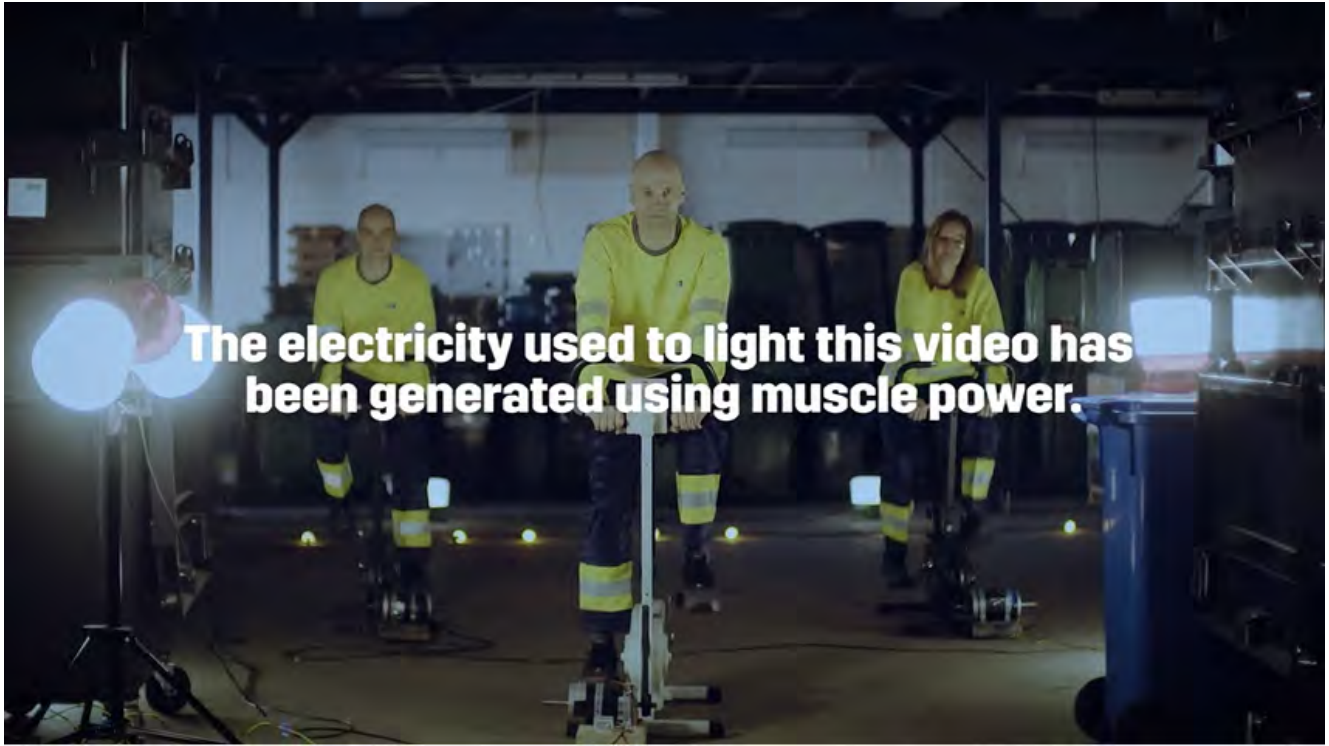




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TURNING OUR EYES TO THE FUTURE



Last year was an eventful one for L&T. It was a good year by many measures but, at the same time, it was heavy and challenging. In spite of the difficult market climate, we achieved a good result, saw a significant reduction in sickness-related absences, improved customer satisfaction and accomplished great results on our path of renewal.

These results would not have been possible without our highly competent and service-oriented personnel. I want to take this opportunity to extend my warmest thanks to everyone at L&T for their good work in 2016.

OUR JOURNEY OF CHANGE REQUIRES FLEXIBILITY AND AGILITY

The year 2016 was in many ways similar to the previous few years. The business environment is in constant flux and the rate of change is accelerating further. While there are small signs of an upturn in the air, economic recovery will take a long time. This means that achieving growth requires finding new ideas to replace the old and traditional ones. These operating conditions further underscore the significance of renewal in all of our businesses.

In a business environment that is increasingly difficult to predict, we must have the

flexibility to adapt to the ongoing changes. Late in the year, we held statutory employer–employee negotiations to implement important adjustments that increase the speed and agility of our decision-making. The Group and divisional structures were clarified, decision-making power was shifted to the business level and we increased our investments in the renewal of our business.

A GOOD YEAR BY MANY MEASURES

Continuously improving the safety of our operations and the work ability of our personnel are important objectives for us. Our accident frequency increased slightly after several years of successfully reducing it, but I am confident that we will shape up and get back on track. I am particularly pleased by the fact that our sickness-related absences declined significantly in 2016 and our average retirement age rose to 63.8 years.

**Two things that are equally important: customer satisfaction and occupational safety.
The most important thing is that they are both excellent.**

The renewal of our business continued at a fast pace and we achieved strong results on that front. Our new digital services were well received, our Hävikkimestari mobile app for managing and reducing food wastage in catering restaurants won an award from the Helsinki Climate Partners network, and our driving style monitoring received a Best IoT of the Year award.

Our Net Promoter Score, which measures customer satisfaction, improved from the previous year and the number of complaints decreased. We signed significant new service agreements in the latter part of the year, which will help us achieve our growth targets in 2017.

IMPLEMENTING THE LARGEST-EVER CHANGE IN OUR OPERATING MODEL

In order to maintain our capacity for strong financial performance, we must continue our efforts to improve productivity. In 2016, we continued the systematic implementation of our strategic development programmes aimed at improving productivity.

In 2017, we will begin to carry out in earnest the largest-ever change in our operating model, including the country-wide implementation of the Facility Services division's new ERP system in property maintenance and cleaning services. This will benefit our personnel and customers in the form of even more consistent service quality and systematic action.

CUSTOMER AND EMPLOYEE EXPERIENCE AT THE CORE OF OUR STRATEGY

When you are improving productivity, it is especially important to maintain a positive mood and also to keep focusing on the customer.

Satisfied customers are the key to our future success, which is why we have made the customer experience a core component of our strategy. We develop our customer experience by becoming even better at listening to our customers' needs and by focusing on day-to-day development. Together with our employees, we agree on concrete and quantifiable customer promises and we do what we promise to do. In 2017, we will also evaluate our strategy through the eyes of our customers and via our various customer segments.

Recognising that a good customer experience is created through a good employee experience, we have established a close link between enhancing the employee experience and improving the customer experience.

Maintaining a good energy level and mood among personnel requires determined efforts to develop managerial work, a strong sense of community and trust. We have engaged our personnel extensively in our efforts to develop the customer and employee experience. This work will continue with a national Virettämö workshop tour, which a large group of L&T employees will be invited to join.

LESS IS MORE

In the long run, the requirements for material, energy and cost efficiency will grow further, which will lead to increased demand for our services. The shift to the bioeconomy and circular economy will boost the demand for renewable bioenergy and secondary raw materials but, above all, it will create a wealth of new service opportunities. We want to be a key player in these growing markets. L&T is an enabler of the bioeconomy and circular economy, and our role is to help our customers renew their operations to match the increasingly strict regulatory requirements.

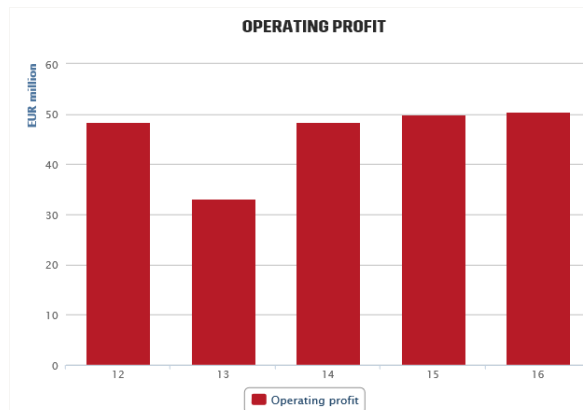
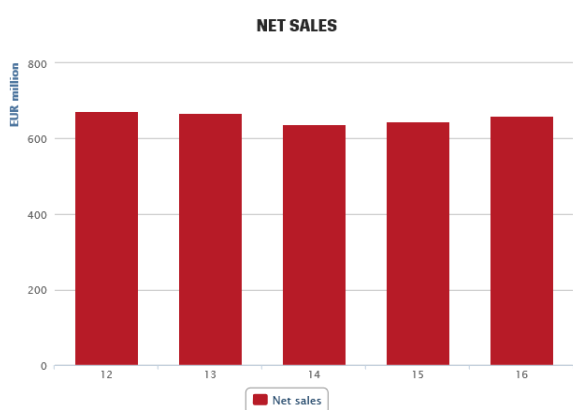
We are faced with a transformation of our business environment, but we hold the keys in our hands. The crucial thing now is to bring our strategy to life in a way that our customers will notice. I believe in our team and our ability to put our plans into action. Our role at the senior management level is to create the conditions for realising these plans and to point a clear common direction for the company.

Pekka Ojanpää

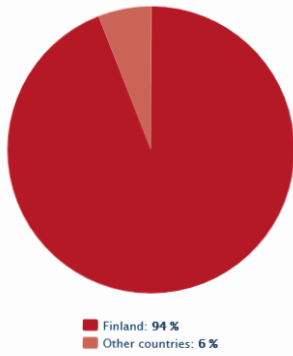
President and CEO

KEY FIGURES

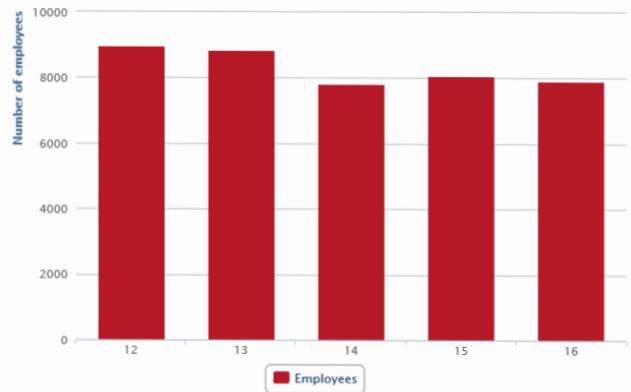
	2016	2015	2014
Net sales, EUR million	661.8	646.3	639.7
Operating profit, EUR million	50.5	49.9	48.5
Profit before tax, EUR million	50.1	47.7	26.6
Return on equity, % (ROE)	20.0	18.2	8.7
Return on invested capital, % (ROI)	17.4	16.5	15.4
Gearing, %	17.3	19.8	25.2
Equity ratio, %	50.4	46.5	46.3
Capital expenditure, EUR million	41.6	49.6	44.7
Total number of full-time and part-time employees at year end	7,931	8,085	7,830
Earnings per share, EUR (EPS)	1.13	0.98	0.47
Cash flow from operating activities/share, EUR	1.99	2.33	2.06
Capital repayment per share, EUR	0.92 *	0.85	0.75
* Proposal by the Board of Directors			



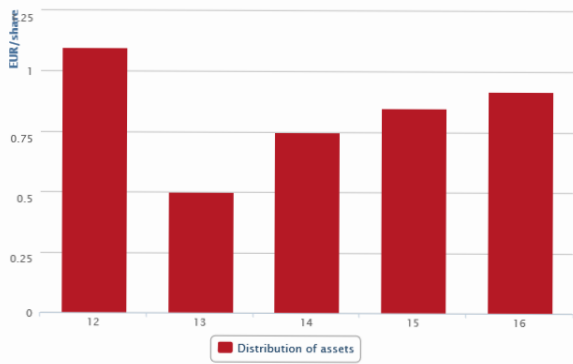
NET SALES: FINLAND AND OTHER OPERATING COUNTRIES



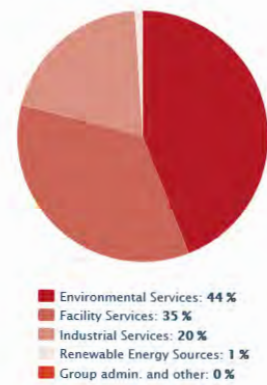
TOTAL NUMBER OF FULL-TIME AND PART-TIME EMPLOYEES AT YEAR END



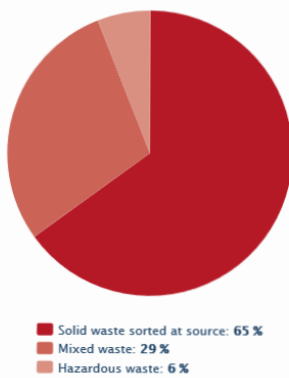
DISTRIBUTION OF ASSETS



CAPITAL EXPENDITURE BY DIVISION



MANAGED MATERIAL FLOWS



KEY EVENTS 2016

Mushrooms from wood chips. Diesel from Christmas ham. A year of innovation.

ENVIRONMENTAL SERVICES EXPANDED TO KAINUU AND PIEKSÄMÄKI

In January, the Group acquired Huurinainen Oy, a Kajaani-based company specialising in waste management and sewer maintenance, and the Pieksämäki-based JPM-Kuljetus Oy. In addition to Kajaani, Huurinainen Oy served customers in Sotkamo and Paltamo. "The acquisitions were part of our strategic geographical expansion and service coverage improvement in Eastern Finland and Southern Savonia," says Vice President **Petri Salermo**.



FOUR-COMPARTMENT WASTE COLLECTION IN VAASA AND PIETARSAARI



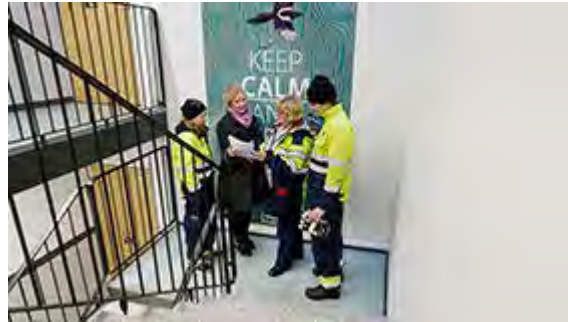
Sorting waste became even easier for the residents of single-family houses in Vaasa and Pietarsaari with the roll-out of four-compartment waste containers for their own yards in January. The containers are emptied by L&T's special four-compartment waste collection vehicles, which transport the different types of waste in separate compartments to ensure their appropriate recovery. The goal is

to increase waste recycling by making it as easy and convenient as possible.

BRINGING BACK CARETAKERS

L&T and the Foundation for Student Housing in the Helsinki Region (HOAS) brought back caretakers. The service model, which has been developed specifically for housing cooperatives, uses a systematic approach to work and teams of multi-talented professionals. “We have moved beyond the traditional division of duties between cleaners and janitors,” says **Marja Havia**, the supervisor in charge of the teams.

The teams consist of service providers and property managers whose duties are determined according to customer needs.



RAKSANAPPI BROUGHT ORDERING INTERCHANGEABLE CONTAINERS TO THE DIGITAL ERA



Each year, L&T supplies thousands of interchangeable containers to construction and demolition sites. We developed a new kind of digital application to make it easier to order containers and have them picked up, and to facilitate the recycling of different waste materials. The Raksanappi service allows customers to use mobile devices to conveniently offer suitable containers for their sites.

HÄVIKIMESTARI MINIMISES FOOD WASTE

L&T developed the Hävikkimestari application to help restaurants minimise their food waste. “The application provides an intuitive visualisation of the amount of food that goes to waste. It also helps customers identify the reasons for high wastage levels by tracking what is thrown away and why,” says **Lotta Toivonen**, Environmental Management Expert at L&T. Hävikkimestari won an environmental prize from the Finnish Fair Foundation and it was also chosen as one of the year’s best pro-climate initiatives by the City of Helsinki Climate Partners network. Natural Resources Institute Finland (Luke) has estimated that as much as one fifth of all restaurant food is thrown away.



CLEANING ROBOT ILONA STARTS WORK AT SHOPPING CENTRE



L&T became the first cleaning industry operator in Finland to introduce a state-of-the-art cleaning robot. Known as Ilona, the robot started working at the Sello shopping centre in Espoo in May. The cleaning robot is an intelligent scrubber-dryer that can be programmed to work autonomously. The robot cleans the floors and is smart enough not to bump into people or objects. It does not need

to be followed around by a human employee, giving cleaning professionals more time to handle more demanding tasks.

FFI AWARDS CERTIFICATES TO CONTROL ROOM AND ENERGY SERVICE FUNCTIONS

The Federation of Finnish Financial Services granted SFS-EN ISO 9001:2008 and SFS-EN 50518 (1-3) certificates to L&T's control room and energy service functions and operating premises. The certification requirements were related to operational quality, the company's reliable operations and the professional competence of the persons in charge. The certification process also included an assessment of the business premises, operations and technical characteristics.

L&T BIOWATTI JOINS AN EXTENSIVE COOPERATION ARRANGEMENT WITH LAHTI ENERGIA

Lahti Energia signed an agreement with five companies for the delivery of fuel to the Kymijärvi III heating plant. L&T Biowatti is one of the fuel suppliers. The fuel comprises wood that has been certified according to sustainable development principles. The fuel deliveries will begin in autumn 2019. The total value of the agreements is nearly EUR 15 million per year, and the annual energy content of the fuel deliveries is equal to approximately 700 gigawatt hours. The term of the agreements is 3–5 years.



L&T'S TEAM WINS HACK THE WASTE INNOVATION COMPETITION

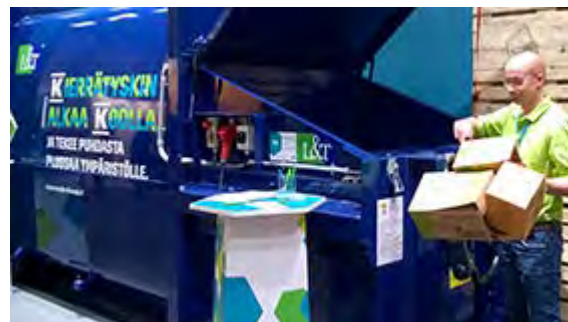


Mushroom Power, a team that represents one answer to L&T's circular economy challenge, won the Hack the Waste innovation competition hosted by VTT Technical Research Centre of Finland. Comprised of **Chris Holtslag** and **Pekka Väisänen**, the Mushroom Power team presented an idea for multiplying the value of wood chips by using them as substrate for growing mushrooms. The team showed how

existing methods can be used to cost-efficiently turn wood chips and mushrooms into versatile material for purposes such as manufacturing furniture and other goods.

KESKO AND L&T EXPANDED THEIR COOPERATION TO PROMOTE THE CIRCULAR ECONOMY

Kesko's responsibility programme includes a commitment to the target of zero landfill waste, and the company is constantly on the look-out for new ways to minimise the amount of waste generated by its operations and increase recycling. The national agreement is aimed at enhancing the recycling of waste generated at Kesko's grocery shops and supermarkets and promoting the circular economy.



L&T AWARDED LEADERSHIP LEVEL CLIMATE RATING BY CDP

L&T's work for the climate was recognised with the excellent grade of A- in the international Climate Change Disclosure survey conducted annually by CDP, a widely respected organisation that promotes the sustainable economy and the fight against climate change. A total of 14 companies in Finland and 39 companies in the Nordic countries achieved the Leadership level by receiving a grade of A or A-.

L&T WINS EFORA'S SAFETY COMPETITION



L&T won a safety competition organised for service providers by the maintenance company Efora. The competition criteria were the LTA1 and TRI accident frequency rates for 2015, the safety observations submitted by the company to Efora, participation/success in HSEQ (health-safety-environment-quality) assessments and the result of supplier assessments in 2016. The monitoring period for the competition was 4

April–30 October 2016. L&T's participating units were the Kemi, Oulu, Varkaus, Heinola and Uimaharju units in the maintenance of technical systems business.

TURNING KITCHEN GRASE INTO FUEL

In December, L&T promoted the spirit of the circular economy by participating in Kinkkutemppu ("Ham Trick"), a campaign launched by the Chemical Industry Federation of Finland to collect the grease accumulated from the baking of the traditional Christmas ham at centralised collection points. The collected grease was subsequently turned into

renewable diesel fuel and the proceeds from its sale were distributed in their entirety to Finnish charitable organisations.



STRATEGIC FOCUS ON NEW SERVICES, DIGITALITY AND ENHANCING THE CUSTOMER AND EMPLOYEE EXPERIENCE

Based on our strategy review in 2016, we did not find it necessary to significantly change the company's strategic direction or financial targets. We will continue to focus on improving productivity. To support our growth targets, we will also increase our focus on the development of new service products, digital solutions and enhancing the customer and employee experience.



CHANGES IN THE BUSINESS ENVIRONMENT ARE MAKING THE NEED FOR RENEWAL MORE URGENT

It appears that the Finnish economy will recover slower than expected in the next few years, and competition remains intense in all of our main markets. This forces us to take a critical view of our cost structure and continuously seek ways to increase profitability and ensure our future competitiveness. In 2016, we held statutory employer–employee negotiations and adapted our organisation to the increasingly changing market situation. At the same time, we simplified our organisational structures and expanded the decision-making authorisations of

our businesses.

The digital transformation poses many challenges to the traditional model of service production across many industries, including ours. We believe that the successful companies of the future will be those that have the agility and flexibility to adapt to the ongoing changes. To ensure that we can effectively take advantage of the opportunities presented by the digital transformation, we will significantly increase our investments in digital solutions, which will be developed using agile methods and customer engagement.

“Digitalisation” may sound like technobabble, but in practice it refers to services such as: Raksanappi, Hävikkimestari, Kimppanouto.

Our customers expect us to deliver continuously improved services, expertise and quantifiable added value with regard to cost efficiency, energy efficiency and material efficiency. At the same time, the circular economy and digitalisation are providing us with new opportunities for the development of services and the customer experience. In 2016, we implemented systematic customer experience management at both the Group level and the division level, and we strengthened our service development resources. We see a strong link between managing the employee experience and the customer experience as, in a service company, the two are closely intertwined.

DEVELOPMENT STEERED BY STRATEGIC PRIORITIES

We implement our strategy through strategic development programmes and projects that are based on our chosen strategic priorities. In 2016, we made consistent progress in our previously launched strategic programmes aimed at enhancing workforce management and the Facility Services division's operating model. We also launched a new programme aimed at enhancing the customer and employee experience.

WORKFORCE MANAGEMENT

- We implemented flexible working hours and a shift planning system in our cleaning units.
- We implemented digital working hours recording the Environmental Services division.
- We launched a project to implement flexible working hours and a shift planning system in process cleaning.
- We implemented a centralised resource allocation organisation to support optimised shift planning in cleaning and property maintenance.

EFFICIENT OPERATING MODEL

- The new operating model for Facility Services and the enterprise resource planning system that supports it were finalised for property maintenance and deployed in two pilot units in Espoo and Turku. The deployment of the system will continue in 2017.
- The planned next step is to extend the model and the system that supports it to cleaning and the maintenance of technical systems. The work has already begun for these service lines.

CUSTOMER AND EMPLOYEE EXPERIENCE

- We implemented systematic customer experience management at both the Group level and the division level.
- Going forward, our goal is to improve our ability to keep abreast of customer needs and develop our operations based on feedback received from customers. We actively focus on day-to-day development in cooperation with customers and in a way that supports our customers' business goals. Together with our personnel, we agree on concrete and quantifiable customer promises that guide our work and make our culture even more customer-oriented. At the same time, we aim to ensure that the experience and the state of mind of our personnel support the creation of an excellent customer experience.

THE YEAR 2016 WAS IN LINE WITH EXPECTATIONS

L&T's net sales totalled EUR 661.8 million and the operating profit was EUR 50.5 million. The net sales were accumulated from some 50,000 corporate customers and 170,000 households in Finland. We also provide facility services in Sweden and environmental services in Russia.

FINANCIAL TARGETS

	Target 2020	2016	2015	2014	2013
Growth	5.0%	2.4%	1.0%	-4.3%	-0.9%
Return on invested capital	20.0%	17.4%	16.5%	15.4%	10.6%
Operating profit	9.0%	7.6%	7.7%	7.6%	5.0%
Gearing	0–70%	17.3%	19.8%	25.2%	30.4%

WE STRENGTHENED OUR MARKET POSITION AND DEVELOPED NEW RECYCLING SOLUTIONS

In 2016, the Environmental Services division's net sales increased by 3.2 per cent due to successful sales work and acquisitions, amounting to EUR 264.8 million (EUR 256.5 million). Operating profit totalled EUR 31.3 million (EUR 35.8 million).

There were changes in the business environment that affected the market structure. The responsibility for household packaging materials was shifted to producers and the volumes and prices of secondary raw materials were at a low level.



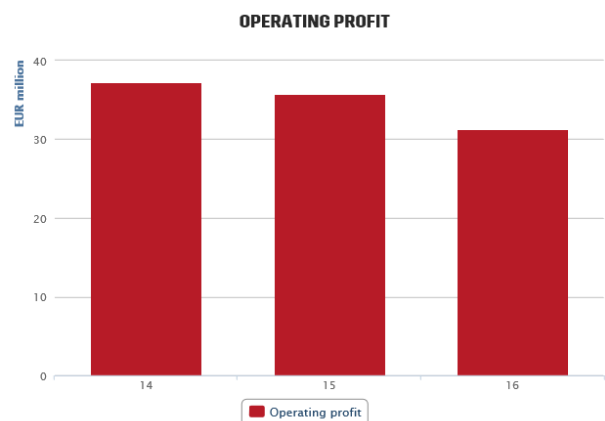
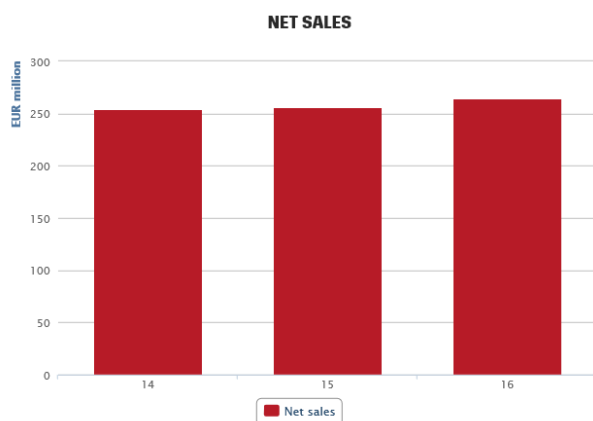
Customer requirements related to the management of environmental matters continued to increase, which provides us with opportunities for leveraging our entire value chain to benefit our customer companies. This trend is reflected in, for example, large corporations' willingness to develop their operations towards the circular economy.

We carried out a significant renewal of our strategy. The key focus areas are improving the customer experience, innovating and commercialising new services, and maintaining competitiveness through continuously increasing productivity.

**The magic of recycling: cuts hundreds of thousands from waste costs.
Less expensive mixed waste, more results.**

KEY ACTIONS AND ACHIEVEMENTS IN 2016

- We engaged our customers to generate ideas for the renewal of our service offering.
- We launched digital service channels in response to customer wishes:
 - the Raksanappi application for the construction segment
 - the Hävikkimestari service for reducing food waste and
 - the Kimppanouto collection share concept to facilitate the reuse of household goods.
 - We also opened an online store for Environmental Services.
- We expanded our operations to the Kainuu area and strengthened our market position in Eastern Finland through acquisitions.
- We were successful in acquiring new major customers: we expanded our cooperation agreement with Kesko to cover all of Finland, and we also strengthened our market position in the retail and construction segments.



WE ACHIEVED GROWTH IN NEW AREAS AND IMPROVED OUR EFFICIENCY

In 2016, the Industrial Services division's net sales increased by 6.6 per cent to EUR 82.1 million (EUR 77.0 million). Operating profit totalled EUR 7.8 million (EUR 6.8 million).

The growth in net sales and improved profitability were supported by successes achieved in the project business, expanding our offering in the industrial and construction segments as well as successful efficiency improvement measures. We were also able to quickly and flexibly respond to growing customer demand.



Large-scale industry and the construction sector showed signs of recovery during the year. Nevertheless, there were substantial regional and sector-specific differences in industry.

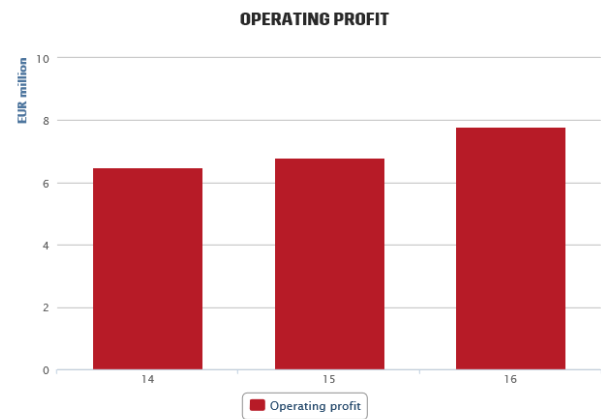
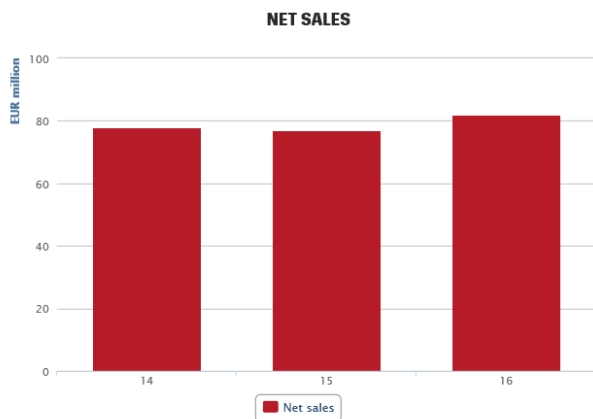
In conjunction with updating our strategy, we assessed our strengths in relation to market potential and decided to further strengthen our service development and offering in the large-scale industry segment. We adapted our regional structure to better respond to customer needs and continued our systematic efforts to improve safety.

**The secret of a long-term customer relationship:
doing what you do well.**

Less turnover, more partnership.

KEY ACTIONS AND ACHIEVEMENTS IN 2016

- We achieved growth in large-scale industry through more extensive service solutions and, in the construction segment, our growth was boosted by bridge repair contracts.
- We also achieved good results in the restoration and processing of contaminated soil as well as the construction of waste collection areas.
- In sewer maintenance, we invested in improving our service management locally, which enabled better customer service at the local level.
- We improved the efficiency of our operations and occupational safety by investing in the modernisation of our hazardous waste terminals.
- We invested in our personnel by training existing and new employees.
- Our occupational safety continued to develop favourably during the year and our customer satisfaction remained at an excellent level.



WE FOCUSED ON ENSURING PROFITABILITY AND RENEWAL

In 2016, the net sales of Facility Services increased by 1.9 per cent to EUR 288.3 million (EUR 282.9 million). Operating profit totalled EUR 13.5 million (EUR 8.1 million).

The market for cleaning services remained challenging in 2016 due to the competitive situation and customers increasing the efficiency of their use of space. The recovery of the construction market was reflected in a slight increase in the demand for renovation services but, overall, the demand for facility services remained on a par with the previous year.

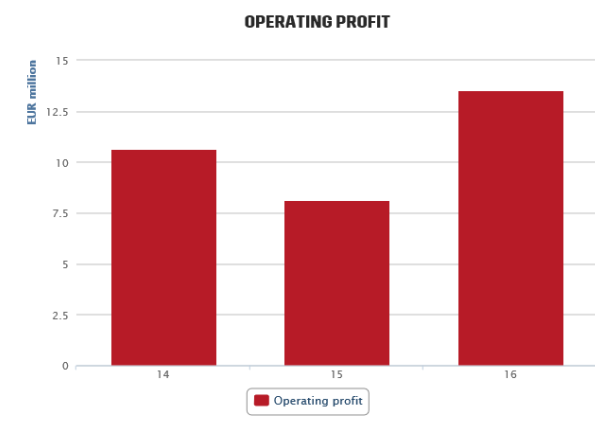
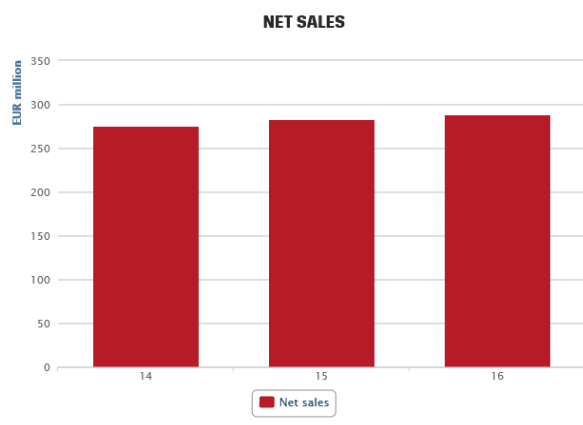


The Facility Services division's short-term strategy is focused on the renewal of the operating model and the improvement of profitability. We will respond to our customers' expectations of new service models by investing in service development and targeted acquisitions.

**We combined property maintenance and personalised service.
The result was the Caretaker.
Fewer complaints, more happy customers.**

KEY ACTIONS AND ACHIEVEMENTS IN 2016

- The efficiency improvement measures implemented in late 2015 were reflected in higher profitability, particularly in renovation and the maintenance of technical systems.
- In the maintenance of technical systems, our focus was on the integration of the companies acquired in 2015 and ensuring profitability.
- In July 2016, Ms. Tutu Wegelius-Lehtonen took the helm as the Vice President for Facility Services, having transferred from the position of Group Supply Chain Director.
- In line with our strategy, we continued the renewal of our operating model by, among other things, restructuring the division's support and development functions as well as operating methods.
- We successfully piloted our new enterprise resource planning system in autumn 2016. The deployment of the new system will begin in 2017.



WE MAINTAINED GOOD PROFITABILITY IN A CHALLENGING MARKET CLIMATE AND BEGAN THE IMPLEMENTATION OF STRATEGY

In 2016, the net sales of Renewable Energy Sources decreased by 6.6 per cent to EUR 36.8 million (EUR 39.4 million). Operating profit totalled EUR 1.5 million (EUR 2.1 million). The relative profitability of the Renewable Energy Sources business remained on a par with the previous year.

In 2016, the overall demand for forest energy continued its decline from the peak level reached in 2013 due to factors including warm weather conditions, the weak profitability of electricity produced from wood chips and the ample supply of competing fuels. The decline in the overall demand for forest energy also affected the development of the Renewable Energy Sources division's net sales.

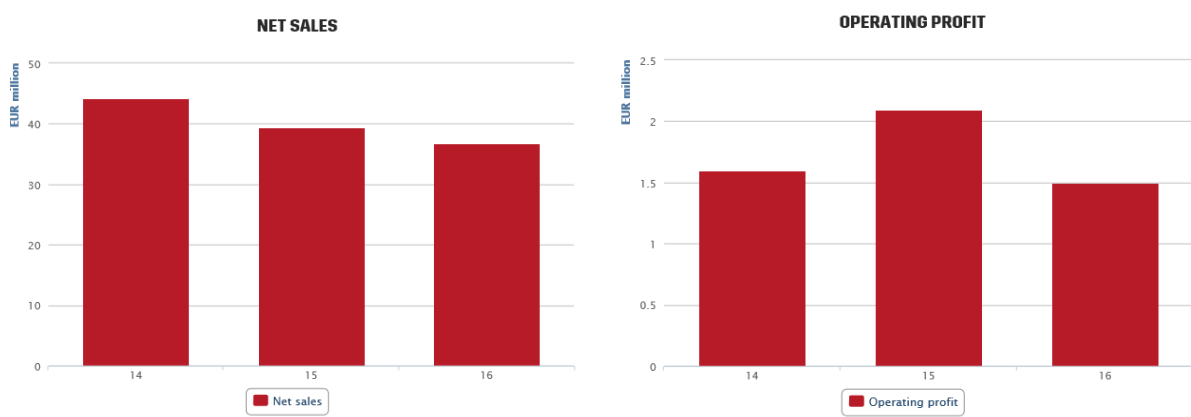


In the short term, the strategy for Renewable Energy Sources is focused on ensuring profitability and moderate growth. The business environment will remain challenging in 2017, but demand will improve in the coming years due to new plant investments. As the market situation improves, we aim to grow the business in line with our strategy.



**Clean energy?
Well, it grows on trees.
Less emissions, more renewable energy.**


KEY ACTIONS AND ACHIEVEMENTS IN 2016


- We defined our new strategy aimed at profitable growth and began its systematic implementation
- We signed significant long-term customer agreements
- We further increased the efficiency of the supply chain and improved the quality of our operations
- We developed inventory management and released tied-up capital
- Forest services received PEFC certification to verify that the raw materials are sourced from sustainably managed forests.



THE PROGRESS OF OUR CORPORATE RESPONSIBILITY PROGRAMME IN 2016

Material areas		Targets 2016 - 2020	Achievements in 2016
<p>Responsible business</p> 	Code of Conduct	<ul style="list-style-type: none"> Establishing the Code of Conduct as an integral part of business operations Transparent tax footprint reporting No major damage or infractions 	<ul style="list-style-type: none"> All new L&T employees studied the guidelines Tax footprint EUR 156.0 million (2015: EUR 155.0 million) No major damage or infractions
	Business solutions that promote customers' responsibility	<ul style="list-style-type: none"> Measuring the carbon handprint of L&T's services 	<ul style="list-style-type: none"> We launched a project to measure the carbon handprint of our services. More concrete results from the project will be seen in 2017.
<p>Environmental responsibility</p> 	Recycling and material recovery	<ul style="list-style-type: none"> Recovery rate of waste managed by L&T 95% Increasing the recycling rate of waste to 55% 	<ul style="list-style-type: none"> Recovery rate 94% (2015: 92%) Recycling rate 54% (2015: 53%)

	Reducing emissions and energy consumption	<ul style="list-style-type: none"> • Reducing CO₂ emissions by 25% compared to the level and volume of 2012 • Building an operating model for verifying the emissions of transport subcontractors 	<ul style="list-style-type: none"> • CO₂ emissions decreased by 22.5% compared to 2012 (2015: -19%) • An operating model was built for verifying the emissions of transport subcontractors
Responsibility for personnel 	Work ability management and occupational safety	<ul style="list-style-type: none"> • Sickness-related absence rate 4.5% • Average age of retirement 64 year • Accident frequency under 10 in 2018 	<ul style="list-style-type: none"> • Sickness-related absence rate 4.8% (2015: 5.2%) • Average age of retirement 63.8 years (2015: 63.1) • Accident frequency 15 (2015: 11)
	Employee satisfaction	<ul style="list-style-type: none"> • Meininki employee satisfaction survey conducted regularly • Over 80% of personnel are prepared to recommend L&T as an employer 	<ul style="list-style-type: none"> • The next survey will be conducted in 2017
	Diversity and equality	<ul style="list-style-type: none"> • Promoting the employment of immigrants • Supporting the continued work of persons with 	<ul style="list-style-type: none"> • We actively promoted employment opportunities for persons with an

		reduced work ability	immigrant background.
<p>Responsible supply chain</p> 	Responsibility of the supply chain	<ul style="list-style-type: none"> • Building comprehensive supplier assessment process and setting quantitative targets during 2016 • Reducing the environmental impacts of production equipment and materials: <ul style="list-style-type: none"> • Over 80% of our heavy-duty vehicles are in the Euro 4 emissions category or newer • Share of Ecolabelled cleaning agents > 80% 	<ul style="list-style-type: none"> • All of our new contract suppliers conducted a self-assessment. We set quantitative targets for our supplier assessments. • Of our heavy-duty vehicles, 64% were in the Euro 4 emissions category or newer (2015: 59%). • Ecolabelled cleaning agents accounted for 72% of all cleaning agents used by us (2015: 82%). The overall consumption of cleaning agents decreased with the development of cleaning methods.
<p>Active stakeholder relations</p>	Stakeholder dialogue	<ul style="list-style-type: none"> • Regular stakeholder support measurements for specified 	<ul style="list-style-type: none"> • The measurement was conducted as planned. Stakeholder



		<p>stakeholders and its strengthening</p> <ul style="list-style-type: none"> • Transparent reporting of measures and projects 	<p>support became stronger among policymakers and the media, but there was a slight decline in support among customers and our own personnel.</p>
	<p>Customer satisfaction</p>	<ul style="list-style-type: none"> • Regular measurement and reporting of the customer experience • Transparent reporting of measures and projects 	<ul style="list-style-type: none"> • The NSI measurement was conducted twice during the year. Customers' willingness to recommend us increased in the measurement.

RESPONSIBLE BUSINESS



RESPONSIBLE BUSINESS

IN 2016
THERE WERE NO
SERIOUS DAMAGES
OR OFFENCES IN
OUR OPERATIONS.

We have 69
environmental permits.

0



WE PAID MORE THAN
140 MILLION
IN TAXES

or tax-like payments. It is about as much as the
Finnish government's soft drink tax return.

IN 2016 ALMOST

2,000

new L&T recruits familiarised themselves with
the Code of Conduct.

We launched a project to report the

CARBON
HANDPRINT

of our services. More concrete results
will be seen in 2017.

CODE OF CONDUCT BECOMES PART OF OUR DAY-TO-DAY WORK

As part of the implementation of our Corporate Responsibility Programme in 2016, we continued to incorporate our responsible business practices and Code of Conduct as integral elements of our business operations:

- New L&T recruits in all of our operating countries familiarised themselves with the Code of Conduct as part of their induction training.
- We specified the operating guidelines for our production vehicles in line with the tax authorities' instructions and implemented a centralised monitoring and intervention system for speeding.
- We continued our campaign themed "A professional on the road" in Finland with the aim of reminding L&T employees of safety and professionalism on the roads. Our focus during the year was particularly on reducing speeding as part of the implementation of a new system for monitoring speeding. As part of the campaign, all supervisors in production operations were provided with a video clip in the early autumn to watch with employees at joint occupational safety sessions.
- We surveyed the side activities of salaried employees to identify potential conflicts of interest.
- In early 2016, the company's salaried employees completed mandatory online training related to competition law. The training is aimed at helping L&T's personnel understand what types of activities may involve risks related to competition law, and to provide them with guidance for appropriate conduct. Going forward, the training will be incorporated into the induction training process.

COMPLIANCE WITH LAWS AND REGULATIONS

We operate in compliance with laws and regulations and ensure that our operations involve no serious damage or offences. In 2016, we specified our process for investigating suspected cases of misconduct and the related operating model. The operating model will be implemented in our organisation in 2017.

- Our internal auditor received 10 reports of infringements against the Code of Conduct in 2016. The reports were received directly from our personnel, through supervisors or via our electronic channel. All of the reports required more investigation and six of them led to corrective measures. The labour law measures ranged from warnings to the termination of employment. In some cases, the reports led to changes to the company's existing processes.

COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

Environmental permits guide the management and monitoring of environmental issues at our plants and terminals. At the end of 2016, L&T held 69 environmental permits related to the handling and storage of normal waste, hazardous waste, recycled wood and energy wood.

The environmental risks involved in our operations are primarily related to the fleet, waste storage and processing, and chemical safety. We seek to prevent environmental damage by means such as protective structures, measuring devices, inspections, guidelines and training for our personnel. All environmental damage incidents are recorded in our monitoring system.

Waste treatment can also cause litter, dust emissions, noise and unpleasant odours in the local environment. We aim to prevent these negative impacts in cooperation with the authorities.

- In 2016, we detected one serious risk of environmental damage, involving a broken oil trap that potentially caused soil contamination. A more detailed investigation is underway. The authorities are aware of the matter.
- There were two incidents of minor environmental incidents, one involving an oil leak caused by a broken hydraulic hose and the other involving combustion gas emissions from a burning pile of tyres. Minor environmental damage is caused by incidents that can, with immediate action, be contained and eliminated.
- There were 19 smaller incidents reported, mainly consisting of minor oil or fuel leaks from vehicles or work machines. These emissions were eliminated from the environment and they did not have a material effect on the soil or water system.
- We received a total of 40 local complaints in 2016 related to our waste treatment operations in Mustasaari, Kerava, Lahti and Vantaa. The causes of the complaints included litter in the local environment, dust emissions, as well as unpleasant noise and odour. The complaints were received either directly from local residents or via the local environmental authorities, and they were recorded in the monitoring system. The complaints were handled in cooperation with the authorities with the aim of mitigating future negative impacts.
- In 2017, we will introduce an electronic channel to allow private individuals, businesses and the authorities to submit complaints via our website.

WE CREATE LOCAL WELL-BEING

L&T is among the most significant employers in its operating locations. The salaries, 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**
666.7
(649.9)

**SUPPLIERS
PURCHASED GOODS,
MATERIALS AND
SERVICES**
-297.7
(-287.6)

ADDED VALUE
369.0
(362.4)

DISTRIBUTION OF ADDED VALUE (EUR MILLION)

SHAREHOLDERS
**DIVIDENDS AND CAPITAL
REPAYMENTS**
-34.8
(-29.0)

EMPLOYEES
**SALARIES, BONUSES AND
SOCIAL SECURITY COSTS**
-278.4
(-264.9)

CREDITORS
**NET FINANCIAL
REVENUE AND COST**
-1.7
(-1.4)

PUBLIC SECTOR
**INCOME
TAXES**
-11.7
(-8.9)

**TO BUSINESS
DEVELOPMENT**
42.3
(58.2)

L&T'S TAX FOOTPRINT

Transparent tax footprint reporting is a key element of L&T's responsibility. 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 the 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.

TAX FOOTPRINT

	Finland		Other operating countries		Total	
	2016	2015	2016	2015	2016	2015
Taxes and tax-related costs, EUR million						
Income taxes/corporate taxes	10.0	9.6	0.4	0.4	10.3	9.9
Withholding taxes on salaries and forest taxes, and tax-at-source	49.2	49.4	3.3	3.2	52.5	52.6
Social security contributions	4.4	4.3	4.7	4.5	9.1	8.8
Production taxes *	0.1	1.1	0.0	0.0	0.1	1.1
Value added tax (tax on consumption)	77.5	76.5	5.3	5.2	82.8	81.7
Property taxes	0.4	0.1	0.2	0.1	0.6	0.2
Insurance taxes	0.6	0.6	-	-	0.6	0.6
Total	142.2	141.6	13.9	13.3	156.0	155.0
* Taxes linked to production include, among others, waste taxes remitted by the company itself						

FOCUS ON THE CUSTOMER'S RESPONSIBILITY AND SAVINGS

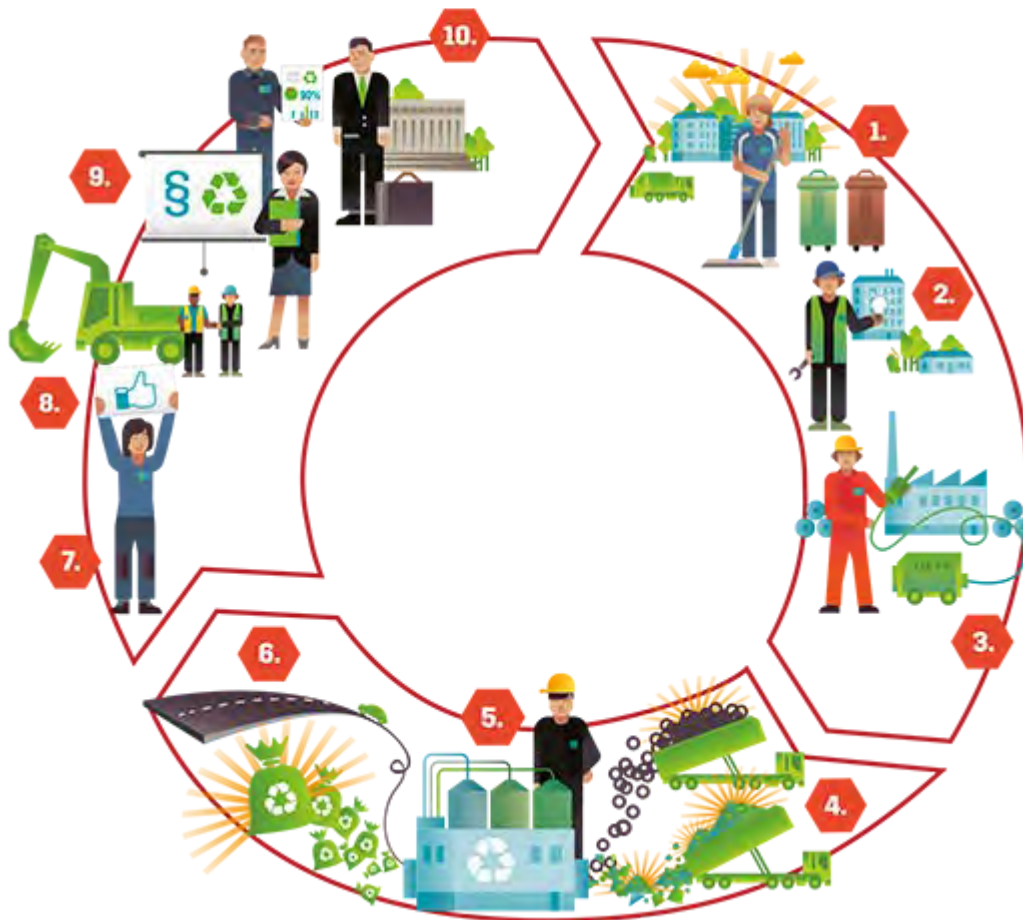
Our services play a significant role in ensuring the responsibility of our customers, managing their environmental and climate impacts and promoting material, energy and cost efficiency.

We help our customer companies measure, forecast and optimise resource use and minimise the environmental impacts and costs arising from their operations. We engage in active cooperation with customers and support the development of operations through methods such as waste management surveys, development plans, environmental reporting and training services.

In 2016, we launched a project aimed at offering our customers the opportunity to report their carbon handprint, i.e. the positive substitution effects of recycled materials, instead of their carbon footprint. More concrete results from the project will be seen in 2017.

We continuously look for ways to make recycling easier for our customers and we introduced new digital services for our customers in 2016.

L&T PROMOTES ITS CUSTOMERS' RESPONSIBILITY



1. We extend the life of properties and provide guidance on sorting waste

We look after our customers' properties and advise them on how to sort waste. We offer Nordic ecolabel-certified cleaning services that are carried out using ecolabelled equipment and cleaning agents.

2. We create good working conditions and help conserve energy

We adjust our customers' properties to support good working conditions while also helping to save energy and costs. In 2016, our eco-trained property managers made 563 energy conservation suggestions at our customers' operating locations, and our energy management centre produced 2,000 reports with action proposals to support our customers' decision-

making. Our energy management centre monitored 254 properties and some 2,500 ventilation machines.

3. We keep Finland's wheels turning

By outsourcing their support services to us, our industrial customers are free to focus on their core business. We make this possible by ensuring that support services are managed in an environmentally friendly, safe and cost-efficient manner.

4. We reduce the environmental impacts of transport

We transport our customers' waste for recycling and recovery. We reduce the environmental impacts of our transport operations in many ways, such as improving route efficiency and promoting an ecological driving style.

5. We process waste for utilisation according to the order of priority

We work continuously with customers to find new recycling and reuse solutions for commercial, industrial and construction waste. In 2016, we began collecting plastic and textile waste in a few towns. Some 54 per cent of our customers' waste could be recycled for use as raw material for new products, and 94 per cent was otherwise recovered.

6. We supply the manufacturing industry with secondary raw materials and reduce emissions

Our industrial customers replace virgin raw materials with secondary raw materials, or fossil fuels with biofuels and solid recovered fuels. By doing this together with our customers, we were able to reduce Finland's carbon dioxide emissions by approximately 1.0 million tonnes in 2016.

7. We look after our personnel

We invest in the well-being at work and occupational safety of our personnel, with good results: according to our most recent personnel survey, 74 per cent would recommend L&T as an employer, our sickness-related absence rate fell to 4.8 per cent and we have halved our accident frequency in Finland over the past four years.

8. We also ensure the responsibility of our subcontractors

We are a significant employer, investor and purchaser of products and services at our operating locations. We also require our subcontractors to employ good and reliable operating methods and to offer a high level of delivery reliability.

9. We increase our customers' environmental expertise

We actively train our customers and other stakeholders in relation to current themes in environmental management. In 2016, we organised Environmental Academy training for a total of 337 customers. Their themes included legislative changes concerning producer responsibility for packaging and the ban on the landfill disposal of organic waste, as well as the circular economy. We also produce electronic online training services for our customers. Nearly 2,500 customer representatives participated in our various training activities in 2016.

10. We create stronger operating conditions for the circular economy

We engage in constructive cooperation and continuous dialogue with policymakers, the authorities, organisations and other stakeholders to ensure that the necessary operating conditions for the circular economy are in place.

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL RESPONSIBILITY



RECYCLING RATE

54%

This is significantly higher than the average recycling rate in Finland, which is 41%.



RECOVERY RATE

94%

Only 6% of the waste managed by L&T ended up in end treatment.



EMISSIONS FROM OUR OWN OPERATORS

-21.5%

Compared to 2012.
Our target in 2020: -25%.

EMISSION SAVINGS

DELIVERIES OF
BIOFUELS AND SOLID
RECOVERED FUELS

678.8 CO₂-tonnes
(2015: 763.8)

MATERIAL
RECYCLING

355.1 CO₂-tonnes
(2015: 375.2)

We worked with our customers to reduce Finland's CO₂ emissions by approximately

1.0 MILLION

(2015: 1.1 million) CO₂-TONNES.

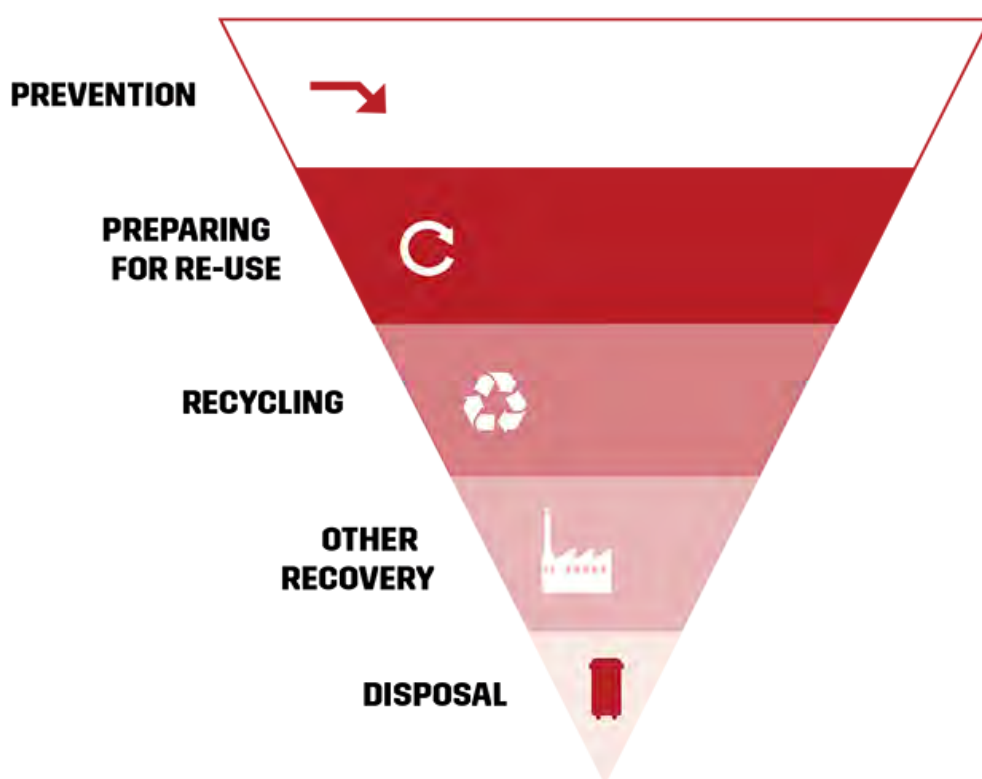
Roughly equal to the total emissions generated by traffic in the Helsinki metropolitan area.



NEW LIFE FOR WASTE

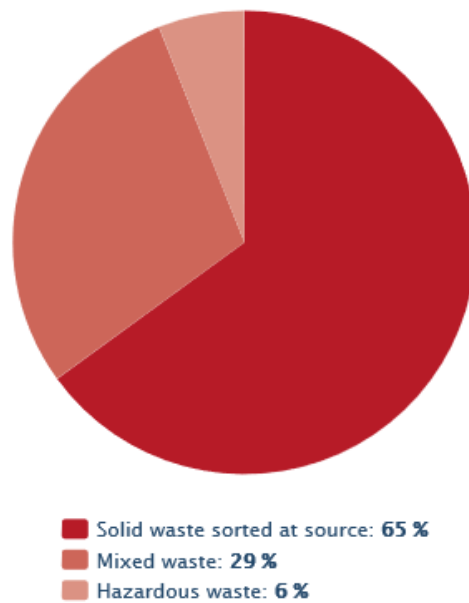
Our primary goal is always to direct materials to reuse or recycling, as our operations are guided by the order of priority stipulated by law and the circular economy approach. Through our services, we promote our customers' material and energy efficiency and reduce their costs. We strive to conserve virgin natural resources and mitigate climate change by replacing virgin raw materials with secondary raw materials and fossil fuels with bioenergy.

THE ORDER OF THE PRIORITY



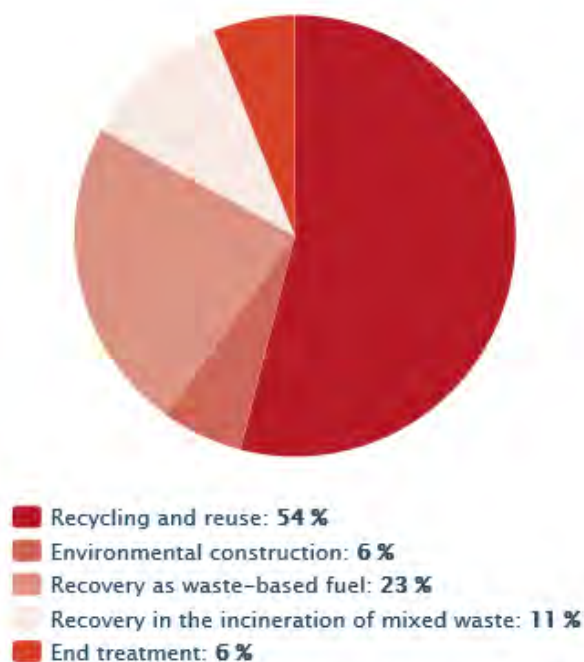
Of all the material flows managed by L&T in 2016, 94 per cent was recovered (2015: 92%) and 54 per cent was recycled (2015: 53%).

MANAGED MATERIAL FLOWS



Caption: The reporting of waste managed by L&T is divided into materials sorted at source, mixed waste and hazardous waste. The reporting covers municipal waste, industrial waste and construction waste in Finland and Russia. Slurry, contaminated soil and ash are excluded from reporting.

RECYCLING AND RECOVERY RATE OF MANAGED MATERIAL FLOWS



Caption: Pallets that are reused in accordance with the order of priority are one example of reuse. 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, tyre shreds used for energy production, as well as biogas and bioethanol produced from biowaste. L&T favours the use of waste that is unsuitable for recycling or environmental construction in energy production as solid recovered fuel.

Hazardous waste is treated at our own plants or delivered to our partners for recovery. In 2016, 66 per cent of hazardous waste was directed to be reused or recycled, and 10 was recovered as energy. 8.3 per cent was transported to other EU countries for treatment. We did not import any hazardous waste to Finland in 2016.

SOLUTIONS FOR RECYCLING CHALLENGING MATERIALS

We continuously seek and develop solutions for the recycling and recovery of various waste materials.

- In 2016, we continued the separate collection of roofing felt, decommissioned gypsum board, sheet glass and white porcelain, among other things. These materials can be best circulated by developing sorting at source at construction sites. We direct roofing felt for use as raw material in asphalt production, while gypsum board is used in the manufacture of new gypsum products. Sheet glass is used to produce products such as fibreglass or foam glass, while concrete and bricks are used in landscaping.
- The collection of mixed plastic packaging materials from properties began in 2016 in Hämeenlinna, Savonlinna and Turku. The plan is to expand the service to new towns in 2017.
- A textile collection pilot was started at the Sello shopping centre in Espoo in 2015, and it continued until the end of March 2016. The textiles were directed to charitable purposes, as raw material for oil absorbent pads and for sale to be reused. In autumn 2016, the collection of textiles began at five collection points in Tuusula and at the Karisma shopping centre in Lahti. The clothes from the collection points in Tuusula are directed to a European cooperation partner for reuse and material recycling. The collection at Karisma supports children and young people in Lahti who are at risk of exclusion.
- In November 2016, we participated in Hack the Waste, an innovation competition organised by VTT Technical Research Centre of Finland, to challenge the participants to come up with new uses for wood chips, which are primarily recovered as energy. Our team won the innovation competition by proposing a value-added use for wood chips in the form of substrate for growing mushrooms, a combination that will subsequently provide cost-efficient materials for purposes such as the manufacture of packaging.

**The magic of recycling:
shave off hundreds of thousands from waste costs.**

NEW SERVICE CONCEPTS FOR REDUCING AND RECYCLING WASTE

In addition to our actual recycling channels, we develop new service concepts to support the reduction, reuse and recycling of waste.

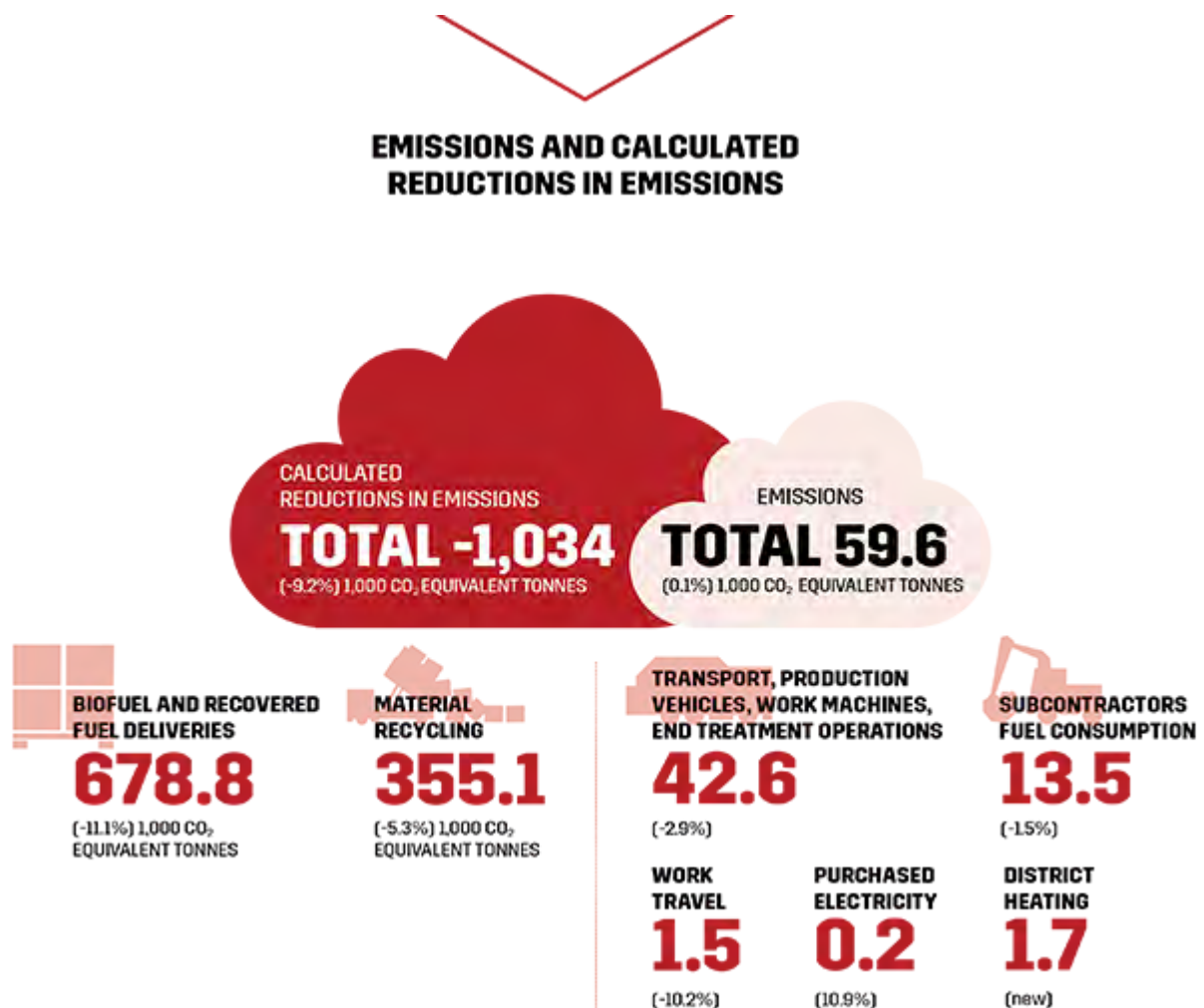
- Our Kimppanouto collection share service allows the customer to request a pick-up service for unnecessary or broken goods that are then directed to be reused or recycled for materials. The service has already been introduced in the Helsinki metropolitan area. In 2016, some 950 pick-ups were made under the service concept to collect approximately 90,000 kilograms of goods that were no longer used by their owners.
- In 2016, we launched Hävikkimestari, a new digital service to help restaurants reduce their food waste. The restaurants that have begun using the Hävikkimestari service have reduced their food wastage by 30–50 per cent, yielding significant cost savings to the customers. A total of 36,607 kilograms of food was saved from being wasted with the help of the Hävikkimestari service in 2016. This corresponds to 73,214 meals and EUR 92,000. Hävikkimestari won an environmental prize from the Finnish Fair Foundation and it was also chosen as one of the year's best pro-climate initiatives by the City of Helsinki Climate Partners network in autumn 2016.
- At Christmas 2016, we participated in Kinkkutemppu ("Ham Trick"), a campaign launched by the Chemical Industry Federation of Finland to collect the grease accumulated from the baking of the traditional Christmas ham at centralised collection points. Altogether 12 000 kg of grease was collected for the purpose of producing 10 000 litres of renewable diesel. In the past, the grease from Christmas ham has mostly been disposed of in mixed waste. The proceeds from the sale of the fuel were donated to Finnish charities.

SYSTEMATIC EFFORTS TO REDUCE TRAFFIC EMISSIONS

The most significant direct environmental impacts of our operations are the emissions generated by collection and transport services. In 2016, L&T's operations caused 59.6 (2015: 59.5) thousand CO₂ equivalent tonnes of emissions.

However, the greenhouse gas emissions caused by our operations only represent a small proportion of the overall benefit produced by recycling and delivering biofuels and solid recovered fuels to our customers.

In 2016, we worked with our customers to reduce Finland's CO₂ emissions by approximately 1.0 million tonnes of CO₂ (2015: 1.1 million).



Caption: 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. The emissions concerning district heating, subcontractors fuel consumption, as well as work travel only the operations in Finland are accounted.

The magic of recycling: cuts hundreds of thousands from waste costs

In 2016, our greenhouse gas emissions declined by 21.5 per cent relative to the 2012 emissions level and operating volume.

Our greenhouse gas emission intensity, or greenhouse gas emissions relative to net sales, was 67.3 thousand CO₂ tonnes per one million euros in 2016 (2015: 68.2 thousand CO₂ tonnes per one million euros).

FUEL CONSUMPTION INCREASED DUE TO THE BUSINESS ACQUISITIONS

In 2016, our total diesel consumption was 15 million litres, which is 9,9 per cent more than in 2015. The expansion of our functions due to the business acquisitions and increasing of the cars explain the increase of consumption.

Gasoline consumption amounted to 350,000 litres (2015: 360,000 litres), a decrease of 2 per cent. Fuel oil consumption totalled 1.78 million litres (2015: 1.48 million litres), up 20 per cent from the previous year.

WE OPTIMISED AND IMPROVED THE EFFICIENCY OF TRANSPORT

In 2016 we again introduced new multi-chamber loaders to improve the waste transportations. We now have as many as 62 (2015: 52) multi-chamber loaders in operation. Multi-chamber loaders have two or more chambers for different types of waste, which enables the collection of multiple types of waste in a single run.

We continued the active work for optimizing the transportation routes. Over the past five years, we have optimised nearly 3,000 routes, with over 600 optimised in 2016 (2015: 850). Route optimisation reduces fleet requirements and kilometres driven, and it also reduces stops and visits to yard areas. The amount of the optimized routes is dependent on the structure of the routes, which are optimized each year.

In long-haul logistics, we improved the efficiency of our operations by shifting to equipment that supports larger payloads and increasing round trip transports.

We leveraged our experience of optimising collection and transport routes in waste management by also planning snow ploughing routes in property maintenance. This allowed us to adjust the size of the fleet and improve the efficiency of subcontracting in our property maintenance operations.

WE DEVELOP THE DRIVING STYLE OF OUR DRIVERS TO REDUCE ENVIRONMENTAL LOAD

In 2016, L&T's average driving style index stayed in good level 8.6 (2015: 8.6). The calculation is based on a weighted average.

- The personal driving style monitoring devices for drivers of heavy-duty vehicles enable us to analyse and constantly improve driving styles. The driving style index measures the safety and economy of driving styles.
- A higher index means better traffic safety, lower fuel consumption and lower emissions, as well as cost savings in vehicle maintenance.
- Driving style monitoring was expanded in all Environmental and Industry Services' vehicles. Personal driving style monitoring equipment is now installed altogether in 898 heavy-duty vehicles (2015: 550).
- In addition to monitoring, we develop our drivers' driving style by training and, if necessary, unit-specific action programmes.

EFFICIENT USE OF SPACE HELPS CURB ENERGY CONSUMPTION AT PROPERTIES

Our electricity consumption in 2016 totalled 30,900 MWh (2015: 29,400 MWh). Electricity consumption increased mainly because of the new business acquisitions. In 2016 we started following also our use of district heating in our properties in Finland. In 2016 district heating was used according to the follow up 9,200 Mwh.

- We continued to increase the capacity utilisation rate of our properties. We relocated our headquarters to a new multi-space office in January 2016. Named Tikanpesä, the new headquarters is located in Helsinki's Pitäjänmäki district with good public transport connections. We also encourage the employees at the company headquarters to

commute on foot or by bicycle by providing facilities such as better changing rooms and storage space for bicycles.

- In 2016 we launched a project aiming at decreasing the amount of properties through efficient use of space. It is possible to combine premises and changing them into multi-space offices. We want to encourage our staff also for remote working in those functions where it is possible.
- In 2015, we launched an energy efficiency improvement project at our properties. The project continued in 2016. 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. In building and repairing projects the energy efficient construction technical solutions are emphasized, like LED- lightings.
- Energy intensity, or energy consumption relative to net sales, was 322 MWh per one million euros in 2016 (2015: 288 MWh per one million euros).

RESPONSIBILITY FOR PERSONNEL



RESPONSIBILITY FOR PERSONNEL

SICKNESS-RELATED ABSENCE RATE IN FINLAND

A year earlier it was still 5.2%.

4.8%

OUR AVERAGE RETIREMENT AGE IN FINLAND IS

It is significantly higher than the Finnish average.

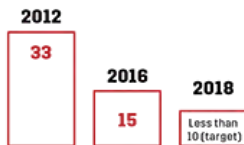
63.8 YEARS.

DIVERSITY IN FINLAND

16%

LGT employees are of foreign origin.

We work actively to facilitate the employment of foreign origin.



WE HAVE HALVED OUR ACCIDENT FREQUENCY IN FINLAND IN 4 YEARS.

IN 2016, WE EMPLOYED APPROXIMATELY

8,000

PEOPLE IN FINLAND, SWEDEN AND RUSSIA.

SUSTAINABLE LIFESTYLES AS THE FOUNDATION OF WORK ABILITY

We have invested in work ability management for more than ten years. The Sirius work ability management programme is aimed at increasing employees' well-being, identifying problems at an early stage and focusing on their prevention.

Our objectives for work ability management for 2016–2020 are:

- minimising disability and accident-related pension costs
- reducing the sickness-related absence rate to 4.5 per cent
- extending careers

The five-year Sirius III work ability management programme started at the beginning of 2016. Its focus is on proactive measures, such as activities aimed at improving work fitness and strengthening the day-to-day management skills of supervisors. The programme is also focused on developing recruitment as well as work ability monitoring and career planning.

TARGETED SUPPORT TO INCREASE WELL-BEING AT WORK

- We continued to support the well-being of our supervisors in 2016, as it directly affects the well-being of their subordinates. We also launched a pilot to coach supervisors on conscious presence, leadership and self-awareness.
- The well-being of supervisors and other salaried employees was surveyed by means of a questionnaire, and customised personal coaching was arranged based on the results. We focused on supporting the recovery of those salaried employees who need the most assistance. Well-being at work was supported by, among other things, a well-being analysis as well as personal coaching focused on areas of life such as physical activity, nutrition and sleep. Our overall well-being index remained almost on a par with the previous year.



SPORTS AND RECREATION

- In 2016, we launched a new project aimed at our employees in the 40–45 age bracket to increase their level of physical activity with support from personal coaches. The participants received lifestyle coaching based on their individual needs. The project will continue in 2017.
- We also launched a pilot in our cleaning and support service units in the Helsinki metropolitan area to survey the well-being at work and special rehabilitation needs of cleaning professionals with immigrant backgrounds. The results will be available in early 2017.
- In 2016, L&T used an employee benefit programme in the form of an online portal featuring benefits and discounts from several companies. The programme was available to permanent employees and employees who have worked on a fixed-term contract for more than one year, and who work at least 20 hours per week.
- L&T has more than 30 active personnel clubs in Finland that support exercise and shared recreational activities. The activities of our clubs include group sports, support for independent exercise, cultural activities, and joint events.

REDUCTION IN SICKNESS-RELATED ABSENCES

In 2016, our sickness-related absence rate in Finland fell to 4.8 per cent from 5.2 per cent in the previous year.

- Musculoskeletal disorders are the most significant cause of disability pensions and

extended sickness leave at L&T. Promoting musculoskeletal health is part of L&T's basic activities: workplaces focus on finding ways to perform work in a manner that is less strenuous on the body.

- L&T's Industrial Services division performs a significant amount of high-powered vacuuming work, which often involves very challenging working conditions and strain on the body. A project is underway in high-powered vacuuming operations in the process cleaning service line to improve occupational ergonomics and safety by means of new ergonomic guidelines and support from occupational physiotherapists from the occupational health care provider. Technical development work is also used to reduce the physical load of work and improve quality. The project will continue in 2017.

EARLY INTERVENTION IN PROBLEMS

L&T has implemented an early care model to facilitate intervention in problems at the workplace as early as possible as well as cooperation to resolve issues. The early care model also helps supervisors intervene in problems or cases such as extended/recurring sickness-related absences in a timely manner, as well as obtain support for the employee from occupational health care services or the HR department, for example.

- L&T's cleaning and property maintenance units implemented a policy in 2016 of allowing acutely ill employees to be absent for one day at a time, and a maximum of three consecutive days with the supervisor's permission but without a doctor's certificate. The policy was also expanded to pilot units in Environmental Services, Industrial Services, renovation and the maintenance of technical systems. The experiences have been positive: trust between employees and supervisors has increased and the costs associated with occupational health care appointments have declined.

ACTIVE MANAGEMENT OF WORK ABILITY RISKS

According to a work ability management benchmark study, L&T's disability payments per man-year are significantly below the industry average. Over the past ten years, our average retirement age in Finland has increased from 59.4 years to 63.8 years.

- L&T's HR department and occupational health care support work ability management and employee well-being. Where necessary, vocational rehabilitation and other rehabilitation services are used to help employees at risk of disability.
- If necessary, we will consider options such as transferring employees with reduced work ability to less strenuous tasks. We launched a suitable work model in cooperation with Ilmarinen in autumn 2016. The focus of the model is on career planning, and it presents a wide range of opportunities for individual employees. Employment and retraining for work outside the L&T organisation can also be supported within the model as necessary.
- We work with partners to provide guidance to our employees on healthier lifestyles. Our employees are offered support in areas such as improving their diets, sleep disorders, increasing physical exercise and smoking cessation. We also arrange coaching for employees related to personal resources and recovery.

**As an employer, we value two things above all else:
that people enjoy their work and feel good.**

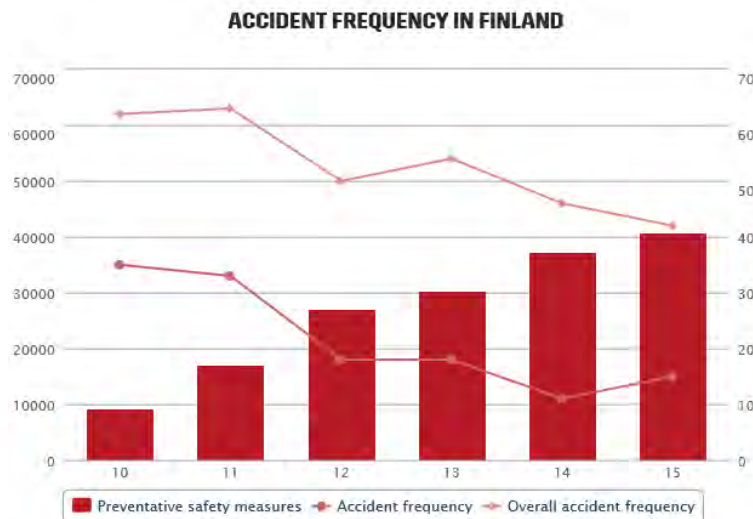
GOING HOME HEALTHY AT THE END OF THE DAY

Occupational safety measures and targets are managed under the strategic Nollapeli (Zero Accidents) programme, which supports the work done by the line organisation. The goal of the Zero Accidents programme is to promote occupational safety at L&T and develop the occupational safety culture with a focus on proactive measures.

Our target is to reduce our accident frequency (LTA, lost time accidents) to less than 10 by 2018. In 2016, our LTA figure was 15. The main reason for falling short of the target was that substitutive work was not used as in previous years.

In 2016, we also monitored our overall accident frequency (TRIFFI), which reflects all accidents including accidents resulting in absence, visits for medical treatment, accidents during work-related travel, and accidents that did not result in absence. We almost achieved our TRIFFI target figure of 41. Our development in this area was positive, as our TRIFFI figure in 2016 was 42, the lowest in L&T's history.

There were no fatal accidents in 2016. There were also no cases of diagnosed occupational diseases.



A RECORD NUMBER OF PROACTIVE MEASURES

The key proactive measures include safety observations, occupational safety sessions, Safety Walks and various risk surveys. Their aim is to proactively detect and identify occupational safety risks as well as define and implement the measures necessary for their prevention. Proactive measures are documented in the Zero Accidents system, which supports the monitoring of corrective measures, among other things. The number of proactive measures taken in 2016 was the highest in L&T's history. The number has more than doubled over the past five years.

Unit-specific targets have been set for proactive measures and their achievement is monitored regularly. The targets for all proactive measures were reached at the Group level in 2016.

Occupational safety is an integral element of all work performed at L&T's own operating locations as well as those of its customers. Proactive operating methods related to occupational safety are used in L&T's own units and at customers' units. Operating in a proactive manner helps us develop our own safety as well as the safety of our customers. A significant proportion of our Safety Walks and safety observations are made at our customer locations.

Development of occupational safety in Finland						
	2016	2015	2014	2013	2012	2011
Safety observation reports	21,713	19,414	15,383	14,885	10,987	5,341
Hazard assessments	900	1,148	1,684	1,839	3,086	1,707
Safety Walk observation rounds	10,283	9,273	6,808	5,577	1,670	1,519
Occupational safety sessions	8,047	7,472	6,517	4,973	1,491	680
Accident frequency	15	11	18	18	33	35
Overall accident frequency	42	46	54	50	63	62

CONTINUOUS DEVELOPMENT EFFORTS TO IMPROVE OCCUPATIONAL SAFETY

- Several development measures were implemented in 2016 to further develop occupational safety. A process was defined for comprehensive risk management, taking financial, strategic and operational risks into account. At the same time, site- and job-specific risk assessment procedures were introduced to develop safety at a more detailed level and target the necessary development measures more effectively. The analysis of accident investigations was developed further to support the identification of root causes, which in turn helps make the determination and implementation of corrective measures as effective as possible.
- The operations of our units were harmonised and developed in many ways, including the launch of a project to make workspaces more tidy and orderly by using the 5S method. The harmonisation of signage also progressed well in the units. The safety tool, operating models and training programmes have been developed further. The tools introduced to support day-to-day occupational safety also include the Zero Accidents Deck, which summarises key occupational safety instructions and best practices.

- Our partners are interested in our safety procedures and they audited L&T's operations during the year. We achieved good results in supplier audits and received useful feedback related to occupational safety. We believe that auditing practices between partners will develop our operations further and help ensure that the procedures used are in line with agreements.

OUR PERSONNEL ARE EMPOWERED

We regularly measure the job satisfaction of our personnel and use their feedback in the long-term development of our operations.

The most recent Meininki personnel survey was conducted in November 2015. In the survey, L&T employees expressed their views related to the prerequisites of work, motivation, the operations of the unit, and management. The survey indicates what areas we have been successful in and what are the areas of improvement, both at the unit level and the company level.



- The results of the survey show that L&T's employees are dedicated to their work, and 82 per cent indicated that they find their job challenging and interesting. Our shared operating principles—service attitude, responsibility and team play—were also seen as being worth pursuing. The area in which the most respondents wanted to see improvement was cooperation between units. Supervisors' communications and communications related to changes were also highlighted as areas that should be improved upon. We worked on developing these areas in 2016. The implementation of development measures was monitored and their effectiveness was enhanced by means including a short Meininki-SYKE questionnaire in spring 2016. The next actual Meininki personnel survey will be conducted in autumn 2017.
- As part of the development measures highlighted by the Meininki survey, we began planning personnel workshops in 2016 as part of our efforts to improve the customer experience. In 2017, we will launch personnel workshops aimed at all L&T employees to

work together on developing L&T's employee experience and customer experience. We believe that, in a service company, a good customer experience is created through a good employee experience, which is why we have established a close link between enhancing the employee experience and improving the customer experience.

SYSTEMATIC COMPETENCE DEVELOPMENT

L&T takes a systematic and long-term approach to developing employee competencies and leadership. All of our new employees start by completing an induction training programme, after which their professional development is supported by learning on the job, career paths, job rotation and training.

- In the Environmental Services division, for example, the administration model for drivers' statutory professional qualification training was revised in 2015. As a result of the enhanced administration model, a total of 1,158 training days were organised in 2016. The training topics include occupational safety, first-aid skills, occupational ergonomics, customer service skills and environmental expertise.
- Training geared towards preparing for the deployment of the Facility Services division's new enterprise resource planning system and operating model was participated in by two pilot units from property maintenance as well as customer service personnel.
- We gave Employee of the Month and Supervisor of the Month awards in property maintenance and cleaning and support services, and we also introduced awards in Environmental Services late in the year. In total, we recognised approximately 60 professionals for good work performance.

MANAGERIAL SKILLS AND CONSISTENT MANAGEMENT PRACTICES

We ensure the competence of our supervisors through coaching focused on the development of managerial work, business development and leadership.

- In 2016, we continued to implement the service line-specific KIRKASTE coaching programme for supervisors, which began in the previous year. The programme develops managerial skills in a direction that boosts the service line's business and competitive advantage. A total of 393 supervisors have participated in the KIRKASTE programme to date.
- In the future, we will develop our managerial work and leadership through methods including new coaching programmes for supervisors. All new supervisors complete basic managerial training, and managerial skills are also developed in accordance with each individual's needs.

DIVERSE L&T – PERSONNEL IN FIGURES

Our personnel are highly diverse, with a broad age distribution and more than 80 different nationalities represented. Some 16 per cent of our personnel have immigrant backgrounds.

In 2016, we employed approximately 8,000 people in Finland, Sweden and Russia. Each year, we recruit some 2,000 employees in Finland, including approximately one thousand summer workers.

The availability of good employees is becoming increasingly challenging, particularly in growth centres. Ensuring the availability of employees is a critical success factor in our labour-intensive industry. It can be influenced by reducing employee turnover, taking measures targeted at specific professional groups and by activating groups outside the labour market. Employee turnover varies substantially between our different professional groups:

- Facility Services 35.8%
- Industrial Services 14.6%
- Environmental Services 8.6%
- Salaried employees 15.8%

In 2016, we held 58 statutory employer–employee negotiations, which led to the termination of the employment of 133 employees. Of those whose employment was terminated, 51 were salaried employees and 82 were non-salaried employees. In addition, six people were temporarily laid off as a result of the negotiations. The reasons for the large statutory employer–employee negotiations were loss-making and unprofitable operations.

WE PROMOTE DIVERSITY

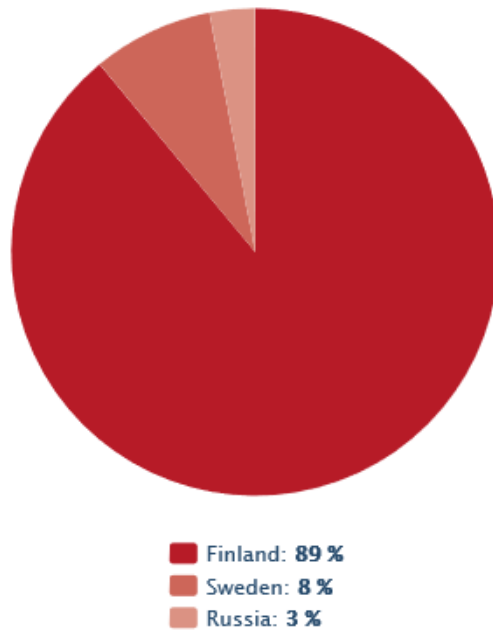
We want to promote diversity and the employment of immigrants. We have aimed to actively promote the integration into Finnish society of refugees entitled to asylum by offering them employment opportunities through a new kind of integration training. The project is part of a project launched by the Ministry of Economic Affairs and Employment, which includes several employers and institutional investors. The new model combines traditional integration training with vocational training. As the Finnish State has experienced challenges in launching the new operating model, the training has not yet begun in spite of efforts to do so.

In addition to its involvement in the project, L&T has assessed alternative methods to promote the employment of immigrants, as the company has vacancies that it has not been able to fill with jobseekers representing the native population.

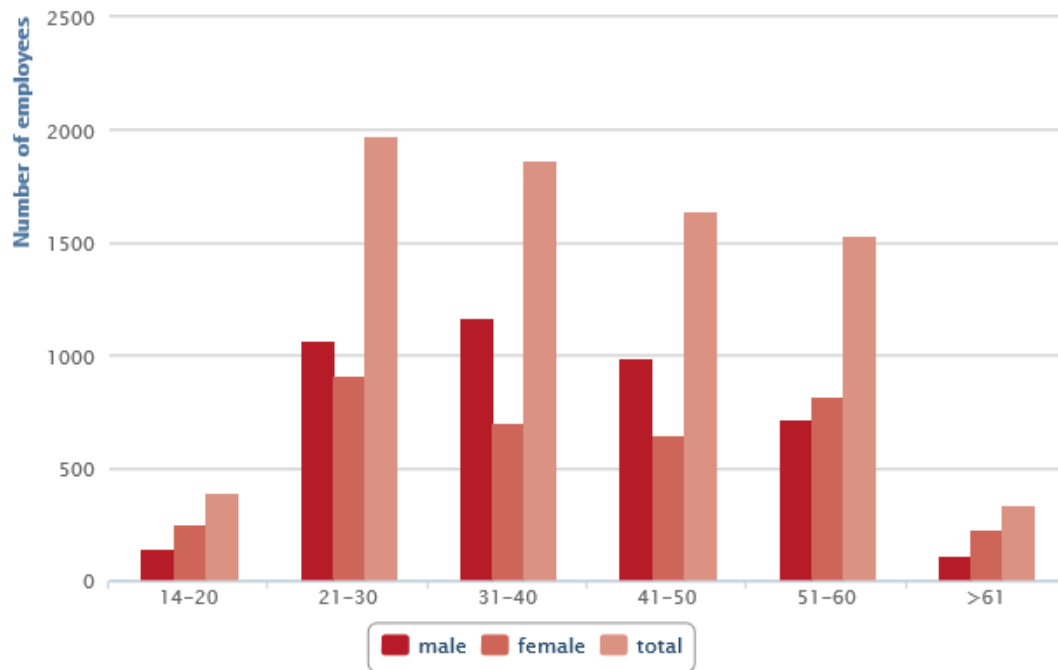
Personnel in figures	2016	2015	2014
Total number of full-time and part-time employees at year end	7,931	8,085	7,830

Finland	7,023	7,192	7,076
Sweden	652	640	507
Russia	256	253	247
Average number of employees converted to full-time	7,199	7,099	7,257
Personnel by gender			
female, %	46	48	47
male, %	54	52	53
Personnel by type of employment			
permanent, %	93	95	94
temporary, %	7	5	6
full-time, %	66	63	63
part-time, %	22	24	25
employees called in when necessary, %*	12	13	12
Leased employees by personnel group			
salaried employees	897	1,886	
employees	27,146	24,063	
Personnel by personnel group			
salaried employees, %	16	15	16
employees, %	84	85	84
Share of employees with an immigrant background, %**			
from the EU	41	43	41
outside the EU	59	57	59
Average retirement age by country			
Finland	63.8	63.1	63.1
Sweden	65	65	
Russia	57.5	57	
Sickness absences, %**	4.8	5.2	5.3
Accident frequency	15	11	17
Percentage of employees who had target setting and performance reviews, %	80	85	80
* Type of employment in use only in Finland			
** Figures cover only operations in Finland			

PERSONNEL BY COUNTRY



EMPLOYEES AGE DISTRIBUTION



RESPONSIBLE SUPPLY CHAIN



RESPONSIBLE SUPPLY CHAIN

ALL OF OUR NEW CONTRACT SUPPLIERS CONDUCTED a self-assessment in 2016. We set quantitative targets for our supplier assessments to be conducted in 2017.

WE SUCCESSFULLY REDUCED THE ENVIRONMENTAL IMPACTS OF OUR PRODUCTION EQUIPMENT AND MATERIALS:



Ecolabelled cleaning agents accounted for

72%

of all cleaning agents used by L&T. The total amount of cleaning agents used declined due to more effective use of cleaning methods.

Of our heavy-duty vehicles,

64%

were in the Euro 4 emissions category or newer. We also reduced the environmental impacts of our fleet by developing driving styles, improving route efficiency and reducing the size of the fleet.

THE SUPPLY CHAIN'S ROLE IN REDUCING ENVIRONMENTAL IMPACTS

We require our entire supply chain to comply with legislation, contracts and collective agreements, as well as to satisfy our responsibility requirements with regard to environmental responsibility, our service providers' supply chain responsibility, quality and occupational safety. In selecting suppliers, we emphasise the reliability of operations, ethical and environmental principles, product/service quality and cost efficiency, all of which must meet our strict standards.

Cooperation with a new contract supplier can only begin after the supplier has completed a self-assessment survey, based on which we decide on starting cooperation and any further actions deemed necessary.

WE DEVELOPED OUR SUPPLIER ASSESSMENT PROCESS

In 2016, we continued to develop our supplier assessment process in relation to our corporate responsibility programme.

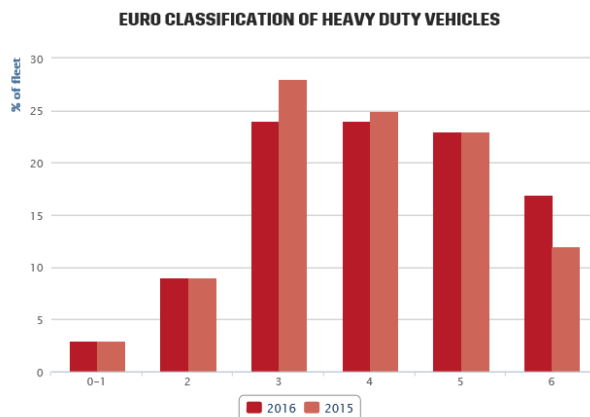
- We revised the self-assessment and auditing practices for contract suppliers by defining critical points for the assessment as well as the selection criteria for suppliers to be audited.
- All of our new contract suppliers conducted a self-assessment in 2016.
- We set quantitative goals for supplier assessment: 100 biggest suppliers to do self-assessment, audits based on risk assessment for 5-10 suppliers each year.
- We adopted a new supplier classification model based on the nature of the purchased service and the intended use of the material in question. Some 98 per cent of all L&T suppliers are classified suppliers.
- We also introduced a new implementation model for responsible purchasing in 2016. The persons responsible for purchasing at the business level participate in quarterly information and discussion sessions that cover current topics related to purchasing.

FIGHTING THE GREY ECONOMY

After more of our suppliers joined the Tilaajavastuu.fi service in 2016, some 98 per cent (2015: 95%) of our service providers were registered on the service at the end of the year. Going forward, joining the service is a requirement for starting and continuing cooperation.

WE REDUCED OUR ENVIRONMENTAL IMPACTS

- We successfully reduced the environmental impacts of our fleet by means such as developing driving styles, improving the efficiency of our operations (increasing the fleet utilisation rate) and reducing the total size of the fleet. For more information on these measures, please refer to the section on environmental responsibility.
- We updated our heavy-duty fleet and replaced some of the oldest vehicles with newer Euro 6 class vehicles that have lower emissions. In 2016 we invested altogether 18 million euros in fleet. Together there are 892 (2015: 875) heavy duty vehicles in our use.



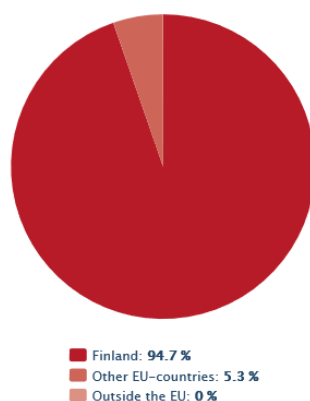
- Some 64 per cent of the heavy duty fleet belonged to Euro 4 –emission class or newer in 2016 (2015: 59 %). We also diminished the environmental effects of our fleet by developing the driving habits, optimizing our functions (increasing the utilization rate of our fleet) as well as diminishing the amount of the fleet.
- We have two natural gas, bioethanol diesel and hybrid waste trucks in operation (2015: 7). The use of alternative fuel vehicles has not developed in the desired direction. The reasons for this are related to the limited availability of heavy-duty vehicles as well as tax policy.
- Our use of electric vehicles consisted of four vans.
- In early 2017, we began using a renewable diesel fuel produced from waste and scraps by Neste in selected waste collection vehicles in the Helsinki metropolitan area. The use of the renewable diesel can significantly reduce greenhouse gas emission as well as local emissions that compromise local air quality. The use of renewable diesel can lead to a significant reduction, as high as 90 per cent, in greenhouse gas emissions over the entire life cycle of the fuel compared to traditional fossil-based diesel.
- We offer our customers Nordic Ecolabel-certified Eco-cleaning services, which support our customers in reaching their environmental objectives. Ecolabelled (Swan label) cleaning agents accounted for 72 per cent in 2016 (2015: 82 %). Due to the automatic dosing as well as more effective use of cleaning methods we managed to lower the use of the cleaning agents. The use of the non-ecolabelled disinfectants remained unchanged, which decreased the use of the ecolabelled cleaning agents. We use environmentally certified cleaning agents whenever they are available in the product category in question. The target is to increase the share of ecolabelled cleaning agents detergents to at least 80 per cent.

PURCHASING WAS MOSTLY DOMESTIC

In 2016, L&T had approximately 5,000 (2015: 4,800) suppliers of goods, materials 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 256 million (2015: EUR 247 million). The total value of purchases increased as a result of the expansion of the recycling business, which led to a higher purchasing volume of supplies, and a higher level of service purchasing.

In Finland, 94.6 per cent (2015: 94.9%) of purchases were made from companies operating in Finland, and 5.3 per cent (2015: 5.1%) from other EU countries. Practically no purchases were made from countries outside the EU (0.02%).

BREAKDOWN OF PROCUREMENT BY COUNTRY



Breakdown of procurement in Finland	
Total EUR 256 million	
	% of the total
Direct procurement*	60 %
Vehicles and equipment**	18 %
Indirect procurement, real estate and facilities**	22 %
* Direct procurement includes: raw materials and material payments, external workforce, technical materials and supplies.	
** Vehicles and equipment, indirect procurement and real estate and facilities also include investments.	

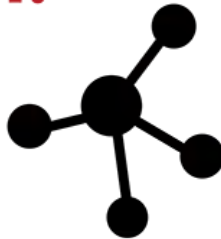
ACTIVE STAKEHOLDER RELATIONS



ACTIVE STAKEHOLDER RELATIONS

1,000 OF OUR KEY STAKEHOLDERS RESPONDED TO OUR EXTENSIVE SURVEY. OUR STRENGTHS ARE RESPONSIBILITY AND FINANCIAL STABILITY.

Support is strongest among our own personnel and investors.



We conducted two Net Promoter Score surveys in Finland.

Customer satisfaction improved from the previous year.

IN THE COMING YEARS, WE WILL FOCUS ON IMPROVING THE CUSTOMER AND PERSONNEL EXPERIENCE



as well as the development of interaction.

OUR STAKEHOLDERS EXPECT RESPONSIBLE OPERATIONS AND ACTIVE INTERACTION

In 2016, we conducted an extensive stakeholder survey that received responses from the representatives of 1,000 of our key stakeholders (current and potential customers, our own personnel, potential employees, investors, national and regional policymakers and the media). The survey was conducted for the second time, which allowed us to compare the results to those of the corresponding survey from two years earlier.

KEY RESULTS:

- L&T's overall reputation and stakeholder support have declined slightly over the past two years, but they remain at a moderately good level.
- Support is strongest among L&T's own personnel and investors.
- There was a slight decline in support among customers and our own personnel but, at the same time, our reputation and stakeholder support have become stronger among policymakers and the media.
- Our stakeholders perceive L&T as a responsible company that operates appropriately and takes society and the environment into consideration in its operations. L&T is also perceived to be a profitable and financially stable company. The professionalism of our employees is also highly regarded and our employer image has developed favourably.
- In the future, our stakeholders expect us to continue to have a strong focus on promoting responsible business, building the recycling society and achieving good financial development. We are also expected to be a good employer and an innovative developer of services. Our stakeholders' wishes for us include more active interaction and communication.

WHAT WILL WE DO IN RESPONSE TO THESE RESULTS?

- Based on the results of the survey, we have produced stakeholder-specific plans, the progress of which will be regularly monitored as part of our management of corporate responsibility.
- In the coming years, we will focus particularly on measures aimed at improving the customer experience and the state of mind of our personnel, as well as the development of interaction.

- We will moderately increase our focus on our employer image and invite a growing number of L&T employees to serve as employee ambassadors to communicate what it is like to work at L&T.
- We will continue to develop our responsibility and meet regularly with investors, policymakers and journalists.

OUR KEY STAKEHOLDERS AND FORMS OF COOPERATION WITH STAKEHOLDERS IN 2016

Stakeholder	Description of interaction in 2016
<p>Customers</p>	<p>We conducted two Net Promoter Score surveys in Finland and received more than 5,000 assessments of our operations. We utilised the results at the corporate, division, service line and unit levels to improve customer satisfaction.</p> <p>We also conducted more than 50 customer-specific satisfaction surveys that provided valuable information on our day-to-day performance.</p> <p>We initiated efforts to develop the customer experience. As part of these efforts, we conducted 26 in-depth interviews to increase our customer insight.</p> <p>We organised Environmental Academy training events focused on current issues in environmental management for a total of 337 customers and also trained some 2,500 employees of our customer companies using electronic online training.</p>
<p>Personnel</p>	<p>We support the professional development of our personnel by learning on the job, career paths, job rotation and training. We ensure the competence of our supervisors through measures including coaching focused on the development of managerial work, business development and leadership. The development of personnel is based on performance reviews.</p> <p>We regularly measure the job satisfaction of our personnel and use their feedback in the long-term development of our operations. Personnel representatives are extensively engaged in the company's decision-making forums and development programmes at various levels of the organisation.</p> <p>We gave Employee of the Month and Supervisor of the Month awards in property maintenance and cleaning and support services, and we also introduced awards in Environmental Services late in the year. In total, we recognised approximately 60 professionals for</p>

	<p>good work performance.</p> <p>We continued to shift the focus of our work ability management toward proactive measures. We developed our comprehensive risk management and continued the Zero Accidents programme aimed at further improving the safety of work.</p> <p>We communicated with our personnel using the intranet, the Letti personnel magazine, videos, newsletters, text messages, WhatsApp messages and our internal Yammer and Facebook networks.</p>
Potential employees	<p>We actively communicated career opportunities at L&T in both traditional and social media.</p> <p>We cooperated with several educational institutes and participated in job fairs and related events. We participated in the #kipahommaa16 photo competition organised by siistiihommaa.fi. We produced and published career story videos featuring L&T employees talking about their career paths.</p>
Investors	<p>We met with investors and analysts at approximately 40 different events, including seminars, road shows and our Annual General Meeting.</p> <p>We used stock exchange releases, press releases and our website for regular communications with the capital markets.</p>
Suppliers of services and goods	<p>We revised the self-assessment and auditing practices for contract suppliers by defining critical points for the assessment as well as the selection criteria for suppliers to be audited.</p> <p>We adopted a new supplier classification model.</p> <p>We introduced a new implementation model for responsible purchasing.</p>
Organisations, lobbying and cooperation projects	<p>We participated actively in the work of industry and labour market organisations as well as cooperation networks and research projects that promote responsible business, the circular economy and energy efficiency in Finland and at the EU level. In 2016, the events and campaigns we participated in included the Hack the Waste event organised by VTT Technical Research Centre of Finland and the Kinkkutempu project organised by the Chemical Industry Federation of Finland.</p>
	<p>In 2016, we continued our positive cooperation with HOPE, a charitable organisation that focuses on supporting low-income families and families with children who have suffered various crises.</p>

<p>Charity</p>	<p>During the year, we collected usable sports equipment and toys at our operating locations for distribution by HOPE. We also provided assistance to local HOPE offices; for example, by donating bin bags.</p> <p>We also made smaller local donations to support charities.</p>
<p>Authorities and influential political actors</p>	<p>We participated in the drafting and implementation of the Public Procurement Act and environmental legislation, both directly and through lobbying organisations. We met with parliamentary committees, parliamentary groups and key public officials.</p> <p>We also presented concrete solutions for promoting the circular economy and recycling. At the local level, we were active in issuing statements concerning municipal waste management regulations as well as municipal decisions regarding waste transportation systems.</p>
<p>Media</p>	<p>We responded to nearly 70 media contacts to satisfy journalists' information needs or to identify interviewees.</p> <p>We published approximately 20 press releases and organised media events and meetings.</p>

EXERCISING INFLUENCE TO ENSURE THE FUNCTIONALITY OF THE MARKETS AND PROMOTE THE CIRCULAR ECONOMY AND BIOECONOMY

In 2016, L&T's focus on exercising influence on society was on ensuring the functionality of the markets.

From the perspective of L&T's service business, the most significant legislative reform concerned the Public Procurement Act, which practically means the national implementation in Finland of the EU's Public Procurement Directive. With respect to the Public Procurement Act, the legislative amendments that are favourable to L&T include the strict regulation of in-house entities, the modernisation of procurement procedures and enhanced monitoring. The Finnish Parliament approved the new Public Procurement Act in December.

In the environmental business, we aim to promote the Finnish Government Programme's stated goal of opening up the closed waste market by discontinuing municipal exclusive rights to waste.



With respect to the circular economy, we were closely involved in the drafting and implementation of the Finnish national roadmap. At the EU level, a key area of influence was the circular economy package, which was prepared in various EU institutions throughout 2016 and still remains in the preparatory stages. With regard to the circular economy package, we emphasised the significance of setting concrete targets and harmonising concepts and statistics.

At the national level, we were involved in the preparatory work for the new National Waste Plan and the drafting of legislation to promote recycling. We aim to promote the expansion of the reporting procedures stipulated by the MARA decree to contaminated land areas and industrial side streams. The MARA decree governs the utilisation of certain types of waste in earth construction.

At the municipal level, we were active in expressing our views on the amendment of waste management regulations and transportation system decisions. We want to promote the sorting of waste at source, the freedom of choice and the market-based waste collection system.

In Finland and Sweden, we have also aimed to promote employment-based immigration by being active in expressing our opinions in the public discussion, as well as developing our own solutions for the employment-based integration of refugees.

FOCUS ON ENHANCING THE CUSTOMER EXPERIENCE

In 2016, we conducted two customer surveys in Finland to determine our Net Promoter Score (NPS). In practice, our NPS tells us how many of our customers would recommend us to others. By conducting the surveys, we obtained more than 5,000 assessments of our operations, which we then utilised at the corporate, division, service line and unit levels to improve customer satisfaction. We also conducted more than 50 customer-specific satisfaction surveys that provided valuable information on our day-to-day performance.

**The best way to brainstorm customer-oriented services:
involve the customer.**

KEY RESULTS:

- Our company-level NPS in the measurement carried out in the autumn showed an improvement compared to both the previous year and the previous measurement carried out in the spring.
- There is significant variation between different service lines. The customers who evaluated the operations of Industrial Services, Environmental Services and Renewable Energy Sources indicated a higher willingness to recommend the company's services than those who evaluated the operations of the Facility Services division.
- Satisfaction was highest among the customers for whom we have appointed specific Customer Relations Officers or contact persons.
- Our customers value the competence and professionalism of our employees, but they want to see us improve our availability as well as our operations in various change situations.



HOW WE WILL UTILISE THESE RESULTS IN THE DEVELOPMENT OF OUR OPERATIONS:

- We have highlighted improving the customer experience as one of our key development themes. In 2016, we established a customer experience steering group that will steer the development efforts at the company level. The group is chaired by the President and CEO. We will also engage in active development efforts at the division level.
- We have produced concrete action plans based on the results. Their progress will be monitored by the divisional management teams and the customer experience steering group. As our most important development areas, we have selected actively processing customer feedback, improving our availability, making the use of our services smoother and developing our operations in various change situations.
- These efforts have already produced positive results, as the number of customer complaints began to decline in the latter part of the year. We aim to achieve a further significant decrease in the number of complaints in 2017.
- We also began to work on defining our target state for the customer experience as well as increasing customer insight. As part of these efforts, we conducted 26 in-depth interviews to survey our customers' expectations towards our operations. The results of these interviews will be utilised in the development of our customer experience in 2017.

THE CORPORATE RESPONSIBILITY REPORT IS PART OF OUR ANNUAL REPORT

We report on corporate responsibility as part of our Annual Report for the period 1 January–31 December 2016. Our report for 2015 marked the first time we reported in accordance with the revised Global Reporting Initiative (GRI) G4 Core framework. The report is published only on our website.

The report includes all Group companies and subsidiaries, and it covers all of our operations in Finland, Sweden and Russia. 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 reporting of key indicators does not cover external service providers and suppliers.

Key environmental responsibility indicators are assured by an independent third party.

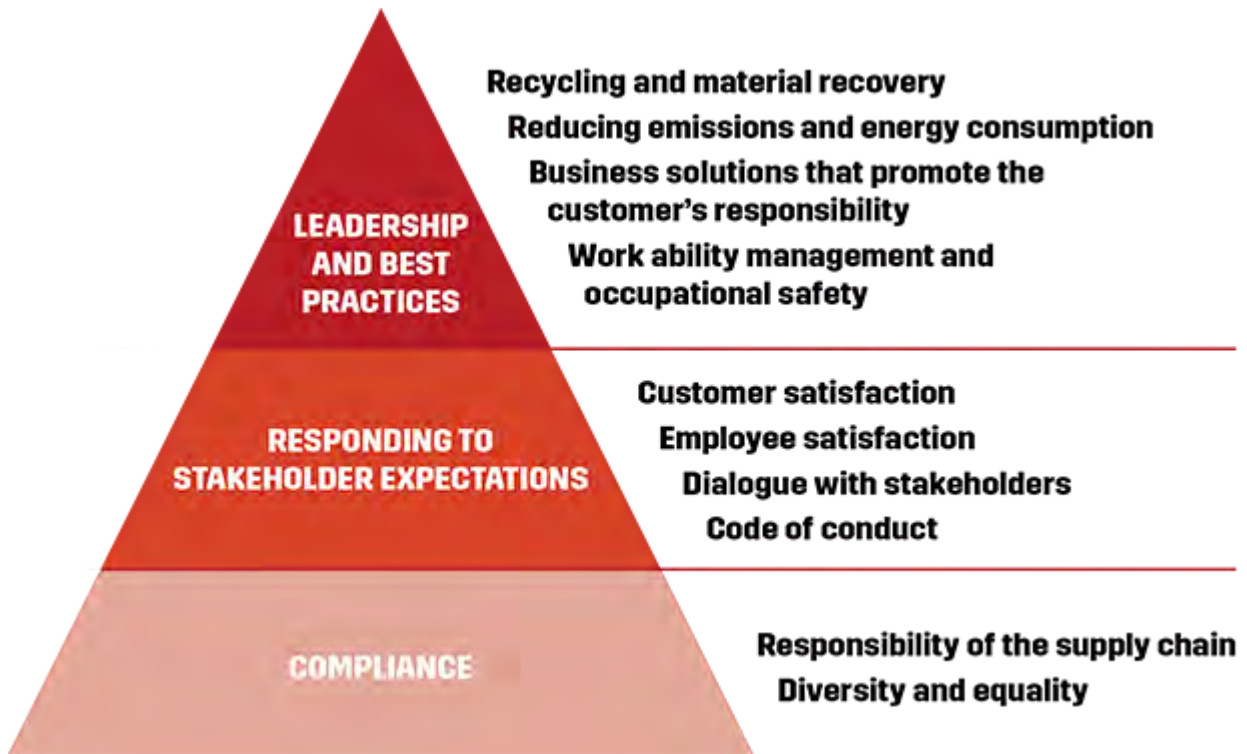
MATERIALITY ANALYSIS GUIDES OUR CORPORATE RESPONSIBILITY EFFORTS AND STAKEHOLDER RELATIONS

Our corporate responsibility report is based on a materiality analysis, which we updated in 2015 in accordance with the revised requirements of the GRI G4 reporting guidelines.

In the analysis, we defined L&T's material responsibility aspects and material aspects from the perspective of key stakeholders, which are related to the most significant economic, social and environmental impacts of our operations, as well as issues that may be significant to the decisions and choices made by L&T's stakeholders.

We divided the identified material aspects into three groups based on their impacts on our business and the expectations of our stakeholders. The materiality analysis as approved by L&T's steering group of corporate responsibility.

CORPORATE RESPONSIBILITY MATERIALITY ANALYSIS



MORE INFORMATION ON OUR CORPORATE RESPONSIBILITY REPORT

viestinta@lassila-tikanoja.fi

L&T's material Aspects/ GRI Aspects	Key indicators
Recycling and material recovery	
Materials	Materials used (G4-EN1)
	Percentage of materials used that are recycled input materials (G4-EN2)
Effluents and Waste	Total weight of waste (G4-EN23)
	Significant spills (G4-EN24)
	Hazardous waste (G4-EN25)
Reducing emissions and energy consumption	
Energy	Energy consumption within the organisation (G4-EN3)
	Energy intensity (G4-EN5)
	Reduction of energy consumption (G4-EN6)
Emissions	Direct greenhouse gas emissions (G4-EN15)
	Energy indirect greenhouse gas emissions (G4-EN16)
	Other indirect greenhouse gas emissions (G4-EN17)
	Greenhouse gas emissions intensity (G4-EN18)
	Reduction of greenhouse gas emissions (G4-EN19)
Transport	Environmental impacts of transporting products, goods and materials, and transporting members of the workforce (G4-EN30)
Business solutions that promote the customer's responsibility	
Products and Services	Initiatives to mitigate environmental impacts of products and services (G4-EN27)
Work ability management and occupational safety	
Employment	Total number and rates of new employee hires and employee turnover (G4-LA1)
	Benefits provided to full-time employees that are not provided to temporary or part-time employees (G4-LA2)
Training	Programmes for skills management and lifelong learning (G4-LA10)
	Regular performance and career development reviews (G4-LA11)
Occupational Health and Safety	Occupational accidents, occupational diseases and absenteeism (G4-LA6)
	Workers with high incidence or high risk of diseases related to their occupation (G4-LA7)
	Compliance with regulations concerning the health and safety impacts of products and services (G4-PR2)
Customer satisfaction	
Product and Service Labelling	Results of surveys measuring customer satisfaction (G4-PR5)
Employee satisfaction	
Employee satisfaction	Results of employee satisfaction survey (L&T)
Code of Conduct	
Economic output	Direct economic value generated and distributed (G4-EC1)
	Financial assistance received from government (G4-EC4)
Environmental Grievance Mechanisms	Grievances about environmental impacts (G4-EN34)
Anti-corruption	Business units assessed for risks related to corruption (G4-SO3)
	Communication and training on anti-corruption policies and procedures (G4-SO4)
	Confirmed incidents of corruption and actions taken (G4-SO5)
Anti-competitive Behaviour	Legal actions related to anti-competitive behavior, anti-trust and monopoly practices (G4-SO7)
Public Policy	Total value of political contributions by country and recipient/beneficiary (G4-SO6)
Compliance	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations (G4-EN29)
	Significant fines and non-monetary sanctions for non-compliance with laws and regulations (G4-SO8)
	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle (G4-PR2)
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (G4-PR8)
	Fines for non-compliance with laws and regulations concerning the provision and use of products and services (G4-PR9)
Ethics and Integrity	Values and codes of conduct (G4-56)
	Mechanisms for seeking advice on ethical and lawful behavior (G4-57)
	Mechanisms for reporting concerns about unethical or unlawful behaviour (G4-58)
Local Communities	Operations with actual and potential negative impacts on local communities (G4-SO2)
Dialogue with stakeholders	
Stakeholder Engagement	List of stakeholder groups engaged by the organisation (G4-24)
	The basis for identification and selection of stakeholders with whom to engage (G4-25)
	Approaches to stakeholder engagement (G4-26)
	Key topics and concerns raised through stakeholder engagement (G4-27)
Responsibility of the supply chain	
Procurement Practices	Proportion of spending on local suppliers at significant locations of operation (G4-EC9)
	The organisation's supply chain (G4-12)
Supplier Environmental Assessment	Percentage of new suppliers that were screened using environmental criteria (G4-EN32)
Supplier Assessment for Labour Practices	Percentage of new suppliers that were screened using labour practices criteria (G4-LA14)
Diversity and equality	
Diversity and Equal Opportunity	Composition of governance bodies and breakdown of employees per employee category according to gender and age group (G4-LA12)
Non-discrimination	Total number of incidents of discrimination and corrective actions taken (G4-19)

GRI Content	Location	Remarks
General Standard Disclosures		
Strategy and Analysis		
G4-1	Statement from the most senior decision-maker of the	Year 2016
G4-2	Description of key impacts, risks and opportunities	Business drivers and the operating environment
Organizational Profile		
G4-3	Name of the organisation	Financial statements, General information
G4-4	Primary brands, products and services	Services
G4-5	Location of the organisation's headquarters	Financial statements, General information
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the material sustainability aspects covered in the report	Financial statements, General information
G4-7	Nature of ownership and legal form	Financial statements, General information
G4-8	Markets served	Financial statements, General information
G4-9	Scale of reporting organisation	Key figures
G4-10	Number of employees	Personnel in figures
G4-11	Percentage of employees covered by collective bargaining agreements	In Finland and Sweden, all employees are covered by collective bargaining agreements Information for Russia is not available.
G4-12	The organisation's supply chain	Responsibility of the supply chain
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain	Report by the Board of Directors, Changes in Group structure
G4-14	Precautionary approach	The precautionary approach is part of our environmental policy. We estimate environmental risks of our actions and prevent them in advance following the precautionary approach.

G4-15	Externally developed principles or initiatives to which the organisation subscribes or which it endorses	Stakeholder relations	
G4-16	Memberships of associations and advocacy organisations	Lobbying and cooperation networks	
Identified Material Aspects and Boundaries			
G4-17	List of all entities included in the organisation's consolidated financial statements	Financial statements, Group companies Reporting on corporate responsibility	
G4-18	Process for defining report content	Reporting on corporate responsibility	
G4-19	Material Aspects	Reporting on corporate responsibility	
G4-20	The Aspect Boundary for each material Aspect within the organisation	Reporting on corporate responsibility	
G4-21	The Aspect Boundary for each material Aspect outside the organization	Reporting on corporate responsibility	
G4-22	Effect of any restatements of information provided in previous reports	Reporting on corporate responsibility	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Reporting on corporate responsibility	
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by the organisation	Stakeholder relations	
G4-25	The basis for identification and selection of stakeholders with	Stakeholder relations	
G4-26	Approaches to stakeholder engagement	Stakeholder relations	
G4-27	Key topics and concerns raised through stakeholder engagement	Stakeholder relations	
Report Profile			
G4-28	Reporting period	Reporting on corporate responsibility	
G4-29	Date of most recent previous report		25 February 2015
G4-30	Reporting cycle	Reporting on corporate responsibility	
G4-31	Contact point for questions regarding the report or its contents	Reporting on corporate responsibility	
G4-32	GRI Content Index	GRI Index	

G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report	Reporting on corporate responsibility	
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Governance

Governance Structure and Composition

G4-34	Governance structure and committees	Corporate Governance Statement	
G4-35	The process for delegating authority	Managing and reporting on corporate responsibility	
G4-36	Responsible persons	Managing and reporting on corporate responsibility	

Remuneration and Incentives

G4-51	Remuneration policies for the highest governance body and senior executives	Remuneration statement	
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Ethics and Integrity

G4-56	The organisation's values, principles, standards and norms of behaviour	Code of Conduct	
G4-57	Mechanisms for seeking advice on ethical and lawful behavior	Code of Conduct	
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior	Code of Conduct	

Specific Standard Disclosures

Disclosures on Management Approach

Generic Disclosures on Management Approach	Managing and reporting on corporate responsibility
	Code of Conduct
	Environmental responsibility
	Social responsibility
	Responsibility of the supply chain
	Report by the Board of Directors, Corporate responsibility

Economic Responsibility

Economic performance

G4-EC1	Direct economic value generated and distributed	Financial added value to stakeholders and tax footprint	
G4-EC4	Financial assistance received from government		In 2016, grants and assistance received from the government for product development and projects amounted to EUR 40,163.
G4-EC9	Procurement Practices	Responsible supply chain	

Environmental Responsibility

Materials

G4-EN1	Materials used by weight or volume	Recycling and material recovery	We report our managed material flows divided into materials sorted at source, mixed waste and hazardous waste. We monitor the volume and weight of materials, but due confidentiality, we do not disclose this information.
G4-EN2	Percentage of materials used that are recycled input materials	Recycling and material recovery	The materials we use are primarily waste, which we direct to recycling and other reutilisation. We report the recycling and recovery rate of our managed material flows and our own plants.

Energy

G4-EN3	Energy consumption within the organisation	Reducing emissions and energy consumption	We report fuel consumption in litres.
G4-EN5	Energy intensity	Reducing emissions and energy consumption	
G4-EN6	Reduction of energy consumption	Reducing emissions and energy consumption	We report fuel consumption in litres.

Emissions

G4-EN15	Direct greenhouse gas emissions (scope 1)	Reducing emissions and energy consumption	
G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	Reducing emissions and energy consumption	The emissions of district heating is reported only of Finnish offices in 2016.
G4-EN17	Other indirect greenhouse gas emissions (scope 3)	Reducing emissions and energy consumption	Reported only of Finnish actions in 2016.
G4-EN18	Greenhouse gas emissions intensity	Reducing emissions and energy consumption	
G4-EN19	Reduction of greenhouse gas emissions	Reducing emissions and energy consumption	

Effluents and Waste

G4-EN23	Total weight of waste by type and	Recycling and material recovery	
G4-EN24	Total number and volume of significant spills	Compliance with environmental regulations	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	Recycling and material recovery	Reporting the specific amounts of weight is not possible based on the confidentiality.

Products and Services

G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Business solutions promoting customer's responsibility Reducing emissions and energy consumption	
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Code of Conduct	
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	Reducing emissions and energy consumption	
Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Responsible supply chain	
Environmental Grievance Mechanisms			
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Compliance with environmental regulations	
Social Responsibility			
Labour practices and decent work			
Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Personnel in figures	

G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		In 2016, in addition to statutory occupational health care, we provided all employees with health care on the general practitioner level at the occupational health care centre, regardless of the nature of the employment relationship. Membership of the L&T sickness fund is only available to those who work at L&T in Finland full-time and whose employment relationship has lasted more than four months. The personnel benefit programme is available in Finland to permanent employees and employees who have worked on a fixed-term contract for more than one year, and who work at least 20 hours per week.
Occupational Health and Safety			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Occupational safety	
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Work ability management	Tasks in which employees are exposed are covered by occupational safety guidelines, work placement inspections and regular inspections.
		Social responsibility	
Training			
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Competence development	
		Work ability management	
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Personnel in figures	
Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies	Personnel in figures	

	employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Corporate Governance Statement, members of the Board of Directors and members of the Group Executive Board	
Supplier Assessment for Labour Practices			
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	Responsible supply chain	
Human Rights			
Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No incidents.
Society			
Local Communities			
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Code of conduct Reducing emissions and energy consumption	
Anti-corruption			
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified		Internal audit focuses on controlling risks in development processes. Development work notices also corruption related risks. In 2016 there has been several development processes, where the operating model was developed and the chance for corruption was prevented or minimized. In 2016, 10 business units were inspected in Finland and one business unit in Russia.
G4-SO4	Communication and training on anti-corruption policies and procedures	Code of Conduct	
G4-SO5	Confirmed incidents of corruption and actions taken		No incidents.
Public Policy			
G4-SO6	Total value of political contributions by country and recipient/beneficiary		We did not make any political contributions.
Anti-competitive Behaviour			

G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes		No incidents.
Compliance			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No incidents.
Product Responsibility			
Customer Health and Safety			
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		No incidents.
Product and Service Labelling			
G4-PR5	Results of surveys measuring customer satisfaction	Customer satisfaction	
Customer Privacy			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No incidents.
Compliance			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No incidents.

This document is a translation of the Finnish report

INDEPENDENT ASSURANCE REPORT

To the Management of Lassila & Tikanoja Plc

We have been engaged by the Management of Lassila & Tikanoja (hereafter L&T) to provide limited assurance on the Environmental Numerical Data presented in the “Environmental responsibility”-part of L&T’s Annual Report for the reporting period January 1, 2016 to December 31, 2016 (hereafter Environmental data).

Global Reporting Initiative’s Sustainability Reporting Guidelines G4 was used as the assurance criteria (hereafter GRI G4).

Inherent limitations on the engagement

The inherent limitations on accuracy and completeness in data related to the Environmental data are to be taken into account when reading our assurance report. The presented Environmental data is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by L&T.

The Management of L&T is responsible for the measuring, preparation and presentation of the Environmental data in accordance with the GRI G4.

Our responsibility is to express an independent conclusion on the Environmental data. We have conducted the engagement in accordance with ISAE 3000 (Revised). To the fullest extent permitted by law, we accept no responsibility to any party other than L&T for our work, for this assurance report, or for the conclusions we have reached.

We are independent from the company according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted.

We apply the International Standard on Quality Control 1 (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the work performed

A limited assurance engagement consists primarily of making inquiries of persons responsible for the preparation of the Environmental data presented, and applying analytical and other evidence gathering procedures, as appropriate. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower.

In our engagement we have performed the following procedures:

An assessment of conformity with the reporting principles of GRI G4 in the presentation of the Environmental data;

An assessment of the definition of the reporting boundaries for Environmental data in the context of L&T's business operations and sector;

An assessment of data management processes, information systems and working methods used to gather and consolidate the Environmental data;

A review of the presented Environmental data with an assessment of information quality and reporting boundary definitions;

Assessment of data accuracy and completeness through a review of the original documents and systems on a sample basis;

A site visit conducted to one of L&T's sites.

Conclusions

Based on the assurance procedures performed, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared in accordance with the GRI G4 in all material respects.

Helsinki, 20 February 2017

KPMG OY AB

Lasse Holopainen
Authorised Public Accountant, KHT

Nathalie Clément
Senior Manager, Advisory