

Management approach - appendix for GRI index 2019

Report scope and boundaries

There was no stakeholder engagement procedure for defining material topics in 2019. The selection of material topics is based on previous year's reporting as well as the availability of the relevant data.

Unless otherwise mentioned, this report includes the data for VTT Group comprising the parent company and subsidiaries: VTT Ventures Ltd, VTT Memsfab Oy, VTT SenseWay Oy (established 9.10.2019) and VTT Holding Oy (established 4.11.2019). Technology companies, in which VTT is a minor shareholder, are not included.

We create impact through scientific and technological excellence, see VTT's [strategy](#). Concerning sustainability, our research results generate significant positive indirect impact to our customers and other society. Still, we also aim to reduce e.g. the GHG emissions originating from our operations. Calculation principles for GHG emissions have been updated, see 300 Environmental.

Management approach disclosure

General

Key policies are approved by the VTT's Board.

- Board Charter
- Audit Committee Charter
- Remuneration Committee Charter
- Code of Conduct
- Risk Management Policy
- Internal Audit Policy
- Group Treasury Policy
- Credit Policy
- Corporate Governance
- Acceptance Policy
- Remuneration Policy
- Quality Policy
- Environmental Policy

In addition, there are detailed plans and guidance available internally.

There were no individual financial incentives based on performance in 2018.

General management practices are described in [Corporate Governance](#). Processes and procedures are internally evaluated twice a year in management review. External annual review is conducted to verify the compliance with ISO9001:2015 and ISO14001:2015.

A corporate wide LEAN initiative continued to improve the efficiency of our processes and increase the value for customers. Value Stream -concept will replace the earlier process map as a development framework.

Topic specific management approach disclosures

200 Economic

VTT Technical Research Centre of Finland Ltd (VTT) is a state owned, not-for-profit limited liability company and we operate under the mandate of the Ministry of Employment and Economy. VTT's operations are regulated by the Act on VTT Technical Research Centre of Finland Ltd (761/2014). Financial targets are set to maintain a sustainable economy. Profit is allocated to competence and technology development inside VTT. In external and internal accounting and reporting, we make sure that economic activities are separated from non-economic activities in a transparent manner. No subvention or misuse of governmental grant of any kind is allowed. Pricing in contract research is based on market value.

Main responsibility of the financial performance is carried by CEO, CFO and Business Area Leaders.

Material topics

Direct economic value generated and distributed. This characterizes the overall financial performance.

Financial assistance received from government. As a company with specific task, VTT receives a significant amount of government grant. This allows VTT to carry out the high-risk strategic research and investment in research and technology infrastructures, which are necessary to generate the knowledge and knowhow required for fulfilling VTT's public mandate. VTT prepares a detailed plan for the next year typically on December. The ministry makes its funding decision based on this plan. The use of the government grant is reported to the ministry three times per year.

Infrastructure investments and services supported. Experimental facilities are one of our key assets and a differentiating feature. It is essential to maintain a high-level research infrastructure while managing the investment costs in relation to revenues.

300 Environmental

VTT's environmental principles were reviewed and a new environmental policy was accepted

- We create sustainable solutions for major societal challenges in our research projects
- We support our customers in innovations that enhance environmental performance
- We encourage our personnel towards sustainable choices
- We comply with the statutory requirements and other binding obligations of our operations
- We continuously improve our management system to enhance environmental performance.

Senaatti (Senate Properties) owns the majority of VTT's premises and they execute their energy saving programme. VTT participates [Climate Partners/Ilmastokumppanit](#) and [Climate Leadership Coalition](#) initiatives. VTT is certified according to ISO14001:2015. Main responsible actors are line management at every level, Manager (EHS) and project managers.

Calculation and reporting of GHG emissions was updated during 2019 according to main principles of ISO14641-1 and the GHG Protocol. Year 2018 was used as a baseline, and emissions for 2018 are presented according to previously reported and new calculation principles.

Material topics

Materials used by weight or volume. We follow the amount of office paper used. Material savings are sought e.g. by favoring the use of electronic media and two sided printing.

Energy consumption within the organization. We purchase electricity directly – heat is included in rental agreements. VTT reports its energy auditing activities according to Energy efficiency Act. The use of energy in premises (HVAC, lighting) is monitored and savings identified in co-operation with the owner. Challenges in energy saving investments for the research infrastructure originates mainly on relatively short annual operating time and the changing configuration of the equipment combined with large variation of operating parameters. VTT do not produce energy.

Water withdrawal by source. All water is coming from municipal water network and amount is based on measurement. The reported amount includes the water used in research facilities. Biggest consumption points have their own measurement.

Direct (Scope 1) GHG emissions. Direct emissions are released from work related driving with VTT's own cars, personnel's own cars and rental cars.

Energy indirect (Scope 2) GHG emissions. Indirect emissions are released from production plants of electricity and heat used at VTT's facilities.

Other indirect (Scope 3) GHG emissions. Indirect emissions are released from business traveling (mainly flights), upstream emissions of electricity, heat and fuels, production of purchased goods and items and waste treatment.

Reduction of GHG emissions. We have purchased CO₂-emission allowances from the European emission trading scheme corresponding the amount of VTT's car fleet CO₂-emission - 58 tonnes (2018), calculated based on car fleet's specific emission and kilometers driven. This amount has been eliminated from the quota.

Water discharge by quality and destination. No direct discharges into water. All waste water is conveyed through the sewer system to the municipal waste water treatment plants.

Waste by type and disposal method. We aim primarily to reduce the amount of waste and secondary to increase the utilization rate (either as raw material or as energy). Waste collection arrangements are based on municipal decisions and we can only influence on waste disposal methods partly (dangerous waste, research waste, white paper).

Significant spills. Part of the environmental risk management is to identify processes and locations where potentially significant spills could occur. Protective containers have been installed in risky locations to prevent e.g. oil or chemical spills to waste water system or to soil.

Transport of hazardous waste. Hazardous waste is transported to treatment facility (Ekokem). Special emphasis has been paid to mark the containers clearly by type of hazardous waste. This increases safety throughout the chain as well as saves processing costs.

Non-compliance with environmental laws and regulations. As a responsible actor, VTT takes the environmental issues seriously. Compared to industrial environment frequent modifications of the experimental facilities and unique trials make the risk management even challenging.

400 Social

VTT is a favored employer amongst engineering and nature science students as well as young professionals. Corporate image surveys are conducted annually by several market research companies. VTT provides opportunities for thesis including post-doc positions. We follow recommendations for state owned companies.

Material topics

New employee hires and employee turnover. In our recruitment and employment, we comply with applicable employment and labour laws and regulations. VTT's aim is that all open vacancies are

published internally and/or externally. The selection is based on competence and education required as well as suitability to the job.

Workers representation in formal joint management–worker health and safety committees. We promote active interaction and engagement of the whole personnel. VTT Group (parent company and its subsidiaries) has common Occupational Health and Safety agreement and group level OHS committee that actively makes development proposals for common safe working environment.

Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities. VTT only accepts a high level of safety in all its operations. As a result, our objectives regarding occupational safety are the following:

- The development and continuous improvement of occupational safety activities is part of our strategic and operative planning
- VTT aims at zero accidents
- Work at VTT is motivating, and the individual's functional ability, resources and development needs are taken into account
- It is safe for people to work at VTT's facilities

Average hours of training per year per employee. Typically, generic organization wide training (management and administrative) and specific formal education is recorded as training. A significant part of building the substance competencies takes place within research projects and is not included in this data.

Diversity of governance bodies and employees. We strive for equality between men and women at VTT and do not tolerate any form of harassment in the workplace. Our Equality Plan consists of targets, actions and measurements to promote equality.

Incidents of discrimination and corrective actions taken. We encourage the personnel to report any discrimination or inappropriate behavior they might encounter or witness.

Operations and suppliers at significant risk for incidents of child labor. We support universal human rights within our sphere of influence. We do not accept the use of child labour or any forms of forced labour. Our suppliers commit to government's central purchasing body (Hansel) requirements on responsibility in framework agreements. When arranging the tendering process ourselves, we require description on responsibility reporting.

Political contributions. It is important that, VTT has no connection to political decision making that could compromise our impartiality. We participate as invited experts to the Parliament committee hearings in various technology and innovation policy topics.

Assessment of the health and safety impacts of product and service categories. VTT research and pilot products that encourage and can help people support their own health and fitness. Some studied technologies aim at identification of diseases, some try to advance food wholesomeness or prevent and/or show the freshness of food supplies.