



LASSILA & TIKANOJA PLC



GLOBAL COMPACT COMMUNICATION ON PROGRESS 2018

CEO STATEMENT OF CONTINUED SUPPORT

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

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

As a practical doer in the circular economy, we create value in our daily work by helping our customers make efficient and sustainable use of their resources. As Lassila & Tikanoja's operations are also guided by the growing expectations of our

other key stakeholders, we must be increasingly transparent in measuring and communicating the impact of our operations and the value we create for different stakeholders, in addition to reporting the customary figures that describe our financial performance.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

I am pleased to confirm that Lassila & Tikanoja reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

Yours sincerely

Eero Hautaniemi
President and CEO
Lassila & Tikanoja plc

L&T CORPORATE RESPONSIBILITY – KEY ELEMENTS



The circular economy and climate change mitigation

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

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

We promote the transition towards a circular economy.



A healthy, diverse and productive workplace community

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

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

We create economic growth and well-being.



Sustainable industry and cities

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

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



Legal and regulatory compliance

We ensure compliance and ethics in own operations.

We ensure responsibility of the supply chain.

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

As a major employer and service enterprise, the focus of L&T's social responsibility is on the Group's employees. The material aspects of L&T's responsibility for its employees include maintaining the work ability of L&T personnel, improving occupational safety, increasing job satisfaction and promoting diversity in employment. The company does not tolerate any violation with human rights in its own operations or as part of its supply chain. L&T observes the UN Declaration of Human Rights and workers' rights as defined by the International Labour Organisation (ILO). L&T is committed to supporting the UN Global Compact initiative and its principles pertaining to human rights and labour.

National legislation, agreements and other obligations are applied in employment relationships. L&T respects the employees' freedom to unionise. L&T monitors its personnel's compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. The Group is also compliant with the applicable legislation governing contractors' obligations and liability, and requires the same of its suppliers.

Risks related to human rights have been assessed as part of the risk management process. However, as L&T mainly operates in Finland and Sweden with local partners, no significant risks related to human rights have been identified in the Group's operations.

The goal of our occupational safety operations is to guarantee a safe workplace for all employees. We are committed to the idea of zero accidents, and we believe that all accidents can be prevented. We adhere to the occupational health and safety legislation governing all our activities and observe safety instructions in all our daily operations. We will handle all actions and behaviour in violation of the applicable legislation and given instructions immediately and in accordance with mutually agreed upon rules. We survey the hazards and risks of our services and diverse tasks in advance, so that we can eliminate or minimise the risks. Our occupational safety practices are further detailed in our [occupational safety management principles](#). We require the same of all our subcontractors.

Our responsible business principles and ethical guidelines are described in L&T's Code Of Conduct. Where necessary, the general Code Of Conduct is also supplemented with 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. All new L&T employees will receive a set of instructions demonstrated with practical examples. Employees will also be reminded of these instructions regularly.

Training on human rights policies and procedures takes place through Lassila & Tikanoja's Code of Conduct training. Supervisors are responsible for introducing employees to the instructions and their practical application. All employees must make sure that they understand the content of the Code of Conduct. The management monitors compliance with the Code of Conduct and other instructions.

All L&T employees must follow the L&T Code of Conduct as well as prevent actions that are contrary to guidelines and instructions. New L&T employees study the Code of Conduct as part of their induction training programme, and we also provide regular refreshers of the Code of Conduct by means of online courses, among other things.

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

During 2018 all new L&T employees studied the Code of Conduct as part of their induction training programme. Particular focus was on the Technical Services division's personnel in Sweden, who joined L&T following an acquisition in September 2017. In the early part of 2018, 95% of the Swedish personnel of Technical Services completed an online course that covered the key topics of the Code of Conduct.

In autumn 2018, the Code of Conduct and the online course that supports its practical application were updated to correspond to the EU GDPR requirements concerning the processing of personal data. In addition, certain other sections, such as the anti-discrimination guidelines, were specified further in the spirit of the UN Global Compact. 93.3% of salaried employees in Finland completed the updated online course by the end of the year. In 2019, employees in Sweden and Finland will familiarise themselves with the revised Code of Conduct as applicable.

Our internal auditor received 13 reports of infringements against the Code of Conduct during the year. The reports were received directly from our personnel, through supervisors or via our electronic whistleblowing channel. All of the reports required further investigation and most of them led to corrective measures ranging from reprimands to warnings. In some cases, the reports led to changes to the company's existing processes.

There were no grievances related to human rights or reported incidents of discrimination at L&T in 2018.

LABOUR PRINCIPLES

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation

We honour the UN Declaration of Human Rights and workers' rights as defined by the International Labour Organisation (ILO). We honour national legislation and agreements and respect our employees' freedom to unionise. In Finland and Sweden, all employees are covered by collective bargaining agreements.

We do not tolerate any discrimination, harassment, bullying, racism or other inappropriate behaviour. We do not discriminate based on gender, gender identity or gender expression, based on age, ethnicity, nationality, language, religion, ideology, opinions, political activities, union activities, family relations, health, disability or any other reason pertaining to an individual.

We promote equality and diversity. Equality, non-discrimination and fairness are core principles in all our HR matters, including recruitment, wages and career progression. We actively support diversity in our work community, which includes individuals from different cultural backgrounds, individuals with different ages, skills, education and varying levels of work ability.

We do not tolerate the use of child labour, any form of forced labour or any other practices in violation with basic human rights in our own operations or as part of our supply chain.

Our goal of promoting a diverse work community is closely linked to the pursuit of a non-discriminatory workplace culture. In 2018 L&T participated in Work Does Not Discriminate, a campaign launched by the Confederation of Finnish Industries with the aim of establishing a genuinely equal and open workplace culture in Finland. We work constantly to promote the employment of risk groups, such as people at risk of social exclusion, and we are committed to the non-discrimination principles of the UN's Global Compact initiative. Our rules against discrimination are also documented in our Code of Conduct to help us do the right thing on a daily basis. These rules were updated and specified further during 2018.

We were also involved in Monday Belongs to Everyone, a campaign launched by the Human Rights Centre and the Non-Discrimination Ombudsman in October 2018 to call attention to disabled people's right to working life and remind the public that the start of the workweek on Monday is a privilege that not everyone enjoys. The campaign challenged employers to use their social media channels to communicate what concrete steps they have taken, or plan to take, to promote the employment of disabled people. L&T co-operates with partners such as the City of Helsinki, and using their subsidised employment services, we have recruited people with developmental disabilities to work for us in the cleaning business.

ENVIRONMENTAL PRINCIPLES

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

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

All our operations are compliant with environmental legislation, regulations and permits. Our environmental management system has been certified according to the ISO 14001 standard. We are constantly developing new methods and processes for promoting recycling and for reducing our impact on the nature.

For us to succeed in the work we do for our customers, we must set an example in our own operations. We are constantly monitoring the environmental impact, emissions and energy consumption of our own activities, and always aim to reduce the amount of waste we create as well as to recycle all waste as efficiently as possible.

L&T's environmental policy specifies the environmental aspects and principles that the Group observes in both its own operations as well as in the services it produces for its customers. All our operations are founded on an uncompromising compliance with environmental legislation and standards as well as on the principle of continuous improvement. Responsible management of environmental issues is part of L&T's operative risk management process. An ISO 14001 certified environmental system (covering Environmental Services, Industrial Services and cleaning and support services) as well as an efficient self-monitoring system are the cornerstones of risk management.

Professional waste treatment operations are subject to environmental permits and regulatory compliance. In 2018, L&T had 73 (70) environmental permits that determined how the Group managed and monitored environmental matters. Facilities subject to environmental permits have contingency plans and rescue plans that determine how they are prepared for significant environmental incidents. Environmental issues are also covered in regularly conducted internal audits.

L&T requires responsible management of environmental issues of its partners and suppliers. This requirement is factored into the procurement process e.g. in the form of self-assessments. Waste is only handed over to operators that are authorised to receive or process it

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

L&T's carbon handprint, or the emission reductions created by its operations, totalled approximately 1.2 million (1.1) CO₂ equivalent tonnes in 2018. The carbon handprint was generated by our customers being able to replace virgin raw materials with secondary raw materials, or fossil fuels with biofuels and solid recovered fuels, or reduce waste.

In 2018, L&T's own operations generated 64.4 thousand CO₂ equivalent tonnes of emissions (59.6). Absolute emissions increased year-on-year due to the L&T FM acquisition and the higher volume of our collection and transport operations. However, our emission intensity, or the ratio of emissions to net sales, fell to 59.5 CO₂ equivalent tonnes (66.2) per million euros

In 2018, we developed and launched a new Kierrätyspuu (Recycled Wood) service for our customers, enabling the use of wood chips in the production of particle board and thereby increasing the recycling rate of wood. We also made an investment decision regarding a new processing line to be built at the Merikarvia plastic recycling plant. New washing technology makes it possible to process even dirtier and more difficult types of plastic waste generated particularly in the retail and construction industries.

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

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

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

Mandates and the limits for decision-making in terms of procurement are defined in the company's guidelines on authorisation on the basis of position. In case of potential conflicts of interests in procurement processes, the persons concerned are disqualified from the decision-making. Supplier co-operation must not involve any bribery or the kind of hospitality or exchange of gifts that could influence procurement decisions.

L&T is committed to supporting the UN Global Compact initiative and its anti-corruption principles. The prevention of corruption and bribery is based on national legislation and agreements. Internally, operations are guided by the L&T Code of Conduct, which includes anti-bribery and corruption guidelines related to, among other things, accepting and offering gifts and hospitality as well as the avoidance of conflicts of interest.

L&T mainly operates with local partners in Finland and Sweden, which improves transparency with respect to its partners' responsibility. Operations with significant suppliers are managed through regular supplier co-operation and monitored according to category-specific performance indicators. Contract suppliers are also required to comply with L&T's Code of Conduct. We ensure the responsibility of our suppliers' operating methods through self-assessment surveys, supplier audits, analyses of suppliers' financial circumstances or other appropriate means. Our primary assurance measures are targeted at our most significant suppliers.

We do not give or accept bribes to boost or support our business operations. We do not offer nor accept any acts of hospitality or gifts that could affect the decision-making in our business activities and that could be construed as exceeding the limits of normal politeness and hospitality. Separate instructions are given on business gifts and avoiding conflicts of interest. We adhere to a separately defined permit procedure to ensure that all customer events are appropriate and that all sponsorships and supporting marketing operations are transparent.

There were no incidents of bribery or corruption at L&T in 2018.