

**FINLAND NEEDS ENERGY,  
RAW MATERIALS  
AND JOBS. WE CREATE THEM  
THROUGH RECYCLING.**

At L&T, we want to join forces with our customers and lead the transition from a consumer society into a sustainable and efficient recycling society. This means a society where existing materials and buildings are used as efficiently as possible, continued efforts are made to reduce energy consumption, and more jobs are created, along with well-being.

MANY PEOPLE — ONE L&T



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## OUR VISION

We are the customer's preferred partner in environmental, industrial and facility services.



### STRATEGIC PROJECTS 2013

- Development of leadership skills
- Resource and labour cost management
- Development of sales operations and more extensive service packages
- Business driven information systems
- Development of procurement and logistics
- Enhancement of working capital management

### KEY SUCCESS FACTORS

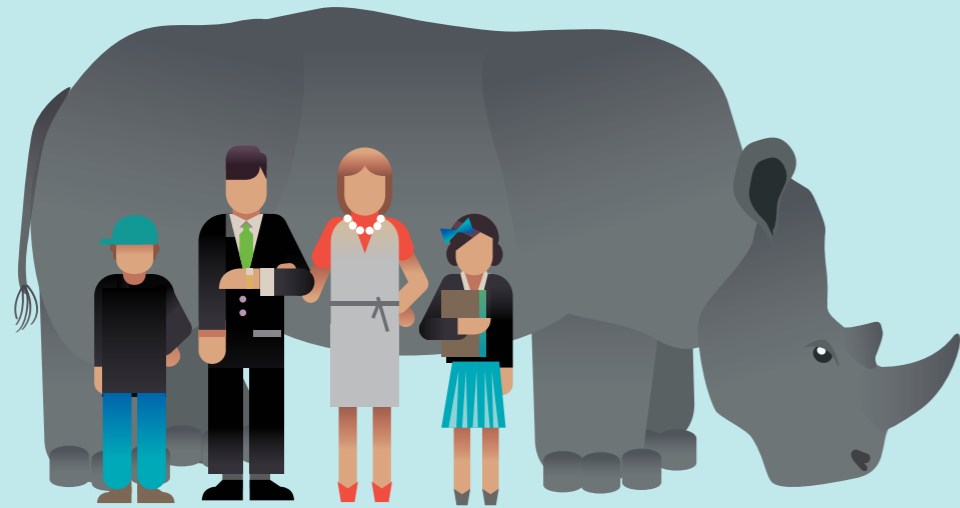
- Focus on service business
- Customer-oriented operating model
- Skilled and sufficient human resources
- Profitability through cost-efficiency
- Uniform corporate and positive safety culture

FROM CONSUMER SOCIETY TO RECYCLING SOCIETY

**X DEPLETION OF KEY RAW MATERIALS**

**X FINLAND AND EUROPE LOSE THEIR COMPETITIVE STRENGTH**

**X GLOBAL WARMING**



THE MUNICIPAL WASTE GENERATED BY A FINNISH FAMILY PER YEAR WEIGHS AS MUCH AS A RHINO.

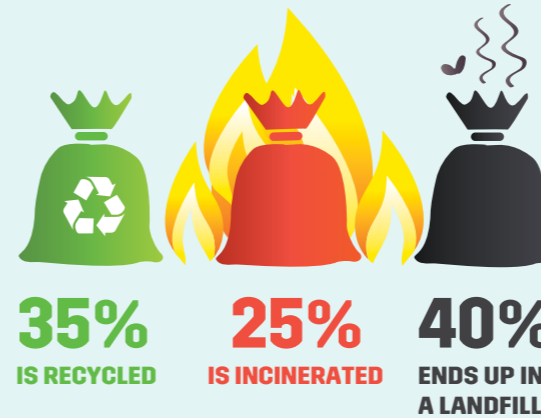
**2,000 KG**

## MATERIAL EFFICIENCY CREATES WELL-BEING

In a recycling society, environmental investments generate new business and new jobs, and secure the availability of critical raw materials. This is essential, if we are to maintain a healthy business and industry structure. Recycling is ten times more labour-intensive than waste incineration and 25 times more labour-intensive than landfill management. Raising the recycling rate to the level specified in the National Waste Plan would create 10,000 new jobs in Finland.

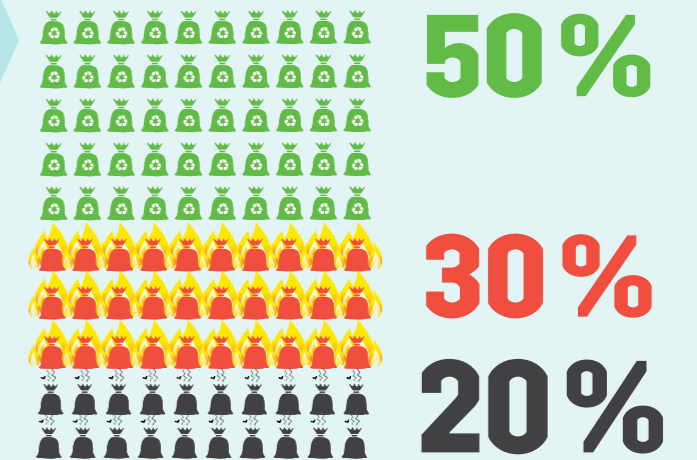
**Sources:**  
 Statistics Finland, Waste Statistics 2011 ([http://www.stat.fi/til/jate/index\\_en.html](http://www.stat.fi/til/jate/index_en.html)), European Waste Strategy (eg <http://ec.europa.eu/environment/waste/strategy.htm>), Friends of Earth "More jobs less waste" report ([http://www.foeeurope.org/sites/default/files/publications/FoEE\\_More\\_Jobs\\_Less\\_Waste\\_0910.pdf](http://www.foeeurope.org/sites/default/files/publications/FoEE_More_Jobs_Less_Waste_0910.pdf)), Towards a recycling society. The National Waste Plan for 2016., (<http://www.ymparisto.fi/download.asp?contentid=102639&lan=en>)

OF ALL MUNICIPAL WASTE



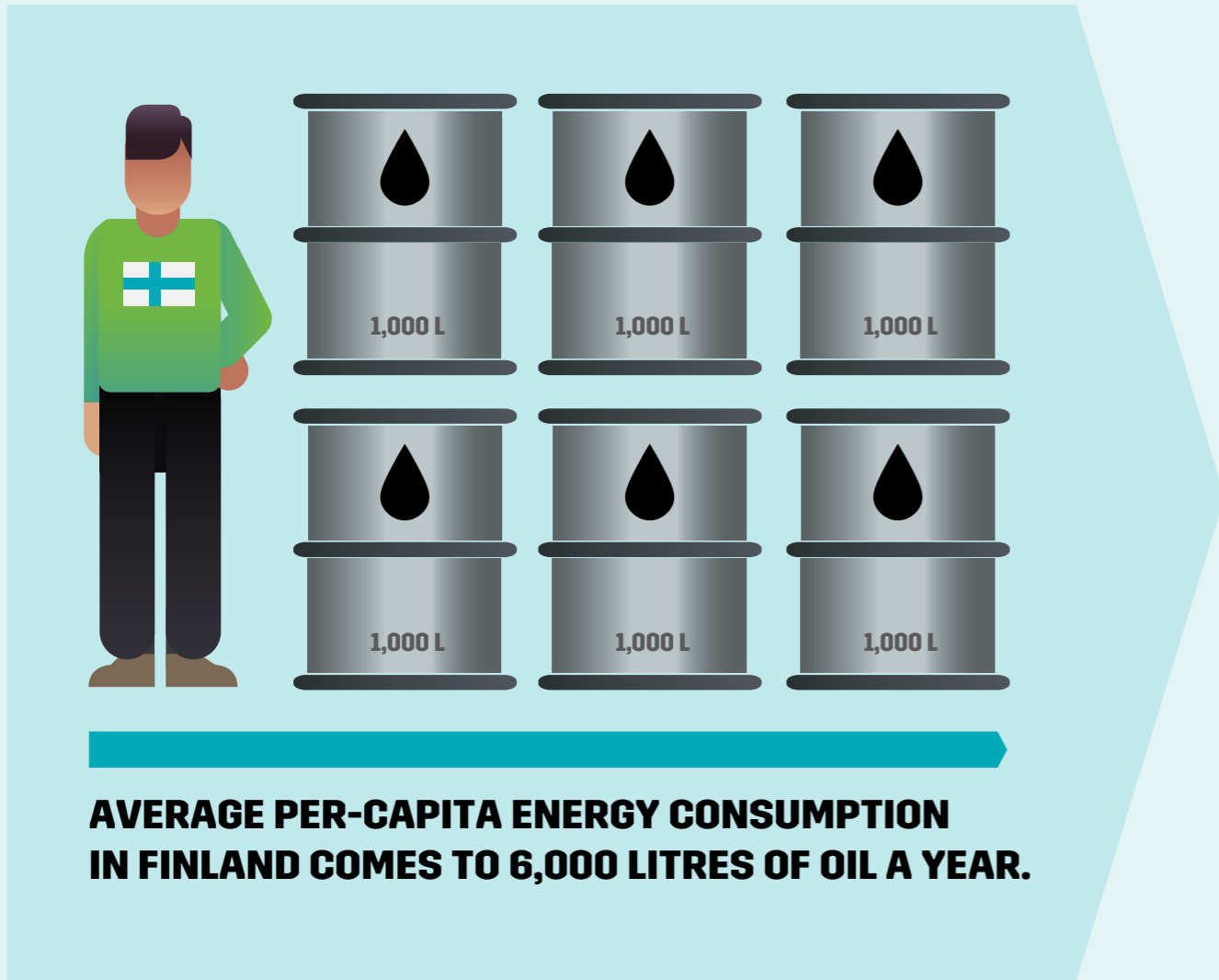
**BUT...**

...INCREASING THE RECYCLING RATE TO



**WOULD GENERATE**



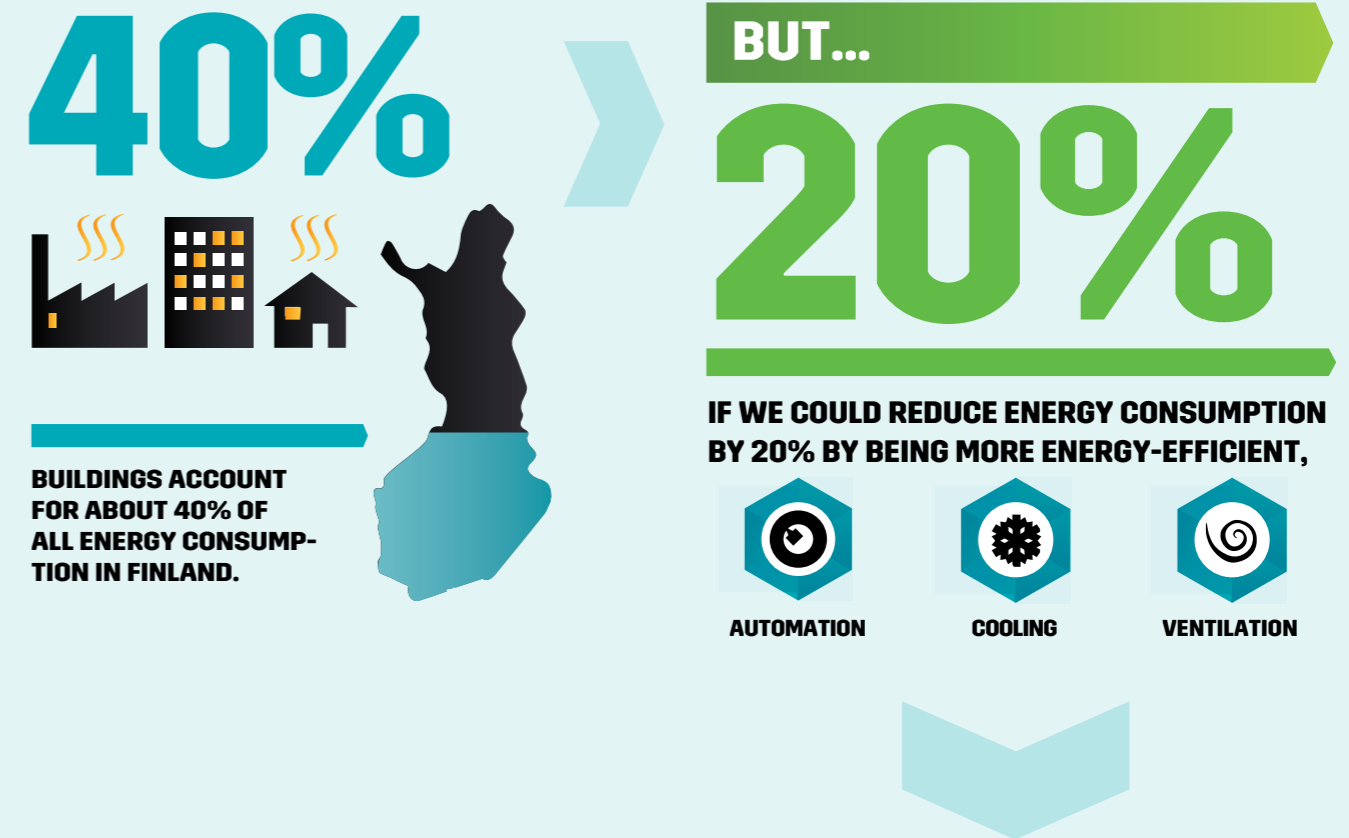


## ENERGY EFFICIENCY RAISES PROPERTY VALUES

Finland is one of the most energy-intensive countries in the world. Our northern location is one contributing factor and heavy industry is another. More than half of the energy we consume comes from fossil fuels, and is imported from outside the country. Energy solutions that are harmful for the climate are heavily taxed, which raises the price of energy and, consequently, affects the economy and weakens our competitiveness. Buildings represent about 40 per cent of our energy consumption and energy accounts for the majority of property maintenance costs. Energy efficiency enhancement measures could help to cut energy bills by as much as 20 per cent. These measures could also help increase property values by 5–7 per cent.

**Sources:**

Statistics Finland, Energy supply and consumption (eg [http://www.motiva.fi/en/energy\\_in\\_finland/energy\\_use\\_in\\_finland/total\\_energy\\_consumption/](http://www.motiva.fi/en/energy_in_finland/energy_use_in_finland/total_energy_consumption/)), energy content of oil (eg <http://www.oil.fi/en>), Energy Performance of Buildings Directive ([http://ec.europa.eu/energy/efficiency/buildings/buildings\\_en.htm](http://ec.europa.eu/energy/efficiency/buildings/buildings_en.htm)), Report of Kiinteistötaito Peltola & Co Oy (eg <http://www.lassila-tikanoja.com/fi/tiedotteet/2011/Sivut/Energiatohokkuuskasvattaakiinteist%C3%B6narvoa.aspx>).



**THE VALUE OF PROPERTIES WOULD INCREASE BY 5–7 PER CENT**

## NEW STRATEGY DRIVES PROFITABLE GROWTH

### PEKKA OJANPÄÄ

**Born:** in 1966 in France

**Education:** M.Sc. (Econ.)

**Career:** Before joining L&T, was in charge of Kemira's second largest unit that develops and sells chemicals for municipal and industrial water treatment. Held various positions in Kemira from 2005 to 2011. Before Kemira was employed by Nokia Corporation for 11 years, the latest role was in procurement.

**Hobbies:** Tennis, cross-country cycling, hunting and keep-fit training

The creation of a new strategy was paramount to L&T in 2012. A large number of L&T employees – 50 people from across the organisation – took part in the strategy process. I am proud of our achievements, and convinced the new strategy will serve as a driver for profitable growth.

The new strategy is something both our own personnel and our shareholders have been hoping for. Our personnel have felt unsure of the company's future direction and focus areas, whereas our shareholders expect and demand better profitability.

We have a strong market position and significant expertise as a provider of environmental, industrial and property services, so it is only natural that our new strategy gives priority to less capital-intensive service business. Similarly, an assessment of the megatrends currently shaping the world suggests that these service areas will offer us major growth opportunities in the future.

The consumer society we live in today has reached a point of no return, and L&T wants to lead the way in transforming it into a sustainable and efficient recycling society. We plan to do this by improving our customers' material, energy and cost efficiency.

#### Strategy focused on customers and profitability

Our objective is to build a customer-oriented and cost-efficient operating model that allows L&T to maximise its strengths in its core business, and that supports the provision of more extensive service packages to our customers.

To do this, we separated industrial services into a division of its own, and merged the cleaning and property maintenance services into one division: Facility Services. We have also strengthened our sales resources and handed more sales management responsibility to the divisions. Furthermore, we are building better rewarding practices, to support co-operation across business segments and the delivery of more comprehensive service packages.

At the beginning of 2012, we introduced a Net Promoter Score -based customer survey to enable more customer-focused business development. Conducted twice a year, the survey indicates our customers' expectations and our ability to meet them. The results of the survey

will help us to determine which areas are in need of development on a business, regional and unit level.

With a more clearly defined portfolio and business realignment, we are now well equipped to improve company profitability and build a stronger and more unified L&T.

The strategic projects launched in connection with the strategy process are moving full speed ahead: I believe that with measures such as procurement, logistics and working capital-related improvements, we will attain our profitability improvement targets.

#### Investing in supervisory work and working capacity management

To secure skilled and sufficient human resources in the future, we will invest in managerial and supervisory competence development. We have already established supervisory forums for all L&T supervisors to offer support in strategy deployment. We have also initiated an extensive supervisor coaching programme.

The Sirius programme, designed to maintain employee working capacity, has been a success. With systematic working capacity management efforts, we have been able to reduce sick days and raise the average retirement age. In the next few years, working capacity management will focus more strongly on prevention; this includes support offered to personnel to help them quit smoking.

#### Responsibility is part of our business

Responsibility is an inseparable part of our strategy and therefore part of the service package offered to customers. The introduction of our new strategy prompted us to define key priorities in terms of corporate responsibility, while adopting a more systematic and goal-oriented approach to corporate responsibility management. We will also engage in more extensive corporate responsibility indicator reporting and monitoring.

**“Our objective is to build a customer-oriented and cost-efficient operating model that allows L&T to maximise its strengths in its core business, and that supports the provision of more extensive service packages to our customers.”**



One of the key priorities in 2012 was to improve occupational safety. During the year, we have streamlined occupational safety management operations, assigned more resources, harmonised practices and policies, and created indicators and monitoring procedures for application across the Group. Our objective is to lower the accident frequency below 15 by the end of the strategy period in 2016.

In terms of environmental care, we have continued to reduce emissions from our own operations. Measures taken included driving route optimisation and economic driving to help significantly reduce fuel consumption.

#### Outlook for the future

Economic uncertainty is affecting industrial investments in Finland, which again affects on L&T's near-term outlook. However, as the majority of services

L&T provides are required under environmental legislation and for hygiene reasons, we are less vulnerable than many other companies to economic fluctuations.

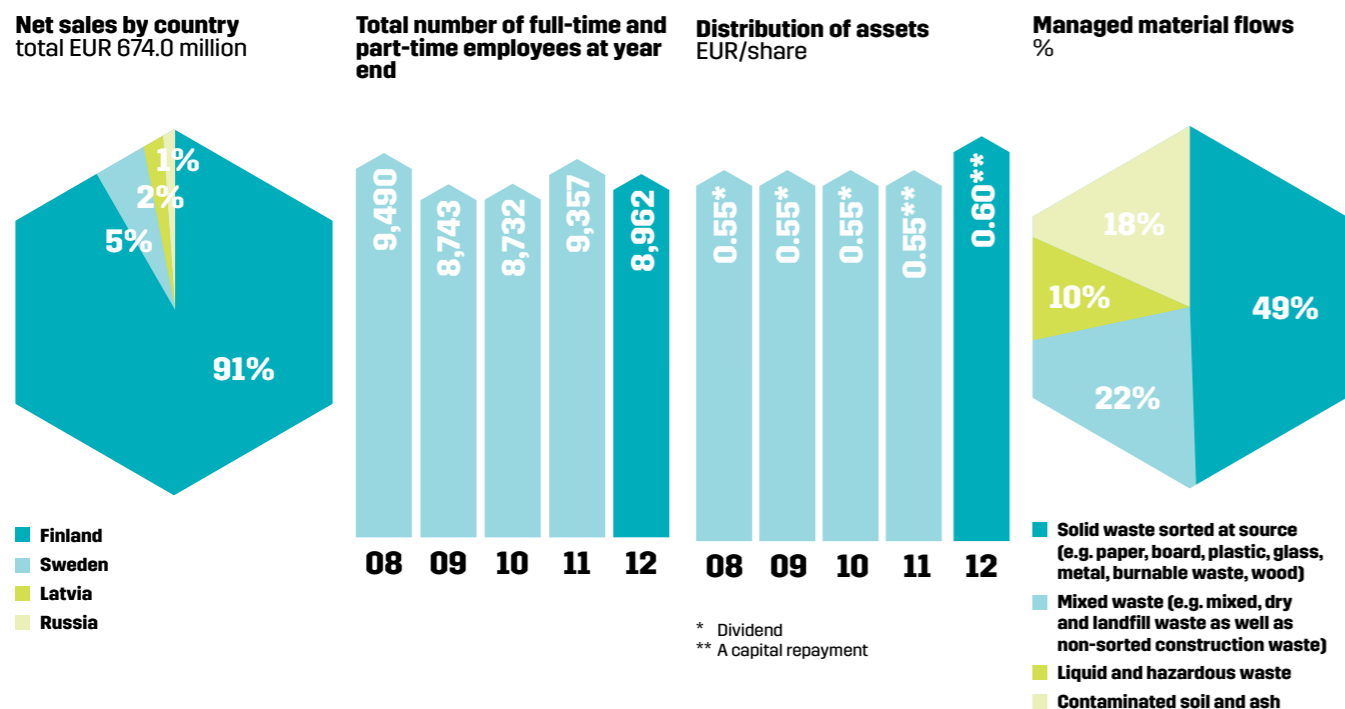
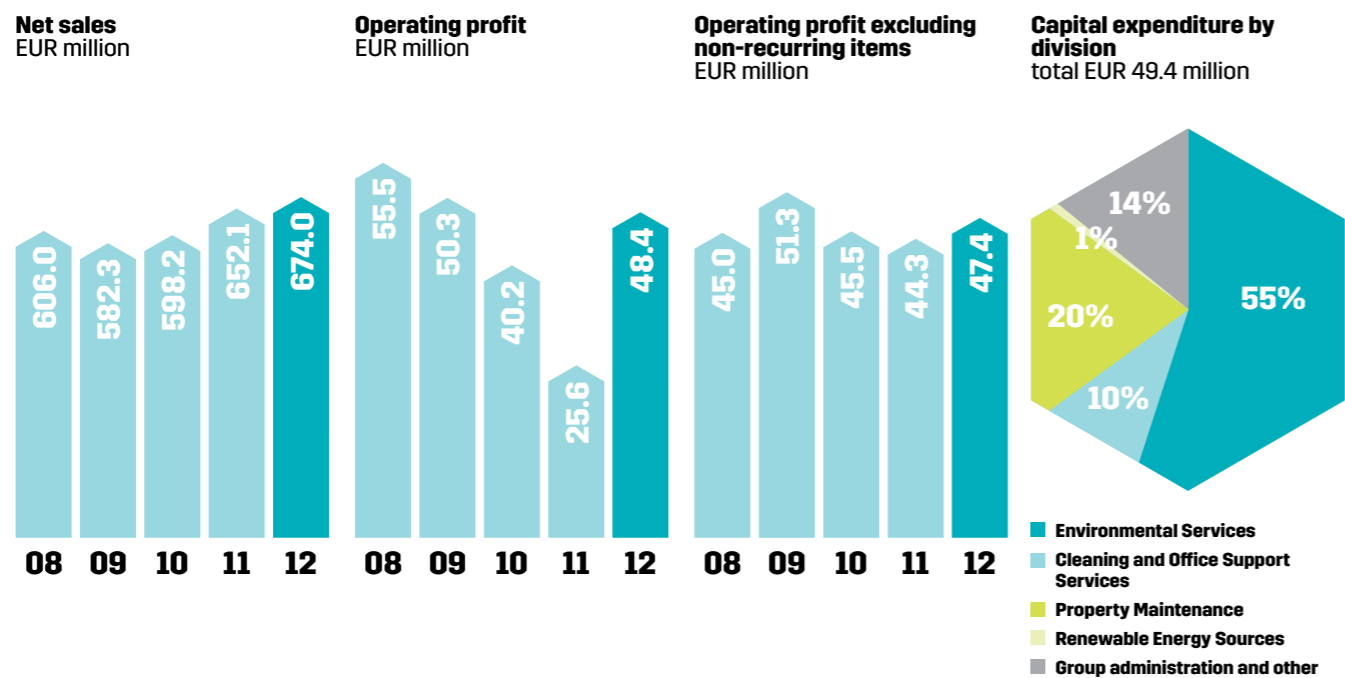
To succeed in these challenging conditions, we must pull together and adopt shared practices and procedures to fully execute our strategy.

February 2013

**Pekka Ojanpää**  
President and CEO

# YEAR 2012

L&T's full-year net sales grew by 3.4% to EUR 674.0 million. Operating profit was EUR 48.4 million, and operating profit excluding non-recurring items was EUR 47.4 million.



**Finland**  
Environmental Services  
Industrial Services  
Facility Services  
Renewable Energy Sources

**Sweden**  
Facility Services

**Russia**  
Environmental Services

**Latvia**  
Environmental Services  
Facility Services



## Key figures

EUR 1,000	2012	2011	2010
Net sales, EUR million	674.0	652.1	598.2
Operating profit, EUR million	48.4	25.6	40.2
Operating profit excluding non-recurring items, EUR million	47.4	44.3	45.5
Profit before tax, EUR million	43.0	21.0	36.0
Return on equity, % (ROE)	15.3	7.7	11.9
Return on invested capital, % (ROI)	14.4	7.6	11.6
Gearing, %	35.3	58.3	50.3
Equity ratio, %	49.4	44.5	46.5
Capital expenditure, EUR million	49.4	70.6	39.3
Total number of full-time and part-time employees at year end	8,962	9,357	8,732
Earnings per share, EUR (EPS)	0.89	0.44	0.68
Cash flows from operating activities/share, EUR	2.08	1.92	1.65
Capital repayment per share, EUR	0.60*	0.55	0.55**

\* Proposal by the Board of Directors  
\*\* Dividend per share

Calculation of the key figures is presented on page 24 of Financial statements.

# HIGHLIGHTS OF THE YEAR

The major milestone in 2012 was the announcement of our new strategy, but there were also other highlights.



**L&T was Metsä Fibre's safest service provider** in 2011. Metsä Fibre's goal is to avoid any accidents, and the company's safety management principles also apply to its service providers. L&T reported zero occupational accidents leading to absence during the year.

**The first environmental academy for decision-makers** was held at the Helsinki Music Centre. This event attracted a large number of key decision-makers, representatives of non-governmental organisations and authorities, who had gathered to discuss the challenges involved in establishing a recycling society.

**Aalto University selected L&T as its partner in property care**

L&T assumed responsibility for cleaning services at the beginning of the year. Co-operation was extended in the late spring to cover the upkeep of outdoor areas and maintenance services for technical systems. The objective of the partnership is to ensure long-term overall development of the university's properties.

**L&T sold its holdings in L&T Recoil** to EcoStream Oy, the other party in the joint venture. L&T will continue to supply raw materials to the facility in Hamina.



**We acquired a landfill site in Uusikaupunki** and plan to convert this into a state-of-the-art materials handling facility. Our objective is to maximise the recycling and reuse of waste materials.

**Collection of boxed wine packages** was launched in Western Finland, as a joint effort between L&T and Alko (state alcohol store). Material recovered from aluminium and plastic bags can be used to replace coal dust in cement manufacture.

**Damage repair service was made available** in several new locations during the year. In December, an opening ceremony was held at a service location in Raasepori. Services were also made available in Mikkeli, Kokkola and Joensuu.



**L&T offers the best quality in the cleaning service industry** Corporate decision-makers rated L&T the best cleaning services provider in the TEP 2011 corporate image survey conducted by Taloustutkimus. The largest companies in the sector were included in the survey.

**L&T and Sponda signed a co-operation agreement** with the objective of reducing the carbon dioxide emissions of waste generated in Sponda's properties, by 300 tonnes per month, and of raising the recycling rate to 90 per cent. At the same time, the volume of waste requiring landfill disposal will decrease significantly, to some 10 per cent of the current level.



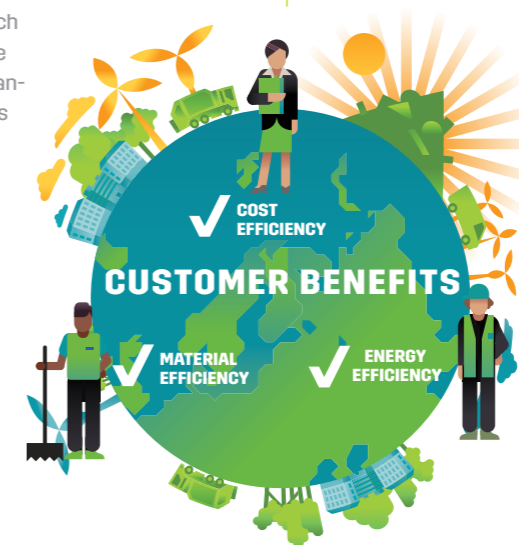
**Co-operation with PALPA extended to recycled glass bottles** L&T is responsible for managing the glass bottle recycling bins. This agreement has to do with the extended glass bottle recycling system, with recycling points now available in 5,000 retail stores across the country. Under the new system, Alko (state alcohol store) glass bottles can be returned to any grocery store.

**L&T joined the Helsinki Climate Partners network** which is a joint organisation formed by the Confederation of the Finnish Industries and the City of Helsinki. As a partner of this network, L&T is committed to reducing carbon dioxide emissions, in waste transport in the greater Helsinki area, by 10 per cent by 2015 in relation to transported waste tons.



**Finland's first hybrid waste truck** was introduced in Turku. Hybrid technology can cut fuel consumption and carbon dioxide emissions by as much as a third, which helps to reduce the environmental impacts of waste management. This technology also helps to cut noise emissions in half.

**The Ministry of the Environment chose to partner with L&T** in arranging oil waste management services over the next five years. Our co-operation involves collecting a larger amount of oil waste for processing and reuse as new oil products.



**We launched a new strategy** that will provide L&T with a sharper focus for the future. To achieve our goal of turning our consumer society into a recycling society, we will focus on service business.

# STRATEGY

Our core business offers much growth potential. The world around us is changing in a way that provides a growing number of business opportunities for a company such as L&T.

L&T leads the way in the transition from today's consumer society into a sustainable and efficient recycling society.

This means a society where existing materials and buildings are used as efficiently as possible, continued efforts are made to reduce energy consumption and more jobs, and well-being, are created. Our mission is to make our environment a better place in which to live and work.

We offer solutions that help improve our customers' material, energy and cost efficiency.

Our solutions enable customers to reduce waste volumes, to extend the useful life of their properties, to reuse materials, to reduce their consumption of natural resources, fossil fuels and energy, and to focus on their core business.

#### The preferred partner to our customers

Our vision is to be the customer's preferred partner in environmental, industrial and property services. The words "preferred partner" represent a significant promise to our customers and set a clearly defined target for us.

True partnership requires an in-depth understanding of the customer's needs and the service elements they value. At L&T, we keep track of the customer experience and make continued efforts to improve it.

Our vision is reflected in the new divisional organisation effective from 1 January 2013: Environmental, Industrial and Facility Services. In order to maximise the growth potential available, we selected certain service branches within the Environmental Services division and organised them into a separate division – Industrial Services.

Cleaning and Office Support Services was merged with Property Maintenance to form the Facility Services division. Following this reorganisation, we can deliver more-comprehensive, high-quality service packages to our customers.

Our fourth division is Renewable Energy Sources. Although this is not our core business, we will continue to pursue business development measures with a special emphasis on profitability improvement.

#### New structure and priorities

Our Environmental Services division is actively pursuing new opportunities for recovering various waste fractions. In particular, we are seeking to expand secondary raw materials trading. We want to excel throughout the value chain, from waste collection and transport to re-use and final disposal. Our focus is on the growing corporate markets.

We offer our industrial customers recovery solutions for industry by-products, such as sludge and ash. We will invest in process cleaning in order to expand our service offering and will continue to invest in sewer network maintenance services.

While cleaning will continue to be an important part of L&T's business, we feel that supporting services such as reception, security, mailing and storage services offer particularly promising growth prospects.

In property maintenance, technical systems and damage repair services represent major growth areas. On the other hand, in technical systems our nationwide service network allows us to significantly increase our offering, without major investments. In damage repair services, we continue to strengthen our co-operation with insurance companies.

In our basic property maintenance business, we will focus on improving operational consistency and plan to introduce better tools for work-related cost management.

#### Key success factors

Key themes in L&T's new strategy include a focus on service business, customer orientation, skilled and sufficient human resources, profitability, and on achieving a uniform corporate and positive safety culture.

#### 1) Focus on service business

We primarily seek growth in non-capital intensive, steady cash flow generating service business. Our key market is Finland, where the market potential we have identified for our services exceeds EUR 4 billion.

**Our vision is to be the customer's preferred partner in environmental, industrial and property services.**



#### Financial targets and performance

	Target 2016	Actual 2012	Actual 2011
Organic growth	5%	1.4%	4.5%
Return on investment	20%	14.4%	7.6%
Operating profit*	9%	7.0%	6.8%
Gearing	30-80%	35.3%	58.3%

\* excluding non-recurring items

#### 2) Customer orientation

We invest in a customer-oriented approach and adjust our organisation to better reflect our key customer segments. We will intensify our sales efforts; this means increasing the number of sales staff and improving our sales competence and sales management skills. Sales enhancement also involves offering more-extensive service packages to customers, alongside opportunities for making more efficient use of our service offering.

#### 3) Skilled and sufficient human resources

We will build better leadership and invest in employee competence development. We will improve workforce management practices in order to balance employee workload. To ensure a sufficient supply of workforce, we will pay attention to our employer image and recruit internationally, if necessary. We will create a motivating rewarding system.

#### 4) Profitability

We will take determined steps to ensure and improve business profitability throughout the strategy period. We will pursue previously launched efficiency enhancement projects focusing on procurement and logistics, as well as on working capital structure. With these efficiency enhancement projects, we can generate savings amounting to several millions of euros in the next few years.

#### 5) Uniform corporate and positive safety culture

We will harmonise our practices and procedures at corporate and divisional level. We reward co-operation and are building an operating model that endorses co-operation. Special attention will be paid to improving occupational safety. Systems will be created to ensure that people finish what they start and deliver on their promises.



# L&T IN SOCIETY

As environmental experts, we participate in the preparation of environmental legislation and engage in active dialogue with the authorities, decision-makers and the media on the key issues facing the environmental industry.

Political and legislative development lays the foundation for the company's strategic planning and operational focus. Legislation and its implementation – particularly in the environmental business – are of key importance to L&T's operations.

Our duty is to keep ourselves informed and have an influence on environmental politics and legislation in the EU and Russia. In its business territories, L&T participates in 94 lobbying organisations, most notably the Association of Environmental Enterprises (YYL), Finnish Property Maintenance Association (KIPA), Employers' Federation of Road Transport (ALT), European Federation of Waste Management and Environmental Services (FEAD) and European Recovered Paper Association (ERPA).

In 2012, L&T's corporate relations in all business countries focused on ensuring the functionality of markets.

In Finland, additional focus areas included ensuring the market-driven waste transport system, compliance with waste priorities and availability of foreign labour. In Russia, we are working towards the introduction of producer liability systems.

#### L&T's Code of Conduct

In 2012, we drafted Lassila & Tikanoja's Code of Conduct. In these guidelines, we specified our attitudes towards our competitors, conflicts of interest, suppliers of goods and services, corruption and bribery. We will provide personnel with training on the Code of Conduct in 2013.

We seek to engage in open interaction with our key stakeholders. All our business transactions are structurally transparent and financially justifiable. We neither give nor receive bribes to launch or promote our business operations. We have laid down permission procedures that must be complied with in order to ensure that our customer events are appropriate and that our sponsorships and sponsored advertising are transparent.

During the report year, we also updated our guidelines on political elections. We do not give direct financial support to political parties or candi-

dates. We only participate in seminars held by political parties in order to safeguard interests. Decision-making on these matters is handled on a centralised basis by L&T's Corporate Relations function.

#### L&T's training and education activities

In 2012, L&T held 42 Environmental Academy training events for customers and other key stakeholders. 880 people participated in these events.

This training focused on current environmental legislation and both material and energy-efficiency issues. In addition, we organised about 200 training events tailored for different customers.

In 2012, we started contributing to the activities of Wellou.fi. Our task is to produce content about the environment and recycling for an online learning environment used by educational institutions.

#### Local and regional development projects

L&T is a major employer and investor in its business localities. We seek to engage in constructive co-operation with cities and local businesses.

We believe that we must start building the recycling society at the local and regional levels.

In 2012, we were involved in starting up a broad-based co-operation network in northern and southwestern Finland with a view to promoting the recovery and closed recycling of wastes and by-products in these regions.

L&T acquired the Uusikaupunki landfill. We are developing it into a regional material-efficiency centre.

In Oulu, due to the objections of local residents, we divested a land area that we had planned to turn into a material efficiency centre. We made a planning reservation for a 16-hectare area in the Ruskoselkä area of Oulu, intending to develop a material efficiency centre to serve northern Finland.

L&T participates actively in different kinds of regional programmes and projects. For instance, we are the climate partner of the City of Helsinki and are taking part in the Carbon-Free Communities project and Tekes' Green Growth programme.

**L&T is a major employer and investor in its business localities. We seek to engage in constructive co-operation with cities and local businesses.**

#### An extensive procurement network that favours local providers

We are a major buyer of services and products. In procurements, our first priority is to find the best local partners. Our procurement principles aim for safe, sustainable, reliable and cost-effective procurements, taking the entire life cycle of products and services into account.

In 2012, the number of suppliers of goods and services from which L&T made total purchases in excess of EUR 1,000 was about 6,000. Total procurements of goods, materials and subcontracted work amounted to about EUR 204 million.

In Finnish operations, 88% of goods and materials were procured from suppliers in Finland, 11% from other EU countries and 1% from outside the EU, and 99% of subcontracted work was commissioned from subcontractors in Finland.

#### Co-operation with the authorities

L&T's operations require several permits, most notably environmental and transport licences. We make a concerted effort to monitor our own operations and openly report on any deviations. A summary of adverse environmental impacts in 2012 is provided in the Environmental Responsibility section starting from page 24.

In June 2012, an inspection by a regional administrative agency revealed that 52 people in the property maintenance and cleaning units in the Helsinki region had significantly exceeded overtime limits. The Helsinki Criminal Police started a preliminary investigation that was completed in early 2013.

L&T duly started taking steps to remedy this issue and prevent its reoccurrence.

#### Co-operation with labour market organisations

In its core service areas, L&T is a union employer, and we serve on the boards of both the Finnish

Property Maintenance Association and the Finnish Employers' Federation of Road Transport.

We seek to engage in active dialogue with trade unions, prevent disputes by fostering a culture that values negotiation, and resolve any disputes primarily by way of negotiation.

In 2012, we negotiated a solution in Facility Services to the collective bargaining agreements applied in the electrical and construction industry.

#### Contacts with the media

In its communications, L&T complies with the rules and regulations laid down for listed companies. We revised our communications policy in 2012 to focus on openness and bilateral interaction.

Media representatives are important stakeholders for us. We want to answer their information needs as promptly and professionally as possible.

In 2012, we met with media representatives mainly when presenting our new President and CEO and dealing with themes concerning the building of a recycling society. We issued a total of about 30 press bulletins and responded to almost one hundred contacts from the media.

#### Contacts with the capital markets

In its investor communications, L&T complies with Finnish legislation and the regulations and guidelines of NASDAQ OMX Helsinki and the Financial Supervisory Authority. The disclosure policy approved by the Board of Directors emphasises communicating accurate and significant information to the capital markets in order to support the correct valuation of the company's share.

Due to the company's clarified strategy and new management, 2012 was a particularly active year for investor relations activities. During the year, we met more than 200 capital market representatives at different occasions and events in Finland and abroad.

## PERSPECTIVE



"The predominant theme in procurement in 2012 was tighter external cost management.

We worked together with the divisions and service lines to assess all procurement needs. Based on the information obtained, we arranged competitive bidding rounds and improved procurement efficiency in selected areas.

Subcontracting was under strict scrutiny, especially in property maintenance. We took determined measures to ensure our own resources were efficiently used and to harmonise subcontracting practices.

With selected partners, we are continuously looking for ways of improving cost-efficiency.

We also took steps to use our own properties more efficiently.

This involved bringing separate offices under the same roof in various locations, which resulted in a change of workplace for more than 600 people.

We've made a good start and intend to carry on in 2013. A large number of projects have been completed. Now is the time to make them part of our continuing operations."

Antti Tervo,  
Chief Procurement Officer

## COMMITMENT TO EXTERNAL INITIATIVES



ILMASTOKUMPPANIT



CARBON DISCLOSURE PROJECT

**1. WE GIVE ADVICE ON HOW TO SORT WASTE**

Every day, our 4,000-plus cleaners advise our customers on how to sort waste. Waste sorting at source reduces the volume of expensive mixed wastes, enabling the customer to save on waste management costs. Sorting waste fractions also ensures that they are recovered effectively.

**2. WE FOSTER LOCAL WELL-BEING**

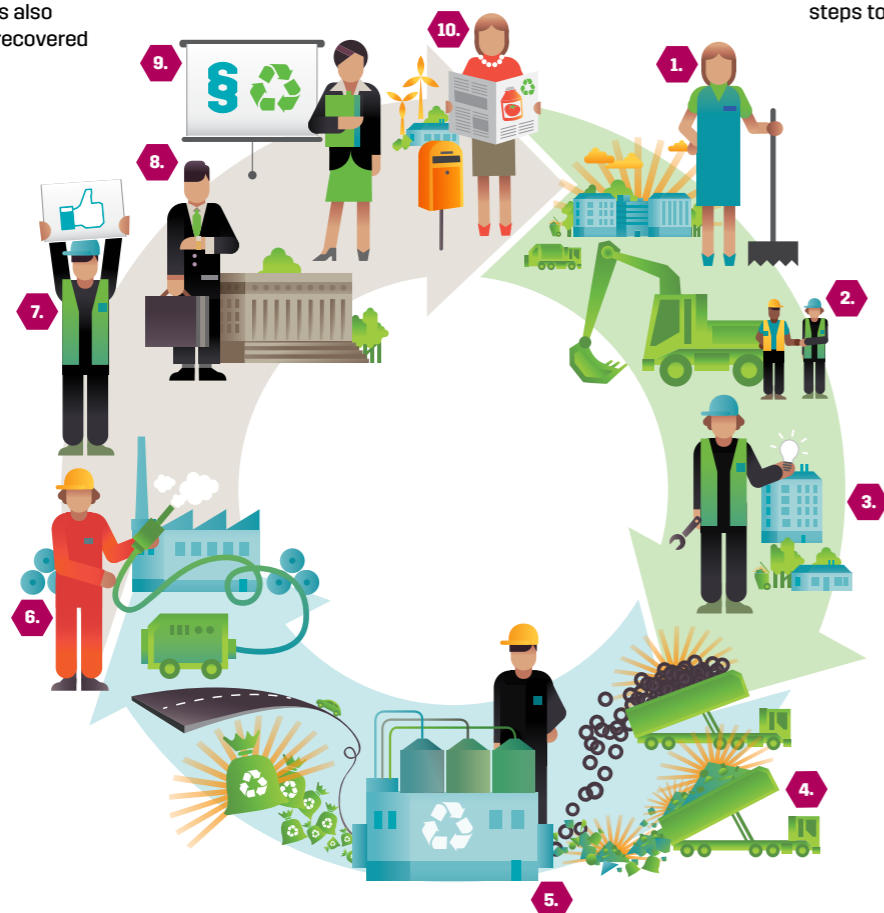
We are a major employer in our business regions. In addition, we make local investments and buy products and services from local providers. We require our subcontractors to use good and reliable working methods. Delivery reliability is also a must.

**3. WE HELP CONSERVE ENERGY**

In the space of a single year, our maintenance technicians perform almost half a million maintenance actions at our customer sites. We have successfully reduced our customers' electricity, heat or water consumption by as much as 10–15 per cent.

**4. WE TRANSPORT WASTES FOR REUSE**

Every day, we empty more than 50,000 waste containers. When transporting the waste for reuse, we adhere to the specified priorities. We continuously monitor our own environmental impacts and take proactive steps to reduce them.



**5. WE PROCESS WASTES FOR REUSE**

At our plants, we process wastes into secondary raw materials or recovered fuels for industrial use. 86 per cent of the wastes handled by our own plants can be reused or utilised for energy.

**6. WE KEEP THE WHEELS OF INDUSTRY TURNING**

Our industrial customers want to focus more on their own core business – to do what they are best at. We make this possible by providing environmentally friendly, safe and high-quality support services.

**7. WE TAKE CARE OF OUR EMPLOYEES**

We are devoted to enhancing the occupational wellbeing and competence of our employees. We develop our leadership and supervisory work. Our objective is to ensure a healthier and safer workplace for our employees. Over 90 per cent of L&T employees feel that their job is meaningful. No less than three out of four would recommend L&T as an employer to their friends and acquaintances.

**8. WE DRIVE A RECYCLING SOCIETY**

We seek to engage in constructive co-operation and continuous dialogue with decision-makers, the authorities, organisations and our other stakeholders in order to drive a recycling society.

**9. WE PROVIDE TRAINING AND DEVELOP OUR CUSTOMERS' OPERATIONS**

Every year, our experts provide training on current environmental legislation and state-of-the-art waste management to hundreds of companies. This enables our customers to improve their recycling rates, reduce environmental burdens and cut waste management costs.

**10. WE EDUCATE CONSUMERS ON THE BENEFITS OF RECYCLING**

We improve consumers' knowledge of the benefits of recycling and seek to improve their willingness and opportunities to sort wastes.

**Economic value generated and distributed**

EUR 1,000		2012	2011
Customers	Income	682,553	656,209
Suppliers	Purchased goods, materials and services	-204,270	-187,624
Employees	Salaries, bonuses and social security costs	-281,297	-270,967
Shareholders and providers of finance	Financial expenses and dividends	-27,533	-26,983
Public sector	Income taxes	-8,453	-11,421
Organisations	Donations	-5	-6

# OPERATING ENVIRONMENT

Increasingly strict demands on material and energy efficiency offer new business opportunities to L&T, while the ageing property stock and the growing popularity of outsourcing are boosting demand for our services. To respond to these needs, we must ensure that our personnel have the appropriate skills and competences. We must also secure an adequate supply of workforce and ensure adherence to productivity requirements.

L&T can provide solutions to the challenges Finland and the whole of Europe will face within the coming years, following the depletion of key raw materials, global warming and weaker competitiveness.

**Depletion of key raw materials**

Because the EU economy is essentially based on imported raw materials, sufficiency of raw materials is a major concern for Europe. Resources are depleting, demand is growing and prices are rising. Under the Europe 2020 strategy, the flagship initiative for a resource-efficient Europe supports the shift towards a resource-efficient, low-carbon economy to achieve sustainable growth. Increasing resource efficiency is the key to securing growth and jobs for Europe.

In Europe, more than five billion euros worth of recyclable waste is destroyed annually. If all this waste was recycled, the reduction in carbon dioxide emissions would amount to twice the annual emissions of Finland. Recycling also creates well-being, as it is 25 times more labour-intensive than landfill management and 10 times more labour-intensive than waste incineration (European waste management strategy 2005).

In Finland, the government has taken action to promote resource efficiency and to prepare a national material efficiency programme.

**Legislative support for more efficient recycling**

European legislation is an effective driver of the recycling society. By 2020, the EU's waste standards will be fully enforced, with the objective of reducing total waste volumes. Financial rewards for re-use and recycling will be established, and use for energy production will be limited to non-recyclable materials. Legislative provisions will, in practice, ban the landfill disposal of waste.

The EU waste directive was implemented in Finland by the new Waste Act that came into force on 1 May 2012. The new act underlines the order of priority in waste management and makes it more binding on the parties involved. Furthermore, individual recycling targets for each municipal waste fraction will be specified in more detail in 2013.

At the beginning of 2013, waste tax rose from EUR 40 to EUR 50 per ton. In 2014, responsibility for packaging waste will transfer fully from municipalities to producer organisations, and in 2016 a ban on the landfill disposal of organic waste will take effect, introducing greater sorting efficiency requirements with respect to bio waste, wood, paper and cardboard.

**Finland still far behind its recycling targets**

Taking effect in 2016, the new Waste Decree requires that we recycle at least 50 per cent of all municipal waste. Only 20 per cent of waste should end up in landfill sites, and no more than 30 per cent should be incinerated. Finland still has a long way to go to reach these targets. In 2011, only some 35 per cent of municipal waste was recycled; an increase of only two per cent from 2010. Approximately 40 per cent of waste was still deposited in landfills and some 25 per cent was incinerated (Statistics Finland, Waste Statistics 2011).

Use of waste for energy production is expected to increase dramatically in Finland in the next few years. This trend is alarming and, to the extent that recyclable materials are incinerated, against environmental regulations and objectives. L&T is committed to strict adherence to its specified priorities in waste management and pursues various avenues for increasing material recycling.

**PERSPECTIVE**



"Rising trends include a centralised one-provider model in procurement, and high customer expectations regarding complete service packages. L&T is responding to its customers' demands by offering increasingly large service packages.

We pick and mix various services available in our selection and build a customised service package that meets individual customer needs.

To improve customer experience and optimise our synergy benefits, we decided to merge our cleaning and property maintenance businesses into one: the Facility Services division.

We make every effort to maximise the use of our cleaning and maintenance staff's time and skills, and to offer a more seamless service to our customers.

Having to deal with just one service provider makes the customer's life easier.

Our objective is to build close partnerships in order to gain a deeper understanding of our customers' needs, to offer a service package that delivers maximum value, and to enhance the customer experience."

Tuomas Mäkipeska, Business Development Director

In Finland, attitudes towards waste sorting and recycling are very positive. According to our surveys, most Finns feel that discarded materials should be recycled rather than used for energy production (Innolink Research, 2012). Similarly, municipal decision-makers are in favour of more-efficient recycling (Aula Research, 2012).

#### Finns value freedom of choice

When it comes to waste management, Finnish people appreciate freedom of choice and a wide range of services. A clear majority (62%) of Finns would prefer a waste management system that allows consumers to choose which company they want to use and to request bids from several service providers. Decision-makers in municipalities where waste management is market-based are particularly satisfied with service provision.

At the moment, approximately 50 per cent of Finnish municipalities apply the market-based waste collection system (under law, "waste transport organised by the property holder"). The new Waste Act requires these municipalities to make a new decision regarding waste transport by 30 April 2013.

#### Global warming

Fossil fuels in particular generate greenhouse gas emissions, contributing to a rise in global temperatures. In an effort to combat climate change, the European Union has made a commitment to reducing its greenhouse gas emissions by 20 per cent by 2020 (against the 1990 baseline). The reduction obligation specified for Finland is to limit greenhouse gas emissions to the 1990 baseline level. A strong commitment to using renewable energy and increasing energy efficiency is required if we are to achieve this objective.

In its climate and energy strategy, Finland has made a commitment to increasingly replace fossil fuels with renewable energy and to raise the proportion of renewable energy to 38 per cent by 2020. This will primarily be achieved by increasing wood-based energy production. This target could be put at risk by the government's policy vacillations regarding subsidies, as well as low prices of emission rights. Renewable energy accounted for 33 per cent of all energy use, with wood representing approximately 80 per cent.

In industrial processes, fossil fuels can be replaced with recovered fuel obtained from non-recyclable waste. Use of recovered fuels should be encouraged, as it reduces the amount of landfill waste and cuts energy production costs in the industrial sector. Emissions from recovered fuels account for around one third of the emissions generated by coal and peat, while the cost of energy production is around a third compared to the cost of energy produced using coal.

#### Savings with energy efficiency

A key objective of the EU Energy Efficiency Directive, which entered into force in December 2012, is to ensure the achievement of the 20 per cent energy efficiency target by 2020. Measures taken to generate savings mainly include energy efficiency improvements in public buildings and in households. In Finland, the Ministry of Employment and the Economy has appointed a working group to prepare the implementation of the Energy Efficiency Directive. National legislation must be implemented in summer 2014 at the latest.

Buildings account for about 40 per cent of all energy consumed in Finland and energy is the most significant cost item in properties. Without investments, energy consumption in properties could be reduced by as much as one fifth, simply by improving energy efficiency. In private houses, since heating accounts for more than half of the energy used, the most effective way of improving energy efficiency is to reduce the consumption of electricity and oil used for heating. In offices and other workplaces, the best way to generate savings is to improve ventilation and heating efficiency, and to optimise electricity consumption (Motiva, 2012).

Tightening energy efficiency requirements and the rising price of energy make preventive property maintenance, technical system solutions and timely renovation all the more important in keeping total costs in check, which is in turn boosting demand for our services. At the same time, many companies seek growth in these business opportunities, which is leading to tougher competition.

Finland's ageing property stock requires major pipe repairs and, in some cases, damp and mould removal; over the next few years this will stimulate demand for cost-effective renovation and repair services. The value of repairs required to maintain the Finland's building stock comes to around EUR 1.8 billion a year, while the investment required to restore the building stock into reasonable condition is EUR 30–50 billion (Condition of the building stock report 2011).

#### Lower competitiveness in prospect for Finland and Europe

The continuing rise in material, energy and labour costs is eroding the competitive strength of Finland and Europe in general. The relocation of industrial production to emerging markets and the subsequent reduction of domestic operations are leading to smaller tax revenue as companies pay their taxes elsewhere. Similarly, the ageing of the population is cutting tax revenue, affecting workforce availability, and placing a strain on national economies.

In Finland, industrial enterprises continue to focus more sharply on their core business,

**Taking effect in 2016, the new Waste Decree requires that we recycle at least 50 per cent of all municipal waste.**



seeking cost-efficiencies by outsourcing non-core operations. Although this is offering business opportunities for our process cleaning services as well as cleaning and support services, competition is fierce and prices are showing a downward trend. Procurement operations in customer companies are being run very professionally – this means that companies are buying from fewer service providers and arranging competitive bidding for more comprehensive service packages.

In Finland, the outsourcing rate in the public sector is approximately 20 per cent; clearly lower than in most other EU countries. We anticipate an increase in municipal service outsourcing following the introduction of the new EU public procurement directive and the related changes in national procurement legislation, as well as growing pressures to improve productivity. These developments offer new business opportunities for L&T, as long as we take the necessary steps to ensure personnel competence, compliance with cost efficiency requirements and the availability of workforce.

#### Legislation steering development in international markets

Besides Finland, we have operations in Russia, Latvia and Sweden. We are keeping a particularly close eye on the opportunities available in Russia's growing environmental management business.

Several developments are either in the pipeline or in progress in Russia's environmental sector: tax on waste, legislative reforms, and producer liability projects. If realised, these would accelerate growth and set clearly defined practices across the industry.

In Latvia, waste legislation is being harmonised for compliance with the EU Waste Directive, providing new potential in the recycling business. Following deregulation, the waste management market is also gradually opening up to free competition.

In Sweden, the property service markets are highly developed. Instead of a single service such as cleaning, providers offer more extensive facility service packages, which customers also appreciate. The outsourcing rate is also much higher than in Finland. Furthermore, the markets are highly fragmented, with many small players.

# RESPONSIBILITY AT L&T

The depletion of key natural resources and rises in energy prices are clear threats. We must keep greenhouse gas emissions under control to slow down climate warming. To solve these problems, we provide services that improve the material- and energy-efficiency of our customers, and make a major contribution to the development of a recycling society.

A responsible way of working is part and parcel of our business. It is evident in all that we do: in our day-to-day work and the services we provide to our customers.

We comply with good business practices in all our operations and support fair competition. We measure and monitor customer experience with regular surveys and a customer feedback system. We use this information to continuously develop our services.

We ensure that our employees have a safe and healthy working environment. We do not tolerate discrimination. We respect the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Furthermore, we require our suppliers of goods and services to comply with them as well.

As an environmental company, we bear a particularly great responsibility in environmental issues. For more information on our environmental principles and the results of our work, see the Environmental Responsibility section. For more on our HR policy and occupational safety management, see the Personnel section.

### Managing corporate responsibility

A uniform corporate and positive safety culture is one of the key factors in our new strategy. The development of corporate responsibility is an integral aspect of business management and development, as it is included in strategic and annual planning and management practices.

In 2012, we overhauled our corporate responsibility management system and expanded the scope of reporting. Corporate responsibility as a whole is led and steered by the corporate responsibility steering group, which is chaired by the President and CEO. The steering group monitors the realisation of corporate responsibility on a regular basis. In addition, the Group Executive Board and the Board of Directors review and approve matters over which they have authority.

Environmental, health and safety management (EHS) and the practical co-ordination and reporting of responsibility efforts are the responsibility of the environmental and occupational safety organisation, which was set up as a centralised Group function during the report year.

In 2012, we drafted principles for responsible business practices – Lassila & Tikanoja’s Code of Conduct – and updated the key policies guiding operations.

The key policies guiding L&T’s operations are: risk management and insurance policy, disclosure policy and treasury policy, which are confirmed by the Board of Directors. In addition the Group Executive Board confirm the environmental policy, HR policy, communications policy, procurement principles and occupational safety management principles.

In 2013, we will provide training to all our employees concerning Lassila & Tikanoja’s Code of Conduct and policies and elicit their commitment. The Code of Conduct and policies are available online at [www.lassila-tikanoja.com/code-of-conduct](http://www.lassila-tikanoja.com/code-of-conduct). Risk management is discussed in the financial statements section of the Annual Report on pages 4 and 18.

L&T’s management system has been certified in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. Certified services and business operations generate 49 per cent of our net sales.

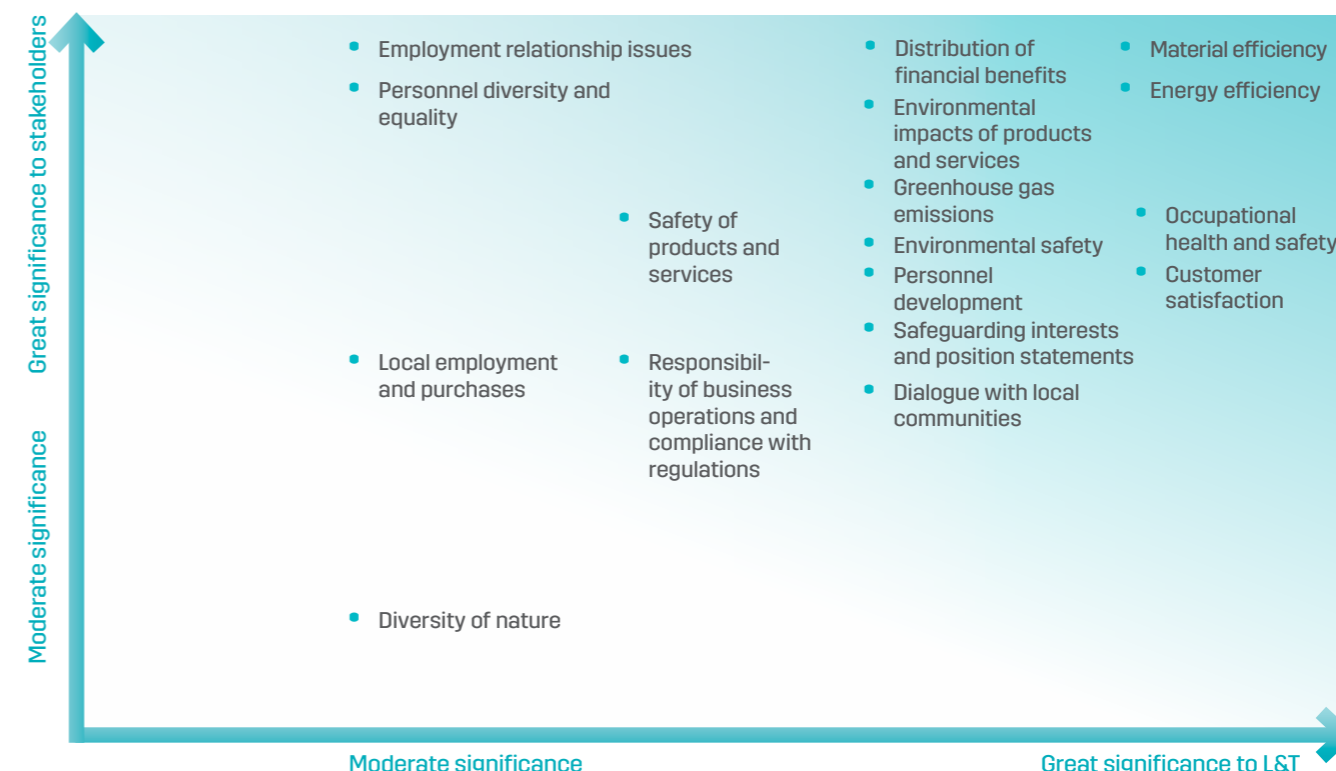
### Corporate responsibility programme

The corporate responsibility programme summarises the key objectives and measures related to responsibility for years 2013–2015.

The focuses of the programme are based on the expectations of our key stakeholders. In the programme, we have taken into consideration the special characteristics of the business environment and operations of an environmental and service company. The programme is updated annually.

The focuses of the corporate responsibility programme are based on the expectations of our key stakeholders.

## MATERIALITY MATRIX OF CORPORATE RESPONSIBILITY



The GRI Content Index can be read in full online at [www.lassila-tikanoja.com/annualreport2012](http://www.lassila-tikanoja.com/annualreport2012).

In 2013, we intend to set clear short- and long-term objectives. We will monitor and report on their realisation on an annual basis.

### Corporate responsibility reporting

This annual report doubles as corporate responsibility report for 1 January – 31 December 2012. The report has been prepared in compliance with the reporting principles of the Global Reporting Initiative (GRI) and the G3.1 reporting guidelines. The report is published annually.

Since 2010, we have systematically reported on numerous indicators in accordance with the GRI guidelines. This year, we expanded the report to cover not only Finland but also our other operating countries. In addition, we increased the number of reported indicators in order to obtain comprehensive, systematic and comparable information to support our management.

The report includes all Group companies and subsidiaries with the exception of L&T Recoil, as L&T sold its holding in this company during the report year, and covers all operations in Finland, Russia, Latvia and Sweden. If information concerning a single indicator was not available for all our operating countries, or if a calculation has changed from previous years, this is disclosed next to the indicator.

The reported indicators are based on a stakeholder and materiality analysis in accordance with the GRI guidelines, and we have taken the

expectations of key stakeholders into account. L&T’s key stakeholders are customers, personnel, investors, the authorities, local communities, suppliers of goods and services, associations and the media.

For more information on our co-operation with stakeholders, see the section entitled L&T in Society. In 2013, we intend to deepen our dialogue with key stakeholders so that we can take their views into account even more comprehensively in future reports.

### GRI index on our internet site

Our indicators of responsibility cover all the subareas of corporate responsibility. In the report, we have focused on indicators concerning environmental, personnel and social issues.

We describe our management approach to these subareas of responsibility in different sections of this annual report. We present our management of environmental responsibility in the Environmental Responsibility section, our management of financial responsibility mainly in the financial statements section and our HR management in the Personnel section. Other subareas of social and financial responsibility are reviewed in the sections entitled Responsibility at L&T and L&T in society.

In L&T’s view, the report complies with reporting level B.

The GRI Content Index can be read in full online at [www.lassila-tikanoja.com/annualreport2012](http://www.lassila-tikanoja.com/annualreport2012).

## CORPORATE RESPONSIBILITY PROGRAMME

Objective	Measures and results 2012	Objectives and measures 2013–2015
<b>Responsible business operations and services</b>		
A profitable company	<ul style="list-style-type: none"> <li>The company's financial indicators, p. 8–9</li> </ul>	<ul style="list-style-type: none"> <li>Financial objectives for the strategy period, p. 13</li> </ul>
Code of Conduct	<ul style="list-style-type: none"> <li>L&amp;T's Code of Conduct was drafted and approved by the Board of Directors.</li> <li>Key policies guiding operations were approved</li> </ul>	<ul style="list-style-type: none"> <li>Training employees to follow L&amp;T's Code of Conduct and mobilising it in all of our business countries</li> <li>Compliance with regulations</li> </ul>
Satisfied customers	<ul style="list-style-type: none"> <li>Development projects based on customer feedback, aiming to improve the customer experience; eg. developing orientation and various system projects</li> </ul>	<ul style="list-style-type: none"> <li>Consistent biannual customer survey; development measures and projects carried out on the basis of the results</li> </ul>
<b>Environmental responsibility</b>		
Material and energy efficiency	<ul style="list-style-type: none"> <li>Recycling and recovery rate of material flows managed by L&amp;T, diagram, p. 24</li> <li>CO<sub>2</sub> emission savings increased, p. 24</li> <li>Material efficiency of own plants, waste recovery rate: 86%</li> <li>WWF granted the Green Office designation to the head office</li> <li>Total number of cleaners who have completed Ympäristöpassi environmental training: 1,000</li> <li>Customer-specific results for improvements in property energy efficiency</li> <li>Total number of new service technicians who specialised in eco-maintenance: 650</li> <li>Observations to improve energy savings: 2,259</li> </ul>	<ul style="list-style-type: none"> <li>Customer-specific efficiency-boosting and development projects to improve the recycling and recovery rate and energy efficiency</li> <li>Stepping up deliveries of secondary raw materials and recovered fuels</li> <li>Utilisation rate of own plants: 90%</li> <li>Amount of eco-maintenance training for all new service technicians hired by the company as well as a continuing training programme for existing technicians</li> <li>Observations to improve energy savings per year: 2,500</li> </ul>
Reducing emissions and energy consumption	<ul style="list-style-type: none"> <li>Pilots and training on driving style management; measurements covered 170 heavy-duty vehicles</li> <li>Optimisation of driving routes (front- and rear-loading garbage lorries)</li> <li>A hybrid garbage lorry and a bioethanol-diesel garbage lorry were piloted</li> <li>We made greater use of videoconferencing; business travel declined by 7%</li> <li>Improving the effectiveness of the use of own properties</li> </ul>	<ul style="list-style-type: none"> <li>Expanding the monitoring of driving styles to the interchangeable platform fleet (about 80 heavy-duty vehicles) in 2013</li> <li>Project to raise energy efficiency and the effectiveness of the use of own properties continues</li> </ul>
<b>Responsibility for personnel</b>		
Work ability management (L&T Finland)	<ul style="list-style-type: none"> <li>Work ability programme measures, such as relocation and training, preventative programmes</li> <li>Absences due to illness: 5.4%</li> <li>TyEL (Employee Pensions Act) category: 3</li> <li>Average age of retirement: 62.9</li> </ul>	<ul style="list-style-type: none"> <li>Objectives of the work ability programme by 2015</li> <li>Absences due to illness: 5%</li> <li>Stabilisation of the TyEL category to 3</li> <li>Average age of retirement: 63</li> </ul>
Occupational safety	<ul style="list-style-type: none"> <li>Occupational safety management was centralised and operating models were standardised</li> <li>Accident frequency: 31</li> <li>Safety observations reported: 10,987</li> </ul>	<ul style="list-style-type: none"> <li>Accident frequency under 25 in 2013</li> <li>Accident frequency under 15 in 2016</li> </ul>
Developing leadership and the work environment	<ul style="list-style-type: none"> <li>An internal leadership coaching programme was started</li> <li>Regular supervisor forums</li> </ul>	<ul style="list-style-type: none"> <li>Workplace atmosphere study every other year</li> <li>Regular feedback on leadership</li> <li>Competence development programme</li> </ul>
<b>Responsible procurements and partners</b>		
Responsibility in subcontracting	<ul style="list-style-type: none"> <li>Procurement principles were renewed and approved</li> </ul>	<ul style="list-style-type: none"> <li>Mobilising procurement principles in all our business countries</li> <li>Revising auditing and assessment practices and increasing their effectiveness</li> <li>Compliance with regulations</li> </ul>
Favouring products that save the environment	<ul style="list-style-type: none"> <li>Share of environmentally labelled cleaning agents: 53%, up 8 percentage points on 2011</li> <li>L&amp;T's vehicles and Euro engine standards, p. 24–26</li> </ul>	<ul style="list-style-type: none"> <li>Increasing the share of environmentally labelled cleaning agents to 65% and the share of vehicles with Euro 5-standard engines to 20%</li> </ul>
<b>Stakeholder relations</b>		
Open interaction with stakeholders	<ul style="list-style-type: none"> <li>Stakeholder and materiality analysis was updated</li> <li>GRI reporting was expanded to reporting level B</li> </ul>	<ul style="list-style-type: none"> <li>Deepening dialogue with specific stakeholder groups, development proposals and programmes</li> </ul>
Promoting the recycling society	<ul style="list-style-type: none"> <li>42 Environmental Academies, 880 participants</li> <li>200 tailored environmental training events</li> <li>Wellou.fi activities were started</li> <li>Material-efficiency programme in northern Finland</li> <li>LOURA project, Helsinki climate partners</li> </ul>	<ul style="list-style-type: none"> <li>Influencing legislation and its application</li> <li>Customised Environmental Academies and training for different stakeholders</li> <li>Regional and nationwide material-efficiency programmes</li> </ul>

**In 2012, we overhauled our corporate responsibility management system and expanded the scope of reporting.**



# ENVIRONMENTAL RESPONSIBILITY

L&T plays a major role in the development of a recycling society. To succeed in this effort, we must have robust environmental expertise that meets our customers' needs. We must also minimise our own environmental impacts.

In 2012, we revised our environmental policy. In it, we define the environmental perspectives and principles that we comply with in our operations and services.

We provide services and solutions that not only enable our customers to save natural resources and energy, but also yield significant financial benefits.

The key environmental principles of our operations are to comply with environmental legislation and standards without compromise as well as to uphold the principle of continuous improvement in the management of our environmental work.

We systematically monitor our own environmental impacts and also require our partners to be environmentally responsible.

### We work with our customers to reduce carbon dioxide emissions

Our services reduced carbon dioxide emissions by more than 1.5 million tonnes of CO<sub>2</sub>

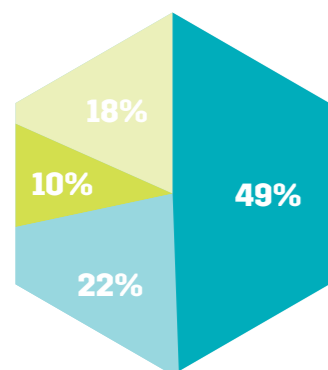
in 2012 (2011: more than 1 million tonnes). We cut more CO<sub>2</sub> emissions by further improving material efficiency and stepping up deliveries of recycled raw materials and biofuels. The calculation principles are available online at [www.lassila-tikanoja.com/annualreport2012](http://www.lassila-tikanoja.com/annualreport2012).

The most significant negative environmental impacts of our operations include the emissions generated by collection and transport services. Before the report year, our carbon dioxide emissions had risen in step with growth in production volume. In 2012, we managed to keep our total carbon dioxide emissions at the same level as in 2011. For instance, in long-distance logistics, we consumed less fuel per loose cubic metre transported. In addition, we boosted our efficiency by means such as optimising waste collection routes.

On the whole, we achieve considerable emission reductions compared to the negative environmental impacts of our operations.

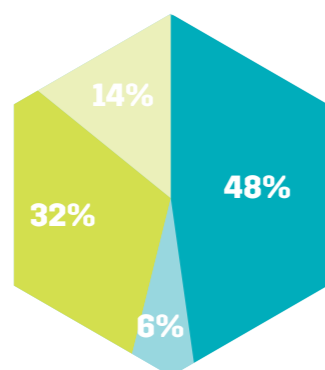
**A key aspect of our environmental responsibility and objectives is to reduce our own emissions by means such as stepping up transport efficiency and reducing vehicle fuel consumption.**

**Managed material flows**  
%



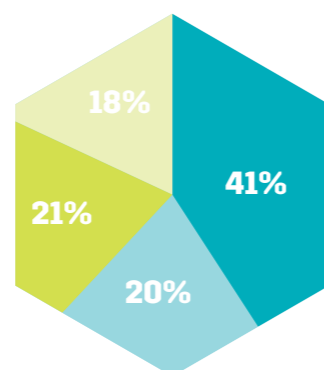
- Solid waste sorted at source (e.g. paper, board, plastic, glass, metal, burnable waste, wood)
- Mixed waste (e.g. mixed, dry and landfill waste as well as non-sorted construction waste)
- Liquid and hazardous waste
- Contaminated soil and ash

**Material efficiency of own plants**  
%



- Recycling
- Environmental construction
- Energy recovery
- Landfill

**Recycling and utilisation rate of managed material flows**  
%



- Recycling or composting
- Environmental construction
- Energy recovery
- Landfill

### Tools for achieving environmental goals

We provide our customers with not only the means and training to engage in material- and energy-efficient waste and property maintenance, but also tools that enable them to monitor their own operations and handle reporting to the authorities.

Our Ympäristönetti online service offers a channel through which our customers can monitor their waste volumes and waste management costs.

Our service portfolio includes a climate impact calculator for corporate waste, which we developed with VTT. It enables us to calculate the CO<sub>2</sub> impacts of our customers' waste management and compare waste management solutions. On the basis of the results, we present proposals to customers on how their operations can be developed to reduce CO<sub>2</sub> emissions.

### Efficient material recovery

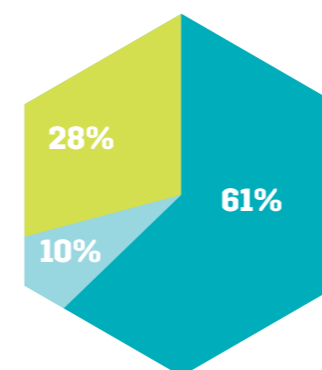
L&T collects, transports and processes different types of waste, particularly from the retail, industrial and construction sectors. Recycling waste into raw materials saves both energy and primary raw materials.

We advise our customers to sort waste at source in order to promote material recycling and efficient energy utilisation.

Of all the material flows managed by L&T, 82% could be recycled or utilised. The utilisation rate of L&T's plants was 86% (2011: 84%).

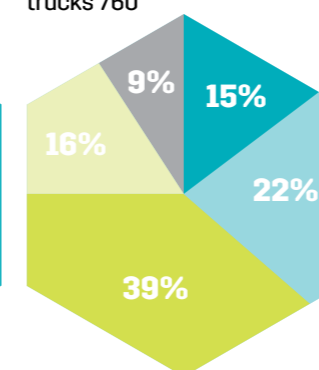
We process hazardous wastes appropriately at our own plants or deliver them to our partners for processing. Nine per cent of hazardous wastes were transported to other EU countries for reuse. In 2011, we also started collecting hazardous wastes in Russia. We did not import any hazardous wastes to Finland in 2012.

**Green house gas emissions**  
total 80.0 thousand CO<sub>2</sub>-tonnes



- Direct GHG emissions
- Indirect GHG emissions
- Other significant indirect GHG emissions

**Breakdown of number of vehicles by EURO classification**  
Number of heavy-duty trucks 760



- Euro 5
- Euro 4
- Euro 3
- Euro 2
- Euro 0-1

More information about Euro standards on page 26.

### Sensible use of waste in energy production

As not all wastes can be recycled into raw materials with today's technology, it makes both financial and environmental sense to turn some of these wastes into energy.

In energy production from waste, L&T favours the production and delivery of recovered fuels to power plants and cement kilns for use as primary or dual fuel.

Fuels recovered from waste generally replace higher-emission fuels such as coal and peat, thereby reducing greenhouse gas emissions in energy production.

In dual-fuel combustion, recovered fuels are burned with ordinary fuels such as coal, peat or wood chips at a power plant or in a cement kiln. This produces heat and electricity with a high operating efficiency.

At L&T, the quality control of recovered fuels is based on European recovered fuel standards that were published in 2012. L&T actively participated in the preparation of these standards.

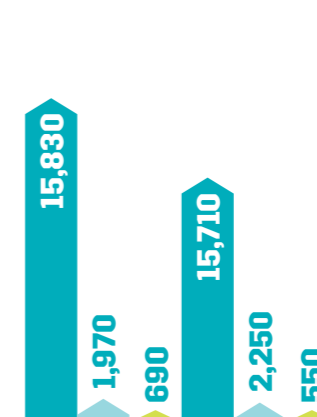
### Higher efficiency reduces emissions

A key aspect of our environmental responsibility and objectives is to reduce our own emissions by means such as stepping up transport efficiency and reducing vehicle fuel consumption.

In 2012, we introduced a reporting tool in Finland that provides us with information on the amounts of waste we transport and the efficiency of our transport routes and vehicle use. Monitoring seeks to improve production efficiency by optimising the right things. At the end of 2012, we were monitoring 300 vehicles. The reporting tool will be in full-scale use in 2013.

Route optimisation is also something we work on continuously. In 2012, we reviewed the routes of hundreds of vehicles and were able to phase out older and higher-emission vehicles.

**Fuel consumption**  
1,000 litres



- Diesel
- Fuel oil
- Petrol

**Electricity consumption**  
MWh



We are using a variety of means to improve the driving styles of our heavy-duty vehicle drivers to achieve greater environmental friendliness. Personal driving monitoring equipment was installed in 170 heavy-duty vehicles in 2012. Monitoring enables us to analyse and constantly improve driving styles. We have trained orientation coaches to teach a proactive driving style to our drivers. The monitoring of driving styles will later be expanded to cover our interchangeable platform fleet.

In addition, 70% of our drivers in Finland had completed the mandatory training day on proactive driving styles by the end of 2012. During the report year, L&T's drivers completed 1,105 additional training days to improve their professional qualifications.

The particulate emissions of heavy-duty vehicles and nitrous oxide emissions will decline as we replace old vehicles with new ones. Changing over from Euro 3 to Euro 5 engines, for instance, reduces nitrogen oxide (NOx) emissions by more than 50 per cent and particulate emissions by as much as 80 per cent. The vehicles we now acquire are equipped with EURO 5-standard engines.

Furthermore, we continuously test garbage lorries equipped with state-of-the-art technology with a view to reducing fuel consumption and environmental impacts. Even before the report year, we had garbage lorries running on natural gas in addition to ordinary diesel garbage lorries. In 2011, we piloted a bioethanol-diesel vehicle in the Greater Helsinki area, and it has performed well in waste collection. Using ethanol as a fuel reduces carbon dioxide emissions by 85 per cent. In 2012, we launched Finland's first hybrid garbage lorry in waste collection in Turku. In addition to its lower fuel consumption, another benefit is that it runs silent.

However, the negative effects of transport only represent a few percentage points of the overall benefit gained from biofuel deliveries or from transporting material for recycling.

#### Energy and material efficiency in our own properties

In line with our environmental principles, we improve the energy and material efficiency of our own properties.

Our project geared towards more effective use of our properties continued throughout 2012. We will keep forging ahead with it in 2013. We will introduce more open-plan offices, arrange shared workstations for highly mobile employees, and combine storage rooms, halls, break rooms and meeting rooms.

This project also involves a pilot project designed to improve energy efficiency in our own buildings. Compliance with the L&T EcoMaintenance concept is required in maintenance agreements for properties owned by L&T, to ensure minimum energy and water consumption.

WWF has awarded L&T's head office the Green Office designation for fulfilling the criteria of the Green Office programme.

In 2012, work travel in Finland declined by 7 per cent. We have increased our use of online meetings. As our employees now have to commute less, this has reduced our emissions.

#### We take care of the environment

We also provide environmental damage repair services, such as treating oil leaks and remediating contaminated soil.

#### CO<sub>2</sub> emissions from L&T's operations and calculated reductions in CO<sub>2</sub> emissions

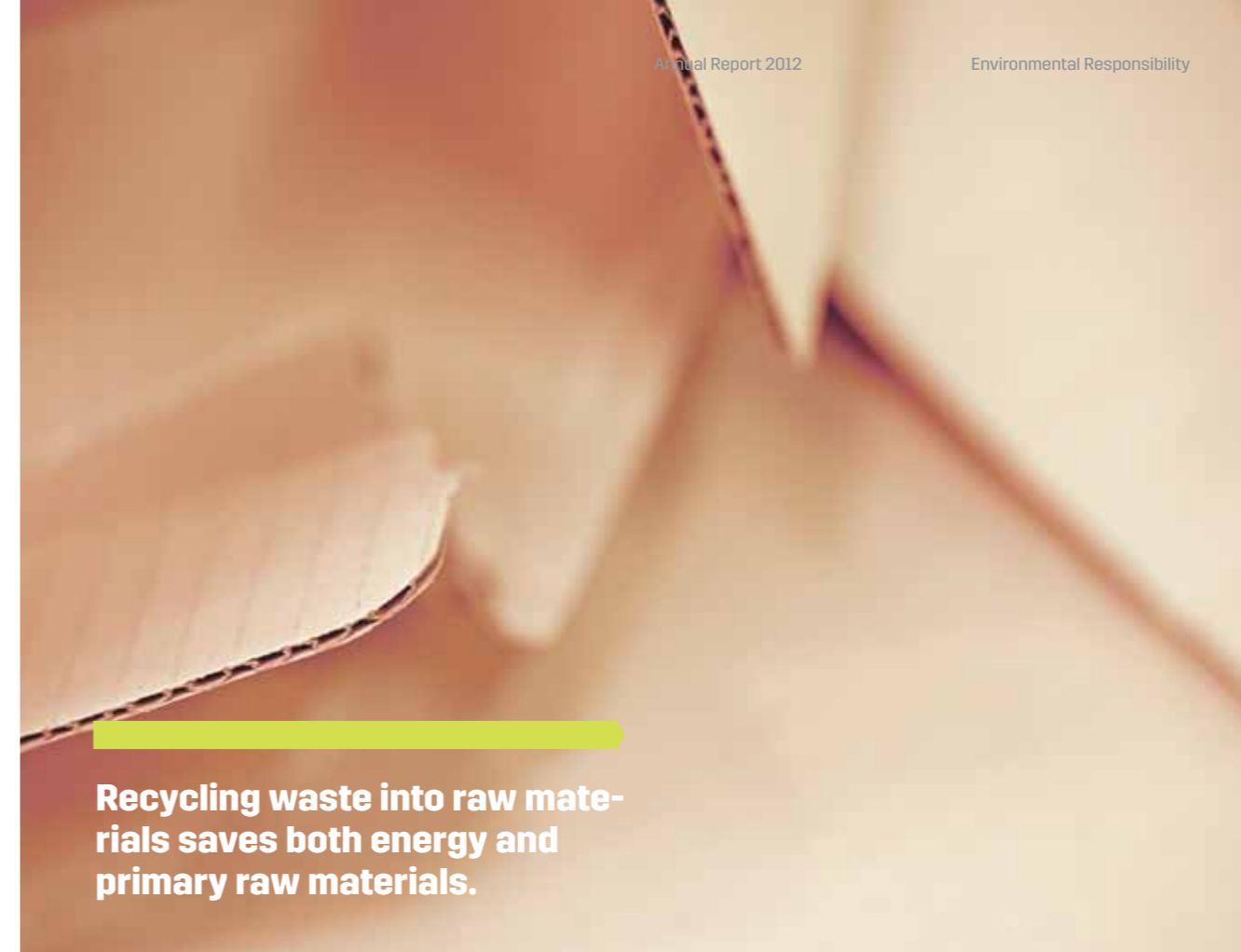
1,000 tonnes CO <sub>2</sub> equivalent	2012	2011
<b>Emissions</b>		
Transport, machinery and fleet	49.1	49.0
Travelling	8.3	8.9
Energy consumption	1.4	1.5
Sub-contractors	21.6	20.6
<b>Total</b>	<b>80.0</b>	<b>80.0</b>
<b>Calculated emission reductions</b>		
Materials recycling	-373.3	-309.5
Supplies of renewable fuels	-1,255.9	-1,058.2
<b>Total</b>	<b>-1,629.2</b>	<b>-1,367.7</b>

Emissions have been calculated in accordance with the Greenhouse Gas Protocol emission calculation model and using sources such as VTT's LIPASTO database. The GHG Protocol is an international reporting standard. According to the GHG Protocol, emissions are classified into three scopes. Scope 1: All direct GHG emissions (fuels consumed by L&T's heavy-duty fleet, production vehicles, working machines and company cars). Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam (L&T's electricity consumption at its business locations). Scope 3: Other indirect emissions (work travel, fuel consumed by contractors).

A model created by VTT is used to calculate the reductions in emissions. In 2012, the calculations were extended to cover all of the L&T Group's operations. The figures for 2011 have been adjusted for comparability.

The calculated reduction in emissions covers the entire chain from waste collection to secondary raw material and recovered fuel consumption.

For more information on the calculation method, see: [www.lassila-tikanoja.com/annualreport2012](http://www.lassila-tikanoja.com/annualreport2012)



**Recycling waste into raw materials saves both energy and primary raw materials.**

When an accident occurs, our experts assess the nature of the damage. With analyses and the help of professionals in different fields, they determine the necessary repair measures.

We handle contacts with the authorities, the party that caused the damage and the stakeholders involved, and produce the reports they need.

Environmental permits steer the management of environmental compliance and follow-up monitoring. L&T has 90 environmental permits. The company obtained six permit decisions in 2012, of which two concerned entirely new operations.

#### Risk management ensures the safety of services

The environmental risks involved in our operations concern soil and water contamination and emissions to the air. Risk factors include waste transport, storage and processing.

A certified environmental system and effective self-monitoring are the cornerstones of risk management. We assess environmental risks regularly during audits and inspections of our operations. Any deficiencies and risk areas are recorded in the system. The steps taken to address them are also monitored through the system.

We seek to prevent environmental damage by means such as protective railings, measuring devices, inspections, guidelines and training personnel.

L&T did not have any significant or serious environmental damage incidents in 2012. There were eight minor incidents, which were due to traffic accidents, a tank leak and other technical reasons. Emissions were released into a limited area and they were recovered by absorption, changing the soil and either containing or cleaning up the discharged substances from the sewer system.

#### Costs of environmental protection

L&T's environmental protection investments and costs include those related to the management of emissions to the air, water and soil, investments in the air filtration of hazardous waste processing plants, soil assessments, the costs of landscaping and covering landfills as well as the costs of environmental and liability insurance.

In 2012, L&T's environmental protection investments amounted to almost EUR 0.8 million and its environmental protection costs to almost EUR 0.4 million.

In addition, L&T has invested in measures to reduce the fuel consumption of its heavy-duty vehicles. These measures included training drivers to adopt an economical driving style, investments in lower-emission vehicles and equipment that reduces consumption, and the acquisition of machinery, software and equipment related to the development of monitoring. However, these costs were not separated out from other operating costs.

# PERSONNEL

L&T's work matters. We offer a wide range of job tasks and career opportunities to our employees and take care of their well-being.

We are the employer of the future. Although industrial jobs are increasingly transferring to other countries, as a service enterprise we are able to offer work in the countries in which we operate.

We revised our HR policy in 2012. In its HR, L&T complies with national legislation and collective agreements, the international agreements of ILO, occupational safety regulations and other obligations.

Our working community upholds equality. We do not tolerate discrimination in any form. Our HR management is fair and equitable. Our employees have freedom to organise. We respect and deal openly with trade union activities and personnel representatives.

### Skilled and sufficient resources

As a service company our key challenge is to ensure the availability of skilled employees. At the end of 2012, the total number of L&T employees working full-time and part-time was 8,962 (9,357).

At the moment, the cleaning industry is not considered attractive in Finland and there is great employee turnover in this field. L&T is not an exception. In L&T's Cleaning and Office Support Services in Finland, employee turnover was 48.7% (47.8%) in 2012.

Too few graduate maintenance technicians enter the labour market. It is also difficult to find technical system professionals on the open job market. We train our own damage repair technicians and surveyors, as our operations in this area involve tasks for which no educational institutions provide training. In Property Maintenance, L&T's employee turnover in Finland was 20.1% (17.8%).

The availability of employees is better in Environmental Services. Furthermore, they are committed to their work, and thus turnover is quite low. Environmental Services' employee turnover in Finland was 11.4% (9.5%).

We offer our employees a comprehensive range of additional training and career opportunities in our business areas.

### Employees from abroad

In order to ensure sufficient personnel resources, we have started a project to recruit cleaners from abroad.

By the end of 2012, we had hired about twenty cleaners from Estonia. We are also looking into opportunities to expand our recruitment to other Baltic and Eastern European countries.

**Our operating principles are service attitude, responsibility and team play.**



All in all, people with a foreign background account for 15 per cent of L&T employees (2011: 13%) and they represent more than 70 nationalities.

### A single L&T

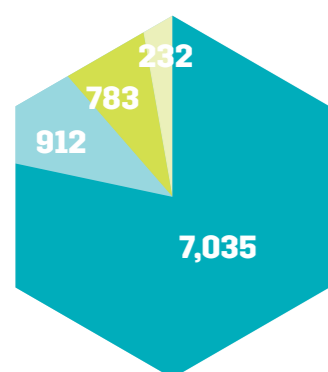
We will seek to unify our corporate culture in the years ahead. Our company has expanded greatly through acquisitions in recent years. The acquirees

have introduced a variety of ways of working to our organisation. Our new operating principles play a key role in unifying our corporate culture.

Our operating principles are service attitude, responsibility and team play. We expect all of our employees to comply with these principles in their own work.

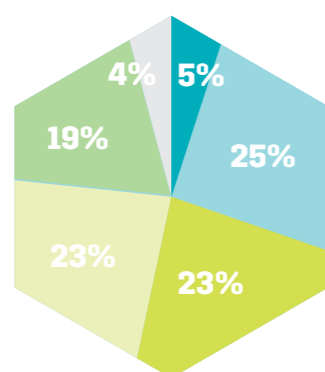
As part of the unification of our corporate culture, we are developing more consistent

**Total number of full-time and part-time employees at year end by country**



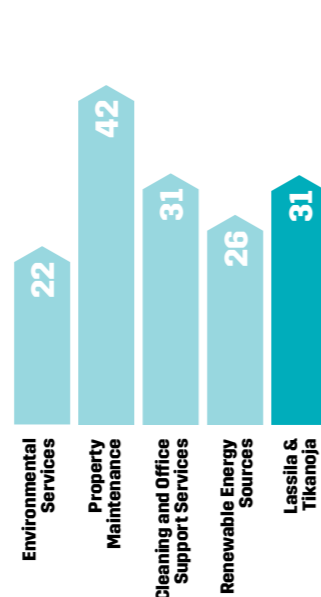
■ Finland  
■ Latvia  
■ Sweden  
■ Russia

**Employee age distribution**



■ Under 20  
■ 21-30  
■ 31-40  
■ 41-50  
■ 51-60  
■ Over 61

**Accident frequency**



### Key figures on personnel

	2012	2011	2010
Total number of full-time and part-time employees at year end	8,962	9,357	8,743
Average number of employees converted to full-time	8,399	8,513	7,835
Personnel by gender*			
female, %	50	49	49
male, %	50	51	51
Personnel by type of employment			
permanent, %	87	94	92
temporary, %	13	6	8
full-time, %	64	61	61
part-time, %	27	28	28
employees called in when necessary, %**	10	11	10
Share of employees with an immigrant background, %***	15	13	12
Average retirement age***	62.9	62.9	62.4
Sickness absences, %***	5.4	5.7	5.7
Accident frequency*	31	35	34
Safety observation reports*	10,987	5,341	4,433
Hazard assessments	3,086	1,707	1,958
SafetyWalk observation rounds	1,670	1,519	

\* In 2012 reporting was expanded to all business countries, the figures before 2012 cover only operations in Finland

\*\* Type of employment in use only in Finland

\*\*\* Figures cover only operations in Finland



## PERSPECTIVE



"At L&T, we want supervisors to be customer-driven, inspiring, assertive and innovative.

Supervisory work is very challenging, therefore it's important to continuously develop one's expertise. L&T has some 500 supervisors, who will all receive training and support for their roles in the next few years.

Entrepreneurial spirit and performance leadership are the strong foundation on which we will build anew.

Our key priorities include building a more uniform corporate culture, which we hope to accomplish by improving interaction channels, and placing a stronger focus on customer orientation.

Even the most competent supervisor cannot achieve great results alone. You can measure a supervisor's success by observing how they help employees grow professionally and move forward in their career paths."

Kirsi Matero,  
HR Director

remuneration models and have introduced a method for assessing the job requirements of selected personnel groups. In 2012, we assessed the job requirements of salaried employees, senior salaried employees and management. Among other steps, we are developing our bonus schemes so that they will encourage our employees to work together to provide end-to-end services on a larger scale.

### Job opportunities for different stages of life

The age range of our employees is exceptionally wide. This shows that we have job tasks that are suitable for students or pensioners looking for part-time work and for people with families who are looking for regular employment.

A major achievement in 2012 was raising L&T's average retirement age in Finland to 62.9 years from 59.4 years in 2005.

In addition, thanks to L&T's employee relocation process, almost 90 people have been kept in the workforce instead of retiring on a disability pension. By means of relocation, we seek to find a suitable new job or task for employees whose occupational capabilities have been weakened by an illness or accident.

### Tools for supervisory work

Skilled supervisory work is vital for mobilising and implementing strategy and achieving objectives. In Finland, L&T's performance management process was revised as from the beginning of 2012. It now applies to all permanent employees and to those who work more than 20 hours a week and have been in a fixed-term employment relationship for over a year. The process covers about 80 per cent of all L&T's employees in Finland. A similar performance management process for all salaried employees is in place in Sweden.

We conduct 1–2 target and performance reviews per year, carrying out work community surveys to monitor these reviews and their perceived usefulness. We also keep track of the number of target reviews held.

Our supervisors, chief shop stewards and respondents to our internal surveys have strongly expressed the need to develop supervisory work.

In autumn 2012, our Finnish supervisors – just under 500 in all – met for the first time at supervisor forums to discuss the new strategy and work on ideas to implement the strategy in practice. Supervisor forums are a channel for sharing best

practices with colleagues and fostering a sense of community.

In November, we also launched the new LOISTE supervisor training programme, which represents our greatest investment in HR in the next few years. All supervisors will complete the LOISTE training in 2013–14.

In addition to standard induction training, new supervisors in Finland undergo ABC and DEF training, in which the supervisor's role and key operating models for supervisors are discussed.

### Work ability management focuses on proactive measures

Our objective is to have as many employees as possible maintain their working capacity until old-age retirement. Under L&T Finland's Sirius work ability management programme, our occupational healthcare benefits far exceed statutory requirements.

We have trained our supervisors to use an early care model – that is, to prevent work ability problems and to identify them in as early a stage as possible.

Ways of resolving work ability problems include alternative duties, adjustments to working hours and duties, and relocation of employees with partial working capacity. If our employees fall sick, they receive professional care regardless of their place of residence or personal financial situation.

In 2012, we carried out a vigorous anti-smoking campaign. We support our employees in their efforts to quit smoking. A total of 80 people joined our smoking cessation programme.

In 2013, we will focus on increasing the effectiveness of our preventative efforts. In co-operation with occupational healthcare services, we provide employees with guidance and means of adopting healthier lifestyles: having a good diet, not smoking, sleeping well and exercising.

Our objectives for the new five-year period that started in 2011 include the minimisation of disability and accident pension costs, reduction of the sickness-related absence rate to five per cent and stabilisation of the TyEL (Employees' Pensions Act) payment category to level 3.

### To create a safe workplace

Our key priority is to develop occupational safety. We are committed to ensuring a zero-accidents workplace and believe that all accidents can be prevented.

In 2012, we centralised our occupational safety management and standardised our prac-

tices. We also revised our occupational safety principles.

Occupational safety is the outcome of good management. Our occupational safety managers are members of divisions' Executive Boards. Safety is on the agenda of all meetings, from the Executive Board on down. Occupational safety considerations are also linked to personal bonuses.

We have engaged in long-term work to improve safety, particularly in industry and environmental maintenance. Now, we will focus on systematically introducing good safety practices in facility services as well. For instance, accident panels and preventative occupational safety measures have also been adopted in Facility Services and Renewable Energy Sources.

When an accident occurs, an accident panel reviews its causes and plans corrective measures under the leadership of a business director or regional director. In 2012, we distributed occupational safety notice boards to all of our business locations to remind employees of the operating models for occupational safety each and every working day.

Safety observation reports are used to report all non-conformities that are considered to be deviations from safe daily operations. The SafetyWalk observation round is a tool that enables supervisors to monitor safety in the work environment. We conduct efficient risk and hazard assessments to improve our own safety, as well as the safety of our customers and other stakeholders, and to eliminate any hazardous elements.

The most common cause of occupational accidents at L&T is slipping. To prevent slipping, we distributed anti-slip shoe covers to employees at all of our business locations in 2012.

About 600 L&T employees completed occupational safety card training in 2012. Together with Tapiola, we organised six occupational protection training courses, and more than 200 supervisors participated.

The frequency of accidents fell to 31 in 2012. In Environmental Services (incl. industrial services), the accident frequency was 22, which is better than our target. In the property sector, we did not reach our targets, but we believe that the mobilisation of our new practices will enable Facility Services to perform well in the future. Our aim is that our accident frequency will be less than 15 in 2016.

In 2012, no occupational diseases were diagnosed among L&T employees and no fatal occupational accidents occurred.



## AGE DOES NOT SLOW HER DOWN AT WORK

Ten years ago, Elvi Kenakkala retired from her job as a cleaner for the City of Oulu. The idea of being idle all day long did not appeal to her. The 75-year-old Elvi now cleans at three different locations in the centre of Oulu, dressed in L&T's colours.

Elvi starts her working day in the early hours of the morning, five days a week. She bikes to work, both in the summer and winter, pedalling close to 30 kilometres every day. Where does she get the energy for this?

"I don't think of myself as old. I like to work. And it makes the time pass nicely."

Elvi has a husband, four children and three grandchildren. She likes to relax with them at home or in the great outdoors at her cabin. Elvi is a social person and meeting people at work brightens up her day.

"In this job, you rarely see your colleagues, but I talk about this and that every day with the people who work at my cleaning sites."

Elvi started her career as a maid at the Kauppahotelli hotel in Oulu in the 1950s. The nature of the work has changed greatly since then.

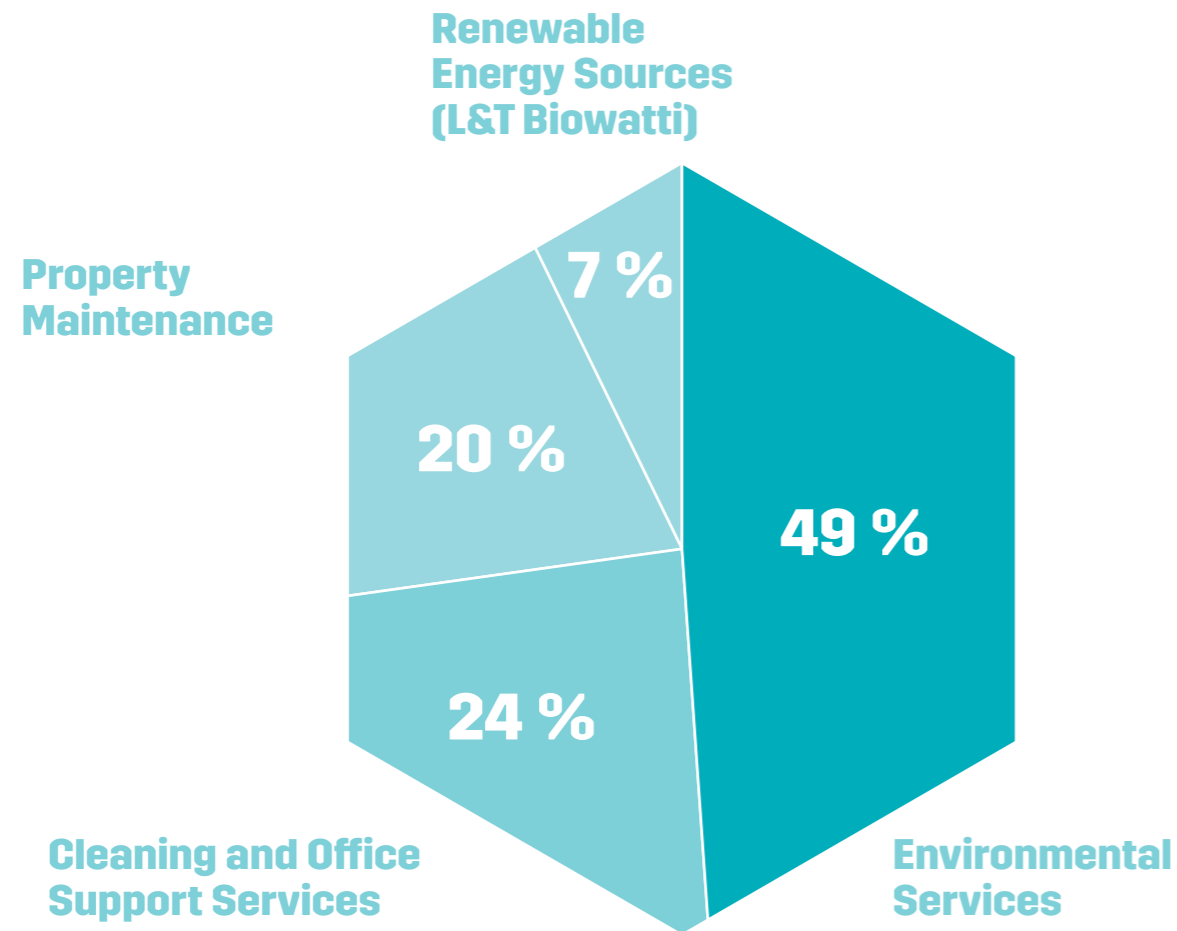
"Nowadays, we have strict instructions on what we should do and on which days. For example, you're supposed to dust only once a week. But I often give the place a quick wipe anyway," she confesses with a twinkle in her eye.

### What does this old veteran think is a good age to retire?

"Well, that depends a lot on the job and company. In some kinds of work, you can't keep going once you're 63. But as long as I have a job, I intend to keep working until I'm 99," she says with a laugh.

# DIVISIONS IN BRIEF

L&T's new strategy required changes in its divisional structure. Industrial Services were removed from Environmental Services to form a separate division, while Cleaning and Office Support Services were merged with Property Maintenance to form the Facility Services Division.



**Environmental Services**

- Waste management
- Recycling services
- Hazardous waste collection and treatment services
- Sewer maintenance services
- Industrial process cleaning
- Environmental products
- Environmental management function
- Material utilisation solutions

**Cleaning and Office Support Services**

- Cleaning services
- Office support services

**Property Maintenance**

- Property management
- Maintenance of technical systems
- Damage repair services

**Renewable Energy Sources (L&T Biowatti)**

- Wood-based bio fuels
- Recovered fuels
- Forest services to forest owners

## STARTING 1 JANUARY 2013:

The figures are indicative. Official reference figures in accordance with the new division structure will be released in the first quarter of 2013.



**Facility Services**

**Environmental Services**

- Waste management
- Recycling services
- Environmental products

**Industrial Services**

- Environmental construction
- Industrial process cleaning
- Sewer maintenance services
- Sewer renovation
- Hazardous waste collection and treatment services

**Facility Services**

- Cleaning services
- Office support services
- Property maintenance
- Maintenance of technical systems
- Damage repair services

**Renewable Energy Sources (L&T Biowatti)**

- Wood-based bio fuels
- Recovered fuels
- Forest services to forest owners



**IT'S EASY TO TRANSFORM A  
KETCHUP BOTTLE INTO FUEL  
OR A TUNA CAN INTO A FORK.  
IT'S MUCH HARDER TO CHANGE  
HOW PEOPLE THINK.**

## ENVIRONMENTAL SERVICES

### PERSPECTIVE



“Companies now account for environmental issues in their business operations – and have even turned this into a competitive edge.

Customers are demanding much more from waste management. There has been a shift from traditional waste management to controlling raw material flows and end-to-end environmental management.

For us at L&T, this means that we must be innovative and examine issues from new perspectives each and every day. Our activities are guided by the idea that properly sorted and processed waste is not trash – but rather valuable raw materials.

Instead of carrying out single assignments, we team up with the customer to come up with end-to-end solutions that increase both the recovery of waste and the recycling rate. In doing so, we are taking tangible steps towards the creation of a recycling society.”

**Petri Salermo,**  
Vice President,  
Environmental Services

Most waste generated by households and the corporate sector is valuable material. Recovery of such materials helps to save primary raw materials and energy.

Environmental management plays a key role in transforming our consumer society into a recycling society.

We offer products and services that make recycling easy. We take charge of the entire waste management value chain, from collection to the processing and sale of materials.

The first priority is to reduce the amount of waste generated. Any waste generated must be prepared for re-use, or be recycled. If neither of these is an option, waste may be recovered as energy. Landfill disposal is always the last alternative.

L&T's Environmental Services is the market leader in Finland; we intend to further consolidate our leadership position during this strategy period.

Environmental Services has also established a presence in Russia and Latvia. In Latvia, we are a nationwide operator, while in Russia our operating area covers approximately seven million people. We have been a trendsetter in these markets and will seek to maintain this position in the future.

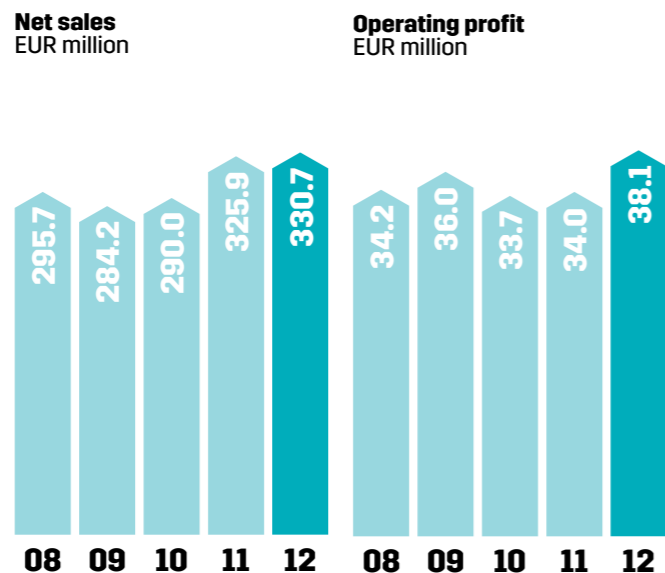
#### Focus on the corporate markets and secondary raw materials

In 2012, L&T made the decision to separate Industrial Services from Environmental Services into a division of its own. The objective was to ensure growth in all service lines and to maximise development opportunities.

Following our decision to focus first and foremost on service business, we divested our holdings in L&T Recoil, a company specialising in waste oil processing.

In Finland, the municipalisation of waste management may limit our growth potential in environmental management, particularly towards the end of the strategy period. We will make every effort to minimise these adverse impacts by developing our expertise with respect to corporate markets and secondary raw materials.

Customers are showing a growing interest in ways of doing things more ecologically and cost-efficiently.



Official reference figures in accordance with the new division structure will be released in the first quarter of 2013.

In 2012, we extended our co-operation with PALPA to cover bottle recycling. Our joint efforts with Kesko and Stockmann to raise the sorting rate produced excellent results. We also launched a trial with Alko involving the collection of boxed wine packaging materials. The secondary materials obtained from these can be utilised, in place of coal dust, in the manufacture of cement.

Sorting at source and efficient recycling of materials help to save natural resources as well as money. We are engaged in ongoing research to discover new ways of utilising different materials.

#### Information systems upgraded to meet increasingly strict requirements

According to the new Waste Act, companies are required to keep more extensive records of the waste they generate. The act imposes a duty on the producer to keep records of the type, quantity and origin of the waste generated, and to be aware of the related health and environmental effects.

Electronic reporting is considered the norm nowadays.

Our objective is to have all corporate reporting conducted in our Ympäristönetti online service. We are upgrading our own systems to meet increasingly strict legislative requirements and customer company needs.

#### Investments in maintenance and in Russia

In the next few years, our investments will primarily involve maintenance of our existing vehicle stock and plant network. We will also make carefully considered investments to expand our service network in Russia.

L&T runs an extensive network of recycling plants. During this strategy period, we plan to improve the return on capital invested in the existing plants.

In addition to managing our own plants, we divert some waste streams to plants operated by our partners.

We believe that stricter waste management requirements and legislation will be introduced in Russia and wish to become an active player in these promising markets.

#### Customer satisfaction a decisive indicator

One of our key objectives for this strategy period is to further improve customer experience. To meet this objective, we will invest more in customer care and monitor customer satisfaction more closely.

To keep track of customer satisfaction, we conduct a customer satisfaction survey twice a year.

Environmental issues are becoming an inseparable part of our customers' business and their financial objectives. In the environmental management markets, winning companies must be able to deliver measurable added value to the customer.



## HIGHER SORTING EFFICIENCY HALVES THE VOLUME OF MIXED WASTE

Stockmann's department store in Helsinki has almost 15 million visitors a year. Inevitably, this results in waste. By boosting its sorting efficiency, Stockmann has successfully halved the amount of mixed waste generated at the department store.

Stockmann's key environmental targets are to reduce waste and recycle the waste that is generated. L&T is one of Stockmann's partners in this effort.

The key factor in boosting the efficiency of sorting has been seamless co-operation between internal stakeholders and the waste management, cleaning and support functions.

It has been agreed that L&T's waste transport staff constantly monitor Stockmann's waste loads. Their observations help Stockmann to deal with sorting errors and keep stepping up operational efficiency.

In 2013, the Helsinki city centre department store will start collecting a new waste fraction – shrink wrap. In addition, Stockmann will expand the collection of metal and glass at its department stores in Finland.

An important focus of development in 2013 is to start calculating the carbon footprint of waste transport.

“Even now, we obtain plenty of information on our climate impacts. Our next step is to extend our calculations to also cover waste transport in co-operation with L&T,” says Emilia Gädda, Environmental Specialist at Stockmann.



**DIHYDROGEN MONOXIDE IS AN  
ENVIRONMENTALLY  
FRIENDLY**

**SUBSTANCE THAT WE USE TO CLEAN  
OIL SILOS, CUT STEEL AND BREAK  
DOWN CONCRETE. IT'S ALSO KNOWN  
AS WATER.**

## INDUSTRIAL SERVICES

### PERSPECTIVE



“Our primary objective in Industrial Services is real partnership.

We provide a broad range of services. That said, customers reap the greatest benefits from an effective service package.

Our customers’ needs are different, so we always tailor our service packages to every customer.

The quality and efficiency of our services stem from the integrated use of people and equipment. This enables us to offer cost-effective services.

We harness all of L&T’s broad-ranging expertise. Our customers have L&T’s whole service range at their disposal, from process cleaning to waste management, property maintenance and lobby services.

By relying on our support services, customers can focus on their core expertise. Our work also serves to maintain the competitiveness of Finland as a nation.”

Ville Rantala,  
Vice President,  
Industrial Services

A separate division from the beginning of 2013, Industrial Services is a trusted partner for our major customers.

As a result of the strategy process completed in 2012, L&T decided to separate industrial services – previously part of the Environmental Services division – into a division of its own. This was to ensure the more balanced development of all of the division’s services.

Industrial Services offers an extensive range of services primarily designed for major industrial, municipal and facility customers. With our large partnership network, we can further supplement these services, if necessary.

The division will work closely with other L&T divisions, while our customers only need to deal with one L&T.

#### Customers focus on core business

With general economic uncertainty as the prevailing trend, we do not expect to see any growth in Finnish industry.

While this is a challenge for us, it also means that our customers will focus even more strongly on their core business. We make it possible as we take care of our customer’s support services.

We can create customised service packages to meet each customer’s individual needs. We can also coordinate operations with other partners, allowing the customer to deal with just one service provider.

Measured twice a year, the net promoter score gives us an idea of current customer satisfaction levels. The first score for Industrial Services will be obtained in spring 2013.

#### Process cleaning and sewer maintenance services the cornerstones of business

Process cleaning and sewer maintenance are the cornerstones of the Industrial Services Division’s business. Measured by our market position in the process cleaning industry, we are currently the number two in Finland.

We continue to develop our process cleaning services to cater for new customer segments. With our existing machinery, we are equipped to perform various types of shipyard work, water blasting, and railway and transport equipment cleaning.

The value of repairs required to maintain the Finnish building stock comes to around EUR 1.8

billion a year, and the investment required to bring the building stock to reasonable condition is EUR 30–50 billion. Consequently, the number of sewers and pipelines in urgent need of repair is growing quickly. Sewer sliplining is a cost-efficient and sustainable method of extending the useful life of sewer systems.

#### Making use of industrial by-products

Industrial enterprises generate more than 90 per cent of all waste in Finland. Efficient recovery of these materials can help save virgin raw materials and reduce fossil fuel consumption.

Industrial by-products can be recovered and used as secondary raw materials, building and insulation materials, energy and nutrients.

In 2012, the Ministry of the Environment chose to partner with Lassila & Tikanoja in arranging nationwide oil waste management services. The objective is to be able to recover a larger amount of oil waste for further use.

A total of 30,000 tonnes of oil waste is annually generated in Finland. About 90 per cent of this can be recovered for further use, primarily as base oil used in re-refineries. Low-quality batches will be pre-treated to raise the regeneration rate.

#### Investing moderately

Changes in waste and waste tax legislation will affect the service needs of companies in the future.

For example, application of waste tax to industrial by-products will increase our market opportunities, and stricter landfill provisions will require more effective treatment of various material flows.

We are always looking for new ways of recovering various waste fractions, carrying out product development work both within L&T and in co-operation with our partners.

Our key role is to be a material supplier and not to invest in plants, but we welcome the opportunity to be involved as operators in our partners’ facilities.

We are currently exploring various opportunities for ash treatment and recovery, and take part in energy-related projects with major Finnish corporations.

In 2012, we acquired the landfill site management operations from the City of Uusikaupunki. We intend to turn the site into a modern materials handling centre. Our intention is to open other similar centres during this strategy period.

#### Cost-efficiency translates into profitability

Our customers are very proficient in procurement, which requires improved production efficiency on our part.

Our objective for this strategy period is to pool all our machinery and equipment into a single nationwide hardware base, which we can centrally control.

We plan to adopt a centralised operating model in human resources management, which will enable us to correctly allocate our available resources.

Having professional and skilled personnel means better service and significant savings; this is why we support personnel competence and leadership skills development.



## EFFICIENCY AND SAFETY COME FIRST IN AN INDUSTRIAL ENVIRONMENT

A pulp producer, Metsä Fibre expects its service providers to meet high environmental, safety and quality criteria.

Metsä Fibre has outsourced a large number of the support services in its Joutseno and Äänekoski pulp mills. To make things simple, the mills have adopted L&T’s service manager system.

One service manager organises and coordinates the work performed by several service providers, allowing the customer company to deal only with one person rather than several suppliers.

“The service manager is responsible for performance management. This person understands the big picture; he or she knows which support services are used and how to coordinate them effectively,” explains Henrik Söderström, plant manager at Joutseno.

In 2013, Metsä Fibre and L&T will focus on finding ways to improve cost efficiency.

Occupational safety is one of the key indicators in the industrial environment. In 2011, L&T was Metsä Fibre’s safest service provider.

“Looking at service providers working at the mill every day, I’ve noticed a major improvement in occupational safety. People routinely use personal protective equipment, a great deal of attention is paid to prevention, and practices and procedures have become more consistent,” Söderström observes.

Official reference figures in accordance with the new division structure will be released in the first quarter of 2013.

WE CLEAN UP  
**CARBON FOOTPRINTS**  
AS WELL.



WE CUT LAWNS, HEDGES AND THE  
**ENERGY CONSUMPTION**  
OF PROPERTIES.

## FACILITY SERVICES

### PERSPECTIVE



“Due to the depletion of fossil fuels, energy prices are rising – and this means that energy efficiency remains a hot topic.

After a building has been constructed, its environmental burden is caused by its energy consumption. For this reason, it is vital to optimise consumption.

Our service technicians specialise in identifying potential improvements in properties and proposing ways of saving energy that do not necessarily require large investments.

In our efforts to take care of energy efficiency, we also seek to maintain – or, better yet, improve – working and living conditions. We ensure comfort by means such as good cleaning and smooth support services.

Single measures are not enough. Properties have to be considered as a whole – only then can our measures really benefit both the customer's wallet and the environment.”

Petri Myllyniemi,  
Vice President, Facility Services

Diligent property maintenance extends service life and comfort, reduces energy costs and improves safety. In addition to tidying up, cleaners keep waste management costs in check by taking care of recycling.

We merged our Cleaning and Office Support Services and Property Maintenance into a single division – Facility Services as of 1 January 2013.

Following this reorganisation, we are even better poised to provide more comprehensive service packages to our customers. As our customers now get all these services from a single company, they enjoy better service and smoother supplier management.

In Facility Services, we not only clean, but also take care of support services such as moving, lobby and switchboard services, property maintenance and technical systems. In damage repair services, we partner up with leading insurance companies.

#### Cost-effectiveness and high quality

We expect to see growth in the market for facility services in the next few years, as companies focus on their core businesses and the public sector steps up its outsourcing.

Thanks to our consistent working methods and adoption of better tools for managing work costs, we can offer more cost-effective and higher-quality services to our customers.

In 2012, we carried out a project in which we assessed our subcontracting needs, particularly in property maintenance. By standardising the

content of our own and purchased work in different localities, we ensure that we outsource work only when we need to. Competitive tendering has enabled us to find the best and most competitive partners for different subareas of operations.

#### Our service network expands

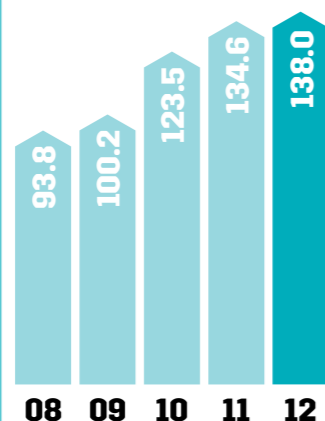
In the years ahead, we are expanding technical system services to selected locations. In the future, we will provide end-to-end services in even more localities and will be even better poised to cater to the needs of customers.

We seek to bolster our market leadership in damage repair services. In 2012, we opened four new business locations. We also signed new co-operation agreements with major insurance companies.

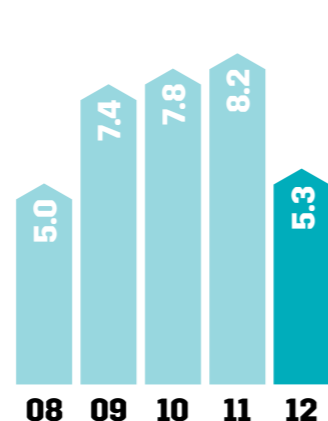
#### Cleaning and property maintenance yield cost and emission savings

L&T EcoMaintenance is one of Facility Services' green solutions. We have 650 maintenance technicians who make daily observations on the use of energy, water and materials at our customer sites. On the basis of their observations, they perform energy-saving maintenance and make proposals on potential improvements. They also advise property

**Property Maintenance**  
Net sales, EUR million



**Property Maintenance**  
Operating profit, EUR million



**Cleaning and Office Support Services**  
Net sales, EUR million



users how to be energy-efficient. In 2012, we made a concerted effort to develop the competence of our eco-maintenance technicians.

In our property maintenance, we also employ the L&T EnergyGuarantee service co-developed with Siemens, involving an energy savings guarantee for properties, and superior property management including technical services.

L&T was the first company whose cleaning services were granted the Nordic environmental label, the Swan label. A fourth of our 4,000-plus cleaners have completed the Ympäristöpassi eco-training programme. They provide guidance to our customers on matters such as proper sorting and recycling. We use efficient and environmentally sound methods and tools that reduce our use of cleaning agents and water. Of the cleaning agents that we use, 53 per cent have an environmental label.

#### Setting sights on the best customer experience

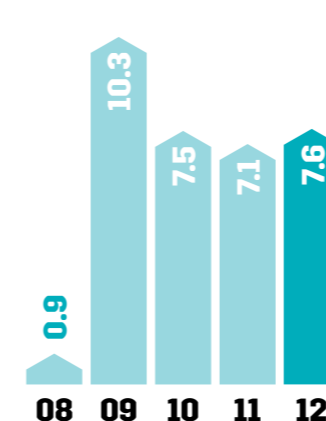
In 2012, we standardised the start-up process at our cleaning sites. Our aim is to ensure that our cleaning services measure up to the agreed level of quality at new customer sites from day one. We also introduced training videos to develop the customer service skills of our cleaners.

In property maintenance, we revised our sales materials to improve clarity. Thanks to our development measures, our customer service is now faster and smoother. We launched a text message service for our housing organisation customers. A resident is automatically notified by SMS when the ordered work has been completed.

We want to offer the best customer experience in the industry – and measure our performance every six months.

Official reference figures in accordance with the new division structure will be released in the first quarter of 2013.

**Cleaning and Office Support Services**  
Operating profit, EUR million



## END-TO-END MANAGEMENT YIELDS MAJOR SAVINGS IN PROPERTY COSTS

Delta Auto, a nationwide car dealership chain, has about 30 properties to manage. By centralising its property maintenance and cleaning in the hands of L&T, Delta Auto significantly reduced its property costs in 2012.

When the co-operation began, L&T's maintenance technicians assessed the condition of all of Delta Auto's properties. L&T is responsible for managing not only Delta Auto's facility services, but also its heating, electricity and water costs.

“The deciding factor was the technicians' expertise in heating and ventilation equipment – thanks to small calibrations and investments amounting to only a few hundred euros, we gained great savings,” says Martti Kainulainen, Property Manager at Delta Auto.

Savings have also been achieved by standardising practices. For instance, similar winter work plans were drafted for all the properties.

L&T is always seeking to identify new ways of achieving savings. For instance, waste management will be stepped up in the future.

Delta Auto expects its partners to not only be cost-conscious, but also be able to manage the big picture.

“We don't want long chains of subcontractors. Things run more smoothly when the service provider handles most of the services on its own,” says Kainulainen.



## RENEWABLE ENERGY SOURCES

Energy derived from forestry products may provide a solution for Finland, as we strive to attain our climate targets. Renewable Energy Sources (L&T Biowatti) is promoting the use of wood unsuitable for traditional energy production processing.

**In Renewable Energy Sources the focus is now on profitability improvement.**

A future requirement for energy is that it should primarily originate in renewable sources. We offer sustainable and clean fuel solutions to energy producers, and forest services to forest owners. Our business portfolio does not include energy production and wood processing.

As a Finland-based company, we want to promote the use of Finnish wood. We deliver wood bio masses, particularly those rejected by the traditional wood processing industry, and industrial wood waste for energy production.

Forests need care, particularly during the growth period from the sapling stage to first thinning. When properly cared for, a forest can even produce double the amount of timber.

While wood from young forests is not optimal for traditional wood processing, it can still be used in energy production, in place of fossil fuels.

### Competence across the production chain

The strength of L&T Renewable Energy Sources lies in our ability to control the entire production chain, from raw material procurement to delivery.

We run our own national procurement organisation and a network of terminals, which enable us to guarantee reliable deliveries year round, even in the event of disruptions. We source most wood directly from forest owners.

In wood procurement, our own forestry service organisation is complemented by a large partner network.

While harvesting, chipping, crushing and transport operations are carried out jointly with long-term partner entrepreneurs, we also use our own transport fleet to ensure full delivery reliability.

### Energy derived from forests a key to achieving climate targets

As a member of the European Union, Finland has made a commitment to raise its consumption of renewable energy to 38 per cent (2005: 28.5%) of all energy by 2020. This target is unattainable without the use of energy derived from forests.

Using wood for energy is an effective method of controlling climate change, as the carbon dioxide released from burning wood is bound in by

new generations of growing trees. In short, wood is a carbon-neutral fuel.

In 2012, we signed several new contracts with major Finnish power plants. The network of biomass-burning facilities is already nationwide and is growing continuously.

To achieve our climate and energy targets, we must take action to improve the competitiveness of wood-based fuels in relation to fossil fuels.

With respect to renewable energy sources, the greatest challenge and cause of uncertainty is the government's somewhat inconsistent subsidy policy. Uncertainty about the subsidy policy is hampering long-term planning.

In addition, the weak financial profitability of the entire forest energy production chain poses challenges to operations. The key target for Renewable Energy Sources in 2012 was to improve profitability. The division will continue to pursue this goal in 2013 with a view to raising the profitability of the division and the entire chain to such a level that the renewable energy objectives can be achieved profitably.

### Focus on profitability improvement

During the strategy process in 2012, L&T came to the conclusion that Renewable Energy Sources is not included in the company's core business. However, the outlook for L&T Biowatti is positive, and we will pursue business development efforts.

In Renewable Energy Sources, the focus is now on profitability improvement. We made good progress in 2012 as the loss decreased significantly.

In 2013, we intend to drive profitability up, by improving logistics efficiency and changing the trading basis from cubic metres to megawatts and reducing the capital employed.



## RESPONSIBLY IN THE FOREST

Maintaining and fostering biodiversity is a priority for us. We do not procure wood from nature conservation areas or highly biodiverse forests, nor do we engage in logging in such areas.

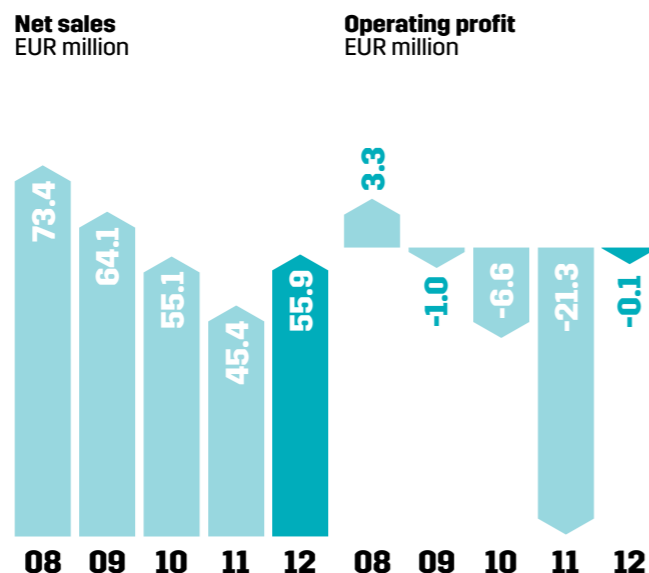
Our forestry operations are guided by the forest management recommendations drawn up by experts and players in the industry, and published by the Forestry Development Centre Tapio.

Logging operations are planned at the site. Any areas that are important to forest biodiversity are identified and left untouched.

As set forth in the Forest Act, a forest use declaration is always submitted to the Forestry Centre when logging operations are carried out.

Good forest management in a young forest boosts growth, while improving forest quality and carbon dioxide binding capability. In Finland, forest certification operations extend to energy wood harvesting, guaranteeing the ecologically sustainable use of our forests.

Calculations show that wood could fulfil at least one third of Finland's energy needs, without putting biodiversity at risk.



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Lassila & Tikanoja is a service company that is transforming the consumer society into an efficient recycling society. In co-operation with our customers we are reducing waste volumes, extending the useful lives of properties, recovering materials and decreasing the use of raw materials and energy. We help our customers to focus on their core business and to save the environment. Together, we create well-being and jobs. With operations in Finland, Sweden, Latvia and Russia, L&T employs 9,000 persons. Net sales in 2012 amounted to EUR 674.0 million. L&T is listed on NASDAQ OMX Helsinki.



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