



LASSILA & TIKANOJA PLC  
Annual Review 2018

A photograph of three people in a hallway. On the left, a woman with dark hair, wearing a blue polo shirt with a small L&T logo, is smiling and gesturing with her hand. In the center, a person with short reddish hair, also in a blue polo shirt, is seen from the back. On the right, a woman with glasses and light-colored hair, wearing a dark blazer over a light blue shirt, is smiling and looking towards the other two people. The background is a brightly lit hallway with white walls and doors.

**CREATING VALUE BY MAKING THE  
CIRCULAR ECONOMY A REALITY**

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Lassila & Tikanoja's annual report for 2018 consists of an Annual Review and a Financial Review, which are published in digital form, as separate PDF documents, on our website at [www.lt.fi/annualreport2018](http://www.lt.fi/annualreport2018).

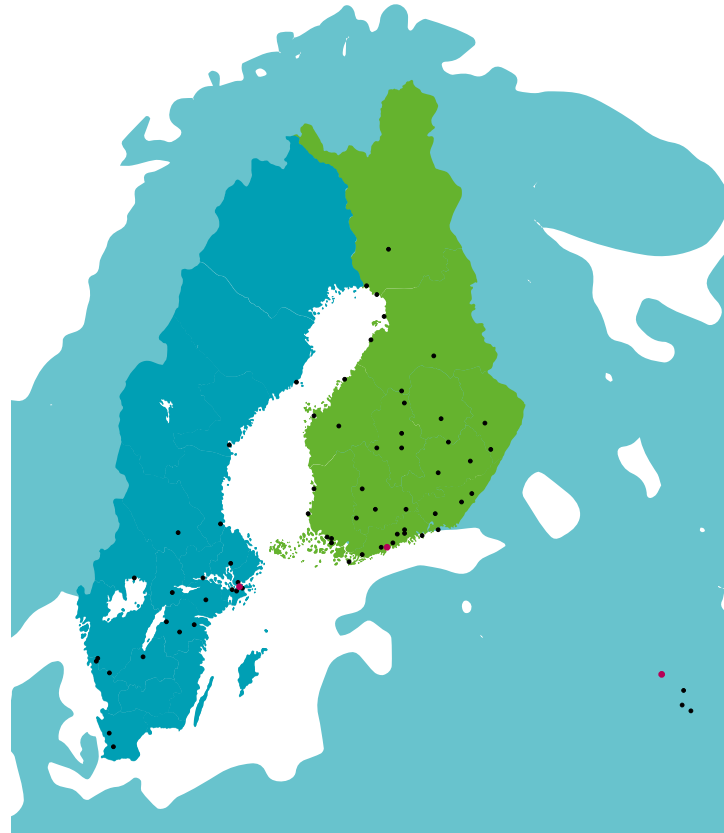
You are now reading the Annual Review 2018, which covers the key aspects of L&T's business in 2018 along with a sustainability report in accordance with the GRI standards. The Financial Review consists of the Report by the Board of Directors, Corporate Governance Statement, Remuneration Statement, Financial Statements for 2018 and Auditor's report. The Financial Review will also be produced as a print version, primarily to serve the needs of the Annual General Meeting.

L&T in brief

# PRACTICAL DOER IN THE CIRCULAR ECONOMY

Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials, properties and factories in productive use for as long as possible and enhance the use of raw materials and energy. We help our customers maintain the value of their properties and materials while protecting the environment. We achieve this by delivering responsible and sustainable service solutions that make the daily lives of our customers easier.

With operations in Finland, Sweden and Russia, L&T employs 8,600 people. Net sales in 2018 amounted to EUR 802.2 million. L&T is listed on Nasdaq Helsinki.



## Net sales by division



- Environmental Services .. 33%
- Industrial Services ..... 12%
- Facility Services ..... 32%
- Technical Services ..... 18%
- Renewable Energy Sources..... 5%

## Personnel by country



- Finland..... 80%
- Sweden..... 17%
- Russia..... 4%

Theme: Value creation

# CREATING VALUE THROUGH PRACTICAL MEASURES IN THE CIRCULAR ECONOMY

Lassila & Tikanoja’s mission, “practical doer in the circular economy”, describes the foundation for our company’s existence and value creation. Value creation starts from the work we do on a daily basis: as we manage our customers’ material flows and properties, we observe our working environment and use our observations to develop our customers’ operations with the help of our 8,600 professionals.

The practical work we do has value for all of our stakeholders. For a customer, it can mean that a waste container is emptied on time. For our personnel, it can mean high-quality occupational health care. For us, it goes far beyond that, extending to the carbon handprint of our operations and the taxes we pay as members of society. Moreover, we continuously develop our understanding of the impact of our operations, such as the effect of the conditions in the properties we manage on the productivity of the customers who work in them.

87% of L&T’s employees feel that their work is meaningful. To our customers, these efforts are reflected in outcomes such as higher recycling rates, more satisfied tenants, increased efficiencies in energy consumption or lower climate emissions.



[Creating value by making the circular economy a reality](#)

## VALUE FOR THE ENVIRONMENT AND CLIMATE

- Conserving natural resources.
- Mitigating climate change.
- Reducing environmental and health risks.

## VALUE FOR PERSONNEL

- A safe workplace.
- Meaningful work.
- Retiring in good health.
- Career paths and competence development.



## VALUE FOR SOCIETY

- Employment.
- Increased well-being.

## VALUE FOR CUSTOMERS

- Material, energy and cost efficiency.
- Better conditions, more productive employees and more satisfied residents.
- Increased value of property and forest assets.

## VALUE FOR SHAREHOLDERS

- Sustainable growth of the company’s financial value.
- Stable dividend yield.

**PRESIDENT AND CEO EERO HAUTANIEMI:**

# L&T'S NET SALES EXCEEDED EUR 800 MILLION FOR THE FIRST TIME

The theme of this annual report is value creation. As a practical doer in the circular economy, we create value in our daily work by helping our customers make efficient and sustainable use of their resources. As Lassila & Tikanoja's operations are also guided by the growing expectations of our other key stakeholders, we must be increasingly transparent in measuring and communicating the impact of our operations and the value we create for different stakeholders, in addition to reporting the customary figures that describe our financial performance.

**A strong year in terms of financial indicators**

Judging by the customary indicators of financial performance, 2018 was a good year for L&T. Our net sales exceeded EUR 800 million for the first time.

Lassila & Tikanoja's net sales for 2018 grew by 13% from the previous year, while operating profit increased by more than 8%. Of this growth, 3% was organic and the remainder was due to the L&T FM acquisition.

Full-year net sales grew in all divisions except Facility Services. The Environmental Services

division's market position improved particularly in the retail and industrial segments. Industrial Services had a successful year, with both net sales and operating profit showing year-on-year growth thanks to new customer accounts. The net sales and operating profit of Facility Services decreased particularly due to intensified price competition in the cleaning business and the ERP system's deployment phase. In the Technical Services division, business developed favourably, particularly in Sweden, thanks to strong demand and improved productivity.

The Group's net cash flow from operating activities improved year-on-year due to successful measures to improve the efficiency of working capital management.

**Structures to support growth**

Right at the beginning of 2018, we implemented major restructuring measures by taking a significant proportion of the support services previously produced by the Group for its businesses and shifting them to the divisions. This change in our management model is aimed at improving the competitiveness and agility of our businesses



“  
The most rewarding aspect of our efforts is the value that our employees create for our living environment on a daily basis.”

and it allows us to allocate more resources to our work with customers. In connection with the restructuring, the Technical Services business was separated into a division of its own.

**We finance our renewal by improving our productivity**

The implementation of the Facility Services division's new operating model, and the KIITO ERP system that supports it, continued in 2018 as ERP system deployment was extended to the cleaning business and the Technical Services division's business in Finland. The entire personnel of these businesses performed very well in the face of this major challenge. Harmonised operating models and up-to-date information systems enable the improvement of productivity, which is critical for elevating the quality and reporting of our work with customers to a new level.

**The customer experience and employee experience are key to delivering good service**

L&T continued its systematic efforts to enhance the customer and employee experience. In 2018, the focus was on coaching those who work on the customer interface. Feedback received from stakeholders indicates that the results of

these efforts are starting to show, but there is still much more work to be done. Our goals are high to begin with, but the expectations towards us are also growing all the time.

We developed employee engagement mechanisms at the Group and divisional levels. At the Group level, we established a European Works Council (EWC) to facilitate dialogue with various employee groups in all of the countries we operate in. At the division level, we increased the number of various “town hall meetings” and development days. As a result, our personnel are now even more engaged in the planning and implementation of important business decisions.

**L&T plays an important role as the sustainability of economic activity becomes increasingly crucial**

Concerns about the impacts of climate change escalated to a new level in 2018. In addition to states and cities, businesses are also called on to take a more prominent role in solving the challenges facing society. As a practical doer in the circular economy, L&T helps its customers assume a larger role in solving sustainability challenges.

In relation to this, L&T updated its responsibility programme and integrated it more closely into the Group's strategy as well as the UN's Sustainable Development Goals. The focus of our corporate responsibility is on the circular economy as well as sustainable industrial and urban solutions. In joining a Finnish initiative known as Society's Commitment to Sustainable Development, L&T committed to the continued implementation of goal-oriented measures to extend Finns' careers in all career stages. We want to provide a path to working life for young people and we implement practical measures to promote the employment of immigrants and people who are struggling to find work.

The most rewarding aspect of our efforts is the value that our employees create for our living environment on a daily basis. By performing millions of transport and maintenance tasks, we conserve virgin natural resources, reduce climate emissions, boost carbon sinks in forests and maintain healthy, safe and productive operating conditions in cities as well as industrial facilities.

I want to take this opportunity to warmly thank our customers and personnel for the past year.

**Eero Hautaniemi**  
President and CEO

**In memoriam**  
**Pekka Ojanpää 1966–2018**



In November 2018, we lost a much-loved leader and friend when our President and CEO Pekka Ojanpää died in an aviation accident while on holiday in Zimbabwe. The tragic accident happened shortly before he was due to leave L&T to become the new President and CEO of Suominen Corporation.

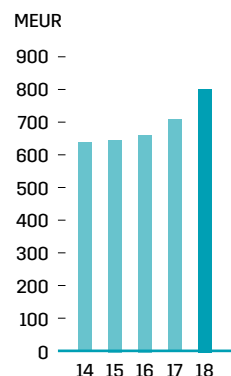
Pekka Ojanpää served as L&T's President and CEO for seven years. We will remember Pekka as a dynamic and energetic leader who drove us forward systematically and inspired us to always strive for better results, whether in business or in sports. A good man who had an impact on many people's lives, Pekka was taken from us too soon. The entire L&T community has shared in the grief of Pekka's loved ones.

# L&T IN 2018

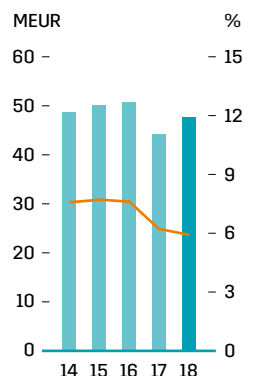


Key figures 2018

**Net sales**

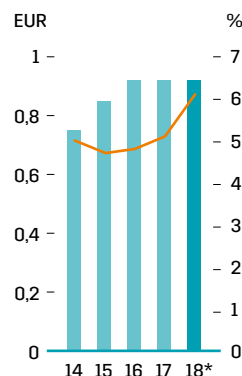


**Operating profit**



■ Operating profit MEUR  
— Operating profit, %

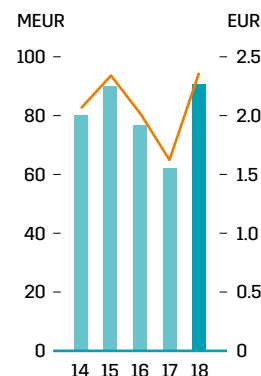
**Dividend per share and dividend yield**



■ Dividend per share  
— Effective dividend yield, %

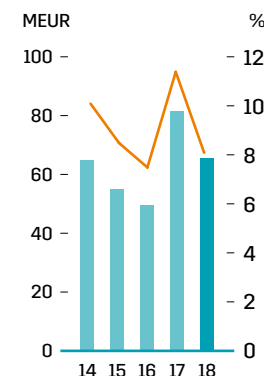
\*Proposal by the Board of Directors

**Cash flow from operations**



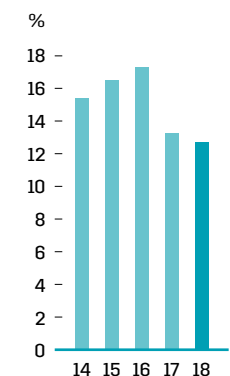
■ Cash flow from operations per share, EUR  
— Cash flow from operations, MEUR

**Net working capital**



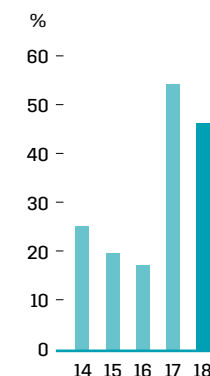
■ Net working capital, MEUR  
— Net working capital, % of net sales

**Return on investment (ROI)**



\*rolling 12 months

**Gearing**



**Net sales by country, %**



■ Finland .....82%  
■ Sweden .....17%  
■ Russia .....1%

**Key figures**

	2018	2017	2016
Net sales, MEUR	802.2	709.5	661.8
Operating profit, MEUR	47.6	44.0	50.5
Profit before taxes, MEUR	42.7	42.5	50.1
Return on equity (ROE), %	15.9	15.2	20.0
Return on investment (ROI), %	12.7	13.3	17.4
Gearing, %	46.1	54.2	17.3
Equity ratio, %	38.6	38.6	50.4
Capital expenditure, MEUR	37.8	113.2	41.6
Total number of full-time and part-time employees at year end	8,600	8,663	7,931
Earnings per share, EUR	0.89	0.87	1.13
Cash flow from operations, MEUR	2.35	1.61	1.99
Dividend per share, EUR	0.92**	0.92	0.92

\*rolling 12 months \*\* proposal by the Board of Directors

IFRS 15 not adjusted for comparison years 2014–2016.



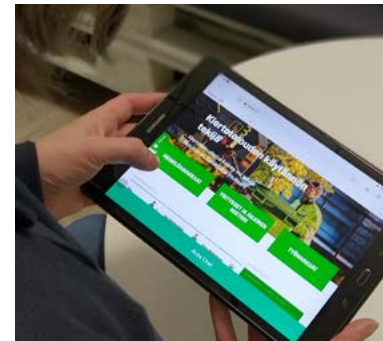
Key events in 2018

# AN EVENTFUL YEAR



## Supervisor Forums kicked off the year

To kick off 2018, L&T organised Supervisor Forums that were attended by approximately 90% of L&T's supervisors. The main themes of the forums were the customer and employee experience. The events gave supervisors the opportunity to discuss the development of the customer experience, L&T's work with customers and customer promises. After the forums, the supervisors continued the discussions in their own teams.



## New website launched to reflect continuous development

L&T's new-look website went live in February. The guiding thought in the website redesign was to make it easier for customers to use services. At the same time, the view was established in the organisation that website development today is an ongoing process that is never fully completed. The development of the website continued throughout 2018 and into the new year.



## UN Sustainable Development Goals guide our responsibility efforts

In April, L&T published a new corporate responsibility programme focused on stakeholder value creation and developing the effectiveness of operations in accordance with the UN Sustainable Development Goals and the Group's strategic focus areas. At the same time, the company also signed the UN Global Compact and made a commitment to set a Science based target for its long-term climate efforts.



## Training for employees in cleaning and property maintenance to improve customer encounters

"The Customer and I" training was organised in early spring in cleaning and support services, property maintenance and Technical Services to help employees identify customers' needs for additional services and improve the customer experience. Some 5,000 supervisors and employees participated in the training.

Key events in 2018



### Hoas recognised L&T as their Partner of the Year

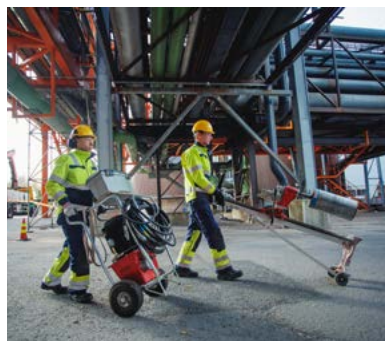
L&T's Talkkari (Caretaker) team was singled out for praise by a customer when Hoas (Foundation for Student Housing in the Helsinki Region) recognised L&T's caretakers and their support systems as Hoas' Partner of the Year. L&T and Hoas have worked together to develop an operating model under which the Caretaker team is responsible for the maintenance of housing properties. The award reflects the Caretaker team's commitment to the shared goals and proactive approach to work on a daily basis.

### Good news from Stockholm

In May, L&T FM signed an extension agreement in Sweden regarding property maintenance services for 344 schools in Stockholm owned by the Stockholm School Properties Company SISAB. The large-scale assignment includes the monitoring and maintenance of heating, ventilation and cooling equipment.

### L&T made a commitment aimed at extending careers

In June, Lassila & Tikanoja joined a Finnish initiative known as Society's Commitment to Sustainable Development. L&T is committed to take goal-oriented measures to extend Finns' careers in all career stages.



### L&T and Stora Enso deepened their co-operation

L&T and Stora Enso deepened their co-operation and significantly expanded their agreement regarding facility and maintenance services at Stora Enso's Imatra plant. The agreement includes the previously provided cleaning and process cleaning services as well as the new services of technical services, security technology and construction. The multi-year agreement made the Imatra plant L&T's most significant customer location, with nearly 100 L&T employees working at the site.



### Plastic was a hot topic in Pori

At the SuomiAreena event held in Pori in July, L&T and Neste organised a discussion aimed at finding concrete solutions to the challenge of plastic based on the circular economy approach. In addition to L&T's Director of Corporate Relations and Responsibility and Neste's Director of Public Affairs, the participants included MEP Miapetra Kumpula-Natri, MP Ville Niinistö, The Finnish Innovation Fund Sitra's Director Mari Pantsar and MP Saara-Sofia Sirén.

Key events in 2018



### State-of-the-art plastic processing line in Merikarvia

Plastic remained a hot topic at Lassila & Tikanoja in the autumn, with the company announcing the construction of Finland's most modern plastic processing line at its plastic recycling plant in Merikarvia in 2019. The new production line is intended to particularly improve the reuse potential of dirty and hard-to-use plastics.



### Recycling wood from construction sites

L&T launched a new Kierrätyspuu (Recycled Wood) service for customers in the construction industry at the Finnbuild trade fair in October. The construction industry is still looking for solutions to reach the 70 per cent recycling rate that the industry is required to achieve in 2020. To make the challenge easier to manage, L&T developed Recycled Wood, a service for transforming wood waste into raw material for particle board.



### EWC brought together employee representatives from various countries

L&T's newly established European Works Council (EWC) had its first meeting in Helsinki on 3–4 December. The council provides employees with increased opportunities for engagement and influence by ensuring that they have access to sufficient information regarding Group-wide and country-specific issues. A further goal is to have representatives of different countries personally participate in the decision-making processes governing their work. The council also plays a key role in ensuring the flow of information between L&T's various operating countries.

### Eero Hautaniemi appointed as L&T's new President and CEO

Eero Hautaniemi, M.Sc. (Econ.), was appointed as the new President and CEO of Lassila & Tikanoja in November 2018. Hautaniemi previously worked as the President and CEO of Oriola Corporation, and he was also a member of L&T's Board of Directors from 2007 to 2017. Pekka Ojanpää, who was the chief executive of L&T for seven years, was set to leave the company to become the new President and CEO of Suominen Corporation on 1 December 2018, but he tragically passed away in an aviation accident just one week before that time. Following the accident, CFO Tuomas Mäkipeska was appointed as L&T's interim President and CEO, a position he held until 31 December 2018. Eero Hautaniemi took up his post on 1 January 2019.

### Voluntary plastics pledge

L&T made a voluntary plastics pledge to support the Plastics Strategy published in early 2018 by the European Commission and the implementation of the national plastics roadmap of Finland. With the pledge, L&T committed to increasing the national plastic recycling capacity, expanding the collection of plastics to cover one million Finns, reducing the use of plastics and promoting the use of recycled plastics in its operations.

# THE PROGRESS OF THE CIRCULAR ECONOMY BOOSTS THE DEMAND FOR L&T'S SERVICES

**The business environment developed favourably from L&T's perspective in 2018. Regulation that supports the circular economy, the freeing of competition in waste management and the mitigation of climate change boost the demand for our services.**

## **Progress in regulation that supports the circular economy**

The EU continued the implementation of its multi-year circular economy package in 2018. The package is a comprehensive set of strategies and regulatory reforms aimed at the sustainable and efficient use of existing resources.

The shift to a circular economy will take place over the next 10–15 years and it will provide all of L&T's businesses a wealth of new market opportunities. The circular economy is not only about the more efficient reuse of waste and side streams, but also, in a broader sense, how to make more efficient and sustainable use of the resources of the built environment (infrastructure, buildings and land).

In April 2018, the EU announced new targets

for the recycling rate of municipal waste. The targeted recycling rates for various materials will gradually rise to 65–70% by 2030.

The Finnish government has set a goal of making Finland a leading country in the circular economy by 2025. Steps taken in Finland in 2018 included drawing up a national plastics roadmap to promote the recovery and reuse of plastics, making the use of waste and side streams easier in earth construction and preparing reforms concerning an electronic marketplace for waste.

## **Debate about how waste management is organised**

In the environmental business, waste management in public administration, the social and health care sector and the education sector was deregulated as of 1 January 2019. Progress was also made in Parliament on amendments to the Waste Act to create an electronic platform to ensure that the secondary waste management responsibility of municipalities can be implemented in the corporate waste market in a competition-neutral manner.



With regard to waste transport systems, the decisions by the cities of Lahti, Oulu and Turku to continue the market-based transport system are not legally valid. However, the assessments we have commissioned from external consultants indicate that the transport systems in question met the special conditions stipulated by the Waste Act. The Supreme Administrative Court is expected to hand down a decision on the matter in 2019. Another area evaluated by municipal authorities concerned the emptying systems of septic tanks.

## **Mitigating climate change calls for radical measures**

In the area of energy and climate policy, concerns about the adequacy of climate change

mitigation measures grew following a new report by the IPCC. At the EU and national level, this is reflected in a desire to eliminate fossil fuels on an even faster schedule than previously agreed.

In both the emissions trading sector and the effort sharing sector, achieving the targets calls for radical reforms to increase the use of renewable energy, improve energy efficiency, promote the reuse of materials and shift to low-emission engine and fuel solutions in transport. The significance of biomass and waste-based fuels as solutions for the transition period is growing.

# STRATEGY AND VALUE CREATION



# PURSuing PROFITABLE GROWTH

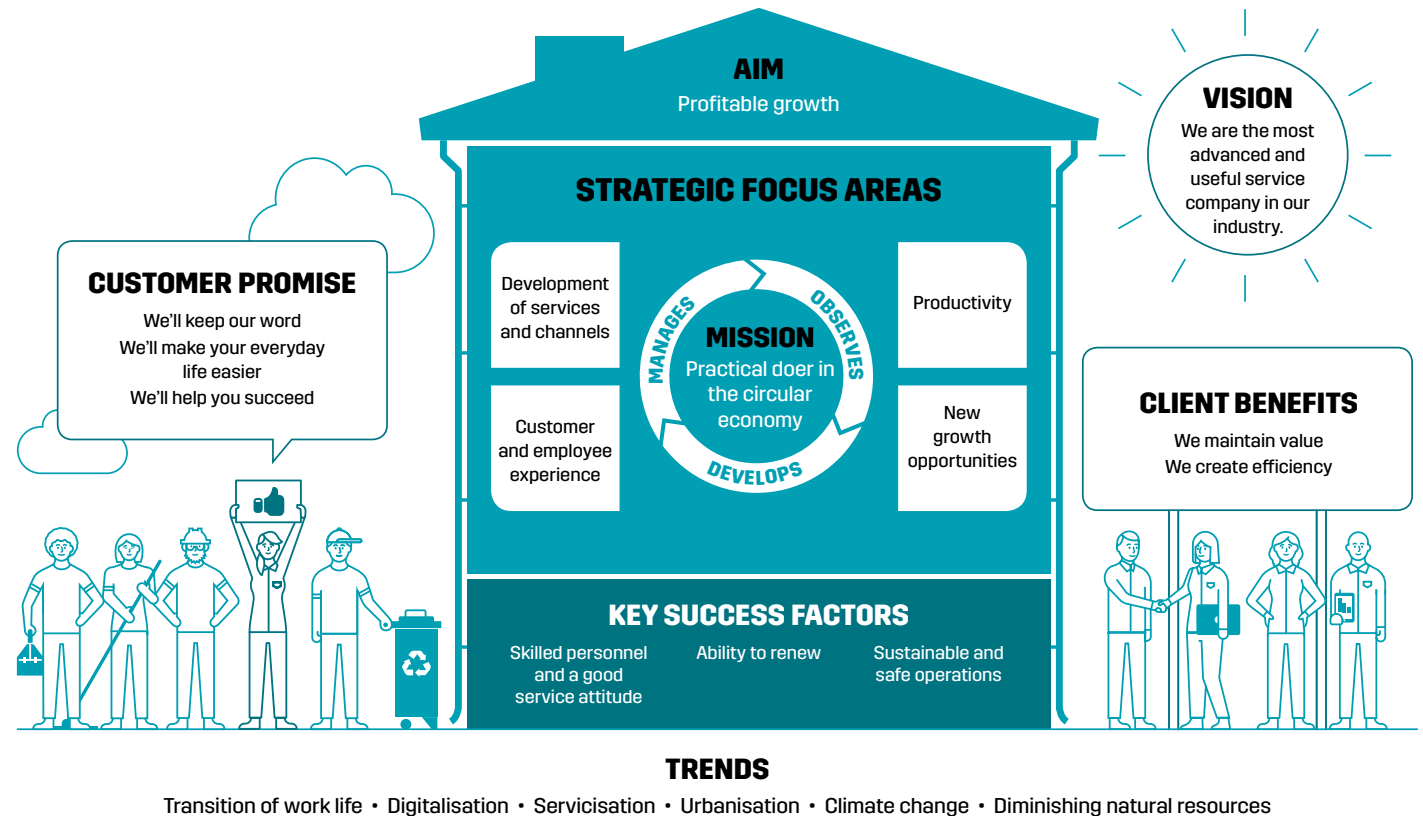
**Lassila & Tikanoja is a practical doer in the circular economy whose services are aimed at helping customers make efficient and sustainable use of their resources (materials, buildings, infrastructure, industrial facilities). This enables us to pursue profitable growth – both for our customers and ourselves. By executing our strategy, we aim to become the most advanced and useful service company in our industry.**

L&T's strategy emphasises the improvement of productivity through new operating models and systems as well as a strong focus on the customer and employee experience. In all of its businesses, L&T concentrates on developing new service solutions to ensure future growth. Growth is also sought through potential acquisitions.

### Progress made in the implementation of strategy

At the beginning of 2018, L&T implemented major restructuring measures by taking a significant proportion of the business support services produced by the Group and shifting them to the divisions. In connection with the restructuring, the Technical Services business was separated into a division of its own.

In connection with updating the strategy, L&T assessed the market attractiveness of each business as well as their performance and potential in relation to the market. The focus of strategic development was on adding detail to division-level strategies and ensuring effective execution.



Strategy

- **The Environmental Services** division investigated new business opportunities in the circular economy and expanded the geographical coverage of new circular economy services. The division also evaluated future business positioning alternatives in the environmental services value chain.
- **The Facility Services** division explored the improvement of productivity and alternative future growth paths. A new operating model and an ERP system (KIITO) that supports it were deployed in the property maintenance and cleaning businesses.
- **In the Technical Services** division, a competitive strategy for the Swedish businesses was created as part of the integration of the Swedish operations acquired in September 2017. The division's Finnish businesses specified the position they aim to achieve in the market and deployed a new operating model along with an ERP system (KIITO) to support it.
- **The Industrial Services** division evaluated its market position and defined alternative paths to growth. The division also focused on service development and defining the operating model that will be used as the foundation of the new ERP system.
- **The Renewable Energy Sources** division analysed the dramatically changing business environment and specified its market positioning. The procurement organisation was developed and strengthened in response to growing demand. Efforts to increase supply chain efficiency continued in line with strategy.

More information on the progress of strategy is provided in the [Business operations section](#) of this report.

**A good employee and customer experience is a precondition for success**

In our labour-intensive services, a good employee and customer experience is a precondition for success. Measures to improve the customer experience were implemented during the year in accordance with the strategy of each business. Early in the year, L&T's supervisors came together at Supervisor Forum events to analyse the significance of our customer promises in everyone's work.

In connection with updating the strategy, we explored measures to improve the availability and retention of competent personnel. In addition to good managerial work, we focus on recruitment, induction training and improving L&T's employer image. We started a project in summer 2018 to redesign our intranet, which is an important internal communication channel, and to have it cover all L&T personnel in the coming years. We also revised our recruitment processes and job application channels.

**L&T creates significant value for stakeholders**

L&T's services correlate strongly with the reduction of greenhouse gas emissions and they are often closely linked to the practical implementation of our customers' environmental responsibility. In 2018, we integrated our own responsibility programme into our strategy and began the verification of the effectiveness of our services and value creation for our key stakeholders.

> Read more about [L&T's value creation](#).



**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 2018. The targets will be reviewed in conjunction with the 2019 strategy work.

FINANCIAL TARGETS	Target	2018	2017
Growth	5%	13,1%	7,2%
Return on invested capital	20%	12,7%	13,3%
Operating profit	9%	5,9%	6,2%
Gearing	0-70%	46,1%	54,2%

# VALUE CREATION STARTS FROM OUR DAILY WORK

Lassila & Tikanoja’s mission, “practical doer in the circular economy”, describes the foundation for our company’s existence and value creation. Value creation starts from the work we do on a daily basis: as we manage our customers’ material flows and properties, we observe our working environment and use our observations to develop our customers’ operations with the help of our 8,600 professionals.

The practical work we do has value for all of our stakeholders:

## VALUE FOR THE ENVIRONMENT AND CLIMATE

We conserve virgin natural resources and mitigate climate change by replacing virgin raw materials with secondary raw materials and mitigate climate change by replacing fossil fuels with renewable bioenergy. Through our operations, we are also able to reduce environmental and health-related risks.

## VALUE FOR PERSONNEL

We want our personnel to enjoy their work and retire in good health. To this end, we invest in work ability and occupational safety. We offer meaningful work as well as opportunities for career paths and competence development.



## VALUE FOR SOCIETY

As a major employer, we also recognise our responsibility for employing young people and those who are struggling to find work. The salaries, wages and taxes we pay and the purchases we make have a considerable impact on municipal economies and the local business sector.

## VALUE FOR CUSTOMERS

We manage our customers’ materials, properties and forests efficiently and responsibly. For our customers, this is reflected as improved material, energy and cost efficiency. Our services create better conditions, which promote productivity at work and satisfaction among local residents. Our operations increase the value of our customers’ real estate and forest assets.

## VALUE FOR SHAREHOLDERS

We increase our company’s financial value sustainably. Our various businesses support each other through business cycles and global megatrends support the demand for our services. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders as dividends.



# L&T'S VALUE CREATION IN 2018

## ENVIRONMENT AND CLIMATE



**470,000 tonnes of secondary raw materials produced**  
**2,500 GWh of renewable energy produced**  
**55,000 tonnes of waste rendered non-hazardous**  
**300,000 tonnes of recovered soil and side streams**

**Conserving natural resources**  
 Recycling helped customers save a total of 3.4 million tonnes of wood and 75,000 tonnes of oil.

**Mitigating climate change**  
 1.2 million tonnes of CO<sub>2</sub> emissions eliminated.


**Reducing environmental and health risks.**

**-1,200,000**  
CO<sub>2</sub> tonnes (eq)

**L&T's operations reduce emissions by an amount that equals the annual emissions generated by 120,000 Finns.**

Source: <https://www.sitra.fi/artikkelit/keskivertosuomalaisen-hiihijalanjalki/>

## PERSONNEL



**Investments in safety, work ability and well-being: MEUR 8.3**  
**Benefits paid from the sickness fund: MEUR 1.4**  
**32,000 observations to improve safety**

**A safe workplace**  
 Lost time accident frequency (LTA)\*: 14.

**Meaningful work**  
 87% of L&T's employees feel that their work is meaningful.

**Retiring in good health**  
 The average age of retirement was 63.2 years.

**Career paths and competence development.**


**63.2**  
years

**The average age of retirement among L&T employees is two years higher than the Finnish national average.**

\* Accidents leading to absence / one million working hours

Source: <https://www.etk.fi/wp-content/uploads/elakkeellesiirtymiska-suomen-tyoelakejarjestelmassa-2017.pdf>

## SOCIETY



**8,600 employees: 1,000 summer workers, 1,000 with immigrant backgrounds**  
**Salaries and fees paid: MEUR 324**  
**Purchased goods and services: MEUR 391**  
**Investments: MEUR 38**

**Employment**  
 Improved employment prospects for young people, immigrants and people who struggle to find work.


**Increased well-being**  
 Added value: MEUR 417.  
 Tax footprint: MEUR 185.

**185,000,000**  
€ taxes

**L&T's tax footprint corresponds to the taxes paid by nearly 30,000 average Finnish earners.**

Sources: Statistics Finland: Finland in figures 2018, Taxpayers: wage-earners' tax rates

## CUSTOMERS



**Customers: 50,000 companies and 100,000 households**  
**15 million emptied containers, 900,000 tonnes of collected material**  
**900,000 maintenance actions**  
**4,000 energy efficiency suggestions**  
**10,000 hectares of managed forests**

**Material, energy and cost efficiency.**  
 The reuse and recycling rate of material collected from customers: 54.2%.

**Better conditions.**  
 More productive employees, more satisfied customers.


**Increased value of property and forest assets.**  
 Accelerating carbon sinks.

**54.2**  
%

**The recycling rate of L&T's customers is 13 percentage points higher than the average recycling rate in Finland.**

Source: Statistics Finland: Waste statistics 2017 (published 9 January 2019)

## OWNERS



**13,200 shareholders**  
**Net sales MEUR 802.2, up 13%**  
**Operating profit MEUR 47.6, up 8%**  
**Net cash flow from operating activities MEUR 90.1**

**Sustainable growth of the company's financial value.**  
 EVA\* MEUR 24, up 13.7%

**Stable dividends.**  
 Dividends paid MEUR 35.3, 5.1% of market capitalisation.

\* EVA = operating profit - cost calculated on invested capital.

**5.1**  
%

**L&T's dividend yield is nearly one percentage point higher than in Finnish listed companies on average.**

Source: Kauppakamari <https://kauppakamari.fi/wp-content/uploads/2018/07/osingot-suomalaisissa-porssiyhtiöissä-2018.pdf>

# OUR BUSINESSES



## ENVIRONMENTAL SERVICES

The goal of Environmental Services is to help customers make the circular economy a reality. The division's services include waste management, recycling, environmental products and environmental management. Together with customers, we seek ways to utilise waste in a cost-efficient and environmentally sound manner. Environmental management is becoming an integral part of overall material economy, where recycling is used to replace virgin raw materials. The Environmental Services division's strategic focus is on new services that promote the circular economy, the best customer experience in the industry and productivity. Our personnel is our most important resource.



Sekajäte	Keräyspaperi	Keräyspahvi	Energiajäte
<ul style="list-style-type: none"> <li>- ruuantähteet</li> <li>- liikkeet elintarvikepakkaukset</li> <li>- lasti</li> <li>- postilini</li> <li>- vaatteet</li> <li>- kengät</li> <li>- terveyssiteet</li> <li>- väpat</li> <li>- foliopakkaukset</li> </ul>	<ul style="list-style-type: none"> <li>- sanoma- ja aikakauslehdet</li> <li>- mainoslehtiset</li> <li>- kirjeluoret</li> <li>- värilliset kopiopaperit</li> </ul> <p><b>EI NÄITÄ:</b></p> <ul style="list-style-type: none"> <li>- pahvia</li> <li>- muovia</li> <li>- ruskeita paperikasseja</li> <li>- märkää tai liikaista paperia</li> </ul>	<ul style="list-style-type: none"> <li>- ruskeat pahvilaatikot</li> <li>- ruskeat paperikassit</li> <li>- ruskeat kirjekuoret</li> <li>- ruskea kartonki</li> <li>- aaltopahvi</li> </ul> <p><b>EI NÄITÄ:</b></p> <ul style="list-style-type: none"> <li>- muovipintaisia pahvipakkauksia</li> <li>- märkää tai liikaista pahvia</li> <li>- styroksia</li> </ul>	<ul style="list-style-type: none"> <li>- muovipussit ja pullot</li> <li>- juomapakkaukset</li> <li>- muovipakkaukset</li> <li>- muovipintaiset pahvipakkaukset</li> <li>- tyhjiä elintarvikepakkauksia</li> <li>- postiväneri</li> <li>- likaantunut tai märkä paperi</li> </ul>

Kiitos että kierrätät!

# WE INVESTED IN THE CIRCULAR ECONOMY AND MADE OUR SERVICES EASIER TO USE

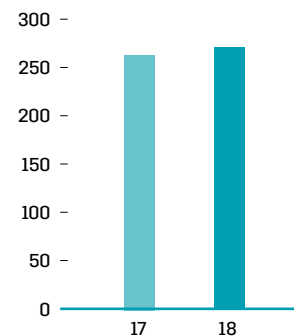
The Environmental Services division's net sales for 2018 amounted to EUR 270.2 million (262.8). Operating profit was EUR 31.6 million (31.6).

The division's net sales grew, and its market position improved particularly in the retail and industrial segments, and demand increased towards the end of the year.

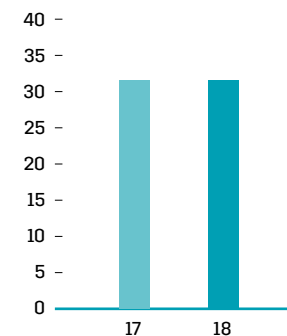
The Environmental Services division maintained a good level of profitability in a challenging business environment. Waste treatment and fuel costs increased more than anticipated, but other measures taken by the division compensated for their impact.

Among key raw materials in the secondary raw material market, the prices of fibres and metals remained stable, but the prices of certain waste-based plastic raw materials turned to an expected decline due to the Chinese ban on imports of plastic waste.

Net sales, MEUR



Operating profit, MEUR



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



## KEY ACTIONS AND ACHIEVEMENTS IN 2018

- We decided to invest in increasing the processing capacity of our plastic recycling plant and expand its services to include the processing of dirty plastics.
- We continued to expand our new circular economy services to new locations. These services include the Hävikkimestari service to help restaurants minimise food waste and the Helpponouto (EasyCollection) service, which facilitates the recycling of surplus items from consumers and enterprises.
- We continued to invest in digitalising our services and making their use easier. A growing number of customers now use and order our services through self-service channels such as Raksanappi and L&T Kauppa.
- We invested in the competence of our personnel by organising training on topics such as the customer experience.
- We invested in improving our employer image and acquired "The Kierrätysnaattori" ("The Recyclenator"), the world's most extravagantly customised waste collection vehicle, to highlight the relevance of drivers' work and to support driver recruitment.

## CASE

## A higher recycling rate creates considerable savings

**Iso Omena's Environmental Coordinator provides hands-on assistance to enhance the shopping centre's recycling.**

Iso Omena is a shopping centre with 100,000 square metres of leasable space, about 230 shops and 20 million customers per year. This scale of activity creates a tremendous amount of recyclable material, but it takes planning and a systematic approach to collect it efficiently.

"We want to be prepared for tomorrow's demands and improve our recycling rate. Recycling is also an increasingly important value for our customers," says Property Manager **Thomas Stenius** from Citycon, where he is in charge of sustainability at all of Citycon's shopping centres in Finland.

The shops, restaurants and other tenants of Iso Omena and the services of the City of Espoo are all engaged in the joint efforts. The most important thing is to be familiar with how the shops and their personnel operate. A clothing store's recycling needs are completely different from those of a restaurant, for example. You need continuous training and instruction regarding the sorting of waste. This is the responsibility of L&T's Environmental Coordinator **Olli Erjama**.

"We work together to find solutions for sorting new kinds of waste fractions, for instance. You won't find a ready-made answer to every situation you face. Sometimes you have to come up with a solution on the spot," Erjama explains.

For example, plastic packaging materials from clothing stores are now placed in the bags in which the clothes are delivered to the stores. This makes it easy to keep the plastic waste organised and take it to the waste compactors.

The shopping centre is a place with many operators, nearly round-the-clock activity and quite a lot of turnover in personnel. Due to these factors, accurate instructions and well-established practices are essential.

"When people have access to concrete instructions, they don't perceive recycling as a burden or difficult," says L&T's Account Manager **Robert Mårtensson**.

Citycon owns 11 shopping centres in Finland, and L&T is responsible for the development of waste management at all of them.

"It is important for us that the operating methods developed at one location are learned carefully and copied for use at all of our locations," Stenius from Citycon says.

L&T's Environmental Coordinator is on site



"We constantly share best practices between Citycon shopping centres," say Robert Mårtensson (left) and Thomas Stenius.

as needed. When new practices are being established, the Environmental Coordinator has a stronger presence. During the maintenance phase, the coordinator may allocate more time to supporting development at another shopping centre.

Iso Omena's customer volumes have more than doubled following its expansion and the opening of the new metro station. Even in this period of growth, the dedicated development of operating practices throughout the waste management chain has meant that the recycling rate has increased steadily.

"Our numbers look good. In particular, we've been able to reduce the amount of

mixed waste by 15%. That's an impressive feat. We have also been able to increase the recycling rate at our other shopping centres," Stenius adds. In 2018, 64% of all waste generated in Citycon's shopping centres was recycled.

A reduction in mixed waste means concrete financial savings. This benefits both Citycon and its tenants. This creates a virtuous circle that reinforces itself and the investment in an Environmental Coordinator quickly pays for itself.

"This co-operation is a win-win proposition," says L&T's Mårtensson.

Stenius nods and adds: "It's what a genuine partnership is all about."

## FACILITY SERVICES

Facility Services focuses on the circular economy of facilities by providing cleaning and support services as well as property maintenance and renovation services. The division's strategic focus areas are an efficient and agile operating model, the employee experience, ensuring the availability of personnel as well as the customer experience and customer-driven solutions.

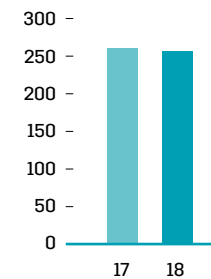
# WE IMPLEMENTED A NEW OPERATING MODEL TO IMPROVE COMPETITIVENESS

The Facility Services division's net sales for 2018 amounted to EUR 257.2 million (260.6). Operating profit was EUR 5.0 million (5.2).

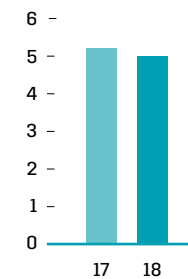
The net sales and operating profit were decreased by the deployment phase of the ERP system and the loss of customers due to price competition in the cleaning business. The division focused on completing major changes to the operating model in order to improve competitiveness and keep labour costs under control.

In the public sector, the demand for private services is increasing by the progress of preparations for healthcare, social services and regional government reforms as well as the efficiency improvement needs of municipal economies. The general growth in the demand for labour reduced the availability of labour, particularly in growth centres. L&T actively promotes personnel retention and labour availability by, developing its induction training practices through, among other things, utilising mobile tools, as well as investing in the employee experience, employer image and effective recruitment.

Net sales,  
MEUR



Operating profit,  
MEUR



It's smart to treat the symptoms of a property. It's even **SMARTER** to prevent them from happening.



## KEY ACTIONS AND ACHIEVEMENTS IN 2018

- A new operating model and ERP system (KIITO) was deployed in the property maintenance and cleaning businesses. We aim to use KIITO to achieve leadership in the management and transparency of service production and to promote data-driven management.
- The property maintenance business was strengthened in December by L&T acquiring the business operations of Kymen Talopalvelu Oy, which operates in the Kouvola area.
- We focused on developing coaching style leadership in 2018. All of the Facility Services division's supervisors completed "The Customer and I", a training programme aimed at improving the customer experience, and the participants subsequently coached their teams on the subject.
- We focused on developing teamwork practices and allocating time to working with subordinates on a personal level. The results of these efforts were reflected in improved scores in our survey on the quality of supervisory work.
- The new property information management system KIITO+ was deployed at the end of 2018. The system will be used to build even better service channels and service experiences for customers, particularly in the residential segment.
- We developed and launched new customer-oriented services: The use of the L&T Talkkari (Caretaker) service was expanded in our major accounts. We partnered with Fennia to launch Fennian Taloapu, a round-the-clock service to help customers when damage occurs.

## CASE

## Lumo Talkkari (Caretaker) elevated tenant satisfaction to a new level

**L&T Caretaker ensure that the tenants of Kojamo's rental housing have access to quick assistance.**

People still think back fondly to the caretakers of the good old days: those familiar, reliable and easily reachable stalwarts who could handle almost everything. L&T has introduced the Caretaker model to bring back these advantages — L&T Caretakers have the freedom and the responsibility to look after their designated properties with a high degree of autonomy.

Finland's largest lessor, Kojamo, has some 35 Lumo Caretakers at its Lumo buildings in the Helsinki metropolitan area.

"We want to continuously improve the customer experience. For us, the Caretaker is a partner. For the tenants, the Caretaker is a source of security," says **Joonas Kosonen**, Development Manager at Kojamo.

"The Caretaker creates the feeling that the residential environment is being looked after. It makes everyone more motivated to do their part," says **Markus Alfthan**, L&T's Project Manager responsible for the concept's development. At the same time, the lead times of maintenance requests have been halved, among other things.

The Caretakers have a long job description, but rather than being based on rigid service specifications, it is based on needs: use common sense and focus on what needs repairs, maintenance or preventive measures. The model is a useful one for Kojamo and a motivating one for the Caretaker.

"You don't have a set job description. Instead, you have to learn new things as you go along. But that's what makes it interesting. Having the freedom to use your own discretion is the best feature of this job," says **Teijo Småtrask**, the Lumo Caretaker of a property on Tuulensuunkuja in Helsinki.

For Kojamo's property managers, the model is straightforward because there is no need for work orders to pass through the management level. Kojamo has also had the chance to have a say in the selection of Lumo Caretakers. A positive attitude and good interpersonal skills are particularly important.

"You need the right mix of technical expertise and customer competencies. A positive service attitude affects the customer experience, and this job is better suited to someone with well-rounded skills rather than the best ventilation technician, for example," says **Kaj Michelsson**, Customer Category Manager and the supervisor



Lumo Caretaker Teijo Småtrask (middle) has the autonomy to perform his duties flexibly. Kaj Michelsson (left) and Joonas Kosonen work on to actively develop the cooperation.

of the Caretaker team at L&T.

"You also have to remember to communicate the solutions to problems. Only then is the job done. Communication skills are emphasised in exceptional circumstances, like periods of heavy snowfall in winter."

The co-operation between L&T and Kojamo will be elevated to a new level by the introduction of new services for tenants, such as the Key Courier service. Once a tenant has signed a lease, the keys to the new home are delivered to the tenant's workplace or directly to the building on the day of the move.

Another new service is L&T's Helpponouto (EasyCollection) service. For a small fee, L&T picks up items to be recycled that are difficult to transport, such as a sofa. The service is also being piloted by having the vehicle visit specific places on specific days to pick up

items that are no longer needed.

The most recent pilot is for an installation service. On moving-in weekends, tenants at all newly built or renovated buildings can get help on tasks such as putting up shelves or installing a washing machine.

"All of these services are in line with the goal of convenience that also characterises our approach to renting homes. They are excellent examples of our joint development with L&T," says Kosonen.

Tenant satisfaction is particularly important in the rental housing market in the Helsinki metropolitan area.

"The general level of rental rates influences customers' expectations of the content of housing services. With these types of services, they get more value for their money."



## TECHNICAL SERVICES

The Technical Services division focuses on electricity, HVAC, automation, refrigeration and cooling as well as security services. Our goal is to take good care of our national treasure: our properties. We work systematically to take care of the technical systems of buildings by creating comfortable and energy-efficient environments. The division's strategic priorities are to ensure competent personnel and develop services as well as customer-oriented and commercially capable operations.



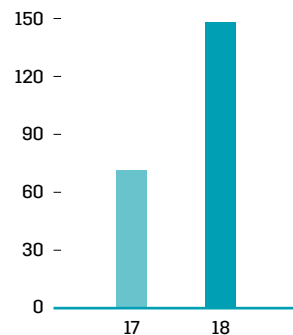
# WE DEVELOPED OUR ENERGY SERVICES AND INVESTED IN CUSTOMER ORIENTATION

The Technical Services division's net sales for 2018 amounted to EUR 148.4 million (71.8). The increase was mainly due to the L&T FM acquisition. Operating profit was EUR 4.5 million (1.6) and adjusted operating profit was EUR 6.8 million (2.6).

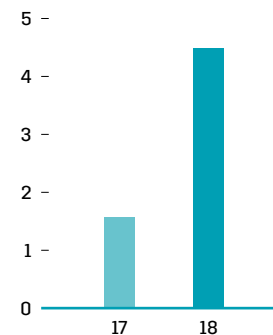
In Sweden, business developed favourably thanks to strong demand and improved productivity. In Finland, the increase in net sales was particularly attributable to the public sector and industry. Operating profit was burdened by the deployment phase of a new operating model and ERP system, which mainly took place in the latter part of the year. Profitability was also affected by an increase in personnel expenses caused by labour movement brought on by the market situation.

Our market position strengthened in both Finland and Sweden due to the expansion of our contract portfolio. Also, our order book remained strong throughout the year.

Net sales, MEUR



Operating profit, MEUR



Buildings should not have an expiration date.



## KEY ACTIONS AND ACHIEVEMENTS IN 2018

- The strategy in Sweden was implemented by deploying a new customer-oriented organisational structure and strengthening the commercial organisation.
- A new operating model and ERP system (KIITO) were deployed in Finland, which substantially increases our ability to control production and improve the customer experience.
- We increased our investments in the development of energy services and solutions in Finland and Sweden. One example of this is the L&T Smartti solutions unit established under L&T energy solutions late in the year.
- Personnel communication was increased, as was the number of internship and apprenticeship opportunities in order to improve the employer image and employee availability. Co-operation with educational institutions was strengthened together with Facility Services.

## CASE

## Service quality is the first priority in Stockholm

**When L&T took over the maintenance of technical systems at Stockholm Central Station, the number of fault reports went down, and energy consumption was reduced.**

Jernhusen Fastigheter AB, a subsidiary of Jernhusen AB, owns the railway stations, depots and other buildings attached to the Swedish railway network. The crown jewel among the more than 130 properties owned by the company is Stockholm Central Station, with 220,000 people passing through every day.

Jernhusen's Technical Manager **Matti Möller** says the quality of property maintenance has improved since L&T acquired the previous service provider and took over the operations.

"L&T has made a big difference in our property maintenance. As the customer, I feel like I am listened to more. If I highlight a problem at a meeting, L&T takes quick action to resolve it. After the change in ownership, they've had more freedom to do things the way they see best," Möller explains.

L&T's Regional Director **Jan Walldorf** was employed by the previous owner before

L&T's acquisition. He praises the change in company culture.

"The previous owner was a huge company. We were just a drop in the ocean. Working for L&T is more satisfying, and the company is responsive to what we do," Walldorf says.

L&T is responsible for the maintenance of 70 properties owned by Jernhusen. The contract covers the full range of technical systems: heating, cooling, electricity, ventilation, lighting and sewer maintenance.

Möller emphasises that price is not the most crucial factor for Jernhusen.

"The price has stayed roughly the same. For us, the important thing is the quality of property maintenance. We work closely together with L&T and hold a lot of informal meetings. We have four major meetings each year, but we also keep in contact between them," Möller says.

The cooperation has already produced savings.

"Our energy consumption has decreased over the past six months. L&T's energy team has put a lot of effort into working with us, and our ventilation and heating systems have been upgraded. We have reduced our



Matti Möller (left) and Jan Walldorf look after the busiest station building in Sweden.

energy consumption by 11% in this building," Möller adds.

Savings are also achieved by having fewer separately invoiced orders. This is due to the technical systems being inspected more frequently, which helps prevent full-blown problems from developing. A total of 1,077 fault reports were made in 2018, a decrease of five per cent from the previous year.

The team at Central Station consists of the team leader and six technicians, with another three at the depot. The team is on call around the clock in case of urgent issues.

"Our doors and escalators work more reliably now. We also market our facilities for use by external event organisers and we have a lot of pop-up events that L&T helps us with. Their technicians are also able to help when our subcontractors need assistance," Möller explains.

A couple of technicians have been replaced — not so much for lacking technical competence, but due to shortcomings in social skills.

"We have 30,000 square metres of space and about 30 shops. This is more like a shopping centre than a railway station, and our technicians work in close contact with our tenants. The quality of maintenance and service needs to be high, and we conduct an annual survey to gauge our tenants' views," Möller adds.

"The customer satisfaction figure for all of our operating locations combined is 85%. If your work is not up to par, you risk losing the contract. With that in mind, we focus on quality rather than price in our negotiations," says Key Account Manager **Christer Broman** from L&T.

## INDUSTRIAL SERVICES

The Industrial Services division includes process cleaning, sewer maintenance, hazardous waste services and environmental construction. We serve our customers in the waste and side stream value chain from the creation of waste to their reuse and material recycling. The division's strategic development priorities include investing in service development and new ways of using services, new sources of growth and the development of business-specific operating models and systems to support them.



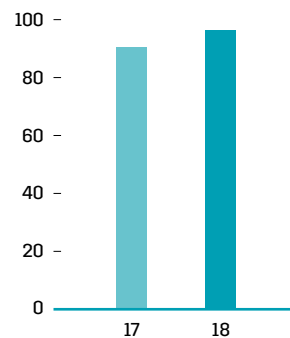
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# WE EXPANDED OUR SERVICE OFFERING AND DEVELOPED OUR OPERATING METHODS

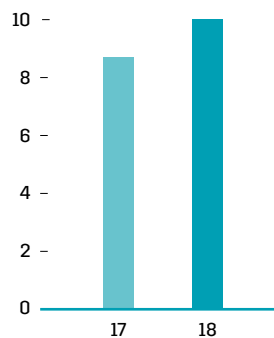
The Industrial Services division's full-year net sales grew by 6.5% to EUR 96.5 million (90.7). Operating profit grew by 15.3% year-on-year and amounted to EUR 10.0 million (8.7).

The division's net sales grew and profitability increased thanks to strong demand and the continued improvement of the efficiency of operations. Investments in service development and the efficiency of operations supported growth and new customer acquisition, which was reflected in a higher market share. The project business, in particular, achieved growth and improved profitability. The division's customer satisfaction was maintained at an excellent level.

Net sales, MEUR



Operating profit, MEUR



The Waste Act turned problem waste into hazardous waste. We make it SAFE.



## KEY ACTIONS AND ACHIEVEMENTS IN 2018

- The development of the Industrial Services concept for significant industrial sites was promoted by training service managers and productising the service offering. The concept is aimed at creating an increasingly broad offering and even more cost-efficient services for our customers.
- The development of working methods and waste treatment to promote the circular economy continued in several projects in line with strategy.
- Progress in the growth of the environmental construction business was made by completing the environmental impact assessment for the Oulu region treatment centre.
- We defined a new operating model and ERP system. The implementation of the system began in the autumn and its deployment will start gradually in 2019.

## CASE

## Tank container washing services expedite imports and exports

**Chemical containers are washed with nearly hygienic precision at L&T's terminal.**

A large Scania towing a 35 m<sup>3</sup> tank container rolls into a terminal building near the Port of Kotka. **Niko Peri** puts on a safety harness, moves from a platform onto the cargo container and lowers a pressure washer into the container. Any remnants of the container's previous contents are blasted away by a powerful jet of hot water, 85 degrees Celsius at a pressure of 160 bars.

Tank container cleaning is one of the many services offered at L&T's Kotka terminal. Tank containers are cylindrical containers inside a metal frame that matches the standard dimensions of a cargo containers. They are used to transport raw materials for the oil and paint industries, for example.

The Kotka-based logistics company Siik & Laakkonen is one of L&T's customers.

"We pick up the tank from the port, deliver its contents to the customer and then bring the empty container back here for washing. Then we go get it filled up again and haul it back to the port," says entrepreneur **Teemu Laakkonen**.

The company uses L&T's services to clean more than 700 tank containers each year for

a large international corporation.

Washing tank containers requires surgical precision. The stainless steel surfaces inside the tank are sparking clean after they have been washed. The inside of the container is dried by blowing hot air inside. Because the tanks are used for transporting chemicals, there must not be a single drop of water left inside. The final inspection is done wearing shoe covers to eliminate shoeprints.

"If there are any deposits of frost or ice around the hatches, they need to be wiped off before filling the container," Laakkonen says, explaining the high standards.

The tank container washing line was upgraded three years ago to enhance safety and make it even more eco-friendly than before. The improvements were based on customer needs.

"We can now provide a highly efficient service that suits our customers' schedules. They don't have the time to keep their vehicles out there waiting. Cleaning a container takes about 30–40 minutes," says supervisor **Jari Peltola**.

Occupational safety was a high priority when the production line was upgraded. The facilities are well lit and there are platforms with fall protection systems in place. In



Teemu Laakkonen (left) is particularly pleased with L&T's and Niko Peri's and Jari Peltola's (right) keen interest in the customer's service needs.

addition to customary protective equipment, the workers use harnesses as they work at a height of more than four metres. Years of safety-first thinking have produced excellent results: the facility in Kotka has operated for more than 3,600 days without any accidents.

The terminal's co-operation with Siik & Laakkonen goes back several years. Laakkonen appreciates L&T's flexibility.

"We often have urgent needs and we need flexibility from our service partner. The crew here has a high level of professional skill and we can call the washing technicians directly on the phone when necessary. The terminal's location near the port is also important for our logistics.

Laakkonen is particularly pleased about the development of the washing line.

"Systematic development is important, and L&T has always been good about listening to customer feedback.

The latest service introduced at the Kotka terminal is the heating of containers. Certain chemicals require a specific temperature during transport, and the containers are equipped with heating coils that are connected to hot water or steam at the depot.

In addition to washing containers, the Kotka terminal handles 4,000 tonnes of hazardous waste annually: oils, industrial chemicals, paint, oily water and various other types of waste collected from car repair shops, industrial sites and municipal waste stations, for example.

"You could say we are prepared to handle everything except radioactive and explosive materials," Peltola concludes.

## RENEWABLE ENERGY SOURCES

The services of the Renewable Energy Sources division, or L&T Biowatti, include forest management services, such as energy wood thinning and first commercial thinning, targeted at forest owners. The division serves energy producers by supplying fuels, such as wood chip fuel, wood by-product fuel and recycled fuel. In addition, it offers a wide range of logistics services.



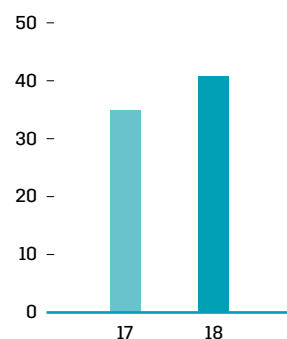
# WE INVESTED IN CUSTOMER ORIENTATION AND REDUCING WASTE

The full-year net sales of the Renewable Energy Sources division amounted to EUR 40.7 million (34.9). Operating profit was EUR 0.0 million (EUR 0.7 million).

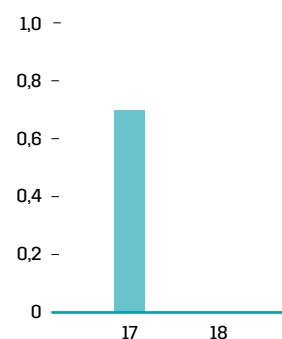
The market of Renewable Energy Sources remained challenging. The over-supply of wood fuels had a negative impact on sales prices during the heating season at the start of the year. Heavy rainfall reduced the energy content of wood fuels, which decreased the profitability of operations. The consumption of wood by the forest industry increased. Combined with the rise in fuel prices, it led to higher costs of wood procurement, harvesting and logistics.

Our wood procurement volumes increased from the previous year. New heat and power plant investments increased the demand for energy wood.

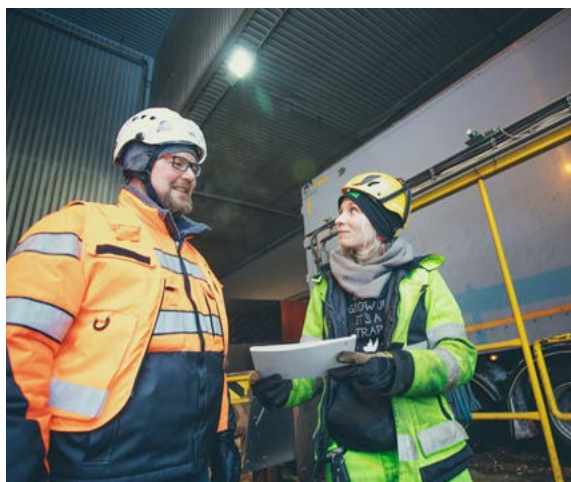
Net sales, MEUR



Operating profit, MEUR



Wood has many uses: clean energy, pulp and plank. Forest management increases the availability of wood.



## KEY ACTIONS AND ACHIEVEMENTS IN 2018

- The Renewable Energy Sources division prepared for profitable growth in line with strategy. The procurement organisation was developed and strengthened in response to customer needs and a demand-driven operating model was created and implemented in wood procurement.
- Operating methods were harmonised through team leader training and by harmonising reporting and meeting practices.
- In inventory management, the development of various measurement methods has continued, particularly for forest scraps, in which the rate of waste was successfully reduced. At the same time, efforts have been made to improve the management of energy content; for example, by developing winter storage solutions and terminal warehouses.



## CASE

## Cleaner heat from Finnish forests

**Use of energy wood reduces CO<sub>2</sub> emissions and improves the well-being of Finnish forests.**

The smokestacks of the Vanaja power plant extend into the sky above Hämeenlinna. At ground level, a lorry is unloading wood chips at the delivery area next to the fuel storage field.

L&T Biowatti has supplied Elenia Heat with energy wood since 2010. Each year, contract drivers deliver approximately 80,000 cubic metres of energy wood to the Hämeenlinna, Kärämäki and Oulainen heating plants, where the wood is used to produce 150,000 MWh of heat.

Elenia Heat has used wood in place of fossil fuels, primarily natural gas. This offers a number of benefits.

“We save thousands of euros each year by using energy wood instead of natural gas,” says Fuel Purchasing Manager **Karoliina Kärkäs**.

Using domestic wood is also good for the economy: as energy wood is harvested in the vicinity of the plant, its use benefits the local economy. At the same time, transport

costs and the carbon footprint are kept in check. Energy wood also presents a source of additional income for forest owners.

Energy wood is good for the environment: producing 150,000 MWh from natural gas would generate 30,000 tonnes more CO<sub>2</sub> emissions. Moreover, the flue gases from burning wood can be efficiently cleaned by flue gas scrubbers.

Elenia Heat and L&T Biowatti maintain a continuous dialogue. Relaying information about the needs of energy plants seamlessly to harvesting professionals ensures that deliveries are efficient and the quality meets the plant’s needs.

“Biowatti’s harvesting professionals have familiarised themselves with our boiler technology, for example, so they have an in-depth understanding of our quality requirements. The co-operation has helped both parties improve,” Kärkäs explains.

Logistics Supervisor **Jarmo Savela** is responsible for ensuring that L&T Biowatti’s transport operations are smooth and timely.

“It is important to schedule fuel deliveries correctly to ensure that Elenia Heat receives the right fractions at the right time. Different



A high-quality service with a robust level of delivery reliability is achieved through active dialogue between the customer and the supplier, say Karoliina Kärkäs and Jarmo Savela.

boilers also have different fuel requirements.”

Delivery reliability has a direct impact on the reliability of heating production.

“It is very important for us to have access to domestic renewable fuels that support the local economy. Biowatti helps us maintain our image as a responsible company,” Karoliina Kärkäs says.

In addition to delivery reliability, flexibility is also important.

“It is inevitable that we will occasionally have changes or urgent needs. Sometimes I worry about disturbing Jarmo outside office hours, but he has always taken care of everything very well,” Kärkäs concludes with a smile.

# RESPONSIBILITY



# RESPONSIBILITY WITH GENUINE IMPACT

**Responsibility is an integral aspect 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 aim 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 functioning of society, which is why we make no compromises when it comes to the regulatory compliance and sustainability of our operations. We also require that our suppliers operate in accordance with our responsibility principles.

In 2018, L&T made a commitment to support the UN's Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption.

### L&T creates value for stakeholders

In 2018, L&T revised its corporate responsibility programme to link it even more closely to the company's strategic priorities and stakeholder expectations. The company's focus in the development of responsibility was shifted to the impact of operations and the value that the company creates together with its customers for its key stakeholders, society, the environment and the climate. In connection with this refocusing, the priorities outlined in the responsibility programme were linked to the UN Sustainable Development Goals (SDGs) and the Global Compact initiative.

## L&T CORPORATE RESPONSIBILITY – KEY ELEMENTS



**The circular economy and climate change mitigation**

We promote the sensible use of materials and energy and reduce the amount of waste generated.

We promote the sustainable use of natural resources and participate in efforts to counter climate change.

We promote the transition towards a circular economy.



**A healthy, diverse and productive workplace community**

We look after the well-being and work ability of our personnel.

We provide employment opportunities to immigrants, young people and people who are retraining or struggling to find employment.

We create economic growth and well-being.



**Sustainable industry and cities**

We promote the development of industrial infrastructure in line with the principles of sustainable development, and the recovery of industrial side streams and closed cycles.

We find innovative solutions to build sustainable cities and create healthy and safe environments.



### Legal and regulatory compliance

We ensure compliance and ethics in own operations.  
We ensure responsibility of the supply chain.

### Stakeholder expectations

- There is an expectation for L&T to act as a leader in sustainable business, steering the entire industry in the right direction from society's perspective and creating good practises.
- As a significant employer, we are also expected to be a responsible employer that treats its personnel appropriately and fairly.
- It is also expected that we increase our interaction with our various stakeholders, engage in innovative service development and operate in an ethical and responsible manner.

**Strategic priorities of corporate responsibility**

- Due to the nature of its operations, L&T can, together with its customers, have a significant impact on the realisation of the circular economy and the mitigation of climate change. We replace virgin raw materials with secondary raw materials and fossil fuels with bioenergy, and we create new service solutions that promote the circular economy and have a direct impact on UN SDG 7 (Affordable and clean energy), UN SDG 12 (Responsible production and consumption) and UN SDG 13 (Climate action).



- As a major employer and service enterprise, the focus of our social responsibility is on our employees and in the creation of well-being. We endeavour to build a healthy, diverse and productive work community and create sustainable economic added value and well-being, which addresses UN SDG 8 (Decent work and economic growth).



- We promote sustainable industry and sustainable cities by developing our customers' operations and by creating new and innovative service solutions for purposes such as recovering industrial side streams and creating healthy and safe conditions for people. This contributes towards UN SDG 9 (Industry, innovation and infrastructure) and UN SDG 11 (Sustainable cities and communities).



- We also ensure that everything we do complies with our legal and ethical responsibilities, and we expect the same from our subcontractors.

**Key responsibility commitments**

## Managing corporate responsibility

At L&T, the corporate responsibility programme is integrated into the company's strategy. The Board of Directors confirms the programme in conjunction with the strategy. The Group Executive Board is responsible for the strategic management of corporate responsibility, and operational measures are governed by the corporate responsibility programme. The Group Executive Board regularly monitors the progress of the programme and the projects launched to support its implementation. The Group Executive Board also evaluates and, if necessary, updates the targets of the programme annually.

Managing corporate responsibility is part of the daily management and development of business operations at L&T, and it is steered 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 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety). In 2018, in Finland more than 70% of our business operations were certified.

The businesses and other functions are in charge of the responsibility and compliance of their operations. In addition, each L&T employee has an obligation to perform his or her duties in compliance with the principles regarding responsibility.

Our decision-making and administration are compliant with the Finnish Companies Act, other regulations governing listed companies, Articles of Association of Lassila & Tikanoja plc, Charters of L&T's Board of Directors and its committees and the rules and guidelines of Nasdaq Helsinki Ltd.

To ensure the responsibility of our operations, we have documented our responsible business principles in our Code of Conduct, which applies to everyone at L&T as well as our contract suppliers. Where necessary, the Code of Conduct is also supplemented with more detailed policies and principles.

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.

The Director of Corporate Relations and Responsibility and the communications organisation operating under his supervision are in charge of the practical coordination and reporting of responsibility work.

➡ [For more information on the management practises of corporate responsibility, please refer to our website.](#)

# L&T REVISED ITS CORPORATE RESPONSIBILITY PROGRAMME

**L&T completed the renewal of its corporate responsibility programme in 2018, and this year we are reporting on our responsibility for the first time in accordance with the new programme.**

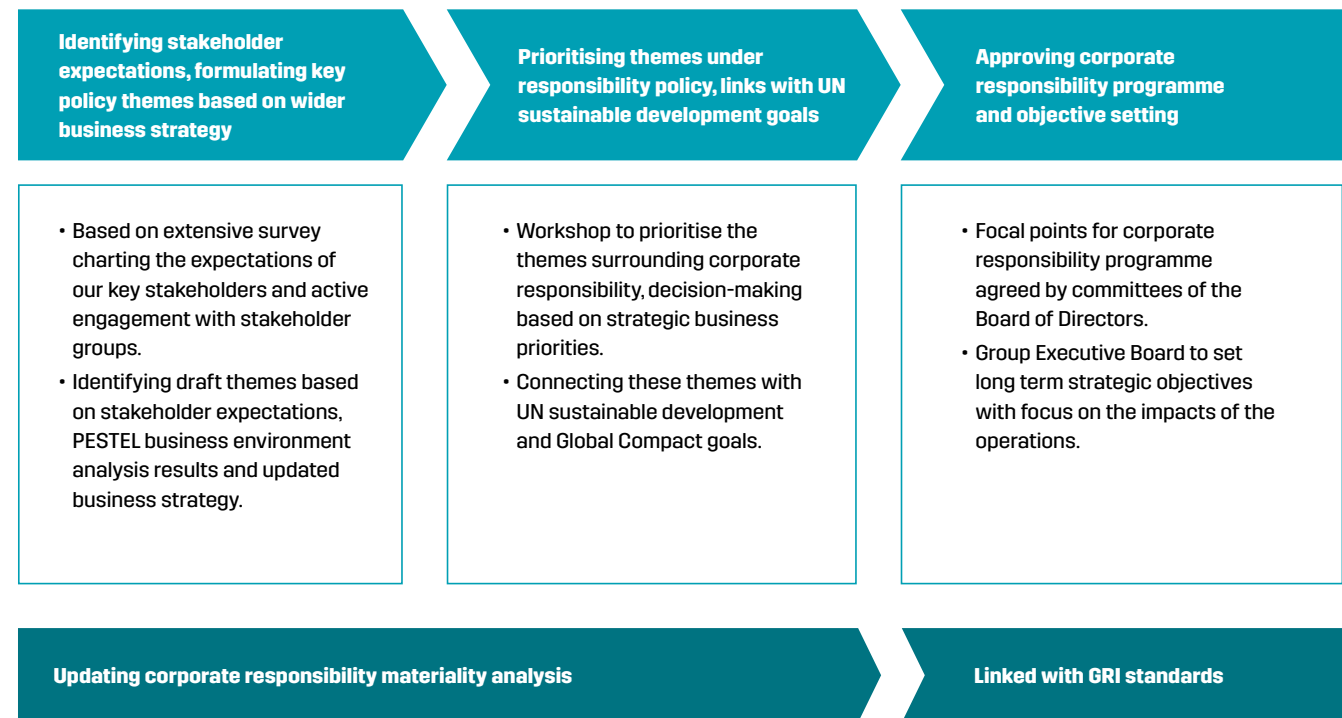
L&T's Board of Directors has approved the corporate responsibility programme's priorities and the Group Executive Board has set the long-term targets. The targets will be reviewed and specified annually, focusing particularly on the impact of operations.

### Focus on the impact of operations

In our corporate responsibility programme, we have considered the material aspects of our corporate responsibility and set measurable targets where applicable. We have also taken into account the particular nature of the operations and business environment of a service enterprise that operates in the environmental sector.

The programme is implemented through business-level working groups as well as by centralised Group functions. The progress of the programme is monitored by the Board of Directors annually and by the Group Executive Board at least quarterly.

## UPDATING OUR CORPORATE RESPONSIBILITY PROGRAMME



## L&T CORPORATE RESPONSIBILITY PROGRAMME 2018–2021

### KEY ELEMENTS

### OBJECTIVES

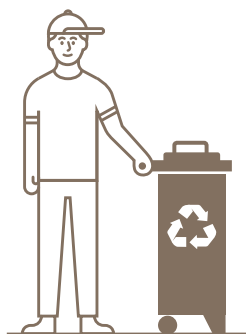
<b>The circular economy and climate change mitigation</b> 	<b>We promote the sensible use of materials and energy and reduce the amount of waste generated.</b>	We are committed to increasing the re-use and recycling rate of waste collected from customers to 60%, rising to 70% in the long term. Improving customer energy efficiency.
	<b>We promote the sustainable use of natural resources and participate in efforts to counter climate change.</b>	We are committed to increasing the size of our carbon handprint. We will reduce our CO <sub>2</sub> emissions by 25% compared to the level and volume of 2012 > setting a scientifically rigorous target.
	<b>We enable the transition towards a circular economy.</b>	We are committed to taking practical steps towards a circular economy.
<b>A healthy, diverse and productive workplace community</b> 	<b>We look after the well-being and work ability of our personnel.</b>	We are committed to reducing our sickness-related absence rate to 4.5%. The average retirement age will rise to 64, with a long-term target of 65. Reducing occupational accidents: LTA frequency 10, TRIF indicator 29 (2018), with a long-term target of 0. Increasing the employee promoter score to 80%, improving the supervisor index.
	<b>We provide employment opportunities to immigrants, young people and people who are retraining or struggling to find employment.</b>	We take practical steps to improve employment opportunities for immigrants, young people and people who may be struggling to find employment. We actively develop work and career opportunities to drive employment.
	<b>We create economic growth and well-being.</b>	We promote wellbeing by driving added value. Transparent tax footprint reporting.
<b>Sustainable industry and cities</b> 	<b>We promote the development of industrial infrastructure in line with the principles of sustainable development, and the recovery of industrial side streams and closed cycles.</b>	We promote the use of environmentally friendly and safe technologies. We increase the recovery of industrial side streams and contaminated land.
	<b>We find innovative solutions to build sustainable cities and create healthy and safe environments.</b>	We promote the development of sustainable cities and solutions to maintain sustainable urban infrastructure provision. We drive innovation to create healthy and safe working environments for all.
<b>Legal and regulatory compliance</b> 	<b>We ensure compliance and ethics in own operations.</b>	No major damage or infractions. All new L&T employees are required to familiarise themselves with our Code of Conduct and this is reviewed regularly.
	<b>We ensure responsibility of the supply chain.</b>	We use suppliers who are committed to the L&T responsible supply chain policy. We conduct sufficient annual risk-based audits of our suppliers.

More information on the materiality analysis of corporate responsibility and the reporting principles is provided under [Corporate responsibility reporting](#) in this report.

# AIMING AT CIRCULAR ECONOMY AND MITIGATING CLIMATE CHANGE

L&T puts environmental responsibility into practice particularly through the services it produces for customers. The primary goal is always to direct materials collected from customers to reuse or recycling, guided by the order of priority stipulated by law and the circular economy approach. We aim to mitigate climate change, e.g. by replacing fossil fuels with bio-fuels and solid recovered fuels as well as by reducing the emissions of our own transport services. We are also active in our efforts to promote the necessary operating conditions for the circular economy.

Priorities	Targets 2018–2021	Indicators 2018
We promote the sensible use of materials and energy and reduce the amount of waste generated.	We are committed to increasing the reuse and recycling rate of waste collected from customers to 60%, rising to 70% in the long term.	Reuse and recycling rate: 54.2% (53.8), the total volume of materials reused and recycled was nearly 40,000 tonnes higher than in the previous year. New projects to increase the refining rate of various material streams. Innovations and service solutions that promote the circular economy.
	Improving customers' energy efficiency.	Energy monitoring covers 368 (350) locations, 3,942 (3,086) proposals made to improve energy efficiency. Customer-specific development projects and their outcomes.
We promote the sustainable use of natural resources and participate in efforts to counter climate change.	Increasing the size of our carbon handprint.	The carbon handprint of L&T's operations is 1.2 million (1.1) CO <sub>2</sub> equivalent tonnes. Energy items replaced by biofuels and solid recovered fuels: 2.5 TWh (2.2 TWh). Developing new services that increase the carbon handprint.
	Reduce own CO <sub>2</sub> emissions by 25% compared to the level and volume of 2012 > setting a science based target.	Reducing emissions: 15.7% (21.3*) Emission intensity, i.e. ratio of emissions to net sales: 59.5 CO <sub>2</sub> equivalent tonnes (66.2*) per 1 MEUR. (* the comparison figures do not include L&T FM's emissions)
We enable the transition towards a circular economy.	Practical steps towards a circular economy.	Customer training and education. Development projects, societal initiatives and campaigns

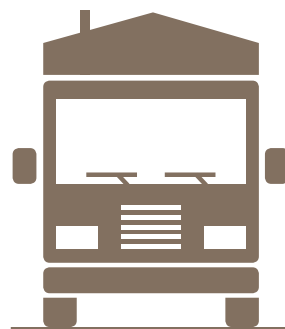


## OUR RECYCLING RATE

In 2018, L&T reused or recycled

**54.2%**

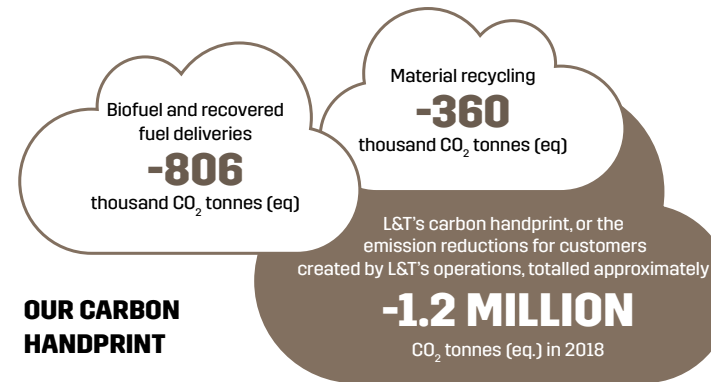
of the materials collected from customers. The recycling rate of some of our customers was as high as 100%.



## REDUCING OUR OWN EMISSIONS

**-15.7%**

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



This corresponds to the annual emissions of approximately 120,000 Finns.

# RECYCLING AND MATERIAL RECOVERY

L&T strives to promote the transition to the circular economy in its own operations as well as its customers' operations. We have invested in new services that promote the circular economy, increase our customers' material and energy efficiency and reduce costs. We have also increased the carbon handprint of our operations and our goal is to further increase the use of secondary raw materials instead of virgin materials. In accordance with the order of priority in waste management, we primarily direct the generated material streams to be reused or recycled.

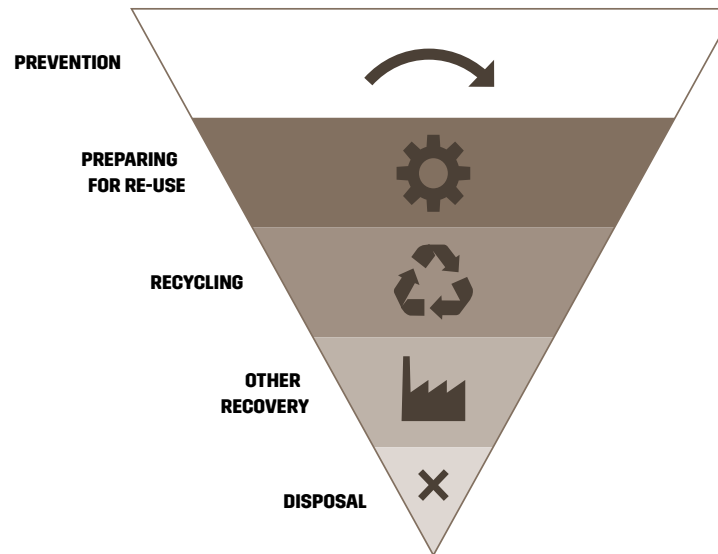
## The recycling rate is increasing

To reduce the environmental impact of the materials collected from customers and to promote the circular economy, L&T continuously strives to find new solutions to recover materials at the highest possible refining rate and in accordance with the order of priority in waste management.

In 2018, 54.2% (53.8%) of the material streams collected from our customers and managed by L&T could be reused or recycled for use as raw material for new products. At L&T's high volume, this meant that the total amount of materials reused and recycled was nearly 40,000 tonnes higher than in the previous year.

This report covers the key material streams from the perspective of material reuse and

## THE ORDER OF THE PRIORITY



recycling, namely municipal waste, hazardous waste, industrial waste and construction waste collected from corporate customers in Finland and Russia. In 2018, their combined volume was 868,000 tonnes (801,000), of which 470,500 tonnes (431,000) was reused or recycled. Slurry, contaminated soil and ash are excluded from reporting.

The recycling rate reported by L&T is the weighted average of our customers' recycling rates. It also includes 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%.

Our aim is to continuously increase the reuse

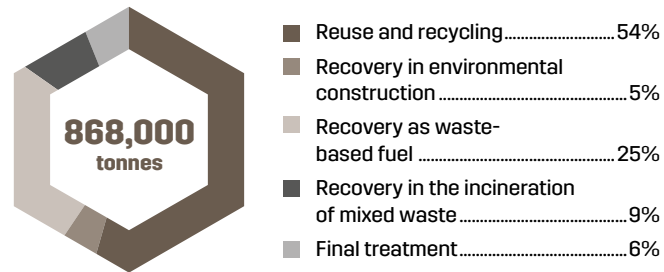
Practical measure: 470,500 tonnes of raw material from waste containers.

and recycling rate of waste collected from customers. To achieve this goal, we actively look for new material streams whose refining rate we can increase and develop new service solutions for our customers to promote the circular economy. [For more information on this, please refer to page 42.](#)



Circular economy and mitigating climate change

**Recycling rate of materials managed by L&T, %**



**Recycling rate of hazardous waste, %**



**Material flows managed by L&T**

	2018	2017	2016
Waste-based materials total, tons	868,000	801,000	769,000
Materials sorted at source, %	68%	67%	65%
Hazardous waste sorted at source, %	6%	6%	6%
Mixed waste, %	26%	27%	29%

- **Reuse** includes, for example, pallets forwarded directly or after repairs to reuse and goods collected via the Helpponouto (EasyCollection) service, which are forwarded to reuse via partners.
- **Recycling** includes material streams sorted at source and 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 and tyre shreds used for energy production.

- **Hazardous waste**, which includes oily waste, solvents, batteries and fluorescent tubes, among other things, are processed by L&T at the company's own facilities or forwarded to trusted partners for recovery. In 2018, we collected 55,000 tonnes (47,000) of hazardous waste from our customers, with 67% (64) of this total recycled. Part of the hazardous waste we collected was recovered as energy and non-recoverable waste was sent for final treatment. In 2018, 5.0% (6.7) of hazardous waste was transported to other EU countries for treatment. We did not import any hazardous waste to Finland in 2018.

**Sorting at source promotes recycling**

Increasing sorting of materials at source plays a key role the development of the recycling rate. When materials are diligently sorted at source, they can be recovered and utilised effectively.

The volume and share of materials sorted at source of the material flows managed by L&T has increased continuously. In 2018, 74% (73) of all materials were sorted at source, with only 26% (27) ending up in mixed waste.



**New projects to enhance the recycling of plastic and wood**

There is still a lot of room for improvement in the sorting at source of corporate waste and construction waste. Sorting at source is important because the cleaner the material is when collected, the easier it is to forward the material to be reused and recycled.

- In 2018, we developed and launched a new Kierrätyspuu (Recycled Wood) service for our customers, enabling the use of wood chips in the production of particle board and thereby increasing the recycling rate of wood. More information is provided on the next page.
- We made an investment decision regarding a new processing line to be built at the Merikarvia plastic recycling plant. New washing technology makes it possible to process even dirtier and more difficult types of plastic waste generated particularly in the retail and construction industries. Recycling the plastics in question has not been possible previously. Once opened in 2019, the new processing line will significantly increase the plant's processing capacity. At the plant, plastic waste is turned into more than hundred different recycled plastic granulates used primarily as raw material in the Finnish plastic industry.

**New circular economy services support data-driven management and make life easier**

In 2018, we invested in new digital services that help our customers obtain information on their waste volumes, increase their recycling rates and improve the environmental responsibility of their operations. The services support data-driven management in areas such as waste management and the reduction of food waste.

**Growth in the Helpponouto (EasyCollection) business**

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 service is available in the Helsinki metropolitan area, Tampere, Turku, Jyväskylä and Oulu. The service has seen continued strong growth and a high level of customer satisfaction. In 2018, some 2,700 (1,900) collection visits were made, with approximately 290,000 (180,000) kilograms of unnecessary goods collected.

**Hävikkimestari minimises food waste at restaurants**

Hävikkimestari is a service developed by L&T that allows restaurant personnel to solve the challenge of food waste based on collected information. The service consists of a visual application and an expert service. By helping reduce food waste by as much as 30–50%, Hävikkimestari has generated significant savings in raw material costs for restaurants. The service has been used at various restaurants, including hotels, lunch restaurants and education institutions. During the national Food Waste Week campaign in September 2018, L&T launched the Hävikkimestari sticker and logo to make it easier for restaurants to communicate their responsibility to customers. Nearly 400,000 (220,000) kilograms of food was saved from being wasted with the help of Hävikkimestari in 2018, which translates to almost 800,000 (400,000) lunches. This corresponded to cost savings of more than EUR 880,000 (500,000).

**Ympäristönetti (Environmental Web) being developed into a data-driven management service**

Ympäristönetti is a waste management tool developed by L&T. It provides our customers with information about the treatment of their waste and the recycling rate of their operating locations, for example. Ympäristönetti gives customers a visual view of the waste generated in their operations and provides an opportunity to improve environmental responsibility based on data. The service also meets the regulatory requirements concerning waste accounting.

## CASE

## Wood waste generated at construction sites can be recycled

Construction sites generally have a low recycling rate of 20-30%, while the goal is to recover and reuse 70% of material by 2020. Recycling wood is an important part of achieving this goal, as wood waste represents as much as 30-40% of the total waste generated at construction sites. The majority of the sorted wood waste ends up being incinerated, which does not help increase the construction site's recycling rate. In response to this challenge, we have explored ways to recycle wood waste from construction sites for a long time. In 2018, we launched a co-operation with Kronospan, a company that produces particle board from recycled wood. The collaboration started at the beginning of 2018 with wood chips from wood packaging and subsequently expanded during the year to include wood waste from construction sites.

### Recycling valuable material

Using recycled wood as material is not a new innovation. It has been done in Central

Europe for a long time already, but the collection, logistics and processing chain has now been developed to the point where arranging recycling in Finland makes sense from the environmental and economic perspectives. This is not the first time that L&T has invested in the recycling of wood waste from construction sites, but the previous operations have been carried out on a smaller scale. For example, pallets are collected to be reused, and small quantities of recycled wood are used as stabilising media in composting and in the production of composites and wood stone, but otherwise this valuable material has been mostly incinerated.

### Recycling wood increases a construction site's recycling rate

The co-operation between L&T and Kronospan means that more wood waste generated at construction sites is recycled instead of incinerated. From the perspective of the recycling target set by the EU, this is



a significant change: recycling wood is an excellent way of elevating the recycling rate of construction sites to a sufficiently high level. Of course, it needs to be complemented by many other recycling solutions, which many construction companies and construction sites have promoted in collaboration with L&T for a long time already. The outcomes of these joint development efforts include

improved waste management for construction sites and various digital services, such as Raksanappi. Adding the recycling of wood to this circular economy toolbox means that achieving the targets is feasible. It only takes concrete action. The wood recycling service started in the Helsinki metropolitan area in late 2018, and the aim is to expand it to the rest of Finland in 2019.

# IMPROVING CUSTOMERS' ENERGY EFFICIENCY

**L&T has a long track record of working to improve customers' energy efficiency through preventive maintenance, energy efficiency observations and repairs, among other things. In 2018, we developed our service offering further and combined our services aimed at improving the energy efficiency of properties under the L&T Smartti Energy Efficiency concept.**

L&T's Energy Management Centre in Kuopio remotely monitors the technical building systems of customer properties. The aim is to find the most energy-efficient way to use the properties. The centre works in close co-operation with property managers: it monitors and analyses data and the property managers make on-site observations. This results in analyses and concrete suggestions for improving the energy efficiency of the properties involved. In 2018, the Energy Management Centre monitored 368 sites (350). A total of 3,942 suggestions for improving energy efficiency were made (3,086).

L&T also works to improve energy efficiency in Sweden. The services include energy surveys, energy consumption optimisation and an Energy Management Centre that serves a similar function to its counterpart in Kuopio. Our customer properties include office buildings, healthcare facilities, residential properties and



schools representing some 11 million square metres combined.

One of our customers in Sweden is the Sollefteå Aquarena indoor swimming pool. In spring 2018, a survey of current energy consumption was carried out at the site. Suggestions regarding energy conservation measures were subsequently made based on the survey. The proposed measures would reduce the indoor swimming pool's energy consumption by 28%, representing a payback period of just three years. Some of the proposed measures were implemented, and improvements in energy efficiency were already achieved in 2018.

## **Smartti reduces the customer's carbon footprint**

The new L&T Smartti Energy Efficiency solution

consists of services related to energy efficiency, energy consumption and energy measurement at properties. For customers, the service outcomes are financial savings and a reduced carbon footprint, achieved without compromising on the building's conditions.

## **The L&T Smartti energy services include, among other things:**

- An Energy Manager that takes charge of managing the property's energy efficiency. The Energy Manager can assume responsibility for the comprehensive energy efficiency management of properties, draw up a long-term plan of energy efficiency measures and monitor not only energy consumption, but also the property's conditions and comfort.

- Training on sensible energy management for the users of technical building systems.
- Energy project management to support the implementation of larger projects.
- An Energy Management Centre whose monitoring activities ensure that energy consumption remains at the desired level after the energy efficiency measures are implemented.

Energy efficiency services are offered for many kinds of properties, including retail, office and residential buildings as well as warehouses and production facilities. Pursuant to the Finnish Energy Efficiency Act, major corporations are obligated to conduct a new energy review in 2019. L&T Smartti services also represent a response to this need.

## CASE

## Improving efficiency at Sporttitalo

**The energy consumption of this office building was dramatically reduced by the modernisation of ventilation systems.**

Sporttitalo, or the House of Sports, is an office building in Pitäjänmäki, Helsinki that is home to the Finnish Olympic Committee and the federations of nearly 50 different sports. The sports community moved in just over a year ago, and some 400 people now work at this five-storey office property. The building dates back to the mid-1990s and its technical systems were at the end of their lifecycle.

“We needed to upgrade the indoor conditions for our new tenant. L&T’s specialists gave us good suggestions on what works in a building like this,” says **Arto Myllymäki**, Property Manager at Newsec, the company responsible for the building’s management.

During the renovation, L&T replaced the blowers of ventilation machines, in particular, as well as the entire building automation system. The new smart system monitors and controls ventilation machinery, the heat distribution centre, room temperatures, cooling and part of the building’s lighting.

“The system is managed from the building’s control centre, which can be remotely

linked to higher-level monitoring and control systems,” says L&T’s Technology Manager **Tuomas Hietala**, who is also responsible for the development of L&T Smartti energy services.

The modern equipment is more energy efficient than older machines. They are also less prone to defects, which reduces maintenance costs. The use of automation makes the systems more adjustable. For example, during nights and holiday periods, the building is not heated or cooled more than is needed, and the lights are not switched on unnecessarily.

“These kinds of things improve energy efficiency, but energy efficiency does not mean compromising on the comfort of indoor conditions,” Hietala stresses.

Hietala and Myllymäki have been working together at various properties for about three years. Myllymäki says everything works smoothly with a single point of contact.

“As a rule, I don’t need to know who is responsible for what, or who is on leave. Tuomas knows who needs to take responsibility for getting things moving within L&T,” Myllymäki says.

The Sporttitalo project is not finished. The



next steps are being considered systematically, anticipating future renovation needs. This ensures that everything is done cost-efficiently.

“Improving the indoor conditions of a building for its users is a need that never goes away. When the number of users increases in the future, we need to bring in larger equipment, for example. But all of the investments that are made must preserve or, even better, increase the value of the property,” Myllymäki concludes.

L&T modernised the technical building systems at Valimotie 10. The blowers of two ventilation machines were replaced.

- Energy consumption declined by 60%.
- Total annual energy costs decreased by 66%.
- Annual maintenance costs fell by 94.2%.
- Total annual costs declined by 72%.
- Annual CO<sub>2</sub> emissions were reduced by 15.4 tonnes.

# L&T'S CARBON HANDPRINT

**To mitigate climate change, L&T strives to reduce its customers' emissions as well as the emissions arising from its own operations. L&T's business has a large carbon handprint, which means that we generate significant emission reductions for our customers. The emission reductions are derived from the secondary raw material, biofuels and solid recovered fuels used by our customers as well as the reduction of waste.**

**Carbon handprint** = Climate benefits, or greenhouse gas emission reduction potential, created for customers by a company's services. The carbon handprint is affected by, among other things, replacing non-renewable raw materials with renewables and reducing the amount of waste. (Source: Finnish Innovation Fund Sitra, VTT Technical Research Centre of Finland)

Source: Sitra, VTT

**L&T's operations have major benefits for the climate**

L&T's carbon handprint, or the emission reductions created by its operations, totalled approximately 1.2 million (1.1) CO<sub>2</sub> equivalent tonnes in 2018. The carbon handprint was generated by our customers being able to replace virgin raw materials with secondary raw materials, or fossil fuels with biofuels and solid recovered fuels, or reduce waste. In addition, we offered energy efficiency services at our customers' properties in Finland and Sweden, but the related emission reduction figures are not yet included in the calculations. We are actively developing calculation methods to allow us to include our energy efficiency services in our carbon handprint in the coming years.

In Finland in 2018, power plants, heating plants and cement kilns replaced fossil fuels by biofuels and solid recovered fuels produced and supplied by L&T by a computational total of 2.5 TWh (2.2 TWh). L&T produces biofuels from left-over wood material from harvesting operations that is not suitable for wood processing as well as from forest industry byproducts. Hog fuel is

produced from wood waste from the construction, industrial and commerce sectors as well as wood packaging that cannot be restored for reuse. Solid recovered fuels (SRF) are produced from energy and construction waste that is not suitable for recycling.

**Emissions from own operations are very small compared to the carbon handprint**

While L&T's own operations do generate greenhouse gas emissions, the amount pales in comparison to our carbon handprint. The most significant source of direct greenhouse gas emissions are the emissions generated by collection and transport services, which is why reducing them is one of our key sustainability targets.

In 2018, L&T's own operations generated 64.4 thousand CO<sub>2</sub> equivalent tonnes of emissions (59.6). Absolute emissions increased year-on-year due to the L&T FM acquisition and the higher volume of our collection and transport operations. However, our emission intensity, or the ratio of emissions to net sales, fell to 59.5 CO<sub>2</sub> equivalent tonnes (66.2\*) per million euros.

Our emission intensity has decreased each year since 2014 due to factors including our active measures to optimise routes and promote an economical driving style. More information is provided in the page 50.

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 by net sales.

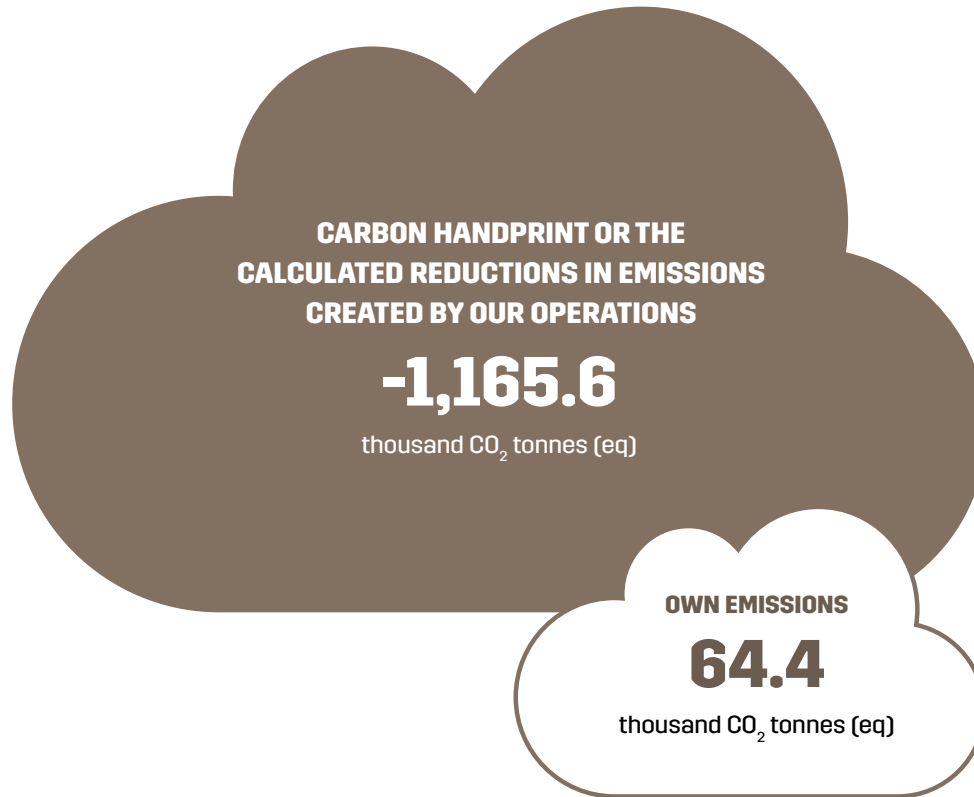
We have reduced our emissions by 15.7% (21.3\*) relative to the level, monitored functions and volume in 2012. The target stated in our corporate responsibility programme is to reduce emissions by 25%, using 2012 as the baseline. We will reassess this target in connection with setting a Science based target for our efforts to reduce emissions.

For further information on the calculation principles of our CO<sub>2</sub> emissions, please refer to page 77.

\* the comparison figures do not include L&T FM's emissions. Of greenhouse gases, the calculation includes at least CO<sub>2</sub> and methane, and the figures are expressed as CO<sub>2</sub> equivalents.

Circular economy and mitigating climate change

## CARBON HANDPRINT AND EMISSIONS



**BIOFUEL AND RECOVERED FUEL DELIVERIES**

**-805.8**

THOUSAND CO<sub>2</sub> TONNES (EQ)



**MATERIAL RECYCLING**

**-359.7**



**TRANSPORT, PRODUCTION VEHICLES, WORK MACHINES, LANDFILL OPERATIONS**

**45.8**



**SUBCONTRACTORS' FUEL CONSUMPTION**

**15.1**

**WORK-RELATED TRAVEL**

**1.5**

**PURCHASED ELECTRICITY**

**0.2**

**DISTRICT HEATING**

**1.7**

THOUSAND CO<sub>2</sub> TONNES (EQ)

Circular economy and  
mitigating climate change**L&T ranked among the leading companies in mitigating climate change**

In 2018, 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-, which is the second-highest rating possible, we were ranked among the world's top companies in the CDP Climate assessment.

A total of 27 companies in the Nordic countries and nine 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 2018 report and scores are available on the [CDP website](#).

**The opportunities associated with climate change**

L&T has identified a large number of solutions in its business that can mitigate global warming on the one hand and solutions for preparing for weather-related phenomena on the other hand.

- The significance of renewable energy will increase further as long-term climate policy discourages the use of fossil fuels. Biofuels and waste-based fuels will play an important role during the transition.

- The circular economy is a key way of mitigating climate change. The EU is introducing more ambitious reuse and recycling targets for waste and packaging materials, which presents new growth opportunities for L&T in the various stages of material value chains.
- Extreme weather phenomena are expected to increase due to climate change. The built environment in Finland is poorly prepared for increasing weather-related impacts that will lead to a growing need for maintenance services as well as repairing various types of damage.
- The significance of responsibility in customers' operations is growing. L&T's service solutions help customers measure their environmental impacts as well as achieve their environmental objectives.

**Service to neutralise waste management emissions**

L&T has made efforts to optimise the emissions associated with waste management. However, as eliminating all emissions is not possible, we have developed a carbon neutral waste management service. It involves measuring the carbon footprint caused by a company's waste management and purchasing a corresponding amount of emission rights from the EU's official emissions trading system to effectively eliminate those emissions. This means the emissions cannot be released into the atmosphere at any facility under the European emissions trading system and the total emissions into the atmosphere are reduced. See the next page for further information.



## CASE

## Sello reduces its emissions through carbon neutral waste management

**Efficient sorting and the optimisation of waste transport allows this shopping centre to reduce its CO<sub>2</sub> emissions.**

The Sello shopping centre in Espoo calls itself an urban centre. In addition to shops, restaurants and other services you would expect to find at a shopping centre, it also includes a library, cinema, bowling alley and concert hall. With a total floor area exceeding 100,000 square metres, Sello is the first shopping centre in Europe to have been awarded LEED Platinum environmental certification. Recently, a smart electricity management system was installed at Sello to optimise the use of electricity according to fluctuations in production and consumption.

The concept of carbon neutral waste management is another element that fits the operating model of this pioneer of sustainability.

In practice, it means first minimising the carbon footprint caused by waste management and then estimating the remaining

emissions and using the emissions trading mechanism to compensate for them. Emissions trading is an effective method for nullifying emissions that cannot be avoided otherwise.

“Reducing CO<sub>2</sub> emissions is part of everything we do. Our electricity is carbon neutral, we have installed solar panels and we use energy-efficient LED lighting. An eco-friendly approach is highly regarded by today’s consumers,” says Property Manager **Olli Paunola**, describing Sello’s sustainability principles.

With the help of L&T and L&T’s Environmental Manager, Sello has enhanced the sorting of waste by training the employees of retail tenants, improved recycling practices for various waste fractions and upgraded the waste management facilities.

Carbon neutral waste management is supported by maximising loads in waste transport and using modern low-emission vehicles. Routes and driving styles are optimised using data collected from the vehicles’ computers, for example.



With 170 shops, 24 million annual visitors and some 2,000 people working on site, Sello is a big operator. However, achieving carbon neutrality in waste management has not required any special tricks.

“Waste sorting at Sello is very effective

and the volume of mixed waste is small. Our target is to have mixed waste represent only 5% of our total waste. We are now around 5–6%, so we are getting close,” Paunola says.

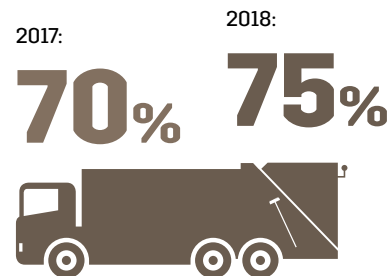
# REDUCING L&T'S OWN EMISSIONS

**In 2018, L&T continued to take active measures to reduce the emissions arising from collection and transport services. We added lower-emission vehicles to our fleet and used lower-emission fuels, and we continued to optimise transport routes and improve the driving styles of our drivers.**

- The average **driving style index** of L&T's drivers of heavy vehicles improved to 9.2 (9.1). The index reflects the safety and economy of driving style on a scale of 4–10. The calculation is based on a weighted average.
- **Driving style monitoring** continued for the vehicles of the Environmental Services and Industrial Services divisions. Driving style monitoring equipment has now been installed in a total of 920 vehicles (932). The figure is lower than in the previous year because the equipment has been installed in new vehicles, but old vehicles have been removed from the fleet at the same time.
- In addition to monitoring, we develop our drivers' driving style by training and, if necessary, unit-specific action plans. In 2018, a total of 235 drivers (233) participated in **economical driving training**.
- We reduced the environmental impact of our fleet by reducing the number of vehicles, increasing **utilisation rates** and optimising routes. We had a total of 891 heavy vehicles (912) in operation in 2018.

- We replaced older heavy vehicles with new lower-emission vehicles that meet the Euro 6 **vehicle emission standards**. The engines of Euro 6 vehicles represent a major leap forward in the reduction of particulate matter emissions. In 2018, 75% (70) of our fleet of heavy vehicles in Finland and Russia met Euro 4 standard or better.

## Share of low-emission Euro 4–6 vehicles of L&T's fleet of heavy vehicles



- We have 76 (75) climate-friendly **multi-chamber loaders** to increase the efficiency of waste transport. Multi-chamber loaders have two or more chambers for different types of waste, which enables the collection of multiple types of waste in a single run.

- We continued our active efforts to **optimise routes**. Over the past five years, we have optimised more than 3,000 routes, with 976 routes optimised in 2018 (650). Route optimisation reduces fleet requirements and kilometres driven while also reducing stops and visits to yard areas. The number of optimised routes depends on the route structure of the areas being optimised each year.
- Part of our heavy fleet runs on the waste-based Neste MY fuel instead of diesel. Using Neste MY has enabled us to reduce transport-related greenhouse gas emissions and other emissions that diminish air quality. It also represents an example of how we put the circular economy into practice: we transport waste using fuel made from waste.

## Energy consumption of properties and treatment plants

In 2018, the energy consumption of L&T's own properties declined year-on-year in spite of an increase in the volume of processed material. Our electricity consumption in 2018 totalled 31,300 MWh (2017: 31,700 MWh) and district heat consumption amounted to 9,000 MWh (2017: 9,900 MWh).

Energy intensity, or energy consumption relative to net sales, was 290 MWh per million euros in 2018 (328). The downward trend of our energy intensity is a testament to the suc-

cess of the many measures we have taken to improve our energy efficiency.

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 at our operating locations.

L&T's recycling plants have adopted an operating model based on continuous improvement and deployed the Mahti facility information system. The reduction of energy consumption has been one aspect of the change in the operating model. The employees at the facilities can monitor processes and electricity consumption in real time from displays installed on the machines. Other measures include using LED lights exclusively when replacing lighting and configuring conveyors to stop automatically when no material is coming in.

We continued to monitor energy consumption at our properties in 2018 with the help of our Property Managers. Among other things, they keep an eye on the energy consumption and use of properties and assess renovation needs. We also use green electricity in Finland, which means that our electricity consumption does not generate greenhouse gas emissions. We encourage our employees to work remotely in the operations and tasks in which it is possible.

# PUTTING THE CIRCULAR ECONOMY INTO PRACTICE

**L&T works actively to enable the circular economy at the customer interface, in lobbying organisations as well as in research and consumer education projects. Our priorities for exercising influence in society were also mostly related to promoting the circular economy and ensuring the right conditions for our operations. In addition, we aim to promote the use of renewable energy as well as a more effective labour market.**

## Customer-specific training, education and development projects

L&T provides training and advisory services to support sorting at source at our customer locations and improve the recycling rate.

- L&T's Environmental Managers play an active role in the daily life of our customers. They monitor waste sorting, issue instructions to employees, ensure their recycling-related competence and produce situation reports for the customer organisation. In 2018, our Environmental Managers worked at locations such as shops, industrial facilities, other properties and healthcare organisations.
- Online training consists of basic waste management training offered on a remote basis, aiming to familiarise learners with the basics of the circular economy, the statutory obligations related to waste management as well as to motivate and guide them to sort waste correctly. Training can be customised

according to the needs of each customer to suit various audiences, such as construction sites, industrial plants and consumers. Nearly 3,000 people participated in L&T's online trainings in 2018.

## Joint development projects with customers

L&T's partners include other enterprises with whom we work to promote the circular economy. This co-operation typically involves joint development aimed at finding new ways of promoting the circular economy.

### Kojamo:

- L&T partners with Kojamo to provide the Caretaker service at Lumo residential properties in the Helsinki metropolitan area. As part of the development of co-operation, we launched the Circular Economy Building project in early 2018 in collaboration with Motiva and Sitra to promote the circular economy among rental tenants in particular. A survey was conducted in the spring to determine key development areas, and various campaigns and communication efforts were used to achieve progress in these areas during the year. For example, on World Environment Day on 5 June, we organised a tenant event in Vantaa focusing on the themes of consumption, maintenance and repair. The events featured advice on household management and environmental issues, a bicycle repair



area, a Lumo Caretaker's Corner, an equipment exhibition as well as a recycling point for sports equipment and bicycles.

### Kesko:

- The long-term co-operation between Kesko and L&T has evolved into a genuine partnership based on a Circular Economy Agreement. The agreement is aimed at promoting the circular economy and enhancing recycling.
- The co-operation aims to enable recycling at all K Group locations. For example, bales of cardboard and plastic are transported on return trips to regional terminals, allowing them to be transported to L&T's recycling plants on a centralised basis.

This has made it possible to increase the recycling rate even in rural areas.

- Kesko and L&T have established a Plastic Working Group to promote a closed cycle for plastics. The group aims to increase the recycling of various plastic materials and carry out agile pilot projects to assess the suitability of various recycled plastic materials for use in new products.
- Other examples of the co-operation have included the Kinkkutemppu grease collection campaign, work uniform recycling and the biogas produced by Gasum from K supermarkets' biowaste for use in the production of Kesko's Pirkka private label products.

**Lobbying organisations, programmes, projects and 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 or 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 update 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
- Business Finland, virtual service environment, servitised data and technology
- VTT Technical Research Centre of Finland, Wastebusters project
- Aalto University, Indoor Air Police project
- 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
- UUMA 3 project on the use of recovered materials in earth construction
- Clic, or Circular Economy Service Platform development project, bringing together material producers and the secondary market.
- The Finnish Industrial Symbiosis System, which aims to help enterprises and other parties enhance the mutual recovery of



- resources and create new business.
- The Virtual Service Environment D project (Virpa-D) aimed at creating world-class user experiences for the users of business premises to promote the productivity of work, smooth day-to-day life and well-being.

**Charity and consumer education**

The focus of L&T's charitable activities is also on promoting the circular economy, which is why we have spent several years working with HOPE, a charitable organisation that focuses on supporting low-income families and families with children who have suffered various crises.

In 2018, 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 and making smaller local donations. We also organised a summer event for families with children in co-operation with HOPE at their Helsinki office.

In the Christmas season, we promoted safety by donating 1,000 reflective vests to schools located in the vicinity of our operating locations in collaboration with the Safe Journeys to School project.

We also visited several day-care centres during the year to teach children about the principles of recycling, demonstrate how waste collection vehicles operate and describe the work of the drivers.

In the autumn, we were the recycling partner of Specsavers' campaign to collect used eyewear from Finnish consumers and donate it to people in Tanzania. We stored the eyewear with the help of our Helpovarasto (EasyStore) service and managed the recycling of broken or unusable collected items for use as industrial raw materials.

At Christmas time, we again participated in the Kinkkutemppu 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.

A healthy, diverse and productive workplace community



## AIMING AT A HEALTHY, DIVERSE AND PRODUCTIVE WORKPLACE COMMUNITY

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 in employment. Moreover, the company aims to actively contribute to the growing employment of special groups and develop work and career opportunities to drive employment. Our objective is to increase well-being and report our tax footprint in a transparent way.

Priorities	Targets 2018–2021	Indicators 2018
We look after the well-being and work ability of our personnel.	Reducing sickness-related absences to 4.5%	Sickness related absence %: 5.0 (4.8) in Finland, 5.1 (4.5) in Sweden and 2.7 (2.5) in Russia. Measures taken.
	The average retirement age will rise to 64 years, with a long-term target of 65 years.	Average retirement age: 63.2 (63.0) years in Finland, in L&T Group 63.2 (63,0) years. Measures taken.
	Reducing occupational accidents, with a long-term target of 0.	Overall accident frequency (TRIF): 28 (30) in Finland, 25 (25) in L&T Group Lost time accident frequency (LTA): 16 (15) in Finland, 14 (14) in L&T Group. Proactive safety remarks: 26,451 (25,236) in Finland, 32,195 (28,066) in L&T Group.
	Increasing the employee promoter score to 80%, improving the supervisor index	Employee promoter score: 72%. The supervisor index remained unchanged. Measures taken to enhance the employee experience.
We provide employment opportunities to immigrants, young people and people who are retraining or struggling to find employment.	Taking practical steps to improve employment opportunities for immigrants, people who are struggling to find employment and young people.	Measures taken to promote the employment of special groups
	Actively developing work and career opportunities to drive employment.	To be specified later.
We create economic growth and well-being.	Promoting wellbeing by driving added value. Transparent tax footprint reporting	Economic added value for stakeholders: MEUR 416.7 (328.7). Tax footprint of MEUR 184.7 (167.2).



### OUR RETIREMENT AGE

The average age of retirement among L&T employees was

**63.2**

years, two years higher than the Finnish national average.

### OUR OCCUPATIONAL SAFETY

In 2018, L&T employees reported

**32,000**

observations to improve safety. Our ultimate goal is zero accidents.



### OUR TAX FOOTPRINT

We paid EUR

**185**

million in taxes.

This corresponds to the taxes paid by nearly 30,000 average Finnish earners.

A healthy, diverse and productive workplace community

# SYSTEMATIC EFFORTS TO INCREASE THE AVERAGE RETIREMENT AGE HAVE PRODUCED GOOD RESULTS

**Employees with a high level of work ability and well-being are our most important asset and one of our key success factors. The aim of our responsibility programme is to support the work ability of our personnel and to reduce sickness-related absences and early retirement due to disability.**

L&T has a long track record of systematic efforts to increase the average retirement age of our personnel. Through diverse support measures, we have been able to increase our average retirement age (including retirement on old-age pension and disability pension) to 63.2 years (63.0) in Finland and 63.2 years (63.0) in the Group as a whole. The long-term target is to increase the retirement age to 65.0 years.

**Key measures taken in 2018:**

- The Suitable Work model, launched in co-operation with our pension insurance partner in 2016, continued to be implemented in 2018. The model has helped us find more suitable roles for those of our employees who can no longer perform their former duties.

- We supported the extension of careers through active co-operation with our partners and our use of occupational rehabilitation, for example, was several times higher than the industry average.
- We joined forces with the Kide Foundation, which promotes human rights and participation, to launch Meaningful Work, a two-year co-operation project that will provide new ways to prevent the risk of disability retirement. The project aims to create innovative methods to support traditional rehabilitation and provide people at risk of retirement with opportunities to work in appropriate proportion to their abilities and resources. In 2018, the participants in the Meaningful Work project included eight people who were in an employment relationship with Lassila & Tikanoja and most of whom had already been sidelined from working life for an extended period of time. The project presents people at risk of retirement with a genuine opportunity to return to working life. The Kide Foundation has developed VAKU, a coaching-oriented vocational rehabilitation model, to help project participants build up their work ability and operating capacity.

**Increase in sickness-related absences**

By using an early care model, we have been able to reduce our sickness-related absence rate for several years, but development on this front did not match our expectations in 2018. The sickness-related absence rate was 5.0 (4.8) in Finland, 5.1 (4.5) in Sweden and 2.7 (2.5) in Russia. A detailed action plan will be drafted in 2019 to reduce sickness-related absences by investigating the root causes of absences and ways to promote health.

The early care model adopted by L&T aims to use co-operation between occupational health services, the employee, the supervisor and the HR function to address problems at an early stage and find solutions to them. L&T regularly organises training for supervisors to promote the practical implementation of the early care model. The training is aimed at improving interaction between supervisors and their subordinates and supporting the supervisors' ability to address problems.

	2018	2017
<b>Sickness absences, %</b>		
Finland	5.0	4.8
Sweden	5.1	4.5
Russia	2.7	2.5
<b>Average retirement age, years</b>		
L&T Group, weighted average	63.2	63.0
Finland	63.2	63.0
Sweden	64.5	64.2
Russia	57.5	57.5

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## Well-being at work benefits L&T, society and the individual.

### Employee well-being and work ability were supported by various measures

The work performed by L&T's employees is primarily physically strenuous, but the significance of mental resources is also highlighted in working life today. L&T wants to support the physical and mental well-being of its personnel and help them actively look after their health. In addition to occupational health services and a sickness fund, each year we offer rehabilitation services to our personnel along with well-being services paid for by L&T.

In 2018, we invested EUR 8.3 million in work ability and well-being, and the L&T sickness fund paid benefits amounting to EUR 1.4 million to its members.

In 2017–2018, we carried out a systematic evaluation of rehabilitation service providers to choose suitable partners for L&T. Our goal for 2018 was to significantly increase the utilisation rate of rehabilitation services. We achieved this goal for the most part, but the utilisation rate of musculoskeletal rehabilitation was still low. We will continue to implement measures in 2019 to achieve our objective. Based on the feedback we collected, the participants were particularly satisfied with the services that support

psychological well-being, healthy sleep habits and recovery as well as the KILLA rehabilitation services. The services aimed at promoting work fitness and healthy lifestyle choices were also considered useful.

In 2018, a few units of L&T's cleaning business in the Helsinki metropolitan area co-operated with the occupational health care provider to pilot a direct appointment service with an occupational physiotherapist. The purpose of the pilot was to facilitate easier access to an expert on musculoskeletal disorders. The aim of the direct appointments with an occupational physiotherapist was to prevent musculoskeletal problems from becoming prolonged and speed up the start of rehabilitation, thereby reducing the incidence of illness among personnel. The direct appointment service with occupational physiotherapists will be expanded to cover L&T's operations throughout Finland in 2019.

In addition to statutory occupational health care for all personnel, employees whose principal source of income is L&T are eligible for the occupational health care provider's medical services related with acute illnesses and coping at work. There is also the L&T sickness fund established jointly by the employer and the

personnel. The sickness fund's services complement L&T's occupational health care, which in itself exceeds the statutory requirements. The additional benefits from the sickness fund are paid in addition to the general compensation provided by the Social Insurance Institution of Finland. All employees of L&T's Finnish companies, whose principal source of income is L&T and whose employment is not temporary, are members of the sickness fund.

We support our employees' physical exercise and other hobbies via personnel clubs. In 2018, there were 25 clubs operating across Finland. As in previous years, they organised various sports and cultural activities for their members.

### Closer co-operation on occupational health care through local meetings

In early 2018, we organised annual local co-operation meetings between the employer and the occupational health care service provider. The aim of the meetings is to deepen and clarify occupational health co-operation by engaging all of the parties involved as well as reviewing local operating models and agreeing on their use.

The meetings were attended by L&T's shop stewards, occupational safety delegates and supervisors as well as occupational health care professionals. The topics of the meetings included a review of occupational health care service provision for the past year, significant achievements, identified development areas and the focus areas for occupational health co-operation for the coming year.

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## CASE

## L&T helps people find new careers

**Some of the jobs at L&T are physically strenuous. Adapting employees' duties according to their abilities is a key aspect of promoting well-being at work.**

**Esa Määttänen**, Driver, 62, has driven various waste collection vehicles for L&T for nearly 25 years. Years of strenuous work and repeatedly getting in and out of his vehicle have taken a toll on his body.

"First, I had problems with my knee, then my ankles and hip. My condition forced me to take six months of sick leave not too long ago," Määttänen says.

Määttänen is approaching retirement age, but since he is not keen to give up on working life just yet, his supervisors and L&T's occupational health care services worked with him to find a solution. Määttänen has received Kela-funded rehabilitation and he has participated in a work trial supported by Ilmarinen. He is currently working six-hour days on a fixed-term contract.

"I drive a loader and forklift at the recycling plant and help with jobs such as picking up goods. It's easier on my body now

that I don't have to be behind the wheel for a full day every day," he explains.

Määttänen is a typical case of an employee who is no longer able to perform his previous duties fully. The answer is to customise the duties or working hours to the extent that it is possible.

"Taking the employee's duties into account, we try to identify support arrangements to allow them to keep working or return to work after being on sick leave. In many cases, this takes the form of a partial sickness allowance from Kela and work trials organised in co-operation with the pension insurance company," says Working Ability Coach **Kirsi Suovanen**.

Suovanen serves as a link between the occupational health care provider, the supervisor and the employee.

"The relationship between the supervisor and subordinate is unchanged. I support both parties in an expert role. I don't have any jobs to offer to people – the jobs need to be identified within the units through co-operation," Suovanen explains.

In a physically strenuous industry such



"In my case, this approach has worked. My career has developed on the terms of my physical abilities," he concludes.

as the one L&T operates in, musculoskeletal disorders pose the biggest challenge. Nevertheless, the goal is to ensure that employees can continue their careers for as long as possible, preferably until they reach retirement age. Many employees have been offered job roles that have been adapted to their abilities, or even entirely new jobs.

"Many of the people we have worked with have been very pleased with the outcome. It's not the end of the world if you can no longer do your old job," Suovanen says.

Esa Määttänen echoes her sentiments. "In my case, this approach has worked. My career has developed on the terms of my physical abilities," he concludes.



## AIMING FOR ZERO ACCIDENTS

**L&T is committed to continuously improving occupational safety and the zero accidents approach. Our goal is to think and act safely in everything we do, which will ultimately make all occupational accidents avoidable. Our efforts in the area of occupational safety are also aimed at preventing and minimising accidents, occupational diseases as well as other hazards to physical and mental health arising from work and the working environment.**

The management of occupational safety is based on having an open and consistent safety culture. The development of safety is a target-driven long-term process that is monitored on a monthly basis. Our common operating model covers all of our divisions and the Group's entire personnel.

We engage in effective co-operation with personnel, and each division has its own occupational safety committee. All of the committees organised their own statutory meetings in 2018 and also got together at L&T's national occupational health and safety day, which was attended by the members of the occupational safety committees.

The company has invested more time and resources in occupational safety in the 2010s than before, and the results speak for themselves. In the long term, both the overall accident frequency (TRIF) and the lost time accident frequency (LTA) indicator have decreased by

half, and the number of proactive measures has increased at a steady rate. There were no cases of diagnosed occupational diseases in 2018.

### **Overall accident frequency in line with the target**

Occupational safety at L&T developed partly in line with targets in 2018. As in the previous year, the overall accident frequency in Finland decreased, but the LTA indicator, which measures lost time accident frequency was not in line with the previously set target. The overall accident frequency was 28 (30) in Finland and 25 (25) in the Group as a whole. The Group's overall accident frequency target for the year was 29.

LTA, which measures accidents leading to lost time, remained largely unchanged from the previous year at 16 (15) in Finland and 14 (14) for the Group as a whole. The target was to have an LTA rate below 10. The main reason for this development was that substitutive work has not been used in the past three years in Finland to the same extent as it was in previous years.

One fatal accident occurred during the year, in October 2018, when an experienced L&T employee died in an accident while cleaning a production line at a food production facility. We offered crisis counselling to the unit's employees and immediately conducted an in-depth investigation of the incident and its causes. Based on the results of the investigation, we

have taken the necessary measures to prevent similar incidents from occurring. The official investigation of the incident had not been completed by the date of publication of this report. L&T is co-operating with the authorities on the investigation.

### **A record number of safety observations**

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.

Proactive measures related to occupational safety are used in L&T's own units as well as at customer facilities. 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.

The number of proactive measures to promote occupational safety reached another new record. The number of proactive safety observations was 26,451 (25,236) in Finland and 32,195

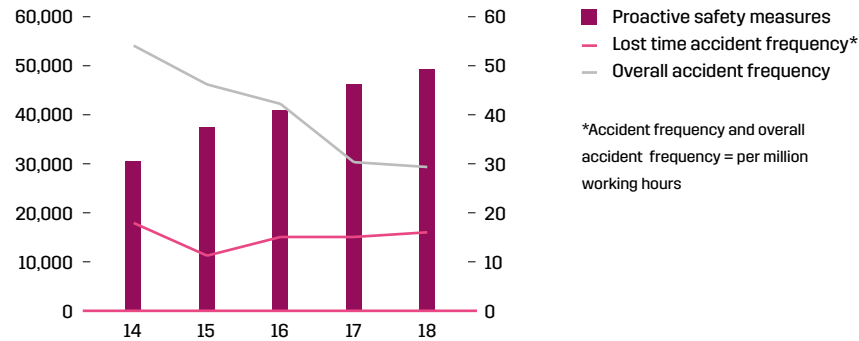


**Preventing accidents before they happen:  
32,000 proactive safety observations.**

(28,066) in the Group as a whole. The number of Safety Walks was 12,372 (10,528). A total of 10,657 (8,975) occupational safety sessions were held, and 837 (863) hazard assessments were conducted. One of the development areas for 2019 is to make more effective use of proactive measures by targeting activities where they are needed the most.

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**Accident frequency in Finland**



**Development of occupational safety in L&T**

	2018	2017
Safety observation reports	32,195	28,066
Hazard assessments	837	863
Safety Walk observation rounds	12,372	10,528*
Occupational safety sessions	10,657	8,975*
Lost time accident frequency	14	14
Overall accident frequency	25	25

\* Data available only from Finland.

**Jobs with an elevated risk**

The jobs at L&T include locations and duties that involve elevated risks. These include night-time work, the handling of hazardous waste, industrial cleaning and damage repair services. There are also hazards associated with cleaning jobs at pharmaceutical production facilities, health-care facilities and other locations that require the use of special chemicals, or where customer processes can involve exposure to chemicals, radiation or other hazards.

The supervisor must assess the hazards and

exposure risks of each operating location and, if necessary, contact the local occupational health care services to assess exposure agents. Employees assigned to environments that involve a particular risk of illness must undergo a pre-employment medical check-up conducted by the occupational health care provider before commencing working, if possible, and no later than one month after starting the work, regardless of the nature and duration of employment. Such employees are also invited to follow-up examinations at regular intervals.

**KEY MEASURES TAKEN IN 2018:**

- Good progress was made with harmonising the Swedish operations with the Group's occupational safety model. In 2018, the Technical Services business in Sweden (L&T FM) was fully integrated into the L&T occupational safety model.
- We revised our risk assessment approach by shifting from hazard assessments towards location-specific and job-specific risk assessments. The reason for the change was our desire to develop a more detailed understanding of how risks emerge.
- We increased our investments in chemical safety. We acquired the EcoOnline system for maintaining up-to-date lists of chemicals and assessing risks related to chemicals. These development efforts will continue in the years to come.
- Our divisions made good progress in their occupational safety activities. Examples include safety orientation in Facility Services and the Industrial Services division's "cornerstones of safety", which are set to be expanded for use throughout the Group.

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## EMPLOYEE EXPERIENCE IMPROVED IN 2018

**Enhancing the employee experience is one of L&T's strategic priorities and an area that the company has been actively working on for the past couple of years. The development of the employee experience takes place both at the Group level and at the divisional level.**

The most recent Meininki employee satisfaction survey was conducted in Finland and Sweden in October–November 2018. A total of 4,672 employees completed the survey, for a response rate of 60.8%.

The overall results show positive development for almost all of the surveyed indices. The employees' confidence in the company and its future has strengthened since the previous survey, which was conducted in Finland in 2017 and in Sweden and Russia in 2015. The respondents also indicated that L&T has developed in the right direction in recent times and that everyone

is treated equally regardless of their gender.

As many as 87% of the respondents feel that their work is meaningful. This represents a significant increase compared to the previous survey. The promoter score remained approximately on the same level as in the previous survey, at 72%. The employee promoter score target specified in our corporate responsibility programme is 80%. Our corporate responsibility programme also states that we aim to continuously improve our managerial work and thereby reach a higher supervisor index. In the 2018 survey, the supervisor index was on a par with the previous measurement.

Based on the results of the survey, division-specific and team-specific development measures have been prepared, and their progress will be regularly followed up on.

	2018 (Finland and Sweden)	2017 (Finland)	2015 (Finland, Sweden and Russia)
<b>Promoter score</b>			
Finland	70%	70%	71%
Sweden	80%	-	90%
Russia	-	-	98%
Weighted average	72%	70%	74%
<b>Meaningful work</b>			
Finland	87%	85%	84%
Sweden	95%	-	98%
Russia	-	-	95%
Weighted average	87%	85%	86%



### Key measures taken to develop the employee experience in 2018:

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.

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**In 2018, we focused particularly on the following areas:**

- **Broad-based development of supervisory work.** One aspect of this was the Supervisor Forums, eight of which were organised around Finland in January–February 2018. The events brought together about 90% of L&T’s supervisors. The topics of the Supervisor Forums included key strategic themes such as leadership and the development of the employee experience. In the Hiomo and Tiiviste training programmes, the focus was on supporting day-to-day supervisory work.
- **Employees were offered training and opportunities to develop their expertise.** The most extensive training programme that covered all salaried employees in Finland was the online training associated with L&T’s revised Code of Conduct. The training was completed by 1,124 salaried employees in Finland. In training employees, our focus was particularly on digital induction training in the cleaning business. Other significant training programmes included Competent Driver training, with approximately 1,000 L&T drivers taking part, and “The Customer and I” training, which was attended by some 5,000 employees from the Facility Services and Technical Services divisions.
- **Communication towards employees was improved.** The development of an intranet that serves as an internal communication channel for all of L&T’s personnel began in 2018 in both Finland and Sweden. While the company’s previous intranet was only accessible to salaried employees in Finland, the new intranet will help share information with all employees. Communication towards employees was also improved by expanding the scope of performance reviews to include all employees. Previously, performance reviews only covered salaried employees.
- **Accomplished employees were recognised.** 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 Technical Services. New awards were also introduced in 2018 to recognise the best experts and specialists on a quarterly basis.
- **L&T’s customised waste collection vehicle became a sensation.** In order to respond to the challenge of recruiting new drivers and give the industry a more attractive image, the Environmental Services division acquired an extravagantly customised waste collection vehicle called The Kierrätysnaattori (The Recyclenator). Following its introduction to the public in Alahärmä in August, the vehicle became a social media sensation. The Recyclenator had a busy schedule visiting L&T’s various units and events in the latter part of 2018.
- **The European Works Council met for the first time in Helsinki in December.** The European Works Council (EWC) provides employees with increased opportunities for engagement and influence by ensuring that they have access to sufficient information regarding Group-wide and country-specific issues. Another goal is to have representatives of different countries personally participate in the decision-making processes governing their work. The council also plays a key role in ensuring the flow of information between L&T’s various operating countries.

**Aiming for lower employee turnover**

One of the goals of enhancing the employee experience is to increase employee commitment and reduce employee turnover. However, the favourable job market in 2018 had the effect of increasing employee turnover, particularly in Facility Services.

Turnover, %	2018	2017
L&T Group, weighted average	26%	
Finland	30.8%	
Sweden	7.5%	8%
Russia	5.3%	6%
<b>By division in Finland</b>		
Environmental Services	13.3%	12.5%
Facility Services	38.9%	34.4%
Technical Services	19.0%	
Industrial Services	14.2%	11.9%
Renewable Energy Sources	4.2%	

We were forced to hold 43 statutory employer–employee negotiations in 2018. As a result of the negotiations, the employment of 72 people was terminated, and nine employees were temporarily laid off. When implementing restructuring measures, we comply with the statutory minimum periods and negotiation times.

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# DIVERSITY AT L&T

**Promoting diversity is one of the key 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, and that a diverse workplace community is a competitive advantage.**

L&T's diversity is illustrated by the fact that approximately 15%\* (16) of our employees in Finland have immigrant backgrounds, with 85 (86) different nationalities represented. The age distribution of the personnel is also very broad. Women account for 52% (42) of our personnel in general and 36% of our supervisors.

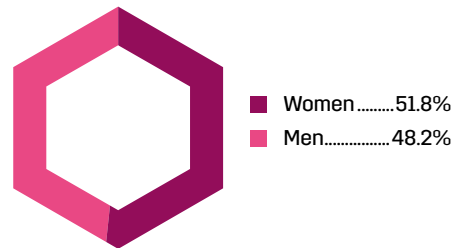
## Age distribution of personnel, %



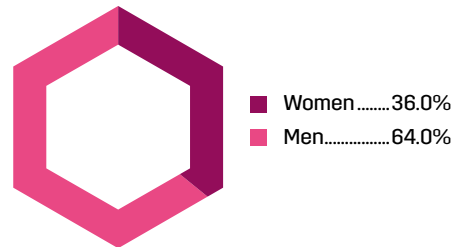
14-20 years	3.1%
21-30 years	21.1%
31-40 years	25.9%
41-50 years	23.2%
51-60 years	21.2%
60- years	5.6%

The use of leased employees at L&T is primarily focused on the Facility Services and Industrial Services divisions. The main reasons for the use of leased employees are coping with periods of peak demand, optimising the use of the workforce, ensuring seasonal operations and substituting for employees who are absent due to illness. Leased employees are also used when we try to reduce the workload on our own personnel and avoid overtime.

## Personnel distribution by gender, %



## Personnel distribution by gender, in managerial positions, %




\*Finnish citizens are excluded from this figure. The figures are available only from operations in Finland.

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### Key measures taken in 2018:

- **Our goal of promoting a diverse work community is closely linked to the pursuit of a non-discriminatory workplace culture.** L&T participated in Work Does Not Discriminate, a campaign launched by the Confederation of Finnish Industries with the aim of establishing a genuinely equal and open workplace culture in Finland. We work constantly to promote the employment of risk groups, such as people at risk of social exclusion, and we are committed to the non-discrimination principles of the UN's Global Compact initiative. Our rules against discrimination are also documented in our Code of Conduct to help us do the right thing on a daily basis.
- **As part of the development of responsibility and the implementation of our responsibility programme, we joined Society's Commitment to Sustainable Development,** a Finnish initiative that allows us to formalise our commitment to taking goal-driven action to extend careers as well as employ young people, immigrants and people who struggle to find jobs.
- **We were also involved in Monday Belongs to Everyone, a campaign launched by the Human Rights Centre and the Non-Discrimination Ombudsman in October 2018** to call attention to disabled people's right to working life and remind the public that the start of the workweek on Monday is a privilege that not everyone enjoys. The campaign challenged employers to use their social media channels to communicate what concrete steps they have taken, or plan to take, to promote the employment of disabled people. L&T co-operates with partners such as the City of Helsinki, and using their subsidised employment services, we have recruited people with developmental disabilities to work for us in the cleaning business.
- **We want to support young people's employment and studies** by offering on-the-job learning, internship and thesis writing opportunities to students. There are interns from various educational institutions in all of L&T's divisions on a continuous basis, and we recruited nearly 1,000 summer workers in summer 2018.
- **We also offer our own employees continuous opportunities to increase their professional competence,** for example, through year-round apprenticeship training leading to vocational degrees and special qualifications in facility services as well as a degree in logistics degree, leading to lorry driver qualification.
- **We continued the Monet project, which was launched in spring 2017 in co-operation with the Helsinki Skills Centre and the Espoo and Vantaa Employment and Economic Development Offices,** with the aim of supporting the employment of immigrants and asylum seekers on the one hand and alleviating the labour shortages of L&T's Facility Services division on the other hand. A total of 18 jobseekers participated in the project in 2018. The activities under the Monet project have been adopted as a permanent operating method at L&T.

 [For more information on diversity at L&T, please refer to the Personnel figures](#)

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## CASE

## L&T participated in the Business Lead 2018 integration programme

L&T participated in Business Lead 2018, an integration programme established by the Hanken School of Economics to help university-educated immigrants and asylum seekers who have been issued a Finnish residence permit to develop their competencies and support their integration in the Finnish job market.

The programme was implemented by Hanken & SSE Executive Education in co-operation with Finnish companies. The programme began in May 2018 and its 37 English-speaking participants with immigrant backgrounds consisted of 18 women and 19

men. Among other things, the programme included teaching and mentoring aimed at building an understanding of Finnish business life and workplace culture as well as an internship in one of the programme's Finnish partner companies.

### Zumrah Atif completed an eight-week internship at L&T's company headquarters

Zumrah Atif is a 30-year-old university graduate from Pakistan. In her home country, she received a master's degree in business administration, majoring in HR management, and also worked as an English teacher. After

migrating to Finland, Zumrah has studied Finnish and worked as an intern at the Helsinki City Library.

Following her participation in the Business Lead 2018 training programme, she spent eight weeks as an intern in the HR department at L&T's company headquarters in Helsinki. The internship gave Zumrah the opportunity to gain experience of various duties in HR management, and her presence was a positive addition to the work community.

Zumrah says it was rewarding experience. She describes the atmosphere at L&T as

friendly and helpful. People work together and everyone is treated equally. She says she learned a lot during her internship and gained insight into what it is like to work in a Finnish company and a modern office environment.

"I had the chance to try a variety of HR and payroll management duties during my internship, and I also participated in the planning and coordination of training. I hope I will have the opportunity to continue working in HR management in the future," Zumrah says.



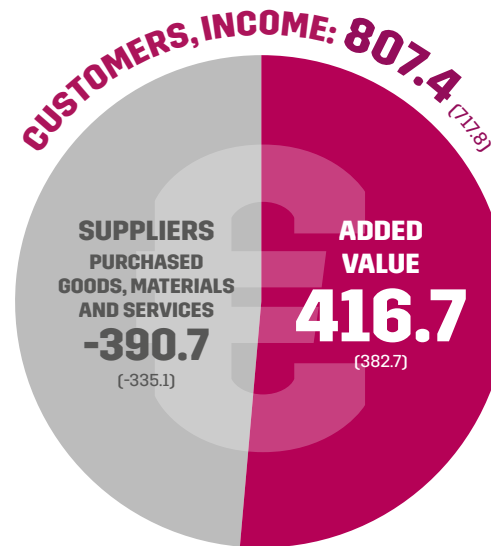
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# CREATING ECONOMIC GROWTH AND INCREASING WELL-BEING

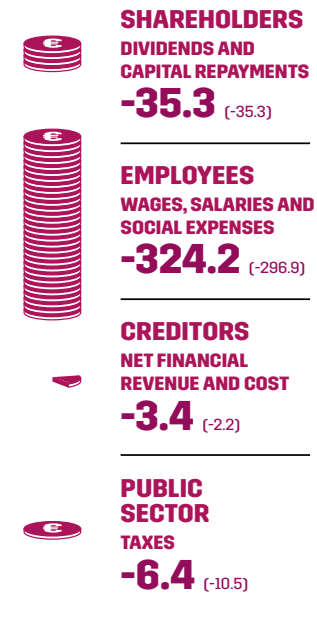
L&T's goal is to increase the company's financial value sustainably, create economic growth and increase well-being. L&T is among the most significant employers in its operating locations and the salaries, wages and taxes we pay, as well as the goods and services we buy, have a substantial impact on municipal finances and other businesses in each economic area. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders as dividends.

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

## DISTRIBUTION OF FINANCIAL ADDED VALUE (MEUR)



## DISTRIBUTION OF ADDED VALUE (MEUR)



## TO BUSINESS DEVELOPMENT (MEUR)





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**L&T's tax footprint**

	Finland	Sweden	Russia	Finland	Sweden	Russia	Total	
	2018			2017			2018	2017
<b>Taxes and tax-related costs, MEUR</b>								
Income taxes/corporate taxes	4.7	0.6	0.0	9.0	1.2	0.0	5.3	10.3
Withholding taxes on salaries and forest taxes, and tax-at-source	48.3	11.3	0.3	48.5	5.5	0.2	59.9	54.2
Social security contributions	1.9	13.5	0.6	2.3	6.9	0.6	15.9	9.8
Production taxes *	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.1
Value added tax (tax on consumption)	81.0	20.7	0.9	80.8	10.2	0.8	102.5	91.8
Property taxes	0.3	0.0	0.2	0.2	0.0	0.2	0.5	0.4
Insurance taxes	0.5	0.0	0.0	0.6	0.0	0.0	0.5	0.6
<b>Total</b>	<b>136.8</b>	<b>46.0</b>	<b>1.9</b>	<b>141.5</b>	<b>23.8</b>	<b>1.8</b>	<b>184.7</b>	<b>167.2</b>

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

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

As part of our responsibility programme, we report transparently on our tax footprint, which summarises the taxes and tax-like payments that accumulate for society as a result of our 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 and by country in this report.

**A responsible corporate citizen:  
we paid EUR 185 million in taxes.**

# AIMING AT SUSTAINABLE INDUSTRY AND CITIES

When L&T updated its responsibility programme in 2018, the decision was made to include “Sustainable industry and cities” as a new section in the programme. This was based on the observation made during the materiality assessment that the company’s services can help develop industrial and urban infrastructure in line with the principles of sustainable development, reduce environmental and health-related risks, make the use of resources more efficient and increase the use of environmentally friendly technologies. In cities, we also aim to deliver circular economy solutions that promote participation, resource efficiency and the mitigation of the impacts of climate change, simultaneously creating healthier and safer conditions for people to live and work. The targets and performance indicators for the new section will be specified in 2019.

Priorities	Targets 2018–2021	Indicators 2018
We promote the development of industrial infrastructure in line with the principles of sustainable development and the recovery of industrial side streams and closed cycles.	Promoting the use of environmentally friendly technologies. Increasing the productive use of industrial side streams and contaminated land.	New innovations and projects. Recovered side streams and soil exceeded 300,000 tonnes.
We find innovative solutions to build sustainable cities and create healthy and safe environments.	Solutions for maintaining sustainable urban infrastructure and developing sustainable cities. Innovations to create healthy and safe conditions for people.	Regional sustainable development projects and development programmes. New concepts.



## SUSTAINABLE INDUSTRY

**In the industrial sector, L&T works together with customers to develop industrial infrastructure in line with the principles of sustainable development, taking into account priorities such as energy efficiency and resource efficiency. Examples of the areas of development include enabling industrial customers to have their side streams (slag, sediment, slurry, ash) and contaminated soil recovered and used primarily as industrial raw materials and secondarily in infrastructure to replace the use of virgin soil in various structural solutions. We are also developing innovative cleaning methods that use robotics, for example, to reduce waste volumes and improve occupational safety.**

L&T's services for industrial facilities span the entire value chain of waste and side streams, from the point the material is generated all the way to its recovery and recycling. The service solutions consist of components such as cleaning industrial process equipment, in-house logistics, environmental management and property maintenance. A comprehensive approach to operations ensures cost efficiency, responsibility and adherence to the principles of sustainable development. All operations are carried out in accordance with existing legislation and environmental permits.

L&T makes use of industrial side streams,

thereby reducing the environmental impact of industrial activities. We manage the full range of industrial waste, from hazardous materials to slurry and ash. We produce industrial raw materials and fuel for power plants from waste that suits these purposes. We also use industrial side streams and waste as earth construction

materials in place of virgin materials.

L&T processes, recovers and receives contaminated soil from all over Finland. The majority of the contaminated soil processed by L&T ends up being reused. It is used in earth construction and stabilisation; for example, in structures at waste collection areas and landfills.

**Practical measure:  
a motorway  
made from ash.**



In 2018, we facilitated the recovery of more than 300,000 tonnes of industrial side streams and contaminated soil.

#### Customer solutions

In 2018, L&T partnered with several industrial enterprises in the areas of maintenance, property support services and environmental management solutions. We developed our service offering in industrial facility services to enable the production of support services even more efficiently than before, allowing customers to deal with a single point of contact. We help make it possible for industrial facilities to operate efficiently every day of the year. Managing the big picture and taking a proactive approach to occupational safety are key aspects of our operations. Read about our partnership with Efora at Stora Enso's Uimaharju mill in Finland from the next page.

In 2018, L&T collaborated with a customer on the first landfill mining concept in Finland. A closed industrial landfill was reopened and the previously disposed soil was separated to produce raw material for reuse in industrial production. We also worked with customers to develop the use of ash from power plants and factories as fertiliser, as raw material in earth construction and the stabilisation of contaminated soil as well as in the stabilisation of sediment in place of virgin lime.

In 2018, we also improved our capacity to offer material efficiency solutions throughout Finland. The environmental permit of the Uusikaupunki material efficiency centre was

expanded to serve a broader range of industrial customers. We made progress on our investment in a new material efficiency centre in Oulu, with the EIA process completed and an environmental application submitted to the authorities in October. According to the current estimate, the construction of the new centre will begin in 2019 and the facility will be operational in 2020. The material efficiency centre's expected lifespan is at least 50 years.

#### Development projects and co-operation forums

L&T participated in the Clic Circular Economy Platform project aimed at developing a circular economy information and service platform to promote the recovery of side streams. The platform will integrate the full range of services needed for collecting, processing and producing side streams and bringing them to market. In the first phase, a commercial network of enterprises using the platform will be built in the forest industry ecosystem in Southeast Finland, the region where the project's key players are already operating. The project began in autumn 2018 and the first phase will continue through 2019.

We participated in the UUMA3 co-operation forum, which aims to promote the use of secondary materials in earth construction in Finland to support the circular economy and make the use of secondary materials an approach that is perceived as being equal with the use of natural rock material. These measures can produce significant technical, economic and



environmental benefits. In 2018–2021, the UUMA3 programme will make the use of secondary materials in earth construction a more concrete option in the construction activities of Finnish municipalities and the Finnish Transport Infrastructure Agency.

We joined the Finnish Industrial Symbiosis System (FISS) operating model coordinated by Motiva, which aims to help enterprises and other parties enhance the mutual recovery of resources and create new business. Enterprises

in symbiotic relationships create added value for each other by making efficient use of each other's side streams, technology, competence and services. One organisation's side stream or waste becomes a productive resource for another, saving costs on both sides and reducing negative environmental impacts. The ideal outcome is that the symbiotic relationships create commercially successful, highly refined products to serve end user needs both domestically and in the international market.

## CASE

## Providing maintenance services for a pulp and paper company requires a proactive approach under all conditions

**A smooth process is key for a pulp mill. L&T helps make it happen in Uimaharju.**

The red walls rise into the frigid sky and the smoke billowing from the smokestacks makes it clear there is a lot going on inside the pulp mill. Stora Enso's Enocell mill in Uimaharju produces bleached pulp and dissolving pulp—a product in high demand in the world market—at an annual capacity of 490,000 tonnes.

For a facility that runs a non-stop process, preventing interruptions is essential.

“The supply air blowers of the recovery boilers, for example, need to be able to handle tremendous volume. If there are any disruptions in the process, quality will suffer and the boiler may even have to go offline. Every disruption is very costly,” says **Jukka Asikainen**, Maintenance Service Manager at Efora.

“The conditions can get quite stark. Take today, for example. The temperature is close to -30 degrees Celsius and it's windy. The fact that the pulp mill is located here on the shore of Lake Rukavesi means you really feel the effects of the wind,” says L&T's Service Manager **Jani Piipponen**.

Winters in North Karelia can get very cold. In the summer, cooling becomes the challenge. If the cooling of an electrical equipment room fails, the entire department may need to shut down.

A subsidiary of Stora Enso, Efora is responsible for the maintenance of the group's production facilities. L&T operates as Efora's partner in five locations. In addition to property maintenance, L&T's Industrial Services division carries out various process-related tasks at the facilities.

At the Uimaharju pulp mill, L&T has been responsible for building technology and property maintenance for the past four years. In practice, this includes a wide range of jobs related to ventilation, heating, cooling, water supply lines, building automation and property repairs.

“Our role is to ensure smooth conditions for production operations and the people who work here,” says **Tuomas Pitkänen**, Regional Director for L&T's Technical Services division.

One big part of what we do is improving the energy efficiency of cooling, and that's an area where L&T has proposed new solutions.

“The free cooling system has generated savings and improved reliability,” Asikainen says.

In one of the rooms inside the mill, L&T's refrigeration specialist **Pasi Sinokki** is working on cooling systems.

“It's a very independent job. I mostly get notified of tasks via the SAP mobile application, but I have the freedom to decide how to carry them out and in what order. Of course, fixing defects always takes priority,” Sinokki explains.

A running number on a board at the gate of the pulp mill reveals how long Efora has operated without any accidents. The figure is approaching 500 days. The high standard of safety is also a requirement for Efora's partners, and L&T can be satisfied on that front: there have been no accidents leading to L&T employees' absence from work during the co-operation.

“Occupational safety is of utmost importance to us. Safety first is our principle”, says Asikainen from Efora.

Effective communication is also emphasised in the partnership between Efora and L&T.

“A systematic long-term approach, doing



Jukka Asikainen (right) and Pasi Sinokki are proud of nearly 500 days of no accidents at the Uimaharju pulp mill.

things in accordance with the agreed-upon division of responsibilities and always striving for cost-efficiency,” explains Asikainen, listing the requirements.

Even when things are going well, there's always room for improvement.

“You can always try to be more active in how you work and in offering new ideas and solutions. And of course, any deviations need to be reported without delay. The supervisors need to have good people skills in dealing with the principal and the customer and good leadership skills in managing your team members. You also need to report the progress of work, because nothing is considered complete until the information about it has been communicated.”

Asikainen points out that the take-over of a large production facility takes years of work. “You need to get to know the people. Personal connections are how you create trust,” he says.

Pitkänen from L&T echoes his sentiments: “Trust makes things run smoothly.”

## SUSTAINABLE CITIES

**L&T wants to be actively involved in the development of sustainable cities. Through our services, we can contribute to the construction and maintenance of sustainable urban infrastructure, the development of cities that operate according to circular economy principles as well as the creation of healthy and safe conditions for people to live and work in.**

As a corporate partner of the Smart & Clean Foundation, L&T is committed to a five-year development programme to create clean urban solutions for the Helsinki metropolitan area in collaboration with the local municipalities. Among the foundation's key projects, we have been closely involved in projects related to renovation, food and plastic.

As a Climate Partner of the City of Helsinki, L&T helps the city achieve its new climate targets, according to which Helsinki will be completely carbon neutral by 2035. Our target is to reduce our transport emissions by 25% by 2020, using the emissions level and operating volume of 2012 as a baseline.

### **Creating optimal conditions based on feedback from property users**

In 2018, we collaborated with Ramboll on the development of the Healthy Buildings concept based on using modern technology and new service concepts to take on overall responsi-

bility for creating optimal and healthy working conditions throughout a building's life cycle. The concept was first put into action in co-operation with a customer in Tampere.

L&T also participated in a real estate and facility sector joint project developing new services, listening user feedback and learning through experimentation. The aim of the Virtual Service Environment D project (Virpa-D) is to create world-class user experiences for the users of business premises to promote the productivity of work, smooth day-to-day life and well-being. L&T's role in the project is to be in charge of the development of data-driven user

services. The goal is to create a business model that emphasises service production outcomes, the conditions created and user satisfaction instead of focusing on individual service performances.

The service will be piloted at L&T's corporate headquarters and customer locations in 2019. Energy consumption monitoring will be complemented by measurements of indoor conditions using various sensors. The project will also make user satisfaction, service response times, satisfaction with services and the condition of the property more transparent for the users of the property.

**Practical measure: facility maintenance ensures excellent conditions.**



# TO ENSURE LEGAL AND REGULATORY COMPLIANCE

By operating in compliance with laws and regulations, L&T strives to ensure that the Group's operations involve no serious damage or offences. To ensure also the compliance of our own operations, we have defined our responsible business principles as documented in our Code of Conduct, which is applied also to our contract suppliers. In the corporate responsibility programme, our target is to continuously promote operations that adhere to the Code of Conduct both inside L&T as well as in our supply chain. In 2018, we initiated a project aiming to redefine the actions needed to ensure the responsibility of our supply chain.

Priorities	Targets 2018–2021	Indicators 2018
We ensure compliance and ethics in own operations	No major damage or offences.	One fatal occupational accident. No serious environmental incidents.
	All new L&T employees are required to familiarise themselves with the Code of Conduct, regular refreshers	95% of the personnel of L&T FM completed the induction training. 93.3% of salaried employees in Finland completed the updated online course.
We ensure responsibility of the supply chain	Concentrating the procurement to suppliers who are committed to L&T's responsible supply chain policy.	We expanded our requirement of registration with Suomen Tilaajavastuu Oy's Reliable Partner service to include all of our service providers in addition to subcontractors. At the end of the year, 90% of all service purchases were made from suppliers registered with the service. We adopted our Code of Conduct supplier guidelines in our Swedish procurement operations.
	Sufficient annual supplier audits based on risk assessment.	Key employees in the procurement function received training on conducting supplier audits from the responsibility perspective. Updated auditing models were implemented. We commissioned 76 supplier self-assessments in Finland and conducted five supplier audits based on risk assessments.

**ONE FATAL OCCUPATIONAL ACCIDENT OCCURRED**



**93.3%**

of salaried employees in Finland completed the Code of Conduct course



**90%**

of all service purchases were made from suppliers registered with the Suomen Tilaajavastuu Oy's Reliable Partner service.

# COMPLIANCE OF OWN OPERATIONS

**By operating in compliance with laws and regulations, L&T ensures that the Group's operations involve no serious damage or offences. We also ensure the responsibility of our operations by adhering to our responsible business principles as documented in our Code of Conduct, which is supplemented with additional policies and operating principles where necessary. The Code of Conduct applies to all L&T personnel in all of our operating countries as well as our contract suppliers.**

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 as well as our environmental permits. In 2018, we made a commitment to support the UN Global Compact initiative and its principles pertaining to human rights, labour, the environment and anti-corruption.

## **Aiming for zero incidents of serious damage and zero offences**

In its responsibility programme, L&T have set a goal of there being no offences or serious incidents damage in Group's own operations. Unfortunately, this objective was not achieved in 2018, as one fatal occupational accident

occurred in October. You can read more about the incident in the [occupational safety section](#).

In September, the District Court of Hyvinkää ordered L&T to pay a corporate fine of EUR 30,000 in relation to an occupational accident that occurred in 2017 and involved a property manager sustaining a hand injury while cleaning a gravelling machine. In its judgment, the District Court noted that the gravelling machine was missing a protective grill that it should have been equipped with. However, the fine imposed by the court was smaller than the one called for by the prosecutor, because L&T has made significant investments in occupational safety at the Group level. Immediately after the incident, the company took measures to prevent its recurrence.

No major environmental damage incidents occurred in L&T's operations in 2018. There were seven minor environmental incidents in Finland. They were related to fires, overfilling of oil or chemical containers, container leaks or minor incidents of soil contamination. In addition, seven incidents of minor damage were reported in Finland and two in Sweden. These involved minor oil or chemical leaks and fires. To prevent similar incidents, an environmental risk assessment has been carried out at operating locations subject to environmental permits, and the precautionary plans stipulated by the Environmental Protection Act have been drawn up based on the assessments. The plans are fur-

ther linked to rescue plans aimed at preventing and minimising damage. Each operating location subject to an environmental permit is also required to carry out quarterly Environmental Walks to review key aspects with relevance to the environment and the prevention of damage, including the condition of asphalt surfaces, the tidiness of the outdoor areas, the condition of oil separators, the functioning of flow regulation wells, the condition of fences and gates, etc.

During the year, L&T received a total of 19 (37) local complaints related to waste processing operations in Lahti, Jyväskylä, Pori, Kerava and Helsinki. Nearly all of the complaints were related to unpleasant odour, along with a few isolated complaints concerning litter in the local environment, untidiness and noise. 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.

## **Putting the Code of Conduct into action in day-to-day work**

To ensure the regulatory compliance of its operations, L&T has documented its responsible business principles in its Code of Conduct, which applies to all L&T employees as well as contract suppliers. The supervisors are responsible for ensuring the personnel's familiarity

Our Code of Conduct guides the way we work.

with the Code of Conduct and the management monitors compliance with the guidelines.

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.

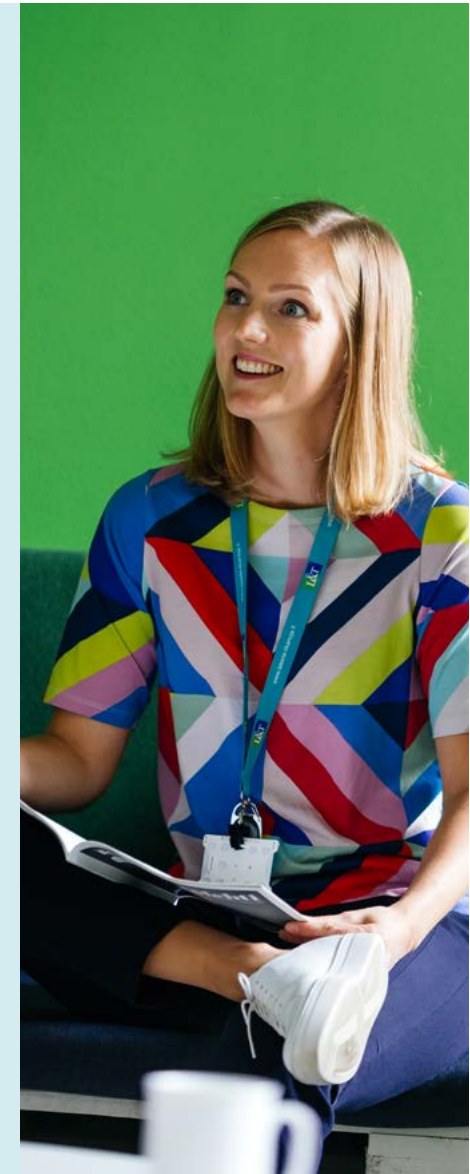
The Code of Conduct addresses issues such as anti-bribery corruption and bribery, compliance with competition law and environmental regulations as well as non-discrimination. New L&T employees study the Code of Conduct as part of their induction training programme, and we also provide regular refreshers of the Code of Conduct by means of online courses, among other things.



### ➤ Progress in 2018:

- All new L&T employees studied the Code of Conduct as part of their induction training programme. Particular focus was on the Technical Services division's personnel in Sweden, who joined L&T following an acquisition in September 2017. In the early part of 2018, **95% of the Swedish personnel of Technical Services** completed an online course that covered the key topics of the Code of Conduct.
- In autumn 2018, the Code of Conduct and the online course that supports its practical application were updated to correspond to the EU GDPR requirements concerning the processing of personal data. In addition, certain other sections, such as the anti-discrimination guidelines, were specified further in the spirit of the UN Global Compact. **93.3% of salaried employees in Finland** completed the updated online course by the end of the year. In 2019, employees in Sweden and Finland will familiarise themselves with the revised Code of Conduct as applicable.
- Our internal auditor received 13 reports of infringements against the Code of Conduct during the year. The reports were received directly from our personnel, through supervisors or via our electronic whistleblowing channel. All of the reports required further investigation and most of them led to corrective measures ranging from reprimands to warnings. In some cases, the reports led to changes to the company's existing processes.
- In relation to the entry into force of the EU General Data Protection Regulation in May, we defined our business processes and the handling of personal data in various stages of the processes. As part of this effort, we also specified and defined our procedures concerning potential personal data breaches. Our data protection policy and other guidelines were updated to comply with the GDPR. We also drafted new GDPR-compliant privacy statements and organised GDPR-related training for our personnel. There were no substantiated complaints regarding breaches of customer privacy or losses of customer data at L&T in 2018.
- In the area of anti-bribery and anti-corruption measures, the internal auditor focused on reviewing sales processes. The topic was also addressed in the new Code of Conduct online training through practical examples. There were no incidents of bribery or corruption at L&T during the year. Read more about our practices related to supplier co-operation from the next page.
- Risks related to human rights have been assessed as part of the (Read more from pages 23–24 of the Financial Review). As L&T mainly operates in Finland and Sweden with local partners, no significant risks related to human rights have been identified in the Group's operations. L&T's non-discrimination guidelines were specified further as part of the process of updating the Code of Conduct. There were no grievances related to human rights or reported incidents of discrimination at L&T in 2018. The company does not tolerate the use of child labour, any form of forced labour or any other practices in violation with basic human rights in its own operations or as part of its supply chain.

➔ [Take a closer look at our Code of Conduct on our website](#)



# RESPONSIBLE PROCUREMENT

**L&T requires that all suppliers comply with the relevant legislation, agreements and terms of employment, and that they commit to our responsibility principles, as documented in our Code of Conduct. In the Code of Conduct, we emphasise legal compliance, honest and transparent business operations, respecting others, matters relating to employer obligations and environmental aspects. Our new contract suppliers commit to the Code of Conduct principles and to compliance with the L&T contractual terms upon signing the supplier contract.**

In selecting supplier partners, we emphasise the reliability of operations, ethical and environmental principles, product or service quality and cost efficiency throughout the life cycle of the product or service.

Issues related to the responsible operating methods of new suppliers are evaluated before the start of co-operation by means of a supplier self-assessment. The self-assessment covers the supplier's background, operating methods related to quality, responsibility and occupational safety as well as the prevention of environmental risks. We review the self-assessment responses to confirm that there are no obstacles to starting co-operation. If the responses reveal any deviations from our expectations, depending on the severity of the

issue we either choose not to commence co-operation or negotiate with the supplier to agree on measures to rectify the observed deviations and their timetable.

We also require our service suppliers to be registered with Suomen Tilaaajavastuu Oy's Reliable Partner programme, which is how we monitor compliance with the Act on the Contractor's Obligations. In Sweden, subcontractors are approved in the company's internal co-operation meetings, which are also attended by representatives of trade unions.

Operations with significant suppliers are managed through regular supplier co-operation and with potential, category-specific activity indicators that are set separately. In ensuring that the suppliers we use are responsible, our primary activities are targeted at those of our suppliers that are considered most significant from a risk-based perspective. The methods we use include self-assessment questionnaires, supplier audits, analyses concerning a supplier's financial situation and other appropriate measures.

## **Anti-corruption and bribery**

L&T's procurement processes are transparent and procurement decisions are based on competitive supply contracts. Procurement is guided by the Group's procurement principles and the more detailed procurement guidelines.

Mandates and the limits for decision-making in terms of procurement are defined in the company's guidelines on authorisation on the basis of position.

In case of potential conflicts of interests in procurement processes, the persons concerned are disqualified from the decision-making. Supplier co-operation must not involve any bribery or the kind of hospitality or exchange of gifts that could influence procurement decisions.

L&T is committed to supporting the UN Global Compact initiative and its anti-corruption principles. The prevention of corruption and bribery is based on national legislation and agreements. Internally, operations are guided by the L&T Code of Conduct, which includes anti-bribery and corruption guidelines related to, among other things, accepting and offering gifts and hospitality as well as the avoidance of conflicts of interest. The company also adheres to a separately defined permit procedure to ensure that all customer events are appropriate and that all sponsorships and supporting marketing operations are transparent.

L&T mainly operates with local partners in Finland and Sweden, which improves transparency with respect to its partners' responsibility. Operations with significant suppliers are managed through regular supplier co-operation and monitored according to category-specific performance indicators. Contract suppliers

Responsibility guides our operations. It also guides the selection of our partners.

are also required to comply with L&T's Code of Conduct.

## **The process of setting new targets is underway**

We have begun the process of redefining the actions and target levels related to ensuring the responsibility of our supply chain. Our aim is to redefine the appropriate measures in various price categories for ensuring that a suppliers' actions are responsible, taking into account the typical risks related to the category and the supplier sector in question. We will also specify the scope of these efforts. In Sweden, our aim is to perform the necessary supplier audits to ensure adherence to a responsible business model.

To ensure compliance

**Progress in 2018:**

- We expanded our requirement of registration with Suomen Tilaaajavastuu Oy's Reliable Partner service to include all service suppliers in addition to subcontractors. At the end of 2018, some 90% of all service purchases were made from suppliers registered with the service.
- We adopted our Code of Conduct supplier guidelines in our Swedish procurement operations.
- Key employees in the procurement function received training on conducting supplier audits from the responsibility perspective.
- We implemented updated auditing models that take responsibility perspectives into account more extensively than before.
- In 2018, we commissioned 76 supplier self-assessments in Finland and conducted five supplier audits based on risk assessments.
- We began the process of redefining the actions related to ensuring the responsibility of our supply chain.

**Purchasing was mostly domestic**

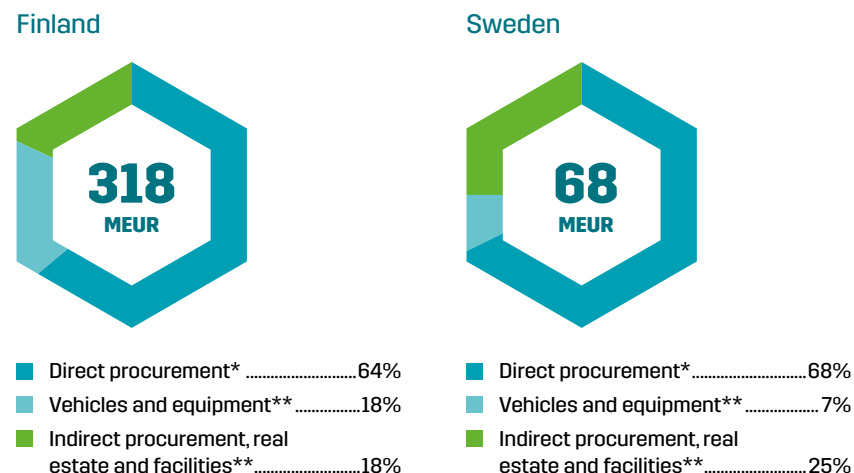
A significant proportion of L&T's procurement consists of direct purchases of materials and services, purchases related to vehicles and equipment as well as indirect purchases, including property-related purchases. In 2018, L&T's purchases of materials, goods and services in Finland totalled approximately EUR 318 million (329).

In Sweden, L&T's total purchases amounted to approximately EUR 68 million (no comparison figure available). In Russia, total purchases were about EUR 5 million.

L&T's purchases are mainly from domestic suppliers. In Finland, 94.9% (94.8) of purchases were made from companies operating in Finland, and 5.0% (5.2) from companies operating in other EU countries. Purchases from outside the EU represented 0.1% (0.01) of our total purchases. In Sweden, 99.3% (99.8) of purchases were made from companies operating in Sweden, and 0.6% (0.19) from other EU countries.

The percentage of purchases from outside the EU was negligible (0.1). In Russia, all purchases were made from companies operating in Russia.

**Breakdown of procurement in Finland and Sweden % of total procurement**



\* 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.

Procurement by country, %	Finland	Sweden	Russia
Domestic	94.90%	99.30%	100%
EU	5.00%	0.60%	0%
Outside the EU	0.10%	0.10%	0%

More detailed information in tables

**Environmental figures**

<b>MATERIALS</b>	<b>Unit</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Material flows managed by L&amp;T</b>				
Waste-based materials total	T	769,000	801,000	868,000
Materials sorted at source	%	65%	67%	68%
Hazardous waste sorted at source	%	6%	6%	6%
Mixed waste	%	29%	27%	26%
<b>Recycling and recovery rate of material flows managed by L&amp;T</b>				
Reuse and recycling	%	53.7%	53.8%	54.2%
Recovery in environmental construction	%	5.6%	5.9%	5.4%
Recovery as a waste-based fuel	%	23.3%	23.3%	24.8%
Recovery in the incineration of mixed waste	%	11.0%	11.2%	9.2%
Final treatment	%	6.3%	5.7%	6.4%
<b>Reuse and recycling rate of hazardous waste</b>				
Recycled as material	%	66.3%	64.0%	67.0%
Recovery as energy	%	10.2%	10.6%	6.6%
Final treatment	%	23.5%	25.4%	26.4%
<b>ENERGY</b>				
<b>L&amp;T's own energy consumption</b>				
Diesel	MWh	152,846	160,094	170,798
Petrol	MWh	2,416	2,459	2,804
Fuel oil	MWh	17,855	17,506	18,539
Gas	MWh			509
Electricity	MWh	31,122	31,716	31,322
District heating*	MWh	9,537	9,898	8,960
TOTAL	MWh	213,776	221,673	232,932
Energy intensity**	MWh/M€	323	328	290

<b>GREENHOUSE GAS EMISSIONS AND REDUCTIONS</b>	<b>Yksikkö</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>L&amp;T's own emissions</b>				
Scope 1: Transport, production vehicles, work machines, landfill operations	1,000 tCO <sub>2</sub> eq.	42.2	42.8	45.8
Scope 2: Purchased electricity in Finland (market-based)	1,000 tCO <sub>2</sub> eq.	0	0	0
Scope 2: Purchased electricity in Finland (area-specific)	1,000 tCO <sub>2</sub> eq.	5.5	5.6	5.0
Scope 2: Purchased electricity in Russia and Sweden (area-specific)***	1,000 tCO <sub>2</sub> eq.	0.2	0.2	0.2
Scope 2: Purchased district heating in Finland (area-specific)***	1,000 tCO <sub>2</sub> eq.	1.7	1.7	1.7
Scope 3: Fuel consumption by contractors****	1,000 tCO <sub>2</sub> eq.	13.4	13.5	15.1
Scope 3: Work-related travel*****	1,000 tCO <sub>2</sub> eq.	1.5	1.4	1.5
TOTAL*****	1,000 tCO <sub>2</sub> eq.	59.0	59.6	64.4
Emission intensity*****	tCO <sub>2</sub> eq./M€	66.7	66.2	59.5
<b>Carbon handprint</b>				
Material recycling	1,000 tCO <sub>2</sub> -eq.	-355.1	-363.6	-359.7
Bio and recovered fuel deliveries	1,000 tCO <sub>2</sub> -eq.	-678.8	-697.0	-805.8
TOTAL	1,000 tCO <sub>2</sub> -eq.	-1,033.9	-1,060.6	-1,165.6

The numbers include the entire L&T group in Finland, Russia and Sweden, unless otherwise mentioned. L&T FM is included starting from 2018.

\*Information on the consumption of district heating has been collected only for Finland.

\*\*L&T's own energy consumption in proportion to net sales.

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

\*\*\*\*Figures only cover L&T's operations in Finland.

\*\*\*\*\*The calculated Scope 2 emissions include electricity purchased in Finland as market-specific (not area-specific).

\*\*\*\*\*L&T's Scope 1 and Scope 2 emissions in relation to net sales.

# CALCULATION OF CO<sub>2</sub> EMISSION FIGURES

Carbon handprint i.e. calculated reductions in emissions has 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.

Carbon handprint has been calculated on a material specific basis, and it is 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 carbon handprint takes 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 2018.

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). Sub-contractors' 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. Previous years' figures do not include L&T FM.

More detailed information in tables

**Personnel in figures**

	2018	2017	2016		2018	2017	2016		2018	2017	2016
<b>Total number of full-time and part-time employees at year end</b>	8,600	8,663	7,931	<b>Personnel by type of employment, %</b>				<b>Average retirement age</b>			
Finland	6,871	7,041	7,035	Finland				L&T Group, weighted average	63.2	63	63.2
Sweden	1,422	1,332	637	permanent	95%	93%	93%	Finland	63.2	63	63.2
Russia	307	290	259	temporary	5%	7%	7%	Sweden	64.5	64.2	
<b>Average number of employees, converted to full-time</b>				full-time	68%	66%	66%	Russia	57.5	57.5	
Finland	6,199	6,288	6,305	part-time	20%	22%	22%	<b>Turnover</b>			
Sweden	1,066			Sweden				L&T Group, weighted average	26%		
Russia	301			permanent	74.5%		53%	Finland	30.8%		
<b>Personnel by country</b>				temporary	25.5%		47%	Sweden	7.5%	8%	
Finland	80.0%	81.3%	88.7%	full-time	63.7%	64%	25%	Russia	5.3%	6%	
Sweden	16.6%	15.4%	8.0%	part-time	36.3%	36%	75%	Turnover by division*			
Russia	3.5%	3.3%	3.3%	Russia				Environmental Services	13.3%	12.5%	8.61%
<b>Personnel by gender</b>				permanent	99.3%	97%	93%	Facility Services	38.9%	34.4%	35.78%
female	52%	42%	45%	temporary	0.7%	3%	7%	Technical Services	19.0%		
male	48%	58%	55%	full-time	94.3%	92%	93%	Industrial Services	14.2%	11.9%	14.62%
<b>Personnel by gender, supervisory positions</b>				part-time	5.7%	8%	7%	Renewable Energy Sources	4.2%		
female	36%			<b>Called in when necessary***</b>	12%	11%	12%	<b>Number of statutory employer-employee negotiations*</b>			
male	64%			<b>Number of different nationalities</b>	85	86	84	terminated*	43		
<b>Personnel by employee group**</b>				<b>Proportion of employees with an immigrant background, %*</b>	15%	16%	16%	temporarily laid off*	9		
Salaried employees, %				From the EU*	35%	37%	41%	<b>Employees covered by collective bargaining agreements, %**</b>	100%	100%	100%
Finland	17%	16%	16%	From outside the EU*	65%	63%	59%	<b>Ratio of highest annual earnings to median earnings (full-time employees)*</b>	1:15		
Sweden	2%			<b>New employees hired in 2018</b>	3,254			<b>Employee satisfaction****</b>			
Employees, %				Employees under the age of 18 hired in 2018*	174			Promoter score			
Finland	83%	84%	84%	<b>Age distribution of personnel</b>				Finland	70%	70%	71%
Sweden	98%			14–20 years	3%			Sweden	80%	-	90%
<b>Leased employees by employee group*</b>				21–30 years	21%			Russia	-	-	98%
Salaried employees, person-days	347			31–40 years	26%			Weighted average	72%	70%	74%
Employees, person-days	34,556			41–50 years	23%			<b>Meaningful work</b>			
				51–60 years	21%			Finland	87%	85%	84%
				Over 60 years	6%			Sweden	95%	-	98%
				<b>Sickness-related absence, %</b>				Russia	-	-	95%
				Finland	5.0	4.8	4.8	Weighted average	87%	85%	86%
				Sweden	5.1	4.5	4.4				
				Russia	2.7	2.5	2.5				

\*Information is only available for Finnish operations

\*\*Information is only available for Finnish and Swedish operations

\*\*\*Type of employment is used only in Finland

\*\*\*\*In 2018, data was collected for Finland and Sweden, in 2017 only for Finland

More detailed information in tables

**Personnel in figures**

Occupational safety

	2018	2017	2016		2018	2017	2016
<b>Accident frequency</b>				<b>Safety walks</b>			
L&T Group	13.65	13.64	14.3	L&T Group	12,372		
Finland	15.58	15.44	15	Finland	11,982	10,528	10,283
Sweden	5.69	5.25	9.8	Sweden	390		
Russia	0	2.26	2.3	Russia	N/A		
<b>Overall accident frequency</b>				<b>Occupational safety sessions</b>			
L&T Group	24.85	25.49		L&T Group	10,657		
Finland	28.38	29.60	41.70	Finland	9,977	8,975	8,047
Sweden	10.34			Sweden	680		
Russia	0			Russia	N/A		
<b>Reported safety observations</b>				<b>Cases of occupational illnesses</b>			
L&T Group	32,195	28,066	21,713	L&T Group	0	0	0
Finland	26,451	25,236	21,709	Finland	0	0	0
Sweden	5,744	2,829	3	Sweden	0	0	0
Russia	0	1	1	Russia	0	0	0
<b>Hazard/risk assessments*</b>	837	863	900	<b>Fatal accidents</b>			
				L&T Group	1	0	0
				Finland	1	0	0
				Sweden	0	0	0
				Russia	0	0	0

\*Information is only available from Finnish operations.

# FOCUS AREAS IN EXERCISING INFLUENCE ON SOCIETY

TARGET	BACKGROUND	REGULATION	METHODS (L&T'S VIEW)
<p><b>PROMOTING THE CIRCULAR ECONOMY</b></p>	<p>In 2015, the EU published its circular economy package, which is a comprehensive multi-year set of strategies and regulatory reforms aimed at the sustainable and efficient use of existing resources.</p> <p>The Finnish government has set a goal of making Finland a leading country in the circular economy by 2025. The government's Bioeconomy and Clean Solutions key projects expedite the achievement of this goal.</p> <p>The Finnish circular economy roadmap was drafted by the Finnish Innovation Fund Sitra, government ministries and a wide range of other participants with the aim of realising the opportunities presented by the circular economy. The roadmap is complemented by the Action Plan for a Circular Economy.</p>	<p>In January 2018, the EU published its second circular economy mini-package, consisting of communications on the EU's strategy for plastics, a review of legislation concerning chemicals, products and waste as well as a monitoring framework on the circular economy.</p> <p>In April 2018, the European Commission published new recycling targets for municipal waste, calling for a gradual increase in the recycling rate, rising to 65% by 2030. The recycling target for packaging materials was elevated to 70% by 2030.</p> <p>In December, the EU published a directive proposal on single-use plastics, with goals including a 90% collection target for plastic bottles by 2025 and a 30% target for recycled content in plastic bottles by 2030.</p> <p>The reform of the Finnish Waste Act to expedite the circular economy progressed on two fronts. The waste management of the public administration and the social, health and education sectors was deregulated, effective from 1 January 2019.</p> <p>The use of recovered waste in earth construction was made easier in Finland, effective from 1 January 2018.</p>	<p>The described regulatory reforms are in line with L&amp;T's views.</p> <p>The progress of material recycling in Finland has not been as good as planned, and Finland is among the EU countries that will not reach the 50% recycling target by 2020. Achieving future targets calls for radical reforms in Finnish waste policy.</p> <p>Nearly 50% of Finnish municipal waste is still mixed waste, which is difficult to recycle.</p> <p>There is a need for a substantial increase in sorting at source and separate collection of different materials. At the national level, there is a need for strict separate collection targets for specific materials. At the municipal level, waste fee systems should also be more geared towards promoting accurate sorting.</p> <p>In the absence of effective economic control methods for recycling, using waste in energy production is a more attractive alternative than recycling. This has created excessive waste incineration capacity relative to the long-term recycling targets, which will further slowdown the required development.</p> <p>The waste market is also in need of further reforms. 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.</p> <p>In addition to effective sorting at source and separate collection, there is a need to promote market demand for secondary raw materials by creating material-specific requirements for recycled content and by making waste and industrial side streams easier to utilise in earth construction.</p>



More detailed information in tables

TARGET	BACKGROUND	REGULATION	METHODS (L&T'S VIEW)
<p><b>ENSURING COMPETITION NEUTRALITY BETWEEN PRIVATE AND PUBLIC ENTITIES AND PROMOTING THE DEREGULATION OF THE MUNICIPAL SERVICE MARKET</b></p>	<p>Finnish municipalities have established joint waste companies to satisfy their statutory waste management obligations. The private sector is concerned about the municipalities abusing their monopoly position by operating in the corporate market.</p> <p>In the property services market, municipally owned service companies are looking to expand and become regional and national operators.</p>	<p>Progress was made in the Finnish Parliament on amendments to the Waste Act to create an electronic platform to ensure that the secondary waste management responsibility of municipalities can be implemented in the corporate waste market in a competition-neutral manner.</p>	<p>L&amp;T sees a great deal of potential for growth and development in the public service market. We aim to promote the opening up of public services to private companies.</p> <p>The public sector must operate in the markets in the form of a corporation, using market pricing, and the market-based operations must be transparently separated in the public sector's accounting.</p>
<p><b>PROMOTING THE USE OF RENEWABLE ENERGY</b></p>	<p>A report published by the IPCC indicated that the current measures to mitigate climate change are not adequate, which is why the targets and measures must be reassessed.</p> <p>Increasingly strict climate targets will force us to replace fossil fuels in the production of energy and heat at an accelerated schedule.</p> <p>In addition to reducing emissions, there is a need for active measures to increase carbon sinks.</p> <p>The increasingly 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.</p>	<p>The EU's energy and climate targets are to reduce greenhouse gas emissions by 40% by 2030, using 2005 as the baseline.</p> <p>The EU's LULUCF Regulation defined how emissions and carbon sinks associated with forests and land use are taken into account in the EU's climate targets.</p> <p>Reforms to the EU's Emission Trading System Directive will see the volume of emission rights reduced by 2.2% per year starting from 2021.</p> <p>The EU updated the Renewable Energy Directive (REDII) to call for increasing the overall share of renewable energy to 32% by 2030 and to 14% of the energy consumed in road and rail transport. In electricity and heating production, the use of biomass must lead to at least a 70% reduction in greenhouse gas emissions.</p> <p>The recast directive also marked an agreement on 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.</p>	<p>L&amp;T supports the described initiatives and measures to minimise the impacts of climate change.</p> <p>Energy, climate and waste policy should be managed as a whole. Policy decisions should be long-term and predictable to support critical technological development and investments.</p> <p>In the emissions trading sector, the measures are aimed at the development and implementation of new technologies. The reduction of industrial process emissions calls for not only new technologies, but also new circular economy solutions.</p> <p>Biofuels and various waste-based fuels play a critical role as a solution for the transition period.</p> <p>What is required is the breakthrough of new technologies that make it possible to turn biomass and various side streams into energy, raw materials, nutrients and chemicals in a modular manner.</p> <p>Fuel taxation and public procurement should be geared towards the use of cleaner fuels in transport.</p> <p>To accelerate carbon sinks, there is a need for steering methods that allow the nearly million hectares of thinning backlog in young forests to be acted on. The operating conditions of combined heat and power production (CHP) must be ensured.</p> <p>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.</p>

[More detailed information in tables](#)

TARGET	BACKGROUND	REGULATION	METHODS (L&T'S VIEW)
<p><b>ENSURING THE AVAILABILITY OF LABOUR</b></p>	<p>As age groups become smaller and the demand for labour grows, the availability of labour has become a growing problem for the service sector.</p> <p>The labour market suffers from a mismatch problem, where registered unemployed jobseekers are unwilling to accept the service jobs offered by L&amp;T</p> <p>The shortage of labour is becoming a national challenge and a bottleneck to the development of the service sector.</p>	<p>Under the Finnish Aliens Act, obtaining a work permit for non-EU and non-EEA nationals is subject to a labour market test to assess the availability of home market labour., which restricts the opportunities to recruit employees from this pool of candidates.</p> <p>The Uusimaa Centre for Economic Development, Transport and the Environment has exempted cleaning jobs from the labour market test procedure in its administrative region.</p>	<p>L&amp;T takes active measures to promote labour availability.</p> <p>We believe that the labour market test should be eliminated because there will not be enough labour for critical service sector jobs in the future.</p> <p>Employment-based immigration and integration must be promoted by making permit processes smoother.</p> <p>In education, there is a need for closer co-operation between enterprises and education institutions.</p> <p>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.</p>
<p><b>DEVELOPING THE EARNINGS-RELATED PENSION SYSTEM TO SUPPORT EMPLOYMENT</b></p>			<p>The current earnings-related pension system's attribution principle fails to provide incentives for hiring employees who represent special groups.</p>

# KEY STAKEHOLDERS AND STAKEHOLDER ENGAGEMENT

We conducted an extensive stakeholder survey in autumn 2018 to assess the expectations of our key stakeholders (customers, personnel, potential employees, investors, national policy-makers, media and the general public) regarding our operations. The results were reviewed during the latter part of the year in various management forums (Board of Directors, Group Executive Board, divisional management teams) and stakeholder-specific action plans will be drawn up based on the results.

Stakeholder	Description of interaction in 2018
<b>Customers</b>	<p>Improving the customer experience is one of L&amp;T's strategic focus areas. We conducted two Net Promoter Score surveys in Finland and received more than 3,700 assessments of our operations. We utilised the results at the 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 organised online training on environmental management, with a focus on topical issues, for more than 3,000 customers.</p> <p>We managed and developed customer relationships through customer-specific development and steering groups.</p> <p>We sent tens of 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>
<b>Personnel</b>	<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 and area forums in the Industrial Services division focused on the implementation of measures highlighted in the strategy as well as the development of critical processes.</p> <p>In our efforts to promote work ability, we concentrated on the focus areas of the current programme period, namely the development of recruitment and supervisors' day-to-day leadership skills, improving work fitness, monitoring work ability and career planning. We also continued to implement the Suitable Work operating model.</p> <p>We supported the professional development of our personnel through 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 target and 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 communicated with our personnel using the intranet, the Letti personnel magazine, videos, newsletters, text messages, WhatsApp messages and our internal Yammer and Facebook networks. We began an intranet renewal process that will see it expand to cover the Group's Swedish operations. We drew up a plan to have the intranet cover all L&amp;T personnel in the coming years.</p>

More detailed information in tables

Stakeholder	Description of interaction in 2018
<b>Potential employees</b>	<p>We continued national, systematic co-operation with education institutes. We appointed a Training Planner to take charge of our co-operation with education institutes by planning and coordinating internship training and on-the-job learning arrangements. We engage in co-operation with education institutions throughout Finland.</p> <p>We participated in about 20 different recruitment and career events during the year to present our operations and share information on job opportunities at L&amp;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&amp;T's career opportunities and career stories as well as bust common myths related to the cleaning industry.</p> <p>We continued the Monet project in co-operation with the Helsinki Skills Centre and the Espoo and Vantaa Employment and Economic Development Offices, with the aim of supporting the employment of immigrants and asylum seekers and alleviating the labour shortages of L&amp;T's Facility Services division.</p> <p>We actively communicated career opportunities and daily life at L&amp;T in both traditional and social media. Our employee ambassadors were active on social media using the #ihantikkana hashtag. Content depicting the daily life of L&amp;T employees was produced and posted on Instagram, Twitter and Facebook in about 700 photo posts.</p>
<b>Investors and shareholders</b>	<p>We met with investors and analysts at more than 30 different events, including seminars, group meetings and our Annual General Meeting. We used stock exchange releases, press releases and our website for regular communications with the capital markets.</p>

Stakeholder	Description of interaction in 2018
<b>Suppliers of goods and services</b>	<p>We expanded our requirement of registration with Suomen Tilaajavastuu Oy's Reliable Partner service to include all service suppliers in addition to subcontractors. Key employees in the procurement function received training on conducting supplier audits from the responsibility perspective.</p>
<b>Organisations and lobbying</b>	<p><u>We participated actively in the work of industry and labour market organisations in Finland and at the EU level.</u></p>
<b>Local communities and the authorities</b>	<p>We assessed the impacts of the BAT conclusions pertaining to waste management pursuant to the Industrial Emissions Directive on those of our recycling plants that are subject to environmental permits. We participated in the preparation of decisions concerning waste transport systems at the municipal level.</p>
<b>Political decision-makers</b>	<p>In 2018, we participated in the preparation of the green deal initiative for oil waste management and the plastics roadmap, and we were heard in Parliament in relation to government proposals concerning the reform of the Waste Act. At the EU level, we participated in the preparation of the circular economy package through our European lobbying organisation FEAD.</p>
<b>Media</b>	<p>We responded to dozens of media contacts to satisfy journalists' information needs or to identify interviewees. We published more than 30 press releases and organised media events and meetings.</p>

# CORPORATE RESPONSIBILITY REPORTING

We report on corporate responsibility as part of our Annual Report for the period 1 January–31 December 2018 in accordance with the Core level of the Global Reporting Initiative (GRI) Standards. 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. If information concerning certain indicators 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.

The Financial Review was approved by the company's Board of Directors and the Annual Review was approved by the President and CEO.

Key environmental and personnel responsibility indicators are assured by an independent third party. The assurance was commissioned by Director, Corporate Relations and Responsibility Jorma Mikkonen. [Read the independent assurance report on page 94.](#)

More information on our corporate responsibility reporting: [viestinta@lassila-tikanoja.fi](mailto:viestinta@lassila-tikanoja.fi)

## Materiality analysis guides our corporate responsibility efforts and stakeholder relations

Our corporate responsibility report is based on a materiality analysis, which we updated as part of the renewal of our corporate responsibility programme in late 2017 and early 2018.

The analysis allows us to focus our corporate responsibility and stakeholder efforts on the issues that are the most significant to our stakeholders, support our strategic priorities and relate to the most substantial economic,

social and environmental impacts of our operations.

In updating the analysis, we used the results of our stakeholder surveys, the previous materiality analysis, a PESTEL analysis of changes in the business environment and workshops held with the Group's various businesses with a focus on strategic priorities. We also linked our assessment to the UN's Sustainable Development Goals and the targets of the Global Compact initiative.

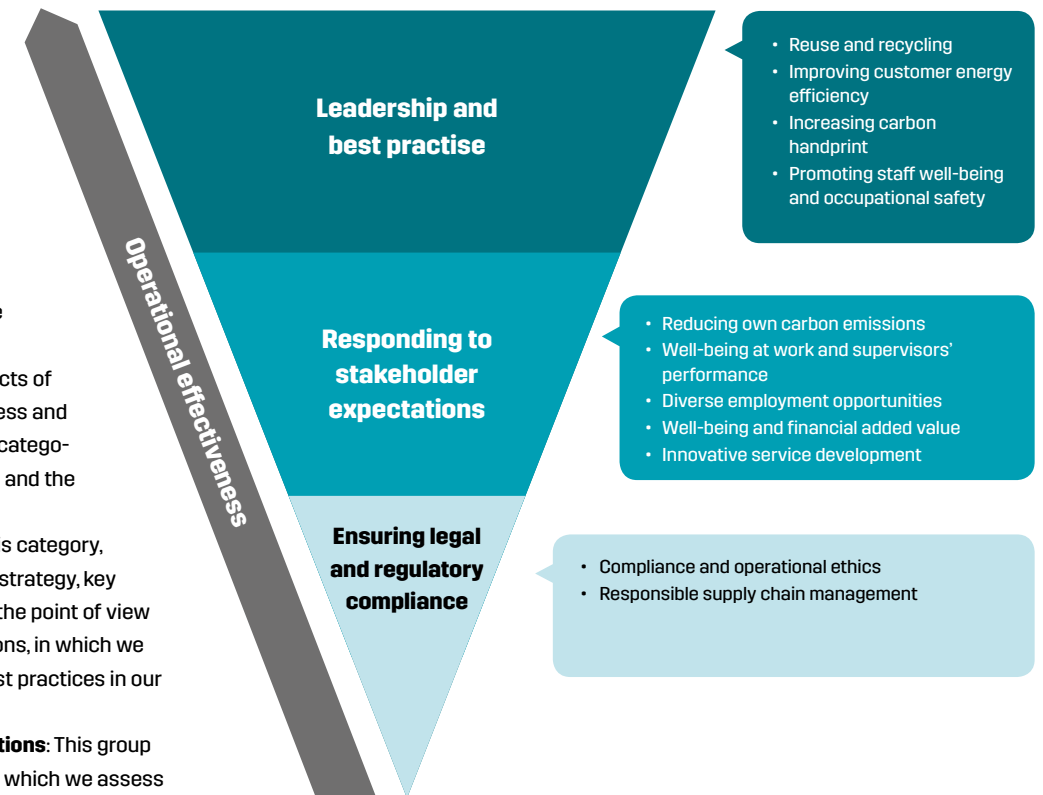
We assessed the most material aspects of responsibility with respect to our business and strategy and classified them into three categories based on stakeholder expectations and the impacts of our operations:

**Leadership and best practices:** In this category, 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.

**Legal and regulatory 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 2018



# GRI ASPECTS AND BOUNDARIES

Corporate responsibility programme aspect	GRI material aspect	Reported GRI indicators	Own indicators	Boundary
We promote the sensible use of materials and energy and reduce the amount of waste generated.	GRI 301 Materials, GRI 302 Energy, GRI 306 Effluents and Waste	302-1, 302-3, 302-4, 306-3, 306-4	LT1 Processed material flows, LT2 Share of material flows represented by recycled materials	Materials value chain
We promote the sustainable use of natural resources and participate in efforts to counter climate change.	GRI 305 Emissions	305-1, 305-2, 305-3, 305-4, 305-5,	LT3 Carbon handprint, LT4 replaced energy items	Materials value chain
We promote the transition towards a circular economy.	As above		LT 5 Training, education, campaigns and initiatives	L&T, customers, society
We look after the well-being and work ability of our personnel.	GRI 401 Employment, GRI 402 Labour/Management Relations, GRI 403 Occupational Health and Safety, GRI 404 Training and Education	401-1, 401-2, 402-1, 403-1, 403-2, 403-3, 404-3	HR 1 Average retirement age HR 2 Employee Promoter Score	L&T
We provide employment opportunities to immigrants, young people and people who are retraining or struggling to find employment.	GRI 404 Training and Education, GRI 405 Diversity and Equal Opportunity	404-2, 405-1		L&T
We create economic growth and well-being.	GRI 201 Economic Performance, GRI 203 Indirect Economic Impacts	201-1, 201-4, 203-2	HR 3 Tax footprint	L&T
Recovery of industrial side streams and promoting closed cycles	GRI 301 Materials, GRI 413 Local Communities	413-2	LT 6 Treated contaminated soil	Materials value chain
Finding innovative solutions to build sustainable cities and create healthy and safe environments	To be specified later	To be specified later	To be specified later	L&T, customers, society
Compliance and ethics in own operations	GRI 205 Anti-corruption, GRI 206 Anti-competitive Behaviour, GRI 307 Environmental Compliance, GRI 406 Non-discrimination, GRI 407 Freedom of Association and Collective Bargaining, GRI 408 Child Labour, GRI 409 Forced or Compulsory Labour, GRI 412 Human Rights Assessment, GRI 413 Local Communities, GRI 415 Public Policy, GRI 416 Customer Health and Safety, GRI 418 Customer Privacy, GRI 419 Socioeconomic Compliance	205-1, 205-2, 205-3, 206-1, 307-1, 406-1, 407-1, 408-1, 409-1, 412-2, 413-2, 415-1, 416-2, 418-1, 419-1		L&T
Responsibility of the supply chain	GRI 204 Procurement Practices, GRI 308 Supplier Environmental Assessment, GRI 414 Supplier Social Assessment	204-1, 308-1, 414-1		L&T, suppliers

# GRI INDEX

GRI standard	Report content	Location	More information
<b>GRI 102</b>	<b>General disclosure 2016</b>		
102-1	Name of the organisation	Financial review, pg. 3	
102-2	Activities, brands, products and services	Annual review, pg. 3, 19, 22, 25, 28, 31	
102-3	Location of headquarters	Financial review, pg. 36	
102-4	Location of operations	Financial review, pg. 3, 18, Annual review, pg. 3	
102-5	Ownership and legal form	Financial review, pg. 3, 25	
102-6	Markets served	Financial review, pg. 18, Annual review, pg. 3	
102-7	Scale of the organisation	Financial review, pg. 20, Annual review, pg. 3, 78	
102-8	Information on employees and other workers	Financial review, pg. 20, Annual review, pg. 60, 78	
102-9	Supply chain	Annual review, pg. 74	
102-10	Significant changes to the organisation and its supply chain	Financial review, pg. 16–20	
102-11	Precautionary Principle or approach	Financial review, pg. 20–24	
102-12	External initiatives	Annual review, pg. 35–36, 51, 80–82	
102-13	Membership of associations	Annual review, pg. 51	
102-14	Statement from senior decision-maker	Annual review, pg. 5	
102-15	Key impacts, risks and opportunities	Financial review, pg. 20–24, Annual review, pg. 36	
102-16	Values, principles, standards and norms of behaviour	Annual review, pg. 35, 71–73, <a href="http://www.lt.fi/en/responsibility">www.lt.fi/en/responsibility</a>	
102-17	Mechanisms for advice and concerns about ethics	Annual review, pg. 71–73, <a href="http://www.lt.fi/en/responsibility">www.lt.fi/en/responsibility</a>	
102-18	Governance structure	Financial review, pg. 3, Annual review, pg. 36, <a href="http://www.lt.fi/en/responsibility/managing-corporate-responsibility">www.lt.fi/en/responsibility/managing-corporate-responsibility</a>	
102-19	Delegating authority	Financial review, pg. 20, Annual review, pg. 36, <a href="http://www.lt.fi/en/responsibility/managing-corporate-responsibility">www.lt.fi/en/responsibility/managing-corporate-responsibility</a>	
102-20	Executive-level responsibility for economic, environmental and social topics	Financial review, pg. 20, Annual review, pg. 36, <a href="http://www.lt.fi/en/responsibility/managing-corporate-responsibility">www.lt.fi/en/responsibility/managing-corporate-responsibility</a>	
102-22	Composition of the highest governance body and its committees	Financial review, pg. 3	

GRI standard	Report content	Location	More information
102-23	Chair of the highest governance body	Financial review, pg. 3	
102-24	Nominating and selecting the highest governance body	Financial review, pg. 3	
102-25	Conflicts of interest	Financial review, pg. 7, 12	
102-26	Role of highest governance body in setting purpose, values and strategy	Financial review, pg. 6	
102-29	Role of the highest governant body in identifying and managing economic, environmental and social impacts	Financial review, pg. 7, 11	
102-31	Review of economic, environmental and social topics	Financial review, pg. 11	
102-32	Highest governance body's role in sustainability reporting	Annual review, pg. 85	
102-35	Remuneration policies	Financial review, pg. 13	
102-38	Annual total compensation ratio	Annual review, pg. 78	information only available for Finland
102-40	List of stakeholder groups	Annual review, pg. 83	
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 review, pg. 35, 83	
102-43	Approach to stakeholder engagement	Annual review, pg. 83–84	
102-44	Key topics and concerns raised	Annual review, pg. 35	
102-45	Entities included in the consolidated financial statements	Financial review, pg. 37	
102-46	Defining report content and topic boundaries	Annual review, pg. 86–87	
102-47	List of material topics	Annual review, pg. 85	
102-48	Restatements of information	Financial review, pg. 20, Annual review, pg. 85	
102-49	Changes in reporting		For 2018, reporting also covers L&T FM's operations in Sweden in their entirety.
102-50	Reporting period	Annual review, pg. 85	
102-51	Date of most recent report		22 February 2018
102-52	Reporting cycle	Annual review, pg. 85	
102-53	Contact point for questions regarding the report	Annual review, pg. 85	



GRI standard	Report content	Location	More information
102-54	Claims of reporting in accordance with the GRI Standards	Annual review, pg. 85	
102-55	GRI content index	L&T GRI Index	
102-56	External assurance	Annual review, pg. 94	
<b>GRI 103</b>	<b>Management Approach 2016</b>		
103-1	Explanation of the material topic and its Boundary	Annual review, pg. 35–38, <a href="http://www.it.fi/en/responsibility">www.it.fi/en/responsibility</a>	
103-2	The management approach and its components	Annual review, pg. 35–38, <a href="http://www.it.fi/en/responsibility">www.it.fi/en/responsibility</a>	
103-3	Evaluation of the management approach	Annual review, pg. 35–38, <a href="http://www.it.fi/en/responsibility">www.it.fi/en/responsibility</a>	
<b>GRI 200 ECONOMIC RESPONSIBILITY STANDARDS</b>			
<b>GRI 201</b>	<b>Economic Performance 2016</b>		
201-1	Direct economic value generated and distributed	Annual review, pg. 64	
201-4	Financial assistance received from government		In 2018, grants and assistance received from the government for product development and projects amounted to EUR 58,119.80.
<b>GRI 203</b>	<b>Indirect economic impacts 2016</b>		
203-2	Significant indirect economic impacts (e.g. employment, economic growth, competence development, production of necessary services).	Annual review, pg. 16, 17	
HR 3	Tax footprint	Annual review, pg. 65	
<b>GRI 204</b>	<b>Procurement Practices 2016</b>		
204-1	Proportion of spending on local suppliers	Annual review, pg. 75	
<b>GRI 205</b>	<b>Anti-corruption 2016</b>		
205-1	Operations assessed for risks related to corruption	Financial review, pg. 21–24, Annual review, pg. 73–75	
205-2	Communication and training about anti-corruption policies and procedures	Financial review, pg. 21–24, Annual review, pg. 73–75	
205-3	Confirmed incidents of corruption and actions taken	Financial review, pg. 21–24, Annual review, pg. 73–75	No incidents.

GRI standard	Report content	Location	More information
<b>GRI 206</b>			
<b>Anti-competitive Behaviour 2016</b>			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	Annual review, pg. 71	No incidents.
<b>GRI 300 ENVIRONMENTAL RESPONSIBILITY STANDARDS</b>			
<b>GRI 301</b>			
<b>Materialit 2016</b>			
LT1	Material flows processed	Annual review, pg. 40, 76	Replaces item 301-1, which is not directly applicable to L&T's operations.
LT2	Share of material flows represented by recycled materials	Annual review, pg. 40, 76	Replaces items 301-2 and 306-2, which are not directly applicable to L&T's operations.
LT6	Treated contaminated soil	Annual review, pg. 67	
<b>GRI 302</b>			
<b>Energy 2016</b>			
302-1	Energy consumption within the organisation	Annual review, pg. 49, 76	
302-3	Energy intensity	Annual review, pg. 49, 76	
302-4	Reduction of energy consumption	Annual review, pg. 49, 76	
<b>GRI 305</b>			
<b>Emissions 2016</b>			
305-1	Direct (Scope 1) GHG emissions	Annual review, pg. 49, 76	
305-2	Energy indirect (Scope 2) GHG emissions	Annual review, pg. 49, 76	Market based greenhouse gas emissions are reported only for the purchased electricity in Finland. As the emission factors available do not significantly deviate from location based information, other market based information is not reported.
305-3	Other indirect (Scope 3) GHG emissions	Annual review, pg. 46, 76	
305-4	GHG emissions intensity	Annual review, pg. 46, 76	
305-5	Reduction of GHG emissions	Annual review, pg. 46, 76	
LT3	Carbon handprint	Annual review, pg. 46, 76	
LT4	Energy items replaced	Annual review, pg. 46	
<b>GRI 306</b>			
<b>Effluents and Waste 2016</b>			
306-3	Significant spills	Annual review, pg. 72	No significant spills
306-4	Transport of hazardous waste	Annual review, pg. 41	

GRI standard	Report content	Location	More information
<b>GRI 307</b>	<b>Environmental Compliance 2016</b>		
307-1	Non-compliance with environmental laws and regulations	Annual review, pg. 72	No incidents
<b>GRI 308</b>	<b>Supplier Environmental Assessment 2016</b>		
308-1	New suppliers that were screened using environmental criteria	Annual review, pg. 75	Only indicated as a number, not as a percentage
<b>GRI 400 SOCIAL RESPONSIBILITY STANDARDS</b>			
<b>GRI 401</b>	<b>Employment 2016</b>		
401-1	New employee hires and employee turnover	Annual review, pg. 78	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Annual review, pg. 55	
<b>GRI 402</b>	<b>Labour/Management Relations 2016</b>		
402-1	Minimum notice periods regarding operational changes	Annual review, pg. 60	
<b>GRI 403</b>	<b>Occupational Health and Safety 2016</b>		
403-1	Occupational health and safety management system	Annual review, pg. 57, 79	
403-2	Occupational accidents, occupational diseases, sickness-related absences and fatalities	Annual review, pg. 57, 79	Only reported on a country-specific basis. Does not include the absence rate.
403-3	Employees employed in positions with a significant risk of occupational diseases	Annual review, pg. 58	
HR 1	Retirement age	Annual review, pg. 54, 78	

GRI standard	Report content	Location	More information
<b>404</b>	<b>Training and Education 2016</b>		
404-2	Programmes for upgrading employee skills and transition assistance programmes	Annual review, pg. 54, 60	
404-3	Percentage of employees receiving regular performance and career development reviews	Annual review, pg. 60	
HR 2	Employee promoter score	Annual review, pg. 59, 78	
<b>GRI 405</b>	<b>Diversity and Equal Opportunity 2016</b>		
405-1	Diversity of governance bodies and employees	Financial review, pg. 5, Annual review, pg. 61, 78	
<b>GRI 406</b>	<b>Non-discrimination 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	Annual review, pg. 73	No incidents.
<b>GRI 407</b>	<b>Freedom of Association and Collective Bargaining 2016</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Annual review, pg. 73	No incidents.
<b>GRI 408</b>	<b>Child Labour 2016</b>		
408-1	Operations and suppliers at significant risk for incidents of child labour	Financial review, pg. 22, Annual review, pg. 72–75	The company operates in a geographically limited area. There are no significant risks related to the use of child labour.
<b>GRI 409</b>	<b>Forced or Compulsory Labour 2016</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Financial review, pg. 22, Annual review, pg. 72–75	The company operates in a geographically limited area. There are no significant risks related to the use of forced or compulsory labour.
<b>GRI 412</b>	<b>Human Rights Assessment 2016</b>		
412-2	Employee training on human rights policies or procedures	Annual review, pg. 72–73	

GRI standard	Report content	Location	More information
<b>GRI 413</b>	<b>Local Communities 2016</b>		
413-2	Operations with significant actual and potential negative impacts on local communities	Annual review, pg. 72	
LT 5	Training, education, campaigns, initiatives	Annual review, pg. 51–52, 67–68, 83–84	
<b>GRI 414</b>	<b>Supplier Social Assessment 2016</b>		
414-1	New suppliers that were screened using social criteria	Annual review, pg. 75	Only the number is reported.
<b>GRI 415</b>	<b>Public Policy 2016</b>		
415-1	Political contributions		We did not make any political contributions.
<b>GRI 416</b>	<b>Customer Health and Safety 2016</b>		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Annual review, pg. 72	No incidents.
<b>GRI 418</b>	<b>Customer Privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Annual review, pg. 73	No incidents.
<b>GRI 419</b>	<b>Socioeconomic Compliance 2016</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	Annual review, pg. 72	

# INDEPENDENT ASSURANCE REPORT

Translation from the original Finnish report

## To the Management of Lassila & Tikanoja Oyj

We were engaged by the Management of Lassila & Tikanoja (hereafter "L&T") to provide limited assurance on L&T's corporate responsibility data presented in L&T's Annual Review that is included in areas "Circular economy and climate change mitigation" and "Healthy, diverse and productive workplace community" as well as in tables "Environmental figures" and "Personnel in figures" for the year ended Dec 31, 2018 (hereafter "Corporate Responsibility Data").

### Management's responsibilities

The Management of L&T is responsible for the measuring, preparation and presentation of the Corporate Responsibility Data in accordance with the GRI Sustainability Reporting Standards. The Management of L&T is also responsible for establishing and maintaining appropriate performance management and internal control systems as the entity determines is necessary to enable the preparation of Corporate Responsibility Data that is free from material misstatement, whether due to fraud or error.

### Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement on Corporate Responsibility Data in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, and on greenhouse gas data within the Corporate Responsibility Data in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Corporate Responsibility Data is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

### Procedures performed

A limited assurance engagement on Corporate Responsibility Data consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Corporate Responsibility Data, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included for example:

- An interview with senior management at selected business unit level concerning sustainability strategy and policies for Corporate Responsibility Data, and the implementation of these across the business;
- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in 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;
- An assessment of conformity with the reporting principles of GRI Sustainability Reporting Standards in the presentation of the Corporate Responsibility Data;
- Assessment of data accuracy and completeness through a review of the original documents and systems on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reason-

able assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

### Conclusion

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the GRI Sustainability Reporting Standards.

Helsinki, 15. February 2019

KPMG Oy Ab

Lasse Holopainen  
APA

Tomas Otterström  
Partner, Advisory

# CREATING VALUE BY MAKING THE CIRCULAR ECONOMY A REALITY

The work of cleaners, caretakers and drivers of waste collection vehicles is often noticed only when it doesn't get done. Nevertheless, they are the people who work to ensure that buildings, products and the environment don't have an expiration date.



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