



WE PUT THE CIRCULAR ECONOMY INTO PRACTICE

LASSILA & TIKANOJA PLC
Annual Report 2017

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The circular economy is a growing trend. For us, it is what we do on a daily basis.

TO US, THE CIRCULAR ECONOMY IS ABOUT ACTION IN PRACTICE

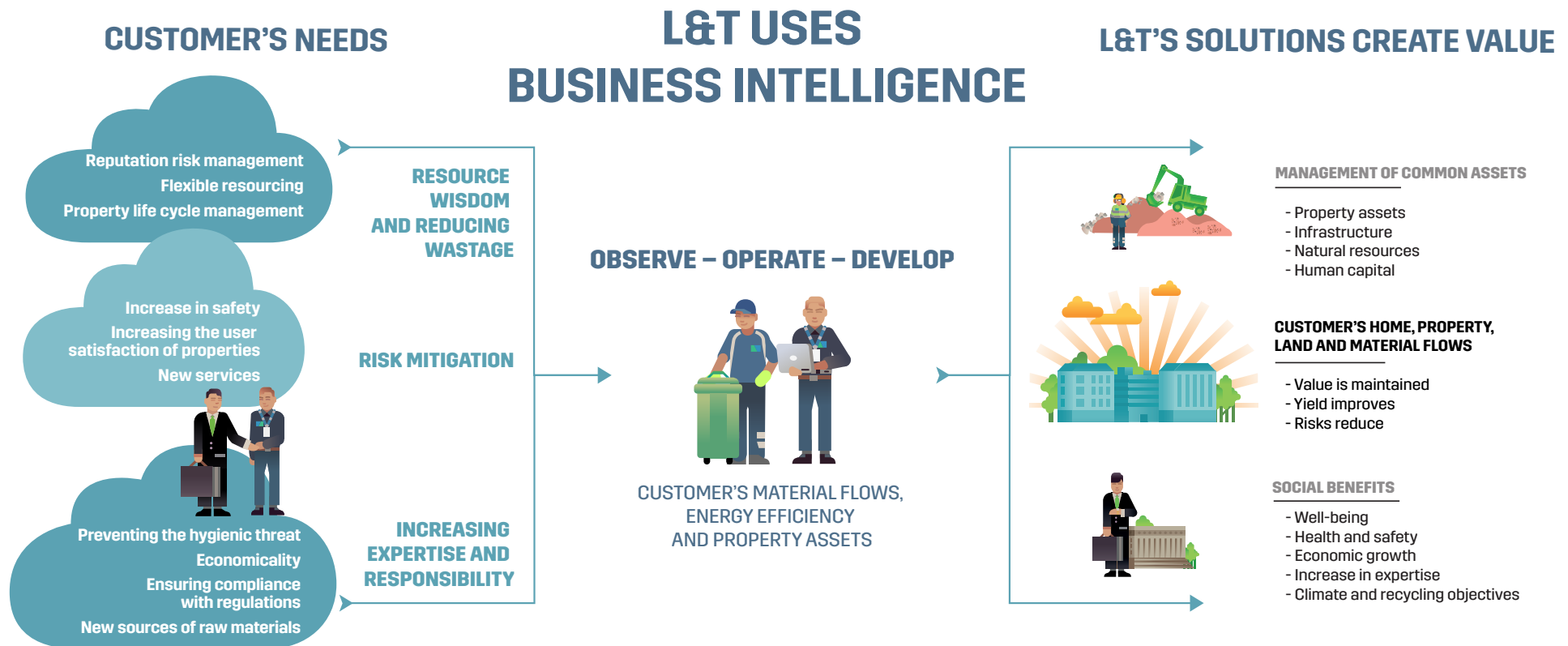
We live in a world in which all of us must think about how the circular economy will influence our activities. This does not only apply to individual citizens, or consumers, but also companies, organisations and municipalities. An understanding of the insufficiency of natural resources and energy will inevitably lead to the all of us having to limit the consumption of materials and energy and find new solutions that are more sustainable from the point of view of the environment and people.

It is not only a question of saving, but also about generating new innovations and new business. More sustainable solutions generate value in diverse ways: the value of homes, properties and agriculture will remain, yield will improve and risks will decrease, well-being, economic growth and competence

will increase and climate and recycling objectives will be met. At the same time, we will take better care of our common assets; properties, infrastructure, natural resources and human capital.

There is a lot of complicated talk about the circular economy. However, to us, the circular economy is a number of actions carried out by our employees every day. In its most concrete form, it is the maintenance of properties, optimisation of energy use, sorting of waste and collection of stumps for use as raw material for energy. It is also about us ensuring that the wheels of the industry keep on rolling.

L&T puts the circular economy into practice – every day.



MANAGEMENT REVIEW

We had a challenging year in 2017, and the recovery of the Finnish economy was not yet sufficiently reflected in the demand for our services. The company's result declined year-on-year, mainly due to challenges in the Facility Services division. However, at the same time, we strengthened our market position in several business areas and achieved notable successes.

We systematically executed our strategy and implemented significant reforms to our operating model and organisation, which will strengthen our competitiveness in the future. I would like to thank all of our personnel for their efforts in 2017 and I am confident that we will see a turn for the better in 2018.

INVESTMENT IN THE GROWING SWEDISH MARKET AND EXPERTISE

In summer 2017, we made a significant acquisition in Sweden, giving us a strong entry into the growing Swedish technical systems maintenance market and improving the entire Group's capacity for growth. The acquisition also brought in high-level competence in the hospital segment, which will prove invaluable as we prepare for the opening up of the social welfare and health care service market in Finland as well.

To ensure that we can take maximum advantage of the growth opportunities in the maintenance of technical systems, we separated the business into a division of its own starting from the beginning of 2018.

TOOLS FOR IMPROVING PRODUCTIVITY

A harmonised operating model and an ERP system that supports the model were deployed in the property maintenance business in 2017. The deployment of the operating model and ERP system progressed as planned, with the cleaning business and the maintenance of technical systems business to follow in 2018. We will begin to see the benefits in 2019. In Industrial Services, the process reached the planning phase. The harmonised operating model will be visible in the form of improved productivity, service with more uniform quality and more systematic activity. It will also accelerate the development of new digital services.

ON THE CUSTOMERS' AND EMPLOYEES' TERMS

A good customer experience goes hand in hand with a good employee experience as the key to a good service experience. This is why they are at the heart of L&T's strategy. In 2017, our employees were closely involved in our efforts to enhance the customer and employee experience. In spring 2017, we organised the national Virettämö workshop tour, where more than 100 L&T employees engaged in deep discussions on our new customer promises and came up with ideas on agile ways to put these new promises into practice. In the autumn, the process of putting the promises into practice in the day-

to-day actions of L&T employees began with dozens of training events and team meetings.

Our investments in the customer and employee experience are beginning to produce results. Our customers' willingness to recommend our services continued to increase, reaching excellent levels in several service lines. A positive trend could also be seen in the energy of the personnel. Nevertheless, we must continue our systematic efforts in both of these areas, as our goals are set very high.

STRATEGY PROVIDES NEW DIRECTION

We spent a lot of time on strategy work in 2017 by investigating our competitive advantage and growth opportunities through customer segments. The strategy process improved our market insight and identified significant growth opportunities, particularly in the public sector.

It also reinforced our view of the necessity of renewal. Strengthening our market position and achieving growth will require us to take an even more active approach to developing new services and service channels. This, in turn, calls for speed and agility in our operations.

In late 2017, we continued to optimise the Group structure and divisional structures by de-emphasising the Group's role and giving more autonomy to our businesses. A significant proportion of the resources in the Group's centralised functions were transferred to the divisions. This allows us to improve the competitiveness of our businesses and create growth, taking the special needs of each business and their customers into consideration.

MEGATRENDS ARE ON OUR SIDE

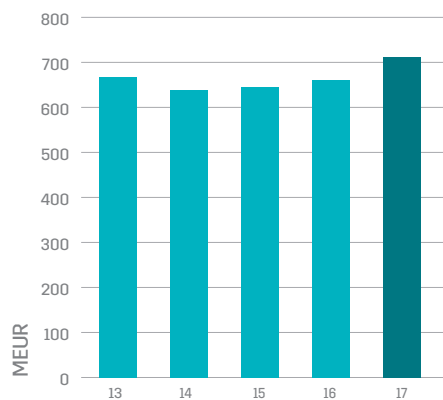
The megatrends driving the market in the medium and long term are on our side: Climate change and dwindling natural resources affect the regulatory environment through energy, climate and waste management policy, and the circular economy model aimed at the efficient use of resources will have an increasing impact on our customers' choices.

We have positioned ourselves as a company that puts the circular economy into practice. We want to help our customers maintain the value of their properties and materials while ensuring a high level of material, energy and cost efficiency, as well as the efficient use of properties. We achieve this by delivering responsible and sustainable service solutions that improve the daily lives of customers. We do sustainable work that has genuine significance. This gives strength to all of us as we tackle our day-to-day challenges. When we do our jobs well, the environment thanks us

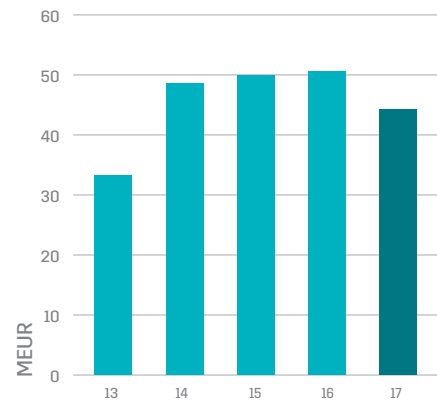
Pekka Ojanpää, President and CEO



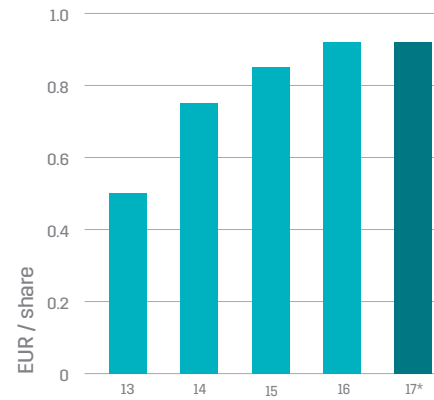
NET SALES



OPERATING PROFIT



DISTRIBUTION OF ASSETS



* proposal by the Board of Directors

L&T'S OFFICES



KEY FIGURES

	2017	2016	2015
Net sales, MEUR	712.1	661.8	646.3
Operating profit, MEUR	44.2	50.5	49.9
Profit before tax, MEUR	42.7	50.1	47.7
Return on equity, % (ROE)	15.3	20.0	18.2
Return on invested capital, % (ROI)	13.4	17.4	16.5
Gearing, %	53.9	17.3	19.8
Equity ratio, %	39.3	50.4	46.5
Capital expenditure, MEUR	110.3	41.6	49.6
Total number of full-time and part-time employees at year end	8,663	7,931	8,085
Earnings per share, EUR (EPS)	0.88	1.13	0.98
Cash flow from operating activities/ share, EUR	1.61	1.99	2.33
Capital repayment per share, EUR	*0.92	0.92	0.85

* Proposal by the Board of Directors

NET SALES BY DIVISION, %



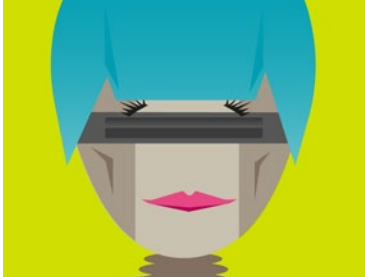
Environmental Services **36.8%**
 Industrial Services **12.3%**
 Facility Services **46.1%**
 Renewable Energy Sources **4.9%**

NET SALES BY COUNTRY, %



Finland **90.3%**
 Sweden **8.6%**
 Russia **1.1%**

KEY EVENTS IN 2017



L&T LAUNCHED THE INDUSTRY'S FIRST CHATBOT

At the start of 2017, L&T launched Kikka the Recycling Bot to give people recycling advice on the Facebook Messenger platform. The AI-powered chatbot was developed by L&T's digital team in response to observed demand for accurate and useful information on recycling. The idea was to bring the service as close as possible to people's daily lives. With more than two million Finns using Facebook on a daily basis, Facebook Messenger was the natural choice of platform for the chatbot.

USE OF RENEWABLE DIESEL FUEL PRODUCED FROM WASTE AND SCRAPS BEGAN IN PART OF THE WASTE COLLECTION FLEET

In early 2017, L&T and Neste signed a co-operation agreement that saw L&T begin using renewable diesel fuel produced from waste and scraps in selected waste collection vehicles in the Helsinki metropolitan area. The use of Neste MY renewable diesel fuel supports L&T's strategy of putting the circular economy into practice and reduces transport emissions.



WIDER AVAILABILITY OF DIGITAL SERVICES

L&T expanded the availability of its digital services in February. The Helpponouto service for collecting surplus items and the LT Marketti online store were scaled to work in other regions of Finland beyond the Helsinki metropolitan area. In 2017, the Helpponouto service was expanded to Oulu, Turku, Tampere and Jyväskylä. The products sold in the LT Marketti online store are now available throughout Finland.

LARGE FIRE AT THE VANTAA UNIT

A fire started in an open-sided shelter for recyclable material at the Vantaa unit in March 2017. The fire was quickly brought under control and there were no casualties. While the fire generated a significant amount of smoke and caused the local environment to become slightly littered, it did not result in any permanent damage to the environment.

L&T JOINED THE SMART & CLEAN FOUNDATION

In spring 2017, L&T decided to join a group of pioneers to develop the Helsinki metropolitan area into the world's leading circular economy hub via the Smart & Clean Foundation. Smart & Clean is a five-year project in which local cities, businesses, research institutes, universities and the national government join forces to develop smart and clean solutions. The solutions will improve the quality of life, mitigate climate change and promote the circular economy.



ELECTRONIC SHIPPING DOCUMENTS INTRODUCED IN ENVIRONMENTAL SERVICES

Before the summer, L&T began using electronic shipping documents in waste management. The Waste Act requires that a shipping document be produced when transporting and handing over certain waste fractions. The use of electronic shipping documents produced many benefits during the year compared to the previously used paper version. The advantages include traceability and archiving, ease of use and time savings for both the customer and L&T.



L&T EXPANDED ITS ENVIRONMENTAL SERVICES BUSINESS IN CENTRAL FINLAND

On 2 May 2017, Lassila & Tikanoja acquired the environmental businesses of Pihlputaan Jätehuolto Oy and the Viitasaari-based Hyötykolmio Oy. The acquisition is part of L&T's strategic geographical expansion and service coverage improvement in Central Finland.



SWEDISH OPERATIONS STRENGTHENED BY A SIGNIFICANT ACQUISITION

In June 2017, Lassila & Tikanoja acquired Veolia's facility management business in Sweden through the acquisition of the entire share capital of Veolia FM AB. The acquisition enables L&T to strengthen its presence in the growing Swedish facility services market. The company became part of the L&T Group on 1 September 2017.



L&T SPONSORED FINLAND'S LARGEST PUBLIC EVENT IN THE SUMMER

The Tall Ships Races 2017 was the largest public event in Finland last summer. As an event sponsor, L&T played a prominent part in the event, where the protection of the Baltic Sea and the environmental perspective were taken into account in all activities. L&T's role was to ensure that the waste generated at the event ended up in collection containers instead of the Baltic Sea.

CO-OPERATION MODEL BETWEEN RINNEKOTI AND L&T GETS PEOPLE WITH INTELLECTUAL DISABILITIES INVOLVED IN MAINTENANCE WORK

In autumn 2017, L&T and the Rinnekoti Foundation signed a co-operation agreement on Rinnekoti's area maintenance and logistics services. The parties also agreed to work together to allow people with intellectual disabilities to participate in certain types of work, such as yard maintenance tasks. L&T has previously facilitated similar activities in co-operation with the Helsinki Deaconess Institute with good results.



L&T RANKED AMONG THE LEADING COMPANIES IN WORKING FOR THE CLIMATE

Lassila & Tikanoja again achieved excellent results in the international climate disclosure report commissioned by the world's leading investors and produced by CDP, an organisation that promotes sustainability in economic activity and the mitigation of climate change. With a Leadership-level score, L&T was ranked among the world's top companies in the CDP Climate assessment.



CHANGES IN MANAGEMENT AND A NEW DIVISION

There were changes in L&T's senior management and division structure late in the year. The CFO and the Supply Chain Director left the company. Tuomas Mäkipeska, whose previous roles included Development Director and Vice President, Renewable Energy Sources, was appointed as the new CFO starting from January 2018. With supply chain management duties largely assigned to the divisions, the role of Group-level Supply Chain Director was left vacant. In addition to the changes in management, the Group established Maintenance of Technical Systems as a new reporting segment effective from 1 January 2018.

STRATEGY UPDATE: L&T PUTS THE CIRCULAR ECONOMY INTO PRACTICE

In 2017, L&T engaged in extensive strategy work to assess the Group's competitive advantage and growth opportunities in terms of its customer segments as well as the Group's position in raw material value chains. Some 80 L&T employees were involved in strategy workshops and a further 260 people participated in online discussions to evaluate competitive advantages and trends in the business environment. As part of the strategy work, we interviewed our customers and invited customers and stakeholders to assess the development of the business environment and identify strategic development areas.

The strategy process improved our market insight and identified significant growth opportunities, particularly in the public sector. However, based on the review, it was not deemed necessary to change the company's strategic direction or financial targets.

As part of the strategy process, L&T defined its position as a company that puts the circular economy into practice. In line with the strategic guidelines, the responsibility programme was refocused for the coming years and measures were initiated to further strengthen the brand.

FOCUS ON PRODUCTIVITY, THE CUSTOMER AND EMPLOYEE EXPERIENCE, AND GROWTH

L&T will continue to focus on improving productivity and enhancing the customer and employee experience. Growth is sought organically through business development and also through potential acquisitions. In addition, the Group will invest resources in developing new services and service channels.

Strengthening our market position and achieving growth will require us to take an even more active approach and to act with speed and agility. To this end, we continued to clarify our Group and division structures in late 2017. The Group's role was de-emphasised further and the businesses were given more autonomy. This allows us to improve the competitiveness of our businesses and enhance the creation of growth, taking the special needs of each business and their customers into consideration.

Going forward, L&T will develop services for the public sector as the use of outsourcing increases, and invest in growth in the social welfare and health care segment that is in the process of opening up. We will pursue growth in the processing of industrial side streams and services based on the circular economy logic. We will sign new partnerships and develop new business models to leverage the digital transformation.

**A surprising phenomenon:
the older we get, the more
limber we become.**

THE STORY BEHIND L&T'S STRATEGY

L&T exists to put the circular economy into practice. As an engine of the circular economy, we help our customers maintain the value of their properties and materials while ensuring a high level of material, energy and cost efficiency and the efficient use of their properties. We achieve this by delivering responsible and sustainable service solutions that improve the daily lives of our customers.

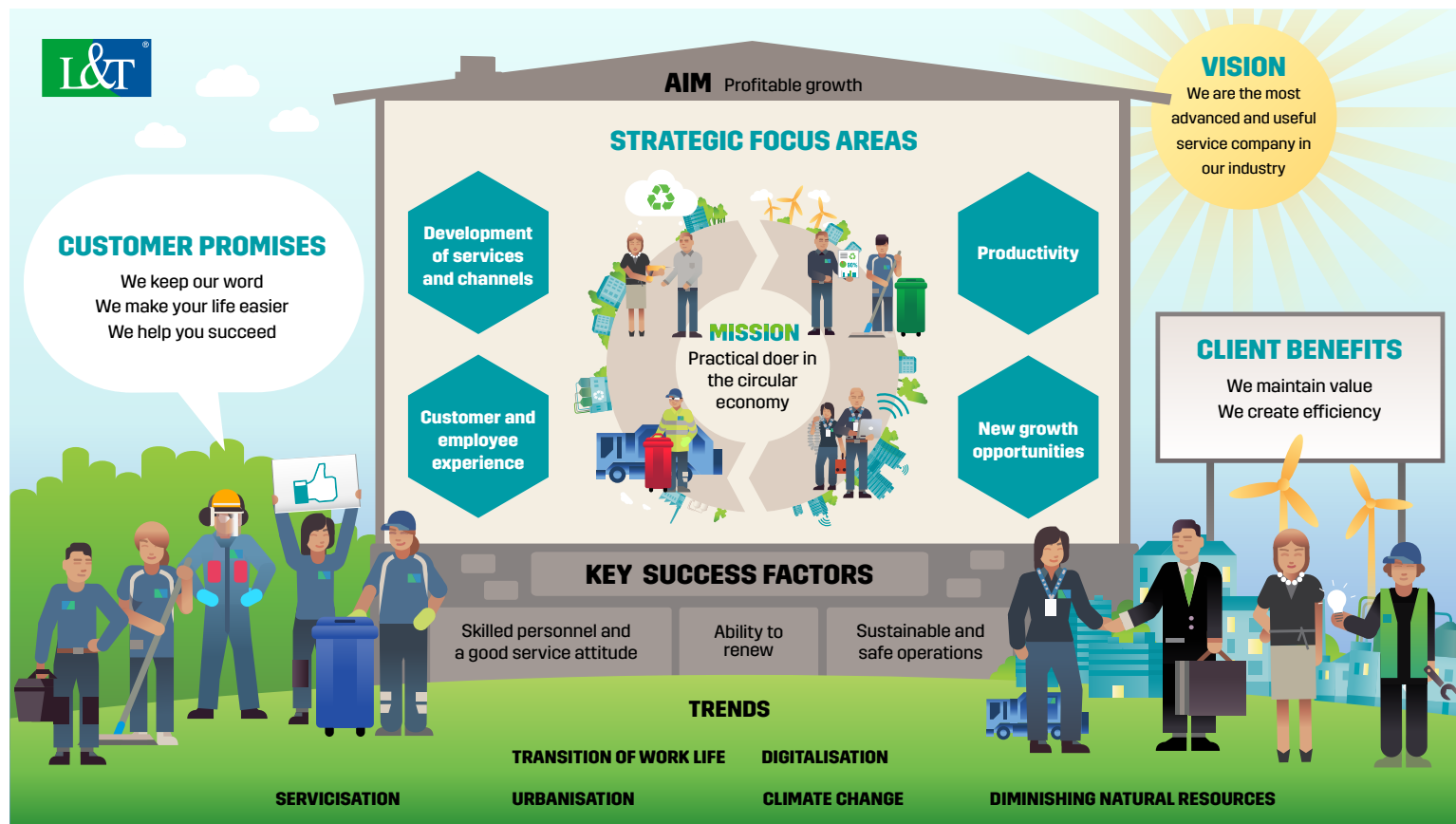
The environment we operate in is changing as the digital transformation progresses and new business models are introduced. Requirements and expectations pertaining to corporate responsibility and environmental sustainability continue to increase, and the transformation of working life is challenging traditional companies. There is a need for flexible work opportunities and the importance of meaningful work is growing.

We respond to the changes in our business environment by investing in the development of our services and the way customers use them, a positive customer and employee experience, the improvement of productivity and the pursuit of new growth opportunities. We make three key promises to our customers: we keep our word, we are here to make your life easier and we help you succeed.

To continue our success, we must ensure that we have competent personnel and a positive service attitude, that our operations are responsible and safe, and that we have the capacity to renew and develop our operations in response to the changes in the world around us.

This enables us to pursue profitable growth – both for our customers and ourselves. We believe that this will see us become the most progressive and beneficial service provider in our industry.

[Watch the story behind L&T's strategy as an animated video.](#)



PROGRESS MADE IN THE IMPLEMENTATION OF STRATEGY IN 2017

IMPROVING PRODUCTIVITY:

- The Facility Services division's new operating model and the ERP system that supports it were deployed in the property maintenance service line. The deployment progressed according to plan. Costs related to the deployment of the operating model and ERP system weighed down the Facility Services division's result in 2017.
- In 2018, the model and the system that supports it will be expanded to cover the cleaning business and the maintenance of technical systems. The benefits will begin to take concrete shape in 2019.
- The Industrial Services division's operating model renewal project progressed to the planning phase.
- In Environmental Services, analytical methods related to the productivity of logistics were improved and new tools were introduced to increase the efficiency of transport routes.

ENHANCING THE CUSTOMER AND EMPLOYEE EXPERIENCE:

- In spring 2017, a national workshop tour gave more than 100 L&T employees the opportunity to engage in deep discussions on our new customer promises and come up with ideas on agile ways to put them into practice in our daily work. In the autumn, the process of putting the customer promises into practice in the day-to-day work of L&T employees began with dozens of training events and team meetings.
- We engaged in joint development with customers in dozens of workshops and interviews designed to collect feedback for the purpose of guiding development efforts and services.
- An active focus on analysing and eliminating the root causes of customer complaints led to a significant reduction in complaints.
- The Net Promoter Score (NPS) measured among L&T's customers improved in both surveys conducted in 2017 and has now reached an excellent level in several service lines. Our indicators of employee satisfaction and the mental state of the personnel also showed a positive trend, particularly with regard to supervisory work.

NEW GROWTH OPPORTUNITIES:

- In summer 2017, L&T made a significant move in Sweden by acquiring technical maintenance solutions provider Veolia FM AB (L&T FM AB). The acquisition strengthened the Group's presence in the growing Swedish facility services market and improved the Group's capacity for growth in general. L&T FM became part of the L&T Group on 1 September. The integration process is under way and progressing as planned.
- To ensure that we can take maximum advantage of the growth opportunities in the maintenance of technical systems, the business was separated into a reporting segment of its own starting from the beginning of 2018.
- The coverage of the Environmental Services division's services was improved by acquisitions in Central Finland and, in Industrial Services, we invested in the sewer maintenance business in Northern Finland.

DEVELOPING SERVICES AND THE WAY CUSTOMERS USE THEM:

- Services were developed on a customer-oriented basis, making use of new digital solutions.
- We created new digital service channels to serve our customers even better. We introduced a tool for developing and managing waste management for use by customers and began a comprehensive redesign of our website with the aim of making it more convenient to use and buy our services.

FINANCIAL TARGETS FOR THE STRATEGY PERIOD

The progress made in the implementation of strategy did not warrant any changes to L&T's strategic targets in 2017. The targets will be reviewed in conjunction with the 2018 strategy work.

FINANCIAL TARGETS	Target 2020	2017	2016	2015	2014
Growth	5%	7.6%	2.4%	1.0%	-4.3%
Return on invested capital	20%	13.4%	17.4%	16.5%	15.4%
Operating profit	9%	6.2%	7.6%	7.7%	7.6%
Gearing	0-70%	53.9%	17.3%	19.8%	25.2%

THE BUSINESS ENVIRONMENT REMAINED CHALLENGING

L&T's business environment was challenging in 2017, and the recovery of the Finnish economy was not yet significantly reflected in the demand for services. Demand grew primarily in services used by the export-driven industrial segment but, at the same time, price competition in Facility Services remained intense.

Regulation in areas that are relevant to the business environment developed favourably from the perspective of L&T's business. The Public Procurement Act, which entered into force at the beginning of the year, made public procurement procedures more modern and flexible. The Act will also promote the opening up of the public service markets, although the impacts on the social, health care and waste sectors will only become evident after the transition periods have passed. The preparations for the Finnish social, health care and regional government reform moved forward and the expectation is that it will accelerate the opening up of the service markets in the municipal sector.

In the environmental business, key reforms were implemented both at the EU level and the national level. The end of the year saw agreement being reached on the circular economy pack-

age, which will substantially increase the recycling targets for municipal waste and packaging waste in the EU by 2030. The government's legislative proposal on the amendment of the Waste Act was submitted to the parliament in December. According to the proposal, waste management in public administration as well as the social and health care sector will be deregulated as of 1 January 2019. This change would see a waste volume of some 230,000 tonnes transferred from the local government sector to the private sector.

The key policies in the EU climate and energy package from L&T's perspective were related to the reduction of emission rights, the Effort Sharing Decision and the Renewable Energy Directive. They all accelerate the shift to renewable energy sources in the production of energy and heating.

The direction of energy, climate and waste policy will increase the demand for recycled raw materials and biofuels, thereby boosting L&T's business in the medium and long term. With climate and recycling-related targets rising dramatically in the next few years, the significance of effective solutions for the transition period will be emphasised.

The EU has set numerous environmental targets. We have already rolled up our sleeves.



A photograph of a man with light-colored hair, wearing a high-visibility yellow and blue work jacket, operating a yellow forklift in a warehouse. The warehouse has high ceilings, metal shelving units filled with boxes, and a fire extinguisher sign on the wall. A white, downward-pointing arrow-shaped graphic is overlaid on the bottom center of the image, containing text.

**ENVIRONMENTAL SERVICES:
WE CONTINUED TO BUILD THE CIRCULAR
ECONOMY BY DEVELOPING NEW SERVICES**

THE ENVIRONMENTAL SERVICES

The Environmental Services division's full-year net sales increased by 0.2% to EUR 265.3 million (264.8). Operating profit was EUR 29.8 million (31.3).

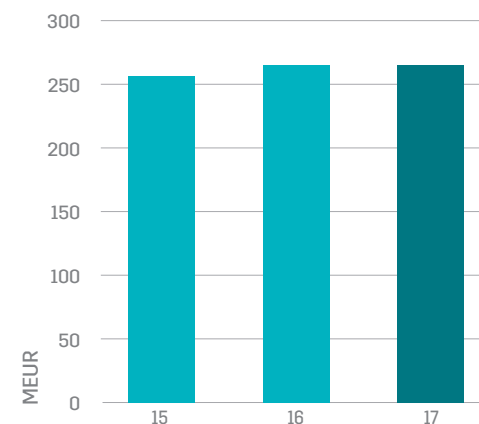
Net sales remained on a par with the previous year thanks to strong business-to-business sales. Our market position improved particularly in the retail and industrial segments, and demand increased towards the end of the year. Net sales decreased in the municipal segment, as expected.

The Environmental Services division maintained a good level of profitability in a challenging business environment. The secondary raw material market did not develop as expected

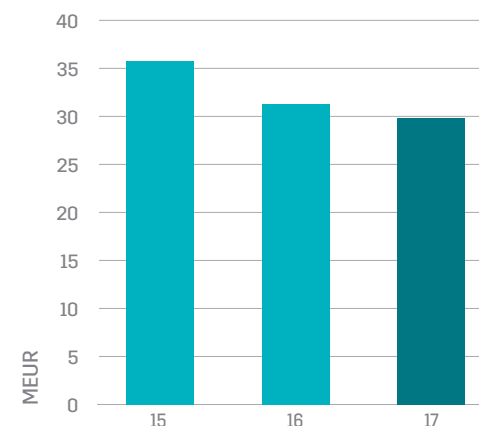
and the sales of solid recovered fuels, in particular, fell short of targets, which increased logistics costs.

The division continued its determined development efforts based on the selected strategic focus areas. We developed and commercialised new services, expanded our services geographically and decided to start employee training aimed at improving the customer experience. We also continued to revise the organisational structure to accelerate the implementation of strategy. Under the new operating model, the entire personnel is even more involved in developing and implementing the development projects derived from the strategy.

NET SALES



OPERATING PROFIT



KEY ACTIONS AND ACHIEVEMENTS IN 2017

- We expanded our operations in line with our strategy. We improved our service coverage in Central Finland by acquiring Pieksämäen Keräys Oy, Pihtiputaan Jätehuolto Oy and the Viitasaari-based Hyötykolmio Oy.
- We revised our organisational structure to strengthen our ability to execute the strategy.
- We continued to launch and commercialise digital services.
- Our customer satisfaction improved further and we achieved a substantial reduction in the number of complaints.
- We were successful in acquiring new large customers and extending significant co-operation agreements both locally and nationally.

The shift to the circular economy is inevitable. We make it easy.

CASE

TOWARDS A HIGHER RECYCLING RATE – TOKMANNI INVOLVED MORE CLOSELY IN THE CIRCULAR ECONOMY

In 2017, Tokmanni opened 14 new shops around Finland. This also translates into increasing waste volumes generated by the company. Cooperation with Lassila & Tikanoja Environmental Services commenced at the beginning of the year, resulting in Tokmanni's recycling rate increasing by more than 10 percentage points.

L&T and Tokmanni jointly planned an environmental management system that helped to improve the company's recycling rate in spite of the increasing waste volumes. While Tokmanni's recycling rate for 2016 was 51.73 per cent, it increased to 62.13 per cent in a year.

"An increase of more than ten percentage points in a year is an excellent achievement. Not only did it cut our carbon dioxide emissions, it also lowered our waste expenses," says **Seppo Tokola**, head of Tokmanni's safety and real estate department.

AMOUNT OF MIXED WASTE WAS DECREASED BY ENHANCING SORTING

Tokmanni specified sorting further comprehensively. Metal, glass, plastic and packaged bio were added to recycled fractions. In addition, L&T launched shop tours in which the reforms were reviewed together with Tokmanni employees.

For example, adding plastic to the sorted fractions decreased the volumes of Tokmanni's mixed waste and burnable waste, which decreased the waste expenses. Also, the handling of old recyclable materials was enhanced—and up to one half of the total waste volume from shops was cardboard.

"L&T is an excellent partner because even small locations have the resources for collecting all materials and providing functioning equipment and good subcontractors," Tokola says.

OVER HALF A MILLION PALLETS PASSED THROUGH THE HANDS OF L&T WORKERS

There are four L&T employees at Tokmanni's logistics centre in Mäntsälä, and they are responsible for waste management and recycling throughout the logistics centre. Pallet operations in which over half a million pallets were recycled, repaired and directed for reuse are also managed from there.

"One pallet weighs approximately 15 kg. Based on that, you can calculate that there is over 7 million kg of wood rotating in the circular economy thanks to these activities.

GOOD SPIRIT OF COOPERATION ALSO PROMOTES TOKMANNI'S SUSTAINABILITY

Tokmanni wants to shoulder responsibility for its environment and continuously develop its operations in a more sustainable direction; for example, a few of the shops partly run on solar energy.

"The more we are involved in the circular economy, the lower our costs—especially as various environment fees will increase in the future. We want to demonstrate through concrete actions that we are a responsible company."

Tokola praises the well-functioning overall system, open interaction and the fact that there are no hidden expenses.

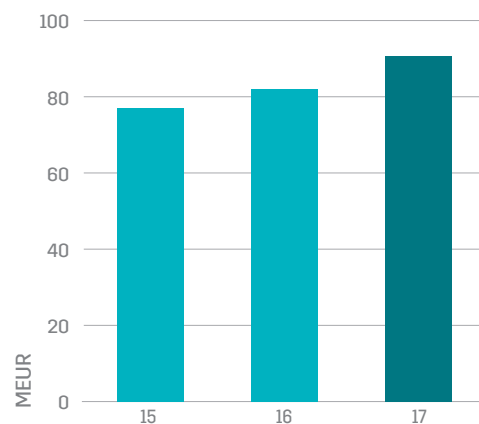
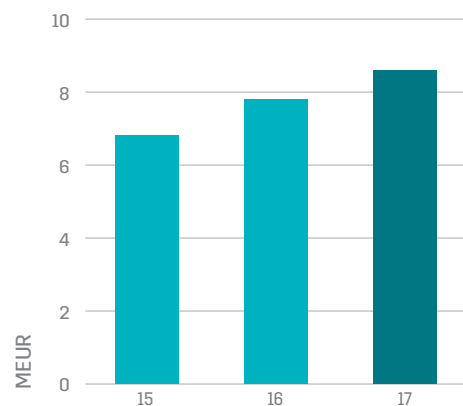
"We have a good spirit of getting things done! The recycling rate indicates that our smart employees have learned to recycle more efficiently."

L&T has been providing cleaning services to Tokmanni for over 10 years. In addition, an agreement on the property maintenance of the shops and the administration and logistics centre was signed towards the end of 2017.





**INDUSTRIAL SERVICES:
GROWTH BOOSTED BY STRONG
DEMAND AND THE DEVELOPMENT OF
THE SERVICE OFFERING**

NET SALES**OPERATING PROFIT****THE INDUSTRIAL SERVICES**

The Industrial Services division's full-year net sales grew by 10.5% to EUR 90.7 million (82.1). Operating profit was EUR 8.6 million (7.8).

Net sales grew and profitability improved thanks to strong demand and the enhanced efficiency of operations. Utilisation rates in industry remained at a high level, but growth was also accelerated by the strong cyclical situation in

construction. Increased and cyclical demand made the optimisation of our production operations more difficult, but we were able to respond to customer needs flexibly. Our market position was strengthened by significant new customer accounts and our customer satisfaction remained at an excellent level.

KEY ACTIONS AND ACHIEVEMENTS IN 2017

- We expanded the our sewer maintenance service network in Oulu by acquiring the business operations of Oulun Viemärihuolto. The acquisition of Oulun Viemärihuolto strengthened our market position as planned.
- We developed waste treatment and recovery solutions related to industrial side streams and hazardous waste to ensure that an increasingly large proportion of materials can be returned for reutilisation.
- We completed our hazardous waste terminal investment programme by modernising the Turku treatment terminal.
- In the environmental construction business, we continued to develop our national processing network.
- We continued our determined efforts to develop and standardise working methods.
- We invested in our personnel by training existing and new employees.

A pleasant fact: good service leads to more demand.

CASE

JYVÄSKYLÄN ENERGIA MAINTAINS THE CONDITION OF ITS SEWER NETWORK THROUGH REGULAR PIPEWORK IMAGING

Lassila & Tikanoja carries out sewer condition surveys for Jyväskylän Energia to help them determine repair needs and target measures to the right places. Since 2012, tens of kilometres of the sewer network in the region have been inspected and repaired.

L&T's co-operation with Jyväskylän Energia began with the local repair imaging in the Tikkakoski area, where a total of around 10 kilometres of sewers were recorded. The effective co-operation has continued, and over the years, L&T has handled the cleaning and video imaging of several dozens of kilometres of municipal sewers for Jyväskylän Energia. L&T has also cleaned pumps and opened sewers, for example.

"The most important thing is to get as detailed survey information as possible on the condition of the sewer network. We have a lot of repair debt here in Finland, which means many sewers have exceeded their technical lifespans – it is important to determine the conditions of these in particular so that we can target repairs to the right places at the right time," says Repair Engineer **Keijo Pietilä** from Jyväskylän Energia.

REGULAR IMAGING SAVES COSTS AND NATURE

Jyväskylän Energia is in charge of maintaining a water, sewer and storm sewer network measuring almost 2,000 kilometres. When the need for pipework repairs is identified well in advance, the pipes can be used until the end of their lifespans rather than being replaced before the lifespan is over. This is also safer for nature, as wastewater will not leak out due to broken pipes or other defects.

"Thanks to L&T's imaging, we can plan and implement maintenance and repair work reasonably and cost-effectively," Pietilä says.

A HIGH-QUALITY REPORT REVEALS THE INNER WORKINGS OF A SEWER

A comprehensive report is always drawn up based on L&T's sewer imaging, including an assessment and observations of the internal condition of the pipework.

"The co-operation has enabled us to achieve our goals: the imaging has produced high-quality reports and video material that can easily be stored

in our database. These are useful for everyday maintenance and servicing tasks, and they can also be accessed and used by everyone for many years to come. The reports must also be easy to interpret, since not everyone who uses the information is so familiar with the inner workings of sewers," Pietilä explains.

CO-OPERATION LEADS TO THE BEST RESULTS

According to Pietilä, the most valuable aspects of co-operation with L&T, in addition to the high-quality reports, is the fact that the survey imaging can be carried out professionally even under a tight schedule, and the customer's needs are taken into account in all situations.

"The best thing is that they genuinely listen to us and we are constantly learning from one another. We develop working methods together with L&T's experts and seek out the best operating models that will provide the best results."





**FACILITY SERVICES:
WE FOCUSED ON RENEWAL AND THE
IMPROVEMENT OF COMPETITIVENESS**

THE FACILITY SERVICES

The Facility Services division's net sales for 2017 increased by 14.8% to EUR 331.0 million (288.3). Operating profit was EUR 9.2 million (13.5).

The increase in the division's net sales was mainly attributable to the summer acquisition of L&T FM AB, which saw L&T gain a strong market position in the growing technical systems maintenance market in Sweden. Operating profit declined significantly, mainly due to the effect of the deployment of a new operating model and related ERP system on the result of the property maintenance business. Operating profit also decreased year-on-year in the ren-

ovation business and in technical systems maintenance services. Thanks to restructuring measures and a strong order book, however, the second half of the year was significantly better than the first. The cleaning business maintained its good level of profitability.

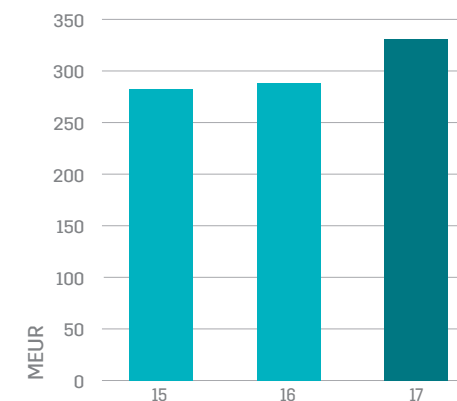
The Facility Services division focused on completing major changes to the operating model in order to improve competitiveness and keep labour costs under control. These changes will also improve profitability in the future. Our market position remained strong and the demand for our services improved towards the end of the year.

KEY ACTIONS AND ACHIEVEMENTS IN 2017

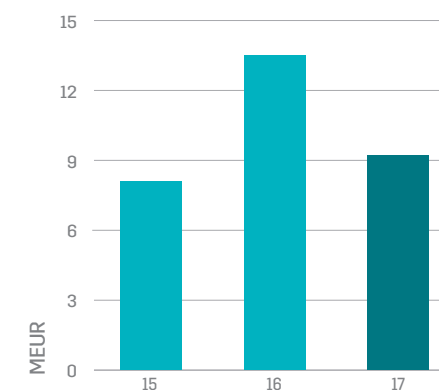
- A new ERP system was deployed in the property maintenance business. The deployment of the system will continue in 2018 in the maintenance of technical systems and the cleaning business.
- The cleaning business established a unit specialising in the health care industry to target the growing social welfare and health care service market.
- We developed our services on a customer-oriented basis, making use of new digital solutions. We acquired several significant customer accounts.
- We completed the acquisition of L&T FM AB in late summer. The integration process progressed according to plan, and L&T FM was included in the Group's reporting starting from the beginning of September.
- The maintenance of technical systems business was separated into a division of its own at the end of the year. It will be reported as a separate segment starting from the beginning of 2018.

Growth from our western neighbour. We expanded to Sweden.

NET SALES



OPERATING PROFIT



CASE

CENTRALISED PROPERTY PARTNER CREATES COST EFFICIENCY

Posti Kiinteistöt needed a partner with the capacity to produce a range of services nationwide, from cleaning to environmental services, to suit the needs of different business functions. L&T began providing a comprehensive service for the company in October 2014. The cooperation has helped Posti Kiinteistöt increase the efficiency of its electricity consumption, and the recycling of pallets accrues a substantial amount of monetary compensation for the company each year.

As Posti Kiinteistöt's largest partner, Lassila & Tikanoja is responsible for the company's maintenance of technical systems, cleaning, waste management, property maintenance and sewer maintenance.

"We are pleased to have a single partner that provides a comprehensive range of cost-efficient services and continuously develops the operations according to our needs," says **Hannu Simola**, Maintenance Manager at Posti Kiinteistöt.

ENERGY EFFICIENCY IMPROVES EVERY DAY

Between 2010 and 2016, the efficiency of Posti's energy consumption increased by more than 20 per cent, and heating savings amounted to nearly 40 per cent. These improvements were achieved without compromising on working conditions.

"We had already increased the efficiency of our energy usage to such an extent that we did not think there was much more room for improvement. However, after starting our cooperation with L&T's technical systems maintenance unit in 2014, we have seen further progress in the efficiency of our energy consumption.

The target for 2017, a three per cent reduction in electricity consumption, was exceeded by a clear margin.

FROM OBSERVATIONS TO CONCRETE ACTION

Since 2015, L&T's Energy Management Centre has submitted nearly 2,000 energy saving observations to Posti Kiinteistöt, along with more than 500 concrete energy saving suggestions derived from the observations.

With lighting accounting for approximately half of the energy consumption of Posti's business premises, old lighting technology has now been replaced by LED lights and lighting control has been improved.

In 2017, L&T submitted nearly 700 energy saving observations to Posti Kiinteistöt, with more than 200 suggestions derived from them. L&T's professionals also

made more than 100 energy saving suggestions while working at Posti's business premises.

SIGNIFICANT COMPENSATION EARNED BY RECYCLING PALLETS

The cooperation is monitored in various ways, including the measurement of customer satisfaction, service quality, complaints and the development of the recycling rate. In 2017, cleaning services at sites exceeding 1,000 square metres surpassed their quality target by 15 per cent, while L&T Environmental Services helped Posti Kiinteistöt improve its sorting and recycling rate.

Posti also began using L&T's pallet service. In the past, pallets sat unused in Posti's basements and broken pallets were discarded. Today, Posti earns a significant amount of monetary compensation by recycling pallets.

"We don't have particular environmental expertise of our own, so we decided to get help from the market leader. The circular economy is an important theme for Posti, and our aim is to increase our recycling rate by at least one per cent per year," Simola adds.

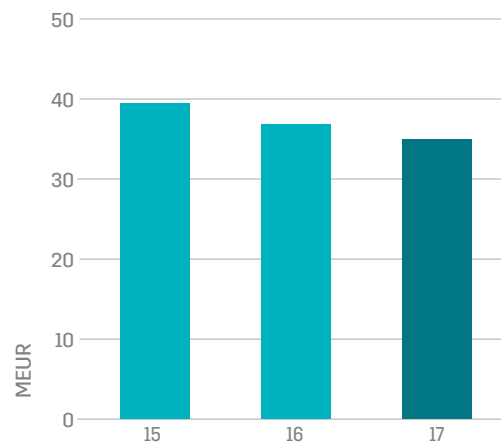
Posti Kiinteistöt Oy is a subsidiary of Posti Group Corporation and is responsible for the ownership and management of all of the Group's properties located in Finland.



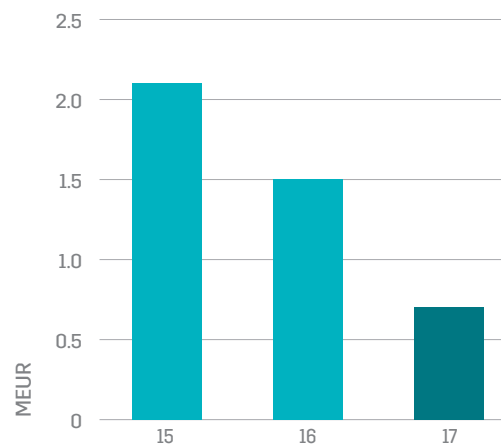


**RENEWABLE ENERGY SOURCES:
WE IMPROVED THE EFFICIENCY OF OUR
OPERATIONS IN A CHALLENGING MARKET AND WERE
SUCCESSFUL IN CUSTOMER ACQUISITION**

NET SALES



OPERATING PROFIT



RENEWABLE ENERGY SOURCES

Net sales for Renewable Energy Sources (L&T Biowatti) for the financial year 2017 decreased by 5.1% to EUR 34.9 million (36,8). Operating profit was EUR 0.7 million (1.5).

The market for renewable energy sources remained challenging. The total demand for wood chips in combined heat and power production continued to decline but, overall, the use of wood chips increased slightly in 2017.

Due to the weather being warmer than average, the customers' overall fuel demand was lower than expected. Excess supply in the wood fuel market weighed down on selling prices, which was particularly reflected in the decrease in net sales. Late in the year, wood procurement and energy wood deliveries were complicated by extended rainy weather. The weather conditions weakened profitability and reduced net sales. Production problems among customers also weighed down on sales, both early in the year and late in the year.

KEY ACTIONS AND ACHIEVEMENTS IN 2017

- We signed several significant long-term agreements that will increase net sales in the coming years.
- In 2017, the deliveries of commercial timber to the forest industry increased.
- Progress was made in increasing supply chain efficiency, and accuracy was improved in areas such as energy wood measurement. The efficiency improvement efforts will continue.
- We strengthened our forest service organisation in response to our future wood procurement needs.
- We continued to implement our strategy, which is aimed at profitable growth.
- The development of inventory management progressed in line with the strategy, and the amount of tied-up capital decreased from the previous year.

We also prevent waste in forests: wood chips are a source of renewable energy.

CASE

VASKILUODON VOIMA NOW PRODUCES BIOENERGY EVEN MORE EFFICIENTLY THAN BEFORE

Vaskiluodon Voima's power plants produce energy and district heating from wood, which is used to partly replace coal as fuel. L&T Biowatti is one of Vaskiluodon Voima's biofuel suppliers: during five years of co-operation, the raw wood material supplied by L&T Biowatti has helped the Vaasa power plant reduce its greenhouse gas emissions by more than 82,000 tonnes.

As Vaskiluodon Voima's longest standing biofuel supplier, L&T Biowatti supplies wood for the company's power plants in Vaasa and Seinäjoki. The Vaasa power plant's investment in a gasifier in 2012 has seen fossil fuels replaced at an increasing rate of efficiency, leading to a substantial reduction in greenhouse gas emissions.

"We have continuously increased our use of wood chips and reduced our use of coal. Wood chips now represent 90 per cent of the fuel usage of the Vaasa gasifier," says **Esa Koskiniemi**, Procurement Engineer at Vaskiluodon Voima.

FOSSIL FUELS REPLACED BY LOCAL BIOFUEL

L&T Biowatti delivers some 50–60 gigawatt hours' worth of raw wood material to the Vaasa power plant every year, sourced within a radius of approximately 100 kilometres of the power plant.

"The biofuel supplied by L&T Biowatti has made it possible for us to reduce our greenhouse gas emissions by more than 82,000 tonnes," Koskiniemi says.

The gasifier produces electricity and district heating in a combined heat and power generation process. The heat generated as a by-product of electricity production is channelled into the district heating network, where it covers approximately 60 per cent of the Vaasa region's district heating demand.

MORE ENERGY EXTRACTED FROM EACH KILOGRAM OF BIOFUEL THANKS TO THE DEVELOPMENT OF NEW METHODS

L&T Biowatti's investments in the development of raw wood materials have led to continued improvement in the quality of fuel over the past five years. Various methods have been developed for drying wood, for example.

"High energy content means that we can produce more energy from each cubic metre of raw wood, which means reductions in transport, fuel consumption and

emissions. The gasifier is quite fussy when it comes to the quality of fuel. The fuel needs to be extremely dry for the gasifier to operate efficiently," Koskiniemi explains.

EFFECTIVE CO-OPERATION RIGHT FROM THE START

"We had such good experiences with our contact person for the Seinäjoki power plant, Business Director Juha Fränti, that we decided to expand the co-operation to include Vaasa as well," Koskiniemi says.

He also praises their other contact person, Logistics Supervisor Samuli Niemi, for smooth co-operation. Vaskiluodon Voima has been particularly pleased with the effective flow of information and the reliability of deliveries.

"Fuel procurement is a process of constant optimisation in a changing environment. We need fuel that is of the highest possible quality, with a high degree of cost-efficiency and reliable deliveries. L&T has fulfilled these criteria throughout the time we have worked together," Koskiniemi concludes.

Vaskiluodon Voima is a company that is jointly owned in equal shares by EPV Energy Ltd and Pohjolan Voima Oy. Together, the power plants in Vaasa and Seinäjoki produce some 1.3–2.5 TWh of electricity and approximately 800 GWh of district heating energy per year.



RESPONSIBILITY IS PART OUR DAY-TO-DAY WORK

A responsible operating method is an inseparable part of L&T's strategy, business operations and day-to-day work. Our services play a key role in ensuring the responsibility of our customers, which drives us to continuously strive for better results regarding the recovery of the materials in our possession, the reduction of emissions and maintaining the work ability of our personnel.

Through its services, L&T is a prominent participant in the day-to-day workings of society, which is why we must make no compromises when it comes to regulatory compliance in our operations. We also require that our suppliers operate in accordance with our responsibility principles.

MANAGING CORPORATE RESPONSIBILITY

Managing corporate responsibility is part of the daily management and development of business operations at L&T, and it is controlled via strategic and annual planning and the company's management system. L&T's management system has been certified in accordance with the following standards: ISO 9001 (management system), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety).

The Group Executive Board is responsible for the strategic management of corporate responsibility, and operational measures are guided by the corporate responsibility programme. The board of directors approves the corporate responsibility programme. The corporate responsibility steering group, chaired by the President and CEO, regularly monitored the progress of the programme and the projects launched to support its implementation in 2017.





The focus areas of the corporate responsibility programme are based on the Group's strategic policies and the expectations of key stakeholders, which we assess by means of a biennial stakeholder survey and active dialogue. The programme also takes into account the particular nature of the business operations and operating environment of a service business in the environmental sector. More information on the materiality analysis of corporate responsibility and the reporting principles is provided under ["Corporate responsibility reporting"](#) in this report.

The management of risks related to responsibility is part of the Group's comprehensive risk management, which aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's objectives are achieved. Risk management and the most important risks have been detailed on pages 11 and 24-25 of the financial statements.

**We look after people,
buildings and the
environment.
We could not do this
without responsibility.**

THE PROGRESS OF THE CORPORATE RESPONSIBILITY PROGRAMME IN 2017

In 2017, the corporate responsibility steering group, chaired by the President and CEO, regularly monitored the progress of the corporate responsibility programme and the projects launched to support its implementation. The key results are presented in the table below and described in more detail on pages 26-27.

Material areas	Targets 2017–2020	Achievements in 2017
 Responsible business	Code of Conduct <ul style="list-style-type: none"> • Establishing the Code of Conduct as an integral part of business operations • No major damage or infractions • Transparent tax footprint reporting 	<ul style="list-style-type: none"> • All new L&T employees familiarised themselves with the Code of Conduct • One serious fire, but the impacts were minor • Tax footprint MEUR 167.2 (2016: MEUR 156)
	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"> • L&T has developed carbon handprint calculators for three different services: Hävikki-mestari (for minimising food waste), Kuormalavakierrätys (for recycling pallets) and Helpponouto (for easy collection of surplus items). Carbon handprint calculations and related reporting systems will be developed further and expanded to cover other services in 2018.
 Environmental responsibility	Recycling and material recovery <ul style="list-style-type: none"> • Increasing the recycling rate (including preparation for reuse) of waste managed by L&T to 55% 	<ul style="list-style-type: none"> • The recycling rate of waste managed by L&T was 54% (2016: 54%). There were improvements especially concerning the sorting of construction waste at the source.
	Reducing emissions and energy consumption <ul style="list-style-type: none"> • Reducing CO₂ emissions by 25% compared to the level and volume of 2012 • Setting science-based targets NEW! 	<ul style="list-style-type: none"> • By the end of 2017, L&T's CO₂ emissions had been reduced by 21.3% compared to 2012 (2016: -22.2%)
 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 years • Accident frequency (LTA) <10 in 2018 	<ul style="list-style-type: none"> • Sickness-related absences in Finland 4.8% (2016: 4.8%) • Average age of retirement on old-age pension in Finland 63.9 years (2016: 63.8), average age of retirement in Finland 63 years (2016: 63.2) • Accident frequency (LTA): 14 (2016: 14), overall accident frequency: 25 (2016: -)
	Employee satisfaction <ul style="list-style-type: none"> • Meininki employee satisfaction survey conducted regularly • At least 80% of personnel are prepared to recommend L&T as an employer 	<ul style="list-style-type: none"> • The survey was conducted in 2017 (covered Finnish operations) • Employee promoter score 70% (2015: 71% (Finland), 74% (all operating countries))
	Diversity and equality <ul style="list-style-type: none"> • Promoting the employment of immigrants and special groups 	<ul style="list-style-type: none"> • L&T launched a pilot project focused on the employment of immigrants and asylum seekers. After the pilot, it was decided that the approach would be established as a permanent practice.
 Responsible supply chain	Responsibility of the supply chain <ul style="list-style-type: none"> • Expanding the coverage of supplier self-assessments and audits <ul style="list-style-type: none"> • Self-assessments to cover the 100 largest suppliers and all suppliers in competitive bidding • Risk assessment-based audits conducted on 5–10 suppliers per year • 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 new contract suppliers in competitive bidding completed a self-assessment. • Based on the risk assessment, audits were targeted at L&T's own plants subject to environmental permits. The plants were audited in 2017. • 70% of our heavy-duty vehicles were in the Euro 4 emissions category or newer. • Ecolabelled cleaning agents accounted for 72% of all cleaning agents used by L&T (2016: 72%). • The overall consumption of cleaning agents decreased with the development of cleaning methods.
 Active stakeholder relations	Dialogue with stakeholders <ul style="list-style-type: none"> • Regular stakeholder support measurements and developing operations based on the results. • Strengthening stakeholder support among selected stakeholders. 	<ul style="list-style-type: none"> • We systematically implemented the development plans decided on in 2016. • The next survey will be conducted in 2018
	Customer satisfaction <ul style="list-style-type: none"> • Regular measurement of the Net Promoter Score (NPS) and developing operations based on the results. • Improving the Net Promoter Score. 	<ul style="list-style-type: none"> • The NPS measurement was conducted twice during the year and operations were developed in a business-driven manner based on the results. • The Net Promoter Score improved in both surveys and has reached an excellent level in several service lines.

RESPONSIBLE BUSINESS OPERATIONS, KEY ACHIEVEMENTS IN 2017

THERE WAS ONE
SERIOUS FIRE IN
OUR OPERATIONS,
BUT ITS IMPACTS
WERE MINOR.

We have **70** environmental permits in total.

1

SOME

2,600

new L&T employees completed training on the Code of Conduct.



WE PAID MORE THAN

EUR 167 MILLION IN TAXES

We developed

CARBON HANDPRINT CALCULATORS

for three different services: Hävikkimestari (for minimising food waste), Kuormalavakierrätys (for recycling pallets) and Helpponouto (for easy collection of surplus items). Carbon handprint calculations and related reporting systems will be developed further and expanded to cover other services in 2018.

RESPONSIBLE BUSINESS

By operating in compliance with laws and regulations, L&T ensures that the Group's operations involve no serious damage or offences. We also want to report transparently on the economic impacts of our operations, document the Group's tax footprint and discuss the effects of our operations on realising our customers' responsibility. This is also how we meet our stakeholders' expectations regarding responsibility in operations.

In our [administration](#), we comply with Finnish legislation, our Articles of Association, the rules and regulations of Nasdaq Helsinki and the Finnish Corporate Governance Code for listed companies. Our operations are also guided by the policies and operating principles approved by the Board of Directors or the Group Executive Board.

To ensure the regulatory compliance of its operations, L&T has documented its responsible business principles in its Code of Conduct. Code of Conduct is available on our website <https://www.lt.fi/en/company/responsibility/code-of-conduct>. All L&T employees must follow the L&T Code of Conduct as well as prevent actions that are contrary to guidelines and instructions.

Violations of the Code of Conduct are primarily reported to the immediate supervisor. Immediate supervisors assist in the interpretation of guidelines in ambiguous situations. Employees can also use a confidential reporting channel by phone or e-mail. The channel is available in all of our operating countries. The internal auditor handles all reports received via the reporting channel in accordance with a jointly agreed process.

In 2017, our goals were:

- to continue establishing the Code of Conduct as an integral part of our business operations
- to ensure that there are no environmental offences or serious incidents of environmental damage in our own operations
- to report transparently on our tax footprint; and
- to continue our efforts related to measuring the carbon handprint of our services

Responsibility? It's our way of working.

CODE OF CONDUCT ESTABLISHED AS AN INTEGRAL PART OF OUR OPERATIONS

- In 2017, all new L&T employees studied the Code of Conduct as part of their induction training programme, either on an online training platform or by using written materials. L&T hired some 2,000 new employees in Finland during the year (including summer workers), and gained 600 new employees in Sweden following an acquisition.
- We began to prepare for the EU General Data Protection Regulation, which will enter into effect in May 2018. We carried out a data protection review early in the year to analyse and evaluate the processing of personal data in L&T's services, internal data processing and other functions. We also assessed the material legal risks related to these data processing activities. Following the review phase, we have specified the Group's data protection principles further and documented our processes related to personal data, among other things.
- We continued to monitor speeding and campaign to promote a safe driving culture.
- We established a reporting channel for reporting the side activities of salaried employees to identify potential conflicts of interest.
- Our internal auditor received nine reports of infringements against the Code of Conduct in 2017. The reports were received directly from our personnel, through supervisors or via our electronic whistleblowing channel. All of the reports required more investigation and three 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.

TARGETING ZERO SERIOUS ENVIRONMENTAL DAMAGE INCIDENTS

- There was a serious fire at L&T's transfer station in Vantaa in March 2017, but its impacts were minor. The incident is described in more detail [in the next page](#).
- There were 10 minor environmental incidents. They were related to over-filling oil or chemical containers, a burst fat container and hose damage. In addition, 10 smaller incidents were reported. They mainly consisted 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.
- During the year, L&T received a total of 37 local complaints related to waste processing operations in Lahti, Jyväskylä, Mikkeli, Vantaa, Mustasaari, Kokkola, Kerava, Tuusula, Turku and Hämeenlinna. The complaints were mostly related to litter in the local environment, dust emissions and 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.
- Our goal was to introduce an electronic channel for reporting complaints on our website in 2017, but this move was postponed due to the comprehensive redesign of the website.



CASE FIRE IN VANTAA

At half past midnight on 27 March, the emergency centre received a report of a fire in a waste shelter in Vantaa. The fire services were dispatched to extinguish the fire. L&T received immediate word of the incident through its own central control room, and the message was forwarded to the supervisors in charge of the site. The supervisors called the transfer station's personnel to come to the site to assist in extinguishing the fire. To limit additional damage, L&T's personnel moved vehicles away from the area. L&T's senior management were also immediately informed via the Group's crisis communication process, and they were actively involved in managing L&T's response and minimising the impacts of the incident.

The fire was extinguished at approximately 6 a.m. on Tuesday, 28 March, at which time the responsibility for monitoring the situation was transferred to L&T. The waste shelter was the only structure that was damaged in the fire.

The fire started from a completely exceptional situation involving a batch of paperboard collected from a customer that began smouldering in the cardboard compactor. A pile of paperboard temporarily stacked in front of the shelter from the compactor then caught fire, and the flames subsequently spread to the waste shelter and the recycled materials stored there.

The fire generated smoke, dust and litter in the local environment and water used to extinguish the fire had to be routed into the ditch surrounding the plot. Water samples were taken from the local waterways in line with the instructions issued by the authorities. According to the assessment of impact on waterways, the effects of the fire were restricted to the nearest system of ditches and did not impact larger watercourses. Soil samples taken from the property and the surrounding ditches did not indicate any elevated concentrations of hazardous substances related to the fire, nor any need for soil remediation. An expert assessment of airborne emissions indicated that the most significant negative impact of the fire was the temporary emission of smoke and unpleasant odour. There was no significant fallout of air pollution.



Although the incident was completely exceptional, we took immediate action to prevent its recurrence. We investigated the root cause of the fire in co-operation with the authorities, the customer and the supplier of the compactor, we specified our internal instructions and instructed our customers to carefully monitor the paperboard compactor. Our facilities subject to permits were audited in 2017 and the necessary corrective measures and their schedules were determined based on the audits. We also began to prepare a plan for moving our operations to a new location that is more appropriate from a logistical and functional standpoint.

The upside of unfortunate events is that they serve as lessons for further improvement.

L&T CREATES LOCAL WELL-BEING

Transparent disclosure of economic impacts and tax footprint reporting are a key element of L&T's responsibility. 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.

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. 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 (MEUR)

CUSTOMERS INCOME	SUPPLIERS PURCHASED GOODS, MATERIALS AND SERVICES
717.8	-335.1
(666.7)	(-297.7)

ADDED VALUE

382.7
(369.0)

DISTRIBUTION OF ADDED VALUE (MEUR)

SHAREHOLDERS	EMPLOYEES	CREDITORS	PUBLIC SECTOR
DIVIDENDS AND CAPITAL REPAYMENTS	DIVIDENDS AND CAPITAL REPAYMENTS	NET FINANCIAL REVENUE AND COST	INCOME TAXES
-35.3	-296.9	-2.2	-10.5
(-34.8)	(-278.4)	(-1.7)	(-11.7)

TO BUSINESS DEVELOPMENT

37.7
(42.3)

L&T TAX FOOTPRINT

Taxes and tax-related costs, MEUR	Finland		Other operating countries		Total	
	2017	2016	2017	2016	2017	2016
Income taxes/corporate taxes	9.0	10.0	1.2	0.4	10.3	10.3
Withholding taxes on salaries and forest taxes, and tax-at-source	48.5	49.2	5.7	3.3	54.2	52.5
Social security contributions	2.3	4.4	7.5	4.7	9.8	9.1
Production taxes *	0.1	0.1	0.0	0.0	0.1	0.1
Value added tax (tax on consumption)	80.8	77.5	11.0	5.3	91.8	82.8
Property taxes	0.2	0.4	0.2	0.2	0.4	0.6
Insurance taxes	0.6	0.6	-	-	0.6	0.6
Total	141.5	142.2	25.7	13.9	167.2	156.0

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

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

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, or 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.

**Jobs for people.
Tax revenue for
municipalities.**

L&T PROMOTES ITS CUSTOMERS' RESPONSIBILITY

L&T's services play a significant role in ensuring the responsibility of customers, managing their environmental and climate impacts and promoting material, energy and cost efficiency.

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. Among other things, we offer ecological cleaning services that are performed using ecolabelled equipment and cleaning agents. We are responsible for approximately 7,000 facilities in Finland and we respond to some 920,000 maintenance requests each year. In addition to our cleaners and property managers, who number in the thousands, our Environmental Managers and caretakers look after our customers' properties and promote the sorting of waste by providing advice and guidance.

2. We help conserve energy and improve working conditions

We adjust our customers' properties to support good working conditions while also helping to save energy and costs. In 2017, our eco-trained property managers and our energy management centre made 3,086 energy conservation suggestions at our customers' operating locations, complete with action proposals to support our customers' decision-making. Our energy management centre monitored 350 properties and some 2,600 ventilation machines. We promoted occupational well-being among our customers by making the working conditions of nearly 4,000 people more energy-efficient and comfortable.

3. We keep the wheels of industry rolling

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 our customers to find new recycling and reuse solutions for commercial, industrial and construction waste. In 2017, 54 per cent of our customers' waste could be reused or recycled for use as raw material for new products, and 94 per cent was otherwise recovered; for example, as energy.

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 carbon dioxide emissions by approximately 1.1 million tonnes of CO₂ in 2017.

7. We look after our personnel

We invest in the well-being at work and occupational safety of our personnel: according to our most recent personnel survey, 70 per cent of our personnel would recommend L&T as an employer. We have increased our average retirement age in Finland to 63 years and halved our accident frequency.

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 environmental expertise among our customers and personnel

Our experts 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 2017, we organised online training on environmental management, with a focus on current issues, for



more than 1,500 customers. Over the past few years, more than 1,000 L&T employees have completed the environmental passport training programme, which covers topics such as sorting in accordance with the provisions of the Waste Act.

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.

PROGRESS MADE IN CARBON HANDPRINT MEASUREMENT

In 2017, L&T continued to develop the measurement of the carbon handprint, which reflects the climate benefits of a product, process or service for its user. A carbon handprint calculator was created for three different services: Hävikkimestari (a service that measures food waste in restaurants), Kuormalavakierrätys (pallet recycling) and Helpponouto (for easy collection of furniture and other items, with the primary goal of recycling the collected materials). Carbon handprint calculations and related reporting systems will be developed further and expanded to cover other services in 2018.

ENVIRONMENTAL RESPONSIBILITY, KEY ACHIEVEMENTS IN 2017



Of all the materials managed by us, we were able to reuse or recycle

54%

Some of our customers' recycling rate was up to 100%.



EMISSIONS CAUSED BY
OUR OPERATIONS

-21.3%

compared to 2012.
Our target for 2020 is -25%.

OUR EMISSION SAVINGS

DELIVERIES OF
BIOFUELS AND SOLID
RECOVERED FUELS

697.0

(2016: 678.8)
1,000 CO₂ equivalent tonnes

MATERIAL RECYCLING

363.6

(2016: 355.1)
1,000 CO₂ equivalent tonnes

Together with our customers, we were able to reduce CO₂ emissions by approximately

1.1 MILLION

(2016: 1.0 million) CO₂ equivalent tonnes

This corresponds to approximately the emissions from food wastage in Finland.



ENVIRONMENTAL RESPONSIBILITY

L&T puts environmental responsibility into practice particularly through the services it produces for customers by reducing the environmental impact of materials collected from our customers and decreasing climate emissions. In accordance with the circular economy mindset, we prevent the creation of waste and promote the reuse of products and the recycling of materials. If this is not possible, we turn materials into solid recovered fuels to replace fossil fuels.

As an environmental company, L&T must ensure the environmental responsibility of its operations and uncompromising compliance with environmental legislation and standards. L&T's environmental policy specifies the environmental aspects and principles that the Group observes in both its own operations as well as in the services it produces for customers. Professional waste treatment is subject to environmental permits and regulatory compliance in operations. L&T has 70 environmental permits that determine how we manage and monitor environmental matters.

The responsible management of environmental issues is part of L&T's operative risk management. The most significant environmental risks involved in our operations are related to the fleet, waste storage and processing as well as chemical safety. These risks and their management are described in more detail under "Risks and risk management" in the Report by the Board of Directors.

Our corporate responsibility programme 2017–2020 has the following targets:

- Increasing the recycling rate (including preparation for reuse) of waste managed by L&T to 55%
- Reducing CO₂ emissions by 25% compared to the level and volume of 2012
- In addition, we have decided to set "Science-based" targets for our long-term climate work.

**The sum of our efforts:
over a million tonnes of
emissions eliminated.**

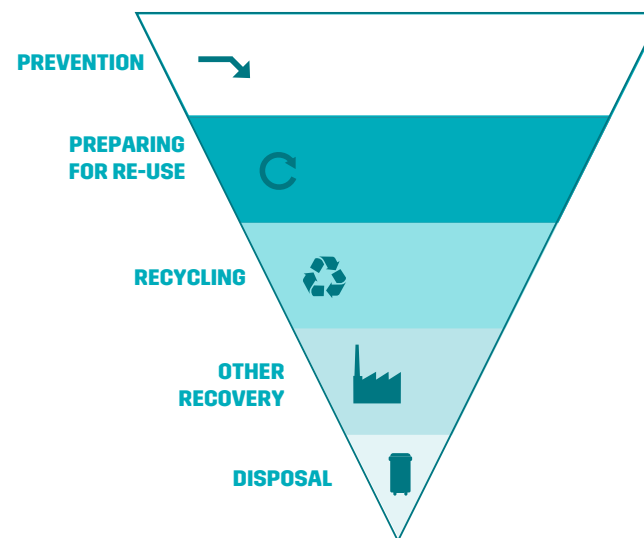
RECYCLING AND MATERIAL RECOVERY

Our operations are guided by the circular economy mindset and order of priority set out in the Waste Act, according to which we help our customers to reduce their waste. We primarily direct the material streams generated to reuse or recycling. Through our services, we promote our customers' material and energy efficiency and reduce their costs. We save the Earth's limited natural resources and curb climate change through secondary raw materials and bioenergy.

In 2017, 54 per cent (2016: 54%) of the material streams managed by L&T could be reused or recycled for use as raw material for new products. The reporting covers municipal waste collected from our corporate customers, hazardous waste, industrial waste and construction waste in Finland and Russia. It was restricted to source-sorted solid waste, mixed waste and hazardous waste, which are central to promoting recycling and are also the subject of L&T's new recycling rate target. Slurry, contaminated soil and ash are excluded from reporting.

We take responsibility for our only earth: recycled raw materials save virgin natural resources.

THE ORDER OF THE PRIORITY

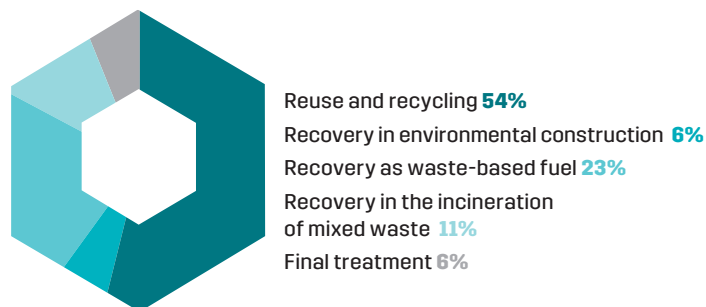


The reuse and recycling rate of materials managed by L&T remained at the same level as the previous year. Matters that contributed to the good reuse and recycling rate included the positive development of sorting of construction waste at source among our customers, thanks to active discussion and guidance. Sorting at source makes it possible to recover an increasing share of construction waste for recycling.

Our objective is to support our customers to act in accordance with the order of priority of waste management by continuously providing new solutions for their use. Read more about our development work from the [page 37](#).

L&T's own recycling rate is the average of the recycling rates of our customers, which also includes the most difficult materials that cannot be recycled. The development of the recycling rate also depends on the industry of our customer, but certain customers have even achieved a recycling rate of 100%. On the whole, our aim is to increase the reuse and recycling rate of all of the materials managed by us to 55% by 2020.

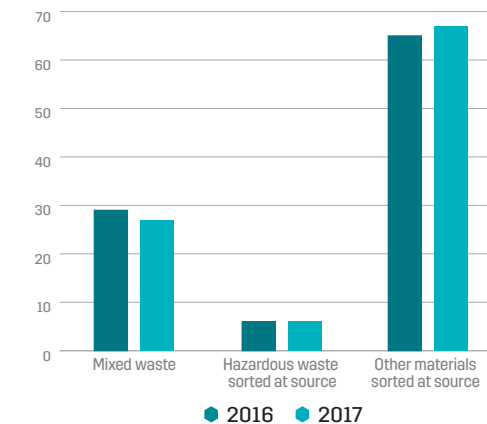
REUSE AND RECYCLING RATE OF MATERIALS MANAGED BY L&T, %



REUSE AND RECYCLING RATE OF HAZARDOUS WASTE, %



SHARE OF MATERIALS SORTED AT SOURCE AND MIXED WASTE OF MATERIALS MANAGED BY L&T, %



- In accordance with the order of priority, **reuse** includes pallets forwarded directly or after repairs to reuse and goods collected via the Helpponouto service, which are forwarded to reuse via partners (excluded from reporting in 2017).
- **Recycling** includes material streams sorted at source collected from our customers, which we process or forward to be processed for use as raw materials for new products through our partners. The most significant of these are fibres (recyclable paper and cardboard), plastic and metal.
- **Recovery in environmental construction** refers to the utilisation of materials in the construction of waste collection areas, for example.
- **Energy recovery from waste** is divided into two categories: recovery as a waste-derived fuel, and recovery in the incineration of mixed waste. We prefer the recovery of waste not suitable for recycling or environmental construction as a waste-derived fuel, which includes solid recovered fuels, shredded used wood, tyre shreds used for energy production, as well as biogas and bioethanol produced from biowaste.

During 2017, the sorting of materials managed by L&T at source developed in a positive direction. In practice, this means that an increasing amount of materials was sorted into separate receptacles already at source. Sorting at source ensures the high quality of recyclable materials, increasing the efficiency of their recovery.

Hazardous waste is treated at our own plants or delivered to our trusted partners for recovery. In 2017, the recycling rate of hazardous waste was 64% (2016: 66%). This includes waste oils sent to purification and reuse; we are an official partner of the Ministry of the Environment in their collection. Part of the hazardous waste we collected was recovered as energy and non-recoverable waste was sent for final treatment. In 2017, 6.7 per cent of hazardous waste was transported to other EU countries for treatment. We did not import any hazardous waste to Finland in 2017.

ACTIVE DEVELOPMENT WORK TO REDUCE THE AMOUNT OF WASTE AND INCREASE RECYCLING

- Sorting of construction waste at source among our customers took a step in a better direction in 2017 thanks to active discussions and guidance. Sorting at source makes it possible to recover an increasing share of construction waste for recycling.
- In spring 2017, a lot of uniforms were taken out of use after the merger of K-Rauta and Rautia and new image related to the brand change, and there was a desire to find the most responsible and environmentally favourable treatment for them. The recycling of textiles was our common objective, so we delivered the clothes to our partner in Germany, which will utilise the fibres of the clothes in the automotive industry as seat cushions and soundproofing materials, for example.
- Similarly to the previous year, we participated in Kinkkumemppu ("Ham Trick"), a campaign to collect the grease accumulated from the baking of the traditional Christmas ham at centralised collection points, also at Christmas 2017. A total of 44,000 kg of grease was collected to produce renewable diesel. In the past, the grease from Christmas ham has mostly been disposed of in mixed waste.
- We will be taking part in the Wastebusters research project coordinated by VTT during 2017–2018. The aim of the project is to create opportunities for the recovery and launch of produce and products made from waste in compliance with the principles of sustainable development. The project also aims to clarify the legislation on thermally treated (incineration and gasification) products with data collected from tests. We play a central role in this as a supplier of waste materials.

The magic of recycling: work clothing is turned into car seats and the grease from Christmas ham is turned into diesel.

INNOVATIVE DIGITAL SERVICES TO MAKE RECYCLING EASIER

- Our reporting portal Ympäristönetti (Environmental Web) was reformed in 2017. With it, customers can obtain information about the treatment of their waste and recycling rate of their locations, for example. The new Environmental Web gives our customers a visual view of the waste generated in their operations and provides an opportunity to improve environmental responsibility based on data.
- The Helppovarasto (Easy storage) service started in 2017. With this service, the customer can order pick-up and storage for the desired period. Helppovarasto is efficient in terms of space use and energy economy, as it allows the residential floor area to be more efficiently used for housing, without using these valuable warm and illuminated premises for storing seasonal products, for example.
- Our Helpponouto 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 Helpponouto service makes the customer's life easier and enhances recycling opportunities in difficult situations, such as when moving. The Helpponouto service was expanded in 2017 to Tampere, Jyväskylä, Oulu and Turku in addition to the Helsinki metropolitan area. There were approximately 1,900 pick-ups during 2017 (2016: 950), collecting a total of 180,000 kg (2016: over 90,000 kg) of unnecessary goods.
- Hävikkimestari is an application developed by L&T that visualises the amount of food waste and finds out the reasons behind it. With the Hävikkimestari service, restaurants can easily monitor their food wastage and its root causes. In addition, the restaurant team is given the means to actively reduce food waste. The restaurants that have begun using the Hävikkimestari service have managed to reduce their food wastage by a half at best, yielding significant savings from raw material and waste costs to the restaurants. A total of 217,920 kg of food was saved from being wasted with the help of the Hävikkimestari application in 2017, translating into over 400,000 lunch meals. Hävikkimestari provided almost EUR 500,000 in cost savings. Sitra ranked L&T among the Most interesting circular economy companies in Finland, citing Hävikkimestari as an example of a service that promotes the circular economy.

Digital solutions for the circular economy: Hävikkimestari food waste application saved 217,000 kg of food.



CASE

LEIJONA CATERING USES HÄVIKKIMESTARI TO MINIMISE FOOD WASTAGE

Leijona Catering Oy, a specialist in catering for the military, wants to operate responsibly and contribute to reducing food wastage. The canteen of the Armoured Brigade in Parolannummi alone prepares thousands of meals a week, with 2,000 conscripts and professional soldiers eating at the Ruben garrison restaurant. Similarly to other Leijona Catering restaurants, wastage is kept under control in Parola using L&T's Hävikkimestari app.

"Hävikkimestari is an important monitoring tool for us, providing lots of essential data on the amount of biowaste and its causes. This allows us to develop our practices and influence our attitudes and thereby achieve real results," says Elvina Kahila, restaurant manager of the Parola garrison restaurant.

Lassila & Tikanoja promises to help its customers' everyday life and helps them to succeed. In the case of Leijona Catering, the promise is fulfilled: Using Hävikkimestari has provided a tool for implementing new practices, in addition to which the cooperation has also resulted in monetary savings.

THE COOPERATION HAS YIELDED SIGNIFICANT RESULTS

"In 2016, Leijona Catering unfortunately generated two million kg of biowaste. There is no sense in preparing food to be thrown away. We have wanted to operate responsibly and reduce the amount of wastage," says the company's Development Director Petri Hoffren.

Leijona Catering adopted Hävikkimestari in 2016, and it is nowadays used by all of the company's restaurants. Hävikkimestari is currently used for monitoring kitchen and catering wastage. Leijona Catering does not yet monitor all food wastage using Hävikkimestari, but expansions are being planned. The application provides comprehensible reports and, for example, graphs of the wastage, in addition to which it allows comparisons between restaurants and discussing the results.



"The adoption has had very significant results. Biowaste volumes fell by over 100,000 kg during the first year," Hoffren reports with satisfaction.

IMPLEMENTATION OF RESPONSIBILITY AND FINANCIAL BENEFIT

"We monitor wastage volumes and costs using the app on a tablet. The application is really user-friendly and customised to our individual needs. We have carried out joint development work, and our feedback and proposals have been listened to," Elvina Kahila says.

Adopting the well-functioning and user-friendly Hävikkimestari app has provided financial benefits through a reduction of waste, personnel and raw material costs, among others. In addition to financial benefits, the state-owned company finds operating responsibly important.

"The Defence Forces have also been satisfied with the results achieved after the adoption of Hävikkimestari. Our cooperation with L&T has been great," Hoffren emphasises.

DECREASING EMISSIONS AND ENERGY CONSUMPTION

The most significant direct environmental impacts of L&T's operations are the emissions generated by collection and transport services, which is why reducing emissions is one of our key corporate responsibility targets. By the end of 2017, our greenhouse gas emissions had decreased by 21.3 per cent (2016: 22.2*) compared to 2012, monitored functions and their volume. Our target is to reduce emissions by 25% by 2020, compared to the level of 2012.

Of greenhouse gases, the calculation includes at least carbon dioxide and methane, and the figures are expressed as carbon dioxide equivalents. L&T FM's energy consumption and emission data for 9–12/2017 has been excluded from the reporting due to their insignificant nature.

*In this calculation, the greenhouse gas emissions for 2016 have been updated using the most recent emission factors for traffic fuels, and the data has been supplemented with regard to energy consumption and business travel to maintain comparability.

REDUCING OVER A MILLION TONNES OF EMISSIONS

In 2017, L&T's operations caused a total of 59.6 (2016: 59.0) thousand CO₂ equivalent tonnes of emissions. However, these emissions only represent a small proportion of the overall benefit produced by the recycling of materials and delivering biofuels and solid recovered fuels to our customers.

During 2017, together with our customers, we were able to reduce CO₂ emissions by approximately 1.1 million CO₂ equivalent tonnes (2016: 1.0 million). These emission reductions came into being with our customers being able to replace virgin raw materials with secondary raw materials, or fossil fuels with biofuels and solid recovered fuels. We also provide our customers with property energy efficiency services in Finland and Sweden, but the benefits generated by these services are not included in the emission reduction calculations for 2017.

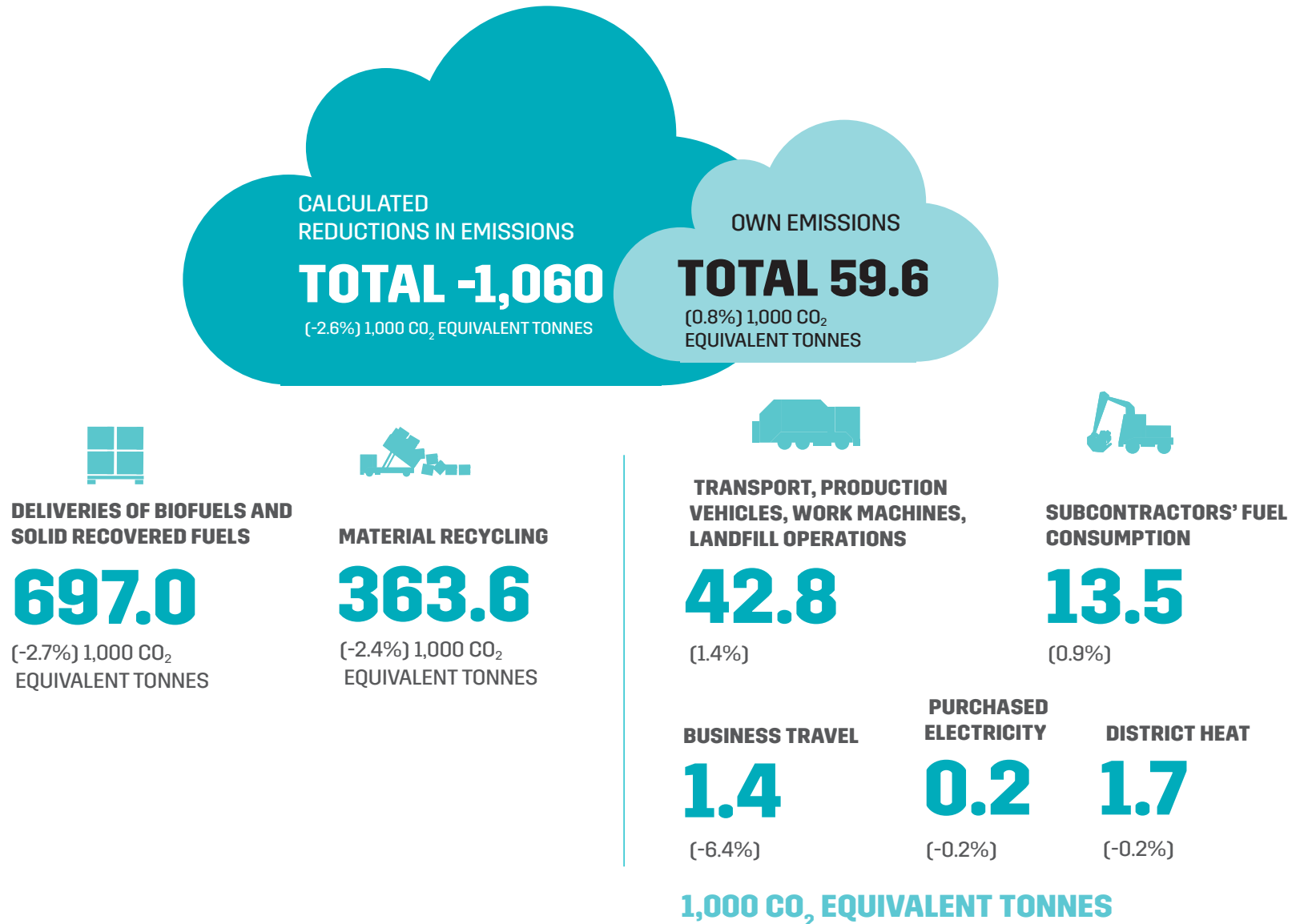
EMISSIONS DECREASED RELATIVE TO NET SALES

Our greenhouse gas emission intensity, or greenhouse gas emissions relative to net sales, was 66.2 CO₂ equivalent tonnes per one million euros in 2017 (2016: 66.7). The trend has been a declining one since 2014, and the emission intensity was lower than the previous year in 2017 as well (-0.8%). Among other factors, our active measures to reduce our emissions caused by transport have contributed to this.

The emission intensity has been calculated by dividing L&T's direct (transport, production vehicles, work machines, landfill operations) and indirect (purchased electricity, district heat) greenhouse gas emissions reported in the annual report by net sales excluding the share of L&T FM.



EMISSIONS AND CALCULATED REDUCTIONS IN EMISSIONS



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

WE ARE INVESTING IN REDUCING EMISSIONS FROM TRANSPORT

In 2017, we took active measures to reduce the emissions caused by our collection and transport services. We replaced our fleet with lower-emission ones and adopted lower-emission fuels, as well as continued to optimise the transport routes and develop the driving styles of our drivers.

Absolute emissions increased slightly compared to the previous year, which was due to an increase in the volume of our collection and transport operations, increase in outputs and thereby growth in the overall consumption of fuels. Relative to the increased volume of operations, however, the situation developed in a positive direction, as the volume of outputs increased proportionally more than emissions. In 2017, our total diesel consumption was 15.9 million litres, which was 4.7% more than in 2016. Gasoline consumption totalled 0.27 million litres (2016: 0.26 million litres). Fuel oil consumption totalled 1.75 million litres (2016: 1.78 million litres).

- We began using renewable Neste MY diesel fuel produced from waste and scraps in selected suitable waste collection vehicles in the Helsinki metropolitan area. Read more from [the next page](#).
- We deployed new multi-chamber loaders to increase the efficiency of waste transport. We have 75 (2016: 62) environmentally-friendly multi-chamber loaders in our use. 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.
- In addition, we invested in new lower-emission engine technology in our heavy-duty vehicles. Read more from the [Responsible supply chain](#).
- We continued our active work for route optimisation. Over the past five years, we have optimised nearly 3,600 routes, of which 650 routes were optimised in 2017 (2016: 600). Route optimisation reduces fleet requirements and kilometres driven, and it also reduces stops and visits to yard areas. The number of optimised routes depends on the route structure of the areas being optimised each year.

- During 2017, the driving style of our heavy-duty vehicle drivers developed in a positive direction, which is an indication of the safety and economy of the driving style. In 2017, our drivers' average driving style index improved to 8.9 (2016: 8.6). The calculation is based on a weighted average.
- Driving style monitoring was expanded during 2017 to Environmental and Industrial Services vehicles. Personal driving style monitoring equipment has now been installed in a total of 932 heavy-duty vehicles (2016: 898).
- In addition to monitoring, we develop our drivers' driving style by training and, if necessary, unit-specific action programmes. In 2017, a total of 233 drivers attended Taitava kuljettaja ("Skilled driver") trainings focusing on improving their driving styles.

BETTER DRIVING STYLE, LOWER EMISSIONS

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.

**The secret is in the chambers:
many sorts of waste fit in a
single vehicle**

CASE NESTE MY

In early 2017, Neste launched a renewable diesel fuel made completely from waste and scraps, and L&T began to use it in selected suitable waste collection vehicles. Neste MY diesel is based on Neste's NEXBTL technology that makes it possible to refine vegetable oil and animal fat waste into high-quality products, such as renewable diesel fuel that is fully compatible with existing diesel vehicles, i.e. replaces conventional fossil diesel fuel as such.

Neste MY has a lower environmental impact than fossil diesel. Its use reduces greenhouse gas emission by up to 90% compared to fossil fuels, considering the entire life cycle impact of the fuel. Our use of Neste MY diesel reduced our emissions by over 230,000 kg in 2017, corresponding to the yearly emissions of almost 80 passenger cars.

We chose Neste MY renewable diesel to fuel selected suitable waste collection vehicles, because by using it, we can significantly lower greenhouse gas emissions and other emissions that locally impair air quality. Reduction of greenhouse gas emissions is one of our key corporate responsibility targets. Local emissions are an important factor in waste collection vehicles that move in residential urban areas. The grease from Christmas hams collected in the Kinkkutemppu campaign was utilised in the production of Neste MY diesel, so we were at the core of the circular economy when transporting ham grease collected around Christmas using fuel made from it.



WE ACTIVELY CURB THE ENERGY CONSUMPTION OF OUR PROPERTIES

During 2017, we took measures to reduce the energy consumption of our properties. We merged our facility network and began to monitor the energy consumption and use of our properties more closely; however, the effect of these measures will only become visible over the longer term.

In 2017, the energy consumption of our own properties increased from the previous year due to weather conditions, among other factors. Electricity consumption was also influenced by the volume of material treated at our plants, which increased from the previous year. Our electricity consumption in 2017 totalled 31,700 MWh (2016: 31,100 MWh) and consumption of district heat amounted to 9,900 MWh (2016: 9,500 MWh).

Energy intensity, or energy consumption relative to net sales, was 328 MWh per one million euros in 2017 (2016: 323 MWh per one million euros). Energy intensity has been increasing for the past two years, but before that, it saw a downward trend in several consecutive years.

Energy intensity is calculated by dividing L&T's own energy consumption by net sales. Energy consumption includes the fuels used by our fleet and the electricity and district heat consumed in our facilities. The calculation does not include L&T FM, and with regard to district heat, only the Finnish locations are included.

- We continued to increase the capacity utilisation rate of our properties in 2017 and merged locations in Lahti, Tampere and the Helsinki metropolitan area. All of the new locations are multi-space offices. We also want to encourage our employees to work remotely in the operations and tasks in which it is possible.
- The aim of the energy efficiency project launched in 2015 is to reduce electricity and heating consumption and rectify problems in property use. In connection with the project, we also implemented LED lighting changes and started a facility manager team tasked with monitoring energy consumption and use in properties during 2017. The properties are examined by the manager team from a comprehensive perspective that includes not only energy management, but also the need for renovation and repairs. Realised construction and repair projects invest in energy-efficient building system solutions, such as LED lighting.

WE LAUNCHED A SURVEY TO SET A SCIENCE-BASED TARGET

In 2017, L&T launched a preliminary assessment by its own environmental specialists to set a science-based target for emission reductions. The science-based target corresponds to each company's share of the global reduction of emissions required to keep global temperature increase below 2°C.

In 2017, L&T again achieved excellent results in the international climate disclosure report commissioned by the world's leading investors and produced by CDP, an organisation that promotes sustainability in economic activity and the mitigation of climate change. With a Leadership-level grade A-, the second best, L&T was ranked among the world's top companies in the CDP Climate assessment.

A total of 34 companies in the Nordic countries and 13 companies in Finland achieved the Leadership level by receiving a grade of A or A-. Companies ranked at the Leadership level are considered to operate in accordance with best practices with regard to the environment, understand the risks and opportunities relating to climate change well and to prepare and implement strategies to mitigate or utilise these risks and opportunities.

The 2017 report and results are available on the CDP site: <https://www.cdp.net/en/scores-2017>

**We chase after energy leaks.
Even in our own premises.**

ENVIRONMENTAL FIGURES

MATERIALS	UNIT	2015	2016	2017
Material flows managed by L&T				
Materials sorted at source	%	68%	65%	67%
Hazardous waste sorted at source	%	7%	6%	6%
Mixed waste	%	26%	29%	27%
Recycling and recovery rate of material flows managed by L&T				
Reuse and recycling	%	53.1%	53.7%	53.8%
Recovery in environmental construction	%	7.5%	5.6%	5.9%
Recovery as a waste-based fuel	%	24.0%	23.3%	23.3%
Recovery in the incineration of mixed waste	%	7.5%	11.0%	11.2%
Final treatment	%	7.9%	6.3%	5.7%
Reuse and recycling rate of hazardous waste				
Recycled as material	%	65.7%	66.3%	64.0%
Recovery as energy	%	7.9%	10.2%	10.6%
Final treatment	%	26.4%	23.5%	25.4%
ENERGY	UNIT	2015	2016	2017
L&T's own energy consumption				
Diesel	MWh	139,116	152,846	160,094
Petrol	MWh	2,523	2,416	2,459
Fuel oil	MWh	14,847	17,855	17,506
Electricity	MWh	29,416	31,122	31,716
District heating	MWh		9,537	9,898
TOTAL	MWh	185,903	213,776	221,673
Energy intensity**	MWh/M€	288	323	328

GREENHOUSE GAS EMISSION AND DISPOSALS	UNIT	2015	2016	2017
L&T's own emissions				
Scope 1: Transport, production vehicles, work machines, landfill operations	1000 tCO ₂ eqv.	43.6	42.2	42.8
Scope 2: Purchased electricity in Finland (market-based)	1000 tCO ₂ eqv.	0	0	0
Scope 2: Purchased electricity in Finland (location-based)	1000 tCO ₂ eqv.	5.2	5.5	5.6
Scope 2: Purchased electricity in Russia and Sweden (location-based)***	1000 tCO ₂ eqv.	0.2	0.2	0.2
Scope 2: Purchased district heating in Finland (location-based)***	1000 tCO ₂ eqv.		1.7	1.7
Scope 3: Fuel consumption by contractors****	1000 tCO ₂ eqv.	13.6	13.4	13.5
Scope 3: Work-related travel*****	1000 tCO ₂ eqv.	1.7	1.5	1.4
TOTAL*****	1000 tCO ₂ eqv.	59.1	59.0	59.6
Emission intensity*****	tCO ₂ eqv./M€	67.8	66.7	66.2
Calculated emissions reductions				
Material recycling	1000 tCO ₂ eqv.	-375.2	-355.1	-363.6
Bio and recovered fuel deliveries	1000 tCO ₂ eqv.	-763.8	-678.8	-697.0
TOTAL	1000 tCO ₂ eqv.	-1,139.0	-1,033.9	-1,060.6

The numbers include the entire L&T group in Finland, Russia and Sweden excluding the operations of L&T FM if not mentioned otherwise.

* Information on the consumption of district heating has been collected starting in 2016 and only for Finland.

** L&T's own energy consumption in proportion to net sales. The figure from 2015 is not comparable because information on district heating is missing.

*** Scope 2 market-based figures are not reported because the emission factors available do not differ significantly from those in the location-based data.

**** Figures cover only L&T operations in Finland.

***** The calculated Scope 2 emissions include electricity purchased in Finland as market-based (not location-based). The figure from 2015 is not comparable because information on district heating is missing.

***** L&T's Scope 1 and Scope 2 emissions in relation to net sales. The figure from 2015 is not comparable because information on district heating is missing.

CALCULATION OF CO₂ REDUCTION FIGURES

Calculated reductions in emissions have been calculated for the entire value chain, from the collection of waste to the use of secondary raw materials and fuel.

The recycling of waste can replace the use of virgin raw materials and thereby reduce the greenhouse gas emissions of raw material procurement and processing.

Calculated reductions in emissions have been calculated on a material-specific basis, and they are based on the degree to which the recycled material reduces emissions compared to corresponding production using virgin raw materials.

In energy production, greenhouse gas emissions are reduced when fossil fuels are replaced with biofuels and solid recovered fuels. For fuels, the calculated reductions in emissions take into account L&T's biofuel and solid recovered fuel deliveries and the resulting greenhouse gas emissions compared to producing the corresponding amount of energy using fossil fuels.

The reference values used in the calculations are primarily based on coal. The emission factors are based on Statistics Finland's fuel classification 2017.

The emissions have been calculated based on the international Green House Gas Protocol reporting standard and emission calculation model, utilising, for example, the VTT Technical Research Centre LIPASTO database. In accordance with the calculation model, emissions are divided into three areas: 1. Direct GHG emissions (fuel consumed by landfill operations, L&T heavy duty vehicles, production vehicles and company-owned cars); 2. Indirect GHG emissions from purchased energy (total electricity and district heating consumption at L&T's Finnish locations); and 3. Other significant indirect GHG emissions (work-related travel and contractor fuel consumption in Finland). Subcontractors' emissions have been calculated based on transport volumes and estimated fuel consumption. Calculated reductions in emissions have been calculated using the model created by VTT for the entire value chain, from the collection of waste to the use of the secondary raw material or fuel. The calculations cover all of the Group's operations. L&T divested its Latvian business operations in March 2014. Information related to L&T's Latvian business operations has been eliminated from the previous years' figures for the sake of comparability. The figures do not include L&T FM.

RESPONSIBILITY FOR PERSONNEL, KEY ACHIEVEMENTS IN 2017*

IN 2017, OUR SICKNESS-RELATED ABSENCE RATE IN FINLAND

was unchanged from the previous year at

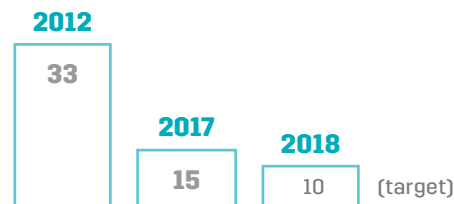
4.8%

DIVERSITY IN FINLAND

16%

We work actively to facilitate the employment of foreign origin.

L&T employees are of foreign origin.



IN JUST FIVE YEARS, WE HAVE HALVED OUR ACCIDENT FREQUENCY IN FINLAND.

OVER THE PAST TEN YEARS, OUR AVERAGE RETIREMENT AGE IN FINLAND HAS INCREASED FROM 60 YEARS TO

63 YEARS.

The average retirement age in Finland is 61.1 years.



70%

OF OUR PERSONNEL IN FINLAND ARE PREPARED TO RECOMMEND L&T AS AN EMPLOYER.

*The summary covers business operations in Finland, key figures for other operating countries are reported in the text and in a separate table.

RESPONSIBILITY FOR PERSONNEL

As a major employer and service enterprise, the focus of L&T's social responsibility is on the Group's employees. The material aspects of L&T's responsibility for employees include maintaining the work ability of personnel and improving occupational safety, increasing job satisfaction and promoting diversity and equality.

At the end of 2017, L&T had nearly 8,700 employees. Of these, just over 7,000 were employed in Finland, more than 1,300 in Sweden (where approximately 600 employees were transferred to L&T in an acquisition on 1 September) and about 300 in Russia. Approximately 2,000 new employees were hired in Finland during the year.

We have invested in work ability management in Finland for more than ten years. Our Sirius work ability management programme is aimed at increasing employees' well-being, identifying problems at an early stage and focusing on their prevention. L&T has its own workplace fund that supports L&T's work ability management and complements occupational health care. We also use the Suitable Work model, which is aimed at rehabilitating and finding more suitable work for people who can no longer perform their previous duties.

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.

We regularly measure the job satisfaction of our personnel and use the feedback in the long-term development of our operations. L&T's diversity is illustrated by the fact that approximately 16% of the employees in Finland have immigrant backgrounds, with more than 80 different nationalities represented. The age distribution of the personnel is also very broad.

The most significant personnel risks in L&T's operations are related to the availability of competent and motivated employees, as well as the potential decline of job satisfaction. In addition, an increase in the personnel's disability and accident pension costs could materially affect L&T's competitiveness and profitability because, as a major employer, L&T is liable for the full pension costs arising from employee disability. These risks and their management are described in more detail under "Risks and risk management" in the Report by the Board of Directors.

As the work ability risks at L&T are usually related to ergonomics and the physical stress of work, musculoskeletal disorders are the most significant cause of disability pensions and extended sickness leave. Promoting musculoskeletal health is part of L&T's basic activities.

The most significant occupational safety risk is that our employees usually work in our customer's premises and we do not know what measures the customer has taken to ensure occupational safety. With this in mind, we are increasingly focusing our efforts on risk assessments conducted at customer sites.

In 2017, our objectives related to responsibility for personnel were:

- reducing sickness-related absences
- extending careers
- reducing the accident frequency
- increasing the employee promoter score; and
- promoting the employment of immigrants and special groups

PERSONNEL IN FIGURES

	2017	2016	2015
Total number of full-time and part-time employees at year end	8,663	7,931	8,085
Finland	7,041	7,035	7,192
Sweden	1,332	637	640
Russia	290	259	253
Average number of employees in Finland, converted to full-time	6,288	6,305	7,099

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



PERSONNEL BY COUNTRY, %



SICKNESS-RELATED ABSENCES REMAINED ON A PAR WITH THE PREVIOUS YEAR

In 2017, our sickness-related absence rate in Finland was unchanged from the previous year at 4.8%. The corresponding figures for Russia and Sweden were 4.5% and 2.45% respectively.

- In 2017, the physical stress associated with the most strenuous jobs was evaluated in a separate project. Musculoskeletal disorders are the most significant cause of absence among L&T's employees. We wanted to find out whether the risks could be mitigated through, for example, better ergonomics or more meticulous induction training. The project included workshops with employees and also relied on data collected by the occupational health care provider.
- We implemented measures particularly to improve ergonomics. The main focus was on waste collection vehicle operators and cleaners. Waste collection vehicle operators typically have to drag heavy containers over long distances as well as exit and enter the vehicle as many as hundreds of times per day. Cleaners, particularly those in food and hygiene-related facilities, have to endure difficult conditions such as heat and shift work.

L&T has implemented an early care model. It is intended to facilitate intervention in problems at the workplace as early as possible as well as co-operation to resolve issues. The early care model also helps supervisors intervene in problems and cases such as extended or 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 began to gradually implement 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. This practice was expanded and established as a permanent model in 2017. It now covers the majority of L&T's personnel. The experiences have been positive: trust between employees and supervisors has increased and the costs associated with occupational health care appointments have declined.
- The early care model was developed in 2017 to improve dialogue between supervisors and subordinates with regard to work ability and health. Supervisors now receive an alert when an employee has three absences within six months. This is intended to help employees suffering from musculoskeletal symptoms, in particular, by improving the supervisor's ability to intervene in the root causes of absences, such as poor ergonomics or the equipment used.

AVERAGE RETIREMENT AGE UNCHANGED – POSITIVE TREND IN THE LONGER RUN

The average age of retirement (including disability pension cases) among L&T employees in Finland was 63 years in 2017, compared to 63.2 years in the previous year. The development was attributable to the number of retirements on disability pension being higher than in the previous year. Over the past ten years, our average retirement age in Finland has increased from 60 years to 63 years. A benchmark survey has indicated that L&T's disability payments are substantially lower than the industry average. The average retirement age in Finland is 61.1 years (source: Finnish Centre for Pensions).

The average age of retirement on old-age pension in Finland increased slightly, to 63.9 years, from the previous year's figure of 63.8 years. The average age of retirement on old-age pension was 64.2 years in Sweden and 57.5 years in Russia.

- In Finland, we continued to apply the Suitable Work model launched in co-operation with Ilmarinen in 2016. The model is aimed at rehabilitating and finding employment for people at risk of disability pension. The model has produced good results in terms of finding more suitable jobs for people who are no longer able to perform their previous duties.
- We provided guidance to our employees with regard to healthier lifestyles (improving diets, sleep disorders, increasing physical exercise and smoking cessation) in co-operation with our partners. We also arranged training related to personal resources and recovery.
- We continued the project we launched in 2016 with the aim of encouraging our employees in the 40–45 age bracket to increase their level of physical activity with support from personal coaches. We also organised courses related to musculoskeletal health in different parts of Finland, targeting employees who have struggled with musculoskeletal symptoms.
- Our personnel clubs across Finland continued to operate as in the previous years, with activities including group sports and cultural pursuits.

PERSONNEL IN FIGURES

	2017	2016	2015
Sickness absences, %			
Finland	4.8	4.8	5.2
Sweden	4.5	-	-
Russia	2.45	-	-
Average retirement age by country			
Finland	63.9	63.8	63.1
Sweden	64.2	65	65
Russia	57.5	57.5	57

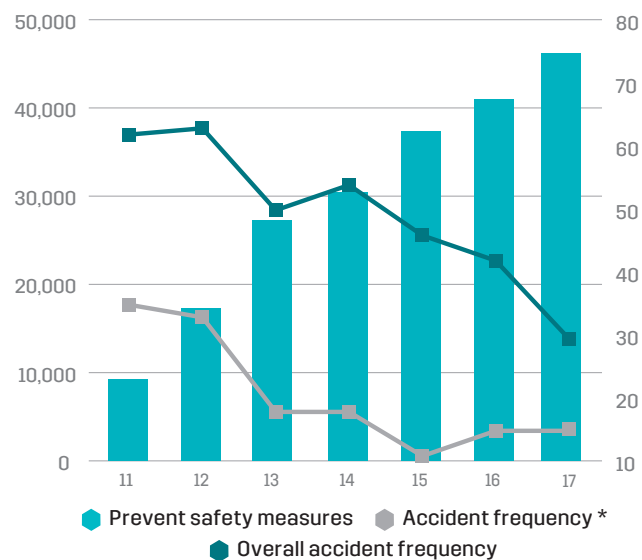
OVERALL ACCIDENT FREQUENCY DECREASED FROM THE PREVIOUS YEAR

Occupational safety at L&T developed in two different directions in 2017. The overall accident frequency developed in line with targets, showing a substantial decline at 30 in Finland (2016: 42) and 25 in the Group as a whole (comparison figure not available). The LTA frequency indicator, which measures accidents leading to lost time, remained unchanged from the previous year at 15 (2016: 15). The LTA figure for the Group as a whole was 14 (2016: 14). The LTA target for 2018 is below 10.

The main reason for this development was that substitutive work has not been used in the past two years in Finland to the same extent as it was in previous years. The cleaning services business saw particularly positive development in reducing occupational accidents. Both the overall accident frequency and the LTA indicator have been halved in Finland over the past five years.

There were no fatal accidents in L&T Group in 2017. There were also no cases of diagnosed occupational diseases.

ACCIDENT FREQUENCY IN FINLAND



* Accident frequency and overall accident frequency = per million working hours

DEVELOPMENT OF OCCUPATIONAL SAFETY IN FINLAND

	2017	2016	2015	2014	2013	2012
Safety observation reports	25,236	21,713	19,414	15,383	14,885	10,987
Hazard assessments	863	900	1,148	1,684	1,839	3,086
Safety Walk observation rounds	10,684	10,283	9,273	6,808	5,577	1,670
Occupational safety sessions	9,098	8,047	7,472	6,517	4,973	1,491
Accident frequency	15	15	11	18	18	33
Overall accident frequency	30	42	46	54	50	63

POSITIVE DEVELOPMENT IN THE NUMBER OF PROACTIVE MEASURES

Safety observations, occupational safety sessions, Safety Walks and various risk surveys are key components of our occupational safety efforts. Their aim is to proactively detect and identify occupational safety risks as well as define and implement the measures necessary for their prevention. In Finland, the proactive measures are documented in the Clean Sheet system, which can also be used to monitor the implementation of different practical measures.

A record number of proactive safety observations were made in 2017, exceeding the target by a factor of 1.5. The number of proactive safety observations was 25,236 in Finland and 28,066 in the Group as a whole. The long-term trend of proactive observations has been significant, with the number growing more than twofold over the past five years.

Proactive measures related to occupational safety are used in L&T's own units as well as 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. Unit-specific targets have been set for proactive measures and their achievement is monitored regularly.

TURNING OCCUPATIONAL SAFETY PROJECTS INTO PERMANENT OPERATING PRACTICES

We have worked on improving occupational safety for several years now, and we have launched a number of projects during that time. In 2017, we decided to focus on establishing our existing projects as permanent operating practices. We fine-tuned many of our mechanisms, including the Clean Sheet system, to make it easier for users to report their observations.

- Our efforts in the area of occupational safety were singled out for praise in an HSEQ assessment conducted by Inspecta, which L&T participated in for the first time. The assessment has already been conducted on more than 250 companies, and L&T ranked 11th in its first assessment, with an excellent score.
- We continued to organise safety training. The focus was on helping people recognise what they can do to influence the safety of work. The training was tailored to L&T's needs.
- In 2017, we also ensured that we have harmonised processes, tools and instructions to manage our own occupational safety risks as well as those of our customers. We have emphasised that safety should be on the agenda of all meetings, and occupational safety is also linked to personal bonuses.

Preventing accidents before they happen: we made more than 28,000 observations to promote occupational safety.

MEININKI SURVEY MEASURES THE EMPLOYEE EXPERIENCE

Developing the employee experience is one of L&T's strategic focus areas. In a service company, the employee experience is directly reflected in the customer experience, the development of which in 2017 is described in more detail in [page 66](#).

In order to monitor the development of the employee experience, we measure it regularly by means of employee surveys. Our most recent employee survey, the Meininki questionnaire, was conducted in September 2017 with L&T's employees in Finland as the respondents. The previous survey to cover all of the Group's operating countries was conducted in 2015, with another one scheduled for autumn 2018. We also measure the vibe among our salaried employees with the twice-yearly Fiilismittari survey.

According to the Meininki survey, 70% (2015: 71%) of L&T's employees in Finland would recommend the company as an employer. The promoter score has remained largely unchanged from the previous survey. In the Group as a whole, 74% of the personnel would recommend L&T as an employer (2015 result). The employee promoter score target for 2020 stated in our corporate responsibility programme is 80%.

Other significant results:

- The survey results indicated positive development particularly in the work of immediate supervisors. Among other things, the supervisors' interest in their subordinates' ideas and recognition received from supervisors for good performance both developed favourably. The employees also indicated that the internal team spirit within units has improved, but challenges were still seen in co-operation between units.
- L&T's employees are dedicated to their work, and 82 per cent indicated that they find their job challenging and interesting. The indicators reflecting commitment to L&T as a company and confidence in L&T's future showed a declining trend, which is why we highlighted the promotion of employee commitment as our most important development theme in the near future.

Division-specific and team-specific development measures have been prepared based on the survey results, and their progress will be followed up on in team meetings. One example of a development measure related to the Meininki survey was the Virettämö employee workshop initiative implemented in 2017. The purpose of the workshops was to come up with ideas on development measures that were then implemented in an agile manner. One example of an idea that originated from the workshops is improving internal communication by introducing information displays. The displays will be rolled out in the business units in spring 2018.



A question that is essential to our customer experience: how is the vibe among our personnel?

SYSTEMATIC DEVELOPMENT OF INDUCTION TRAINING AND COMPETENCIES

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.

Several development measures focused on the availability of workers and the induction training of employees were launched in Finland in 2017, and the systematic development of professional competence was continued:

- We invested significant resources in the development of recruitment processes, operating models and systems in order to better respond to the challenges related to labour demand.
- We had a particular focus on induction training in Facility Services in the form of an induction training development project launched late in the year with the aim of having a positive impact on the customer experience and the employee experience.
- Training geared towards preparing for the deployment of the Facility Services division's new ERP system and operating model was participated in by all Facility Services employees and part of our customer service personnel in spring 2017.
- In the Environmental Services division, the enhanced administration model for drivers' statutory professional qualification training led to a record number of training days held during the year. The training topics included occupational safety, first-aid skills, occupational ergonomics, customer service skills and environmental expertise.
- Late in the year, L&T joined Aiko Academy Oy with a 10% stake. Aiko Academy is a provider of paid training and expert services started by the SASKY Municipal Education and Training Consortium. The aim of the co-operation is to find new solutions for the advanced training of our personnel and having more multi-skilled employees, which in turn will support the development of career paths and more diverse job descriptions.

- Employee of the month and supervisor of the month awards were given out based on customer feedback and employee feedback in Environmental Services, Industrial Services, property maintenance, cleaning and support services, and the maintenance of technical systems. Awards for experts were also introduced in 2017.

L&T's employee turnover varies substantially between different professional groups and divisions:

- Facility Services 34.4% (2016: 35.8%)
- Industrial Services 11.9% (2016: 14.6%)
- Environmental Services 12.5% (2016: 8.6%)
- Salaried employees 20.7% (2016: 15.8%)

In 2017, we held 57 statutory employer–employee negotiations, which led to the termination of the employment of 163 employees. In addition, 174 people were temporarily laid off as a result of the negotiations. The reasons for the large-scale statutory employer–employee negotiations were loss-making and unprofitable operations.

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. Supervisor training choices are based on performance reviews, taking each supervisor's individual needs into account.

- We revised our supervisor training in early 2017. All new supervisors now complete a four-day HIOMO training programme in the early stages of their careers as supervisors at L&T.
- In addition, supervisors are offered shorter TIIVISTE training programmes focused on specific topics. They correspond to L&T's management principles and support the competence of supervisors and the development of their skills.

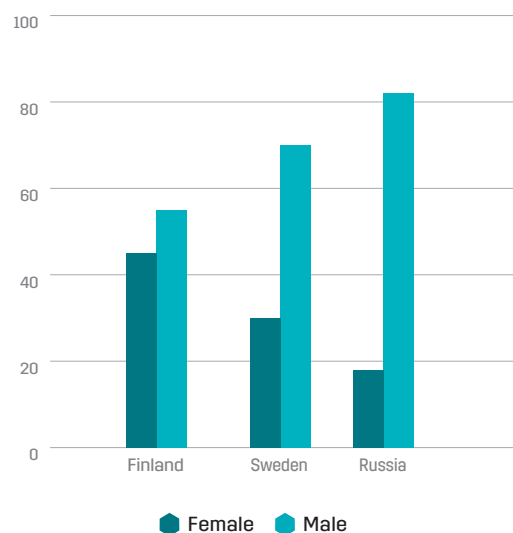
DIVERSITY AT L&T

Promoting diversity has been chosen as one of the main themes of L&T's responsibility programme. We believe that immigrants, for example, hold great potential in solving the problem of labour shortages in various fields. We also believe that the rapid integration of immigrants into society is in everyone's best interest. L&T's diversity is illustrated by the fact that approximately 16% of the employees in Finland have immigrant backgrounds, with more than 80 different nationalities represented. The age distribution of the personnel is also very broad.

In 2017, we focused particularly on the labour shortage in the cleaning industry. In 2017, we started a pilot project called Monet (Finnish for "The Many") promoting the employment of unemployed immigrants who have resided in Finland for some time as well as asylum seekers together with aid organisations, reception centres and the Employment and Economic Development Centre. A total of 15 people with immigrant backgrounds took part in the pilot. Approximately half of them came from reception centres and the other half through the Employment and Economic Development Centre. We also participated in the SuomiAreena event to discuss the subject of integration and the significance of employment with other parties who work with immigrants.

The majority of the people who participated in the pilot were subsequently hired by L&T. After the pilot, it was decided that the approach would be established as a permanent practice at L&T. Read the story of one person who took part in the pilot on the following page.

PERSONNEL DISTRIBUTION BY GENDER AND COUNTRY, %



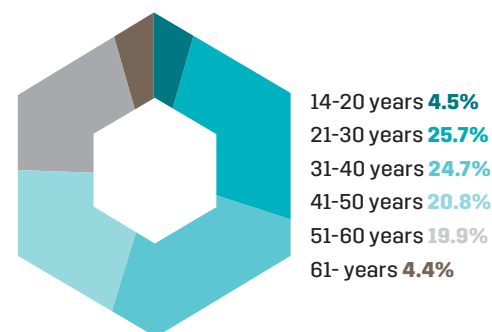
DIVERSITY**

	2017	2016	2015
Personnel by gender			
female, %	45	46	48
male, %	55	54	52
Personnel by type of employment			
permanent, %	93	93	95
temporary, %	7	7	5
full-time, %	66	66	63
part-time, %	22	22	24
employees called in when necessary, %*	11	12	13
Leased employees by personnel group			
salaried employees, person-day	312	897	1,886
employees, person-day	20,965	27,146	24,063
Personnel by personnel group			
salaried employees, %	16	16	15
employees, %	84	84	85
Share of employees with an immigrant background, %**	16	16	17
from the EU	37	41	43
outside the EU	63	59	57

* Type of employment in use only in Finland

** Figures cover only operations in Finland

AGE DISTRIBUTION OF PERSONNEL IN FINLAND, %



CASE

AHMED, AN IRAQI ACCOUNTANT, FOUND WORK AT L&T

One of the participants in the Monet project was Ahmed, a 41-year-old Iraqi who agreed to let us publish his story in this Annual Report. "I left Iraq in 2003. I have been a refugee ever since then, living in different countries. I arrived in Finland on 13 September 2015. First I was in Haparanda, and then I was placed in Oulu, where I stayed for six months. Then I moved to the Evitskog reception centre.

Back in Iraq, I worked as an accountant. I have participated in several three-week practical training periods as an asylum seeker, getting a look at working life in various companies. I participated in the practical training periods because having a job is my greatest wish. One day, I would like to start a company of my own. A wholesale business.

I think the integration process should start immediately for asylum seekers. Sitting around with nothing to do makes a person passive and creates problems going forward. Once you become passive, you might not be able to activate yourself after you have been granted asylum. From what I have seen, this can lead to many problems, such as substance abuse.

I met my wife at a flea market in 2016 and we have been together ever since. She has been very helpful in facilitating my integration into Finnish culture and society.



L&T's pilot project gave me the opportunity to try many kinds of cleaning work. I operated a floor cleaning machine and I also cleaned classrooms and restrooms. There was a lot of work, but it was fun. The people at L&T helped me overcome any problems I came across. My favourite moment was when I got to explain to others how to clean the floor cleaning machine. After the project ended, I have done occasional paid jobs for L&T.

My advice to others in my position is to never give up. You have to believe in yourself and hold on to your dignity. You cannot let others define who you are."

RESPONSIBLE SUPPLY CHAIN, KEY ACHIEVEMENTS IN 2017

ALL of our centralised contractual suppliers conducted a self-assessment. At the end of the year, approximately 95% of our subcontractors had joined Suomen Tilaajavastuu Oy's monitoring service related to contractors' obligations.

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 overall consumption of cleaning agents decreased with the development of cleaning methods.

70%

of our heavy-duty vehicles were in the Euro 4 emissions category or newer.

We reduced the environmental impacts of our fleet by means such as developing driving styles, increasing the fleet utilisation rate and reducing the size of the fleet.

The summary covers business operations in Finland, key figures for other operating countries are reported in the text and in a separate table.

RESPONSIBILITY OF THE SUPPLY CHAIN

We require our entire supply chain to comply with legislation, contracts and collective agreements, as well as to satisfy our responsibility requirements. New contract suppliers are required to complete a self-assessment and commit to L&T's Code Of Conduct before the start of co-operation.

In selecting suppliers, we emphasise the reliability of operations, ethical and environmental principles, product/service quality and cost efficiency. Appropriate supplier choices also help reduce the environmental impacts of production equipment and materials. Our aim is to audit suppliers annually based on a risk assessment.

L&T expects suppliers to adhere to the principles of sustainable development in environmental matters and comply with environmental legislation, regulations and permits in all their activities. These principles are documented in the Code of Conduct, which is included as an appendix to agreements, as well as the supplier self-assessment form. Taking environmental issues into consideration in the contract stage helps suppliers take a favourable view towards reducing environmental impacts. Waste is only handed over to operators that are authorised to receive or process it. Acquisitions are subject to detailed due diligence processes.

L&T mainly operates in Finland and Sweden with local partners, which improves transparency with respect to our partners' responsibility. The most significant risks pertaining to service providers are related to financial

Responsibility is the foundation of our operations. That is why we also require it from our subcontractors.

aspects as well as employment relationship and occupational safety matters. These risks are taken into consideration particularly in subcontracting agreements. In Finland, our subcontractors must be members of Suomen Tilaajavastuu Oy's Reliable Partner programme and, in Sweden, contract suppliers are approved in the company's internal co-operation meetings, which are also attended by representatives of trade unions. In 2018, we will focus on putting the Code of Conduct into practice in the maintenance of technical systems business in Sweden, which became part of the L&T Group on 1 September 2017.

Sourcing guidelines ensure that the procurement process is transparent and suppliers meet the relevant requirements and specifications. All procurement decisions are based on competitive supplier agreements and they are guided by L&T's procurement principles. Co-operation must not involve any bribery or the kind of hospitality or exchange of gifts that could influence decision-making in our business relationships.

Supply chain responsibility is one of the key components of our responsibility programme. In 2017, our goals were:

- To further expand our supplier self-assessments and the coverage of our audits
- To further reduce the environmental impacts of production equipment and materials

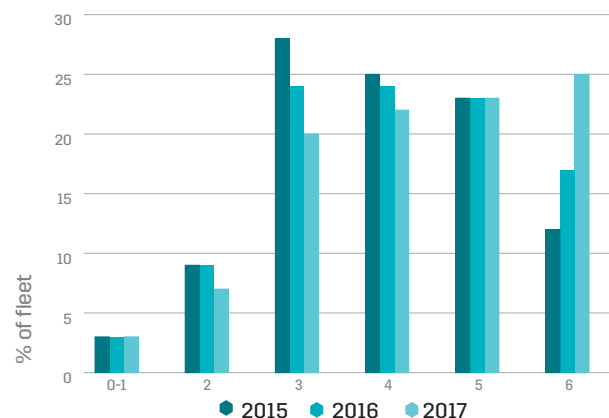
WE DEVELOPED OUR SUPPLIER ASSESSMENT PROCESS

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. The self-assessments cover the company's background, operating methods and the prevention of environmental risks. These measures are aimed at ensuring that the quality of the supplier's operations meets L&T's requirements. The supplier also agrees to comply with L&T's Code of Conduct.

In 2017, we developed our supplier assessment process in relation to our corporate responsibility programme.

- We expanded our supplier self-assessment in 2017 to cover all new suppliers that are part of our centralised procurement. A total of 61 supplier self-assessments were conducted in Finland during the year.
- Based on a risk assessment, the audits stipulated by the programme were targeted at our own facilities subject to environmental permits due to a fire that occurred at the Vantaa transfer station.
- The persons responsible for purchasing at the business level participate in quarterly information and discussion sessions that cover current topics related to purchasing.
- By the end of 2017, approximately 95% of our subcontractors had joined Suomen Tilajavastuu Oy's monitoring service related to contractors' obligations. Going forward, joining the service is a requirement for starting and continuing cooperation.

EURO CLASSIFICATION OF HEAVY DUTY VEHICLES, %



WE REDUCED OUR ENVIRONMENTAL IMPACTS

Our aim is to continuously reduce the environmental impacts of our production equipment and the materials we use. We use effective supply chain management to minimise unnecessary transport and take full advantage of the efficiencies created by the high volume of our purchases from suppliers. We prioritise suppliers who provide products certified by an eco-label, such as the Swan label. We do not sign agreements with suppliers whose environmental management is substandard, and we also use a supplier self-assessment form to evaluate the origin and production conditions of raw materials L&T's suppliers are responsible for the operations of their subcontractors as they are for their own operations.

In 2017:

- 70% of our heavy-duty vehicles were in the Euro 4 emissions category or newer (2016: 64%). We also reduced the environmental impacts of our fleet by developing driving styles, improving route efficiency and reducing the size of the fleet.
- We updated our heavy-duty fleet and replaced some of the oldest vehicles with newer Euro 6 class vehicles that have lower emissions. We invested a total of EUR 21.9 million in our fleet in 2017. We had a total of 912 (2016: 892) heavy-duty vehicles in operation.
- We had two natural gas, bioethanol diesel and hybrid waste trucks in operation (2016: 2), as well as three electric vans. In addition, 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 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.
- We offer our customers Eco-cleaning services, which support our customers in reaching their environmental objectives. Ecolabelled (Swan label) cleaning agents accounted for 72 per cent of all the cleaning agents we used in 2017 (2016: 72%). 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 2017, L&T had approximately 4,900 (2016: 5,000) suppliers of goods, materials and services in Finland, the total purchases from whom exceeded EUR 1,000 during the year. Total purchases of goods, materials and services amounted to EUR 268 million (2016: EUR 256 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 Sweden (L&T Service and L&T FM), there were approximately 2,100 suppliers of goods, materials and services, the total purchases from whom exceeded EUR 1,000 during the year. Total purchases of goods, materials and services amounted to approximately EUR 65 million there.

In Finland, 94.8 per cent (2016: 94.6%) of purchases were made from companies operating in Finland, and 5.2 per cent (2016: 5.3%) from other EU countries. Practically no purchases were made from countries outside the EU (0.01%). In Sweden, 99.8 per cent of purchases were made from companies operating in Sweden and 0.19 per cent from other EU countries.

BREAKDOWN OF PROCUREMENT IN FINLAND AND IN SWEDEN

% of the total	FINLAND	SWEDEN
Direct procurement*	63	65
Vehicles and equipment**	17	14
Indirect procurement, real estate and facilities**	20	21

* 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.

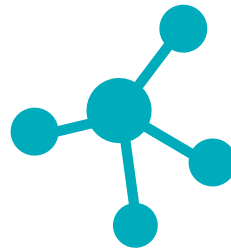
BREAKDOWN OF PROCUREMENT BY COUNTRY IN FINLAND, %



ACTIVE STAKEHOLDER RELATIONS, KEY ACHIEVEMENTS IN 2017

WE PARTICIPATED ACTIVELY IN COOPERATION NETWORKS AND RESEARCH PROJECTS THAT PROMOTE RESPONSIBLE BUSINESS, THE CIRCULAR ECONOMY AND ENERGY EFFICIENCY.

L&T is a member of nearly 100 local, regional, national and EU-level lobbying organisations.



We conducted two Net Promoter Score surveys in Finland and received more than 4,000 assessments of our operations.

Our customers' willingness to recommend us improved in both surveys.

WE INVEST IN THE CUSTOMER AND EMPLOYEE EXPERIENCE



and will continue to increase our interaction with stakeholders.

ACTIVE STAKEHOLDER RELATIONS

L&T aims to be a good corporate citizen and operate in close interaction with its stakeholders. We strive to set and achieve our financial targets in a way that creates long-term economic added value for our shareholders. We are an active participant in the development of legislation in our industry and we promote the circular economy through our involvement in various organisations as well as by co-operating with the authorities and policy-makers. Our communications are guided by our communications and disclosure policies. We ensure the professional competence and motivation of our personnel by co-operating with educational institutes and developing our employer image.

As our stakeholders perceive L&T as a responsible company that operates appropriately and takes society and the environment into consideration in its operations, we must live up to these expectations. Failing to meet these expectations regarding the way we operate would constitute a reputation risk and the risk of losing customers. Risks are discussed in more detail under "Risks and risk management" in the Report by the Board of Directors.

In 2017, our goals were:

- To continue our active stakeholder engagement based on the results of the stakeholder survey conducted in 2016, with the aim of strengthening stakeholder support among selected stakeholders.
- To improve our customer experience and regularly measure our promoter score among our customers..

AIMING TO STRENGTHEN STAKEHOLDER SUPPORT

L&T has identified its key stakeholders and surveyed their expectations towards the Group's operations. The key stakeholders – i.e. current and potential customers, our own personnel, potential employees, investors, national and regional policymakers and the media – expect L&T to invest significant resources in promoting responsible business and the circular economy while also maintaining strong financial performance. We are also expected to be a good employer and an innovative developer of services.

We measure stakeholder support regularly and develop our operations based on the results, with the aim of strengthening stakeholder support among selected stakeholders. The most recent survey was conducted in 2016 and, based on the results, we produced stakeholder-specific plans, the progress of which is regularly monitored as part of our management of corporate responsibility.

In 2017, we focused particularly on measures aimed at improving the customer experience and the mental state of our personnel, as well as the development of stakeholder engagement. We moderately increased our investments in our employer image and we had an active presence on social media. We continued to meet regularly with investors and decision-makers and aimed to satisfy the information needs of the media. The next stakeholder survey will be conducted in 2018.

**Big things are expected from us.
We want to do even more.**

OUR KEY STAKEHOLDERS AND FORMS OF STAKEHOLDER ENGAGEMENT IN 2017

Stakeholder	Description of interaction in 2017
Customers	<p>We conducted two Net Promoter Score surveys in Finland and received more than 4,000 assessments of our operations. We utilised the results at the corporate, division, service line and unit levels to improve the customer experience.</p> <p>We also conducted more than 50 customer-specific electronic satisfaction surveys that provided valuable information on our day-to-day performance.</p> <p>We engaged our customers in our strategic development through dozens of workshops and interviews.</p> <p>We organised online training on environmental management, with a focus on current issues, for more than 1,500 customers.</p> <p>We managed and developed customer relationships that span multiple business units through development and steering groups.</p> <p>We sent more than 20 newsletters to our customers to discuss current topics. We actively produced content for our blogs and invited interested parties to subscribe to them by e-mail.</p>
Personnel	<p>We organised 10 Virettämö workshops across Finland, with more than 100 L&T employees participating. The aim of the workshops was to come up with agile development initiatives to improve the customer experience and the employee experience, as well as to fulfil our customer promises.</p> <p>We conducted an large-scale Meininki survey in Finland to measure our employee satisfaction. The results were used to produce development plans at the business location, service line and divisional levels. The progress of the plans will be monitored regularly. We also conducted two less formal workplace vibe surveys among our salaried employees during the year.</p> <p>The divisions focused on engaging the entire personnel to a greater extent in the planning and development of operations. Town hall meetings in Environmental Services and Facility Services focused on the implementation of measures highlighted in the strategy as well as the development of critical processes.</p> <p>In activities related to promoting work ability, the focus was on developing recruitment and the day-to-day management skills of supervisors. We also invested resources in the Suitable Work pilot and in restoring the work ability of employees who struggle with multiple problems.</p> <p>We supported the professional development of our personnel by learning on the job, career paths, job rotation and training. We ensured the competence of our supervisors through measures including coaching focused on the development of managerial work, business development and leadership. The development of personnel was based on performance reviews.</p> <p>We engaged in regular dialogue with personnel representatives and they participated extensively 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 the property maintenance business as well as the cleaning and support services unit. Employee of the Month awards were also given out Environmental Services and Industrial Services. We also introduced awards for experts.</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>Following an extensive system upgrade project, we deployed a new recruitment system early in the year to create a smoother process for applicants.</p> <p>We launched systematic co-operation with educational institutes nationally in Finland. We designated a person in charge of co-operation with educational institutes and started co-operation in 15 towns in 2017.</p> <p>We participated in 19 different recruitment and career events during the year to present our operations and disseminate information on job opportunities at L&T.</p> <p>We recruited nearly 1,000 summer workers and participated in the Responsible Summer Job campaign. We also implemented a separate employer image campaign to communicate L&T's career opportunities and career stories as well as bust common myths related to the cleaning industry.</p> <p>We carried out a successful pilot project related to the employment-based integration of asylum seekers and participated in a discussion on immigrant integration at the SuomiAreena event.</p> <p>We actively communicated career opportunities and daily life at L&T in both traditional and social media. Our employee ambassadors were active on social media under the Ihan Tikkana theme. Content depicting the daily life of L&T employees was produced and posted on Instagram, Twitter and Facebook in about 500 photo posts.</p> <p>We launched a website redesign effort, one of the goals of which is to make it easier to apply for jobs.</p>

Investors and shareholders	<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 goods and servicest	<p>We expanded our supplier self-assessment in 2017 to cover all new suppliers that participate in competitive bidding.</p> <p>The persons responsible for purchasing at the business level participate in quarterly information and discussion sessions that cover current topics related to purchasing.</p>
Organisations and lobbying	<p>We participated actively in the work of industry and labour market organisations in Finland and at the EU level.</p> <p>The focus of lobbying at the EU level was on the circular economy package and the related reforms to EU Directives. In Finland, lobbying efforts were focused on the reform of the Waste Act.</p>
Local communities and the authorities	<p>Following a fire that occurred at the Vantaa transfer station, L&T audited its waste treatment plants subject to environmental permits and initiated local measures to improve and ensure environmental safety.</p> <p>In the Helsinki metropolitan area, we produced accounts of the operations of the Kerava and Tuusula recycling plants at the request of the Uusimaa ELY Centre.</p>
Public policy	<p>At the municipal level, waste transport systems were reviewed in the Lahti, Nurmijärvi, Oulu and Turku areas. We were actively involved in the work that went into the decisions. We also issued statements regarding the amendment of waste management regulations.</p> <p>At the national level, we issued a statement regarding the National Waste Plan and the reform of the Waste Act. Our statements are aimed at creating initiatives that promote the sorting of waste at source, recycling and the freedom of choice.</p>
Media	<p>We responded to dozens of media contacts to satisfy journalists' information needs or to identify interviewees.</p> <p>We published approximately 30 press releases and organised media events and meetings.</p>
Charity, co-operation networks and research projects	<p>In 2017, 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. 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. We also made smaller local donations to support charities.</p> <p>We organised visits to day-care centres to teach children about the principles of recycling, among other topics.</p> <p>We participated actively in cooperation networks and research projects that promote responsible business, the circular economy and energy efficiency.</p> <p>At Christmas time, we participated in the Kinkkutempu 2017 campaign to collect the grease accumulated from the baking of the traditional Christmas ham for the purpose of producing renewable diesel. The proceeds were donated to charity. In the spirit of Christmas, we also donated Finnish Christmas ham to 100 households for whom this traditional Christmas delicacy is not something they can take for granted. The donations were distributed by food service organisations that assist people with low incomes in four major Finnish cities.</p>

EXERCISING INFLUENCE TO PROMOTE THE CIRCULAR ECONOMY

In 2017, L&T's focus on exercising influence on society was on promoting the circular economy and ensuring market-based waste collection operations. We also worked to promote the use of renewable energy, make it easier to recruit foreign workers and support the employment-based integration of asylum seekers.

From the perspective of our business, the most significant area of legislative development was the reform of the Waste Act. When implemented, the amendments will create more freedom of choice in the waste industry and make competition more neutral. The most significant development at the EU level was the circular economy package, which will substantially increase the recycling targets for municipal waste and packaging waste in the EU by 2030. These legislative reforms will play a major role in determining the operating conditions in the environmental business in the years to come.

Waste transport system reviews pursuant to the Waste Act continued in Lahti, Nurmijärvi, Oulu and Turku. With the exception of Nurmijärvi, the outcomes of the review processes were in L&T's favour. The decisions are not yet legally effective, however, because appeals against them have been lodged with the administrative courts. In the cities in which the reviews were conducted, we commissioned reports from external consultants in co-operation with the waste management companies that operate in the areas in question. The reports indicated that the market-based waste transport system met the relevant special provisions laid out in the Waste Act. With the exception of Nurmijärvi, the decisions by the waste management authorities were in L&T's favour.

**We fly the flag of the
circular economy.
It benefits all of
society.**



L&T'S FOCUS AREAS IN EXERCISING INFLUENCE ON SOCIETY

TARGET	BACKGROUND	METHODS	REGULATION
Promoting recycling and the renewal of the waste market	The objective of the European Commission is to promote a circular economy and the recycling of waste in its member states. In the circular economy information package, the EU proposes increasing the recycling rate of municipal waste gradually to 65% and that of packaging waste to 70% over the next 15 years. In Finland, recycling has not developed in line with the expectations and targets. Even achieving the current target of 50% requires radical changes. The problem is the large volume of mixed waste.	Increasing the recycling rate requires a substantial increase in sorting at source and separate collection. At the national level, there is a need for strict separate collection targets for specific materials. In the absence of economic control methods for recycling, using waste in energy production is a more attractive alternative than recycling. This has created an excessive waste incineration capacity relative to the long-term recycling targets, which will further slow down the required development. At the municipal level, waste fee systems should also be more geared towards promoting accurate sorting. The waste market is also in need of renewal. The current hierarchic and exclusive model of dividing responsibility should be revised by giving households and housing companies more freedom of choice by allowing them to buy supplementary recycling solutions at their own expense. Recycling and sorting must be made convenient for customers.	In December, political agreement was reached at the EU level on the circular economy package, which will harmonise regulation and introduce more ambitious recycling targets. The package is well in line with L&T's business goals. The Finnish government's legislative proposal on the amendment of the Waste Act was submitted to the parliament in December. According to the proposal, waste management in public administration as well as the social and health care sector will be deregulated as of 1 January 2019. This change would see a waste volume of some 230,000 tonnes transferred from the local government sector to the private sector. The National Waste Plan until 2023 was confirmed in December. While the plan sets a recycling target of 55% by 2023, it lacks effective methods for achieving this target.
Promoting the use of renewable energy	Increasingly strict climate targets are forcing us to shift to renewable and CO ₂ -neutral energy within the next decade. These ambitious targets need to be supported by solutions that make renewable energy a more attractive alternative than fossil fuels. At present, biofuels are not competitive with peat and coal in energy production. Biofuels play a critical role as a solution for the transition period.	Energy and climate policy should be long-term and predictable. Biofuels play a critical role as a solution for the transition period. What is required is the breakthrough of new technologies that make it possible to turn biomass into energy, raw materials, nutrients and chemicals in a flexible and modular manner. Also required are control and steering methods that make renewable energy a more attractive alternative than fossil fuels. L&T supports the reduction of emission rights and the potential introduction of a carbon tax that would influence the order of precedence of fuels at the national level. In the effort sharing sector, fuel taxation should incentivise the use of cleaner transport fuels. Calculations of forest carbon sinks and greenhouse gas emissions under the LULUCF Regulation should enable the sustainable utilisation of the annual growth of Finland's forests. There is a need for steering methods that allow the nearly million hectares of thinning backlog in young forests to be utilised; for example, as raw material for forest energy, and the growing of more valuable timber to serve the needs of the forest industry. The operating conditions of combined heat and power production (CHP) must be ensured. The CHP approach allows the production of electricity and heat from wood chips with a very high rate of utilisation. CHP production ensures electricity production capacity during the cold and dark seasons.	The Finnish government issued a report on medium-term climate policy plans until 2030. The report outlines the measures that will allow Finland to achieve the 2030 climate targets agreed at the EU level and make systematic progress towards reducing greenhouse gas emissions by 80–95 per cent by 2050. EU Member States reached an agreement in November on the reform of the Emission Trading System Directive, according to which the volume of emission rights will be reduced by 2.2% per year starting from 2021. In December, the EU reached a preliminary agreement on emission reduction targets outside emissions trading. Finland's proposed emission reduction target was 39%. At the same time, the European Commission also issued a proposal on how land use, land-use change and forestry (LULUCF) will be linked to the 2030 climate targets as well as a report on low-emission mobility. In late November 2016, the European Commission published its Winter Package, which included a proposal for a recast of the Renewable Energy Directive (RES). The proposal includes binding EU-level sustainability criteria for biofuels used in transport and bioliquids and, in the future, also for solid and gaseous biomass fuels used in heat and power production (REDI II).
Ensuring a functional labour market	As age groups become smaller, challenges related to service sector labour availability increase, particularly in growth centres.	Employment-based immigration and integration must be promoted by making permit processes smoother. There is also a need for education policy reforms and closer co-operation between businesses and educational institutes to ensure the availability of competent workers for critical jobs. There is a growing number of people outside the labour market, beyond the reach of active labour policy. The employment opportunities of people with partial work ability and other special groups should be supported to prevent the risk of exclusion.	In 2017, a group of parliamentarians proposed the elimination of the availability consideration requirement. Under the proposal, work permit applicants in Finland who originate from outside the EU and EEA would no longer be subject to the availability consideration requirement.

LOBBYING AND CO-OPERATION NETWORKS

The focus of L&T's lobbying activities is on ensuring the operating conditions of the circular economy. We were involved in the development of our operating conditions through participation in the work of key lobbying organisations in Finland and at the EU level. L&T is a member of nearly a hundred local, regional, national and EU-level lobbying organisations.

We participate in the work of the following organisations either through membership in the Board or in other working groups:

- The Association of Finnish Environmental Industries and Services (YTP)
- Finnish Employers' Federation of Road Transport (ALT)
- Kiinteistöyönantajat ry (Employers' association of property management)
- The Bioenergy Association of Finland
- The Chemical Industry Federation of Finland
- Confederation of Finnish Industries
- Suomen JVT- ja kuivausliikkeiden Liitto ry (Finnish Federation of Subsequent Damage Prevention and Drying Businesses)
- Federation of Waste Management and Environmental Services (FEAD)
- Association for Waste Recycling (AWR) in Russia
- Bureau of International Recycling (BIR), paper division
- European Recovered Paper Association (ERPA)

We are also an active participant in the following programmes, projects and networks that promote the circular economy, responsible business, material efficiency and energy efficiency:

- The Finnish Innovation Fund Sitra
- Circular economy roadmap and the projects derived from it

- CLC, Climate Leadership Council
- Working groups related to the circular economy and bioeconomy
- Helsinki metropolitan area Smart & Clean Foundation
- Tekes, the virtual service environment
- VTT
- AARRE research project
- DEWI (Dependable Embedded Infrastructure) project
- GreenCampus project
- Wastebusters
- Aalto University
- IoB (Internet of Buildings) research project
- Indoor Air Quality Police
- Finnish Business and Society (FiBS), corporate responsibility network
- The Carbon Neutral Municipalities project (HINKU)
- The Climate Partners network of the City of Helsinki and business life
- Zero Accident Forum
- Koli Forum
- UUMA 2 project on the use of recovered materials in earth construction
- Kinkkutemppu 2017 Christmas ham grease recycling campaign

DEVELOPMENT OF THE CUSTOMER EXPERIENCE

In a service company, a good customer experience correlates with the employee experience. Recognising this, L&T has selected the development of the customer and employee experience as one of the Group's strategic focus areas.

As part of the development of the customer and employee experience, we have defined L&T's customer promises, which also serve as our internal promises to each other. The promises were finalised in spring 2017 as part of the national Virettämö workshop tour. At the Virettämö workshops, more than 100 L&T employees engaged in deep discussions on our new customer promises and came up with ideas on agile ways to put them into practice in our daily work. In the autumn, the process of putting the promises into practice in the day-to-day actions of L&T employees began with dozens of training events and team meetings.

We conducted two Net Promoter Score (NPS) surveys in Finland in 2017 and received more than 4,000 assessments of our operations.

Key results:

- Our customers' willingness to recommend our services improved in both surveys. The increase from the previous year was significant.
- The Environmental Services, Industrial Services and Renewable Energy Sources divisions achieved good or excellent scores. In Facility Services, the results improved but have not yet reached a satisfactory level.

- Satisfaction was highest among the customers for whom we have appointed specific Customer Relations Officers or contact persons.
- The area for which we received the most praise was our knowledgeable and flexible service, but we must continue to focus on being active in maintaining contact with customers and developing our services in co-operation with customers.

How we will utilise these results in the development of our operations:

- The customer experience will be improved by division-level and service line-specific measures, the progress of which will be monitored in accordance with the normal management practices used by the businesses.
- We will continue our systematic efforts to analyse and rectify the root causes of customer complaints. In 2017, we achieved a significant reduction in complaints and made the processing of complaints smoother.
- We have initiated an extensive training programme in the Facility Services division to develop the customer service competencies of our personnel. More information on the training is provided in the next page. In 2018, we will also initiate customer service training in the Environmental Services division.
- We also engaged in joint development with our customers in contexts such as our strategy days in the autumn and our customer-specific development workshops, where we collected feedback on our new service products and developed our service channels further.

**4,000 customer assessments.
4,000 opportunities
to improve our service.**

CASE

"THE CUSTOMER AND I" TRAINING

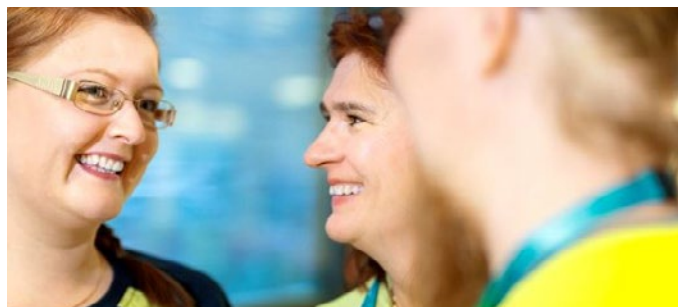
In spring 2017, the Helsinki unit of L&T's cleaning business piloted a customer service training programme called "The Customer and I". The entire cleaning personnel of the Helsinki unit, some 400 employees in total, participated in the training. Encouraged by the positive experiences in Helsinki, we decided to expand the training programme to cover the rest of Finland in the autumn. Late in the year, the property maintenance and maintenance of technical systems businesses also joined the programme.

"The goal of the training programme is to improve the customer experience by increasing customer insight among our personnel, creating excellent customer encounters and helping our employees identify the customer's need for additional services," says Jaana Mulari, Business Director for cleaning and support services at L&T.

TRAINING LINKED TO ROUTINE CUSTOMER ENCOUNTERS

The training is implemented under the "train the trainer" model, which means that the supervisors are trained to take charge of the training for their respective teams. L&T's partner in the programme is the training service provider Sales Energy. To ensure that the training corresponds to each team's actual operations, each trainer links the story to his or her team's day-to-day work and actual customer encounters. In spite of this level of customisation, the basic structure and content of the training is the same for everyone.

"The training supports the fulfilment of our customer promises in a very practical way: we keep our word, we are here to make the customer's life easier and we help the customer succeed. Our employees have a tremendous amount of professionalism and competence that we want to harness to benefit our customers. I believe that, at the same time, the employee experience will improve and we can take more pride in our work," Jaana Mulari adds.



POSITIVITY AND INSIGHT

As good energy and insight are essential to creating a good customer experience, positivity and insight are important building blocks in the training programme. The training is very concrete and revolves around themes that are familiar to all employees.

"I believe that strengthening our employees' customer service skills and focusing on the quality of the customer encounter will allow us to differentiate ourselves from the competition and also attract the best people to work here," Jaana Mulari concludes.

DEVELOPMENT OF RESPONSIBILITY

SUSTAINABLE DEVELOPMENT AND VALUE CREATION

In 2017, L&T started the process of updating its corporate responsibility programme to support the UN Sustainable Development Goals and the value creation approach. From 2018 onwards, the focus of the corporate responsibility programme is on value creation and developing the effectiveness of operations in accordance with the UN Sustainable Development Goals and the Group's strategic focus areas. We also consider our stakeholders' expectations in minimising the negative impacts of our activities and we ensure that our operations are compliant with regulations and specifications..

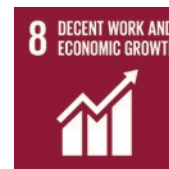
UN SUSTAINABLE DEVELOPMENT GOALS GUIDE THE DEVELOPMENT OF RESPONSIBILITY

L&T has selected six of the UN Sustainable Development Goals (SDGs) as special focus areas for the Group's responsibility programme. For the coming years, L&T is committed to promoting these goals to benefit customers and society at large. In line with its strategy, L&T focuses on putting the circular economy into practice and using resources sensibly, which have a direct impact on Sustainable Development Goal 12 (Responsible consumption) and Goal 13 (Climate action). As a major employer, we endeavour to build a healthy, diverse and productive work community, which addresses Goal 8 (Decent work and economic growth). We promote sustainable industry and sustainable cities by developing our customers' operations and reducing the environmental impact of our own operations. This contributes towards Goal 7 (Affordable and clean energy), Goal 9 (Industry, innovation and infrastructure) and Goal 11 (Sustainable cities and communities).

FOCUS AREAS OF L&T'S CORPORATE RESPONSIBILITY, 2018



AIMING FOR A CIRCULAR ECONOMY AND SENSIBLE USE OF RESOURCES



AIMING FOR A HEALTHY, DIVERSE AND PRODUCTIVE WORK COMMUNITY



AIMING FOR SUSTAINABLE INDUSTRY AND CITIES

GRI ASPECTS

We report on corporate responsibility as part of our Annual Report for the period 1 January–31 December 2017. Our report for 2017 is the first time we are reporting in accordance with the Global Reporting Initiative (GRI) Standards Core framework. The report is published only on our website in PDF format.

The report includes all Group companies and subsidiaries, and it covers L&T's own operations in Finland, Sweden and Russia to the extent that the data has been available. For the Swedish facility management business (L&T FM), the available material aspects are reported as of 1 September, the date on which the business was incorporated into the L&T Group as the result of an acquisition.

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

Key environmental responsibility and responsibility for personnel indicators are certified by an independent third party. The certification was commissioned by External Affairs Director, Corporate Relations and Responsibility Jorma Mikkonen. Read the independent assurance report from the [page 77](#).

MATERIALITY ANALYSIS GUIDES OUR CORPORATE RESPONSIBILITY EFFORTS AND STAKEHOLDER RELATIONS

Our corporate responsibility report is based on a materiality analysis, the content of which we validated in 2017 in accordance with the requirements of the GRI Standards reporting guidelines.

In the materiality 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.

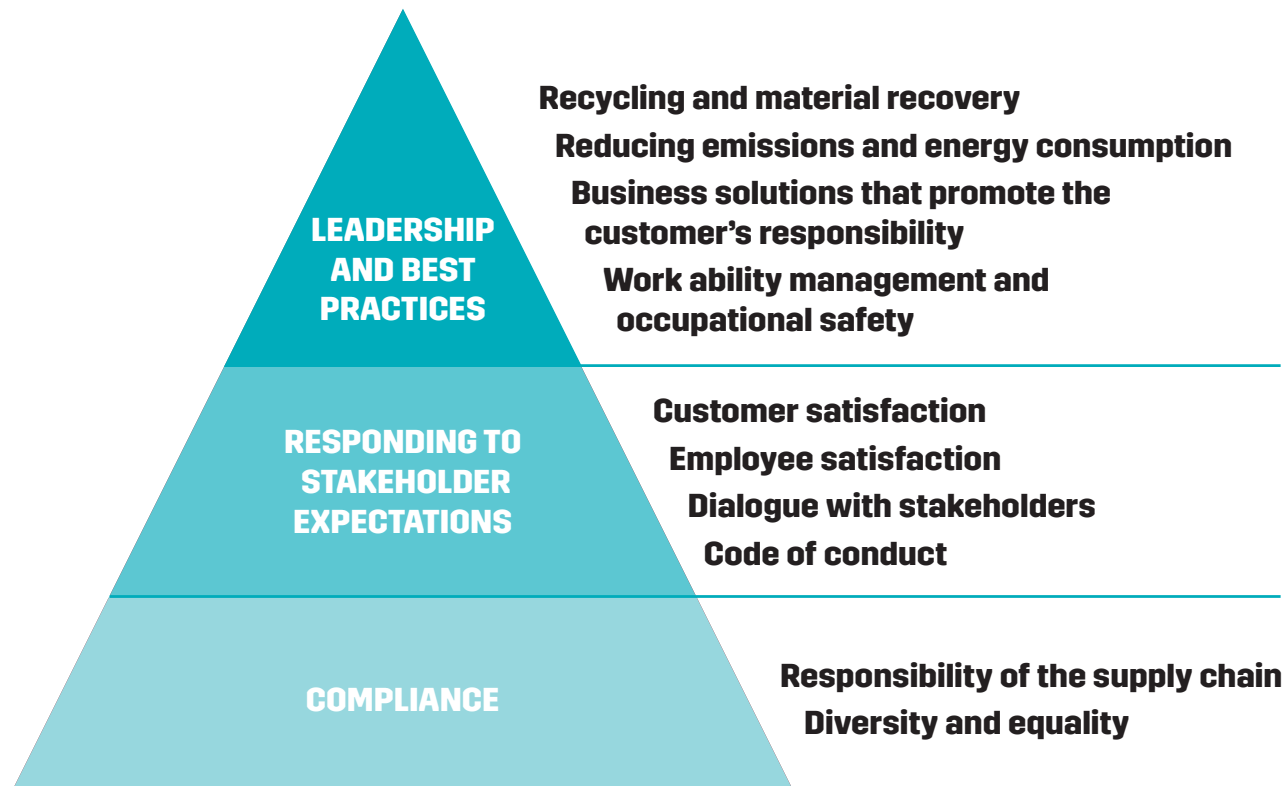
The participants in the identification and definition of the material aspects included management, experts and business unit representatives. We assessed the most material aspects of responsibility with respect to our business and strategy and categorised them based on our stakeholder survey and insight.

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

We divided the material aspects into three groups:

- **Leadership and best practices:** In this group, we included L&T's business operations, strategy, key material aspects of responsibility from the point of view of stakeholders and impacts of operations, in which we pursue leadership and aim to create best practices in our industry.
- **Responding to stakeholder expectations:** This group includes other aspects of responsibility which we assess to be material from the point of view of the company's strategy and stakeholders. In these areas, we aim to meet the expectations of our stakeholders and act according to them.
- **Compliance:** For other responsibility aspects that are material to L&T's business operations, our aim is, at a minimum, to ensure regulatory compliance.

CORPORATE RESPONSIBILITY MATERIALITY ANALYSIS



More information on our
Corporate Responsibility Report
viestinta@lassila-tikanoja.fi

GRI CONTENT INDEX

Disclosure number	Disclosure name	Reference	Additional information
GRI 102	General Disclosures 2016		
102-1	Name of the organization	Financial statement, p. 3	
102-2	Activities, brands, products, and services	Annual report, pp. 12, 15, 18, 21, Financial statement, p. 45	
102-3	Location of headquarters	Financial statement, p. 3	
102-4	Location of operations	Financial statement, p. 18, Annual report, p. 5	
102-5	Ownership and legal form	Financial statement, p. 3	
102-6	Markets served	Financial statement, p. 18, Annual report, pp. 12, 15, 18, 21	
102-7	Scale of the organization	Financial statement, p. 20, Annual report, p. 5	
102-8	Information on employees and other workers	Financial statement, p. 20, Annual report, p. 46 -54	The use of the agency workers concerns mainly Property Maintenance and Industrial Services' branches. The most important reasons for the use of the agency workers are helping in the busiest seasons, optimizing the labour force, ensuring the seasonal functions and relieving the burden of the normal labour force e.g. by avoiding overtime hours.
102-9	Supply chain	Annual report, p. 55-58	
102-10	Significant changes to the organization and its supply chain	Financial statement, p. 16	
102-11	Precautionary Principle or approach	Financial statement, pp. 20-24	
102-12	External initiatives	Annual report, p. 65	
102-13	Membership of associations	Annual report, p. 65	
102-14	Statement from senior decision-maker	Annual report, p. 4	
102-15	Key impacts, risks, and opportunities	Annual report, pp. 8, 10-11, Financial statement pp. 21-24	
102-16	Values, principles, standards, and norms of behavior	Annual report, pp. 24, 27	
102-17	Mechanisms for advice and concerns about ethics	Annual report, pp. 27-28	
102-18	Governance structure	Financial statement, p. 3	
102-20	Executive-level responsibility for economic, environmental, and social topics	Financial statement, p. 3, Annual report, pp. 24, 69	
102-21	Consulting stakeholders on economic, environmental, and social topics	Annual report, p. 60	

102-22	Composition of the highest governance body and its committees	Financial statement, p. 4	
102-23	Chair of the highest governance body	Financial statement, p. 4	
102-24	Nominating and selecting the highest governance body	Financial statement, p. 3	
102-25	Conflicts of interest	Financial statement, pp. 7, 12	
102-26	Role of highest governance body in setting purpose, values, and strategy	Financial statement, p. 6	
102-28	Evaluating the highest governance body's performance	Financial statement, pp. 7, 10	
102-35	Remuneration policies	Financial statement, p. 13	
102-40	List of stakeholder groups	Annual report, p. 61	
102-41	Collective bargaining agreements		In Finland and Sweden, all employees are covered by collective bargaining agreements. Information for Russia is not available.
102-42	Identifying and selecting stakeholders	Annual report, p. 60	
102-43	Approach to stakeholder engagement	Annual report, p. 60	
102-44	Key topics and concerns raised	Annual report, p. 60	
102-45	Entities included in the consolidated financial statements	Financial statement, p. 59	
102-46	Defining report content and topic Boundaries	Annual report, p. 69	
102-47	List of material topics	Annual report, p. 69	
102-48	Restatements of information	Financial statement, p. 20, Annual report p. 69	
102-49	Changes in reporting		No significant changes.
102-50	Reporting period	Annual report, p. 69	
102-51	Date of most recent report		20/02/2017
102-52	Reporting cycle	Annual report, p. 69	
102-53	Contact point for questions regarding the report	Annual report, p. 69	
102-54	Claims of reporting in accordance with the GRI Standards	Annual report, p. 69	
102-55	GRI content index	GRI Content Index	

102-56	External assurance	Annual report, p. 69	
GRI 103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary	Annual report, p. 69	
103-2	The management approach and its components	Financial statement, p. 25	
GRI 201	Economic Performance 2016		
201-1	Direct economic value generated and distributed	Annual report, pp. 30-31	
201-4	Financial assistance received from government		In 2017, grants and assistance received from the government for product development and projects amounted to EUR 45,939.
GRI 204	Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	Annual report, p. 58	
GRI 205	Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	Financial statement, pp. 22-23	
205-2	Communication and training about anti-corruption policies and procedures	Financial statement, pp. 22-23	
205-3	Confirmed incidents of corruption and actions taken	Financial statement, pp. 22-23	
GRI 206	Anti-competitive Behavior 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No incidents.
GRI 301	Materials 2016		
LT1	Managed material flows	Annual report, p. 36	Replaces 301-1 that is not applicable to L&T's operations. 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.
LT2	Recycling and recovery rate of managed material flows	Annual report, p. 36	Replaces 301-2 and 306-2 that are not applicable to L&T's operations. The materials we use are primarily waste, which we direct to recycling and other recovery.
GRI 302	Energy 2016		
302-1	Energy consumption within the organization	Annual report, p. 44	
302-3	Energy intensity	Annual report, p. 44	
302-4	Reduction of energy consumption	Annual report, p. 43	

GRI 305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Annual report, p. 44	
305-2	Energy indirect (Scope 2) GHG emissions	Annual report, p. 44	Gross market-based energy indirect (Scope 2) GHG emissions includes only purchased electricity in Finland. Other market-based Scope 2 emissions are not reported as available market-based emission factors don't differ significantly from location-based factors.
305-3	Other indirect (Scope 3) GHG emissions	Annual report, p. 44	
305-4	GHG emissions intensity	Annual report, p. 44	
305-5	Reduction of GHG emissions	Annual report, pp. 39-41	
GRI 306	Effluents and Waste 2016		
306-3	Significant spills	Annual report, p. 28	
306-4	Transport of hazardous waste	Annual report, p. 44	We monitor the volume and weight of hazardous waste, but due confidentiality, we do not disclose this information.
GRI 307	Environmental Compliance 2016		
307-1	Non-compliance with environmental laws and regulations	Annual report, p. 28	
GRI 308	Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	Annual report, p. 57	
GRI 401	Employment 2016		
401-1	New employee hires and employee turnover	Annual report, p. 52	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		In 2017, 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.

GRI 403	Occupational Health and Safety 2016	
403-3	Workers with high incidence or high risk of diseases related to their occupation	Annual report, pp. 47-48
GRI 404	Training and Education 2016	
404-2	Programs for upgrading employee skills and transition assistance programs	Annual report, p. 52
404-3	Percentage of employees receiving regular performance and career development reviews	Annual report, pp. 51-52
GRI 405	Diversity and Equal Opportunity 2016	
405-1	Diversity of governance bodies and employees	Financial statement, p. 3
GRI 406	Non-discrimination 2016	
406-1	Incidents of discrimination and corrective actions taken	No incidents.
GRI 407	Freedom of Association and Collective Bargaining 2016	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Financial statement, p. 23
GRI 408	Child Labor 2016	
408-1	Operations and suppliers at significant risk for incidents of child labor	Financial statement, p. 23
GRI 409	Forced or Compulsory Labor 2016	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Financial statement, p. 23
GRI 412	Human Rights Assessment 2016	
412-1	Operations that have been subject to human rights reviews or impact assessments	Financial statement, p. 21
412-2	Employee training on human rights policies or procedures	Financial statement, p. 21
GRI 413	Local Communities 2016	
413-2	Operations with significant actual and potential negative impacts on local communities	Annual report, pp. 27-28

GRI 414	Supplier Social Assessment 2016	
414-1	New suppliers that were screened using social criteria	Annual report, p. 56
GRI 415	Public Policy 2016	
415-1	Political contributions	We did not make any political contributions.
GRI 416	Customer Health and Safety 2016	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents
GRI 417	Marketing and Labeling 2016	
417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents
417-3	Incidents of non-compliance concerning marketing communications	No incidents.
GRI 418	Customer Privacy 2016	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No incidents.
GRI 419	Socioeconomic Compliance 2016	
419-1	Non-compliance with laws and regulations in the social and economic area	No incidents

INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish report

To the Management of Lassila & Tikanoja Oyj

We have been engaged by the Management of Lassila & Tikanoja Oyj (hereafter L&T) to provide limited assurance on L&T's corporate responsibility data from the reporting period 1 Jan -31 Dec 2017 presented in L&T's Annual Report 2017 (hereafter Corporate Responsibility Data).

The limited assurance covers the Corporate Responsibility Data presented in the following areas of the report:

- Environmental Responsibility section and all its subsections,
- "Responsibility for personnel"-section's key figures, presented in:
 - "Personnel in figures"-tables
 - "Development of occupational safety in Finland"-table
 - "Diversity"-table
- "Responsibility for personnel"-section's key figures, presented in the following subsections
 - "Sickness-related absences remained on a par with the previous year",
 - "Average retirement age unchanged – positive trend in the longer run",
 - "Overall accident frequency decreased from the previous year",
 - "Positive development in the number of proactive measures", and
 - "Turning occupational safety projects into permanent operating practices".

GRI Sustainability Reporting Standards was used as the assurance criteria (hereafter GRI Standards).

INHERENT LIMITATIONS ON THE ENGAGEMENT

The inherent limitations on accuracy and completeness of data related to the Corporate Responsibility Data are to be taken into account when reading our assurance report. The presented Corporate Responsibility 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 Information in accordance with the GRI Standards.

Our responsibility is to express an independent conclusion on the Corporate Responsibility Data. We have conducted the engagement in accordance with ISAE 3000 (Revised) and ISAE 3410. 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 Corporate Responsibility Data presented, and applying analytical and other appropriate evidence gathering procedures. 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:

Interviews with the persons responsible for the reporting of the Corporate Responsibility Data;

An assessment of conformity with the reporting principles of GRI Standards in the presentation of the Corporate Responsibility Data;

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

A review of the presented Corporate Responsibility 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.

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 Standards in all material respects.

Helsinki, 16. February 2018

KPMG Oy Ab

Lasse Holopainen
APA

Tomas Otterström
Partner, Advisory

**WE PUT THE
CIRCULAR ECONOMY
INTO PRACTICE**



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