



WORKING SUSTAINABLY

Lassila & Tikanoja
Annual Report 2013

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L&T IN A NUTSHELL

Lassila & Tikanoja is a service company that is transforming the consumer society into an efficient recycling society.



We offer our customers a wide range of services to enhance their material, energy and cost efficiency.

We work with our customers to reduce waste volumes, extend the useful lives of properties and maintain their value, recover materials and save 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.

Our services include:

- Waste management and recycling services
- Environmental products
- Environmental construction
- Process cleaning
- Sewer maintenance
- Hazardous waste management
- Cleaning
- Support services
- Property maintenance and technical systems
- Damage repair services
- Wood-based biofuels and recovered fuels
- Forest services to forest owners

L&T has business operations in Finland, Sweden, Latvia and Russia. L&T's net sales in 2013 totalled EUR 668.2 million and it employs 9,000 persons. L&T is listed on NASDAQ OMX Helsinki.

READY FOR PROFITABLE GROWTH

L&T is moving on to the next stage of its strategy: profitable growth. Over the past few years, we have focused on improving profitability and streamlining our service selection, but we are now ready to embark on a growth track.

Our strong market position, streamlined organisation and strong balance sheet create a firm foundation for profitable growth, but we must also continue to seek greater operational efficiency and profitability.

A challenging business environment

In 2013, our business environment was challenging, with global economic uncertainty reflecting on our operations.

Many of our customers implemented their own efficiency and cost savings programmes with measures such as competitive bidding procedures, which affected our business. Other repercussions included decreased material flows from the construction industry and retail.

Investing in the future

Despite the challenging business environment, we have consistently moved on with the implementation of our new strategy. During the first half of 2013 our focus was on business restructuring, but it gradually shifted to improving profitability. At the same time, however, we have made determined investments in the future.

Future growth requires major inputs in business development, which is why we are currently undertaking a wide range of development projects.

In 2013, we launched major development programmes in sales, customer services and in the Facility Services division's service production, with a special emphasis on development of management and information systems.

In a few years' time, we will be able to enjoy the fruits of our labour: an efficient and fair work planning system that takes employees' requests into account, more effective customer service channels, better supervisors and better understanding of our customers.

Higher demands on efficiency

L&T holds a strong market position in its core business areas. This is a key requirement for profitable growth. While Environmental and Industrial Services performed well in 2013 in a challenging market environment, the situation was more difficult in Facility Services, where customer demands on service efficiency continued to grow and competition was increasingly tough.

To keep our services at a competitive cost level while maintaining efficiency, we must maintain a strict cost regime and ensure that our operations remain profitable. We will continue to enhance the efficiency of our operations and the consistency of our practices and procedures.

Satisfied customers

Creating a more customer driven mindset is at the core of our strategy. We have modified our organisation to better meet customer needs, and enhanced cooperation between different service lines. We want to

offer our customers more extensive service packages and seek further growth. Although organic growth is our first choice, our strong balance sheet also enables acquisitions as part of our growth strategy.

Our net promoter score helps us to develop our customer satisfaction. It has been a pleasure to see that our work is appreciated and that customer satisfaction with our services has taken an upward turn. In the future, we will invest in better customer liaison.

Performing well as a responsible corporate citizen

During 2013, we continued our efforts to become a more responsible corporate citizen. We set more detailed environmental goals for material efficiency in our own facilities and carbon dioxide emissions of our vehicle fleet.

Our performance, measured by environmental indicators, has been encouraging, and we will continue to explore various ways of further enhancing the material processing degree. Recycling undeniably helps fight climate change, and on the whole, the impact of L&T's operations on climate is strongly on the positive side.

In terms of work ability management, we are the industry leaders. In 2013, our sickness related absence percentage was 5.3 and the retirement age rose to 63.3 years.

We have also seen excellent development in occupational safety. I believe that we have been able to accomplish permanent change in occupational safety culture with consistent follow-up practices and supervisor competence development. The accident frequency rate in Finland has fallen by half in two years and was 18 in 2013.

On the right track

Looking beyond the current financial gloom, the future outlook for our company is good. I am convinced that the strategy we have chosen is the right one. The growing environmental awareness, rising cost of raw material and energy and increasingly strict legislative requirements all promote the recycling society.

The recycling society is built on small everyday choices, and we at L&T want to help people make the right choices. Success in the service business depends on people. Bearing this in mind, I would like to thank our entire personnel for their excellent work in 2013. Our work is important and meaningful, and we are proud of it. We are working sustainably.

Pekka Ojanpää

KEY EVENTS IN 2013

January



The world's northernmost four-compartment waste truck was brought into service in Oulu. This makes waste sorting much easier for households, as the truck collects recycled glass, metal, paper and cardboard from four-compartment waste containers placed in residents' own yards.

February

L&T and Citycon sign a nationwide agreement. L&T provides cleaning and environmental services and upkeep of outdoor areas in 46 properties owned by Citycon in Finland, ranging from Finland's largest shopping centres to properties housing supermarkets. The objective is to increase customer comfort and to raise the waste recovery rate.



March



L&T starts as Ministry of the Environment's partner in oil waste collection. L&T collects all oil waste from customers free of charge, in batches of 200 litres or more. More than 90 per cent of oil waste can be reused as raw materials.

April



L&T enhances its energy efficiency services. L&T set up an energy control centre in Kuopio, central Finland. The centre provides services nationwide. It monitors the technical systems in L&T's customer properties over a remote connection in order to identify the most energy-efficient way of using the properties. With energy efficiency enhancement measures, energy bills can be cut by as much as 20 per cent.

Eco-labelled cleaning services introduced at Sello



shopping centre. The Sello shopping centre in Espoo continues to strive for maximum ecology in its operations. This time, Sello focused on cleaning services and introduced L&T's Eco-Cleaning concept, which has been awarded the Nordic environmental label known as the Swan label. Ecological sustainability is a key value and a driver of operations in Sello, setting the

framework for continued development efforts.

May

L&T purchases the ZenRobotics Recycler system for its recycling facility. ZenRobotics Recycler is a robotic recycling system that picks recyclable materials from the waste stream safely and efficiently. It was installed in the Kerava recycling facility at the end of the year.



June



Stockmann Property Services selects L&T as its key partner. L&T earned this recognition with its excellent service, continued partnership-driven service development, and concrete results achieved through cooperation.

July

Brand on the move. L&T's waste trucks reflect the company's sharpened brand image. Waste trucks carry large amounts of material to be used as secondary raw materials or for energy production. L&T's fleet reminds all road users of the benefits of the recycling society.



August

Uusikaupunki to introduce an innovative waste management alternative. L&T started up an environmental impact assessment procedure for a planned new material processing centre in Uusikaupunki. At this state-of-the-art facility, waste and industrial by-products will be recovered in accordance with the order of priority set forth in legislation. This will promote the sustainable use and consumption of natural resources as an alternative to landfill disposal or incineration.



September



Summer employees enjoy working at L&T. L&T employed more than 1,000 summer employees, 97 per cent of whom would recommend L&T as an employer, and 91 per cent would like to work for L&T again.

October



The Construction Establishment of Defence Administration choose L&T. The Construction Establishment of Defence Administration signed service agreements with L&T on the procurement of cleaning services. Services will be provided in various locations across Finland.

November

Fingrid and L&T sign an environmental management agreement. L&T delivers all waste generated in the construction and maintenance of Fingrid's main grid and reserve power plants to recycling and recovery. These recycling volumes are sufficiently large that they count towards the achievement of Finland's national recycling goals.



December

L&T working with the HOPE association. During the year, L&T organised toy and clothing drives at its offices and at customer events, and forwarded these to children in need. At Christmas, L&T delivered presents to 50 children.



Children are more conscientious when it comes to waste sorting and turning off lights to save energy. Children learn at a young age that it is important to recycle and do good things.

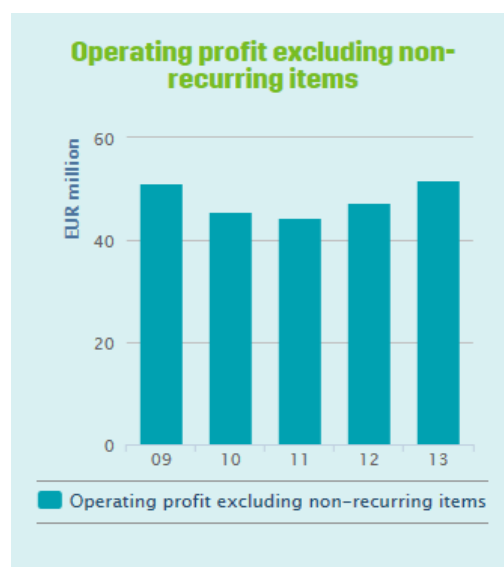
KEY FIGURES

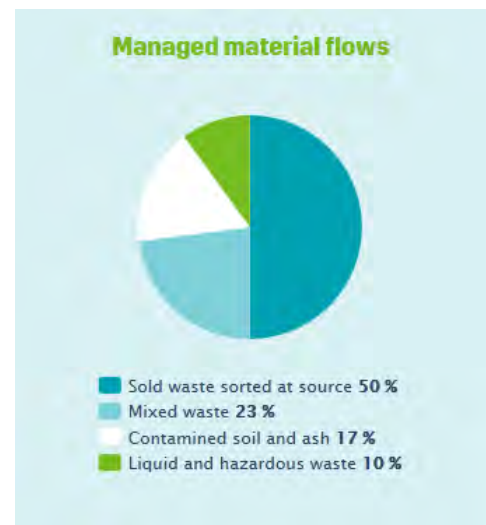
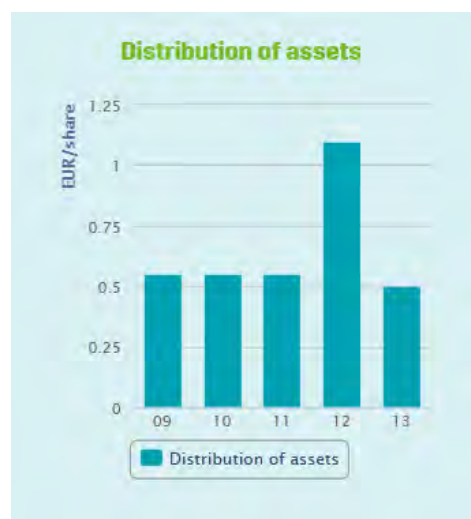
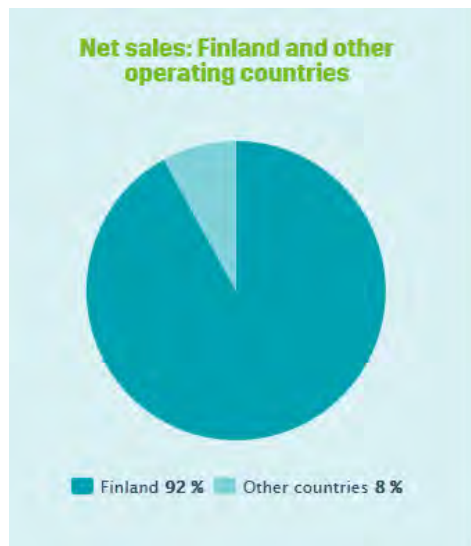
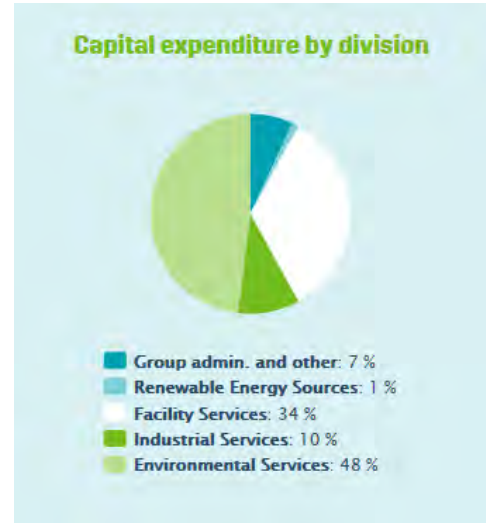
| | 2013 | 2012 | 2011 |
|---|----------------------------|---------------------|---------------------|
| Net sales, EUR million | 668,2 | 674,0 | 652,1 |
| Operating profit, EUR million | 33,2 | 48,4 | 25,6 |
| Operating profit excluding non-recurring items, EUR million | 51,8 | 47,4 | 44,3 |
| Profit before tax, EUR million | 30,3 | 43,0 | 21,0 |
| Return on equity, % (ROE) | 10,0 | 15,3 | 7,7 |
| Return on invested capital, % (ROI) | 10,6 | 14,4 | 7,6 |
| Gearing, % | 30,4 | 35,3 | 58,3 |
| Equity ratio, % | 43,7 | 49,4 | 44,5 |
| Capital expenditure, EUR million | 32,7 | 49,4 | 70,6 |
| Total number of full-time and part-time employees at year end | 8 847 | 8 962 | 9 357 |
| Earnings per share, EUR (EPS) | 0,57 | 0,89 | 0,44 |
| Cash flows from operating activities/share, EUR | 2,23 | 2,08 | 1,92 |
| Dividend per share, EUR | 0,50 ⁽¹⁾ | 1,10 ⁽²⁾ | 0,55 ⁽³⁾ |

(1) Proposal by the Board

(2) Includes additional dividend of EUR 0.35 and additional capital repayment of EUR 0.15

(3) Capital repayment





PROFITABLE GROWTH

L&T's current strategy extends to 2016, and we are now moving into the stage of profitable growth in strategy implementation.



L&T's business is organised into four divisions: Environmental Services, Industrial Services, Facility Services and Renewable Energy Sources.

| Strong market position in core businesses | |
|---|--|
| Environmental Services | Market position: No. 1–2 Relevant market: EUR 1.2 billion Market growth: 2-3% annually |
| Industrial Services | Market position: No. 1–3 Relevant market: EUR 0.3 billion Market growth: 4% annually |
| Facility Services | Market position: No. 2 Relevant market: EUR 3.0 billion Market growth: 3% annually |

Market positions and sizes in current businesses based on management estimate.



STRATEGY 2012–2016: FROM A CONSUMER SOCIETY TO A RECYCLING SOCIETY

Although L&T's current strategy extends to 2016, the world around us is changing at such a fast pace that it is necessary to review our strategy annually. This is to ensure that we are moving in the right direction and towards our financial targets. In spring 2013, we made some minor adjustments to the extensive strategy work conducted in 2012.

L&T's strategy is built on our mission to change the consumer society into an efficient recycling society. Our goal is to build a society where existing materials and buildings are used as efficiently as possible, continued efforts are made to optimise energy consumption, and more jobs and well-being are created through sustainable growth. We plan to do this by improving our customers' material, energy and cost efficiency.

Our solutions enable customers to reduce waste volumes, to extend the useful life of their properties, to recycle and 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 our core business areas: environmental, industrial and facility services.

The new divisional structure introduced at the beginning of 2013 dividing services into Environmental, Industrial and Facility Services reflects this vision. The Industrial Services division was formed by separating specific industrial service lines with mutual synergies from Environmental Services. Cleaning and Office Support Services and Property Maintenance were merged at the beginning of the year to form a new Facility Services division, allowing us to offer customers even more extensive service packages flexibly.

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

Financial targets remain unchanged

In connection with the strategy update, we kept the financial targets set for the strategy period unchanged. We will continue to keep a close eye on profitability, but the main focus will be on profitable growth in all divisions.

Although we primarily seek organic growth in the non-capital intensive service business that generates a steady cash flow, our strong balance sheet also enables investments in future growth. Our key market is Finland, where the market potential we have identified for our services exceeds four billion euros.

Excellence at every stage of the environmental services value chain

Our Environmental Services division is actively exploring new opportunities to recover various waste fractions and ways of expanding secondary raw materials trading. We want to excel throughout the value chain, from waste collection, processing and transport to reuse and final disposal. We aim to grow the market share of our existing services by focusing on the expanding corporate markets.

Integrating into the core processes of our industrial customers

In Industrial Services, our objective is to offer full integration in our customers' processes. We provide comprehensive solutions for the recovery and safe final disposal of various by-products.

We will make further investments in sewer maintenance and process cleaning services. By expanding our recovery and final disposal network, we are seeking a stronger market position in hazardous waste management and environmental construction. By seeking efficiency in the use of workforce and machinery, we will be able to increase production efficiency.

Delivering more extensive facility service packages to customers

In Facility Services, we seek to grow by expanding our service offering. We encourage cooperation and utilise the cross-selling potential between different service lines. We will expand technical systems services and diversify our service selection, particularly in energy efficiency services. We will actively seize the business opportunities made available in the municipal sector through increased outsourcing.

FINANCIAL TARGETS

| | Target 2016 | 2013 | 2012 | 2011 |
|-----------------------|-------------|---------------|--------|--------|
| Organic growth | 5 % | 0,2 % | 1,4 % | 4,5 % |
| Return on investment* | 20 % | 15,7 % | 14,4 % | 7,6 % |
| Operating profit* | 9 % | 6,8 % | 7,0 % | 6,8 % |
| Gearing | 30-80 % | 30,4 % | 35,3 % | 58,3 % |
| *Operative | | | | |

HOW DO WE ENSURE FUTURE SUCCESS?



Customer orientation

We will strengthen our sales and improve our sales and account management skills. We will improve our customer service functions. Our service production must be customer-driven.

Skilled and sufficient human resources

We will focus on human resources management to ensure we have the right number of skilled people in the right place at the right time and at the right cost. We will develop leadership skills and make special efforts to recruit skilled workforce and reinforce our employer image.

Cost-efficiency

We will take steps to maintain profitability and to achieve annual improvements during the strategy period. We will move on with the supply chain efficiency enhancement projects already started. We will introduce updated operating models and appropriate information systems to improve cost efficiency.

Safe and uniform corporate culture

We will harmonise our practices and procedures at corporate and divisional level. We will reward co-operation and build 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.

FROM RESTRUCTURING TO PROFITABLE GROWTH

In 2012 and 2013, our key strategic focus was on restructuring, harmonisation of practices and policies, and ensuring cost-efficiency. We are now ready to move on to the next stage: from restructuring to profitable growth.

We largely implement our chosen strategy with strategic development programmes: sales and customer relationship management, development of customer service, workforce management practices, development of leadership and stepping up efficiency in the delivery chain.

Aiming at customer satisfaction

To improve customer satisfaction, our divisional sales organisations were centralized and structures and roles in sales activities were streamlined. In addition cooperation between segments and the net promoter score – a customer satisfaction indicator – were included as an integral part of our management and rewarding system. New management practices were adopted to improve key account management and to bolster regional cooperation.

The next step is to focus on customer services. We will build a uniform operating model for customer services and use the most suitable service channels to enhance the customers' service experience. Furthermore, we will launch an extensive sales force coaching programme and improve our account management tools.

Aiming at employee competence and resource sufficiency

To ensure that we have adequate and skilled resources for various customer assignments, we initiated an extensive Workforce Management Programme. This programme, which will run for several years, consists of many sub-projects designed to harmonise the workforce management processes across the organisation.

The projects launched in 2013 aim to standardise and automate working hours recording systems in cleaning operations, improve and standardise work shift planning, and create a resource pool, in other words to increase workforce capacity utilisation between service lines.

Our Leadership Development Programme continued, with all supervisors participating in 2013 and 2014.

Aiming at supply chain enhancement

Previously launched efficiency enhancement projects, addressing areas such as procurement, logistics and working capital, continued in 2013. This project involved the adoption of centralised procurement and uniform procurement principles, as well as more detailed follow-up of purchases and investments. In addition, the logistics network optimisation continued, and economic driving style monitoring systems were enhanced.

Aiming at a safe and uniform corporate culture

Our development work is built around the objective of harmonising our practices and procedures at the corporate and divisional levels. In 2013, we continued to harmonise our occupational safety policies successfully and compiled the L&T Code of Conduct, which specifies our common ethical principles.

Furthermore, to improve consistency in the monitoring of our business development projects and strengthen the management of our development portfolio, we introduced common follow-up mechanisms and electronic project management tools.

THE SELLO TEAM SORTS WASTE AND REDUCES ENERGY CONSUMPTION

"Focus on ecology is the value of choice for Sello. We believe it enhances the customer experience of our 23 million visitors annually, increases comfort and convenience for our tenants, and increases the property value for our owners," says **Matti Karlsson**, Sello shopping centre's Managing Director.



Green values have been upheld at Sello since its establishment in 2003. This work has produced excellent results: Sello was the first European shopping centre to be granted the gold level LEED environmental certification in 2010.

The green approach is part of everyday activities at Sello. L&T is Sello's partner for waste and property management and cleaning services.

Daily waste volume the size of a killer whale

Sello attracts more than 65,000 customers every day, and there are more than 170 outlets in the shopping centre. These generate more than 7.5 tonnes of waste every day – the weight of a male killer whale.

With waste volumes of this size, sorting is essential. In line with its ecological values, Sello offers its tenants and customers the opportunity to recycle and sort their waste.

Sello has two large loading platforms with goods moving in and out 24 hours a day, seven days a week. It is also the workplace of L&T's loading platform manager, whose job it is to keep the platform neat and tidy, and to offer advice on sorting to other Sello personnel.

Aiming for a 90% recycling rate

In 2013, the waste recycling rate at Sello was approximately 86 per cent. The aim is to raise this to 90 per cent by the end of 2014.

"When new tenants arrive, we inform them immediately of the recycling opportunities available, but to maintain effective recycling, continued efforts are required," says Matti Karlsson.

In 2014, Sello will continue to arrange training sessions for tenants on recycling, and a recycling themed event is also in the pipeline.

The first shopping centre to get the Swan Label

In April 2013, Sello became the first shopping centre to introduce the eco-cleaning concept, which also pays a great deal of attention to waste sorting. The concept has been awarded the Nordic environmental label

known as the Swan Label.

The Swan Label places even stricter criteria on cleaning operations than the LEED certification in terms of the cleaning products used, among other things. Attention is also paid to water consumption and even the number of litter bags used.

An ideal environment for customers and employees

In 2009, Sello set itself a clearly defined energy efficiency target: to reduce energy consumption by 15 per cent in the next five years. Already at the end of 2013, the annual energy consumption was 15 per cent lower than in 2009.

The reason why energy efficiency improvement was so important was that it is Sello's objective to minimise the increase in property maintenance costs. Matti Karlsson emphasises, that they are prepared to invest in energy and material efficiency if it generates savings in the longer term.

Investments in energy efficiency made in recent years include the switchover to LED lights in the parking garages. Although it meant changing thousands of components, the electricity consumption of LED lights is 75 per cent smaller than that of the old fluorescent lamps.

"In 2014, areas of improvement include technical systems. For example, we will seek to optimise the ventilation system and to save energy," says L&T's Key Account Manager **Mikko Virtanen**.

Partnership is the key

In a big shopping centre, many pieces have to fit together to keep things running smoothly. It's the basic things that matter most.

"It's business as usual if I, the managing director, am away for a week. But if the cleaner is away for just a few hours, we start receiving customer feedback almost immediately. That is why we would like everyone working at Sello to feel like they are part of our team, even if they are employed by someone else," says Matti Karlsson.

L&T and Sello have been working together since 2011. Matti Karlsson appreciates the spirit of partnership. The parties are engaged in an open and ongoing dialogue not just with each other, but with all other partners at Sello and no-one is afraid to speak their mind and challenge the way things are done.

"It is important that we all feel we are on the same side and that we have the same goals. We are one team, the Sello team," Karlsson concludes.

"We would like everyone working at Sello to feel like they are part of our team, even if they are employed by someone else."

Matti Karlsson

Sello shopping centre's Managing Director

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

The demand for our services is driven by increasingly stringent recycling and climate control targets, the rise in raw material and energy prices, and the outsourcing boom. To stay competitive in challenging economic conditions, we must ensure the cost-efficiency of our operations and secure the availability of skilled workforce.



The economic recession reflected on L&T's operations in 2013. The industrial sector's sluggishness eroded the demand for industrial support services, while the slowdown in the construction and retail sectors diminished secondary raw material trading volumes and intensified competition in technical systems and repairs. Procurement operations in customer companies are increasingly professional, which translates into an increase in competitive bidding and higher efficiency requirements.

Moderate growth in Finland's gross national product is expected in 2014, but the economic outlook remains unstable. To succeed in these challenging conditions, continued efficiency improvement measures are required. Our strong market position, solid cash flow and healthy balance sheet enable us to invest in future growth.

In the longer term, L&T's growth prospects are good. The market for L&T's services in Finland totals approximately EUR 4.5 billion, with the annual growth expected to be in the region of three per cent.

Other operating regions: Russia, Latvia and Sweden

We are keeping a particularly close eye on the opportunities available in Russia's growing environmental management business.

In 2013, we expanded our business in Moscow to include waste management services for corporate customers. Russia holds great potential for environmental and recycling services, as only about ten per cent of waste is recovered.

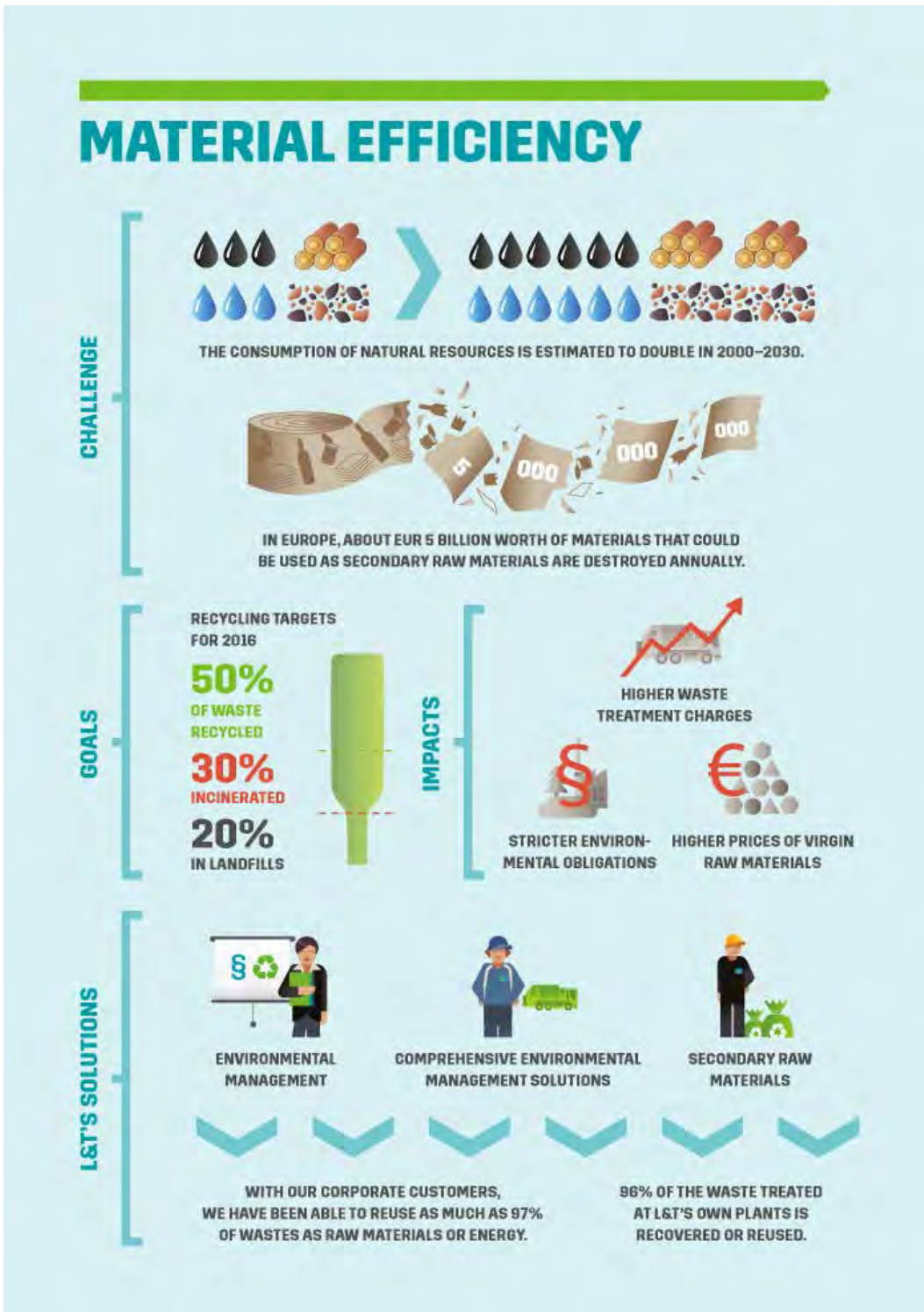
Business development is, however, hampered by incomplete legislation. Several projects are currently in the pipeline: tax on waste, legislative reforms, and producer liability projects. If realised, these would accelerate growth and set clearly defined practices across the industry.

In Latvia, waste legislation is being harmonised in compliance with the EU Waste Directive, providing new potential in the recycling business. However, if responsibility for waste management were assigned to municipalities, this might limit the business opportunities of private players.

In Sweden, where the property service markets are very mature, customers want to buy more extensive facility service packages from the same service provider. The outsourcing rate is also much higher than in Finland, especially in the municipalities, and this trend is set to continue. With the exception of a few major service providers, the markets are dominated by small players and competition is very intense.

RECYCLING AND MATERIAL EFFICIENCY

The growing demand for materials and increased consumption of natural resources have created conditions that are unsustainable in terms of the environment and the economy. To increase the efficiency of material economy, to raise the waste recovery rate and to reduce costs, it is essential to increase recycling.



Material efficiency enables sustainable growth

The European legislation supports the emergence of the recycling society, thereby creating growth opportunities for our recycling and environmental construction business. We are constantly looking for more advanced and comprehensive solutions to improve our customers' material efficiency and to increase recycling.

In Finland, material efficiency is one of the government's spearhead projects. In December 2013, a working group proposal for a national material efficiency programme was published.

Objectives of the Sustainable growth through material efficiency programme include creating preconditions for ecologically sustainable growth and employment, and promoting competitiveness and balanced operational preconditions for business.

Material efficiency enables sustainable growth

Urgent action needed in Finland to increase recycling

The EU's waste standards and the order of priority in waste management will be fully enforced by 2020 with the objective of reducing the total quantity of waste and of increasing recycling.

Financial incentives will be introduced to promote recovery and recycling. Furthermore, use of waste for energy production will be limited to non-recyclable materials, and landfill disposal of waste will be practically banned.

In Finland, the EU Waste Directive was enforced with the new Waste Act, which came into force in 2012. The government decree on waste and the ban on the landfill disposal of organic waste, which will take effect in 2016, impose obligations for more efficient waste recycling.

To meet the recycling targets set by EU, Finland must urgently identify ways of improving the efficiency of recycling. Even though there has been a decrease in landfill disposal of waste, recycling volumes have not increased as much as expected.

According to the most recent waste statistics, the recycling rate in 2012 was only 33 per cent, the target being 50 per cent, almost the same as it has been for the past decade. Meanwhile, there has been a dramatic increase in incineration in recent years.

Building an adequate framework for the recycling society

L&T is making active efforts to improve the preconditions for an effective recycling society. The existing regulatory framework is insufficient to enable us to reach the recycling targets. We must use all means available to ensure recyclable materials are not incinerated; this means offering consumers easy ways of sorting their waste in all circumstances.

Companies are actively looking for ways to improve their environmental management operations and to raise their waste recovery rate. L&T helps its customers to fulfil their environmental obligations and to reach their environmental targets. With regular environmental reporting and follow-up, we can identify each customer's individual needs and the most appropriate solutions.

Sources:

Ministry of Employment and the Economy: https://www.tem.fi/files/38426/TEMjul_33_2013_web.pdf (only in Finnish)

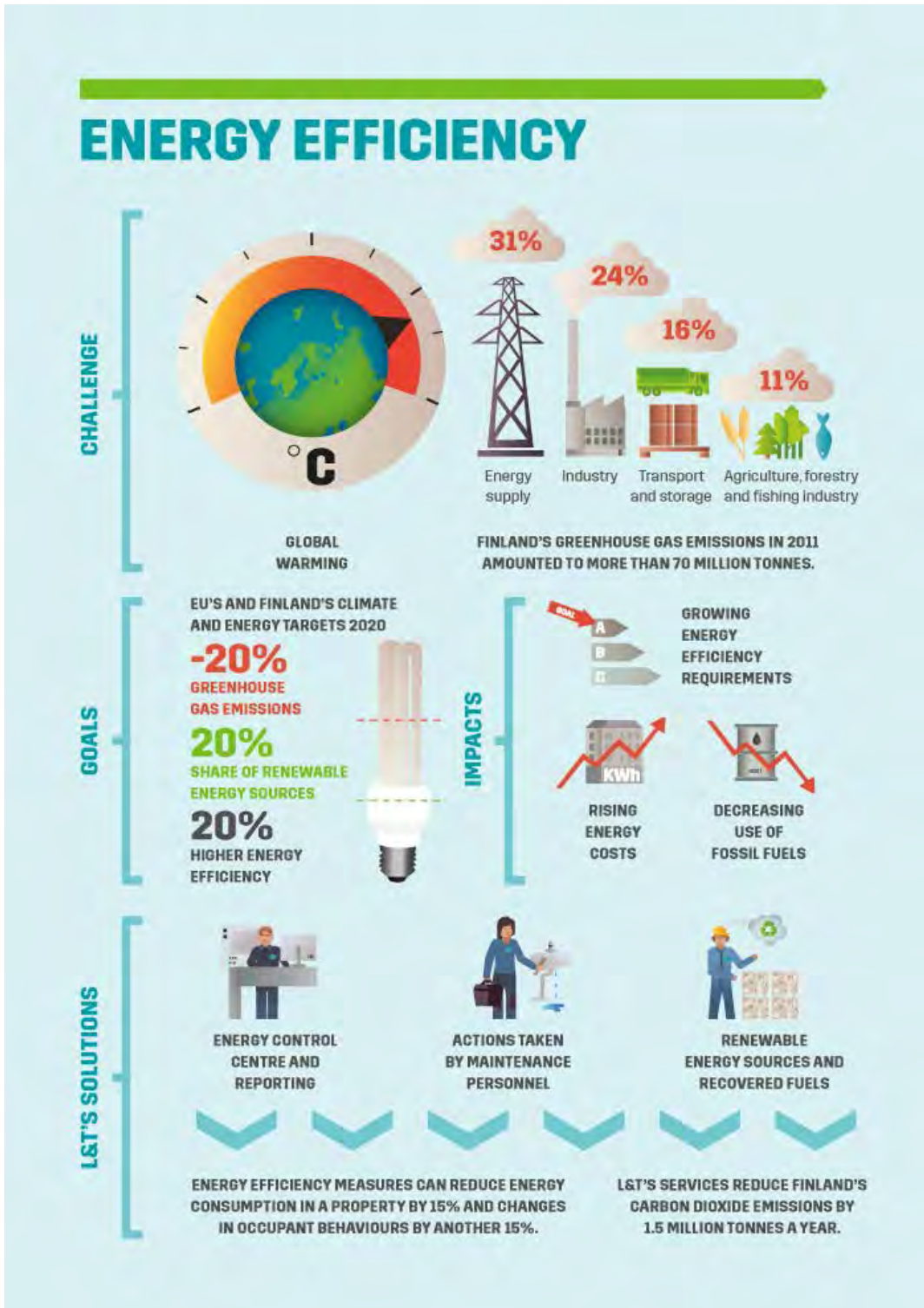
Friends of Earth "More jobs less waste" -raportti: http://www.foe.co.uk/sites/default/files/downloads/gone_to_waste.pdf

Government Decree on Waste: <http://www.finlex.fi/en/laki/kaannokset/2012/en20120179.pdf>

The National Waste Plan for 2016: https://helda.helsinki.fi/bitstream/handle/10138/38022/FE_14_2009.pdf?sequence=1

ENERGY EFFICIENCY

Fossil fuel emissions and growing energy consumption are major global warming. The rising price of energy, coupled with national and international climate targets, are encouraging us to reduce fossil fuel consumption and to utilise more energy-efficient solutions. Drivers of



Promoting the use of renewable energy sources

Global warming is one of the biggest challenges facing humankind today. One of the contributing factors is the amount of greenhouse gases in the atmosphere, which continues to grow with increasing energy consumption and fossil fuel emissions.

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.

In 2013, the positive trend seen in the use of renewable energy sources came to a halt while the use of coal increased. This could be attributed to changes in forest-based energy subsidies and the low prices of coal and emission rights.

In industrial processes, fossil fuels can be replaced with recovered fuel obtained from non-recyclable waste. This helps reduce the amount of landfill waste and cut the energy production costs of industrial enterprises.

Seeking lower total property management costs

While the introduction of cleaner energy is important, it is equally vital to optimise our energy consumption, as instructed in the EU Energy Efficiency Directive that came into force in December 2012.

Savings are sought by imposing obligations to renovate public buildings to improve their energy efficiency, and by public procurement steering measures, corporate energy efficiency agreements and more sparing use of energy in private households.

In Finland, the national legislation specified in the Energy Efficiency Directive must be enforced no later than in June 2014. Finland is a very energy-intensive country compared to most other EU countries, largely due to our northern location and the abundance of heavy industry.

Buildings account for approximately 40 per cent of all energy consumption in Finland. Tightening energy efficiency requirements and the rising price of energy make preventive property maintenance, technical system solutions, energy management services and timely renovation all the more important for keeping total costs in check.

L&T is continuously developing energy efficiency enhancement solutions that help our customers reach their energy targets. By monitoring the technical systems in buildings, our specialists can help customers to identify and solve problems associated with energy consumption. L&T is also a remarkable biofuel supplier in Finland.

Sources:

IPCC Intergovernmental Panel on Climate

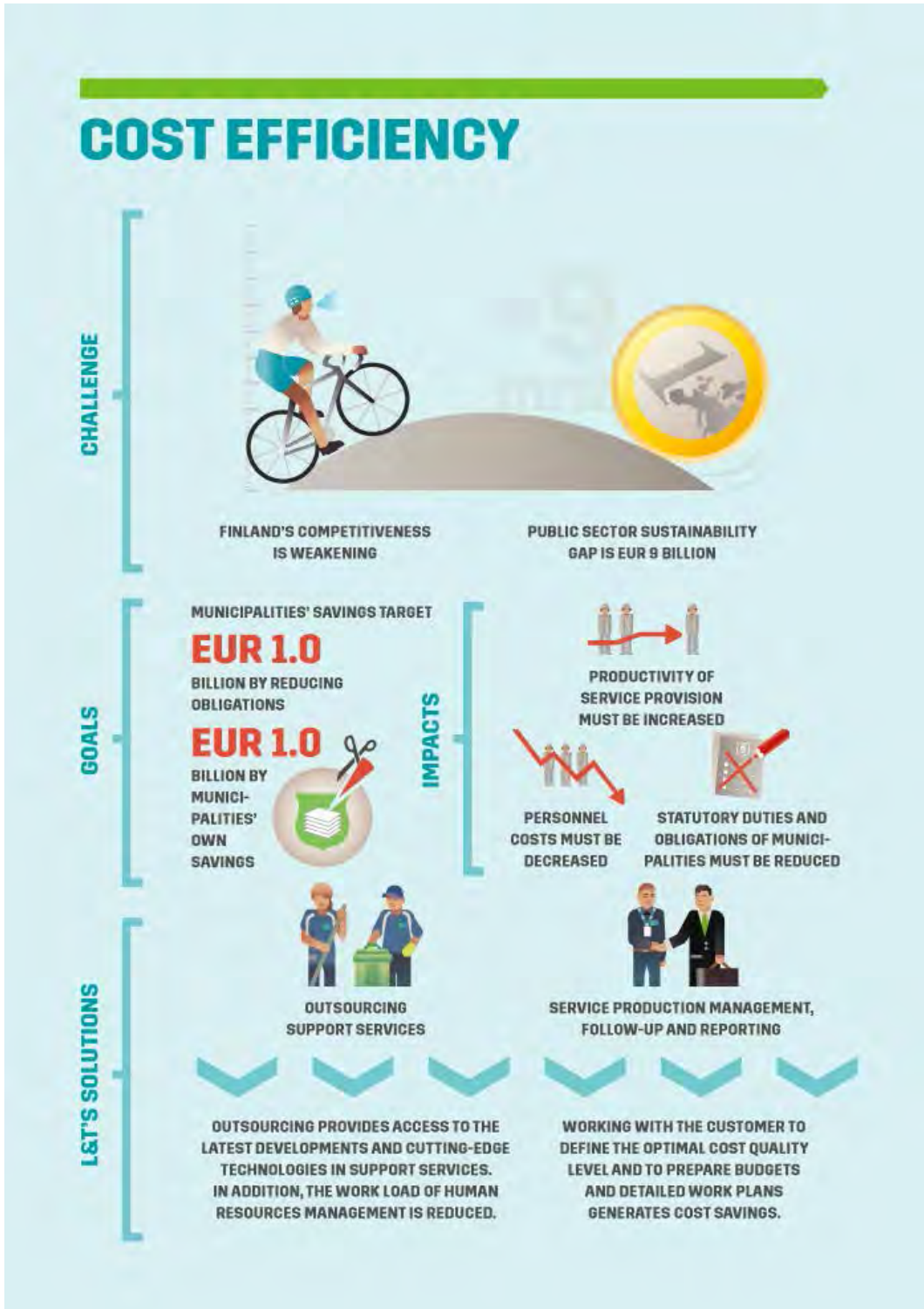
Change: Climate Change 2013: http://www.ipcc.ch/news_and_events/docs/ar5/ar5_wg1_headlines.pdf

Greenhouse gas emissions by industry: http://www.tilastokeskus.fi/til/tilma/2011/tilma_2011_2013-09-26_tie_001_en.html

Energy 2020. A strategy for competitive, sustainable and secure energy: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0639:FIN:EN:HTML>

SUSTAINABILITY GAP AND COST EFFICIENCY

The costs of materials, energy and labour force continue to grow in Europe, Finland included. This is forcing the corporate and the public sector to take steps to improve their cost efficiency, such as outsourcing non-core services.



Outsourcing is a way to address the sustainability gap

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 increasing pension, health care and nursing costs while cutting tax revenue. It also affects workforce availability.

In Finland, industrial enterprises continue to focus more sharply on their core business, seeking cost-efficiencies by outsourcing non-core services. This trend offers business opportunities for our support services.

However, competition is fierce and prices are falling with the reduction of industrial production. Procurement operations are being run very professionally – this means buying from fewer service providers and arranging competitive bidding for more comprehensive service packages.

Increased service outsourcing in the public sector

The Finnish government has launched measures to bridge the public sector's sustainability gap. The government is seeking savings of two billion euros in the municipal economy, which is creating a great deal of pressure on the productivity of public services.

We expect municipalities to increase the outsourcing of their services in the next few years to be able to meet their cost savings and efficiency improvement targets.

Due to the cost savings targets, municipalities may not be able to invest in support services, such as cleaning. New employees may not be hired to replace retiring personnel, which leaves a heavier work load for the remaining employees. Consequently, there is no time or resources for any service development.

By outsourcing support services to a specialised service provider, municipalities gain access to the latest tools and technologies. With the right number of personnel always available, substitutes no longer need to be arranged.

Outsourcing offers new business opportunities, especially for L&T's Facility Services, as long as we take the necessary steps to ensure compliance with cost efficiency requirements and the availability of workforce.

The soon to be revised procurement legislation will increase flexibility in public contracts, and allows the social and ecological aspects of procurement to be factored in instead of simply making decisions based on price. The importance of responsible service production will continue to grow.

Sources:

IMD World Competitiveness Rankings 2013: <http://www.imd.org/news/World-Competitiveness-2013.cfm>

Finnish Government: A Structural Policy Programme:

<http://valtioneuvosto.fi/etusivu/rakenneuudistus395285/tiedostot/rakennepoliittinen-ohjelma-29082013/en.pdf>

COMPETENCE IN EVERY STEP OF THE ENVIRONMENTAL MANAGEMENT VALUE CHAIN

Environmental management plays a key role in transforming our consumer society into a recycling society. L&T provides an exceptionally broad and diverse range of tools and services to make recycling easy and efficient.



In 2013, the full-year net sales of Environmental Services decreased by 2.9 per cent to EUR 257.9 million (EUR 265.7 million). Operating profit amounted to EUR 30.1 million (EUR 34.3 million), and operating profit excluding non-recurring items was EUR 35.1 million (EUR 30.6 million).

Customers' needs point the way

Today, environmental issues are a major contributor to our customers' competitive strength. Consequently, our strategy for Environmental Services has been devised with the growing customer demands in mind. Our strategy is built on our ability to manage and optimise the entire value chain in environmental management services.

We take care of our customers' material flows from start to finish, from waste collection and processing to secondary raw material trading and safe final disposal.

Our objective is to generate maximum added value to our customers in environmental care. We will accomplish this by integrating our services into our customers' processes.

In practice, this means effective basic waste management solutions combined with customised recycling solutions, assistance with the customers' environmental competence management, and tools for environmental reporting.

Strong resources help us benefit from market changes

Our strong market position and the changes taking place in our markets create a strong foundation for growth in Environmental Services.

Recycling volumes are expected to grow following the introduction of more stringent legislative requirements. L&T has the resources and the competence to collect and process all types of materials without any major additional investments. We have a fleet of approximately 600 waste collection trucks, and 24 recycling plants and terminals.

Even higher environmental demands will be placed on companies in the future, which will boost the demand for professional environmental management services. With our extensive competence in environmental issues, we are in a position to offer specialist services to a broad customer base.

Our comprehensive service packages cover the entire value chain and provide excellent cost efficiency to customers.

Besides organic growth, we also seek to grow through acquisitions. Any acquisitions will be carefully considered and are intended to reinforce the value chain in our recycling business and deliver added competence in different waste materials.

Both organic growth and acquisitions will also contribute to the geographic expansion of L&T's traditional waste management services in Finland.

Organisation and profitability trimmed for new growth

In 2013, all planned measures were launched in accordance with our strategy.

Reorganisation of operations was implemented successfully. The decision to separate Industrial Services into a division of its own proved its worth, as it allowed both divisions to focus on their core competence and the related development efforts.

Furthermore, our previous, regionally based sales and customer care organisations were centralised, which will support reaching our future growth targets.

Following these changes, we were able to expand our customer base with good new accounts, to strengthen our market position and to improve our customer satisfaction rate, which we measure twice a year.

Measures taken to decrease fuel and maintenance costs, such as more efficient truck route planning and more economic driving style, resulted in an improvement in profitability.

Occupational safety has also shown a positive trend with accident frequency rate falling to 16 (2012: 23). This translates into a safer work environment for our employees as well as lower sickness absence costs.

With operations and profitability in check, Environmental Services is well positioned to focus on growth.

GROWTH OPPORTUNITIES

- Expanding the recycling business to cover new materials
- Building a stronger position as a provider of
- comprehensive solutions Geographic expansion in Finland



WE ARE THE NUMBER ONE IN THE FINNISH WASTE MANAGEMENT MARKETS

L&T's Environmental Services is the market leader in Finland. We are seeking to further strengthen our position.



We have approximately 200,000 customers. Customers represent three main segments: corporate customers account for approximately 70 per cent of our net sales, the public sector for 20 per cent, and private households for 10 per cent.

Our corporate customers include industrial corporations, retail and logistics companies, and property owners and managers.

Economic slowdown reduces waste volumes

The Environmental Services market in Finland amount to approximately EUR 1.2 billion. We expect the markets to grow at an annual rate of 2–3 per cent during the strategy period.

However, in the past few years the economic recession has been restraining the growth. The slowdown, particularly in retail trade and construction, is affecting waste volumes. We do not expect waste volumes to grow in the future, but because of its necessity, traditional waste management represents a steady business.

Meanwhile, the introduction of more stringent legislative requirements will lead to higher recycling volumes which in turn can lead to growth in our recycling business.

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. In these markets, we have been a trend-setter and aspire to maintain that role in the future.

EU targets support recycling

A large amount of raw material goes to waste every year in incineration or landfill disposal.

According to the EU priority regulations, the first priority is to reduce the amount of waste generated. Any waste generated must be prepared for reuse, or be recycled. If this is not an option, waste can be recovered as energy. Landfill disposal is always the last alternative.

In response to the depletion of raw materials and the rise in energy consumption and prices, the EU has set strict waste recycling targets. By 2016, Finland should recycle at least 50 per cent of its municipal waste.

Finland still far behind its recycling targets

Finland still has a long way to go to reach the EU's recycling targets. In 2012, one third of municipal waste was recycled as materials.

The operations of L&T's Environmental Services focus on the material recovery specified in the EU waste hierarchy: recycling.

In Finland, the new Waste Act came into force in 2012, and enforcement will continue. Similarly, future regulatory changes are expected to support recycling.

In 2015 and 2016, full producer liability for packaging waste will enter into force. This means all packaging materials that previously ended up in landfills must be recycled.

Furthermore, the organic waste landfill disposal ban will take effect in 2016, which means that the amount of recycled waste will grow by approximately half a million tonnes annually.

EXPERTISE AND QUICK THINKING NEEDED TO FURTHER IMPROVE A HIGH RECYCLING RATE

Itella's recycling rate in 2013 was almost 90 per cent. Itella was thus already in excellent shape when cooperation with L&T began in September 2013.



Itella has taken sustained and determined efforts to improve its waste recycling rate. More sorting opportunities have been offered, and training has been provided to personnel.

Although this work has produced results, Itella plans to further reduce the amount of expensive mixed waste. The objective is to bring the amount of mixed waste to as low as two per cent of all waste in sorting centres.

“A competent partner plays a crucial role here, since we are already doing everything we can. We expect active problem-solving and suggestions for improvement from our partner. Our cooperation with L&T has been informal, in a good sense. Any urgent matters are dealt with immediately and not in the next steering group meeting. The less urgent development ideas are discussed in joint meetings four times a year,” says **Nina Suhonen**, Category Manager at Itella.

Storage area the size of 50 football fields

L&T is responsible for Itella's waste management in 23 locations.

Itella has more than 400,000 square metres of storage space – equivalent to more than 50 football fields. These facilities house Itella's corporate customers' property and products, such as food, fashion, car parts, interior design products, and practically all kinds of things needed in our daily lives.

If a product is faulty or expires, or is otherwise unsuitable for use, Itella takes care of disposal on the customer's behalf. As of the beginning of 2014, L&T takes care of the disposal in practice.

“It is not a service we typically offer our customers. But since the initial needs assessment revealed a need for this service, we started to develop a solution. To offer this service, we must have the capacity to arrange cost-efficient collection of highly dissimilar product batches from electronics to detergents from different business locations and to safely and reliably destroy them,” says **Antti-Olli Mäkinen**, Customer Accounts Manager, L&T Environmental Services.

Overall economy and responsibility are the key criteria for partner selection

Itella's customer promise is to be an easy, fast, reliable and responsible provider of postal, logistics and online shopping services. Naturally, all partners must support the fulfilment of this promise.

From all its suppliers, Itella requires responsibility, adequate resources and service offering, competence and flexibility, and cost-efficiency and quality.

"Our job at Itella's procurement is to make sure we can keep our customer promise by selecting the right partners. Our objective is to reduce the number of suppliers and build strategic partnerships," says Nina Suhonen.

L&T was already a familiar supplier to Itella as it provides cleaning services in 450 Itella business locations around Finland. In the provision of cleaning services, L&T focuses on cost-efficiency and ecological sustainability. In daily work, this means using eco-labelled cleaning products and supplies.

"Cleaning personnel are instrumental in helping us raise our recycling rate, since they offer us daily advice on how to correctly sort waste at source," Suhonen says.

"We expect active problem-solving and suggestions for improvement from our partner. Our cooperation with L&T has been informal, in a good sense."

Nina Suhonen

Category Manager at Itella

MATERIAL EFFICIENCY IN MODERNISING THE POWER GRID

Fingrid manages and maintains more than 14,000 kilometres of power lines, several reserve power plants, and over a hundred substations. In the 2010-2020 period, Fingrid's investments in the modernisation and development of the power grid will amount to EUR 1.7 billion.



This year, the company will build about 3,000 kilometres of power lines and 30 new substations around Finland. At the same time, the old power grid is being dismantled. This also means large waste volumes.

"The recycling volumes are so large that they even affect the achievement of Finland's national recycling targets," says **Petri Salermo**, L&T's Vice President, Environmental Services.

To tackle this, the Finnish power grid company Fingrid Oyj and Lassila & Tikanoja plc started extensive cooperation in 2013 with the aim of ensuring that as much as possible of the waste from the construction and maintenance of Fingrid's power grid and reserve power plants is recycled and recovered.

Steel can be recycled forever

The demolition of the old power grid, reserve power plants and substations mainly generates scrap metal. For example, the steel utility poles taken down at power line construction sites are made of a valuable raw material that can be recycled forever.

"L&T transports the steel utility poles from the sites to a subcontractor that cuts them down to size for melting. Almost all of the steel utility poles are cut mechanically, minimising the environmental impacts of cutting. The cut steel is then sent on to destinations such as the Ovako Imatra Oy Ab steelworks in Imatra, where it is turned for example into axle steel for use in the automobile industry," says Business Operations Manager **Seppo Suomalainen** from L&T.

In addition, substantial volumes of impregnated wood, concrete and waste oil are delivered for reuse.

No numerical targets for waste recovery have as yet been set for 2014, but **Maria Joki-Pesola**, a Special Adviser at Fingrid, says that the long-term target is to reuse all the waste generated on the construction sites.

New recycling solutions

There are already clear recycling solutions for many of the wastes generated on Fingrid's construction sites – but there are also new problems to crack.

"With L&T's experts, we started thinking about recycling solutions for challenging elements such as old

choke coils," says Maria Joki-Pesola.

"L&T's secondary raw material organisation is proactively looking for new recovery and recycling solutions. Strong process expertise in the treatment of waste materials and long-term knowledge of the material markets help us find solutions," says **Ville Vainio**, Business Operations Director in charge of secondary raw materials at L&T.

A single contact point

L&T's and Fingrid's cooperation has already got under way. One example is the Ulvila power station renovation site, where old hardware is being dismantled and replaced. Maria Joki-Pesola is satisfied with how operations have started. She says that the key objective in 2014 is to ensure that on-site waste management runs smoothly.

Fingrid has dozens of construction sites around Finland – and thus organised a public tender to find a full-service partner capable of providing environmental maintenance services nationwide.

"We want to provide our contractors with optimal environmental maintenance services. We've agreed with L&T that a single contact person coordinates our construction sites. This single contact point approach has been very effective."

In addition, reporting on environmental maintenance is essential for Fingrid. L&T's Ympäristönetti online service is a useful tool for this.

"Responsibility is at the heart of Fingrid's operations – and environmental responsibility plays a large role. We can't constantly be personally present at every site. And thus reliable reporting is of paramount importance," says Joki-Pesola.

"Almost all of the steel utility poles are cut mechanically, minimising the environmental impacts of cutting. The cut steel is then sent on to destinations such as the Ovako Imatra Oy Ab steelworks in Imatra, where it is turned for example into axle steel for use in the automobile industry."

Seppo Suomalainen

Business Operations Manager at L&T

INDUSTRIAL SERVICES SEEKS INTEGRATION INTO ITS CUSTOMERS' CORE PROCESSES

Our industrial customers seek to increasingly focus on their core business, and this is where L&T's Industrial Services step in by offering the full support service package our customers need.



In 2013, the full-year net sales generated by Industrial Services increased by 7.9 per cent to EUR 75.5 million (EUR 70.0 million). Operating profit amounted to EUR 5.2 million (EUR 3.9 million), and operating profit excluding non-recurring items was EUR 6.7 million (EUR 4.4 million).

We keep the wheels of industry turning

In the last few years, the general economic environment in Finland has not been favourable to companies in the industry sector. L&T's objective is to offer a high degree of integration with the customer's core processes, and to help customers keep the wheels of their business turning.

L&T provides comprehensive solutions for the recovery and safe final disposal of various by-products as well as solutions for sewer maintenance, process cleaning and environmental construction.

Enhanced processing capacity for industrial by-products

The gradual discontinuation of landfill disposal of industrial by-products offers new growth opportunities to L&T. We can use the by-products for purposes such as the construction of final disposal sites.

We are expanding our network of recycling facilities to make us better equipped to process larger volumes of different by-products. L&T runs one recycling plant in Kotka and one in Uusikaupunki. We are seeking to expand our current environmental permit to allow us to start processing new materials in Uusikaupunki.

In environmental construction, our new Total Waste Management concept offers opportunities to win new customers and expand existing customer relationships. It covers the complete management of our customers' waste and by-products.

The Total Waste Management concept includes waste and by-product inventory, waste recovery or safe and cost-efficient final disposal, daily management of final disposal sites, closure of sites, managing or offering assistance in the customer's waste disposal site permitting procedures, the construction of final disposal sites and environmental reporting.

Focus on sales enhancement

Previously a part of the Environmental Services division, Industrial Services was separated into a division of its own in 2013.

Following organisational changes made in 2013, a centralised sales organisation was established for the division. This is to promote successful sales, which is a key requirement for the achievement of the division's growth targets.

Our sales efforts will focus on sewer maintenance to address the ageing sewer network in the Finnish building stock. Process cleaning will continue to be another operational cornerstone, with good contracts already secured in 2013.

We will train sales people and develop various sales incentives to support the cross-selling of different services. In this way, we can ensure growth in all service lines.

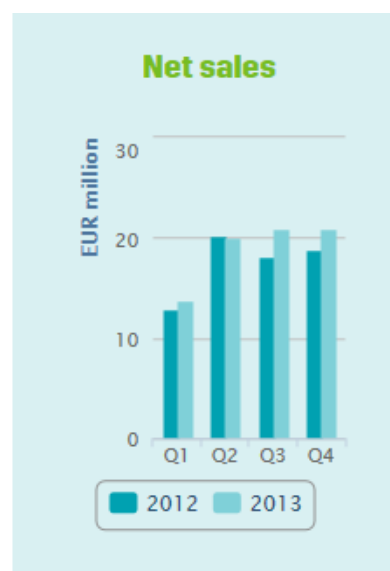
Profitability with resource management

Our profitability improvement efforts in 2013 focused on fleet management and capacity utilisation rate enhancement. This work continues, with special attention being paid to workforce management to ensure we have the right number of people in the right place at the right time.

These efforts will enable us to provide services flexibly while maintaining profitability.

GROWTH OPPORTUNITIES

- Recovery of industrial by-products
- Increased demand for sewer maintenance services
- Total Waste Management service concept



MARKET CHANGES SUPPORT GROWTH WHILE DOWNTURN IN THE INDUSTRY SECTOR HOLDS IT BACK

With approximately 7,500 customers, L&T's Industrial Services is the sector's second biggest player in Finland.



Customers represent various industrial sectors, such as the metal, energy, pulp and paper industries, and the municipal sector. Our customers also include property owners and managers. Our 20 biggest customers generate approximately half of the division's net sales.

Economic conditions hold back growth

The Industrial Services' markets amount to approximately EUR 300 million. We expect the markets to grow at an annual rate of four per cent during the strategy period.

However, in recent years the Finnish industrial sector has been afflicted by the general economic downturn, which has inevitably decelerated Industrial Services' market growth.

On the other hand, weak economic conditions are forcing companies to take a closer look at their operations and to outsource all non-core business to external service providers.

Following the global financial crisis that erupted in 2008, industrial production in Finland plummeted and remained record low throughout 2009. Despite slight recovery, [volumes in 2013](#) were just barely above the 2009 levels.

To stop the landfill disposal of by-products

The new waste legislation will impose taxes on industrial waste disposal sites, which has prompted companies to start looking for new disposal solutions. This would translate into positive market growth prospects, provided that industrial production in Finland returns to normal.

The hazardous waste market is not expected to show significant growth, but it is a very profitable business. Thanks to its nationwide service network, L&T's market area in this service line consists primarily of smaller municipalities and towns.

Growing need for sewer network repair

According to the State of the Built Environment 2013 Report, the water mains network covers some 100,000 kilometres and the sewer and storm sewer network some 50,000 kilometres. This network is ageing, and

the need of repair continues to grow.

For the time being, there has not been a significant rise in the number of damages in the water mains system, but when damage does occur, it will be more extensive and take longer to repair.

According to the State of the Built Environment report, municipalities and cities lack accurate information on the actual condition of the water and sewer networks, which is why they are often forced to make decisions based on guesswork. Clearly, there is a pressing need for specialist services in this field.

A LONG PARTNERSHIP HONES EFFICIENT OPERATING METHODS

In October 2013, L&T and Neste Oil expanded their cooperation to the Porvoo refinery. The two companies have worked together at the Naantali refinery since the 1970s.



At the refineries, L&T primarily handles process cleaning services, but also sewer maintenance. In Naantali, L&T is also responsible for technical system services.

Process cleaning services are particularly critical for Neste Oil. It is important for routine work to be carried out reliably and on schedule. Neste Oil also has to be able to count on its partner to step in quickly to help in critical situations.

"It goes without saying that our partner must have the necessary competence and equipment to get the job done. A systematic approach and cooperation are emphasised in process cleaning services, too. In addition, we value a local presence, as that has a direct bearing on response time to critical service requests," says **Carita Nyman**, Maintenance Manager from Neste Oil, who is in charge of mechanical equipment maintenance.

The best practices are transferred from one refinery to another

For an industrial company, maintenance shutdowns are vital for keeping processes running smoothly. Over the years, L&T and Neste Oil have honed their tank cleaning techniques and introduced new methods and tools.

"Thanks to the new operating methods, work is carried out and completed faster, which is more cost-effective for the client," says **Kari Naatti**, L&T's Development Manager.

Jenni Marjosola, Category Manager at Neste Oil, emphasises that the two companies' long-running development efforts in Naantali were useful when cooperation was started in Porvoo.

"We can immediately start applying tried-and-true operating methods," she says.

Occupational safety comes from teamwork

Many jobs in industry are high-risk. For this reason, industrial companies have been pioneers in addressing occupational safety issues.

"At large plants, teamwork must be seamless. By taking care of your own safety, you also ensure the safety of your workmates," says Carita Nyman.

Neste Oil requires its partners to make great outlays on preventative measures to ensure occupational safety. This results in an accident-free working environment. Not even one occupational accident occurred to L&T's personnel at Neste's refineries in 2013.

"Over the years, we have adopted many good operating models for our occupational safety efforts from Neste Oil. We have then introduced them throughout L&T," says Kari Naatti, describing how the companies have learned from each other.

"At large plants, teamwork must be seamless. By taking care of your own safety, you also ensure the safety of your workmates."

Carita Nyman

Maintenance Manager at Neste Oil

MORE COMPREHENSIVE SERVICE PACKAGES LEAD THE WAY TO A PROFITABLE GROWTH TRACK

In a recycling society, properties are carefully maintained to extend their useful life and to ensure their material and energy efficiency. L&T offers services that increase user comfort in buildings, without compromising cost efficiency.



In 2013, the full-year net sales generated by Facility Services decreased by 2.3 per cent to EUR 292.5 million (EUR 299.5 million). Operating profit amounted to EUR 4.4 million (EUR 13.0 million), and operating profit excluding non-recurring items was EUR 11.9 million (EUR 14.7 million).

Creating better work environments

The strategy of Facility Services is to provide a good work environment to property users, to manage the overall property management costs and to increase the value of the property.

In practice, this means clean and tidy premises where cleaning, support services, property maintenance, ventilation, heating, cooling and lighting are all in balance, creating a pleasant environment.

Facility Services combines cleaning, support services such as reception, switchboard operator and mailing services, property maintenance, damage repair and technical systems services into a single service package that can be customised to meet each customer's demands.

For customers, this means better service, cost efficiency, and easy supplier management.

Streamlined organisation boosts growth

Customers' purchase behaviour reflects the growing popularity of larger service packages. To respond to this trend, we merged our Cleaning and Office Support Services and Property Maintenance into a single division – Facility Services – at the beginning of 2013.

Following the merger, the Facility Services division has undergone a major organisational change. During the year, we streamlined cleaning and property maintenance unit manager jobs in growth centres and in the metropolitan Helsinki region, and combined the former divisions' sales organisations into a single organisation.

This is a highly labour-intensive division with almost 6,000 employees. In an organisation this size, the implementation of drastic changes has taken some time.

Investments in energy efficiency

In 2013, L&T's technical systems services expanded to Oulu, Jyväskylä and Turku, as planned. We also set up an energy control centre in Kuopio to strengthen our energy efficiency services. [Find out how](#) the Aalto University uses the information obtained from the energy control centre.

With the establishment of the energy control centre, we upgraded our EcoMaintenance concept to EcoMaintenance+, which means customers will have access to eco-trained service technicians and their observations, as well as the information on their property recorded by the energy control centre.

Everyone benefits from cost efficiency

In 2013, Facility Services worked hard to improve the division's profitability.

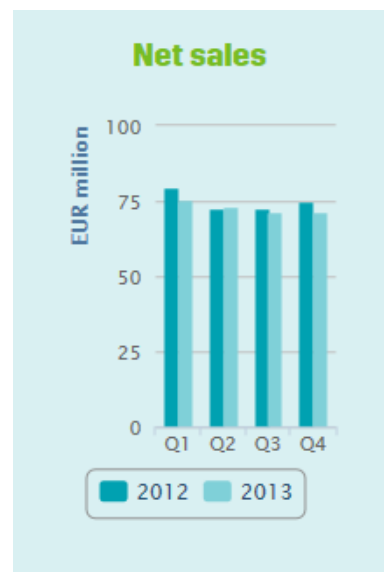
In cleaning services, a large-scale working hours management project was launched, allowing thousands of cleaners to use mobile devices to report their working hours. It also makes reporting to the customer easier.

Meanwhile, in property maintenance services we introduced a property register and a working hour target system for service technicians in Finland to achieve more consistency in practices and policies.

We will continue to enhance the efficiency of our operations in order to be able to offer more cost-efficient services to our customers.

GROWTH OPPORTUNITIES

- Offering more comprehensive service packages
- Offering energy- and cost-efficient services for total property cost management Tapping into the municipal sector's growing outsourcing trend



GOOD MARKET POSITION AND MARKET CHANGES CREATE GROWTH POTENTIAL

L&T is the second largest player in the Finnish facility services market. The size of the market relevant for L&T is three billion euros. Our current market share is approximately ten per cent, which means there is plenty of room for growth.



According to our estimates, growth in the traditional cleaning business is slow but there is plenty of untapped potential in support services, which we can offer our existing customers in addition to cleaning.

Although we are already the market leader in property maintenance, the market is highly fragmented and will allow further growth in the future.

In damage repair services, we are the second biggest player. We have renewed our framework agreements with all major customers, and our customer satisfaction rate is very high.

Increasingly large service packages

Customers' purchasing behaviour is reflecting the growing popularity of larger service packages. Agreements are covering increasingly large geographic areas and a larger number of services.

Finnish customers often demand agreements with nationwide coverage, since this facilitates supplier management and reporting, and enables a deeper partnership and better service development between the customer and the service provider.

Technical complexity and energy efficiency requirements growing

Energy represents a large part of property maintenance costs. Property owners and managers prefer to optimise total costs rather than individual service costs. Energy consumption monitoring and control systems in properties are increasingly complex.

Even stricter energy efficiency requirements are to be expected following the European Union's commitment to enhance energy efficiency and to reduce greenhouse gas emissions by 20 per cent by 2020.

L&T is the fifth biggest technical systems services provider in Finland. We can provide technical systems services to our existing property maintenance customers, and have identified ample growth opportunities.

Public sector outsourcing set to grow

The majority of support functions in the private sector have already been outsourced, whereas the

outsourcing rate in Finland's public sector is clearly lower than in most other EU countries – only around 20 per cent.

We believe that in the next few years municipalities will outsource services at a growing pace, as the new EU procurement directive and new national procurement legislation set new requirements and demand higher 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.

OUTSOURCING ENSURES CONSISTENT SERVICE QUALITY

A few years ago, the town of Pudasjärvi was finding it increasingly difficult and expensive to use its own staff for the production of support services. After several assessments and calculations, outsourcing was considered a viable alternative.



"The weakening municipal economy was a major contributing factor. Many of our employees retired, but we couldn't afford to replace them with new ones. This was hard on our resources and very strenuous on our employees. All development efforts had to be set aside. Although we were able to generate some savings, the quality of work suffered and our employees were exhausted," says **Ritva Kinnula**, who is in charge of the municipal service planning.

This was the second time that the town had organised a competitive bidding round for its support services, including several technical service contracts.

Splitting the bidding into too many pieces did not produce the best overall result the first time around. This time work loads were estimated in more detail, and the town relied on the assistance of an external consultant in practical implementation.

Cooperation and team spirit

Pudasjärvi selected L&T as the provider of cleaning and property maintenance services. The contract offers employment to approximately 30 people.

"We now have access to the latest tools and technologies, substitutes can be easily arranged, environmental issues are taken into account in the tools and technologies selected, and the cleaning crew offers advice on more efficient waste sorting within our properties," says Ritva Kinnula, listing the benefits of outsourcing.

Mika Lasanen, L&T's maintenance technician, mainly looks after properties, but readily switches to cleaning if necessary. He also says things run very smoothly. Cooperation and good team spirit prevails, and feedback is offered directly.

"Any problems caused by working with a new partner have mainly had a positive spin: For example, one day I went to the city hall to help an employee with moving. When I got there, the removal boxes were still empty, because the customer was used to waiting several days before help arrived," Mika chuckles.

Pudasjärvi sends words of encouragement to other municipal decision-makers.

"I recommend considering outsourcing as an alternative and making feasibility calculations. You may be surprised by the results. Naturally, some resistance is to be expected, but with time people will accept

change and come to understand the undeniable benefits of outsourcing,” Kinnula says encouragingly.

“We now have access to the latest tools and technologies, substitutes can be easily arranged, environmental issues are taken into account in the tools and technologies selected, and the cleaning crew offers advice on more efficient waste sorting within our properties.”

Ritva Kinnula

Service Planner of the city of Pudasjärvi

RESPECTING THE ARCHITECTURE AND OCCUPANTS

The Aalto University is everything but an average customer.



With thousands of square metres of premises and facilities, the university's building stock ranges from newly renovated units to those in original condition. Some technical systems are top of the line while others date back to the 1950s. The number of occupants in these premises varies a great deal, depending on the time of day and year.

Moreover, the distinguished campus architecture itself has intrinsic value, which must be respected.

A world-class university in every sense

Aalto University Properties Ltd is responsible for the management and maintenance of the majority of buildings used by the Aalto University.

"The University wants to be one of the leading educational institutions worldwide. Our job is to provide premises that allow it to reach that goal," says property manager **Jouko Viinamäki** from Aalto University Properties.

Service technicians need to know the special requirements of each building, which is why each building has been assigned a contact person with whom the service technician can make arrangements. Service routines include regular roof inspections, because a leaking ceiling can destroy an expensive research instrument in just a few minutes. Similarly, the timing of servicing and maintenance of, say, ventilation equipment must be carefully planned.

"If you disconnect the ventilation at the wrong time, it may waste years of research conducted in the laboratories," says **Mari Pitkänen** from Aalto University Properties.

No more unexpected surprises

When the first competitive bidding round was arranged and cooperation with L&T began a few years ago, the objective was to improve the quality of maintenance services.

The biggest improvements were identified in reporting practices and scheduled maintenance. Regular scheduled maintenance helps to reduce unexpected repairs and the related costs. They also keep the automation systems up and running.

"Regular maintenance increases the reliability of systems. When systems work properly, they generate cost

savings and improve energy efficiency,” says **Jukka-Pekka Salmisto**, a specialist in technical systems in buildings from Aalto University Properties.

The energy control centre stays alert day and night

“By signing the energy efficiency agreement in business and industry, we made a commitment to reduce our energy consumption by six per cent by 2016. This is not an impossible target to achieve, but we must take small steps and make sure the occupants are equally committed to achieving the target. We have discussed these issues in joint meetings with maintenance technicians and the building occupants. We are experimenting L&T’s energy control centre services as one way of keeping energy consumption in check,” Salmisto says.

The building used for the experiment is connected to L&T’s control centre located in Kuopio, central Finland. The control room monitors the technical systems in the building hour by hour over a remote connection. After analysing the reports, the specialists working in the control room start looking for the most energy-efficient way to use the building.

“A weekly report and the suggested improvements it contains provide an excellent tool for taking concrete action,” says Salmisto.

For a service technician, energy efficiency issues are just one of their many duties. The energy control centre adds continuity and regularity to the monitoring and development work. However, Salmisto does expect the service technicians to suggest improvements on a continuous basis.

“It’s a good thing if they observe an area of improvement, even better if they can immediately suggest how to fix it, and better still if they can also provide a cost estimate for the work.”

“Regular maintenance increases the reliability of systems. When systems work properly, they generate cost savings and improve energy efficiency.”

Jukka-Pekka Salmisto specialist in technical systems in buildings, Aalto University Properties

FOCUS ON PROFITABILITY IMPROVEMENT

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 2013, the full-year net sales generated by Renewable Energy Sources increased by 3.7 per cent to EUR 58.0 million (EUR 55.9 million). Operating profit amounted to EUR 1.4 million (operating loss EUR 0.1 million), and operating profit excluding non-recurring items was EUR 1.1 million (EUR 0.1 million).

The key priority for Renewable Energy Sources was profitability improvement, which was successfully achieved in 2013. In winter 2013, profitability performance was adversely affected by the heavy rainfall in the previous summer and autumn, which increased the moisture content of the fuel. Since weak profitability in the forest energy production chain continues to present a challenge, profitability improvement measures will continue in 2014.

Measures taken in 2013 included logistics efficiency enhancement and parting with low-profit customers. To reduce the amount of capital invested, we divested our own production machinery.

Efficient recovery of wood biomass

L&T offers sustainable, clean wood and recovered fuel solutions to energy producers, and forest services to forest owners.

We deliver wood biomasses, particularly those rejected by the traditional wood processing industry, for energy production. We also use the by-products of the forest industry to replace fossil fuels in energy production. Energy production and wood processing are not part of our business portfolio.

The strength of L&T's Renewable Energy Sources lies in our ability to control the entire production chain, from raw material procurement to delivery. We have focused our operations and procurement organisations on regions that offer promising long-term growth prospects for energy derived from forests.

Our fuel production is scaled to customer needs. Since our procurement mainly covers whole and lopped trees, we can deliver premium quality fuel to both large and small heating and power plants. Thanks to our extensive terminal network, we can 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. Similarly, harvesting, chipping, crushing and transport operations are carried out jointly with long-term partner entrepreneurs.

Towards renewable energy targets

A future requirement for energy is that it should primarily originate in renewable sources. 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.

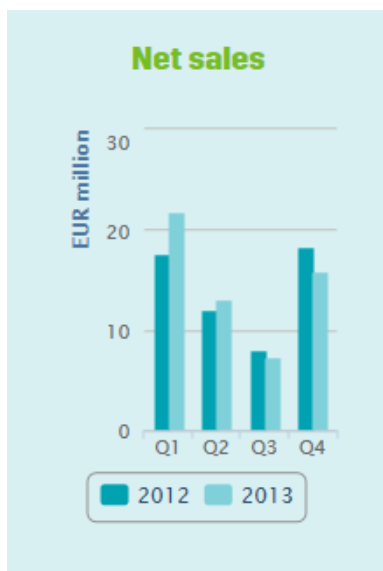
In 2013, renewable energy accounted for approximately 30 per cent of Finland's total energy consumption. Wood-based fuels represent the vast majority – approximately 80 per cent – and account for approximately 23 per cent of total consumption.

Use of renewable energy is growing

The use of renewable energy is expected to show significant growth overall by 2020, with wood biomass accounting for the largest growth. The rising trend seen in renewable energy sources came to a halt in 2013 due to the considerable increase in coal consumption. This could be attributed to changes in forest-based energy subsidies and the low prices of coal and emission rights.

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.

During the strategy process in 2012, L&T came to the conclusion that Renewable Energy Sources is not the company's core business. However, the outlook for L&T Biowatti is positive, and we will continue to develop the business with an emphasis on profitability improvement.



SUSTAINABLE USE OF FORESTS

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 (PEFC) 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.

WHAT DOES “WORKING SUSTAINABLY” MEAN FOR L&T?

We want to build a sustainable and efficient recycling society that saves the environment and raw materials, and creates jobs and well-being.

We work to improve our customers' material and energy efficiency and we are fully committed to fulfilling our own environmental obligations.

As a listed company, our objective is to be a profitable investment for our shareholders, but at the same time we want to ensure the satisfaction of our customers and well-being of our employees.

The work we do can't be performed by machines or outsourced to low-cost countries. We employ thousands of people and pay our taxes in the countries we operate.

TOWARDS A SUSTAINABLE RECYCLING SOCIETY

Through the services it provides, L&T is a visible part of society. Our objective is to be a good corporate citizen, and to this end we take steps to ensure that everyone at L&T complies with public rules and regulations.



We want to be actively engaged in social dialogue and to identify solutions that promote a sustainable recycling society. The best way to achieve this is to cooperate with customers, the authorities and other stakeholders.

Stakeholder groups and materiality analysis

Our cooperation with stakeholders is based on openness and interactive communication. In 2013, we conducted an extensive stakeholder group survey and used the results to update our materiality analysis. We will use these results to improve our communication with stakeholder groups in 2014.

The survey involved an assessment by our key stakeholders – i.e. our existing and potential customers and employees, political decision-makers, officials and investors – of our company reputation and their expectations regarding corporate responsibility.

Based on the results of the updated materiality analysis, we expanded our reporting of financial and social indicators and are now publishing L&T's tax footprint for the first time.

Our key stakeholders and forms of cooperation with stakeholders are presented in the table below.

| Stakeholder | Description of interaction | Major responsibility issues |
|---|--|--|
| Customers | Stakeholder survey Net Promoter Score survey, customer-specific development and steering groups, customer feedback Environmental Academies and customised training | Safety and quality of products and services Good and equal treatment of employees, personnel development Open and transparent business operations, ethical business operations |
| Personnel, current and potential | Meininki personnel survey Stakeholder survey Supervisor Forums and Loiste programme Personnel issues management group Performance reviews Cooperation with educational institutions, Nuorille.NYT! youth campaign | Environmental impacts of products and services Ethical business operations Good and equal treatment of employees Availability of labour |

Occupational fitness and safety activities

| | | |
|--|--|--|
| Investors | Stakeholder survey and separate interview on responsibility issues Capital Markets Day Meetings with investors and analysts General Meeting Stock exchange and press releases Internet site | Profitable and competitive business operations Environmental and occupational safety, safety and quality of products and services Ethical business operations, open and transparent business operations Societal influence |
| Suppliers of services and goods | Procurement principles, customer surveys, audits | Sustainable and profitable business operations Partnerships for continuity Open and transparent business operations Local and nationwide player |
| Organisations and lobbying | European recycling cooperation forums Activities in labour market organisations Corporate responsibility and personnel organisations Cooperation with local lobbying organisations | Material efficiency Availability of labour Diversity Responsible business operations |
| Local communities | Being heard in EIA and environmental permit processes Regional and local development projects | Environmental safety Material efficiency Stakeholder cooperation |
| Authorities, influential political actors | Stakeholder survey Participating in the preparation and application of environmental and waste legislation Participation in business policy and waste solutions at the EU, nationwide and municipal levels | Material efficiency, waste management solutions Employment and business issues Safety, quality and environmental impacts of products and services Ethical business operations Lobbying and position statements (development of the industry) |
| Media | Continuous dialogue with reporters to satisfy information needs and find interviewees Press releases and expert articles | Open and transparent business operations Good and equal treatment of employees Environmental impacts of products and services |

MATERIALITY ANALYSIS



Responsible business operations and services

1. Responsibility and transparency of business operations
2. Customer satisfaction
3. Quality and safety of products and services

Environmental responsibility

4. Material efficiency
5. Energy efficiency
6. Greenhouse gas emissions
7. Environmental safety

Responsibility for personnel

8. Good employer
9. Personnel diversity and equality
10. Occupational health and safety
11. Developing management and the work environment

Responsible procurement and cooperation partners

12. Responsibility of the subcontractor chain
13. Local employment and purchases

Stakeholder relationships

14. Dialogue with local communities
15. Societal influence (recycling society)

COOPERATION WITH STAKEHOLDERS

Participation in organisations and cooperation projects

In 2013, L&T was engaged in various activities aimed to improve its operating conditions through participation in the work of lobbying organisations in Finland and at the EU level.

During 2013, we identified the lobbying organisations of major importance in terms of our operations, and our representatives in these organisations. L&T is a member of 94 lobbying organisations. L&T actively participates in the work of the following organisations either through membership in the Board or in other working groups:

- Finnish Employers' Federation of Road Transport (ALT)
- The Bioenergy Association of Finland
- Bureau of International Recycling (BIR), paper division
- European Recovered Paper Association (ERPA)
- Federation of Waste Management and Environmental Services (FEAD)
- Kiinteistöyönantajat ry (Employers' association of property management)
- The Association of Environmental Enterprises (YYL)
- Suomen JVT- ja Kuivausliikkeiden Liitto ry (Finnish Federation of Subsequent Damage Prevention and Drying Businesses)

L&T is an active participant in the following responsible business and material efficiency programmes, projects and networks:

- Finnish Business and Society (FiBS), socially responsible enterprise network
- The Climate Partners network of the City of Helsinki and business life
- The Carbon Neutral Municipalities project (HINKU project)
- Cooperation in the southwest coast, recycling and resource efficiency project (LOURA project) and resource efficiency project in Southwest Finland (RESU project)
- Zero accident forum
- The Finnish Innovation Fund Sitra, Industrial Symbiosis programme

Cooperation with the authorities

L&T's operations require several permits, most notably environmental permits and transport licences. We make a concerted effort to monitor our own operations and openly report on any deviations. Environmental damages in 2013 are reported in the Responsibility for the [Environment section](#).

In June 2012, an inspection by a regional administrative agency revealed that about 20 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. In July 2013, the District Prosecutor for Helsinki decided to press charges against 21 former and current management staff at L&T. L&T started taking steps to remedy this issue and prevent its reoccurrence.

Sharing our expertise

L&T's Environmental Academies provide information on environmental legislation and on current energy and material efficiency issues.

In 2013, L&T organised 26 Environmental Academy sessions for its customers and key stakeholder groups as well as 128 customised training sessions for specific customers. These events attracted 2,350 participants.

Making a difference at grassroots level

In 2013, L&T began cooperation with HOPE, a Finnish association established to help low-income families. L&T was one of the co-funders of a HOPE campaign whose objective was to emphasise that instead of throwing away usable toys and clothes, they should be recycled. HOPE delivers recycled items to those in need. Cooperation between L&T and HOPE will continue in 2014.

We contributed to the Wellou.fi activities by financing them and producing content about the environment and recycling for an online learning environment used by educational institutions.

As part of the Nuorille.Nyt! youth campaign launched by the Finnish Broadcasting Company YLE, we offered coaching on jobseeking for young people with no previous work experience.



BUILDING A RECYCLING SOCIETY

Our duty is to keep ourselves informed and have an influence on environmental legislation in the EU. We also aim to contribute to the safeguarding and development of the operating conditions of the market-based environmental management business in Latvia and Russia.



Political and legislative development provides the framework for L&T's strategic choices and operational focus. L&T's efforts to influence society focus on safeguarding the market-driven waste transport system and promoting legislation and guidance in support of the recycling society.

Waste transport systems remain unchanged in Finland

Following the adoption of the amended Waste Act, all Finnish municipalities that operate a market-driven waste transport system – approximately half of all municipalities – were required to assess the existing system using new quality criteria.

L&T was actively engaged in political discussion by expressing its opinions in statements and presentations that targeted municipal decision-makers and officials. The majority of municipalities that had considered transferring responsibility for waste management to municipal operators decided to continue with the contract-based system.

Recycling rate at a standstill

The waste recycling rate in Finland has not risen as projected. Without radical change, the 50 per cent recycling rate target set by the EU will not be reached.

We have raised awareness of the measures and guidance required to raise the recycling rate.

With the effective implementation of the waste hierarchy specified in the Waste Act, which came into force in 2012, the EU target can be reached.

Promoting healthy competition in the waste business

In 2012, the Finnish government prepared a programme for promoting healthy competition, with the objective of ensuring competitive neutrality between public and private sector enterprises, and identifying legislative obstacles and restrictions on competition in various fields.

Waste management is one of the key priority areas in which potential problems associated with municipal monopolies and competitive neutrality have been identified. The Ministry of the Environment has launched an investigation of these issues, and L&T has actively participated in the assessment of market conditions.

Renewable energy support system in need of development

In 2013, the volume of forest processed chips used in condensate production fell sharply due to increased use of coal. This increase could be attributed to the low price of coal and emission rights as well as cuts in subsidies for forest processed chip-based electricity production enforced in early 2013.

We have made several proposals to change the energy subsidy system, in order to allow the replacement of imported fossil fuels with domestic, renewable fuels.

Current legislative framework

| Regulation and stage | Impact | L&T's perspective |
|--|--|--|
| <p>Waste Framework Directive, WFD</p> <p>EU Directive in force, national implementation by and large completed (Waste Act and producer liability decrees)</p> | <p>Decision to be made on whether to continue waste transport by property holders.</p> <p>Compliance with the order of priority in waste management</p> <p>Raising the waste recycling rate to 50 per cent by 2016</p> | <p>The system based on organising waste transport by property holders should be continued as extensively as possible and the creation of a recycling society should be fostered in the spirit of the EU directive and the national act.</p> <p>We will continue to make investments, take action and raise a public debate on the relevant issues, in order to create a recycling society.</p> |
| <p>Directive on the Landfill of Waste</p> <p>The Directive is in force, national implementation has been completed</p> | <p>The directive bans landfill disposal of organic waste starting from 2016</p> | <p>The ban on landfill disposal of organic waste will directly reduce the environmental impacts of landfills and indirectly promote the creation of a recycling society.</p> <p>L&T is preparing technical-economic reports, in order to assess the regional impacts of the ban. We will also assess the compliance of our own plant reject with the new criteria during the transition period (until 2020).</p> |
| <p>The EU Industrial Emissions Directive (IED); as of 7 January 2014 this also includes the previous Waste Incineration Directive</p> <p>The Directive is in force, the Best Available Techniques (BAT) reference documents (BREF) to be prepared on the basis of the Directive, and the emission levels to be complied with environmental permitting procedures derived from those documents are currently under preparation or renewal</p> | <p>The environmental permits of waste processing plants will be renewed in a BAT/BREF process on the basis of emission and consumption values to be determined at EU level.</p> | <p>Harmonised emissions policies and permitting procedures are a positive development in terms of investments to be made in institutional waste treatment.</p> <p>Through its involvement in lobbying organisations, L&T can contribute to the definition of Best Available Techniques for waste treatment and to the setting of emission limits.</p> |

MAJOR DECISIONS AFFECTING THE RECYCLING SOCIETY ARE MADE IN GOVERNMENT – AND IN THE WASTE SHELTERS OF APARTMENT BUILDINGS



1. WE PROVIDE ADVICE ON WASTE SORTING

Our over 4,000 cleaners advise customers on how to sort waste on a daily basis. Sorting at source helps customers cut their waste management costs, since the amount of expensive mixed waste decreases. Furthermore, sorting enables efficient recovery of the various waste fractions.

2. WE HELP OUR CUSTOMERS SAVE ENERGY

Every year, our maintenance personnel carry out nearly half a million maintenance tasks at our customer sites. We have succeeded in cutting our customers' electricity, heating or water consumption by up to 10–15 per cent.

3. WE KEEP THE WHEELS OF INDUSTRY TURNING

Our industrial clients will focus even more strongly on their core business – on what they know best. We make this possible by providing them with high-quality support services in a safe and environmentally sustainable way.

4. WE TRANSPORT WASTE FOR RECOVERY

We empty more than 50,000 waste containers on a daily basis and transport waste for recovery in accordance with the order of priority specified in the Waste Act. We constantly monitor our own environmental impacts and proactively reduce them by ensuring efficient vehicle use and driving routes, for instance.

5. WE PROCESS WASTE FOR RECOVERY

In our plants, we process waste into secondary raw materials or recovered fuel suitable for industrial use. Over 90 per cent of the waste we process can be reused as secondary raw materials, or as energy.

6. WE SUPPLY SECONDARY RAW MATERIALS TO INDUSTRY

We provide secondary raw materials to our industrial customers to replace virgin raw materials in their processes, and recovered fuels to replace fossil fuels.

7. WE CARE FOR OUR PERSONNEL

We are devoted to ensuring the well-being of our employees, building their competencies and developing our leadership and supervisory work. Our objective is to ensure a healthier and safer workplace – in the space of two years, our accident frequency has been halved. At least three quarters of L&T personnel would recommend L&T as an employer to their friends and acquaintances.

8. WE CREATE LOCAL WELL-BEING

At our business locations, we are a major employer and investor, as well as a major product and service buyer. From our subcontractors we require good, reliable practices and reliable deliveries.

9. WE TRAIN OUR CUSTOMERS AND DEVELOP THEIR OPERATIONS

Every year, our experts provide training to hundreds of companies on topical aspects of environmental legislation and modern waste management. This will improve our customers' recycling rate, reduce their strain on the environment and cut their waste management costs.

10. WE IMPROVE THE OPERATING CONDITIONS OF THE RECYCLING SOCIETY

We aim at constructive cooperation and a continuous dialogue with decision-makers, authorities, associations and other stakeholders, in order to safeguard the operating conditions of the recycling society. We increase consumer awareness on the benefits of recycling and promote their willingness and opportunities to sort waste.

DISTRIBUTION OF FINANCIAL ADDED VALUE

L&T's operations generate a financial benefit for its personnel, shareholders and business partners. We also pay taxes, which benefit the state and the municipalities.

We seek constructive cooperation with towns and local business communities in building a recycling society. In our experience, such work needs to begin at a local and regional level.

In its business regions, L&T is a major employer. The salaries and taxes we pay, and the goods and services we procure, have a significant impact on municipal finances and on other businesses in the economic region.

Key cash flows from our operations include customer service fees, employee salaries and taxes, subcontracting and goods procurement, payments to investors and shareholders, and capital expenditure.

The tables below illustrate the distribution of financial added value generated by L&T to its stakeholders, and the related tax footprint.

DISTRIBUTION OF FINANCIAL ADDED VALUE

| EUR 1000 | | 2013 |
|------------------------------------|---|----------------|
| Customers | Income | 672 496 |
| Suppliers | Purchased goods, materials and services | -312 899 |
| Added value | | 359 597 |
| Distribution of added value | | |
| Employees | Salaries, bonuses and social security costs | -278 583 |
| Creditors | Net financial revenue and cost | -1 658 |
| Shareholders | Dividends and capital repayments | -44 179 |
| Public sector | Income taxes | -9 271 |
| To business development | | 25 906 |

TAX FOOTPRINT

| | Finland | | Other business countries | | Total | |
|--|--------------|--------------|--------------------------|-------------|--------------|--------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Taxes and tax-related costs | | | | | | |
| Income taxes/corporate taxes | 12,3 | 8,1 | 0,8 | 0,8 | 13,1 | 8,9 |
| Withholding taxes on salaries, wages and forest payments | 46,3 | 42,2 | 5,6 | 6,0 | 51,9 | 48,2 |
| Social security contributions * | 4,0 | 4,2 | 2,3 | 2,2 | 6,3 | 6,4 |
| Production taxes ** | 1,4 | 1,0 | 2,0 | 1,9 | 3,4 | 2,9 |
| Value added taxes | 78,4 | 73,1 | 8,6 | 9,5 | 87,1 | 82,6 |
| Property taxes | 0,3 | 0,3 | 0,2 | 0,2 | 0,5 | 0,5 |
| Insurance taxes | 0,8 | 0,8 | 0,0 | 0,0 | 0,8 | 0,8 |
| Total | 143,6 | 129,7 | 19,5 | 20,6 | 163,0 | 150,3 |

* Excluding social security contributions in Sweden

** Production taxes include for example waste taxes

RESPONSIBLE L&T

A responsible way of working is an integral part of our business and included in our daily activities. We comply with good business practices and support fair competition. We regularly measure and monitor customer experience and use this information to develop our services. Our objective is to be a profitable investment and a responsible taxpayer.



As an environmental company, we bear a particularly great responsibility for environmental issues. Corporate responsibility involves providing services that promote material and energy efficiency, and taking part in various cooperation projects that help us help our customers reach their environmental targets. Our competitive assets include a proven track record of more than a hundred years and an extensive service portfolio.

We take part in social dialogue and make our competence, particularly in recycling, available to our stakeholders.

We ensure that our employees have a safe and healthy working environment. We do not tolerate discrimination. In all our business countries, we comply with local legislation, collective agreements, occupational protection regulations and other obligations. We respect the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We expect similar compliance with these principles from our goods and services suppliers.

Managing corporate responsibility

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

Corporate responsibility and the achievement of targets is steered and monitored by the corporate responsibility steering group, which is chaired by the President and CEO.

The key policies guiding L&T's operations include risk management and insurance policy, disclosure policy and treasury policy, which are confirmed by the Board of Directors. In addition, the Board of Directors confirms the Code of Conduct of L&T.

Meanwhile, the Group Executive Board confirms the environmental, HR and communications policies, procurement principles and occupational safety management principles.

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.

Each business division is responsible for responsibility issues and regulatory compliance in their operations. Each L&T employee has an obligation to perform their duties in compliance with the principles regarding responsibility.


In 2013, we revised and simplified some of the responsibilities and development areas associated with our management system. L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. In 2013, an integrated management system certified in accordance with these standards was introduced in all Finnish units providing cleaning and support services.



In 2013, certified services accounted for 49 per cent of the net sales generated in service production. Our objective in 2014 is to have the cleaning and support services covered by the umbrella certification system and to raise the proportion of certified operations to 66 per cent.


CORPORATE RESPONSIBILITY PROGRAMME AND KEY MEASURES 2013

The corporate responsibility programme summarises the key objectives related to responsibility for the 2013–2016 period as well as major achievements and actions in 2013. Besides our own operational objectives, the programme takes into account the impact of our operations on our customers' and other stakeholders' operations.

The corporate responsibility programme is updated annually. In 2013, we defined our environmental targets more clearly.

| Goal | | Targets 2013–2016 | Results 2013 | Description of key measures 2013 |
|---|-----------------------------------|--|--|--|
| Responsible business, products and services  | A profitable company | Financial targets of the strategy period | Organic growth 0.2% Return on investment* 15.5% Operating profit* 7.8% Gearing 30.4% * operative | Strategy implementation |
| | Code of Conduct | Training employees to follow L&T's Code of Conduct and mobilising it in all of our operating countries Compliance with regulations in all of our operations | All salaried employees in Finland have completed the Code of Conduct training | L&T's Code of Conduct |
| | Satisfied customers | Biannual customer survey Development measures and projects carried out on the basis of the results | Customer service development programme Developing customer communication and contacts | Customer as a priority |
| Environmental responsibility  | Material efficiency of the plants | Raising the waste recovery rate of own plants to 90% | Material efficiency of own plants 96% | Environmental impact of environmental services |

| | | | | |
|--|--|--|--|--|
| | Reducing emissions and energy consumption | Reducing our own direct CO ₂ emissions by 5% compared with 2012 | Own direct CO ₂ emissions -6.4% | Environmental impact of our own operations |
| | Responsibility of own operations | No serious environmental incidents L&T and its partners in compliance with regulations | No serious environmental incidents No serious fines | Environment as a priority |
| Responsibility of personnel  | Work ability management, L&T Finland | Sickness-related absences 5% Average retirement age 63 | Sickness-related absences 5.3% Average retirement age 63.3 | Work ability management |
| | Occupational safety, L&T Finland | Accident frequency under 25 in 2013 Accident frequency under 15 in 2016 | Accident frequency in Finland 18 | Occupational safety |
| | Developing leadership and the work environment | Competence development programme Regular feedback on leadership Personnel survey every other year | 78 Loiste training days for supervisors 6 Supervisor Forum events; about 92% of supervisors participated Personnel survey | Human resources development |
| Responsible procurement and subcontracting  | Responsibility in subcontracting | Mobilising procurement principles in all our operating countries Revising auditing and assessment practices and increasing their effectiveness Compliance with regulations | Shared approval procedures for major procurements mobilised in all operating countries Auditing and assessment practices revised Supervision of compliance | Responsible procurement |

| | | | | |
|--|--|---|---|---|
| | | | with contractor's liability legislation enhanced | |
| | Favouring products that save the environment | Increasing the share of environmentally labelled cleaning agents to 65% | Share of environmentally labelled cleaning agents 58% (2012: 53%) | Environmental impact of facility services |
| Stakeholders  | Open interaction with stakeholders | Deepening dialogue with stakeholder groups | Survey of major stakeholders | Influential L&T |
| | Promoting the recycling society | Influencing legislation and its application | Cooperation with political decision-makers, the authorities and organisations in the field | Cooperation with stakeholders |
| | | Environmental Academies and training for stakeholders | 26 Environmental Academies 128 other environmental trainings | Cooperation with stakeholders |
| | | Regional and nationwide material-efficiency programmes | L&T is actively involved in two material-specific working groups that promote material efficiency | Cooperation with stakeholders |

CODE OF CONDUCT

As part of the corporate responsibility programme, L&T updated its Code of Conduct. Systematic action taken to introduce the Code in 2013 will continue in 2014.



The Code of Conduct stresses compliance with the various laws and regulations setting the framework for our business, as well as the integrity and transparency of operations.

The general Code of Conduct has been supplemented with more detailed policies and principles as considered necessary. L&T's HR, environmental and communications policies as well as the procurement and occupational safety management principles are available [here](#).

There are separate guidelines for the use of company and production vehicles, machinery, tools and other property. There are also instructions and approval procedures regarding business gifts, customer events, sponsoring and advertising.

Non-compliance must be reported

Each L&T employee is required to comply with the Code of Conduct, and help to prevent non-compliance.

As a rule, employees should report any non-compliance they observe to their supervisors, but we have also introduced a separate feedback channel to enable employees to leave a confidential message by phone or by e-mail.

So far, only a few incidents have been reported, and any issues regarding the interpretation of the Code have been resolved in cooperation between legal affairs and the business divisions.

Integrating the Code of Conduct into daily activities

L&T's personnel was provided with training on the updated Code of Conduct, using practical examples to illustrate the content.

In 2014, we will focus on personnel training provided in the form of an interactive online course. All salaried employees have now completed it. Our goal is that workers will also pass the course.

The Code of Conduct will be introduced in all of our operating countries in 2014.

RESPONSIBILITY REPORTING

The online Annual Report 2013 also includes the Corporate Responsibility Report for 1 January – 31 December 2013. This year, the report will only be available online. The Corporate Responsibility 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 in Finnish and in English.

It is the second GRI-compliant publication L&T has produced. However, we have systematically reported on numerous indicators in accordance with the GRI guidelines since 2010.

The reported indicators are based on a GRI guideline compliant materiality analysis in which we have taken the most important responsibility issues for L&T and the expectations of key stakeholders into account.

Reported indicators

The report includes all Group companies and subsidiaries, and covers all operations in Finland, Sweden, Russia and Latvia.

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 cover all the subareas of corporate responsibility. The report focuses on indicators concerning environmental, personnel and social issues. Section GRI Content Index illustrates the report's consistency with G3.1 guidelines.

The principles of corporate responsibility management are described in various sections of this Annual Report. An account of environmental responsibility management and related indicators are available in sections Responsible L&T and Environment as a priority.

Financial responsibility management and indicators are presented in Corporate Governance Statement and in sections Influential L&T and Responsible L&T.

Human resources management and key indicators are shown in section Personnel, while other social responsibility issues are discussed in sections Influential L&T and Responsible L&T.

In L&T's view, the report complies with reporting level B. The report is not certified by a third party.

GRI INDEX

Lassila & Tikanoja's Annual Report 2013 doubles as a corporate responsibility report. The report has been prepared in compliance with the reporting principles of the Global Reporting Initiative (GRI) and the G3.1 reporting guidelines. In L&T's view, the report complies with reporting level B.

| GRI content | | Scope 2013 | Section | Remarks |
|----------------------------------|---|------------|---|-------------------|
| 1. Strategy and Analysis | | | | |
| 1.1 | Statement from the most senior decision-maker of the organisation | Reported | CEO's review | |
| 1.2 | Description of key impacts, risks and opportunities | Reported | Megatrends and operating environment | |
| 2. Organisational Profile | | | | |
| 2.1 | Name of the organisation | Reported | Financial statements, General information | |
| 2.2 | Primary brands, products and/or services | Reported | Year 2013 | |
| 2.3 | Operational structure | Reported | Financial statements, Segment reporting | |
| 2.4 | Location of the organisation's headquarters | Reported | Financial statements, General information | |
| 2.5 | Countries where the organisation operates | Reported | Megatrends and operating environment | |
| 2.6 | Nature of ownership and legal form | Reported | Financial statements, General information | |
| 2.7. | Markets served | Reported | Megatrends and operating environment | |
| 2.8 | Scale of reporting organisation | Reported | Year 2013 | |
| 2.9 | Changes regarding the organisation | Reported | Financial statements, Segment reporting | |
| 2.10 | Awards received | Reported | | No awards in 2013 |
| 3. Report Parameters | | | | |
| 3.1 | Reporting period | Reported | Responsibility reporting | |
| 3.2 | Date of most recent previous report | Reported | | 19 February 2013 |

| | | | |
|---|---|----------|--|
| 3.3 | Reporting cycle | Reported | Responsibility reporting |
| 3.4 | Contact point | Reported | Financial statements, General information |
| 3.5 | Process for defining report content | Reported | Responsibility reporting |
| 3.6 | Boundary of the report | Reported | Responsibility reporting |
| 3.7 | Specific limitations on the scope or boundary of the report | Reported | Responsibility reporting |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations | Reported | Responsibility reporting |
| 3.9 | Data measurement techniques and the bases of calculations | Reported | Responsibility reporting |
| 3.10 | Restatements of information provided in earlier reports | Reported | Responsibility reporting |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report | Reported | Responsibility reporting |
| 3.12 | Table identifying the location of the Standard Disclosures in the report | Reported | GRI Index |
| 3.13 | External assurance for the report | Reported | No external assurance |
| 4.1 Governance, Commitments and Engagement | | | |
| 4.1 | Governance structure | Reported | Corporate Governance Statement |
| 4.2 | Chair of the highest governance body | Reported | Corporate Governance Statement |
| 4.3 | Independence of the members of the highest governance body | Reported | Corporate Governance Statement |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body | Reported | Corporate Governance Statement |
| | Linkage between compensation for | | |

| | | | |
|------|---|----------|---|
| 4.5 | members of the highest governance body, senior managers and executives | Reported | Corporate Governance Statement |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided | Reported | Corporate Governance Statement |
| 4.7 | Qualifications and expertise of the members of the highest governance body | Reported | Corporate Governance Statement |
| 4.8 | Statements of mission or values, codes of conduct and principles | Reported | L&T's Code of Conduct |
| 4.9 | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance | Reported | Responsible L&T |
| 4.10 | Processes for evaluating the highest governance body's own performance | Reported | Corporate Governance Statement |
| 4.11 | Precautionary approach | Reported | The precautionary approach is part of our environmental policy. We follow this approach in the prevention of environmental risks. |
| 4.12 | Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses | Reported | Responsible L&T |
| 4.13 | Membership in associations and advocacy organisations | Reported | Cooperation with stakeholders |
| 4.14 | Stakeholder groups | Reported | Influential L&T |
| | Identification and | | |

| | | | | |
|---|--|-----------------------|---------------------------------------|--|
| 4.15 | selection of stakeholders | Reported | Influential L&T | |
| 4.16 | Approaches to stakeholder engagement | Reported | Influential L&T | |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement | Reported | Influential L&T | |
| Management Approach and Performance Indicators | | | | |
| Economic: Disclosure on Management Approach | | | Strategy | |
| Economic Performance Indicators | | | | |
| EC1 | Direct economic value generated and distributed | Reported | Distribution of financial added value | |
| EC2 | Financial implications and other risks and opportunities for the organisation's activities due to climate change | Reported | Responsibility for the environment | |
| EC3 | Coverage of the organisation's defined benefit plan obligations | Not reported | | In accordance with local legislation |
| EC4 | Significant financial assistance received from government | Reported (new) | | In 2013, aid from the EU and grants from the government to product development and projects amounted to EUR 95 thousand. |
| EC5 | Ratios of standard entry level wage compared to local minimum wage | Partly reported (new) | | In all of our business countries, we pay at least the minimum wage for our industry. |
| EC6 | Locally-based suppliers | Reported Partly | Responsible procurement | |

| | | | | |
|---|---|-----------------|---|---|
| EC7 | Local hiring | reported | L&T in society | |
| EC8 | Infrastructure investments and services provided primarily for public benefit | Not material | | |
| EC9 | Significant indirect economic impacts | Reported (new) | Distribution of financial added value | |
| Environmental: Disclosure on Management Approach | | | | Responsible L&T |
| Environmental Performance Indicators | | | | |
| EN1 | Materials used | Reported | Environment as a priority | The materials used by L&T are primarily waste, which the company delivers for recycling and reuse. |
| EN2 | Recycled input materials used | Reported | Environment as a priority | The material efficiency of L&T's own plants and the recycling and recovery rate of material flows managed by L&T. |
| EN3 | Direct energy consumption | Reported | Higher efficiency reduces emissions | |
| EN4 | Indirect energy consumption | Reported | Higher efficiency reduces emissions | |
| EN5 | Energy saved due to conservation and efficiency improvements | Partly reported | Higher efficiency reduces emissions | |
| EN6 | Energy-efficient or renewable energy-based products and services | Reported | Environmental impact of facility services | |
| EN7 | Initiatives to reduce indirect energy consumption and reductions achieved | Partly reported | Higher efficiency reduces emissions | |
| EN8 | Total water withdrawal | Not material | | |

| | | | | |
|------|--|-----------------|---|---|
| EN9 | Water sources significantly affected by withdrawal of water | Not material | | |
| EN10 | Water recycled and reused | Not material | | |
| EN11 | Land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value | Not reported | | L&T's plants are not located in areas of high biodiversity value. The environmental impacts are determined with environmental impact assessments. |
| EN12 | Impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value | Reported | Renewable Energy Sources | |
| EN13 | Habitats protected or restored | Not material | | |
| EN14 | Strategies, current actions and future plans for managing impacts on biodiversity | Partly reported | Renewable Energy Sources | |
| EN15 | Endangered species with habitats in areas affected by operations | Not reported | | |
| EN16 | Direct and indirect greenhouse gas emissions | Reported | Focus on carbon dioxide emissions | |
| EN17 | Other relevant indirect greenhouse gas emissions | Reported | Focus on carbon dioxide emissions | |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | Reported | Higher efficiency reduces emissions | |
| EN19 | Emissions of ozone-depleting substances | Not material | | |
| EN20 | NOx, SOx and other significant air emissions | Partly reported | Higher efficiency reduces emissions | |
| EN21 | Water discharge | Not material | | |
| EN22 | Waste by type and disposal method | Reported | Environmental effects of environmental services | Landfill disposal of waste |

| | | | | |
|--|---|-----------------|--|---|
| EN23 | Significant spills | Reported | Responsibility for the environment | |
| EN24 | Transport, import, export or treatment of hazardous waste | Reported | Environmental effects of environmental services | |
| EN25 | Water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff | Not material | | |
| EN26 | Initiatives to mitigate environmental impacts of products and services | Partly reported | Corporate responsibility programme and key measures 2013 | |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category | Partly reported | | Materials and fuels recovered from waste are included in indicator EN1. |
| EN28 | Compliance with regulations | Reported | | Not significant, fines in excess of EUR 5,000. |
| EN29 | Environmental impacts of transporting and commuting to work | Reported | Higher efficiency reduces emissions | |
| EN30 | Environmental protection expenditures and investments | Reported | Responsibility for the environment | |
| Labour Practices and Decent Work: Disclosure on Management Approach | | | Personnel | |
| Labour Practices and Decent Work Performance Indicators | | | | |
| LA1 | Description of personnel | Reported | Personnel | |
| LA2 | Number and rate of employee turnover | Partly reported | Personnel | Information on Finland by division. |
| | Benefits provided to full-time employees that are not provided to temporary or part-time | Partly reported | | |

| | | | | |
|------|--|-----------------------|--------------------------------|---|
| LA3 | employees | (new) | Work ability management | |
| LA4 | Percentage of employees covered by collective bargaining agreements | Partly reported (new) | Personnel | Collective agreements in Finland and Sweden |
| LA5 | Minimum notice period(s) regarding significant operational changes | Not reported | | In accordance with local legislation |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees | Not reported | | In accordance with local legislation |
| LA7 | Injury, occupational diseases, lost days, absenteeism and fatalities | Reported | Personnel | |
| LA8 | Education and prevention programmes regarding serious diseases | Partly reported | Work ability management | Tasks in which employees are exposed are covered with occupational safety guidelines, work placement inspections and regular inspections. |
| LA9 | Health and safety topics covered in formal agreements with trade unions | Not reported | | In accordance with local legislation |
| LA10 | Personnel training | Partly reported | Human resources development | Not all hours of training are reported |
| LA11 | Programmes for skills management and lifelong learning | Partly reported | Work ability management | |
| LA12 | Performance and career development reviews | Reported | Human resources development | |
| LA13 | Diversity of governance bodies and employees | Reported | Corporate Governance Statement | |
| LA14 | Ratio of basic salary of women to men | Not reported | | Comparison by division and occupational categories not available |

| Human Rights: Disclosure on Management Approach | | | |
|--|--|----------------|-----------------------|
| | | | Responsible L&T |
| Human Rights Performance Indicators | | | |
| HR1 | Investment agreements that include human rights clauses or that have undergone human rights screening | Not material | |
| HR2 | Suppliers and contractors that have undergone screening on human rights | Not material | |
| HR3 | Employee training on policies and procedures concerning human rights | Reported (new) | L&T's Code of Conduct |
| HR4 | Incidents of discrimination | Reported | No incidents |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk | Not material | |
| HR6 | Operations identified as having significant risk for incidents of child labour | Not material | |
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labour | Not material | |
| HR8 | Security personnel trained in the organisation's policies or procedures concerning human rights | Not material | |
| HR9 | Violations involving rights of indigenous people | Not material | |
| HR10 | Operations that have been subject to human rights reviews and/or impact assessments | Not material | |
| HR11 | Grievances related to human rights | Not material | |
| Society: Disclosure | | | |

| on Management Approach | | Influential L&T | |
|--|---|-----------------|---------------------------------------|
| Society Performance Indicators | | | |
| SO1 | Impacts of operations on communities | Partly reported | Influential L&T |
| SO2 | Business units analysed for risks related to corruption | Partly reported | L&T's Code of Conduct |
| SO3 | Employees trained in the organisation's anti-corruption policies | Reported | L&T's Code of Conduct |
| SO4 | Actions taken in response to incidents of corruption | Reported | No incidents |
| SO5 | Participation in public policy development and lobbying | Reported | Cooperation with stakeholders |
| SO6 | Financial and in-kind contributions to political parties | Reported | No contributions to political parties |
| SO7 | Legal actions for anti-competitive behaviour, anti-trust and monopoly practices | Reported | No incidents |
| SO8 | Fines and total number of non-monetary sanctions for non-compliance with laws and regulations | Reported | No incidents |
| SO9 | Operations with significant potential or actual negative impacts on local communities | Partly reported | L&T in society |
| SO10 | Prevention of negative impacts on local communities | Partly reported | Responsibility for the environment |
| Product Responsibility: Disclosure on Management Approach | | Responsible L&T | |
| Product Responsibility Performance Indicators | | | |

Life cycle stages in which health and safety impacts of products and services are

| | | | | |
|-----|--|-----------------------|------------------------|---|
| PR1 | assessed for improvement | Partly reported | Responsible L&T | |
| PR2 | Incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services | Reported | | No incidents |
| PR3 | Product and service information required by procedures | Not material | | |
| PR4 | Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling | Reported | | No incidents |
| PR5 | Practices related to customer satisfaction | Partly reported | Customer as a priority | |
| PR6 | Adherence to laws, standards and voluntary codes related to marketing communications | Partly reported (new) | | Code of Conduct |
| PR7 | Incidents of non-compliance with regulations and voluntary codes concerning marketing communications | Reported | | No incidents |
| PR8 | Complaints regarding breaches of customer privacy and losses of customer data | Not reported | | Complaints are handled as part of customer complaints |

WE VALUE RELIABLE PARTNERSHIPS

L&T is a major buyer of services nationally and locally. We strive for safe, sustainable and cost-effective procurement, which takes account of the entire life cycle of products and services.

We have made a commitment to our customers to produce high-quality services and to ensure that our own and our partners' operations are reliable and in compliance with our environmentally responsible procedures.

To ensure high-quality service we have listed the following objectives for 2013–2016 in our Corporate Responsibility Programme: Adoption of our procurement principles in all operating countries, reform of the audit and assessment practices, and compliance with regulations.

Partnership through cooperation

We want to be a responsible partner and to forge long-term partnerships. Suppliers are selected in keeping with transparent processes and internal guidelines.

Operational improvements and cost-efficiency are sought in continuous cooperation with our partners. For example, Facility Services invited material and equipment suppliers to visit our premises to take a closer look at our operations.

In 2013, the number of suppliers of goods and services from which L&T made total purchases in excess of EUR 1,000 was about 5,300 in Finland. Total procurement of goods, materials and services amounted to about EUR 255 million.

In our Finnish operations, 96.5 per cent of goods and materials were procured from suppliers in Finland, 3 per cent from other EU countries and 0.5 per cent from outside the EU.

Supervision to ensure reliability

In 2013, we introduced harmonised procurement approval practices in all countries in which we operate.

We observe the Contractor's Liability Act, which requires us as the contractor to check that our partners have fulfilled obligations prescribed by law. To facilitate our supervisory tasks, our subcontractors are required to register with the Tilajavastuu.fi service.

As a result of efficiency enhancement measures and stricter supervision of subcontracted work, particularly in property maintenance, we will no longer consider certain high-risk subcontractors when selecting partners.

We updated our supplier survey, which is used to obtain information on our suppliers' quality, environmental and occupational safety policies.

In addition, our assessment and auditing practices were amended. The audit categories will be determined annually, with partnerships of strategic importance selected for audit. In 2013, we focused on equipment and contract manufacturers.

In the right place at the right time

We have placed procurement, equipment, logistics and properties into a single organisation to enable

better overall management, and to ensure that we have the right things in the right place at the right time. Close cooperation with the divisions ensures a cost-efficient outcome.

We have better control over equipment lifecycle costs, and have been able to shrink our fleet by more than 100 vehicles in two years.

With the new monitoring tool, we can now track procurement costs down to unit level, which has considerably improved our cost management.

We have also boosted efficiency in the use of our own properties. In 2013, we carried out a “business premises of the future” project, which serves as the basis for our property modifications. We will continue to include our properties in the energy consumption monitoring system.

BREAKDOWN OF PROCUREMENTS IN FINLAND

| Total EUR 255 million | % of the total |
|---|-----------------------|
| Direct procurements* | 58,70 % |
| Vehicles and equipment** | 22,50 % |
| Indirect procurements, real estate and facilities** | 18,80 % |

* Direct procurements include: raw materials and material payments, external workforce, technical materials and utilities

** Vehicles and equipment, indirect procurements and real estate and facilities also include investments

L&T'S WORK MAKES A DIFFERENCE

L&T's work matters. We offer a wide range of jobs and career opportunities to our employees, and care for their well-being. Being a service company, we will continue to provide good employment opportunities in the future, with a growing number of jobs available in the countries in which we operate.



At the end of 2013, L&T employed 8,847 (8,962) full-time and part-time employees.

Different age groups are well represented among our employees; this shows that we have jobs that are suitable for students or pensioners looking for part-time work, and for people with families who are looking for regular employment. Our employees represent almost 80 different nationalities.

Aiming to become one L&T

We are in the process of unifying our corporate culture. Over the years, L&T has expanded through acquisitions, and each acquired company has brought in its own practices and policies. In the future, we aim to be a single, more unified L&T.

Our shared operating principles – service attitude, responsibility and team play – are instrumental to achieving this goal. We expect all of our employees to comply with these principles in their work.

We are developing more consistent remuneration models. In 2013, the target group was salaried employees. Now, the bonus scheme will cover a larger number of people and feature more detailed indicators. Similarly, we have harmonised the indicators and job descriptions in sales to ensure that remuneration supports strategy implementation.

Other means employed to unify our corporate culture included leadership management, harmonisation of the working hours recording system, a training programme for sales personnel, and office network streamlining.

Devoted employees

In autumn 2013, we published the results of the Meininki personnel survey, which is conducted every two years. The objective of the survey is to collect feedback from personnel on our new strategy, performance requirements, and supervisory work and leadership.

The results showed that L&T's personnel is more devoted than employees in Finnish companies on average, and the employer image is more positive than on average: three quarters of the respondents would recommend L&T as an employer. Respondents saw a bright future ahead for L&T.

The major challenges experienced in a large organisation were effective communication, employee

engagement and bureaucracy. To become one L&T, a number of practices and policies will need to change. But once the new policies have been adopted and internalised, we will truly be one L&T.

Equal and fair treatment

Our employees have the freedom to organise. We respect trade union activities and personnel representatives.

We have an equal working community with zero tolerance for discrimination. Our HR management is fair and equitable. In 2013, we updated our guidelines on the prevention of workplace bullying. Our HR policy was revised in 2012.

We have signed a diversity commitment statement, in which we undertake to improve leadership and service practices to guarantee equal treatment of our personnel, customers and business partners.

The benefits we offer to our personnel vary by country. Benefits in Finland, such as company car and telephone fringe benefits, are determined on the basis of consistent policies. In addition, our employees receive purchase benefits on services provided by L&T and our partners.

| Key figures on personnel | 2013 | 2012 | 2011 |
|---|--------------|-------|-------|
| Total number of full-time and part-time employees at year end | 8 847 | 8 962 | 9 357 |
| Average number of employees converted to full-time | 8 267 | 8 399 | 8 513 |
| Personnel by gender* | | | |
| female, % | 50 | 50 | 49 |
| male, % | 50 | 50 | 51 |
| Personnel by type of employment* | | | |
| permanent, % | 95 | 87 | 94 |
| temporary, % | 5 | 13 | 6 |
| full-time, % | 57 | 64 | 61 |
| part-time, % | 33 | 27 | 28 |
| employees called in when necessary, %** | 10 | 10 | 11 |
| Share of employees with an immigrant background, %*** | 17 | 15 | 13 |
| Average retirement age*** | 63,3 | 62,9 | 62,9 |
| Sickness absences, %*** | 5,3 | 5,4 | 5,7 |
| Accident frequency | 17 | 31 | 35 |

* Figure for 2011 covers only operations in Finland

** Type of employment in use only in Finland

*** Figures cover only operations in Finland

Employees age distribution



| | |
|----------|------|
| 21-30 | 25 % |
| 31-40 | 24 % |
| 41-50 | 23 % |
| 51-60 | 19 % |
| under 20 | 5 % |
| Over 61 | 4 % |

Personnel by country



| | |
|---------|------|
| Finland | 80 % |
| Latvia | 11 % |
| Sweden | 6 % |
| Russia | 3 % |

NEW WAYS TO SECURE SUFFICIENT RESOURCES

As a service company our key challenge is to ensure the availability of sufficient and skilled workforce. Another major challenge is the efficient use of workforce.



Ageing of the population is driving the competition for workforce. We need new ways of attracting skilled employees to secure adequate resources.

To further strengthen cooperation with educational institutes, we have signed cooperation agreements and harmonised traineeship practices. We also train new employees ourselves, and offer competence development opportunities to existing personnel. Similarly, our Workforce Management Programme is designed to support employee competence development and increased diversity in job descriptions.

Differences in employee turnover

The cleaning sector currently faces the greatest challenges in securing an adequate supply of workforce. The entire industry should now join forces and identify ways of making its jobs more attractive.

In L&T's Facility Services in Finland, employee turnover was 26.4 per cent* in 2013. Employee turnover is highest in the cleaning sector. Also the number of maintenance technicians graduating from technical institutes is insufficient, and competition for technical systems specialists is tough.

Meanwhile, in Environmental Services and Industrial Services, employee commitment is very high, resulting in low turnover. In Finland, Environmental Services' employee turnover was 8.7 per cent* and Industrial Services' employee turnover was 10.4 per cent*.

* Calculation methods and the divisional structure have changed. The figures are not comparable with the figures for previous years.

Recruiting from abroad

One way of solving the workforce availability problem is to recruit immigrants and foreigners.

In 2013, we began to recruit employees from Estonia and plan to set up a permanent recruitment office in Estonia. By the end of the year, we had recruited more than 70 Estonian cleaners.

All in all, employees with a non-Finnish background account for 17 per cent of L&T employees (2012: 15%) and represent almost 80 nationalities. L&T takes part in the integration training provided to immigrants, by offering them practical training opportunities.

Having a large number of non-Finnish employees makes supervisory work more challenging. Besides the ability to understand the differences in working cultures, supervisors need to develop their language skills in order to be able to communicate in another language, when necessary.

Efficient workforce management

L&T offers a wide range of job opportunities, not just in terms of job descriptions but also with regard to working hours and seasonal work.

We still have some way to go to achieve optimal workforce utilisation because our tools and systems are not fully consistent with one another, and personnel skills have not been systematically assessed and recorded.

To improve workforce management, we are now taking steps to develop work shift planning, working hours monitoring, capacity utilisation between service lines and resource pool.

We have made progress with the working hours monitoring project in cleaning, where more than 4,000 cleaners will start using use smart phones to record their hours as of early 2014.

COMPETENCE DEVELOPMENT INTEGRATED WITH DAILY ACTIVITIES

At L&T, competence development is based on each individual's active approach and willingness to learn. Competence development needs are specified in the annual performance reviews between supervisors and employees.



Employees who have had a target and performance review are generally more satisfied with their work than other employees. Reviews are conducted once a year. In personnel surveys, employees are asked to assess the implementation and usefulness of such reviews. In 2013, 87 per cent of employees had the performance review.

Competence development measures are built around daily activities. Methods employed include: thorough induction training for employees starting a new job or changing jobs and mentoring conducted in-house, or between partner companies, to mention a few.

Raising supervisory work to a new level

Skilled supervisory work is vital for mobilising and implementing strategy and achieving objectives.

Our Leadership Management Programme continued. Our supervisors completed a LOISTE training programme, during which each supervisor's leadership skills were assessed. We also measure leadership performance in our Meininki personnel survey.

The LOISTE supervisor training programme, which is to be completed by all supervisors, will represent the largest HR investment over the next few years. This training has now been completed by executive and managerial level supervisors, and in 2014 training will be offered primarily to foremen and team leaders.

These supervisors play an important role for our company, as a large number of our employees work in customer premises and often very independently. Supervisory work performed by foremen and team leaders is closely linked to daily activities, which is why more coaching will be offered to them in the future.

The supervisor forums launched in autumn 2012 brought all our supervisors together again to discuss best practices with colleagues and to build a community spirit. The key theme in 2013 was making L&T's services better known, in other words increasing customer cooperation across the divisions.

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

L&T has several years of experience in successful work ability management. Our objectives for the new five-year period that started in 2011 are minimising disability and accident related pension costs, reducing the sickness-related absence rate to five per cent and stabilising the TyEL (Employees' Pensions Act) payment category.



Our personnel had to deal with several changes in 2013 due to the harmonisation of L&T's operating methods. Personnel well-being and coping have been a much discussed topic.

Further emphasis in our work ability management efforts was placed on proactive measures. Special attention was paid to supervisors, as their coping directly affects the well-being and performance of their subordinates.

Together with occupational health care services, we provided advice to employees on how to lead a healthier life: a proper diet, not smoking, and sufficient sleep and exercise.

We support personnel well-being and recreational opportunities through staff clubs.

Maintaining work ability until old-age retirement

For several years, we have been able to raise our employees' average retirement age. In 2013, the retirement age at L&T in Finland was 63.3 years (2005: 59.4 years). It is significantly higher than the average retirement age in Finland, 60.9 years.

We are continuously looking for new solutions to keep employees with reduced work ability in employment with us. Thanks to legislative changes, partial sickness allowance was introduced as an effective tool at the beginning of 2013.

Employees with reduced work ability can be offered work trial, alternative duties, shorter working hours and vocational rehabilitation.

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. Thanks to L&T's employee relocation process, almost 90 people have been kept in the workforce instead of retiring on a disability pension.

Occupational health care plays a key role

Close cooperation with our insurance company and occupational health care services is an integral part of work ability management. 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.

Our occupational healthcare benefits far exceed the statutory requirements.

Under L&T sickness fund our employees get compensation for the medical services excluded from occupational healthcare. If our employees fall sick, they receive professional care regardless of their place of residence or personal financial situation. Membership is obligatory for everyone working at L&T, provided that employee's main income derives from L&T and that the employment is not temporary.

Our sickness-related absence rate fell in 2013 to 5.3 per cent, which is a great achievement in a sector where work is physically strenuous and requires good physical condition.

Everyday ergonomics

Much of the work performed at L&T is physically strenuous, and musculoskeletal disorders cause the majority of sickness-related absences and disability pensions.

We organised a pilot project in 2012–2013 on musculoskeletal disease. The purpose of the pilot project was to promote employee health and to reduce absences. During the project, an occupational physiotherapist visited workplaces and offered advice related to work ergonomics. The pilot project reduced employee absences due to musculoskeletal diseases by 19 per cent among cleaning crews. Similar activities will be launched in other employee groups.

OCCUPATIONAL SAFETY IS THE RESULT OF GOOD MANAGEMENT

A uniform and safe corporate culture is one of the key priorities in our new strategy. We are committed to ensuring a zero-accidents workplace and believe that all accidents can be prevented.



Our occupational safety managers are members of our divisions' Executive Boards. Safety is on the agenda of all meetings, from the Executive Board down. Occupational safety considerations are also linked to personal bonuses. Accident frequency is reported to the Board of Directors on a monthly basis.

In 2013, we focused on further strengthening the uniform operating models introduced earlier. Special attention was paid to proactive measures.

Better than expected development in reducing accident frequency

Our aim is to reduce our accident frequency to less than 15 in 2016. Against the target of 25 set for 2013, our accident frequency rate improved much more than expected and was 17 (2012: 31) in all countries in which L&T operates.

In Finland, accident frequency was 18 and it fell by 45 per cent compared to the previous year. Facility Services accounted for the fastest reduction, with a 47 per cent decrease in accidents resulting in absence compared to 2012.

The diagram on the right shows the effect of preventative measures on accident frequency, which is a ratio indicating the number of accidents per million working hours.

No fatal accidents occurred in 2013 and no occupational diseases were diagnosed.

Proactive approach produces good results

We conduct efficient risk and job duty assessments to improve our own safety, as well as the safety of our customers and other stakeholders, and to eliminate risk factors. Safety observation reports are used to report all non-conformities. The SafetyWalk observation round is a tool that enables supervisors to monitor safety in the work environment.

If, however, an accident occurs, an accident panel reviews the causes and plans corrective measures in cooperation with the affected employee.

Employees need to be reminded of occupational safety

Slips and trips are the most common causes of occupational accidents at L&T. We have arranged two

campaigns to remind employees of the importance of wearing anti-slip devices on shoes in the wintertime. As a result, slips during the workday fell by 71 per cent and accidents during travel to work by 34 per cent.

Similarly, our summer campaign that stressed the importance of adequate hydration, protective wear and general alertness has produced good results.

We will continue to work in close cooperation with our customers to improve occupational safety. Since we often share the workplace, it is important to ensure everyone's safety.

In 2013, L&T acted as one of the co-founders of an occupational safety group within the Association of Environmental Enterprises with the objective of improving occupational safety in member companies.

The Zero Accident Forum annually awards occupational safety classifications to its member workplaces for promoting occupational safety successfully. L&T's Environmental Services was awarded the level III classification.

Continuous efforts to improve safety

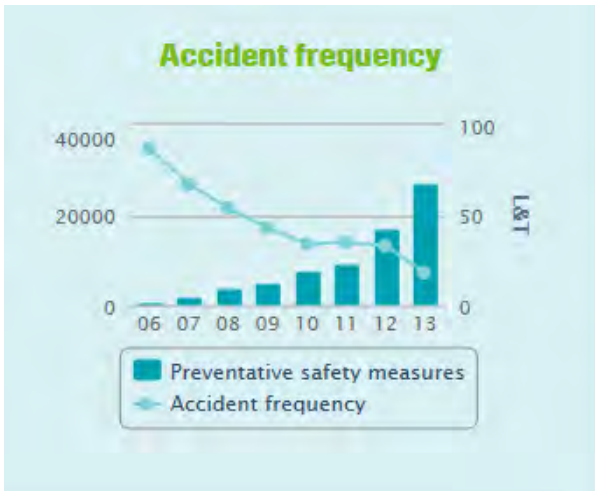
In damage repair services, project work resulting in the reform of risk assessment and occupational safety guidelines was completed in 2013. A similar project was launched in technical systems services.

Occupational safety training targeting supervisors continued. 711 L&T employees completed occupational safety card training in 2013.

At the beginning of 2014, the model and structure of our occupational safety cooperation were revised. The number of occupational safety committees was reduced, and the committees will consist of members representing a specific business sector, region or service line. The occupational safety delegates' areas of operation have been streamlined; in the future, delegates work in units or in specific geographic locations. The purpose of these changes is to involve the entire personnel in occupational safety improvement work.

DEVELOPMENT OF OCCUPATIONAL SAFETY IN FINLAND 2006-2013

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---------------------------------|---------------|--------|-------|-------|-------|-------|-------|------|
| Safety observation reports | 14 885 | 10 987 | 5 341 | 4 433 | 3 503 | 3 128 | 1 883 | 729 |
| Hazard/risk assessments | 1 839 | 3 086 | 1 707 | 1 958 | 1 192 | 842 | 116 | 84 |
| SafetyWalk observation rounds | 5 577 | 1 670 | 1 519 | 1 242 | 354 | | | |
| Occupational safety sessions | 4 973 | 1 491 | 680 | | | | | |
| Occupational accident frequency | 18 | 33 | 35 | 34 | 43 | 54 | 67 | 87 |



HER DREAM - TO WORK ABROAD

Anneli Nerman saw an L&T job advertisement online and decided to apply for a position as a cleaner. She knew that L&T is a large and secure employer. Soon, Anneli was invited for an interview. Just a few days afterwards, she was informed that the job was hers.



This may sound like a typical story about how someone came to work at L&T. But there's something unusual about it. This all happened in Tallinn. The year was 2012.

Anneli was one of the first cleaners L&T hired from Estonia. Since then, the company has organised many recruitment events in Estonia – and through them has hired more than 70 Estonian employees.

You can use your own judgement

Anneli now cleans the pharmaceutical preparation facilities of the University Pharmacy in Helsinki. She started her career at L&T in late 2012 as an office cleaner, but soon transferred to her present position.

“Aseptic manufacturing facilities call for an extremely high level of hygiene and diligence. I often have to think carefully what cleaning agents and methods I should use to wash off pharmaceutical substances from the labware. Some of these substances may be hazardous. Because of this, my days are varied and challenging,” says Anneli.

In addition to labware, Anneli cleans corridors and other general premises. Anneli likes that there are a lot of people around at the workplace. Taking good care of customers is in her nature.

You learn the ropes quickly

Anneli, who joined L&T from the banking and insurance sector, is pleased with how things are going for her.

“I had long dreamed of working abroad. I wanted to have a better salary and learn a new language. My son had already turned eighteen, so there was nothing preventing me from leaving. I wanted a change in my life,” says Anneli.

Her move to Finland was easy and quick. A friend provided her with a place to stay so that she could take her time looking for a home of her own. Colleagues who came from Estonia at the same time have also helped her to adapt to her new country.

“The hardest thing to learn was to get off at the right bus stop,” Anneli says with a laugh.

A good attitude takes you far

Anneli is very grateful to a colleague who always helps her out with matters such as thinking about cleaning methods and language problems.

"Anneli has always understood Finnish well. She's enthusiastic and learns quickly. We're a good team," says **Taina Pinney**. When you watch the pair work, it's clear that this is true.

Anneli enjoys her daily life in her new environment. She visits Estonia once a month.

"I'm sure that people who want to work abroad are more open-minded and have more initiative. That's why I've done well here and I believe that I'll stay for many years," she says.

ALL SERVICES UNDER ONE ROOF

L&T equips its customers to achieve their environmental targets. Our expertise helps them increase waste recycling and maintain their properties in a more energy-efficient way. L&T is a single partner that provides customers with uniform solutions.



That is why our strategic projects include sales development and more extensive service packages. To be a truly customer-driven organisation, we are strengthening our sales force, renewing customer relationship management, monitoring customer satisfaction and improving our customer services.

By building broad-based, long-term partnerships, we get to know our customers and can create value to their business.

The unbribable net promoter score

In 2012, L&T introduced the net promoter score (NPS) with the objective of making customer experience a measurable indicator and thereby supporting our customer experience management. A good customer experience correlates directly with financial performance and with employee satisfaction and occupational safety.

This score, which indicates the number of customers who would recommend us to others, is measured twice a year and its development is monitored over a longer period. The results have been in line with our objectives.

NPS has confirmed our belief that customers want more than just the outcome of the service; customer liaison and reachability matter as well. Particularly in services involving the service provider's presence, such as cleaning and property maintenance, customers have high expectations with respect to interaction and innovativeness.

Customer experience deeply rooted

Although the actual customer experience forms on the basis of daily interactions, its roots lie in operational structures.

In 2013, we carried out a major restructuring in our organisation, which involved promoting individual service specialists into customer account managers with responsibility for the full service portfolio. These "managing directors for customer accounts" convey the customers' needs to our production and the production personnel's ideas back to the customer.

New management practices were also adopted to improve key account management and bolster regional cooperation. These changes have clarified roles and responsibilities and have improved interaction.

In 2014, we will launch a sales training programme designed to diversify our sales personnel's skills and competencies. In addition, we have introduced incentives to promote closer cooperation across service lines. Our incentive system includes NPS.

Customers expect reports and interaction

For us, successful service implementation means that nothing else is required from the customer except their presence; it is our duty to propose ideas and improvements – all the customer needs to do is to approve them. To do this, we must regularly meet with customers and assess their needs.

Today, customers know what they want: easy access to more-customised reports, preferably via their own IT systems, for example. It is important for customers to remain informed of their waste volume development, or service and maintenance work carried out in their properties.

We make continuous efforts to improve our reporting and to increase interaction with customers, particularly over electronic channels, in order to cater to our customers' wishes. We are currently developing a new operating model for our customer service to ensure that customers can contact us quickly and be served through the channels of their choice, quickly and professionally.

THE CUSTOMER CAN FOCUS ON DOING WHAT THEY DO BEST

Cooperation between Hartwall and L&T began several years ago. As the years passed and cooperation deepened, the number of services L&T offers to Hartwall also grew. Still, the partners seek to improve their cooperation on a daily basis.



Growing cooperation stems from Hartwall's drive to focus on what they do best and where they lead the way: in manufacturing and distributing innovative beverages Finns love to drink.

Hartwall's production plant in Lahti is one of the biggest, most advanced and most ecological breweries in Europe. The Lahti unit makes all the company's beers, soft drinks, ciders, long drinks, special beverages and waters, with the exception of spring water. The unit covers a floor area equivalent to 20 football fields.

In this equation, L&T's role is to do what L&T does best: cleaning, waste management, property maintenance from snow removal to gardening, and a wide range of support services. L&T's duties include changing product transport packages, and receiving and handling returned or damaged products.

More resources to core functions

At first glance, it seems that the tasks Hartwall has outsourced are surprisingly close to its production. However, tasks such as moving beverages from a pallet to a roller cage are easy to outsource to a partner, and it allows Hartwall to use its skills and energy in core functions.

"Hartwall wants to allocate its resources to its core business. Besides, with outsourced services being charged on a unit basis instead of an hourly basis, costs are easier to predict," says **Karri Kanervo**, Hartwall's Sourcing Manager.

Having the advantage of L&T catering to changing workloads is no small matter either. L&T makes sure there is always enough workforce on the spot to deal with unexpected urgencies or project-type jobs.

Problems solved in a flash

Hartwall has more than just one L&T employee to turn to for help.

"With some twenty L&T employees always present in the workplace, it's easy to tug at someone's sleeve and tell them what your problem is," says Kanervo.

"Let's go take a look" is a frequently heard reply. It usually means problems are solved quickly and easily. Regular meetings are also held where development ideas are discussed.

Continuous improvements

Hartwall expects L&T to come up with ideas and suggestions for improvement, and receives quite a few of them. But they encourage employees to be even more active and to challenge the current practices.

“One of L&T’s employees just suggested that we replace the burnable waste collection bin with a waste compactor; that way, the bins would need to be emptied less frequently. Besides saving costs, it would also be an ecological alternative. This is exactly what we need! I encourage people to show even more initiative,” Kanervo says.

Flexibility and a comprehensive approach

But even more than initiative, Hartwall values flexibility and open communication. L&T’s Key Account Manager **Maija Kantelus** feels the same way about communication:

“Communication is essential. When you have open lines of communication, people easily come up with development ideas and new solutions.”

For Karri Kanervo, flexibility means two things:

“When we need service, we expect L&T to have the capacity to meet our needs. Secondly, it is important to think outside the box; the goal is to find an efficient solution that supports the entire process.”

“With some twenty L&T employees always present in the workplace, it’s easy to tug at someone’s sleeve and tell them what your problem is”

Karri Kanervo

Sourcing Manager at Hartwall

ENVIRONMENT AS A PRIORITY

L&T plays a major role in building 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.



We comply with the current environmental permits and legislation, and aim at avoiding environmental damages. We systematically monitor our own environmental impacts and also require our partners to be environmentally responsible.

The most significant direct environmental impacts of our operations include the emissions generated by collection and transport services. Our objective has been to reduce our own direct carbon dioxide emissions by five per cent from the 2012 level, in relation to the volume, by the end of 2016.

Environmental permits guide operations

L&T has 63 environmental permits steering the management of environmental compliance and follow-up monitoring.

The company obtained five permit decisions in 2013, one for entirely new operations. In June 2013, an environmental impact assessment (EIA) process was launched at the Uusikaupunki materials handling centre, and the EIA programme was submitted to the authorities. Similarly, the preparation of the assessment report began in late 2013.

An ISO 14001-certified environmental system and effective self-monitoring are the cornerstones of risk management. We assess environmental risks regularly during audits and inspections, and record any deficiencies and risks observed in the system. Steps taken to address such deficiencies and risks are also recorded in the system.

FOCUS ON CARBON DIOXIDE EMISSIONS

The reductions in carbon dioxide emissions we achieved together with our customers amounted to approximately 1.5 million tonnes in 2013 (2012: ca 1.6 million tonnes).

To reduce CO₂ emissions, we need to recycle and recover waste: use waste as secondary raw materials, which can be used to replace virgin raw materials and thereby help to save energy.

In addition, we process waste and byproducts into biofuels and recovered fuels to replace fossil fuels in applications such as industrial energy production.

Efficient material recovery

L&T collects, transports and processes different types of waste, particularly from the retail, industrial and construction sectors, and from households. We also offer the services of local recycling centres to households and small companies in different parts of Finland.

In addition, we advise our customers to sort waste in order to promote material recycling and efficient energy utilisation.

Of all the material flows managed by L&T, 86 per cent could be recycled or recovered in 2013. The recovery rate at L&T's plants was 96 per cent (2012: 86%).

Our goal has been to develop the material efficiency of our own recycling plants by increasing the recovery rate from its level in 2012 to 90 per cent by the end of 2016. Development work progressed faster than expected and we already achieved our target level in 2013. The improvement of the recovery rate was largely due to the greater recovery opportunities in environmental construction.

Hazardous waste treatment is conducted either at our own plants, or waste is delivered to our partners for treatment. 8 per cent of hazardous waste was transported to other EU countries for recovery. We did not import any hazardous waste to Finland in 2013.

We offer environmental damage services for the treatment of contaminated soil, and for various damages such as oil spills.

More advanced waste treatment methods

We are continuously seeking ways of enhancing material efficiency through operational improvements. In 2013, we focused on finding the best recycling and recovery channels for waste.

At the year-end, we installed the ZenRobotics Recycler system in our Kerava recycling facility to increase the construction waste recovery rate. In addition, we have launched several development measures and projects seeking to identify customer- and material-specific recovery solutions as well as more comprehensive solutions.

In 2013, we began to explore opportunities of remediating contaminated soil using willow trees, and initiated a joint project with Skanska and Stora Enso involving the recycling of wood waste for material. We also partnered with the Ministry of the Environment in nationwide oil waste collection services.

Sensible use of waste in energy production

L&T uses non-recyclable corporate waste to make recovered fuels, which are used in power plants and cement kilns to replace fossil fuels such as peat and coal.

Combined heat and power plants (CHP), are able to convert the energy content of recovered fuels into electricity and heat with a high operating efficiency.

Meanwhile, a cement kiln efficiently generates energy, and the non-burnable substances the fuel contains are used as raw material in the production of cement clinker.

L&T's recovered fuel quality management and classification complies with the EN standards (such as EN 15357-EN 15359).

Tools for achieving environmental goals

We provide our customers with tools that enable them to monitor and develop their own operations and handle reporting to the authorities.

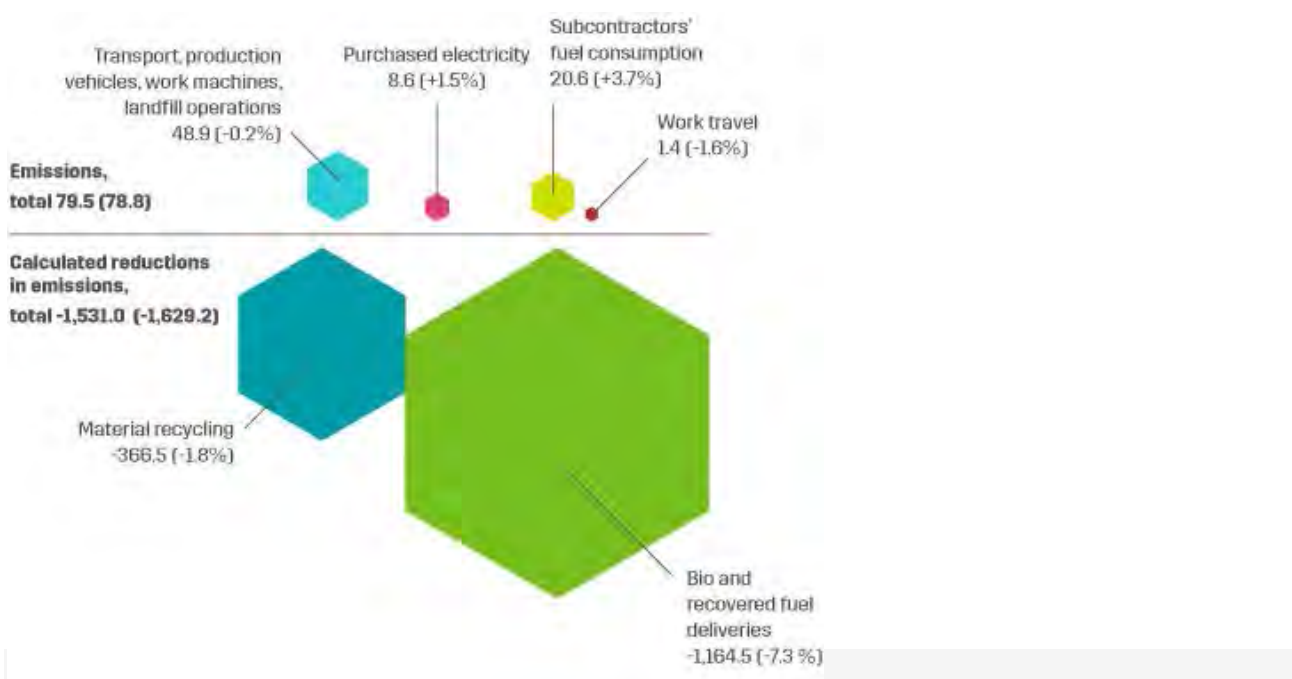
Our Ympäristönetti reporting service allows our customers to monitor their waste volumes and waste management costs.

Following a service upgrade performed in 2013, customers will from the beginning of 2014 have direct access to environmental management reports that meet the requirements of the authorities.

Our service portfolio also includes a climate impact calculator for corporate waste co-developed with VTT. It enables us to calculate the CO₂ impacts of waste management and to compare different waste management solutions. The results will help us make improvements, which in turn help our customers reduce their carbon dioxide emissions.

CO₂ EMISSIONS FROM L&T'S OPERATIONS AND CALCULATED REDUCTIONS IN CO₂ EMISSIONS

(1,000 CO₂ equivalent tonnes)

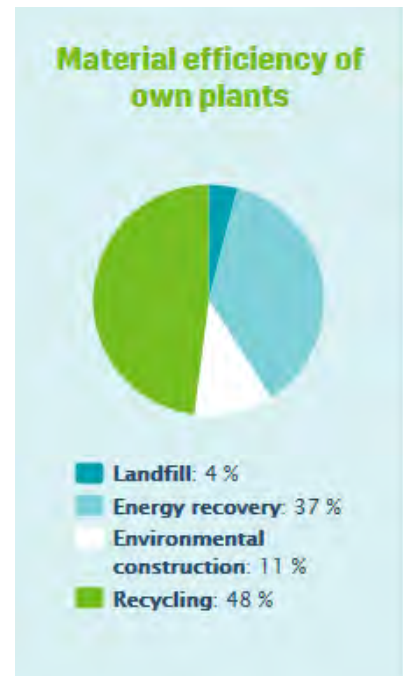
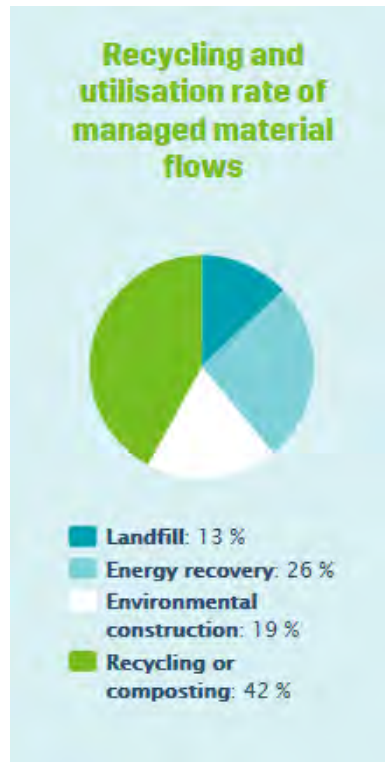
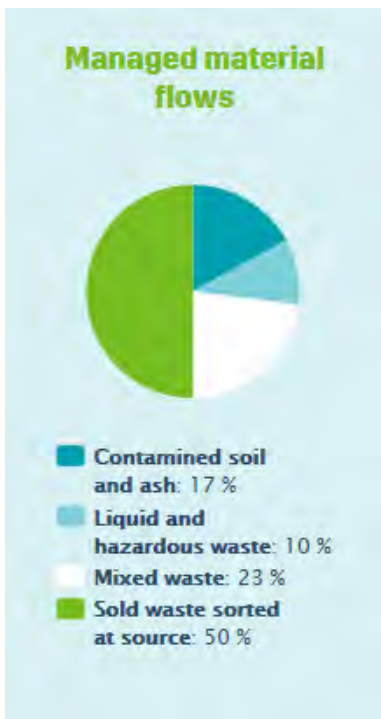


Emissions have been calculated in accordance with the Greenhouse Gas Protocol emission calculation model and using sources such as VTT's LIPASTO database. The GHG Protocol is an international reporting standard.

According to the GHG Protocol, emissions are classified into three scopes. Scope 1: All direct GHG emissions (landfills, 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.

More information on the calculation method



PRINCIPLES APPLIED IN THE CALCULATION OF CO₂ EMISSIONS

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

Recycled wastes can replace virgin raw materials and thereby reduce greenhouse gas emissions from the procurement and processing of raw materials.

The calculated reductions in emissions are material-specific and are based on the reduction in emissions achieved by the use of the recycled material compared to the production of equivalent material from virgin raw materials.

Replacing fossil fuels with recovered and bio-fuels reduces greenhouse gas emissions from energy production (share of fossil fuels). In the case of fuels, the calculated reductions in emissions account for L&T's deliveries of recovered and bio-fuels and the resulting greenhouse gas emissions as compared with the production of an equivalent amount of energy with fossil fuels.

The calculations primarily use coal as the point of comparison. The emission coefficients were sourced from Statistics Finland's fuel classifications for 2013.

NEW WAYS OF PROMOTING ENERGY EFFICIENCY AND GREEN VALUES

Training related to environmental and energy efficiency issues is provided to our own personnel on a continuous basis.



For instance, in Finland cleaning personnel complete the Ympäristöpässi training programme focused on sorting. At the end of 2013, the training had been completed by 1,239, or 33 per cent of our cleaners.

Our service technicians participate in eco-maintenance training programmes focused on the assessment and implementation of energy efficiency improvement measures and related reporting.

In 2013, 53 new technicians completed the eco-maintenance training, and at the year-end 90 per cent of our service technicians had completed the programme. All new service technicians are required to complete the training within six months from being employed.

Green cleaning

Our eco-trained cleaners have been trained to use ecological cleaning methods and familiarised with the customer's premises and cleaning needs.

Our Swan-labelled cleaning always involves using eco-labelled cleaning products and equipment. The dosage and consumption of detergents as well as the number of litter bags used are carefully monitored. To promote recycling, we provide sorting containers, advice and sorting supervision.

Eco-labelled detergents account for 58 per cent of all cleaning products used, showing an increase of five percentage points from 2012. Our objective is to increase the percentage of eco-labelled products to 65 in 2016.

Daily efforts to foster energy efficiency

With the establishment of an energy management centre in spring 2013, we are now able to offer a more extensive service package: L&T EcoMaintenance+. Besides being designed to save energy, this new service package will increase the efficiency of daily maintenance activities and enable more systematic property management.

L&T EcoMaintenance+ consists of suggestions for energy savings, corrective measures, and information provided by the energy management centre. In addition to performing their daily duties, our service technicians, who are trained to focus on energy efficiency, will suggest measures that will help save energy. Our energy management specialists use a remote connection to monitor the effectiveness of technical

systems, and communicate their observations to the service technicians for further action.

We use initial assessments, deviation reporting and suggestions for energy savings as a tool to follow up on the implementation of the EcoMaintenance service. In 2013, a total of 2,385 suggestions for energy savings were made.

All repair needs and suggestions for improvements, including cost estimates, are reported to the property owner. The energy management centre closely monitors the progress of repair works and the energy efficiency developments.

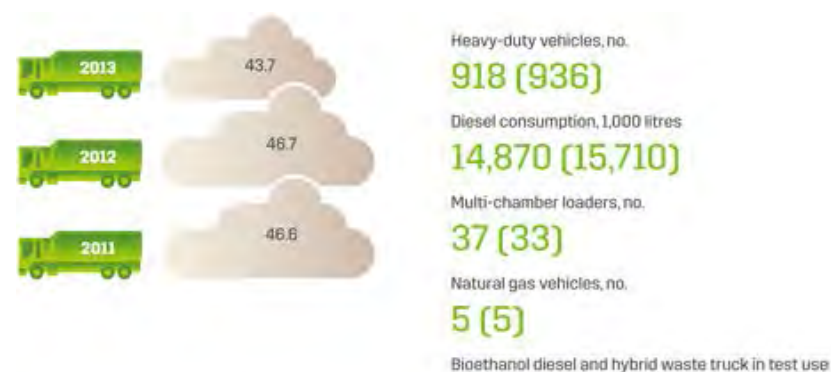
To support good property maintenance, we offer damage repair services with an on-call service available 24 hours a day.

HIGHER EFFICIENCY REDUCES EMISSIONS

The most significant direct environmental impacts of our operations are the emissions generated by collection and transport services. However, the negative effects of our transport operations only represent a few percentage points of the overall benefit gained from recycling and from the use of biofuels.

CO₂ EMISSIONS OF VEHICLE FLEET

(1,000 CO₂ equivalent tonnes)



Our goal is to reduce our own direct carbon dioxide emissions by five per cent from the 2012 level, in relation to the volume, by 2016.

Our direct greenhouse gas emissions in relation to the 2012 volume declined by 6.4 per cent due to a decrease in fuel and fuel oil consumption. That said, total direct emissions were only 0.2 per cent lower than in the previous year as a result of the emissions of the Uusikaupunki landfill, which L&T acquired at the end of 2012.

In 2013, we reduced diesel consumption by 842,000 litres (-5.4%). No major changes occurred in gasoline consumption, which amounted to 547,000 litres (2012: 554,000 l). Fuel oil consumption totalled 1.9 million litres, decreasing by 15 per cent compared with 2012 (2012: 2.3 million l).

Route and fleet optimisation

We currently use a reporting tool that provides us with information on the transported waste volumes and on the efficiency of our transport routes and vehicle use. This follow-up allows us to improve production efficiency and to optimise the right things. The reporting system covered 450 vehicles at the end of 2013.

Collection and transport route optimisation can significantly contribute to efficiency improvement and reduced fuel consumption. Over the past three years, we have optimised 1,250 routes, 500 of which in 2013.

We are taking steps to improve the driving styles of our heavy-duty vehicle drivers to achieve greater environmental friendliness. Personal driving style monitoring equipment has been installed in 350 heavy-duty vehicles.

In 2013, the equipment was also installed in our interchangeable platform fleet.

The personal driving style monitoring device enables us to analyse and constantly improve driving styles.

Many ways to reduce emissions

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 in Finland are equipped with EURO 5-standard engine.

Some of our diesel-powered waste trucks are equipped with two or four compartments, which allows them to collect several types of waste during one round.

We also keep testing different waste trucks equipped with state-of-the-art technology in order to reduce fuel consumption and environmental impacts. In the Greater Helsinki area, we operate natural gas powered trucks and one bioethanol-diesel vehicle, which is being tested in the RED95 project. Using waste-based ethanol-diesel helps to reduce particle emissions and fossil carbon dioxide emissions.

In Turku, southwest Finland, we are testing a hybrid waste truck, whose benefits include lower fuel consumption and silent operation.

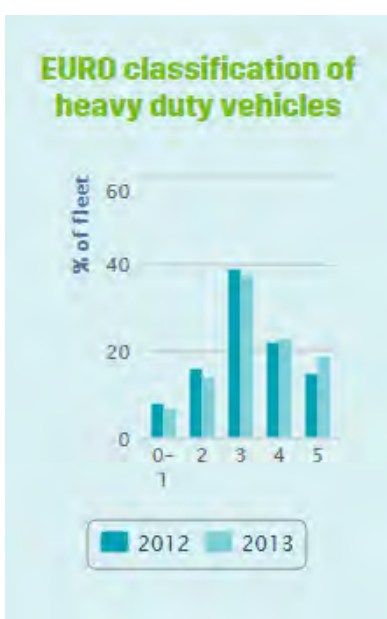
More advanced monitoring of property energy consumption

In 2013, we streamlined our network of business locations in order to reduce energy consumption and increase the capacity utilisation rate in our properties. This work will continue in 2014.

We have launched the process of connecting our business premises to the Kuopio energy control centre to enable better monitoring of energy consumption and cost reduction.

During 2013, we were able to reduce electricity consumption in our premises by two per cent from the previous year. Thanks to increased use of video and teleconferencing solutions, work-related travel decreased by another two per cent from 2012.

The environmental impacts of our head office are being monitored using the WWF's Green Office environmental system. In autumn 2013, we participated in the energy savings week campaign organised by Motiva.



ATTITUDE COUNTS, NOT DRIVING SKILLS

Robert “Roope” Ehrnsten was one of the participants in the economic and proactive driving style pilot project conducted in 2012. Today, the driving style tracking devices are used in 350 heavy-duty vehicles.



L&T has paid special attention to an economic and proactive driving style. Everyone benefits from traffic safety improvement, lower fuel consumption and lower emissions, and smaller vehicle maintenance costs.

Outperforming school achievements

Roope looks at the monthly report generated by the tracking system, and says it's a lot better than his school reports used to be. On a scale from four to ten, his driving style scores 9.3.

Although the report finds very few areas of improvement, Roope personally thinks you can always do better, if you want to. He plans to pay special attention to driving economy and lower fuel consumption.

“The report makes you think more about what you do. It's a good thing our supervisors also read these reports. To benefit most from the reports, drivers should discuss the results with their supervisors, address any development needs and take part in further training, if necessary,” he says.

A personal driving instructor

The driving style control system instructs drivers on how to drive safely and more economically. The sensor attached to the driving style control device senses changes in movement and speed, and makes notes on proactive and smooth driving style. The data collected is then filtered to produce driver-specific data, which is assessed using a driving style index.

It is easy for the driver to observe the system while driving, as the bars in the display change colour in response to changes in the driving style. Roope's goal is to stay in the green zone.

“Of course experienced drivers can learn new things, if they want to. It doesn't matter if you've been driving for 40 years. It's not just about driving skills, you also need to have the right attitude,” he stresses.

Reports help with planning

Each driver gets a report once a month. Those whose driving style needs adjustment will be instructed to attend a course in economical driving. The overall trend in driving styles is shown in the unit- and division-specific statistics posted on the bulletin board in the break room.

“Reporting helps units to plan both daily routines as well as operations in the longer term. Besides helping to maintain ideal driving route lengths, it also serves as a nation-wide planning tool for divisional management,” says transport equipment manager **Juha Tahvanainen**.

RESPONSIBILITY FOR THE ENVIRONMENT

The environment both poses risks and offers opportunities for L&T's business operations. The environmental risks involved in our operations concern soil and water contamination and emissions to the air. However, climate change presents us with greater opportunities than risks.



Preventing climate change is an opportunity

Improving material and energy efficiency is a key means of slowing down climate change.

We manage material flows and develop recovery solutions with our customers. With the right solutions, we can increase both the recycling and recovery rates. Finnish municipalities have a way to go before they reach the recycling target set for municipal waste. For this reason, demand for waste management and recycling services might grow.

Properties have a huge potential for energy savings. Our eco-maintenance technicians can help realise this potential in their everyday work.

Climate change increases extreme weather phenomena that cause damage to properties and the environment. L&T's damage repair and environmental damage services offer solutions for repairs and preventing additional damage.

Fewer risks than opportunities

The major risks related to L&T's business operations are a rise in the price of fuels and more common use of waste incineration.

Changes in fuel taxation might raise the prices of fossil fuels. This would significantly increase L&T's costs, as the company's annual fuel consumption is high – L&T has more than 900 heavy-duty vehicles in its fleet, not to mention other cars and motorised equipment.

If waste incineration were to become more affordable than recycling, people would recycle less actively, and L&T's business operations would suffer considerably.

Environmental risks and damages

The environmental risks involved in our operations concern waste transport, storage and processing. We seek to prevent environmental damage by means such as protective structures, measuring devices, inspections, guidelines and personnel training sessions.

No major environmental damages occurred in 2013. There were seven minor incidents, which were caused primarily by tank leaks and one fire. Minor environmental damage is caused by incidents that cause

changes in the environment but can, with immediate action, be contained and eliminated.

There were 26 smaller incidents, mainly consisting of minor oil or fuel leaks from vehicles or work machines, which did not have a material effect on the soil or water system.

In Turku, our waste treatment operations have resulted in some local complaints about unpleasant odour. The strong winds in the autumn spread some litter from the Uusikaupunki landfill site into the surroundings, but this was temporary and action to remedy the damage was taken immediately. Complaints have been handled together with the local residents and the authorities.

Costs of environmental protection

In 2013, L&T has extended the scope of its environmental protection investment and cost reporting from the previous year.

L&T's environmental protection investments and costs include costs associated with the management of emissions into the air, water and soil, and dealings with the authorities.

Environmental protection investments include those arising from the isolation of soil surface layers and water treatment.

Environmental costs include those arising from soil assessments, landscaping and covering landfills, environmental impact assessment, maintenance of the environmental system and certifications, environmental and environmental liability insurance, environmental condition monitoring and environmental permits and the follow-up obligations.

Furthermore, various research and development projects aiming to improve the condition of the environment have been accounted for as environmental costs.

In 2013, L&T's environmental protection costs amounted to almost EUR 0.55 million and its environmental protection investments to almost EUR 0.23 million.

Environmental protection costs do not include investments in measures to reduce the fuel consumption of 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 monitoring improvements.