expenses	2,189.1	2,264.2
Taxes	664.4	48.1
Other expenses	2.8	3.7
Total	4,798.8	4,414.8

16. Contingent liabilities

EUR thousand	2024	2023
For own commitments		
Mortgages on rights of tenancy	121.6	121.6
Lease liabilities		
Maturity within 1 year	1,693.7	1,770.0
Maturity in subsequent years	506.4	1,728.4
Total	2,200.1	3,498.4
Guarantees For Group Companies	44,000.0	44,000.0
Guarantees For Joint Ventures	16,500.0	35,750.0
Other bank guarantees	264.7	264.7
Mortgages under own control		
Company mortgages	210.2	210.2

According to the shareholders' agreement, the Company is committed to acquire the remaining 30 per cent share of Sand & Vattenbläst i Tyringe AB in February 2026 at the earliest. The estimated value of the commitment at the end of the reporting period totalled EUR 6,715.9 thousand.

17. Derivatives

Interest rate swaps

The interest rate swap that was used for hedging cash flows related to floating rate loans was terminated in June 2023 in conjunction with the refinancing of the hedged loan. The fair value of the interest rate swap totalling EUR 1,273.7 thousand was recognised as finance income in the income statement. The fair value of the swap contract was based on the market data on the balance sheet date. The company did not have any interest rate swaps at the balance sheet date.

Proposal by the Board of Directors for distribution of profit

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 40,376,673.92 with the result for the period representing EUR 7 611 702,26 of this total. There were no substantial changes in the financial position of the company after the end of the period, and the solvency test referred to in Chapter 13, Section 2 of the Companies Act does not affect the amount of distributable profits.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for the financial year 2024.

The dividend is to be paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 31 March 2025.

The Board proposes to the Annual General Meeting that the dividend be paid on 7 April 2025.

No dividend shall be paid on shares held by the company on the record date of dividend payment, 31 March 2025.

On the day the proposal for the distribution of profit was made, the number of shares entitling to dividend was 38,188,933, which means

the total amount of the dividend would be	EUR 19,094,466.50
To be retained and carried forward	EUR 21,282,207.42
Total	EUR 40,376,673.92

Statements of the Board of Directors and signatures to the Report of the Board of Directors and the Financial Statements for the year 2024

The financial statements have been prepared in accordance with applicable accounting regulations and provide a true and fair view of the assets, liabilities, financial position, and results of operations of both the company and the entities included in the consolidated financial statements. The report by the board of directors includes a fair review of the development and performance of the business of the company and the entities included in the consolidated financial statements, along with a description of the principal risks and uncertainties and other relevant information. The sustainability report included in the report by the board of directors has been prepared in accordance with the requirements set forth in Chapter 7 of the accounting act as well as the article 8 of the taxonomy regulation.

Helsinki on 25 February 2025

Jukka Leinonen

Sakari Lassila

Teemu Kangas-Kärki

Laura Lares

Juuso Maijala

Anna-Maria Ronkainen

Pasi Tolppanen

Eero Hautaniemi
President and CEO

The Auditor's Note

We have today submitted our report on the audit conducted by us.

Helsinki on 28 February 2025

PricewaterhouseCoopers Oy

Samuli Perälä
APA

Auditor's Report

To the Annual General Meeting of Lassila & Tikanoja plc

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Lassila & Tikanoja plc (business identity code 1680140-0) for the year ended 31 December 2024. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company's balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

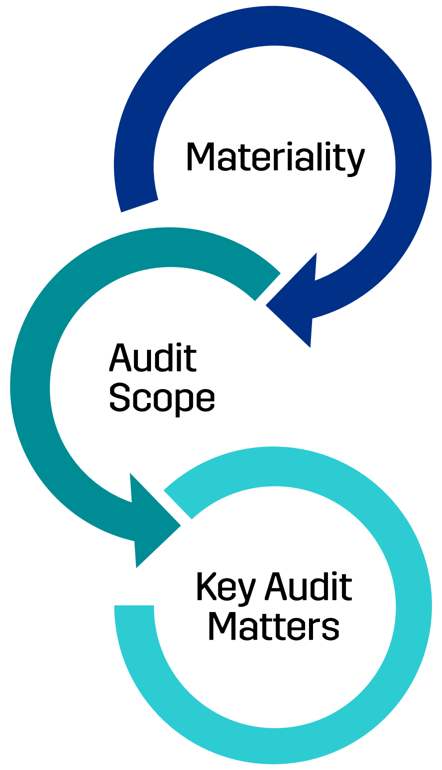
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 5.5 to the Financial Statements.

Our Audit Approach

Overview



- Overall group materiality: € 4,600,000

- The group audit scope included the most significant group companies and covered a sufficient share of group's revenues, assets, and liabilities.

- Revenue recognition
- Employee benefit expenses
- Valuation of goodwill
- Valuation of shares in group companies and receivables from group companies in the parent company financial statements

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 4,600,000 (previous year €5 200 000)
How we determined it	We used a combination of net sales and profit before taxes as benchmarks to determine overall group materiality.
Rationale for the materiality benchmark applied	We consider that net sales and profit before taxes provide a suitable representation of the volume and profitability of Lassila & Tikanoja's operations.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group has four reportable segments: Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden, its main markets being Finland and Sweden. We have scoped our audit to obtain sufficient audit coverage of Lassila & Tikanoja Group's consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Key audit matter in the audit of the consolidated financial statements	How our audit addressed the key audit matter
Revenue recognition *Refer to note 1.1 and 1.2 in the consolidated financial statements)* The Group's total net sales amounted to EUR 771 million. Revenue from contracts with customers is generated from multiple revenue streams as described in note 1.2. Revenue recognition principles vary depending on the nature of the revenue stream. Revenue recognition is considered a key audit matter due to the significance of revenue to the financial statements and due to management judgment involved in selecting the appropriate revenue recognition method for the different revenue streams.	Our audit procedures included, for example, the following: • We obtained an understanding of the company's revenue recognition policies and compared these to the respective IFRS standards • We obtained an understanding of the internal controls that the company uses to assess the completeness, accuracy, and timing of revenues • We tested revenue transactions on a sample basis • We tested, on a sample basis, revenue related balance sheet items such as contract assets and liabilities.
Employee benefit expenses *(Refer to note 1.3 and 5.4 in the consolidated financial statements)* The Group operates in a highly labor-intensive business. Wages, salaries, and other employee benefit expenses form a significant part of the Group's operating expenses. In 2024 employee benefit expenses were EUR 343 million. Employee benefit expenses is considered a key audit matter due to its significance to the consolidated financial statements.	Our audit procedures included, for example, the following: • We obtained an understanding of the company's payroll process • We evaluated and tested the internal controls that the company uses to assess the accuracy of employee benefit expenses • We performed analytical audit procedures in relation to employee benefit expenses • We tested on a sample basis employee benefit expenses related accruals.
Valuation of goodwill *Refer to note 3.1 and 3.2 in the consolidated financial statements* As of 31.12.2024, Goodwill in the consolidated balance sheet amounted to EUR 157 million. An impairment totalling EUR 23 million was recognised on goodwill allocated to Facility Services Sweden in 2024. Goodwill is not amortised, but is tested at least annually for impairment. Goodwill impairment testing has been prepared based on value-in-use calculations in which future cash flows are discounted to current value. Value-in-use calculations include significant management judgment in respect of profitability levels, long-term growth rates and discount rates. The valuation of goodwill is considered a key audit matter due to its significance as well as due to the management judgment involved in the impairment testing.	Our audit procedures included, for example, the following: • We obtained an understanding of the methodology and assumptions used in the goodwill impairment testing • We tested the mathematical accuracy of the calculations • We assessed the reasonableness of the estimated future profitability levels and their consistency with the budgets and forecasts made by the management in connection with the strategy process • We assessed the reasonableness of the discount rates, long-term growth rates and certain other assumptions by e.g., comparing the inputs to observable market data • We assessed management's sensitivity analysis to ascertain the extent of change in key assumptions that either individually or collectively could result in an impairment of goodwill • We assessed the adequacy of the disclosures.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Key audit matter in the audit of the parent company financial statements	How our audit addressed the key audit matter
Valuation of shares in group companies and receivables from group companies in the parent company financial statements *(Refer to the accounting policies of the parent company and note 10 and 11)* The investments in shares in group companies amounted to EUR 126 million and current receivables from group companies to EUR 56 million. The subsidiary shares were subject to a EUR 33 million impairment during the 2024 financial year, which pertains to a company within the Facility Services business in Sweden. The valuation of shares in group companies and receivables from group companies is assessed annually and tested for impairment when necessary. Impairment testing is performed using the discounted cash flow model. Valuation of shares in group companies and receivables from group companies is considered a key audit matter in the audit of the parent company due to the significance of these investments to the financial statements and due to management judgment involved in the impairment testing of these investments.	Our audit procedures included, for example, the following: • We assessed the reasonableness of the management estimates by e.g., checking their consistency with the approved budgets and forecasts • We assessed the methodology used in determining the discount rates and long-term growth rates by e.g., comparing the inputs to observable market data.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 17 March 2022.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements or our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in compliance with the applicable provisions, excluding the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in compliance with the applicable provisions. Our opinion does not cover the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki 28 February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Independent Assurance Report

To the Annual General Meeting of Lassila & Tikanoja plc

We have performed a limited assurance engagement on the group sustainability report of Lassila & Tikanoja plc (business identity code 1680140-0) that is referred to in Chapter 7 of the Accounting Act and that is included in the report of the Board of Directors for the reporting period 1.1.–31.12.2024.

Opinion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the group sustainability report does not comply, in all material respects, with

1)the requirements laid down in Chapter 7 of the Accounting Act and the sustainability reporting standards (ESRS);

2)the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regu-lation (EU) 2019/2088 (EU Taxonomy).

Point 1 above also contains the process in which Lassila & Tikanoja plc has identified the information for reporting in accordance with the sustainability reporting standards (double materiality assessment).

Our opinion does not cover the tagging of the group sustainability report in accordance with Chapter 7, Section 22, of the Accounting Act, because sustainability reporting companies have not had the possibility to comply with that requirement in the absence of the ESEF regulation or other European Union legislation.

Basis for Opinion

We performed the assurance of the group sustainability report as a limited assurance engagement in compliance with good assurance practice in Finland and with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Our responsibilities under this standard are further described in the Responsibilities of the Authorised Group Sustainability Auditor section of our report.We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

We draw attention to the fact that the group sustainability report of Lassila & Tikanoja plc that is referred to in Chapter 7 of the Accounting Act has been prepared and assurance has been provided for it for the first time for the reporting period 1.1.–31.12.2024. Our opinion does not cover the comparative information that has been presented in the group sustainability report. Our opinion is not modified in respect of this matter.

Authorised Group Sustainability Auditor's Independence and Quality Management

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our engagement, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Management ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director of Lassila & Tikanoja plc are responsible for:

- the group sustainability report and for its preparation and presentation in accordance with the provisions of Chapter 7 of the Accounting Act, including the process that has been defined in the sustainability reporting standards and in which the information for reporting in accordance with the sustainability reporting standards has been identified
- the compliance of the group sustainability report with the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;
- such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of a group sustainability report that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in the Preparation of a Sustainability Report

In reporting forward-looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of assumptions that have been disclosed in the sustainability report about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

Responsibilities of the Authorised Group Sustainability Auditor

Our responsibility is to perform an assurance engagement to obtain limited assurance about whether the group sustainability report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the group sustainability report.

Compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) requires that we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the group sustainability report, whether due to fraud or error, and obtain an understanding of internal control relevant to the engagement in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Design and perform assurance procedures responsive to those risks to obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Description of the Procedures That Have Been Performed

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. The nature, timing and extent of assurance procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error. 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.

Our procedures included for example the following:

- We interviewed the company's management and the individuals responsible for collecting and reporting the information contained in the group sustainability report at the group level and at different levels and business areas of the organization to gain an understanding of the sustainability reporting process and the related internal controls and information systems.
- We familiarised ourselves with the background documentation and records prepared by the company where applicable, and assessed whether they support the information contained in the group sustainability report.
- We assessed the company's double materiality assessment process in relation to the requirements of the ESRS standards, as well as whether the information provided about the assessment process complies with the ESRS standards.
- We assessed whether the sustainability information contained in the group sustainability report complies with the ESRS standards.
- Regarding the EU taxonomy information, we gained an understanding of the process by which the company has identified the group's taxonomy-eligible and taxonomy-aligned economic activities, and we assessed the compliance of the information provided with the regulations.

Helsinki on 28 February, 2025

PricewaterhouseCoopers Oy
Authorised Sustainability Auditors

Samuli Perälä
Authorised Sustainability Auditor

Corporate Governance

Corporate Governance Statement 2024

This Corporate Governance Statement complies with the Securities Market Association's Finnish Corporate Governance Code, which entered into force on 1 January 2020. This statement and other information disclosed in accordance with the Corporate Governance Code are available on L&T's website at www.lt.fi/en/investors/corporate-governance. The full Corporate Governance Code is available at www.cgfinland.fi. L&T has not deviated from the recommendations of the Code.

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 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

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.

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 on the company's website at 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 members of the board 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.

Shareholders' Nomination Board

The Nomination Board is responsible for preparing and presenting proposals covering the remuneration and number of members of the Company's Board of Directors, as well as proposals on the members, Chairman and Vice Chairman of the Board of Directors to the Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board is also responsible for identifying successors to existing Board members.

The Nomination Board consists of four members, three of whom are appointed by the Company's three largest shareholders, who appoint one member each. The Chairman of the Company's Board of Directors serves as the fourth member of the Nomination Board.

The Nomination Board was established to operate until further notice. Its members are elected annually and their term of office ends when new members are elected to replace them. The Shareholders' Nomination Board's selection process, composition and duties are described in detail in the charter, which is available at www.lt.fi/en/investors/corporate-governance/shareholders-nomination-board.

Composition of the Nomination Board tasked with preparations for the Annual General Meeting 2025

The following members were appointed to the Shareholders' Nomination Board of Lassila & Tikanoja on 27 September 2024: Juhani Lassila (gender, male), Chairman, representing the Evald and Hilda Nissi Foundation, Miikka Maijala (gender, male), representing a group of shareholders, Tanja Eronen (gender, female) representing Nordea Nordic Small Cap Fund, and Jukka Leinonen (gender, male) as the Chairman of the Board of Directors of Lassila & Tikanoja plc.

The Nomination Board met five times during its term. It submitted its proposals to the Annual General Meeting on 10 January 2025. The proposals were published in the form of a stock exchange release.

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 term of each member of the Board of Directors expires at the end of the next Annual General Meeting of Shareholders following their election.

Board members

The following seven members were elected to the Board of Directors by the Annual General Meeting of 2024:

Jukka Leinonen, Chairman (born 1962)

Independent of the company and major shareholders
Gender: male
Board member: since 2021
Board Committees: Chairman of the Personnel and Sustainability Committee
Education: M.Sc. (Tech.)
Key work experience: Telenor ASA, EVP and Head of Nordics, Member of Telenor's Group Executive Management 2019–2022; DNA Oyj, CEO 2013–2021 and Vice President, Corporate Business 2010–2013; TeliaSonera, various management positions in corporate business sales, marketing and product management 2002–2009; Sonera Oyj, management positions 2000–2002; Sonera Solutions Oy (Yritysverkot Oy), President and CEO 1996–1999
Membership on other Boards: Pihlajalinna Oyj, Chairman of the Board 2023–; Posti Group Oyj, Vice Chairman of the board 2022–; DNA Oyj, Chairman of the Board 2021–2022; Confederation of Finnish Industries, Member of the Representative Council 2020–2021; Altia Oyj, Member of the Board 2020–2021; Ficom ry, Chairman of the Board 2019–2021 and Member of the Board 2013–2018; Palvelualojen työnantajat PALTA ry, Member of the Board 2013–2017

Sakari Lassila, Vice Chairman (born 1955)

Independent of the company and major shareholders
Gender: male
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
Membership on other Boards: Aplagon Oy, Chairman of the Board 2009–; Evald and Hilda Nissi Foundation, Vice Chairman of the Board and Member 1987–

Teemu Kangas-Kärki (born 1966)

Independent of the company and major shareholders
Gender: male
Board member: since 2016
Board committees: Member of the Audit Committee
Education: M.Sc. (Econ.)
Key work experience: Nokian Tyres Oyj, CFO 2018–2023; Fiskars Oyj, Chief Operating Officer and Deputy to the CEO 2017–2018, Interim President 2017, Chief Oper-

ating Officer and Chief Financial Officer, deputy to the CEO 2014–2017, President, Home Business Area 2012–2014 and Chief Financial Officer 2008–2012; Alma Media Corporation, CFO 2003–2008; Kesko Oyj, Vice President, Corporate Controller 2002–2003 and Corporate Business Controller 2000–2001; Nestlé Finland Oy, Finance Director 1999–2000; Smith & Nephew Oy, Finance Manager 1996–1998; Unilever Oy & GmbH, Marketing Controller & Internal Auditor 1992–1996
Membership on other Boards: Marimekko Oyj, Vice Chairman of the Board 2022–

Laura Lares (born 1966)

Independent of the company and major shareholders
Gender: female
Board member: since 2014
Board Committees: Member of the Personnel and Sustainability Committee
Primary occupation: Ablers Oy, Managing Director and Board member
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
Membership on other Boards: Ablers Oy, Member of the Board 2018–; Lappeenrannan teknillinen yliopisto, Member of the Board 2009–2017; Woikoski Oy, Member of the Board 2012–2016

Juuso Maijala (born 1975)

Independent of the company and major shareholders
Gender: male
Board member: since 21 March 2024
Board Committees: Member of the Audit Committee
Primary occupation: Etlia Oy, Chairman of the Board of Directros' and Managing Director
Education: M.Sc. (Tech.)
Key work experience: Accenture Oy, Manager 2011–2013; Affecto Finland Oy, SAP Solution Manager, Project Manager and people manager duties 2007–2011; Siemens Oy, consultant 2003–2006; Logisware Oy, consultant 2002–2003

Anni Ronkainen (born 1966)

Independent of the company and major shareholders
Gender: female
Board member: since 2023
Board committees: Member of the Audit Committee
Education: M.Sc. (Econ.)
Key work experience: Kesko Oyj, Executive Vice President, Chief Digital Officer 2015–2023; Google Finland, Country Manager Finland 2009–2015 and Industry Head 2008–2009; McCann Helsinki Group, CEO 2006–2008; Satama Finland (Satama Interactive), various leadership roles 1999–2006; Publicis-Törmä, Helsinki, Group Account Director and other roles 1996–1999; Consumer Compass, Helsinki, Research Director and other roles 1992–1996
Membership on other Boards: Sitowise Group Oyj, Member of the Board 2024–; Teleste Oyj, Member of the Board 2024–; EWQ Zone Oy, Member of the Board 2024–; Posti Group Oyj, Member of the Board 2023–; Loihde Oyj, Member of the Board 2023–; Kontiotuote Oy, Member of the Board 2022–; Aallon Group Oyj, Member of the Board 2022–; Fennia Mutual Insurance Company, Member of the Board 2019–; Steering Committee on Artificial Intelligence 4.0 programme nominated by Ministry of Economic Affairs and Employment, Member 2020–2023; Digital Economy Advisory Board, University of Vaasa, Member 2019–2023; Marketing Finland Board of Directors, Member 2018–2022; DNA Oyj, Member of the Board 2019–2021; The Start-up Committee at Finland Chamber of Commerce, Chair 2018–2020; Invesdor Oy, Member of the Board 2018–2019; Asiakastieto Group Oyj, Member of the Board 2015–2019; Nordic Morning Oy, Member of the Board 2015–2019; Sunduka Oy, Member of the Board 2015–2016, Amcham Finland, Member of the Board 2011–2015; Markkinointi-instituutti, Member of the Board 2010–2015

Pasi Tolppanen (born 1967)

Independent of the company and major shareholders
Gender: male
Board member: since 2020
Board Committees: Member of the Personnel and Sustainability Committee
Education: Ph.D. (Tech.)
Key work experience: YIT Corporation, Executive Vice President, Infrastructure segment and member of the Group Management Team 2021–2023; DEN Group Oy, CEO 2020–2021; Maintpartner Group Oy, CEO 2017–2019; Pöyry Oyj, President Regional Operations Northern Europe, Managing Director of Pöyry Finland Oy and member of the Management Board 2013–2016 and various managerial positions 2007–2012
Membership on other Boards: VRP Rakennuspalvelut Oy, Member of the Board 2024–; Vacuum Insulation Solutions Oy, Member of the Board 2023–; Forcit Oy, Member of the Board 2019–; Terrawise Oy, Member of the Board 2019–2021; Maintpartner Ab, Chairman of the Board 2017–2022; mi Solutions & Consulting GmbH, Member of the Board 2017–2019; Service Sector Employers PALTA, Member of the Board 2017–2019; The Finnish Association of Consulting firms SKOL, Member of the Board 2013–2016

Diversity of the Board of Directors

The company considers diversity essential to achieving its 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 experience to complement each other.

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 includes suitable 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. There is no representative of the personnel in the Board of Directors.

Both genders have been represented in the Board of Directors for a long time. In 2024, five of the Board members were male and two were female. The age range of the Board members was 49–69 years. Men represented 71 per cent of the members and women 29 per cent.

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 Sakari Lassila and Laura Lares have been members of the Board of Directors for more than 10 years consecutively. The Board of Directors has not identified any reasons why Sakari Lassila or Laura Lares 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.

Board members' shareholding on 31 December 2024

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 Report of the Governing Bodies, which is published as a part of the Annual Review and is available at www.lt.fi/en/investors/lt-as-an-investment.

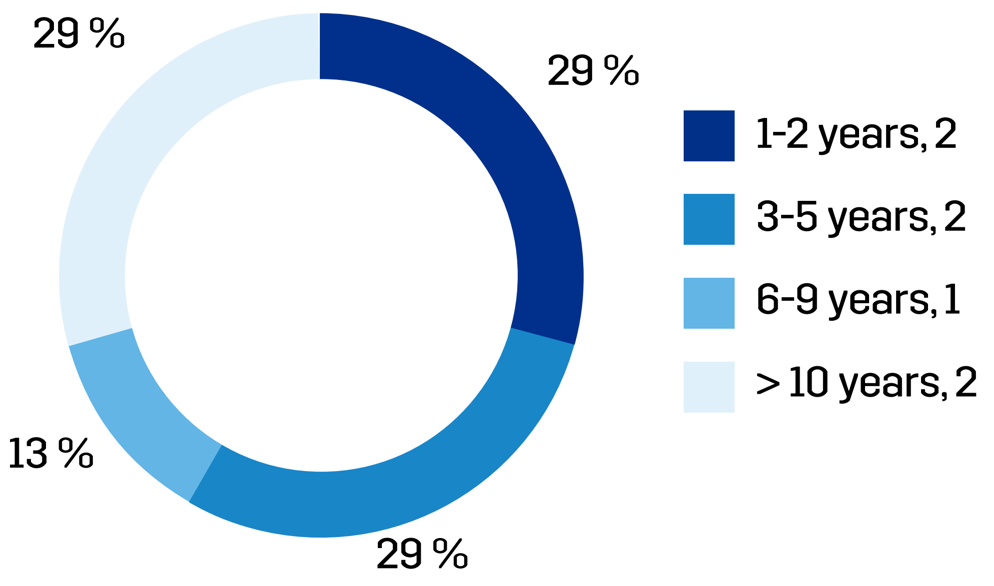
Board of directors diversity and expertise

Primary areas of expertise

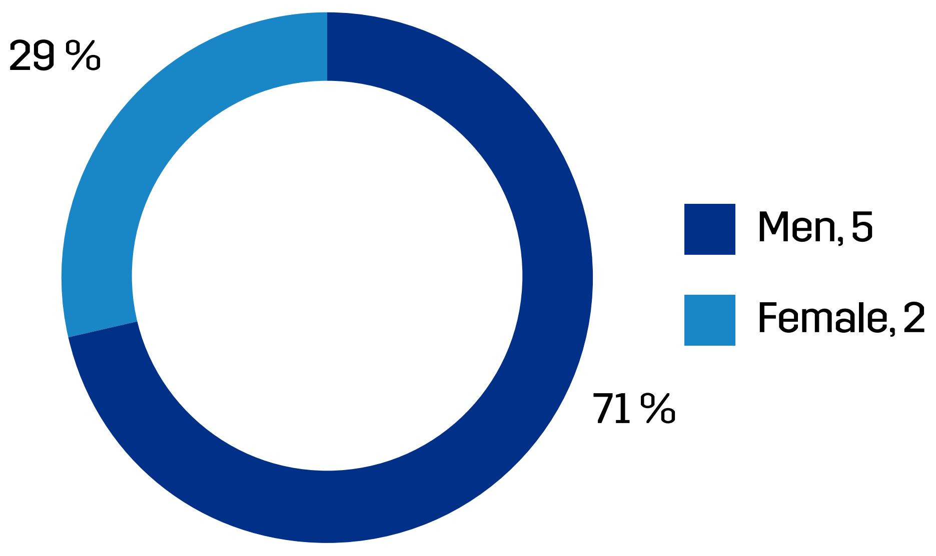
Name	Board member since	Primary areas of expertise	Independent of the company	Independent of significant shareholders	Audit Committee	Personnel and Sustainability Committee	Concurrent Board memberships in listed companies
Jukka Leinonen	2021	Customer experience, environmental responsibility, human resources management, ICT and data analytics, operational management, strategy and M&A	●	●		Chairman	1
Sakari Lassila	2011	Governance, internal control and risk management, strategy and M&A, finance, supply chain management	●	●	Chairman		
Teemu Kangas-Kärki	2016	Governance, ICT and data analytics, internal control and risk management, strategy and M&A, finance	●	●	Member		1
Laura Lares	2014	Environmental responsibility, human resources management, governance, strategy and M&A, industry expertise, technologies	●	●		Member	
Juuso Maijala	2024	Customer experience, human resources management, ICT and data analytics, technologies, supply chain management	●	●	Member		
Anni Ronkainen	2023	Customer experience, human resources management, governance, ICT and data analytics, technologies	●	●	Member		4
Pasi Tolppanen	2020	Customer experience, international market insight, operational management, industry expertise, technologies	●	●		Member	

The table presents the key areas of expertise of the members of the Board of Directors on 31 December 2024. A particular area of expertise not being specifically mentioned for a Board member does not mean that the member in question lacks expertise in that area.

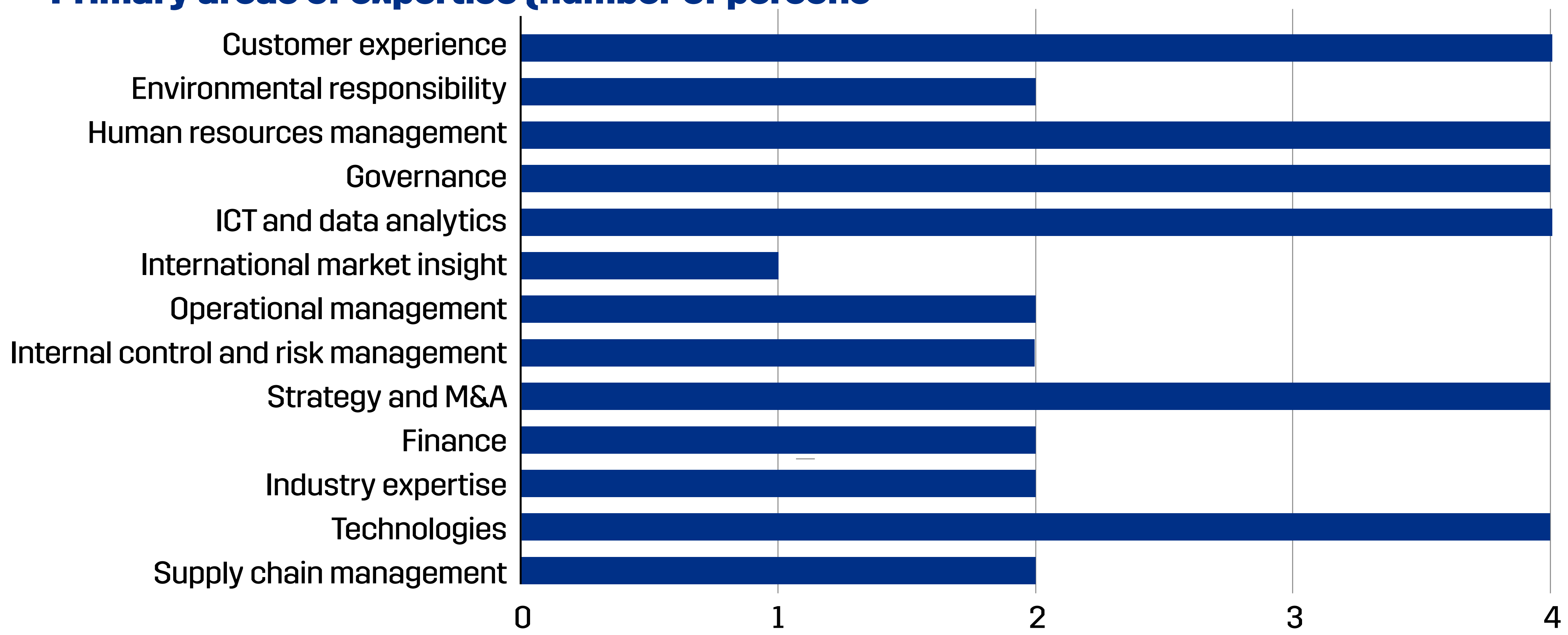
Duration of Board membership in years (number of persons)



Gender distribution (number of persons)



Primary areas of expertise (number of persons



Board members' shareholding

	31 Dec 2024
Jukka Leinonen	42,861
Sakari Lassila	25,115
Teemu Kangas-Kärki	8,698
Laura Lares	10,021
Juuso Maijala	60,961
Anni Ronkainen	2,755
Pasi Tolppanen	6,080
Total	156,491

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. It governs the Board's work in addition to the company's Articles of Association and Finnish laws and regulations.

According to the charter, the duties of the Board of Directors include, for example:

- being responsible for the development of shareholder value
- confirming the company's targets
- 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 confirming interim reports, half-year financial reports, financial statements and report by the Board of Directors including the sustainability report of the company
- 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, tax, 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 their 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 group locations or other places decided on by the Board of Directors. If necessary, the Board of Directors may also hold meetings virtually and make decisions without convening. The Board of Directors convenes as often as its tasks require.

The Board of Directors confirms its regular meetings annually. Regular meetings are 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 attend 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 and Senior Vice President, HR and Legal 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.

The President and CEO is responsible for ensuring that the Board is provided with sufficient information to assess 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 2024

The Board of Directors met 23 times during 2024. The average attendance rate of the members at the meetings was 100 per cent.

Key themes in Board work included strategy and directing and supporting its implementation, monitoring strategic projects, developing the corporate structure and business portfolio, directing risk management as well as sustainability performance and reporting.

Committees of the Board of Directors

The Board has an Audit Committee and a Personnel and Sustainability Committee. The Audit Committee consists of four Board members, and the Personnel and Sustainability Committee consists of three Board members. At its organisational meeting after 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 organisational meeting after the Annual General Meeting on 21 March 2024, the Board of Directors appointed Sakari Lassila (Chairman), Teemu Kangas-Kärki, Juuso Maijala and Anni Ronkainen 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 regularly 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
- monitoring related-party transactions
- 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 as well as maintaining contact with the company's auditor and reviewing the reports prepared for the committee by the auditor
- assessing compliance with laws and provisions
- monitoring and assessing the sustainability performance and reporting

The Audit Committee met five times in 2024. The attendance rate of the members at the meetings was 100 per cent.

Personnel and Sustainability Committee

At its organisational meeting after the Annual General Meeting of 21 March 2024, the Board of Directors appointed Jukka Leinonen (Chairman), Laura Lares and Pasi Tolppanen as members of the Personnel and Sustainability Committee. All of the members of the Committee are independent of the company and its major shareholders. The Personnel and Sustainability Committee meets at least four times a year.

The duties of the Personnel and Sustainability 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 executive appointment issues for consideration by the Board of Directors.
- discussing and preparing matters related to the organisational structure and the development of management and human resources
- dealing with management succession plans
- prepare the remuneration policy of the company's governing bodies and the remuneration report
- presenting the governing bodies' remuneration policy and reporting to the Annual General Meeting and answering related questions
- monitoring and evaluating the development of sustainability in the Group and ESG assessments
- monitoring developments in the business environment and regulation
- monitoring and evaluating the development of occupational safety and work ability issues in the Group
- monitoring the development of stakeholder support (employee and customer experience as well as other external stakeholders)
- monitoring and evaluating the development of diversity in the workplace community.

The Committee met four times in 2024. 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. They are also responsible for the strategy process. M.Sc. (Econ.) Eero Hautaniemi has served as 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 comprised the following eight persons:

Eero Hautaniemi (born 1965)

President and CEO
Gender: male
Member of the Group Executive Board since: 1 January 2019
Education: M.Sc. (Econ.)
Key work experience: Oriola plc, President and CEO 2006–2017; GE Healthcare Finland Oy, President 2004–2005 and GE Healthcare IT, General Manager, Oximetry, Supplies and Accessories business area 2003–2004; Instrumentarium plc, specialist and executive positions 1990–2003
Membership on other Boards: Laania Oy, Member of the Board 2022–; Ilmarinen Mutual Pension Insurance Company, Member of the Supervisory Board 2019–

Jorma Mikkonen (born 1963)

Senior Vice President, Public Affairs and Sustainability
Gender: male
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 and Division Manager, Industrial Services 2000–2009; Säkkiväline Oy, Administrative Director 1999–2000 and Corporate Lawyer 1992–1999; Finnish Savings Bank: Corporate Lawyer 1991–1992
Membership on other Boards: Chemical Industry Federation of Finland, Vice Member of the Board 2023–; Chamber of Commerce, Member of the Economic and Climate Committee 2022–; Laania Oy, Member of the Board 2022–; Chemical Industry Federation of Finland, Member of the Board 2021–2023; The Recycling Industries of Finland, Member of the Board 2013–; LähiTapiola, Member of Supervisory Board 2008–; Employers' Federation of Road Transport (ALT), Member of the Board 2001–

Antti Niitynpää (born 1972)

Senior Vice President, Facility Services Finland and Facility Services Sweden (from 17 May 2024 onwards)
Gender: male
Member of the Group Executive Board since: 30 July 2021
Education: eMBA
Key work experience: Lassila & Tikanoja plc, Senior Vice President, Facility Services Finland 2021–2024, Business Director, Cleaning Services 2019–2021, Business Director, Property Maintenance 2014–2018, Regional Director, Helsinki metropolitan area 2013–2016; ISS Finland, Regional Director, Service Director, Customer Accounts Director 2006–2013 and Project Director 1999–2006; Purkat Oy, CEO 1995–1999
Membership on other Boards: Employers' Association of Property Management, Member of the Board 2022–

Hilppa Rautpalo (born 1974)

General Counsel and Senior Vice President, Legal Affairs and Human Resources (from 17 May 2024 onwards)
Gender: female
Member of the Group Executive Board since: 1 January 2020
Education: Master of Laws, trained at the bench
Key work experience: Lassila & Tikanoja plc, Senior Vice President, Human Resources 2020-2024; Arctia Ltd, Senior Vice President, Human Resources and Legal Affairs 2018–2019; Unisport-Saltex Group, General Counsel and Senior Vice President, Human Resources 2017–2018; Ekokem Ltd, General Counsel and Senior Vice President, Human Resources 2013–2017; Amer Sports Oyj, Senior Legal Counsel 2007–2009; Metsä Group, Group Legal Counsel 2000–2007
Membership on other Boards: Finnpilot Pilotage Oy, Member of the Board 2020–

Juha Saarinen (born 1974)

Chief Purchasing Officer
Gender: male
Member of the Group Executive Board since: 1 August 2024
Education: M.Sc. (Tech.)
Key work experience: Kamux plc, Chief Purchasing Officer 2022–2024; Metso plc, Vice President, Indirect Procurement 2019–2022; KONE plc, Head of Indirect Sourcing and other roles 2011–2019; Nokia Mobile Phones, Head of Smart Devices Mechanics Sourcing and other roles 1999–2011

Edward Skärström (born 1974)

Chief Information Officer
Gender: male
Member of the Group Executive Board since: 1 January 2023
Education: Bachelor of Economic Sciences, Information Systems
Key work experience: Teknos, Chief Information Officer 2017–2022 and ICT Manager 2015–2017; IFS Finland, Consulting Manager 2007–2014, Application Consultant and Project Manager 1999–2006

Joni Sorsanen (born 1983)

CFO
Gender: male
Member of the Group Executive Board since: 10 July 2024
Education: M.Sc. (Econ.)
Key work experience: Consti plc, CFO 2018–2024; Caverion Corporation, Head of Group Project Control 2017–2018; Consti plc, Head of Investor Relations and Group Controller 2016–2017; Cramo Plc, tasks relating to the finance and development function of the Group, including Business Controller role 2009–2016; Ernst & Young Oy, Finance Consultant 2007–2008

Antti Tervo (born 1978)

Senior Vice President, Circular Economy Business (from 1 January 2025 onwards)
Gender: male
Member of the Group Executive Board since: 14 February 2012
Education: M.Sc. (Econ.)
Key work experience: Lassila & Tikanoja plc, Senior Vice President, Environmental and Industrial Services 5-12/2024, Senior Vice President, Industrial Services 2014–2024, 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, Director, Procurement 2005–2009, Procurement Manager 2003–2005; Supply Chain Consultant 2001–2003

In 2024, Group Executive Board also had Valtteri Palin as a member until 3 May 2024 and Sirpa Huopalainen, Petri Salermo and Mikko Taipale until 16 May 2024.

Group Executive Board members' shareholding	31 Dec 2024
Eero Hautaniemi	54,881
Jorma Mikkonen	8,236
Antti Niitynpää	3,057
Hilppa Rautpalo	4,287
Juha Saarinen	-
Edward Skärström	1,129
Joni Sorsanen	10,000
Antti Tervo	12,806
Total	94,396

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 on the President and CEO's remuneration is provided in the remuneration report. The remuneration report and information on the Group Executive Board's remuneration is available online at www.lt.fi/en/investors/lt-as-an-investment.

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 is reported and analysed internally within the Group monthly and disclosed as interim reports, half-year financial reports and financial statements releases. 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-year financial 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

A significant proportion of L&T's business is conducted in Finland. Functions related to accounting, accounts payable and receivable, payments, taxation 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. In Finland, the consistent process is supported by 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-year financial reports, financial statements 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-year financial 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-year financial 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. The 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 and operational risks. Risk management at L&T aims to identify significant risk factors, prepare for them, and manage them in an optimal way so that the achievement of the company's strategic and financial objectives is not compromised. 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 of Directors 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 the division and company levels and in functions considered to be critical. The significance of risks is assessed using 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

The internal audit is responsible for the independent evaluation and assurance function required of a listed company, which systematically examines and verifies the effectiveness of risk management, control, management and governance. On the proposal of the Audit Committee, the Board of Directors approves the operating instructions and annual plan for the internal audit. L&T's internal audit has been outsourced to the audit firm KPMG Oy Ab. L&T has designated the CFO to be in charge of coordinating the practical activities. The internal audit function reports to the Audit Committee of L&T's Board of Directors. In addition, the President and CEO, CFO, General Counsel and Senior Vice President, HR and Legal and management of each audited division are informed of the audit results. The implementation of the measures resulting from the internal audit recommendations is monitored and the monitoring results are reported to the Audit Committee.

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 to ensure that the company's insider management has been arranged in a consistent and reliable way. The General Counsel and Senior Vice President, HR and Legal is responsible for insider issues in the company. L&T maintains an internal non-public list of the persons discharging managerial duties and the persons closely associated with them who, pursuant to MAR, are under an obligation to disclose their transactions involving L&T's financial instruments.

L&T has defined the company's Board of Directors and the President and CEO as persons discharging managerial duties pursuant to the Market Abuse Regulation, and each of these persons has been instructed to inform the persons closely associated with them of the notification obligation concerning transactions.

Transactions by managers and the persons closely associated with them are published as stock exchange releases via the company website.

The company maintains separate project-specific insider lists pursuant to MAR on significant projects that may have a significant impact on the value of financial instruments issued by L&T. Such lists are established and maintained following the decision to postpone the disclosure of inside information.

Persons who are entered in a project-specific insider list or other persons in possession of inside information concerning L&T may not trade in financial instruments issued by L&T. In addition, L&T's aforementioned persons discharging managerial duties may not trade in L&T's financial instruments for a closed period of 30 days preceding the publication of the company's interim reports, half-year financial report and financial statements release, including the date of publication.

The closed period preceding result announcements and the restriction on carrying out transactions 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.

Transactions with related parties

The company and its Board of Directors 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 2024.

Auditor

Auditing is carried out by an auditor elected by the Annual General Meeting. The term of the auditor expires at the end of the next Annual General Meeting of Shareholders following their election.

During the financial year 1 January–31 December 2024, PricewaterhouseCoopers Oy served as the auditor, with Samuli Perälä, Authorised Public Accountant, as the principal auditor. The auditor of the company also served as a sustainability auditor and performed the assurance of the sustainability report for the financial year 2024.

The Audit Committee of the Board of Directors processes the audit plan annually and reviews the audit findings with the Board of Directors. In 2024, the fees paid for the Group's statutory auditing totalled EUR 302,000 (302,000). The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 143,000 (71,000). The non-audit services include the assurance of the sustainability report.

Remuneration Report 2024

This Remuneration Report has been prepared in accordance with the applicable legislation and the Securities Market Association's Finnish Corporate Governance Code for Finnish listed companies, which entered into force on 1 January 2025. This report describes the remuneration of the Company's governing bodies, namely the Board of Directors and the President and CEO, for the financial year 2024. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2025 Annual General Meeting of Lassila & Tikanoja plc (hereinafter referred to as "L&T" or "the company"). The resolution of the Annual General Meeting concerning the Remuneration Report is advisory. The 2024 Annual General Meeting voted for the Remuneration Report for the financial year 2023 and affirmed it by an advisory resolution. This Remuneration Report, other information disclosed in accordance with the Corporate Governance Code, and information on the remuneration of the members of the Group Executive Board are available on the company's website.

Introduction

L&T's Personnel and Sustainability Committee has drafted and the Board of Directors has approved the Remuneration Policy, presented to the 2024 Annual General Meeting. The Remuneration Policy describes the remuneration principles concerning the company's governing bodies, namely the Board of Directors and the President and CEO. During the financial year 2024, L&T complied with the Remuneration Policy presented to the Annual General Meeting. An analysis of the total compensation of the key management is prepared annually by a consultant independent of the company. The analysis is reviewed by the Personnel and Sustainability Committee.

There were no deviations from the Remuneration Policy and no clawback of remuneration. In accordance with the Remuneration Policy, the aim of the remuneration scheme of the Board of Directors and the President and CEO is to contribute to the positive development of shareholder value, as well as to enhance the company's competitiveness, long-term financial success, and fulfilment of the strategy and goals set by the company.

The key principle of the Remuneration Policy is that remuneration of the Board of Directors and the President and CEO shall contribute to the achievement of the abovementioned goals and provide – in terms of both level and structure – a fair and competitive package that promotes commitment and retention and is in line with market practices. The aim of all remuneration throughout Lassila & Tikanoja Group is to promote good performance and to motivate personnel to engage in long-term efforts to promote the achievement of the company's goals.

Remuneration is one factor through which the company strives to ensure the availability of skilled and motivated persons for all positions at all levels of the organisation. These principles also apply to the remuneration of the members of the Board of Directors and the President and CEO. The chart on the right shows the development of the remuneration of the Board members and the President and CEO during the financial years 2020–2024 relative to the development of the average remuneration of employees and the Group's financial performance.

Fees paid to the Board of Directors for the financial year 2024

The Annual General Meeting annually determines the annual fees and meeting fees payable to the members of the Board of Directors for Board and committee work. The Shareholders' Nomination Board prepares proposals on remuneration for the Annual General Meeting to be held in the spring 2025.

Annual fees, meeting fees for Board and committee meetings, and other financial benefits

The Annual General Meeting held on 21 March 2024 resolved on the remuneration of the Board of Directors in 2024 as follows:

- Chairman of the Board EUR 70,000
- Vice Chairman of the Board EUR 47,000
- members EUR 35,000

The fees are be paid so that 40% of the annual fee is paid in Lassila & Tikanoja plc shares held by the company or, if this is not feasible, shares acquired from the market, and 60% in cash.

Shares are issued to Board members and, where necessary, acquired directly from the market on behalf of Board members on the third trading day after the publication of the interim report for the first quarter of the year.

In addition, meeting fees were paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman, and EUR 500 to each member for each meeting. Meeting fees were also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

None of the members of the Board of the Directors is employed by the company or a company belonging to the same group of companies as the company or acts as the company's advisor, and thereby they receive no salary, pension benefits, other financial benefits associated with employment or service, or other emoluments or fees not associated with Board work from the company.

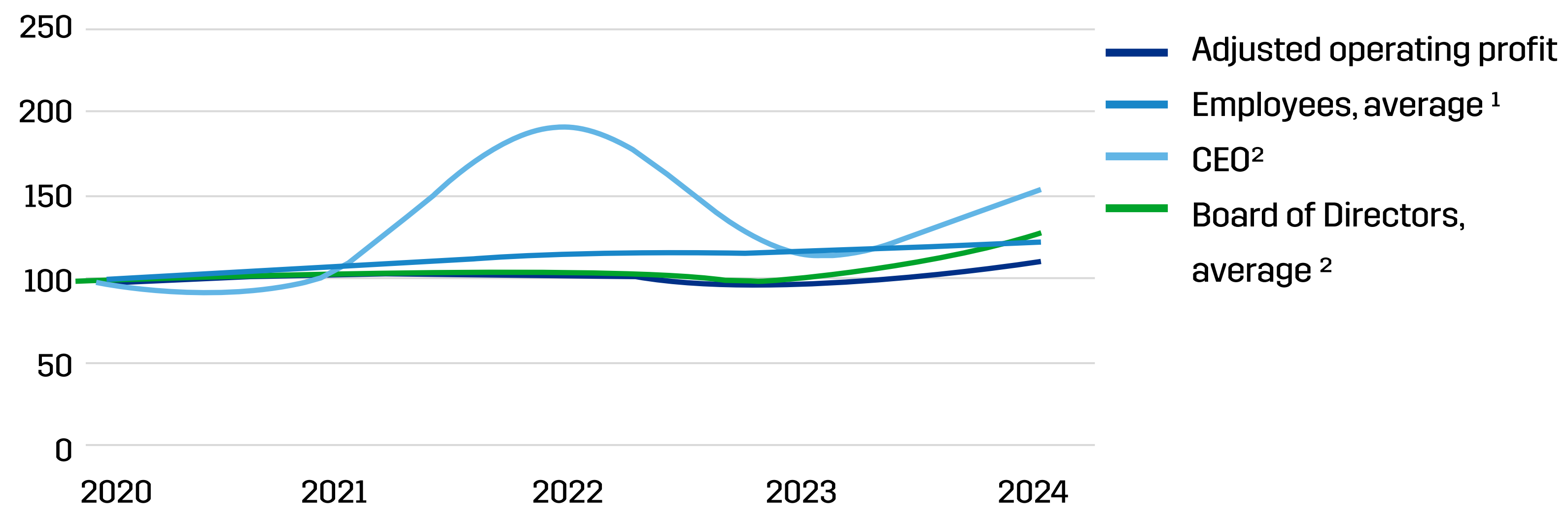
The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company. For the payment of the 40 per cent proportion of the annual fee of the members of the Board of Directors, a total of 13,332 shares held by the company were transferred to the Board members on 2 May 2024 at a rate of EUR 8.76 per share in the following amounts: 3,196 shares to the Chairman, 2,146 shares to the Vice Chairman, and 1,598 shares to each member.

Fees paid to the members of the Board of Directors in 2024

EUR	Annual fee	Meeting fees	Total
Jukka Leinonen, Chairman	70,000	26,800	96,800
Sakari Lassila, Vice Chairman	47,000	20,300	67,300
Teemu Kangas-Kärki, member	35,000	14,500	49,500
Laura Lares, member	35,000	14,000	49,000
Juuso Maijala member[1]	35,000	12,500	47,500
Anni Ronkainen, member	35,000	14,500	49,500
Pasi Tolppanen, member	35,000	14,000	49,000

[1] Member of the Board from 21 March 2024

Development of business and remuneration, indexed, 2020 = 100



[1] Employee salaries relative to the total number of personnel, converted to a full-time equivalent basis
[2] Total remuneration scheme

Remuneration of the President and CEO for the financial year 2024

The Board of Directors decides on the remuneration and financial benefits payable to the President and CEO. Before decision-making by the Board of Directors, the matter is prepared by the Personnel and Sustainability Committee of the Board. Eero Hautaniemi has served as the President and CEO since 1 January 2019. The company did not have a Deputy CEO.

Key remuneration principles

The remuneration of the President and CEO consists of a fixed monthly salary and benefits, and a separate annually decided short-term incentive. In addition, the President and CEO is included in the share-based incentive scheme, which serves as a long-term incentive scheme. The short-term incentive scheme and the share-based incentive scheme that serves as a long-term incentive scheme constitute the variable components of the President and CEO's remuneration.

Short-term incentive scheme

The short-term incentive bonus for the President and CEO corresponds to seven months' salary at maximum. The objectives of the short-term incentive scheme are set – and their achievement assessed – annually. Any incentives are usually paid in February of the year following the earnings period typically spanning a calendar year. The precondition for payment is that the President and CEO is employed by the company at the time.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2024 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (70% weight), improving working capital (20% weight) and the employee Net Promoter Score (eNPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponded to the financial year 2024, the incentive bonus was earned at 35.1% of the maximum amount. The President and CEO will be paid EUR 92,565 in the financial year 2025 for the earnings period that corresponds to the financial year 2024.

Long-term incentive scheme

The President and CEO's long-term incentive scheme is the company's share-based incentive scheme. The Board of Directors decides on the share-based incentive scheme as part of the overall incentive and retention scheme. As a rule, the earnings period of the plan is three calendar years. The Board of Directors decides on the earning criteria for each earnings period based on the Personnel and Sustainability Committee's proposal. The final numbers of shares issued based on meeting the earnings criteria are decided by the Board of Directors at the beginning of the year following the earnings period.

Rewards are paid in February of the calendar year following the earnings period. The rewards are paid partly as shares and partly in cash. The cash component is intended to cover the taxes and tax-like payments incurred from the share-based reward.

The precondition for payment is that the President and CEO is employed by the company at the time of the payment. Any shares earned through the one-year incentive scheme must be held for a minimum period of two years following payment (retention period). After the two-year retention period, shares must continue to be held at a value corresponding to the President and CEO's gross salary for six months, as long as the President and CEO is employed by the company. If the President and CEO resigns during the retention period at his own initiative, he is obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2023 and 2024 as the earnings periods, as well as the three three-year earnings periods of 2023–2025, 2024–2026 and 2025–2027 are described below:

- The share-based incentive scheme with the financial year 2023 as the earnings period. The reward is based on the Group's return on capital employed (ROCE) with a weight of 80% and carbon footprint reduction with a weight of 20%. The earnings criteria for the earnings period that corresponds to the financial year 2023 were achieved to such an extent that the reward represented 51.3% of the maximum amount. In the financial year 2024, the President and CEO was paid a total of EUR 145,727 under the long-term incentive scheme (corresponding to 16,108 L&T shares to be transferred and including the cash component) for the earnings period that corresponded to the financial year 2023, calculated at the average share price on 23 February, 2024.
- The share-based incentive scheme with the financial year 2024 as the earnings period. The reward is based on the Group's return on capital employed (ROCE) with a weight of 80% and carbon footprint reduction with a weight of 20%. The earnings criteria for the earnings period that corresponds to the financial year 2024 were achieved to such an extent that the reward represented 23.51% of the maximum amount. In the financial year 2025, the President and CEO was paid a total of EUR 60,827.68 under the long-term incentive scheme (corresponding to 7,382 L&T shares to be transferred and including the cash component) for the earnings period that corresponded to the financial year 2024, calculated at the average share price on 25 February, 2025.
- The share-based incentive scheme with the financial years 2023–2025 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2023–2025 (50% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), and carbon footprint reduction (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2026.
- The share-based incentive scheme with the financial years 2024–2026 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2023–2025 (50% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), and carbon footprint reduction (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2027.
- The share-based incentive scheme with the financial years 2025–2027 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2025–2027 (30% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), carbon footprint reduction (20% weight) and revenue during the period 2025–2027 (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2028.

Other key terms and conditions

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is six months should the company terminate the contract, and six months should the President and CEO terminate the contract. In the event that the company terminates the contract, the President and CEO will be paid compensation amounting to twelve (12) months' salary. Separate rewards are not paid to the President and CEO for memberships of the Boards of Directors of the company's subsidiaries, and the President and CEO receives no remuneration from L&T Group companies other than the parent company. The President and CEO's pension is determined according to the Employees Pensions Act.

Remuneration paid to the President and CEO

Short-term and long-term incentive bonuses were paid to the President and CEO in the financial year 2024. Incentive bonuses amounting to EUR 92,565 will become due for payment for the financial year 2024. No supplementary pension was paid.

The following table presents the remuneration paid to the President and CEO during the financial year 2024:

EUR	2024	Relative share of fixed and other incentives
Annual salary (including salary and fringe benefits)	473,939	67%
Incentive bonus	89,400	13 %[1]
Share-based bonus	145,727	21%
Fringe benefits (included in the annual salary)	17,937	
Total	709,066	

[1] The maximum amount of the incentive bonus for the CEO in 2024 was 58% of the annual salary

LEADER OF THE **REGENERATIVE SOCIETY**

Lassila & Tikanoja plc

Valimotie 27, 00380 Helsinki
puh. 010 636 111
www.lt.fi