

A man with short blonde hair, wearing a high-visibility yellow and blue jacket with reflective white stripes, is sitting in the driver's seat of a truck. He is looking towards the camera with a neutral expression. His right hand is on the steering wheel. The interior of the truck is visible, including the dashboard, steering wheel, and side window. The lighting is somewhat dim, suggesting an indoor or shaded environment. In the top left corner, there is a decorative graphic element consisting of a curved line in blue, green, and white.

**Business-driven procurement**  
Antti Tervo, Capital Markets Day, 14 September 2012





# Multi-business environment requires different resources



over **8,000**  
employees

**15 million**  
litres of  
diesel oil per  
year

over **2,000**  
vehicles



**23**  
recycling  
plants



**20,000**  
routes

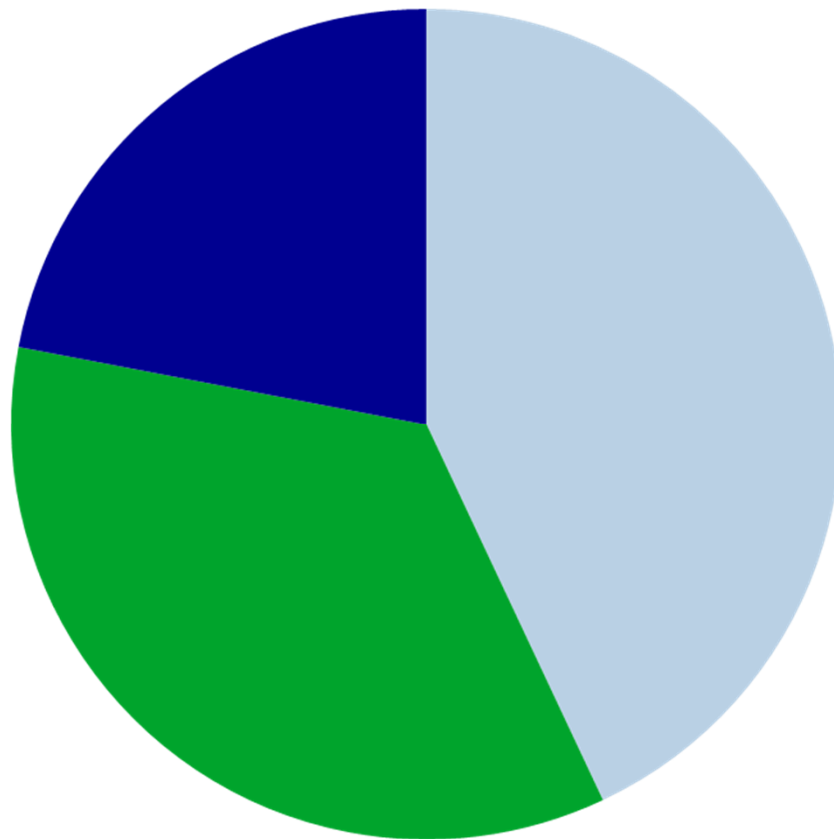




## Annual spend more than EUR 200 million to be managed

Most important items of direct and fleet purchases:

- External workforce and subcontractors
- Fleet, fuel and operating costs
- Technical equipment and materials



- Direct purchases
- Fleet purchases
- Indirect purchases



# External cost optimisation by increased spend management

**2011**

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- 30% of total spend managed by procurement

**2016**

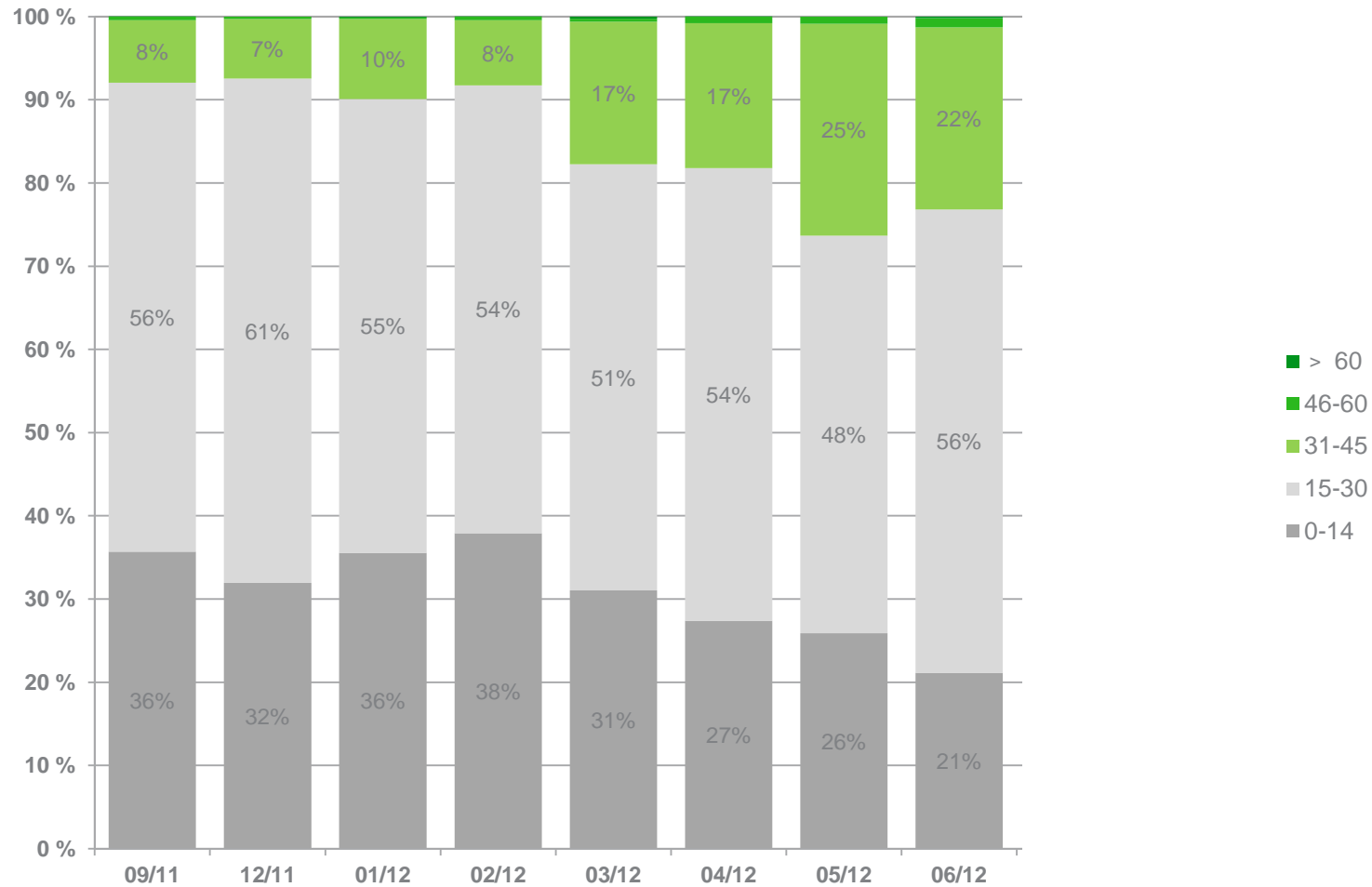
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- 90% of total spend managed by procurement





# Key achievements 2012 – Payment terms optimisation






## Key achievements 2012 – More than 2 MEUR savings

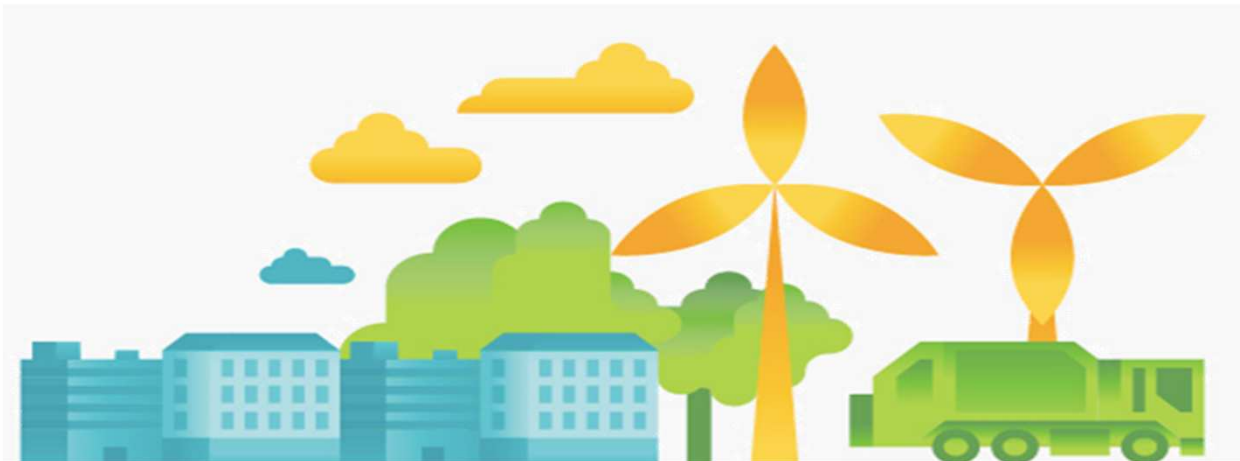
### **Key activities**


- Subcontracting optimisation project
- Technical devices, supplies and equipment
- Fleet service optimisation activities
- Fleet – Increased productivity
- ICT – Demand and sourcing optimisation
- Real estate consolidation project



## Road map towards total supply chain management

- Key activities to increase actively managed spend to 90%
- Key steps towards optimised supply chain





## Key activities to increase actively managed spend to 90%

- Procurement drives activities across businesses to optimise and standardise demand
- Development of procurement transparency to enable forecasting of raw material and labour cost
- Active supplier development
- Utilise economies of scale
- Optimised and automatised operational purchasing





## Key steps towards optimised supply chain

- Continuous development of the logistics network
- Active fleet productivity management
- More efficient product and equipment logistics
- One L&T – share and implementation of best practices across business boundaries



## Our success factors

- Sourcing activities derived from business needs
- Development of our partnerships
- Operations as one L&T

We manage our external costs efficiently.

