

# CIRCULAR ECONOMY

– A FANCY WORD FOR DOING  
EVERYTHING SMARTER.



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# SMARTER, MORE EFFICIENT AND SAFER

Like many traditional industries, the sector we operate in has changed a great deal. The shift towards a circular economy that conserves natural resources is already underway, and digitalisation is influencing our operations in many ways. We want to take an active approach to seizing the opportunities presented by this changing world, and we are constantly looking for smarter ways to do what we do.

We took clear steps towards the circular economy in 2015: we developed a deeper insight into the impacts of the circular economy on our operations, we expanded our business to include the reuse of pallets, and we strengthened our resources in environmental management and digital business solutions.

This, however, is only the beginning. I am confident that, going forward, the circular economy will offer our company a wealth of new business opportunities and pathways to growth. For our customers, this will be reflected as improved material, energy and cost efficiency.

**Legend has it that cleaning lady at the space center said her job is to send people to Mars.  
We work so that people don't have to go.**

Our position as a pioneer of the circular economy in Finland gives us a significant advantage. With our strong recycling expertise and extensive range of services, we can help our customers keep materials in circulation as long as possible, as well as replace virgin natural resources with secondary raw materials and fossil fuels with renewable biofuels. On the facility services front, we can help our customers extend the useful lives of their properties and reduce their energy consumption.

## CHALLENGING OPERATING CONDITIONS

The Finnish economy continues to face a difficult situation, and our customers' prospects weakened further in 2015. In this challenging business environment, we must continuously ensure the efficiency of our own operations. In 2015, we continued to focus on workforce management by developing shift planning in property maintenance operations and implementing an information system that supports it. We continued to build the new operating model of the Facility Services division and prepared for the implementation of an enterprise resource planning system. In the coming years, the new operating model and the system that supports it will ensure the competitiveness and profitability of Facility Services and help us respond even better to our customers' expectations.

In spite of the challenging operating conditions, we were able to increase our net sales, primarily due to strategically targeted acquisitions. Successful cost control allowed us to maintain the profitability of our business operations at a good level. We restructured our sales operations and strengthened our sales resources in order to boost our renewal and growth. We achieved significant successes in 2015, particularly by providing more extensive service packages.

In line with our strategy, our focus in the prevailing economic situation is on strengthening our market position and ensuring profitability and cash flow through the development of our business operations and by business acquisitions. In our annual strategy review, we decided to reinstate the Renewable Energy Sources division in our core businesses. We expect the forest energy market to grow in the coming years, which will allow Renewable Energy Sources to support the profitable growth of the company as a whole.

Economic growth in Finland is expected to remain slow in 2016. Nevertheless, our strong balance sheet gives us the capacity to invest in the development and renewal of our business. At the same time, we will be uncompromising in our commitment to responsibility in our operations, and we will take systematic steps to develop further in this regard.

## **L&T'S LOWEST ACCIDENT FREQUENCY EVER**

In 2015, our accident frequency was the lowest it has been in L&T's entire history. This proves that, once we decide on something and mobilise our troops, we will achieve good results. Our success in reducing our accident frequency has required a permanent change in thinking and the continuous improvement of safety. It is not enough for individuals to look after their own safety. It is important that we look after each other and take a proactive approach to eliminating hazards in our working environment. The implementation of electronic tools has made the reporting of occupational safety observations more efficient and improved our agility. It also frees up time for better supervisory work and work with customers.

**A resource more valuable than gold:  
people who feel their work is meaningful.**

One thing that has not changed in spite of all the prevailing uncertainty is that everyone at L&T must do their jobs every day as well as they can. Working together will enable us to remain competitive in this tight situation. While there is much hard work ahead, we are in a good position at L&T because we are a community of competent professionals who take pride in our work. According to our recent employee satisfaction survey, L&T employees consider their work to be useful. They also strongly feel that the company's goals are worth pursuing.

As a company, L&T is in a period of significant renewal. The efficiency improvement measures we have implemented, along with the deployment of new operating models and systems, are placing significant demands on our employees. Employees play a crucial role in the success of a service company, which is why it is essential for us to ensure the well-being of our employees and their ability to cope with their jobs, particularly during this period of renewal.

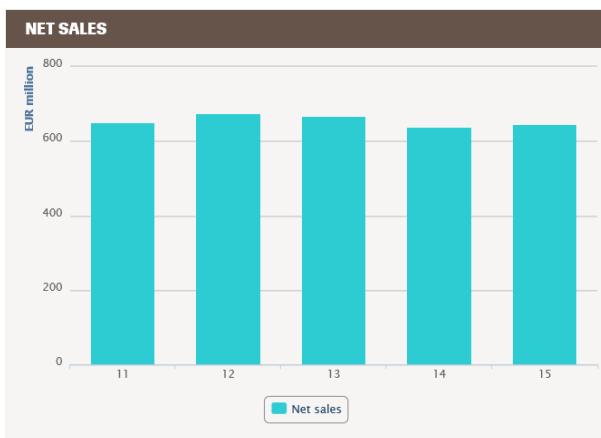
**Pekka Ojanpää**

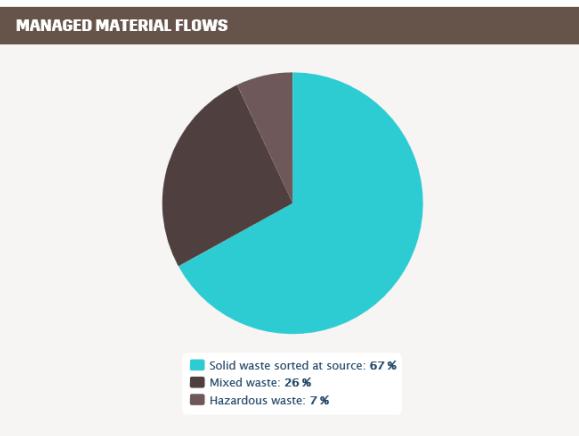
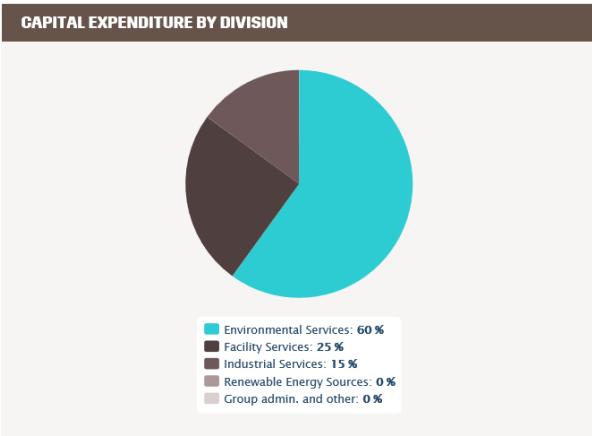
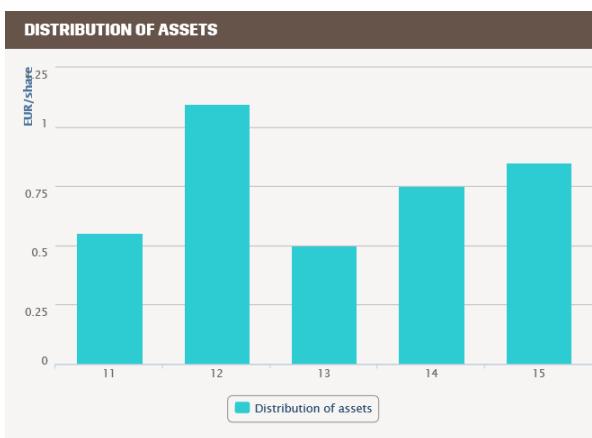
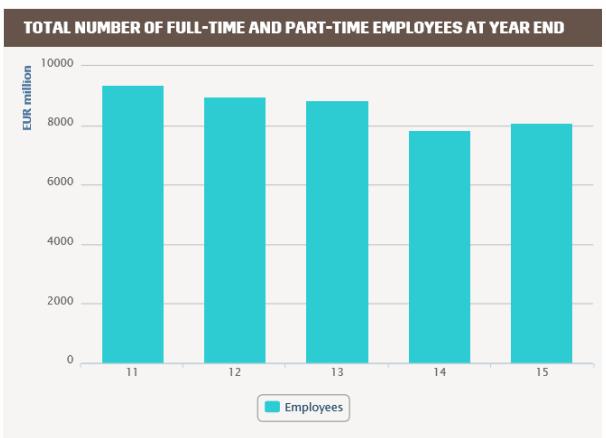
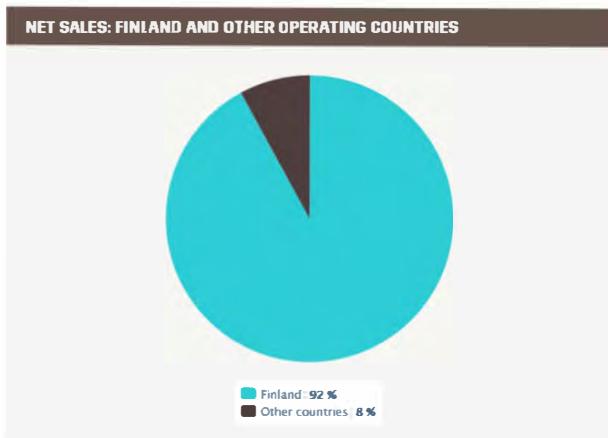
President and CEO

# KEY FIGURES

	2015	2014	2013
Net sales, EUR million	<b>646,3</b>	639,7	668,2
Operating profit, EUR million	<b>49,9</b>	48,5	33,2
Operating profit excluding non-recurring items, EUR million	<b>52,5</b>	53,8	51,8
Profit before tax, EUR million	<b>47,7</b>	26,6	30,3
Return on equity, % (ROE)	<b>18,2</b>	8,7	10,0
Return on invested capital, % (ROI)	<b>16,5</b>	15,4	10,6
Gearing, %	<b>19,8</b>	25,2	30,4
Equity ratio, %	<b>46,5</b>	46,3	43,7
Capital expenditure, EUR million	<b>49,6</b>	44,7	32,7
Total number of full-time and part-time employees at year end	<b>8 085</b>	7 830	8 847
Earnings per share, EUR (EPS)	<b>0,98</b>	0,47	0,57
Cash flow from operating activities/share, EUR	<b>2,33</b>	2,06	2,23
Capital repayment per share, EUR	<b>0,85 (1)</b>	0,75	0,50

(1) Proposal by the Board





# KEY EVENTS 2015

## January

### **Jorma Mikkonen becomes Chairman of the Board of Finnish Environmental Industries (YTP)**

Finnish Environmental Industries (YTP) selected **Jorma Mikkonen**, Director of Corporate Relations and Responsibility at L&T, as the Chairman of its new Board for the 2015–2016 term. Finnish Environmental Industries is a lobbying organisation for the environmental industry that promotes the circular economy and the operating conditions for the recycling business.



## February

### **We strengthened our expertise in refrigeration and cooling**

L&T acquired the business operations of Jyväskylä Jää Oy, a company offering design, sales, maintenance and repair services for refrigeration equipment. L&T's objective is to increase its refrigeration and cooling technology-related know-how in the field of



technical systems maintenance, as well as to broaden the scope of its competencies nationally.

## March

### We strengthened our position as a facility services provider in northern Finland

L&T acquired the share capital of NN-Kiinteistötyö Oy, a property maintenance company in Rovaniemi. "The acquisition gives us a significant market position in northern Finland. With the acquisition, we can combine our property maintenance, cleaning and waste management expertise in the Rovaniemi region," explained **Annika Tapio**, Regional Director at L&T.



## April



### Waste room of the future improves recycling in an apartment building

A joint pilot project of L&T, VVO Group and Metropolia University of Applied Sciences tested a new kind of waste room in Helsinki's Arabianranta. The pilot investigated whether better design of the waste room could make the sorting of waste more convenient. Basic aspects such as a clear layout, cleanliness and good lighting were found to improve the waste room's usability and reduce the volume of mixed waste.

## May

### We joined the Live Aid mega-concert to support the new Children's Hospital

L&T was one of the organisers of Live Aid, a unique benefit concert for the new Children's Hospital. The concert was held at the Olympic Stadium in Helsinki on 6 June 2015. L&T provided the portable toilets for the event.



## Our annual report received an honourable mention



L&T's Annual Report 2014 made it to the top three in the listed companies category in an annual report competition organised by ProCom, the Finnish Association of Communication Professionals. L&T's annual report received an honourable mention for "best company as part of society". The jury noted that the annual report provided a clear picture of the company's future. L&T's vision was presented in an excellent manner. The jury further pointed out that the annual report's message regarding the company's mission was crystal clear and well-packaged.

June



## We invited startups to help us develop our business

L&T held its first startup event in early June. The event was open to applications from any startup with ideas related to L&T's industry. Ten startups from approximately 30 applicants were invited to the final pitch event to present their products and services.

The event featured a number of energetic presentations, with TreLab, Fourdeg and Treamer winning in a three-way tie for first place. The Vainu team received an honourable mention.

## We strengthened our expertise in building automation

L&T acquired CEUS Oy's building automation business. "Building automation plays a central role in the energy consumption and condition management of properties. With the acquisition, we will expand our building automation service selection, which supports the growth strategy of maintenance and technical systems," said **Jukka Holopainen**, Unit Manager at L&T.



## We strengthened our Environmental Services in Eastern Finland

L&T acquired the share capital of Kitee-based Kuljetus J Hirvonen Oy. The acquisition supports and strengthens L&T's overall service portfolio in Eastern Finland. "Going forward, we can provide customers in Kitee and its neighbouring areas with a more extensive service offering, especially when it comes to recycling," commented **Petri Salermo**, Vice President, Environmental Services at L&T.



## Renewable Energy Sources division reinstated as part of L&T's core business

As part of its annual strategy work, L&T's Board of Directors decided to reinstate the Renewable Energy Sources division as part of L&T's core business. "The warming of the climate is forcing us to make more efficient use of energy and replace fossil fuels with

renewable energy sources. Our Renewable Energy Sources business rises to this challenge and supports the material and energy efficiency of our customers," said **Pekka Ojanpää**, President and CEO of L&T.

## Recycling services expanded in the construction and demolition segment

L&T developed service solutions for recycling roofing felt, decommissioned gypsum board, sheet glass and white porcelain. We also tested an electronic ordering and management service for open-top containers. The aim is to minimise mixed construction waste and increase the reuse of materials.



## September



### Team SC5 wins L&T's Hack the Recycling hackathon

L&T organised its first-ever hackathon, which was won by Team SC5 and its Kimppanouto concept. The concept created by the winning team is a social application that allows consumers to build neighbourhood-based lists of items they wish to discard, with L&T subsequently collecting the items for recycling.

### We extended our cooperation with Metso in facility services

Metso and L&T signed a facility services agreement that extended the cooperation between the companies to cover all major Metso offices in Finland. "We provide Metso with a service package that helps to keep the properties and factories functional, improves their usability and energy efficiency, and makes the working facilities safe and pleasant for their users," said **Juha-Matti Laurila**, Customer Accounts Director at L&T.

### We expanded our Environmental Services in Ostrobothnia

L&T made a strong investment in developing and expanding its Environmental Services in Ostrobothnia. We introduced the popular Nelilokero service to households in Vaasa, built a new recycling terminal in Kokkola, and expanded our operations to Seinäjoki.

## October

### We expanded our cooperation with Outokumpu

L&T and Outokumpu signed a service agreement that expanded the cooperation between the companies in industrial, environmental and facility services. With new recyclable materials and the more extensive service package, Outokumpu will improve the material and cost efficiency of its operations. Outokumpu started, for instance, to recycle pallets and wood waste more efficiently.





### Recycling in partnership with Slush

Using recycled material, L&T was involved in providing props for the Slush startup event, which has grown to become one of the most significant startup events in the world. The visual look of the Slush event was based on the utilisation of recycled materials, with L&T providing 1,200 recycled pallets for the props used.

### We tested a new kind of collection point for clothing and textiles

L&T and four other Finnish operators launched a pilot aimed at making the daily life of consumers easier and promoting the reuse of clothing and textiles by providing a convenient location for recycling various types of textiles. A new kind of collection point for clothing and household textiles was opened at the Sello shopping centre in Espoo. The collection point consists of three boxes for the consumer to choose from.



### We were recognised for our climate change communications and responsibility reporting

The international Carbon Disclosure Project (CDP) recognised L&T for its high-quality communications to investors and the global markets with regard to climate change. L&T was awarded with a position on the Nordic Carbon Disclosure Leadership Index (CDLI). L&T also won two awards in an annual responsibility reporting competition held by FIBS, the leading corporate responsibility network in Finland. L&T's corporate responsibility report for 2014 was selected as the winner of the Circular Economy category and it also won the Investor's Choice award in the Readers' Choice category.



### We expanded our Environmental Services in Kuopio

L&T acquired the business operations of the Kuopio-based Pujon Kiinteistöhuolto Oy. The acquisition is part of L&T's strategic geographical expansion and service coverage improvement in Eastern Finland. "Kuopio is a key location for the expansion of our

operations, and Pujon Kiinteistöhuolto is a familiar cooperation partner to us," said Petri Salermo, Vice President, Environmental Services at L&T.

### We are now part of the Climate Leadership Council

L&T became a new member of the Climate Leadership Council (CLC). The Council has 28 company members in Finland whose aim, first and foremost, is to find solutions to challenges brought about by climate change and the scarcity of natural resources. Simultaneously, the Council's member companies develop carbon-neutral business policies that use natural resources sustainably.

# MOVING FORWARD ON OUR CHOSEN STRATEGIC PATH

We have made consistent progress in the implementation of our chosen strategy and we have successfully increased the company's value in spite of the challenging market situation.

The annual strategy review in 2015 included a few additional specifications and minor revisions, but it was not necessary for us to significantly change our direction or the financial targets previously set for 2018. In the coming years, our focus will be on the introduction and broader implementation of extensive strategic development programmes.



## THE CIRCULAR ECONOMY REQUIRES US TO HAVE A STRONG CAPACITY FOR RENEWAL

We carefully examined the opportunities the circular economy will bring for our business operations, and we defined the steps we plan to take to move towards a recycling society and, ultimately, a circular economy.

We are confident that the circular economy will provide L&T with multiple pathways to grow and develop our business, but seizing these opportunities will require us to have the capacity for continuous renewal and innovation, as well as investments in business development.

L&T is already a central figure in the circular economy based on the services we provide. Going forward, we must find ways to rise up in the waste hierarchy, for example by refining secondary raw material to a greater extent. We will actively pursue new logistical solutions that promote the circular economy and the sharing economy, both at the consumer interface and the business-to-business interface, and we will also develop services related to remanufacturing, maintenance, repair and demolition operations. We will also investigate opportunities related to promoting biological circulation and nutrient recovery.

**In the stock market our strategy is reflected as profitable growth, in daily life it is reflected (for example) as lower heating bills.**

## **RENEWABLE ENERGY SOURCES BECOMES A CORE BUSINESS**

In line with our strategy, our focus in the prevailing economic situation is on strengthening our market position and ensuring profitability and cash flow through the development of our business operations and by business acquisitions. In 2015, we made eight targeted acquisitions to strengthen the national coverage of our Environmental Services as well as our expertise in cooling and refrigeration technology.

As part of our annual strategy work, we decided to include the Renewable Energy Sources division in our core businesses. Our Renewable Energy Sources business responds to the challenges brought about by the warming of the climate and supports the material and energy efficiency of our customers. The decision was also influenced by the fact that, in recent years, we have improved the operational efficiency and profitability of our Renewable Energy Sources business. The outlook of the business environment is also positive, with the growing demand for biomass and the political and regulatory environment supporting this business.

## **STRATEGIC PROGRAMMES PROGRESSED ACCORDING TO PLAN**

We implement our strategy through strategic development programmes and projects that are based on our chosen strategic priorities. We made consistent progress in our strategic programmes in 2015. In the coming years, our focus will be on the broader implementation of these programmes.

## KEY ACCOUNTS AND SALES

- We restructured our sales organisations.
- We gained more in-depth customer insight through segmentation.
- We harmonised our operating model for sales and customer relations management and deployed a CRM system.
- We continued to develop our customer service by implementing new electronic tools for processing customer data.
- We strengthened the customer orientation and commercial expertise of our supervisors through business-specific training programmes.

## WORKFORCE MANAGEMENT

- In property maintenance, we implemented a proactive shift-planning model that takes customer needs into account and takes advantage of flexible working hours, as well as an information system that supports the model.
- We increased workforce flexibility and cross-utilisation in process cleaning and renovation by means of a resource pool.
- We automated the payroll process and the interpretation of collective agreements in the cleaning business and developed shift planning.
- We introduced digital working hours recording in transport operations in the Environmental Services division.

## EFFICIENT OPERATING MODEL

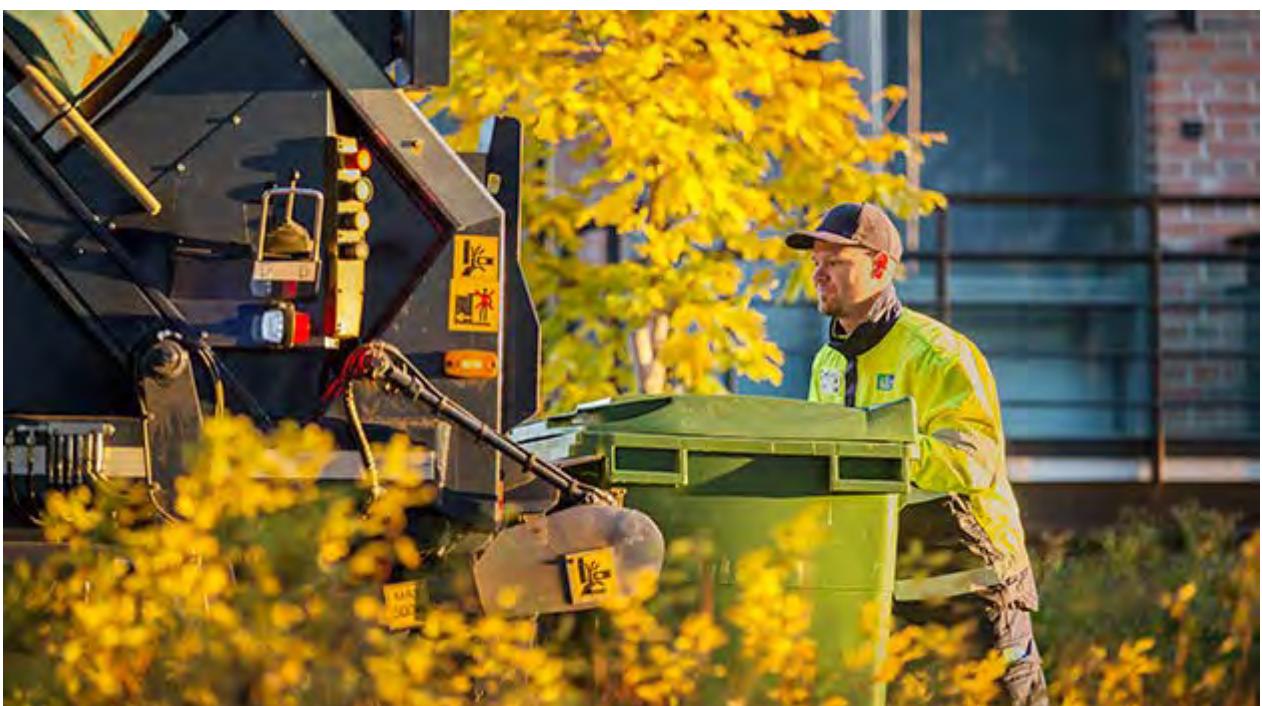
- We developed our internal business support services by implementing new business travel and purchase invoice systems and support models.
- We continued to build the new operating model of the Facility Services division; for example, by harmonising service production processes.
- We took steps to prepare for the implementation of a new enterprise resource planning system in Facility Services. The new system's pilot phase will begin in 2016.

# **CIRCULAR ECONOMY. A FANCY WORD FOR DOING EVERYTHING SMARTER.**

The circular economy is an economic model in which no waste is created. Instead, products are designed to be reused or recovered for use as raw material for new products. It is about working together to find smarter ways of doing things.

# WE STRENGTHENED OUR MARKET POSITION AND DEVELOPED NEW RECYCLING SOLUTIONS

In 2015, the net sales of Environmental Services increased by 0,8 per cent to EUR 256.5 million (EUR 254.5 million). Operating profit amounted to EUR 35.8 million (EUR 37.3 million). Operating profit excluding non-recurring items was EUR 36.1 million (EUR 35.9 million).



## KEY ACTIONS AND ACHIEVEMENTS IN ENVIRONMENTAL SERVICES IN 2015

- We made three targeted acquisitions to strengthen our market position. The acquisitions extended the geographical scope of our operations and increased our net sales.
- Profitability developed favourably due to improved operational efficiency.
- We took new steps in the development of digital recycling services. We piloted a digital ordering service for open-top containers for use by construction sites, and we began to build cooperation models with startup companies to develop our business further.
- We developed new recycling solutions to improve our customers' material efficiency, for example with regard to construction and textile waste.

- Customer satisfaction developed favourably during the year.



## ROOFING FELT TURNS INTO ROADS

Roofing felt contains bitumen, which is an important raw material for the asphalt industry.

Recognising this connection, L&T and Tarpaper have begun to collect and process roofing felt.

The Kujala waste centre in Lahti has massive piles of roofing felt: large sheets and small sheets, in black and grey. The sorting yard receives discarded roofing felt from demolition and renovation sites, as well as discarded batches directly from industrial operators. The roofing felt is processed to be turned into crushed bitumen for use by the asphalt industry.

"Our cooperation with Tarpaper created the opportunity to offer a new service for our customers in the construction and renovation industry. This also allows us to reduce the amount of unsorted construction waste received at our collection facilities," says **Vesa Launo**, Business Manager at L&T.

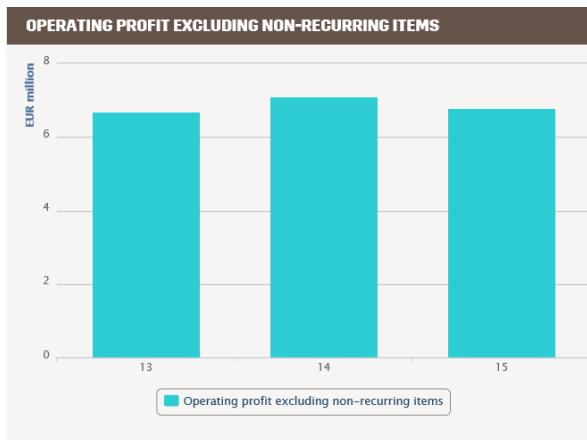
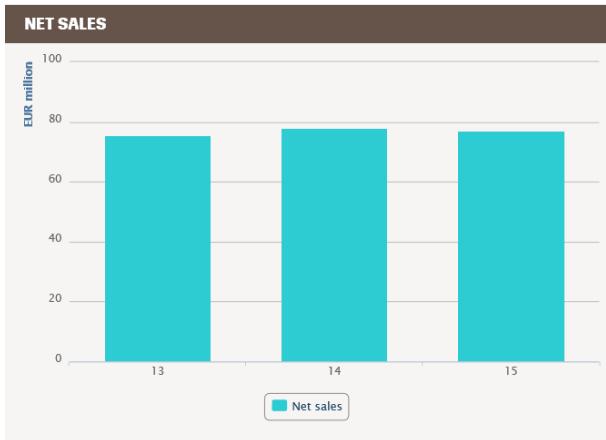
# WE INCREASED OUR MARKET SHARE AND IMPROVED OUR EFFICIENCY

In 2015, the net sales of Industrial Services decreased by 1.0 per cent to EUR 77.0 million (EUR 77.8 million). Operating profit amounted to EUR 6.8 million (EUR 6.5 million). Operating profit excluding non-recurring items was EUR 6.8 million (EUR 7.1 million).



## KEY ACTIONS AND ACHIEVEMENTS IN INDUSTRIAL SERVICES IN 2015

- In line with our strategy, we expanded our operations among large industrial customers, such as in the steel and forest industries.
- We increased workforce flexibility and cross-utilisation in process cleaning and damage repair services by means of a resource pool.
- The division's profitability remained at a good level due to efficiency improvement measures and higher volume.
- Customer satisfaction and occupational safety developed favourably during the year.



## SUPPORTING LARGE-SCALE INDUSTRY

Harjavalta Industrial Park is not a place you can just stroll on into with your hands in your pockets. At the base of L&T's process cleaning operations, employees put on protective equipment, watch induction training videos and fill their pockets with instructional brochures and handbooks.

The 300-hectare industrial park is home to nearly twenty companies, with Norilsk Nickel and Boliden being the largest. L&T supplies nearly all of the companies in the industrial park with process cleaning, sewer maintenance, waste management and hazardous waste services, as well as other services as necessary. L&T has cooperated with the park since 1999.

"Occupational safety is our first priority here, and we work hard to promote it. Our customers have pointed out that an excellent standard of occupational safety is essential for anyone working here," says **Rami Koskinen**, Key Account Manager at L&T. "Employees must be very familiar with processes and the equipment used."

# WE FOCUSED ON ENSURING FUTURE PROFITABILITY

In 2015, the net sales of Facility Services increased by 3.0 per cent to EUR 282.9 million (EUR 274.7 million). Operating profit amounted to EUR 8.1 million (EUR 10.6 million). Operating profit excluding non-recurring items was EUR 10.5 million (EUR 11.7 million).



## KEY ACTIONS AND ACHIEVEMENTS IN FACILITY SERVICES IN 2015

- We continued to grow the technical systems maintenance business in line with our strategy and strengthened our expertise in cooling, refrigeration and automation by making targeted acquisitions.
- Profitability declined in several service lines and we implemented several efficiency improvement measures to ensure future profitability.
- We continued to build a new operating model; for example, by harmonising service production processes.
- We took steps to prepare for the implementation of a new enterprise resource planning system. The new system's pilot phase will begin in 2016.
- Occupational safety continued to show a positive trend. Accident frequency decreased to 11 (19).



## PYHTÄÄ MUNICIPALITY IS NOT AFRAID TO TRY NEW THINGS

In line with its service strategy, Pyhtää municipality put its outdoor area maintenance and property maintenance services up for competitive bidding in the summer. "Lassila & Tikanoja won the bid by having the best price-quality ratio," says **Janne Kaulio**, Technical Director at Pyhtää municipality. The five-year contract has got off to a swift start, and both parties are satisfied.

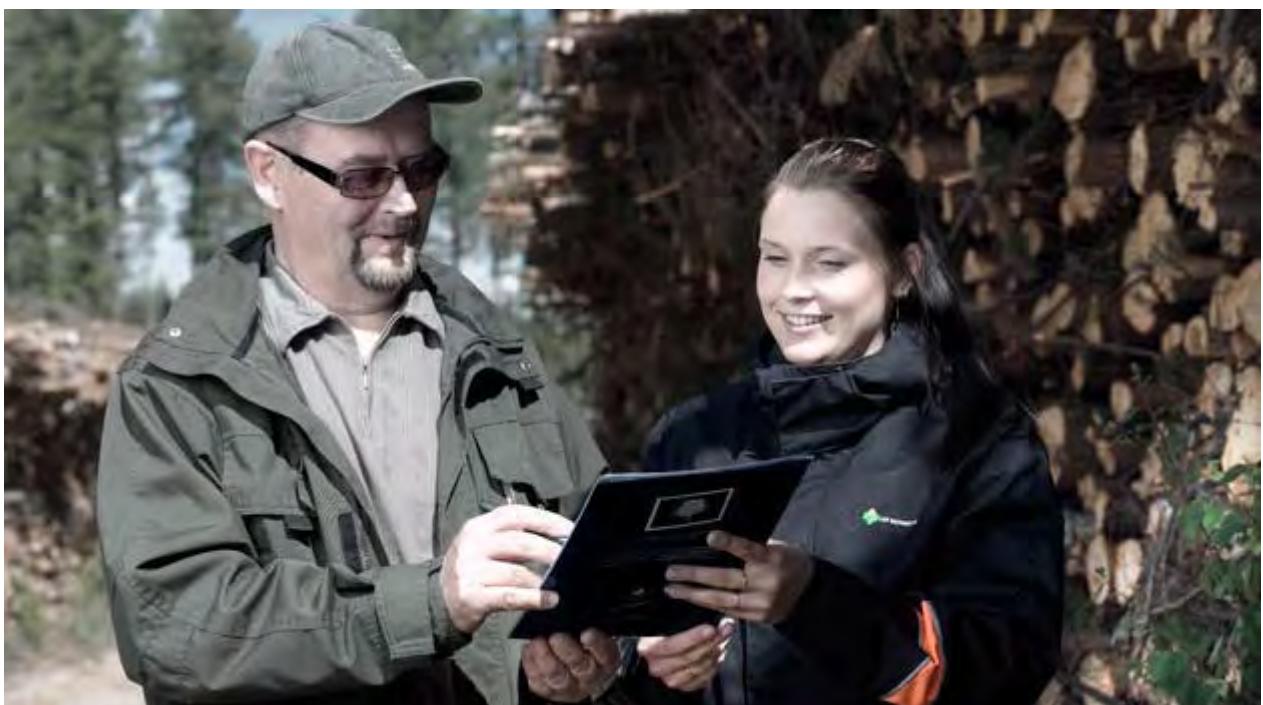
The contract covers maintenance services for 20 properties as well as the maintenance of five beaches, four playgrounds, three outdoor recreation areas, seven sports facilities, four jogging tracks, three rug cleaning locations, one jetty and the Struka canal gate.

"The municipality's technical production personnel were transferred to our organisation as a result of the outsourcing contract. The takeover of these services has gone surprisingly smoothly," says **Jukka Parkkinen**, Unit Manager, Property maintenance, at L&T.

"Our goals for this outsourcing move are quality, efficiency and cost savings. Our property maintenance operations have been stagnant in recent years, and we haven't had the resources to develop them. When we have commissioned new properties with systems such as sprinklers, we have lacked the expertise needed to use them. L&T has the broad expertise we need," explains **Ari Lonka**, supervisor at Pyhtää municipality.

# **HAVING BECOME A CORE BUSINESS OF L&T, WE IMPROVED OUR PROFITABILITY AND BEGAN TO WORK ON OUR STRATEGY**

In 2015, the net sales of Renewable Energy Sources decreased by 10.9 per cent to EUR 39.4 million (EUR 44.2 million). Operating profit amounted to EUR 2.1 million (EUR 1.6 million). Operating profit excluding non-recurring items was EUR 2.1 million (EUR 1.4 million).



## **KEY ACTIONS AND ACHIEVEMENTS IN RENEWABLE ENERGY SOURCES IN 2015**

- We signed significant long-term customer agreements and strengthened our market position.
- We successfully optimised our logistics to ensure a good energy content for our raw materials and significantly improve the profitability of our business.
- In line with strategy, we reduced capital tied up in business operations by improving inventory management.
- We began to work on our strategy to develop the business and achieve profitable growth.



## USING FOREST ENERGY TO MOVE TOWARDS A CARBON NEUTRAL WORLD

Climate policy decisions support the increasing use of wood. Aiming for carbon neutral production, the energy company Oulun Energia is planning a new power plant that will increase the need for energy wood. L&T Biowatti is a major supplier of forest energy.

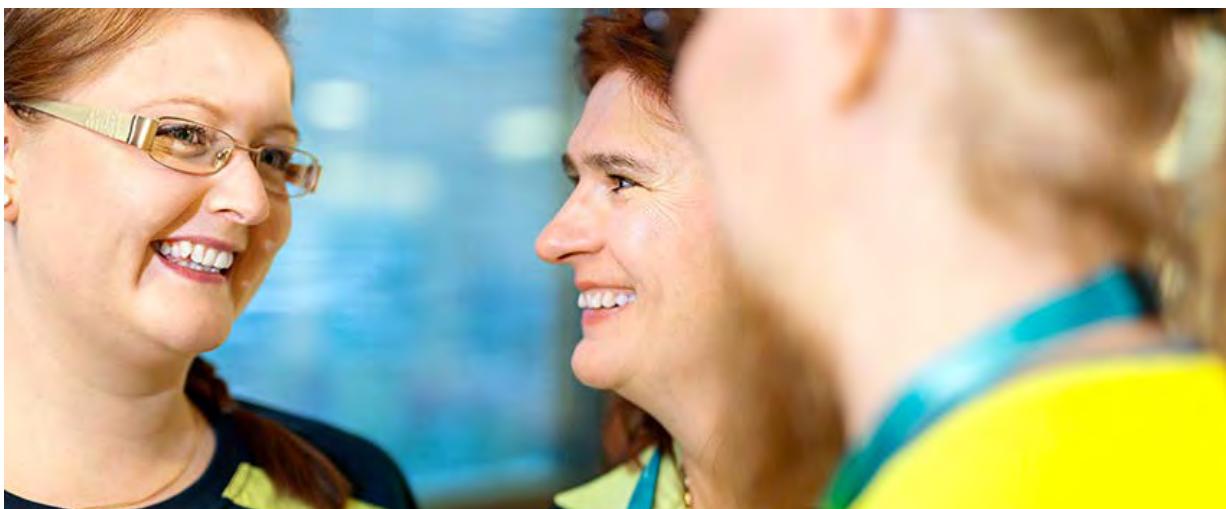
## MATERIAL AND ENERGY EFFICIENCY FROM THE USE OF BIOMASS

The warming of the climate is forcing us to make more efficient use of energy and replace fossil fuels with renewable energy sources, as well as use existing raw materials more sensibly.

As part of L&T's core businesses, we can invest in the customer-oriented development of Biowatti to continue to be a close and broad-based partner for our customers.

# WE WORK SUSTAINABLY

Responsibility is part of our daily work and a key element of our strategy, according to which we want to contribute to the transformation of our consumer society, which places a heavy burden on natural resources and the climate, into a sustainable recycling society. We promote the shift towards a circular economy by producing services that improve our customers' material, energy and cost efficiency, which helps us create profitable growth for both our customers and ourselves.



In order to succeed at this task, we must take a systematic approach to managing our responsibility efforts and be uncompromising in ensuring the responsibility of our operations. In this Annual Report, we describe our performance in this area in 2015.

## OUR RESPONSIBILITY EFFORTS ARE GUIDED BY OUR CORPORATE RESPONSIBILITY PROGRAMME

Our corporate responsibility programme defines the objectives for the material aspects of our responsibility. The steering group of corporate responsibility, which is chaired by the President and CEO, regularly monitors the progress of the programme and the projects launched to support its implementation. The steering group also evaluates and, if necessary, updates the targets of the programme annually. In 2015, we updated our corporate responsibility programme to correspond with our revised materiality analysis. We report on the progress of the corporate responsibility programme each year in our annual report.

## CORPORATE RESPONSIBILITY PROGRAMME, PROGRESS IN 2015

Material Aspects		Achievements in 2015
<b>Responsible business operations and services</b> 	Code of Conduct	<ul style="list-style-type: none"> <li>• Progress made in establishing the Code of Conduct as an integral part of operations</li> <li>• Financial added value and tax footprint</li> <li>• No major damage or infractions: Code of Conduct, compliance with environmental regulations</li> </ul>
	Business solutions that promote customers' responsibility	<ul style="list-style-type: none"> <li>• Development of expert services</li> <li>• Customer-specific material and energy efficiency improvement projects</li> </ul>
<b>Environmental responsibility</b> 	Recycling and material recovery	<ul style="list-style-type: none"> <li>• Material recovery rate of own plants 98% (target 2018: 98%)</li> <li>• Recovery rate of material managed by L&amp;T 92% (target 2018: 95%)</li> <li>• Recycling rate of material managed by L&amp;T 53% (target 2018: 55%)</li> </ul>
	Reducing emissions and energy consumption	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> emissions declined by 19% relative to the level and volume of 2012 (target: 10% in</li> </ul>

		2018)
<b>Responsibility for personnel</b>	Management of working ability and occupational safety	<ul style="list-style-type: none"> <li>• Sickness-related absence rate 5.2% (target 2018: &lt;5%)</li> <li>• Average retirement age 63.1 years (target 2018: 63 years)</li> <li>• Accident frequency 11 (target 2018: &lt;10)</li> </ul>
	Employee satisfaction	<ul style="list-style-type: none"> <li>• We conducted a Meininki employee satisfaction survey</li> <li>• 74% of personnel are prepared to recommend L&amp;T as an employer (target 2018: &gt;80%)</li> </ul>
	Diversity and equality	<ul style="list-style-type: none"> <li>• Supporting the continued work of persons with reduced work ability</li> </ul>
<b>Responsible supply chain</b>	Responsibility of the supply chain	<ul style="list-style-type: none"> <li>• Developing the supplier assessment process and the scope of measures</li> <li>• Reducing the environmental impacts of production equipment and materials: <ul style="list-style-type: none"> <li>◦ Developing the Euro engine classification of heavy vehicles</li> <li>◦ Share of Ecolabelled</li> </ul> </li> </ul>

		cleaning agents 82% (target 2018: >70%)
<b>Active stakeholder relations</b>  	Stakeholder dialogue	<ul style="list-style-type: none"> <li>• Stakeholder-specific action plans</li> <li>• Measurement of stakeholder support in 2016</li> </ul>
	Customer satisfaction	<ul style="list-style-type: none"> <li>• We conducted two extensive Net Promoter Score surveys</li> </ul>

# IMPLEMENTING THE CODE OF CONDUCT

Our responsible business principles and ethical guidelines are described in L&T's Code Of Conduct. The initial implementation of the Code of Conduct in our organisation was completed in early 2015 when the remainder of our employees in Sweden completed their Code of Conduct training.



New L&T recruits were familiarised with the Code of Conduct as part of their induction training, and the Code of Conduct was also brought up and discussed in supervisor training throughout the year.

As part of putting the Code of Conduct into practice, L&T launched a campaign themed "A professional on the road" in Finland. The aim of the campaign was to remind L&T employees of safety and professionalism on the roads. As part of the campaign, supervisors were provided in the summer and autumn with video clips to watch with employees at joint occupational safety sessions.

In addition, all senior salaried employees and sales personnel completed online training on anti-competition law in 2015. The goal of the training was to help participants identify situations in L&T's operations in which anti-competition regulations need to be taken into consideration. All salaried employees will complete the course in early 2016.

## SUPERVISORS ASSIST IN THE INTERPRETATION OF GUIDELINES

Violations of the Code of Conduct are primarily reported to the immediate supervisor.

Immediate supervisors also assist in the interpretation of guidelines in ambiguous situations.

Employees can also use a confidential reporting channel by phone or e-mail if they suspect that the Code of Conduct has been violated. We expanded this whistleblowing procedure from Finland to our other operating countries in 2015.

The reports are processed by L&T's internal auditor, who investigates the necessary background information, interviews the persons involved and informs the management of the matter. The management then decides on further action.

Seven reports required a more detailed investigation during the year, with approximately half of them leading to further measures. The measures ranged from a warning to the termination of employment. In some cases, the reports led to changes to existing processes.

**Responsibility in brief:  
comply with laws and regulations and behave nicely.**

## **COMPLIANCE WITH LAWS AND REGULATIONS**

L&T was ordered to pay a fine of approximately EUR 5,600 in Russia for not emptying our customers' waste containers in line with waste management regulations. The reason for not emptying the waste containers was that the customers had overdue invoices.

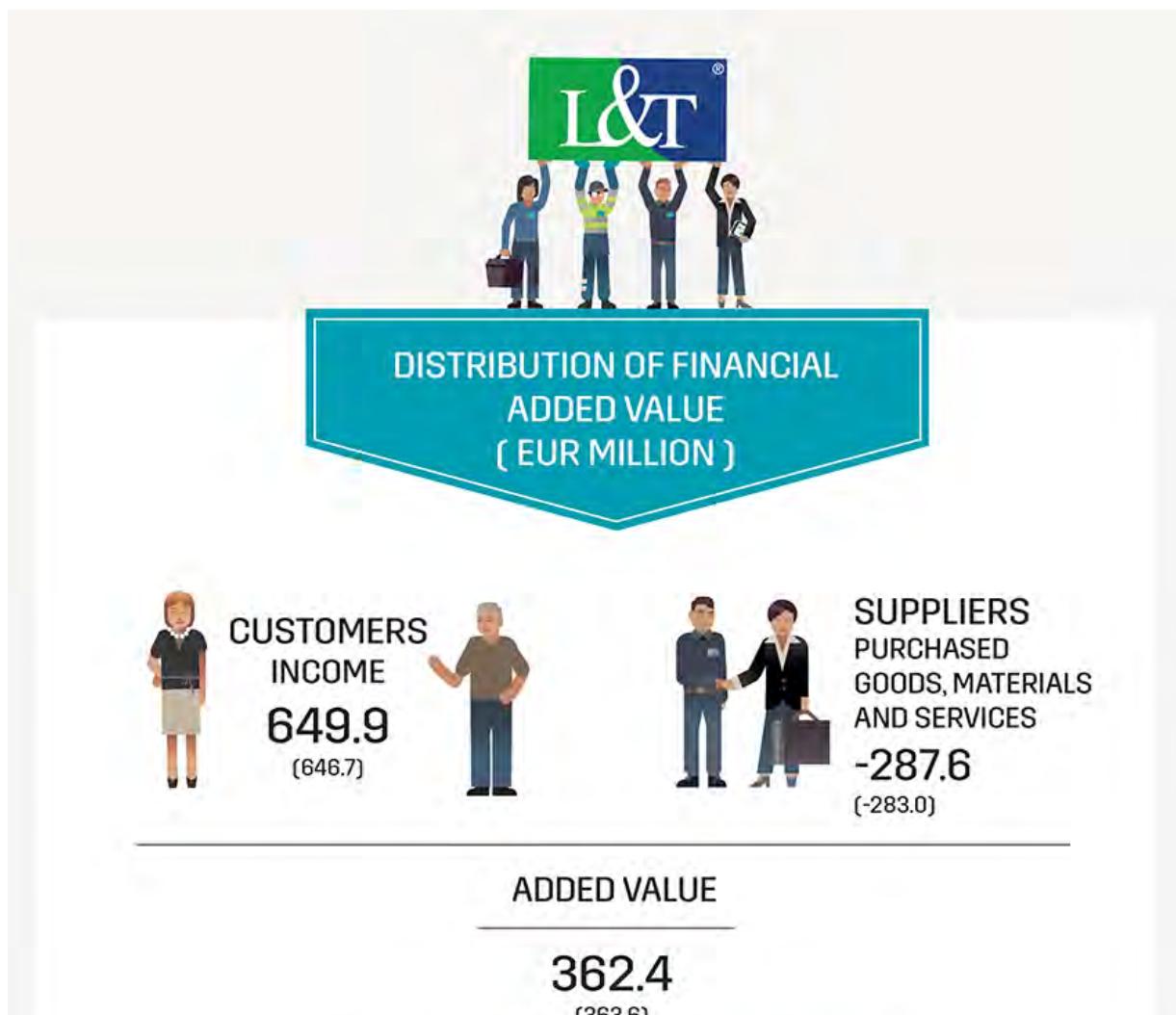
Legal proceedings related to excessive working hours in certain L&T units in the Helsinki metropolitan area, which were detected in inspections carried out by the authorities in June 2012, continued in the Helsinki Court of Appeal in late 2015. The final judgment on the matter is expected in the first quarter of 2016. In July 2014, the Helsinki District Court exonerated Lassila & Tikanoja from all summary penal orders related to the matter, but the public prosecutor appealed the decision.

# CREATING LOCAL WELL-BEING

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

## DISTRIBUTION OF FINANCIAL ADDED VALUE

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



(363.6)

## DISTRIBUTION OF ADDED VALUE ( EUR MILLION )

 SHAREHOLDERS  
DIVIDENDS AND  
CAPITAL  
REPAYMENTS  
**-29.0**  
(-19.4)

 EMPLOYEES  
SALARIES, BONUSES  
AND SOCIAL  
SECURITY COSTS  
**-264.9**  
(-254.8)

 CREDITORS  
NET FINANCIAL  
REVENUE AND COST  
**-1.4**  
(-18.9)

 PUBLIC SECTOR  
INCOME TAXES  
**-8.9**  
(-9.1)

### TO BUSINESS DEVELOPMENT

**58.2**  
(61.5)

## L&T'S TAX FOOTPRINT

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

## TAX FOOTPRINT

<b>Taxes and tax-related costs, EUR million</b>	<b>Finland</b>		<b>Other operating countries</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Income taxes/corporate taxes	<b>9,6</b>	8,9	<b>0,4</b>	0,4	<b>9,9</b>	9,3
Withholding taxes on salaries and forest taxes, and tax-at-source	<b>49,4</b>	46,7	<b>3,2</b>	3,6	<b>52,6</b>	50,4
Social security contributions	<b>4,3</b>	4,3	<b>4,5</b>	5,3	<b>8,8</b>	9,6
Production taxes *	<b>1,1</b>	1,3	<b>0,0</b>	0,3	<b>1,1</b>	1,6
Value added tax (tax on consumption)	<b>76,5</b>	76,1	<b>5,2</b>	5,8	<b>81,7</b>	81,9
Property taxes	<b>0,1</b>	0,4	<b>0,1</b>	0,1	<b>0,2</b>	0,5
Insurance taxes	<b>0,6</b>	0,6	-	0,0	<b>0,6</b>	0,6
<b>Total</b>	<b>141,6</b>	138,3	<b>13,3</b>	15,5	<b>155,0</b>	153,9

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

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

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

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

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

Lassila & Tikanoja plc has no subsidiaries in tax havens.

# OUR CUSTOMERS SAVE MONEY, ENERGY AND NATURAL RESOURCES

Our services play a significant role in ensuring the responsibility of our customers and managing their environmental and climate impacts. Through our service solutions, we promote our customers' material, energy and cost efficiency.



Our experts help our customer companies measure, forecast and optimise resource use and minimise the environmental impacts and costs arising from their operations.

## WE DIRECT OUR CUSTOMERS' MATERIALS PRIMARILY TO REUSE AND RECYCLING

In accordance with the circular economy mindset and the order of priority, we prevent the creation of waste and promote the reuse of products and the recycling of materials. If this is not possible, we turn materials into solid recovered fuels to replace fossil fuels.

We promote our customers' material efficiency by providing guidance related to the sorting of waste and directing the materials we collect to be recycled and reused. Our experts engage in active cooperation with customers and support the development of operations through methods such as waste management surveys, development plans, environmental reporting and training services.

We also work continuously with customers to find new recycling and reuse solutions for commercial, industrial and construction waste. In 2015, we found new uses for gypsum plates and roofing felt.

## **OUR SERVICE TECHNICIANS IMPROVE THE ENERGY EFFICIENCY OF PROPERTIES**

Together with our energy management centre, our eco-maintenance-trained service technicians ensure that properties operate in an energy-efficient and effective manner. Our service technicians look after our customers' properties; for example, by surveying and implementing measures to improve energy efficiency. Property maintenance at a new site always begins with an initial assessment aimed at improving the energy efficiency of the property.

In 2015, our service technicians made more than 1,800 energy conservation suggestions at our customers' operating locations, and our energy management centre produced 2,000 reports to support our customers' decision-making. Our energy management centre monitored 234 properties and some 2,000 ventilation machines.

## **OUR CLEANING SERVICES SAVE ENERGY AND NATURAL RESOURCES**

We clean our customers' operating locations using environmentally friendly methods and tools. We also offer our customers a Nordic Ecolabel-certified Eco-cleaning service, which supports them in reaching their environmental objectives by satisfying strict environmental criteria monitored by Motiva Service Oy, a company authorised to award the Nordic Ecolabel.

We use environmentally certified cleaning agents whenever they are available in the product category in question. Of all the cleaning agents we used in 2015, 82 per cent were environmentally certified. To improve the material efficiency of our cleaning services, we have set a target of reducing the use of bin bags in cleaning operations by 10 per cent. In 2015, we used 3 per cent fewer bin bags than in 2014.

## **WE TAKE BIODIVERSITY INTO CONSIDERATION**

We reduce the environmental load of industrial operators by directing industrial waste and side streams to material recycling and recovery. We constantly look to identify and develop new recycling and recovery solutions.

As part of our comprehensive approach to waste management, we also manage every stage of waste collection areas. In 2015, we developed an operating model to support the conservation of species and biodiversity by creating habitats in the construction of waste collection areas. The operating model will be implemented in 2016.

## **CONVENIENCE THROUGH ELECTRONIC SERVICES**

We developed and implemented new electronic services to offer greater convenience to our customers in 2015. We introduced an electronic service channel for our customers that allows them to submit maintenance requests, order waste management services and more.

In 2015, we also implemented Raksanappi, an electronic ordering channel for construction sites, to make it easier to place orders for open-top containers.

## **OUR TRAINING SERVICES INCREASE OUR CUSTOMERS' ENVIRONMENTAL EXPERTISE**

We continuously train our customers and other stakeholders across Finland in our Environmental Academy training events, as well as other environmental training events customised according to customer wishes. The themes of Environmental Academy events in 2015 were legislative changes concerning producer responsibility for packaging and the ban on the landfill disposal of organic waste, as well as the circular economy. We also introduced online environmental management training for our customers in 2015. Nearly 3,000 representatives of our customer companies participated in our training events and online environmental management training.

## **SAFETY AS PART OF CUSTOMER SERVICE**

Occupational safety is an integral element of all work performed at L&T's own operating locations as well as those of its customers. In 2015, approximately 80 per cent of our safety observations aimed at improving occupational safety and 70 per cent of our safety walks were conducted at our customers' operating locations. Proactive measures lead to corrective actions that improve occupational safety at the customer site. This means that the safety of the customer's working environment is also improved.

## **CERTIFICATES ENSURE THE EFFECTIVENESS OF THE MANAGEMENT SYSTEM**

L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standards. In 2015, certified operations accounted for 70 per cent of the net sales of L&T's services. Certification covers all of our services except property maintenance, technical systems maintenance, renovation, environmental construction and L&T Biowatti.

## **FOREST SERVICES COVERED BY PEFC CERTIFICATION**

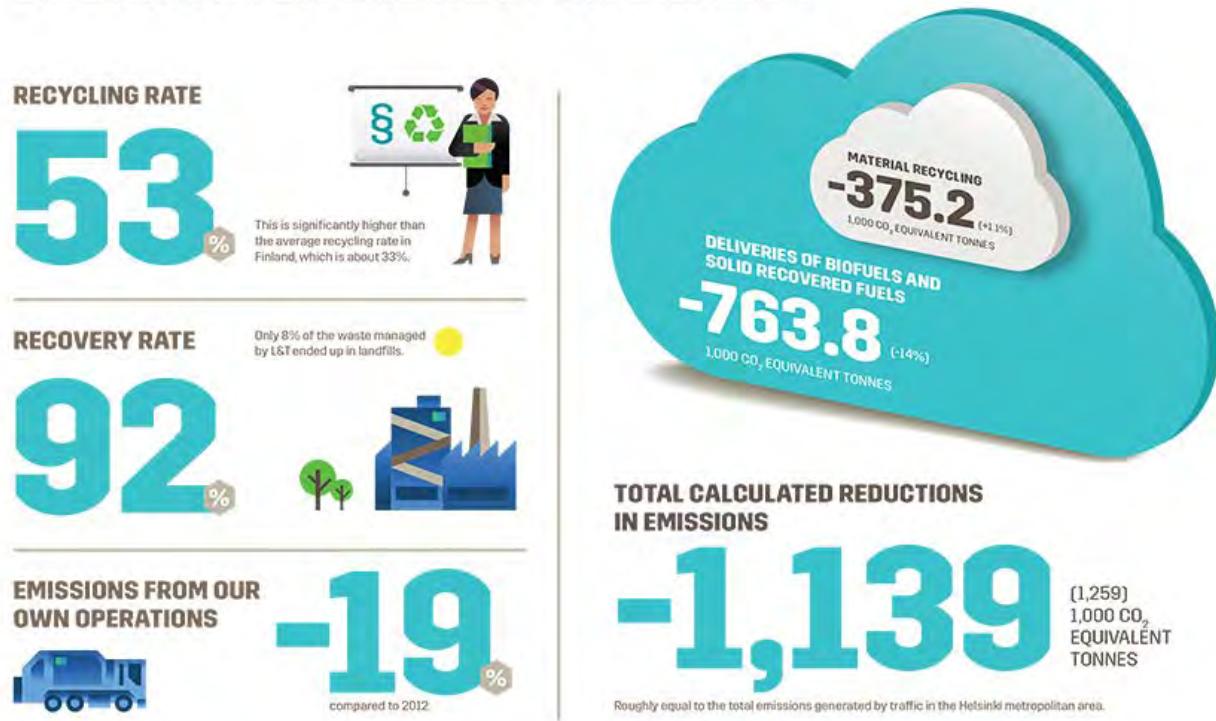
We initiated a process in 2015 to have L&T Biowatti's forest services covered by PEFC

certification. PEFC certification ensures that raw materials are sourced from sustainably managed forests. In 2015, Biowatti developed operating models for verifying the source of wood, as required by the certification. The external audit related to the certification process was carried out in December 2015. Once the small number of nonconformities identified in the audit have been rectified, our forest services will be PEFC-certified.

# TOWARDS A CIRCULAR ECONOMY

We are an environmental company, which means that the reduction of CO<sub>2</sub> emissions—both our own and those of our customers—and the improvement of material and energy efficiency are an integral component of our strategy and business operations.

## ENVIRONMENTAL RESPONSIBILITY



In 2015, we worked with our customers to reduce Finland's CO<sub>2</sub> emissions by approximately 1.1 million tonnes of CO<sub>2</sub> (2014: 1.3 million).

We constantly look to identify and develop new solutions for material recovery.

The targets specified in our corporate responsibility programme are to increase the recycling rate of the materials we manage to 55% and the recovery rate to 95%. The material recovery target for our own plants is 98%.

In 2015, the CO<sub>2</sub> emissions from our operations were reduced by 19% compared to 2012. This exceeded our target of reducing CO<sub>2</sub> emissions by 10% by 2018, using the emissions level and operating volume of 2012 as the baseline. Our emissions were reduced substantially because we began to use green electricity at all of our Finnish operating locations in 2015.

We have an uncompromising commitment to fulfilling our environmental obligations and complying with legislation, environmental standards and permits in all of our operations. We

strive to minimise the environmental impacts of our operations through effective self-monitoring, open and continuous cooperation with the authorities, and by taking quick action in response to any detected problems. Our environmental and management system has been certified in accordance with the ISO 14001.

# FOR US, WASTE IS RAW MATERIAL

Our operations are guided by the circular economy mindset and the order of priority, according to which we aim to primarily direct materials to remanufacturing or recycling.



Through our services, we promote our customers' material and energy efficiency. We strive to conserve virgin natural resources and mitigate climate change by replacing virgin raw materials with secondary raw materials and fossil fuels with bioenergy. We comprehensively manage the value chain of material flows by collecting and transporting them and processing them in our own plants.

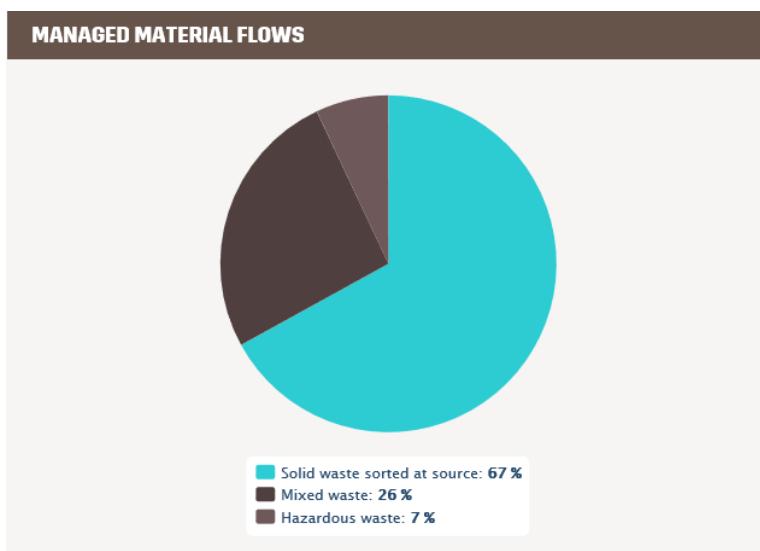
## RETURN AFTER USE

**Cans with a deposit ensure that 97% of the raw material is returned to the beverage industry. Why couldn't this mechanism be employed in other areas?**

## THE ORDER OF THE PRIORITY

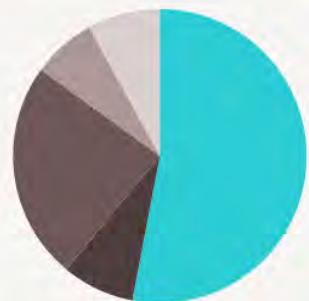


Of all the material flows managed by L&T in 2015, 92% was recovered (2014: 90%) and 53% was recycled (2014: 51%). The recovery rate at L&T's own plants was 98% (2014: 98%).



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

#### RECYCLING AND RECOVERY RATE OF MANAGED MATERIAL FLOWS

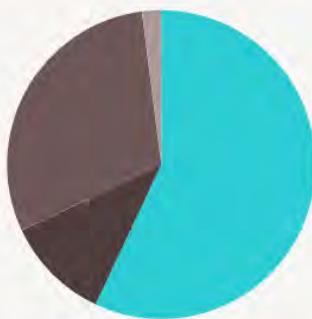


- Recycling and reuse: 53 %
- Environmental construction: 8 %
- Recovery as waste-based fuel: 24 %
- Recovery in the incineration of mixed waste: 7 %
- Landfill: 8 %

Caption: Pallets that are reused in accordance with the order of priority are one example of reuse. Energy recovery from waste is divided into two categories: recovery as a waste-derived fuel, and recovery in the incineration of mixed waste. Energy recovery as a waste-derived fuel includes solid recovered fuels, shredded used wood, tyre shreds used for energy production, as well as biogas and bioethanol produced from biowaste. L&T favours the use of waste that is unsuitable for recycling or environmental construction in energy production as solid recovered fuel.

Hazardous waste treatment is conducted either at our own plants, or waste is delivered to our partners for treatment. Of hazardous waste, 7% was transported to other EU countries for treatment in 2015. We did not import any hazardous waste to Finland in 2015.

#### RECYCLING AND RECOVERY RATE OF OWN PLANTS



- Recycling: 57 %
- Environmental construction: 11 %
- Recovery as waste-based fuel: 30 %
- Landfill: 2 %

## WE DEVELOP NEW SOLUTIONS TO INCREASE RECYCLING AND RECOVERY

L&T is continuously seeking and developing solutions for the recycling and recovery of various waste materials. In 2015, we started the separate collection of roofing felt, decommissioned gypsum board, sheet glass and white porcelain. These materials can be best circulated by developing sorting at source at construction sites. We direct roofing felt for use as raw material in asphalt production, while gypsum board is used in the manufacture of new gypsum products. Sheet glass is used to produce products such as fibreglass or foam glass, concrete and bricks are used in landscaping, and wood is primarily used for energy production. We continuously assess recycling opportunities for wood.

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

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

In 2015, we continued to develop our comprehensive national network of recycling plants and terminals. L&T strengthened its services further in the Ostrobothnia region by opening a new recycling terminal in Kokkola, which allowed the company to expand its waste management services to Seinäjoki. L&T's waste management and recycling business was expanded to new geographical areas through acquisitions in Kuopio, Kitee and Multia. In process development, L&T focused on improving the efficiency of sorting processes at recycling plants as well as increasing the recovery rate by reducing the amount of organic matter directed to landfills.

An extensive cooperation project led by L&T entitled "Testing mixed wood waste in the manufacture of various end products" was completed in 2015. The project investigated alternatives to the energy recovery of wood waste to promote environmentally sustainable material recycling that is competitive from the business perspective. The Ministry of the Environment published the project's final report in December 2015.

# SYSTEMATIC EFFORTS TO REDUCE TRAFFIC EMISSIONS

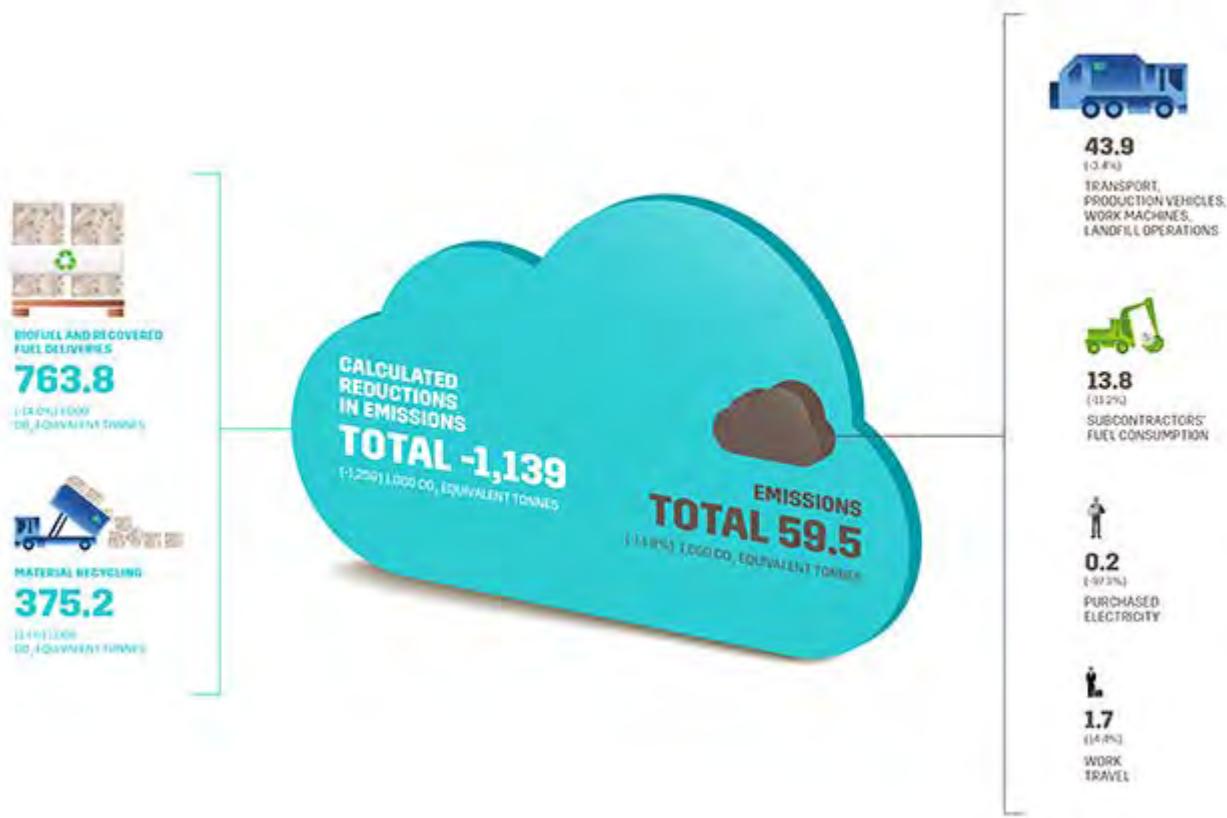
The most significant direct environmental impacts of our operations are the emissions generated by collection and transport services. In 2015, L&T's operations caused 59.5 (2014: 69.9) thousand CO<sub>2</sub> equivalent tonnes of emissions.



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

In 2015, we worked with our customers to reduce Finland's CO<sub>2</sub> emissions by approximately 1.1 million tonnes of CO<sub>2</sub> (2014: 1.3 million).

## EMISSIONS AND CALCULATED REDUCTIONS IN EMISSIONS



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

**We are doing today what we will have to do tomorrow:  
FINLAND'S EMISSIONS REDUCED BY 1.1 MILLION TONNES.**

In 2015, our greenhouse gas emissions declined by 19% relative to the 2012 emissions level and operating volume. Our emissions were reduced substantially because we began to use green electricity at all of our Finnish operating locations.

Calculated in absolute rather than relative terms, our greenhouse gas emissions decreased by 14.9% compared to 2014. Our greenhouse gas emission intensity, or greenhouse gas emissions relative to net sales, was 68.2 thousand CO<sub>2</sub> tonnes per one million euros in 2015 (2014: 83.1 thousand CO<sub>2</sub> tonnes per one million euros).

## **WE REDUCED FUEL CONSUMPTION BY OPTIMISING AND IMPROVING THE EFFICIENCY OF TRANSPORT OPERATIONS**

In 2015, our total diesel consumption was 13.76 million litres, which is almost 280,000 litres lower than in 2014. Consumption decreased by 2% from the previous year.

Gasoline consumption amounted to 360,000 litres (2014: 420,000 litres), a decrease of 14%. Fuel oil consumption totalled 1.48 million litres (2014: 1.46 million litres), an increase of 1%.

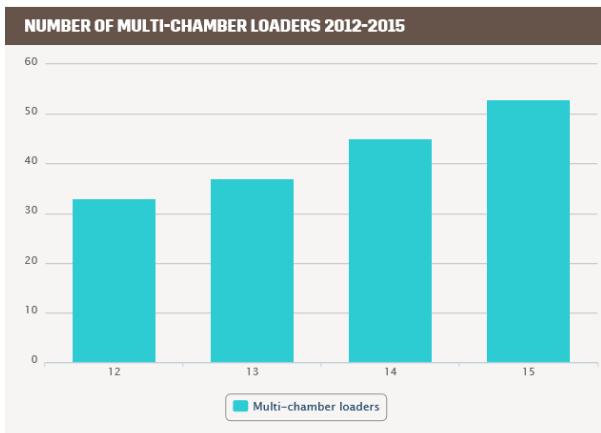


Caption: Fleet emissions are calculated based on fuel consumption. Information related to L&T's Latvian business operations has been eliminated from the previous years' figures for the sake of comparability.

Energy intensity, or energy consumption relative to net sales, was 288 MWh per one million euros in 2015 (2014: 299 MWh per one million euros).

## WE OPTIMISED AND IMPROVED THE EFFICIENCY OF OUR TRANSPORT OPERATIONS

We had 875 (2014: 866) heavy-duty vehicles in operation in 2015. We have over 50 multi-chamber loaders in operation. Multi-chamber loaders have two or more chambers for different types of waste, which enables the collection of multiple types of waste in a single run.



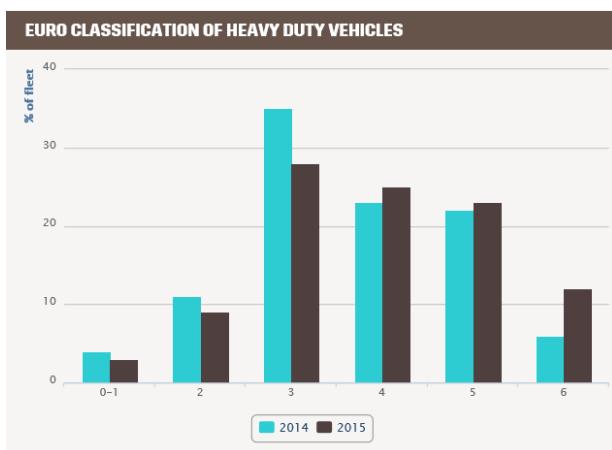
Route optimisation reduces fleet requirements and kilometres driven, and it also reduces stops and visits to yard areas. Over the past five years, we have optimised nearly 3,000 routes, with 850 optimised in 2015 (2014: 650). In 2015, we stopped at yards 110,000 fewer times than in 2014.

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

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

We use a reporting tool to monitor transported waste volumes as well as the efficiency of our fleet utilisation and transport routes.

We updated our heavy-duty fleet and replaced some of the oldest vehicles with newer Euro 6 class vehicles that have lower emissions.



We have seven natural gas, bioethanol diesel and hybrid waste trucks in operation (2014: 7). The use of alternative fuel vehicles has not developed in the desired direction. The reasons for this are related to the limited availability of heavy-duty vehicles as well as tax policy.

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

In 2015, L&T's average driving style index improved by 0.2 units to 8.6 (2014: 8.4). The calculation is based on a weighted average and the comparison figure for 2014 has been adjusted accordingly. The personal driving style monitoring devices for drivers of heavy-duty vehicles enable us to analyse and constantly improve driving styles. The driving style index measures the safety and economy of driving styles. Improvements in the index mean better traffic safety, lower fuel consumption and lower emissions, as well as cost savings in vehicle maintenance.

Personal driving style monitoring equipment has been installed in a total of 550 heavy-duty vehicles (2014: 400). In 2015, the use of driving style monitoring equipment was expanded to include sewer maintenance and hazardous waste vehicles. Our goal is to have all of our heavy-duty vehicles covered by driving style monitoring in 2016.

In addition to monitoring, we develop our drivers' driving style by training and, if necessary, unit-specific action programmes.

## **LOWER EMISSIONS WITH GREEN ELECTRICITY**

Our greenhouse gas emissions were significantly reduced in 2015 as we began to use electricity generated by hydroelectric and wind power at all of our Finnish operating locations.

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

Our electricity consumption in 2015 totalled 29,400 MWh (2014: 30,800 MWh). We reduced the electricity consumption of our operating locations by a total of 4.6% from the previous year. Electricity consumption in production was reduced by improving the monitoring efficiency and optimising the use of production equipment.

We conducted an energy review in 2015 to analyse the entire Group's energy profile and identify opportunities for energy savings at our properties and in production operations.

We conducted an energy review in 2015 to analyse the entire Group's energy profile and identify opportunities for energy savings at our properties and in production operations.

We continued to increase the capacity utilisation rate of our properties. We turned three of our operating locations into multi-space offices in 2015. A multi-space office makes the utilisation of space more efficient. We encourage our employees to work remotely in the operations and tasks in which it is possible.

We took steps to prepare for the relocation of our headquarters to a new multi-space office in January 2016. Named Tikanpesä, the new headquarters is located in Helsinki's Pitäjänmäki district with good public transport connections. We also encourage the employees at the company headquarters to commute on foot or by bicycle by providing facilities such as better changing rooms and storage space for bicycles.

In 2015, we launched an energy efficiency improvement project at our properties. The project will continue in 2016. The aim is to reduce electricity and heating consumption, rectify problems in property use, and to investigate the savings potential of utilising process energy. The properties are examined from a comprehensive perspective that includes not only energy management, but also the need for renovation and repairs.

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

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

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

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

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

The reference values used in the calculations are primarily based on coal. The emission factors are based on Statistics Finland's fuel classification 2015.

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

Environmental permits guide the management and monitoring of environmental issues at our plants and terminals. At the end of 2015, L&T held 62 environmental permits related to the handling and storage of normal waste and hazardous waste.

## **ENVIRONMENTAL RISKS AND DAMAGES**

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

No major environmental damage incidents occurred in 2015. There were three minor environmental incidents, two of which were caused by emissions from fires and water used to extinguish them. One minor incident involved dust emissions from the shredding of wood. Minor environmental damage is caused by incidents that cause changes in the environment but can, with immediate action, be contained and eliminated.

There were 45 smaller incidents reported, mainly consisting of minor oil or fuel leaks from vehicles or work machines, as well as small emissions arising from incipient fires. These emissions were eliminated from the environment and they did not have a material effect on the soil or water system. In conjunction with processing environmental damage incidents, we have reviewed our guidelines regarding emergency procedures and enhanced our inspections of vehicles and machines.

## **ENVIRONMENTAL GRIEVANCES**

Our waste treatment operations resulted in some local complaints in Oulu, Mustasaari, Turku, Kerava, Lahti, Uusikaupunki and Jyväskylä. The causes of the complaints included litter in the local environment, dust emissions, as well as unpleasant noise and odour. The complaints were received either directly from local residents or via the local environmental authorities, and they were recorded in the monitoring system. The complaints were handled in cooperation with the authorities with the aim of mitigating the emissions that caused the complaints.

# THE GOAL IS SATISFIED PERSONNEL

Employees play a crucial role in the success of a service company. For this reason, it is important for us to look after the competence and motivation of our employees and, above all, ensure a positive service attitude. As a company, L&T is in a period of significant renewal. The efficiency improvement measures we have implemented, along with the deployment of new operating models and systems, are placing significant demands on our employees.

We want our employees to be satisfied and prepared to recommend us as an employer.

## RESPONSIBILITY FOR PERSONNEL

WE HAVE  
REDUCED OUR  
ACCIDENT  
FREQUENCY IN  
FINLAND TO ONE  
THIRD OF WHAT  
IT WAS THREE  
YEARS AGO.

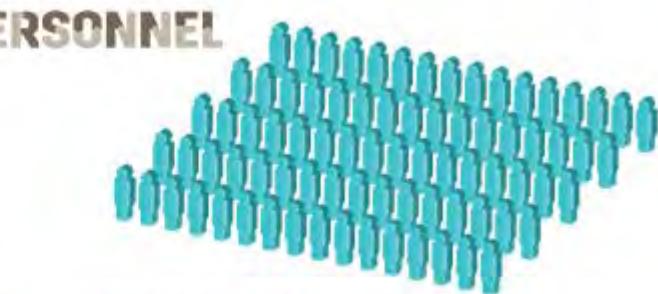


### DIVERSITY IN FINLAND



SICKNESS  
-RELATED  
ABSENCE RATE  
IN FINLAND

A commendable achievement  
in a physically strenuous industry



IN 2015, WE EMPLOYED APPROXIMATELY

**8 000**

PEOPLE IN FINLAND, SWEDEN AND RUSSIA.

OUR AVERAGE  
RETIREMENT AGE  
IN FINLAND IS  
**63.1**

This is significantly higher than the  
average retirement age in Finland,  
61.1 years.

EMPLOYEE  
SATISFACTION

**74**

WOULD RECOMMEND  
L&T AS A WORKPLACE.



Based on our employee satisfaction survey conducted in 2015, 74 per cent of all L&T employees are prepared to recommend us as an employer. We measure employee satisfaction by conducting an annual survey.

We want to support the extension of careers and promote the increase of the average retirement age in society. Our target is to achieve an established retirement age of 63 years for L&T employees in Finland by 2018, and increase it further to 65 years by 2025.

We have set a target of less than five per cent for sickness-related absences in Finland.

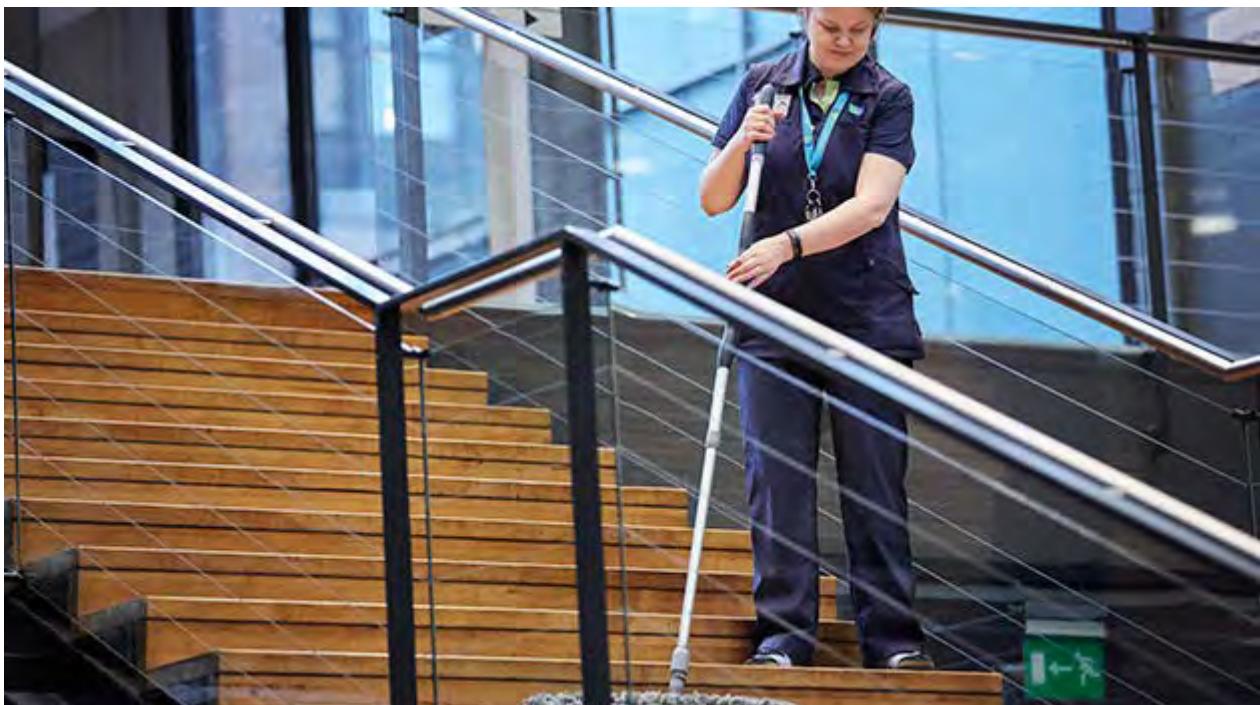
For accidents, our ultimate target is zero accidents, but the accident frequency target we have set for 2018 is under 10. In 2015, our accident frequency was the lowest it has been in

L&T's entire history.

In September–November, we cooperated with Amiedu on the Nopsa2 project aimed at developing a diverse work community. The goal of the project was to develop the expertise and professional competence of L&T's service officers with regard to providing induction training for immigrants. The subjects of the project workshops included challenging situations in induction training, language-related awareness in providing instruction and supervision, and cultural awareness.

# PROACTIVE MEASURES ARE THE BEST WAY TO MANAGE WORK ABILITY

L&T has extensive experience in goal-oriented and successful work ability management. The goal of the Sirius work ability management programme is to preserve the employee's working ability—and ability to function—all the way up to the retirement pension age.



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

- minimising disability and accident-related pension costs
- reducing the sickness-related absence rate to five per cent
- stabilising the TyEL (Employees' Pensions Act) payment category.

The five-year Sirius III work ability management programme, which will start at the beginning of 2016, will see us actively shift our emphasis to proactive and preventive measures. We will revise our vision and objectives for work ability management, and we will also specify the proactive themes that guide our focus and investments going forward.

## WELL-BEING AT WORK THROUGH PROACTIVE SUPPORT

We continued to pay particular attention to the well-being of our supervisors in 2015, as it directly affects the well-being and performance of their subordinates. The well-being of supervisors and other salaried employees was surveyed by means of a questionnaire, and customised personal coaching was arranged based on the results.

Our overall well-being index increased by two per cent compared to the survey conducted in 2014. All business areas showed positive development.

## **DECREASING RATE OF SICKNESS-RELATED ABSENCES**

Much of the work performed at L&T is physically demanding. Musculoskeletal disorders are the most significant cause of disability pensions and extended sickness leave. Their prevalence is particularly highlighted among employees over the age of 45.

The Tules project aimed at promoting musculoskeletal health continued in 2015. Nearly 200 cleaners have already assessed their workplaces together with their supervisors and a physiotherapist to identify ways to perform the work in a manner that is less strenuous on the body. In 2015, sickness-related absences arising from musculoskeletal symptoms among those who participated in the project decreased by 67 per cent over a three-month follow-up period.

L&T's cleaning and property maintenance units in the Helsinki metropolitan area tested a policy of allowing acutely ill employees to be absent for one day at a time, and a maximum of three consecutive days, with the supervisor's permission but without a doctor's certificate. Sickness-related absences fell and costs decreased. The test will continue in 2016.

Our sickness-related absence rate in Finland declined to 5.2 per cent in 2015 (2014: 5.3%). At the beginning of 2016, we will set division-specific sickness-related absence targets for the next five-year period.

## **DISABILITY COSTS DOWN AND RETIREMENT AGE UP**

According to a work ability management benchmark study conducted in autumn 2015, L&T's disability payments per man-year are only half of the industry average.

Over the past ten years, our average retirement age in Finland has increased from 59.4 years to 63.1 years.

**A retirement age that is two years higher than the average might not sound like much, but in a company of 8,000 employees it means 16,000 man-years.**

## ACTIVE MANAGEMENT OF WORK ABILITY RISKS

At L&T, work ability management is part of day-to-day management and is supported by the personnel department and occupational health care services. We look after the well-being of our people, especially when there are any changes in their ability to cope with work. We have implemented operating models for early care and support for returning to work. Employees' ability to cope with work is actively monitored at workplaces and by our occupational health care services.

We ensure that occupational health care, vocational rehabilitation and other rehabilitation services are used in a timely manner to help employees at risk of disability.

Where necessary, we will consider options such as transferring employees with reduced work ability to less strenuous tasks. These measures have enabled us to prevent the retirement on disability pension of 90 employees.

We also work with partners to provide guidance on healthier lifestyles. Our employees are offered support in areas such as improving their diets, smoking cessation, sleep disorders and increasing physical exercise. We also arrange coaching related to personal resources and recovery.

# GOING HOME HEALTHY AT THE END OF THE DAY

Occupational safety measures and targets in Finland are managed under the strategic Nollapeli (Zero Accidents) programme, which supports the work done by the line organisation. The target is to reduce the accident frequency to less than ten by 2018.



## ZERO ACCIDENTS PROGRAMME

The Zero Accidents programme comprises four key areas for the systematic development of occupational safety across all of our services:

- Attitude and intervention
- Processes and tools
- Competence and training
- Supply chain and cooperation.

Safety observations made in the working environment and safety walks conducted by supervisors are part of L&T's proactive approach to safety. Starting from the beginning of 2015, safety observations and safety walks can be recorded electronically on various terminal devices, such as smartphones and vehicle computers, without having to fill out paper forms. The new electronic tools have made occupational safety observation and safety walk processes faster and more efficient. The number of safety observations grew by 26 per cent, while the number of safety walks increased by 36 per cent.

All of our Occupational Safety Delegates participated in our Occupational Safety and Health Day held in June. At the event, the participants planned measures to develop occupational safety and health activities and discussed ways to increase occupational safety awareness among personnel.

L&T also arranged its first-ever Safety Week in November. The week's theme was the individual's responsibility and the importance of looking after one's own safety and the safety of co-workers. New safety tools were also introduced during the Safety Week, such as Weekly Whistle, a practice aimed at reminding employees of small details that have an impact on safety. Members of personnel participated in the Safety Week; for example, by producing safety-themed videos.

In our internal campaign "A professional on the road", videos were used to illustrate traffic safety and L&T's Code of Conduct.

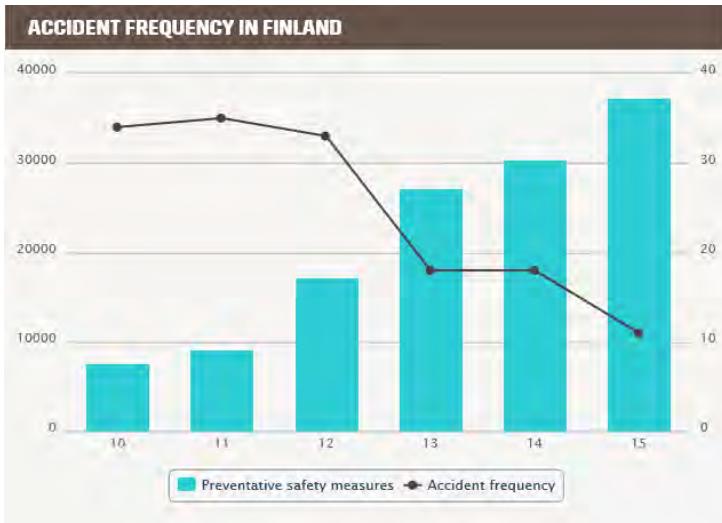
## **THE DEVELOPMENT OF OCCUPATIONAL SAFETY EXCEEDED OUR TARGET**

In 2015, our accident frequency was the lowest it has been in L&T's entire history. The number of accidents decreased from the previous year and compared to the target. The accident frequency was 11 (2014: 17). In Finland, the accident frequency was also 11 (2014: 18), while the target was 15.

**L&T has approximately one accident per 100,000 working hours.  
This means they are infrequent,  
but the goal is that accidents never happen.**

No fatal accidents occurred in 2015. There were also no cases of diagnosed occupational diseases.

Starting from 2016, we will also monitor our overall accident frequency, which reflects all accidents including accidents resulting in absence, visits for medical treatment, accidents during work-related travel, and accidents for which the subsequent absence is avoided by having the employee work in other duties for a time.



Caption: Number of accidents leading to absence per one million working hours

## SAFETY IS AN INTEGRAL ELEMENT OF ALL WORK

Occupational safety is an integral element of all work performed at L&T's own operating locations as well as those of its customers. Ensuring the safety of the working environment and the people in the working environment throughout the various stages of work is part of the job-specific induction training provided to everyone at L&T. In 2015, approximately 80 per cent of our safety observations aimed at improving occupational safety and 70 per cent of our safety walks were conducted at our customers' operating locations. Proactive measures lead to corrective actions that improve our own occupational safety as well as that of the customer site.

### Development of occupational safety in Finland

	2015	2014	2013	2012	2011	2010
Safety observation reports	<b>19 414</b>	15 383	14 885	10 987	5 341	4 433
Hazard assessments	<b>1 148</b>	1 684	1 839	3 086	1 707	1 958
Safety Walk observation rounds	<b>9 273</b>	6 808	5 577	1 670	1 519	1 242
Occupational safety sessions	<b>7 472</b>	6 517	4 973	1 491	680	
Accident frequency	<b>11</b>	18	18	33	35	34

# DEDICATED PERSONNEL

We conducted a Meininki employee survey in November 2015 to give L&T employees the opportunity to express their views on issues related to the prerequisites of work, motivation, the operations of the unit, and management. The survey indicates what areas we have been successful in and what are the areas of improvement, both at the unit level and the company level.



A total of 4,631 employees completed the survey, representing 60.5 per cent of all personnel. The survey was conducted electronically for the first time in Finland, which had the effect of lowering the response rate. A total of 4,027 employees (58.6% completed the survey in Finland.

The results of the survey show that L&T's employees are dedicated to their work, and 82 per cent indicated that they find their job challenging and interesting. Our shared operating principles - service attitude, responsibility and team play - were also seen as being worth pursuing.

**WHEN YOU'VE EXHAUSTED ALL METHODS FOR FINDING MOTIVATION FOR WORK, TRY DOING WORK THAT HAS MEANING.  
86% of L&T's employees consider their work valuable.**

The area in which the most respondents wanted to see improvement was cooperation between units. Supervisors' communications and communications related to changes were also highlighted as areas that should be improved upon.

Based on the results of the survey, the management will define the organisation's common development themes and work communities will draft development plans. The implementation of the plans will be monitored by subsequent surveys.

Nearly three out of four respondents, or 74 per cent of all L&T employees and 71 per cent of employees in Finland, are prepared to recommend L&T as an employer.

## **PROFESSIONALS WHO TAKE PRIDE IN THEIR WORK**

At the start of the year, we began to give out Employee of the Month awards in Facility Services. A total of 25 property maintenance and cleaning professionals were recognised for their good customer service, positive attitude and strong work performance with certificates of honour and incentive rewards.

## **SUMMER WORKERS ENJOY WORKING AT L&T**

In a survey of summer workers in 2015, 96 per cent of the respondents rated L&T as a "very good" or "good" workplace, 95 per cent indicated they are prepared to recommend L&T to friends, and 92 per cent said they would consider working at L&T in the future.

# WE INVEST IN COMPETENT PERSONNEL

We take a systematic and long-term approach to investing in the competence of our personnel and the development of our leadership. Leadership development is one of L&T's strategic development programmes. The programme is aimed at expediting the implementation of the company's strategy, strengthening managerial competencies and harmonising leadership practices.



## FROM SUPERVISOR FORUMS TO PROFESSIONAL COMPETENCE TRAINING

A total of 456 supervisors participated in supervisor forums led by senior management in 2015. The discussion-oriented events focused on strategic objectives and included exercises related to the practical implementation of changes and ways to highlight successes.

The progress of strategic change and development projects was supported by providing change management tools and coaching for project leaders.

A new coaching programme was introduced for supervisors, which will be implemented one service line at a time in 2015–2016. A total of 234 supervisors participated in the programme in 2015. The coaching is geared towards developing managerial and supervisory skills in a direction that supports the company's business operations and competitive advantage.

We also arranged several training events related to environmental issues and responsibility. A total of 130 service technicians and salaried employees completed our Eco-maintenance training. Environmental passport training was completed by 135 employees in cleaning services. Another 88 employees participated in various training events focused on environmental responsibility, waste legislation, environmental legislation, the organisation of waste management and responding to accidents.

Our statutory advanced training programmes for professional drivers were customised by introducing real-life situations and highlighting L&T's Code of Conduct. The training also covers the company's strategic priorities and operating principles as part of a driver's work.

## **COMPETENCE SURVEY BEGAN IN OUR SERVICE LINES**

In relation to ongoing development projects and the implementation of shift planning, the Facility Services division's cleaning and support services and property maintenance service lines began a competence survey process in 2015. The survey involves employees carrying out a self-assessment of their competencies related to various tasks, occupational safety and customer service.

The purpose of the competence surveys is to gain deeper insight into the types of competencies we have in our large organisation and in its various operating locations. This will help us plan the efficient use of our competence resources; for example, in shift planning.

The survey is aimed at identifying how L&T as the employer can develop and increase personnel competence, support employees in being successful at their work, as well as help them maintain and refresh their professional skills. The competence data is used to produce unit-specific training plans, the implementation of which will be monitored.

# L&T'S PERSONNEL IN FIGURES

Our personnel are highly diverse, with a broad age distribution and nearly 80 different nationalities represented.

In 2015, we employed approximately 8,000 people in Finland, Sweden and Russia. Each year, we recruit some 3,500 employees in Finland, including approximately one thousand summer workers.

Ensuring the availability of employees is the most challenging task in the cleaning sector. There is also a lot of competition for maintenance workers and professionals in the field of technical systems maintenance. In Finland, the turnover of employees in Facility Services was 25.9 per cent in 2015. Industrial Services launched a resource pool project aimed at ensuring the flexible availability of personnel in project-oriented business operations to balance out periods of peak demand. As the resource pool is characterised by short and temporary employment relationships, departure turnover increased in 2015. Employee turnover in Industrial Services was 16.5 per cent.

In Environmental Services, employee commitment is high and turnover is low. Employee turnover in Environmental Services was 7.2 per cent.

In Finland, the turnover of salaried employees across all divisions was 13 per cent.

We harmonised the structures of our units and support units in 2015. We carried out 76 statutory employer-employee negotiations, which resulted in the termination of the employment of 220 employees, 27 temporary layoffs, and a few previously full-time employees becoming part-time employees. The majority of the negotiations were local, and most of them were related to the discontinuation of cleaning sites.

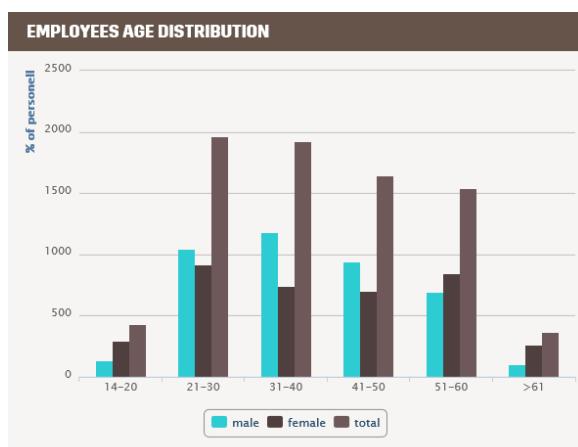
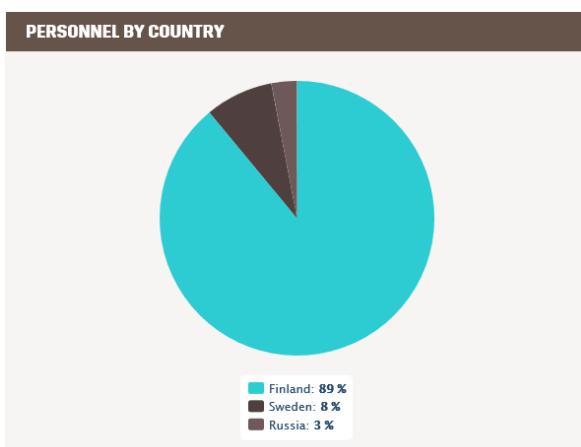
Personnel in figures	2015	2014	2013
Total number of full-time and part-time employees at year end	<b>8 085</b>	7 830	8 847
Finland	<b>7 192</b>	7 076	7 088
Sweden	<b>640</b>	507	582
Russia	<b>253</b>	247	238
Latvia	-	-	939
Average number of employees converted to full-time	<b>7 099</b>	7 257	8 267
Personnel by gender			
female, %	<b>48</b>	47	50
male, %	<b>52</b>	53	50

## Personnel by type of employment

permanent, %	<b>95</b>	94	95
temporary, %	<b>5</b>	6	5
full-time, %	<b>63</b>	63	57
part-time, %	<b>24</b>	25	33
employees called in when necessary, %*	<b>13</b>	12	10
Leased employees by personnel group			
salaried employees	<b>1 886</b>		
employees	<b>24 063</b>		
Personnel by personnel group			
salaried employees, %	<b>15</b>	16	15
employees, %	<b>85</b>	84	85
Share of employees with an immigrant background, %**	<b>17</b>	16	17
from the EU	<b>43</b>	41	43
outside the EU	<b>57</b>	59	57
Average retirement age by country			
Finland	<b>63,1</b>	63,1	63,3
Sweden	<b>65</b>		
Russia	<b>57</b>		
Sickness absences, %**	<b>5,2</b>	5,3	5,3
Accident frequency	<b>11</b>	17	17
Percentage of employees who had target setting and performance reviews, %	<b>85</b>	80	87

\* Type of employment in use only in Finland

\*\* Figures cover only operations in Finland



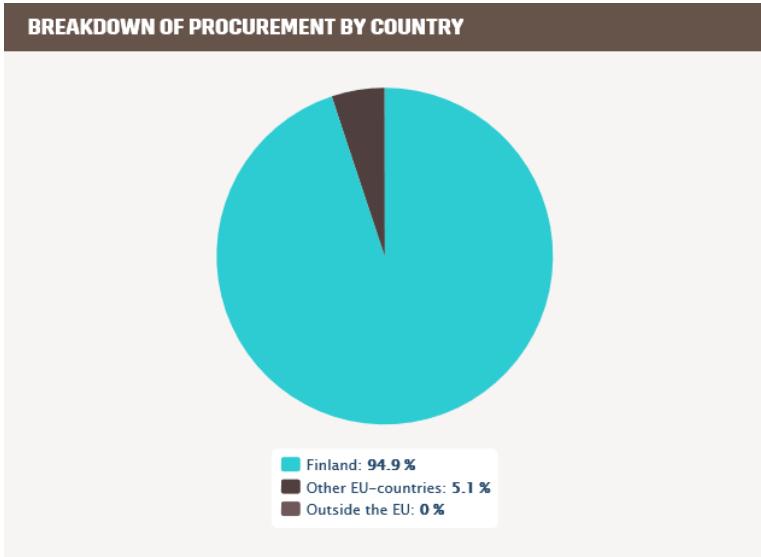
# WE SYSTEMATICALLY DEVELOP THE RESPONSIBILITY OF OUR SUPPLY CHAIN

In 2015, L&T had approximately 4,800 (2014: 4,600) suppliers of goods, materials and services in Finland, the total purchases from whom exceeded EUR 1,000 during the year.



Total purchases of goods and services amounted to EUR 247 million (2014: EUR 237 million). L&T Biowatti's purchases, which were not included in 2014, have been added to the figure for 2014. The total value of purchases increased as a result of the expansion of the recycling business and a higher level of service purchasing.

In Finland, 94.9 per cent (2014: 95.9%) of purchases were made from companies operating in Finland, and 5.1 per cent (2014: 4.1%) from other EU countries. Practically no purchases were made from countries outside the EU (0.01%).



### Breakdown of procurement in Finland

Total EUR 247 million

	<b>% of the total</b>
Direct procurement*	<b>56 %</b>
Vehicles and equipment**	<b>22 %</b>
Indirect procurement, real estate and facilities**	<b>22 %</b>

\* 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.

## WE DEVELOPED THE RESPONSIBILITY OF OUR SUPPLY CHAIN AND HARMONISED PROCESSES

In 2015, we launched a supplier assessment development project related to our corporate responsibility programme. In Finland, we revised the self-assessment of our contract suppliers and updated our auditing practices, which include issues related to environmental responsibility, the supply chain responsibility of our service providers, quality and occupational safety.

In 2015, the self-assessment was conducted by 23 new contract suppliers, or 26 per cent of our new suppliers. We also audited a total of six suppliers and waste processing partners. Starting from 2016, all of our new contract suppliers must conduct a self-assessment before our cooperation with them can begin. We also began to work on the development of a supplier classification and prioritisation model. The existing classification system, which is based on whether the supplier is a contract supplier or a one-time supplier, will be replaced by the new model in 2016.

We drafted a Code of Conduct that includes responsible business principles and ethical guidelines for our suppliers, as well as environmental and occupational safety requirements to be attached to service providers' contracts. Following their implementation in 2016, we will require our suppliers to comply with these requirements.

In 2015, we also developed and harmonised our purchase-to-pay process, systems and electronic processes between L&T and suppliers.

## **FURTHER INCREASE IN THE USE OF ECO-LABELLED DETERGENTS**

Eco-labelled (Swan label) detergents accounted for 82 per cent of all cleaning products used in 2015. This represents an increase of 20 percentage points compared to 2014. We use environmentally certified cleaning agents whenever they are available in the product category in question. Our goal is to keep the share of eco-labelled detergents at 80 per cent or above.

## **CHALLENGES IN THE OUTSOURCING OF PURCHASE INVOICES**

We changed our purchase invoice system and invoicing address in May. The new system involved certain challenges that slowed down the processing of invoices. We informed our suppliers of the changed arrangements, the challenges related to the system, as well as the relevant communication channels.

## **PREVENTING THE GREY ECONOMY**

We imposed stricter criteria on our suppliers and require them to register on the Tilaajavastuu.fi service. More suppliers joined the service in 2015 than in previous years. At the end of the year, some 95 per cent of our service providers—more than 1,100 companies—were registered on the Tilaajavastuu.fi service. Going forward, joining the service is a requirement for starting and continuing cooperation.

# ACTIVE STAKEHOLDER WORK

We regularly survey the expectations of key stakeholders with regard to our operations. Based on the results of the survey, we have produced stakeholder-specific action plans, the progress of which is regularly monitored as part of our management of corporate responsibility. Our goal is that by responding even better to our stakeholders' expectations we can improve our reputation and thereby strengthen stakeholder support for our operations.

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

Stakeholder	Description of interaction in 2015
Customers	<p>We conducted two Net Promoter Score surveys in Finland and received feedback from more than 4,000 customers. Based on the feedback, we invested in development measures focused on areas such as improving our delivery reliability and customer interaction. The results will be utilised at the division, service line and unit levels to improve customer satisfaction.</p> <p>In addition to the two broader surveys, we also conducted customer-specific satisfaction surveys that provided valuable site-specific information on our day-to-day performance.</p> <p>We developed our electronic services and began to offer our customers the opportunity to submit maintenance requests electronically by using a communication channel that relays the request directly to the service technician. We received some 26,000 electronic maintenance requests in 2015.</p> <p>We arranged 18 Environmental Academy events as well as several events related to the circular economy and other current themes across Finland.</p> <p>We also introduced online environmental management training for our customers in 2015. Nearly 3,000 representatives of our customer companies participated in our training events and online environmental management training.</p> <p>We sent 11 electronic newsletters to our customers, comprised of content from our online magazine Lassi.</p>
	Our service line-specific KIRKASTE training helped develop the managerial skills of supervisors in order to boost their service lines' business operations and competitive advantage.

<p><b>Personnel</b></p>	<p>The supervisors discussed strategy and participated in exercises related to the practical implementation of changes in Supervisor Forum events hosted by senior management.</p> <p>The Executive Board for human resources, comprised of representatives of the employer and the employees, convened six times to discuss matters related to statutory employer-employee negotiations and other issues related to the position of personnel. Personnel representatives also participated extensively in the company's decision-making forums and development programmes at various levels of the organisation.</p> <p>Targets were set for 90 per cent of salaried employees and 80 per cent of the employees who earn their primary income from L&amp;T in one-on-one performance reviews or team reviews.</p> <p>We continued to shift the focus of our work ability management toward proactive measures. We conducted an occupational well-being survey of salaried employees, with employees referred to personal coaching based on the results. We provided personal ergonomics training to cleaners with the aim of improving their well-being at work in their physically strenuous duties.</p> <p>We introduced an electronic reporting channel for occupational safety observations and continued to implement the Zero Accidents programme aimed at further improving the safety of work.</p> <p>We communicated to our employees via our intranet, the quarterly Letti personnel magazine, L&amp;T video news and our internal Yammer network. We also increased internal communication by giving 4,500 cleaners and drivers the opportunity to use an L&amp;T work e-mail account.</p> <p>We began giving out Employee of the Month awards in Facility Services and recognised a total of 25 professionals for good work performance.</p> <p>We conducted a Meininki employee survey with 4,631 respondents, which corresponds to 60.5 per cent of our personnel.</p>
<p><b>Potential employees</b></p>	<p>We actively communicated career opportunities at L&amp;T in both traditional and social media.</p> <p>We carried out a successful summer job campaign featuring a video blogger who worked in three different jobs and shared the experiences via social media.</p> <p>We supported the start of two new Master's Thesis projects related to our employer image.</p> <p>We cooperated with several educational institutes and participated in</p>

	<p>job fairs and related events. In December, we carried out an Instagram campaign in partnership with students of communications and marketing from Haaga-Helia University of Applied Sciences.</p>
<b>Investors</b>	<p>We met with investors and analysts at approximately 50 different events, including seminars, road shows and our Annual General Meeting.</p> <p>We used stock exchange releases, press releases and our website for regular communications with the capital markets.</p>
<b>Suppliers of services and goods</b>	<p>We revised our self assessment and auditing practices for contract suppliers.</p> <p>We carried out supplier audits.</p> <p>We expanded our supplier-specific development and steering groups by including representatives of the business units concerned.</p> <p>We carried out a competitive bidding process for technical wholesalers.</p> <p>We drafted a Supplier Code of Conduct that will be included in our supplier agreements.</p>
<b>Organisations and lobbying</b>	<p>We participated actively in the work of industry and labour market organisations as well as cooperation networks in Finland and at the EU level. In Finland, the bioeconomy and the circular economy were highlighted as strategic key areas by the new government. The most significant project at the EU level was the Circular Economy Package adopted by the European Commission in December.</p>
<b>Local communities and cooperation partners</b>	<p>We took an active role in local communities to promote the recovery and recycling of waste. We cooperated with startups and educational institutes to develop new solutions to improve the recycling of waste.</p>
<b>Charity</b>	<p>In 2015, we continued our positive cooperation with HOPE, a charitable organisation that focuses on supporting low-income families and families with children who have suffered various crises. During the year, we collected usable sports equipment and toys at our operating locations and at the Sello shopping centre for distribution by HOPE. We also provided assistance to local HOPE offices; for example, by donating bin bags.</p> <p>We joined a large volunteer effort to support the new Children's Hospital by providing waste management services and portable toilets for the Live Aid concert held in June.</p>

	<p>We also made smaller local donations to support charities.</p>
<b>Authorities and influential political actors</b>	<p>We participated in the public discussion on waste policy related to the drafting and application of new environmental legislation. We also presented initiatives on ways to promote the recycling of waste.</p> <p>At the local level, we were active in issuing statements concerning municipal waste management regulations as well as municipal decisions regarding waste transportation systems.</p>
<b>Media</b>	<p>We responded to nearly 90 media contacts to satisfy journalists' information needs or to identify interviewees.</p> <p>We published over 30 press releases and provided media outlets with expert articles on current topics as well as radio features and videos to support them. We arranged media events on current topics and invited media representatives to learn more about our operations.</p>

# STRONG NETWORKING

In 2015, L&T was engaged in various activities aimed at improving its operating conditions through participation in the work of lobbying organisations in Finland and other operating countries, as well as at the EU level. L&T is a member of nearly a hundred local, regional, national and EU-level lobbying organisations.

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

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

In addition, we were an active participant in the following responsible business and material or energy efficiency programmes, projects and networks:

- AALTO University
  - KISS (Knowledge intensive space markets) research programme
  - IoB (Internet of Buildings) research programme
- FiBS, Finnish Business and Society corporate responsibility network
  - Biodiversiteetti Master Class programme
- Energiapolitiikka.fi energy policy project
- The Carbon Neutral Municipalities project (HINKU)
- The Climate Partners network of the City of Helsinki and business life
- Koli forum 2015
- Resu and Bastu material efficiency projects in Southwest Finland
- Zero Accident Forum
- The Finnish Innovation Fund Sitra, Circular Economy programme
- Industrial symbiosis programme (Tekes and Motiva)
- VTT
  - AARRE research project to promote the circular economy
  - DEWI (Dependable Embedded Infrastructure) project
- UUMA 2 project on the use of recovered materials in earth construction

In December 2015, we also joined the Climate Leadership Council network aimed at preventing climate change

# TOWARDS A RECYCLING SOCIETY THROUGH COOPERATION

We want to be a good neighbour, employer and cooperation partner in our operating locations and promote local opportunities for waste recovery and recycling. We believe that Finland needs alternative solutions to complement the use of waste for energy production. This would help increase the recycling rate in Finland and create valuable national references for Finnish cleantech solutions.



In 2015, we actively participated in regional and national discussions to promote better recycling opportunities for waste. We participated in local programmes related to material efficiency and industrial symbiosis, as well as the HINKU project aimed at promoting a carbon neutral society.

We cooperated with educational institutes and startups to develop ideas for new solutions that promote recycling.

- We worked with students from Metropolia University of Applied Sciences to brainstorm ideas for the recycling room of the future which was piloted early in the year in partnership with VVO in Helsinki.
- In June, we arranged pitch competition for startups to promote the recycling society

- In August, we joined Innokampus in Grab the Idea, a contest that challenged students to develop digital solutions that inspire households to recycle.
- In September, we hosted a recycling-themed hackathon that saw 14 teams spend 48 hours developing digital recycling solutions to meet the needs of L&T's customer companies.
- Late in the year, we cooperated with our partners at the Sello shopping centre in Espoo to launch a pilot project aimed at improving the recycling of textile waste
- In November, we partnered with the Slush event to recycle used pallets for use as event props.

We also took action at the local level; for example, by visiting day-care centres to introduce the next generation of raw material collectors to our operations. We also arranged local events to promote sustainable forest management.

We carried out forest clearing operations for our customer in Pyhäjoki in April 2015. While the construction of a new nuclear power plant in Pyhäjoki has been approved by a decision-in-principle of the Finnish Parliament, and the forest clearing was carried out in accordance with permits issued by the authorities, the actual forest clearing operation was met with aggressive criticism from nature activists. The case made it clear to us, in a very concrete manner, that stakeholder expectations are becoming an increasingly significant decision-making criterion along with financial and legal considerations.

# POLITICAL INFLUENCE AND COOPERATION WITH THE AUTHORITIES

In 2015, L&T's focus on exercising influence on society was on promoting the bioeconomy and the circular economy, and highlighting them as a strategic priority in the new Government Programme. We were also actively involved in the preparatory work for the new National Waste Plan and the drafting of legislation to promote recycling. We participated in the UUMA project aimed at expanding the reporting procedures stipulated by the MARA decree to contaminated land areas and industrial side streams.

At the municipal level, we were active in expressing our views on the amendment of waste management regulations and transportation system decisions with the aim of promoting the market-based recycling business in order to create better opportunities for recycling.

At the EU level, we participated in the preparation of the Circular Economy Package announced in December. Our goal is a package that includes concrete and ambitious recycling targets.

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

## CURRENT LEGISLATIVE FRAMEWORK

Regulation and stage	Impact	L&T's perspective
<b>Waste Framework Directive, WFD</b>	Requirements related to the collection network for packaging waste were specified by a separate decree. Competitive bidding began for the processing of packaging waste as well as terminal and collection operations.	Producer responsibility for packaging waste should be implemented on market terms, and municipalities' special rights to packaging waste should be eliminated.
<b>EU Directive in force, national implementation still incomplete.</b>	Reviews and decisions concerning property-specific waste transport.	The system based on organising waste transport by property holders should be continued as extensively as possible.
<b>The revision of the Directive began as part of the circular economy package, for which</b>	Revision of municipal waste management regulations. Municipal exclusive rights	The obligation to collect biowaste separately should be made stricter, and waste management regulations should in general be more

<p><b>the EU Commission published its proposal in December</b></p>	<p>were extended to private education institutions and hospitals.</p> <p>If implemented, the Circular Economy Package will change the municipal waste recycling target from the current target of 50% to 65% by 2030.</p>	<p>compliant with the order of priority in waste management. Municipalities' exclusive right to waste should be restricted and consumers should be given more freedom of choice. Society's role should be that of a last resort.</p>
<p><b>Directive on the Landfill of Waste</b></p> <p><b>The Directive has been put in force by the Landfill decree, implementation is underway.</b></p>	<p>The Finnish decree bans the landfill disposal of organic waste starting from 2016.</p> <p>The waste incineration capacity being built in Finland is excessive.</p>	<p>We must use all available means to ensure that waste streams that presently end up in landfills are primarily directed to recycling in accordance with the order of priority.</p> <p>L&amp;T will prepare for the impacts of the ban on landfill disposal by developing its network of facilities and its waste treatment process.</p> <p>We will actively offer our services for processing organic waste that was previously disposed of in landfills.</p> <p>We will also assess the compliance of our own plant reject with the new criteria during the transition period (until 2020).</p>
<p><b>The EU Industrial Emissions Directive (IED)</b></p> <p><b>The Directive is in force, the Best Available Techniques (BAT) reference documents (BREF) to be prepared on the basis</b></p>	<p>The environmental permits of waste processing plants will be renewed in a BAT/BREF process on the basis of emission and consumption values to be</p>	<p>Through its involvement in lobbying organisations, L&amp;T can contribute to the definition of Best Available Techniques for waste treatment and to the setting of emission limits.</p>

<p><b>of the Directive, and the emission levels to be complied with environmental permitting procedures derived from those documents, are currently under preparation or renewal.</b></p>	<p>determined at the EU level. The renewal of the BREF document concerning waste incineration (including co-incineration) has begun.</p>	<p>L&amp;T's plant in Kerava has been selected as a reference plant and will thereby be part of an EU-wide data collection effort. The co-incineration of waste must be treated the same as the mass incineration of waste.</p>
<p><b>In accordance with the objective stated in the Finnish Government Programme, municipalities' exclusive rights in waste management will be restricted to household waste. The Finnish Ministry of the Environment has begun an assessment of the impacts of the change.</b></p>	<p>If implemented, the change will liberalise the waste management market for public properties, private educational institutes and hospitals.</p>	<p>L&amp;T supports the initiative, as it promotes opportunities for creating new recycling solutions, thereby promoting the recycling of materials in Finland.</p>
<p><b>Accelerating the entry into force of the Act on the Financing of Sustainable Forestry.</b></p>	<p>Accelerating the entry into force of the Act on the Financing of Sustainable Forestry.</p>	
<p><b>Production subsidies for electricity generated from renewable energy sources were restricted by moving heavy timber to a lower subsidy</b></p>	<p>Stemwood will be divided into two different subsidy categories, which will result in increased bureaucracy. The potential threat is a more difficult process of applying for subsidies, which could make electricity producers</p>	<p>L&amp;T opposed the proposal and proposed that the subsidies be restored to their previous levels.</p>

**category.**

automatically select the  
lower subsidy category.

# THE CORPORATE RESPONSIBILITY REPORT IS PART OF OUR ANNUAL REPORT

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

The report includes all Group companies and subsidiaries, and it covers all L&T's own operations in Finland, Sweden and Russia. If information concerning a single indicator was not available for all of our operating countries, or if a calculation has changed from previous years, or if a calculation includes indicators collected from service providers and suppliers, this is disclosed next to the indicator.

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

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

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

In the materiality analysis, we defined L&T's material responsibility aspects and material aspects from the perspective of key stakeholders, which are related to the most significant economic, social and environmental impacts of our operations, as well as issues that may be significant to the decisions and choices made by L&T's stakeholders. The participants in the identification and definition of the material aspects included management, experts and business unit representatives, and the process also took into account the results of our stakeholder survey.

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

## CORPORATE RESPONSIBILITY MATERIALITY ANALYSIS



- **Leadership and best practices:** Material Aspects from the perspective of L&T's business and strategy.
- **Responding to stakeholder expectations:** Material Aspects based on the stakeholder survey.
- **Compliance:** Other material Aspects related to L&T's business.

## MORE INFORMATION ON OUR CORPORATE RESPONSIBILITY REPORT

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L&T's material Aspects/ GRI Aspects	Key indicators
<b>Recycling and material recovery</b>	
Materials	Materials used (G4-EN1) Percentage of materials used that are recycled input materials (G4-EN2)
Effluents and Waste	Total weight of waste (G4-EN23) Significant spills (G4-EN24) Hazardous waste (G4-EN25)
<b>Reducing emissions and energy consumption</b>	
Energy	Energy consumption within the organisation (G4-EN3) Energy intensity (G4-EN5) Reduction of energy consumption (G4-EN6)
Emissions	Direct greenhouse gas emissions (G4-EN15) Energy indirect greenhouse gas emissions (G4-EN16) Other indirect greenhouse gas emissions (G4-EN17) Greenhouse gas emissions intensity (G4-EN18) Reduction of greenhouse gas emissions (G4-EN19)
Transport	Environmental impacts of transporting products, goods and materials, and transporting members of the workforce (G4-EN30)
<b>Business solutions that promote the customer's responsibility</b>	
Products and Services	Initiatives to mitigate environmental impacts of products and services (G4-EN27) Recycled products and packaging materials (G4-EN28)
<b>Work ability management and occupational safety</b>	
Employment	Total number and rates of new employee hires and employee turnover (G4-LA1) Benefits provided to full-time employees that are not provided to temporary or part-time employees (G4-LA2)
Training	Programmes for skills management and lifelong learning (G4-LA10) Regular performance and career development reviews (G4-LA11)
Occupational Health and Safety	Occupational accidents, occupational diseases and absenteeism (G4-LA6) Workers with high incidence or high risk of diseases related to their occupation (G4-LA7) Compliance with regulations concerning the health and safety impacts of products and services (G4-PR2)
<b>Customer satisfaction</b>	
Product and Service Labelling	Results of surveys measuring customer satisfaction (G4-PR5)
<b>Employee satisfaction</b>	
Employee satisfaction	Results of employee satisfaction survey (L&T)
<b>Code of Conduct</b>	
Economic output	Direct economic value generated and distributed (G4-EC1) Financial assistance received from government (G4-EC4)
Biodiversity	Habitats protected or restored (G4-EN13)
Environmental Grievance Mechanisms	Grievances about environmental impacts (G4-EN34)
Anti-corruption	Business units assessed for risks related to corruption (G4-SO3) Communication and training on anti-corruption policies and procedures (G4-SO4) Confirmed incidents of corruption and actions taken (G4-SO5)
Anti-competitive Behaviour	Legal actions related to anti-competitive behavior, anti-trust and monopoly practices (G4-SO7)
Public Policy	Total value of political contributions by country and recipient/beneficiary (G4-SO6)
Compliance	Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations (G4-EN29) Significant fines and non-monetary sanctions for non-compliance with laws and regulations (G4-SO8) Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle (G4-PR2) Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data (G4-PR8) Fines for non-compliance with laws and regulations concerning the provision and use of products and services (G4-PR9)
Ethics and Integrity	Values and codes of conduct (G4-56) Mechanisms for seeking advice on ethical and lawful behavior (G4-57) Mechanisms for reporting concerns about unethical or unlawful behaviour (G4-58)
Local Communities	Operations with actual and potential negative impacts on local communities (G4-SO2)
<b>Dialogue with stakeholders</b>	
Stakeholder Engagement	List of stakeholder groups engaged by the organisation (G4-24) The basis for identification and selection of stakeholders with whom to engage (G4-25) Approaches to stakeholder engagement (G4-26) Key topics and concerns raised through stakeholder engagement (G4-27)
<b>Responsibility of the supply chain</b>	
Procurement Practices	Proportion of spending on local suppliers at significant locations of operation (G4-EC9) The organisation's supply chain (G4-12)
Supplier Environmental Assessment	Percentage of new suppliers that were screened using environmental criteria (G4-EN32)
Supplier Assessment for Labour Practices	Percentage of new suppliers that were screened using labour practices criteria (G4-LA14)
<b>Diversity and equality</b>	
Diversity and Equal Opportunity	Composition of governance bodies and breakdown of employees per employee category according to gender and age group (G4-LA12)
Non-discrimination	Total number of incidents of discrimination and corrective actions taken (G4-HR3)

GRI Content	Location	Remarks	Assurance
<b>General Standard Disclosures</b>			
<b>Strategy and Analysis</b>			
G4-1	Statement from the most senior decision-maker of the organisation	<a href="#">Year 2015</a>	
G4-2	Description of key impacts, risks and opportunities	<a href="#">Business drivers and the operating environment</a>	
<b>Organizational Profile</b>			
G4-3	Name of the organisation	<a href="#">Financial statements, General information</a>	
G4-4	Primary brands, products and services	<a href="#">Services</a>	
G4-5	Location of the organisation's headquarters	<a href="#">Financial statements, General information</a>	
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the material sustainability aspects covered in the report	<a href="#">Financial statements, General information</a>	
G4-7	Nature of ownership and legal form	<a href="#">Financial statements, General information</a>	
G4-8	Markets served	<a href="#">Financial statements, General information</a>	
G4-9	Scale of reporting organisation	<a href="#">Key figures</a>	
G4-10	Number of employees	<a href="#">Personnel in figures</a>	
G4-11	Percentage of employees covered by collective bargaining agreements		In Finland and Sweden, all employees are covered by collective bargaining agreements Information for Russia is not available.
G4-12	The organisation's supply chain	<a href="#">Responsibility of the supply chain</a>	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain	<a href="#">Report by the Board of Directors, Changes in Group structure</a>	
G4-14	Precautionary approach		The precautionary approach is part of our environmental policy. We follow this approach in the prevention of environmental risks.
G4-15	Externally developed principles or initiatives to which the organisation subscribes or which it endorses	<a href="#">Social responsibility</a>	
G4-16	Memberships of associations and advocacy organisations	<a href="#">Lobbying and cooperation networks</a>	
<b>Identified Material Aspects and Boundaries</b>			
G4-17	List of all entities included in the organisation's consolidated financial statements	<a href="#">Financial statements, Group companies</a>	
		<a href="#">Reporting on corporate responsibility</a>	
G4-18	Process for defining report content	<a href="#">Reporting on corporate responsibility</a>	
G4-19	Material Aspects	<a href="#">Reporting on corporate responsibility</a>	
G4-20	The Aspect Boundary for each material Aspect within the organisation	<a href="#">Reporting on corporate responsibility</a>	
G4-21	The Aspect Boundary for each material Aspect outside the organization	<a href="#">Reporting on corporate responsibility</a>	
G4-22	Effect of any restatements of information provided in previous reports	<a href="#">Reporting on corporate responsibility</a>	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	<a href="#">Reporting on corporate responsibility</a>	
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organisation	<a href="#">Stakeholder relations</a>	
G4-25	The basis for identification and selection of stakeholders with whom to engage	<a href="#">Stakeholder relations</a>	
G4-26	Approaches to stakeholder engagement	<a href="#">Stakeholder relations</a>	
G4-27	Key topics and concerns raised through stakeholder engagement	<a href="#">Stakeholder relations</a>	
<b>Report Profile</b>			
G4-28	Reporting period	<a href="#">Reporting on corporate responsibility</a>	
G4-29	Date of most recent previous report		26 February 2014
G4-30	Reporting cycle		
G4-31	Contact point for questions regarding the report or its contents	<a href="#">Reporting on corporate responsibility</a>	

G4-32	GRI Content Index	GRI Index		
G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report	<a href="#">Reporting on corporate responsibility</a>		
<b>Governance</b>				
<b>Governance Structure and Composition</b>				
G4-34	Governance structure and committees	<a href="#">Corporate Governance Statement</a>		
G4-35	The process for delegating authority	<a href="#">Managing and reporting on corporate responsibility</a>		
G4-36	Responsible persons	<a href="#">Managing and reporting on corporate responsibility</a>		
<b>Remuneration and Incentives</b>				
G4-51	Remuneration policies for the highest governance body and senior executives	<a href="#">Remuneration statement</a>		
<b>Ethics and Integrity</b>				
G4-56	The organisation's values, principles, standards and norms of behaviour	<a href="#">Code of Conduct</a>		
G4-57	Mechanisms for seeking advice on ethical and lawful behavior	<a href="#">Code of Conduct</a>		
G4-58	Mechanisms for reporting concerns about unethical or unlawful behavior	<a href="#">Code of Conduct</a>		
<b>Specific Standard Disclosures</b>				
<b>Disclosures on Management Approach</b>				
Generic Disclosures on Management Approach				
<a href="#">Managing and reporting on corporate responsibility</a>				
<a href="#">Code of Conduct</a>				
<a href="#">Environmental responsibility</a>				
<a href="#">Social responsibility</a>				
<a href="#">Responsible supply chain</a>				
<a href="#">Report by the Board of Directors, Corporate responsibility</a>				
<b>Economic Responsibility</b>				
<b>Economic performance</b>				
G4-EC1	Direct economic value generated and distributed	<a href="#">Financial added value to stakeholders and tax footprint</a>		
G4-EC4	Financial assistance received from government		In 2015, grants and assistance received from the government for product development and projects amounted to EUR 89,000.	
G4-EC9	Procurement Practices	<a href="#">Responsible supply chain</a>		
<b>Environmental Responsibility</b>				
<b>Materials</b>				
G4-EN1	Materials used by weight or volume	<a href="#">Recycling and material recovery</a>	We report our managed material flows divided into materials sorted at source, mixed waste and hazardous waste. We monitor the volume and weight of materials, but due to confidentiality, we do not disclose this information.	Yes
G4-EN2	Percentage of materials used that are recycled input materials	<a href="#">Recycling and material recovery</a>	The materials we use are primarily waste, which we direct to recycling and other reutilisation. We report the recycling and recovery rate of our managed material flows and our own plants.	Yes
<b>Energy</b>				
G4-EN3	Energy consumption within the organisation	<a href="#">Reducing emissions and energy consumption</a>	Information on district heating consumption is not available. We will start monitoring the district heating consumption in stages in 2016.	Yes
G4-EN5	Energy intensity	<a href="#">Reducing emissions and energy consumption</a>		Yes
G4-EN6	Reduction of energy consumption	<a href="#">Reducing emissions and energy consumption</a>		Yes
<b>Biodiversity</b>				
G4-EN13	Habitats protected or restored	<a href="#">Business solutions promoting customer's responsibility</a>		
<b>Emissions</b>				
G4-EN15	Direct greenhouse gas emissions (scope 1)	<a href="#">Reducing emissions and energy consumption</a>		Yes
G4-EN16	Energy indirect greenhouse gas emissions (scope 2)	<a href="#">Reducing emissions and energy consumption</a>		Yes
G4-EN17	Other indirect greenhouse gas emissions (scope 3)	<a href="#">Reducing emissions and energy consumption</a>		Yes

G4-EN18	Greenhouse gas emissions intensity	<a href="#">Reducing emissions and energy consumption</a>		Yes
G4-EN19	Reduction of greenhouse gas emissions	<a href="#">Reducing emissions and energy consumption</a>		Yes
<b>Effluents and Waste</b>				
G4-EN23	Total weight of waste by type and disposal method	<a href="#">Recycling and material recovery</a>		Yes
G4-EN24	Total number and volume of significant spills	<a href="#">Compliance with environmental regulations</a>		
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally	<a href="#">Recycling and material recovery</a>		
<b>Products and Services</b>				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	<a href="#">Business solutions promoting customer's responsibility</a> <a href="#">Reducing emissions and energy consumption</a>		
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	<a href="#">Recycling and material recovery</a>	Materials and fuels recovered from waste are included in indicator G4-EN1	
<b>Compliance</b>				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	<a href="#">Code of Conduct</a>		
<b>Transport</b>				
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	<a href="#">Reducing emissions and energy consumption</a>		
<b>Supplier Environmental Assessment</b>				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	<a href="#">Responsible supply chain</a>		
<b>Environmental Grievance Mechanisms</b>				
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	<a href="#">Compliance with environmental regulations</a>		
<b>Social Responsibility</b>				
<b>Labour practices and decent work</b>				
<b>Employment</b>				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	<a href="#">Personnel in figures</a>		
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation		In 2015, in addition to statutory occupational health care, we provided all employees with health care on the general practitioner level at the occupational health care centre, regardless of the nature of the employment relationship. Membership of the L&T sickness fund is only available to those who work at L&T full-time and whose employment relationship has lasted more than four months. The personnel benefit programme is available to permanent employees and employees who have worked on a fixed-term contract for more than one year, and who work at least 20 hours per week.	
<b>Occupational Health and Safety</b>				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	<a href="#">Occupational safety</a>		
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	<a href="#">Work ability management</a> <a href="#">Social responsibility</a>	Tasks in which employees are exposed are covered by occupational safety guidelines, work placement inspections and regular inspections.	
<b>Training</b>				
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<a href="#">Competence development</a> <a href="#">Work ability management</a>		

G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<a href="#">Personnel in figures</a>		
<b>Diversity and Equal Opportunity</b>				
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	<a href="#">Personnel in figures</a> <a href="#">Corporate Governance Statement, members of the Board of Directors and members of the Group Executive Board</a>		
<b>Supplier Assessment for Labour Practices</b>				
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	<a href="#">Responsible supply chain</a>		
<b>Human Rights</b>				
<b>Non-discrimination</b>				
G4-HR3	Total number of incidents of discrimination and corrective actions taken		No incidents.	
<b>Society</b>				
<b>Local Communities</b>				
G4-SO2	Operations with significant actual and potential negative impacts on local communities	<a href="#">Local communities and cooperation partners</a> <a href="#">Compliance with environmental regulations</a>		
<b>Anti-corruption</b>				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified		Accepting bribes in conjunction with selling fixed assets has been identified as a corruption-related risk. Corruption is one of the areas investigated in unit inspections carried out by the internal audit. In 2015, 29 business units were inspected in Finland and one business unit was inspected in Russia.	
G4-SO4	Communication and training on anti-corruption policies and procedures	<a href="#">Code of Conduct</a>		
G4-SO5	Confirmed incidents of corruption and actions taken		No incidents.	
<b>Public Policy</b>				
G4-SO6	Total value of political contributions by country and recipient/beneficiary		We did not make any political contributions.	
<b>Anti-competitive Behaviour</b>				
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes		No incidents.	
<b>Compliance</b>				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No incidents.	
<b>Product Responsibility</b>				
<b>Customer Health and Safety</b>				
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life		No incidents.	
<b>Product and Service Labelling</b>				
G4-PR5	Results of surveys measuring customer satisfaction	<a href="#">Stakeholder relations</a>		
<b>Customer Privacy</b>				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No incidents.	
<b>Compliance</b>				
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No incidents.	



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## INDEPENDENT ASSURANCE REPORT

This document is an English translation of the Finnish report

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

We have been engaged by the Management of Lassila & Tikanoja Plc (hereafter Lassila & Tikanoja) to provide limited assurance on environmental numerical data presented for the reporting period 1.1.–31.12.2015, in Lassila & Tikanoja's Annual Report 2015 (hereafter Environmental Numerical Data). The sections subject to the engagement are listed in the Global Reporting Initiative (GRI) Index.

The Management of Lassila & Tikanoja is responsible for the preparation and presentation of the Environmental Numerical Data in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4*.

Our responsibility is to carry out a limited assurance engagement and to express an independent conclusion on the information subject to the assurance based on the work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information). We are independent from the corporation according to the ethical requirements in Finland and we have complied with other ethical requirements, which apply to the engagement conducted. We apply the International Standard on Quality Control 1 (ISQC 1) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We do not accept or assume responsibility to anyone other than Lassila & Tikanoja for our work, for this assurance report, or for the conclusions we have reached.

The evaluation criteria used for our assurance are the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4*.

#### *Limitations of the engagement*

Data and information related to corporate responsibility are subject to inherent limitations applying to data accuracy and completeness, which are to be taken into account when reading our assurance report. The presented Environmental Numerical Data is to be considered in connection with the explanatory information on data collection, consolidation and assessments provided by Lassila & Tikanoja. Our assurance report is not intended for use in evaluating Lassila & Tikanoja's performance in executing the corporate responsibility principles Lassila & Tikanoja has defined. To assess the financial state and performance of Lassila & Tikanoja, Lassila & Tikanoja's audited Financial Statement for the year ended 31 December 2015 is to be consulted.

### *The work performed in the engagement*

Our assurance procedures are designed to obtain limited assurance on whether the Environmental Numerical Data is presented in accordance with the *Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4* in all material respects. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Environmental Numerical Data, and applying analytical and other evidence gathering procedures, as appropriate. The evidence gathering procedures mentioned above are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

In our engagement we have performed the following procedures:

- Interview with one member of the Lassila & Tikanoja management to reassert our understanding of the connection between Lassila & Tikanoja's corporate responsibility procedures and Lassila & Tikanoja's business strategy and operations as well as corporate responsibility objectives;
- An assessment of the Environmental Numerical Data's conformity with the principles of the G4 guidelines for defining content and reporting quality;
- A review of the performance data and assertions presented in the Environmental Numerical Data, and testing of data accuracy and completeness through samples from Lassila & Tikanoja's information systems;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Environmental Numerical Data;
- Comparison of the presented Environmental Numerical Data to underlying rules of procedure, management and reporting systems as well as documentation;

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

Helsinki, 18 February 2016

KPMG OY AB

(signed)

Lasse Holopainen  
*APA*

(signed)

Nathalie Clément  
*Senior Manager, Advisory*

# **CORPORATE RESPONSIBILITY WEBPAGES**

The following pages are generated from Lassila & Tikanoja's webpages.

# RESPONSIBILITY IS OUR JOB EVERY DAY

A responsible operational method is an inseparable part of our business operations and our day-to-day work. Our services play a key role in ensuring our customers' responsibility, which is why we must be uncompromising in ensuring the compliance and responsibility of our own operations.

## L&T CORPORATE RESPONSIBILITY PROGRAMME 2015–2018

Material Aspects	Objectives
 Responsible business, products and services	<b>Code of Conduct</b> <ul style="list-style-type: none"><li>Establishing the Code of Conduct as an integral part of business operations</li><li>Transparent tax footprint reporting</li><li>No major damage or infractions</li></ul> <b>Business solutions that promote customers' responsibility</b> <ul style="list-style-type: none"><li>Development of expert services</li><li>Customer-specific material and energy efficiency improvement projects</li></ul>
 Environmental responsibility	<b>Recycling and material recovery</b> <ul style="list-style-type: none"><li>Material recovery rate of L&amp;T's plants 98%</li><li>Recovery rate of material managed by L&amp;T 95%</li><li>Increasing the recycling rate of material managed by L&amp;T to 65%</li></ul> <b>Reducing emissions and energy consumption</b> <ul style="list-style-type: none"><li>Reducing our CO<sub>2</sub> emissions by 10% compared to the level and volume of 2012</li></ul>
 Responsibility of personnel	<b>Work ability management and occupational safety, L&amp;T Finland</b> <ul style="list-style-type: none"><li>Sickness-related absence rate under 5%</li><li>Average retirement age: 63 years (2025: 65 years)</li><li>Accident frequency under 10 in 2018</li></ul> <b>Employee satisfaction</b> <ul style="list-style-type: none"><li>Meininki employee satisfaction survey conducted regularly</li><li>At least 80% of personnel are prepared to recommend L&amp;T as an employer.</li></ul> <b>Diversity and equality</b> <ul style="list-style-type: none"><li>Supporting the continued work of persons with reduced work ability</li></ul>
 Responsible supply chain	<b>Responsibility of the supply chain</b> <ul style="list-style-type: none"><li>Developing the supplier assessment process and the scope of measures</li><li>Reducing the environmental impacts of production equipment and materials:<ul style="list-style-type: none"><li>developing the Euro engine classification of heavy vehicles</li><li>share of Ecolabelled cleaning agents &gt; 70%</li></ul></li></ul>
 Active stakeholder relations	<b>Stakeholder dialogue</b> <ul style="list-style-type: none"><li>Regular stakeholder support measurements for specified stakeholders</li><li>Transparent reporting of measures and projects</li></ul> <b>Customer satisfaction</b> <ul style="list-style-type: none"><li>Regular Net Promoter Score (NPS) measurements</li><li>Transparent reporting of measures and projects</li></ul>

In our corporate responsibility programme, we have taken the essential viewpoints of corporate responsibility and set extensive responsibility objectives to follow. The corporate responsibility steering group steers the achievement of the objectives. We report on the progress of the programme in our corporate responsibility report, which is annually published as part of our annual report.

# CORPORATE RESPONSIBILITY IS AN INTEGRAL PART OF BUSINESS AT L&T

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



\* From 24 February 2015

## CORPORATE RESPONSIBILITY STEERING GROUP STEERS AND MONITORS THE ACHIEVEMENT OF GOALS

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

dedicated corporate responsibility steering group, which is chaired by the President and CEO.

The corporate responsibility programme specifies key responsibility themes and related objectives in accordance with a materiality analysis based on stakeholder interaction and a stakeholder survey.

## **RESPONSIBILITY IS EVERYONE'S CONCERN**

Of the policies that guide L&T's operations, the Board of Directors approves the risk management policy, insurance policy, disclosure policy and financial policy. The Board also approves the Code of Conduct. The Group Executive Board approves the environmental policy, personnel policy, communications policy, procurement principles and occupational safety management principles. The policies are presented on [the Code of Conduct page](#).

The communications organisation is in charge of practical coordination and reporting of the responsibility work. The corporate and occupational safety organisation is in charge of corporate and occupational safety management. Each business division is responsible for responsibility issues and regulatory compliance in their operations. Each L&T employee has an obligation to perform their duties in compliance with the principles regarding responsibility.

## **EVERYTHING WE DO IN A SINGLE REPORT**

L&T has annually reported corporate responsibility-related issues as a part of its annual report with the use of the reporting instructions of Global Reporting Initiative (GRI) as of 2010. As of 2013, the report is only published online.

The contents of the corporate responsibility report are based on the annually reviewed materiality analysis, emphasising viewpoints related to the environment, staff, and sociological questions. Key environmental responsibility indicators are certified by an independent third party.

# CODE OF CONDUCT

Responsible and ethical operating methods are the prerequisites for our operations. Our responsible business principles and ethical guidelines are described in L&T's Code of Conduct. The general Code of Conduct is also supplemented where necessary by more detailed policies and principles.

The Code of Conduct applies to every L&T employee, and we also require our business partners to operate responsibly.

## WHAT IS L&T'S CODE OF CONDUCT?

At L&T, we comply with all applicable legislation and regulations, and operate with integrity and transparency. We respect each other and our workplace, and we make no compromises on our environmental responsibilities. In addition, we aim to have open interaction with our key stakeholders.

## ACTIONS CONTRARY TO INSTRUCTIONS MUST BE REPORTED

All L&T employees must follow the L&T Code of Conduct as well as prevent actions that are contrary to guidelines and instructions.

Actions that are in breach of instructions are primarily reported to the immediate supervisor, but we have also implemented a separate feedback channel for employees to report incidents confidentially by telephone or e-mail.

## PUTTING GUIDELINES INTO PRACTICE

L&T's employees have been familiarised with the Code of Conduct and other key instructions using practical examples and training. Supervisors are responsible for introducing the content of the instructions and their practical application to current and new employees. All employees must also make sure that they understand the content of the Code of Conduct. The management monitors compliance with the Code of Conduct and other instructions.

# OUR WORK MATTERS

L&T offers varied work duties, supports the career opportunities of our personnel and looks after their well-being. We are an employer of the future: as a service business, the number of our employees will continue to grow.

Our employees come from different age groups, as our work duties are equally suitable for students or pensioners looking for part-time work as to persons with families looking for permanent employment. Our employees represent nearly 80 different nationalities.

## EQUALITY AND FAIR TREATMENT

We ensure safe and healthy working conditions for our personnel and do not tolerate discrimination. In each of our operating countries, we comply with national legislation, collective labour agreements, occupational safety and health regulations and other obligations. We respect the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We also require our suppliers to adhere to the same principles.

Our work community is based on equality and our human resource management is impartial and fair. Our employees have freedom of association, and we respect trade union activities and personnel representatives.

We have signed the FIBS Diversity Charter. We constantly develop our leadership and service practices to guarantee our personnel, customers and cooperation partners equal treatment.

## DIVERSITY IS AN ASSET

Diversity and the promotion of diversity benefits both the work community and the employer. The staff of L&T includes individuals from different cultural backgrounds, individuals with different ages, skills, and education. In 2015, the share of immigrants in our staff was 17%. Some of the work can be performed with limited language skills.

Persons with reduced working ability are also a part of the diversity of working life. For example, if an employee is no longer able to carry out physically demanding work, we can make a tailored working solution together in order to enable the person with reduced working ability to work.

## ONE UNIFIED L&T

On many occasions in the past years, the company has been expanded through business acquisitions, which has resulted in numerous operating methods being used. Going forward, we want to be a more unified L&T.

Our operating principles—service attitude, responsibility and team play—have a key role in

the harmonisation of our company culture. These are the operating principles we expect all of our employees to follow in their work.

We are creating a more consistent company culture through measures such as harmonising our remuneration models and job descriptions, as well as developing our managerial and supervisory work.

## **PERSONNEL SURVEY TAKES THE PULSE OF THE ORGANISATION**

Once a year, we measure the effectiveness of our work community by implementing our Meininki personnel survey. In the survey, L&T employees evaluate factors related to the prerequisites of work, motivation, the operations of the unit, and management.

The feedback received from Meininki are utilised when drafting unit and company-level development plans. The implementation of the agreed measures are monitored with the SYKE email survey sent four times a year.

## **WORK ABILITY MANAGEMENT FOCUSES ON PROACTIVE MEASURES**

Close cooperation with the insurance company and occupational health services is integral to work ability management. Our supervisors have been trained to use an early care model, which means they are able to prevent work ability-related problems and identify them as early as possible.

We offer our employees occupational health services that exceed the statutory requirements. For many years now, we have been able to raise the average age of retirement in our company and reduce the number of sickness absences.

We use active and innovative relocation as well as timely and customised rehabilitation to find suitable tasks for employees whose ability to work has been reduced due to sickness or an accident. This process has allowed us to keep nearly 90 persons from retiring on a disability pension.

We are constantly looking for new solutions to keep persons with reduced work ability in our employment. Persons with reduced working ability can be offered work trial opportunities, alternative duties, relocation, shorter working hours and vocational rehabilitation.

## **OCCUPATIONAL SAFETY IS THE OUTCOME OF GOOD MANAGEMENT**

A consistent and safe corporate culture is one of the key priorities in our strategy. We are committed to the idea of zero accidents, and we believe that all accidents can be prevented.

Safety is on the agenda of all meetings, from the Executive Board down. Occupational safety is also linked to personal bonuses. The Board of Directors receives monthly reports on accident frequency.

By carrying out effective assessments of risks and work duties we can improve our own safety as well as the safety of our customers and other stakeholders, while eliminating risk factors. All deviations are reported by means of safety observation notices. Supervisors use Safety Walks as tools for monitoring the safety of the working environment.

If accidents occur, accident panels review the causes of the accident and plan rectifying measures together with the employee who suffered the accident.

Our customers also increasingly invest in occupational safety and require the same from their affiliates. For us, occupational safety is a competitive advantage in the current, challenging situation.

## **COMPETENCE DEVELOPMENT AT VARIOUS ORGANISATIONAL LEVELS**

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

Competence development is built around daily activities. The measures employed include thorough induction training and mentoring provided either in-house or between partner companies for new employees or those changing jobs.

## **THE RIGHT TO A COMPETENT SUPERVISOR**

Competent supervisory work is vital for mobilising and implementing strategy and achieving objectives. In addition to normal induction training, we organise various trainings for new supervisors in Finland to support them at different career stages.

# **OUR MISSION IS TO MAKE OUR ENVIRONMENT A BETTER PLACE TO LIVE AND FUNCTION**

Our goal is to transform our current consumer society into an efficient recycling society. Our services take us and our customers towards a circular economy with the goal of creating zero waste.

We are an environmental company, which means that the reduction of CO<sub>2</sub> emissions—both our own and those of our customers—and the improvement of material and energy efficiency are an integral component of our strategy and business operations. Success in this line of work requires us to have solid environmental competence that matches the needs of our customers. It is also necessary that we minimise our own environmental impacts.

We never compromise environmental legislation and standards, and always manage our environmental work with the principle of constant improvement. We monitor our environmental impacts systematically, and also require our cooperation partners to operate at a high level of environmental responsibility.

## **RECYCLING REDUCES OUR CUSTOMERS' CO<sub>2</sub> EMISSIONS**

Our customers' CO<sub>2</sub> emissions are reduced when the waste generated in their operations is sorted at the point of origin, recycled and utilised. At our recycling facilities, we process waste into secondary raw materials to replace virgin raw materials and conserve energy. In addition, we produce solid recovered fuel (SRF) from waste and by-products to replace fossil fuels in uses such as industrial energy generation.

In accordance with the circular economy mindset and the order of priority, we primarily recycle and utilise waste as materials, and only after that do we direct waste not usable as materials to energy production. Our preferred manner of utilising waste in energy production is manufacturing solid recovered fuel and supplying it to power plants and cement kilns to be used as primary or secondary fuel.

In combined heat and power production (CHP), the energy content of solid recovered fuel is converted into power and heat at a high rate of utilisation. Solid recovered fuel is incinerated in a cement kiln to produce energy at a high rate of efficiency, and the non-combustible matter contained in the fuel is used as raw material in manufacturing clinker.

## **ENERGY EFFICIENCY AND MATERIAL EFFICIENCY THROUGH PROPERTY MAINTENANCE AND CLEANING**

## **ENERGY EFFICIENCY AND MATERIAL EFFICIENCY THROUGH PROPERTY MAINTENANCE AND CLEANING**

We continuously train our personnel in order to improve our customers' material and energy efficiency. Our maintenance personnel complete Eco-maintenance training focused on surveying, implementing and reporting measures to improve energy efficiency. Our maintenance personnel produce information on the energy efficiency of the properties for our customers by observing the targets and utilising our energy efficiency management centre.

We also offer our customers Nordic Ecolabel-certified cleaning services, supporting our customers in reaching their environmental objectives and providing a practical method of reducing the environmental impacts of offices and workplaces. Nordic Ecolabel-certified cleaning is always carried out with ecolabelled equipments and detergents, and the dosage of detergents and the consumption of waste bags is carefully monitored. Nordic Ecolabel-certified cleaning also includes the support of recycling by means of sorting receptacles, instructions, and monitoring

## **CONTINUOUS OPTIMISATION TO MINIMISE EMISSIONS ARISING FROM TRANSPORTATION**

The most significant direct environmental impacts of our operations are the emissions generated by collection and transport services. However, the CO<sub>2</sub> emissions caused by our transports are only a small part of the overall benefit produced by recycling and delivering biofuels and recycled fuels to our customers.

To reduce our fuel consumption, we are enhancing our transports and our use of equipment by constantly optimising our transport routes and equipment and by monitoring our waste amounts. More and more of our new waste collection vehicles have several compartments, enabling the collection of several types of waste in one drive.

We are also monitoring and developing the driving style of our drivers of heavy-duty vehicles to reduce environmental load. The personal driving style monitoring device enables us to analyse and constantly improve driving styles.

## **TOWARDS A LOWER-EMISSION FLEET**

The particle emissions of heavy-duty vehicles and nitrous oxide emissions will decline as we replace old vehicles with new ones and move to engine categories producing less emissions. The vehicles we now acquire in Finland are equipped with EURO 6 class engines.

## **ENVIRONMENTAL PERMITS AND EFFICIENT RISK MANAGEMENT GUIDE OUR OPERATIONS**

Professional waste treatment is subject to environmental permits and regulatory compliance in operations. L&T has over 60 environmental permits that determine how we manage and monitor environmental matters.

The environmental risks involved in our operations concern the fleet, waste storage and processing, and chemical safety. An ISO 14001 certified environmental system and efficient self-monitoring form the foundations of our risk management. We survey our environmental risks regularly in connection with audits and inspections, and any defects and risk factors observed are entered into a system that is used to monitor their processing.

# **WE REQUIRE RESPONSIBILITY FROM OUR ENTIRE SUPPLY CHAIN**

L&T is a major national and local buyer of goods, materials and services. We strive for a safe, sustainable and cost-efficient supply chain that takes account of the entire life cycle of products and services. This is also what we want to offer to our customers.

A significant proportion of our purchases are from companies operating in Finland (2015: 95%) and the remainder is from other EU countries.

In order to improve the responsibility of our supply chain, we systematically develop our own operations and continuously engage in close cooperation with our suppliers. The goals for supply chain responsibility outlined in our corporate responsibility programme include developing the supplier assessment process as well as reducing the environmental impacts of production equipment and materials. Our steering group of corporate responsibility monitors the achievement of these goals and we report on it yearly in our annual report.

## **IN THE SUPPLY CHAIN, RESPONSIBILITY AND COST EFFICIENCY GO HAND IN HAND**

We require our entire supply chain to comply with legislation, contracts and collective agreements, as well as to satisfy our responsibility requirements with regard to environmental responsibility, our service providers' supply chain responsibility, quality and occupational safety. Our centralised procurement organisation based on product and service categories ensures consistent procurement practices throughout the Group.

In selecting suppliers, we emphasise the reliability of operations, ethical and environmental principles, product/service quality and cost efficiency, all of which must meet our strict standards. Cooperation with a new contract supplier can only begin after the supplier has completed a self-assessment survey, based on which we decide on starting cooperation and any further actions deemed necessary.

To prevent the grey economy, we require that suppliers who are covered by our obligations pursuant to the Act on the Contractor's Obligations and Liability when Work is Contracted Out join the [tilaajavastuu.fi](#) service.

## **AUDITS PREVENT RISKS**

The most significant risks pertaining to our service providers are related to financial aspects as well as employment relationship and occupational safety matters. In the case of partners that receive waste, the risks are related to compliance and the environmental safety of the suppliers'

own operations.

We prevent risks by conducting regular supplier audits. The purpose of the audits is to determine whether the supplier meets our responsibility requirements. The selection of suppliers to be audited is based on pre-defined supplier groups, supplier self-assessments, or other observations related to our cooperation with them.

# FINLAND NEEDS ENERGY, RAW MATERIALS AND JOBS. THESE CAN BE CREATED BY RECYCLING.

The industrial revolution that took place over the past 150 years created the foundation for the welfare society. However, increased production and consumption have not only created a lot of positives, but also problems that absolutely must be solved; mankind is using too much of nature's resources much too quickly.

The current consumer society has reached the end of its road. In the coming decades, we must first develop into a recycling society and ultimately become a circular economy that minimises the squandering of materials and energy and the creation of waste.

A circular economy and a bioeconomy aiming at efficient utilisation of forest energy offer L&T a direction in which to grow, develop our operations, and create solutions for the improvement of the energy, material, and cost efficiency of our customers.

## THE DRIVERS OF OUR BUSINESS

### **Key raw materials are becoming more expensive**

The sufficiency of raw materials has become one of the greatest concerns in Europe. As reserves dwindle and demand grows, the prices of key raw materials will rise. This forces us to see waste as a material that cannot — or, in light of financial considerations, should not — simply be disposed of.

### **The climate is getting warmer**

The global growth in industrial production leads to higher fossil fuel consumption and green house gas emissions. The warming of the climate forces us to make more efficient use of energy and replace fossil fuels with renewable energy sources.

### **Competitiveness of Europe and Finland is decreasing**

The continued increase in material, energy and labour costs erodes the competitive strength of Finland and Europe in general. We must make more efficient use of raw materials and labour, and find new avenues for growth to sustain our welfare society.

Changes in our operational environment are affecting our business operations

**Recycling and energy objectives are becoming more ambitious**, which creates growth opportunities for the recycling business and for service solutions that promote resource and energy efficiency. At the same time, buildings are becoming more technical and complex and the maintenance backlog is growing, leading to the increased significance of proactive maintenance services in managing the total cost of properties.

**The significance of corporate responsibility is emphasised** when companies face greater demands related to transparency and reporting. Businesses seek a competitive edge from responsible business operations, and the demand for business solutions promoting responsibility will increase. We must be uncompromising in ensuring responsibility in our own operations.

**Outsourcing is increasing** as companies increasingly focus on their core business and seek cost-efficiency. This creates business opportunities for various support services. Municipalities are also increasingly outsourcing their facility services as productivity requirements grow. We must continuously ensure the cost efficiency of our operations in order to secure our competitiveness.

**The world is becoming digitised**, which permanently changes the business operations of companies and consumer behaviour. We are actively seeking digital solutions to serve our customers quicker and better and to reach our environmental objectives.

# OUR SERVICES



Waste management  
and recycling services



Cleaning and support  
services



Property maintenance  
and technical system  
services



Sewer maintenance  
services



Damage repair  
services



Process cleaning



Environmental  
construction



Bajamaja and event  
services



L&T Biowatti



Products

# L&T BIOWATTI

L&T Biowatti Oy is a nationwide service company that is part of the Lassila & Tikanoja Group. We serve the energy and forest sectors by offering comprehensive solutions and customer-specific services to energy producers, wood producers, forest owners and heaters of small-scale real estate. Our services range from the management of commercial forests to land clearing and landscape management of the built environment.

Forest services produce wood raw materials that are used to make high-quality wood fuels for heat and power plants. We also supply raw materials to the process and sawmill industries.

## FOREST SERVICES AND PRODUCTS

We provide forest services to forest owners and other parties in the forest industry, from small entrepreneurs to large corporations. Forest services seek to ensure forest productivity.

### **Our services include:**

- Management of thinning stands
- Delivery sales
- Forest regeneration
- Landscape management and land clearing

### **Our products include:**

- Fuel and raw materials
- Ground cover materials, absorbent materials and support materials

# PRODUCTS

## WE KEEP YOUR ENVIRONMENT CLEAN

Looking for a high quality waste collection solutions with well thought functionality? Look no further – together with L&T you will find the optimal waste container solution for working or living environments and premises.

L&T's product family is designed to meet high functional standards and a long service life in demanding environments both indoor and outdoor.