



# Responsibility and Sustainability Report 2021

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# Responsibility is part of our strategy and day-to-day operations

## Introduction and responsibility targets

Responsibility is part of our strategy and day-to-day operations. Our goal is to renew the energy infrastructure of Kainuu and its surrounding areas through responsible operations to ensure that the region achieves carbon neutrality. As part of responsible operations, we monitor the direct and indirect impacts of the company on society.

This Corporate Responsibility Programme provides information about the foundation for our operations and their environmental, social and governance (ESG) aspects. In our operations, we take into account the requirements of the European Union's Corporate Sustainability Reporting Directive (CSRD).

## Social responsibility

We take care of human rights and implement our values whenever we interact with our customers, employees and partners. Everyone deserves to feel valued and safe.

We develop our employees' expertise as the needs of the industry and customers change. We work to be a good partner and we treat our customers equally. We actively develop our safety culture and have created a working environment that generates and maintains well-being.

## Environmental responsibility

We work close to people and recognise the environmental impacts of our operations. We take environmental issues and energy efficiency into account in all our actions and purchases. We provide our customers with energy-efficient solutions and services, taking account of responsible land use and biodiversity. We are committed to supporting Finland's transition to carbon neutrality by 2035. We design, build and maintain a weatherproof electricity network, which also enables the growth of wind power. We aim to move towards carbon-neutral forms of production in district heating and electricity. Preventing environmental risks is important to us. We also expect our partners to contribute to a carbon-free Finland through concrete action.

## Financial responsibility

We manage our business operations competitively, with high quality and a high level of solvency. Corporate social responsibility is part of our day-to-day work, and we create added value for all our stakeholders through responsible action. We supply electricity and heat cost-effectively. In addition to financial profitability, responsibility means creating and maintaining vitality. Our day-to-day activities are guided by ethical rules.



## Sustainable innovation in the energy infrastructure

Loiste is focusing on maintaining and developing the energy infrastructure in the Kainuu region. Its energy infrastructure includes electricity and district heating networks and energy production.

During 2021, we sold our shares in Loiste Sähkömyynti, Ekosähkö and Teollisuuden Voima. We also started a comprehensive operational efficiency programme because of changes in our operating model and the reform of the Electricity Market Act, which the Finnish Parliament approved in 2021. This reform, which concerns the control model for electricity distribution network companies, reduced Loiste's net sales by more than EUR 8 million per year, or more than 16% of the net sales of Kajave, an electricity distribution company. We are therefore updating Loiste's long-term business plan, which spans 25 years.

Through these measures, we are seeking to ensure that we achieve our security of supply targets for the electricity network in line with the Electricity Market Act and are able to make the necessary investments in district heat production, even though the economic and financial situation has changed drastically.

Sustainability is at the core of our strategy and therefore part of our day-to-day operations. In 2021, we participated for the first time in the international Global Real Estate Sustainability Benchmark assessment. Our results from the first assessment were good, even better than expected, at 79 out of 100. There was also room for improvement, and in terms of progress, we are looking forward to this year's results.

In addition to being sustainable, our goal is to be the most efficient energy infrastructure company in our field and contribute to the electrification of our society and its transition towards renewable forms of energy.

In 2021, Kajaani and Pyhäntä were ranked among the top five locations in the national wind power statistics, thanks to the four new wind farms connected to the network of Kajave, our distribution company. By the end of 2021, a total of around 200 MW of wind power had been connected to Kajave's network.

We started the Low-carbon Solutions for District Heat Production project in cooperation with Kajaani University of Applied Sciences in 2021. At the same time, we started planning the 2030 roadmap for Loiste's district heat production. The purpose of these projects is to accelerate the transition towards low-carbon district heat production in Kajaani and lay the foundation for new business opportunities.

We can achieve all our goals by fostering an open and caring culture of cooperation and by being a good employer for both current and future employees. Our international Great Place to Work certification attests to our abilities.

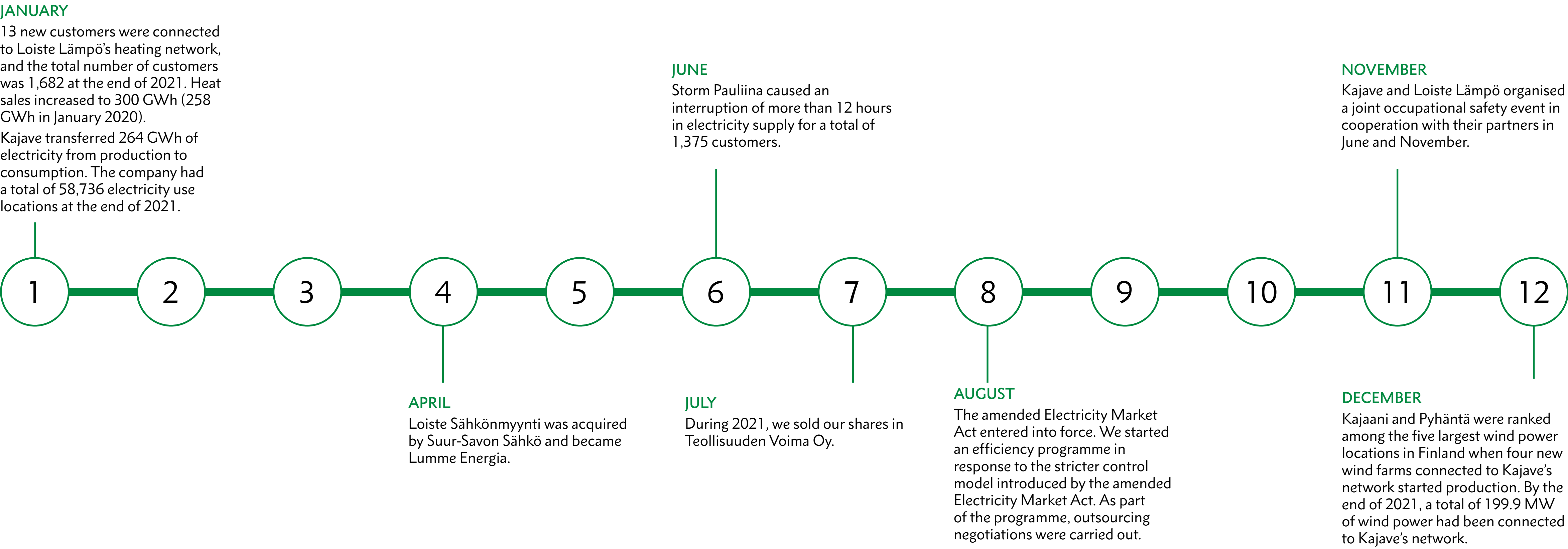
The crisis in Ukraine will pose new challenges to Loiste and its business operations and financial performance in 2022, but we will overcome these challenges in cooperation with our highly competent employees and partners.

**Reino Huusko**  
CEO, Loiste Group





# Loiste highlights in 2021





An aerial photograph of a dense forest. The trees are mostly green, but there are several bare, brown trees scattered throughout, particularly in the upper right and lower right areas. The lighting is bright, creating high contrast between the green foliage and the dark shadows within the canopy.

# Mission, vision & values

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# Mission – Towards a carbon-neutral Finland

Energy companies play a key role in achieving Finland's climate targets. In our region, we work with various stakeholders – both municipalities and customers – to increase the use of climate-friendly electricity. We support the transition towards renewable energy production. We are responsible for the electricity network business throughout the Kainuu area and for district heating operations and services in Kajaani, Otanmäki and Vuolijoki. We are also responsible for the hydropower plants that we own or operate.

We enable the availability of carbon-neutral district heating and invest in renewable energy sources. In maintaining and developing our electricity network, we take account of current and future needs and local conditions. We prepare for power outages caused by weather phenomena by continuously monitoring the electricity network and maintaining troubleshooting capabilities to minimise any inconvenience caused to customers by interruptions.

Our mission is to produce and supply electricity and heat equally to all customers in our region in cooperation with reliable suppliers and partners.





## Vision – Responsible innovator of the energy infrastructure

We focus on maintaining and developing the energy infrastructure in Kainuu and the surrounding areas. The distribution network company is building a weatherproof electricity network that can also be connected to renewable energy production. The network company has a statutory obligation to keep the network service operational in any weather conditions.

Loiste's energy infrastructure includes electricity networks, district heating networks and heat and electricity production. We have outsourced most of our operational functions. In our own operations, we focus on asset management and the competent acquisition and management of operational services.





# Our values

## Customer orientation

- We listen to our customers and look for suitable solutions for them. We understand and recognise people’s life situations. We treat people as individuals.

## Joy in life

- We have a positive attitude. Although we are highly competent professionals, we can also laugh at ourselves. We also dare to have fun.

## Responsibility

- We act ethically and responsibly, respecting people and the environment. We contribute to the vitality of our region.

## Together we are more

- We approach changes with curiosity and ambition. Our processes are inclusive, and we have the tenacity to keep working until we find a solution.





## Sustainable development goals

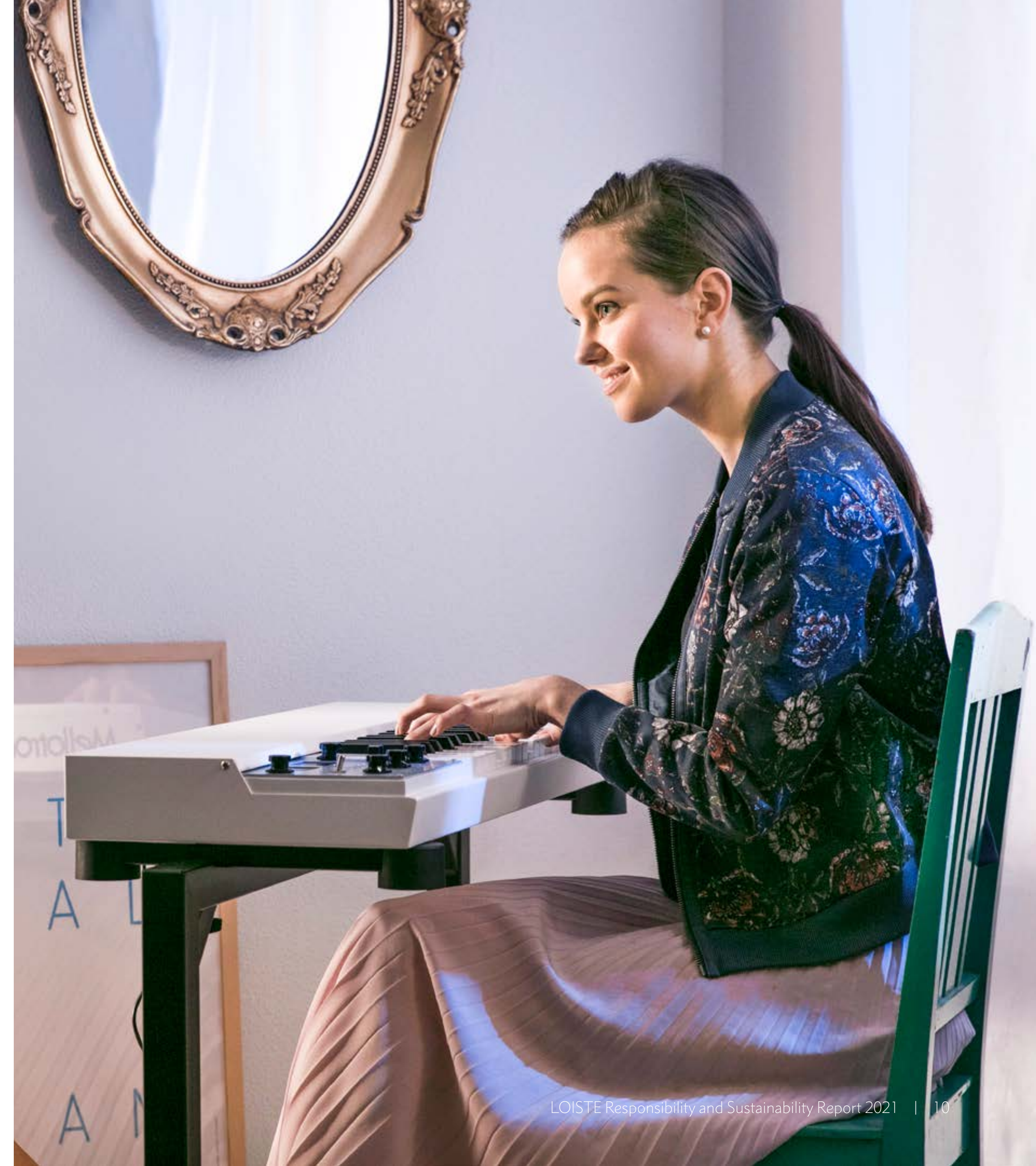
We are committed to supporting Finland's transition to carbon neutrality by 2035.

We are also involved in investing in and building wind power. We are committed to preventing the environmental risks of our own operations and the risks posed by climate change. We participate in social projects where we can make an impact and where we can use our expertise for the benefit of the climate. We also expect our partners to take concrete action to achieve a carbon-free Finland.

## Loiste Group's strategy

The company's strategy is updated annually and its key priorities are reviewed on a quarterly basis. The related action plans are reviewed and updated monthly and business processes are monitored on a weekly basis.

The Board of Directors is responsible for the Group's strategy. The CEO is responsible for preparing and implementing the strategy, and the CEO delegates responsibility for planning the business strategy to the business executives. The CEO prepares the strategy and implements it together with the Group Management Team. Organisational staff are involved in the preparation of the strategy as needed. The implementation of the strategy is reviewed regularly with the entire staff. A schedule is prepared for the measures included in the strategy, and responsibility is assigned to the appointed persons in charge. The business plans of the units are part of the strategy. The implementation of the strategy is guided and measures are prioritised at the monthly meetings of the Group Management Team. The persons in charge are responsible for ensuring that the strategy guidance monitoring tools are up to date.





# Loiste Group’s strategy

## The most efficient energy information company in the industry

- We focus on core asset management functions
- We outsource operational functions and select service providers through competitive bidding
- We reduce unit costs by eliminating complexity

## Customer-oriented and responsible

- We enable the electrification of society
- We accelerate the transition to renewable energy sources
- We sell responsible and competitive district heating and steam
- We act responsibly and expect the same from our partners



## Growth and profitability through investment

- We optimise electricity network investments to meet customers’ needs, taking account of changes in the operating environment
- We renew the district heating and steam production and distribution infrastructure
- We are expanding the district heating value chain to also include energy solutions for properties
- We develop the profitability and structure of the electricity generation portfolio

## An evolving culture and a renewed knowledge base

- We maintain an open and caring culture of cooperation
- We strengthen the knowledge base for asset management and procurement
- We are a good employer for both current and future employees



An aerial photograph of a vast, green agricultural field, possibly a rice paddy, with visible furrows in the soil. Several wooden utility poles with power lines are spaced out across the field. To the right, a paved road curves through the landscape, bordered by a dense forest of tall evergreen trees. The sky is overcast and grey. The text "Operating environment" is overlaid in the center in a large, white, sans-serif font.

# Operating environment

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# The energy sector is changing

The energy sector is under constant change because of the energy revolution and digitalisation. New operating models are being developed for the sector. We play a major role in mitigating climate change and electrifying society. People expect the supply of electricity to be secure, with reliable quality.

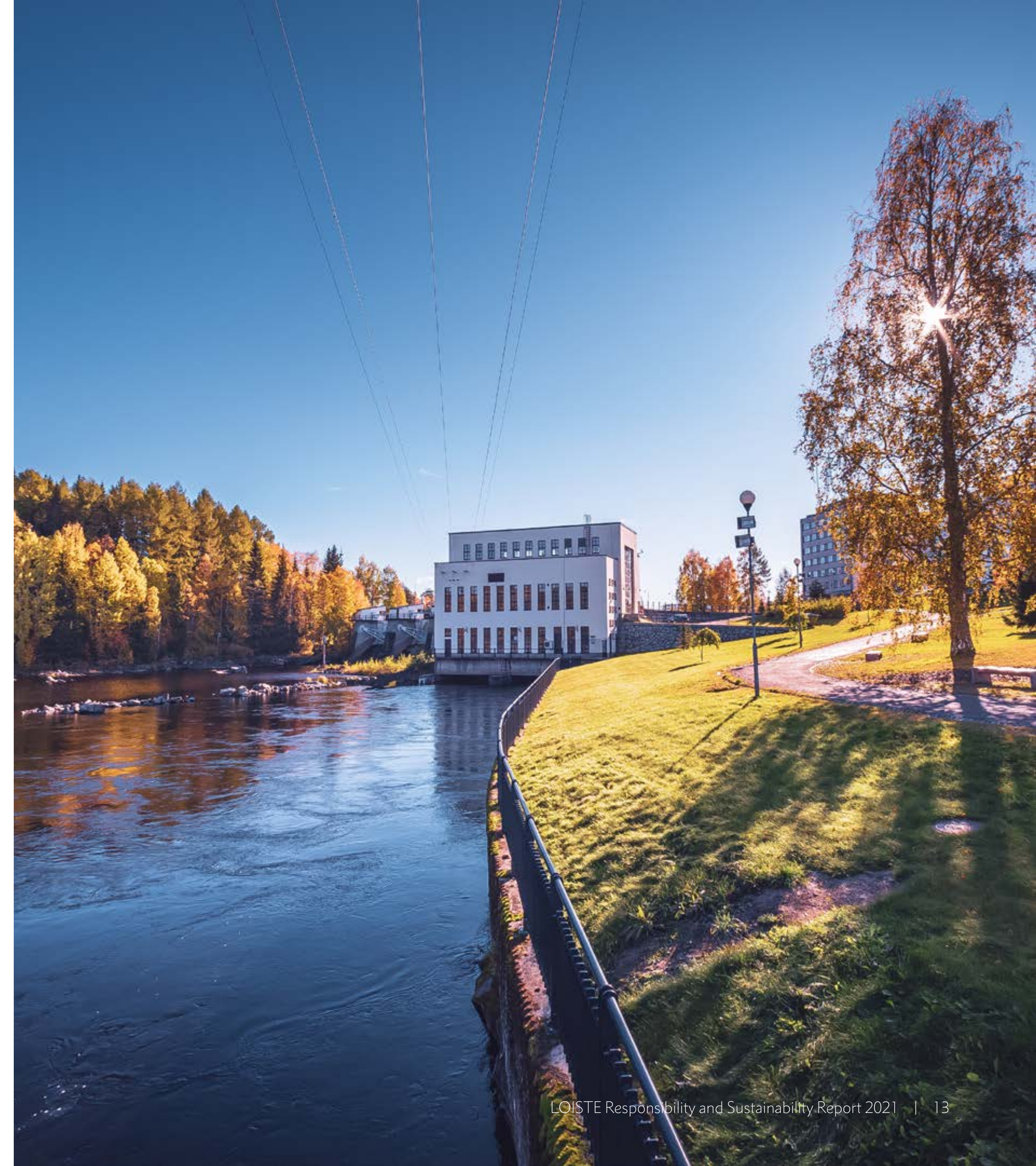
The EU taxonomy sets requirements for sustainable development and thereby contributes to the achievement of the EU environmental goals. The achievement of these goals calls for concrete action, to which we are committed as an energy company. The production of wind and solar power is increasing in our areas of operation in Kainuu and its surrounding areas. In this respect, estimates of the implementation of Loiste's plans are monitored regularly.

We operate in line with the laws, regulations and standards applicable to our operations. We are expected to take good care of the environment and act responsibly as an employer, a customer and a supplier of energy. We are involved in promoting the UN Sustainable Development Goals.

In our business operations, we monitor the development of legislation proactively and are responsible for ensuring compliance with the law. We actively participate in and monitor development efforts in the energy industry. This also provides us with information about legislative reforms, for example. This information is shared within the organisation and with partners.

Competition in the heating business is increasing. Geothermal heating systems and air source heat pumps are becoming more common and their technology is evolving. The electricity generation market is challenging throughout Europe, and this is reflected in the pressure to raise prices in Finland. In the electricity network business, the requirements are stricter in terms of pricing and security of supply.

Long-term operations require that we adopt the principles of sustainable development and keep our stakeholders informed and involved. In terms of personnel, customers and other stakeholders, we comply with the General Data Protection Regulation (GDPR). Customer satisfaction is a key part of our company's values. Above all, satisfaction is guaranteed through our good security of supply.





# Stakeholder policies and relationships

Stakeholders are parties that have an impact on our operations and are also affected by our operations. Cooperation with stakeholders is based on trust. Stakeholders can be individuals or companies. There are both internal and external stakeholders. Stakeholder perspectives, roles, feedback management and relationship management are part of business planning. Stakeholder risks and their management models are considered and followed in various processes. Stakeholder management requires transparency and control over all stakeholders. Risks need to be considered in terms of how they affect all stakeholders. Companies' operating environments and ways of working are changing, and change management includes considering the management of various ecosystems. With regard to stakeholders, we monitor activities and interactions at various meetings. We monitor and promote operations through feedback, development ideas and risk management surveys. We monitor the quality of stakeholder activities, respect for human rights, risks and occupational health and safety aspects, in addition to involving stakeholders in our activities. We require from stakeholders transparency and the reporting of any misconduct, penalties, incidents or accidents. These are reviewed in accordance with the agreed schedules at the service management meetings to the extent that such meeting practices are in place.

### Customers

Our customers expect security of supply, reasonable prices and responsibility from our products and services. Customers are consumers of our products and users of our services. We monitor the customer experience and provide our customers with opportunities for feedback so that we can manage our obligation to meet customer requirements. Any issues are usually related to the processing of personal data. We comply with the GDPR, and compliance is monitored at the meetings of the Data Protection Committee.

### Personnel

Employees are an important resource for the company. Well-being and safety at work must meet the requirements. Employees' expectations are monitored as part of Loiste's strategy work (our personnel strategy is updated every 1–3 years). Employee satisfaction is monitored by means of an annual TrustIndex survey and monthly pulse surveys. Employees are provided with opportunities for feedback and professional development, and their equal treatment is ensured. We comply with the Act on Co-operation within Undertakings (1333/2021), the Government Action Plan for Gender Equality and the UN human rights rules. We have ethical guidelines in place for our employees.

### Owners

Owners' expectations are monitored through owner meetings at least twice a year. The owners expect the company to operate in line with its Articles of Association and develop its business operations so that the value of the company can be expected to increase over time. Through accurate reporting, the owners are provided with an overview of our financial situation, well-being at work, the risks involved in our operations and our impact on the surrounding society.

### Financiers

Financiers invest in the operations and development of the company. The financiers expect the company to secure a stable financial position and return on investment.





# OPERATING ENVIRONMENT

## Partners and service providers

Loiste’s operating environment involves various service providers. We operate within an extensive partnership network. Some partnerships are long term. Our partners expect long-term business development and transparent operations from us. We expect high-quality, cost-effective and transparent operations from our partners. The selection of partners and the management of partnerships are documented. Partners comply with our principles and rules. Operations are monitored and measured regularly, and the results and operational development are reviewed with the partners. Construction partners must ensure safety on construction sites in accordance with the law.

## Society

Our environmental performance and social responsibility are important in various areas of society. In our operations, we comply with the law and EU regulations. Our operations are measured and monitored by the authorities. In environmental matters, we pay special attention to preparing for the future in terms of global warming, ESG and the EU taxonomy to the extent applicable to our industry.

## Media

The media expects responsible, timely and prompt communication from us.

## The authorities

The electricity network business is the most strictly regulated aspect of our operations. It is regulated under the Electricity Market Act and its regulation also concerns pricing, investments and the generation of revenues. Supervision and legislation safeguard the position of electricity customers. The electricity network business is a monopoly business. Operations are also supervised by the national grid company. The supervisory authorities expect energy efficiency and compliance with the law and environmental permits in terms of emissions and the storage of raw materials.





# Quality management as part of the operating policy

As part of Loiste's responsibility programme, quality management creates a common basis for quality assurance in our various businesses. Quality management is part of all business-related processes, from procurement to monitoring.

### There are six basic elements to quality management:

- Meeting the needs and expectations of our customers is a prerequisite for Loiste's success.
- We ensure that Loiste's assets are reliable and secure.
- In our operations, we adhere to Loiste's ethical principles and values and the applicable rules.
- Skilled and motivated employees are a basic precondition for our operations. We aim to be the most attractive workplace in our industry.
- We monitor and measure the quality of our operations and are committed to the continuous development of our operations.
- We also expect our partners to work in line with our quality management principles and practices.

Integrating quality management into our practices and day-to-day work is an ongoing challenge that requires the commitment of both the management and the employees.





# Loiste Group’s management system standards and their application

The quality of our operations is reflected in our work performance, which is developed, monitored and reported through certification systems. In Finland, we lead the way in operational development in the energy sector with the help of certified systems. We had our quality, environmental and occupational health and safety systems certified at the same time in 2000. The certificates cover all our business areas: energy and heat production and the network and related internal services.

**The following are also taken into account:**

- Employees’ full participation
- A process-like operating model
- Improvement
- Evidence-based decision-making
- Relationship management

The requirements, policies, purposes, goals and operating instructions included in our management system are based on the following standards: ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and EES+. Our operating system covers all processes and Group companies.





# Our guiding policies

The policies of the Loiste companies guide our operations to ensure that our owners’ and stakeholders’ expectations are met. The company’s Board of Directors has set and approved the policies that guide our operations, as well as the Board’s rules of procedure. In line with our strategy, we are committed to systematic and continuous development. Our operations are guided by the company’s values. Loiste’s management system aims for the safe, sustainable, reliable and cost-effective management of operations, products and services, considering their entire life cycle and the functionality of its own processes and the processes of its partners and customers.

The requirements and guidelines related to infrastructure, information systems and reporting are considered in preparing and setting policies. Policies are reviewed regularly and updated as necessary to reflect operating methods and current standards. Policies are targeted at all employees to the extent that they are applicable to each organisation. Processes are monitored at various meetings as necessary. The implementation of the policies and the management of the system are regularly audited.

## Loiste Group’s policies

- Operating policy (ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, EES+), risk policy, procurement policy, treasury policy (asset management, included in the risk policy)
- Credit risk policy (included in the risk policy)
- Insurance policies (included in the risk policy)

We act responsibly, taking into account the needs and expectations of stakeholders and the importance of cooperation. Our operations are described in processes that measure and monitor the implementation of the responsibility of our operations, covering the requirements of the quality system, ESG and the EU taxonomy.

The risk policy covers environmental, social and governance risk areas. In addition, the policy takes into account separate detailed risk management guidelines for business operations. The risk policy and its appendices include the following policies: continuity management, production risk policy, production risk mandate, crisis management rules and guidelines, REMIT Compliance insider information, cybersecurity, authorisation and security risk management, environmental risks, social risks and management risks.

Risk management is the management of identified risks through various means such as risk elimination or reduction. Only identified risks can be managed. The risk policy is an expression of the will to manage risks in situations where there are several options. The risk policy includes a procedure for achieving the appropriate state of mind. Internal control is management that ensures the proper operation and legality of people and processes. The document provides guidance on internal control and risk management.

The goal is the safe, sustainable, reliable and cost-effective procurement of products and services, taking into account their entire life cycle and the functionality of the Group’s and its customers’ operating processes. The Group’s current guidelines related to infrastructure, information systems and reporting, for example, are taken into account in procurement. The product or service to be purchased must meet the requirements of the law. The supplier must meet the requirements of the Loiste companies’ credit risk policy. The procurement principles cover the following areas: procurement principles, documentation, partner management, monitoring methods, feedback, measurement, quality, the environment, society, social aspects, security and data protection.

## Our guiding policies

At Loiste, we always comply with the current legislation, even if this means that our internal goals cannot be achieved.

We adhere to the following rules. We also familiarise our partners with the rules and require and monitor compliance with them.

- We always act honestly, responsibly and lawfully.
- We behave professionally and in accordance with good business practice (good business practice refers to good practice that reflects a general understanding of morality).
- We avoid situations where our own personal interests may be considered to conflict with the interests of the Loiste companies.
- We always process the Loiste companies’ business information confidentially.
- We will not abuse the powers granted to us for the benefit of ourselves or any third party, nor to the detriment of the Loiste companies.
- We actively promote equality and diversity. We do not allow discrimination based on gender, age, disability, ethnic origin, religion, worldview, sexual orientation or any other personal characteristics.



# OPERATING ENVIRONMENT

## Loiste’s policies of action

- The Loiste companies act responsibly and transparently in all their operations.
- We identify the needs and expectations of our stakeholders for our operations and implement them through our processes. Our main stakeholders are customers, employees, suppliers, partners, the authorities and owners.
- In our operations, we take into account people’s life situations and needs, and we do not exclude anyone from our daily operations. We respect everyone.
- We actively monitor the development of the operating environment. We comply with the requirements of the law and other standards regarding our operations.
- We comply with the national legislation, ESG, the EU taxonomy requirements and the UN human rights rules. We consider the following aspects and strive to develop them to the extent that they apply to our business operations.

## The environment

- Climate change mitigation: our target is to develop our processes to minimise our climate impacts.
- We promote adaptation to climate change.
- We promote the sustainable use and protection of water and marine resources. We are promoting the transition to a circular economy and recycling.
- We prevent environmental pollution.
- We protect and seek to restore biodiversity and diverse ecosystems.
- We take forests into account as efficiently as possible in construction. We are freeing forest areas for forest growth when moving power lines next to the roads.

## Social sustainability

- We develop and maintain a corporate culture that takes into account aspects related to people’s gender, diversity, working conditions and human rights.

## Good corporate governance

- Good governance involves protecting the rights of owners, treating them equally and recognising their legal rights. Owners are encouraged to participate in the company’s operations and are regularly provided with accurate reports on the organisation’s financial situation. Good governance also includes the control and supervision of the organisation’s governing bodies and accountability.
- Our monitoring responsibilities include the timely and accurate reporting of financial information and the proper organisation of auditing, internal control, risk management, compliance with laws and regulations, and management and governance practices.
- The administration must ensure independence, cybersecurity, data protection, authorisation, reward methods, identification and the prevention of conflicts of interest.
- Significant conflicts of interest related to our business are reviewed with sufficient care and responded to as necessary.
- We also require good governance from our partners, and we expect good governance throughout our value chain.
- We ensure sufficient resources for our operations, chosen operating methods, operational development and expertise.
- We encourage participation and involve and engage our own and our partners’ employees in improving efficiency, safety and well-being at work, reducing environmental impacts and improving energy efficiency.
- In new investments, we adopt the best and most reliable technologies available.
- We guide our customers to act responsibly in their decisions that affect safety, the environment and energy efficiency.
- We require our partners to commit to our policies and rules. We support the development of our partners’ operations and management and improve the performance of the entire network in terms of quality, efficiency, safety, environmental impacts and energy efficiency.
- Our operating system meets the requirements for ISO 9001 quality management systems, ISO 14001 environmental systems, ISO 45001 occupational health and safety systems and EES + energy efficiency system standards.



A man and a woman are in a workshop, working on a pink bicycle. The man is wearing an orange puffer jacket and a blue and white striped scarf. The woman is wearing a white puffer jacket, a grey beanie with white stars, and black gloves. They are both smiling and looking at each other. The bicycle is pink with white wheels and a red mesh basket. The workshop is cluttered with various tools, boxes, and equipment. A large window in the background lets in bright light. The text "Social responsibility" is overlaid in the center of the image.

Social responsibility

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# Employees as part of the operating policy

We follow the values of the Loiste companies. Loiste's high level of ethical and moral standards is reflected in our common values. Employees are expected to comply with our ethical guidelines in their activities. Through social responsibility, we can contribute to and safeguard well-being in society. This responsibility includes statutory matters, such as those related to employees' social security and occupational healthcare, but it also includes voluntary contributions. Efforts that have a positive impact on employees, stakeholders and society create added value and a competitive advantage.

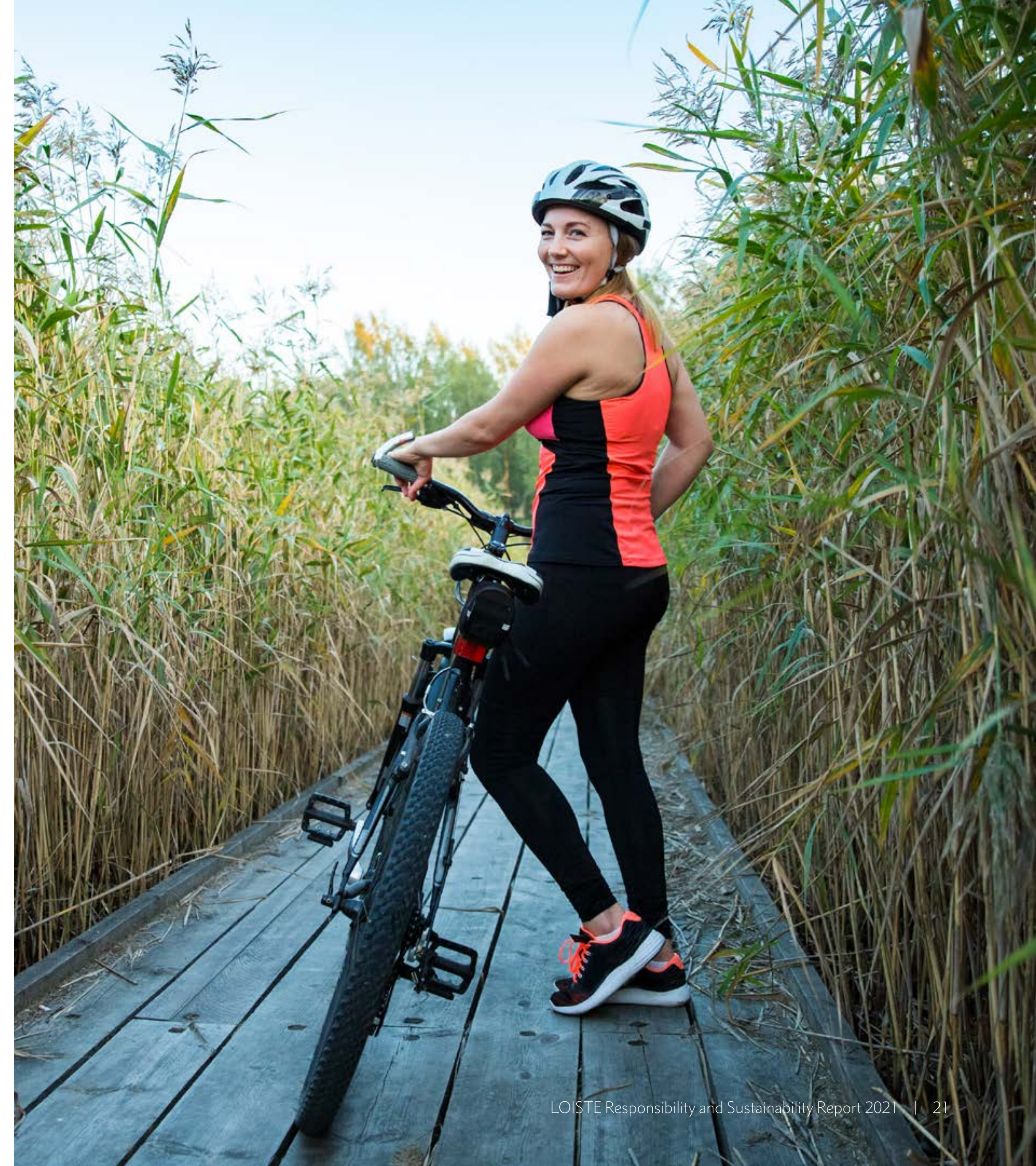
In addition to our own personnel, Loiste companies' social responsibility also applies to the employees of our partners, contractors and subcontractors when they are involved in our assignments.

In our procurement, we ensure that subcontractors also take responsibility for their own employees. The well-being of our personnel has been monitored since 2003 through an annual personnel barometer survey. Since 2016, the survey has been conducted within the Great Place To Work survey, which enables us to address any challenges related to work or working conditions at an early stage. In addition, we conduct a monthly anonymous pulse survey, through which employees can also provide free-form feedback or submit questions to the management. These are reviewed at monthly briefings for employees. Opportunities to have constructive development discussions with the supervisor and provide confidential feedback are important. We strongly support the voluntary training of staff.

**Employees are our company's most important resource. We support our employees' development and encourage them to:**

- Participate actively in the planning and development of our operations
- Learn to manage continuous change
- Engage in professional development
- Apply for meaningful and challenging jobs
- Take care of their physical and mental well-being

Our goal is to be a team whose members can work together flexibly and seek to solve the problems of the workplace community boldly and constructively. Our operations are guided by positivity and open-mindedness.





# Health and safety

We work to ensure the occupational health and safety of our employees and partners. These are regularly monitored at committee and service management meetings.

Each committee has its own goals, which are discussed at its meetings. More detailed descriptions are stored in the locations specified in the process descriptions. The Loiste companies comply with the applicable laws, standards and other regulations. Occupational health and safety and shop stewardship activities are organised in accordance with the law.

**OCCUPATIONAL HEALTH** refers to physical and mental working capacity and occupational health. The goal of occupational health and safety activities is to maintain occupational health and prevent hazards and disadvantages arising from work and working conditions.

**OCCUPATIONAL SAFETY** means that the physical, mental and social working conditions in the workplace are in order. When an employee has a safe environment, a well-functioning workplace community and an appropriate workload, their work is meaningful and productive.

**OCCUPATIONAL HEALTH AND SAFETY** are cooperation between the employer and the employees to ensure that it is safe and healthy to work in the workplace.





# Building a safety culture is part of day-to-day work at Loiste

The Loiste companies and the partners building Kajave's electricity networks and Loiste's district heating networks cooperate closely to ensure occupational safety.

The companies are creating a common safety culture that concerns technicians, subcontractors, supervisors, builders and managers in their day-to-day work, as well as customers.

"We all need to be involved in building a safety culture to prevent accidents and ensure that no one is injured on our construction sites," says **Timo Jutila**, CEO of Kajave.

The following partners participated in the occupational safety event organised by Kajave and Loiste Lämpö on 30 November 2021: Eltel, Enerke, Efficient Network Partner, Insplan and Omexom.

The energy sector is prone to accidents for a number of reasons. Working with electricity involves a hazard, and work is often carried out at height, on excavation sites, in extremely cold or hot temperatures, in the field or in the middle of storms or floods. The trips to the sites also involve risks: the roads can be difficult to navigate, and the distances are often long.

"In terms of Loiste's safety culture, it's crucial that we all see safety as one of our primary duties. We are building a vibrant Kainuu region, and we are responsible for providing our customers, society, industry and transport with electricity. All this must be done in such a way that no accidents occur to our employees, partners or customers or the owners of the land where our operations take place," says Timo Jutila.

## "Everyone must be involved in preventing the risk of injury"

Jutila, who is the CEO of Kajave, and **Marko Kesti**, the CEO of Loiste Lämpö, led by example by wearing protective equipment, helmets and goggles at the occupational safety event organised by Loiste.

"It's everyone's responsibility to stop unsafe operations, make safety observations, carry out safety tours and keep the risk of injury to a minimum," says Marko Kesti.

In the spring of 2021, several near misses occurred at Loiste's construction sites. This made the company pay even more attention to occupational safety.

Loiste, together with its partners, organised a Safety Day event in June 2021.

"The event generated good ideas and received excellent feedback," says **Eetu Niskanen**, Construction and Procurement Manager at Kajave, with **Antti Lappalainen**, Development Manager at Loiste Lämpö.

"We work to create a safety culture that reflects our company. It all begins with the right attitude, and safety must be part of day-to-day work," says Marko Kesti.





# SOCIAL RESPONSIBILITY

## What does occupational safety mean for Loiste’s partners?

“For Eltel, safety means high quality and caring. It’s one of the cornerstones of our values and a high priority in our day-to-day work and discussions. We are aiming for zero accidents. We have not yet achieved this goal, but we continue to work towards it. Our safety management must be proactive.”

– **Juha Putaala, Regional Manager, Eltel**

“Safety means everyone can go home safely after the working day. We have invested a great deal in further improving our assessment of work-related risks and safety attitude. For Enerke, safety means quality and caring. It’s a long-term effort that requires systematic work and determination.”

– **Perttu Rytivaara, Environmental and Safety Manager, Enerke**

“Safety requires discussion and, above all, the right attitude from everyone, which is reflected in individual employees’ attitude towards their work in the field. For ENP, safety means that everyone is able to go back home safely every day.”

– **Marko Heiskanen, Head of Unit, Efficient Network Partner (ENP)**

“Occupational health and safety are a common cause for everyone. For us, safety is an everyday activity. It’s important that accidents and near misses are reported openly. We can share information with the customer and also with competitors so that no one repeats the same mistakes.”

– **Janne Maikola, Head of Unit, Omexom**

## Priorities in occupational safety in 2022

- 1. INCREASING SAFETY AT WORK ROUTINES AT ALL LEVELS.** Safety observation rounds will be included in the goals of all developers/supervisors in the electricity and heating business for 2022.
- 2. MAKING SAFETY INCIDENTS MORE TRANSPARENT TO PROMOTE LEARNING.** The monitoring and reporting of safety observations and incidents will be improved with a new tool to be introduced during the spring.
- 3. THE SAFETY CULTURE IS CONTINUOUSLY DEVELOPED.** This work requires time and commitment from everyone. As part of the development work, a Loiste Safety Week will be organised in the spring of 2022.





## Equality programme

The Loiste companies have an equality and non-discrimination programme in place. Equality must be promoted in a goal-oriented and systematic way by creating conditions that do not hinder the realisation of equality.

In planning related to equality, solutions must be found that increase gender equality. The purpose of the obligations and measures to promote equality is that workplace practices, among other aspects, are genuinely non-discriminatory in terms of recruitment, the division of duties, training, remuneration and the determination of employment and employment-related obligations. This means practical action to promote equality.

We appreciate the freedom and convictions of the individual. We respect each other equally, regardless of age, gender, organisational status or other personal characteristics. We actively provide feedback and develop remuneration models. We acknowledge and reward individual employees for significant work performance.

## Committees

Committees work to ensure compliance with the standards, which is reflected in the day-to-day operations of all our businesses. The role of the committees is to take care of policy compliance processes and monitor the related indicators. The committees provide information in accordance with the procedure agreed within the organisation. The work of the committees and the management is also evaluated through internal audits. The following committees discuss the monitoring of processes:

- Environmental and Energy Efficiency Committee
- Health and Safety Committee
- Data Protection Group
- Service Management and Steering Groups

## Target programmes

Target programmes are set by business operations and approved by business operations and the Group's management. Target programmes are monitored by various committees by means of indicators. The committees provide the organisations of various business operations with information and verify the indicators as agreed.





# Group and staff indicators

Year	Average number of personnel	Salaries (1,000 €)
2021	59	4,172
2020	63	3,819

In 2021, of the employees of the parent company and the Group, 71% were men and 29% were women. On 31 December 2021, the average age of our personnel was 47.4 years.

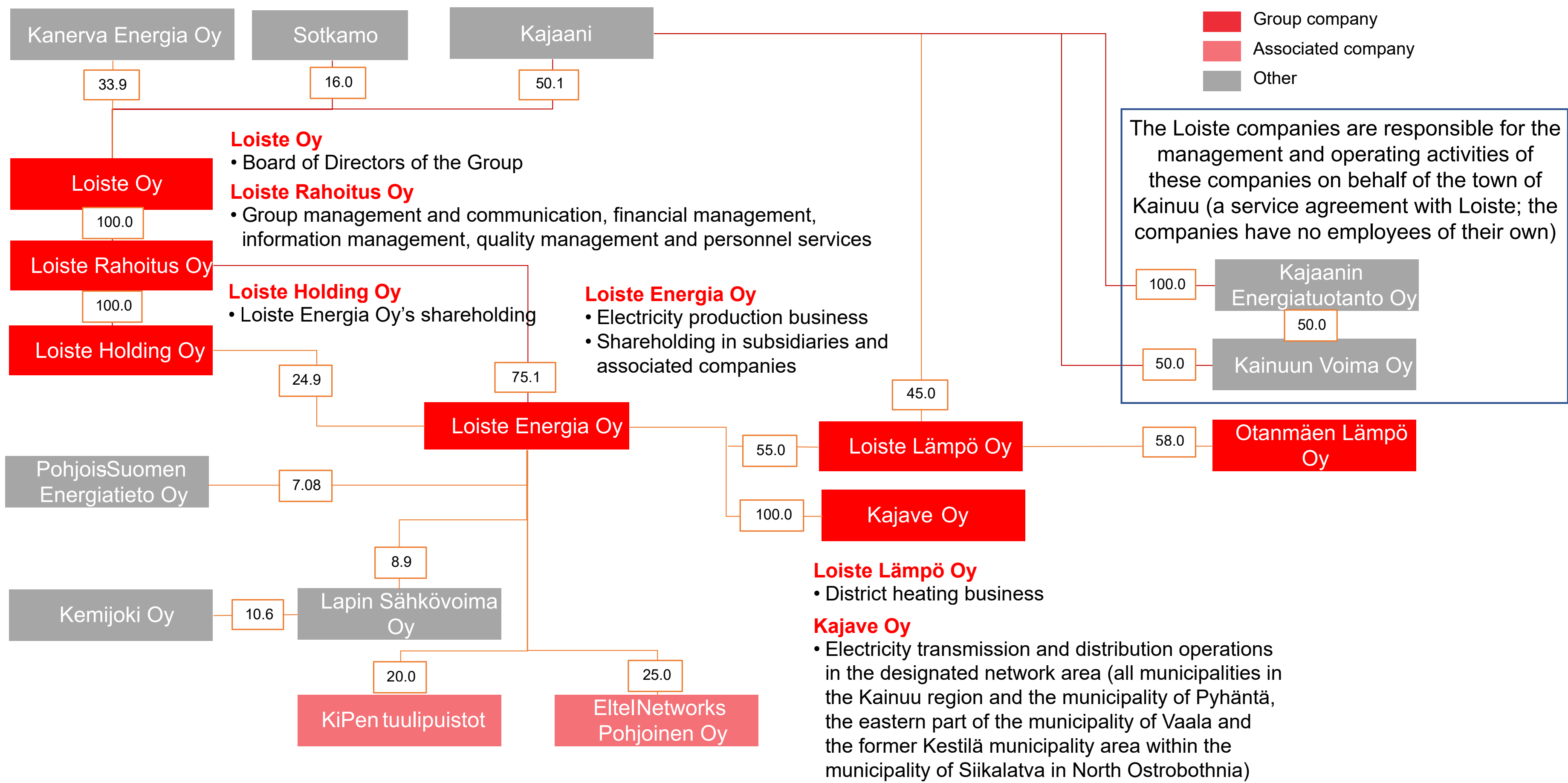
## Our employee benefits

- ePassi Flex sports, cultural and wellness benefits
- Physical therapy, 10 times per year
- Glasses for computer work
- Work ergonomics measurements
- Extensive occupational healthcare
- Staff club activities (under a separate budget)
- Birthday and anniversary celebrations
- Recreational venues
- Leisure accident insurance





# Company ownership and governance





### Structure, governance, business operations and support processes

In accordance with the Group's strategy, its structure, governance and decision-making, monitoring of business areas, impact and measures are maintained and monitored in the systems used to describe business processes and sub-processes, as well as in the related documentation tools.

The Articles of Association determine the company's business name, domicile in Finland, business sector and signature rights. The current version of each company's Articles of Association is available from the Patent and Registration Office. The Board's rules of procedure include guidelines on compliance with the company's ethical rules, Articles of Association, corporate governance, operating method and decision-making procedure.

### The company's Board of Directors is responsible for ensuring that:

- The company's accounting and the related documents are up to date and complete and in compliance with the laws of Finland.
- The company's audit is performed by an independent and internationally known audit firm.
- The company's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Finland and in accordance with the EU and Finnish legislation.
- The company's internal control and risk management are organised, the risks are insured and the insurance cover is sufficiently comprehensive.
- The company's Board of Directors and management manage the company in accordance with its current business plan.

### Governance development

The role of Administrative Services is to support the boards and business management of their customer companies in financing, in financial, information and personnel management and in any mergers or acquisitions. Administrative Services is also responsible for providing its customers with personnel and communication services and coordinating competence development and project management.

In addition, Administrative Services is responsible for coordinating the development and maintenance of the business system of the Loiste companies, in cooperation with the boards, management teams, business management and experts of the various companies. To a limited extent, it is also responsible for coordinating the development work related to management and quality systems, as well as the Group's information management (in terms of quality, the environment, occupational health and safety, information security, cybersecurity and corporate social responsibility).



# Support for children's and young people's leisure activities in Kainuu

The Backup Power (*Taustavoimaa*) grant is an activity grant of up to EUR 700 that can be applied for by associations, clubs, hobby circles and other organisations providing hobby activities for children and young people aged under 18 in the Kajave electricity grid area.

The grants support the leisure activities of children and young people in a variety of ways, and the sphere of supported activities is not limited.

A total of EUR 5,000 in Backup Power grants is awarded each year. The application period begins in December and runs until the end of February. The applicants are informed about the decisions by the end of March, and the grants are paid in April.

The total amount of grants awarded over the past ten years is EUR 100,000.

**Based on the 2021–2022 application period, grants were awarded to the following associations:**

- Isa Asp -seura ry
- Matushka ry
- Kajaanin 4H-yhdistys ry
- Kosken kyläyhdistys ry
- Kuhmon Kiva ry
- Kajaanin Honka ry
- Korve Kopse ry
- Kuhmon Kivattaret ry
- Setlementti Kainulan kannatusyhdistys ry





A close-up photograph of a hand holding a green plastic cup over a body of water. The water is dark and has many brown, seaweed-like plants floating on the surface. The cup is tilted, and some water is visible inside. The background is slightly blurred, focusing attention on the cup and the water.

**Environmental responsibility**

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# The environment and energy efficiency

The company aims to increase energy efficiency and make environmentally friendly choices in its business operations. We pay attention to hazardous waste, minimise its generation and measure and monitor its appropriate treatment.

The basic principle of our environmental and energy policy is to secure energy supply. Our energy policy also aims to take care of the environment and limit greenhouse gas emissions that cause climate change. Laws and regulations related to the environment and energy efficiency set the minimum requirements for our operations.

We use as much energy from renewable sources as possible in heat and electricity production. In energy production, we strive for solutions that promote sustainable development.

We promote the efficient use of energy in our own and our customers' operations. We maintain our employees' expertise in environmental and energy efficiency considerations. We take the environment and energy efficiency into account when planning new purchases. Our customers and other visitors have access to energy efficiency instructions on our public website. We pay attention to continuous risk management.

Our activities must not pose any health or safety risks to our employees or third parties. We carry out preventive work related to environmental risks. However, if an environmental incident occurs in spite of all preventive measures, we will seek to mitigate its impacts as soon as possible and will contact the relevant authorities and communicate openly about the development of the situation. We regularly report on our environmental and energy efficiency measures.

In the business process for water, we take into account the environmental impacts and improve the energy efficiency of water management and minimise water losses. Our responsibility is related to the use and availability of water and its quality. We strive to minimise water consumption and wastewater generation in our facilities.





# Statutory environmental responsibilities and agreements

Our businesses monitor the development of legislation with regard to their own business areas and are responsible for complying with the law. This is achieved by being actively involved in preparatory work within the industry association and distributing information about legislative changes received from the industry association within our own organisation. We monitor the development of laws and regulations and implement environmental programmes as required by changing regulations. Our most important statutory environmental responsibilities are based on the following laws and regulations:

- Water Act
- Dam Safety Act
- Nature Conservation Act
- Environmental Protection Act
- Act on Oil Pollution Response
- Decree on Industrial Handling and Storage of Dangerous Chemicals

**Our environmental objectives are related to:**

- Increasing remote control and using automation for troubleshooting
- Reducing road traffic emissions in network repair operations
- Reducing losses in electricity and district heating networks
- Replacing pole-mounted substations in groundwater areas with environmentally safe options
- Mitigating climate change and reducing our carbon footprint together with our customers and partners

## Our environmental goals in 2022



**ELECTRICITY NETWORK**

- Increasing the carbon sink of dismantled overhead lines.
- Promoting the connection of small production sites to the Kajave network.



**OUR CUSTOMERS**

- We guide our customers to choose cleanly produced energy.
- We challenge our partners to take concrete action to achieve a carbon-free Finland.



**OUR PERSONNEL**

- We pay compensation for our own air travel.



**DISTRICT HEATING**

- Our district heating is mainly produced in a combined heat and power plant, where the fuel is from a renewable energy source. We communicate the form of district heating production to our stakeholders.
- We use waste heat in our district heating network (including data centres).



**PRODUCTION**

- Reducing the use of peat.
- In district heating production, reducing the use of oil by increasing the utilisation rate of the main boiler.



# Environmental aspects



## Emissions from energy production

- Fossil fuels are used in heat production
- + Wood is primarily used as fuel



## Environmental impacts of hydropower generation

- Fluctuation of the water surface due to regulation
- Changes in aquatic life
- + Flood management



## Materials used in the production and distribution of energy

- Impregnated wood materials, oils and other chemicals and waste generated
- + Transportation
- + Disassembled materials are used in the event of a major disruption
- + Dismantled metal structures are recycled



## Environmental impact of the electricity and district heating network

- The construction and maintenance of the district heating and electricity network will cause changes in the landscape
- + Traffic safety is improved as a result of wider visibility thanks to the roadside clearing lines



## Taking groundwater into account in operations

- Risk of oil leaks due to transformer damage
- + Column transformers will be replaced by weather-safe park transformers
- + Demolition of overhead lines frees up areas for recovery



## Use of energy in own, customers' and subcontractors' operations

- Network losses
- Use of vehicles for construction and maintenance
- Business trips
- + Energy-saving advice
- + Certified clean electrical products



# Demolition of overhead lines frees up areas for recovery

Every year, we install around 100 kilometres of medium-voltage cables underground for weather protection. The overhead lines to be dismantled are mainly located in forests. As the right-of-way zones are usually ten metres wide, around 100 hectares of land is released each year. The released land may remain as a carbon sink or may be used by landowners for agricultural and forestry purposes or for other uses such as nature trails.

## Long-term environmental projects

- Consideration of environmental aspects in electricity network design
- Annual energy awareness work during the Energy Saving Week event
- Environmental art, landscaping of electrical cabinets and landscape poles
- Column transformer replacement in groundwater areas
- Installation of bird balls and reflectors on line sections on bird routes

## Recycling and waste

As the construction and maintenance of electricity and district heating networks and the operation of power plants, as well as waste management, are either partially or completely the responsibility of our subcontractors, the principles and practical operating methods for the appropriate treatment of waste generated have been agreed with our subcontractors.

## Reducing the adverse environmental impacts of energy production

- Involvement in increasing wind power production
- Combined heat and power generation from renewable energy sources

## Consideration of environmental aspects in the design, construction and maintenance of energy networks

- The widening and moving of right-of-way zones along roads will improve security of supply and speed up fault correction, in addition to increasing road safety (wider visibility)
- The use of landscape poles in visible locations, such as urban centres
- Installation of bird balls and reflectors on overhead lines, especially on bird routes
- Improving energy efficiency in our own and our customers' operations
- EES+ certification
- Energy-saving agreements and reporting
- Energy-saving advice for customers



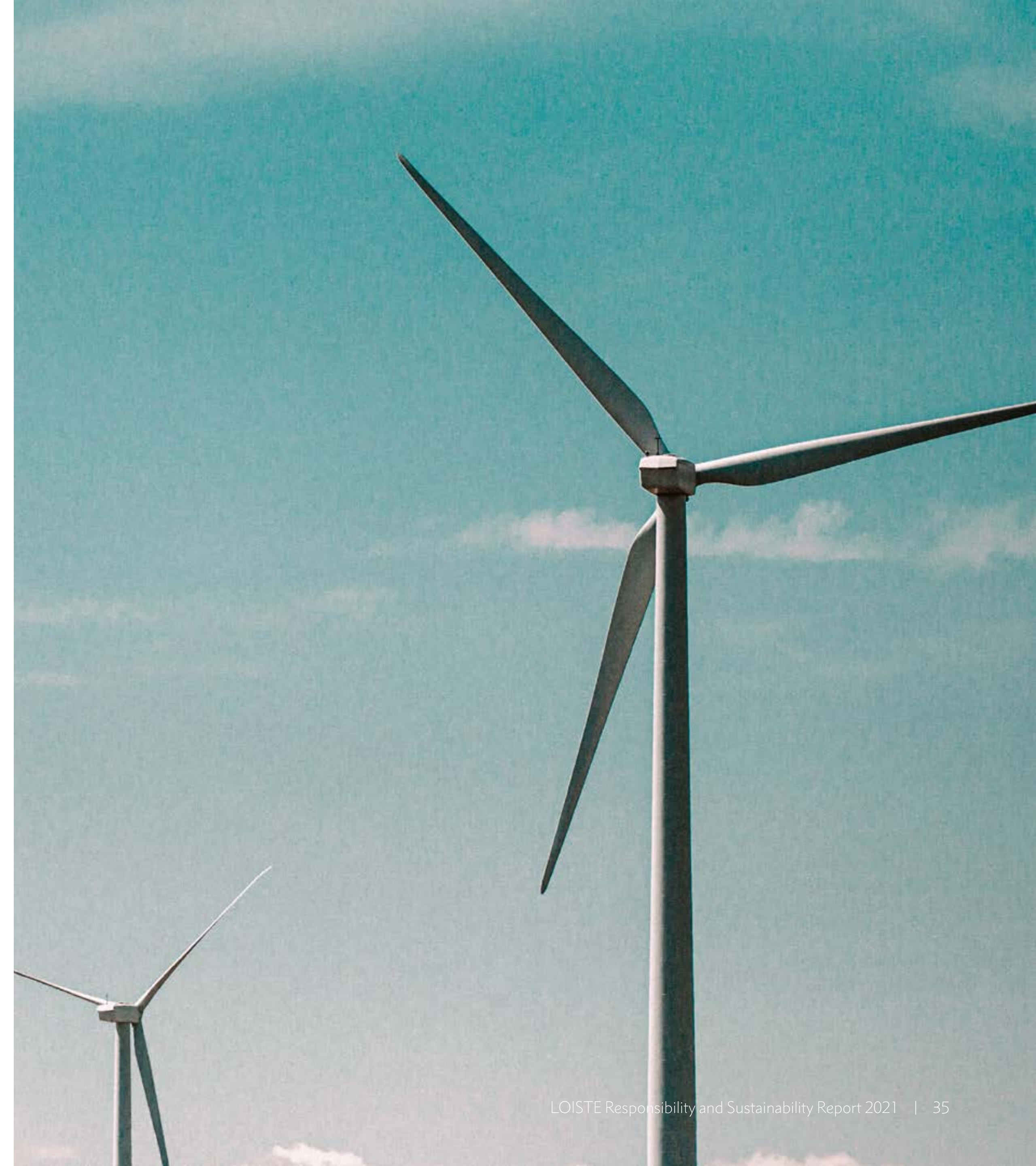
### Kainuu: the wind power province

Our companies have strong expertise in wind power and services for the construction of wind farms. In the Kainuu region, wind conditions that enable the production of wind power have been measured.

For the network company, the construction of a wind farm connection is the result of multi-stakeholder cooperation, preceded by long-term negotiations. We have common ambitions with the wind power operators coming to the area, and our services are based on a strong customer focus and solution-oriented design.

In 2021, Kajaani and Pyhäntä were ranked among the top five locations in the national wind power statistics, thanks to the four new wind farms connected to the network of Kajave, our distribution company. At the end of 2021, a total of 199.9 MW of wind power had been connected to the Kajave grid.

We currently own 20% of the Kivivaara-Peuravaara wind farm in the Suomussalmi and Hyrynsalmi areas with Taaleri. Wind farms generate rental income for landowners and property taxes for municipalities. The most positive impacts have been witnessed in the Suomussalmi and Hyrynsalmi areas in terms of municipal economy, image, infrastructure and employment. In 2020, Ilmatar's Piiparinmäki wind farm connection and substation in southern Kainuu were completed. The aim of the Kainuu wind power regional plan is to supplement the existing 110 kV provincial transmission line network so that the security of electricity supply increases and the need for energy transmission for the growth of wind power production can be met. Here we are involved as an enabler.





A person wearing a yellow cap and a blue sweater is seen from the side, sitting on a boat and holding a fishing rod. The background shows a calm body of water with a bright sunset or sunrise in the distance, creating a warm, golden glow. The text "Financial review" is overlaid in the center of the image.

# Financial review

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# Increasing investment in sustainability

Business decisions determine how sustainably a company operates. At Loiste, it is our pleasure to say that we have made the right decisions: our electricity transmission is already very green.

The next step in our sustainability work is to ensure that the environmental aspect is included in all decision-making. Today, sustainability is part of the social acceptability of a company – and the entire sector. As a sector, the energy industry can achieve a great deal, which is why the requirements are also high.

Every solution comes at a price – and sustainable choices are becoming more affordable than other options. For example, companies with sustainable and emission-free operations have access to funding on the best terms. We are in the process of renewing our loans over the next few years, which is why we work to meet the strict conditions of sustainable finance.

Financial management plays a key role in making sustainable choices. Our team of three business controllers helps our business operations evaluate different options and challenges our organisation to see if we can find even more sustainable ways of working.

In 2022, we are focusing on growing our core operations. A key question is how to achieve emission-free growth. We are looking for an answer by making sustainability an even more important part of all our management activities and by determining our daily strategy from the perspective of green values.



**Lasse Aarnio,**  
CFO, Loiste-yhtiöt





### Kajave's power grid construction brings continuity and work for partners

In 2021, the company transferred a total of 794 GWh of electricity to be consumed through the distribution network (703 GWh in 2020) and 79 GWh in the local network (76 GWh). Its transferred electricity production totalled 264 GWh in 2021 (117 GWh).

The partners selected for the construction of the electricity network are Efficient Network Partner Oy (ENP), Enerke Oy and Omexom. Transformers are delivered by Alfen Elkamo Oy AB and district heating substations by Kuumic Oy. The contracts were subject to competitive bidding through the public procurement model.

The agreements signed on larger projects harmonise operating models and bring continuity to partners. The contractors will be increasingly responsible for project planning and the acquisition of the required permits.

The new two-contractor model for service and maintenance operations in the distribution network area was successfully introduced at the beginning of 2021.

We will build a network of 800 kilometres of overhead lines and underground cables over the next two years. Spanning several years, the contracts will create jobs directly and through companies in our area in the fields of forestry and earthworks, for example.

#### Towards uninterrupted supply and windpower utilization

Investments on weatherproofing distribution network and windpower production engagement proceeded as expected. In 2021, electrical network development investments accrued up to 36,6 M Eur.

In 2021, Kajaani and Pyhäntä rose to the top five locations in wind power statistics after the start of four new grid-connected wind power parks. At the end of 2021, a total of 199.9 MW had been connected to the Kajave wind power grid.

### Loiste Lämpö produces district heating in Kajaani

Loiste Lämpö Oy is responsible for the transmission, distribution and sale of district heating in the Kajaani urban area and for the maintenance and operation of the heating plants it owns. In 2021, 13 new customers were connected. At the end of the year, we had 1,682 customers (1,672 at the end of 2020). A total of 300 GWh (258 GWh) of heat was sold.

During 2021, we generated a total of 334 GWh of district heat, of which 99.3% came from Kainuun Voima's main and spare boiler production units and 0.7% from the company's own oil-fuelled boilers.

The company has seven oil-fuelled heating plants, with a total nominal power of 116 MW. These oil-fuelled heating plants have the necessary permissions in accordance with the Environmental Protection Act, the Pressure Equipment Act, the emissions regulations, the Sale of Goods Act and the Chemicals Act, for example.

We are committed to increasing the energy efficiency of our operations and promoting the more efficient use of district heating among our customers. We have sent a comparative three-year heat consumption report to all customers who have been with us for more than a year.

#### Green district heating production

Loiste Lämpö and CSC (IT Centre for Science) signed an agreement on the site connection of a district heating interface for the LUMI supercomputer data centre for using waste heat.

We are developing a completely carbon-neutral district heating option for customers. During 2022, consumer customers, companies and limited liability housing companies in Kajaani will be offered an opportunity to choose clean district heating produced with waste heat as their heating system.



# Consolidated Income Statement

	1.1.-31.12.2021	1.1.-31.12.2020
Turnover	129 520 119	166 378 880
Other operating income	10 948 789	1 252 626
Materials and services	-73 503 377	-114 207 976
Personnel expenses	-5 128 827	-5 521 363
Depreciation and amortisation	-20 903 032	-19 985 384
Other operating expenses	-16 262 802	-19 660 640
Share of profit of associated companies	375 123	275 835
Operating profit/loss	25 045 992	8 531 978
Financial income and expenses	-7 178 534	-6 881 251
Earnings before appropriations and taxes	17 867 458	1 650 727
Income taxes	-5 460 498	-4 153 070
Minority interests	1 268 503	4 734 517
Profit/loss for the accounting period	13 675 464	2 232 174



# Consolidated balance sheet

	12/31/2021	12/31/2020
Assets		
Non-current assets		
Intangible assets	16 479 659	20 566 783
Tangible assets	319 927 147	297 197 373
Investments	28 042 317	39 063 060
Current assets		
Inventories	733 868	866 942
Non-current receivables	328 781	6 236 495
Current receivables	21 059 909	32 320 235
Cash in hand and at bank	18 820 251	25 146 924
Total assets	405 391 932	421 397 810



# Consolidated balance sheet

Equity and liabilities		
Shareholder's equity		
Share capital	2 500	2 500
Reserve for invested non-restricted equity	23 306 129	23 306 129
Profit (loss) for previous accounting periods	-124 420 642	-106 052 816
Profit (loss) for the accounting period	13 675 464	2 232 174
TOTAL EQUITY	-87 436 549	-80 512 013
Minority interests		
	7 179 284	8 547 680
Provisions		
Other provisions	1 643 905	1 686 645
Liabilities		
Non-current liabilities	461 991 683	471 799 810
Current liabilities	22 013 609	19 875 688
Total equity and liabilities	405 391 932	421 397 810



# Consolidated cash flow statement

	Loiste Group 1.1.-31.12.2021	Loiste Group 1.1.-31.12.2020
<b>Cash flow from operations</b>		
Profit/loss before appropriations and taxes	17 867 458	1 650 727
<b>Financial income and expenses</b>		
Depreciation, amortisation and write-offs	<b>20 903 032</b>	<b>19 985 384</b>
Other adjustments	7 178 534	6 881 251
Cash flow before change in working capital	-375 123	0
Change in working capital	-8 830 998	-95 025
Increase (-) / decrease (+) in long-term receivables	36 742 904	28 422 338
<b>Increase (-) / decrease (+) in short-term receivables</b>		
Increase (-) / decrease (+) in inventories	0	600 560
Increase (-) / decrease (+) in short-term debts	1 947 229	7 195 069
Operating cash flow before financial items and taxes	181 965	-16 458
Interest received	9 166 678	-5 429 345
Interest paid	48 038 775	30 772 164
<b>Dividends received</b>	<b>155 928</b>	<b>59 311</b>
Taxes paid	-6 938 580	-6 501 040
Operating cash flow	232 269	8 132
Direct taxes paid	-84 978	-1 032 548
<b>The cash flow of a business (A)</b>	<b>41 403 415</b>	<b>23 306 019</b>



Consolidated cash flow statement

	Loiste Group 1.1.-31.12.2021	Loiste Group 1.1.-31.12.2020
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-38 232 072	-51 236 017
Investments in group companies	352 553	0
Acquisitions by associated companies	-4 272	0
Other investments	28 867	-146 129
Other long-term deposits	5 500 000	0
Proceeds from the sale of tangible and intangible assets	1 659 529	263 655
Income from other sales of assets	8 909 254	1 857 715
Sales of group companies	791 700	0
Repayment of loan receivables	34 300	0
Cash flow from investments	-20 960 142	-49 260 776
<b>Financial cash flow</b>		
Dividends paid	-21 499 992	-12 806 561
Withdrawal of long-term loans	10 280 000	62 206 940
Repayment of long-term loans	-20 010 920	-15 500 000
Withdrawal of short-term loans	4 500 000	4 398 405
Repayment of short-term loans	-39 034	-14 995
Change in connection fee liability	-26 769 945	38 283 789
<b>Financial cash flow</b>	<b>-6 326 673</b>	<b>12 329 031</b>



# Loiste tax footprint 2021

	1,000eur
Turnover	129 520
Average number of employees	59
Taxes on an accrual basis	
Corporate taxes	858
VAT	11,008
Excise duties	14,739
Withholding taxes	5
Property taxes	68
Payroll taxes	1,593
Additional costs related to salaries	957





# Loiste Group: contact details

## Kajaani headquarters

Ahontie 1 87250 Kajaani  
Postal address  
Loiste-yhtiöt PL 5  
87101 Kajaani

## Espoo office

Bertel Jungin aukio 5  
02600 Espoo  
Loiste Group  
tel. +358 10 226 000

## Kajave

Customer Service, tel. +358 10 192 800

## Loiste Lämpö and Otanmäen Lämpö

Customer Service, tel. +358 10 192 800

## Business ID:

Loiste Rahoitus Oy 3092201-4  
Loiste Energia Oy 0185353-1  
Loiste Lämpö Oy 0883545-9  
Otanmäen Lämpö Oy 1439801-3  
Kajave Oy 2058753-1

## For more information about the Sustainability and Responsibility Report, please contact:

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ESG Officer  
tarja.juntunen@loiste.fi



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[www.loisteyhtiot.fi](http://www.loisteyhtiot.fi)

[www.kajave.fi](http://www.kajave.fi)

[www.loistelampo.fi](http://www.loistelampo.fi)