

**GRK**

Annual and sustainability report 2022

# Versatile infrastructure builder







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GRK in brief

# Builder of

# sustainable infrastructure



GRK in brief

# Versatile infrastructure sector operator

GRK designs, repairs, maintains and builds roads, highways, tracks and bridges to make everyday life run smoothly, get people to meet each other and make the future more sustainable. GRK's expertise also includes environmental services business.

We have nearly 1,000 professionals in Finland, Sweden and Estonia. Our revenue in 2022 was approximately EUR 450 million.

We are a forerunner in sustainable construction, we find the most innovative and functional infrastructure solutions and carry out our projects so that our customers do not have to worry about anything. The more versatile the project, the better it suits us.

**We aren't afraid.**

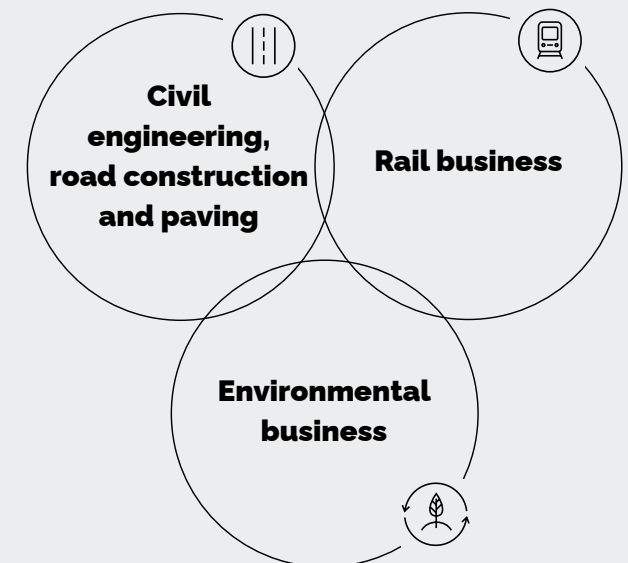
**We don't waste time.**

**We do not just go to work.**

## **Our services:**

GRK's core competencies include the implementation of diverse infrastructure construction projects, project management of large projects and extensive track expertise.

GRK offers services from design to construction and maintenance. Our customers include the state administration, municipalities, cities and the private sector. GRK works on several projects in cooperation with other companies in the infrastructure sector.





# Revenue increased, order backing remained at a good level and we gained a defensive victory with our result

Projects progressed as planned, many important projects were completed, and team spirit grew. GRK's revenue increased by more than 4.6 per cent to a historic record of EUR 450.5 million. We managed to increase our revenue, but the impacts of the war of aggression started by Russia weakened our profitability. The war and sanctions caused a strong increase in the prices of materials and energy, as well as problems with the availability of materials, particularly in early 2022. The measures taken helped us achieve a satisfactory result.

## GRK Group's key figures:

GRK Group	1-12/2022	1-12/2021	1-12/2020
Revenue (EUR million)	450.5	430.6	387.3
EBITDA (EUR million)	24.4	32.6	31.2
EBITDA, %	5.4%	7.6%	8.0%
Adjusted EBITDA (EUR million)	26.3	34.0	32.4
Adjusted EBITDA, %	5.8%	7.9%	8.4%
Operating profit (loss) (EUR million)	11.4	20.7	21.7
Operating profit margin, %	2.5%	4.8%	5.6%
Adjusted operating profit (EUR million)	13.7	22.6	22.9
Adjusted operating profit margin, %	3.0%	5.3%	5.9%
Profit for the financial period (EUR million)	7.0	15.7	18.6
Equity (EUR million)	77.0	78.2	65.1
Return on equity, %	9.0%	21.9%	32.1%
Equity ratio, %	41.9%	43.6%	43.4%
Order book at the end of the year (EUR million)	381	382	405
Average number of personnel	946	888	741

### Revenue

**EUR 450.5 million**

### Equity ratio

**41.9%**

### Order book

**EUR 381 million**

### Personnel

**946**

# Highlights of 2022

## Growth in the number of professionals

In summer 2022, the number of GRK's personnel exceeded one thousand for the first time.

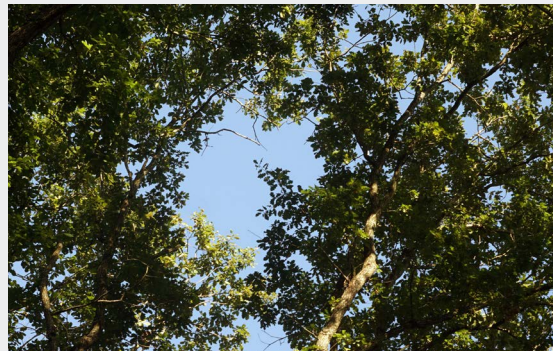
1,000

## From strategy to reality

GRK renewed its organisation and operations model. The goal was to have a clearer organisational structure where the GRK Group consists of the parent company GRK Infra Oyj and local subsidiaries in Finland, Sweden and Estonia.

## Carbon neutrality by 2030

GRK's strategy emphasises corporate responsibility: our goal is to become a forerunner in sustainable infrastructure construction and make the company's own operations carbon-neutral by 2030. In 2022, GRK's carbon footprint was successfully slightly reduced despite the increase in the volume of operations. GRK also measured its carbon handprint for the first time.



## Recognition for our work

GRK was among the finalists of the international World Sustainability Awards 2022 competition. GRK took part in the esteemed competition in the emissions reduction category.

## Excellent customer satisfaction

GRK's customer promise of constructing infrastructure to the highest quality and right first time was implemented successfully: the customer satisfaction increased to 4.45/5.\*

\*The figure concerns GRK Suomi Oy's customer satisfaction.

4.45



CEO's Review

# A year of changes for GRK

# and the world



# Our financial performance can be described as divided: revenue increased, but profitability decreased



Our revenue continued to grow in 2022, increasing by 4.6% to EUR 450.5 (430.6) million. The actual leap in revenue growth was made in Sweden and Estonia, with revenue growing by more than 20 per cent in both countries. In Finland, the revenue remained on the same level as in 2021.

Positive development took place above all in rail construction, where we had an even stronger stock of projects, especially in electrification and safety equipment projects. In April, we began the maintenance of the rail network in Southwest Finland, which means that we have been able to increase the proportion of ongoing business operations.

Our financial development can be described as twofold. We managed to increase our revenue, but the impacts of the war of aggression started by Russia weakened our profitability. The war and sanctions caused a strong increase



in the prices of materials and energy, as well as problems with the availability of materials, particularly in early 2022. We immediately took measures to decrease costs, lock material costs and to improve processes. We also negotiated compensations with our customers. The negative impacts are particularly visible on the long-term projects in Estonia and on the project margins of Finland's paving business. In the projects that started during the second quarter, we managed to transfer the increased costs onto the contract prices.

The measures taken helped us achieve a satisfactory result. The Group's operating profit decreased to EUR 11.4 (20.7) million and adjusted operating profit was EUR 13.7 (22.6) million. In this very exceptional situation, I would describe the financial performance as a defensive victory. Solvency and liquidity remained at an excellent level, and we continued to invest. The net investments for 2022 were EUR 21.8 (21.7) million, to a significant extent relating to asphaltting equipment, rail construction and environmental services business.

The order backlog has remained at a good level at EUR 381.0 (381.6) million. Despite a difficult market environment, we have managed to acquire significant projects. One of these is the Hailuoto fixed road connection, the total estimated cost of which is up to EUR 96 million. When implemented, the project will significantly increase our order backlog.

During 2022, we updated our strategy to reflect the rapidly changing market situation. Along with the new strategy, our financial targets were updated so that instead of significant growth, the goal is above all to improve profitability. The strategic intent is that in 2025, GRK will be the most versatile company in the infrastructure sector. We are looking for growth especially in Sweden and in environmental services, where our goal by 2025 is to invest approximately EUR 20 million in several biochar plants.



## We have developed our competitiveness and increased our internal cooperation.

After the review period, we have reported on the historically large new projects that have accumulated nearly EUR 300 million since the beginning of the year. These include the foundation and earthworks of the Swedish H2 Green Steel hydrogen and steel plant, the electrification of the railway section from Aegvidu to Tartu in Estonia, and the cycling lane project in Vaasa, where we will build 50 kilometers of cycling lanes and other ancillary services. These projects illustrate our versatility as an infrastructure builder.

We had a strong start for the year despite the fact that inflation and the geopolitical situation continue to affect both us and our customers.

Finally, I would like to thank both our staff and our customers for this exceptional year. By cooperating, we made it a success.

**Juha Toimela**  
President and CEO, GRK Infra Oyj

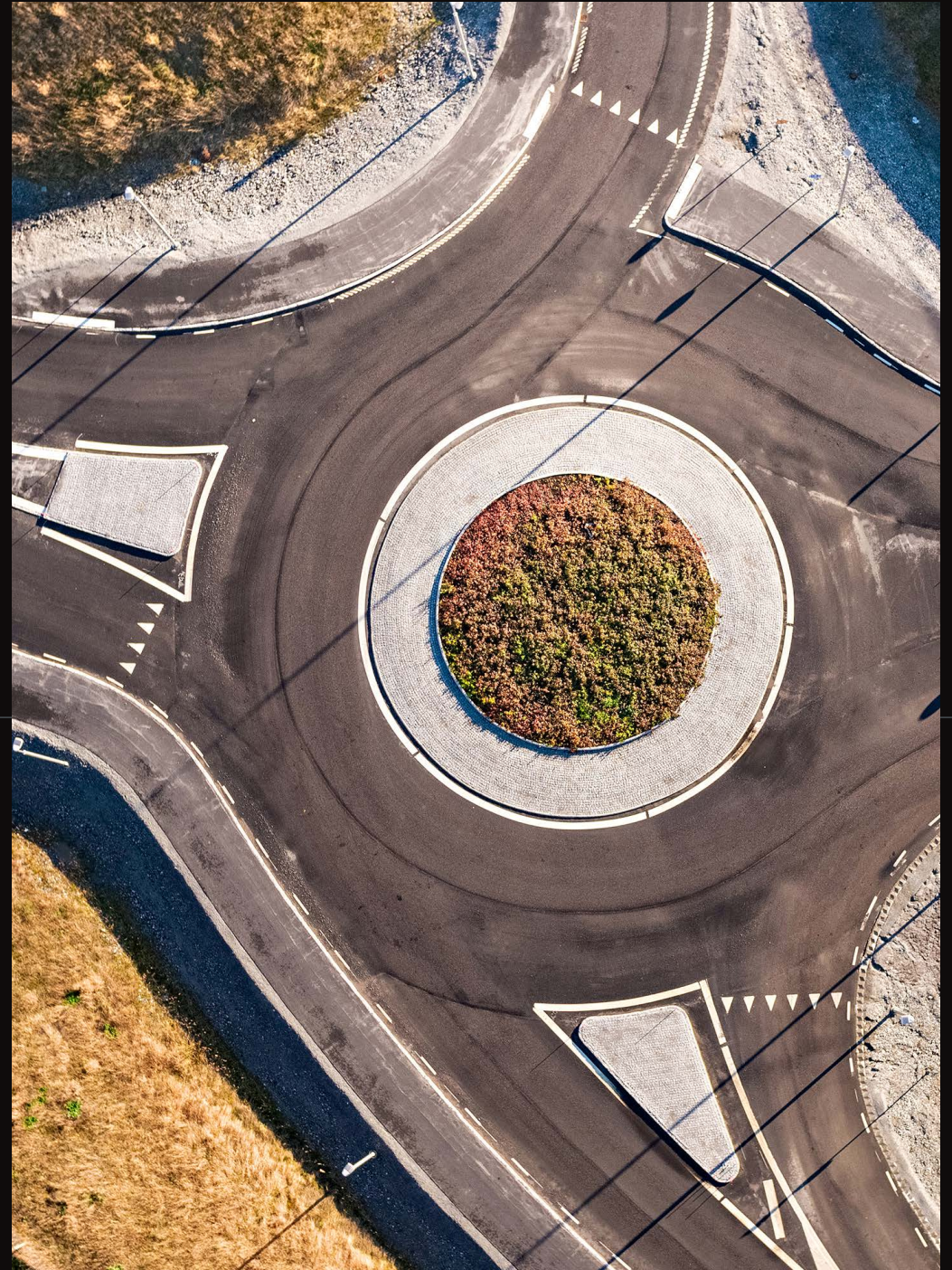




Strategy

**We build for  
tomorrow**

**and  
the future**





# The most versatile infrastructure sector operator

Our vision is that in 2025, GRK will be the most versatile company in the infrastructure sector that grows profitably, is a forerunner in sustainable construction and has the most dedicated team.

GRK's Board confirmed the company's updated strategy in late 2022. The Group's updated strategy is for 2023–2025.

The strategy was updated mainly due to geopolitical changes and the weakening of the economic outlook, but megatrends were also examined. It was perceived that the economy will decline in the next few years and the price of energy will be high. At the same time, road investments will decline in Finland and Estonia, but increase in Sweden. In addition, sustainability criteria are becoming increasingly important, and investments in renewable energy are increasing.

Financial targets have been updated along with the new strategy, and profitability is pursued instead of a significant growth leap.

GRK measures the success of its strategy by monitoring the Group's financial targets, which the company aims to achieve by the end of 2025:

- GRK grows especially in Sweden.
- GRK maintains healthy profitability across the board.
- GRK will invest in the profitable growth of environmental services.
- The goal of GRK is an entrepreneurial and unified culture that attracts and retains the best experts.



**GRK MEASURES THE SUCCESS OF ITS STRATEGY BY MONITORING THE GROUP'S FINANCIAL TARGETS, WHICH THE COMPANY AIMS TO ACHIEVE BY THE END OF 2025:**

**1. The most dedicated team**

We have a bold entrepreneurial culture. We are the most committed and eager team in the industry.

**Choices and means**

- We will strengthen our coherent, entrepreneurial culture and ensure the leadership skills of our supervisors.
- We ensure the availability and retention of the best talent by strengthening awareness, ensuring meaningful career paths and creating an attractive and transparent reward programme.

**Indicators and goals**

- Employee satisfaction (eNPS) > 40
- Employee satisfaction survey implemented

**2. A pioneer in sustainable construction**

We are a forerunner in sustainable construction and a desired partner

**Choices and means**

- We invest in sustainable growth of environmental business operations
- Safety training
- Operating model for rewarding safety.

**We invest in the growth of environmental services**

- Safety (Accident frequency rate) < 5
- Customer satisfaction > 4.5 /5
- Environmental services profit growth > 50% year
- Carbon neutral by 2030 (regarding own activities)
- No environmental incidents

**3. Profitable growth**

We are a financially solid and the most profitable company in our industry. We are a responsible value creator and modestly the best.

**Choices and means:**

- We aim for healthy project profitability in all projects by strengthening bidding activities as well as by making procurement and result-oriented project management more efficient. We ensure strict overhead discipline.
- We are growing the Swedish business in particular, both organically and through acquisitions.
- We will seek new customers from industry and renewable energy projects. We will ensure the profitability of rail business.



**INDICATORS AND GOALS**

**Revenue**

over EUR

**500**

million

**Operating profit**

over

**6**

percent

**Return on equity**

over

**25**

percent

**Equity ratio**

over

**35**

percent





# One GRK – the most versatile operator in infrastructure industry

GRK measures the success of its strategy by monitoring the following targets, which the company aims to achieve by the end of 2025 at the latest

## The most versatile operator in infrastructure industry

### Mega trends and geopolitical changes

- € The economy declines for 1–2 years and energy prices are high.
- ⋮ Investments in civil engineering are decreasing in Finland and Estonia but increasing in Sweden.
- ⚡ Investments in renewable energy will increase.
- 🌱 The significance of sustainability criteria is increasing.

### Choices and methods of GRK's strategy in 2023–2025

- Entrepreneurial and unified culture
- Attracting and keeping the best professionals
- Healthy profitability at all points
- We are growing our operation especially in Sweden
- We invest in sustainable growth of environmental business operations

### Aim for 2025

- ✓ Best competence
- ✓ Profitable growth
- ✓ Forerunner in sustainable construction

# Changes to corporate structure

GRK renewed its organisation and operations model in 2022 according to its strategy. The aim of GRK's strategy is to build a coherent and more international Group company. GRK is one of the leading infrastructure sector operators in Finland, but the importance of operations in Sweden and Estonia in particular will increase in the coming years.

With the changes to company structure, our goal is to find unity and cooperation that are essential for the operational culture that is required today.

Before the change, the GRK Group consisted of six companies: parent company GRK Infra Oyj and subsidiaries GRK Road Oy and GRK Rail Oy in Finland, GRK Infra AB and GRK Rail AB in Sweden and GRK Infra AS in Estonia.

The goal was to have a clearer organisational structure where the GRK Group consists of the parent company GRK Infra Oyj and three local subsidiaries in Finland, Sweden and Estonia. The majority of the changes were carried out during 2022, and the new corporate structure was in operation by the beginning of 2023.

Due to the change in the organisational structure, the customers will receive GRK's services through their local company. Each local company will be able to offer

comprehensive services in civil engineering, road construction and railway planning and construction, as well as railway maintenance and environmental services. The changes were implemented in 2022 through mergers and business transfers within the Group.

GRK has grown significantly within the last few years. The growth is attributed to both organic growth and business acquisitions; therefore, the purpose of the change in the company structure is also to unify the operating methods between countries and business functions.

Our larger projects increasingly require the expertise of each of our services. In the future, we will be able to provide these through one company, and to combine rail, bridge and road projects and environmental services in Finland, Sweden and Estonia even better than at present.

Simple and functional processes ensure financial sustainability and profitability even better and with more security also during major changes in the market.

We have grown into a company with 1,000 employees. The simplified company structure and the clear processes within the company keep our operation agile and capable even during major changes in the market.

## GRK Infra Oyj

### GRK Suomi Oy

Civil engineering, road construction and paving, rail business and environmental business in Finland

### GRK Sverige AB




Civil engineering, road construction and paving, rail business and environmental business in Sweden

### GRK Eesti AS

Civil engineering, road construction and paving, rail business and environmental business in Estonia



# Local companies and services

	Finland	Sweden	Estonia
<b>Revenue</b>	EUR 336.9 million*	EUR 67.3 million**	EUR 48.8 million
<b>Revenue percentage in 2022:</b>	Approx. 75%	Approx. 15%	Approx. 10%
<b>Revenue development in 2022:</b>	Remained at the same level	Positive	Positive
<b>Services:</b>	<ul style="list-style-type: none"> <li>• Civil engineering and road construction</li> <li>• Paving</li> <li>• Rail construction</li> <li>• Environmental services</li> </ul>	<ul style="list-style-type: none"> <li>• Civil engineering and road construction</li> <li>• Paving</li> <li>• Rail construction</li> </ul>	<ul style="list-style-type: none"> <li>• Civil engineering and road construction</li> <li>• Paving</li> <li>• Rail construction</li> </ul>
<b>Customers:</b>	Public sector, e.g. Finnish Transport Infrastructure Agency, cities and municipalities, Private customers such as companies and households.	Public sector, e.g. Finnish Transport Infrastructure Agency, cities and municipalities Private customers, e.g. companies.	Public sector, e.g. Eesti Raudtee, Transpordiamet, Rail Baltica cities and municipalities.
<b>Examples of our projects:</b>	<p>In 2018–2022, GRK has carried out various projects for Länsimetro Oy. The most significant projects have been constructing the Finnnoo metro station and rail line between Matinkylä and Kivenlahti. Operation in the metro route from Matinkylä to Kivenlahti began in December 2022.</p> 	<p>GRK is reconstructing the former E4 road that connects the areas between Nolby and Sundsvall into a local road and constructs a separate pedestrian and bike lane. The contract section is about 12 kilometres in length, where we are improving the quality of traffic flow by renewing the junctions. The contract includes renewing the lighting and water management lines and improving the drainage of the road. The contract also includes construction of rail lines.</p> 	<p>GRK has constructed the section from Võõbu to Mäo in the main road between Tallinn and Tartu. The total length of the contract section was 17 kilometres and included the construction of a four-lane road section and six bridges.</p> 

\* The figures include the combined data of GRK Infra Oyj, GRK Suomi Oy and GRK Road Oy, from which the internal items between the companies have been eliminated.

\*\* The amount includes the combined data of GRK Infra AB and GRK Rail AB, from which the internal items between the companies have been eliminated.

# Exceptional rise in material prices affected the year

The construction sector encountered a new crisis within a short period of time, when in early 2022, material prices began increasing rapidly.

First there was the COVID-19 pandemic, which restricted construction site activities and caused a sudden economic shock. The world-wide governmental recovery measures after the COVID-19 pandemic began the increase in material prices as early as 2021. After the COVID-19 restrictions were lifted and life was almost returning to normal, the Russian war of aggression started. GRK does not have business in Russia or Ukraine, but the Russian attack on Ukraine, especially in the beginning of 2022, significantly affected the availability and price of raw materials and materials. This also had an effect on our financial result. What was the reason for this? Steel, bitumen, oil, wood, concrete. With the help of these and many other materials, successful infrastructure is constructed, but the high prices and poor availability of the materials made construction and the operation of the industry considerably more difficult.

GRK is very dependent on materials since they are used in every construction site. Of course, the price of construction materials is only a part of the total costs of a project, which also include employee wages, the use of our own equipment, subcontracting and the joint costs of the construction site.

Based on the estimate of the Finnish Transport

Infrastructure Agency, the share of materials in the total costs varies from 30 percent to 70 percent, depending on the construction site, and the estimated average is about 40 percent.

The exceptionally sharp increases in the cost of raw materials burdened the profitability of several projects. The costs of materials, energy and logistics began to rise during the COVID-19 epidemic. Russia's war of aggression and sanctions caused a strong increase in the prices of materials and energy, as well as problems with the availability of materials. Therefore, the rise in the price of materials had an immediate effect on our financial result.

GRK has been engaged in several measures in order to control the rise of costs caused by Russia's war of aggression. In the calculation of tenders, the risk related to the pricing of materials has been taken more closely into account, we have secured our supply chains and our profitability throughout the entire operational chain.

In particular, the increase in prices has affected the project margins of long-term projects in Estonia and in the paving business in Finland.

In 2022, GRK had several fixed-price contracts in progress, which do not include indices that would eliminate the impact of cost changes. GRK has negotiated with the clients for possible measures to compensate for the increased costs with the ongoing projects. In Estonia and Sweden, we have received compensation with some projects. In Finland, compensation has been low in comparison to the incurred changes in costs.

## WHAT DO WE USE MATERIALS FOR – A FEW EXAMPLES:

### › **Transport, construction site machines**

We use fuel in our construction site machines and our own vehicles. In 2022, GRK's Finnish companies consumed a total of more than 5 million litres of fuel, of which around 0.9 million litres were renewable fuels. The rise in fuel prices has a significant impact on our costs.

### **Steel**

Infrastructure projects often use steel, drill or concrete piles, which all contain steel. Motorway guardrails are made of hot-dip galvanised steel. Bridge structures are made of either steel beams or concrete structures. Signposts and road signs also contain steel.

### **Concrete**

We use concrete in both civil engineering and road construction, such as building bridges, but also in rail construction, for example for electric railway foundations, cable ducts and sleepers.

### **Copper**

Railway electrical works need copper and steel.

### **Bitumen**

Roads are paved with asphalt, and making asphalt requires bitumen.



# Opportunities in the market

In Finland, Sweden and Estonia, economic growth is slowing down, and the acceleration of inflation increases the threat of recession. How does the market situation look?

GRK's strategy was updated in 2022 mainly due to geopolitical changes and the weakening of the economic outlook, but megatrends were also examined. It was perceived that the economy will decline in the next few years and the price of energy will be high. At the same time, road investments will decline in Finland and Estonia, but increase in Sweden. In addition, sustainability criteria are becoming increasingly important, and investments in renewable energy are increasing.

In recent years, approximately 85 per cent (approximately 89% in 2021) of GRK's invoicing has consisted of public sector projects. In the past, the infrastructure construction market has been characterised by low exposure to short-term cyclical fluctuations, as infrastructure construction projects are often long-term and long-prepared, and a significant part of demand consists of orders from cyclically more stable public operators.

Among other things, the increase in defence spending caused by Russia's war of aggression and the sustainability gap in public finances may have an impact on the demand for infrastructure projects. On the other hand, investments in large cities have remained at a high level, and several large tram projects are expected to start in 2023–24. Private industrial and energy investments as well as defence and border security projects are expected to increase the demand for infrastructure construction.



"In the future, with the decrease in the investment in transport infrastructure, we will be looking for more customers from industry and energy investments. Multidisciplinary projects that combine track construction, bridge construction and earthworks also play a bigger role in our workload", says **Jaakko Mäkelä** Business Director, Civil Engineering, Road Construction & Paving.



"The rail construction market will remain unchanged for the next few years. The possible start of tramway projects will significantly affect the market situation. Growth is sought from the tram and railway market", says **Mikko Nyhä** Business Director, Rail Business.



"The challenging market situation in the asphalt industry will continue in 2023, when the number of road projects of the Finnish Transport Infrastructure Agency will decrease. On the other hand, growth centres are thriving and construction is concentrated in large cities. We have opportunities on the private sector market", tells **Mika Häkli** Business Director, Paving.



"During the last few years, GRK has invested in growth in Northern Sweden. The industrial segment provides us with an opportunity to grow our business. Our cooperation agreement with H2 Green Steel demonstrates the scope and expertise of our company. We carry out all the groundworks and ground reinforcement measures for the new steel factory to be built in Boden. The work has started and will continue until 2025. The surface area is approximately 300 hectares and the final project price is approximately SEK 2 billion. This makes the deal the largest ever for the entire GRK Group", says **Mika Mäenpää**, CEO, GRK Sverige AB.

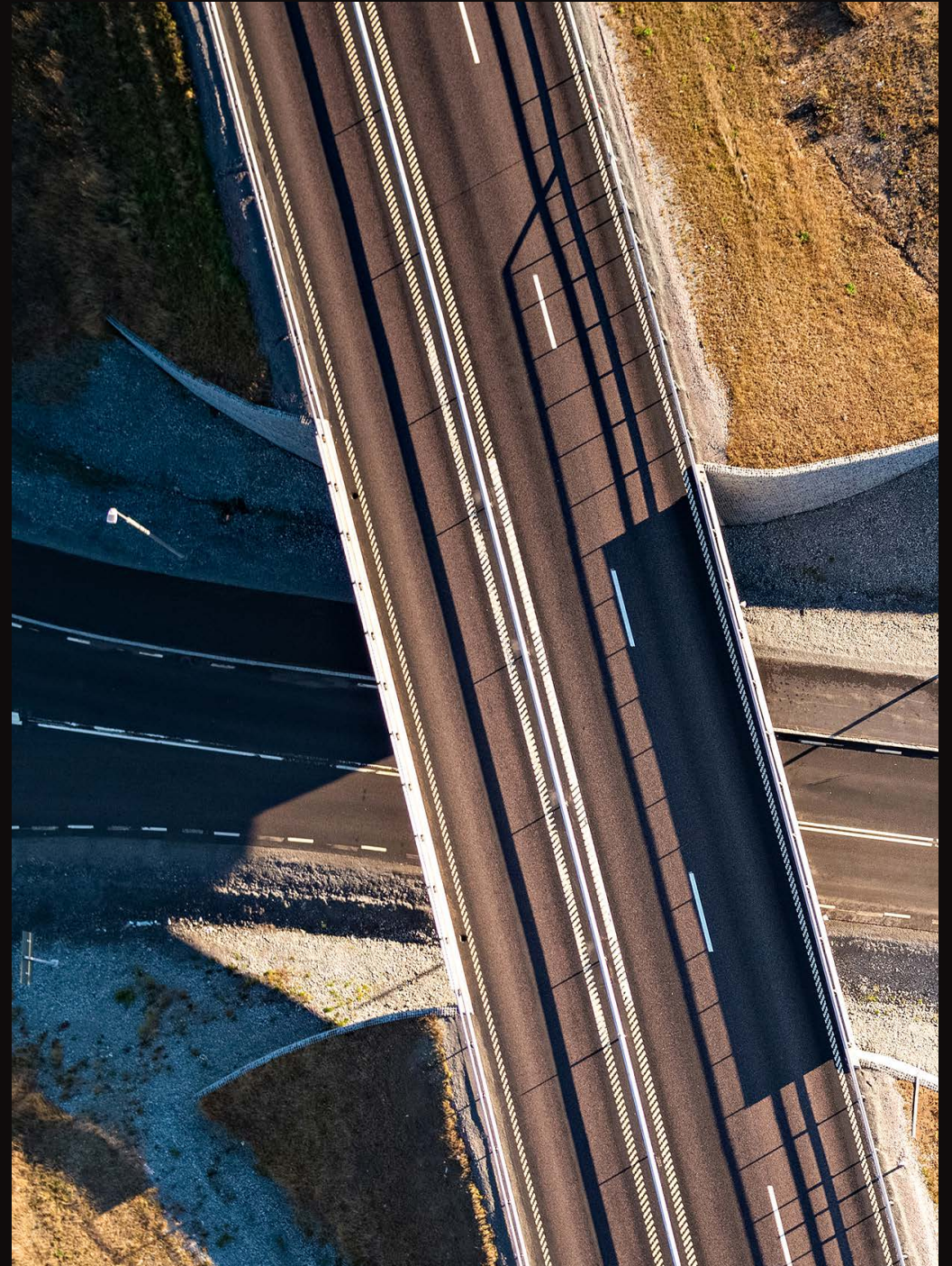


"Rail Baltica is a significant transport infrastructure project, where a 1,000-kilometre-long railway connection is built through the Baltic countries from Tallinn to Poland. This project is significant to us. Investments are made for the electrification of the current railway network, and this is a growing trend. Some municipalities (Tallinn, Tartu, Pärnu) are planning large infrastructure projects", says **Priit Paabo**, CEO, GRK Eesti AS.

Services

**We build  
sustainably**

**for  
everyone**





Services

# Civil engineering and road construction

GRK builds roads, streets and civil engineering infrastructure and improves existing infrastructure. We specialise in demanding bridge construction work, such as river and railway bridges. Civil engineering and road construction business also includes paving.

## Examples of our projects in 2022:

### Improvement of Ring Road III

In the third-phase contract of the Ring Road III improvement, work will be carried out on the Espoo–Vantaa border to Vihdintie for a distance of approximately 2.5 kilometres and on a three-kilometre road section between Vantaankoski and Pakkala.

The contract includes the construction of new grade-separated junctions and thorough repair of the road structure, as the pile slab on the south lane has been damaged. The project also includes a large amount of bridge work. The value of the contract is approximately EUR 34 million.

### Road 97, Södra Sunderby-Sävast

GRK Infra AB's improvement project promotes traffic safety and accessibility between Södra Sunderby and Sävast. The contract includes the widening of the road, the installation of central railings, the construction of three new grade-separated junctions and the construction of a parallel road network alongside the 97 road. The value of the contract is approximately EUR 45 million.

### Raplamaa green bridge, Estonia

GRK has built a 100-metre-long concrete Urge green bridge in Raplamaa province, Estonia. A green bridge is a bridge on which vegetation has been planted to enable animals to cross a road or railroad passing under the bridge. Green bridges are needed, because in the future Rail Baltica will cross the Raplamaa plain. The project has been enormous, by many measures. The project involved the processing of 3000 cubic metres of concrete and 40 pre-cast arch elements. The building of the green bridge also required 200,000 cubic metres of land mass, for example as embankment materials. The bridge is crowned with large-scale planting: more than 11,000 trees and shrubs were planted on the deck.

### Umeå river bridge, Sweden

GRK is building a bridge across the Umeå river in Sweden. Construction began in 2019 and the bridge is expected to be completed in autumn 2023. The contract section includes the construction of a 530-metre road transport bridge over the Umeå river and the construction of a walking and cycling route over the Baggbölevägen. The value of the agreement is approximately EUR 44 million.





# Rail Business

GRK's comprehensive rail construction services cover the entire life cycle of rail construction. GRK offers all services from design to construction and maintenance.

The areas of expertise in rail construction cover systems and structures for railways, metro lines and trams. Our services cover track engineering, track electrification, safety equipment and demanding structural engineering projects from foundations to telecom tower structures. GRK is responsible for the maintenance of tracks in several areas, including southern Finland.

## Examples of our projects in 2022

### Track maintenance in Uusimaa and Southwest Finland

An alliance comprising GRK Suomi Oy, the Finnish Transport Infrastructure Agency and Finrail Oy is responsible for the maintenance of the Uusimaa railway and safety equipment until March 2025 at the earliest. The maintenance contract covers the entire railway network of Uusimaa. The target budget of the project is approximately EUR 150 million. In practice, maintenance means that the railway network is kept traffic-worthy at all times. GRK's maintenance includes round-the-clock on-call, inspections, scheduled maintenance, troubleshooting and snow removal in winter, as well as separately agreed track renovation work. The work requires special skills and special equipment and materials. Train traffic is busy in GRK's maintenance areas. On average, about 850 trains ran in Helsinki on weekdays, about 700 on Saturdays and about 590 on Sundays.

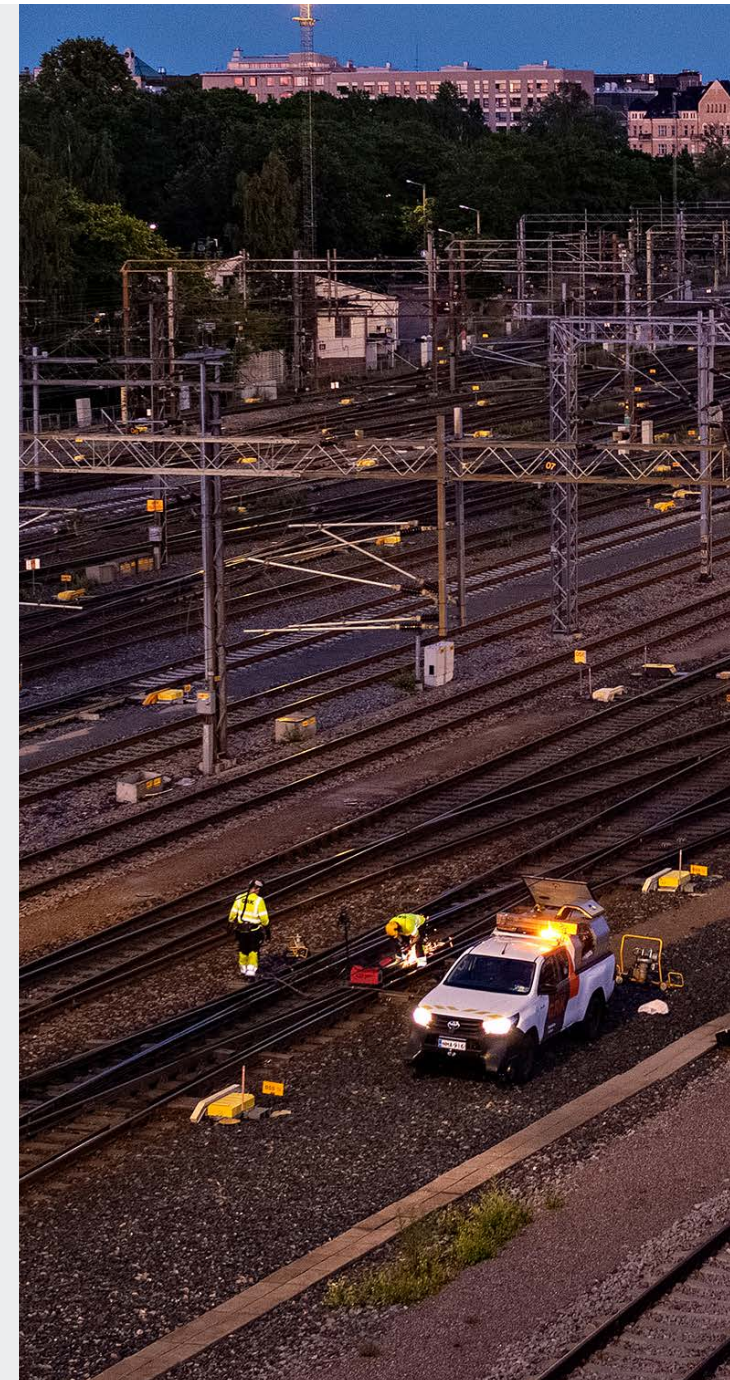
GRK started maintenance in the south-west coast area on 1 April 2022 and the contract will end on 31 March 2027. The contract has a two-year option. The value of the agreement is approximately EUR 55 million.

### Kouvola-Kotka-Hamina

GRK will carry out four different contracts on the Kouvola-Kotka-Hamina track section to enable safe traffic and growth of rail transport. The client is the Finnish Transport Infrastructure Agency, and the total value of the agreements is approximately EUR 13 million. GRK's work will take place in 2022-2023.

### Ilmala tram line

The Ilmala tram line construction project included the construction of a tram line in the Pasila and Ilmala districts of Helsinki. The built tram line is a continuation of the existing tram line 9. The end stops of the trams were built at the new Ilmalantori square, which was completed next to the Ilmala station in autumn 2022. At the same time, the municipal technology of Pasilankatu and Radiokatu was renewed, such as water pipes, sewers and cables, and one-way bicycle paths were built on Radiokatu. The value of the contract was approximately EUR 19.3 million.





Services

# Environmental services

GRK offers circular economy services to various industries and waste producers. GRK carries out area building projects using recycled materials and, if necessary, takes care of additional planning and permit applications. In 2022, we expanded our services with bioproduct business.

GRK receives and handles waste and industrial by-products both at its own and its customers' locations. GRK accepts reusable, classified and processable industrial mineral rejects, fly ash, bottom ash, and bottom and foundry sands, among others. In addition, the environmental services include the bioproduct business, such as the production and sale of biochar.

## Examples of our projects in 2022:

### Metal recycling

In Finland, metal recycling has dedicated collection points, but in ordinary households, tins and drink cans, aluminum tins and foil, or the metal shells of tea lights, for example, may be mixed with ordinary municipal waste.

GRK has had circular economy activities for several years. One part of the activities is metal recovery and recycling. In practice, GRK recovers e.g. unburnt metals left in the ash of the power plant from ordinary household waste energy utilisation, so that they can be delivered to metal smelters and reused.

GRK forwards the valuable alloy for processing and sends the new metal to its clients as a raw material. The

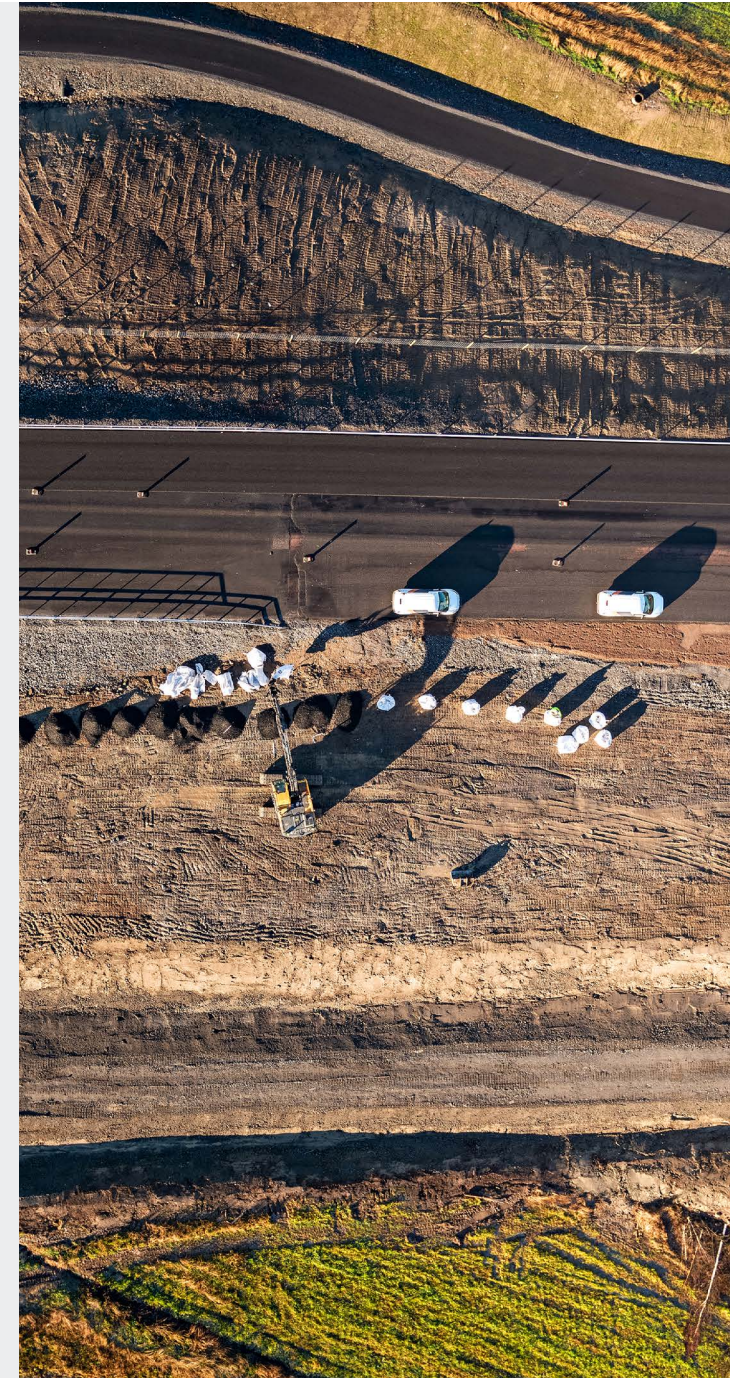
production of metal is extremely energy intensive, and mines pollute the environment in numerous ways. For this reason, reusing metal raw materials is always worthwhile to save the environment.

### Biochar

The first biochar production facility was constructed in Utajärvi at the end of 2022. The production of biochar begins in spring 2023. At first, biochar is used for culture mediums and water treatment.

### Shooting Center Ruutinkangas

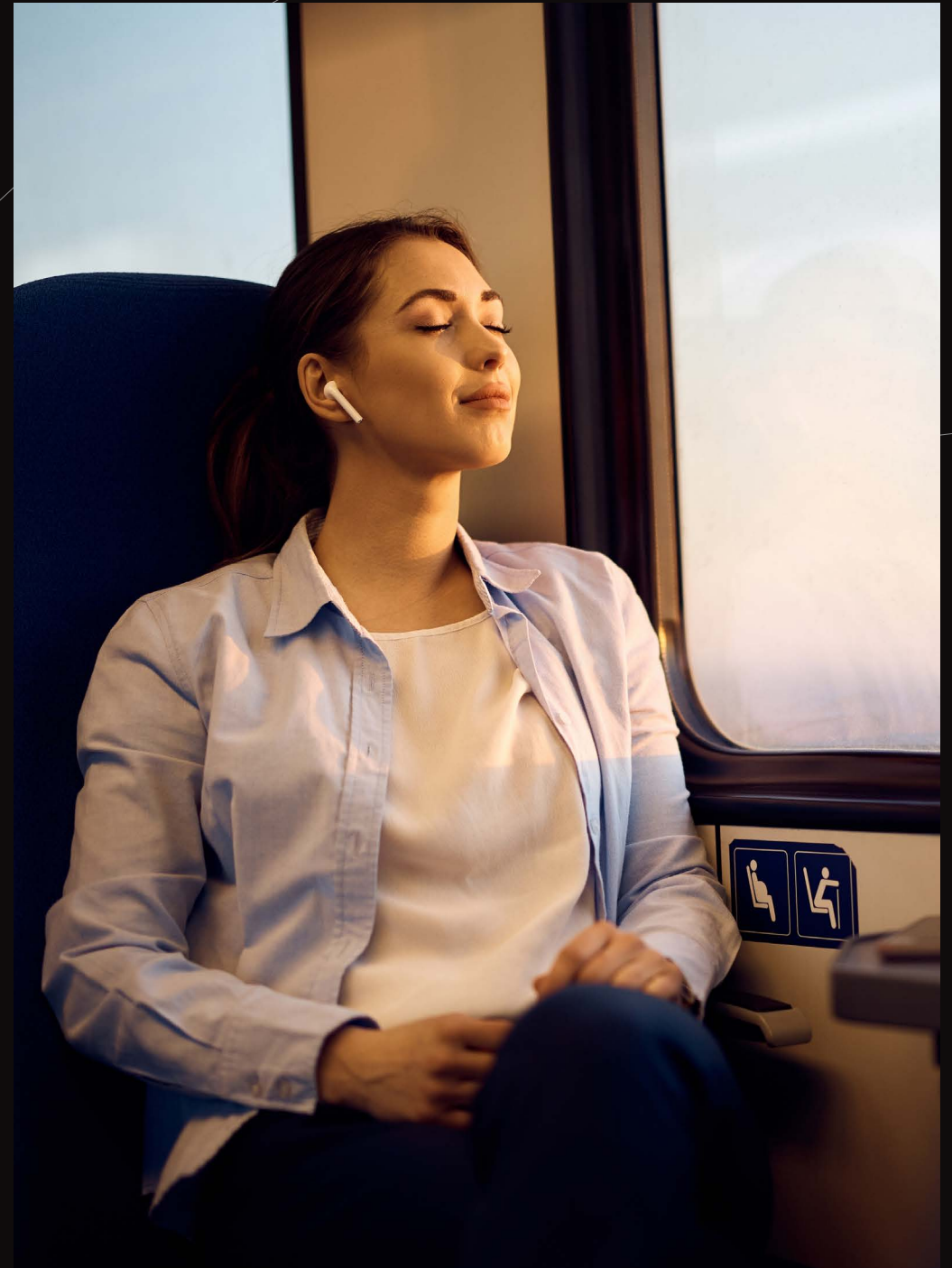
GRK carries out groundworks in the construction of the shooting centre. GRK's contract, which started in 2017, includes the area's roads, parking areas, protective ramparts and track areas. The construction is carried out using recycled materials as much as possible and the use of virgin raw materials and building materials is minimised. For example, the project uses recycled concrete and brick rubble.



Sustainability

**We build  
sustainable  
infrastructure**

**to be used by  
everyone**





Sustainability

# Infrastructure to be used by everyone

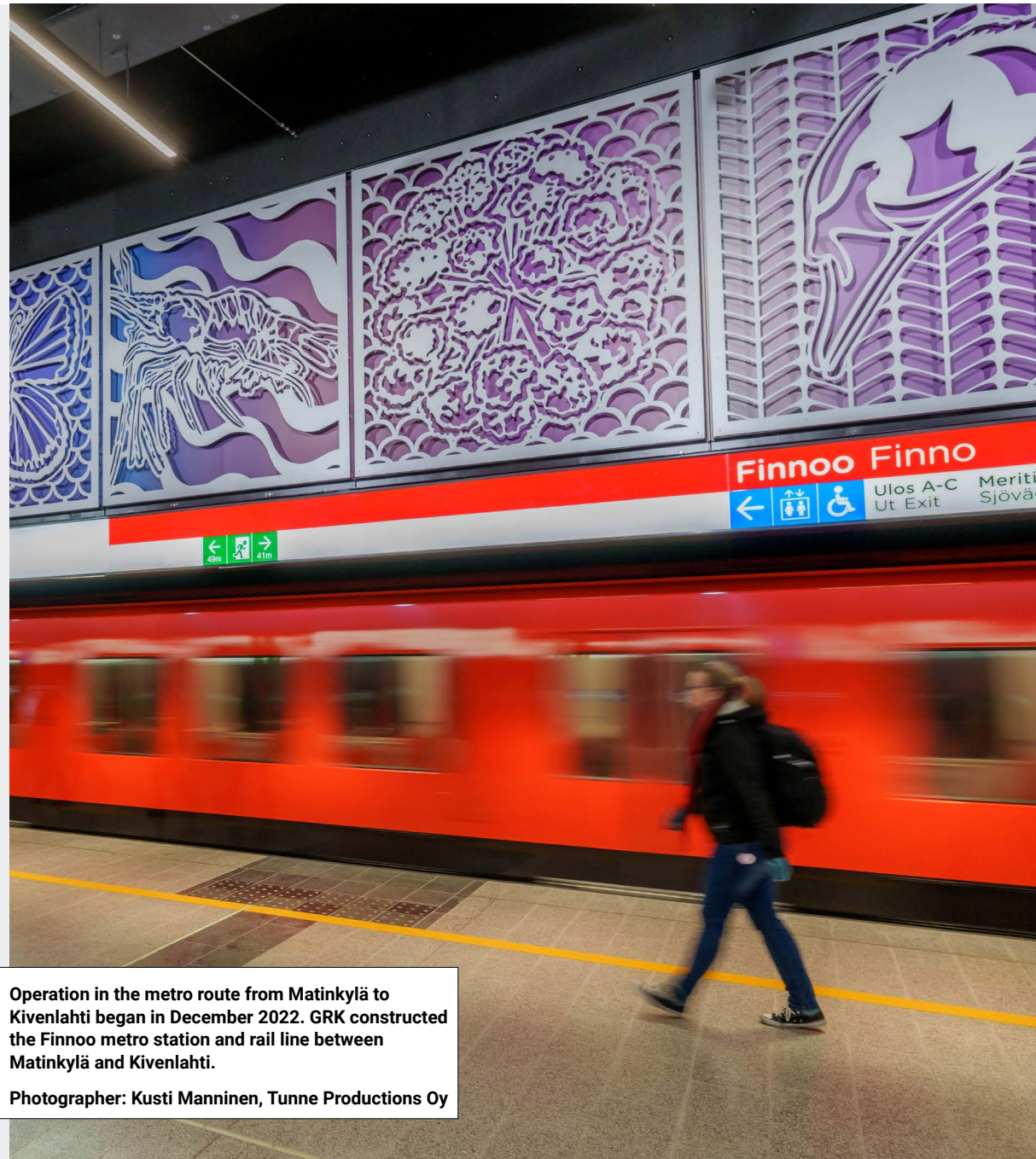
GRK builds and maintains infrastructure vital to our society, such as road, rail and utility networks. As an industry leader, GRK actively promotes corporate responsibility by providing sustainable services and ensuring the sustainability of its own operations. Corporate responsibility is therefore an integral part of our strategy and our role as a forerunner in infrastructure construction.

Our continuous and systematic development work is based on relevant themes identified according to stakeholders' needs. On this basis, we increase the positive and reduce the negative impacts of our activities on the society around us.

The positive impacts include high-quality, safe and functional road and rail networks, as well as new sustainable low-carbon circular economy solutions.

The negative impacts, on the other hand, include the use of raw materials, consumption of energy, greenhouse gas emissions and waste resulting from operations.

Infrastructures have a lifespan of dozens or even hundreds of years, which means our services have a long-lasting impact on the surrounding society.



Operation in the metro route from Matinkylä to Kivenlahti began in December 2022. GRK constructed the Finnoo metro station and rail line between Matinkylä and Kivenlahti.

Photographer: Kusti Manninen, Tunne Productions Oy

# GRK's net impact

GRK's business has a positive impact on society, people's health and the environment.

GRK has assessed its societal impact using the Upright net impact model. Based on artificial intelligence, scientific research and public databases, the model measures and benchmarks the positive and negative net impacts of companies' core operations in the framework of four dimensions: the environment, health, society and knowledge.

In practice, the net impact quantifies the benefits and negative impacts caused by the company and assesses whether the company creates more value than it uses resources.

Based on Upright's analysis, GRK is a net neutral company. The Upright model focuses not only on the construction phase but also the more extensive impacts of the environment built by GRK on society.

GRK has impacts on society in all of the four categories. GRK's most important positive impacts are on society, knowledge and health. GRK's significant impact on society is through the infrastructure it builds. Nearly all business operations have positive impacts on society, as GRK's operations are needed for the very sake of the modern society and functioning and people being able to move from one place to another on roads or tracks.

The negative impacts particularly include environmental aspects, such as the use of raw materials, consumption of energy and emissions and waste resulting from operations. Therefore, we take several environmental measures to mitigate these negative impacts. This work is described in the section on environmental affairs.

## Examples of GRK's impacts on society, knowledge, health and environment

### Society

Through its operations, GRK makes it possible for the infrastructure needed by the modern society to be built and kept in order. Thanks to roads, highways, tracks, bridges and paving, people can travel from one place to another and logistics runs on rubber wheels or tracks. GRK employs approximately 1,000 people and generates tax revenue.

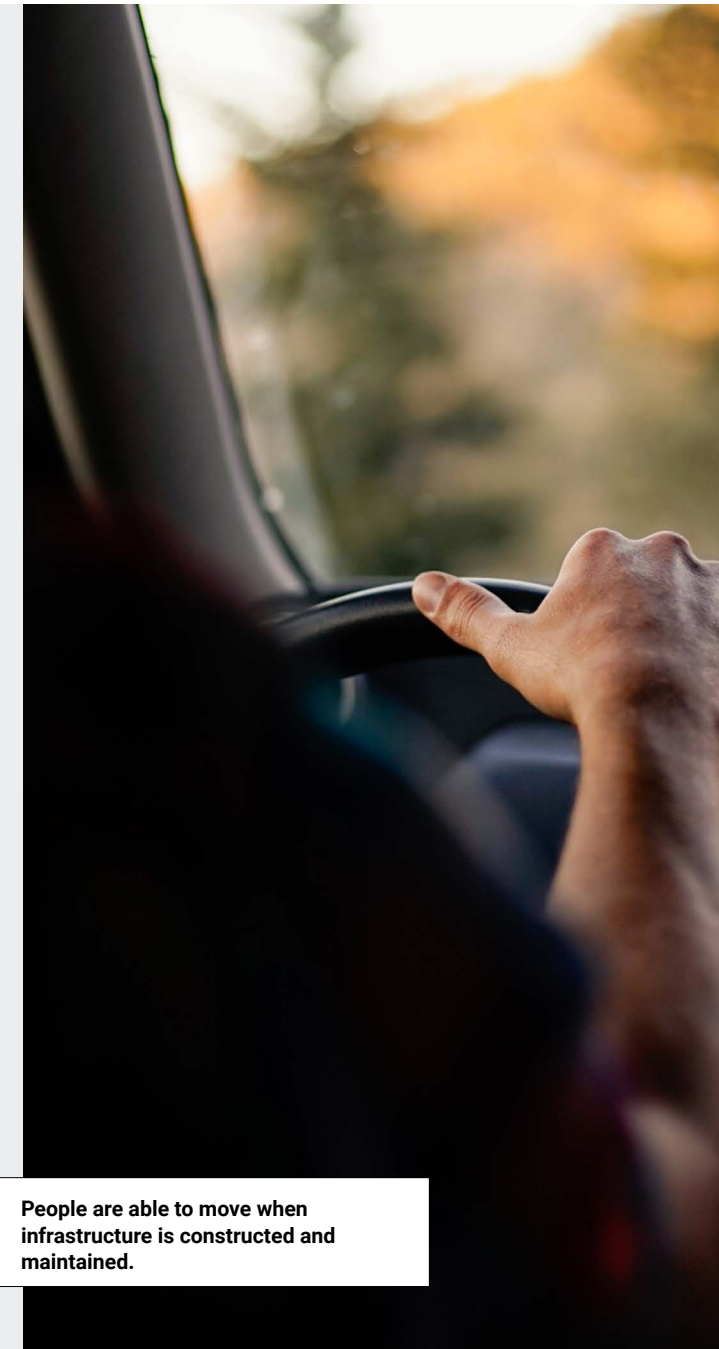
### Knowledge

GRK uses competed labour resources. This can be seen as resource use in the modelling in the Scarce human capital impact category. This impact illustrates the opportunity costs of skilled labour. At GRK, skilled employees facilitate significant positive impacts through their work.

### Health

A bicycle and pedestrian route network facilitates an active lifestyle and has a positive impact on people's health.

People are able to move when infrastructure is constructed and maintained.





GRK builds and services important civil engineering infrastructure, such as water supply, with a positive impact on people's health by improving hygiene and ensuring the availability of clean water.

GRK also makes it possible to build telecommunications infrastructure so that people can stay connected.

The benefit of the rail construction business is that it provides people with a safe low-emission method of transportation.

### Environment

GRK uses a significant amount of energy and raw materials in its construction activities. They cause harmful climate emissions. At the same time, we consume virgin natural resources.

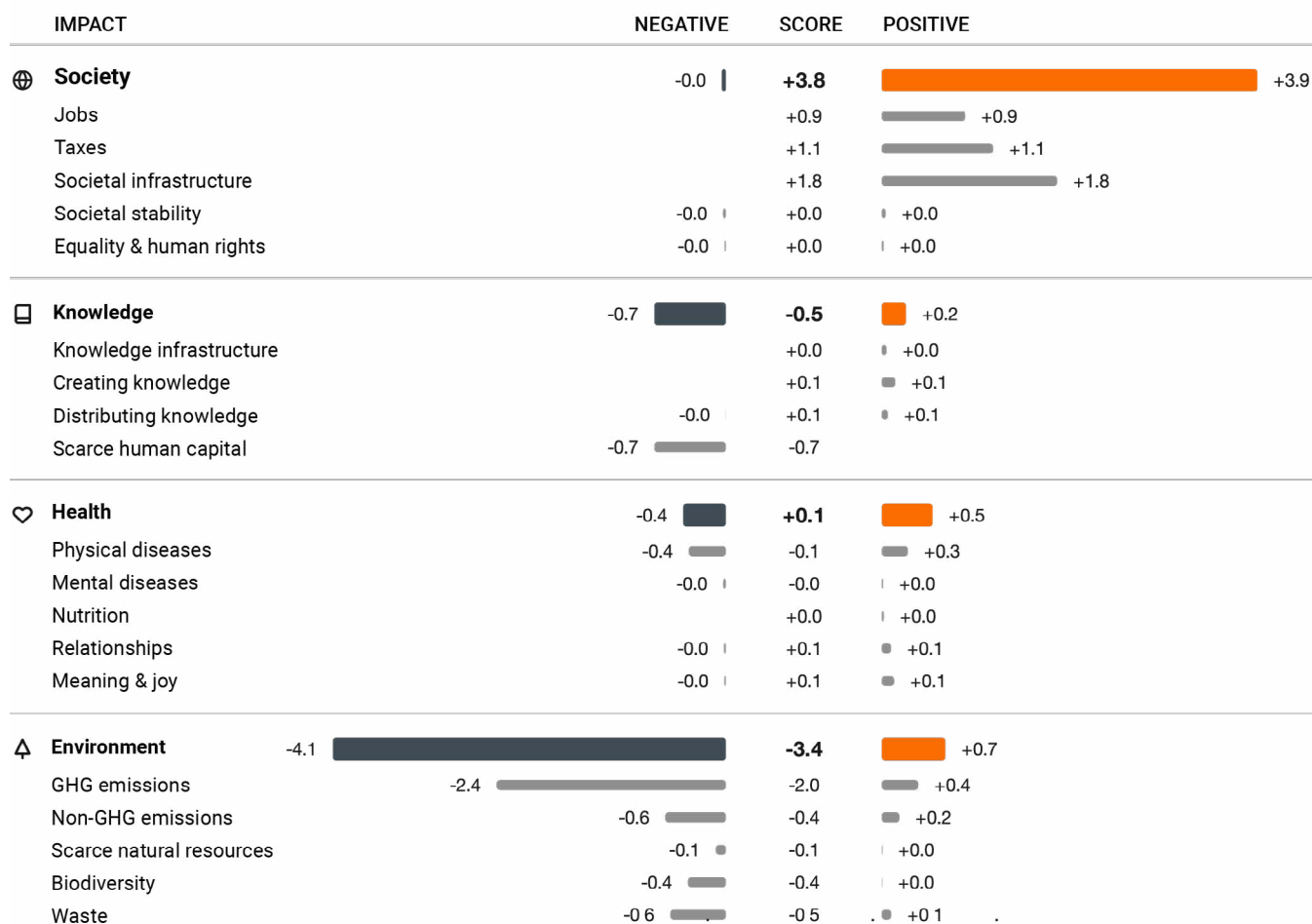
Moreover, traffic causes emissions as mainly fossil fuels are used in cars, for instance. By making car traffic possible, GRK contributes to both the positive and negative impacts of motoring.

The circular economy has a positive impact, as building and other materials can be recycled and reused.



**GRK made it to the finalists of the international World Sustainability Awards 2022 competition.**

## GRK



**+1%**

Value set: Equal weights

# GRK's impact on the UN Sustainable Development Goals

GRK also used the Upright model in assessing the impacts of our operations on UN Sustainable Development Goals (SDGs).

They concern a joint plan of the UN member states aiming to turn the development of the planet in a direction that is sustainable from the point of view of humankind, the environment and the economy by 2030.

One of the key sustainable development goals is the elimination of poverty. Environmental protection and combatting climate change are also an important part of sustainable development.

Upright's data is based on the alignment of the company's products and services with the UN SDGs. When assessing the impact of an individual company's impact on SDGs, every product and service of the company is compared to the 169 targets of the 17 goals, focusing on those applicable to the company.

The methodology considers both the positive and negative impacts on each goal.

The analysis of GRK is based on six levels of alignment, from strongly aligned to strongly misaligned. Strongly aligned products have a clear direct impact on the goal

concerned, whereas moderately or weakly aligned final products or services have a lesser direct or indirect impact on the goal.

According to the assessment, GRK's operations are strongly aligned with goal 9 (industry, innovation and infrastructure) in particular. GRK's operations also have impacts on goals 8 (decent work and economic growth) and 11 (sustainable cities and communities). This means that GRK's products and services have a significantly positive contribution to the achievement of these goals. GRK's operations are also moderately aligned with goals 15 (life on land) and 13 (climate action). Goals 15 and 13 both describe the mitigation of climate change, and the emissions from GRK's operations have a negative impact in this respect in the same way as other emissions globally.

GRK has considered the negative impacts of its operations on environment in its strategy, for instance, which aims at carbon neutrality in the company's own operations by 2030.

## UN Sustainable Development Goals





# EU Taxonomy

The aim of the EU Taxonomy Regulation is to steer financing to projects that are sustainable from the point of view of the climate and environment.

For this purpose, the EU has defined environmentally sustainable activities so as to make it easier to compare companies from the point of view of climate and environmental goals at the EU level.

The purpose of the EU taxonomy is to provide criteria for quantifying sustainability with regard to a total of six environmental objectives, the first two of which have been defined:

- **climate change mitigation**
- **climate change adaptation**
- the sustainable use and protection of water and marine resources
- the transition to a circular economy
- pollution prevention and control
- the protection and restoration of biodiversity and ecosystems

In order for an economic activity to be sustainable for the environment as referred to in the regulation, it should contribute substantially to one or more of the above-mentioned environmental objectives and it must not do significant harm to any of the environmental objectives.

GRK launched its first assessment of taxonomy-aligned revenue. According to Upright's estimate, 34.8 per cent

of the GRK Group's revenue would be taxonomy aligned, but this is a preliminary assessment that will be specified further in the future.

## **Systematic development**

Sustainability development is a systematic effort that supports risk management and the achievement of our business objectives. It requires close cooperation between our staff, our customers and our partners. In our day-to-day work, we are guided by our values, our code of conduct, legislation and various guidelines. Sustainability development measures are documented in a programme, the progress of which is monitored by the responsible persons elected for each task, the Corporate Responsibility Manager, the Management Team and the Board of Directors. We have also made a number of commitments and adhere to quality and environmental certifications, which help to ensure that we operate responsibly. Staying ahead of the curve requires decisive action and investment in developing new solutions. Customer demands for more sustainable construction methods and materials have also increased.

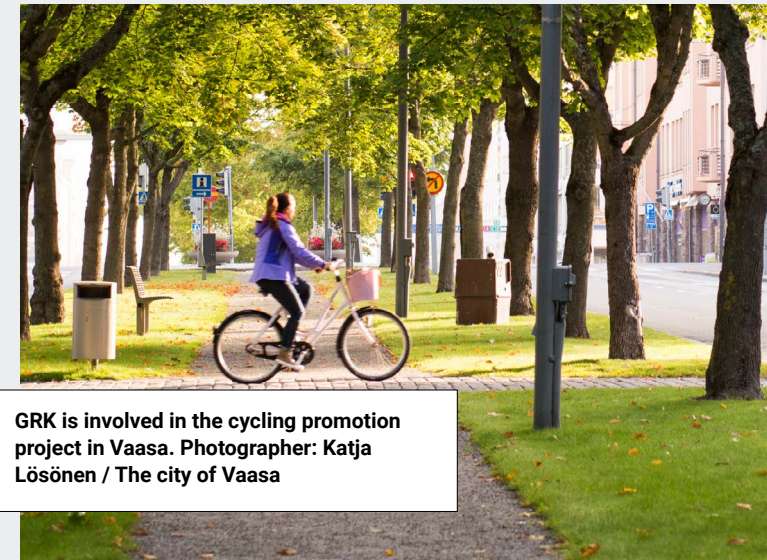
## **Sustainability as part of strategy**

Sustainability is an important cornerstone in GRK's strategy updated in 2022. We aim to be carbon neutral in our own operations in 2030. Also, we identified environmental services as one of our strong growth areas.

Indeed, our updated strategy demonstrates our strong commitment to allocating investment and resources to sustainable development and a change in mindset

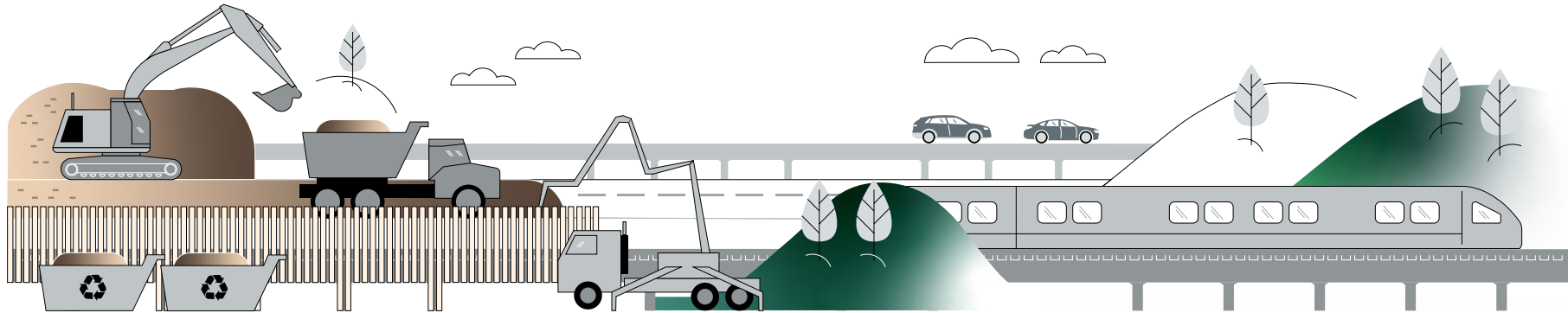
throughout our organisation. Sustainability is an integral part of everything we do, and it provides us with more opportunities for growth.

During 2022, we took several big steps towards sustainability. We used our proprietary emissions indicator suitable for specifying our CO<sub>2</sub> emissions, and it has also been developed in order to quantify carbon handprint. Emissions accounting increases our preparedness for future tenders and provides a basis for monitoring the impact of our environmentally sustainable measures. We also looked for alternative recycled materials to replace traditional raw materials and invested in the recycling of aggregates and soil in our projects.



**GRK is involved in the cycling promotion project in Vaasa. Photographer: Katja Lösönen / The city of Vaasa**

# One GRK – constructing infrastructure



## Resources

### Superior competence

- Strong professional pride and excellent project competence
- Extensive offerings and cooperation with different areas of service
- Active service development and innovative solutions
- Strong focus in environmental business

### Company culture that promotes responsibility

- Entrepreneurial operation in accordance with the principles of fair play
- Development of quality and resource efficiency
- Careful monitoring of each project

### Well-being of the personnel

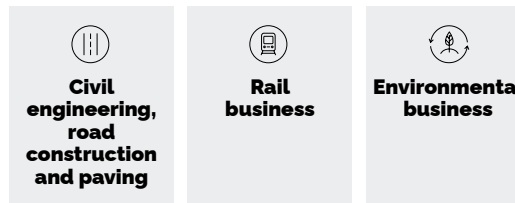
- Personnel satisfaction eNPS 23
- Rewarding wages

### Good networks

- Functional customer relationships
- Extensive partner network

## Business operations

### Services



**Planning      Construction      Maintenance**

### Stable financial position

- Equity ratio 41.9%
- Net investments EUR 21.8 million

### Reputation as a trustworthy operator

- Recognised and trusted brand
- Sought-after cooperation partner for clients and subcontractors
- Forerunner of infrastructure construction in accordance with sustainable development

## Outputs and impacts

### For the personnel

- Salaries and fees with the social expenses EUR 81.0 million
- Increased experience and competence
- Working environment that promotes well-being

### For partners

- Procurements EUR 337.7 million
- 14 waste material disposal centres in Finland

### For the society

- Taxes
- Active cooperation with the public sector to develop the industry's competence

### For the environment

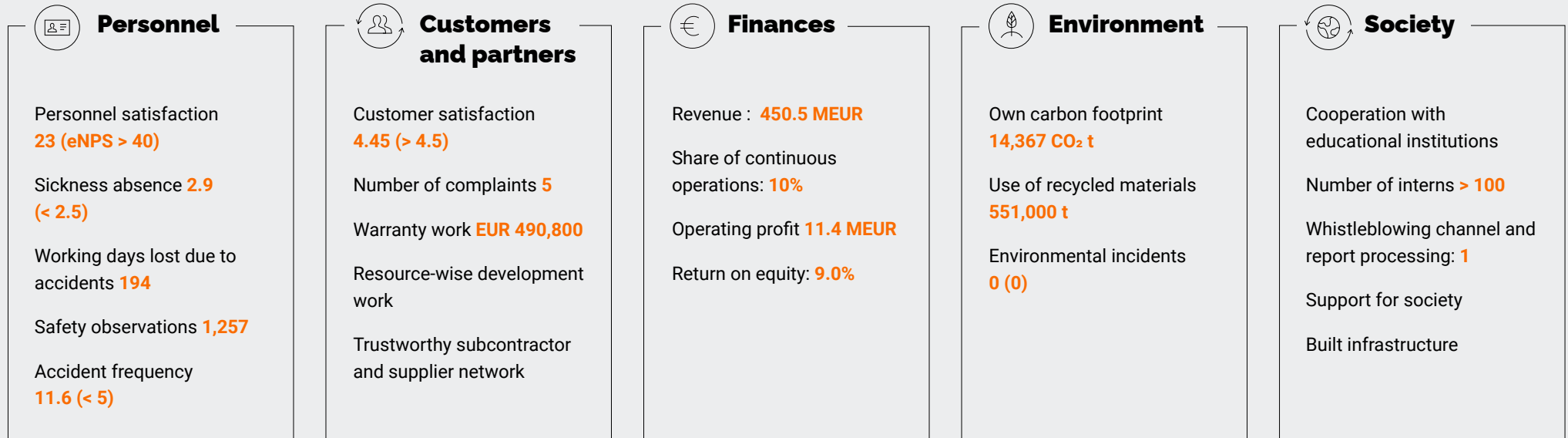
- Decreasing the amount of waste and developing materials
- Total CO<sub>2</sub> emissions 14,367 tons CO<sub>2</sub>-eq, decreased from 2021 level
- 20% increase in the use of recycled materials since 2021
- Recycled raw materials for metal and steel industries, fertilisers and energy production
- The carbon handprint was 10,800 tons CO<sub>2</sub>-eq.

### For owners and financiers

- Dividends
- Interest expenses



# Sustainability objectives and results



## Focus in 2023:

- We assessed our business operations in the light of the EU taxonomy, preparing for the CSRD reporting requirements
- We ensure the transparency of the procurement chain by implementing a responsible procurement programme
- Development of recycling in our construction sites
- Development of the indicators of carbon footprint and handprint accounting (CO<sub>2</sub> vs activity)
- We develop sustainable business operations, we create added value for our work through sustainability
- We will improve energy consumption monitoring and we will start using plans for increasing efficiency (energy efficiency agreement)
- We reduce the frequency of accidents, e.g. by adding training and making safety observations
- We develop managerial work and project management

# Building with respect for the environment

GRK builds infrastructure that meets customers' requirements and users' needs, while reducing its life-cycle environmental impact.

Our activities have a long-lasting impact on the surrounding society, as the lifespan of infrastructure can be dozens or even hundreds of years. We are actively developing more resource-efficient solutions and low-carbon materials. We also invest on rail construction and our environmental services, providing circular economy services to our broad customer base.

Every day, we take concrete and clear actions to promote sustainable construction. CO<sub>2</sub> emissions from infrastructure are mainly due to the materials and fuels used in construction, and, to a lower extent, energy consumption during the lifespan of the product.

Emissions can be reduced by using recycled materials, renewable fuels and ensuring appropriate recycling of soil, aggregates and waste. Emission reductions are also achieved by optimising the logistics of soil and aggregate transports and reducing material wastage.

## Carbon footprint

The carbon footprint is a measure of the impact of various services and products on climate warming. It can be used to measure how much greenhouse gases are generated during construction, for example. We have continued the work to reduce our own Scope 1 and 2 carbon dioxide emissions.

GRK's carbon footprint was 14,367 tonnes of CO<sub>2</sub> equivalent in 2022 (14,812 tonnes CO<sub>2</sub> equivalent in 2021\*). GRK's carbon footprint has been calculated for the entire Group in 2022. The accounting takes into consideration Scope 1 and 2 emissions of the Greenhouse Gas Protocol (GHG). The accounting was carried out using an emissions accounting tool created in cooperation between GRK and Sitowise.

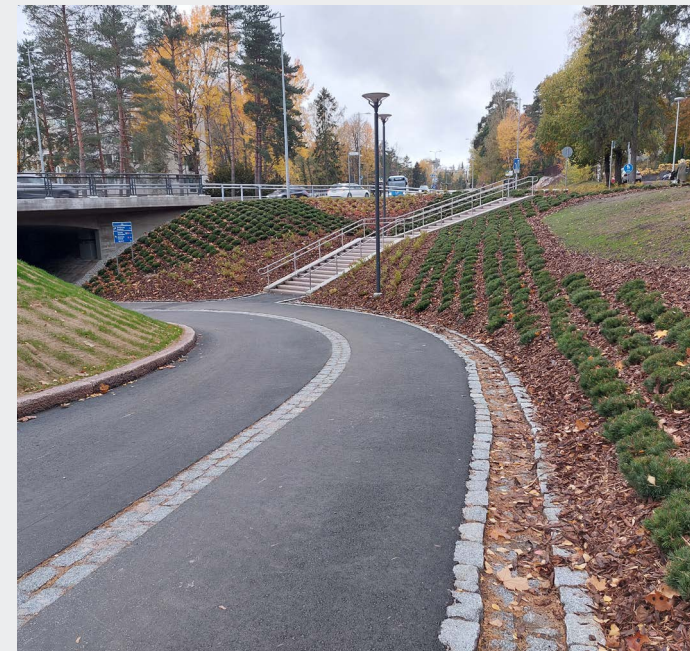
In infrastructure construction, the carbon footprint of own operations is primarily influenced by the fuel emissions of construction site equipment and vehicles (Scope 1). At the beginning of 2021, we were the first infrastructure company to introduce Neste renewable MY diesel and fuel

\* The comparison figure includes operations in Finland, while the figure for 2022 applies to the entire group. The numbers are therefore not completely comparable



## ACTING RESPONSIBLY FOR THE ENVIRONMENT

Our environmental responsibility is guided by our action plans, our quality, environment and safety policy and our risk management policy. We have an environmental management system according to ISO 14001:2015, which ensures the protection of soil, air and water in all our operations. We take care of noise and vibration management and optimize transport distances, protecting the work environment and residents as well as infrastructure users and the climate.





oil products, and we continued their use during 2022. In 2022, we used approximately 900,000 litres of renewable fuels. Renewable fuels accounted for approximately 26% of our total consumption. Our carbon footprint accounting now covers all of the countries where we operate.

In addition, we significantly increased the use of LPG in our asphalt business in 2022. In 2022, we used a total of approximately 1 million kg of LPG, while the use in 2021 was approximately 0.5 million kg. This change has an impact on our carbon footprint, as the CO<sub>2</sub> emissions of LPG are 15–20% lower than those of fuel oil.

With regard to purchased energy, we have strengthened the use of renewable energy (Scope 2). In Sweden, we use 100% renewable energy. In Finland, we have purchased energy centrally since April 2022, and we have used 100% renewable energy thereafter. In Estonia, the share of renewable energy is 12%.

### **Carbon handprint**

Carbon handprint describes the climate benefits, or emissions reduction potential, of a product, process or service. GRK measured its carbon handprint for the first time in 2022, and it amounted to 10,800 tonnes of CO<sub>2</sub> equivalent. This corresponds to the CO<sub>2</sub> emissions produced by all GRK personnel of approximately 10 t CO<sub>2</sub> equivalent per person per year. The carbon handprint was calculated for the first time, so the comparison figure for 2021 is not available. From the beginning of 2022, we also began to monitor the recycling of waste and the development of its volume on construction sites with an application. Interest in introducing new functionalities is high, as the savings in resources are reflected in the profitability of the sites.



**In the Kalasatama–Pasila project, we have paid special attention to the use of land masses and recycled materials and the logistics. In 2022, the recycling rate of utilisable land masses was 99.9%**

GRK has further increased the use of recycled materials in construction. In 2022, we used a total of around 551,000 tonnes of recycled materials in our Finnish companies. During 2022, GRK used a total of 551,000 tonnes of recycled materials in its operations. This is 20% more than in 2021. Recycled materials include asphalt, concrete, ashes, slags and tyres. The use of reclaimed asphalt mixture in paving operations totalled 105,000 tonnes in 2022. This is 35% more than in 2021. The material is included in the total amount of recycled materials.

In addition, GRK has separated a total of 2,300 tonnes of precious metals, such as copper, aluminium and other non-magnetic metals, in the treatment of incineration bottom slags. These materials have been delivered to the metal industry for reuse. In addition, 2,000 tonnes of iron and steel have been magnetised, and this has been delivered as raw material for steel. The treatment of construction waste has generated 892,000 litres of energy waste, which has been delivered to energy production to replace fossil fuels.

In addition to recycling, GRK is involved in the development of new low-emission materials. We also seek the lowest carbon footprint alternatives for materials in procurement and maintain an active dialogue with material suppliers and customers to promote development.

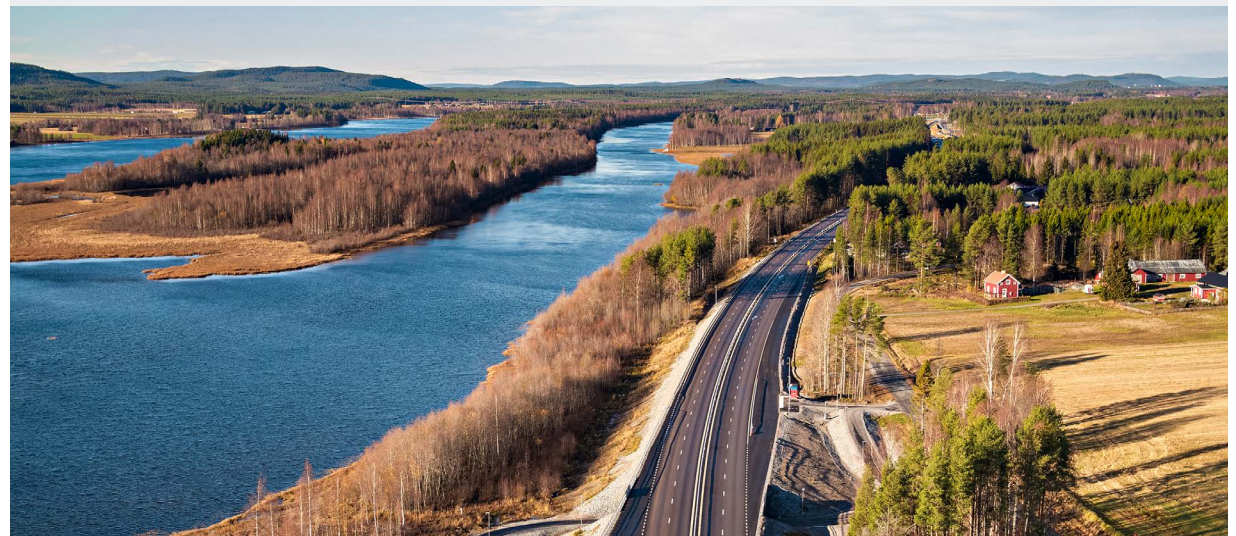
## CASE

### GRK DEVELOPED AN EMISSIONS CALCULATOR TO MONITOR ITS CARBON HANDPRINT

GRK has developed a proprietary calculation tool for monitoring carbon dioxide emissions from its own operations. The results of the emissions calculator can be used to assess the measures that need to be taken to make our own operations carbon neutral by 2030. The calculator has been used for monitoring electricity consumption and the fuel use and emissions of site machines and transport vehicles, among other things. The calculator was developed in cooperation with Sitowise.

The next step was taken in 2022 by developing the tool to measure carbon handprint. The tool takes into account the positive impact of the recycled materials used and the value of the materials for reuse generated in our operations, such as metals and recycled fuels.

“With the calculator, we can identify our most significant sources of emissions and choose the right measures to reduce these emissions based on the results. This has impacts on the operations of our company as a whole. As a forerunner in the industry, we strive to minimise the negative impacts while increasing our positive handprint,” says Riina Rantsi, Business Development Director at GRK Infra Oyj.





People, health and safety

# Safety first

As a fair employer, GRK is a forerunner in its field, with a bold entrepreneurial culture. We are the most committed and eager team in the industry. We are doing meaningful work to build the infrastructure of the future in a sustainable way.

GRK is a fair and trustworthy employer that offers all its employees equal opportunities, a chance to grow and develop, and a collaborative working community.

The continuation of the COVID-19 pandemic and the war of aggression launched by Russia posed challenges to GRK's daily operations, but these were reasonably well managed through proactive measures.

Business continued uninterrupted and the pandemic or the material sourcing problems caused by the war of aggression did not delay the progress of projects.

During 2022, GRK modified its company structure, organisation and, of in part, also its operating methods. The year was exceptional in many ways, and the situation was also reflected in the responses of the 2022 personnel survey.

In 2022, GRK conducted the Työvire personnel survey with 563 respondents. The response rate was 64%. The pulse score was 3.9 out of 5, and the average varied between 3.3 and 4.7 out of 5 between different respondent groups.

The Työvire personnel survey is a short pulse survey, while the Employee Net Promoter Score (eNPs) is used as a strategic indicator of overall satisfaction at GRK. In 2022, GRK Group's eNPS was 23 (39). The median eNPS of companies is about 20, of the top quartile 40 and the top decile about 60.

We want to further improve our well-being, and we will plan and implement measures based on the information provided by the survey. We already have a wide range of practices and tools to promote well-being at work.

## Safety first

Our employees work in a wide range of jobs, so the occupational health and safety risks vary. Safety is our number one priority, and we will not compromise on it under any circumstances. We aim to operate accident-free, and we systematically improve our safety performance. Proper instructions, compliance with them, safe equipment and the use of protective equipment contribute to accident-free working. We monitor compliance with safety requirements on our sites, and the requirements that apply to our own employees also apply to our partners.

GRK has carried out long-term safety work for several years. The goal of the strategy period is to get the accident frequency rate below 5. The accident frequency rate describes the number of accidents causing sick leave per one million hours worked. GRK has succeeded in



decreasing the accident frequency rate for several years by introducing and developing predictive safety tools and by strengthening the use of existing good practices.

In 2022, there were some setbacks in safety, but in the next few years, GRK will strengthen the management of basic safety issues, develop the consideration of safety in all operations, train our in-house personnel in the competence and consideration of safety, quality and environmental issues and develop the operating model for rewarding safety.

Our accident rate has deteriorated and was 11.6 for GRK's own employees (7.9).

We also extended the monitoring of safety observations to all our sites. In total, more than 1,257 (879) safety observations were made.

### **Occupational health**

Our employees have access to a comprehensive range of occupational health care services, as well as health insurance. We take active steps to maintain the working capacity of our staff. The main risks to working capacity tend to come from physically demanding jobs, but mental health challenges are also increasingly proving to be a cause of sick leave. We encourage employees to report their situation as early as possible so that we can provide expert help.

In 2022, the sickness absence rate was 2.9% (1.6%). The COVID-19 pandemic was in part reflected in the increase in sickness absence, as many people contracted COVID-19 during the year.

### **Attractive employer**

GRK's success is based on the diverse skills of its staff and their continuous development. Complex infrastructure projects require managing their entire lifecycle, from tender calculation to resourcing and scheduling, management and implementation in a cost-effective way that meets customer requirements. The development of the sector

also requires the introduction of new ways of working and, in particular, more effective use of new technologies and digitalization. We keep our staff's skills up to date and design training courses to meet the needs of the company as a whole and the individual needs of each employee.

Sectoral legislation requires that those who execute projects have certain qualifications, for example in the field of occupational safety. We ensure the qualifications of our employees by using external trainers, for example for training in occupational and railway safety.

### **A desired workplace**

Labour shortages are plaguing infrastructure companies in Finland, Sweden and Estonia and, in particular, there is a shortage of production workers. Thanks in part to its reputation of being a good employer, GRK has been reasonably successful in retaining its staff and recruiting skilled employees. The company is a desirable and sought-after place to work, offering a competitive and motivating salary. However, succeeding in the competition for talent requires continuous development. GRK is actively involved in various organizations and cooperation bodies to develop the competitiveness and attractiveness of the industry as a whole. Large investments have been launched, especially in rail construction, so the need for labour is growing.

We were involved in a joint project between TTS Kehitys and the TE Centre to train new skilled workers in the sector. We also invest in cooperation with educational institutions and offer traineeships and jobs for young people. The most experienced workers have a wealth of knowledge, and we encourage them to share it with younger workers through a mentoring programme. Fair pay and motivating incentive systems give competitive edge to GRK. The entrepreneurial way of working is reflected in the incentives that we use to reward staff for achieving both the company's performance target and unit- and site-specific targets.



**We managed to grow the number of safety observations.**



## CASE

### **GRK WON THE INFRASTRUCTURE CONSTRUCTION SITE CATEGORY IN THE UUSIMAA REGION'S OCCUPATIONAL SAFETY COMPETITION**

› The construction industry is promoting safety in many ways, one of which are regional occupational safety competitions between construction sites. GRK won a prize in 2022 for the best companies and construction sites of 2021. GRK Infra Oyj's Yläkartanontie–Kaskilaaksontie–Kartanonkulma–Kartanonkallio park site in Espoo achieved this. The great performance was thanks to Site Manager Antti Saikkonen and the entire site crew!

The annual safety competition was arranged by the Uusimaa district of the Building Construction industry, INFRA – Infra Contractors Association in Finland, the Finnish Construction Trade Union, Trade Union Pro, the Regional State Administrative Agency for Southern Finland/ Occupational Safety and Health division, the Centre for Occupational Safety and Rakli ry. The competition has several categories. It is not possible to nominate a specific site to the competition; representatives of the Regional State Administrative Agency carry out inspections at sites of their choice without advance notification.

## CASE

### **A RECORD-HIGH NUMBER OF INTERNS WORKED AT GRK IN THE SUMMER**

› In summer 2022, GRK had the opportunity to provide a record-high number of new talent with internships. Almost 90 interns worked in different GRK functions during the summer. The number of applicants increased further, and we received as many as more than 400 applications.

Of the close to 90 interns, slightly fewer than one in two were novice blue-collar interns, i.e. 1st or 2nd year infrastructure sector students. There was a slightly higher number of positions available to supervisor interns who were more advanced in their studies in different sectors during the summer. The interns also included about ten rail construction technician interns and a few measurers and machine operators. Of the interns, approximately one in three had worked at GRK during previous summers.

The entire infrastructure sector has been suffering from a labour shortage in recent years, and more skilled employees are needed. There is a lot of potential in the summer interns, and we want to hold on to them, and therefore some of the interns who are close to finishing their studies will continue working for us in the autumn. "This way, the interns' journey at GRK into infrastructure sector professionals will continue," says **Jere Hänninen**, Manager of Education and Training at GRK.

Knowledge and society

# Our impact on knowledge

GRK builds infrastructure that is important to society, but we also create and distribute knowledge with our stakeholders and within our industry. A significant part of our work involves planning and creating new knowledge.

GRK's strategic intent is to be the most versatile operator in the infrastructure sector in 2025 and a forerunner in sustainable construction. This requires GRK to make significant investments in research and development. In 2022, our research activities focused especially on the development of environmental services, because in accordance with the strategy, we are seeking strong growth in environmental services.

Environmental services development projects support all of our business operations. They allow us to respond to the increasing requirements for sustainable construction. Of our projects, A low-carbon operating model for infrastructure construction and New binders, earthworks materials and fertiliser products in infrastructure construction continued in during 2022. The low-carbon operating model now facilitates our reliable carbon footprint and carbon handprint accounting in all of the countries in which we operate. We expect the testing and productisation of new

products to provide opportunities for reducing emissions from construction materials in the future.

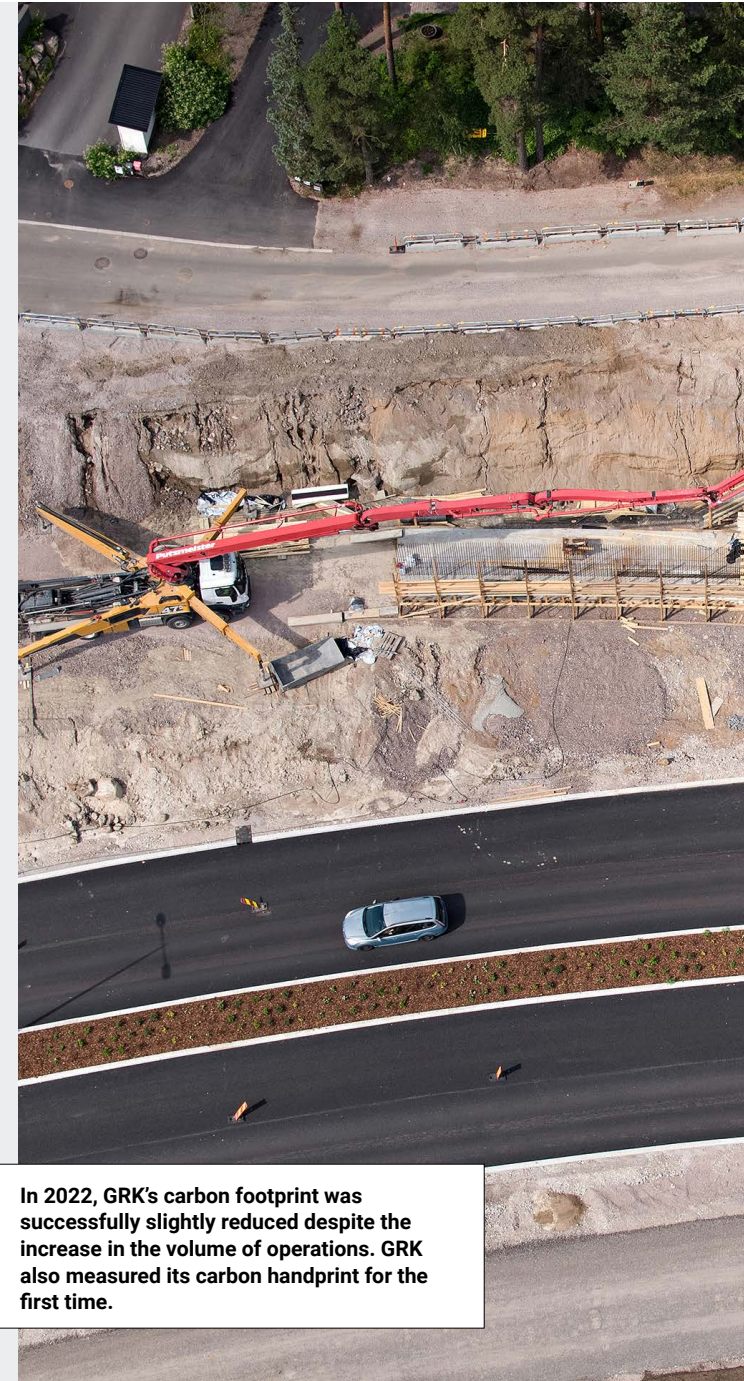
## **A low-carbon operating model for infrastructure construction**

Launched in April 2020, our research project on a low-carbon operating model for infrastructure construction ended at the end of 2022. The project was partly funded by Business Finland. The project has been carried out in close cooperation with the Finnish Meteorological Institute.

## **New binders, earthworks materials and fertiliser products in infrastructure construction**

In 2020, GRK started a survey aiming to process ash, slag or similar industrial by-products and waste materials into high-quality end products for binder use, earthworks and fertilisers. The project is partly funded by Business Finland.

In 2022, we studied several materials and chose some of them for further productisation. The project will continue until November 2023.



**In 2022, GRK's carbon footprint was successfully slightly reduced despite the increase in the volume of operations. GRK also measured its carbon handprint for the first time.**



## CASE

### BIOCHAR REVERSES EMISSIONS

› GRK further strengthened its environmental business by introducing a new carbon-negative product, biochar, to the market.

In autumn 2022, we reported that we aim to make investments of approximately EUR 20 million in several plants by 2025. In addition to Finland, plants will be built in Estonia and Sweden. Once completed, the plant investments planned by GRK will equal up to one half of the 2021 capacity in all of Europe. GRK's partner in the production of biochar is the Finnish company Carbon Balance Finland Oy.

Climate change and the energy crisis make the green transition a necessity: biochar functions as a carbon sink and mitigates climate warming. Therefore, the relatively new biochar market is growing rapidly in Europe, but at the same time there is still a limited number of companies operating in the sector.

Our in-house biochar production enables the reversal of the carbon footprint and strengthens profitable business growth. For the investment of our first production plant, we received a partial RRF investment grant from Business Finland. The year 2022 was spent on plant development and construction of the operating area. Biochar production will commence in 2023.

"Our first plant in Utajärvi will be fully operational in spring 2023. We have surveyed the locations of the next plants in Finland, so

we can quickly start the construction of the next plants," says Mika Häkli, Bio Product Business Director at GRK.

Our annual production target by 2025 is approximately 20,000 tonnes of biochar.

#### Uses and properties

- Biochar functions as a carbon sink and mitigates climate change.
- enhances the water retention and nutrient binding capacity of soil.
- binds soil humidity and heavy metals.
- enhances the physical properties of soil: increases porosity and aeration.

Dozens of uses have been verified for biochar, and new ones are continuously being developed. Biochar can be used, for example:

- green areas of infrastructure projects
- treatment of stormwater or leachates (purifying soil or water systems from nutrients and heavy metals)
- soil improvement of green areas – nutrients can also be added to it



Knowledge and society

# Our impact on society

We build and maintain infrastructure that is vital to our society and the foundation of its well-being.

Accordingly, the most significant value we generate for society comes from the road, rail and utility networks we build, which have impacts on the day-to-day lives of thousands of people every day.

In addition, we bring prosperity to society through taxes, jobs and increased know-how. We are involved in trade association activities and foster good cooperation with the communities living near our construction sites. We work with and sponsor various educational institutions at both local and national level.

## Corruption and bribery

GRK's ethical guidelines are aggregated into the principles of fair operations, which include the Group's common code of conduct. The principles of fair operations are based on legislation, official regulations and the company's values, based on which concrete procedures have been built for GRK's management and employees for different scenarios. GRK's goal is also to commit our partners to the principles of fair operations and to ensure that they follow similar practices in their cooperation with GRK.

Combatting the black economy and preventing bribery and corruption are part of GRK's principles of fair operations.

GRK has zero tolerance for bribery and corruption. The principles of fair operations provide guidelines for preventing bribery and corruption, examples of situations that may arise in day-to-day life and guides on what to do in these situations.



Constructing and maintaining rail lines impacts the everyday lives of thousands of people each day.



GRK has an anonymous whistleblowing channel for anyone to report grievances or suspicions of misdemeanour concerning the company.

The whistleblowing channel can be used to report, for example, shortcomings in occupational safety and health, breaches of equality, non-discrimination and equality, conflicts of interest, suspicions of the black economy, money laundering or terrorist financing, as well as bribery and corruption. All reported violations are investigated appropriately and confidentially.

After the review period, at the beginning of 2023, GRK adopted an internal guideline on conflicts of interest. The purpose of the guideline is to ensure that decisions in GRK's operations are always made transparently and in the best interests of GRK. A conflict of interest must not affect the decisions made at work, which is why, according to the guideline, in a conflict of interest situation, decision-making must always be delegated to the supervisor of one's own supervisor.

### **Responsible procurement and trustworthy partnership**

Responsible procurement and transparency throughout the subcontracting chain are the cornerstone of responsibility. GRK always carries out procurement in compliance with laws and regulations and GRK's internal guidelines.

Because the construction industry is a typical risk industry with regard to the black economy, it is particularly important to GRK to know its partners. The black economy lurks at the end of procurement chains, so the focus of GRK's procurement is on transparency throughout the subcontracting chain.

GRK is committed to combatting the grey economy and only deals with responsible partners that take care of their obligations. GRK requires its partners to operate as responsibly as it itself does. The partner companies are required

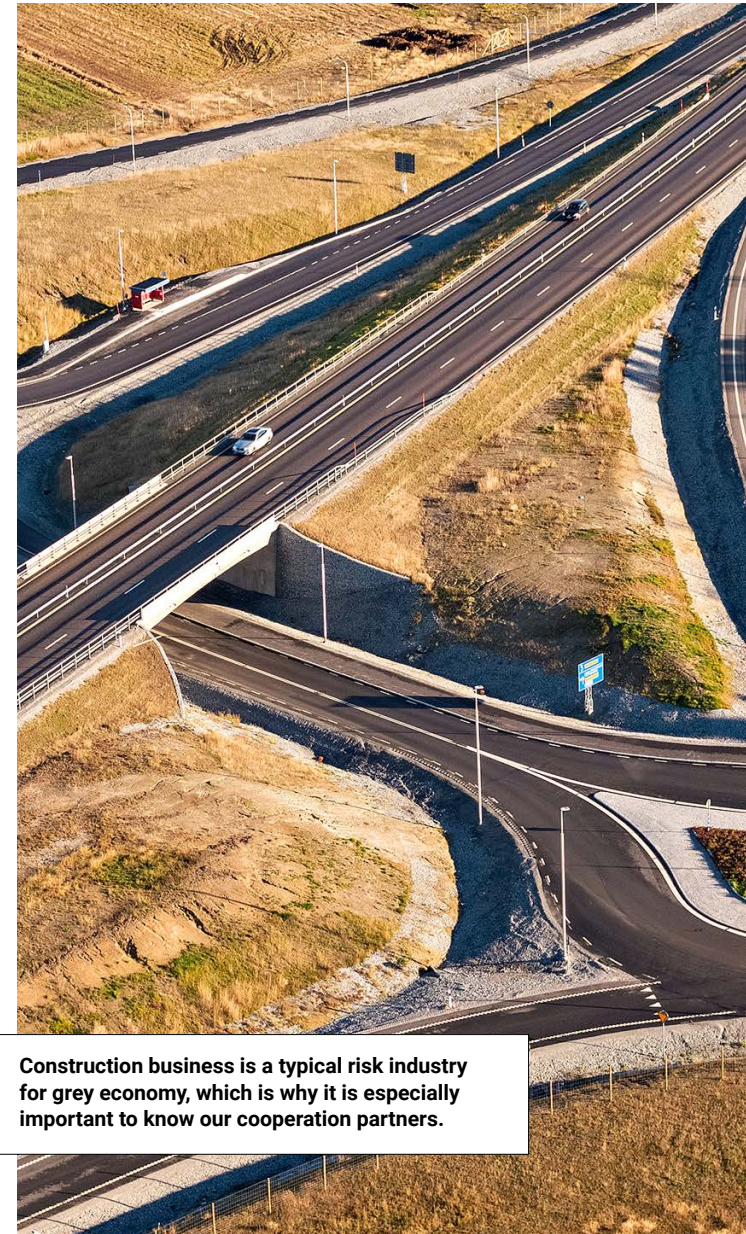
to commit to GRK's principles of fair operations or maintain their own codes of conduct with corresponding rules.

GRK's partners are long-term, trustworthy and well-known. We always examine the background and financial information of new partners to know the partners. Before procurement, the information required by the Act on the Contractor's Obligations and Liability when Work is Contracted Out is verified and, if necessary, risk-based additional accounts of the partner's background are obtained.

GRK monitors and evaluates the performance of its partners on a continuous basis. GRK carries out audits and UPA assessments of its partners. A subcontractor's neglect in fulfilling its obligations results in the termination of the cooperation.

Throughout its history, GRK has aimed to establish long-term relationships with good partners. In accordance with its values, GRK also wants to be a reliable partner for its partners. We always operate fairly, openly and transparently with our partners.

Joint success is reached through mutual respect and good cooperation. GRK aims to create the prerequisites for mutual success. GRK sticks to its promises, and GRK's word can always be trusted. Any problems are settled through negotiation.



**Construction business is a typical risk industry for grey economy, which is why it is especially important to know our cooperation partners.**

# Governance

Good governance is the foundation of responsibility. At GRK, good governance is implemented through a clear-cut management system and operational control.

GRK's governance is based on the company's values and principles of fair operations (Code of Conduct), compliance with applicable legislation, regulations and guidelines and the company's internal operating policies.

At GRK, the values are at the core, and the principles of fair operations are equally applicable to Board members, management, and all employees in all Group companies. GRK's values and principles of fair operations lay down the foundation for the Group's operations and determine GRK's way of working.

GRK's governance, management and supervision are divided between the Annual General Meeting, Board and CEO. The internal audit function, which operates under the supervision of the Board, is responsible for internal audit, while the auditors are responsible for external audit. Operational business operations are implemented by the CEO, supported by the Group Management Team. The company's operational management is described in the company's management system, which is part of GRK's certified operating system

## General meeting of shareholders

GRK's highest decision-making company is the general meeting of shareholders in accordance with the Limited Liability Companies Act. The Annual General Meeting

decides on the distribution of profits, adopts the financial statements and decides on discharging the Board members and CEO from liability. The general meeting of shareholders elects the members of the Board and decides on their remuneration. The Annual General Meeting also elects the company's auditor and decides on the auditor's fees. The general meeting also decides on other matters falling under its jurisdiction according to the Limited Liability Companies Act and the Articles of Association, as well as other decision proposals submitted to the Annual General Meeting.

In 2022, GRK had three general meetings of shareholders.

## Board

The Board is responsible for the Company's governance and the arrangement of its operations. GRK's Board has prepared written rules of procedure defining the key tasks and operating principles of the Board and its Chair. The Board appoints and dismisses the CEO, supervises the CEO and decides on their remuneration and other terms and conditions of employment. The Board decides on significant matters pertaining to the company and the Group. For example, it decides on the company's strategy, significant investments, mergers and acquisitions, the management system and proposal concerning profits.

The Board prepares an annual calendar for its operations and meets in accordance with a pre-agreed schedule, as well as when necessary. The Board annually reviews its activities and ways of working and develops its operations based on the results.

In 2022, the members of GRK's Board were Kari Kauniskangas, Keijo Haavikko, Johanna Korhonen, Esa



Our operations are defined by our values and the principles of fair play.

Lager, Jukka Nikkanen and Tarja Pääkkönen. Jukka Nikkanen acted as Chair of the Board as agreed until 1 September 2022, after which Kari Kauniskangas has been the Chair of the Board. Keijo Haavikko has been the Vice Chair of the Board.

The Board has established a Board Audit Committee for the company and ratified its written rules of procedure. The Committee was established primarily to prepare matters concerning the company's financial reporting and supervision and audit follow-up and preparing other audit-related matters. The Audit Committee also assists the Board in preparing matters related to financial reporting, financing, internal control, internal audit and risk management.

In 2022, the members of the Audit Committee were Jukka Nikkanen (Chair from 1 September 2022), Esa Lager (Chair until 31 August 2022) and Kari Kauniskangas.



## GRK'S MANAGEMENT STRUCTURE



### CEO and Management Team

The CEO manages, steers and supervises the day-to-day business operations of the company in accordance with the instructions and orders of the Board and the company's operating policies and other guidelines. The CEO is responsible for arranging the company's day-to-day administration and ensuring that the company's accounts are legal and that the management of the company's assets is reliably arranged. The CEO prepares matters to be decided on by the Board, develops the Group in accordance with the goals agreed with the Board and ensures the appropriate implementation of the Board's decisions. GRK's CEO is Juha Toimela.

The Group Management Team assists the CEO in the planning of operations, operational management and decision-making. The Group Management Team also prepares matters to be reviewed by the company's Board and assists the CEO in implementing the Board's decisions and the company's strategy. The Group Management Team reviews matters relating to business operations and the development and supervision of operations. The Group Management Team comprises the CEO and members appointed by the Board at the proposal of the CEO. Each member of the Group Management Team has their own areas of responsibility in accordance with the company's management system. The Group Management Team convenes regularly according to an annual schedule agreed in advance.

### Principles of internal control

Internal control contributes to ensuring that the objectives set for the Group's business operations are achieved. The purpose of internal control is to ensure that the company's operations are efficient, reliable and compliant and that the company's financial reporting is accurate and trustworthy. Internal control aims to ensure the continuity and uninterruptedness of operations and prevent deviations from the objectives or detect them so that corrective action can be taken.

The Board and CEO are responsible for the organisation of internal control. GRK's Board ensures that the Company has defined the operating principles of internal control. The Board Audit Committee monitors and assesses the effectiveness of internal control annually and reports its observations to the Board.

The CEO is responsible for the implementation of internal control. In addition, the management of each business function, Group company, unit and project is responsible for the development, implementation and maintenance of internal control in its respective area of responsibility.

At GRK, internal control is part of management, with the Board, management and personnel taking part in it. Besides the control process of business functions, the company's internal control system includes independent control functions that support business operations. Such independent functions include Group-wide systematic risk management, compliance work and the HSEQ function. The internal audit function, independent of the business functions, assesses the Group's internal control.

The tools of internal control include GRK's policies and principles, guidelines, authorities and access rights, regular reporting and inspections, audits and self-assessments. The control measures are planned based on the business objectives and risks to them. Internal control is targeted in a risk-based manner so that the risks are under control.

It is the duty of everyone at GRK to comply with the principles of fair operations and GRK's policies, principles and work-related guidelines. It is the duty of everyone at GRK to intervene in breaches of the principles of fair operations, and the company encourages everyone to report any abuse or improper treatment at a low threshold to either their supervisor or the CEO. GRK has an anonymous reporting channel through which violations of the principles can be reported. All reports and suspected violations are investigated appropriately and confidentially.

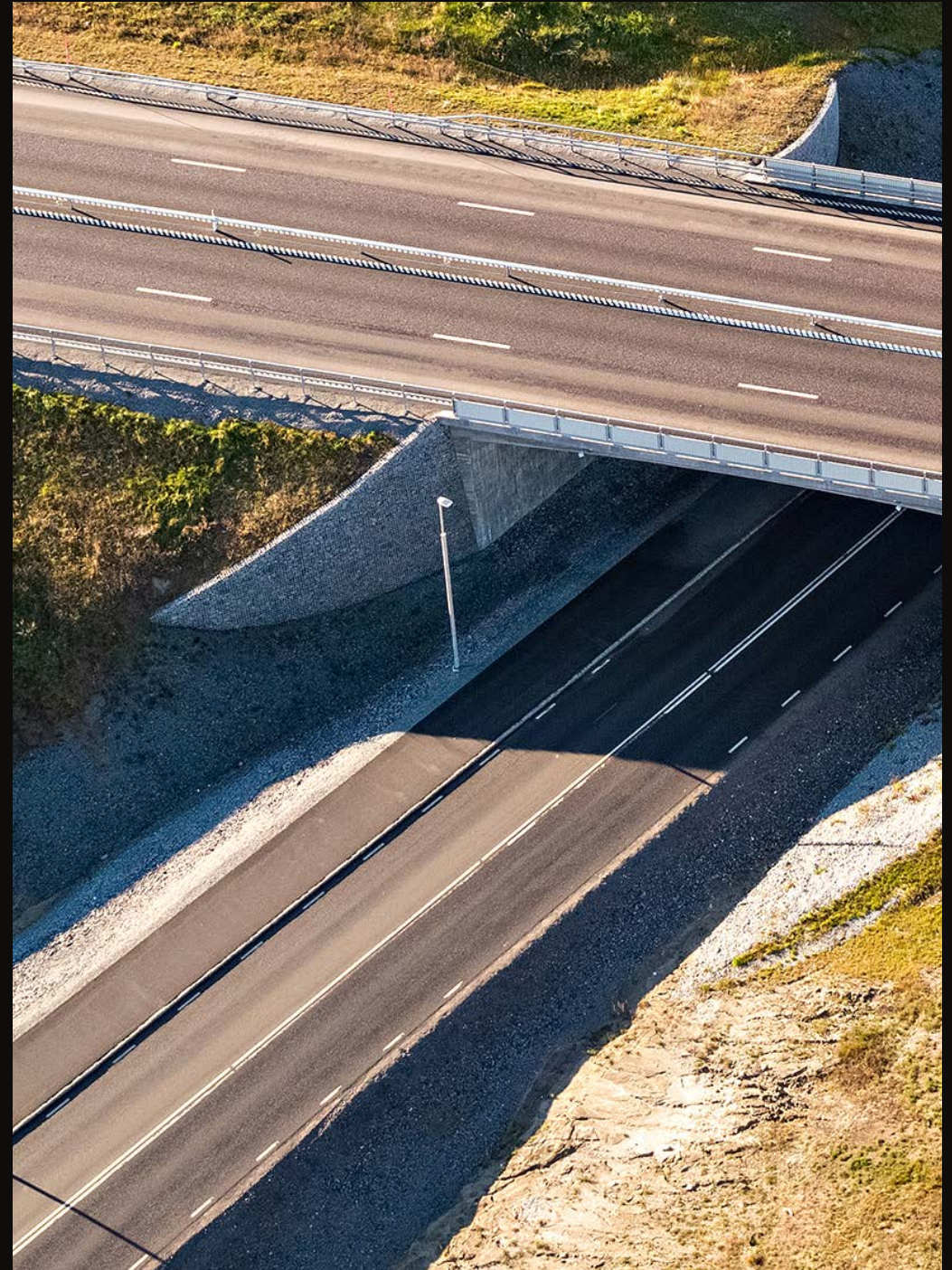




Board & Management team

**We build  
sustainable  
infrastructure**

**to be used by  
everyone**



Board and management team

# Board of directors



**KARI KAUNISKANGAS**

Chairperson of the Board,  
Member of the Audit  
Committee



**KEIJO HAAVIKKO**

Member of the Board,  
Vice Chairperson of the  
Board



**JOHANNA KORHONEN**

Member of the Board



**ESA LAGER**

Member of the Board,  
Member of the Audit  
Committee



**JUKKA NIKKANEN**

Member of the Board,  
Chairperson of the Audit  
Committee



**TARJA PÄÄKKÖNEN**

Member of the Board



Board and management

# Management team



**JUHA TOIMELA**

Chief Executive Officer,  
GRK Infra Oyj



**KEIJO HAAVIKKO**

Executive Vice President,  
GRK Infra Oyj



**SAMI IMMONEN**

Technical Director



**JOHANNA KORHONEN**

HR Director



**JOHANNA METSÄ-  
TOKILA**

General Counsel



**MIKA MÄENPÄÄ**

Chief Executive Officer,  
GRK Infra AB



**JAAKKO MÄKELÄ**

Business Director, Civil  
Engineering and Paving



**MIKKO NYHÄ**

VP, GRK Suomi Oy  
Business Director, Rails



**PRIIT PAABO**

Chief Executive Officer,  
GRK Eesti AS



**TIMO PINOMÄKI**

Chief Risk Officer



**RIINA RANTSI**

Director, Business  
Development,  
Sustainability, Marketing  
and Communications



**MIKKO SILLMAN**

Chief Financial Officer

The logo consists of the letters 'GRK' in a bold, orange, sans-serif font, centered within a dark grey square background.

**GRK Infra Oyj**

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