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Annual Report 2023
Lassila & Tikanoja plc

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 2023 amounted to EUR 802.1 million, and we employed 8,160 circular economy professionals. L&T is listed on Nasdaq Helsinki and had 24,959 shareholders at the end of the period under review.

CEO's review

In 2023, we carried out a comprehensive strategy review that culminated in a successful Capital Markets Day in November. We set a target of net zero emissions by 2045 and implemented a number of projects with our customers to strengthen biodiversity in Finland. At the same time, the economic uncertainty in the business environment and rising production costs challenged us in our day-to-day operations.

Strategic focus on circular economy businesses

To mitigate climate change and biodiversity loss, society and companies must take circular economy action, and this provides many growth opportunities for L&T's business.

In the discussions I had with our customers during the year, the message was clear: sustainability themes are increasingly being perceived as strategic priorities among our customer companies, and businesses recognise their role in promoting the green transition.

In the latter part of the year, we conducted a double materiality assessment in accordance with the EU's Corporate Sustainability Reporting Directive. The assessment underscored L&T's role as a circular economy pioneer among both external and internal stakeholders.

That is also the foundation for our renewed strategy, which was approved by L&T's Board of Directors in October. Under the renewed strategy, the Environmental Services and Industrial Services divisions will seek new growth especially by focusing on business opportunities related to the circular economy of materials.

At the core of the strategy are new solutions for increasing the recycling rate and material value of waste, as well as the remediation of land in the built environment. Growth will be sought through business development and potential complementary acquisitions.

In connection with the strategy review, the Board of Directors decided to evaluate the strategic options for Facility Services Finland and Facility Services Sweden as part of the company's business portfolio development. The sale of operations is one possible option. The Facility Services business operations in Finland and Sweden have significant net sales and strong position in growing markets. Now is the right time to look at the best next step for the Facility Services divisions in terms of business development and value creation.

Uncertainty in the business environment was reflected in our financial performance

In 2023, the economic environment in the Finnish and Swedish markets was characterised by uncertainty, and the economic outlook deteriorated towards the end of the year. The increase in production costs affected all of L&T's divisions, as did the labour market decisions including one-off items reached in Finland in the late spring.

In the Industrial Services division, demand was strong throughout the year in all of the division's business lines. During the strategy process, environmental construction and soil remediation emerged as a particularly interesting area of growth, and we implemented a number of demanding industrial remediation projects in 2023.

The slowing of general economic activity led to a decrease in waste volumes and the prices of recycled raw materials in 2023. As a consequence of the 2021 reform of the Waste Act in Finland, the collection of packaging waste from housing properties was transferred to municipally owned waste management companies at several areas that are significant to L&T. Although L&T has a strong position in municipal contracts, the change reduced the efficiency of waste collection logistics which increased production costs. Material streams that are suitable for recycling are still being disposed of by incineration. There is a need for more effective market-based instruments in Finland to ensure the primacy of recycling and curb the incineration of waste.

In our facility services businesses in Finland and Sweden, we simplified operating models and streamlined the cost structure. Facility Services Finland started the measures in late 2022 and the effects were evident in the second half of the year under review as the division's operating profit improved.

Strong stakeholder support for our operations

Strong stakeholder support is one of the cornerstones of our strategy implementation. We actively seek feedback from our key stakeholders and steer our operations accordingly. Last year, a reputation survey conducted among the general public and our own customer surveys indicated strong support for our operations. The results of our personnel surveys highlighted the importance of meaningful work, and we received positive feedback on supervisory work. The surveys also highlighted areas for improvement, which have been taken into account in teams' annual planning.

Making the circular economy a reality

The EU has continued the purposeful implementation of the European Green Deal. The extensive legislative reforms will have a substantial impact on L&T's business environment, and they support L&T's business objectives in the medium and long term. Finland's new Government Programme also strengthens the operating conditions for the recycling industry.

L&T broadly supports the reforms related to the green transition and puts them into practice through the solutions it provides. We help our customers achieve their sustainability targets on the path towards a more sustainable future.

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

Report by the Board of Directors

Business model

L&T is a service company that is making the circular economy a reality. The Group operates in the circular economy and facility services businesses. All of L&T's business operations build future sustainable growth for the circular economy and are based on the opportunities it creates.

- Environmental Services keeps its customers' materials efficiently in circulation and with the highest possible degree of processing.
- 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 soil remediation, process cleaning and sewer maintenance services. The division operates in Finland and Sweden.
- Facility Services in Finland and Sweden improve the value of customers' properties and aim for the continuous improvement of energy efficiency in line with the goal of a circular economy.

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

Business environment

The business environment remained challenging throughout the year and became increasingly tough towards the end of the year as the general economic outlook deteriorated.

In 2023, the general rise in costs levelled off as far as energy prices were concerned. Nevertheless inflation was reflected in the wage decisions negotiated in the labour market. Compared to their predecessors, the two-year wage decisions in Finland were expensive and front-loaded, but L&T was able to pass their cost impacts on to customer prices. The sickness rate was still at a high level in the early part of the year due to various respiratory infections, but the situation returned to normal towards the end of the year.

The 2021 reform of the Waste Act entered into effect in Finland with regard to the separate collection of consumer packaging. Municipalities organised the collection operations by dividing them into dozens of contracts that were put out to tender.

L&T had good success in the tendering processes and strengthened its market position in the segment in question. Nevertheless, this change caused service disruptions, increased total logistics costs and weakened the operating conditions for local and regional operators. In L&T's assessment, the net impacts of the reform are negative for the industry as a whole.

Finland's new Government Programme strengthens the operating conditions for the recycling industry and, on the whole, is aligned with L&T's objectives. The Government Programme will reduce the public sector's role in waste management, restrict the activities public sector organisations in the waste management market and promote the development of the market for recycled raw materials by means of various market-based instruments.

Finland is far behind the EU's minimum target level with regard to the recycling of municipal waste and the recycling rate of materials.

The current waste policy has created excess incineration capacity in Finland, which jeopardises recycling and hinders innovation. There is a need for effective market-based instruments in Finland to ensure the primacy of recycling and curb the incineration of waste.

The EU has continued the purposeful implementation of the European Green Deal under challenging circumstances. It appears that all of the key reforms will be completed during the term of the current European Commission. The extensive legislative reforms included in the European Green Deal will have a substantial impact on L&T's business environment, and they support L&T's business objectives in the medium and long term.

Climate and energy policy have been increasingly complemented by initiatives to protect biodiversity, such as the Nature Restoration Law and the net zero emissions plan. The circular economy plays a central and critical role in both initiatives. Circular economy solutions promote the sustainable use of natural resources and thereby contribute not only to the mitigation of climate emissions but also the effort to curb biodiversity loss.

L&T broadly supports the reforms related to the green transition and puts them into practice through the solutions it provides. From the perspective of business impacts, the key issue is how the reforms related to the green transition will be managed and implemented in Finland. The predictability and consistency of regulation has considerable significance for the industry as a whole.

The EU's circular economy policy has also moved in the right direction as the focus of regulation has shifted to sustainable product design in the early stages of the value chain on the one hand, and strengthening the markets for recycled raw materials on the other hand. At present, the use of recycled raw materials is primarily voluntary, which means that recycled raw materials need to compete with virgin raw materials while having a very different cost structure.

Green transition initiatives and measures set more ambitious targets for the sustainability of business activities. The Corporate Sustainability Reporting Directive will increase the significance and weight of sustainability efforts for businesses. Sustainability requirements will be integrated into companies' operating models, processes and reporting. Ensuring regulatory compliance will become an increasingly important criterion in procurement in the future. 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.

Strategy

Lassila & Tikanoja's mission is to make the circular economy a reality. The company helps its customers achieve their sustainability goals.
Climate change and biodiversity loss are megatrends and the mitigation of them 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", is guiding the Group's operations during the 2022–2026 strategy period. In October 2023, the Board of Directors of Lassila & Tikanoja completed a review of the company's strategy. According to the revised strategy, the Environmental Services and Industrial Services divisions will seek growth especially by focusing on business opportunities related to the circular economy of materials. Growth will be sought through organic development and potential selected acquisitions.

The Environmental Services 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 the Industrial Services division, new business opportunities are emerging around the processing and value increase of industrial side streams, as well as the restoration of the built environment. Growth is also being sought in the Swedish market in industrial services and material value chains.

Facility Services Finland and Facility Services Sweden will focus on improving profitability. The company's Board of Directors has decided to evaluate the strategic alternatives for Facility Services Finland and Facility Services Sweden as part of the company's business portfolio development. All potential options are being considered, including a potential sale of the divisions.

The Group's strong balance sheet and the favourable development of the contract portfolio in all business segments are creating 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 is continuously developing its material processing capabilities and the competence of its personnel in accordance with the principles of the circular economy.

Targets for the strategy period

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

Financial targets

Indicator	Target	2023	2022
Annual growth in net sales, %	5	-5.0	3.9
Return on capital employed, % (ROCE)	15	10.3	10.4
Gearing, %	Less than 125%	69.3	75.9

Sustainability and stakeholder targets

Measure	Target	2023	2022
Net Promoter Score, NPS	>50 by 2026	35	26
Employee Net Promoter Score, eNPS	>50 by 2026	21	24
Carbon footprint	-50% by 2030, using 2018 as the baseline	-36 %	-26 %

L&T updated its environmental sustainability target in October 2023. The target is to halve the emissions of L&T's own operations by 2030 from the level of 2018 and to reduce indirect (Scope 3) emissions by 18% by 2030 from the level of 2022. The company has set a target of net-zero emissions by 2045. The monitoring of the target will start from the beginning of 2024.

L&T'S VALUE CREATION IN 2023

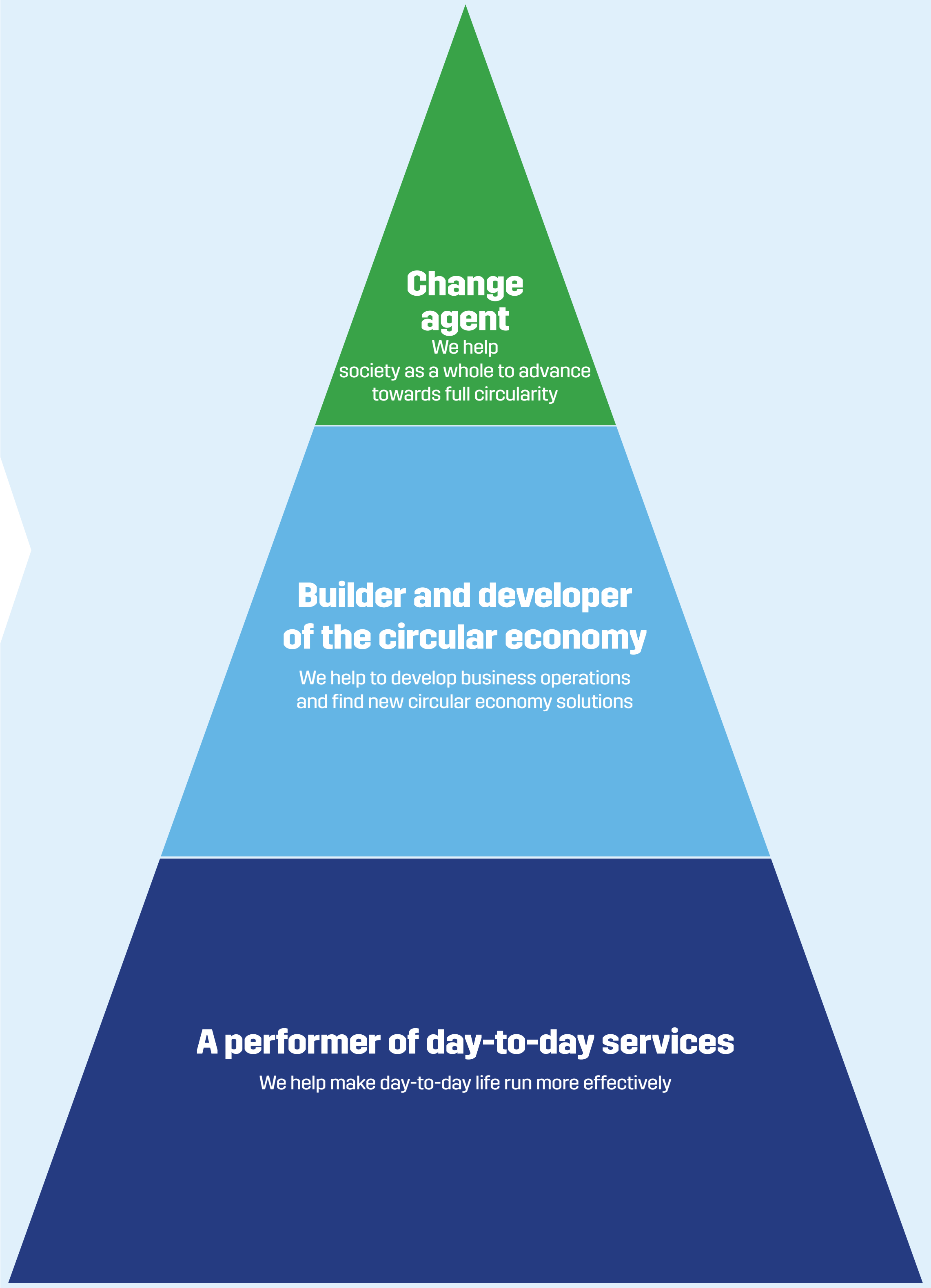
Resources

People and management
- 8,160 L&T employees in Finland and Sweden
- 13.6 million hours worked
- Investments in safety, work ability and well-being
- Benefits paid from the sickness fund MEUR 2.0
- Quality and management systems and certificates (ISO 9001, ISO 14001 and ISO 45001)
- Comprehensive training opportunities
- Employment opportunities for special groups

Environment and production
- 52 recycling plants, terminals and transfer stations
- Development of methods and new recycling solutions
- 1.2 million tonnes of material collected from customers
- 10,500 properties under maintenance (Finland)
- Climate targets throughout the chain

Finances and governance
- Promoting human rights and a sustainable supply chain
- Over 700 suppliers, mostly small companies in different parts of Finland and Sweden
- Equity MEUR 232.2
- Net interest-bearing liabilities MEUR 160.9
- Capital expenditure MEUR 61.1
- Over 24,900 shareholders

Activities



We make circular economy a reality

Outputs

Healthy personnel
- Employee Net Promoter Score (eNPS) 21
- Sickness-related absences 5.1%
- Retirement age 64.6 years
- Health rate 41%
- Accident frequency (TRIF) 23
- Over 42,000 hours of training on average per year
- Code of Conduct training for employees

Responsible products and services
- Reuse and recycling rate of customer materials 57.8%.
- Containers emptied nearly 13 million times
- More than 780,000 maintenance actions and over 3,000 energy efficiency proposals in Finland
- 55,700 tonnes of waste rendered nonhazardous
- Over 500,000 tonnes of soil and side streams delivered for material recycling
- Promoting biodiversity in the built environment

Emissions
- Carbon footprint intensity of own operations per kilometre driven 613 gCO_2e, -36% compared to the previous year
- Water treated by the Industrial Services division 156,130 m^3

Impacts

Employment and prevention of marginalisation
- Salaries, fees and social security contributions paid MEUR 352.8
- Employees with a high level of wellbeing and commitment as well as a capable organisation
- Impacts of well-being, injuries and illnesses on the health of personnel
- Providing a first job for people regardless of their background
- 37% of supervisors, managers and leaders are women

Mitigating climate change and biodiversity loss
- Carbon handprint of operations 457.2 million tCO_2e
- Conservation of virgin raw materials
- Promoting sustainability and the external recognition of these efforts, e.g. EcoVadis Platinum, CDP, Financial Times Diversity Leaders and Climate Leaders reports

Economic prosperity
- Added value created MEUR 448
- Taxes: MEUR 5.7
- Dividends MEUR 17.9

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

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

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

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

We increase our customers' properties value and user satisfaction

We recycle the materials of society

We utilize the side streams of industry and society

We improve energy efficiency

Financial performance and division review

Financial performance

Group net sales and financial performance

Net sales for 2023 amounted to EUR 802.1 million (844.1), a decrease of 5.0% year-on-year. Excluding the effect of the renewable energy sources business, net sales were on a par with the comparison period and the rate of organic growth was -0.9%. Adjusted operating profit was EUR 39.0 million (40.9), representing 4.9% (4.8%) of net sales. Operating profit was EUR 38.4 million (42.9), or 4.8% (5.1%) of net sales. Earnings per share were EUR 0.79 (0.83).

Net sales increased in Industrial Services and decreased in the other divisions. Operating profit improved in Industrial Services and Facility Services Finland, and declined in Environmental Services and Facility Services Sweden.

The result for the financial year was 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 result for the period was also affected positively by L&T's EUR 3.6 million (0.7) share of the profit of the joint venture Laania Oy. The operating profit for the comparison year was improved by a gain of EUR 4.3 million from the sale of the renewable energy sources business.

Division reviews

Environmental Services

The full-year net sales of the Environmental Services division decreased to EUR 283.7 million (321.2) in 2023. Operating profit was EUR 27.1 million (30.3). Excluding the effect of the renewable energy sources business, net sales decreased by 1.2%. The renewable energy sources business was reported as a part of the Environmental Services division until the end of the second quarter of 2022.

The focus of the Environmental Services division is heavily on corporate customers and producer responsibility organisation customers, and their number grew in the beginning of the year and stabilised during the fourth quarter. In the Environmental Services division, the decline in general economic activity was reflected in lower waste volumes and the prices of recycled raw materials throughout the year. The decrease in the prices and volumes of recycled raw materials burdened the net sales of the division and had a negative effect of EUR 4.5 million on the operating profit.

The Finnish Waste Act was amended in July 2021. Under the reform, municipalities take on a larger role in organising the collection of packaging material waste and biowaste from housing properties. As a consequence of the reform, L&T's direct customer agreements with residential properties on the separate collection of packaging waste and biowaste are being transferred to municipalities for competitive bidding gradually between 1 July 2022 and 1 July 2025.
As a result of municipalisation, EUR 40 million of the Finnish waste management market was moved out of the scope of free competition to municipal waste companies during 2022–2023. L&T estimates that based on decisions made by the end of year 2023, a further EUR 30 million will be moved out of the scope of free competition to municipal waste companies between 2024 and 2026.

In the latter half of the year, the collection of packaging waste from residential properties was transferred to municipal waste companies in several geographical areas that are significant to L&T. L&T participates in the competitive tendering of municipal contracts. During 2023, the competitive tendering of municipal contracts is estimated to have amounted to EUR 15–20 million and the Group won municipal contracts amounting to EUR 8 million. Nevertheless, the change decreased additional sales and reduced the efficiency of L&T's waste collection logistics increasing production costs. The change had a total negative impact of approximately EUR 2.5 million on operating profit in 2023.

L&T aims to compensate for the impacts of municipalisation by growing the corporate customer business and continuing to improve the efficiency of operations during the next three years. In the division, measures to improve operating efficiency and profitability were initiated during the latter half of the year. The employment relationship of approximately 50 salaried employees are being terminated as a result of change negotiations and other jointly agreed measures at the latest by the end of the first quarter of 2024.

The division aims to shift its focus increasingly to the materials business in the circular economy value chain. Related assessments were initiated in the latter part of the year.

There is a significant systems renewal project under way in Environmental Services, which will also include the deployment of a new ERP system. The systems renewal project increased the division's fixed costs throughout the year. The supplier of the ERP system was changed in 2022 and, during the period under review, the previous supplier paid a one-off compensation relating to the termination of the co-operation. Expenses capitalised during the co-operation with the previous supplier were written down on the balance sheet during the review period. The one-off compensation and the related costs and write-down did not have a significant effect on the division's operating profit. The system is scheduled to enter the deployment stage in the second half of 2024. The total investment in the system projects is estimated at approximately EUR 16.9 million, approximately EUR 14.2 million of which was realised by the end of 2023.

Industrial Services

The Industrial Services division's full-year net sales in 2023 grew to EUR 141.0 million (132.0). Adjusted operating profit was EUR 14.0 million (13.6). Operating profit was EUR 13.8 million (12.7). Operating profit was reduced by a change of EUR 0.2 million in the fair value of the deferred consideration related to the acquisition of Sand & Vattenbläst i Tyringe AB ("SVB") recognised in the fourth quarter of 2023. The change in the fair value is due to SVB's improved result which increases the final acquisition price recognised as liability. In the comparison period, the fair value change recognised in the deferred consideration related to the acquisition reduced operating profit by EUR 0.8 million.

Demand was strong in all the Industrial Services division's business lines. The environmental construction business line was highlighted as a focus area in L&T's renewed strategy in the autumn, and several large customer projects were carried out in the business line during the period under review. The business line

MEUR	2023	2022	Change %
Net sales			
Environmental Services	283.7	321.2	-11.7
Industrial Services	141.0	132.0	6.8
Facility Services Finland	250.0	256.3	-2.5
Facility Services Sweden	133.2	140.4	-5.1
Interdivisional net sales	-5.8	-6.0	
The Group total	802.1	844.1	-5.0
Operating profit			
Environmental Services	27.1	30.3	-10.6
Industrial Services	13.8	12.7	8.2
Facility Services Finland	4.4	-0.5	
Facility Services Sweden	-3.7	0.4	
Group administration and others	-3.2	0.1	
The Group total	38.4	42.9	-10.6
Adjusted operating profit			
Environmental Services	27.1	30.3	-10.6
Industrial Services	14.0	13.6	3.1
Facility Services Finland	4.4	-0.5	
Facility Services Sweden	-3.7	0.4	
Group administration and others	-2.8	-2.8	
The Group total	39.0	40.9	-4.7

%	2023	2022
Operating margin		
Environmental Services	9.5	9.4
Industrial Services	9.8	9.6
Facility Services Finland	1.8	-0.2
Facility Services Sweden	-2.8	0.3
The Group total	4.8	5.1
Adjusted operating margin		
Environmental Services	9.5	9.4
Industrial Services	9.9	10.3
Facility Services Finland	1.8	-0.2
Facility Services Sweden	-2.8	0.3
The Group total	4.9	4.8

MEUR	2023	2022
Gross capital expenditure		
Environmental Services	40.9	20.3
Industrial Services	17.5	34.6
Facility Services Finland	1.0	1.5
Facility Services Sweden	0.5	0.4
Group administration and others	1.2	1.3
The Group total	61.1	58.2

MEUR	2023	2022
Capital employed		
Environmental Services	208.9	197.3
Industrial Services	92.2	95.2
Facility Services Finland	21.7	28.3
Facility Services Sweden	59.9	62.1
Group administration and others	43.2	54.4
The Group total	425.9	437.2

%	2023	2022
Return on capital employed (ROCE)		
Environmental Services	13.5	14.4
Industrial Services	14.7	15.6
Facility Services Finland	19.4	-0.8
Facility Services Sweden	-5.9	0.8
The Group total	10.3	10.4

has a strong position particularly in the market for demanding industrial soil remediation projects. The customer volume increased in hazardous waste services. In process cleaning in Finland, the demand related to annual maintenance breaks was strong, and the resource allocation was successful. Business operations in Sweden developed favorably despite the challenging market environment.

Facility Services Finland

The full-year net sales of the Environmental Services division decreased to EUR 250.0 million (256.3) in 2023. Operating profit improved to EUR 4.4 million (-0.5).

In Facility Services Finland, the measures initiated in the second half of 2022 to streamline the cost structure and improve operational efficiency continued in the division throughout the period under review.

In the division, the efficiency of production improved and personnel turnover decreased in cleaning services. Good progress was achieved in digitalisation with the number of sites within the scope of data-driven cleaning increasing in 2023. In building technology services, the demand for energy efficiency services increased during the period under review. The rising costs caused by high inflation were, for the most part, passed on to customer prices.

Facility Services Sweden

The net sales of Facility Services Sweden amounted to EUR 133.2 million (140.4) in 2023. The decrease in net sales was due to the depreciation of the Swedish krona. Net sales denominated in Swedish krona increased. Operating profit declined to EUR -3.7 million (0.4). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR -2.5 million (2.2).

Customer agreements in the Swedish business are mostly fixed-price contracts, and the division has not been able to pass the increased production costs on to customer prices. In the fourth quarter, the uncertainty in the business environment was reflected in customer demand, and fewer new projects were started than in the comparison period. The division has a programme under way to simplify operating models and adapt them to the changed business environment. The results are expected to become visible by the end of 2024.

Financing and capital expenditure

In 2023, net cash flow from operating activities amounted to EUR 93.6 million (71.8). Net cash flow after investments came to EUR 50.9 million (41.1). In the comparison period, net cash flow after investments was reduced by acquisitions, which had a total impact of approximately EUR 13 million. A total of EUR 5.1 million in working capital was released (EUR 6.2 million committed).

At the end of the financial year, interest-bearing liabilities amounted to EUR 193.7 million (216.8). Net interest-bearing liabilities totalled EUR 160.9 million (167.3). The average interest rate on long-term loans, excluding lease liabilities, with interest rate hedging, was 4.0% (2.5%). In the second quarter, the company refinanced a EUR 50 million bank loan that would have matured in the third quarter of 2024. The new bank loan is in the amount of EUR 40 million and will mature in the third quarter of 2026. In addition to the usual financial covenants, the new bank loan is linked to sustainability targets, namely L&T's carbon footprint and accident frequency. 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 connection with the refinancing of the bank loan. The fair value of the interest rate swap, EUR 1.3 million, was recognised in financial income in the second quarter. The company had no interest rate swaps at the end of the financial year. In the third quarter, the company repaid the remaining amount of EUR 17.7 million of the bond issued in 2018.

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 amounted to EUR -6.3 million (-5.8). Net financial expenses were increased by the rise in the general interest rate level, which was compensated by the fair value of EUR 1.3 million of an interest rate swap being recognised due to the termination of the interest rate swap. The effect of exchange rate changes on net financial expenses was EUR -0.0 million (-0.2). Net financial expenses were 0.8% (0.7%) of net sales.

The equity ratio was 36.8% (34.3%) and the gearing ratio was 69.3% (75.9%). The Group's total equity was EUR 232.2 million (220.4). Cash and cash equivalents amounted to EUR 32.9 million (49.5) at the end of the financial year.

Gross capital expenditure for 2023 came to EUR 61.1 million (58.2). The capital expenditure consisted primarily of machine and equipment purchases, as well as investments in information systems. Acquisitions accounted for approximately EUR 21 million of the gross capital expenditure in the comparison period.

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in Note 5.4 Related-party transactions.

Outlook

Net sales in 2024 are estimated to be at the same level as in the previous year, and operating profit is estimated to be at the same level or better compared to the previous year.

Sustainable development and statement of non-financial information

Sustainability is an integral aspect of L&T's strategy, decision-making and day-to-day business. Through sustainable circular economy solutions, L&T strengthens its competitiveness and creates diverse value for its key stakeholders. For L&T, sustainability means supporting customers' sustainability efforts, reducing the environmental impacts of the Group's own operations, promoting employee well-being and diversity, and ensuring the sustainability of L&T's value chain.

L&T's business model, value creation and strategy are described in more detail on pages 3–4.

Commitment to national and international objectives

L&T is committed to supporting key declarations and agreements, such as:

- 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
- Commitments to sustainable development by societies

We have also set scientific climate targets approved by the Science Based Targets initiative and made a commitment to reducing the emissions generated by our own operations by 2030 in line with the target. We also encourage our partners to set their own emission reduction targets.

L&T updated its environmental sustainability target in October 2023. The target is to halve the emissions of our own operations by 2030 from the level of 2018 and to reduce indirect (Scope 3) emissions by 18% by 2030 from the level of 2022. The company has set a target of net-zero emissions by 2045.

We are also committed to reporting on the climate impacts of our operations in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our report in accordance with the TCFD recommendations is provided on page 14 under "Risks and opportunities of climate change".

Managing sustainability

At L&T, sustainability is integrated into the Group's strategy. The Board of Directors monitors the progress of the Sustainability Programme annually through the Personnel and Sustainability Committee of the Board of Directors. The Committee discusses sustainability issues at least three times per year. The Personnel and Sustainability Committee met four times in 2023.

In autumn 2023, the Board of Directors updated the charters of the Board's committees with regard to sustainability issues. In 2024, the monitoring and evaluation of the development of sustainability in the Group and the results of the Group's ESG assessments and analyses are new items on the charter of the Audit Committee. The Personnel and Sustainability Committee focuses on monitoring and evaluating the development of the business environment and regulation, as well as stakeholder support. The committee monitors and evaluates sustainability-related target setting in the short and long term and discusses and prepares environmental, personnel-related and governance-related issues in the sustainability programme.

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 Senior Vice President of Corporate Relations and Sustainability and the communications and sustainability organisation operating under his supervision are in charge of the practical coordination and reporting of sustainability efforts. The businesses and other functions are in charge of the responsibility and compliance of their operations in accordance with the Group's management system.

Managing sustainability at L&T

Board of Directors
Confirms and approves the sustainability programme and long-term objectives

Personnel and Sustainability Committee
monitors and evaluates the development of sustainability with respect to the sustainability programme.

Audit Committee
monitors the effectiveness of risk management systems and ensures compliance.

President and CEO + Group Executive Board
Manages the development of the sustainability of business operations, sets targets and monitors their achievement on a regular basis.

Business operations
implement the sustainability programme and monitor its implementation with the support of the Group functions.

Group functions
Develop, coordinate and steer the Group's approach to sustainability and support its practical implementation.

Everyone at L&T
is responsible for ensuring that they work in line with our sustainability commitments at all times.

L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and ISO 45001 standards. L&T's policies and principles cover the environmental, ethical and social perspectives that the Group observes in both its own operations as well as in the services it produces for customers. The policies and principles are available to stakeholders on L&T's website.

L&T takes an uncompromising approach to ensuring the compliance and sustainability of its operations. L&T observes its obligations regarding the environment and as an employer, and minimises the negative environmental impacts of its operations. L&T requires that its suppliers operate in accordance with the laws, regulations and its sustainability principles.

Sustainability Programme

The development of L&T's sustainability is driven by the Group'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 Goals and the objectives of the Global Compact initiative.

The key sustainability targets laid out in the sustainability programme, meaning the Group's climate impacts, customer satisfaction and employee recommendation rate, have been incorporated into L&T's long-term strategic goals.

Operating principles concerning sustainability

In its decision-making and administration, Lassila & Tikanoja complies with the Finnish Companies Act, other regulations governing listed companies, the Articles of Association of Lassila & Tikanoja plc, the charter of L&T's Board of Directors and its committees, and the rules and guidelines of Nasdaq Helsinki Ltd. L&T's operations are also guided by the policies and operating principles approved by the Board of Directors or the Group Executive Board.

To ensure compliance in its operations, L&T has documented its ethical principles in its Code of Conduct for the company's personnel and contract suppliers. People managers and supervisors are responsible for ensuring the personnel's familiarity with the Code of Conduct and monitoring compliance with the guidelines. Violations of the Code of Conduct are primarily reported to one's immediate supervisor, who assists in the interpretation of the code in ambiguous situations.

Employees, suppliers and subcontractors can also send a message to a confidential whistleblowing channel. The channel is available in all of the Group's operating countries. L&T responds to all incidents of non-compliance without delay, in accordance with a jointly agreed process.

Managing sustainability-related risks is part of L&T's comprehensive risk management. The risk management process is described in the Corporate Governance Statement on pages 97–103, and the key risks are explained under "Risks and risk management" on pages 15–17.

Sustainability reporting

L&T reports on its sustainability efforts and related progress quarterly in connection with interim reports and more extensively on an annual basis in the sustainability report published as part of the Annual Report. The sustainability report for 2023 has been drawn up in accordance with GRI (Global Reporting Initiative) standards.

The key performance indicators for environmental responsibility and responsibility for personnel that are reported in the sustainability report are verified by a third party. L&T's sustainability report starts on page 81 and is also available at vuosikertomus.lt.fi/en.

Activities in organisations

The focus of L&T's public affairs activities is on ensuring the operating conditions of the circular economy. L&T is a member of nearly a hundred local, regional, national and EU-level interest organisations. More information on the organisations, programmes, projects and networks L&T participates in is provided on our website at https://www.lt.fi/en/responsibility/managing-sustainability/activities-in-organisations.

Materiality guides our sustainability efforts and stakeholder relations

A materiality analysis determines the focus areas of L&T's sustainability programme and sustainability efforts and guides the Group's work and actions related to sustainability. The assessment of materiality is an ongoing process. The material aspects of L&T's sustainability are based on the key impacts of the Group's operations and the expectations of stakeholders.

In 2022 and 2023, L&T assessed its key stakeholders' – including employees, customers and communities – expectations and views concerning the Group's sustainability efforts.

During the process, L&T identified the key sustainability aspects of its operations and then focused the actual stakeholder dialogue on those topics. Megatrends, a number of sustainability frameworks, regulatory changes and L&T's strategy were taken into account.

L&T assessed sustainability-related expectations by means of an extensive online survey. We also interviewed key stakeholder representatives and specialists from our business areas to obtain in-depth information on expectations and development areas concerning L&T's sustainability efforts.

Based on the results of the assessment process, we identified our nine most important sustainability topics. We will continue to work to reduce emissions in our own operations and promote the circular economy of our customers. We will also promote the diversity of our personnel and focus on occupational well-being and occupational safety.

In the future, we will deepen our sustainability work in the supply chain to mitigate climate change and enhance human rights. We also identified the promotion of biodiversity, including the responsibility of water use, as a new key theme.

The results of the materiality analysis have been assessed in relation to the long-term targets and performance indicators of the sustainability programme, taking into account our mission: "We make the circular economy a reality". The results of the materiality assessment and the targets and performance indicators of the sustainability programme have been discussed by the Group Executive Board and the Personnel and Sustainability Committee of the Board of Directors.

In 2023, L&T carried out a double materiality assessment, which was completed in the latter part of the year. The assessment will guide L&T's sustainability efforts and reporting from the beginning of 2024 onwards.

Stakeholder expectations

L&T's stakeholder engagement is focused on the stakeholders who are the most affected by the impacts of our operations and whose actions have the greatest influence on the achievement of our business objectives and sustainability targets. Stakeholder expectations are taken into account in L&T's strategy development and business choices.

Our key stakeholders include our 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.

We engage in active dialogue with our key stakeholders. We regularly measure stakeholder support, as well as customer satisfaction and employee satisfaction, for example. Through dialogue and measurements, we identify stakeholder expectations and determine what development measures are necessary. We have summarised our stakeholder expectations in three key 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.

Stakeholder	Key areas of interest in 2023	Responding to expectations	Interaction
Customers	Customer service and satisfaction, operating quality, the circular economy, recycling, soil remediation, and sustainability.	We developed new sustainability services in collaboration with our customers. We developed the effectiveness of our digital service channels. We took business-specific measures to improve services and the customer experience.	A customer survey (NPS) to measure how likely our corporate customers are to recommend us, as well as several customer-specific surveys. Customer service (telephone, digital service channels) and dialogue with key account managers and sales. Marketing communications, webcasts and events.
Personnel	The employees' physical and mental well-being, workload, 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. We revised and expanded our training offering and took 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.	We made extensive use of digital avenues to reach potential job applicants and share information working at L&T. We also participated in various career and recruitment events.	Co-operation with educational institutions, recruitment and career events, development of the employer brand and sharing information through social media channels.
Investors and shareholders	Financial performance and strategy execution, sustainability and ESG ratings, customer satisfaction and employee satisfaction.	We participated in several ESG surveys and expanded our sustainability reporting. We engaged in active dialogue with investors on ESG issues. We organised a Capital Markets Day. At the event, we discussed sustainability from various perspectives.	Stock exchange releases, financial reviews, annual reporting, Group website, webcasts, regular investor meetings, Capital Markets Day 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	We participated in the activities of industry and labour market organisations. We promoted initiatives aimed at promoting the green transition and developing the labour market. In Finland, we took new initiatives to accelerate the circular economy, develop 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, Group website and annual reporting.
Media and non-governmental organisations	Practical steps related to the circular economy, actions to promote biodiversity.	We published numerous press releases and participated in several interviews. We engaged in dialogue and surveyed expectations in connection with updating the sustainability programme.	Press releases, interviews, publications, media events, Group website and social media channels.
Suppliers and subcontractors	The circular economy, quality, sustainability in the supply chain.	We engaged in dialogue, conducted audits and self-assessments.	Dialogue, responding to surveys, audits and self-assessments.

- A good employer: As a large employer and service company, we are expected to be a responsible employer that looks after the well-being of its personnel and treats them 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.

Environmental responsibility

L&T's environmental responsibility is realised particularly through the services it produces for customers. The primary goal is always to direct materials collected from customers towards reuse or recycling, guided by the order of priority as stipulated by law and the circular economy approach.

L&T requires the sustainable management of environmental issues of its partners and suppliers. This requirement is factored into the procurement process, for example in the form of self-assessments. Waste is only handed over to operators that are authorised to receive or process it. Acquisitions are subject to detailed due diligence processes.

L&T's goal is to improve its customers' energy and material efficiency and to increase the carbon handprint of its operations. This is achieved when customers replace primary raw materials with secondary raw materials as well as fossil fuels with solid recovered fuels (SRF). As the carbon handprint of L&T's operations increases, the carbon footprint of its customers decreases. L&T thereby supports its customers in reaching their environmental goals.

In 2023, the focus of L&T's environmental efforts was on the climate impacts of the supply chain and preparations for the EU's Corporate Sustainability Reporting Directive.

Good progress was made towards the Group's climate targets for its own operations in spite of the challenging business environment. During the year, investments were made in low-emission vehicles, and route optimisation and driving style training were continued. The use of renewable fuels was significantly increased. Transport operations account for 97 per cent of the emissions generated by L&T's own operations.

Professional waste treatment operations are subject to environmental permits and regulatory compliance. In 2023, L&T had 54 (53) environmental permits that determined how the Group managed and monitored environmental matters. Facilities subject to environmental permits have contingency plans and rescue plans that specify how they are prepared for significant environmental incidents.

Environmental issues are also covered in regularly conducted internal audits. L&T's objective is that no serious incidents of environmental damage result from the Group's own operations. This target was achieved in 2023.

To reduce the environmental impact of the materials collected from customers and to promote the circular economy, L&T strives to find new solutions to recover materials at the highest possible refining rate and in accordance with the order of priority in waste management.

L&T updated the climate targets for the supply chain and set separate emission reduction targets for subcontracted transport operations in spring 2022. The Group continued to communicate these targets to the supply chain in 2023. The target is to reduce the transport emissions of subcontracted operations by 30 per cent by 2030, using 2020 as the baseline. At the same time, L&T continued to engage the supply chain in the pursuit of the science-based emission reduction target.

The target is for 70 per cent of the largest suppliers and subcontractors (based on spending) to set targets for reducing their emissions by 2025.

TCFD reporting is provided on page 14. Environmental risks and their management are described in more detail under "Risks and risk management". More information on L&T's environmental responsibility is provided in the sustainability report on page 81.

Non-financial performance indicators

	Indicator	Target	2023	2022
Environmental matters	Carbon footprint (SBT) Scope 1 & 2 (gCO_2-ekv/km)	-50% by 2030, using 2018 as the baseline	-36%	-26%
	Carbon handprint intensity (tCO_2-ekv/MEUR)	Grows faster than net sales	-570	-633
	Recycling rate (reporting covers municipal waste collected from corporate customers, hazardous waste, industrial waste and construction waste in Finland.)	60% by 2026	57.8%	59.4%
Social responsibility	Employee Net Promoter Score, eNPS	>50 by 2026	21 (October)	24 (October)
	Sickness-related absences, %	4.5% by 2026	5.1	5.6
	Total recordable incident frequency (TRIF)	20 by 2026	23	23
Governance	Code of Conduct training for L&T employees	All new L&T employees complete Code of Conduct training during their trial period	94% of salaried employees (Finland), 616 persons (Sweden)	58% of salaried employees (Finlandi), 675 persons (Sweden)

Personnel and other social responsibility issues

Full-time and part-time, total	2023	2022
Finland	6,891	7,020
Sweden	1,268	1,351
Total	8,159	8,371

As a major employer and service enterprise, the focus of L&T's social responsibility is on the Group's employees. The material aspects of L&T's responsibility for its employees include increasing job satisfaction, strengthening the work ability of the personnel, developing diversity and improving occupational safety. The Group also wants to actively work to promote the employment of special groups, such as people with reduced work ability.

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 of basic human rights in its own operations or as part of its supply chain.

L&T observes the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organisation, and international agreements. National legislation, agreements and other obligations are applied in employment relationships. L&T respects its employees' freedom to unionise. L&T monitors compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. L&T is also compliant with the applicable legislation governing contractors' obligations and liability, and requires the same of its suppliers. The operations are guided by the Group's personnel policy, the ISO 45001-certified management system, the principles governing occupational safety management and the Code of Conduct.

L&T's strategic objective is to increase the Employee Net Promoter Score (eNPS) to 50 by 2026. Employee satisfaction is measured by means of a personnel satisfaction survey which goes by the name Fiilinki in Finland and Pulsen in Sweden.

As part of work ability management, L&T's targets are to reduce sickness-related absences to 4.5 per cent and achieve an employee health rate of 45 per cent. To achieve the target set for sickness-related absences, L&T will continue the purposeful implementation of the action plan for promoting health.

In occupational safety, L&T pursues continuous improvement with an ultimate goal of zero accidents. L&T will continue its purposeful development efforts to engage employees in the promotion of safety. There were no reported fatal accidents and no occupational disease diagnoses at L&T in 2023.

Anti-corruption, anti-bribery and human rights

L&T aims to ensure that no violations occur in its activities, and the Group emphasises the importance of regulatory compliance in its business operations. L&T is committed to supporting the UN Global Compact initiative and its anti-corruption principles. The prevention of corruption and bribery is based on national legislation and agreements.

Internally, operations are guided by L&T's Code of Conduct, which include anti-bribery and corruption guidelines related to, among other things, accepting and offering gifts and hospitality, as well as the avoidance of conflicts of interest. L&T's goal is for all employees to complete Code of Conduct training within their trial period.

An online course has been created to support the effective implementation of the Code of Conduct for employees. All salaried employees complete the course at two-year intervals, and new employees complete the course during their trial period. The online course is available in Finnish, Swedish and English. The Swedish-language online course is aimed at the Swedish market, and it has been adapted where necessary to correspond to Swedish legislation and issues relevant to our business operations in Sweden. A separate version of the Code of Conduct course has been created for field employees, and was updated in 2023 to better suit mobile devices.

Completion of the Code of Conduct course is monitored particularly in procurement, sales and business leaders, as having a good grasp of ethical business principles is considered particularly important for those roles.

L&T regularly assesses the risks related to its operations, including risks related to corruption. Bribery and corruption-related risks are assessed on a process-specific basis, and the risk assessments cover most of our business lines. The assessment of risks of Code of Conduct violations places special emphasis on provisions whose violation may lead to significant negative consequences, such as human rights violations and serious financial and reputational risks.

The notification form concerning secondary occupations and activities has been updated and the related internal processing procedures have been developed. Our aim is to identify employee-related conflicts of interest as early as possible.

Employees must report violations of the Code of Conduct primarily to their immediate supervisor, who assists in the interpretation of the Code of Conduct in ambiguous situations. L&T employees are aware of L&T's anti-corruption guidelines, and they occasionally request more detailed information from the Legal Affairs department regarding the receiving of gifts, for example.

L&T's personnel and other stakeholders can also report suspected violations of the Code of Conduct and other rules and regulations, as well as suspected incidents of discrimination, via the Group's independent whistleblowing channel. The reports can be submitted via the intranet or website at any time. The whistleblowing channel can be used to report incidents in various categories, including corruption, bribery, competition law, data protection, environmental issues, human rights, and conflicts of interest.

Reports received via the whistleblowing channel are handled confidentially by a separately designated individual in the Legal Affairs department. The reports are also discussed with L&T's President and CEO and reported to the Audit Committee of the Board of Directors. The internal audit function supports the management in the development and monitoring of risk management, internal control and corporate governance.

Purchases made by L&T's personnel are guided by a procurement policy. Mandates and the limits for decision-making in terms of procurement are defined in L&T's guidelines on authorisation on the basis of position.

In the case of potential conflicts of interests in procurement processes, the persons concerned are disqualified from the decision-making. Supplier co-operation must not involve any bribery or the kind of hospitality or exchange of gifts that could influence procurement decisions.

L&T's procurement processes are transparent, and procurement decisions are based on competitive supply contracts. L&T's Code of Conduct for employees is complemented by the Supplier Code of Conduct, which is available in Finnish, Swedish and English.

The Supplier Code of Conduct sets out requirements for suppliers. Among other topics, it covers legal compliance, ethical conduct, zero tolerance for bribery and corruption, and requirements concerning work and human rights, health and safety, and the environment.

If a supplier violates the Supplier Code of Conduct, L&T may terminate its agreement with that supplier. L&T requires its suppliers to adhere to the Supplier Code of Conduct in all of their operations with L&T, their own employees and subcontractors, and third parties. New contract suppliers are required to sign the Supplier Code of Conduct. Service providers operating in Finland must be registered with the Vastuu Group service.

Compliance with the Supplier Code of Conduct is monitored by means of a separate self-assessment survey. We revised the self-assessment model in 2023 and piloted it among our significant suppliers (over 100 suppliers in Finland and 200 in Sweden). 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 not only policies and principles but also measures to promote progress in these areas. The self-assessment survey also covers zero-tolerance issues pertaining to the use of child labour and forced labour and commitment to the principles laid out in L&T's Code Of Conduct. Any deviations concerning the zero tolerance questions always require further action in co-operation with the supplier in question. The self-assessment survey was completed by 76% of all suppliers in Finland and 27% of all suppliers in Sweden. No violations were identified on the basis of the survey. A discussion to obtain more detailed information was held with one supplier.

L&T mainly operates with local partners in Finland and Sweden, which improves visibility with respect to its partners' sustainability. L&T's purchases in 2023 were focused on domestic companies. In both Finland and Sweden, 96 per cent of purchases were made from companies operating in the country in question. Operations with significant suppliers are managed through regular supplier co-operation and monitored according to separately agreed performance indicators. We ensure the sustainability of our suppliers' operating methods through self-assessment surveys, supplier audits, analyses of suppliers' financial circumstances and other appropriate means.

Our primary assurance measures are targeted at our most significant suppliers. L&T's whistleblowing channel is available on the Group website. The representatives of suppliers and subcontractors can use it to submit reports either anonymously or under their own name.

L&T adheres to a separately defined permit procedure to ensure that all customer events are appropriate and that all sponsorships and supporting marketing operations are transparent.

In 2023, a total of 9 (2022: 9) reports were received via the whistleblowing channel. Of the reports, 78% concerned HR matters, 11% suppliers operating models and 11% traffic behavior. The reports required further investigation but did not lead to corrective action. Nevertheless, L&T's operating models were further specified as a result.

The reports received via the whistleblowing channel did not include observations or suspicions of violations against anti-bribery or anti-corruption guidelines at L&T.

There were no reported incidents of bribery or corruption at L&T in 2023. The reports received via the whistleblowing channel have been discussed with L&T's President and CEO and reported to the Audit Committee of the Board of Directors.

Risks related to human rights have been assessed at L&T as part of the risk management process that is described in more detail on page 14. L&T mainly operates in Finland and Sweden with local partners. These countries are signatories to the ILO conventions on human rights, including child labour and forced labour, and the conventions have been transposed into national law. No significant risks related to human rights have been identified in the L&T's operations. The Group does not tolerate any kind of discrimination, harassment, bullying, racism or inappropriate treatment, or the use of child labour, any form of forced labour, trafficking in human beings or any other practices in violation with basic human rights, in its own operations or as part of its supply chain.

Human rights are included in the Code of Conduct and the Supplier Code of Conduct attachment to agreements, which must be observed by all subcontractors and suppliers. Furthermore, human rights are assessed as a part of supplier self-assessment.

We prevent the use of child labour by means of our centralised HR processes and reporting. Forced labour is prevented by, for example, our centralised payroll system, which ensures that we pay all employees in accordance with the collective labour agreements applicable to us. The salary is always paid to the employee's personal bank account. There were no confirmed grievances related to human rights at L&T in 2023.

Risks and risk management

L&T has a defined risk management process that includes a review of financial, strategic, operational and damage-related risks. L&T has also assessed climate-related risks and opportunities as part of the risk management system in accordance with TCFD reporting.

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, 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 division and company level and in central 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 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.

	TCFD information	Report contents
Governance	Board of Directors's duties related to managing risks and opportunities related to climate change	Risks and risk management, pp. 14–15 Scenario analysis is part of the strategy process, p. 15
	The management's duties related to managing risks and opportunities related to climate change	Sustainability management, p. 9 Risks and risk management, pp. 14–15
Strategy	Climate-related risks and opportunities in the short, medium and long term	Climate-related risks and opportunities, pp. 14–15
	The impacts of climate-related risks and opportunities on business operations, strategy and financial planning	Strategy, p. 4 Climate-related risks and opportunities, pp. 14-15
	The flexibility of the strategy with regard to different climate scenarios	Scenario analysis is part of the strategy process, p. 15
Risk management	Processes for the identification and assessment of climate-related risks	Scenario analysis is part of the strategy process, p. 15
	Climate risk management methods	Scenario analysis is part of the strategy process, p. 15
	How are the identification, assessment and management of climate-related risks connected to the organisation's other risk management activities	Climate-related risks and opportunities, pp. 14–15
Indicators and targets	Indicators used to assess climate risks and opportunities	Statement of non-financial information, p. 9 onwards Sustainability report, pp. 81–86

Risk analysis

The section Strategic and operative risks describes the most important strategic, operational and damage-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.

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

L&T reports on the risks and opportunities related to climate change in accordance with the TCFD (Task Force for Climate-related Financial Disclosures) recommendations. Due to the nature of our operations, L&T plays a significant role in the mitigation of climate change and the transition towards a low-carbon circular economy. Our operations have a large carbon handprint, which means that we generate significant emission reductions for our customers. TCFD reporting has been taken into account in our review in accordance with the table provided on this page.

Climate-related risks and opportunities

The mitigation of climate change is a strategic priority for L&T. Our businesses produce solutions that facilitate the transition towards a low-carbon circular economy, promote the sustainable use of materials, energy and natural resources as well as reduce the volume of waste generated and energy consumed. We support our customers by enhancing the use of energy and materials and by replacing fossil fuels with solid recovered fuels. Furthermore, we support our customers in the mitigation of climate impacts by optimising the use of properties and their technical systems. L&T has the strong market position required for the implementation of such changes in all of its business areas. In assessing climate-related risks, L&T has evaluated its transition risks (regulatory, technology-related and reputational risks) and physical risks, as well as their impacts on the Group's operations. The most significant transition risks concern changes that affect carbon neutrality targets for transport or the promotion of the circular economy.

The assessment takes into account, for example, the development of prices for emission rights and carbon emissions, different scenarios of the integration of bioeconomy and low-carbon economy, the EU's circular economy package, changes in national waste legislation, national recycling and reuse goals by industrial sector and waste fraction as well as the planned investments in the energy sector.

The impacts of changes in weather on occupational safety, for example, have been assessed in general as part of physical risks. L&T's mission is to make the circular economy a reality. Transitioning to a resource-efficient circular economy is essential for the mitigation of global warming.

We support this transition by improving the material, energy and cost efficiency of our customers and by ensuring that materials and the built environment retain their value.

Our solutions enable our customers to reduce their waste volumes, extend the life-cycle of their properties, recycle and reuse materials, reduce the consumption of natural resources, fossil fuels and energy and thereby reduce their emissions.

We research new technologies and solutions that allow our customers to reduce their climate impacts even more efficiently. New projects that increase the processing rate of various material flows promote the circular economy and improve the carbon handprint of L&T's operations.

Scenario analysis is part of the strategy process

The monitoring of the outcomes of climate change related to our business operations is integrated in L&T's strategy process. We have assessed the impacts of climate change on L&T's business operations both during the five-year strategy period and in the long term until 2035. The assessment method is based on the qualitative evaluation of uncertainties in our business environments and the creation of qualitative scenarios about our business environment based on the changes with the highest degree of uncertainty and the financial impact.

In addition, we have applied 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. We have also applied the International Energy Agency's (IEA) background data (IEA 2DS, NZE2050 and STEPS).

L&T is able to change its business model flexibly according to the different climate scenarios. The reference scenario was a business environment where the status quo supports the 1.5°C climate path in the short term. In connection with our strategy review, we increased the ambition of L&T's climate targets in autumn 2023. Our long-term climate target is net zero emissions by 2045.

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 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. 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.

The alternative strategic scenarios were presented to the Board of Directors as a part of the strategy process.

The mitigation of climate change provides L&T's business operations with strategic development opportunities.

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.

Higher costs, such as the rising prices of fuel and energy, and potential changes in 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 waste materials and biowaste from residential properties. As a consequence of the reform, L&T's direct customer agreements with residential 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. 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 and to municipally owned companies between the years 2024-2026. The Environmental Services division participates in competitive tendering for municipal contracts and is a significant player in municipal contracts, but the Group estimates that the overall impact of the change will be negative.

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 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.

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. At the balance sheet date, the carrying amount of the receivables in the Company's balance sheet was approximately EUR 1.5 million. L&T's former 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 116 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, operative 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 secondary 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 hanges 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 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 may weaken L&T's competitiveness. • Strategic development projects aimed at growth, if delayed, may lead to an inadequate renewal of business operations, thereby slowing 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 may 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 may 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 information can be found on 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 a key priority in work at L&T, and potential accidents are among the most significant social risks. • Possible cases of deficiences in respecting human rights, such as inappropriate behaviour, harassment, unequal operating practices, working conditions and all types of discrimination on L&T's own operation may lead to court proceedings, liability to damages and create a reputation 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, process and instructions related to the prevention of harassment and discrimination. • Compliance with legislation and collective agreements. Careful evaluation of risks and preventive measures that are conducted based on risk assessment.
Ethical business	• Possible deficiencies related to human rights, such as deficiencies in working conditions, harassment, racism, discrimination and other unethical conduct in L&T's supply chain may create a reputation 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.

Shares and shareholders

Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2023. 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 38,126,791. 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 review period, the company had 24,959 (24,956) shareholders. Nominee-registered holdings accounted for 10.2% (7.0%) 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 178,860 shares in the company on 31 December 2023, representing 0.5 per cent of the total number of shares and votes. Lassila & Tikanoja plc transferred 8,484 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 23, 2023.

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. During the performance period 2023–2025, the earning of rewards is based on the

	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
Breakdown of shareholding by sector on 31 December 2023				
Corporations and housing associations	969	3.9	3,313,983	8.5
Financial and insurance corporations	52	0.2	8,038,704	20.7
General government	18	0.1	2,870,789	7.4
Households	23,616	94.6	16,373,171	42.2
Non-profit institutions serving households	228	0.9	6,536,627	16.9
Foreign shareholders	76	0.3	980,300	2.5
Shares not transferred to the book-entry securities system	0		40,528	0.1
Own shares	1		644,772	1.7
Total	**24,960**	**100**	**38,798,874**	**100**
Nominee-registered	10		3,955,057	10.2
Breakdown of shareholding by size of holding on 31 December 2023				
Number of shares				
1–1 000	22,419	89.8	4,863,609	12.5
1,001–5,000	2,081	8.3	4,435,768	11.4
5,001–10,000	241	1.0	1,732,461	4.5
10,001–100,000	183	0.7	5,127,604	13.2
100,001–500,000	21	0.1	4,243,534	10.9
over 500,000	13	0.1	17,710,598	45.7
Shares not transferred to the book-entry securities system	0		40,528	0.1
Own shares	1		644,772	1.7
Total	**24,960**	**100**	**38,798,874**	**100**
Nominee-registered	10		3,955,057	10.2

Major shareholders on 31 December 2023, excluding nominee-registered shares

	Shareholder	Number of shares	Percentage of shares and votes
1	Evald ja Hilda Nissi's Foundation	3,496,487	9.0
2	Nordea Funds Ltd	1,685,538	4.3
3	Mandatum Life Insurance Company Limited	1,547,264	4.0
4	Maijala Juhani	1,529,994	3.9
5	Stiftelsen för Åbo Akademi	1,066,282	2.8
6	Bergholm Heikki	875,000	2.3
7	Ilmarinen Mutual Pension Insurance Company	790,000	2.0
8	Varma Mutual Pension Insurance Company	729,791	1.9
9	Maijala Mikko	720,000	1.9
10	Lassila & Tikanoja plc	644,772	1.7
11	Elo Mutual Pension Insurance Company	538,000	1.4
12	The State Pension Fund	512,000	1.3
13	Turjanmaa Kristiina	505,310	1.3
14	Kaleva Mutual Pension Insurance Company	400,000	1.0
15	Seligson & Co. Investment Funds	382,783	1.0
16	Oy Chemec Ab	356,320	0.9
17	Maijala Eeva	346,000	0.9
18	Samfundet folkhälsan i Svenska Finland rf	336,800	0.9
19	Security Trading Oy	240,000	0.6
20	OP-Pohjola Group	196,933	0.5
	20 largest owners total	**16,899,274**	**43.6**

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 38 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 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 commitment 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.

Trading in shares in 2023

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 2023 was 5.6 million shares, which is 14.8% (24.7%) of the average number of outstanding shares. The value of trading was EUR 57.1 million (104.9). The highest share price was EUR 11.84 and the lowest EUR 9.00. The closing price was EUR 9.80. At the end of the financial year, the market capitalisation excluding the shares held by the company was EUR 373.9 million (405.9).

Own shares

At the end of the period, the company held 644,772 of its own shares, representing 1.7% of all shares and votes.

Flagging notifications

On 26 June 2023, Lassila & Tikanoja plc received a notification indicating that Mandatum Life Insurance Company Limited's shareholding in Lassila & Tikanoja fell below the 5% threshold on 26 June 2023.

Resolutions by the Annual General Meeting

The Annual General Meeting of Lassila & Tikanoja plc, which was held on 23 March 2023, adopted the financial statements and consolidated financial statements for the financial year 2022, discharged the members of the Board of Directors and the President and CEO from liability and adopted the remuneration report 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, amendment of Articles of Association, 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 0.47 per share be paid on the basis of the balance sheet to be adopted for the financial year 2022. It was decided that the dividend be paid on 3 April 2023.

The Annual General Meeting confirmed the number of members of the Board of Directors as six in accordance with the proposal of the Shareholders' Nomination Board. Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen and Pasi Tolppanen were re-elected, and Anni Ronkainen was elected as a new member, to the Board for a term ending at the conclusion of the next 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.

The Annual General Meeting resolved to amend Article 10 of the Articles of Association to enable the holding of a general meeting without a meeting venue, as a remote meeting.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 23 March 2023.

Authorisations for the Board of Directors

The Annual General Meeting held on 23 March 2023 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.

Events after the financial year

On 11 January 2024, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board proposes to the Annual General Meeting to be held on 21 March 2024 that the Board of Directors have seven (7) members. The Nomination Board proposes that Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen, Anni Ronkainen and Pasi Tolppanen be re-elected to the Board of Directors and that Juuso Maijala be elected as a new member. A presentation of Juuso Maijala is available on L&T's website. In addition, the Nomination Board proposes that Jukka Leinonen be elected as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman.

Changes in the Group Executive Board

On 31 March 2023, the company announced that Tina Hellstadius, the Senior Vice President for Facility Services Sweden, would leave Lassila & Tikanoja on 31 March 2023.

On 18 April 2023, the company announced that Mikko Taipale (Master of Laws) had been appointed Senior Vice President, Facility Services Sweden and a member of the Group Executive Board effective from 19 April 2023.

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 2023, the Group's earnings per share were EUR 0.79 (0.83) and net cash flow from operating activities after investments per share amounted to EUR 1.33 (1.08). The Board of Directors will propose a dividend of EUR 0.49 per share to the Annual General Meeting to be held on 21 March 2024. A dividend of EUR 0.47 per share was paid for the financial year 2022.

EU taxonomy

The EU taxonomy is a classification system for environmentally sustainable economic activities. It is a framework for channelling investments into more sustainable activities through technical assessment criteria, environmental objectives, Do No Significant Harm (DNSH) criteria and minimum safeguards.

In this section, Lassila & Tikanoja will publish information in accordance with the following regulation; Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

The implementation of the Taxonomy Regulation is taking place over several stages. The first Delegated Act, namely the Climate Act, was implemented in 2021, and it sets out technical screening criteria for two environmental objectives: climate change mitigation and climate change adaptation, which have been described in the taxonomy. In their reporting on 2021, companies were required to publish information on taxonomy-eligible economic activities' share of net sales, capital expenditure (investments) and operating expenditure. Taxonomy eligibility applies to activities that are within the scope of the Climate Act.

In the 2022 reporting, companies had to assess taxonomy alignment. Taxonomy alignment requires that taxonomy-eligible activities meet the detailed technical screening criteria, DNSH criteria and meet the minimum safeguards specified in the Taxonomy Regulation.

In 2023, the European Commission published new classification system activities for the four remaining environmental objectives. In this regard, L&T will report on taxonomy eligibility and, on a voluntary basis, taxonomy alignment in 2023. This compliant and voluntary data is presented in the same table.

According to the Taxonomy Regulation, the companies that are required to report in accordance with the Non-Financial Reporting Directive (2014/95/EU) must comply with the reporting requirements of the Taxonomy Regulation. This requirement applies to L&T.

L&T and EU taxonomy

L&T has assessed the taxonomy eligibility and taxonomy alignment of its activities. The EU taxonomy assessment has been conducted for net sales generated by business operations (note 1.2 to the financial statements), capital expenditure and operating expenditure related to climate change mitigation, the transition to a circular economy, the sustainable use and protection of water and marine resources, and pollution prevention and control.

The financial indicators concerning the taxonomy are based on figures extracted from L&T's financial management systems and ERP systems. For capital expenditure and operating expenditure, data from 2023 was analysed and compared to the screening criteria. Capital expenditure takes into account L&T's gross capital expenditure. Taxonomy eligibility and alignment assessments have taken into account only those capital expenditures that meet the technical requirements for the activity. Operating expenses include fixed and variable costs, including depreciation, personnel and other business expenses. Taxonomy eligibility and alignment assessments have taken into account only those operating and capital costs that meet the technical criteria for the activity.

In 2023, in addition to the previous objective of climate change mitigation, the reporting has been extended to three new environmental objectives, which has had a downward impact on the performance indicators related to climate change mitigation, as some of the activities previously reported in these indicators have been included under other environmental objectives.

L&T reports on taxonomy at the Group level. The assessment was carried out in cooperation with the industry specialists and business representatives. The assessment and its results are based on current knowledge and the available interpretations of the legislation.

L&T's 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. L&T does not have activities related to nuclear energy or fossil gas.

The assessment of taxonomy alignment is based on the industry-specific technical screening criteria described in the Taxonomy Regulation and the DNSH criteria. At L&T, climate-related DNSH criteria are assessed as part of L&T's risk management process through the TCFD framework. In addition, the taxonomy evaluation has taken into account activity-specific technical criteria for operations.

L&T's operations are regulated and require separate environmental permits that specify environmental requirements for water, soil contamination and nature. The practices and procedures are described in more detail in the sustainability report. 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.

In addition to technical criteria, the Taxonomy Regulation provides for minimum safeguards that L&T has assessed at the Group level. L&T's commitment to respecting human rights and due diligence is included in L&T's Code Of Conduct and Supplier Code of Conduct. L&T has due diligence processes in place with regard to taxation, anti-corruption, anti-bribery and fair competition. The Group-level policies apply to all of L&T's business operations in Finland and Sweden. L&T does not have separate capital or operating expenditure plans for taxonomy.

For taxonomy-eligible and taxonomy-aligned activities, the business operations of the Environmental Services division include, for example, the collection and transport of non-hazardous waste in waste fractions and the recovery and processing of materials from non-hazardous waste. For taxonomy-eligible and taxonomy-aligned activities, the business operations of the Industrial Services division include, for example, the renewal of wastewater collection and treatment, the collection, transport and processing and recycling of hazardous waste, as well as environmental construction services with regard to new material recycling solutions.

These circular economy activities 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), the circular economy activities 2.3 (Collection and transport of non-hazardous and hazardous waste); 2.4 (Hazardous waste treatment) and 2.7 (Non-hazardous waste sorting and material recovery), as well as activities for water 2.2 (Urban waste water treatment) and pollution prevention and control activities 2.1 (Collection and transport of hazardous waste).

For taxonomy-eligible and taxonomy-aligned activities, the business operations of the Facility Services Finland and Sweden divisions 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.

Taxonomy reporting has taken into account climate change related activities 4.16 (Installation and operation of electric heat pumps); 7.3 (Installation, maintenance and repair of energy efficiency equipment); 7.4 (Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)); 7.5 (IInstallation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings); 7.6 (IInstallation, maintenance and repair of renewable energy technologies) and 9.3 (Professional services related to energy performance of buildings).

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover (MEUR)	Proportion of Turnover (%)	Climate Change Mitigation Y; N; N/A	Climate Change Adaptation Y; N; N/A	Water Y; N; N/A	Pollution Y; N; N/A	Circular Economy Y; N; N/A	Biodiversity and ecosystems Y; N; N/A	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity and ecosystems Y/N	Minimum Safeguard Y/N	Taxonomy aligned (A.1.) or eligible (A.2.) proportion of turnover, year 2022 (%)	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation and operation of electric heat pumps	CCM 4.16	0.7	0.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.1%		
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	11.3	1.4 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	5.9%		
Material recovery from non-hazardous waste	CCM 5.9	3.7	0.5 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	4.2%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	14.5	1.8 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1.2%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.5	0.1 %	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	2.9	0.4 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	2.3	0.3 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.6%	E	
Professional services related to energy performance of buildings	CCM 9.3	6.4	0.8 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.4%	E	
Urban Waste Water Treatment	WTR 2.2	0.9	0.1 %	N/A	N/A	Y	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Collection and transport of hazardous waste	PPC 2.1	16.7	2.1 %	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	50.7	6.3 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Treatment of hazardous waste	CE 2.4	3.6	0.5 %	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	20.6	2.6 %	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)		**134.7**	**16.8%**	**5.3%**	**0.0%**	**0.1%**	**2.1%**	**9.3%**	**0.0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**12.9%**		
Of which Enabling		**26.6**	**3.3%**	**3.3%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**2.7%**	**E**	
Of which Transitional		**0**	**%**	**%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0%**		
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	0.9	0.1 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	2.9	0.4 %	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Collection and transport of hazardous waste	PPC 2.1	2.5	0.3 %	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0.0%		
Treatment of hazardous waste	CE 2.4	0,01	0,5 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.0%		
Renewal of waste water collection and treatment	CCM 5.4	0.0	0.0 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	0.0	0.0 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0.0	0.0 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Turnover of Taxonomyeligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**6.4**	**1.2%[1]**	**0.5%**	**0.0%**	**0.0%**	**0.3%**	**0.5%**	**0.0%**								**1.5%**		
A. Turnover of Taxonomy eligible activities (A.1 + A.2)		**141.0**	**18.0%**	**5.7%**	**0.0%**	**0.1%**	**2.4%[1]**	**9.8%**	**0.0%**								**14.4%[1]**		

CCM = Climate Change Mitigation, WTR = Water, CE = Circular Economy, PPC = Pollution Prevention and Control, N/A - not applicable, Taxonomy non-eligible activity for the relevant objective, EL - Taxonomy eligible activity for the relevant objective, N/EL - Taxonomy non-eligible activity for the relevant objective
[1]The sum of the individual figures does not add up to the total due to rounding.

B. TAXONOMY-NON ELIGIBLE ACTIVITIES	**Turnover**	**Proportion of Turnover**
Turnover of Taxonomy-non-eligible activities	661.1	82.0 %
TOTAL	802.1	100 %

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover (MEUR)	Proportion of Turnover (%)	Climate Change Mitigation Y; N; N/A	Climate Change Adaptation Y; N; N/A	Water Y; N; N/A	Pollution Y; N; N/A	Circular Economy Y; N; N/A	Biodiversity and ecosystems Y; N; N/A	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity and ecosystems Y/N	Minimum Safeguard Y/N	Taxonomy aligned (A.1.) or eligible (A.2.) proportion of turnover, year 2022 (%)	Category (enabling activity) E	Category (transitional activity) 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	1.3 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	6.0%		
Material recovery from non-hazardous waste	CCM 5.9	1.7	2.8 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	3.6%		
Professional services related to energy performance of buildings	CCM 9.3	0.03	0.1 %	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.1%	E	
Collection and transport of hazardous waste	PPC 2.1	2.8	4.6 %	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	6.2 %	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Treatment of hazardous waste	CE 2.4	0.4	0.6 %	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	1.5	2.5 %	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)		**11.0**	**18.0 %[1]**	**4.1 %**	**0.0 %**	**0.0 %**	**4.6 %**	**9.2 %**	**0.0 %**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**9.7%**		
Of which Enabling		**0.03**	**0.1 %**	**0.1 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**0.0 %**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.1%**	**E**	
Of which Transitional		**0**	**0.0%**	**0.0%**						**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**0.0%**		
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**										
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	0	0.0 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								2.1%		
Material recovery from non-hazardous waste	CCM 5.9	0	0.0 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Professional services related to energy performance of buildings	CCM 9.3	0	0.0 %	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.3%		
Turnover of Taxonomyeligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**2.6%**		
A. Turnover of Taxonomy eligible activities (A.1 + A.2)		**11.0**	**18.0%[1]**	**4.1%**	**0.0%**	**0.0%**	**4.6%**	**9.2%**	**0.0%**								**12.3%**		

CCM = Climate Change Mitigation, WTR = Water, CE = Circular Economy, PPC = Pollution Prevention and Control, N/A - not applicable, Taxonomy non-eligible activity for the relevant objective, EL - Taxonomy eligible activity for the relevant objective, N/EL - Taxonomy non-eligible activity for the relevant objective
[1]The sum of the individual figures does not add up to the total due to rounding.

B. TAXONOMY-NON ELIGIBLE ACTIVITIES	**Turnover**	**Proportion of Turnover**
Turnover of Taxonomy-non-eligible activities	50.1	82.0%
TOTAL	61.1	100%

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Financial year N			2023	Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities	Code	Turnover (MEUR)	Proportion of Turnover (%)	Climate Change Mitigation Y; N; N/A	Climate Change Adaptation Y; N; N/A	Water Y; N; N/A	Pollution Y; N; N/A	Circular Economy Y; N; N/A	Biodiversity and ecosystems Y; N; N/A	Climate Change Mitigation Y/N	Climate Change Adaptation Y/N	Water Y/N	Pollution Y/N	Circular Economy Y/N	Biodiversity and ecosystems Y/N	Minimum Safeguard Y/N	Taxonomy aligned (A.1.) or eligible (A.2.) proportion of turnover, year 2022 (%)	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation and operation of electric heat pumps	CCM 4.16	0.3	0.0%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.1%		
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	7.6	1.0%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	5.9%		
Material recovery from non-hazardous waste	CCM 5.9	1.9	0.2%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	4.2%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	14.1	1.8%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	1.2%	E	
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0.5	0.1%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.0%	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	1.9	0.2%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1.7	0.2%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.6%	E	
Professional services related to energy performance of buildings	CCM 9.3	4.8	0.6%	Y	N/A	N/A	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y	0.4%	E	
Urban Waste Water Treatment	WTR 2.2	0.5	0.1%	N/A	N/A	Y	N/A	N/A	N/A	Y	Y	Y	Y	Y	Y	Y			
Collection and transport of hazardous waste	PPC 2.1	10.6	1.4%	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	33.5	4.3%	N/A	N/A	N/A	N/A	Y	N/A	Y	Y	Y	Y	Y	Y	Y			
Treatment of hazardous waste	CE 2.4	2.0	0.3%	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	13.6	1.8%	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)		**93.0**	**12.1%[1]**	**4.3%**	**0.0%**	**0.1%**	**1.4%**	**6.4%**	**0.0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**12.9%**	**12.9%[1]**		
Of which Enabling		**23.0**	**3.0%**	**3.0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**2.7%**	**2.7%**	**E**	
Of which Transitional		**0**	**0.0%**	**0.0%**													**0.0 %**		
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**										
Renewal of waste water collection and treatment	CCM 5.4	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.1%		
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.2%		
Material recovery from non-hazardous waste	CCM 5.9	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.5	0.0	0.0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4 %		
Turnover of Taxonomyeligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**								**1.5 %**		
A. Turnover of Taxonomy eligible activities (A.1 + A.2)		**93.0**	**12.1%[1]**	**4.3%**	**0.0%**	**0.1%**	**1.4%**	**6.4%**	**0.0%**								**14.5 %**		

CM = Climate Change Mitigation, WTR = Water , CE = Circular Economy, PPC = Pollution Prevention and Control, N/A - not applicable, Taxonomy non-eligible activity for the relevant objective, EL - Taxonomy eligible activity for the relevant objective, N/EL - Taxonomy non-eligible activity for the relevant objective
[1]The sum of the individual figures does not add up to the total due to rounding.

B. TAXONOMY-NON ELIGIBLE ACTIVITIES	**Turnover**	**Proportion of Turnover**
Turnover of Taxonomy-non-eligible activities	676.9	87.9%
TOTAL	769.9	100%

Key figures

Key figures

Key figures on shares

	2023	2022	2021	2020	2019
Earnings per share (EPS), EUR	0.79	0.83	0.90	0.50	0.90
Earnings per share (EPS), diluted, EUR	0.79	0.83	0.90	0.50	0.90
Equity per share, EUR	6.09	5.78	5.52	5.05	5.33
Dividend per share, EUR	0.49[1]	0.47	0.46	0.40	0.92
Payout ratio, %	62.1[1]	56.9	51.0	79.7	101.7
Effective dividend yield, %	5.0[1]	4.4	3.4	2.7	5.8
P/E ratio	12.4	12.9	14.9	30.0	17.4
Net cash flow from operating activities after investments per share, EUR	1.33	1.08	0.05	1.15	1.81
Share price adjusted for issues:					
lowest, EUR	9.00	9.72	12.82	10.06	12.92
highest, EUR	11.84	13.62	16.10	16.76	16.40
average, EUR	10.11	11.16	14.31	13.55	14.41
closing, EUR	9.80	10.64	13.44	15.06	15.74
Market capitalisation 31 December, MEUR	373.9	405.9	512.2	573.9	610.7
Number of shares adjusted for issue, 1,000 pcs					
average during the year	38,127	38,116	38,111	38,103	38,354
at year end	38,154	38,146	38,112	38,105	38,094
average during the year, diluted	38,232	38,128	38,127	38,118	38,368
Adjusted number of shares traded during the year, 1,000 pcs	5,649	9,397	9,615	12,266	8,172
As a percentage of the average	14.8	24.7	25.2	32.2	21.3
Volume of shares traded, MEUR	57.1	104.9	137.6	166.1	122.3

[1] 2023 proposal by the Board of Directors

Key figures on financial performance

	2023	2022	2021	2020	2019
Net sales, MEUR	802.1	844.1	812.5	751.9	784.3
Operating profit, MEUR	38.4	42.9	42.2	28.2	45.0
% of net sales	4.8	5.1	5.2	3.8	5.7
Adjusted operating profit, MEUR	39.0	40.9	42.4	39.7	40.5
% of net sales	4.9	4.8	5.2	5.3	5.2
EBITDA, MEUR	95.8	98.3	95.1	85.2	99.4
% of net sales	11.9	11.6	11.7	11.3	12.7
Result before taxes, MEUR	35.7	37.8	39.0	23.3	42.0
% of net sales	4.5	4.5	4.8	3.1	5.4
Result for the period, MEUR	30.1	31.5	34.4	19.0	34.7
% of net sales	3.8	3.7	4.2	2.5	4.4
Cash flow from operating activities, MEUR	93.6	71.8	65.6	83.0	94.5
Balance sheet total, MEUR	649.9	660.5	632.3	596.6	583.6
Return on equity, % (ROE)	13.3	14.6	17.1	9.6	16.8
Capital employed, MEUR	425.9	437.2	406.0	379.2	380.5
Return on capital employed, % (ROCE)	10.3	10.4	10.8	7.5	12.4
Equity ratio, %	36.8	34.3	34.2	33.0	35.6
Gearing, %	69.3	75.9	79.4	70.9	66.8
Net interest-bearing liabilities, MEUR	160.9	167.3	167.1	136.5	135.6
Gross capital expenditure, MEUR	61.1	58.2	72.3	48.2	46.1
% of net sales	7.6	6.9	8.9	6.4	5.9
Average number of employees in full-time equivalents[1]	6,743	6,820	7,319	7,197	7,308
Total number of full-time and part-time employees at year end	8,159	8,371	8,171	8,139	8,207

[1] The calculation of the average number of employees in full-time equivalents was re-defined in 2023. The figure for 2022 has been adjusted accordingly.

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	2023	2022
Operating profit	38.4	42.9
Items affecting comparability:		
- costs arising from the discontinuation of business	-	-0.2
- costs arising from business restructurings	0.3	-
- gains or losses arising from divestments[1]	-	-4.3
- costs arising from acquisitions	0.3	2.5
Adjusted operating profit	39.0	40.9

[1] In 2022, Lassila & Tikanoja ja Neova merged their fuel wood businesses into a joint venture named Laania. The transaction was finalised in the fourth quarter of year 2022 and L&T recognised a gain totalling EUR 4.3 million from the transaction.

Reconciliation of gross capital expenditure

1 January - 31 December MEUR	2023	2022
Intangible and tangible assets from business acquisitions	-	22.9
- increases to right-of-use assets excl. heavy vehicles from business acquisitions	-	-1.4
Other increases to intangible and tangible assets	81.1	55.2
- increases to right-of-use assets excl. heavy vehicles	-18.1	-15.8
- other adjustments	-2.0	-2.7
Gross capital expenditure	61.1	58.2

Return on capital employed (ROCE), %, by segment[1]

1 January - 31 December	2023	2022
Environmental Services		
Capital employed (MEUR), average of the beginning and the end of the period	203.1	211.3
Operating profit	27.1	30.3
+ financial income	0.3	0.1
Return on capital employed, MEUR	27.4	30.4
Return on capital employed (ROCE), %	13.5	14.4
Industrial Services		
Capital employed (MEUR), average of the beginning and the end of the period	93.7	81.7
Operating profit	13.8	12.7
+ financial income	0.0	0.0
Return on capital employed, MEUR	13.8	12.8
Return on capital employed (ROCE), %	14.7	15.6
Facility Services Finland		
Capital employed (MEUR), average of the beginning and the end of the period	25.0	28.4
Operating profit	4.4	-0.5
+ financial income	0.4	0.3
Return on capital employed, MEUR	4.8	-0.2
Return on capital employed (ROCE), %	19.4	-0.8
Facility Services Sweden		
Capital employed (MEUR), average of the beginning and the end of the period	61.0	64.6
Operating profit	-3.7	0.4
+ financial income	0.1	0.1
Return on capital employed, MEUR	-3.6	0.5
Return on capital employed (ROCE), %	-5.9	0.8

[1] From 2023 onwards, the allocation of assets and liabilities to the reporting segments has been adjusted. The comparative figures have been updated accordingly.

Calculation of key figures

Key figures on shares

Earnings per share (EPS)	=	Result attributable to equity holders of the parent company / Adjusted average basic number of shares	
Earnings per share (EPS), diluted	=	Result attributable to equity holders of the parent company / Adjusted average diluted number of shares	
Equity per share	=	Equity attributable to equity holders of the parent company / Adjusted basic number of shares at the balance sheet date	
Dividend per share[1]	=	Dividend for the financial period / Adjusted basic number of shares at the balance sheet date	
Payout ratio, %[1]	=	Dividend per share / Earnings per share	x 100
Effective dividend yield, %[1]	=	Dividend per share / Closing price of the financial period	x 100
P/E ratio	=	Closing price of the financial period / Earnings per share	
Cash flow from operating activities after investments per share	=	Cash flows from operating activities after investments as in the cash flow statement / 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.

Key figures on financial performance

Adjusted operating profit	=	Operating profit +/- items affecting comparability	
Items affecting comparability	=	Substantial costs arising from business restructurings or acquisitions, gains and losses from divestments and costs arising from the discontinuation of businesses	
EBITDA	=	Operating profit + depreciation, amortisation and impairment	
Return on equity, % (ROE)	=	Result for the period / 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)	=	Operating profit + financial income + share of results in associated companies and joint ventures / Equity + Interest-bearing financial liabilities (average of the end and of the beginning of the period)	x 100
Equity ratio, %	=	Equity / Balance sheet total - advances received	x 100
Gearing, %	=	Net interest-bearing liabilities / Equity	x 100
Net interest-bearing liabilities	=	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, %	=	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 / 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	2023	2022	Note
Net sales	802.1	844.1	1.2
Other operating income	6.2	8.7	1.4
Materials and services	-246.5	-286.7	
Employee benefit expenses	-352.8	-353.1	1.3
Other operating expenses	-113.1	-114.7	1.4
Depreciation, amortisation and impairment	-57.4	-55.4	1.7
Operating profit	38.4	42.9	
Financial income	2.5	0.4	
Financial expenses	-8.7	-6.0	
Exchange rate differences (net)	-0.0	-0.2	
Financial income and expenses	-6.3	-5.8	1.8
Share of the result of associated companies and joint ventures	3.6	0.7	
Result before taxes	35.7	37.8	
Income taxes	-5.7	-6.3	1.9
Result for the period	30.1	31.5	
Attributable to:			
Equity holders of the company	30.1	31.5	
Earnings per share attributable to the equity holders of the parent company:			
Earnings per share, EUR	0.79	0.83	4.4
Diluted earnings per share, EUR	0.79	0.83	4.4

Consolidated statement of comprehensive income

1 January - 31 December MEUR	2023	2022	Note
Result for the period	30.1	31.5	
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	0.2	2.6
Items not to be recognised through profit or loss, total	-0.0	0.2	
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	0.1	1.3	4.2
Change in fair value of interest rate swap, reclassified to profit and loss	-1.0	-	4.2
Currency translation differences	0.1	-5.7	
Currency translation differences recognised through profit or loss	-	0.1	
Items potentially to be recognised through profit or loss, total	-0.9	-4.3	
Other comprehensive income, total	-0.9	-4.1	
Total comprehensive income, after tax	29.2	27.4	
Attributable to:			
Equity holders of the company	29.2	27.4	

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	2023	2022	Note
ASSETS			
Non-current assets			
Intangible assets			3.1
Goodwill	180.8	180.7	
Other intangible assets	38.2	36.5	
	219.0	217.2	
Tangible assets	166.0	155.3	3.3
Right-of-use assets	76.0	71.2	3.4
	242.0	226.6	
Other non-current assets			
Shares in associated companies and joint ventures	17.6	14.0	3.5
Other shares and holdings	0.2	0.2	3.5
Deferred tax assets	3.1	1.9	1.9
Other receivables	1.5	1.9	3.5
	22.5	17.9	
Total non-current assets	483.5	461.7	
Current assets			
Inventories	7.8	7.8	2.2
Trade receivables	85.9	91.0	2.1, 4.1
Contract assets	30.8	30.8	1.2, 2.1, 4.1
Income tax receivables	1.2	8.7	2.1
Other receivables	7.9	11.0	2.1, 4.1
Cash and cash equivalents	32.9	49.5	4.1
Total current assets	166.5	198.8	
TOTAL ASSETS	649.9	660.5	

31 December MEUR	2023	2022	Note
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			4.3
Share capital	19.4	19.4	
Other reserves	-11.5	-10.6	
Invested unrestricted equity reserve	0.6	0.6	
Retained earnings	223.6	211.0	
Total equity	232.2	220.4	
Liabilities			
Non-current liabilities			
Deferred tax liabilities	28.5	28.1	1.9
Retirement benefit obligations	1.2	1.2	2.6
Provisions	7.2	7.4	2.5
Financial liabilities	171.7	177.5	4.1
Other liabilities	13.2	13.3	2.4
	221.7	227.5	
Current liabilities			
Financial liabilities	22.1	39.3	4.1
Trade and other payables	172.8	170.5	2.3, 4.1
Income tax liabilities	0.3	1.0	2.3
Provisions	0.9	1.7	2.5
	196.1	212.6	
Total liabilities	417.7	440.1	
TOTAL EQUITY AND LIABILITIES	649.9	660.5	

Consolidated statement of cash flows

1 January - 31 December MEUR	2023	2022	Note
Cash flows from operating activities			
Result for the period	30.1	31.5	
Adjustments			
Income taxes	5.7	6.3	1.9
Depreciation, amortisation and impairment	57.4	55.4	1.7
Financial income and expenses	6.3	5.8	1.8
Gains and losses on sale of tangible and intangible assets	-1.6	-1.2	
Share of result of associated companies and joint ventures	-3.6	-0.7	3.5
Gain from sale of subsidiary's net assets to joint venture	-	-4.3	5.3
Impact of the discontinuation of Russian operations	-	-0.2	
Other	-0.5	-0.7	
Net cash generated from operating activities before change in working capital	93.6	91.9	
Change in working capital			
Change in trade and other receivables	7.2	-7.0	
Change in inventories	0.0	-0.8	
Change in trade and other payables	-2.1	1.7	
Change in working capital	5.1	-6.2	
Interest and other financial expenses paid	-8.2	-4.8	
Interest and other financial income received	2.5	0.4	
Income taxes paid	0.5	-9.6	
Net cash from operating activities	93.6	71.8	

1 January - 31 December MEUR	2023	2022	Note
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	-	-13.2	5.3
Proceeds from sale of subsidiaries and businesses, net of sold cash	-	-2.0	5.3
Purchases of property, plant and equipment and intangible assets	-44.9	-33.8	
Proceeds from sale of property, plant and equipment and intangible assets	2.2	2.0	
Repayment of loan receivables from joint venture	-	16.4	
Change in other non-current investments	-	0.0	
Net cash from investing activities	-42.7	-30.6	
Net cash from operating and investing activities	50.9	41.1	
Net cash from financing activities			
Proceeds from short-term borrowings	10.0	35.0	4.1
Repayments of short-term borrowings	-10.0	-35.0	4.1
Proceeds from long-term borrowings	40.0	75.0	4.1
Repayments of long-term borrowings	-68.4	-58.1	4.1
Repayments of lease liabilities	-21.2	-19.4	
Dividends paid	-17.9	-17.5	
Net cash from financing activities	-67.5	-20.1	
Net change in cash and cash equivalents	-16.6	21.0	
Cash and cash equivalents at the beginning of the period	49.5	28.6	
Effect of changes in foreign exchange rates	0.0	-0.1	
Cash and cash equivalents at the end of the period	32.9	49.5	4.1

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 2022	19.4	-5.9	-0.4	0.6	196.7	210.4	
Total comprehensive income							
Result for the period					31.5	31.5	
Other comprehensive income items		-5.6	1.3		0.2	-4.1	
Total comprehensive income	-	-5.6	1.3	-	31.7	27.4	
Transactions with shareholders							
Share-based benefits					0.2	0.2	1.5
Dividends paid					-17.5	-17.5	
Returned dividends					0.0	0.0	
Transactions with shareholders, total	-	-	-	-	-17.3	-17.3	
Equity on 31 December 2022	19.4	-11.5	0.9	0.6	211.0	220.4	
Total comprehensive income							
Result for the period					30.1	30.1	
Other comprehensive income items		0.1	-0.9		-0.0	-0.9	
Total comprehensive income	-	0.1	-0.9	-	30.1	29.2	
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	19.4	-11.5	-	0.6	223.6	232.2	

[1] Included in other reserves of equity in the consolidated statement of financial position.

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 20 February 2024.

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.

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 2023

The Group has applied the new standards and interpretations published by IASB with the effective date 1 January 2023. 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 31 October 2022, IASB issued amendments "Non-current liabilities with covenants" to IAS 1 "Presentation of financial statements". The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and override the previous amendments. Early application of the amendments is allowed. The new amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date. The Group applies the amendments from the effective date, i.e. for annual reporting periods beginning on or after 1 January 2024.

The company does not expect the amendments to change its classification of liabilities as current or non-current from the current guidance. However, the new ammendments will increase the amount of disclosure information relating to the covenants.

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 and disposals and assets and liabilities classified as held for sale

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.

On December 17, 2021, Lassila & Tikanoja Plc and Neova Oy signed an agreement to merge their fuel wood businesses. According to the agreement, Neova's fuel wood business will be transferred to L&T Biowatti Oy. On 1 July 2022, Neova's fuel wood business was transferred to L&T Biowatti Oy. With the merger the company continued as an independent limited company called Laania Oy. L&T Biowatti Oy was reported as part of Environmental Services segment until the merger. For more information on the joint venture, please refer to note 3.5 Other long-term assets.

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.

2023 MEUR	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden	Group administration and other	Group
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	27.1	13.8	4.4	-3.7	-3.2	38.4
Operating margin, %	9.5	9.8	1.8	-2.8		4.8
Adjusted operating profit[1]	27.1	14.0	4.4	-3.7	-2.8	39.0
Adjusted operating margin, %[1]	9.5	9.9	1.8	-2.8		4.9
Financial income and expenses						-6.3
Share of result in associated companies and joint ventures						3.6
Profit before tax						35.7
Income taxes						-5.7
Profit for the period						30.1
Assets	291.6	151.0	78.7	83.5	45.1	649.9
Liabilities	82.7	60.2	56.9	23.6	194.3	417.7
Capital expenditure	40.9	17.5	1.0	0.5	1.2	61.1
Depreciation, amortisation and impairments	30.4	12.8	8.1	5.0	1.0	57.4

2022 MEUR	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden	Group administration and other	Group
External net sales	319.7	129.8	254.1	140.4	-	844.1
Inter-division net sales	1.5	2.2	2.2	0.0	-6.0	-
Total net sales	321.2	132.0	256.3	140.4	-6.0	844.1
Operating profit	30.3	12.7	-0.5	0.4	0.1	42.9
Operating margin, %	9.4	9.6	-0.2	0.3		5.1
Adjusted operating profit[1]	30.3	13.6	-0.5	0.4	-2.8	40.9
Adjusted operating margin, %[1]	9.4	10.3	-0.2	0.3		4.8
Financial income and expenses						-5.8
Share of result in associated companies and joint ventures						0.7
Profit before tax						37.8
Income taxes						-6.3
Profit for the period						31.5
Assets[2]	278.6	145.3	84.5	88.4	63.7	660.5
Liabilities[2]	81.3	52.2	56.2	26.4	224.0	440.1
Capital expenditure	20.3	34.6	1.5	0.4	1.3	58.2
Depreciation, amortisation and impairments	26.9	12.3	9.1	5.9	1.3	55.4

[1] Unaudited

[2] From 2023 onwards, the allocation of assets and liabilities to the reporting segments has been adjusted. The comparative figures have been updated 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	2023	2022
Net sales		
Finland	645.3	682.3
Sweden	150.1	156.6
Other countries	6.8	5.2
Total	802.1	844.1
Assets		
Finland	602.0	604.4
Sweden	47.9	56.1
Total	649.9	660.5
Capital expenditure		
Finland	58.4	41.6
Sweden	2.6	16.6
Total	61.1	58.2

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 exedient 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 for example 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 made 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.

2023 MEUR	Long-term service agreements	Separately ordered services	Project business	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

2022 MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	225.3			92.7	3.3	321.2
Industrial Services	57.7	59.0	9.7	5.6		132.0
Facility Services Finland	182.3	68.8	5.2			256.3
Facility Services Sweden	61.1	74.9	4.4			140.4
Total	526.4	202.7	19.4	98.3	3.3	850.0
Interdivision						-6.0
External net sales						844.1

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 the financing component
- Measurement of variable consideration

These judgements have been described in more detail in the description relating to revenue recognition.

Contract balances

MEUR	2023	2022
Trade receivables	85.9	91.0
Contract assets	30.8	30.8
Contract liabilities	8.9	7.2

Contract assets consist of uninvoiced sales, which will be invoiced during the following reporting period.

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	2023	2022
Wages and salaries	282.8	282.4
Pension costs		
Defined contribution plans	60.8	60.9
Defined benefit plans	0.0	0.0
Share-based payments	0.5	0.1
Other personnel expenses	8.7	9.7
Total	352.8	353.1

Average number of employees in full-time equivalents[1]	2023	2022
Finland	5,608	5,655
Sweden	1,135	1,165
Total	6,743	6,820

[1] The calculation of the average number of employees in full-time equivalents was re-defined in 2023. The figures for 2022 has been adjusted accordingly.

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	2023	2022
Gains on sales of property, plant and equipment	1.7	1.7
Gain from sale of subsidiary's net assets to joint venture	-	4.3
Reimbursements and government grants[1]	2.0	0.6
Other	2.4	2.1
Total	6.2	8.7

[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	2023	2022
ICT costs	16.8	16.6
Travel costs	9.0	8.0
Bad debts and changes in allowances for impairment	1.0	0.4
Fuels for vehicles and machinery	27.8	29.6
Maintenance and repair of vehicles and machinery	29.6	26.7
Insurances	3.1	4.2
Property maintenance costs	5.0	5.0
Expert fees[1]	6.9	7.5
Voluntary social security costs	6.8	7.6
Marketing costs	1.6	2.1
Losses on sales of intangible and tangible assets	0.1	0.5
Discontinuation of Russian operations	-	-0.2
Other[2]	5.1	6.7
Total	113.1	114.7

[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.

Share-based incentive programme 2021

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 27 January 2021 on a new share-based incentive programme. Potential rewards were based on the EVA result and the carbon handprint of the Group.

Based on the programme a maximum of 37,300 shares of the company could be granted.

Based on the decision by the board of directors a total of 24,522 Lassila & Tikanoja plc's shares were granted in 2022 from the share-based incentive programme of year 2021. The programme covered 9 persons.

Share-based incentive programme 2022

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 26 January 2022 on a new share-based incentive programme. Potential rewards are based on the EVA result and the carbon handprint of the Group.

Based on the programme a maximum of 37,300 shares of the company could be granted.

The performance criteria for the share-based incentive programme 2022 were not met, and no Lassila & Tikanoja plc's shares were granted from the share-based incentive programme. The programme covered 9 persons.

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 202,067 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 38 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 249,900 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 50 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.

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 correspond 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 consists of approximately 10 key employees, including the Group's President and CEO and the Group Executive Board. Potential rewards of performance period 2023 will be 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 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 2024 consists of approximately 10 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.

Information of the share-based incentive programmes

	2023-2027		2023-2026			
Share-based incentive programme	**Performance period 2024-2026**	**Performance period 2023-2025**	**Performance period 2024**	**Performance period 2023**	**2022**	**2021**
Grant date	-	16 Jan 2023	-	16 Jan 2023	26 Jan 2022	27 Jan 2021
Start of the earnings period	1 Jan 2024	1 Jan 2023	1 Jan 2024	1 Jan 2023	1 Jan 2022	1 Jan 2021
End of the earnings period	31 Dec 2026	31 Dec 2025	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2021
Average share price at grant date	-	11.48	-	11.48	13.06	15.40
Maximum number of shares	249,000	202,067	83,800	83,800	37,300	37,300
Realisation on closing date, shares					-	24,522
Returned shares					-	-
Obligation to hold shares, years	-	-	2	2	2	2
Release date of shares	-	-	31 Mar 2027	31 Mar 2026	31 Mar 2025	31 Mar 2024
Number of persons included	50	38	10	10	9	9

Expenses arising from share-based incentive programmes, MEUR	**2023**	**2022**
Share component	0.5	0.1
Total	0.5	0.1

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	2023	2022
Depreciation expense of right-of-use assets	-21.6	-19.5
Interest expenses on lease liabilities	-2.4	-1.5
Expenses related to leases of low-value assets	-4.2	-4.3
Total	-28.2	-25.3

In 2023, the cash flows related to leases totalled EUR -27.8 million (-25.3).

1.7 Depreciation, amortisation and impairments

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are recognised on a straight-line basis over the ecomomic useful lives of the assets, or over the lease contract periods, when applicable, 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. Goodwill is presented in the statement of financial position at historical cost less impairment losses, if any. 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 for 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 for goodwill is not reversed. Goodwill impairment testing is described in note 3.2.

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	2023	2022
Depreciation and amortisation		
Intangible assets	-6.8	-7.8
Buildings	-5.5	-6.2
Machinery and equipment	-21.6	-21.8
Right-of-use assets	-21.6	-19.5
Other tangible assets	-0.0	-0.0
Total	-55.5	-55.4
Impairments		
Intangible assets[1]	-1.9	-
Total	-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	-0.1	-0.5
Total	1.6	1.2

[1] Impairment of intangible assets 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 are recognised as expenses in the period in which they arise.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be 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	2023	2022
Financial income		
Interest income on loans and other receivables	1.2	0.2
Interest income from joint ventures	-	0.2
Fair value of interest rate swap - transfer from OCI[1]	1.3	-
Total financial income	2.5	0.4
Financial expenses		
Interest expenses on borrowings measured at amortised cost	5.7	3.7
Interest expenses on lease liabilitities	2.4	1.5
Other financial expenses	0.5	0.8
Losses on foreign exchange	0.0	0.2
Total financial expenses	8.7	6.2
Financial income and expenses	-6.3	-5.8

[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 tax and deferred tax. 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 tax is determined for the taxable profit for the period 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

MEUR	2023	2022
Income tax for the period	-6.3	-5.7
Income tax for previous periods	-0.0	-0.0
Change in deferred tax	0.7	-0.6
Total	-5.7	-6.3

The reconciliation of income tax expense recognised in the income statement and income tax calculated at the statutory tax rate in Finland

MEUR	2023	2022
Profit before tax	35.7	37.8
Income tax at Finnish tax rate 20%	-7.1	-7.6
Difference between tax rate in Finland and in other countries	0.0	-0.0
Non-deductible expenses	-0.2	-0.3
Tax exempt income	1.2	1.6
Income tax for previous periods	-0.1	0.0
Unrecognised deferred tax on loss for the period	-0.1	-0.0
Utilisation of previously unrecognised tax losses	-	0.1
Other items	0.6	-0.2
Total	-5.7	-6.3

Tax effects of components of other comprehensive income

	2023			2022		
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	0.2	-0.0	0.2
Hedging reserve, change in fair value	-1.2	0.2	-0.9	1.7	-0.3	1.3
Currency translation differences	0.1	-	0.1	-5.7	-	-5.7
Currency translation differences recognised through profit or loss	-	-	-	0.1	-	0.1
Components of other comprehensive income	-1.1	0.2	-0.9	-3.7	-0.4	-4.1

Deferred taxes in the statement of financial position

MEUR	2023	2022
Deferred tax assets	3.1	1.9
Deferred tax liabilities	-28.5	-28.1
Deferred taxes, net	-25.4	-26.3

At the balance sheet date, the Group companies did not have tax losses, on which no deferred tax asset has been recognised as the realisation of the tax benefit is not considered probable (EUR 0.4 million at the end of 2022).

Deferred tax is 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.

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

MEUR	At 1 Jan 2023	Recognised in income statement	Recognised in equity	Exchange rate differences	Business acquisitions	At 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				-1.2
Netting of deferred taxes	5.1					6.6
Total	-28.1	-2.0	0.2	-0.1	-	-28.5

MEUR	At 1 Jan 2022	Recognised in income statement	Recognised in equity	Exchange rate differences	Business acquisitions	At 31 Dec 2022
Deferred tax assets						
Tax losses	1.8	-0.0		-0.2		1.6
Pension benefits	0.2		-0.0			0.2
Provisions	2.2	-0.4				1.7
Fair value adjustments	0.1		-0.1			-
Unused depreciation	1.3	0.1				1.4
Other temporary differences	0.1	2.0				2.0
Netting of deferred taxes	-2.9					-5.1
Total	2.7	1.6	-0.2	-0.2	-	1.9
Deferred tax liabilities						
Acquisitions	-22.6	-1.2		0.3	-0.9	-24.4
Appropriations	-6.9	-0.5				-7.4
Fair value adjustments	-		-0.2			-0.2
Other temporary differences	-0.7	-0.4			0.0	-1.1
Netting of deferred taxes	2.9					5.1
Total	-27.2	-2.2	-0.2	0.3	-0.9	-28.1

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 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 0.8 per cent (0.7), past due 91-365 days 11.6-23.1 per cent (8.6-25.0 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	2023	2022
Trade receivables	85.9	91.0
Contract assets[1]	30.8	30.8
Accrued income	7.6	9.3
Prepayments	0.3	0.2
Tax receivables	1.2	8.7
Derivative receivables	-	1.2
Other receivables	0.0	0.3
Total	125.8	141.6
Specification of accrued income		
Employees' health care compensation	1.6	1.7
Licences	0.7	0.9
Other	5.4	6.8
Total	7.6	9.3

[1] Contract assets consist of uninvoiced sales, which will be invoiced during the following reporting period.

Change in allowance for impairment

MEUR	2023	2022
Allowance for impairment, 1 January	0.5	0.4
Change in the income statement	0.0	0.1
Allowance for impairment, 31 December	0.5	0.5

Impairment losses and changes in allowance for impairment are presented 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

	2023		2022	
MEUR	Trade receivables and contract assets	of which the allowance for impairment	Trade receivables and contract assets	of which the allowance for impairment
Trade receivables and contract assets not past due	100.0	0.1	106.5	0.1
Past due 1-90 days	16.3	0.1	14.4	0.1
Past due 91-365 days	0.8	0.1	1.4	0.2
Past due over 365 days	0.2	0.2	0.1	0.1
Total	117.2	0.5	122.4	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	2023	2022
Raw materials and consumables	3.0	3.0
Finished goods	1.0	1.8
Other inventories	3.8	2.9
Total	7.8	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 liabilities that are presented in notes 4.1 Financial assets and liabilities and 4.2 Financial risk management.

MEUR	2023	2022
Advances received	11.2	9.5
Trade payables	63.7	60.1
Current tax liabilities	0.3	1.0
Other liabilities	21.8	25.7
Accrued expenses and deferred income	76.1	75.2
Total	173.1	171.5
Accrued expenses and deferred income		
Liabilities related to personnel expenses[1]	69.5	68.0
Other accrued expenses	6.6	7.2
Total	76.1	75.2

[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	2023	2022
Advances received	7.2	7.6
Deferred consideration	5.9	5.7
Other liabilities	0.0	0.0
Total	13.2	13.3

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. In the last quarter of 2023, an increase of EUR 0.2 million was recognised in the deferred consideration (increase of EUR 0.8 million).

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. 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.

MEUR	2023	2022
Non-current provisions	7.2	7.4
Current provisions	0.9	1.7
Total	8.1	9.1

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. 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. After the receipt of a new environmental permit, a construction of a processing site for hazardous waste has been started in the area. The utilisation of the new hazardous waste landfill and treatment area will be started in the summer of 2024.

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 environmental impact assessment process for the area has been completed and a reasoned conclusion has been received from the contact authorities.The preparation of an application for a new environmental permit is currently ongoing. With the permit the area will be lisenced for receipt and processing of both normal and hazardous waste.

Other provisions

Other provisions consist mainly of provision for restructuring and accident insurance contribution.

MEUR	Environmental provisions	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

MEUR	Environmental provisions	Other provisions	Total
Provisions at 1 Jan 2022	8.1	2.7	10.8
Additions	0.1	0.7	0.8
Used during the year	-0.5	-1.3	-1.8
Reversals	-0.4	-0.5	-0.8
Effect of discounting	0.1	-	0.1
Provisions at 31 Dec 2022	7.4	1.7	9.1

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	2023	2022
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	0.7
Closing net liability	1.2	1.2
Changes in present value of obligation		
Opening defined benefit obligation	1.5	1.7
Current service cost	0.0	0.0
Interest cost	0.0	0.0
Actuarial gain (-) and loss (+) on obligation	0.0	-0.2
Benefits paid	-0.1	-0.1
Change in liability related to pension deposits	-0.1	0.0
Closing value of obligation	1.4	1.5
Changes in fair value of plan assets		
Opening fair value of plan assets	0.3	0.3
Interest income	0.0	0.0
Employers' contributions	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	2023	2022
Movements in the liability recognised in the statement of financial position		
Opening liability	1.2	1.4
Expense recognised in the income statement	0.0	0.0
Employers' contributions	0.0	0.0
Actuarial gain (-) and loss (+)	0.0	-0.2
Contributions paid	-0.1	-0.0
Change in liability related to pension deposits	-0.1	0.0
Closing liability	1.2	1.2
Amounts recognised in the statement comprehensive income		
Current service cost	0.0	0.0
Interest cost	0.0	0.0
Interest income	-0.0	-0.0
Actuarial gain (-) and loss (+)	0.0	-0.2
Total	0.1	-0.2

The Group estimates that it will contribute EUR 60 thousand to defined benefit plans in 2024.

MEUR	2023	2022
Present value of obligation	1.4	1.5
Fair value of plan assets	-0.3	-0.3
Deficit	1.2	1.2
Principal actuarial assumptions used. %		
Discount rate	4.0	3.8
Expected rate of return on plan assets	2.7	2.6
Expected rate of salary increase	3.7	4.9
Expected rate of inflation	2.5	2.4

Defined contribution maturity of the obligation

MEUR	2023	2022
Maturity of less than one year	0.1	0.1
1-5 years	0.3	0.2
5-10 years	0.3	0.3
10-15 years	0.2	0.2
15-20 years	0.2	0.2
20-25 years	0.1	0.1
25-30 years	0.1	0.1
over 30 years	0.1	0.1
Total	1.3	1.2

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 financial year. Goodwill is measured 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 and amortisation and impairment of other intangible assets is described in note 1.7.

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

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 0.0 million (1.0).

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 2022	186.6	55.4	24.1	10.1	9.3	32.7	3.5	321.8
Additions					0.5	0.1	6.5	7.1
Business acquisitions	11.5	5.4	0.1			0.0		17.0
Disposals					-0.1	-2.7		-2.8
Transfers between items						1.8	-1.8	-0.0
Exchange differences	-3.6	-1.6	-0.1	-0.0	-0.3	-0.0		-5.7
Acquisition cost, 31 Dec 2022	194.6	59.1	24.2	10.0	9.5	31.8	8.2	337.4
Accumulated depreciation, 1 Jan 2022	-14.6	-37.2	-24.0	-9.8	-5.8	-25.7		-117.1
Accumulated amortisation on disposals and transfers					0.0	2.7		2.7
Amortisation charge		-3.5	-0.1	-0.1	-0.9	-3.2		-7.8
Exchange differences	0.6	1.1	0.1	0.0	0.2	0.0		2.0
Accumulated depreciation, 31 Dec 2022	-13.9	-39.7	-24.0	-9.8	-6.6	-26.2		-120.2
Carrying amount at 31 Dec 2022	180.7	19.4	0.2	0.3	2.9	5.6	8.2	217.2

3.2 Goodwill impairment testing

Accounting policy

The goodwill impairment testing is conducted at least annually or more frequently if there is any indication that goodwill maybe 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	2023	2022
Environmental Services	87.6	87.6
Industrial Services	30.6	30.6
Facility Services, Finland	28.6	28.6
Facility Services, Sweden	34.0	33.9
Total	180.8	180.7

The goodwill generated from the acquisition of Sand & Vattenbläst i Tyringe AB in the first quarter of 2022 is included in the goodwill allocated to Industrial Services.

Goodwill Impairment testing in 2023

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)

%	2023	2022
Environmental Services	9.4	8.5
Industrial Services	9.4	8.5
Facility Services, Finland	9.3	8.4
Facility Services, Sweden	9.3	8.5

According to the impairment testing, the value in use of all the cash generating units in the Group exceeded the carrying amounts of the tested assets. Thus, no impairments were recognised in 2023.

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, a decrease of EBITDA per cent by 0.9 percentage points or an increase of discount rate by 1.8 percentage point would result in the value-in-use of Facility Services Sweden equaling the carrying amount of the tested assets. At the time of the testing, the difference between the value-in-use and the carrying amount of Facility Services Sweden was EUR 16.3 million and the EBITDA per cent in the forecast period was 5.5 per cent. 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.

Accounting policy for depreciations and impairments is presented in note 1.7.

MEUR	Land	Buildings	Machinery and equipment	Other	Prepayments and construction in progress	Total
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
Disposals	-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	-21.6	-0.0		-27.1
Exchange differences		-0.0	-0.0	-0.0		-0.0
Accumulated depreciation, 31 Dec 2023	-	-113.8	-306.6	-0.1		-420.6
Carrying amount at 31 Dec 2023	7.7	32.3	109.8	0.2	16.0	166.0

The carrying amount of machinery and equipment includes EUR 13.0 million (12.6) 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 14.0 million (19.7).

MEUR	Land	Buildings	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2022	7.4	138.9	408.9	0.1	10.1	565.4
Additions	0.8	0.6	12.8	0.1	12.4	26.7
Business acquisitions		0.2	4.3	0.1		4.6
Disposals	-0.1	-1.7	-19.6	-0.0	-0.1	-21.5
Transfers between items		3.6	9.9		-13.5	0.0
Exchange differences		-0.0	-0.1	-0.0		-0.2
Acquisition cost, 31 Dec 2022	8.2	141.6	416.1	0.3	9.0	575.1
Accumulated depreciation, 1 Jan 2022	-0.5	-103.8	-308.0	-0.1		-412.4
Accumulated depreciation on disposals and transfers		0.6	18.6	0.0		19.3
Depreciation for the period		-6.2	-21.8	-0.0		-28.1
Exchange differences		1.1	0.4	0.0		1.5
Accumulated depreciation, 31 Dec 2022	-0.5	-108.4	-310.8	-0.1		-419.8
Carrying amount at 31 Dec 2022	7.7	33.2	105.3	0.2	9.0	155.3

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.

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.

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

MEUR	Land	Buildings and constructions	Machinery and equipment	Total
Acquisition cost, 1 Jan 2022	12.9	47.7	60.4	121.1
Additions	3.4	10.2	9.2	22.7
Disposals	0.1	-2.4	-1.1	-3.5
Exchange differences	-	-0.4	-0.7	-1.1
Acquisition cost, 31 Dec 2022	16.4	55.1	67.8	139.2
Accumulated depreciation, 1 Jan 2022	-2.6	-20.5	-28.1	-51.3
Accumulated depreciation on disposals and transfers		1.4	0.7	2.2
Depreciation for the period	-1.0	-9.4	-9.1	-19.5
Exchange differences	-	0.2	0.5	0.6
Accumulated depreciation, 31 Dec 2022	-3.7	-28.3	-36.0	-68.0
Carrying amount at 31 Dec 2022	12.7	26.8	31.8	71.2

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.

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 reassessed 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.

MEUR	Shares in associated and joint venture companies	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

MEUR	Shares in associated and joint venture companies	Other shares and holdings	Other receivables
Acquisition cost, 1 Jan 2022	0.0	0.2	2.0
Additions	13.3	0.0	0.5
Disposals	-	-0.0	-0.6
Share of the result of associated companies and joint ventures	0.7	-	-
Exchange differences	-	-	-0.1
Acquisition cost, 31 Dec 2022	14.0	0.2	1.9

Information about the substantial joint venture company

Name	Domicile	Direct ownership (%)	
		2023	2022
Laania Oy	Helsinki	55	55

Financial information about the substantial joint venture company

MEUR	2023	2022
Intangible and tangible assets	3.3	3.3
Right-of-use assets	2.4	2.4
Other non-current receivables	0.0	0.0
Inventories	40.7	51.4
Trade and other receivables	40.2	27.3
Assets total	86.7	84.4
Non-current interest bearing liabilities	22.4	32.5
Trade payables	14.4	11.6
Other current payables	17.9	15.1
Liabilities total	54.8	59.1
Net sales	153.4	89.7
Depreciation and amortisation	-1.4	-0.8
Financial income and expenses	-1.2	-0.5
Income taxes	-1.6	-0.3
Result for the period	6.5	1.3
The reconciliation of the joint venture's financial information to the Group's book value:		
The Group's ownership, %	55.0	55.0
The Group's share of net assets	17.6	14.0
The value of the joint venture in the consolidated statement of financial position	17.6	14.0

For more information on the joint venture please refer to note 5.3.

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 and other receivables 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.

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.

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	2023	2022
Carrying amount 1 Jan	5.7	-
Deferred consideration at the date of the acquisition	-	5.1
Change in fair value	0.2	0.8
Exchange differences	0.0	-0.2
Carrying amount 31 Dec	5.9	5.7

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.

Net interest-bearing liabilities

MEUR	2023	2022
Loans from financial institutions	40.8	51.4
Bonds	74.7	74.6
Lease liabilities	56.1	51.5
Non-current interest-bearing liabilities	171.7	177.5
Bonds	-	17.7
Lease liabilities	21.5	21.0
Current loans	0.6	0.7
Current interest-bearing liabilities	22.1	39.3
Total interest-bearing liabilities	193.7	216.8
Cash and cash equivalents	32.9	49.5
Net interest-bearing liabilities	160.9	167,3

	2023				2022					
MEUR	Amortised cost	Derivatives under hedge accounting	Fair value through profit or loss	Carrying amounts by balance sheet item	Amortised cost	Derivatives under hedge accounting	Fair value through profit or loss	Carrying amounts by balance sheet item	Fair value hierarchy level	Note
Non-current financial assets										
Other receivables	1.3			1.3	1.4			1.4		
Current financial assets										
Trade and other receivables	85.9			85.9	91.3			91.3		2.1
Derivative receivables				-		1.2		1.2	2	4.2
Cash and cash equivalents	32.9			32.9	49.5			49.5		
Total financial assets	120.1	-	-	120.1	142.1	1.2	-	143.3		
Non-current financial liabilities										
Borrowings	115.5			115.5	126.0			126.0	2	
Lease liabilities	56.1			56.1	51.5			51.5		4.2
Deferred consideration			5.9	5.9			5.7	5.7	3	
Current financial liabilities										
Borrowings	0.6			0.6	18.3			18.3	2	
Lease liabilities	21.5			21.5	21.0			21.0		4.2
Trade and other payables	69.4			69.4	65.8			65.8		2.3
Total financial liabilities	263.1	-	5.9	269.1	282.6	-	5.7	288.3		

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

MEUR	2023 Loans from financial institutions	2023 Bonds	2023 Lease liabilities	2023 Cash and cash equivalents	2023 Total	2022 Loans from financial institutions	2022 Bonds	2022 Lease liabilities	2022 Cash and cash equivalents	2022 Total
Carrying amount on 1 Jan	-52.0	-92.3	-72.5	49.5	-167.3	-74.9	-49.9	-70.9	28.6	-167.1
Change in net interest-bearing liabilities, cash:										
Proceeds from non-current loans	-40.0				-40.0		-75.0			-75.0
Repayments of non-current loans	50.7	17.7			68.4	25.9	32.3			58.1
Proceeds from current loans	-10.0				-10.0	-35.0				-35.0
Repayments of current loans	10.0				10.0	35.0				35.0
Repayments of lease liabilities			21.2		21.2			19.4		19.4
Change in cash and cash equivalent				-16.6	-16.6				21.0	21.0
Total cash flows	10.7	17.7	21.2	-16.6	33.0	25.9	-42.7	19.4	21.0	23.6
Change in net interest-bearing liabilities, non-cash:										
Change in lease liablities			-26.4		-26.4			-21.1		-21.1
Other changes	0.0	-0.1		0.0	-0.1	-3.0	0.3		-0.1	-2.8
Total non-cash movements	0.0	-0.1	-26.4	0.0	-26.5	-3.0	0.3	-21.1	-0.1	-23.9
Carrying amount on 31 Dec	-41.4	-74.7	-77.6	32.9	-160.9	-52.0	-92.3	-72.5	49.5	-167.3

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 2023, translation differences totalling EUR 0.1 million (-5.6) 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 67.3 million (69.8).

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 17.6 million (14.0) at the end of the reporting period. More information on the joint venture and its measurement can be found in note 3.5. 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. During the reporting period, the interest rate swap used for hedging cash flows related to floating rate loan was terminated. After this, the interest rate risk was still according to the Company's treasury policy. At the balance sheet date, the Group did not have interest rate swaps.

At end of the financial period, 65 per cent (86) 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 (14). 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 4.0 per cent (2.5).

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.

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	2023	2022
Other non-current receivables	1.3	1.4
Trade receivables	85.9	91.0
Other current receivables	0.0	0.2
Derivative receivables	-	1.2
Cash and cash equivalents	32.9	49.5

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 and a committed credit limit totalling EUR 40 million. The account limit as well as the committed credit limit were not in use, as was the case in the comparison period. In addition the Group has commercial paper programme totalling EUR 100 million which was all unused (comparison period: all unused). At the end of the financial period, the Group's liquid assets amounted to EUR 32.9 million (49.5).

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 new 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 2023	Carrying amount	Contractual cash flows	2024	2025	2026	2027	2028	2029 and later
Loans from credit institutions	41.4	46.7	2.6	2.1	42.0	-	-	-
Bonds	74.7	87.7	2.5	2.5	2.5	2.5	77.5	-
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	263.1	285.4	96.9	23.4	53.1	8.7	82.9	20.4

MEUR 2022	Carrying amount	Contractual cash flows	2023	2024	2025	2026	2027	2028 and later
Loans from credit institutions	52.0	52.5	1.6	50.9	-	-	-	-
Bonds	92.3	108.2	20.5	2.5	2.5	2.5	2.5	77.5
Lease liabilities	72.5	80.0	21.4	17.9	11.8	4.9	3.0	21.0
Trade and other payables	65.8	65.8	65.8	-	-	-	-	-
Total	282.6	306.5	109.3	71.4	14.3	7.4	5.6	98.5

Breakdown of borrowings and facilites

	2023			2022		
MEUR	In use	Undrawn	Total	In use	Undrawn	Total
Loans from financial institutions and pension loans	41.4	-	41.4	52.0	-	52.0
Bonds	74.7	-	74.7	92.3	-	92.3
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	32.8	17.2	50.0	26.0	24.0	50.0
Other lease liabilities	44.9	-	44.9	46.5	-	46.5
Total	193.7	167.2	360.9	216.8	174.0	390.8

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 as well as derivative contracts. Changes in the fair value of derivative contracts under hedge accounting are assumed to be allocated entirely to equity.

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 and interest rate swaps.

Sensitivity analysis of interest rate risk arising from financial instruments

	2023		2022	
MEUR	Profit after tax	Equity	Profit after tax	Equity
Floating rate loans:				
+ 1.0% change in market interest rates	-0.3		-0.4	
- 1.0% change in market interest rates	0.3		0.4	
Hedging instruments:				
+ 1.0% change in market interest rates		-		0.3
- 1.0% change in market interest rates		-		-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 the financial period, 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 on the balance sheet date. The fair values are based on market prices on 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 under capital and reserves. 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

	2023		2022	
MEUR	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Maturity of interest rate swaps under hedge accounting				
Not later than one year	-	-	-	-
Later than one year and not later than two years	-	-	30.0	1.2
Yhteensä	-	-	30.0	1.2

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 on the balance sheet date.

The fixed interest rate of the interest rate swap at 31 December 2022 was 0.8 per cent. The floating interest rate was 6-month Euribor.

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 23 March 2023 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 2023, the company held 644,772 treasury shares (653,256) representing 1.7 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 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

MEUR	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan 2022	38,112	19.4	0.6	-10.6	9.4
25 February 2022 Transfer of own shares	25			0.4	0.4
2 May 2022 Transfer of own shares	9			0.1	0.1
At 31 Dec 2022	38,146	19.4	0.6	-10.1	9.9

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	2023	2022
Equity in the consolidated statement of financial position	232.2	220.4
Equity and liabilities total	649.9	660.5
Current advances received	-11.2	-9.5
Non-current advances received	-7.2	-7.6
Total	631.5	643.4
Equity ratio, %	36.8	34.3

MEUR	2023	2022
Equity in the consolidated statement of financial position	232.2	220.4
Non-current financial liabilities	171.7	177.5
Current financial liabilities	22.1	39.3
Cash and cash equivalents	-32.9	-49.5
Net interest-bearing liabilities	160.9	167.3
Gearing, %	69.3	75.9

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.

	2023	2022
Result attributable to equity holders of the company, MEUR	30.1	31,5
Adjusted weighted average number of ordinary shares outstanding during the year, million shares	38.1	38,1
Earnings per share, EUR	0.79	0,83
Dilutive effect of the share-based incentive programme, million shares	0.1	0,0
Adjusted average number of shares during the period, diluted, million shares	38.2	38,1
Earnings per share, diluted, EUR	0.79	0,83

At the Annual General Meeting on 21 March 2024, the Board of Directors will propose that a dividend of EUR 0.49 per share be paid for the 2023 financial year. On the basis of a decision taken by the Annual General Meeting, the company paid a dividend of EUR 0.47 per share for 2022.

4.5 Commitments and contingent liabilities

MEUR	2023	2022
Collaterals for own commitments		
Mortgages on rights of tenancy	0.1	0.1
Company mortgages	0.5	2.0
Other securities	0.0	0.0
Bank guarantees required for environmental permits	26.6	17.4
Other bank guarantees	6.5	5.8
Mortgages under own control		
Company mortgages	0.2	0.3
Liabilities on behalf of the joint venture		
Account limit	2.8	2.8
Bank guarantees	16.5	16.5
Term loan facility guarantee	11.0	16.5
Revolving credit facility	5.5	-
Future lease payments		
Within one year	0.9	0.9
Over one year	0.7	0.9

Other securities are guarantee deposits.

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 and 3.4.

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. At the balance sheet date, the carrying amount of the receivables in the Company's balance sheet was approximately EUR 1.5 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 116 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 have been 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, have been recognised as expenses. Any conditional additional sale price has been 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 have been 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 on 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 Toimi Oy, Helsinki	100.0
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
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
Cisternservice i Hässleholm AB, Hässleholm, Sweden	70.0
Joint ventures	
Laania Oy, Helsinki[1]	55.0
Associated companies	
Suomen Keräystuote Oy, Helsinki	40.0

[1] Information on the joint venture is disclosed in note 3.5 Other non-current assets

During the reporting period, Turun Seudun Hyötykuljetus Oy was merged to L&T Ympäristöpalvelut Oy and L&T Työllistämispalvelut Oy was merged to Lassila & Tikanoja plc and L&T Hankinta Ky, Sihvari Oy and Spectra Yhtiöt Oy were liquidated.

5.3 Business acquisitions and disposals and assets and liabilities classified as held for sale

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.

Assets and liabilities held for sale are measured at lower of the carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and their sale is highly probable. The non-current assets classified as held for sale are not depreciated.

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.

Business acquisitions 2023

There were no business acquisitions in 2023.

Business acquisitions 2022

On 1 February 2022, Lassila & Tikanoja's Industrial Services division acquired 70 per cent of the shares of Sand & Vattenbläst i Tyringe AB ("SVB"), a company that provides process cleaning services in Sweden. The transaction also includes Cisternservice i Hässleholm AB, owned by SVB. Through the acquisition, L&T's Industrial Services division entered the Swedish process cleaning market. In the fair value measurement, intangible assets based on customer relationships with a value of EUR 2.8 million, agreements on prohibition of competition with a value of EUR 0.1 million, as well as goodwill with a value of EUR 8.3 million were identified. The goodwill is mainly based on the strong regional position of the acquired business and its future development prospects. 100 per cent share of SVB is consolidated in the L&T Group and, in connection with the arrangement, L&T has recognised in the financial liabilities an estimate of the deferred consideration related to the acquisition of the non-controlling interest. The deferred consideration is measured at fair value through profit or loss. An increase of EUR 0.2 million (increase of EUR 0.8 million) was recognised in the deferred consideration in the final quarter of 2023.

L&T acquired the business operations of Fortum Waste Solutions Oy's small and medium-sized business segment for hazardous and non-hazardous waste on 1 February 2022. Through the acquisition, L&T received new customers across Finland.

In 2022 business acquisitions had an EUR 19.9 million million impact on the Group's net sales for the financial period and EUR 2.5 million on operating profit. If the acquisitions in 2022 had been completed on 1 January 2022, the Groups net sales would be approximately EUR 844.9 million and operating profit approximately EUR 43.0 million.

In 2022, expenses totalling EUR 0.4 million related to the acquisitions were recognised in the income statement.

The initial accounting of the businesses acquired in 2022 is final. The figures for such acquired businesses, that are not material to the Group when considered separately, are stated in aggregate.

Business acquisitions

Fair value, MEUR	2023	2022
Intangible assets	-	5.6
Property, plant and equipment	-	4.9
Right-of-use assets	-	1.4
Inventories	-	0.1
Receivables	-	1.8
Cash and cash equivalents	-	1.2
Total assets	-	15.0
Other liabilities	-	6.4
Deferred tax liabilities	-	1.0
Total liabilities	-	7.4
Net assets acquired	-	7.6
Total consideration	-	19.6
Goodwill	-	11.9
Impact on cash flow		
Total consideration	-	-19.6
Deferred consideration	-	5.1
Consideration paid in cash	-	-14.4
Cash and cash equivalents of the acquired company	-	1.2
Total impact on cash flow	-	-13.2

Divested businesses and assets and liabilities classified as held for sale

In 2023, L&T did not have any business disposals or assets or liabilities classified as held for sale.

On December 17, 2021, Lassila & Tikanoja plc and Neova Oy signed an agreement to merge their fuel wood businesses. According to the agreement, Neova's fuel wood business was transferred to L&T Biowatti Oy on 1 July 2022. After the merger, the company continued as an independent limited company called Laania Oy. L&T's share of the joint venture is 55 per cent and Neova's 45 per cent, but based on the agreement both parties have joint control over the joint venture. In the first half of 2022, the business was reported as part of Environmental Services. After this, the Group's share of the joint venture's net result is recognised in the income statement on a separate line.

Investment in joint venture

At the acquisition date, Lassila & Tikanoja's investment in joint venture totalled EUR 13.3 million. It is recognised on line Shares in associated companies and joint ventures in the consolidated statement of financial position. The transactions is valued according to the IAS 28. In the last quarter of 2022, the transaction was finalised and L&T recognised a gain totalling EUR 4.3 million on the transaction. The gain on sale was included in other operating income in the consolidated income statement. In 2022, expenses totalling EUR 0.5 million related to the transaction were recognised in the income statement. More information on the joint venture is presented in note 3.5.

Net assets disposed of

MEUR	2022
Intangible and tangible assets	0.4
Right-of-use assets	0.7
Other non-current receivables	0.3
Inventories	24.7
Trade and other receivables	6.1
Cash and cash equivalents	2.0
Assets Total	34.0
Non-current financial liabilities	14.8
Current financial liabilities	0.1
Trade and other payables	10.1
Liabilities Total	25.0
Net assets disposed of	9.0

Gain on sale

MEUR	2022
Fair value of the shares in joint venture received	13.3
Net assets disposed of	-9.0
Total	4.3

Cash flow impact

MEUR	2022
Consideration received in cash	-
Cash and cash equivalents of the business sold	-2.0
Total	-2.0

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), 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 addition to the ordinary business transactions, Laania paid loans totalling EUR 16.4 million to L&T in the final quarter of 2022. The Group has also provided guarantees for Laania's financing arrangements, which are specified in note 4.5.

MEUR	2023	2022
Net sales	2.2	0.6
Other operating income	-	0.3
Purchases of materials and services	-1.3	-0.7
Trade and other receivables	0.0	0.0

Employee benefits to the President and CEO

TEUR	2023	2022
Salaries and other short-term employee benefits	466.8	458.6
Bonuses	63.9	157.2
Share-based payments	-	265.1
Pension expenses, statutory	45.9	53.3
Total	576.6	934.3

Employee benefits to other members of the Group Executive Board

TEUR	2023	2022
Salaries and other short-term employee benefits	1,697.8	1,570.8
Bonuses	136.5	225.0
Share-based payments	-	304.9
Pension expenses, statutory	198.9	198.8
Total	2,033.3	2,299.6

Salaries and remunerations paid to members of the Board of Directors

TEUR	2023	2022
Jukka Leinonen, Chairman of the Board	76	73
Sakari Lassila, Deputy Chairman of the Board	52	53
Teemu Kangas-Kärki	39	39
Laura Lares	38	39
Pasi Tolppanen	39	39
Anni Ronkainen[1]	37	-
Heikki Bergholm[2]	-	20
Laura Tarkka[3]	3	38

[1] Board member since 23 March 2023

[2] Board member and the Chairman of the Board until 17 March 2022

[3] Board member until 23 March 2023

In 2023, no shares were transferred to the President and CEO and the members of the Group Executive Board from the share-based incentive programmes (in 2022, 24,522 shares were transferred).

On 8 May 2023, 8,484 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (2 May 2022: 8,618).

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 2023, 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 7 thousand (25).

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	2023	2022
PwC		
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	0.0	0.2
Total	0.4	0.4
KPMG		
Auditing	-	0.1
Other assignments in accordance with the auditing act	-	0.0
Tax consulting services	-	0.0
Total	-	0.1

Non-audit services performed by the statury auditor PricewaterhouseCoopers Oy in the financial year 2023 totalled EUR 71.1 thousand (EUR 166.6 thousand in 2022).

5.6 Events after the balance sheet date

On 11 January 2024, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board proposes to the Annual General Meeting to be held on 21 March 2024 that the Board of Directors have seven (7) members. The Nomination Board proposes that all of the current members of the Board of Directors – Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen, Anni Ronkainen and Pasi Tolppanen – be re-elected to the Board of Directors and that Juuso Maijala be elected as a new member. A presentation of Juuso Maijala is available on Lassila & Tikanoja's website. In addition, the Nomination Board proposes that Jukka Leinonen be elected as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman.

Financial statements of the parent company

Income statement of the parent company

EUR Thousand	2023	2022	Note
Net sales	24,741.6	23,281.0	1
Other operating income	375.6	141.6	4
Employee benefit expenses	-10,377.5	-9,698.4	2
Other operating expenses	-16,458.1	-18,658.9	3,4
Depreciation, amortisation and impairment	-904.3	-902.7	
Operating result	-2,622.8	-5,837.3	
Financial income and expenses	-13,729.0	-2,541.6	5
Result before appropriations and taxes	-16,351.8	-8,378.9	
Appropriations			6
Increase/decrease in accumulated depreciation difference	270.2	209.5	
Group contribution	28,168.0	23,550.0	
	28,438.2	23 759,5	
Income taxes	-4,666.3	-3,434.1	7
Result for the period	7,420.0	11,946.6	

Balance sheet of the parent company

EUR Thousand	2023	2022	Note
ASSETS			
Non-current assets			
Intangible assets			8
Intangible rights	15.6	36.4	
Other intangible assets	1,576.6	1,738.6	
Advance payments and construction in progress	1,364.7	832.4	
	2,957.0	2,607.4	
Tangible assets			9
Buildings and constructions	144.6	165.2	
Machinery and equipment	59.1	117.2	
Other tangible assets	42.2	42.2	
Advance payments and construction in progress	-	-	
	245.9	324.6	
Investments			10
Shares in group companies	159,081.9	181,590.5	
Shares in joint venture	9,946.8	9,946.8	
Other shares and holdings	170.8	170.8	
	169,199.5	191,708.1	
Total non-current assets	172,402.4	194,640.0	
Current assets			
Non-current receivables			
Loan receivables from group companies	766.0	-	
Prepaid expenses and accrued income	307.7	378.8	
Other non-current receivables	139.5	299.9	
Deferred tax assets	96.5	480.2	12
	1,309.7	1,158.8	
Current receivables			
Receivables from group companies	33,380.4	40,400.8	11
Trade receivables from joint venture	-	6.6	
Trade receivables	7.1	-	
Other receivables	111.9	114.4	
Prepaid expenses and accrued income	1,042.5	1,827.1	11
	34,542.0	42,349.0	
Cash and cash equivalents	30,437.3	46,921.0	
Total current assets	66,289.1	90,428.8	
Total assets	238,691.4	285,068.8	

EUR Thousand	2023	2022	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	43,188.0	49,045.9	
Profit for the period	7,420.0	11,946.6	
	70,734.6	81,119.0	
Accumulated appropriations			
Depreciation difference	179.9	450.1	
Obligatory provisions			14
Non-current	261.4	273.4	
Current	50.1	609.0	
	311.5	882.4	
Liabilities			15
Non-current			
Loans from credit intitutions	40,000.0	50,000.0	
Bonds	75,000.0	75,000.0	
	115,000.0	125,000.0	
Current			
Bonds	-	17,730.0	
Trade payables	2,187.9	2,313.5	
Liabilities to group companies	45,438.3	53,069.6	
Other liabilities	424.4	693.0	
Accrued expenses and deferred income	4,414.8	3,811.1	
	52,465.4	77,617.3	
Total liabilities	167,465.4	202,617.3	
Total shareholders' equity and liabilities	238,691.4	285,068.8	

Cash flow statement of the parent company

EUR Thousand	2023	2022
Operating activities		
Profit (+) / loss (-) before appropriations and taxes	-16,351.8	-8,378.9
Adjustments:		
Depreciation, amortisation and impairments	904.3	902.7
Financial income and expenses	2,280.4	2,541.6
Impairment of investments held as non-current assets	11,448.6	-
Provisions	-558.9	-651.3
Other adjustments[1]	-18.0	2,069.1
Cash flow before change in working capital and change in cash pool account balance	-2,295.3	-3,516.9
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	1,010.8	1,298.1
Increase/decrease in current non-interest-bearing liabilities	174.9	-478.2
Cash flow from operations before financial income/expenses and tax	-1,109.6	-2,697.0
Change in cash pool account balance	3,934.4	-3,777.6
Interest expenses and other financial expenses paid	-5,349.3	-3,100.5
Interest received from operations	3,426.9	1,060.1
Direct taxes paid	-4,359.9	-6,363.9
Cash flow from operating activities	-3,457.5	-14,878.8
Investing activities		
Increase in loan receivables from subsidiaries	-719.3	-
Capital repayment	11,000.0	-
Investments in tangible and intangible assets	-1,234.0	-1,306.3
Repayment of loan receivables from joint venture	-	16,391.3
Proceeds from sale of tangible and intangible assets	16.5	-
Change in other non-current receivables	-	2.4
Cash flow from investing activities	9,063.3	15,087.4

EUR Thousand	2023	2022
Financing activities		
Paid Group contributions	-	-4,300.0
Received Group contributions	23,550.0	24,840.0
Proceeds from short-term borrowings	10,000.0	35,000.0
Repayments of short-term borrowings	-10,000.0	-35,000.0
Proceeds from long-term borrowings	40,000.0	75,000.0
Repayments of long-term borrowings	-67,730.0	-57,270.0
Dividends paid	-17,909.4	-17,543.0
Cash flow from financing activities	-22,089.4	20,727.0
Change in cash and cash equivalents	-16,483.6	20,935.5
Cash and cash equivalents at 1 January	46,921.0	25,985.4
Cash and cash equivalents at 31 December	30,437.3	46,921.0
Cash and cash equivalents at 31 December		
Cash and cash equivalents	30,437.3	46,921.0

[1] The figure in 2022 includes an adjustment for merger loss totalling EUR 1,942.5 thousand.

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	2023	%	2022	%
Net sales				
Administrative services, Group Companies	24,741.6	100.0	23,281.0	100.0
Total	24,741.6	100.0	23,281.0	100.0
Net sales by market area				
Finland	24,741.6	100.0	23,281.0	100.0
Total	24,741.6	100.0	23,281.0	100.0

2. Personnel and administrative bodies

	2023	2022[1]
Average personnel		
Salaried employees	102	106
Total	102	106

[1] The calculation of the average number of employees in full-time equivalents was re-defined in 2023. The figure for 2022 has been adjusted accordingly.

EUR Thousand	2023	2022
Personnel expenses		
Salaries and bonuses	8,599.7	7,991.0
Pension expenditure	1,461.3	1,439.5
Other salary-related expenses	316.5	267.9
Total	10,377.5	9,698.4

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	2023	2022
PwC		
Auditing	57.3	53.9
Other assignments in accordance with the auditing act	1.4	2.0
Tax consulting services	8.3	6.5
Other services	38.1	154.4
Total	105.1	216.8
KPMG		
Auditing	-	11.0
Other assignments in accordance with the auditing act	-	25.7
Tax consulting services	-	2.0
Total	-	38.7

4. Other operating income and expenses

EUR Thousand	2023	2022
Other operating income		
From joint ventures	-	71.1
From others		
Government grants	20.1	37.0
Merger gains	105.9	-
VAT refund	232.9	-
Other operating income	16.6	33.5
Total	375.6	141.6
Other operating expenses		
Merger losses	-	1,942.5
ICT costs	10,350.6	9,975.6
Travel costs	272.6	226.9
Vehicles and machinery	38.5	24.8
Rents and real estate costs	1,549.7	1,487.5
Expert fees	3,271.3	3,129.0
Voluntary social security costs	444.9	924.4
Other	530.5	948.1
Total	16,458.1	18,658.9

5. Financial income and expenses

EUR Thousand	2023	2022
Interest and other financial income	3,426.9	1,836.7
Interest and other financial expenses	-5,707.3	-4,378.3
Impairment of investments held a non-current assets	-11,448.6	-
Total financial income and expenses	-13,729.0	-2,541.6
Financial income and expenses include:		
Interest income		
from group companies	951.2	727.3
from joint ventures	-	150.8
from others	1,202.0	185.0
Other financial income[1]		
from others	1,273.7	-
Foreign exchange gains		
from others	-	773.6
Interest expenses		
to group companies	-687.9	-869.5
to others	-4,640.3	-2,745.9
Other financial expenses		
to others	-379.0	-762.9
Impairment of investments held a non-current assets	-11,448.6	-
Total	-13,729.0	-2,541.6

[1] Other financial income 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	2023	2022
Increase/decrease in accumulated depreciation difference		
Intangible assets	270.2	209.5
	270.2	209.5
Group contribution		
Group contribution received	31,526.0	23,550.0
Group contribution paid	-3,358.0	-
Total group contributions	28,168.0	23,550.0
Total appropriations	28,438.2	23,759.5

7. Income taxes

EUR Thousand	2023	2022
Income taxes on operations for the financial year	4,516.6	3,303.1
Income taxes from previous financial years	-234.8	-2.0
Change in deferred taxes	384.5	133.0
Total	4,666.3	3,434.1

8. Intangible assets

2023

EUR Thousand	Intangible rights	Goodwill	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

Other intangible assets includes several ICT projects.

2022

EUR Thousand	Intangible rights	Goodwill	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan	344.6	85,394.7	21,121.7	527.1	107,388.2
Additions	-	-	16.6	1,233.7	1 250.4
Disposals	-0.0	-85,394.7	-13.9	-	-85,408.6
Transfers between items	-	-	928.5	-928.5	-
Acquisition cost, 31 Dec	344.6	-	22,052.9	832.4	23,229.9
Accumulated amortisation, 1 Jan	-282.4	-85,394.7	-19,526.5		-105,203.6
Accumulated amortisation on disposals and transfers	0.0	85,394.7	12.5		85,407.2
Amortisation during the period	-25.8	-	-800.3		-826.2
Accumulated amortisation, 31 Dec	-308.2	-	-20,314.4		-20,622.6
Total carrying amount, 31 Dec	36.4	-	1,738.6	832.4	2,607.4

9. Tangible assets

2023 EUR Thousand	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	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

2022 EUR Thousand	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost, 1 Jan	358.7	680.5	22.2	12.0	1 073.4
Additions	-	35.2	20.0	0.7	56.0
Disposals	-	-304.2	-	-	-304.2
Transfers between items	-	12.8	-	-12.8	-
Acquisition cost, 31 Dec	358.7	424.2	42.2	-	825.1
Accumulated depreciation 1 Jan	-172.9	-555.4			-728.3
Accumulated depreciation on disposals and transfers	-	304.2			304.2
Depreciation during the period	-20.6	-55.9			-76.5
Accumulated depreciation, 31 Dec	-193.5	-307.0			-500.6
Total carrying amount, 31 Dec	165.2	117.2	42.2	-	324.6

10. Investments

EUR Thousand	Shares in Group companies	Shares in joint ventures	Other shares and holdings	Total
2023				
Acquisition cost, 1 Jan	181,590.5	9,946.8	170.8	191,708.1
Impairments	-11,448.6	-	-	-11,448.6
Disposals[1]	-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
2022				
Acquisition cost, 1 Jan	126,129.4	-	170.8	126,300.2
Additions	75,315.1	9,946.8	-	85,261.9
Disposals	-19,854.0	-	-	-19,854.0
Acquisition cost, 31 Dec	181,590.5	9,946.8	170.8	191,708.1
Total carrying amount, 31 Dec	181,590.5	9,946.8	170.8	191,708.1

[1] 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 Toimi Oy, Helsinki	100.0
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	2023	2022
From Group Companies		
Loan receivables	1,840.7	16,844.4
Trade receivables	13.6	3.4
Group contribution receivable	31,526.0	23,550.0
Prepaid expenses and accrued income	0.0	3.0
Total	33,380.4	40,400.8
Receivables from joint venture		
Trade receivables	-	6.6
Total	-	6.6
Prepaid expenses and accrued income		
Employees' health care compensation	25.6	30.5
Annual discounts	-	5.2
Licences	653.9	896.3
Other	363.0	895.1
Total	1,042.5	1,827.1

12. Deferred tax assets

EUR Thousand	2023	2022
Unused depreciation	6.4	8.1
Obligatory provisions	62.3	176.5
Impairment of non-current assets	27.0	27.0
From mergers	0.8	268.6
Total	96.5	480.2

13. Shareholders' equity

EUR Thousand	2023	2022
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	60,992.5	66,463.7
Dividend distribution	-17,928.4	-17,543.0
Expired dividends	36.0	37.3
Transfer of treasury shares	88.0	87.9
Retained earnings at 31 Dec	43,188.0	49,045.9
Profit for the period	7,420.0	11,946.6
Non-restricted equity total	51,335.2	61,719.6
Shareholders' equity at 31 Dec	70,734.6	81,119.0
Distributable funds		
Retained earnings	43,188.0	49,045.9
Profit for the period	7,420.0	11,946.6
Invested non-restricted equity reserve	727.1	727.1
Total distributable funds	51,335.2	61,719.6

14. Obligatory provisions

EUR Thousand	2023	2022
Pension liabilities	261.4	273.4
Provision for accident insurance contribution	-	609.0
Restructuring provisions	50.1	-
Total	311.5	882.4

15. Liabilities

Prepayments of non-current liabilities in coming years

EUR Thousand	2026	2028
Loans from credit institutions	40,000,0	-
Bonds	-	75,000,0

EUR Thousand	2023	2022
Short term liabilities to Group Companies		
Trade payables	13.4	3.8
Interest-bearing liabilities	41,995.8	53,065.1
Group contribution liabilities	3,358.0	-
Accrued expenses and deferred income	71.1	0.7
Total	45,438.3	53,069.6
Accrued expenses and deferred income		
Personnel expenses	2,098.8	1,772.1
Interest expenses	2,264.2	1,912.3
Taxes	48.1	126.1
Other expenses	3.7	0.7
Total	4,414.8	3,811.1

16. Contingent liabilities

EUR Thousand	2023	2022
For own commitments		
Mortgages on rights of tenancy	121.6	121.6
Liabilities related to leasing and leases[1]		
Maturity within 1 year	1,770.0	1,679.7
Maturity in subsequent years	1,728.4	2,677.9
Total	3,498.4	4,357.6
For Group Companies Guarantees	44,000.0	44,000.0
For Joint Ventures Guarantees	35,750.0	35,750.0
Other bank guarantees	264.7	264.7
Mortgages under own control		
Company mortgages	210.2	210.2

[1] TThe figures for the comparative period have been restated.

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 5,941.7 thousand.

17. Derivatives

Interest rate swaps

EUR Thousand	2023	2022
Nominal value	-	30,000.0
Fair value	-	1,210.8

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.

Proposal by the Board of Directors for distribution of profit

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 51,335,173.21, with the result for the period representing EUR 7,420,038.45 of this total. There were no substantial changes in the financial standing 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 0.49 per share be paid for the financial year 2023.

The dividend is to be paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 25 March 2024. The Board proposes to the Annual General Meeting that the dividend be paid on 3 April 2024.

No dividend shall be paid on shares held by the company on the record date of dividend payment, 25 March 2024.

On the day the proposal for the distribution of profit was made, the number of shares entitling to dividend was 38,154,102, which means

the total amount of the dividend would be	EUR 18,695,509.98
To be retained and carried forward	EUR 32,639,663.23
Total	EUR 51,335,173.21

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2023

Helsinki on 20 February 2024

Jukka Leinonen

Sakari Lassila

Teemu Kangas-Kärki

Laura Lares

Anni Ronkainen

Pasi Tolppanen

Eero Hautaniemi
President and CEO

Auditor's Note

We have today submitted our report on the audit conducted by us.

Helsinki on 26 February 2024

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 2023. The financial statements comprise:

- the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, which include material accounting policy information and other explanatory information, the balance sheet of the parent company, income statement of the parent company, cash flow statement of the parent company, accounting policies of the parent company and notes to the financial statements of the parent company.

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.

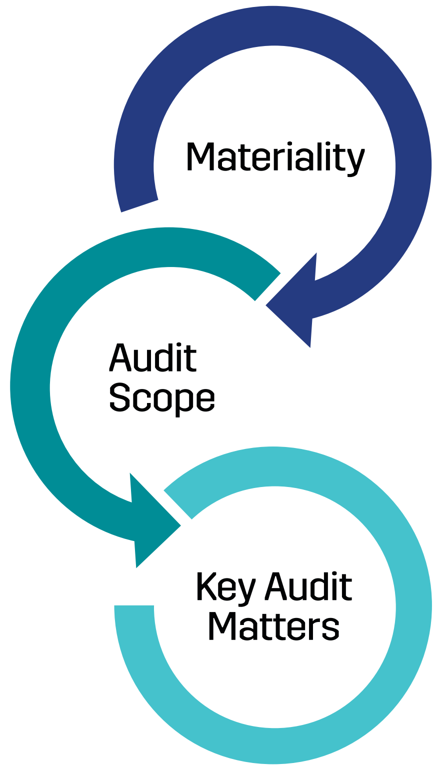
Independence

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



- We have applied an overall group materiality of 5,200,000 euros.

- 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	5,200,000 euros
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 802 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 2023 employee benefit expenses were EUR 353 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 31.12.2023, Goodwill in the consolidated balance sheet amounted to EUR 181 million. 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 159 million and current receivables from group companies to EUR 33 million. 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 and 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 accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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 26 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Sustainability Report 2023

Other content related to the Sustainability Report in the Annual Report

Together towards full circularity

L&T's mission is to make the circular economy a reality with the help of the company's business solutions. We want to mitigate climate change and biodiversity loss, and be a leader in the circular economy. The services we produce for our customers reduce emissions and promote material recycling and energy efficiency. This constitutes our carbon handprint, and increasing it is one of our long-term objectives.

In addition to focusing on our positive climate impacts, we also mitigate climate change by reducing the greenhouse gas emissions of our own operations. Our climate goals are based on science and validated by the Science Based Targets initiative (SBTi).

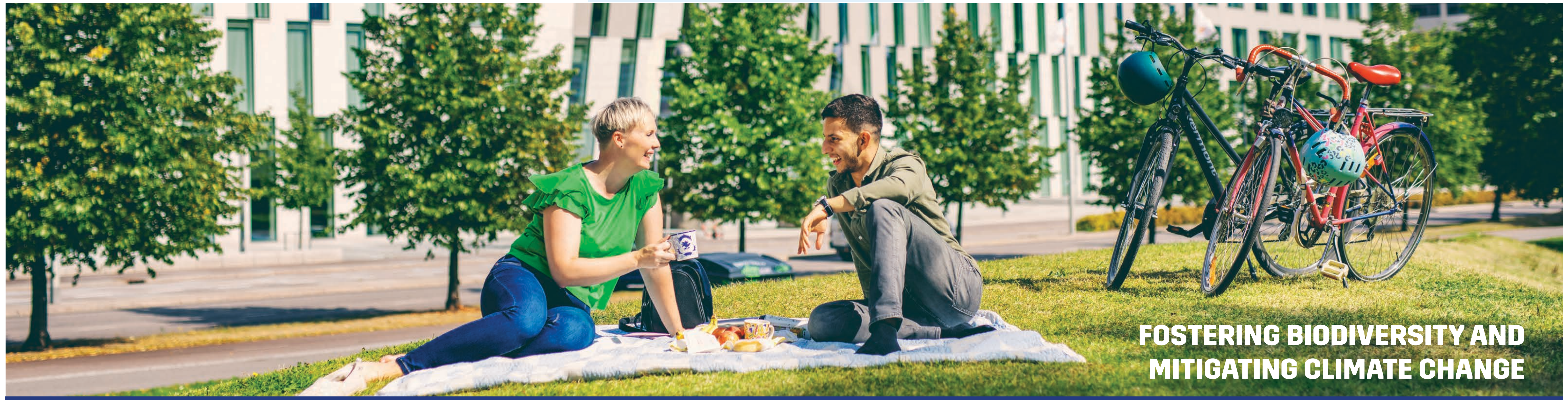
We are also active in our efforts to promote the necessary operating conditions for the circular economy. The circular economy plays a critical role in mitigating climate change and biodiversity loss. We replace virgin natural resources with recycled raw materials. We use side streams and waste for construction, replace natural materials, return materials to be reused, phase out fossil raw materials and replace them with renewables.

TCFD reporting and taxonomy information is presented on pages 14–15 and pages 20–23.

Climate change mitigation

Our operations have a large carbon handprint

L&T's operations have a large carbon handprint. Our services generate significant emission reductions for our customers. These reductions arise from our customers replacing virgin raw materials with recycled and renewable raw materials, for example. Increasing our carbon handprint is one of our key objectives. As the carbon handprint of our operations increases, the carbon footprint of our customers decreases. This way, we support our customers in achieving their environmental responsibility targets. L&T's carbon handprint, or the emission reductions created by our operations, totalled approximately 457.2 MCO_2e



KEY OBJECTIVES	OUTCOME	ACHIEVEMENTS AND NOTES
Long term objectives		
Scope 4: Our carbon handprint grows faster than our net sales.	L&T's carbon handprint decreased from the previous year.	L&T's carbon handprint increased in Industrial Services and Facility Services, but decreased in Environmental Services.
We reduce our carbon footprint		
Scope 1+2: Our goal is to halve the emissions of our own operations by 2030, measured in terms of gCO_2/km and using 2018 as the baseline (SBT).		The share of electric vehicles in the Swedish fleet was 70% at the end of 2023.
Scope 3: Our goal is for 70% of our largest suppliers and subcontractors to set targets for reducing their emissions by 2024, % (SBT).		Approximately 11% of L&T's major suppliers have set SBT targets, and additional 3% have committed to set theirs in the near future.
Scope 3: Our goal is to reduce transport and machinery emissions from subcontracting by 30% by 2030, using 2020 as the baseline, CO_2e.		A transportation emissions reporting model for subcontractors was implemented in Industrial Services division.
Sustainable use of natural resources		
Our goal is to have a recycling rate of 70% by 2030.		The reporting has been expanded in 2023 to include industrial side streams.
Promoting biodiversity in the built environment		
Our goal is to promote biodiversity together with our customers.	We removed a total of 42,000 m² of invasive species and carried out 87,000 m² of meadow restoration projects in 2023.	The area brought back to meadowland increased tenfold compared to 2022.

in 2023 (2022: 534.5 MCO_2e). The carbon handprint intensity was -570 tCO_2e/MEUR. In 2023, the carbon handprint increased especially in L&T's property maintenance services. In addition, the development of the carbon handprint was continued in L&T's Industrial Services, where the avoided emissions from the operations of the Environmental Construction business line's own treatment centres were modelled. In Environmental Services, the slowdown in general economic activity was reflected in declining waste volumes, which in turn had a downward impact on the division's carbon handprint.

Improving customers' energy efficiency

L&T has a long track record of working to improve customers' energy efficiency in Finland and Sweden through preventive maintenance, energy efficiency observations and repairs, among other things. The services include energy surveys, energy efficiency consulting, energy consumption optimisation and remote optimisation through the Energy Management Centre, for example.

L&T's Energy Management Centre in Kuopio remotely monitors the technical building systems of customer properties and works in collaboration with property managers. The centre monitors and analyses data and the property managers make on-site observations. The co-operation produces analyses and concrete suggestions for improving the energy efficiency of the properties involved. As part of the operations of the Energy Management Centre, we use the Smartti Automation service, which is an intelligent and proactive energy management system. It can be used to control an existing building automation system and achieve cost-effective improvements in the energy efficiency of a property.

For customers in the energy sector, L&T offers an efficient blast cleaning method for cleaning our customers' power plant furnaces during use. This reduces the need for process shutdowns and start-ups and the resulting emissions. The service also improves the fuel efficiency and overall efficiency of the power plant, and reduces the amount of waste created. Calculations indicate that blast cleaning reduces CO_2 emissions during use by an estimated 1–1.5 percent per MWh. The protected equipment makes it possible to perform the cleaning safely both during use and during maintenance shutdowns.

Reducing the carbon footprint starts from L&T's own operations

L&T's strategic objective is to halve the carbon footprint of its own operations (Scope 1 and 2), i.e. emission intensity per kilometre driven, by 2030, using 2018 as the baseline. L&T's emission reduction targets are based on science and validated by the Science Based Targets initiative (SBTi). Our emission targets correspond to the Paris Agreement goal of limiting the warming of the climate to well below 2 degrees celsius. L&T's climate targets were updated in late 2023 to correspond to the net zero targets of the SBT initiative. The actual monitoring of the target will start from the beginning of 2024.

The carbon footprint of L&T's own operations (Scope 1 and 2) in 2023 was was 31,210 tCO_2e (2022: 34,340 tCO_2e). In 2023, L&T's emission intensity was 613 gCO_2e per kilometre driven. Absolute emissions have decreased by 34 percent compared to 2018 (-16,190 tCO_2e) due to changes in power sources and the use of renewable fuel (Scope 1). The emission reduction in line with our SBT target was 36 percent compared to the base year of 2018 (952 gCO_2e/km). More detailed emissions data is presented in the table on page 85.

Transport operations account for 97 percent of the emissions generated by L&T's own operations. To achieve our targets, we will adopt zero-emission technologies and fuels in transport operations and improve the energy efficiency of our properties. The electricity we use in Finland is nuclear and certified with guarantees of origin. In Sweden, nearly all electricity derives from renewable sources or nuclear power.

In 2023, we focused particularly on driver training and the efficient use of our fleet, which has a significant impact on reducing fuel consumption. Examples of measures taken in 2023:

- By the end of 2023, driving style monitoring equipment had been installed in 2,073 vehicles (2022: 1,074).
- During the year under review, 303 drivers (2022: 278) participated in training on economical driving. A total of 72 percent of our drivers have completed economical driving training.
- We electrified the fleet of L&T Sweden in particular. At the end of 2023, electric vehicles accounted for 70 percent of the L&T Sweden's fleet. L&T has 54 low-emission heavy-duty vehicles and 349 light-duty vehicles that run on either biogas or electricity.
- We engage in route planning on an ongoing basis. This has enabled us to improve the efficiency of our operations and reduce emissions, kilometres driven and hours worked.

Improving energy efficiency at L&T's own properties

We are committed to the Confederation of Finnish Industries' general energy efficiency agreement action plan for industry for the period 2017–2025 with the aim of improving the energy efficiency of our properties by 7.5 percent by 2025, using 2020 as the baseline. This corresponds to total savings of 2,758 MWh. The energy efficiency of L&T's properties was improved by optimising building technology controls, for example. In 2023, 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. By the end of 2023 we phased out the use of natural gas completely. The renewal of heating systems will continue in 2024.

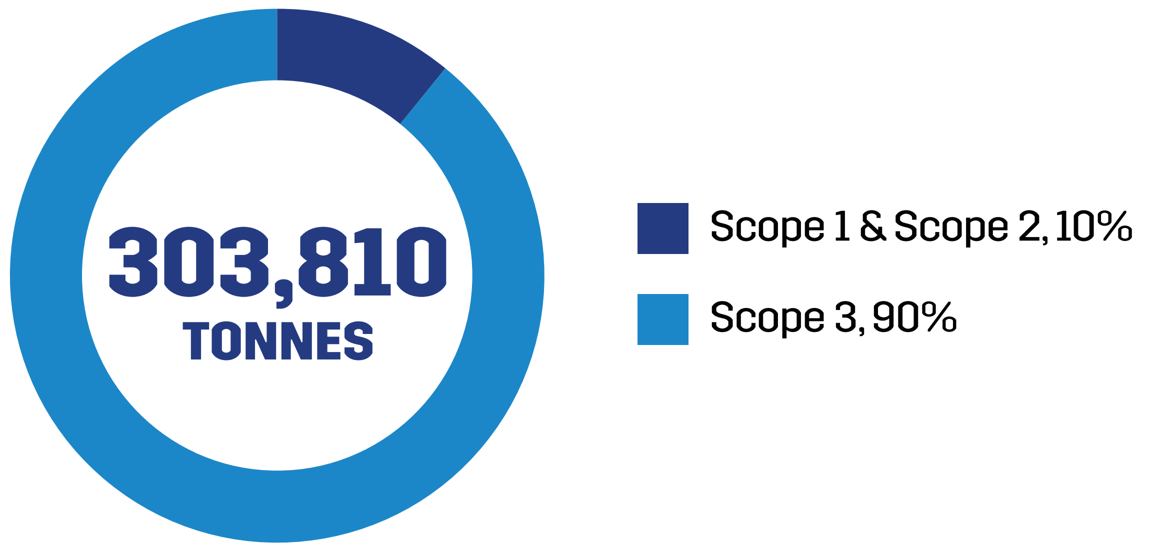
In 2023, the energy consumption of our properties amounted to 131.1 TJ, of which 76 percent was fossil-free. Some of the energy used by L&T's operating location in Lahti is produced on-site using solar power. We produced a total of 0.23 TJ of solar power in 2023. Energy consumption decreased by 6.6 percent from the comparable year 2022 (140.3 TJ).

Carbon handprint, MCO_2e	2023	2022	2021
Material recycling[1]	-333.7	-372.2	-342.9
Biofuel and recovered fuel deliveries	-121.4	-160.5	-181.2
Energy efficiency measures	-2.2	-1.8	-0.8
Total	-457.2	-534.5	-524.9
Carbon handprint intensity, tCO_2e/MEUR	-570	-633	-646

[1]The calculation has been expanded in 2022 to include biowaste.

Savings generated by L&T's energy services	2023	2022	2021
Energy savings generated, MWh/a	16,900	12,800	5,200
Cost savings generated, €/a	1,355,000	1,008,000	374,000
Emission savings generated, tCO_2/a	-2,200	-1,800	-800
Customer sites surveyed	28	26	17

L&T's carbon footprint



L&T's recycling plants apply an operating model based on continuous improvement and a plant information system is also in use. The employees at the facilities can monitor processes and electricity consumption in real-time from displays installed on the machines. Other measures include using LED lights exclusively when replacing lighting and configuring conveyors to stop automatically when no material is coming in. Our property managers are responsible for monitoring the use, energy consumption and repair needs of our own properties. We use emission-free, nuclear power to electrify our Finnish properties.

Climate efforts in the supply chain

Most of L&T's total emissions are generated in the supply chain and derived from purchased goods and services as well as transport contracting.

As part of L&T's science-based emission reduction target, we have set separate climate targets for the supply chain. The target is for 70 percent of the largest suppliers and subcontractors (based on spending) to set targets for reducing their emissions by 2024.

In 2023, 11 percent of our significant suppliers had set their science-based climate targets, with an additional 3 percent committed to set their targets in the near future. In 2023, certain aspects of the emissions reporting concerning L&T's procurement activities was automated and integrated into the Group's procurement reporting tool.

We set a separate emission reduction target for subcontracting in 2022. The target is to reduce transport and machinery emissions from subcontracting by 30 percent by 2030, using 2020 as the baseline. Emissions arising from subcontracting increased by 4 percent compared to 2022. In 2023, we adopted a supplier-specific transport emissions reporting model for monitoring the emissions of the Industrial Services division's significant suppliers. We also integrated category-specific emissions data into the spend reporting concerning L&T's procurement activities.

Making the circular economy a reality

L&T promotes the transition to the circular economy in its own operations as well as in its customers' operations. We continuously develop new services that promote the circular economy, and our aim is to increase the use of recycled raw materials instead of virgin raw materials. In accordance with the order of priority in waste management, we primarily direct the generated material streams for reuse or recycling.

To reduce the environmental impact of the materials collected from customers and to promote the circular economy, we continuously strive to find new solutions to recover materials at the highest possible refining rate and in accordance with the order of priority in waste management.

In 2023, 57.8 percent (2022: 59.4) of the waste material streams collected from our customers and managed by L&T could be reused or recycled for use as raw material for new products. Approximately 404,000 tonnes of materials (2022: 430,000) were delivered for reuse and recycling, consisting primarily of municipal waste, hazardous waste, industrial waste and construction waste collected from corporate customers in Finland. The total collected mass was 698,000 tonnes (2022: 728,000). In 2023, we expanded the scope of our reporting to include to the sludge, soil materials and ash managed by L&T. The total mass of the material streams managed by L&T was 1,210,000 tonnes.

The recycling rate reported by L&T is a weighted average of our customers' recycling rates. It also includes materials that cannot be recycled. The development of the recycling rate depends on the choices made by our customers and the industry. Some of our customers have a recycling rate of over 80 percent, while the average for Finland as a whole is around 40 percent.

Our goal is to increase the reuse and recycling rate of materials

We actively seek new solutions to increase the refining rate of the materials in our possession.

Examples of reuse include pallets forwarded directly, or after repairs, to reuse. Examples of other forms of recovery include energy recovery and the use of materials in the construction of waste areas.

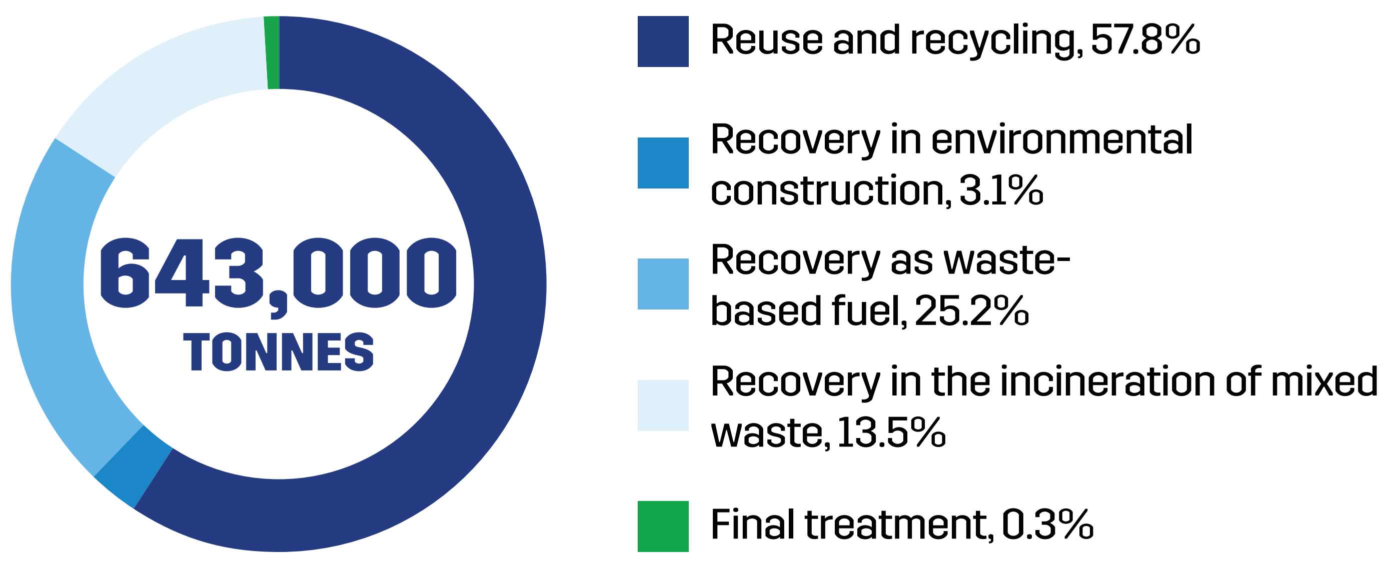
Energy recovery from waste is divided into two categories: recovery as a waste-derived fuel, and recovery in the incineration of mixed waste. We prefer the recovery of waste not suitable for recycling or environmental construction as a waste-derived fuel, which includes solid recovered fuels, shredded used wood and tyre shreds used for energy production.

Hazardous waste, such as oily waste, solvents, batteries and fluorescent tubes, is processed by L&T at the company's own facilities or forwarded to trusted partners for recovery. In 2023, we collected 55,700 tonnes (2022: 58,200) of hazardous waste from our customers, with 58 percent (2022: 70) of this total recycled. In 2023, we refined our reporting of hazardous waste, which affected the calculation of the recycling rate. Part of the hazardous waste was recovered as energy, and non-recoverable waste was sent for final treatment. In 2023, 2.5 percent (2022: 3.8) of hazardous waste was transported to other EU countries for treatment. L&T does not export waste outside the EU, except to Norway, and we did not import any hazardous waste during the year under review.

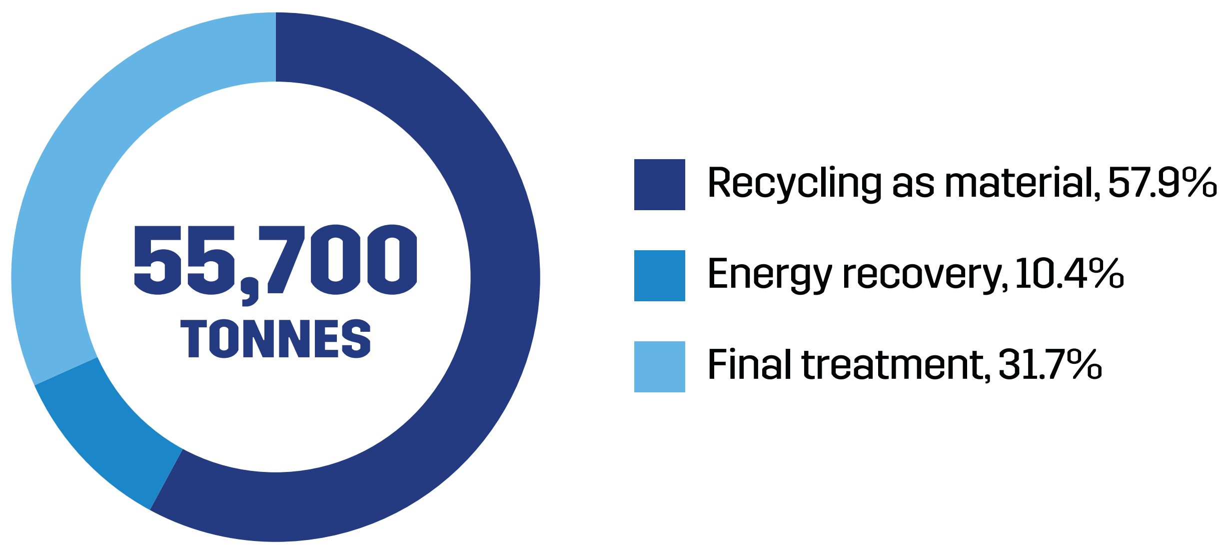
L&T participates in the Green Deal agreement on the development of national oil waste management. Under the agreement, we have made a commitment to develop our operations to increase the reuse of waste oil, engage our customers in sustainable oil waste management, and ensure that the waste oil produced through our own operations will be delivered for the appropriate treatment. Our aim is that all the waste oil we collected would be reused and that we will increase the amount of waste oil we collect from our customers by 10 percent by 2025. This target has already been achieved.

Increasing the sorting of materials at source plays a key role in the development of the recycling rate. When materials are diligently sorted at source, they can be recovered and utilised effectively. In 2023, 81 percent (2022: 80) of all

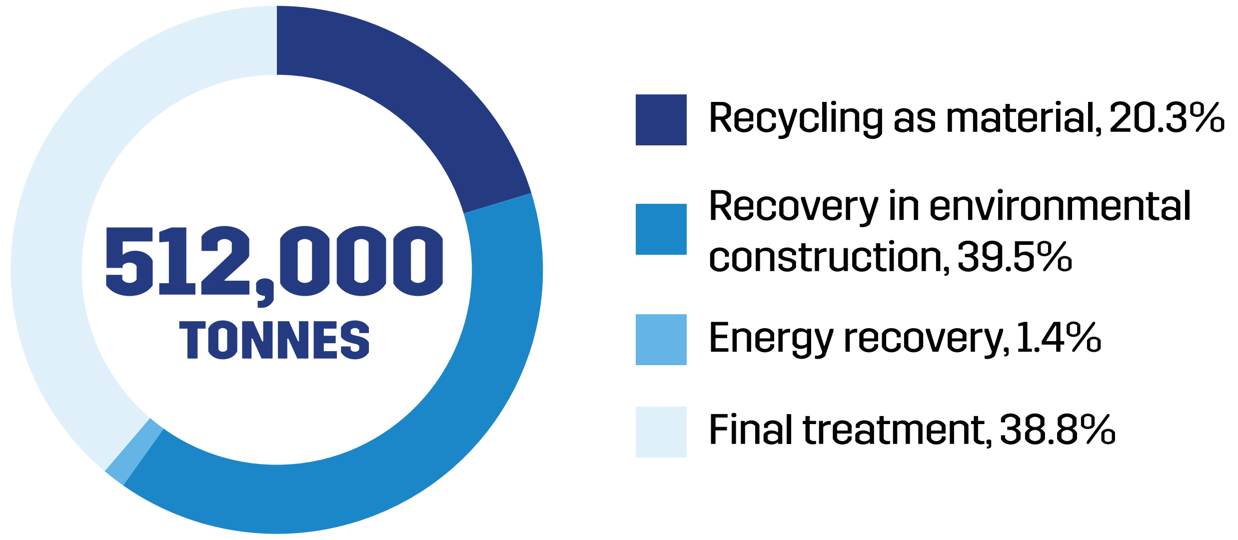
Recycling and recovery rate of ordinary waste managed by L&T



Recycling and recovery rate of hazardous waste sorted at source



Recycling and recovery rate of industrial side streams, soil materials and sludge



ordinary and hazardous waste materials was sorted at source.

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

Promoting biodiversity

Biodiversity has declined significantly in recent decades. The effects of biodiversity loss are already reflected in, for example, the decline of pollinator populations, increasing flooding and soil degradation. Promoting biodiversity is one of L&T's sustainability objectives.

In 2023, we used the WWF Risk Filter tool to assess site-specific biodiversity risks. The assessment indicated that our operating sites are not located in areas that involve biodiversity risks. The most significant biodiversity impacts are associated with those of L&T's operating sites that are located in coastal areas. We have also used the WRI Water Aqueduct tool to assess the water-related risks of the treatment plants of L&T's Industrial Services division. None of the company's treatment plants were located in identified high water risk areas.

We aim to take action that has a positive impact on biodiversity, particularly in the built environment. We have recognised three perspectives in our operations for promoting biodiversity. They are climate change mitigation, the use of sustainable raw materials and preserving the diversity of species.

Circular economy solutions can effectively combat biodiversity loss. We replace fossil and natural materials with recycled materials.

We help maintain the condition of the built environment and keep our customers' properties in productive use for as long as possible. We keep premises clean, maintain them and improve the energy efficiency of properties.

We improve the diversity of the built environment. In L&T's planning and maintenance of green areas, all organic plant waste is utilised either as chips, as energy or by composting it. We restore lawns and idle land into natural meadows and forests, and we remove invasive species such as rosa rugosa and Himalayan balsam. We do not use harmful pesticides such as glyphosate. In 2023, we carried out 87,000 m² of meadow restoration projects together with our customers and removed invasive species from an area totalling 42,000 m².

We restore contaminated land areas throughout Finland. The majority of the contaminated soil is recovered: It is used in earth construction and stabilisation; for example, in structures at waste collection areas and final disposal facilities.

We continuously explore new opportunities to promote the conservation of biodiversity and pilot solutions together with our customers.

In spring 2022, L&T became one of ten Finnish companies selected for a pilot programme coordinated by FIBS and Sitra to test the Science Based Targets Network's guidance concerning science-based nature targets. The new guidance that is currently in development responds to companies' need for practical tools to support genuinely impactful and comparable nature efforts.

We also participate in the Co-Carbon research project, which focuses on measuring and modelling the carbon sequestration of urban green infrastructure. The project is being implemented in co-operation with the University of Helsinki, Aalto University, the Finnish Meteorological Institute, Häme University of Applied Sciences and the University of Copenhagen.

Minimising water use by recycling and enhancing operating models

The key nature 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. They are regulated through environmental permit procedures.

We develop our operations to minimise the environmental impacts. In 2022, equipment for the real-time analysis of malodorous gases was installed at the hazardous waste treatment plant in Lahti. We also carry out enhanced cleaning at our waste treatment areas to minimise the impacts on the surrounding nature.

L&T's Industrial Services division is a strong operator in the value chain concerning the processing of wastewater and liquid waste. In Finland, we treat wastewater and liquid waste at our processing centres and we also operate and provide consultancy for our customers' plants with regard to wastewater. We also carry out on-site processing of industrial wastewater in selected segments.

Water is a significant part of L&T's hazardous waste treatment, sewer maintenance, process cleaning and environmental construction businesses. L&T's Industrial Services division processes a significant amount of water each year, which is ultimately directed to water utilities. The removed water is other, mainly waste water. The quality of processed water is regularly measured as part of the fulfilment of environmental permit requirements.

In 2023, there were isolated exceedances of rainwater limit values at the Kerava site. In addition, the quality of wastewater at the Perkkoonkatu Tampere, Joensuu, Sääksvuorentie Jyväskylä, Hovinsaarentie Kotka, Kello Oulu, Välimaa Oulu, Hamina and Mustasaari sites did not meet the limit values set in the industrial wastewater agreements for individual samples.

In order to correct and prevent the exceedances, the necessary maintenance and cleaning measures will be carried out on the pre-treatment systems for rainwater and wastewater, among other things. At the treatment plants, the process is constantly being developed and optimised in order to ensure that even unexpected concentrations in the waste to be treated can be reliably controlled.

At L&T's treatment centres and plants, clean water is mainly used in the processes of treatment plants and in the processing of ash in material centres in the environmental construction business. Efforts have been made to reduce the use of clean water, for example, by utilising recycled process water for other plant functions.

In Lahti, for example, process water from the hazardous waste treatment plant is purified by the plant's own water treatment system and subsequently used in the production of lime sludge. Recycled water is also used in the cleaning of containers and tanks at plants.

Water consumption is reduced by optimising operating models and improving their efficiency. For example, the recycling system in recycled water combination vehicles used in sewer maintenance services treats the water taken into the tank during sewer cleaning using the vehicle's built-in filter system, and the water in the tank can be subsequently reused to rinse the sewer.

Towards full circularity - tables with more specific information

Carbon footprint	Base year	Base year value, tnCO_2e	2023, tnCO_2e	2022, tnCO_2e	Change to previous year, %[5]	Change to base year, %[5]	Target 2030	Target 2045
Scope 1 (GRI 305-1)								
Transport, production vehicles, work machines[1]			30,320	33,280	-9			
Scope 2 (GRI 305-2)								
Purchased electricity in Finland (market-based)			0	0	0			
Purchased electricity in Finland (area-specific)			2,160	2,600	-17			
Purchased electricity in Sweden (area-specific)[2]			20	6	223			
Purchased district heating in Finland (market-based)			850	1,050	-20			
Purchased district heating in Sweden (area-specific)[2]			20					
Scope 2, total[3]			890	1,060	-16			
Scope 1+2, total[3]	2018	47,400	**31,210**	**34,340**	-9	-34	-50 %/km	
Scope 3 Upstream (GRI 305-3)								
Purchased products and services			99,430	113,320	-12			
Capital goods (fleet)			3,400	560	513			
Indirect emissions from purchased energy (other than Scope 1 and Scope 2)			9,360	9,490	-1			
Fuels consumption by contractors[1, 4]	2020	20,501	21,270	19,750	8	4	-30 %	
Business travel[4]			1,230	1,190	4			
Scope 3 Downstream (GRI 305-3)								
Final treatment of materials			137,900	126,900	9			
Scope 3, total			272,600[5]	271,200[5]	1			
Scope 1+2+3, total[3]			**303,810**	**305,540**	-1			-90 %

[1]2022 data has been adjusted with a refined emission factor. [2]Scope 2 market-based information is not reported, as the available emission factors do not deviate significantly from the area-specific information. [3]Based on market-based purchased electricity and heat in Finland. [4]Only includes L&T's operations in Finland. [5]Based on non-rounded figures.

L&T's own energy consumption, MWh (GRI 302)	2023	2022	2021[2]
Total fossil energy consumption	147,382	159,040	
Crude oil and petroleum products	137,901	148,920	
Natural gas	52	700	
Purchased electricity from fossil sources	718	385	
Purchased heat from fossil sources	8,711	9,035	
Share of fossil sources in total energy consumption, %	69	76	
Consumption from nuclear sources	28,079	-	
Share of nuclear sources in total energy consumption, %	13	-	
Total renewable energy consumption	39,470	51,493	
Renewable fuels	39,405	22,248	
Purchased electricity from renewable sources	-	29,245	
Self-generated non-fuel renewable energy	64	0	
Share of renewable sources in total energy consumption, %	18	24	
Total energy consumption	214,931	210,533	221,168
Energy intensity, MWh/MEUR[1]	268	249	272

[1]L&T's own energy consumption relative to net sales. [2]A comparable breakdown for 2021 is not available.

Emission intensity (GRI 305-4)	2023	2022[1]	2021
Scope 1+2 emissions relative to kilometres driven (SBTi), gCO_2e/km	613	701	771
Scope 1+2 emissions relative to net sales, tCO_2e/MEUR	38.9	40.7	46.5
Scope 1+2+3 emissions relative to net sales, tCO_2e/MEUR	379		

[1]The 2022 figures have been adjusted to reflect changes in the Scope 1 figure.

Materials (GRI 306)	2023	2022	2021
Material flows managed by L&T			
Waste-based materials, tonnes	698,000	728,000	757,000
Materials sorted at source, %	73.3	71.8	74.2
Hazardous waste sorted at source, %	8.0	8.0	7.2
Mixed waste, %	18.7	20.2	18.6
Recycling and recovery rate of ordinary waste, %[1]			
Reuse and recycling	57.8	59.4	58.4
Recovery in environmental construction	3.1	2.9	3.5
Recovery as waste-based fuel	25.5	22.1	25.2
Recovery in the incineration of mixed waste	13.5	13.2	10.8
Final treatment	0.3	2.4	2.1
Recycling and recovery rate of hazardous waste			
Hazardous waste sorted at source, tonnes	55,700	58,200	54,300
Recycling as material, %	57.9	70.3	71.9
Energy recovery, %	10.4	5.0	4.9
Final treatment, %	31.7	24.7	23.2
Hazardous waste intensity, tonnes/MEUR[2]	69	69	67

[1]The reporting has been refined in 2023. The 2022 and 2021 figures include hazardous waste.
[2]Hazardous waste managed by L&T relative to net sales.

Other materials	2023
Industrial by-products, soil materials and sludge managed by L&T	
Materials, tonnes	512,000
Of which are contaminated soil materials, %	15.7
Recycling and recovery rate of industrial side streams, soil materials and sludge managed by L&T, %	
Recycling as material, %	20.3
Recovery in environmental construction, %	39.5
Energy recovery, %	1.4
Final treatment, %	38.8
Recycling and recovery rate of contaminated soil materials	
Contaminated soil materials, tonnes	80,400
Recovery in environmental construction, %	2.8
Final treatment, %	97.2

Water used by L&T's Industrial Services division in Finland	2023	2022
Water withdrawal, m^3 (GRI 303-3)		
Product and process waster	3,288	9,159
Municipal water	13,674	12,234
Recycled water	979	2,444
Total	17,942	23,837
Water discharge, m^3 (GRI 303-4)		
Sewerage	96,339	79,169
Water, environment	50,788	42,594
Humidification of ash	9,002	6,470
Total	156,130	128,233

Employed by tomorrow

As a major employer, the focus of L&T's social responsibility is on the Group's employees and employment. We focus particularly on the employee experience, diversity, employee well-being and maintaining the work ability of our personnel. We also want to offer jobs to groups for whom it is difficult to find employment in the current labour market.

The management of employee responsibility

At L&T, responsibility for employees is managed through the Group's human resources policies and plans, which aim to ensure that:

- L&T's employees have the right competencies
- the number, quality and retention of employees are at the level required for effective performance
- the workplace community is diverse and equal
- employees maintain their work ability and functional capacity throughout their careers until retirement on an old-age pension
- employees are encouraged and motivated to perform well and contribute to the company achieving its objectives.

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

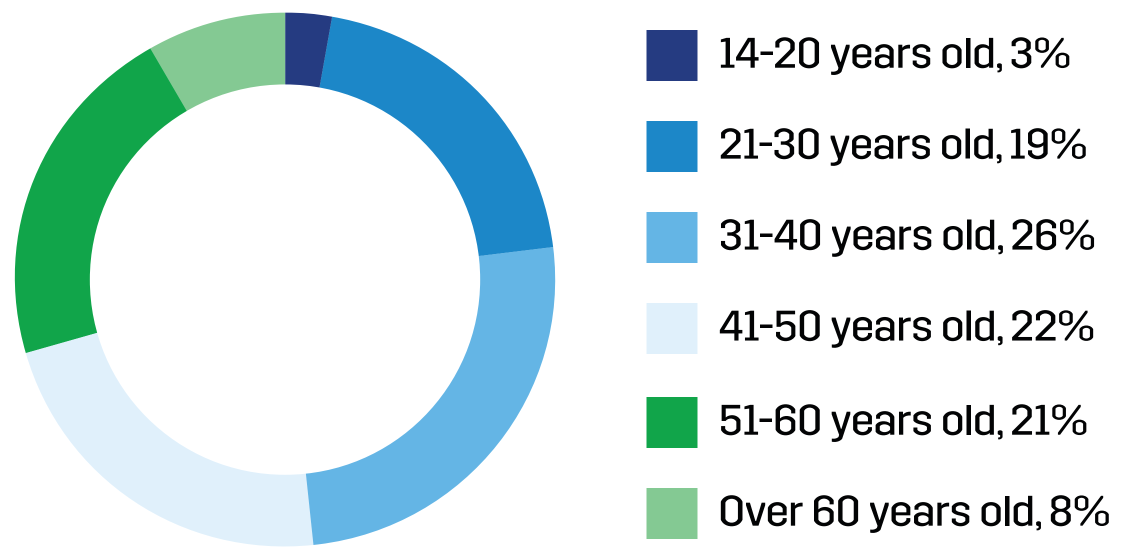
The management of personnel risks is a key component of our risk management process. The most significant personnel risks in L&T's operations are related to the availability of competent and motivated employees, the potential weakening of job satisfaction, and the potential increase of costs related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

Workplace community and diversity

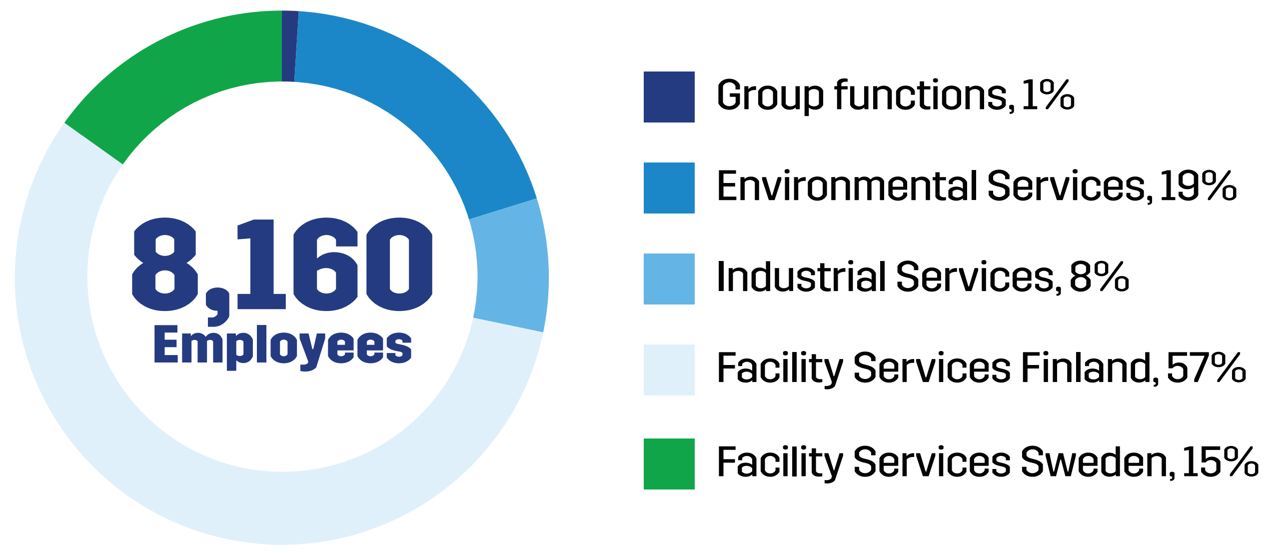
In 2023, L&T had nearly 8,160 employees in Finland and Sweden. We are a multinational workplace community. In our operations in Finland, the proportion of domestic citizens was 80 percent. Citizens of other EU countries represented 4 percent of our personnel and third-country nationals 16 percent. There were

KEY OBJECTIVES	OUTCOME	ACHIEVEMENTS AND NOTES
Strategic goal		
Employee Net Promoter Score (eNPS) over 50 by 2026.		In the October survey, the majority of the indicators were at the level of the comparison period. The experience of the meaningfulness of the work grew.
We look after the occupational well-being and safety of our personnel		
Our goal is to reduce sickness-related absences so that, by 2026, the sickness-related absence rate is less than 4.5%,		We launched the work ability briefings to help supervisors with practical measures related to employee well-being and early care.
and the health rate is above 50%.		
Our target is zero accidents. We aim to reduce our total recordable incident frequency (TRIF) to less than 20 by 2026.		During the year, a total of more than 100,000 proactive measures were carried out at L&T's own units and customers' facilities.
Promoting diversity		
Our goal is to develop our operating culture with a focus on diversity and equality.		62% of supervisors in Finland have participated in a diversity and inclusion training.

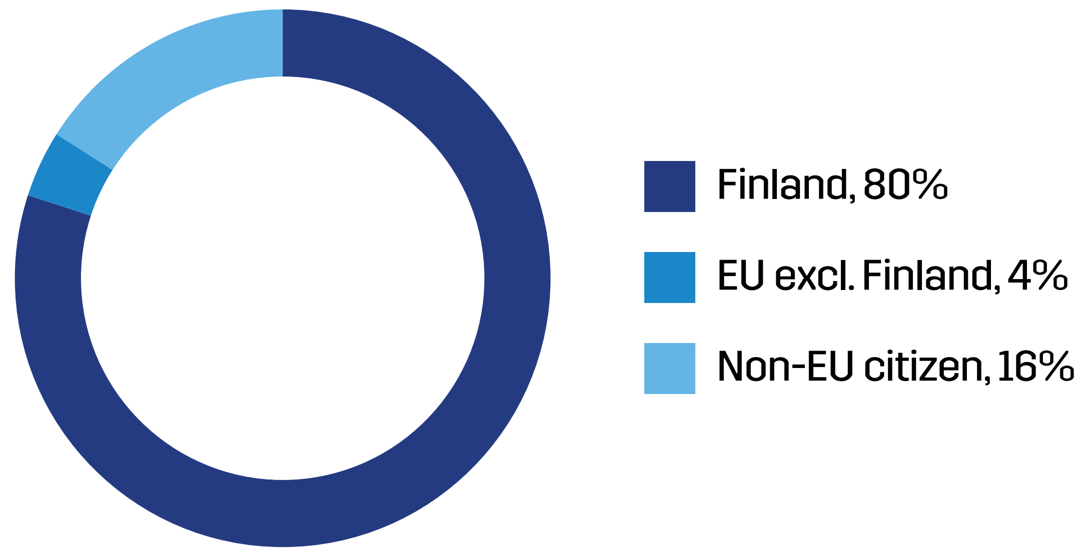
Employee distribution by age, %



Personnel by L&T division, %



Employee nationality, Finland %



over 80 different nationalities represented among L&T's personnel at the beginning of 2023.

At L&T, men and women are evenly represented in various roles. 62 percent of the personnel are men and 38 percent are women. Of the ten members of L&T's Group Executive Board, 80 percent are men and 20 percent women.

Wage surveys were conducted in accordance with the Equality Act in L&T's Finnish divisions (Facility Services Finland, Environmental Services, Industrial Services and Group functions) in 2022. 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. L&T operates in a number of different industries, which is why average pay is not an appropriate indicator of the level of structure of wages.

In the wage survey conducted in 2022, the pay of female employees on hourly wages was 94 percent, and the pay of female employees on monthly salaries 98 percent, 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 2024 as part of our diversity plans.

Our service business is labour-intensive, and we offer various jobs to suit different career stages. The age distribution is fairly balanced. In summer 2023, we offered 530 summer jobs to people in the early stages of their careers. We offer opportunities for people to extend their careers part-time or full-time even after they reach retirement age.

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. We develop our culture and operating methods with the aim of making it even easier for employees from diverse backgrounds to join our organisation, enjoy being part of our community and, through employment, become well-integrated into Finnish or Swedish society. Motivation is the most important competence in the service sector. Everything else can be developed through training.

L&T's diversity plan for operations in Finland came into effect in 2022. Diversity training for all people managers and supervisors at L&T continued in 2023. During 2022 and 2023, a total of 62 percent of supervisors in Finland participated in a diversity workshop.

The guidelines and operating processes concerning the prevention of harassment, discrimination and inappropriate behaviour were updated in 2022 and implemented at the beginning of 2023.

L&T has already phased out nearly all gendered job titles, and recruitment practices have been revised to take account of diversity. Job advertisements are published in English and simple language when the duties in question do not require excellent proficiency in Finnish or Swedish. The recruitment of special groups is a long-term component of our sustainability programme. Through various projects, we have employed groups such as asylum seekers, victims of human trafficking and people with reduced work ability.

Practices concerning employment relationships

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

L&T operates in Finland and Sweden and works primarily with local partners. The risk of human rights violations is low in these countries.

All of the Group's personnel in Finland and Sweden are within the scope of social protection. In Finland and Sweden, all employees and leased workers have a statutory right to parental leave, and L&T encourages its personnel to take parental leave.

L&T does not recruit persons under the age of 18 for permanent, full-time employment. We offer summer jobs, internships and part-time employment for people under the age of 18. Particular diligence is applied to employment relationships with young workers.

During the period under review, L&T recruited 54 workers from the Philippines for full-time cleaning work under contracts valid until further notice. The sustainability of the recruitment and integration process was evaluated by KPMG in a separate project. KPMG did not identify any sustainability-related shortcomings in its evaluation. As part of the integration process, all of the employees from the Philippines have had the opportunity to take Finnish language lessons during their working hours.

L&T offers jobs to people in vulnerable positions in Finland and Sweden. Examples of such people include immigrants and certain groups with reduced work ability. L&T exercises particular care with regard to employment relationships with persons who are in a vulnerable position.

In 2024, the aim is to develop sustainability in the supply chain and improve the identification of human rights risks in the supply chain.

We respect our employees' freedom to unionise. Two meetings of the European Works Council were held in 2023, attended by representatives of our employees from Finland and Sweden.

L&T monitors compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. L&T is also compliant with the applicable legislation governing contractors' obligations and liability, and requires the same of its suppliers. The personnel policies are supplemented by the company's ethical principles, namely L&T's Code of Conduct, which emphasises the importance of fair and equal treatment and respect for each person's dignity, privacy and individual rights. L&T has a confidential whistleblowing channel. Reports submitted via the whistleblowing channel are processed by a separately designated person in the Legal Affairs department. The confidential whistleblowing channel is available to all employees. Leased employees can also submit reports via the confidential whistleblowing channel.

We do not tolerate any kind of discrimination, intimidation, harassment or bullying at the workplace. L&T has guidelines for the prevention of inappropriate behaviour. We want to ensure a safe workplace and a safe day at work for everyone. We want to create a good atmosphere between co-workers and ensure that everyone can start their day without fear of discrimination or bullying.

Performance management and managerial work

At L&T, development discussions are a key instrument for performance and competence management. 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. 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 aspirations.

The quality of managerial and supervisory work has a significant impact on the employee experience. Good leadership requires effective dialogue between supervisors and employees, as well as between co-workers.

In 2023, we provided support for success in managerial and supervisory work through various training activities, for example. We regularly organise training for new people managers and supervisors, to familiarise them with L&T's supervisory practices and help them manage employee performance. People managers and supervisors are also offered brief training activities on topics such as managing diversity, employment relationships, managing teams and holding successful development discussions. In L&T's divisions, the development of leadership and supervisory work is closely linked to enabling the achievement of strategic goals.

Job satisfaction

The most important tool for measuring the employee experience at L&T is the annual Fiilinki or Pulsen survey. The survey provides employees with the opportunity to give feedback and enables the identification of team-specific development areas.

The survey covers topics including employee commitment, the conditions for good work performance, daily life and co-operation in the team, customer orientation and supervisory work. In the 2023 survey, the response rate improved and the results were on a par with the preceding years on the whole. Our Employee Net Promoter Score (eNPS), which is also one of L&T's strategic targets, was 21 for the Group as a whole in the survey conducted in October 2023. We have closely monitored the development measures taken in response to the results of the Fiilinki survey at different organisational levels.

Competence 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 2023 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 2023, 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 2023, the employees of L&T companies in Finland spent an average of 7.6 hours participating in various training activities. The figure is based on training entries and the average number of personnel. 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 a range of 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.

Well-being and work ability

Employees with a high level of work ability and well-being are our most important asset and one of our key success factors. For us, 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. We help our employees 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. In co-operation with our occupational health provider, we have promoted musculoskeletal health and prevented prolonged symptoms, expedited the start of rehabilitation and influenced the working methods and working conditions. Measures related to ergonomics and work arrangements have been implemented according to local and job-specific needs. We have provided support for our employees' musculoskeletal fitness and well-being through co-operation partners that offer health training, our occupational health provider, our sickness fund and providers of musculoskeletal rehabilitation services.

We have supported mental well-being through low-threshold services that our 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, we have provided our employees with support and short-form therapy by an occupational health psychologist.

L&T has a long track record of purposeful efforts to increase the average retirement age of our personnel. Through various support measures, we have been able to increase our average retirement age (including retirement on old-age pension and disability pension) to 64.6 years (2022: 63.8) in Finland.

Sickness-related absences and supporting return to work

We aim to promote work ability and 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 Sweden and Finland. Our sickness-related absence rate was 5.2 in Finland (2022: 5.7) and 5.1 in Sweden (2022: 5.5).

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 2023, the number of supervisors who had a backlog of early care discussions decreased from the previous year.

We launched work ability briefings in 2023. They involve supervisors having monthly 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 organise training related to the early care model. The aim is to improve supervisors' ability to enhance interaction, address problems and seek solutions to difficult situations and potential challenges related to work ability.

We support returning to work after extended sickness-related absences and use 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 an 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.

Occupational health rate

The occupational health rate is the number of employees who were healthy during the reporting period as a percentage of the total number of employees. Our occupational health rate in Finland was 41 in 2023 (2022: 40). This means that as many as 41 percent of our personnel had no sickness-related absences during the year.

We support well-being and career extension through a diverse range of health coaching, well-being coaching and rehabilitation services. The participants in health and well-being coaching received individual coaching in line with their personal goals, to support their mental well-being, sleep, recovery, lifestyle and physical exercise. Rehabilitation services by the Social Insurance Institution of Finland (Kela) are intended to improve and support work ability and extend careers. We monitor the impact of rehabilitation and well-being services by means of service producer reports and L&T's surveys.

L&T has been supporting employees' physical exercise activities for several years now. In 2023, the divisions again had the opportunity to provide ePassi sports benefits to their employees. We also provided our employees with a digital instructor-led physical exercise environment with a wide range of exercises to promote well-being.

Employment opportunities for people with reduced work ability

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 to 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. New projects are also being planned. 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

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

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

Safety is on the agenda at all our 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.

Occupational safety management

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

Our employees have access to an electronic system for reporting safety observations. We encourage our employees to actively observe their working environment and report their safety observations. We monitor the level of reporting activity. We increase our employees' awareness of occupational safety and risks, starting from induction training and also through online occupational safety training and clear guidelines, as well as by providing regular information on instructions, procedures and operating models. We also ensure that the subcontractors who work at our operating locations are trained 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.

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.

We engage in effective co-operation with our personnel, and each L&T company has its own occupational safety committee. Each committee convened in 2023 in accordance with the statutory meeting schedule. There were no cases of diagnosed occupational diseases in 2023.

Occupational health care services as part of occupational safety and health

Occupational health care is a statutory right in L&T's operating countries. We provide our employees with preventive and statutory occupational health care and medical care through our occupational health provider. We also complement our occupational health care services with L&T's sickness fund in Finland. In 2023, occupational health services covered all of the Group's personnel. Leased employees are covered by statutory occupational health care through their respective employers.

Total recordable incident frequency and proactive occupational safety efforts

Occupational safety at L&T developed largely in line with our targets in 2023. The total recordable incident frequency (TRIF) for the Group as a whole was 23 (target 22). There were no fatal accidents nor occupational accidents resulting in permanent disability during the year under review. The most common occupational accidents at L&T are slipping, stumbling and finger injuries.

The number of proactive occupational safety measures remained excellent in 2023. The aim of proactive occupational safety measures is to proactively detect and identify occupational safety risks, as well as to define and implement the measures necessary for their prevention. The proactive measures are documented in the Clean Sheet safety system, which can also be used to monitor the implementation of various measures.

Proactive measures related to occupational safety are used in L&T's own units as well as at customer facilities. Operating in a proactive manner helps us develop our own safety as well as the safety of our customers. Most of our Safety Walks and safety observations are made at customer locations. Unit-specific targets have been set for proactive measures, and their achievement is monitored regularly. We will continue our purposeful efforts to engage everyone at L&T in the development of safety.

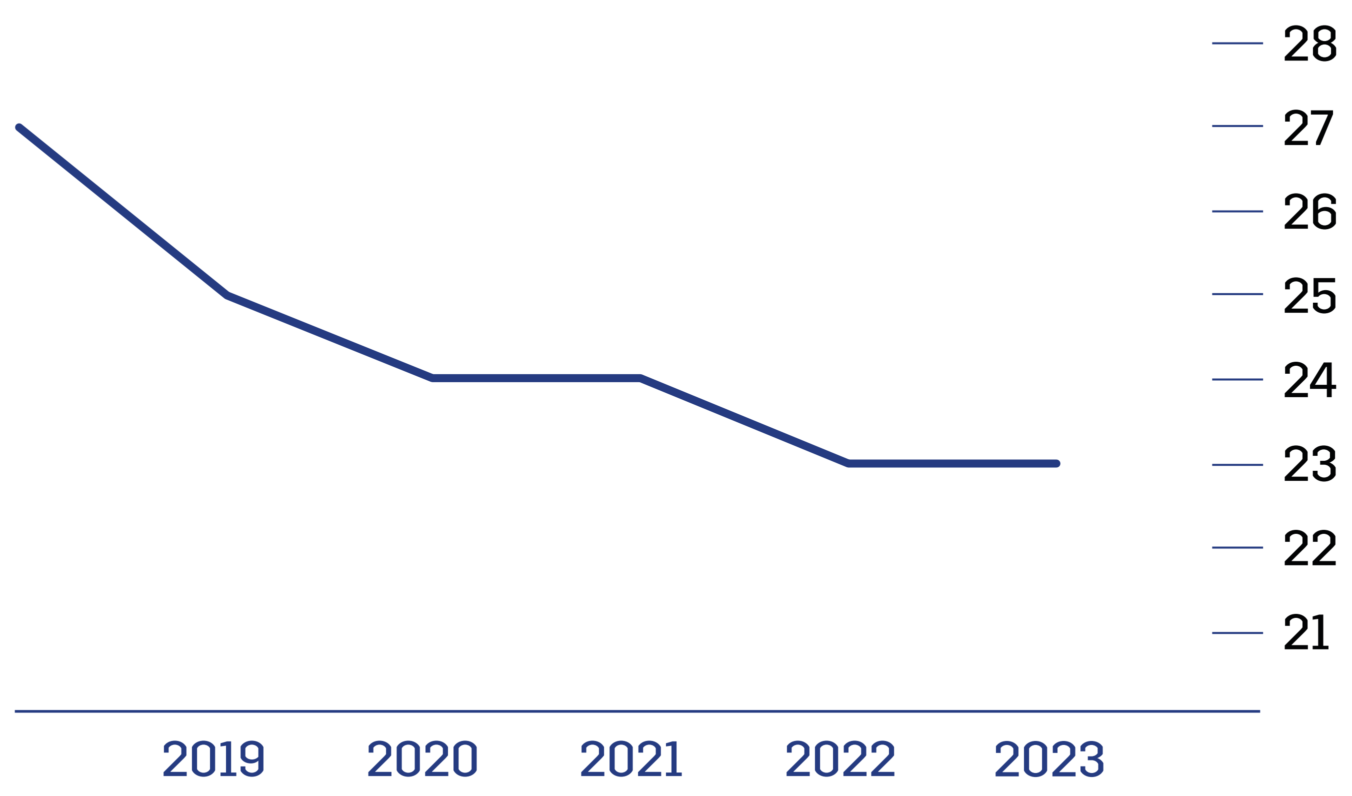
In 2023, our proactive measures continued to be focused on ensuring that our actions are more evenly distributed across all units, and the implementation of proactive measures can now be monitored more accurately than before.

During the period under review, we launched the Group-wide "Safety Under the Helmet" training programme to increase each L&T employee's occupational safety awareness and provide everyone with tools they can use to contribute to safety at work on a daily basis. "Safety Under the Helmet" training was completed by 2,815 persons in 2023. In 2024, we will conduct "Safety Under the Helmet" training in the municipalities where the training has not been carried out yet. The aim is to actively keep the themes of the training at the forefront and promote mental and physical safety in each division. Using activity indicators is one measure by which we have engaged a growing number of L&T employees in the promotion of safety; for example, by making safety observations. The importance of safety and the opportunity of each L&T employee to influence the safety of their work are also emphasised in our updated induction training materials as well as other training materials and processes.

Proactive safety measures

	2023	2022	2021	2020	2019
Safety observations	63,570	50,713	50,776	34,590	28,816
Safety walks	21,720	19,534	17,847	15,655	12,217
Occupational safety sessions	21,343	20,923	18,661	14,383	10,132
Risk assessments	852	1,152	4,097	4,392	3,180
Total	107,485	92,322	91,381	69,020	54,345

Total recordable incident frequency, TRIF



Special monitoring of high-risk jobs

Jobs at L&T also include work sites and tasks in which the risks related to occupational safety are higher than normal. Examples of such jobs include hazardous waste treatment and high-pressure washing in industrial settings. The supervisor must assess the hazards and exposure risks of each operating location and, if necessary, contact the occupational health care services locally to assess exposure agents. Employees assigned to environments that involve a particular risk of illness must undergo a pre-employment medical check-up conducted by the occupational health care provider before commencing work, if possible, and no later than one month after starting the work, regardless of the nature and duration of employment. Such employees are also invited to follow-up examinations at regular intervals.

Employed by tomorrow - tables with more specific information

Workforce	2023	2022	2021
Total number of full-time and part-time employees at year-end (GRI 2-7a)	8,159	8,395	8,389
Finland	6,891	7,138	7,003
Men	4,165	4,190	
Women	2,724	2,948	
Sweden	1,268	1,257	1,386
Men	916	905	
Women	352	352	
Average number of employees as full-time equivalents[1]	6,743	7,336	7,324
Finland	5,608	6,245	5,953
Sweden	1,135	1,091	1,371
Non-employee workers by employee group, Finland[2] (GRI 2-8)			
Salaried employees, person-days	677	765	1,116
Employees, person-days	25,821	32,196	25,686
Employees covered by collective bargaining agreement, %[3] (GRI 2-30)	100	100	100
Ratio of the highest annual earnings to median earnings (full-time employees), Finland (GRI 2-21)	1:14	1:24	1:13

[1]Figures presented in the Financial statement for the year 2022 have been restated.
[2]Absences due to illness and changes in the operating environment affected the use of non-employee workers in 2022.
[3]Does not include SVB figures.

	2023		2022	
Personnel by type of employment, head count (GRI 2-7b)	Men	Women	Men	Women
Permanent				
Finland	3,920	2,556	3,972	2,831
Sweden	804	294	774	259
Temporary				
Finland	245	168	218	117
Sweden	112	58	131	93
Full-time				
Finland	3,180	1,679	3,135	1,778
Sweden	681	171	671	162
Part-time				
Finland	540	759	639	879
Sweden	127	132	108	113
Called in when necessary				
Finland	445	286	416	291
Sweden	108	49	128	75

Diversity of the personnel	2023	2022	2021
Personnel by country, %			
Finland	84.5	85.0	83.5
Sweden	15.5	15.0	16.5
Personnel by employee group, Finland %[1]			
Salaried employees	18	17	17
Employees	82	83	83
Gender distribution, % (GRI 405-1)			
Men	62	61	60
Women	38	39	40
Gender distribution in supervisory positions, % (GRI 405-1)			
Men	63	63	59
Women	37	37	41
Gender distribution in senior management, %			
Men	66	70	78
Women	34	30	22
Gender distribution in the Board of Directors, %			
Men	67	67	71
Women	33	33	29
Age distribution of personnel, % (GRI 405-1)			
14-20 years	3	3	3
Men	51	42	38
Women	49	58	62
21-30 years	19	20	21
Men	66	65	63
Women	34	35	37
31-40 years	26	25	26
Men	67	66	65
Women	33	34	35
41-50 years	22	22	21
Men	63	61	61
Women	37	39	39
51-60 years	21	22	22
Men	58	56	55
Women	42	44	45
Over 60 years	8	8	8
Men	52	52	55
Women	48	48	45

[1]The HR system was changed in the middle of the reporting period, and the data is not comparable.

Incidents of discrimination (GRI 406-1)	2023	2022	2021
Incidents of discrimination or harassment	0	0	0

Other employment related figures	2023	2022	2021
Employee Net Promoter Score, eNPS	21	24	28
Finland	22	23	24
Sweden	19	27	48
Employees under the age of 18 hired, Finland	149	209	128
New employees, Finland (GRI 401-1)	2,509	3,348	
Men, %	58	51	
Women, %	42	49	
14-20 years, %	20	20	
21-30 years, %	36	33	
31-40 years, %	22	21	
41-50 years, %	12	14	
51-60 years, %	8	10	
Over 60 years, %	2	2	
Exit turnover, %[1]	13	18	
Exit turnover, %[2] (GRI 401-1)	20.4	25.4	19.3
Finland	21.0	26.5	21.0
Sweden	16.8	19.0	10.6
Exit turnover by division, %[3]			
Environmental Services	5.8	9.0	7.4
Industrial Services	7.1	7.2	9.4
Facility Services, Finland	27.5	33.8	26.1
Facility Services, Sweden	17.0	19.0	10.6
Average retirement age, Finland	64.6	63.8	63.7
Number of change negotiations, Finland	61	54	44
Redundancies	264	74	153
Temporary layoffs	285	63	415

[1]Not comparable with the 2022 figure.
[2]Weighted average. Also includes employees on long absences.
[3]Personnel data also includes employees on long absences.

Personnel training and education	2023	2022	2021
Development discussions, Finland %	62		
Salaried employees	86		
Employees	56		
Training hours per employee, Finland	7.6	3.6	

Occupational health at L&T	2023	2022	2021
Sickness-related absences, %	5.1	5.6	
Finland	5.2	5.7	5.0
Sweden	5.1	5.5	5.5
Occupational health rate, %	41		
Finland	41	40	45
Sweden	41	41	
Occupational health and safety management systems coverage, % (GRI 403-8)			
Finland	100	95	
Sweden	100	100	

Occupational safety at L&T	2023	2022	2021
Total recordable incident frequency, TRIF (GRI 403-9)	23	23	24
Finland	24		
Employees	25		
Non-employee workers	6		
Sweden	17		
Accident frequency, LTA[1]	14	14	15
Total incidents (GRI 403-9)	315		
Finland	283		
Employees	282		
Non-employee workers	1		
Sweden	32		
Fatalities	0	0	0
Total working hours (million) (GRI 403-9)	13.6	13.8	
Finland	11.6		
Employees	11.5		
Non-employee workers	0.2		
Sweden	1.9		

[1]Number of accidents leading to absence per million working hours.

Good governance

L&T aims to ensure that the Group's operations involve no serious damage or offences. We emphasise the importance of compliance with laws and regulations. To ensure the sustainability of our operations, we have documented our ethical business principles in our Code of Conduct and Supplier Code of Conduct. We also support the UN Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption.

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

Ensuring the regulatory compliance of environmental management

Professional waste treatment operations are subject to environmental permits and regulatory compliance. Facilities subject to environmental permits have contingency plans and rescue plans that determine how they have prepared for significant environmental incidents. We regularly conduct internal and external audits to ensure that our operations are appropriate.

In 2023, L&T had 54 (2022: 53) environmental permits that determined how the company managed and monitored environmental matters.

During the year, L&T received a total of 16 (2022: 26) local complaints related to waste processing operations. The highest number of complaints was received in Lahti, concerning the possible unpleasant odours released by the hazardous waste treatment plant. There have also been some odour complaints about the hazardous waste treatment plant in Jyväskylä. There was one odour complaint each for the Kerava and Liimaajankatu Lahti sites.

Regarding the odour complaint in Kerava, the source of the odour was not found despite monitoring. The Lahti hazardous waste treatment plant has been equipped with an malodorous gas measurement system that can be used to monitor concentrations and correlate them with possible odour complaints.

A project is underway at the hazardous waste treatment plants in Lahti, Oulu

GOVERNANCE RELATED INFORMATION		REPORT CONTENTS
Risks and risk management	Key strategic, operative and sustainability risks, and processes for identifying, assessing and managing risks.	Risks and risk management, pp. 14–17
The Code of Conduct and the whistleblowing channel and process	The Code of Conduct and its implementation and monitoring.	Anti-corruption, anti-bribery and human rights, pp. 12–13
Anti-corruption, anti-bribery and human rights	The Code of Conduct and its implementation and monitoring. Processes for mitigating and monitoring risks related to corruption, bribery and human rights.	Anti-corruption, anti-bribery and human rights, pp. 12–13
Procurement	Ensuring the compliance of suppliers, description of the supply chain and related risks, L&T's purchases in 2023	Sustainable procurement, pp. 95–96
Data protection and data security	Processes, risks and monitoring	Data protection and data security, p. 96
Compliance in environmental management	Description of the environmental management process and monitoring, as well as incidents and violations	Compliance in environmental management, pp. 94–95
Tax footprint	Description of L&T's economic value creation and tax footprint	We create economic growth and increase well-being, p. 96

and Jyväskylä to minimize odour emissions from different process stages. In Kerava, there was a complaint about dust nuisance, as a result of which the location of dust-causing activities at the plant was changed to reduce dust nuisance. There were individual complaints about littering in Äänekoski and Kerava. The littered areas were cleaned up immediately.

The complaints were received either directly from local residents or via the local environmental authorities, and they were recorded in the monitoring system. The complaints were handled in co-operation with the authorities with the aim of mitigating future negative impacts.

Accidents and infractions

In L&T's sustainability programme, we have set a goal of zero incidents of serious damage or offences in the Group's operations. This goal was achieved in 2023. Matters concerning the occupational safety of employees are discussed on pages 90–91.

In L&T's operations in 2023, there were no incidents classified as serious environmental damage. An adverse environmental event occurred in Ylivieska, where a semi-trailer containing batteries was destroyed in a fire. During the year under review, there were 30 environmental incidents classified as minor incidents in our operations in Finland. The minor environmental incidents in Finland involved broken hoses, chemical spills, ignitions or incipient fires, tank leaks, littering, the clean-up of slightly contaminated soil areas, and exceedances of limit values in water samples.

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

L&T seeks to prevent environmental damage by means of environmental walks, for example, or observation tours focused on the inspection of key factors related to the condition of the property in terms of the environment. Each L&T site with an environmental permit must conduct an environmental walk regularly, at least once every quarter. Furthermore, we have prepared comprehensive environmental instructions for the personnel for various preventative actions, such as the emptying and maintenance of oil traps, property waste management and the use and storage of chemicals. The development of chemical safety was a special focus area in 2023.

Sustainable procurement

L&T requires that all suppliers comply with the relevant legislation, agreements and terms of employment, and that they commit to our sustainability principles, which focus on legal compliance, transparency of operations and honesty, respect for human rights, ensuring health and safety, and mitigating environmental and climate impacts. The sustainability principles are documented in L&T's Supplier Code of Conduct. Contract suppliers commit to compliance with L&T's Supplier Code of Conduct when the agreement is signed. All service providers in Finland are also required to be registered with the Vastuu Group service. More information on L&T's Supplier Code of Conduct, monitoring compliance with the Code of Conduct in the supply chain, and anti-corruption and anti-bribery measures is provided on pages 12–13.

Ensuring the compliance of suppliers

When we select a new supplier, we emphasise the quality and reliability of the supplier's actions, the observation of environmental matters and ethical operating principles, in addition to the cost efficiency of the goods or services provided.

L&T may also conduct any other investigations deemed necessary with regard to the supplier's financial situation, for example. In Sweden, new subcontractors are approved in the company's internal co-operation meetings, which are also attended by representatives of trade unions. L&T also uses self-assessments, for example, to evaluate the compliance of suppliers. We also engage in regular supplier co-operation with our most important suppliers and monitor their operations using specifically set indicators. Furthermore, we conduct supplier audits based on the risks identified.

Description of supply chain and risks

L&T mostly operates with domestic companies in Finland and Sweden, which improves the visibility of the supply chain.

L&T has assessed that the biggest risks in the supply chain are related to waste treatment operators and recipients of waste, as well as our subcontractors. With regard to waste treatment operators and recipients of waste, the most significant risks are related to taking environmental issues into consideration. With regard to subcontractors, the risks are mostly related to ensuring occupational safety and that employment conditions are followed. The prevention of corruption and bribery is discussed in more detail on pages 12–13.

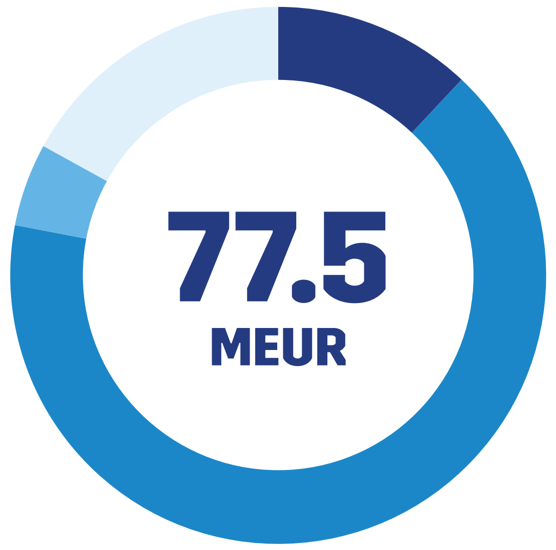
L&T will continue to develop the sustainability of procurement activities in 2024. Our goal is to further develop our operating model so that our operating practices enable us to maintain a more transparent and up-to-date supply chain.

L&T's purchases in 2023

In 2023, L&T's direct purchases of materials, goods and services in Finland totalled approximately EUR 321.1 million (2022: 320.3), and our purchases in Sweden approximately EUR 77.5 million (2022: 80.7). 729 suppliers account for 80 percent of L&T's total purchases. Most of these suppliers are domestic and L&T's long-term partners. L&T's purchases are mainly from locally operating companies in Finland and Sweden. In Finland, approximately 96 percent (2022: 96) of purchases were made from companies operating in Finland, and about 4 percent (2022: 4) from companies operating in other EU countries. Purchases from outside the EU represented approximately 0.1 percent (2022: 0.1) of total

Breakdown of procurement in Finland

Breakdown of procurement in Sweden



[1]Direct material procurement includes technical materials and supplies, raw materials, and material payments.

[2]Direct service procurement includes subcontracting and external workforce.

purchases. In Sweden, domestic purchases accounted for 98 percent (2022: 99.9) of the total, while 2 percent of purchases were from other EU countries (2022: 0.1). Hardly any purchases were made from non-EU suppliers in our Swedish operations.

Data protection and data security

L&T protects its operations and the data security of its personnel and customers by maintaining strong digital infrastructure, data security expertise and cyber preparedness. L&T complies with the EU's General Data Protection Regulation and other applicable data protection and data security legislation, as well as L&T's data protection and data security policies.

The implementation of data protection and data security is supported by data protection and data security policies and guidelines, as well as experts specialising in data protection and data security. L&T's strategic IT partners are ISO 27001 certified.

L&T has a data security steering group that meets regularly. Of the members of the Group Executive Board, the data security steering group includes the CIO and the General Counsel. The data security steering group takes a risk-based approach to discussing topics related to the monitoring and improvement of data security, developing the data security competence of the personnel, as well as potential data security deviations and related corrective actions.

Data protection and data security are part of the day-to-day work of all L&T employees, and everyone completes a mandatory online course on data security. Salaried employees also complete an online course on data protection as part of their induction training. At the end of 2023, 88 percent of salaried employees had completed the online course on data protection, and 47 percent of the personnel had completed the online course on data security.

Data security and the protection of customer, employee and partner data is taken seriously by L&T. L&T's operations meet the legal requirements, and the confidentiality and usability of data is ensured through diligent processing and various mutually complementary protection methods and controls, such as risk management, firewalls, encryption techniques and security systems.

L&T has processes in place for addressing potential data security breaches and deviations. The need to report the incident to the supervisory authorities is assessed in connection with any breaches. Breaches and deviations are investigated by the data security steering group. There were no significant data protection or data security deviations or breaches at L&T in 2023. L&T had one data security deviation of minor significance, which was investigated and processed in accordance with the company's process for handling data security breaches.

L&T stores data necessary for customer relationships for at least the duration of the customer relationship, with the subsequent storage period depending on the nature and purpose of the data. The same principle applies to the personal data of L&T's personnel. The applicable legal obligations are observed with regard to the storage of data. The methods and extent of data collection are documented in general data protection notices.

We create economic growth and increase well-being

As a responsible corporate citizen, our goal is to increase L&T's financial value sustainably, create economic growth and increase well-being. We are among the most significant employers at our operating locations.

The salaries, wages and taxes we pay, as well as the goods and services we buy, have a substantial impact on municipal finances and other businesses in each economic area. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders as dividends.

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

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

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

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

L&T's tax footprint

	The Group total		2023		2022	
Taxes and tax-like payments, MEUR	**2023**	**2022**	**Finland**	**Sweden**	**Finland**	**Sweden**
Income taxes/corporate taxes	-0.6	4.0	-0.9	0.3	4.0	0.0
Withholding taxes on salaries, forest taxes and tax-at-source	57.7	61.0	46.0	11.8	48.1	12.9
Social security contributions	18.0	18.4	3.6	14.4	3.2	15.3
Production taxes	-0.2	0.1	-0.2	-	0.1	-
Value added tax (tax consumption)	105.4	102.9	83.5	21.9	81.7	21.2
Property tax	0.0	0.3	0.0	0.0	0.3	0.0
Insurance premium tax	0.4	0.2	0.4	0.0	0.2	0.0
Other taxes and tax-related payments	0.0	0.0	0.0	0.0	0.0	0.0
Total	180.7	187.0	132.3	48.3	137.7	49.4

Corporate Governance Statement 2023

This Corporate Governance Statement complies with the Securities Market Association's Finnish Corporate Governance Code, which entered into force on 1 January 2020. Lassila & Tikanoja plc ("L&T" or "the company") presents this Corporate Governance Statement separately from the Report by the Board of Directors. 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 2024

The following members were appointed to the Shareholders' Nomination Board of Lassila & Tikanoja on 19 September 2023: Juhani Lassila (Chairman), representing the Evald and Hilda Nissi Foundation, Miikka Maijala, representing a group of shareholders, Tanja Eronen, representing Nordea Funds, and Jukka Leinonen 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 11 January 2024. 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 six members were elected to the Board of Directors by the Annual General Meeting of 2023.

Jukka Leinonen, Chairman (born 1962)

Independent of the company and major shareholders
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, Chair of the Board 2023–; Posti Group Oyj, Deputy Chair of the Board 2022–; DNA Oyj, Chairman of the Board 2021–2022; Representative Council of the Confederation of Finnish Industries 2020–2021; Altia Oyj 2020–2021; FiCom ry, Chairman of the Board 2019–2021 and Member of the board 2013–2018; Service Sector Employers PALTA ry 2013–2017

Sakari Lassila, Vice Chairman (born 1955)

Independent of the company and major shareholders
Board member: since 2011
Board committees: Chairman of the Audit Committee
Education: M.Sc. (Econ.)
Key work experience: Indcrea Oy, Managing Director 2008–2018; Cupori Group Oy: member of the Management Board 2008–2014, Managing Director of Cupori AB 2012–2014; Carnegie Investment Bank AB, Finland Branch, executive positions 2002–2005; Alfred Berg Finland Oyj, executive positions within investment banking 1994–2002; Citibank Oy: head of corporate bank 1991–1994; Union Bank of Finland, supervisory and executive positions 1983–1991
Membership on other Boards: Evald and Hilda Nissi Foundation, Vice Chairman of the Board and member 1987–; Aplagon Oy, Chairman of the Board 2009–

Teemu Kangas-Kärki (born 1966)

Independent of the company and major shareholders
Board member: since 2016
Board committees: Member of the Audit Committee
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 Operating 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 Chair of the Board 2022–

Laura Lares (born 1966)

Independent of the company and major shareholders
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 2018–; Lappeenranta University of Technology 2009–2017; Woikoski Oy 2012–2016

Anni Ronkainen (born 1966)

Independent of the company and major shareholders
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: Loihde Oyj, Member of the Board 2023–; Posti Group 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 the Artificial Intelligence 4.0 programme nominated by the Ministry of Economic Affairs and Employment, member 2020–2023; Digital Economy Advisory Board, University of Vaasa, member 2019–; Marketing Finland, Board of Directors, member 2018–2022; DNA Oyj, Member of the Board 2019–2021; The Start-up Committee at the 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
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: 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

In 2023, the Board of Directors also had Laura Tarkka as a member. Her membership ended at the Annual General Meeting 2023.

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. Both genders have been represented in the Board of Directors for a long time. In 2023, four of the Board members were male and two were female. The age range of the Board members was 56–68 years. Men represented 67 per cent of the members and women 33 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 has been a member of the Board of Directors for more than 10 years consecutively. The Board of Directors has not identified any reasons why Sakari Lassila 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 2023

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 vuosikertomus.lt.fi/en/.

Board members' shareholding

	31.12.2023
Jukka Leinonen	39,665
Sakari Lassila	22,969
Teemu Kangas-Kärki	7,100
Laura Lares	8,423
Anni Ronkainen	1,157
Pasi Tolppanen	4,482
Total	83,796

Duties of the Board of Directors

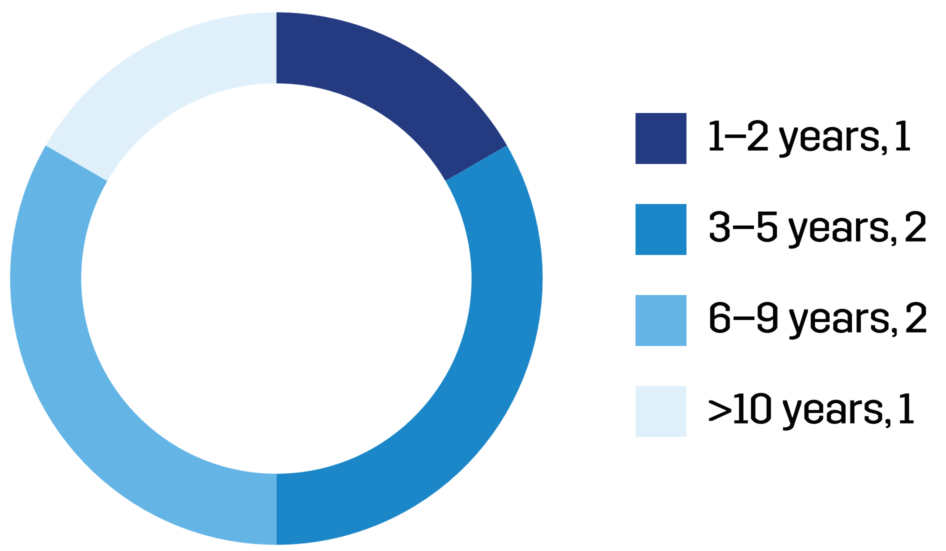
The Board of Directors is responsible for the management of the company, the proper arrangement of the company's operations, and the proper arrangement and supervision of the company's accounting and financial management. The Board of Directors decides upon matters that are of major importance, in view 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.

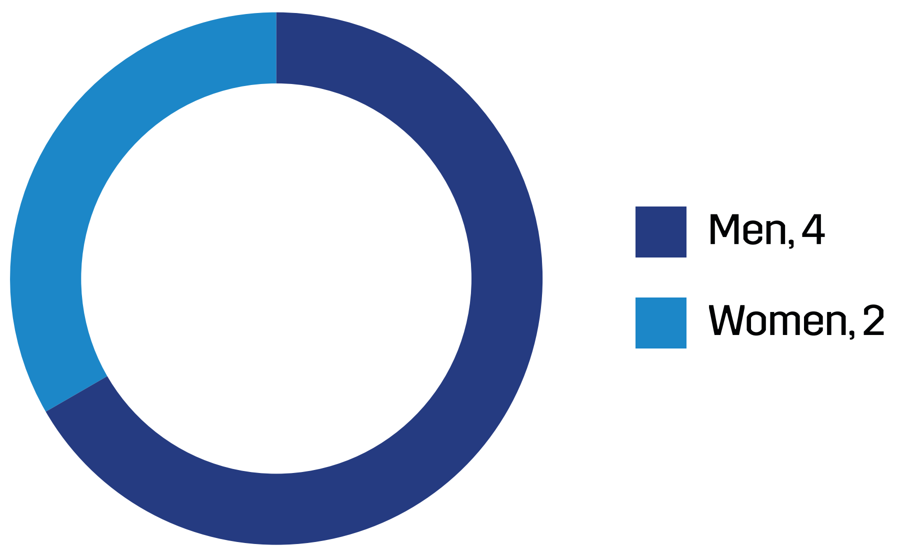
Name	Board member since	Primary areas of expertise	Independent of the company	Independent of significant shareholders	Audit Committee	Personnel and Sustainability Committee	Concurrent Board memberships in listed companies
Jukka Leinonen	2021	Customer experience, ICT and data analytics, operational management, strategy and M&A	⬢	⬢		Chairman	1
Sakari Lassila	2011	Internal control and risk management, strategy and M&A, finance	⬢	⬢	Chairman		
Teemu Kangas-Kärki	2016	Governance, internal control and risk management, strategy and M&A, finance	⬢	⬢	Member		1
Laura Lares	2014	ESG and sustainability, strategy and M&A, industry expertise and technologies	⬢	⬢		Member	
Anni Ronkainen	2023	Customer experience, human resources, ICT and data analytics, technologies	⬢	⬢	Member		2
Pasi Tolppanen	2020	Customer experience, international market insight, operational management, industry expertise	⬢	⬢		Member	

The table presents the key areas of expertise of the members of the Board of Directors on 31 December 2023. 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.

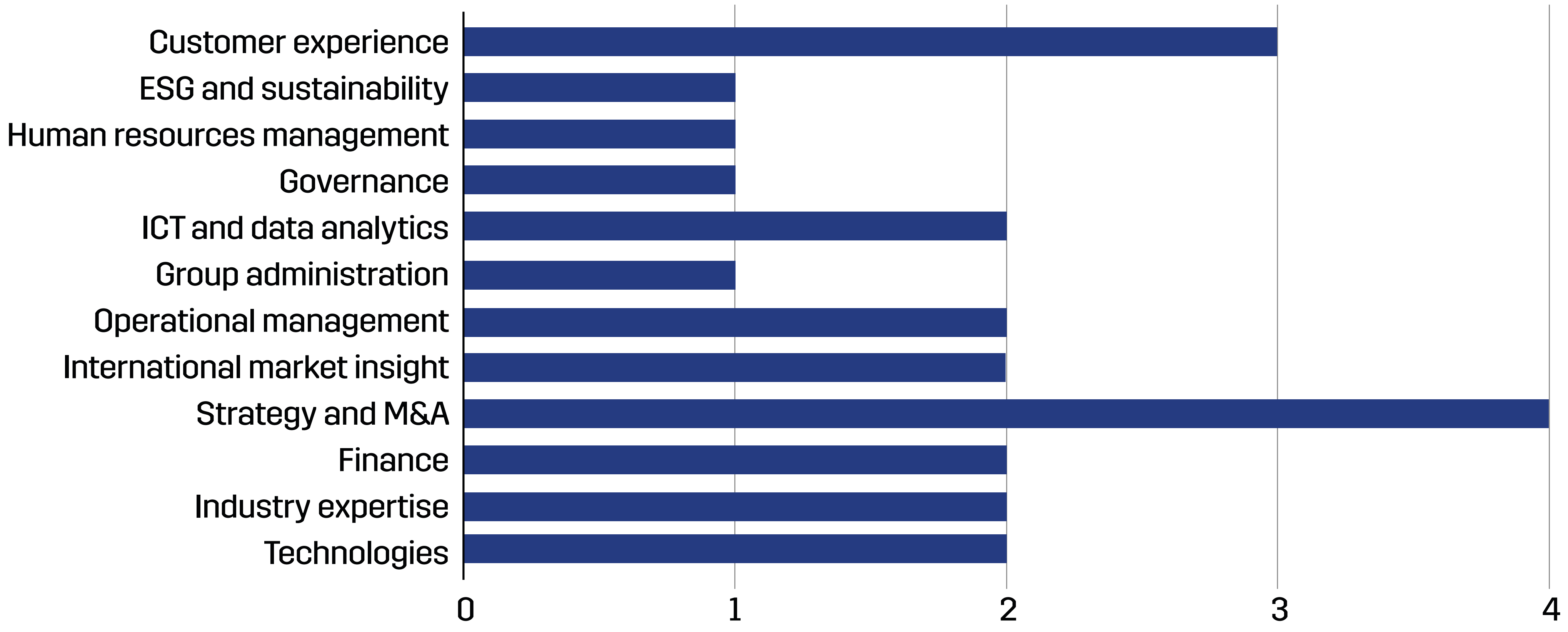
Duration of Board membership in years (number of persons)



Gender distribution (number of persons)



Primary areas of expertise



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
- confirming the Group's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements, as well as financing arrangements and contingent liabilities
- drawing up the dividend policy
- confirming treasury, investment, disclosure, risk management and insurance policies, as well as the principles of internal control
- approving the sustainability programme
- nominating and dismissing the President and CEO and monitoring and evaluating 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. It confirms its annual, regular meetings. Meetings held annually prior to the publication of the financial statements and each interim report, as well as strategy, budget and other meetings confirmed in the annual programme of the Board, are considered regular meetings. In addition to regular meetings, the Board can hold extraordinary meetings.

The company's President and CEO and CFO usually 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 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 2023

The Board of Directors met 12 times during 2023. 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, and directing risk management.

Committees of the Board of Directors

The Board has an Audit Committee and a Personnel and Sustainability Committee. The Audit Committee consists of three 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 23 March 2023, the Board of Directors appointed Sakari Lassila (Chairman), Teemu Kangas-Kärki 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 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
- maintaining contact with the company's auditor and reviewing the reports prepared for the committee by the auditor
- assessing compliance with laws and provisions.

The Audit Committee met five times in 2023. 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 23 March 2023, 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
- 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 the results of the Group's ESG assessments and analyses

- reviewing the statement of non-financial information as part of the Board's report
- processing the Annual Report
- monitoring and evaluating the development of diversity in the workplace community.

The Committee met five times in 2023. 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 persons:

Eero Hautaniemi (born 1965)

President and CEO
Member of the Group Executive Board since: 1 January 2019
Education: M.Sc. (Econ.)
Key work experience: Oriola-KD Oyj, CEO 2006–2017, GE Healthcare Finland Oy, President 2004–2005, GE Healthcare IT, General Manager, Oximetry, Supplies and Accessories business area 2003–2004, Instrumentarium Corporation, specialist and executive positions 1990–2003
Membership on other Boards: Ilmarinen Mutual Pension Insurance Company, member of the Supervisory Board 2019–

Sirpa Huopalainen (born 1965)

General Counsel
Member of the Group Executive Board since: 26 February 2019
Education: Master of Laws, trained at the bench
Key work experience: Lassila & Tikanoja Oyj, General Counsel 2012–, Atria Oyj, General Counsel 2007–2012, Metso Automation Oy, Legal Counsel 2004–2007, Metso Corporation, Legal Counsel 1999–2004, Rauma Corporation, Legal Counsel 1996–1999

Jorma Mikkonen (born 1963)

Senior Vice President, Public Affairs and Sustainability
Member of the Group Executive Board since: 1 June 2015
Education: Master of Laws
Key work experience: Lassila & Tikanoja Oyj, 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: 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–; The Recycling Industries of Finland, Member of the Board 2013–; LähiTapiola, Member of the Supervisory Board 2008–; Employers' Federation of Road Transport (ALT), Member of the Board 2001–

Antti Niitynpää (born 1972)

Senior Vice President, Facility Services Finland
Member of the Group Executive Board since: 30 July 2021
Education: eMBA
Key work experience: Lassila & Tikanoja Oyj, 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, Suomen Laatutakuu Palvelut Oy, Project Director 1999–2006, Purkat Oy, CEO 1995–1999
Membership on other Boards: Employers' association of property management, Member of the Board 2022–

Valtteri Palin (born 1973)

CFO
Member of the Group Executive Board since: 1 August 2019
Education: M.Sc. (Econ.)
Key work experience: Lassila & Tikanoja Oyj, CFO, responsible for controller operations, 2019, SRV Yhtiöt Oyj, CFO, 2008–2019, SRV Toimitilat Oy, business controller 2005–2008, Skanska Oy, Finance Manager, business controller and controller, 1998–2005

Hilppa Rautpalo (born 1974)

Senior Vice President, Human Resources
Member of the Group Executive Board since: 1 January 2020
Education: Master of Laws, trained at the bench
Key work experience: Arctia Oy, SVP, Legal Affairs and HR 2018–2019, Unisport-Saltex Oy, General Counsel, Group HR Director 2017–2018, Ekokem Oyj, SVP, Legal Affairs and HR 2013–2017, Amer Sports Oyj, Senior Legal Counsel 2007–2009, Metsä Group, Group Legal Counsel 2000–2007
Membership on other Boards: Finnpilot Pilotage Oy, Member of the Board 2020–

Petri Salermo (born 1970)

Senior Vice President, Environmental Services
Member of the Group Executive Board since: 1 January 2013
Education: eMBA, CBM
Key work experience: Lassila & Tikanoja Oyj: Business Director, Environmental Services 2009–2012; Sales Director, Environmental Services 2003–2009; Sales Manager, Environmental Services 2001–2003, Europress Oy: Sales Director 1998–2001, managerial positions in sales 1995–1998

Edward Skärström (born 1974)

Chief Information Officer
Member of the Group Executive Board since: 1 January 2023
Education: Bachelor of Economic Sciences, Information Systems
Key work experience: Teknos, CIO 2017–2022 and ICT Manager 2015–2017; IFS Finland, Consulting Manager 2007–2014, Application Consultant and Project Manager 1999–2006

Mikko Taipale (born 1970)

Senior Vice President, Facility Services Sweden
Member of the Group Executive Board since: 19 April.2023
Education: Master of Laws, trained at the bench
Key work experience: AIMS International Sweden AB, Partner & Executive Search and Talent Management consultant 2020-2023; Veoneer Inc., Executive Vice President, Human Resources 2018-2020; Autoliv Electronics Ab, Executive Vice President, Human Resources 2015-2018; Telia Company, Vice President Human Resources and other leaderhip roles 2000-2015

Antti Tervo (born 1978)

Senior Vice President, Industrial Services
Member of the Group Executive Board since: 14 February 2012
Education: M.Sc. (Econ.)
Key work experience: Lassila & Tikanoja Oyj: 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 2023, Group Executive Board also had Tina Hellstadius as a member until 31 March 2023.

Group Executive Board members' shareholding	31.12.2023
Eero Hautaniemi	46,827
Sirpa Huopalainen	6,744
Jorma Mikkonen	7,107
Antti Niitynpää	1,107
Valtteri Palin	1,560
Hilppa Rautpalo	1,758
Petri Salermo	19,105
Edward Skärström	0
Mikko Taipale	0
Antti Tervo	10,856
Total	95,064

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, which has been published in connection with the Annual Review. The remuneration report and information on the Group Executive Board's remuneration is available online at vuosikertomus.lt.fi/en.

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

L&T conducts a significant proportion of its business 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. To support the consistent process in Finland, L&T also runs a centralised accounting system and common operational practices.

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

The financial management department consolidates subsidiaries' financial statements into consolidated financial statements, which include notes to the financial statements, and prepares interim and half-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-yearly report and financial statements and proposes its recommendation on their processing to the Board of Directors. The Board of Directors approves the interim report, half-yearly report, financial statements release and financial statements prior to their publication.

Internal control

Internal control is a material part of the Group's administration and management. The purpose of internal control is to ensure the reliability of the Group's financial reporting, efficiency and profitability of operations and compliance with legislation and other regulations.

Tools of internal control include policies and principles, guidelines, manual and IT system-based automatic controls, follow-up reports and inspections or audits.

The company's Board of Directors has ratified L&T's internal control policy. The Board of Directors and the President and CEO are responsible for the organisation of internal control.

The Audit Committee of the Board of Directors monitors the efficiency and performance of internal control and correctness of financial reporting. The financial development of the company is monitored monthly by an operational reporting system covering the whole Group.

In addition to actual data, the system provides budgets, forecasts and investment reports. L&T's operations and financial reports are monitored and compared against budgets and forecasts at different organisational levels. Group management, divisional management and area management, as well as business unit management, analyse the results and any nonconformities. Those responsible for finances at the divisions also analyse the financial reports and prepare reports for management use. Their duties also include supervision of the accuracy of financial reports and analysis of results.

Risk management

L&T has a defined a 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 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 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 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 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 2023.

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 2023, Pricewaterhouse-Coopers Oy served as the auditor, with Samuli Perälä, Authorised Public Accountant, as the principal auditor.

The Audit Committee of the Board of Directors processes the audit plan annually and reviews the audit findings with the Board of Directors. In 2023, the fees paid for the Group's statutory auditing totalled EUR 302,000 (364,000). The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 71,000 (167,000).

Remuneration Report 2023

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 2020. 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 2023. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2024 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 2023 Annual General Meeting voted for the Remuneration Report for the financial year 2022 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 2020 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 2023, 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 left shows the development of the remuneration of the Board members and the President and CEO during the financial years 2019–2023 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 2023

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 2024.

Annual fees, meeting fees for Board and committee meetings, and other financial benefits

The Annual General Meeting held on 23 March 2023 resolved on the remuneration of the Board of Directors in 2023 as follows:

- Chairman of the Board EUR 60,000
- Vice Chairman of the Board EUR 40,000
- members EUR 30,000

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.

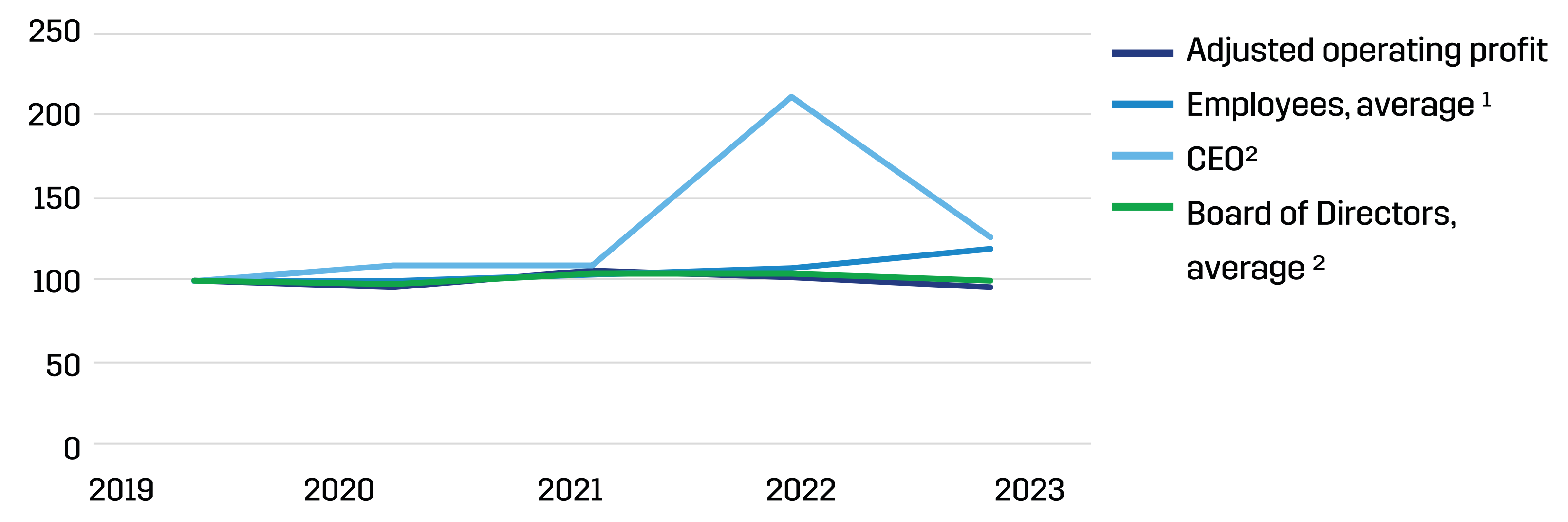
The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company. For the payment of the 40 per cent proportion of the annual fee of the members of the Board of Directors, a total of 8,484 shares held by the company were transferred to the Board members on 8 May 2023 at a rate of EUR 10.37 per share in the following amounts: 2,314 shares to the Chairman, 1,542 shares to the Vice Chairman, and 1,157 shares to each member.

Fees paid to the members of the Board of Directors

EUR	Annual fee	Meeting fees	Total
Jukka Leinonen, Chairman	60,000	15,500	75,500
Sakari Lassila, Vice Chairman	40,000	11,900	51,900
Teemu Kangas-Kärki, member	30,000	8,500	38,500
Laura Lares, member	30,000	8,000	38,000
Anni Ronkainen, member [1]	30,000	6,500	36,500
Laura Tarkka, member [2]		2,500	2,500
Pasi Tolppanen, member	30,000	8,500	38,500

[1] Member of the Board from 23 March 2023
[2] Member of the Board until 23 March 2023

Development of business and remuneration, indexed, 2019 = 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 2023

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 six 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 2023 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 2023, the incentive bonus was earned at 39.5% of the maximum amount. The President and CEO will be paid EUR 89,400 in the financial year 2024 for the earnings period that corresponds to the financial year 2023.

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 reward corresponds to 12 months' salary at maximum.

The precondition for payment is that the President and CEO is employed by the company at the time. 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 their own initiative, they are obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2023 and 2022 as the earnings periods, and the three-year earnings period of 2023–2025, are described below:

- The share-based incentive scheme with the financial year 2022 as the earnings period. The reward was based on the Group's EVA result with a weight of 90 per cent and the carbon footprint target with a weight of 10 per cent. As the EVA earnings criteria for the earnings period corresponding to the financial year 2022 were not met, no long-term incentive bonuses were paid to the President and CEO in 2023 for that earnings period.
- 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 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.

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 2023. Incentive bonuses amounting to EUR 89,400 will become due for payment for the financial year 2023. No supplementary pension was paid. The following table presents the remuneration paid to the President and CEO during the financial year 2023:

EUR	2023	Relative share of fixed and other incentives
Annual salary (including salary and fringe benefits)	466,815	88%
Incentive bonus	63,882	12 %[1]
Share-based bonus	-	0%
Fringe benefits (included in the annual salary)	19,620	
Total	530,697	

[1] The maximum amount of the incentive bonus for the CEO in 2023 was 50% of the annual salary

Sustainability reporting principles

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

Lassila & Tikanoja has reported on its sustainability in accordance with the GRI standards for the period 1 January–31 December 2023. The report is published in Finnish and English, and it is available on our website. The previous report was published on 22 February 2023 and the next one will be published in the spring of 2025. In our reporting, we focus on the material sustainability aspects of our operations in accordance with our sustainability programme. This covers the key areas of corporate governance, social responsibility and environmental responsibility. The material aspects of sustainability have been determined based on the key impacts of our operations, stakeholder expectations and our business priorities. More information on the materiality assessment of sustainability is provided in the Report by the Board of Directors, pp. 10–12.

In addition to relevance and comprehensiveness, the report observes the other reporting principles according to the GRI standards. A comparison of the content of the report with GRI standards is presented in the GRI Index on pp. 108–114. For more information about the consultation of stakeholders and taking their expectations into account, please refer to pages 11–12 of this report. The reporting is linked to the wider context of sustainable development through the UN Sustainable Development Goals, for example. These have also been incorporated into the GRI Index.

This report includes information on all Group companies and subsidiaries including, from 2023 onwards, L&T Industrial Services' Swedish subsidiary Sand & Vattenbläst i Tyringe AB ("SVB"). The aim is to have the report cover L&T's own operations in Finland and Sweden. Due to the nature and impact of our operations, we have included the materials collected from our customers, the emissions created in the subcontracting chain and the water that passes through Industrial Services. Water reporting data is based on meter readings, internal accounting, and invoicing information from water supply companies.

In terms of social responsibility, we have reported key indicators related to wellbeing at work, occupational safety, diversity, and training, as well as key indicators related to job satisfaction and competence. We are continuously developing our reporting and have indicated the more detailed country-specific reporting scope in connection with the reported indicators along with any changes in calculation methods compared to the previous years and whether customer or supplier data is included in the calculations.

The Report by the Board of Directors and Financial statements was approved by the company's Board of Directors and the Sustainability Report was approved by the President and CEO. The L&T Personnel and Sustainability Committee has reviewed the key figures of the Sustainability Report. The key environmental and personnel responsibility indicators are certified by an independent third party (PricewaterhouseCoopers, PwC). The certification was commissioned by Senior Vice President, Public Affairs and Sustainability Jorma Mikkonen. The independent assurance report is on page 115.

CO2 emission calculation principles

Carbon handprint

The carbon handprint, which refers to the calculated reductions in emissions facilitated by L&T's operations, have been calculated for the entire value chain, from the collection of waste to the use of secondary raw materials and fuel. The recycling of waste can replace the use of virgin raw materials and thereby reduce the greenhouse gas emissions of raw material procurement and processing. The carbon handprint has been calculated on a material-specific basis and is based on the degree to which the recycled material reduces emissions compared to the corresponding production using virgin raw materials. In energy production, greenhouse gas emissions are reduced when fossil fuels are replaced with biofuels and solid recovered fuels. For fuels, the carbon handprint takes into account L&T's biofuel and solid recovered fuel deliveries and the resulting greenhouse gas emissions compared to producing the corresponding amount of energy using fossil fuels. The reference values used in the calculations are primarily based on coal. The emission factors are based on Statistics Finland's fuel classification 2023. In addition, the calculation covers the properties and production facilities included in the Smartti services and the calculated energy efficiency measures produced for them. The emission factors are based on the emission factors published by Statistics Finland for the energy year 2019. Calculated reductions in emissions have been calculated using the model created by VTT for the entire value chain, from the collection of waste to the use of the secondary raw material or fuel. The carbon handprint calculations for 2023 cover L&T's operations in Finland. The change in the carbon handprint is compared to the level of 2018.

Carbon footprint

The emissions have been calculated based on the international GHG Protocol reporting standard and emission calculation model, utilising, for example, the Statistics Finland database. For Scope 1 & 2, the comparison year is 2018, as comprehensive data is available, and it is also the reference year for L&T's SBT target. Financial control has been used as the consolidation method for the emission calculation. In accordance with the calculation model, emissions are divided into three areas:

1. Scope 1: Direct GHG emissions
- L&T's heavy-duty vehicles and the fuels consumed by production vehicles in Finland and Sweden.

2. Scope 2: Indirect GHG emissions from purchased energy
- L&T's electricity and disctrict heat consumption in Finland and Sweden.

3. Scope 3: Other significant indirect GHG emissions
- The calculation of 'purchased goods and services' is based on purchase data and Euro-based emission factors (cat. 1).
- The calculation of 'capital goods' includes the purchase of equipment and is based on purchase data and Euro-based emission factors (cat. 2).
- Indirect energy emissions (other than Scope 1 and Scope 2) are based on emissions from electricity use in Finland and in Sweden and emissions from heating and transport fuels in Finland (cat. 3).
- The emission calculation of transport and machinery contractors is based primarily on purchase data and estimated fuel consumption data, actual consumption data obtained from suppliers, and fuel classification data published by Statistics Finland (cat. 4).
- The data concerning 'business travel' is based on the total emissions data received from the travel services provider for air and train travel. The assessment of taxi ride emissions is based on average kilometre data and emission factors per kilometre driven calculated by DEFRA (cat. 6).
- 'End-of-life treatment the products' includes waste fractions delivered to L&T's partners, mainly for energy incineration. The calculation is based on the tonnage data provided (cat. 12).

The scope 3 calculation was expanded in 2022, and therefore there is no comparable data for previous years.

Personnel in figures

Lassila & Tikanoja's Finnish companies began using a new HR Master system (SuccessFactors) on 1 November 2023. Previously, the Group's Finnish companies used the Personec HR system. Consequently, the reporting of certain 2023 personnel figures for Finland is based on data from two different systems. Data on employees whose employment ended before 1 November 2023 has not been transferred to the new system. For such terminated employment relationships, the reported information is based on data from the old HR system. In addition, data on performance reviews and training is reported from two systems.

The new HR system introduced by Lassila & Tikanoja Group's Finnish companies supports more gender options than the previous system. At the end of the year, there were some individuals entered into the system who had specified a gender other than male or female, or elected not to specify a gender. The employees in question are included in the calculation of the total number of personnel but excluded from the figures broken down by gender.

L&T Facility Services Sweden and SVB use different systems than L&T Group's

Finnish companies. Due to deficiencies in the coverage of the data, certain figures can only be reported for L&T Group's Finnish companies. The data and specifications available from SVB's system are limited in certain respects, and potential deficiencies resulting from this are indicated in the personnel data tables by an additional comment.

The terminology, recognised reporting deficiencies, and estimates used in the calculations are described below.

L&T employees

- This refers to the L&T Group's entire personnel in Finland and Sweden.

Salaried employee

- This refers to all salaried employees, senior salaried employees and management personnel at L&T.

Average number of employees as full-time equivalents

- The calculation of the full-time equivalent of personnel 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.

Personnel covered by collective bargaining agreements

- The reporting on collective agreements does not cover senior salaried employees and top management personnel, as Lassila & Tikanoja does not apply collective agreements to those personnel groups.

Exit turnover of the personnel

- Reporting on the exit turnover of the personnel only includes employment relationships terminated on the employee's initiative. This refers to the termination of a trial period on the employee's initiative, resignation 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.

Use of non-employee workers or leased employees

- Non-employee workers can be used in all segments, but mainly in cleaning services. The calculation of working hours performed by non-employee workers 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 person-days for non-employee workers are calculated by dividing the computational working hours by 7.5.

Employees called in when necessary

- In Finland, employees called in when necessary refers to employees on a zero-hour contract and for whom each work shift constitutes a separate fixed-term employment relationship. 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 fixed-term or valid until further notice.
- In Sweden, workers called in when necessary are employees who have a temporary employment contract with a zero percent employment rate. This means they do not have guaranteed working hours and are called in by their employer as needed. The employer makes a request for work at the agreed-upon hourly wage.

Global Compact progress report

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

More information on our sustainability reporting: viestinta@lassila-tikanoja.fi

GRI Index

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 2: General disclosures							
2-1	Organisational details	Report by the Board of Directors, p. 3; Financial statements, p. 33	Lassila & Tikanoja Oyj				
2-2	Entities included in the organisation's sustainability reporting	Report by the Board of Directors, pp. 7–8; Financial statements, p. 63; Appendices, p. 106					
2-3	Reporting period, frequency and contact point	Appendices, p. 106	Reporting period 1 January – 31 December 2023. For more information: viestinta@lassila-tikanoja.fi				
2-4	Restatements of information	Reported separately in connection with the tables and reporting principles.	No significant restatements. Any possible changes to the data are reported in connection with relevant performance indicators.				
2-5	External assurance	Appendices, p. 115					
2-6	Activities, value chain and other business relationships	Report by the Board of Directors, p.3; Sustainability Report, p. 28			10		
2-7	Employees	Report by the Board of Directors, p. 12; Key Figures, p. 25; Sustainability Report, pp. 87–88, 92			8		x
2-8	Workers who are not employees	Sustainability Report, p. 92; Appendices, pp. 106–107			8		x
2-9	Governance structure and composition	Corporate Governance, pp. 97–102					
2-10	External initiatives	Corporate Governance, p. 97; L&T online: www.lt.fi/en/investors/corporate-governance/shareholders-nomination-board					
2-11	Chair of the highest governance body	Corporate Governance, pp. 97, 99					
2-12	Role of the highest governance body in overseeing the management of impacts	Report by the Board of Directors, pp. 9, 14; Corporate Governance, pp. 100–101					
2-13	Delegation of responsibility for managing impacts	Report by the Board of Directors, p. 9					
2-14	Role of the highest governance body in sustainability reporting	Corporate Governance, pp. 100–101	L&T's Personnel and Sustainability Committee has reviewed the material information in the 2023 Sustainability Report.				
2-15	Conflicts of interest	Corporate Governance, pp. 98, 103					
2-16	Communication of critical concerns	Corporate Governance, pp. 102–103					

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 2: General disclosures							
2-17	Collective knowledge of the highest governance body	Report by the Board of Directors, p. 9; Corporate Governance, p. 99					
2-18	Evaluation of the performance of the highest governance body	Corporate Governance, pp. 99–100					
2-19	Remuneration policies	Remuneration Report, pp. 104–105					
2-20	Process to determine remuneration	Remuneration Report, pp. 104–105					
2-21	Annual total compensation ratio	Sustainability Report, p. 92; Remuneration Report, pp. 104–105					x
2-22	Statement on sustainable development strategy	CEO's Review					
2-23	Policy commitments	Report by the Board of Directors, pp. 9, 12; Sustainability Report, pp. 88–89, 94–96; L&T online: www.lt.fi/en/sustainability/code-of-conduct	The updated policies, approved by L&T's Board of Directors can be found online: https://www.lt.fi/en/sustainability/code-of-conduct.	1, 4, 5, 7, 10			
2-24	Embedding policy commitments	Report by the Board of Directors, pp. 9–10; Sustainability Report, pp. 94–96		1, 4, 5, 7			
2-25	Processes to remediate negative impacts	Report by the Board of Directors, pp. 9–10; Sustainability Report, pp. 94–96		1			
2-26	Mechanisms for seeking advice and raising concerns	Report by the Board of Directors, pp. 9–10, 13; Sustainability Report, pp. 94–96		1, 2, 4, 5, 10			x
2-27	Compliance with laws and regulations	Report by the Board of Directors, p. 13; Sustainability Report, pp. 94–96	In 2023, there were no verified cases of bribery or corruption, human rights violations, or reported cases of discrimination, and no serious environmental accidents.	1, 2, 3, 4, 5, 6, 7, 10			
2-28	Membership associations	Report by the Board of Directors, p. 10; L&T online: www.lt.fi/en/sustainability/managing-sustainability/activities-in-organisations					
2-29	Approach to stakeholder engagement	Report by the Board of Directors, pp. 10–12; L&T online: www.lt.fi/en/sustainability/managing-sustainability/stakeholder-engagement					
2-30	Collective bargaining agreements	Sustainability Report, p. 92	The figures for SVB are not available for the year 2023.	3			

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 3: Material topics							
3-1	Process to determine material topics	Report by the Board of Directors, pp. 10–11, 14–17;					
3-2	List of material topics	Sustainability Report, pp. 81, 87, 94					
3-3	Management of material topics	Report by the Board of Directors, pp. 12–13, 16–17; Sustainability Report, pp. 82–84, 88–91, 94–96		7, 8, 9	7, 8, 9, 10, 11, 12, 13		

Economic impacts

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 201: Economic performance						2016	
201-1	Direct economic value generated and distributed	Financial Statements, p. 29; Sustainability Report, p. 96			8, 10		
201-2	Financial implications and other risks and opportunities due to climate change	Report by the Board of Directors, pp. 4, 14–15, 17, 20–23; Sustainability Report, pp. 81–84	L&T does not report financial information related to climate change.		9, 11, 12, 13		
201-4	Financial assistance received from government	Financial Statements, p. 38			9, 11		x
GRI 203: Indirect economic impacts						2016	
203-2	Significant indirect economic impacts	Report by the Board of Directors, pp. 3–6		1, 2, 3, 4, 5, 6, 7, 8, 9, 10	7, 8, 9, 11, 12, 13		
GRI 204: Procurement practices						2016	
204-1	Proportion of spending on local suppliers	Sustainability Report, p. 85			8, 10		
GRI 205: Anti-corruption						2016	
205-1	Operations assessed for risks related to corruption	Report by the Board of Directors, p. 13; Corporate Governance, pp. 102–103	Bribery and corruption-related risks are assessed on a process-specific basis, and the risk assessments cover most of our service branches.	10			
205-2	Communication and training about anti-corruption policies and procedures	Report by the Board of Directors, p. 13		1, 10			
205-3	Confirmed incidents of corruption and actions taken	Report by the Board of Directors, p. 13	No reported incidents during 2023.	1, 10			

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 206: Anti-competitive behavior						2016	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Report by the Board of Directors, p. 13	No reported incidents during 2023.	10			

Environmental impacts

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 302: Energy						2016	
302-1	Energy consumption within the organization	Sustainability Report, pp. 82–83, 85	Renewable fuels comprise of HVO, biogas and renewable fuel oil.	7, 8	7, 13		x
302-3	Energy intensity	Sustainability Report, p. 85		8	7, 13		x
302-4	Reduction of energy consumption	Sustainability Report, pp. 82–83		8, 9	7, 13		x
LT1	Carbon handprint	Report by the Board of Directors, pp. 5, 12; Sustainability Report, pp. 81–82	L&T's own indicator that describes the impact of operations. L&T reports the carbon handprint intensity, i.e. the carbon handprint in relation to revenue. Our goal is for our carbon handprint to grow faster than our revenue.	9	9, 11, 12, 13		x
GRI 303: Water and effluents						2018	
303-3	Water withdrawal	Sustainability Report, p. 86	Information available only for L&T Industrial Services operations in Finland.	8, 9	13		x
303-4	Water discharge	Sustainability Report, pp. 84, 86	Information available only for L&T Industrial Services operations in Finland.	8, 9			x
GRI 304: Biodiversity						2016	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Sustainability Report, pp. 84; GRI Index	L&T does not operate in protected areas or in areas of high biodiversity.	7	11		

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 305: Emissions						2016	
305-1	Direct (Scope 1) GHG emissions	Sustainability Report, p. 85	The reporting covers fossil greenhouse gases.	7, 8	13		x
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report, p. 85	Market-based greenhouse gas emissions have only been reported for purchased electricity and heat in Finland. Other marketbased data is not reported as the available emission factors do not differ materially from location-based data.	9	13		x
305-3	Other indirect (Scope 3) GHG emissions	Sustainability Report, p. 85	The reporting covers fossil greenhouse gases.	9	13		x
305-4	GHG emissions intensity	Sustainability Report, p. 85	L&T has set a science-based long-term emissions intensity target which has been validated by the the Science Based Targets initiative. The emission intensity is calculated for Scope 1 and Scope 2 emissions relative to kilometres driven.	8, 9	13		x
305-5	Reduction of GHG emissions	Sustainability Report, pp. 82–83, 85		8, 9	13		x
GRI 306: Waste						2020	
306-3	Waste generated	Sustainability Report, pp. 83–84, 86	Reporting has been refined in 2023.	7	13		x
306-4	Waste diverted from disposal	Sustainability Report, pp. 83–84, 86	Reported in percentages due to the company's reporting system. Reported in percentages due to the company's reporting system. The reporting covers all waste managed by L&T.	8, 9	12, 13		x
306-5	Waste directed to disposal	Sustainability Report, pp. 83–84, 86	Reported in percentages due to the company's reporting system. Reported in percentages due to the company's reporting system. The reporting covers all waste managed by L&T.	8, 9	12, 13		x

Social impacts

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 401: Employment						2016	
401-1	New employee hires and employee turnover	Sustainability Report, p. 93	Information about new employee hires is only available from Finland.	6			x
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report, pp. 89–90	The sickness fund is offered to employess who mainly work for the company. Information is only available for Finland.	6	8		

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 402: Labor/management relations						2016	
402-1	Minimum notice periods regarding operational changes	Sustainability Report, p. 88	In restructuring situations, we follow the minimum notice periods according to the national legislation	3	8, 10		
GRI 403: Occupational health and safety						2018	
403-1	Occupational health and safety management system	Report by the Board of Directors, p. 9; Sustainability Report, p. 93		6	8, 10		
403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report, pp. 90–91	Reported only for our own personnel, broken down by country of operation. Does not include absence frequency.	1, 6	8, 10		
403-3	Occupational health services	Sustainability Report, pp. 89–91	Reporting covers operations in Finland.	1, 6	3, 8, 10		
403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report, pp. 89–91	Employees can participate and give feedback, e.g., directly to the HR function.	1, 6	8, 10		
403-5	Worker training on occupational health and safety	Sustainability Report, pp. 89–91	L&T also organises various occupational health and safety trainings for non-employee workers.	1, 6	3, 8, 10		
403-6	Promotion of worker health	Sustainability Report, pp. 89–90		1, 6	3, 8, 10		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Report, pp. 89–91		1, 6	8, 10		
403-8	Workers covered by an occupational health and safety management system	Sustainability Report, p. 93		1, 6	8, 10		
403-9	Work-related injuries	Sustainability Report, p. 93	Reported data covers L&T's employees and non-employee workers in Finland, and only L&T's employees in Sweden.	1, 6	8		x
HR 1	Retirement age	Sustainability Report, p. 93	L&T's own indicator which is considered material. Covers L&T personnel in Finland.	6	8		x
HR 2	Sickness-related absence rate	Sustainability Report, p. 93	L&T's own indicator which is considered material.	1, 6	8		x
HR 3	Occupational health rate	Sustainability Report, p. 93	L&T's own indicator which is considered material.	1, 6	8		x

Standard	GRI content	Location and page number	Additional information and omissions	Global Compact	SDG	Standard version	External assurance
GRI 404: Training and education						2016	
404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report, p. 89		6	4, 8, 10		
HR 4	Average training hours per employee	Sustainability Report, p. 93	L&T's own indicator which is considered material. Covers L&T personnel in Finland.	6	4, 8, 10		x
HR 5	Employee Net Promoter Score, eNPS	Report by the Board of Directors, p. 12; Sustainability Report, pp. 89, 93	L&T's own indicator which is considered material.		8		
GRI 405: Diversity and equal opportunity						2016	
405-1	Diversity of governance bodies and employees	Sustainability Report pp. 87–88, 92; Corporate Governance, pp. 97–102	In reporting we use a more detailed age distribution.	1, 6	4,8, 10		x
GRI 406: Non-discrimination						2016	
406-1	Incidents of discrimination and corrective actions taken	Report by the Board of Directors, p. 13; Sustainability Report, p. 92	No reported incidents during 2023.	1, 6	4,8, 10		
GRI 415: Public policy						2016	
415-1	Political contributions	GRI Index	L&T did not give out any political contributions during the reporting year.				
GRI 416: Customer health and safety						2016	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Sustainability Report, p. 95	No reported incidents during 2022.	7, 9			
GRI 418: Customer privacy						2016	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report, p. 96	No reported incidents during 2023.	1			

Independent practitioner's limited assurance report

To the Management of Lassila & Tikanoja Corporation

We have been engaged by the Management of Lassila & Tikanoja Corporation (hereinafter also the "Company") to perform a limited assurance engagement on selected sustainability information for the reporting period 1 January 2023 to 31 December 2023, disclosed in Company's Annual Report 2023 (hereinafter the Selected sustainability information).

Selected sustainability information

The selected sustainability information within the scope of assurance covers:

- Indicators as set out in GRI Standards of the Global Reporting Initiative -standards and Company's internal reporting instructions as identified in the GRI Index in the Company's Annual Report 2023.

Management's responsibility

The Management of the Company is responsible for preparing the Selected sustainability information in accordance with the reporting criteria as set out in the Company's reporting instructions (described in Company's Annual Report 2023), the GRI Standards of the Global Reporting Initiative and Company's internal reporting instructions. The Management of the Company is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected sustainability information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence and quality management

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

PricewaterhouseCoopers Oy 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.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected sustainability information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410 "Assurance Engagements on Greenhouse Gas Statements". These standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected sustainability information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other information in the Selected sustainability information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected sustainability information.

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company.
- Interviewing employees responsible for collecting and reporting the Selected information at the Group level as well as at the site level.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.
- Considering the disclosure and presentation of the Selected sustainability information.

Limited assurance conclusion

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 Lassila & Tikanoja Corporation's Selected sustainability information for the reporting period 1 January 2023 to 31 December 2023 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Lassila & Tikanoja Corporation for our work, for this report, or for the conclusions that we have reached.

Helsinki 26 February 2024

PricewaterhouseCoopers Oy

Tiina Puukkoniemi
Partner, Authorised Public Accountant (KHT)
Sustainability Reporting & Assurance

Samuli Perälä
Partner, Authorised Public Accountant (KHT)

LEADER OF THE **REGENERATIVE SOCIETY**

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