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# THE CIRCULAR ECONOMY CREATES OPPORTUNITIES

In spite of the economic downturn, we achieved a good result in 2014. Our measures aimed at improving profitability, particularly in the area of managing fixed costs, and the improved operational efficiency of the supply chain, contributed to the positive development of our result. In addition, successes in the area of sales gave us a lift late in the year.

The weakness of the Finnish economy is likely to continue, and according to forecasts, there is no quick improvement on the way. This cannot help but reflect on L&T's business operations.

Due to the economic slowdown, Finnish industrial, retail and construction volumes are at a low level, which is reflected in lower waste volumes, reduced outsourcing and increased use of competitive bidding in service purchasing.

Faced with this challenging situation, we hold all the keys to success in our own hands: the strategy we have chosen will take us towards a sustainable recycling society and we are confident that our way of working, which saves materials, energy and costs, makes us the most desired partner for our customers.

## WHEN THE UPTURN COMES, WE WILL BE READY

We must work very hard to maintain our competitiveness and look after the profitability of our business operations. In addition to continuously improving profitability, we are focusing on strengthening our market position across all of our divisions. This ensures that we are well positioned when the economy takes a turn for the better. Going forward, we will invest even more in the development of our business operations, which is made possible by our strong balance sheet and cash flow.

We are still aiming for profitable growth, but the time horizon for achieving our growth targets has been extended somewhat and, in addition to organic growth, we will also seek growth through targeted acquisitions.

**There are four things we will not compromise on.  
Market position, cash flow, profitability, growth.**

Our Environmental Services division has done very well on this front for many years. Profitability has improved and, in the coming years, we can focus on increasing net sales and further strengthening our market position.

In Facility Services, we still need to work hard to be successful in a very challenging market environment. I believe that our ongoing extensive development efforts will bear fruit and strengthen our competitive position in the coming years.

The Industrial Services division has performed well, but competition is intense and many of our large customers are cutting costs, which leads to the increased use of competitive bidding for services. This puts pressure on us to achieve continued success in sales, service production and occupational safety.

## **SAFE AND HEALTHY AT WORK**

We are implementing our chosen strategy through concrete development programmes and projects. I am proud of the way our cleaning personnel have implemented electronic working hours recording systems in record time. I am also confident that the customer service improvement efforts we began in 2014 will improve customer satisfaction going forward.

Our consistent work to improve occupational safety has yielded positive results, but we need to improve further to achieve our ultimate goal of zero accidents. To this end, we have launched a new occupational safety development programme entitled Nollapeli ("Zero Accidents"). We invite all of our employees, customers and other partners to join us in playing for a clean sheet every day at work!

In work ability management, we want to continue to set an example for others, and our aim is to achieve a retirement age of 65 years. I believe that by continuing to implement our good practices, which is to develop our effective cooperation with pension providers and occupational health services, support the well-being of our personnel, and otherwise focus on proactive measures, we can achieve our goals, and more and more L&T employees will continue to work for longer and be able to retire healthy.

**The circular economy is coming. What does it mean?  
Waste is not created, with products used as raw materials for new  
products instead.**

## **TOWARDS A SUSTAINABLE CIRCULAR ECONOMY**

The significance of responsibility in business is constantly increasing, which raises the bar for our operations. Continuously improving responsibility and ensuring compliance are integral elements of our day-to-day work.

According to our extensive stakeholder survey, we are expected to be a leader in sustainable business. Together with our customers, we want to build a more sustainable society, one action at a time, and I am confident that there will be more and more demand for sustainable work in the future.

Over the coming decades, we will see a transformation to a circular economy in which waste becomes raw material and existing resources, such as properties and energy, are used more efficiently. The circular economy provides us with a direction for future growth and business development, and we want to be an important contributor to it.

**Pekka Ojanpää**

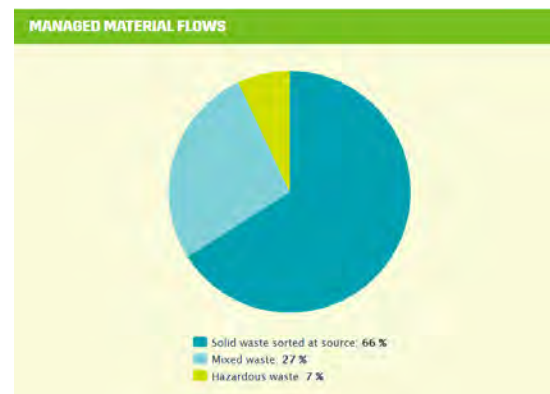
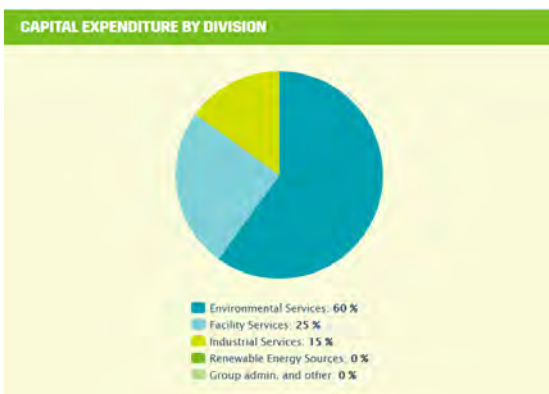
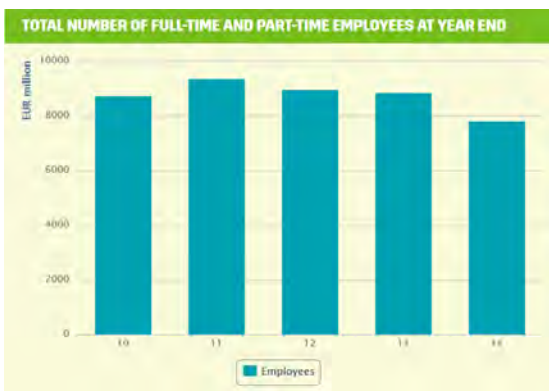
# KEY FIGURES

	2014	2013	2012
Net sales, EUR million	<b>639,7</b>	668,2	674,0
Operating profit, EUR million	<b>48,5</b>	33,2	48,4
Operating profit excluding non-recurring items, EUR million	<b>53,8</b>	51,8	47,4
Profit before tax, EUR million	<b>26,6</b>	30,3	43,0
Return on equity, % (ROE)	<b>8,7</b>	10,0	15,3
Return on invested capital, % (ROI)	<b>15,4</b>	10,6	14,4
Gearing, %	<b>25,2</b>	30,4	35,3
Equity ratio, %	<b>46,3</b>	43,7	49,4
Capital expenditure, EUR million	<b>44,7</b>	32,7	49,4
Total number of full-time and part-time employees at year end	<b>7 830</b>	8 847	8 962
Earnings per share, EUR (EPS)	<b>0,47</b>	0,57	0,89
Cash flows from operating activities/share, EUR	<b>2,06</b>	2,23	2,08
Capital repayment per share, EUR	<b>0,75 <sup>(1)</sup></b>	0,50	1,10 <sup>(2)</sup>

<sup>(1)</sup> Proposal by the Board

<sup>(2)</sup> Includes additional dividend of EUR 0.35 and additional capital repayment of EUR 0.15





# KEY EVENTS 2014

January

## Cooperation launched between Musti ja Mirri and L&T

Musti ja Mirri partnered with L&T to become the first company in Finland to collect aluminium, paper and plastic pet food bags for reutilisation. Customers can return used pet food bags to Musti ja Mirri shops in southwestern Finland.



February



## We strengthened our position as a paper collector in the Helsinki metropolitan area

L&T acquired Paperitiikerit Oy, a company operating in the Helsinki metropolitan area. "Combining Paperitiikerit's expertise with L&T's diverse offering of environmental services allows us to significantly strengthen our position in paper and cardboard collecting," says Petri Salermo, Vice President, Environmental Services at L&T.

March

## L&T opens processing centre for damaged property in Vantaa

Our newly opened damage repair service centre in Vantaa processes and stores movable property that has suffered fire or water damage. The scope of these operations is unique on the Finnish scale. The centre allows L&T to offer a comprehensive solution to its customers in the event of various damages, ranging from the prevention of subsequent damage to residential renovation and the storage of movable property during renovation.





April

### L&T's cleaning and support services awarded quality, environmental and occupational safety certificates

The certification company DNV certification awarded L&T's cleaning and support services quality (ISO 9001), environmental (ISO 14001) and occupational health and safety (OHSAS 18001) certificates. The certified management system ensures uniform operating methods at all L&T units across Finland. L&T's multi-point certification previously covered the units of its Environmental Services and Industrial Services divisions.



May

### Accident frequency cut by half

Over the past two years, L&T has been able to cut its accident frequency by half. This accomplishment was recognised in May by an occupational safety classification awarded by the Zero Accident Forum. Accident frequency declined from 35 in 2011 to 17 in 2013.



June

### Launch of Lassi, a new online magazine

L&T's new online magazine "Lassi" was launched as part of L&T's website. The aim of the magazine is to offer our partners information, advice, experiences and ideas to help them be more successful in their work.



July

### **L&T co-signs a call for the circular economy to be included as one of the key objective of the next Government Programme**

The Association of Finnish Environmental Industries and Services, YTP, assembled a coalition comprised of non-profit organisations, businesses and public sector operators in the spring to generate ideas on promoting a recycling society. At the SuomiAreena event, the coalition announced its theses concerning the circular economy, including a call for the circular economy to be highlighted as a key objective of the next Government Programme. L&T was one of the signatories of the declaration.



August



### **L&T's recycled plastic turned into a sculpture at Flow Festival**

The young artist Landys Roimola created Goo, a large sculpture displayed at Flow Festival. The sculpture consisted of pieces that served as seats and were sold after the festival. The sculpture was made from recycled plastic donated by L&T.

September



### **L&T acquires Kiinteistöhuolto Rytönen**

L&T has acquired the business of waste and environmental management provider Kiinteistöhuolto Rytönen Oy. The company is a market leader in the Upper Savonia area. The transaction sees L&T's operations expand to a new market.

### **L&T provides Facility Services for Itella**

Itella concentrated its facility services to L&T, comprising all cleaning, property maintenance, maintenance of technical systems and waste management services. L&T's comprehensive service solution includes the production, management and development of all of the above services.



October

### **L&T recognised by CDP as a leader in climate disclosure**

L&T was recognised for its transparent disclosure of climate change information to investors and the global marketplace by CDP, an international NGO that drives sustainable economies. L&T's status was awarded with a position on the Nordic Carbon Disclosure Leadership Index (CDLI).



November



### **Partnership with OP-Pohjola expanded**

L&T produces a comprehensive service offering for OP-Pohjola's properties comprised of property maintenance, technical systems, cleaning and support services. The aim is to create comfortable and safe working conditions without compromising on cost efficiency and energy efficiency. L&T has

produced cleaning and waste management services for the OP-Pohjola Group for several years.

**We expanded our business operations to the recycling and material recycling of pallets**

L&T acquired the business operations of J A Tauriainen Oy, a company specialising in the recycling and material recycling of pallets. The acquisition makes L&T one of the largest operators in the field in Finland. "The new business area complements the comprehensive services we offer to our commercial, industrial and logistics customers," says **Petri Salermo**, Vice President, Environmental Services at L&T.



# STRATEGY IMPLEMENTATION 2014

In 2014, L&T updated its strategy for the period 2014–2018. The update is a clear continuation of the strategy announced in 2012, which involved an extensive restructuring of operations and a redefinition of the focus areas in business operations as well as financial targets.



The update of the strategy kept the big picture unchanged, but certain revisions were made based on changes observed in our business environment.

## **FROM A CONSUMER SOCIETY TO A RECYCLING SOCIETY AND ULTIMATELY TO A CIRCULAR ECONOMY**

The key theme of L&T's strategy remains that we want to work with our customers to transform our consumer society into a recycling society. We do this by creating material, energy and cost efficiency for our customers. A new element in the strategy is that we now look further into the future and see the recycling society as only an interim phase in the move towards a circular economy.

## **SHORT-TERM FOCUS ON STRENGTHENING THE MARKET POSITION**

Our financial targets remain unchanged, but the time horizon for achieving the growth targets

has been extended somewhat and, in addition to organic growth, we will also seek growth through targeted acquisitions.

In the short term, our focus is on strengthening our market position and further improving our profitability. In the longer term, our goal is to create profitable growth for our customers as well as ourselves.

**There are a million mines in Finland.  
The sign on their doors says “waste collection room”.**

## **STRATEGY IMPLEMENTED THROUGH DEVELOPMENT PROGRAMMES AND PROJECTS**

Our strategic key priorities and the related multi-year programmes and projects play a significant role in the implementation of strategy. In 2014, we moved forward with our strategic programmes as planned.

### **Development of customer service**

- The programme is aimed at achieving a better customer experience, cost efficiency and additional sales.
- These goals can be achieved by harmonising operating methods, increasing automation and centralising services and functions.
- In 2014, we implemented a uniform operating model for our customer service functions and centralised operations from over 20 locations to three locations. We also revised online service forms provided for our customers and introduced national customer service telephone numbers.

### **Workforce management**

- The programme is aimed at ensuring that the use of our human resources is as efficient as possible, and that our customers have the right amount of competent people available to them, in the right place at the right time.
- In 2014, we completed sub-projects on digital working hours recording systems for cleaning and support services and salaried employees, and a working hours management project in waste management. These projects facilitated the implementation of electronic working hours monitoring to some 5,000 L&T employees. Also during the year, new workforce management projects were launched in areas such as improving work shift planning in property maintenance and increasing flexibility in the use of the workforce.

## Leadership development

- The aims of the programme are to expedite the implementation of strategy, strengthen supervisory skills and harmonise management practices. Going forward, we want to be the industry leader in managing people and the customer experience.
- In 2014, we continued our extensive supervisor coaching programme, which involved all L&T supervisors participating in at least six training days in 2013–2014. We also launched a sales coaching programme that was completed by all L&T sales personnel.

## Enterprise resource planning in Facility Services

- The aim of the programme is to create a consistent operating model for service production in Facility Services, and to implement systems solutions that support this model. In 2014, we defined our uniform operating model and created specifications to support the implementation of an enterprise resource planning system.

## HOW A SMARTPHONE HELPS A CLEANER DURING THE WORKDAY

When **Ilona Syrjälä** arrives at her workplace at six in the morning, she first takes out the latest tool of her trade: a smartphone. She places the phone up against an identifier device on the wall at the customer's premises.

"At first, I was worried I would forget to touch my phone against the identifier device, but it quickly became routine. Besides, the identifier device is always in the cleaning closet at eye level, so it's hard to miss," Ilona says.

Along with almost 4,000 other L&T cleaners, Ilona has used a smartphone to record working hours since 2013. There is no longer a need to fill out paper forms to record working hours. Instead, all the information is transmitted to the payroll department automatically. This reduces errors and speeds up the flow of information.

Ilona has noticed that SIMO makes it easier for her to keep track of her working hours: "Now it's very easy to check how many hours I've put in. In the past, that information would go to payroll with the paper form and I would not have access to it unless I made a copy for myself before submitting it."

# L&T'S KEY CUSTOMER BENEFIT: LESS. LESS WASTE, LESS CONSUMPTION, LESS COST.

Together with our customers, we reduce waste volumes and extend the useful lives of properties. We recover materials and decrease the use of raw materials and energy. We help our customers to focus on their core business and to protect the environment.

For our customers, this means improved material, energy and cost efficiency.







APPROPRIATE RECEPTACLES

ENVIRONMENTAL MANAGEMENT AND REPORTING



RECYCLING PLANTS AND RECYCLED RAW MATERIALS

**CUSTOMER BENEFIT**

INCREASING THE WASTE RECYCLING RATE TO **OVER 50%**

AND THE RECOVERY RATE TO **AS MUCH AS 100%**



RECYCLING TARGETS ARE MET, WASTE MANAGEMENT AND RAW MATERIAL COSTS DECLINE, THE ENVIRONMENT AND CLIMATE BENEFIT\*\*

\* SOURCE: WASTE STATISTICS 2013, [HTTP://WWW.STAT.FI/TIL/JATE/2013/-JATE\\_2013\\_2014-11-27\\_FI.PDF](http://www.stat.fi/til/jate/2013/-jate_2013_2014-11-27_fi.pdf): ONE THIRD OF ALL WASTE IS RECY-

\*\* THE RECYCLING RATE OF MATERIALS MANAGED BY LST IS 53%.

CLED.NATIONAL WASTE PLAN, HTTP://WWW.YM.FI/FI-FI/YMPARIS-  
TO/JATTEET/VALTAKUNNALLINEN\_JATESUUNNITELMA: THE RECY-  
CLING TARGET FOR 2016 IS 50%.  
WASTE STATISTICS 2005, HTTP://WWW.STAT.FI/TIL/JATE/2005/IN-  
DEX.HTML: THE RECYCLING RATE HAS REMAINED ALMOST  
UNCHANGED FOR NEARLY TEN YEARS.

## THE CHALLENGE 2

### PROPERTIES ARE MANAGED BLINDLY



FINLAND'S BUILDINGS HAVE  
POTENTIAL FOR A REDUCTION IN ENERGY  
**CONSUMPTION**  
THAT IS EQUAL TO ONE, IF NOT TWO,  
NUCLEAR POWER PLANTS.\*



**L&T'S ANSWER**  
TO THE PROBLEM IS

# COMBINING OBSERVATIONS AND KNOWLEDGE

JANITORS'  
OBSERVATIONS



**ENERGY**  
MANAGEMENT CENTRE  
AND REPORTING

**OBSERVATIONS  
AND ACTIONS**



**SPATIAL  
DESIGN**

**CUSTOMER BENEFIT**

THE BUILDING'S  
**ENERGY**  
CONSUMPTION  
CAN DECLINE BY

AS MUCH AS

**30%**

AND THE PROPERTY  
VALUE CAN INCREASE BY

AS MUCH AS

**10%**

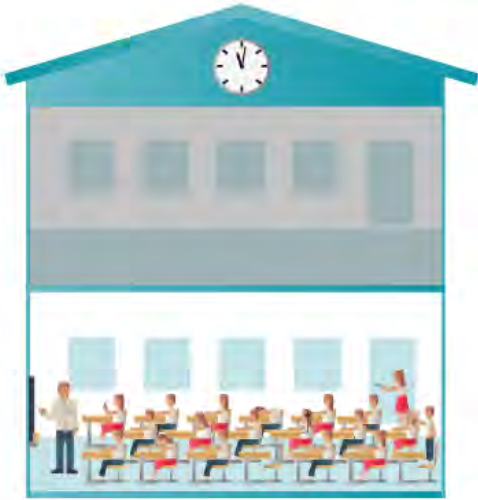


EFFECTIVELY FUNCTIONING  
**EQUIPMENT**  
PRODUCES OPTIMAL  
CONDITIONS, EFFICIENT  
USE OF SPACE, AND LOWER  
ENERGY COSTS.\*\*

\* SOURCE:  
ERA 17 FOR AN ENERGY-SMART BUILT ENVIRONMENT 2017,  
ERA17.FI: THE END CONSUMPTION OF ENERGY IN FINLAND  
WAS 307 TWH IN 2007, BUILDING'S ACCOUNT FOR OVER 40%  
OF THE END CONSUMPTION OF ENERGY AND HAVE A  
REDUCTION POTENTIAL OF 30%. TVO ANNUAL REPORT 2012,  
WWW.TVO.FI/OLJJAOL2: THE PRODUCTION CAPACITY OF ONE  
NUCLEAR POWER PLANT IS APPROXIMATELY 7 TWH.

\*\* ONE L&T INDUSTRIAL CUSTOMER SAW DISTRICT HEATING  
CONSUMPTION FALL BY 37% AND ELECTRICITY  
CONSUMPTION BY 20% IN ONE YEAR.

**THE CHALLENGE 3**  
TAX REVENUE IS SPENT ON THE  
WRONG THINGS



NEARLY HALF OF THE FUNDS AT MUNICIPALITIES' DISPOSAL IS SPENT ON PURPOSES OTHER THAN **BASIC SERVICE** PRODUCTION, INCLUDING PROPERTY MAINTENANCE AND MANAGEMENT.\*

**L&T'S ANSWER**  
TO THE PROBLEM IS

**OUTSOURCING**  
**SUPPORT SERVICES TO A**  
**PROFESSIONAL PROVIDER**

**RIGHT**  
SERVICE LEVEL  
AND RESOURCES



**MAINTAINING**  
**COMPETENCE**  
AND SMOOTH SUBSTITUTE  
ARRANGEMENTS

**MONITORING**  
AND REPORTING



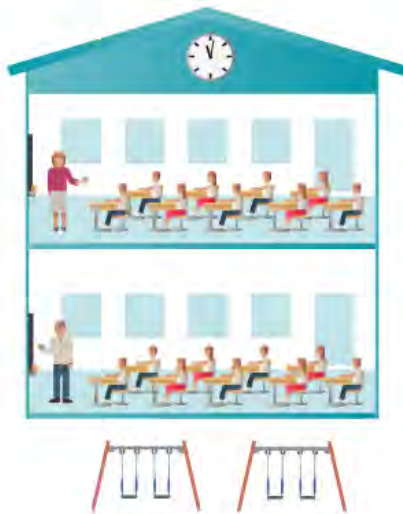
## ARRANGEMENTS

### CUSTOMER BENEFIT

**CUTTING  
SUPPORT SERVICE  
COSTS BY**

**AS MUCH AS**

**20%**



MUNICIPALITIES CAN  
**BETTER  
PERFORM**  
THEIR BASIC TASKS,  
RESIDENTS RECEIVE MORE  
IN EXCHANGE FOR  
THEIR TAX EUROS,  
AND SUPPORT SERVICES  
ARE IN LINE WITH NEEDS.\*\*

\* SOURCE:  
THE FINNISH NATIONAL BOARD OF EDUCATION: STATISTICAL  
YEARBOOK ON EDUCATION 2014, [HTTP://WWW-  
W.OPH.FI/DOWNLOAD/163331\\_KOULUTUKSEN\\_TILASTOL-  
LINEN\\_VUOSIKIRJA\\_2014.PDF](http://www.w.opi.fi/download/163331_koulutuksen_tilastolinien_vuosikirja_2014.pdf). THE COSTS OF TEACHING  
ACCOUNT FOR APPROXIMATELY 58 PER CENT OF THE  
OVERALL COST OF BASIC EDUCATION PER STUDENT. COSTS  
VARY GREATLY BETWEEN MUNICIPALITIES.

\*\* CALCULATIONS PRODUCED BY LST IN COOPERATION  
WITH ITS CUSTOMERS INDICATE THAT THE DIFFERENCE  
BETWEEN THE INITIAL SITUATION AND THE  
RESTRUCTURED SERVICES CAN TRANSLATE TO AS  
MUCH AS 20% IN SAVINGS. THE RESULTS VARY BY  
MUNICIPALITY.

# TARGETED ACQUISITIONS SUPPORTED GROWTH AND STRENGTHENED THE POSITION IN THE ENVIRONMENTAL MANAGEMENT VALUE CHAIN

In 2014, the net sales of Environmental Services decreased by 1.3 per cent to EUR 254.5 million (EUR 257.9 million). Operating profit amounted to EUR 37.3 million (EUR 30.1 million). Operating profit excluding non-recurring items was EUR 35.9 million (EUR 35.1 million).



## KEY ACTIONS AND ACHIEVEMENTS IN ENVIRONMENTAL SERVICES IN 2014

- Comparable net sales increased by 1.5 per cent\* and we strengthened our market position in spite of the challenging business environment.
- We made four targeted acquisitions to strengthen our market position. The acquisitions extended the geographical scope of our operations and service offering in the various stages of the environmental management value chain.
- Profitability developed favourably due to improved operational efficiency.

\**) The net sales of 2014 includes EUR 2.1 million (EUR 12.2 million) from the Latvian business operations that were divested on 13 March 2014.*



## SORTING IMPROVES EFFICIENCY AT CONSTRUCTION SITES

Skanska's apartment building construction site in Helsinki's Arabianranta district is a typical new residential development. Various types of construction waste are generated in different project stages, but when materials such as wood, plastic, cardboard, gypsum plate, concrete and bricks are sorted into dedicated containers right away, the construction site remains tidy and work progresses smoothly.

"Our target is to have 85 per cent of our construction site waste recovered. At present, we are at 65 per cent in Finland," says **Kaisa Kekki**, Skanska's Sustainability Manager.

"Optimally, landfill disposal is only used for about one per cent of the total volume, for materials that cannot currently be recovered and reutilised," Kekki adds.

# FOCUS ON OPERATIONAL EFFICIENCY AND STRENGTHENING THE MARKET POSITION

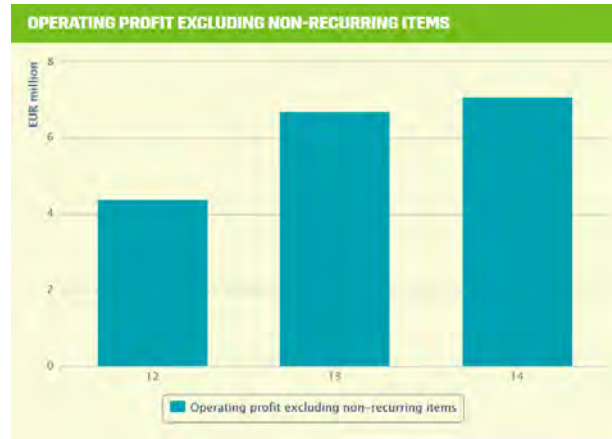
In 2014, the net sales of Industrial Services increased by 3.0 per cent to EUR 77.8 million (EUR 75.5 million). Operating profit amounted to EUR 6.5 million (EUR 5.2 million). Operating profit excluding non-recurring items was EUR 7.1 million (EUR 6.7 million).



## KEY ACTIONS AND ACHIEVEMENTS IN INDUSTRIAL SERVICES IN 2014

- We achieved solid growth and strengthened our market position in spite of the challenging business environment.
- The division's profitability increased due to efficiency improvement measures and higher volume.
- In line with our strategy, we expanded our operations among large industrial customers, such as in the forest industry.
- Customer satisfaction developed favourably during the year.





## SAVING FINLAND'S BRIDGES

It is a familiar sight on Finnish roads: a bridge is covered by tarps or barricaded, traffic is routed to a single lane and the deck of the bridge is full of men in bright safety vests, operating heavy machinery.

L&T performs hydrodemolition at bridge repair sites to chip away old and weakened concrete and create the surface for a new pour. The infrastructure and construction service company Destia is a significant partner for L&T.

Destia's Southern Finland unit renovates some twenty bridges per year. Finland's roads and bridges are in need of major repairs. However, road budgets are being reduced and the maintenance backlog is growing.

"These days, repairs are only approved for bridges that absolutely must be repaired. Some bridges are used up to such an extent that repairing them no longer makes sense. Instead, they will need to be replaced entirely in the near future," says **Jarmo Silvander**, supervisor at Destia's Southern Finland unit.

If repairs are started early enough, the useful life of a bridge can be extended by decades at a fraction of the cost of a new bridge.

# FOCUS ON IMPROVING OPERATIONAL EFFICIENCY

In 2014, the net sales of Facility Services declined by 6.1 per cent to EUR 274.7 million (EUR 292.5 million). Operating profit amounted to EUR 10.6 million (EUR 4.4 million). Operating profit excluding non-recurring items was EUR 11.7 million (EUR 11.9 million).



## KEY ACTIONS AND ACHIEVEMENTS IN FACILITY SERVICES IN 2014

- The division carried out significant restructuring to adapt its operations to the market situation.
- We took important steps forward in the provision of broader service solutions by signing significant comprehensive service agreements with customers including Itella and OP-Pohjola.
- As part of the enterprise resource planning programme in Facility Services, we defined our uniform operating model and created specifications to support the implementation of an enterprise resource planning system.
- In cleaning operations, we implemented electronic working hours recording, which will improve the division's operational efficiency going forward.
- Occupational safety continued to show a positive trend. Accident frequency declined to 19 (20).



## A SMOOTH START AT MTV

During the past year, L&T built a common management system for all of its cleaning and support services. The project team identified the best practices used by different units and developed new practices where necessary.

To mark this significant change, L&T applied for quality certification, environmental certification as well as occupational health and safety certification for the management system.

L&T began providing cleaning and support services at the media company MTV's business premises in compliance with a recently certified management system at the beginning of May.

"We wanted to work with a company that has a high degree of environmental awareness and the ability to help us develop our operations," says **Heli Kunnas**, Property Manager at MTV.

MTV plans to reduce its environmental load with the help of L&T's Nordic Ecolabelled cleaning services. The cleaners use ecolabelled equipment and cleaning agents and contribute to the sorting of waste.

# INCREASED PROFITABILITY THROUGH IMPROVEMENTS IN OPERATIONAL EFFICIENCY

In 2014, the net sales of Renewable Energy Sources declined by 23.8 per cent to EUR 44.2 million (EUR 58.0 million). Operating profit amounted to EUR 1.6 million (EUR 1.4 million). Operating profit excluding non-recurring items was EUR 1.4 million (EUR 1.1 million).



## KEY ACTIONS AND ACHIEVEMENTS IN RENEWABLE ENERGY SOURCES IN 2014

- In line with strategy, the division's profitability was increased after less profitable business operations were discontinued and operational efficiency was improved.
- We have focused our operations and procurement organisation on regions that offer promising long-term growth potential for forest energy.
- One of the focus areas of the strategy was to reduce capital tied up in business operations, which was achieved through inventory management and prepayments.



## 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.

## WE WORK SUSTAINABLY

A responsible way of working is an integral part of our business and day-to-day work. Responsibility is an essential aspect of our strategy of being involved in the transformation of our current consumer society into an efficient recycling society, which will create the conditions for evolving into a circular economy.





In 2014, we updated our Corporate Responsibility Programme for the period 2014–2018. The Corporate Responsibility Programme describes the key objectives related to responsibility as well as major achievements and actions in 2014. The programme is built around the expectations of our key stakeholders, and we have taken into account the particular nature of the business operations and operating environment of a company that is both a service company and an environmental company. The programme is updated annually and the steering group of corporate responsibility monitors its implementation on a regular basis. We report on the progress of the programme every year as part of our Annual Report.

**One positive consequence of responsibility is that customers will come back for repeat business.**

The key revisions to the Corporate Responsibility Programme are related to changes in our reputation and stakeholder relations work, and setting even more ambitious environmental targets. The new programme also takes requirements set for the supply chain into account in more detail. In the area of personnel, the focus remains on successfully implementing programmes related to work ability and occupational safety.

To implement the different components of the Corporate Responsibility Programme, we have launched 14 projects with goals including the development of a responsible supply chain, occupational safety, internal environmental expertise, the energy efficiency of properties, and the reduction of emissions. The progress of the projects is monitored by the corporate responsibility steering group.

More specific descriptions of the content and key results of the Corporate Responsibility Programme are provided in the dedicated sections on each of its components.

Goal		Targets 2014–2018	Results 2014	Key measures in 2014
<b>Responsible business operations and services</b> 	A profitable company	Financial targets of the strategy period	Key figures	Implementation of strategy
	Code of Conduct	Implementing and complying with the Code of Conduct Transparent tax footprint reporting	In Finland, 300 training events organised for employees, implementation progressed in Sweden and Russia Financial added value to stakeholders and tax footprint	Code of Conduct Responsible business operations and services Financial added value to stakeholders and tax footprint
	Business solutions and expert services that promote the customer's responsibility	Focus on the development of expert services and customer-specific material and energy efficiency improvement projects	Environmental management services organised into a separate business unit Customer-specific material and energy efficiency improvement projects	Responsible business operations and services
<b>Environmental responsibility</b> 	Recycling and material recovery	Waste recovery rate of own plants 98% Recovery rate of waste managed by L&T 95% Increasing the recycling rate to 55%	Waste recovery rate of own plants 98% Recovery rate of waste managed by L&T 90% Recycling rate of waste managed by L&T 51%	Recycling and material recovery
	Reducing emissions and energy consumption	Reducing our own direct CO <sub>2</sub> emissions by 10% compared to the level and volume of 2012	Own direct CO <sub>2</sub> emissions decreased by 4.5% compared to 2012	Decreasing emissions and energy consumption
	Responsibility of own operations	No major environmental	No major environmental damage or infractions Certified environmental	Responsibility of our own

	and regulatory compliance	damage or infractions	systems cover 73% of net sales	operations
<b>Responsibility for personnel</b> 	Work ability management, L&T Finland	Sickness-related absence rate 5% Average retirement age: 63 years (long-term target: 65 years)	Sickness-related absence rate 5.3% Average retirement age 63.1 years	Measures under the Sirius work ability management programme Work ability management
	Occupational safety, L&T Finland	Accident frequency under 10 in 2018	Accident frequency in Finland 18	Occupational safety
	Employee satisfaction	Meininki employee satisfaction survey in two-year intervals At least 80% of personnel are prepared to recommend L&T as an employer	The next Meininki employee satisfaction survey will be conducted in 2015, the survey was not conducted in 2014	Responsibility for personnel
<b>Responsible supply chain</b> 	L&T's responsibility requirements cover the entire supply chain	Prevention of grey economy, no infractions along the supply chain	95% of subcontractors registered with the monitoring system for the contractor's liability	Responsible procurement and partnerships
		Comprehensive supplier assessments Process development and the scope of measures	Responsible procurement and subcontracting	Responsible procurement and partnerships
		Environmentally friendly production equipment: developments in Euro classification of heavy-duty vehicles, implementing a new emissions limit for company cars and production cars of 120g/km, increasing the share of eco-labelled cleaning agents to 70%	Reducing emissions and energy consumption We reduced the CO <sub>2</sub> emission limit on the cars we use from 135 to 120(g/km) Share of Ecolabelled cleaning agents 62% (2013: 58%)	Decreasing emissions and energy consumption Responsible procurement and partnerships



<p><b>Active stakeholder relations</b></p> 	<p>Increasing the trust of key stakeholders</p>	<p>Regular stakeholder support measurements for specified stakeholders</p> <p>Transparent reporting of measures and projects</p>	<p>Stakeholder survey and stakeholder-specific action plans</p>	<p>Stakeholder relations</p>
		<p>Regular Net Promoter Score (NPS) measurements</p> <p>Transparent reporting of measures and projects</p>	<p>We conducted two extensive Net Promoter Score (NPS) surveys</p>	<p>Customers</p> <p>Stakeholder relations</p>

# WE PROMOTE OUR CUSTOMERS' RESPONSIBILITY

As a listed company, we have a duty to be a profitable investment for our shareholders, but it is equally important for us to be a responsible taxpayer and employer. Our stakeholders expect us to operate responsibly, and the services we produce play a key role in ensuring our customers' responsibility.



## CODE OF CONDUCT BECOMING FAMILIAR

As a leader in our industry, we must do everything we can to ensure responsibility and compliance in our own business operations. We continuously develop our risk management and ensure that all of our personnel are familiar with our Code of Conduct and the channels for reporting infractions against it.

In 2014, the implementation of our responsible business principles, or Code of Conduct, progressed systematically in all of our operating countries.

## EXPANDED CERTIFICATION

L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. In 2014, certified operations accounted for 73 per cent of the

net sales of L&T's services. In 2014, certification was extended to cover cleaning and support services in addition to the previously certified Environmental and Industrial services.

## **EXPERT SERVICES IN RESPONSE TO GROWING CUSTOMER DEMANDS**

L&T's services play a significant role in ensuring the environmental responsibility of our customers. Through our services, we can contribute to our customers' material and energy efficiency, thereby reducing their environmental and climate impacts. We also assist our customers with environmental reporting, energy consumption monitoring and the optimisation of property use.

**When people get used to perceiving responsibility and compliance as the hallmarks of our operations, three things will improve: L&T's reputation, customer satisfaction, and the state of our planet**

In order to respond to our customers' growing needs even better, we decided to separate our expert services in the areas of environmental management and facility services into their own business units in conjunction with updating our strategy in 2014.

- Environmental management refers to our expert services that help customers measure, forecast and minimise the environmental impacts and costs arising from their operations, and to manage their environmental responsibility.
- Our experts in facility services help our customers maintain the value of their properties and premises while keeping maintenance costs and conditions at optimal and appropriate levels.

## CREATING LOCAL WELL-BEING

L&T is among the most significant employers in its operating locations. The wages and taxes we pay, as well as the goods and services we buy, have a substantial impact on municipal finances and other businesses in each economic area.



### **DISTRIBUTION OF FINANCIAL ADDED VALUE**

The most important direct flows of money from our operations consist of customers' service fees, salaries, bonuses and social security costs, taxes, purchases of goods and services, compensation to financiers and shareholders, and investments.



**DISTRIBUTION OF FINANCIAL  
ADDED VALUE  
( EUR MILLION )**



**CUSTOMERS  
INCOME**  
**646.7**  
(672.5)



**SUPPLIERS  
PURCHASED  
GOODS, MATERIALS  
AND SERVICES**  
**-283.0**  
(-312.9)

**ADDED VALUE**

**363.6**  
(359.6)

**DISTRIBUTION OF  
ADDED VALUE  
( EUR MILLION )**



**SHAREHOLDERS  
DIVIDENDS AND  
CAPITAL  
REPAYMENTS**  
**-19.4**  
(-44.2)



**EMPLOYEES  
SALARIES, BONUSES  
AND SOCIAL  
SECURITY COSTS**  
**-254.8**  
(-278.6)



**CREDITORS  
NET FINANCIAL  
REVENUE AND COST**  
**-18.9**  
(-17)

**PUBLIC SECTOR  
INCOME TAXES**  
**-9.1**  
(-9.3)



**TO BUSINESS  
DEVELOPMENT**

**61.5**  
(25.9)

## L&T'S TAX FOOTPRINT

Transparent tax footprint reporting is a key element of L&T's responsibility. L&T first published its tax footprint calculation in 2013.

Taxes and tax-related costs, EUR million	Finland		Other business countries		Total	
	2014	2013	2014	2013	2014	2013
Income taxes/corporate taxes	8,9	12,3	0,4	0,8	9,3	13,1
Withholding taxes on salaries and forest taxes, and tax-at-source	46,7	46,3	3,6	5,6	50,4	51,9
Social security contributions	4,3	4,0	5,3	8,2*	9,6	12,2
Production taxes **	1,3	1,4	0,3	2,0	1,6	3,4
Value added tax (tax on consumption)	76,1	78,4	5,8	8,6	81,9	87,1
Property taxes	0,4	0,3	0,1	0,2	0,5	0,5
Insurance taxes	0,6	0,8	0,0	0,0	0,6	0,8
<b>Total</b>	<b>138,3</b>	<b>143,6</b>	<b>15,5</b>	<b>25,3</b>	<b>153,9</b>	<b>168,9</b>

\* Social security contributions in Sweden, EUR 5.9 million, which were not included in 2013, have been added to the figure.

\*\* Taxes linked to production include, among others, waste taxes remitted by the company itself

The tax footprint refers to the tax revenue and tax-like payments accrued by society from a company's business operations. In addition to direct and indirect taxes, L&T's tax footprint reporting includes withholding taxes on salaries, as well as social security contributions.

L&T complies with local legislation in the payment, collection, accounting and reporting of taxes. A key factor in L&T's tax management is high-quality and timely submission of tax forms and ensuring that other statutory requirements are met.

The tax footprint summary includes taxes and tax-like payments for which L&T is responsible for paying or collecting the tax or payment in question. However, taxes included in the purchase price of a product or service, and for which L&T has no statutory reporting obligation, are not included in the tax footprint summary data.

Relevant taxes and payments are classified by type in this report. Figures for Finland are reported separately and other countries collectively.

Lassila & Tikanoja plc has no subsidiaries in tax havens.

# CODE OF CONDUCT BECOMES PART OF DAY-TO-DAY WORK AT L&T

Our responsible business principles and ethical guidelines are described in L&T's Code Of Conduct. In Finland, all salaried employees received training on the application of the Code of Conduct in 2013, and in 2014 all L&T employees in Finland were invited to team-specific discussions on the practical application of the Code of Conduct, led by supervisors with the help of an interactive online course. More than 300 team-specific discussions were held around the country.

In 2015, the Code of Conduct will again be discussed; for example, as part of an extensive supervisor training programme.

## IMPLEMENTATION MOVES TO SWEDEN AND RUSSIA

In Sweden and Russia, the implementation of the Code of Conduct started with salaried employees, who were all familiarised with the Code of Conduct and its practical application by the end of the year. In Russia, all employees were also invited to unit-specific implementation events in the latter part of the year. In Sweden, approximately 20 per cent of the employees had been familiarised with the Code of Conduct by the end of the year. The rest will receive the training in the first quarter of 2015.

## ACTIONS CONTRARY TO INSTRUCTIONS MUST BE REPORTED

Breaches of the Code of Conduct are primarily reported to the immediate supervisor. We have also implemented a separate feedback channel for employees to report incidents of suspected infractions against the Code of Conduct confidentially by telephone or e-mail. The reports are processed by L&T's internal auditor, who investigates the necessary background information, interviews the persons involved and informs the management of the matter. The management then decides on further action.

In 2014, a total of 10 reports were submitted using the reporting channel. In addition, there were some reports of actions in breach of the Code of Conduct submitted by e-mail or telephone directly to the internal auditor. All of the reports were investigated, and approximately half of them led to further measures. The measures ranged from a warning to the termination of employment. In some cases, the reports led to changes to existing processes.

# TOWARDS A CIRCULAR ECONOMY

Increasing recycling and moving towards a circular economy are prerequisites for Finland's future success in a world that will struggle with resource shortages.



The goal of a circular economy is to minimise the amount of waste produced to zero. Recycling, reuse and remanufacturing are taken into account already at the design stage of products. The change is not driven by environmental regulation, but by the scarcity and increased price of virgin materials.

Recycling can create jobs, innovations and business that will secure not only the foundation of our well-being society, but also the availability of natural resources for future generations.

## REVISED ENVIRONMENTAL RESPONSIBILITY TARGETS

We have revised our environmental responsibility targets for the strategy period 2014–2018.

Our material efficiency targets for 2018 are:

- increasing the material efficiency of our plants to 98 per cent,
- increasing the recovery rate of waste managed by L&T to 95 per cent, and
- Increasing the recycling rate of waste managed by L&T to 55 per cent.



L&T is already utilising nearly all of the waste it manages, but going forward, we will also report separately on the development of our recycling rate. The new recycling rate target promotes the implementation of the order of priority in waste management. By improving the sorting of waste at the source by our customers and enhancing our own processes, we will aim to have an even larger share of our customers' waste recycled or reused.

A further target is:

- reducing CO<sub>2</sub> emissions by 10 per cent from the level of 2012
- operating in a way that avoids serious environmental damage.

## **CERTIFIED AND RECOGNISED REPORTING**

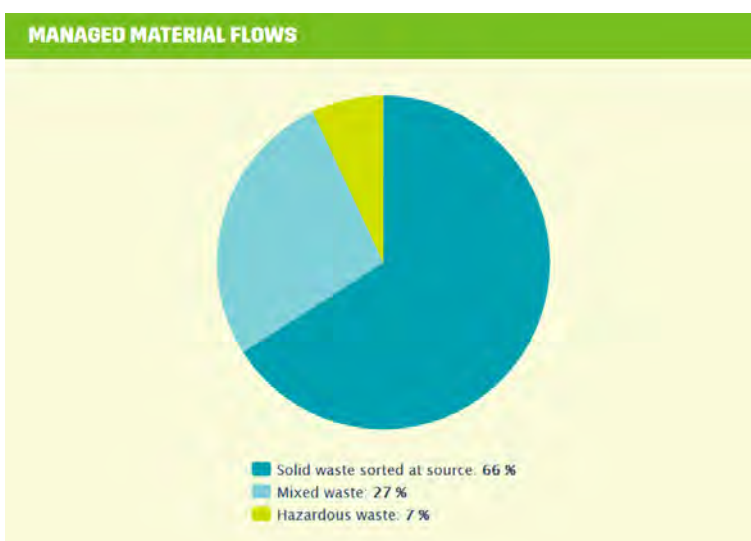
L&T has been recognised for its transparent disclosure of climate change information to investors and the global marketplace by CDP, an international NGO that drives sustainable economies. L&T's status was awarded with a position on the Nordic Carbon Disclosure Leadership Index. L&T achieved a score of 95 B (2013: 90 C) in CDP's independent assessment of its climate change data, with the maximum score being 100.

In 2014, we requested an independent third party to certify our key environmental responsibility indicators.

 [Assurance Report](#)

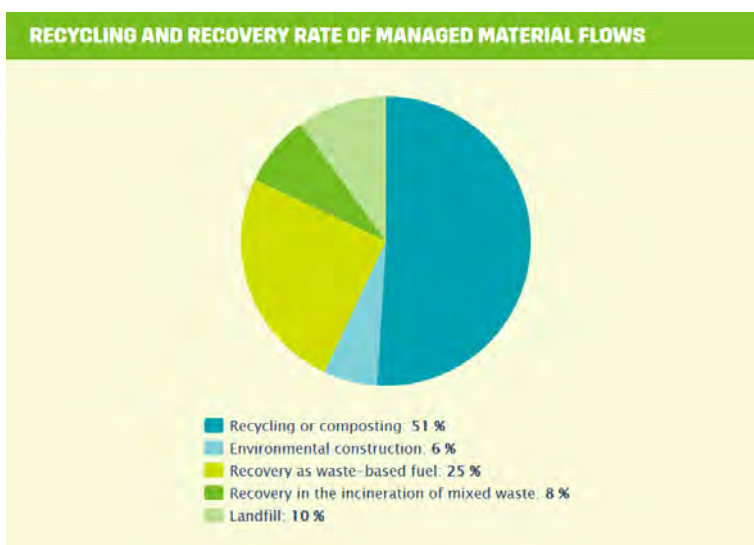
# WE GUIDE OUR CUSTOMERS IN WASTE SORTING TO PROMOTE THE RECYCLING OF MATERIALS

We direct materials to be recovered by collecting, transporting and processing waste, particularly from commerce, industry, households and construction. We also offer the services of small-scale recycling stations to households and small businesses around Finland. We guide our customers in waste sorting to promote material recycling and efficient energy production.



The reporting of waste managed by L&T was revised and restricted to source-sorted solid waste, mixed waste and hazardous waste, which are central to promoting recycling and also the subject of L&T's new recycling rate target. Slurry, contaminated soil and ash were excluded from reporting. We treat hazardous waste either at our own plants or deliver it to our partners for treatment. Of hazardous waste, 13 per cent was transported to other EU countries for recovery. We did not import any hazardous waste to Finland in 2014. Information related to L&T's Latvian business operations have been eliminated from the previous years' figures for the sake of comparability.

Of all the material flows managed by L&T in 2014, 90 per cent was recycled or recovered (2013: 87%). The recovery rate at L&T's plants was 98 per cent (2013: 96%).



Energy recovery from waste is divided into two categories: recovery as a waste derived fuel, and recovery in the incineration of mixed waste. Energy recovery as a waste derived fuel includes solid recovered fuels, shredded used wood, biogas, bioethanol and tyre shreds. L&T favours the use of waste that is unsuitable for recycling or environmental construction in energy production as solid recovered fuel. Information related to L&T's Latvian business operations have been eliminated from the previous years' figures for the sake of comparability.

## DEVELOPMENTS IN MATERIAL RECOVERY

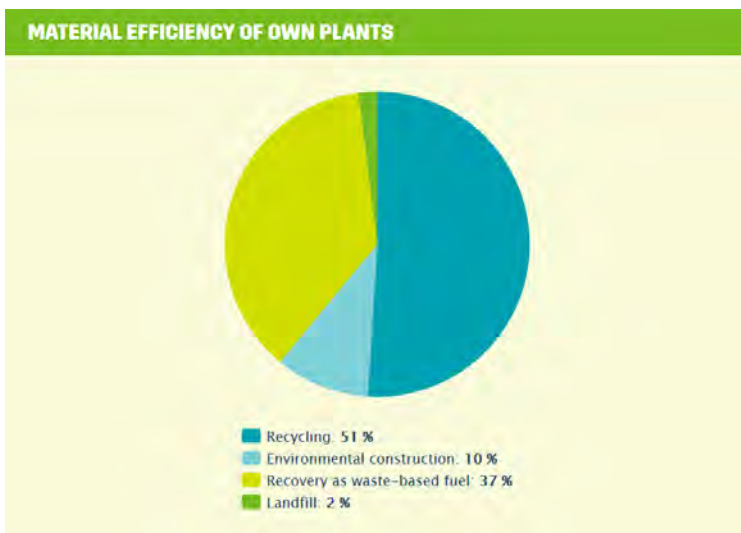
L&T's secondary raw material unit seeks and develops solutions for the recycling and recovery of various waste materials. In 2014, new recycling solutions were found for materials including gypsum board, roofing felt and porcelain. These materials can be best circulated by developing sorting at the source at construction sites.

L&T's environmental management experts engage in active cooperation with customers and support improvements in material efficiency through methods such as waste management surveys, development plans, environmental reporting and training services.

We are continuously seeking ways to enhance material efficiency through operational improvements. The development efforts cover the full waste management value chain, in practice involving:

- planning our customers' environmental management,
- expert services and training,
- receptacle and equipment solutions to support waste sorting at the source,
- efficient recycling processes, and
- a versatile cooperation network for the recovery of various waste materials.

In 2014, L&T continued to develop its comprehensive national network of recycling plants and terminals. A modernised recycling terminal was opened in Mustasaari's Vikby district. The terminal improves waste recycling and recovery for companies in the Vaasa region. L&T's waste management and recycling business operations expanded to new geographical areas through acquisitions in Joutsa and Iisalmi. Process development focused on operational improvements to sorting processes at recycling plants and the testing of new sorting technologies.



## **EXPANDING BUSINESS OPERATIONS TO THE RECYCLING AND REUSE OF PALLETS IS AN EXAMPLE OF THE CIRCULAR ECONOMY IN PRACTICE**

L&T acquired the pallet business operations of J A Tauriainen Oy. Working with our customers to reuse pallets time and time again supports the strategic expansion of our value chain and is an example of the circular economy in practice.

## **JOINT PROJECTS PROMOTE RECYCLING**

L&T is involved in jointly funded research and development projects aimed at improving the efficiency of the recycling and recovery of waste materials. The Demowood project under the WoodWisdom-Net research programme, which focused on developing the recovery of wood waste at the European level, was completed in 2014. The development work continues at the national level in a joint project supported by the Finnish Ministry of the Environment.

# WE CUT LAWNS AND GREENHOUSE GAS 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.

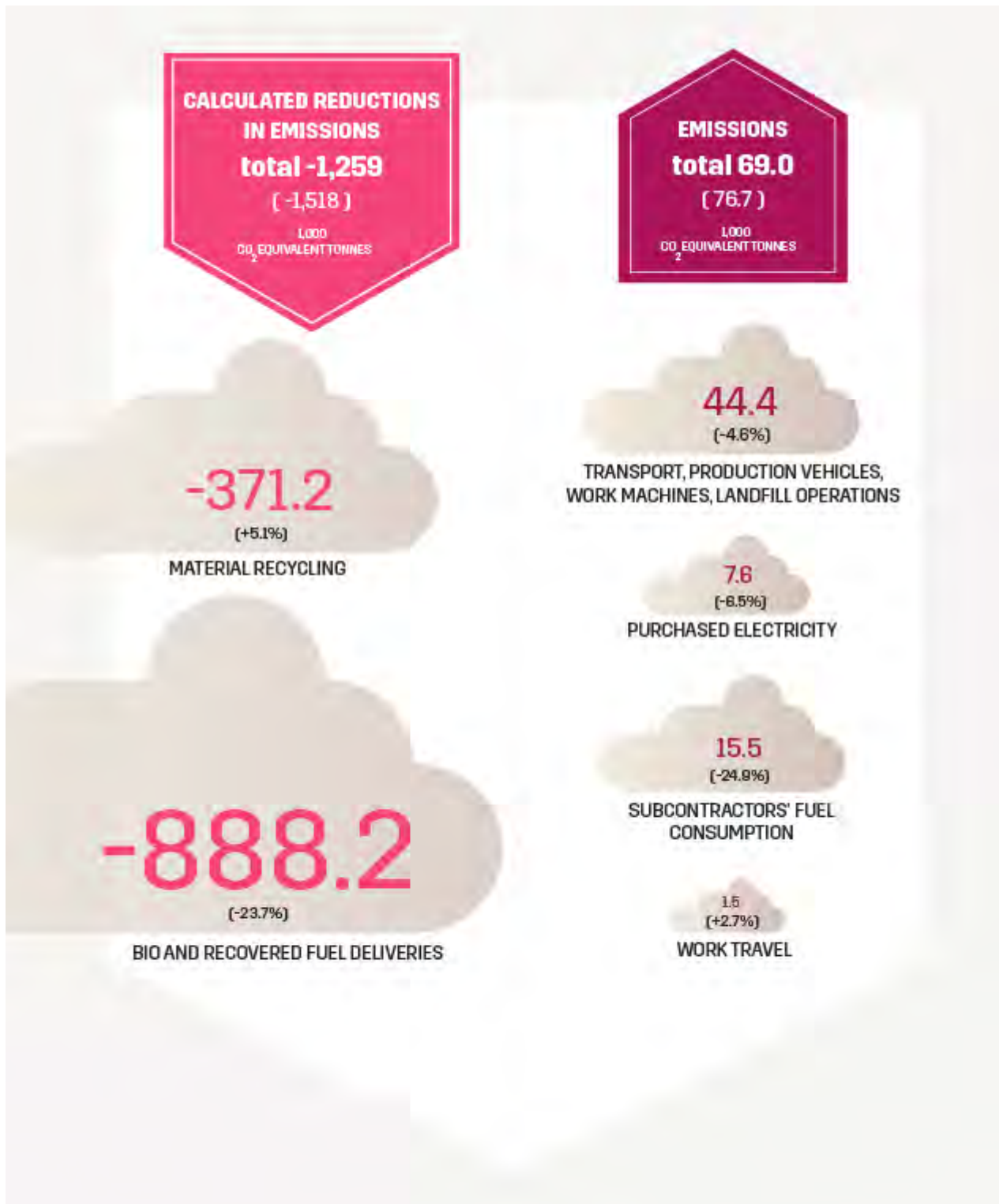


Together with our customers, we were able to reduce Finland's CO<sub>2</sub> emissions by approximately 1.3 million tonnes of CO<sub>2</sub> in 2014 (2013: approximately 1.5 million tonnes).

In 2014, our greenhouse gas emissions declined by 4.5% relative to the 2012 emissions level and operating volume. The calculation takes into account the lower fuel consumption of transport contractors, which was due to a decline in the demand and volume of biofuel deliveries during the short heating season.

Calculated in absolute rather than relative terms, our greenhouse gas emissions decreased by 10.1% compared to 2013 and by 9.1% compared to 2012.

## CALCULATED REDUCTIONS IN EMISSIONS AND EMISSIONS



The emissions have been calculated based on the international Green House Gas Protocol reporting standard and emission calculation model, utilising, for example, the VTT Technical Research Centre LIPASTO database.

In accordance with the calculation model, emissions are divided into three areas:

Area 1 Direct GHG emissions (fuels consumed by landfill operations, L&T heavy duty vehicles, production vehicles, machinery and company-owned cars); Area 2 Indirect GHG emissions from purchased energy (electricity consumption at L&T locations) and area 3 Other significant indirect GHG emissions (work-related travel, contractor fuel consumption).

Calculated reductions in emissions have been calculated using the model created by VTT. The calculations cover the Group's entire operations. In 2012, the calculation was expanded to cover all of L&T Group's operations.

L&T divested its Latvian business operations in March 2014. Information related to L&T's Latvian business operations have been eliminated from the previous years' figures for the sake of comparability.

## **WE REDUCED OUR EMISSIONS BY CUTTING FUEL CONSUMPTION**

In 2014, our diesel consumption was down 24,000 litres compared to 2013. The total consumption was 14.0 million litres. Consumption decreased by 0.2% from the previous year.

Gasoline consumption amounted to 420,000 litres (2013: 471,000 litres), a decrease of 11%. Fuel oil consumption totalled 1.5 million litres (2013: 1.9 million litres), a decrease of 23.6%.





Information related to L&T's Latvian business operations have been eliminated from the previous years' figures for the sake of comparability.

## 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 monitoring allows us to optimise the right things in order to improve production efficiency and reduce fuel consumption. At the end of 2014, the monitoring covered 550 vehicles.

In the past four years, we have optimised approximately 2,000 routes, of which 650 were optimised in 2014.

We have leveraged our experience of optimising collection and transport routes in waste management by also planning snow ploughing routes in property maintenance at a national level. This has also enabled adjustments to the size of the company's own fleet and improvements to the efficiency of subcontracting.

**If. You. Drive. Your. Vehicle. Like. This. You. Burn. Fuel. Unnecessarily.**

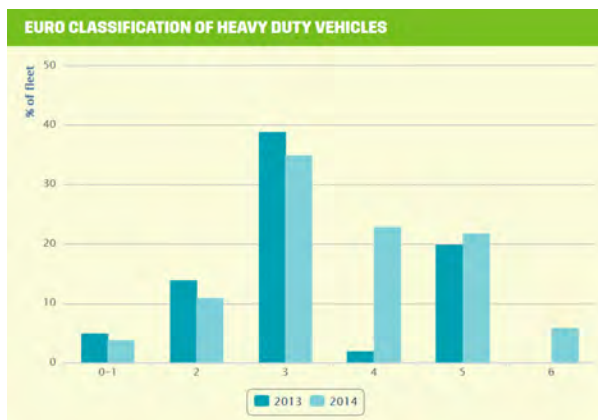
## **TAKING STEPS TO IMPROVE OUR DRIVERS' DRIVING STYLES TO ACHIEVE GREATER ENVIRONMENTAL FRIENDLINESS**

Personal driving style monitoring equipment has been installed in a total of 400 heavy-duty vehicles. In 2014, driving style monitoring devices were installed in vehicles used in sewer maintenance operations, in some 70 vehicles in total. At the same time, we also began training to improve the driving styles of drivers in sewer maintenance operations.

The personal driving style monitoring devices for drivers of heavy-duty vehicles enable us to analyse and constantly improve driving styles. In 2014, L&T's average driving style index improved by 0.2 units to 8.7. The driving style index measures the safety and economy of driving styles. Improvements in the index mean better traffic safety, lower fuel consumption and lower emissions, as well as cost savings in vehicle maintenance.

## **REDUCING FLEET EMISSIONS**

In 2014, the authorities implemented tighter regulations concerning the emissions classification of vehicles, and our new fleet consists of Euro 6 class vehicles. We made our car policy less environmentally taxing by lowering the CO<sub>2</sub> emissions limit of the cars we use from 135 to 120 g/km.



Information related to L&T's Latvian business operations have been eliminated from the previous years' figures for the sake of comparability.

## **EFFICIENT USE OF SPACE HELPS CURB ENERGY CONSUMPTION AT PROPERTIES**

Our electricity consumption in 2014 totalled 31,000 MWh. We reduced the electricity consumption of our production operations and office premises by a total of 4.7 per cent from the previous year. Electricity consumption in production was reduced by improving the monitoring efficiency and optimising the use of production equipment.

We continued to increase the capacity utilisation rate of our properties in 2014. Four business locations were merged with other locations and several were closed altogether. In the autumn, the decision was also made to relocate L&T's headquarters to new premises in 2016. The move will enable the implementation of a multi-space office, which makes the utilisation of space more efficient. The multi-space office model was already implemented at four business locations in 2014.

In 2015, we will launch an electrical energy efficiency project at our properties. The aim is to reduce electricity and heating consumption, rectify problems in property use, and to investigate the savings potential of utilising process energy. The properties are examined from a comprehensive perspective that includes not only energy management, but also the need for renovation and repairs.

## **DEVELOPING HEALTHIER BUILDINGS**

These days, everything can be measured and recorded. In property maintenance, this offers better and better opportunities for reducing costs and improving the quality of life.

The consistency of reporting enabled by Lassila & Tikanoja's energy management centre creates added value in property management.

The consumption data obtained from monitoring systems is compared to reports of observations made and actions taken, which reveals the causal relationships underlying the changes made.

"Our proposals are refined into short-term actions and long-term plans. Our energy professionals also provide training to maintenance personnel," explains Antti Toivanen, head of Maintenance of Technical Systems at Lassila & Tikanoja.

"In the big picture, the goal is an indoor microclimate that is healthy and of good quality at all times, and produced energy-efficiently.

# A RESPONSIBLE WAY OF WORKING IS AN INTEGRAL PART OF EVERYTHING WE DO

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



In 2014

- the company obtained five permit decisions in 2014 and
- eight environmental permit applications were pending with the authorities.

The Environmental Impact Assessment (EIA) process for the Uusikaupunki material processing centre planned by L&T was completed.

In Kerava, we held negotiations with the city and the environmental authorities regarding soil remediation liability issues for land in the immediate vicinity of our existing recycling plant.

We arranged environmental and responsibility training in 2014 primarily for the personnel of Environmental Services and Industrial Services. A total of 30 training events were held, with 445 participants.

## 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 2014. There were nine minor incidents, which were caused primarily by emissions from fires and water used to extinguish them. Minor environmental damage is caused by incidents that cause changes in the environment but can, with immediate action, be contained and eliminated.

There were 37 smaller incidents reported, 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. We have placed even greater focus on reporting environmental damages and investigating their causes.

Our waste treatment operations have resulted in some local complaints in Lahti, Jyväskylä and Turku. The majority of the complaints concern unpleasant odour.

## **COSTS OF ENVIRONMENTAL PROTECTION**

L&T's environmental protection investments and costs include

- costs associated with the management of emissions into the air, water and soil, and
- costs related to 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

- landscaping and covering landfills
- soil assessment, remediation and restoration
- environmental impact assessment
- maintenance of the environmental system and certifications
- environmental management costs
- environmental and environmental liability insurance and
- environmental condition monitoring, environmental permits and related 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 2014, L&T's environmental protection costs amounted to approximately EUR 3 million and its environmental protection investments to EUR 0.5 million. The environmental protection costs include the costs arising from soil remediation and restoration for land in the immediate vicinity of our existing recycling plant in Kerava.

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.

# THE PEOPLE WITH THE RIGHT SKILLS AT THE RIGHT PLACE AT THE RIGHT TIME

In the service sector, personnel play a significant role in the customer experience. Our goal is to provide our customers with the best personnel to assist them.



As in the other components of our corporate responsibility, we also revised our targets for personnel responsibility for the 2014–2018 period.

- We want to support the extension of careers and promote the increase of the average retirement age in society. Our target is to achieve an established retirement age of 63 years for L&T employees by 2018, and increase it further to 65 years by 2025.
- We have set a target of a maximum of 5 per cent for sickness-related absences.
- Regarding accidents, our ultimate target is zero accidents, but the accident frequency target we have set for 2018 is under 10.
- We want our employees to be satisfied and that at least 80 per cent of them are prepared to recommend L&T as an employer. We measure the achievement of this target by means of our employee satisfaction survey conducted in two-year intervals. According to our most recent workplace survey (2013), three out of four employees are prepared to recommend L&T as an employer.

The achievement of these targets is supported by the Sirius work ability programme, the Zero

Accidents occupational safety programme, the Leadership Development Programme, and the Workforce Management Programme.

**Come work for us. You will stay longer.  
L&T's average age of retirement: 63.1 years**

## **PROGRAMMES TO ENSURE ADEQUATE AND COMPETENT PERSONNEL**

To ensure the adequacy and competence of our personnel, we have a systematic and long-term focus on competence and leadership development as well as workforce management.

### **Leadership Development Programme**

Our achievements in the Leadership Development Programme in 2014 included the following:

- The six-day LOISTE training programme for supervisors was completed by a total of 464 supervisors over the course of two years.
- A total of 470 L&T supervisors participated in a supervisor forum hosted by senior management. At the event, supervisors gained a deeper understanding of strategic goals and worked together to practice the management of their practical implementation by means of the Monitaituri board game.
- We supported the progress of strategic change and ongoing development projects by providing change management tools and coaching for project leaders and supervisors.
- The NOSTE training programme aimed at the salesforce and sales management expedited sales development, improved collaboration and enhanced the sharing of best practices. All 114 members of the salesforce participated in the training programme.
- As part of the strategy process, the division-level Executive Boards defined the prioritised competence needs of their service lines. Going forward, development plans prepared on the basis of these divisional priorities will guide the planning of training and competence development in the Group.
- A total of 700 truck drivers completed additional training required for statutory professional qualifications according to plan and on schedule. The training and qualification activities were completed smoothly despite the large group of personnel involved.

### **Workforce Management Programme**

The Workforce Management Programme progressed to the implementation phase according to plan, with the following measures taken in 2014:

- We developed indicators for workforce management that allow the management and the heads of units to analyse the factors that affect the profitability of the use of personnel, and take action on issues related to employees' overtime hours. We also developed our competence in the area of work shift planning by broadly investing in training all those in supervisory positions. These projects produced significant improvements in areas such as overtime management.
- Some 3,600 cleaners entered the digital era when we launched a mobile working hours recording system in cleaning and support services.
- We also concluded projects on the digital working hours recording of salaried employees and working hours management in waste management.
- We launched new workforce management projects including the second phase of mobile working hours recording in cleaning operations, which involves automating the interpretation of collective bargaining agreements.

## NEW DRIVE FOR SUPERVISORY WORK

Fair, straight-talking, assertive and supportive. These are the qualities of a good supervisor according to **Mikko Lahtinen**, a supervisor himself.

This is precisely the direction L&T is aiming for in developing its supervisory work by means of the Loiste training programme. The goal is to create a consistent management culture for L&T in order to ensure the effective implementation of strategy.

Mikko's training group melded into a tight unit right from the first steps of the training path, which proved very useful in practical work as well. Developing cooperation is seamless when you know the people you are working with.

According to Mikko, the training has provided him with ideas for personal development as well as practical tools for work. Sharing experiences with colleagues has been particularly useful for him.

"The challenges in supervisory work often involve time management. I have now copied a colleague's idea, which is to set aside time for tasks that require a high degree of concentration outside the busiest office hours. This helps me achieve these tasks in one sitting, which is a rewarding feeling," Mikko explains.

Mikko feels the training has made him a better supervisor. "I have been told that I am now easier to reach, and that is a direct result of better time management and planning," Mikko adds.



# L&T'S PERSONNEL IN A NUTSHELL

We are the employer of the future: as a service business, the number of our employees will continue to grow. Our personnel are highly diverse, with a broad age distribution and nearly 80 different nationalities represented.



## PERSONNEL TURNOVER VARIES BY DIVISION

In 2014, we employed approximately 8,000 people in Finland, Sweden and Russia. Each year, we recruit three and a half thousand employees, including over a thousand summer workers.

We continued recruiting employees from Estonia, and we established a permanent recruitment office in Estonia. By the end of the year, we had recruited \*\$ cleaners from Estonia.

Ensuring the availability of employees is the most challenging in the cleaning sector. There is also a lot of competition for maintenance workers and professionals in the field of technical systems maintenance. In Finland, the departure turnover of employees in Facility Services was 26.6 per cent in 2014.

In Environmental Services and Industrial Services, employee commitment is high and turnover is low: 7.1 per cent in Environmental Services and 9.9 per cent in Industrial Services. The turnover of salaried employees across all divisions was 17.8 per cent.

We carried out approximately 80 statutory employer-employee negotiations related to the adaptation of operations. All of the negotiations were local, and approximately one third of them was related to the discontinuation of cleaning sites.

## WE REVISED OUR OPERATING METHODS AND MADE ADAPTATIONS TO OUR OPERATIONS

We carried out approximately 80 statutory employer-employee negotiations related to the adaptation of operations. They resulted in the termination of the employment of 236 employees, 52 temporary layoffs, and 16 previously full-time employees becoming part-time employees. The majority of the negotiations were local, and approximately one third of them was related to the discontinuation of cleaning sites.

In centralised functions, some of the teams in the finance and human resources departments were relocated to the new Service Centre. Our new operating model is aimed at achieving efficiency, consistency and automation in shared financial and HR services to allow our operating units to focus on improving growth and profitability.

## TOWARDS DIVERSITY

We develop our leadership and service practices to guarantee equal treatment, especially to our personnel, but also to customers and cooperation partners.

We are planning a project with the City of Pudasjärvi to employ long-term unemployed people by providing opportunities for work trials and fixed-term employment for a short duration of time.

In cleaning and support services, we established the use of a cleaning passport. It ensures understanding of the topics covered in induction training and helps assess the need for additional instruction due to language barriers or other challenges.

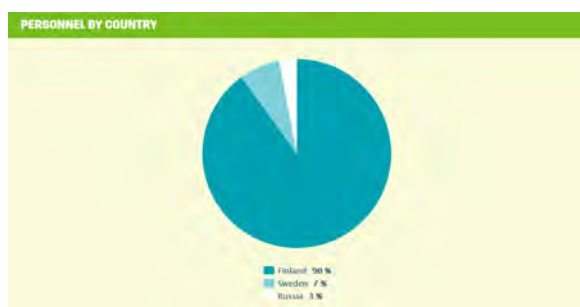
## PERSONNEL FIGURES

	2014	2013	2012
Total number of full-time and part-time employees at year end	7 830	8 847	8 962
Finland	7 076	7 088	7 035
Sweden	507	582	+, '
Russia	247	238	23&
Latvia		939	..... - %&
Average number of employees converted to full-time	7 257	8 267	8 399
Personnel by gender			

female, %	<b>47</b>	50	50
male, %	<b>53</b>	50	50
Personnel by type of employment			
permanent, %	<b>94</b>	95	87
temporary, %	<b>6</b>	5	13
full-time, %	<b>63</b>	57	64
part-time, %	<b>25</b>	33	27
employees called in when necessary, %*	<b>12</b>	10	10
Personnel by personnel group			
salaried employees, %	<b>16</b>	15	16
employees, %	<b>84</b>	85	84
Share of employees with an immigrant background, %**			
from the EU, %	<b>41</b>	43	40
outside the EU, %	<b>59</b>	57	60
Average retirement age**	<b>63,1</b>	63,3	62,9
Sickness absences, %**	<b>5,3</b>	5,3	5,4
Accident frequency	<b>17</b>	17	31
Percentage of employees who had target setting and performance reviews, %	<b>80</b>	87	-

\* Type of employment in use only in Finland

\*\* Figures cover only operations in Finland



# PROACTIVE MEASURES ARE THE BEST WAY TO MANAGE WORK ABILITY

L&T has extensive experience in goal-oriented and successful work ability management with the help of the Sirius work ability programme. This is reflected in both the bottom line and in employee well-being.



Our objectives for work ability management for 2011–2015 were:

- 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.

The emphasis of activities in this area has been actively shifted to proactive measures.

## HEALTHIER EMPLOYEES THROUGH PROACTIVE SUPPORT

L&T saw many changes related to the harmonisation of operating methods in 2014. They required flexibility from the personnel and kept issues related to personnel well-being and coping on the surface.

In 2014, we paid particular attention to supporting the well-being of supervisors, as it directly affects the well-being and performance of their subordinates. The well-being of supervisors and other salaried employees was surveyed by means of a questionnaire, and personal coaching was organised based on the results.

More information on staff clubs is provided in the [Careers](#) section.

## **CUTTING THE DISABILITY COSTS AND RAISING THE RETIREMENT AGE**

According to a work ability management benchmark study conducted in autumn 2014, L&T's disability payments per man-year are only a third of the industry average.

For several years, we have been able to raise our employers' average retirement age. In 2014, the retirement age at L&T in Finland was 63.1 years (2005: 59.4 years). It is significantly higher than the average retirement age in Finland, 61.2 years.

## **PHYSICALLY STRENUOUS WORK IS A BURDEN ON HEALTH**

Much of the work performed at L&T is physically strenuous. The majority of sickness-related absences and disability pensions are caused by musculoskeletal disorders.

Our sickness-related absence rate in 2014 remained at 5.3 per cent (2013: 5.3%), which is a great achievement in a sector where work is physically strenuous and requires good physical condition.

A pilot project launched in 2012 related to implementing an operating model aimed at developing the way work is performed to support employee health and reduce sickness-related absences was expanded to new locations during the year. A key part of the operating model involves an ergonomics visit by an occupational physiotherapist to the workstation of the employee suffering from symptoms, and the supervisor's participation in the visit.

Over the course of six months, absences resulting from musculoskeletal disorders were reduced by 46 per cent among cleaning personnel. Spurred by the results, the operating model will be expanded further.

**You are naturally interested in our net sales and result, but have a look at these figures as well:**

**Average age of retirement 63.1 years (2005: 59.4 years).  
Sickness-related absence rate 5.3%**

## **OCCUPATIONAL HEALTH CARE COOPERATION IS SIGNIFICANT**

At L&T, work ability management is part of day-to-day management and is supported by the personnel department and occupational health care services.

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 also organised coaching related to personal resources and recovery.

Read more about our extensive occupational health care and the services of our sickness fund in the sections Social responsibility and Careers.

# ZERO ACCIDENTS GETS EVERYONE HOME FROM WORK HEALTHY, EVERY DAY

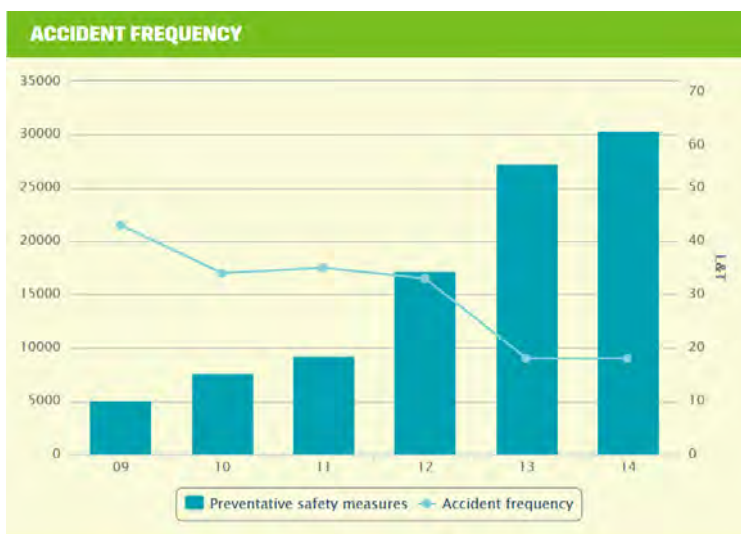
As part of our strategy work, we revised our occupational safety programme and targets for 2014–2018. The new Nollapeli (Zero Accidents) programme is aimed at supporting the work of the line organisation and allowing L&T to reduce its accident frequency to single digits during the strategy period. The Zero Accidents programme comprises four key areas for the systematic development of occupational safety across all of L&T's services.



## OCCUPATIONAL SAFETY TREND LEVELS OFF

The reduction of accidents did not continue at the same rapid rate in 2014 as in the previous year. Our accident frequency remained unchanged at 17 (2013: 17). In Finland, the accident frequency was 18 (2013: 18). However, maintaining the accident frequency at an unchanged level after the rapid reduction seen in the previous year is cause for optimism regarding the achievement of the Zero Accidents programme's targets in the future.

No fatal occupational accidents occurred in 2014. There were two cases of occupational diseases, one of which was temporary and the other led to the employee in question being transferred from the job that involved the exposure. Both cases involved allergic skin symptoms.



## ACTIONS AND ACHIEVEMENTS IN 2014

In spring 2014, the Zero Accident Forum of the Finnish Institute of Occupational Health awarded an occupational safety classification to L&T. This marked the first time the classification was awarded to the company as a whole. The previous classifications had only applied to part of the company's business operations.

During the year, we implemented several development projects to improve occupational safety:

- We developed tools to ensure safety in solitary work.
- We harmonised our process for alternative work.
- We developed protection methods for fire restoration work.
- We updated training materials.
- We moved forward with risk assessments and workplace surveys.

**Accident frequency was halved in two years.  
This is a good result, but our target is not to halve it.  
Our target is zero.**

We also participated in the Safety Leadership project coordinated by the Tampere University of Technology and a Finnish Institute of Occupational Health project concerning transport operations in waste management.



## GUILTY VERDICT ISSUED IN ACCIDENT CASE

L&T was ordered to pay a corporate fine of EUR 3,000 for an occupational safety offence in relation to an occupational accident that occurred in summer 2013 in the Tampere process cleaning unit. The supervisor responsible for the site was also ordered to pay a unit fine.

The accident resulted in a hand injury to an employee who was operating a high-powered vacuum unit. The court found that the accident was caused by insufficiently clear instructions and an unclear division of responsibilities concerning inspections of equipment transferred between units.

However, the corporate fine was substantially lower than the EUR 15,000 fine demanded by the prosecutor, as the court found that L&T pays attention to occupational safety and, in general, the practices are clear and instructions are sufficient.

## DEVELOPMENT OF OCCUPATIONAL SAFETY IN FINLAND 2009-2014

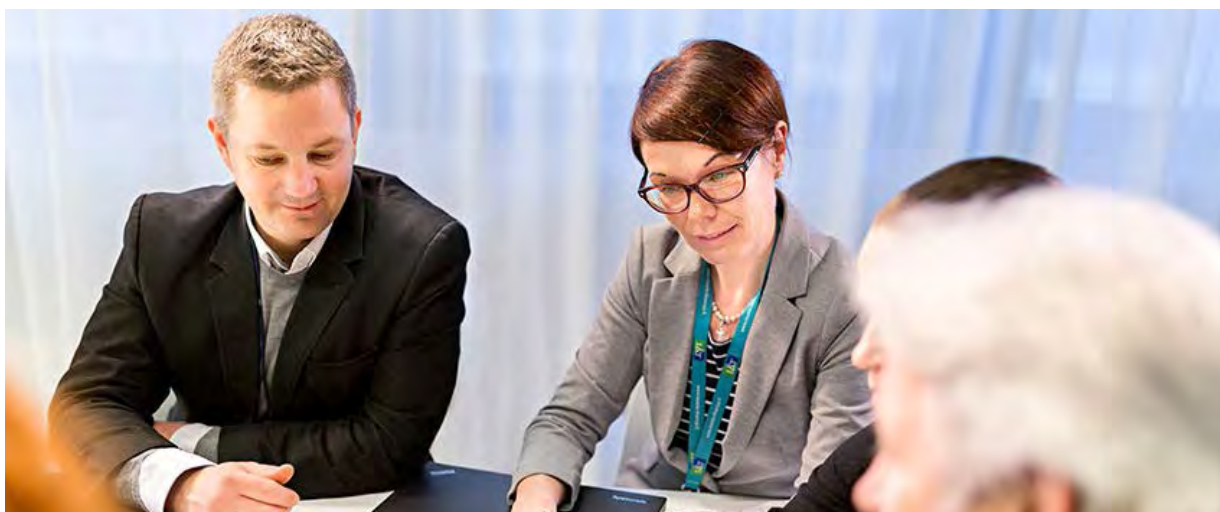
	2014	2013	2012	2011	2010	2009
Safety observation reports	<b>15 383</b>	14 885	10 987	5 341	4 433	3 503
Hazard assessments	<b>1 684</b>	1 839	3 086	1 707	1 958	1 192
SafetyWalk observation rounds	<b>6 808</b>	5 577	1 670	1 519	1 242	354
Occupational safety sessions	<b>6 517</b>	4 973	1 491	680		
Accident frequency	<b>18</b>	18	33	35	34	43

# COST EFFICIENCY AND SUSTAINABILITY GO HAND IN HAND IN PROCUREMENT

L&T is a major buyer of services nationally and locally. We strive for safe, sustainable and cost-efficient procurement, which takes account of the entire life cycle of products and services. This is also what we want to offer to our customers.

Our objectives for the 2014–2018 period are:

- Prevent the grey economy and ensure the responsibility of the supply chain.
- Develop the supplier assessment process and improve their scope.
- Ensure that our production equipment is environmentally friendly: Developments in Euro classification of heavy-duty vehicles, implementing a new CO<sub>2</sub> emissions limit for company cars and production cars of 120g/km, and increasing the share of eco-labelled detergents to 70 per cent.



In 2014, L&T had approximately 4,600 (5,300) suppliers of goods and services in Finland, the total purchases from whom exceeded EUR 1,000 during the year. Total purchases of goods and services amounted to EUR 189 million (EUR 255 million).

The total purchase volume declined in 2014 due to the property maintenance service line using less external workforce and the environmental products service line divesting functions that did not support business operations. Purchases of construction supplies by damage repair services also declined.

In Finland, 95.9 per cent (96.5%) of purchases were made from companies operating in Finland, and 4.1 per cent (3.0%) from other EU countries. Practically no purchases were made from outside of the EU (0.5%).

## BREAKDOWN OF PROCUREMENTS IN FINLAND

Total EUR 189.0 million

	<b>% of the total</b>
Direct procurements*	<b>42,5 %</b>
Vehicles and equipment**	<b>30,1 %</b>
Indirect procurements, real estate and facilities***	<b>27,4 %</b>

\* 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

## FIGHTING THE GREY ECONOMY

We enhanced the monitoring of compliance with the Contractor's Liability Act in 2014 by implementing centralised monitoring of the contractor's liability. Production units were instructed to require their service providers to join the Tilaajavastuu.fi service. In 2014, 95 per cent of L&T's service providers were registered with the service. Going forward, joining the service is a requirement for continued cooperation.

We registered for the Veronumero.fi service to meet the statutory disclosure obligations for contractors in the construction industry. Among our service lines, the disclosure obligation applies particularly to environmental construction, maintenance of technical systems, process cleaning and damage repair services.

In 2014, we launched a project focused on responsibility issues in the supplier chain.

## **FOCUS ON SUPPLIER AUDITS**

In our supplier audits, we focused on fleet and tyre suppliers as well as workwear suppliers. We will focus on responsibility in the supply chain in 2015, particularly by auditing our subcontractors and the supply chains in our industrial accounts.

We also familiarised ourselves with our suppliers in the area of cleaning and support services by organising joint supplier events in a few operating locations. The events are aimed at ensuring the effective mobilisation of supplier agreements at the supervisor level.

## **WE JOINED THE GREEN CHOICES NETWORK**

In 2014, we joined the Green Choices procurement network coordinated by Motiva's Environmental Labelling unit. The Green Choices procurement network makes responsible choices that conserve the environment.

## **OWN LABEL DIFFERENTIATES OUR DETERGENTS**

Eco-labelled (Swan label) detergents account for 62 per cent of all cleaning products used. This represents an increase of four percentage points compared to 2013. The target is to increase the share of eco-labelled detergents to 70% by 2018.

We introduced detergents with L&T's own label. Our own labels allow us to better take into consideration indications that influence occupational safety as well as dosage instructions.

## **TEMPORARY STAFFING AND CLEANING PROCUREMENT CENTRALISED**

Temporary staffing services were subjected to competitive bidding in Finland in 2014. This resulted in more consistent pricing for centralised suppliers.

Subcontracting in cleaning operations was harmonised through centralised competitive bidding for subcontractors in the Helsinki metropolitan area. In 2015, competitive bidding in the subcontracting chain will be expanded to the rest of Finland.

# SYSTEMATIC STAKEHOLDER MANAGEMENT

In 2013 and 2014, we surveyed the views of our key stakeholders, namely our personnel, current and potential customers and employees, political decision-makers and public officers, investors and media representatives, regarding our reputation and their expectations concerning the responsibility of operations. A total of 1,000 representatives of L&T's key stakeholders responded to the survey.



## AIMING TO STRENGTHEN STAKEHOLDER CONFIDENCE

Based on the results of the survey, we produced stakeholder-specific action plans in 2014. The progress of the plans will be regularly monitored in the coming years as part of our management of corporate responsibility. Our goal is that by responding even better to our stakeholders' expectations we can improve our reputation and thereby strengthen stakeholder confidence.

We also updated our materiality analysis based on the survey.

## AIMING AT CUSTOMER SATISFACTION, SUPERVISOR COMPETENCE AND A FAVOURABLE BUSINESS ENVIRONMENT

The focus of our stakeholder interaction in 2014 was particularly on increasing customer satisfaction, developing the management and leadership skills of our supervisors, and improving the operating conditions in our industry.

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

Stakeholder	Description of interaction in 2014
<p><b>Customers</b></p>	<p>We conducted two extensive Net Promoter Score (NPS) surveys to develop our operations.</p> <p>We managed and developed our customer relationships through customer-specific development and steering groups.</p> <p>We regularly processed customer feedback.</p> <p>We organised six seminars on current themes and over 70 tailored customer-specific training events with approximately 2,500 participants in total.</p> <p>We began to publish our customer magazine online and developed our customer service channels.</p>
<p><b>Personnel</b></p>	<p>The six-day supervisor training programme was concluded and all of our supervisors have now completed it.</p> <p>Supervisors gained a deeper understanding of the company's strategy and practiced its practical implementation by means of a board game at Supervisor Forum events hosted by senior management.</p> <p>The Executive Board for human resources, comprised of representatives of the employer and the employees, convened six times to discuss matters related to statutory employer-employee negotiations and other issues related to the position of personnel.</p> <p>Targets were set for 80 per cent of the employees (those who earn their primary income from L&amp;T) in either one-on-one performance reviews or team reviews.</p> <p>We shifted the focus of our work ability management to proactive measures and conducted an occupational well-being survey of salaried employees, with employees referred to personal coaching based on the results.</p>

	<p>We launched the Zero Accidents programme aimed at further improving the safety of work.</p> <p>We communicated to our personnel through the Letti personnel magazine and the Silta intranet, and we introduced Yammer as the organisation's internal social network.</p>
<b>Potential employees</b>	<p>We cooperated with several educational institutes.</p> <p>We participated in the Dreamed in Finland development project on young people's employment opportunities in cooperation with the Association for Finnish Work and SOK.</p> <p>We strengthened our social media channels to support recruitment.</p>
<b>Investors</b>	<p>We organised a Capital Markets Day for analysts and institutional investors. We also met investors and analysts in approximately 50 other events, including the Annual General Meeting.</p> <p>We also used stock exchange releases, press releases and our website for regular communications with the capital markets.</p>
<b>Suppliers of services and goods</b>	<p>We conducted supplier audits of fleet, tyre and workwear suppliers.</p> <p>Our supervisors met with suppliers at a Supplier Days event.</p> <p>Use of the Tilaajavastuu.fi and Veronumero.fi services became established.</p> <p>We joined the Green Choices procurement network.</p> <p>Temporary staffing and the subcontracting of cleaning services in the Helsinki metropolitan area were subjected to competitive bidding.</p> <p>Supplier-specific development and steering groups monitored the progress of agreed-upon projects.</p>
<b>Organisations and lobbying</b>	<p>We participated actively in the work of our lobbying and labour market organisations as well as cooperation networks in our industry.</p> <p>We joined the Towards a Circular Economy coalition to call for the circular economy to be included as one of the key objectives of the next Government Programme.</p>
<b>Local communities and charity</b>	<p>We arranged hearings in conjunction with EIA and environmental permit processes.</p> <p>We also participated in regional and local development projects to develop waste recycling opportunities.</p> <p>We donated our Christmas present budget to charity and also</p>

	supported charities locally.
<b>Authorities and influential political actors</b>	<p>We are involved in the preparation and implementation of environmental legislation and waste legislation.</p> <p>We participated in dialogue on economic policy and waste management solutions at the EU, national and municipal levels.</p>
<b>Media</b>	<p>We responded to approximately 80 media contacts to satisfy journalists' information needs or to identify interviewees.</p> <p>We published over 30 press releases and provided media outlets with expert articles on current topics as well as radio features and videos to support them.</p> <p>We invited media representatives to learn more about our operations.</p>



# L&T IS INVOLVED ON A WIDE VARIETY OF FRONTS

In 2014, L&T was engaged in various activities aimed at improving its operating conditions through participation in the work of lobbying organisations in Finland and other country markets as well as at the EU level. L&T is a member of nearly a hundred local, regional, national and EU-level lobbying organisations.

We participated 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 Finnish Environmental Industries and Services (YTP)
- Suomen JVT- ja kuivausliikkeiden Liitto ry (Finnish Federation of Subsequent Damage Prevention and Drying Businesses)

In addition, we were an active participant in the following responsible business and material or energy 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)
- Cooperation in the southwest coast (LOURA project)
- Recycling and resource efficiency in Southwest Finland (RESU project)
- Zero Accident Forum
- The Finnish Innovation Fund Sitra, Industrial symbiosis programme
- Towards a Circular Economy coalition
- Energiapolitiikka (Energy policy)
- Koli forum
- Resurssivirrat haltuun (Capturing resource streams) project

## **PAY IT FORWARD**

We want to be a good neighbour in our operating locations and promote local opportunities for waste recovery and recycling. In our charitable activities, we focus on promoting the well-being of children and young people, as well as environmental protection.

### **PROGRESS MADE ON THE UUSIKAUPUNKI MATERIAL PROCESSING CENTRE**

The Environmental Impact Assessment (EIA) process for the Uusikaupunki material processing centre planned by L&T was completed in June 2014. The EIA report was submitted to the authorities and presented to local residents and media at a public event.

In October, the authority responsible for the matter, namely the senior inspector at the Southwest Finland ELY Centre, issued a statement on the report along with certain other parties. As the statements did not include any objections to the content of the report, we can proceed to the next stage and submit an environmental permit application for the centre.

### **REGIONAL AND LOCAL DEVELOPMENT PROJECTS**

L&T has been actively involved in LOURA, a project on cooperation in the southwest coast, and RESU, a resource efficiency project in Southwest Finland aimed at promoting the recycling of material streams generated in Southwest Finland and closed loops.

In the Resurssivirrat haltuun (Capturing resource streams) we were a member of the steering group, identifying and collecting tools and operating models developed across Finland to promote regional resource efficiency.

In Lahti, the municipal waste management company has worked with L&T and other waste management companies in the area to find ways to promote recycling and waste sorting at the source. We are also involved in a digital recycling centre project that is currently in its launch stage.

### **DONATIONS TO HOPE, THE NEW HELSINKI CHILDREN'S HOSPITAL, AND THE FINNISH NATURE LEAGUE**

In 2014, we continued to work with HOPE, a charitable organisation that focuses on supporting low-income families and families with children who have suffered various crises. During the year, we collected usable sports equipment and toys at our operating locations and customer events for distribution by HOPE, and also invited families through HOPE to enjoy a day in an amusement park as part of our customer events in Linnanmäki and

Särkänniemi. We also helped HOPE's local offices with their cleaning campaigns by donating bin bags and providing open-top containers.

In line with the wishes of our personnel and customers, we also chose HOPE as the main beneficiary of our Christmas donation campaign. Instead of giving presents to customers, we made the Christmas dreams of 168 children come true by donating a total of EUR 10,000 to HOPE. We also donated EUR 5,000 to the new Children's Hospital in Helsinki and the Finnish Nature League.

In summer 2014, L&T's personnel participated in a campaign to support the new Children's Hospital through physical exercise. L&T donated money for each 30-minute workout. The total donation amount was nearly EUR 7,000. We also made smaller local donations to support charities.

# COOPERATION WITH THE AUTHORITIES AND POLITICAL INFLUENCE

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 permits and environmental damages in 2014 are reported in the section Responsibility in our own operations.

## AGREEMENT REACHED ON ENVIRONMENTAL ISSUES IN KERAVA

In Kerava, we held negotiations with the city and the environmental authorities regarding soil remediation liability issues for land in the immediate vicinity of our existing recycling plant.

As part of the comprehensive solution reached, we initiated the cleaning of the areas under our responsibility in June, and in December we reached an agreement with the city on other environmental issues.

We are satisfied with the outcome of the negotiations, which secures development opportunities for our business operations in the area.

## L&T FOUND NOT GUILTY OF OFFENCES AGAINST WORKING HOURS LEGISLATION

In July 2014, the Helsinki District Court exonerated Lassila & Tikanoja from all summary penal orders related to excessive working hours in certain L&T units in the Helsinki metropolitan area, which were detected in inspections carried out by the authorities in June 2012.

According to the Court, the guidelines and monitoring systems of the company have been adequate and the safety or health of the employees was not jeopardised.

However, the District Court considered five of L&T's current or former supervisors to be guilty of offences related to working hours legislation. Three of them were sentenced to pay 8–15 unit fines and two were left without a sentence by reason of the triviality of the criminal act.

The prosecutor has appealed the verdict and the matter will be taken to the Court of Appeal.

## POLITICAL INFLUENCE

In 2014, L&T's focus on exercising influence on society was on ensuring the functionality of the markets in the waste sector, introducing the circular economy concept as an established goal in Finnish society, and highlighting legislation and guidance to promote recycling.

At the local level, the focus of influence efforts remained on decisions concerning waste transport systems. The processing of decisions made in 2013 continued in courts of appeal in several municipalities, and obtaining final decisions will likely be postponed to 2015–2016. We also exercised influence on local waste management regulations issued under the new Waste Act.

We were actively involved in building the Towards a Circular Economy coalition, which issues a joint public statement aimed at having the circular economy included in the next Government Programme. We also participated in an assessment initiated by the Ministry of the Environment to evaluate the effectiveness of the Waste Act, and the Finnish Competition and Consumer Authority's studies on the waste industry market, in which we highlighted problems related to the Waste Act, its application and the functionality of the market.

## CURRENT LEGISLATIVE FRAMEWORK

Regulation and stage	Impact	L&T's perspective
<p><b>Waste Framework Directive, WFD</b></p> <ul style="list-style-type: none"> <li>• EU Directive in force, national implementation still incomplete.</li> <li>• The revision of the Directive began as part of the circular economy package.</li> </ul>	<p>Requirements related to producer responsibility for packaging waste were specified by a separate decree.</p> <p>Reviews and decisions concerning property-specific waste transport.</p> <p>Revision of municipal waste management regulations.</p> <p>Municipal exclusive rights were extended to private education institutions and hospitals.</p>	<p>Producer responsibility for packaging waste should be implemented on market terms, and municipalities' special rights to packaging waste should be eliminated.</p> <p>The system based on organising waste transport by property holders should be continued as extensively as possible.</p> <p>The obligation to collect biowaste separately should be made stricter, and waste management regulations should in general be more compliant with the order of priority in waste management.</p> <p>Municipalities' exclusive right to waste should be eliminated. Society's</p>

		role should be that of a last resort.
<p><b>Directive on the Landfill of Waste</b>  <b>The Directive has been put in force by the Landfill decree, implementation is underway.</b></p>	<p>The Finnish decree bans the landfill disposal of organic waste starting from 2016</p>	<p>We must use all available means to ensure that waste streams that presently end up in landfills are primarily directed to recycling in accordance with the order of priority  L&amp;T will prepare technical-economic reports to assess the regional impacts of the landfill ban. We will also assess the compliance of our own plant reject with the new criteria during the transition period (until 2020).</p>
<p><b>The EU Industrial Emissions Directive (IED), as of 7 January 2014 this also includes the previous Waste Incineration Directive</b></p> <ul style="list-style-type: none"> <li>• <b>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</b></li> </ul>	<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 the EU level.</p> <p>The renewal of the BREF document concerning waste incineration (including co-incineration) has begun.</p>	<p>Through its involvement in lobbying organisations, L&amp;T can contribute to the definition of Best Available Techniques for waste treatment and to the setting of emission limits.</p> <p>L&amp;T's plant in Kerava has been selected as a reference plant and will thereby be part of an EU-wide data collection effort.</p> <p>The co-incineration of waste must be treated the same as the mass incineration of waste.</p>

# CUSTOMER ORIENTATION IS KEY TO OUR SUCCESS

In our strategy, customer orientation is defined as one of the key factors in our success. Customer orientation must be implemented from one year to the next and it must be reflected in our day-to-day operations, in sales as well as production.



## STRONG CUSTOMER RELATIONSHIP MANAGEMENT AND INTERACTION

In 2014, we developed our customer relationship management models and improved our customer relationship management competence across Finland. Our level of activity with customers increased, and the churn rate declined.

We also launched a customer relationship management system development project, the results of which will become more concrete in the coming years.

In order to increase our interaction with customers, we began to publish our customer magazine Lassi online. It allows us to reach small and medium-sized corporate customers in particular.

## **FROM SERVICE PRODUCER TO SERVICE MANAGER**

We engaged in more in-depth customer relationship management with our major customers by signing comprehensive service agreements with customers including Itella and OP-Pohjola.

In day-to-day operations this meant revising our own roles; for example, by providing the services of a property manager to our customers as part of a comprehensive service solution. Customers are increasingly prepared to assign to us greater responsibility for managing the overall service solution; we do not simply produce the service, we manage it. The same trend is seen in environmental management, which supports the full value chain of Environmental Services.

## **A YEAR OF COST-EFFICIENCY IN 2014**

In an economically difficult time, cost-efficiency is emphasised. This was particularly true in customer relationships in Industrial Services. We were able to achieve more efficiency and implement new operating methods through joint development projects with customers.

Customer requirements concerning reporting and data-driven management continued to increase. Customers want reporting on costs, quality as well as the benefits achieved. We must be able to produce proof of the added value and benefits produced by our co-operation with them.

At the same time, customers are increasingly interested in responsibility and achieving their own targets for indicators such as the recovery rate and recycling rate. These targets can be achieved through surveying and analysing customer sites and implementing development ideas, which has also had a positive effect on customer satisfaction.

## **NPS MEASURES CUSTOMER SATISFACTION**

We measure customer satisfaction twice a year by applying the net promoter score (NPS). Development is monitored over the longer term, and the results have improved in line with our targets. However, results vary due to the varying nature of our divisions.

For example, in Industrial Services, the results exceeded our targets in 2014, despite the fact that the targets were set high to begin with. In Industrial Services, we work in close co-operation with customers and the services are often tailored to the specific needs of each customer.

## **CUSTOMER SERVICE RENEWAL STARTING TO PRODUCE RESULTS**

The development of customer service is one component of implementing L&T's customer-oriented strategy. The approach is based on improving the customer experience by ensuring that customers can contact us quickly and conveniently, and perceive the services they receive through their preferred channels as professional and high in quality.



Our renewed customer service function began operations in three locations in spring 2014. With the change, we introduced national customer service telephone numbers and renewed electronic service channels.

Next, we will proceed to develop the information systems used by the customer service function, provide improved opportunities for customers to use self service, and make customer data more accessible. We will also increase co-operation with other functions, such as sales.

# OUR CORPORATE RESPONSIBILITY MANAGEMENT AND REPORTING

Managing corporate responsibility is part of the day-to-day operations at L&T, and it is controlled via strategic and annual planning and the company's management system.



L&T's Group Executive Board is responsible for the strategic management of corporate responsibility, and operational measures are guided by the corporate responsibility programme. The implementation of the corporate responsibility programme is managed and monitored by a dedicated corporate responsibility steering group, which is chaired by the President and CEO.

Environmental, health and safety management (EHS) and the practical coordination 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.

Business units and functions ensure that their operations are responsible, and that monitoring, data collection and reporting is carried out appropriately.

## THE CORPORATE RESPONSIBILITY REPORT IS PART OF THE ANNUAL REPORT

We report on corporate responsibility as part of our Annual Report for the period 1 January – 31 December 2014. The report has been prepared in compliance with the reporting principles of the Global Reporting Initiative (GRI) and the G3.1 reporting guidelines. The report is published annually. In L&T's view, the 2014 report complies with reporting level B. The environmental responsibility indicators for 2014 are the first to be certified by KPMG, an independent third party.

 [GRI index](#)  [Assurance Report](#)

The report includes all Group companies and subsidiaries, and it covers all operations in Finland, Sweden and Russia. L&T divested its Latvian operations in March 2014, and information for Latvia is not included in this report.

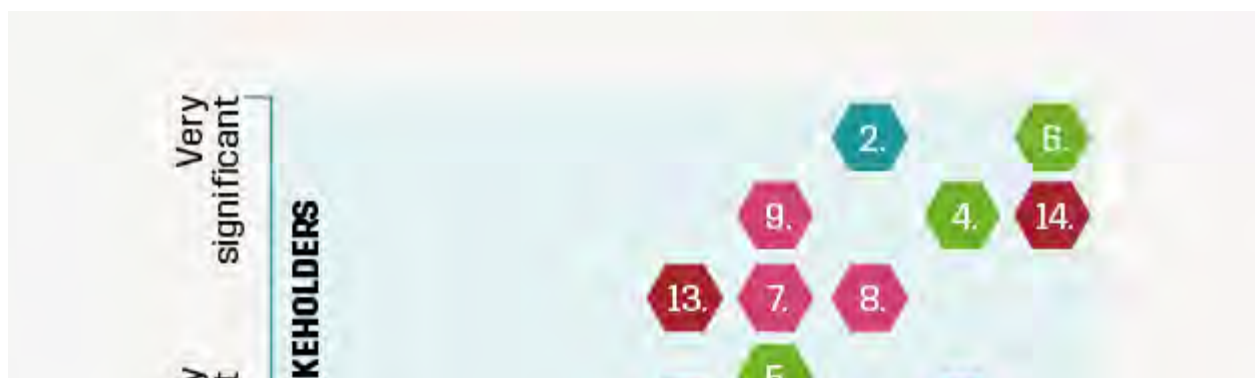
If information concerning a single indicator was not available for all of our operating countries, or if a calculation has changed from previous years, this is disclosed next to the indicator.

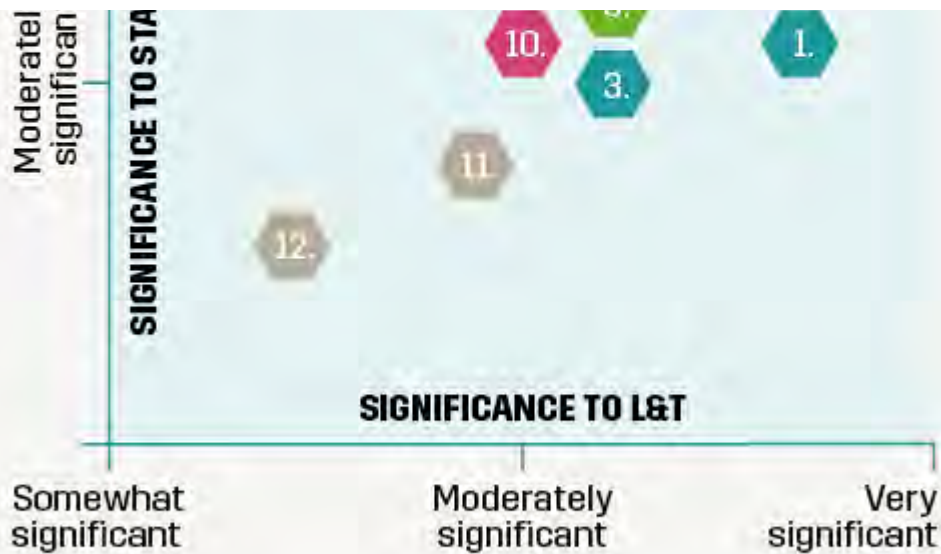
The reported indicators are based on a materiality analysis pursuant to the GRI guidelines. The analysis takes into account the responsibility aspects that are material to L&T as well as the expectations of key stakeholders.

## MATERIALITY ASSESSMENT GUIDES OUR CORPORATE RESPONSIBILITY EFFORTS AND STAKEHOLDER RELATIONS

L&T's corporate responsibility report covers material issues related to the most significant financial, social and environmental impacts of the company's operations, as well as issues that may be significant to the decisions and choices made by L&T's stakeholders. L&T's materiality analysis for corporate responsibility was conducted in 2013 and it guides our corporate responsibility efforts and stakeholder relations. It also defines measures to fulfil stakeholder expectations.

L&T's material corporate responsibility aspects are presented in the matrix below, with significance to stakeholders shown on the vertical axis and current or potential significance to L&T shown on the horizontal axis.





**Responsible business operations and services**

- 1. A profitable company
- 2. Code of Conduct
- 3. Business solutions and expert services that promote the customer's responsibility

**Environmental responsibility**

- 4. Recycling and material recovery
- 5. Reducing emissions and energy consumption
- 6. Responsibility of own operations and regulatory compliance

**Responsibility for personnel**

- 7. Work ability management
- 8. Occupational safety
- 9. Employee satisfaction
- 10. Diversity and equality

**Responsible supply chain**

- 11. Responsibility of the supply chain
- 12. Local employment and purchases

**Active stakeholder relations**

- 13. Dialogue with stakeholders
- 14. Customer satisfaction

GRI content		Scope	Location	Remarks
<b>1. Strategy and Analysis</b>				
1.1	Statement from the most senior decision-maker of the organisation	Reported	<a href="#">CEO's review</a>	
1.2	Description of key impacts, risks and opportunities	Reported	<a href="#">Business drivers and the operating environment</a>	
<b>2. Organisational Profile</b>				
2.1	Name of the organisation	Reported	<a href="#">Financial statements, General information</a>	
2.2	Primary brands, products and services	Reported	<a href="#">Services</a>	
2.3	Operational structure	Reported	<a href="#">Financial statements, Segment reporting</a>	
2.4	Location of the organisation's headquarters	Reported	<a href="#">Financial statements, General information</a>	
2.5	Countries where the organisation operates	Reported	<a href="#">Financial statements, General information</a>	
2.6	Nature of ownership and legal form	Reported	<a href="#">Financial statements, General information</a>	
2.7	Markets served	Reported	<a href="#">Financial statements, General information</a>	
			<a href="#">Financial added value for stakeholders and tax footprint</a>	
2.8	Scale of reporting organisation	Reported	<a href="#">Key figures</a> <a href="#">Services</a>	
2.9	Changes regarding the organisation	Reported	<a href="#">Financial statements, Segment reporting</a> <a href="#">Report by the Board of Directors, Changes in the Group Structure</a>	
2.10	Awards received	Reported		L&T received recognition for its climate disclosure from CDP and was awarded with a position on the Nordic Carbon Disclosure Leadership Index (CDLI). L&T was selected among the 20 best reporters on responsibility in a 2014 responsibility reporting competition. L&T achieved Level III in the Zero Accident Forum's occupational safety classification.
<b>3. Report Parameters</b>				
3.1	Reporting period	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.2	Date of most recent previous report	Reported		26th February 2014
3.3	Reporting cycle	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.4	Contact point	Reported	<a href="#">Financial statements, General information</a>	
3.5	Process for defining report content	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.6	Boundary of the report	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.7	Specific limitations on the scope or boundary of the report	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.9	Data measurement techniques and the bases of calculations	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
			<a href="#">Decreasing emissions and energy consumption</a>	
3.10	Restatements of information provided in earlier reports	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
3.12	Table identifying the location of the Standard Disclosures in the report	Reported	GRI Index	
3.13	External assurance for the report	Reported	<a href="#">Assurance report</a>	
<b>4.1 Governance, Commitments and Engagement</b>				
4.1	Governance structure	Reported	<a href="#">Corporate Governance Statement</a>	
4.2	Chair of the highest governance body	Reported	<a href="#">Corporate Governance Statement</a>	
4.3	Independence of the members of the highest governance body	Reported	<a href="#">Corporate Governance Statement</a>	
4.4	employees to provide recommendations or direction to the highest governance	Reported	<a href="#">Corporate Governance Statement</a>	
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives, and the organisation's performance	Reported	<a href="#">Corporate Governance Statement</a>	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Reported	<a href="#">Corporate Governance Statement</a>	
4.7	Qualifications and expertise of the members of the highest governance body	Reported	<a href="#">Corporate Governance Statement</a>	
4.8	Statements of mission or values, codes of conduct and principles	Reported	<a href="#">Code of Conduct</a>	

4.9	Procedures for the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance	Reported	<a href="#">Managing and reporting on corporate responsibility</a>	
4.10	Processes for evaluating the highest governance body's own performance	Reported	<a href="#">Corporate Governance Statement</a>	
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 which it endorses	Reported	<a href="#">Social responsibility</a>	
4.13	Memberships of associations and advocacy organisations	Reported	<a href="#">Participation in organisations and cooperation projects</a>	
4.14	Stakeholder groups	Reported	<a href="#">Stakeholder relations</a>	
4.15	Identification and selection of stakeholders	Reported	<a href="#">Stakeholder relations</a>	
4.16	Approaches to stakeholder engagement	Reported	<a href="#">Stakeholder relations</a>	
4.17	Key topics and concerns that have been raised through stakeholder engagement	Reported	<a href="#">Stakeholder relations</a>	
<b>5. Management Approach and Performance Indicators</b>				
<b>Economic Responsibility</b>				
<b>Economic: Disclosure on Management Approach</b>			<a href="#">Corporate Governance Statement, Financial reporting</a>	
Economic Performance Indicators				
EC1	Direct economic value generated and distributed	Reported	<a href="#">Financial added value for stakeholders and tax footprint</a>	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Reported	<a href="#">Business drivers and the operating environment</a> <a href="#">Business operations and customer benefits</a>	
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		In 2014, aid from the EU and grants from the government to product development and projects amounted to EUR 130,000.
EC5	Ratios of standard entry level wage compared to local minimum wage	Not reported		In Finland and Sweden we pay at least the minimum wage for our industry.
EC6	Locally-based suppliers	Reported	<a href="#">Responsible procurement and subcontracting</a>	
EC7	Local hiring	Partly reported	<a href="#">Financial added value for stakeholders and tax footprint</a>	
EC8	Infrastructure investments and services provided primarily for public benefit	Not material		
EC9	Significant indirect economic impacts	Reported	<a href="#">Financial added value for stakeholders and tax footprint</a>	
<b>Environmental Responsibility</b>				
<b>Environmental: Disclosure on Management Approach</b>			<a href="#">Environmental responsibility</a>	
Environmental Performance Indicators				
EN1 *	Materials used	Reported	<a href="#">Recycling and material recovery</a>	The materials used by L&T are primarily waste, which the company delivers for recycling and reuse
EN2 *	Recycled input materials used	Reported	<a href="#">Recycling and material recovery</a>	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	<a href="#">Decreasing emissions and energy consumption</a>	
EN4 *	Indirect energy consumption	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN5 *	Energy saved due to conservation and efficiency improvements	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN6	Energy-efficient or renewable energy-based products and services	Reported	<a href="#">Business operations and customer benefits</a>	
EN7 *	Initiatives to reduce indirect energy consumption and reductions achieved	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
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 or managed in or adjacent to protected areas and areas of high biodiversity value	Not material		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	<a href="#">Renewable Energy Sources</a>	
EN13	Habitats protected or restored	Not material		
EN14	Strategies, current actions and future plans for managing impacts on biodiversity	Partly reported	<a href="#">Renewable Energy Sources</a>	
EN15	Endangered species with habitats in areas affected by operations	Not material		

EN16 *	Direct and indirect greenhouse gas emissions	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN17 *	Other relevant indirect greenhouse gas emissions	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN18 *	Initiatives to reduce greenhouse gas emissions and reductions achieved	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN19	Emissions of ozone-depleting substances	Not material		
EN20	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	Partly reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN21	Water discharge	Not material		
EN22 *	Waste by type and disposal method	Reported	<a href="#">Recycling and material recovery</a>	
EN23	Significant spills	Reported	<a href="#">Responsibility in our own operations</a>	
EN24	Transport, import, export or treatment of hazardous waste	Reported	<a href="#">Recycling and material recovery</a>	
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	Reported	<a href="#">Environmental responsibility</a>	
			<a href="#">Environmental responsibility</a>	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Reported		Materials and fuels recovered from waste are included in indicator EN1
EN28 **	Compliance with regulations	Reported		No incidents
EN29 *	Environmental impacts of transporting and commuting to work	Reported	<a href="#">Decreasing emissions and energy consumption</a>	
EN30	Environmental protection expenditures and investments	Reported	<a href="#">Responsibility in our own operations</a>	
<b>Social Responsibility</b>				
<b>Labour Practices and Decent Work: Disclosure on Management Approach</b>			<a href="#">Responsibility for personnel</a>	
			<a href="#">Social responsibility</a>	
Labour Practices and Decent Work Performance Indicators				
LA1	Description of personnel	Reported	<a href="#">Personnel in figures</a>	
LA2	Number and rate of employee turnover	Partly reported	<a href="#">Personnel in figures</a>	Information is only available on Finland
LA3*	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Partly reported	<a href="#">Social responsibility</a>	
LA4	Percentage of employees covered by collective bargaining agreements	Partly reported		In Finland and Sweden, all employees are covered by collective bargaining agreements
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	<a href="#">Occupational safety</a>	
LA8	Education and prevention programmes regarding serious diseases	Partly reported	<a href="#">Work ability management</a>	Tasks in which employees are exposed are covered by occupational safety guidelines, work placement inspections and regular inspections.
			<a href="#">Social responsibility</a>	
LA9	Health and safety topics covered in formal agreements with trade unions	Not reported		In accordance with local legislation
LA10	Personnel training	Partly reported	<a href="#">Personnel in figures</a>	All hours of training not available
LA11	Programmes for skills management and lifelong learning	Partly reported	<a href="#">Work ability management</a>	
			<a href="#">Social responsibility</a>	
LA12	Performance and career development reviews	Partly reported	<a href="#">Personnel in figures</a>	
LA13	Diversity of governance bodies and employees	Reported	<a href="#">Corporate Governance Statement</a>	
LA14	Ratio of basic salary of women to men	Not reported		Comparison by division and by occupational categories not available
<b>Human Rights: Disclosure on Management Approach</b>			<a href="#">Social responsibility</a>	
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 human rights screening	Not material		
HR3	Employee training on policies and procedures concerning human rights	Reported	<a href="#">Responsible business operations and services</a>	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		Personnel policy, L&T's Code Of Conduct

HR6	Operations identified as carrying significant risk for incidents of child labour	Not material		
HR7	Operations identified as carrying 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		
<b>Society: Disclosure on Management Approach</b>			<a href="#">Code of Conduct</a>	
			<a href="#">Cooperation with the authorities and political influence</a>	
Society Performance Indicators				
SO1	Impacts of operations on communities	Partly reported	<a href="#">Local communities and charity</a>	
SO2	Business units analysed for risks related to corruption	Reported		Corruption is one of the areas investigated in unit inspections carried out by the internal audit. In 2014, 12 units and 22 profit centres were audited, with a total of 1,242 employees.
SO3	Employees trained in the organisation's anti-corruption policies	Reported	<a href="#">Code Of Conduct</a>	
SO4	Actions taken in response to incidents of corruption	Reported		No incidents
SO5	Participation in public policy development and lobbying	Reported	<a href="#">Cooperation with the authorities and political influence</a>	
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	<a href="#">Occupational safety</a>	In Russia, a fine imposed by traffic police (RUB 860,000, equal to approximately EUR 12,600) for waste transport vehicles operating without the required permits in Moscow.
SO9	Operations with significant potential or actual negative impacts on local communities	Partly reported	<a href="#">Local communities and charity</a>	
SO10	Prevention of negative impacts on local communities	Partly reported	<a href="#">Local communities and charity</a>	
<b>Product Responsibility: Disclosure on Management Approach</b>			<a href="#">Responsible business operations and services</a>	
Product Responsibility Performance Indicators				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement	Partly reported	<a href="#">Responsible business operations and services</a>	
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	<a href="#">Business operations and customer benefits</a> <a href="#">Stakeholder relations</a>	
PR6	Adherence to laws, standards and voluntary codes concerning marketing communications	Reported		No incidents
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
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Reported		No incidents

\* ) Figure is verified by an independent third party

\*\* ) We report all fines in excess of EUR 5,000 and incidents that are otherwise significant.



## INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish document

### *To the Management of Lassila & Tikanoja Plc*

We have been engaged by the Management of Lassila & Tikanoja Plc (hereafter Lassila & Tikanoja) to provide limited assurance on environmental numerical data presented for the reporting period 1.1.–31.12.2014 in Lassila & Tikanoja's Annual Report 2014 (hereafter Environmental Numerical Data). The sections and documents subject to the engagement are listed in the Global Reporting Initiative (GRI) Index.

#### Management's responsibility

The Management of Lassila & Tikanoja is responsible for the preparation and presentation of the Environmental Numerical Data in accordance with the reporting criteria that is the Lassila & Tikanoja reporting guidelines and *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3.1*.

#### Our responsibility

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance. We have conducted the engagement in accordance with the IAASB international assurance standard ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*. We do not accept or assume responsibility to anyone other than Lassila & Tikanoja for our work, for this assurance report, or for the conclusions we have reached.

#### *Limitations of the engagement*

Data and information related to sustainability are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Environmental Numerical Data is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Lassila & Tikanoja. Our assurance report is not intended for use in evaluating Lassila & Tikanoja's performance in executing the corporate responsibility principles Lassila & Tikanoja has defined. To assess the financial state and performance of Lassila & Tikanoja, Lassila & Tikanoja's audited Financial Statement for the year ended 31 December 2014 is to be consulted.

#### *The work performed in the engagement*

Our assurance procedures are designed to obtain limited assurance on whether the Environmental Numerical Data is prepared in accordance with the reporting criteria in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Environmental Numerical Data, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are less in scope than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.



In our engagement we have performed the following procedures:

- Interview with one member of the management to reassert our understanding of the connection between Lassila & Tikanoja's corporate responsibility procedures and Lassila & Tikanoja's business strategy and operations as well as corporate responsibility objectives;
- An assessment of the Environmental Numerical Data's conformity with the Lassila & Tikanoja reporting guidelines and with the principles of the GRI G3.1 guidelines for defining content and reporting quality;
- A review of the performance data and assertions presented in the Environmental Numerical Data, and testing of data accuracy and completeness through samples from Lassila & Tikanoja's information systems;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Environmental Numerical Data;
- Comparison of the presented Environmental Numerical Data to underlying rules of procedure, management and reporting systems as well as documentation;

Based on the assurance procedures performed to achieve limited assurance, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared fairly, in all material respects, in accordance with the reporting criteria.

Helsinki, 24 February 2015

KPMG OY AB

Lasse Holopainen  
APA

Nathalie Clément  
*Senior Manager, Advisory*