

3 SUSTAINABILITY, PRODUCTS AND SERVICES

Raute delivers technology for the wood products industry, which uses renewable raw materials. Most of the wood products manufactured using Raute's machinery have a long life, and the carbon they store, combined with the replacement of a non-renewable material, have a positive impact on the achievement of climate targets. The glues and coatings used in plywood and LVL products contain oil-based ingredients, but they account for a relatively small share of the final product. Solutions for manufacturing glue from wood-based raw materials have also been published in the sector.

An increase in the use of sustainably produced wood to replace non-renewable materials, for example in construction, transportation and consumer products, is among the most important means of achieving climate targets. Demand for wood products industry technology will grow as attention increasingly turns to climate risks in the manufacturing and construction industries globally. In recent years, an increasing number of construction projects have chosen solutions based on the use of wood materials, and this trend is expected to continue. With Raute's technology, Raute's customers can improve the resource efficiency and occupational safety of their own operations and increase the availability of renewable materials for use by different industries.

Principal risks

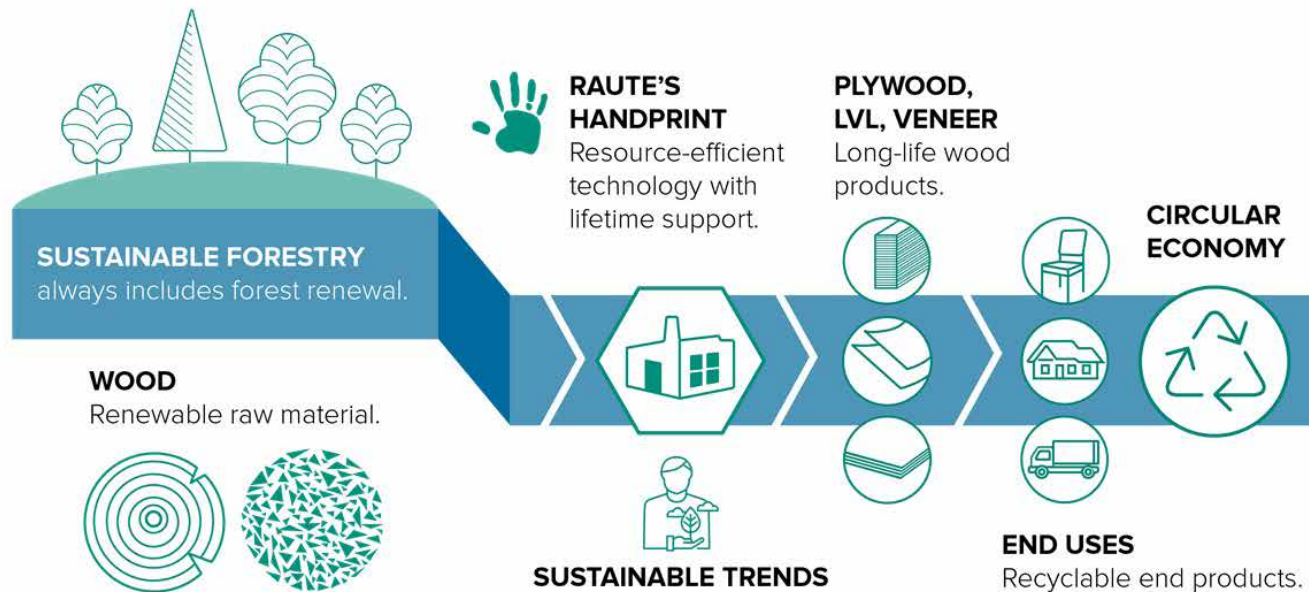
The principal risk related to Raute's deliveries is the risk of an accident during the installation and commissioning phase or during production use or maintenance of the equipment and machinery.

Goals

Raute's main goals are:

- in terms of product development, to improve the energy and raw material efficiency of machinery and equipment, and to reduce harmful environmental impacts
- to prevent all personal injury within Raute's sphere of influence during the installation and commissioning phase and during production use and maintenance.

Raute in wood processing value chain



Operating principles and procedures

Raute ensures that its products and services are safe to use as part of the delivery implementation process. Pressure piping is manufactured and tested in compliance with module D1 of the pressure equipment directive (PED). Raute offers its customers installation, installation supervision and commissioning services, as well as user training, and a fixed-term guarantee is granted for use in accordance with the instructions. Raute's main unit in Lahti has a quality management system certified according to ISO 9001:2015 and an environmental management system certified according to ISO 14001:2015. Other Raute units abide by the same key principles.

Raute's product development sustainability targets aim to, among other things, reduce the customer's raw material waste and additive needs, energy consumption and emissions. Special attention is given to occupational safety during the engineering phase of production lines. Also the increased efficiency of material use for its own products has been a goal of product development.

Three projects to improve environmental efficiency or safety were set as product development responsibility targets for 2020. The objectives of the projects are related to making more efficient use of wood raw material, lowering energy consumption and increasing digital services.

Outcomes

The execution rate for the 2020 targets concerning product and service development was 67 percent. Raute was not aware of any serious work-related accidents arising from the proper use of Raute's machinery and equipment in 2020.

According to customer satisfaction surveys that were carried out, customers gave Raute's maintenance services an overall score of 4.4 out of a possible 5.0.

4 ENVIRONMENTAL MATTERS, OWN OPERATIONS

The direct environmental impacts of Raute's own operations are minimal. Raute's plants do not have their own power production facilities, nor do the processes consume large volumes of water. The main environmental aspects are related to waste management in plant areas and the safe management of chemicals. Even though the volumes of Raute's energy and water consumption are not significant in relation to Raute's business, the company monitors and strives to further increase the efficiency of its plants' and offices' energy use and water consumption. In 2020, Raute invested in solar panels for the Lahti plant. The solar power plant generates roughly 30 percent of the average electricity consumed in a day.

Principal risks

Various oils, solvents and other chemicals are handled to some extent in Raute's production plants. A chemical leak or accident at a plant may contaminate the environment and lead to financial costs, harm the company's reputation and disrupt production at the plant. Raute's Lahti plant is located in a groundwater zone.

Operating principles and procedures

Raute manages the environmental risks linked to its operations through its quality and environmental management systems. Raute's main unit in Lahti has an ISO 9001:2015 certified quality management system and an ISO 14001:2015 certified environmental management system. At the Lahti plant, risks related to chemical safety have been identified, and the situation is assessed and monitored regularly. Large volumes of chemicals are not stored at the plant, and waste is disposed of appropriately. Other Raute units abide by the same key principles of the environmental and quality management systems where applicable.

The company aims to reduce the need for air travel by making use of information technology when arranging meetings and negotiations.

Goals

The main goals of environmental management in Raute's own operations are to:

- improve energy efficiency
- reduce waste volumes in relation to net sales.

Outcomes

The execution rate for measures concerning managing environmental matters at the Lahti unit in 2020 was 93 per cent. Lahti's ISO 9001:2015 quality management system and ISO 14001:2015 environmental management system will be recertified in connection with an external audit performed in 2022. The recertification is performed every three years.

In 2020, energy consumption per hour worked decreased 6 percent and consumption of water per person decreased 1 percent. Waste in relation to net sales fell 12 percent in Finland. The carbon dioxide emissions of our own operations in relation to net sales grew by 1 percent.

The energy, water and carbon dioxide emission data reported for 2020 cover all the company's production plants. Monitoring of waste and indirect (Scope 3) emissions has not yet reached a level sufficient for Group-wide reporting.

5 SOCIAL AND EMPLOYEE-RELATED MATTERS

Skilled employees that are committed to the company's targets are Raute's most important resource. Competence retention and development and ensuring the sufficiency of human resources are particularly important in a business where economic and investment cycles strongly affect demand. Raute aims to secure a safe work environment for the company's employees and contractors, in both its own business locations and during installation and commissioning work.

Principal risks

The principal risks pertaining to Raute's business operations relate to work-related accidents affecting employees or subcontractors, and to maintaining and developing employee satisfaction and commitment. Work-related accidents incur costs, make it difficult to manage deliveries and may affect the company's reputation and ability to secure skilled workforce for the company. Weakened employee satisfaction may lead to a higher turnover rate and weaken the company's intellectual capital.

Goals

Raute's main goals are:

- a low number of absences due to work-related accidents (the target is to reach an LTIF1* of <8 by 2022).
- high employee satisfaction.

**Lost Time Injury Frequency (LTIF), i.e. the number of absences resulting from work-related accidents lasting at least one day for every million working hours*

Operating principles and procedures

Supervisory work, occupational safety and ergonomics are under continuous development. The continuity of operations is ensured by monitoring the development of the age structure, implementing systematic human resources management and investing in well-being at work. Work-related risks are managed by continuously developing occupational safety and by directing sufficient resources to acquiring safety equipment and training. An occupational health clinic for personnel operates in connection with Raute's Lahti production plant.

In occupational health and safety matters, local laws and the company's own occupational safety procedures are complied with, especially if the local OHS regulations of the country in question are insufficient. Preventive measures include an early intervention model and analysis of near-miss situations. Every accident and reported near-miss situation is analyzed and corrective measures are taken based on the analysis. Employee satisfaction is monitored regularly through personnel surveys. In Finland, Raute has an equality plan that is in com-

pliance with the law and which is intended to promote equality, prevent discrimination and reinforce the legal rights of individuals who become the target of discrimination.

Outcomes

Raute's LTIF1 in 2020 improved from the previous year and was 7.9 (2019: 13.6). There were 10 (2019: 18) accidents leading to at least one day of absence from work. No fatal accidents occurred among Raute's own employees or subcontractors during Raute's operations. We can be satisfied with the development of the LTIF in 2020. Despite this, work continues and our target is still a clear decrease in the number of accidents.

In 2020, 91 percent of employees had successfully completed a course on occupational safety in the online learning environment, RauteACADEMY. In Finland, 161 safety observations were recorded during the year.

Raute has a safety supervisor and safety supervisor activities. The task of the designated department-specific safety supervisors is to observe and develop occupational safety in their own area. This has resulted in good and important observations to develop safety and eliminate hazards and it has made it possible to immediately address near misses.

6 RESPECT FOR HUMAN RIGHTS

Raute supports and respects the principles of the UN's Universal Declaration of Human Rights and recognizes the fundamental rights at work as defined by the International Labor Organization (ILO), which include the freedom of association, the right to collective bargaining, the abolition of forced labor, and equal opportunities and treatment of employees.

Principal risks

It is possible that players who do not respect Raute's principles related to human rights or the basic rights of employees operate in Raute's international supply chain. Such cases may damage the company's reputation and interrupt the supply

chain if the infraction is severe enough to warrant an end to the co-operation.

Raute has a separate Code of Conduct for suppliers.

Goals

Raute's main goal is:

- Raute's entire supply chain confirms that they operate in compliance with Raute's Code of Conduct concerning respecting human rights.

Operating principles and procedures

Suppliers and subcontractors are required to comply with the principles defined by Raute. Risks related to supply chains are managed by means of supplier audits and monitoring.

Outcomes

Raute was not aware of any breaches related to respect for human rights that took place in Raute's supply chain in 2020. In 2020, 86 percent of employees had successfully completed a course on values and the Code of Conduct in the online learning environment, RauteACADEMY.

7 ANTI-CORRUPTION AND ANTI-BRIBERY

Raute has zero tolerance for corruption, bribery and money laundering. Raute does not engage in any business involving corruption, bribery or money laundering.

Principal risks

The company is at risk of being part of a business chain that involves corruption, bribery or money laundering without its knowledge. The realization of these risks may result in legal consequences, and the company's reputation and financial position may suffer.

Goals

Raute's main goal is:

- Raute and Raute's entire supply chain operate in compliance with Raute's Code of Conduct pertaining to corruption, bribery and money laundering.

Operating principles and procedures

The risk of corruption, bribery and money laundering is controlled by monitoring compliance with the company's Code of Conduct and through relevant training. The risk of fraud the company is exposed to is managed through continuous monitoring and by developing the company's systems and procedures. The company has an internal procedure in place that

allows Raute employees to report suspected breaches of the rules and regulations through an independent channel within the company (whistle-blowing).

Outcomes

In 2020, no breaches related to corruption, bribery or money laundering were detected in the company. In 2020, 86 percent of employees had successfully completed a course on values and the Code of Conduct in the online learning environment, RauteACADEMY.

8 KEY NON-FINANCIAL FIGURES

Key non-financial figures monitored at Raute for 2020 and the comparison year 2019 are presented in the tables on the following pages for the entire Group, unless stated otherwise.

The data presented in the key figure tables has not been verified by a third party.

Personnel and Work safety

Number of personnel	2020	2019	2018	2017	2016
Finland	501	518	505	482	462
North America	115	135	147	117	83
China	83	76	75	73	77
Other countries	52	49	45	32	21
Total	751	778	772	704	643

Personnel, effective, on average	747	755	748	661	631
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Proportion of female employees of permanent staff	2020	2019	2018	2017	2016
Executive management	11 %	13 %	13 %	19 %	14 %
Management	13 %	7 %	8 %	7 %	5 %
Office	17 %	18 %	17 %	16 %	16 %
Employees	2 %	3 %	2 %	2 %	1 %
Total	11 %	11 %	11 %	10 %	10 %

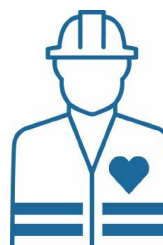
Employment contract types	2020	2019	2018	2017	2016
Work time					
Full time	98 %	96 %	96 %	96 %	97 %
Part time	2 %	4 %	4 %	4 %	3 %
Contract					
Permanent	96 %	96 %	95 %	93 %	92 %
Temporary	4 %	4 %	5 %	7 %	8 %

Employee turnover ratio	2020	2019	2018	2017	2016
Incoming employees	9 %	20 %	25 %	28 %	17 %
Outgoing employees	11 %	18 %	12 %	17 %	18 %
Average employee turnover	10 %	19 %	19 %	23 %	17 %

Permanent staff age structure	2020	2019	2018	2017	2016
<30 years	18 %	20 %	20 %	19 %	19 %
31-40 years	27 %	25 %	26 %	25 %	27 %
41-50 years	26 %	26 %	24 %	25 %	23 %
51-60 years	23 %	22 %	24 %	25 %	26 %
> 60 years	7 %	7 %	5 %	6 %	6 %

Permanent staff education	2020	2019	2018	2017	2016
Basic education	5 %	4 %	5 %	5 %	6 %
Vocational school	31 %	31 %	32 %	31 %	30 %
College	9 %	17 %	18 %	19 %	22 %
University of Applied Science	39 %	34 %	31 %	31 %	32 %
University	16 %	14 %	13 %	14 %	11 %

Training and mentoring	2020	2019	2018	2017	2016
Training hours	14 624	15 925	22 227	24 577	24 050
Of which mentoring	601	2 181	4 013	4 974	6 295



Work safety

LTIF	2020	2019	2018	2017	2016
Raute Finland	8,8	7,8	24,6	19,1	15,5
Raute total	7,9	13,6	23,7	23,3	28,1

*Number of workplace injuries which lead to absence of at least one day / total work hours * 1000000

LTIF \geq 3	2020	2019	2018	2017	2016
Raute Finland	5,5	5,6	16,8	14,3	14,2
Raute total	4,7	7,6	18,3	16,7	22,6

*Number of workplace injuries which lead to absence of at least three days / total work hours * 1000000

Lahti, February 12, 2021

Environment					
Energy*	2020	2019	2018	2017	2016
Total energy consumption, MWh	8 238	9 145	9 368	9 055	8 832
Fuels (Scope 1)	1 419	1 501	1 515	1 479	1 105
Electricity and district heat (Scope 2)	6 819	7 644	7 854	7 576	7 727
Energy consumption kWh/work hour	6,5	6,9	7,2	7,6	8,0
Emissions*	2020	2019	2018	2017	2016
Total emissions (Scope 1-2), tCO ₂ e	1 828	2 371	2 475	2 006	1 953
Direct emissions (Scope 1), tCO ₂ e	292	312	324	313	236
Indirect emissions from electricity and district heat (Scope 2), tCO ₂ e	1 536	2 059	2 151	1 692	1 717
Carbon intensity tCO ₂ e/MEUR	15,9	15,7	13,7	13,5	17,3
Waste, Raute Finland, tonnes	2020	2019	2018	2017	2016
Metal chip and scrap	366	439	458	545	713
Cardboard and paper	15	20	19	17	20
Wood waste	207	310	293	197	287
Other energy waste	30	34	51	40	24
Hazardous waste	47	50	53	47	52
Other waste	21	32	36	50	40
Total waste	685	885	909	896	1 136
Total waste without recycled metal	319	446	451	350	423
Waste intensity t/MEUR (parent company)	3,3	3,7	3,0	2,7	4,3
Water	2020	2019	2018	2017	2016
Water consumption, m ³	7 509	7 732	8 543	8 214	13 230

 Laura Raitio
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*Refers to GHG-Protocol Scope 1-2 energy consumption and respective emissions. Scope 1 emissions cover fuels used in own operations. Scope 2 covers electricity and district heat consumed in own operations. Does not include energy included in rental agreements or small rented offices.





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