



ANNUAL REPORT  
2018

HANSEL 

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# From the Managing Director



## **Towards change**

The year 2018 was a busy one for Hansel. We broke the sales records in all of our services, and also prepared for the merger with KL-Kuntahankinnat. This required plenty of flexibility from all the employees, which is why I'm very pleased to hear that the job satisfaction survey rating improved from the previous year regardless of the challenging year.

Over the course of the spring, our owner, the Ministry of Finance, discussed the establishment of a joint procurement unit for the entire public sector with the owner of KL-Kuntahankinnat. This was considered wise for many reasons: procurement expertise could be better developed, experts would be available to a larger group of customers and larger volumes would guarantee more efficient procurement.

The preparation of the merger was very intensive during the latter half of the year. The merger of business operations and administration was planned by several integration teams and employees met each other to discuss the change. I participated in several events all around the country to meet our future customers. However, right before the holiday season, we came to the conclusion that we needed more time for the preparations, which is why the merger was postponed to the autumn of 2019.

One concrete action to enable the merger was changing our offices in the main post office building in Helsinki to a multifunctional office space to make room for the

new Hansel employees. The renewed, modern facilities have been a positive surprise, and they have supported the motivation of the Hansel employees.

We are nearing net sales of €900 million per year in joint procurement, which is great from the perspective of saving government funds. We are continuously developing our agreements and contracts to better serve our customers' needs. A novelty in joint procurement in 2018 was the introduction of dynamic purchasing systems. They are especially well suited for industries in which changes are quick and flexibility is required.

The year was also very lively for our expert services. We increased the volume of our praised tendering projects from the previous year, both in terms of the number of projects and the value of the projects. Development services established their place in our service portfolio and we launched a new product, procurement as a service, for smaller customer organisations. It has been a pleasure to note how high the demand for our special expertise is.

We had plenty of work in 2018, which is also reflected in this annual report. The report also includes a comprehensive review of our work on responsibility. As a large procurement unit, we vigorously promote responsibility. We will continue our work and its development this year, and start to serve municipalities at the end of the year.

Anssi Pihkala  
Managing Director

# Key indicators

Involved in procurement amounting to more than

EUR **1,500,000,000**



Joint procurement

**900 M€**



Customer-specific tendering

**600 M€**

## Framework agreements top 3



IT consulting

**67 M€**



Occupational health care services

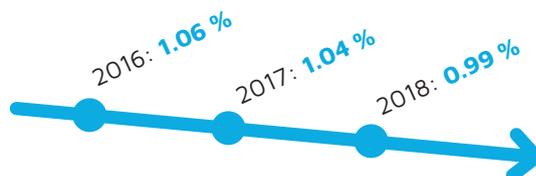
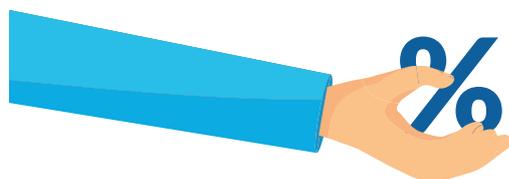
**62 M€**



Facility user services

**59 M€**

## Average service charge in joint procurement





**160**

customer-specific tendering projects

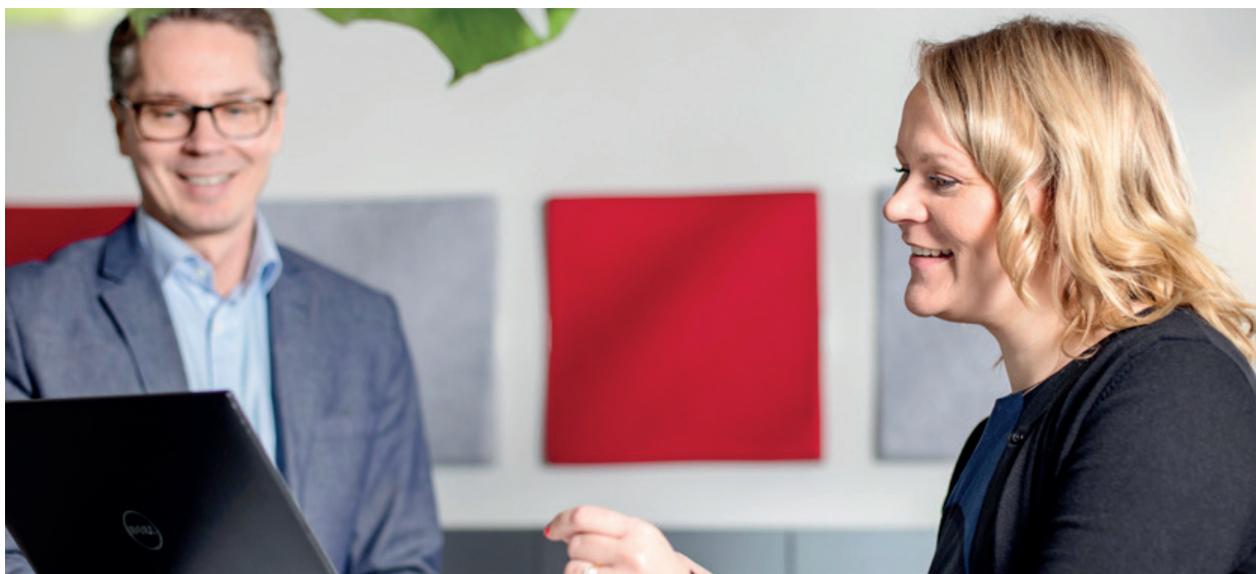


**500**

days of developing customers' procurement



# Strategy and vision



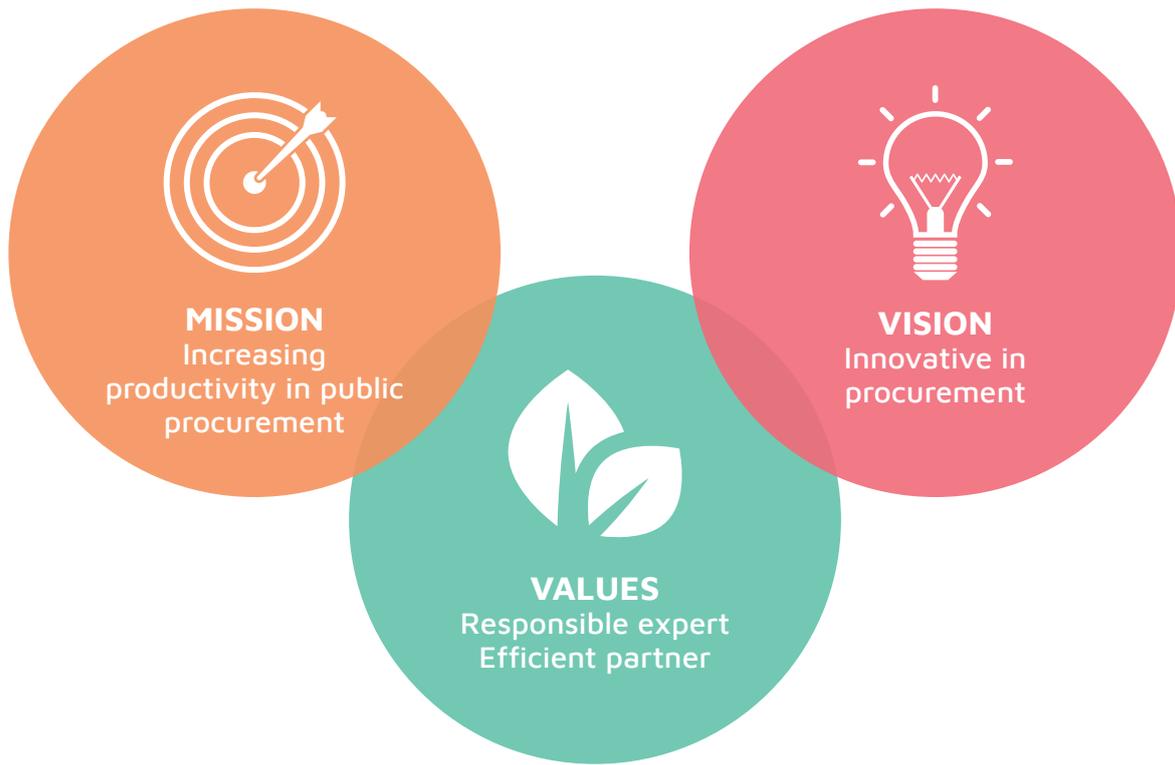
Hansel's vision in 2016–2018 has been to spearhead procurement reform. The company's strategic goals have been related to systematic and well-managed government acquisitions that are performed in a responsible and customer-centric manner, making use of electronic tools. The plan was to use the strategy approved by Hansel's Board of Directors in May 2016 until 2020, but due to preparation of the merger of Hansel and KL-Kuntahankinnat Oy, the strategy reform was already started in 2018 and the Board approved the strategy for 2019–2022 in January 2019. In addition to the Executive Committees, the Boards and employees of both companies participated in the strategy work.

In 2018, more expert services were offered in accordance with the strategy. Procurement as a service was launched as a new product, which meant partial outsourcing of the fairly small procurement section of the procurement unit to Hansel. Tools for analysis and reporting related to the management of procurement activities were also further developed, and related services were offered to customers to an increasing extent by, for instance, launching a tool called Hankintapulssi in the online service. The provision of joint procurement services was expanded with dynamic

procurement systems that allow for a more flexible operating model. They are especially well suited for quickly changing industries and markets.

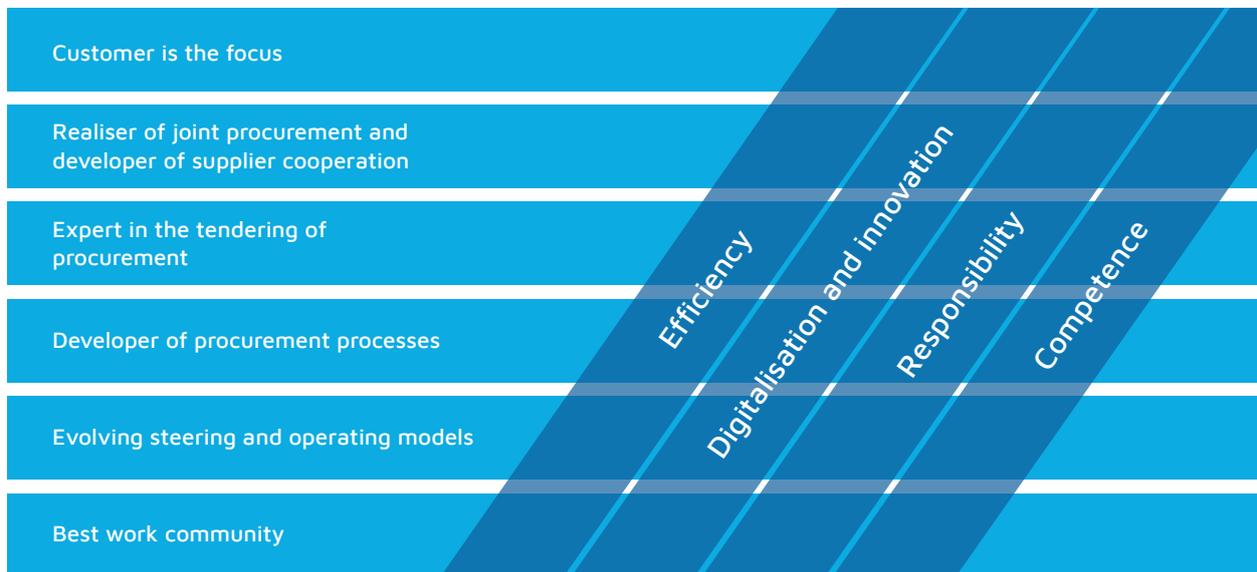
Corporate responsibility aspects are an inseparable part of management at Hansel. Requirements related to corporate responsibility are specified in the tendering of joint procurement and customers are supported in their responsible procurement. In 2018, the code of conduct prepared for the management of social responsibility was used in the tendering of office furniture. At Hansel, corporate responsibility primarily involves reducing environmental impact, engaging in proper financial administration, making efficient use of resources, improving wellbeing at work of the personnel and developing customer and supplier satisfaction.

Hansel is actively involved in several joint development projects of state governance: the Handi programme digitalises government procurement in general, while the Tietokiri project promotes the use of business intelligence in public administration and KEINO (Competence Centre for Sustainable and Innovative Public Procurement) focuses on the effectiveness and responsibility of procurement.



## Strategic priorities

### ENABLING FACTORS



# Hansel Ltd



Hansel is a state-owned, non-profit limited liability company, the purpose of which is to generate savings to the state through efficient procurement operations. Hansel puts out to tender and maintains framework agreements and dynamic purchasing systems related to service and product procurement. In addition to joint procurement, Hansel offers its customers procurement expert services: tendering expertise and procurement development services.

Through responsibly run operations, the joint procurement unit promotes high-quality procurement and equal, non-discriminatory treatment of suppliers in the tendering process. Hansel's objective is to organise tendering processes in a manner that fosters efficient market operations and promotes competition.

Hansel's role and duty as a joint procurement unit are specified in the Act on Public Contracts, the Act on a Limited Liability Company Called Hansel Oy and in the State Procurement Strategy. Hansel's customers include ministries, their subordinate departments and other government agencies. An amendment of the Act on a Limited Liability Company Called Hansel Oy that also allows municipalities and parishes to become customers of Hansel was approved in December 2018. This is part of the preparation of the merger of Hansel and KL-Kuntahankinnat, which will be completed in 2019.

The company's operations are funded by service fees for framework agreements and sales of expert services. The maximum service fee that may be charged is based on purchases made,

and it is 1.50% of the contract value. The average service fee in 2018 was 0.99% (1.04% in 2017). Hansel operates under the ownership steering of the Ministry of Finance.

In 2018, Hansel's own acquisitions totalled €4.1 million. We make use of joint procurement in our procurement activities whenever possible. If a suitable framework agreement or DPS is not available, we perform the procurement in accordance with processes determined by the company. Hansel operates under the ownership steering of the Ministry of Finance.

Hansel's memberships in organisations:

- FiBS ry
- Finnish Association for Human Resource Management (HENRY)
- Helsinki Region Chamber of Commerce
- The Finnish Public Procurement Association
- Oy Nooan Arkki Ab (Green Office)
- Service Sector Employers (PALTA)
- The Institute of Internal Auditors Finland
- Finnish Association of Communications Professionals (ProCom)
- Finnish Business Travel Association
- Finnish Association of Purchasing and Logistics (LOGY)
- Suomen Tilaajavastuu Oy
- Information Society Development Centre(TIEKE)

## Tax footprint

Net sales, thousand euros	10,922	10,435	9,598	9,072
Profit, thousand euros	-686	203	451	388
Balance sheet total, thousand euros	18,711	19,252	19,150	19,981
Taxes to be paid, thousand euros	3,589	3,691	3,501	3,323
Investments, thousand euros	175	114	74	0

# Breaking more records



Hansel's business continued to grow in 2018. joint procurement was lively both in terms of sales and in terms of tendering. Sales of expert services increased by almost €200,000.

## Joint procurement

A record-breaking joint procurement volume of €895 million was achieved in 2018 (€830 million in 2017). The number of tendering projects carried out was 22, and the number of procurement decisions made during those projects amounted to 201. Four dynamic purchasing systems were established (for long-term accommodation in Finland, computers with IOS/OSX operating systems, IT consulting and occupational health care services). Framework agreements were adapted to meet the needs to an increased extent, and based on customers' requests, preliminary analyses were carried out even for entirely new product groups, such as fringe benefits (including exercise and luncheon vouchers) and waste transport services. Tendering (if any) of these services will take place in 2019.

The satisfaction of contract suppliers with Hansel's operations was measured in the beginning of 2018. The suppliers gave Hansel a good grade, four on a scale of one to five. There were several development projects underway in category management, the most important of which were the preparation of simplified digital tendering and the commissioning of the digital procurement system (DPS). DPS is a fully electronic procurement process that is open to all eligible tenderers throughout its duration. Increased investments in service centre collaboration were also

made. At the end of the year, there were 17 categories with more than 90 related framework agreements and DPSs.

## Customers' own tendering processes

In 2018, Hansel's experts provided customers tendering services valued at some €1,345,000 (€1,269,000 in 2017). joint procurement's internal MinikisaPlus tendering amounted to €153,000 (€157,000 in 2017), and the rest were the customers' own tendering processes. A total of 161 customer tendering and 53 MinikisaPlus assignments were completed. The assignments took approximately 1,600 person-days to complete. Our experts also

*Cooperation with several of our customers is established, which has made the process of agreeing on tendering assignments more systematic.*

support our customers free of charge in internal tendering connected to their own joint procurement projects. A total of 145 of such assignments were completed last year.

Cooperation with several of our customers is established, which has made the process of agreeing on tendering assignments more systematic. Our customers' procurement objects vary from scientific

devices to expert services. Most of the procurement assignments are connected to ICT services.

KPMG assessed the effectiveness of Hansel's tendering services with a survey in the spring of 2018. It was determined that without exceptions, the tendering services provide identifiable benefits for the customers. Procurement process lead times had become shorter, quality had improved and the customers' own resources had been freed to the determination of factors related to the substance of the outsourced procurement. The role of Hansel's experts in the coordination of the procurement project, their general knowledge of central government and their technical proficiency in the procurement process were other issues that, according to the survey, improved procurement quality. Customer satisfaction in our expert services has remained high.

#### **Procurement development services**

Demand for the procurement development services remained high in 2018, resulting in net sales of €338,000 (€240,000 in 2017). A total of 22 development assignments were completed in 2018, the largest of which were for the Finnish Radiation and Nuclear

Safety Authority and the Ministry of Finance. Most of the development assignments involved control and organisation of procurement, analyses of key indicators and current status, planning, contractual management or development of supplier cooperation.

Individual customer challenges are resolved through projects, while more extensive and longer-term assignments are realised as procurement development services. In this service form, Hansel's development manager works in the customer organisation for a predetermined period. Furthermore, a new service, called "procurement as service", was piloted in 2018. It is a service for governmental organisations where the client organisation partially outsources the implementation and management of its procurement to Hansel. The unit was also actively involved in the project on the Competence Centre for Sustainable and Innovative Public Procurement (KEINO).

# Development of joint procurement

## Joint procurement by category

Thousand euros	2018	2017	2016	2015	2014
<b>Category</b>					
IT hardware	87,409	84,258	63,324	49,552	70,144
Data centre services and hardware	58,522	50,685	37,686	26,747	14,478
Software	44,871	37,660	31,696	29,727	29,810
Data communications	45,732	39,954	36,574	34,786	38,905
Security technology	14,443	11,243	18,341	12,937	13,612
Expert services	19,035	16,769	20,837	15,161	11,963
Consulting services	87,370	69,749	60,778	56,568	47,670
Personnel and health care services	73,560	72,890	73,381	69,750	70,113
Accommodation and meeting services	32,874	30,303	26,491	23,946	25,755
Travel services	54,450	51,370	52,672	52,630	53,183
Financial services	64,224	55,521	44,368	36,260	45,758
Vehicle services	72,233	58,426	62,007	45,482	41,232
Transport and logistics services	9,212	8,416	7,993	10,018	9,968
Energy	87,199	99,528	108,573	114,269	123,685
Consumable products and supplies	25,136	24,766	23,791	23,013	25,574
Office services	60,414	67,039	61,227	62,213	63,926

## Framework agreements top 15

Thousand euros	2018
IT consulting	66,816
Occupational health care services	62,181
Facility user services	58,528
Computers	57,542
Hardware leasing services	51,409
Data centre and capacity services	47,545
Electricity	42,642
Microsoft	42,017
Vehicles	35,524
Scheduled flights	33,185
Fuels	33,144
Accommodation and meeting services in Finland	30,252
Office furniture	29,828
Voice solutions	22,048
Management consulting services	19,654
Others total	262,900
Total	895,213

## Joint procurement by administrative branch

Thousand euros	2018	2017	2016	2015	2014
Administrative branch of the Ministry of Finance	236,622	203,745	159,179	113,484	103,360
Administrative branch of the Ministry of Defence	134,974	111,209	117,955	111,196	124,077
Administrative branch of the Ministry of Education and Culture	132,117	117,502	101,397	98,582	101,746
Administrative branch of the Ministry of Transport and Communications	78,445	62,451	57,378	55,403	60,891
Administrative branch of the Ministry of the Interior	75,164	76,261	96,806	77,414	68,406
Administrative branch of the Ministry of Employment and the Economy	68,842	66,524	65,043	71,538	81,965
Administrative branch of the Ministry of Justice	43,193	45,873	39,092	36,272	38,525
Administrative branch of the Ministry of Social Affairs and Health	35,738	37,317	37,006	36,239	34,629
Administrative branch of the Ministry of Agriculture and Forestry	25,711	22,630	20,133	20,650	30,456
Prime Minister's Office	23,262	45,145	39,568	36,455	34,855
Parliament	16,577	15,374	12,946	12,925	11,705
Not allocated to any administrative branch	8,581	7,876	7,142	7,497	4,921
Administrative branch of the Ministry for Foreign Affairs of Finland	8,180	7,136	8,976	10,092	10,737
Administrative branch of the Ministry of the Environment	4,101	3,627	4,048	5,468	5,177
European Union decentralised agencies and other organisations	2,802	3,108	2,977	2,507	2,029
Office of the President of the Republic of Finland	903	702	887	855	1,103

# New joint procurement product serves customers in a new way



Hansel's first dynamic purchasing system (DPS) was launched in 2018. The joint procurement procedure, which is reminiscent of a framework agreement, offers customers and suppliers more agile services.

The dynamic purchasing system (DPS) is a fully electronic procurement process. The most major difference between a framework agreement and a DPS is that new suppliers can be introduced throughout the agreement period in a DPS.

"A joint procurement being open to new suppliers at all times, instead of just during tendering processes arranged every four years, is a major benefit to service providers. It means that you can apply or drop out at any time," explains **Susanna Närvänen**, Chief Category Officer.

The flexibility also offers new kinds of benefits to the customers.

"For example, DPSs that offer expert or consulting services can be developed by adding new, up-to-date expertise throughout the agreement period, because new suppliers can be added at any time. The selection of suppliers in a DPS is done through an internal tendering process. For the customer, it does not matter whether mini-tendering is completed through a framework agreement or a DPS. Hansel's ready-made document templates and the procurement support unit provide assistance in both cases. The procurement support unit advises the customers on how to complete the

tendering process and comments on the invitation to tender. A customer may receive more offers through a DPS than through a framework agreement, which should be taken into account already in the invitation to tender."

The number of acceptable candidates is unlimited in a DPS, and the candidates are not obligated to pay any charges for their participation in the DPS. A DPS is also more flexible than a framework agreement in terms of pricing.

"Pricing on the market is continuously developed. For example, we arranged IT consulting tendering for the last time during an economic downturn, which resulted in low contractual prices. This caused poor service supply during the following upswing. The DPS on IT consulting was made available to our customers last autumn, and it is more market-based than the framework agreement on services of the same industry," Susanna Närvänen states.

## **More DPSs to be added in 2019**

Hansel's selection of joint procurement services was supplemented in 2018 with four new DPSs: one for long-term accommodation services in Finland, one for

*A DPS can reduce the administrative burden from procurement.*

iOS/MacOS computers, one for IT consulting and one for occupational health care services.

A DPS is not a panacea for all the challenges of public procurement, however.

“A DPS can reduce the administrative burden from procurement. For example, a customer had to complete several simplified tendering processes when using a framework agreement for occupational health care services when suppliers for several offices all around Finland were needed. In the case of a DPS for occupational health care services, the customer can determine the regions they want, meaning that there will be only one tendering process per customer. A DPS for IT consulting also reduces the number of tendering processes, because in the case of a framework agreement, a mini-tendering process for each competence area had to be arranged. This reduces the expenses of the customer and the supplier.”

“A DPS serves the customer and suppliers better than a framework agreement in some cases. However, the way in which a joint procurement should be arranged depends on the customer needs and the market situation. Our initial experiences on dynamic purchasing systems are positive, and we will use a DPS when it serves the customer better than a framework agreement,” Susanna Närvänen says.

## What is a DPS?

Dynamic Purchasing System

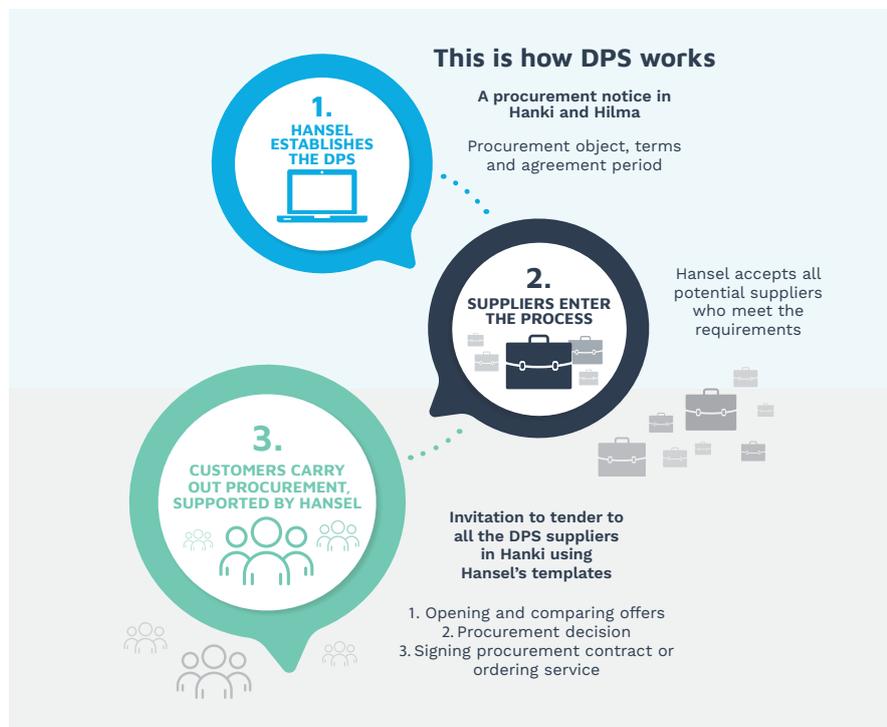
**100%**  
electronic procurement procedure

**Open to all**  
suppliers who meet the requirements at any time

**Internal procurement in the DPS**  
must be subjected to a tendering process

## Solvency of suppliers and compliance with obligations

are continuously monitored by Hansel



# Environmental issues mattered in taxi tendering



A new era started at Finland's busiest taxi stand at the Helsinki Airport in the summer of 2018. Due to an amendment of the legislation on taxis, cars from other parts of the country and not just from Vantaa could join the line. Finavia decided to arrange a tendering for the service providers to use three of the taxi lanes. The fourth was left for the others to use.

Hansel's experts **Ilkka Sihvola** and **Kirsi Kunnas-Leinonen** assisted Finavia in the planning and implementation of the tendering. Around a million taxi rides are taken from the airport each year, and it was a tendering process worth more than €100 million.

"The cooperation with Hansel went very well. The project was excellently controlled and the tendering was professionally arranged. We were given plenty of options and alternatives on the implementation of the project, and the tendering was a success," says **Jukka Isomäki**, Director at Finavia.

A price ceiling and a fixed price for rides from the airport to downtown Helsinki were specified during the tendering process. One of the decisive factors, in addition to the maximum price charged from the

customers, were additional points awarded for low-emission cars and electric cars.

"Helsinki Airport has been carbon neutral since the summer of 2017, and the goal is to make the rest of Finavia's airports carbon neutral by the end of this year. We set the bar high in our environmental work, and all of the partners operating at our airports, such as taxi entrepreneurs, have a major role in the reduction of emissions and the achievement of the goal," Jukka Isomäki explains.

Right after the change took effect, the new arrangement confused customers and gave rise to lively discussion in the media. The rest of the year proved, however, that the taxi operations are also fluent with the new model, and the number of rides taken from Helsinki Airport increased from the previous years.

"The model has worked as planned and we have achieved the goals set for the tendering. The taxi legislation reform may still cause some confusion among customers who do not use taxi services often, but people's awareness is continuously increasing," Jukka Isomäki says.

# Procurement is also available as a service



In 2018, we piloted a new comprehensive service for procurement units that do not have sufficient resources or expertise for a variety of procurement tasks. The procurement as a service concept consists of a variety of actions related to the organisation and implementation of procurement. An agreement on the actions to be included in the service is made on a case-by-case basis.

“The service was customised based on customer needs together with the Financial Stability Authority and the VATT Institute for Economic Research,” explains **Pauliina Lautiainen**, the development manager who implemented the productisation and pilot project.

The goal is to make procurement in organisations more systematic and efficient. Service needs were identified in the following tasks:

- Preparation of a procurement plan, assessment of different implementation methods and determination of schedules
- Preparation of preliminary reviews, market surveys and information requests on procurement projects
- Implementation of tendering
- Support for contract procedure and supplier cooperation
- Generation of analysed information on procurement and recommendations on good practices and opportunities to boost the efficiency of operations
- Preparation and maintenance of up-to-date

procurement guidelines

- Training and coaching responsible persons on issues ranging from procurement planning to contractual management, and acting as a partner in development work
- Support for the implementation and fluent use of the Handi service

“Offering procurement as a service requires a profound understanding of the customer’s industry and substance. Our goal is to offer as ready-made solutions as possible. The customers can select the solution that best suits them,” explains **Anne Sores**, the development manager in charge of the service.

The main target group are small customers that do not have their own procurement resources.

The assignment usually starts with a survey of the current status and determination of the roles of Hansel and the customer. Hansel’s tendering unit and the Minikisa team support the development manager, who is the customer’s main contact person during the cooperation. In practice, procurement as a service means that Hansel’s entire expertise is available for the customer to use.

The procurement as a service product was developed as part of the key project on digitalising public procurement or Handi.

# Services and organisation



Hansel's organisation consists of personnel of 95 experts and a Board of Directors, elected by the Annual General Meeting. The Board is chaired by Timo Laitinen, Director General of the State Treasury. The Board of Directors consists of five members, including one personnel representative. Members of the Board of Directors cannot be members of the company's operative management.

Hansel's Executive Committee is nominated by the Board of Directors on the basis of a proposal by the Managing Director. In 2018, the Executive Committee consisted of six people. These were Anssi Pihkala, Managing Director (b. 1963), Susanna Närvänen, Chief Category Officer (b. 1963), Eija Kontuniemi, Head of Legal Affairs (b. 1966), Kirsi Koivusaari, Director of Finance (b. 1966), Petri Kalavainen, Account Manager (b. 1962) and Mikko Saavalainen, Director of Digital Business (b. 1979, Board member as of 1 March 2018).

The members of the Board and the Executive Committee are appointed in accordance with the Government's ownership steering principles, which are used to ensure equality, among other things.

Decisions are made in compliance with the Finnish Limited Liability Companies Act and Hansel's articles of association. The company's premises are in the main post office building in Helsinki. Hansel has no international operations.

## Business operations

Hansel's business operations are divided into three segments: joint procurement, tendering services and procurement development services.

Risks related to the company's operations are surveyed with an external expert once a year, using a matrix analysis. The most recent extensive risk assessment was completed in late 2017 at which time the management identified two risk factors: the availability of personnel and changes in legislation and legal practices. The risk assessment will be repeated in 2019.

## Joint procurement

Joint procurement refers to framework agreements and dynamic purchasing systems through which Hansel's customers can purchase products and services. The purpose of joint procurement is to establish the general terms governing procurement contracts, such as the subject matter of procurement, prices, and responsibilities and obligations of the contracting parties. By using Hansel's contracts, customers can ensure that their procurement processes are compliant with applicable laws, as well as facilitate the management of contracts and suppliers. During joint procurement, Hansel verifies the eligibility of suppliers and monitors that the suppliers meet their contractual obligations and eligibility conditions during the validity of the contract.

Savings are generated when sufficiently large volumes of products and services are put out to tender, and the

needs of the maximum number of customers are met. joint procurement generates considerable savings for the Government, through both procurement process costs and pricing.

Hansel supports its customers in internal central tendering processes or “simplified tendering processes”. In the MinikisaPlus service, Hansel performs customised simplified tendering process on a turnkey basis.

**Tendering services**

Tendering services are needed when a framework agreement or a dynamic purchasing system does not exist for the procurement object. Hansel’s tendering consultants and lawyers have specific experience and knowledge of public procurement, competitive tendering and contract law. By using our expert services, customers can ensure that acquisitions are put out to tender in accordance with valid rules, with the best contractual

terms possible and by considering price, quality and responsibility factors. This frees the customer’s time for other duties, reduces the procurement unit’s risks and promotes the distribution of best practices.

**Development of procurement**

The procurement development services support the efficiency and cost-effectiveness of procurement, as well as an organisation’s capability for reform. Experts provide analysis services, proposals and solutions for the efficient management and responsible implementation of procurement. They use varied tools and information to analyse the current status of procurement and to improve its impact. In 2018, Hansel started to offer procurement as a partially outsourced service for fairly small procurement units. Development processes are created in close cooperation with the customer.

<p><b>Category management</b></p> <p>is responsible for tendering processes within, and the development of, joint procurement, and for the related contractual and supplier management. The unit employs people with expertise in various industries and tendering.</p>	<p><b>Legal matters and tendering</b></p> <p>The unit provides services related to the practical implementation of procurement processes of Hansel and central government procurement processes, as well as legal consultation services. It also participates in joint procurement tendering processes and contractual management, as well as procurement development projects.</p>	<p><b>Development of procurement</b></p> <p>The unit carries out customer-specific procurement development projects and is strongly involved in Hanki, a project for the digitalisation of government procurement and Competence Centre for Sustainable and Innovative Public Procurement (KEINO). Procurement management professionals work within the unit.</p>
<p><b>Customer relationship management</b></p> <p>The unit is responsible for the company’s sales operations, sales promotion, marketing and customer service, as well as support for joint procurement customers. The procurement support team serves and helps customers with internal, simplified tendering processes for framework agreements and dynamic purchasing systems.</p>	<p><b>Finance, analytics, HR and communications</b></p> <p>As its name suggests, the unit consists of financial management, analytics, communications and human resources support functions. The unit is responsible for the company’s external and management accounting and procurement data analytics. Communications manages the company’s internal and external communications, as well as corporate responsibility reporting. HR takes care of resourcing and competence development.</p>	<p><b>Digital services</b></p> <p>is responsible for the maintenance and development of various systems. The unit also has a team specialising in electronic tendering processes. It plays an active role in development projects relating to the digitalisation of government administration.</p>

# Implementing lean in processes



In January 2018, Hansel started the development of new services – development of procurement and dynamic purchasing system (DPS) – as a strategic project. The goals were to improve customer satisfaction and quality by utilising the Lean approach and service design, as well as to reduce operating costs and shorten lead times.

Excellence Finland assisted Hansel in this process. Special goals were increasing process efficiency, reducing wastage and increasing value to customers.

Almost twenty experts from different parts of the organisation – category management, procurement development, procurement support, customer relations and digital services – participated in the project at different stages. Representatives of customer organisations were also invited to join the project to offer a valuable customer perspective.

The Lean approach and Lean tools allowed for a definition of actions that would add benefits

## *The project tested a variety of Lean tools.*

to the tendering and contractual management process in framework agreements. A variety of Lean tools were tested during the project period, such as a fishbone diagram for the determination of problems and improvement suggestions.

The project succeeded in reducing the amount of overlapping work, developing customer materials and agreement documents, boosting the use of the XRM system, testing a structured agreement and introducing the electronic signing of agreements. A Kanban board for studying workflows and lead times and a hatchery for ideas on the intranet were introduced.

# Preparation for merger of Hansel and KL-Kuntahankinnat



Preparations for a merger of Hansel and KL-Kuntahankinnat Oy started in the spring of 2018. The goal of the merger is to create one service point for the handling of joint procurement by the state, municipalities and provinces to be established. The plan is to develop procurement expertise and combine procurement projects into larger wholes to boost the effectiveness of procurement and achieve savings. The change will also enable the use of more standardised operating methods in public tendering, which will make it easier for companies to participate in public tendering.

The Cabinet Committee on Economic Policy discussed the merger of KL-Kuntahankinnat Oy and Hansel Ltd on 18 May 2018 and a delegation of the Association of Finnish Local and Regional Authorities made a decision on the merger on 24 May 2018. An amendment of the Act on a Limited Liability Company Called Hansel Oy (the "Hansel Act") entered into force on 1 January 2019. Initially, the plan was to realise the merger at the beginning of 2019, but a decision on an extension for the preparations was made in late 2018 and the merger was postponed to the second half of 2019.

## Better joint procurement

Strategic management of procurement and procurement expertise have been discussed a great deal in the past few years. Furthermore, more specific information on how tax revenue is used is needed to support the organisation of procurement and related decision-making. Promotion of these issues was a key reason for the establishment of a joint procurement unit.

"It's great that the reform will allow experts from two companies to merge their expertise and create even better operating methods together. Key issues in the development work will be a systematic and goal-oriented approach, as well as automation," says **Anssi Pihkala**, Hansel's Managing Director.

Professionally managed procurement requires not only product expertise, but also extensive knowledge of procurement legislation, customer needs and the market. When arranging tendering, the joint procurement unit pays attention to the responsibility of procurement and the promotion of innovation, among other issues.

The merger of Hansel and KL-Kuntahankinnat will enable a faster digitisation of procurement processes and tools, which will make the operations smoother and faster in both the procurement units and the supplier companies. The provision of versatile procurement development services to a broader customer base will also start in stages.

The total value of all procurement projects of municipalities and the state is some €35 billion per year, of which the share of the merged Hansel is expected to be some €3 billion. The savings potential in joint procurement has been assessed as more than 20%. The greatest efficiency benefits and savings in joint procurement will be achieved by procuring products and services that are in high demand and can be standardised. This will allow the largest savings, which is an issue expected from public procurement, in addition to high quality.

# Saving government funds



Hansel's task is increasing the productivity of public administration. It has been proven that joint procurement activities produce savings in comparison to decentralised procurement. The higher volumes in joint procurement often simultaneously offer price benefits and reduce the amount of resources tied to procurement. Furthermore, when contractual management is also professionally and effectively handled during the agreement period, economic added value will be achieved.

It is a challenge to calculate the exact amounts of savings related to procurement. For the past ten years, Hansel has been making rough savings calculations that are based on a study on the savings produced by joint procurement carried out at the Helsinki School of Business (Karjalainen et al. 2008). The study proved that the centralised operating model produces savings of some 20–25%, depending on the category.

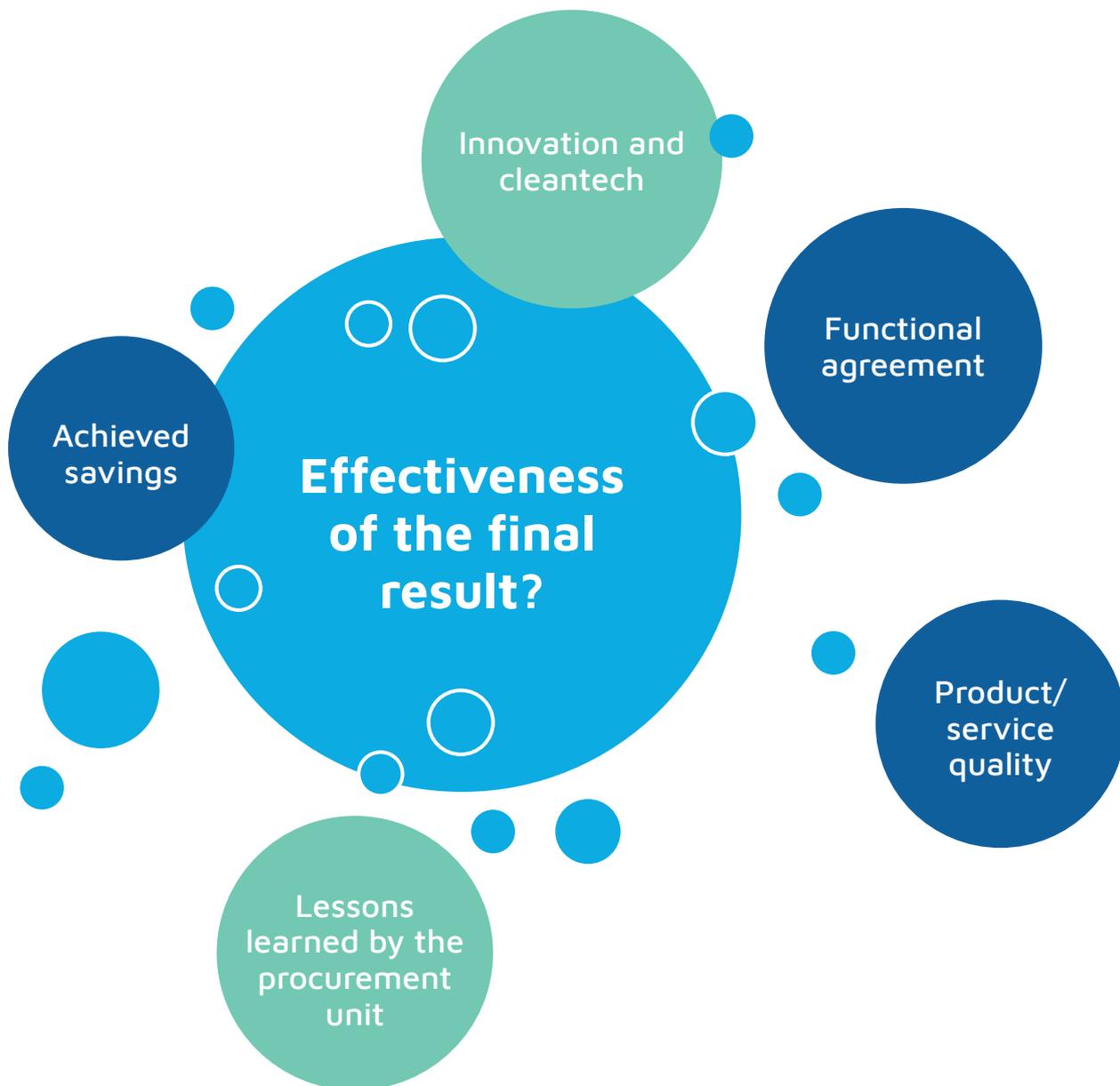
Using this model, we have been able to calculate that in 2018, Hansel's joint procurement activities produced theoretical savings of more than €300 million, compared to decentralised acquisition. The calculation model also utilises calculations of the potential of Hansel's framework agreements, but it does not account for factors such as the use of working time, the costs of dividing resources or competence gaps that may be caused by distributed operations.

Hansel's category management is in charge of the savings calculations related to centralised procurement contracts. The calculations study joint procurement contracts from the perspective of the procurement object and the supplier markets based on available information. Whenever comparable market prices or prices based on benchmarking are available, the prices obtained from the tendering are compared with them. If the procurement object is not considerably different from a previous procurement object, the prices obtained from the tendering are compared with the previous contractual prices. Suitable reference prices are not available in all cases, however, in which cases contract-specific cost-benefit indicators are defined for the centralised procurement contract.

In the past year, social effectiveness through procurement has been discussed a great deal. It consists of many factors. In addition to centralised procurement contracts, we realise a great deal of customer-specific tendering processes where the goal is increasing the customer benefit and effectiveness. Systematic measuring of effects achieved through tendering has been proven challenging, however.

For several years now, we have collected information on the procurement value of customer-specific tendering processes, the savings achieved and customer satisfaction. Our goal for 2019 is to develop the indicators used to

measure the effectiveness of customer-specific tendering. The plan is to expand the analysis to the assessment of responsibility, innovation, development of competence or service quality.



*A successful tendering project comprises an effective high-quality end result and customer satisfaction.*

# Better data security through a variety of means



Hansel's data security policy determines and expresses from the perspective of the management key business-critical data security principles and requirements. Hansel is committed to upholding the basic data security level specified for central government. The data security obligations apply to all of Hansel's employees. Hansel's data security manager is responsible for providing data security related training and instructions, as well as for handling in-house communications.

In tendering processes, a data security level warranted for each acquisition is specified as an absolute requirement for the supplier. The requirements are mainly based on the Ministry of Finance's VAHTI instructions or the national KATAKRI safety auditing criteria, supplemented with acquisition-specific special requirements. Naturally, Hansel's customers may contribute to the data security level of the services provided.

Several operating models to improve data security were introduced for the personnel in 2018. The "clean table" principle is used at the recently renovated new multi-function office, meaning that all computers and paper

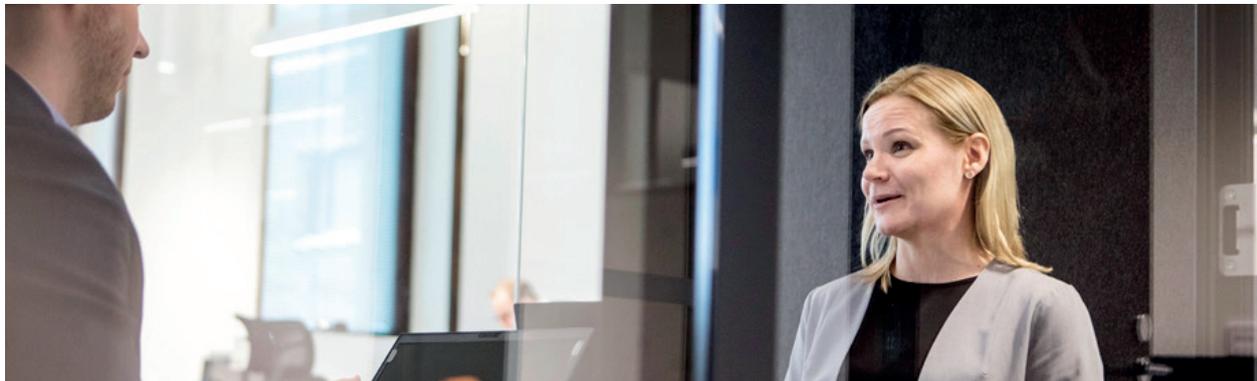
*Several operating models to improve data security were introduced in 2018.*

documents must be securely placed in each employee's personal locked cubbyhole at the end of the day to prevent any unauthorised persons from seeing them on the table.

We have taken a big leap forwards in terms of security to prevent phishing and data leaks. All of our employees now use a two-step verification process when logging into Hansel's systems. This is to prevent data security non-conformances caused by human errors, for example.

No data leaks were reported in 2018.

# Active advocacy work nationally and at the EU level



Hansel promotes the efficiency and fluency of public procurement by influencing regulation in Finland and the whole of EU. In 2018, Hansel provided a total of eleven opinions to different ministries and actively participated in projects prepared by the EU Commission.

A major piece of advocacy work during 2018 was linked to the amendment of the Act on a Limited Liability Company Called Hansel Oy. Hansel strongly participated in the preparation of the law, and a Hansel expert was heard by Parliament's Commerce Committee. To enable the merger of Hansel and KL-Kuntahankinnat, the act was amended so that Hansel Ltd's shareholders can also include parties other than the state. Meanwhile, the company's clientele was expanded so that in addition to the current government agency customers, municipalities, joint municipal authorities, the Evangelical-Lutheran church, the Orthodox church and Kevo, among others, can be Hansel's customers.

In 2018, Hansel actively supported a working group of the European Commission tasked with reforming the Common Procurement Vocabulary (CPV). Hansel collected improvement suggestions and opinions from Finnish procurement organisations on the use of the CPV and forwarded them to the Commission.

Hansel also participated in a consultation of the Commission on public procurement announcements. The plan is to reform the process of announcing public procurement in 2022–2023. The goal is to facilitate the announcement process and reduce the administrative burden it causes.

## Opinions issued in 2018:

- National Audit Office of Finland: an opinion on a draft audit report on centralised ICT services

- Ministry of Finance: an opinion on a draft government proposal on amending the laws on the Finnish Government Shared Services Centre for Finance and HR and the State Treasury
- Ministry of Finance: an opinion on a draft government proposal on an act on electronic invoicing (Hansel was also heard by Parliament in January 2019)
- Ministry of the Environment: an opinion on a bill to amend the Waste Act
- Ministry of Finance: an opinion on policies regarding the location and management of information in public administration
- Ministry of Finance: an opinion on data communications service policies in public administration
- Ministry of Economic Affairs and Employment: an opinion to the Ministry of Economic Affairs and Employment regarding a request for comment on joint procurement units from the Parliamentary Ombudsman
- Ministry for Foreign Affairs of Finland: an opinion on a draft report by EU Parliament on a regulation regarding the reciprocity of public procurement
- Ministry of Transport and Communications: an opinion on a draft government proposal on an act to amend the Highways Act and other Acts
- Ministry of Transport and Communications: an opinion on a draft government proposal on an amendment of the Act on Electronic Communication Services (laki sähköisen viestinnän palveluista, 917/2014) and the Act on Security of Public Administration Networks (laki julkisen hallinnon turvallisuusverkko toiminnasta, 10/2015)
- Ministry of Finance: an opinion on a draft government proposal on an Act on data management in public administration and related Acts

# Internal audit focused on GDPR practices



Hansel's Board of Directors selected verification of compliance with the requirements of the EU General Data Protection Regulation (GDPR), which entered into force in May 2018, as the theme of the annual internal audit.

The audit focused on auditing processes and practices related to data protection, data protection instructions and other existing documentation. The audit confirmed that Hansel has properly handled all the matters required by the GDPR.

No observations that were classified as major were made, and the only significant observation involved the preparation of a data protection risk assessment model and risk assessments. The report also included a recommendation that the data security policy prepared by the Executive Committee should also be approved by the Board of Directors. The data security team was charged with the preparation of the risk assessment

*The audit confirmed that Hansel has properly handled all the matters required by the GDPR.*

model. Financial administration regularly conducts risk assessments together with an expert. A data protection perspective will be added to the risk assessments in the future.

Hansel had prepared well for the entry into force of the GDPR. The company lawyer and data security manager were in charge of the preparation and related training. They also acted as internal consultants during the preparation project. All category managers in charge of framework agreements were obligated to update their agreements to comply with the GDPR.

# Hansel enables meetings in the procurement industry



Hansel offers its customers and partners several forums through which they can share information and form networks with other procurement industry experts. The themes and locations of events vary, but they are always based on the promotion of procurement expertise.

For example, Hansel Networks arranged in the autumn of 2018 focused on contractual management.

“The significance of successful tendering and clear contractual terms for public procurement is a widely known fact. However, the success of a contract period also depends on successful cooperation between the supplier and client, and on compliance with the contractual terms, for example. We wanted to arrange a Network event focusing on contractual management to ensure that organisations can be satisfied with their procurement contracts also after the ink of the signatures has dried down,” explains Tuomo Vuorinen, a network facilitator.

As in the other Hansel Network events, the participants were expected to be active. A tremendous amount of information and experience can be utilised by avoiding the “one speaks and others listen” operating model, because all of the participants to these events are top experts in their field.

## **Customers and suppliers around the same table**

With its events, Hansel also provides its contract suppliers an opportunity to meet customers. The

meetings can offer valuable information to both parties and tips on how both parties could develop their operations to better serve the customers. For example, a Facility Day arranged in cooperation with Senate Properties brought under the same roof customers and suppliers of Hansel’s facility framework agreements. The suppliers had their own stands at the Facility Day. A shared event area allowed Hansel to seamlessly merge the miniature trade fair event with seminars.

Putting up trade fair stands is the most common way for Hansel’s suppliers to participate in events, but they are also offered other approaches. At a Meeting Services Hackathon on 5 March 2018, customers and framework agreement suppliers combined their efforts to develop better meeting services. The common goal of the companies offering meeting services and Hansel’s customers who deal with meeting arrangements as part of their daily work was to create innovative solutions for the challenges they face in their work.

A hackathon was selected as the working method. Teams consisting of five to six people resolved predetermined challenges. The free-form work process culminated in free-form pitches where the teams presented their results to the other participants. Both the customers and the suppliers were pleased with the opportunity to innovate together.

“Encouraging the teams to come up with unique solutions was fun. We received many ideas we can use

when planning the new contract period,” says **Minna Isoherranen**, the category manager in charge of the event.

#### **Events in 2018**

- Meeting Services Hackathon 5 March 2018
- Government Expo 8 May 2018
- Hansel Network 2 October 2018 and 1 November 2018
- University IT Days 6–7 November 2018
- Vehicle Info 9 November 2018
- Facility Day 13 November 2018

# Hansel reduces environmental impact of its operations



Hansel is a member of the Green Office network in Finland, which includes 150 organisations. Green Office is an environmental programme developed by WWF Finland. Its objectives include promoting companies' environmental responsibility and reducing the environmental burden caused by offices.

Sustainable development is taken into account in Hansel's internal operations. Hansel keeps track of environmental key figures on the consumption of electricity and paper, travel, as well as the procurement of equipment and furniture. WWF's Climate Calculator, which is a Green Office tool, is utilised in the calculations. The emission figures are not adjusted to the growth of the business operations or the number of personnel.

A change of the working environment realised in 2018 had a major impact on the consumption of energy and paper, for example. In connection with the renovation, the office's lighting system was replaced with a system that uses modern LED lamps, and the fact that employees no longer have personal workstations helps to reduce the consumption of paper. For key indicators on furniture recycled in connection with the renovation.

Hansel carried out a Green Office audit in December 2018. We received praise for our operating methods, and we were allowed to continue as users of the environmental management system. We will continue our discussion about the consumption of energy and water, as well as the opportunity to sort waste with the owner of the property.

## Environmental impact of Hansel's operations

	2018	2017	2016	2015	2014
Direct impact, Hansel's own operations	CO <sub>2</sub> , thousand kilograms				
Consumption of paper	0.44	0.83	0.64	0.69	0.74
Road traffic divided by fuel consumption*	38.76	40.99	57.31	40.67	46.75
Emissions corresponding to the mileage allowances paid by the company	2.46	1.31	0.93	1.57	0.23
Other traffic (taxis)	0.61	0.63	0.88	0.78	1.15
Air traffic, passenger kilometres	45.31	37.37	38.77	34.31	38.84
Marine traffic, passenger kilometres	0.67	1.12	0.13	1.73	1.27
Rail traffic	0.02	0.02	0.00	0.12	0.08
Consumption of electricity**	0.00	10.44	11.08	13.73	15.04
<b>Direct impact total</b>	<b>88.27</b>	<b>92.71</b>	<b>109.74</b>	<b>93.60</b>	<b>104.10</b>
Emissions caused by the procurement of office equipment					
Mobile phones	2.87	2.87	2.40	2.93	1.87
Tablet computers	0.00	0.81	0.00	0.32	0.00
Laptops	4.20	15.56	0.00	0.00	13.07
LCD displays	5.57	63.88	2.62	0.66	28.83
LED televisions or displays	1.87	0.83	0.21	0.00	0.00
Multifunction devices	0.00	0.82	0.41	0.00	0.00
Printers	0.00	0.23	0.00	0.16	0.00
Furniture	12.54	9.90	1.43	1.12	13.37
<b>Emissions caused by the procurement of office equipment and furniture total</b>	<b>27.05</b>	<b>94.90</b>	<b>7.07</b>	<b>5.19</b>	<b>57.14</b>
<b>Direct impact total</b>	<b>115.32</b>	<b>187.61</b>	<b>116.81</b>	<b>98.79</b>	<b>161.24</b>
<b>Direct impact per person-year</b>	<b>1.28</b>	<b>2.26</b>	<b>1.60</b>	<b>1.35</b>	<b>2.14</b>

\*The figure is based on company car fuel purchases.

\*\*In 2018, 100% of all electricity acquired was produced from renewable energy sources in line with the Government resolution, and as agreed upon in the monitoring group for Government electricity procurement.

# Operations of the joint procurement unit



Hansel Ltd is the joint procurement unit of the Finnish government. The objective of Hansel's operations is to generate savings for the government by putting joint procurement contracts for goods and services out to tender and by providing its customers with procurement expert services. The tasks and role of the joint procurement unit are defined in the Act on Public Contracts, the Act on a Limited Liability Company Called Hansel Oy and the State Procurement Strategy. Hansel's customers include ministries, their subordinate departments and certain other government agencies. As of the beginning of 2019, due to an amendment of the Act on a Limited Liability Company Called Hansel Oy, municipalities, parishes and other procurement units from regional administration can also be Hansel's customers. The amendment enables the merger of Hansel and KL-Kuntahankinnat, which is to be completed in 2019.

Hansel's customers can make acquisitions without separate tendering processes by using services offered

by Hansel. Joint procurement generates considerable savings for the government, through both procurement process costs and pricing.

Through responsibly run operations, the joint procurement unit promotes high-quality procurement and equal, non-discriminatory treatment of suppliers in the tendering process. Hansel's objective is to also promote open competition and organise tendering processes in a manner that fosters efficient market operations. At present, Hansel is a non-profit limited company fully owned by the State of Finland, and it operates under the steering of the Ministry of Finance. The company's operations are funded by service fees for joint procurement and sales of expert services. The maximum service fee that may be charged is based on purchases made, and it is 1.50% of the contract value. The average service fee in 2018 was 0.99% (1.04% in 2017).

# Financial position and key figures



Joint procurement under Hansel's framework agreements in 2018 totalled €895 million (€826 million in 2017). Compared to the previous year, this represented growth of €69 million or 8.3%. Measured in euros, growth was strongest in the categories for consulting services, vehicle services and facility services.

The categories that declined most compared to the previous year were energy and office services. Net sales in 2018 totalled €10.9 million (€10.4 million in

2017). The net sales consisted of service fees for joint procurement totalling €8.9 million (€8.6 million in 2017), sales of expert services totalling €1.7 million (€1.5 million in 2017), and other service fees and revenue totalling €336,000 (€297,000 in 2017). Loss for the 2018 accounting period was €-672,000 (profit of €182,000 in 2017). The financial position of the company is strong.

## Key financial figures

	2018	2017	2016	2015	2014
Joint procurement, EUR thousand	895,213	826,482	770,533	696,575	714,584
Net sales, EUR thousand	10,922	10,435	9,598	9,072	9,268
Operating profit, EUR thousand	-686	203	451	388	239
and its share of net sales, %	-6.3	1.9	4.7	4.3	2.6
Result for the financial period, EUR thousand	-672	184	406	367	235
Balance sheet total, EUR thousand	18,711	19,252	19,150	19,981	17,402
Equity, EUR thousand	15,570	16,241	16,057	15,651	15,284
Equity ratio, %	83.2	84.4	83.8	78.3	87.8
Personnel at the end of the financial period, active input (person-years)	92	90	72	74	77

# Services



## Joint procurement

At the year-end, Hansel had a total of 88 framework agreements and four dynamic purchasing systems (80 framework agreements on 31 December 2017). When categories are included, a total of 169 tendering processes were arranged (161 in 2017). At the end of 2018, Hansel also had 403 contract suppliers (380 at the end of 2017).

Hansel's largest central framework agreement was for IT consulting services, which reached a procurement value of €67 million (€52 million in 2017). The second largest framework agreement was for occupational health care services, which was worth €62 million (€61 million in 2017). The third largest was the framework agreement for facility user services, reaching a volume of €59 million (€48 million in 2017).

Measured in euros, the main users of Hansel's framework agreements were the administrative branches of the Ministry of Finance, the Ministry of Defence, the Ministry of Education and Culture, and the Ministry of Transport and Communications. Hansel offers its customers a larger number of electronic services for procurement and the monitoring of procurement data. Each year, Hansel organises customer and supplier events and participates in a variety of stakeholder events.

The Government's electricity procurement is handled centrally through Hansel's framework agreement and involves derivatives that hedge against changes in electricity prices, in accordance with the Government's electricity hedging strategy. Hansel is responsible for the

management of this portfolio and is the counterparty to the derivative agreements on behalf of its customers. For Hansel, electricity derivatives trading is a pass-through item, and all the related expenses and income are charged for in full from the Hansel portfolio customers (see Note 5.2).

## Tendering services

The total value of tendering services sales in 2018 was €1.3 million (€1.3 million in 2017). There were 161 chargeable tendering projects in 2018 (132 in 2017) with a total value of some €565 million (€500 million in 2017). The largest customers in 2018 were the Finnish Transport Agency, the Ministry of Finance and Maakuntien Tilakeskus Oy. Customer feedback for the unit was positive, with a score of 4.5 on a scale of one to five (4.6 in 2017).

## Procurement development services

The value of procurement development services was €338,000 (€240,000 in 2017). Measured in euros, the largest customers of the development unit were the Radiation and Nuclear Safety Authority, Sotedigij Oy and the Ministry of Finance. Most of the development assignments involved control and organisation of procurement, analyses of key indicators and current status, planning, contractual management, development of supplier cooperation and responsibility. Individual customer challenges are resolved through projects, while more extensive and longer-term assignments are realised as procurement development services. In this service form, Hansel's development manager works in the customer organisation for a predetermined period.

# Review of events in 2018



In 2018, the emphasis was strongly on the merger with KL-Kuntahankinnat Oy. The negotiations started early in the year based on an initiative of KL-Kuntahankinnat, and quickly led to the completion of a merger plan and a merger agreement in May 2018. The owners of the companies, the State of Finland and the Association of Finnish Local and Regional Authorities, were of the opinion that a joint joint procurement unit for the entire public sector would provide major benefits to the customers both in the form of the development of procurement expertise and in the form of more extensive service selection. Furthermore, centralising volume as such induces savings.

Hansel's strategy period, which started in 2016, was concluded. The goals were met. With its operations, Hansel increases the productivity of Government procurement, and in accordance with its vision, Hansel has renewed public procurement. The "Customer is the focus" operating model was launched and resulted in a high level of customer satisfaction. Development of the business operations, as well as the transfer to digital tools, such as electronic tendering, went according to plan. Preparation of a new strategy was started in May 2018 in cooperation with KL-Kuntahankinnat.

The merger required an amendment of the Act on a Limited Liability Company Called Hansel Oy. A government proposal regarding the amendment was prepared by the Ministry of Finance and submitted to Parliament in September. The amended Act entered into force as of the beginning of 2019. A note that Hansel is fully owned by the state was deleted from section 1. Municipalities, joint municipal authorities, the Evangelical-Lutheran church, the Orthodox church and their parishes were added to the list of customers in

section 3. Due to the amendment, public law bodies governed by the above-mentioned organisations can also be Hansel's customers. Furthermore, Keva was added to the list of customers.

The preparation of the merger was very intensive during the latter half of the year. The merger of business operations and administration was planned by several integration teams. In the autumn, the Boards of Directors of the companies met to discuss future strategic policies of the new Hansel. The original merger schedule proved too tight, however, and the merger was postponed to 2019. A decision of Hansel's owner to reduce the company's share capital by €7.5 million to €5 million was connected to the preparation of the merger. This action will enable returning capital to the owner before the merger, as agreed.

The merger speeded up the process of renovating Hansel's office in the main post office building in Helsinki to a more versatile space. The employees came back to a renewed office after their summer holiday; the change has been considered positive.

Over the course of the year, Hansel was involved in a variety of projects, such as Hanki, a project for the digitalisation of government procurement managed by the Ministry of Finance, the State Treasury's Tietokiri project, a project on the Competence Centre for Sustainable and Innovative Public Procurement (KEINO) by the Ministry of Economic Affairs and Employment and a working group on the black economy and public procurement managed by the Finnish Competition and Consumer Authority. Hansel completed several development projects, the most major of which were development of electronic tools for managing the

customers' simplified tendering processes and a reform of Hansel's CRM system. Hansel received an assignment and funding from the Ministry of Finance to renew Hilma, the notice channel for public procurement. The Hilma project is currently ongoing.

Actions connected the new General Data Protection Regulation (GDPR), which entered into force in the spring of 2018, caused a major workload for the legal unit and the different categories. Centralised procurement contracts were analysed and revised as required by the GDPR. Agreement templates and model clauses were prepared for new tendering processes. Training on privacy protection was arranged for the entire personnel. The work was successful, which was confirmed by an internal audit report commissioned by the Board of Directors.

Hansel's experts have also been involved in a process of updating privacy protection clauses connected to the general contractual terms for IT procurement in public administration (JIT). The Trade Secret Act (liikesalaisuuslaki, 595/2018), which entered into force in the autumn of 2018, has caused the need to further specify templates for invitations to tender and work instructions. Training related to this legislative reform was also arranged for the personnel.

Parliament is processing a legislative proposal submitted in 2017 (HE 63/2017 vp) that proposes a right for the regional governments to use Hansel's services. The proposal also includes certain specifications of Hansel's duties, such as the opportunity to participate in joint procurement across administrative borders, the processing of procurement data and related access to information. The legislative proposal was discussed by the Parliament's Commerce Committee, but the process was discontinued because a legislative reform related to the regional government reform fell through.

Rulings on the scope of procurement by the Supreme Administrative Court and the Market Court, as well as a decision by the European Court of Justice in case C-216/17, caused the need to consider access to information in the case of future procurement projects of procurement units that use joint procurement contracts and the need to offer more detailed information about the scope of procurement in the invitations to tender. Related reforms of operating methods will be introduced in 2019.

At the end of 2018, Hansel had seven complaints regarding three tendering processes pending in the Market Court. Three of the complaints pending in the Market Court involve a procurement decision deleted because of a correction of a procurement process. Furthermore, there were two complaints pending in the Supreme Administrative Court at the end of 2018. Hansel is also involved in ongoing legal proceedings regarding the publicity of documents in the Administrative Court. In 2018, Hansel received two decisions of the Market Court where the related complaints were rejected.

Hansel follows the processing of public procurement matters in the European Union. Hansel is a member of a cooperation group for key joint procurement bodies in the EU. Other members include the following joint procurement bodies: SKI (Denmark), Kammarkollegiet and SKL Kommentus (Sweden), BBG (Austria), Consip (Italy) and ANCP (Portugal). In June 2018, it was Hansel's turn to arrange a two-day CPB network meeting for the European joint procurement bodies. The meeting was arranged at the Finlandia Hall.

#### **Key events after the close of the financial year**

In January 2019, Hansel's Board of Directors approved a new strategy, which will be updated after the merger. The business operations have remained essentially unchanged after the close of the financial year.

# Risks and risk management



Hansel's risks are particularly linked to tendering related to joint procurement and contractual management. Hansel reduces risks related to tendering by ensuring good knowledge of procurement legislation and by following the company's tendering process. The company employs internal guidelines and a quality assurance system for competitive tendering. A special risk connected with the Government's electricity framework agreement applies to the Government's electrical derivatives, which are in Hansel's name (see

Note 5.2), even though the results of derivatives trading are charged to customers as such.

Each framework supplier's financial, technical and professional ability to provide the procured products or services is assessed during the tendering stage. Contract suppliers are monitored throughout the agreement period. In cooperation with a risk management expert, Hansel regularly conducts identification projects of key risks, the results of which are presented in more detail in the corporate responsibility report.

# Personnel and organisation



On 31 December 2017, Hansel employed 95 people (94 on 31 Dec 2017 and 75 on 31 Dec 2016). The average work input of the employees in 2018 was 90 (83 in 2017, 73 in 2016). The increase in the number of personnel is due to a strategic choice to further promote expert service and analytics expertise. At the end of 2018, women accounted for 55% of all personnel and 50% of Executive Committee members. The average age of employees was 43. At the end of the accounting period, 99% of all employees had permanent employment contracts (96% in 2017 and 100% in 2016).

61% of the employees have a master's degree and 5% a bachelor's degree, 5% have a master's degree from a university of applied sciences and 14% a bachelor's degree from a university of applied sciences. A total of 10% of the employees have completed secondary education and 5% have no vocational qualifications. The company's incentive system covers all permanent employees. Hansel adheres to the guidelines on management and key employee rewards and incentives issued by the Cabinet Committee on Economic Policy.

In 2018, 12 new employees were hired, three of them with fixed-term employment contracts. During the year, nine employees left the company, five of them resigned

and four left because their fixed-term employment contract came to an end. An exit interview is carried out with employees who leave the company, to receive feedback.

Wellbeing and working capacity of the employees are regularly surveyed. Results of the autumn 2018 survey showed an improvement in job satisfaction; the overall rating was 3.92 on a scale of one to five. Hansel encourages its employees to develop their competence. In 2018, the average employee had three days of training. Training and discussion sessions are regularly arranged for supervisors in connection with their supervisory tasks.

## **Sustainable development, environmental factors and the black economy**

Within public procurement, themes relating to corporate responsibility and combating the black economy are playing an increasingly important role. In its activities, Hansel adheres to the principles of corporate responsibility, in line with the Government policies. Corporate responsibility reporting is integrated with the company's annual reporting practices and provides detailed coverage of all measures related to responsibility.

# Outlook for 2019



The preparation of the merger of Hansel and KL-Kuntahankinnat continues, and the plan is to complete the merger by the end of 2019.

Favourable development of the company's business is expected to continue. Expenditure will continue to

increase because of recruitment and new development projects. Some of the development projects will benefit the public sector as a whole, such as a reform of the public procurement notice channel Hilma.

# Board of Directors' proposal for the disposal of profit



Loss for the financial period totalled €671,752.61. The Board of Directors proposes that no dividend be paid, and that the loss for the financial period be recognised as equity capital, and entered into the accounts as a result for previous financial periods.

The Board convened ten times in 2018. KPMG Oy Ab, Authorised Public Accountants, is the auditor, with Jorma Nurkkala, Authorised Public Accountant, Chartered Public Finance Auditor, as the Chief Auditor. Hansel's Managing Director is Anssi Pihkala, LL.M.

## **Board of Directors and auditors**

At the Annual General Meeting of Hansel Ltd on 19 April 2018, the following members of the Board of Directors were elected:

- Timo Laitinen, Director General, State Treasury, chair
- Anna-Maija Karjalainen, Director General, Ministry of Finance, deputy chair
- Rami Metsäpelto, Director General, Finnish Transport Agency, member (Managing Director of Vessel Traffic Services Finland Ltd as of 1 January 2019)
- Katariina Kemppainen, Professor of Practice, Aalto University, member
- Jukka Hämäläinen, Senior Legal Counsel, Hansel Ltd, member, employee representative

# Profit and loss statement

	1 January – 31 December 2018	1 January – 31 December 201
<b>Net sales</b>	<b>10,922,191.87</b>	<b>10,435,481.5</b>
Other income from business operations	388,392.13	179,100.0
Personnel expenses		
Salaries and fees	6,590,081.66	5,868,564.4
Indirect personnel expenses		
Pension expenses	1,192,440.9	1,071,733.0
Other indirect personnel expenses	227,103.46	232,761.7
Personnel expenses total	8,009,626.02	7,173,059.2
Depreciation and value adjustment		
Depreciation according to plan	88,909.6	52,361.2
Other operating expenses	3,897,596.25	3,185,673.9
<b>Operating profit (loss)</b>	<b>-685,547.87</b>	<b>203,487.1</b>
Financial income and expenses		
Other interest and financial income		
From others	15,580.16	18,013.3
Interest expenses and other financial expenses		
To others	-1,883.96	-470.9
Financial income and expenses total	13,696.20	17,542.3
<b>Profit (loss) before extraordinary items</b>	<b>-671,851.67</b>	<b>221,029.4</b>
<b>Profit (loss) before appropriations and taxes</b>	<b>-671,851.67</b>	<b>221,029.4</b>
Income taxes		
Taxes for the financial period	99.06	-36,738.9
<b>Profit (loss) for the financial period</b>	<b>-671,752.61</b>	<b>184,290.5</b>

# Balance sheet

<b>ASSETS</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Intangible rights	50,820.76	69,964.7
	<b>50,820.76</b>	<b>69,964.7</b>
<b>Tangible assets</b>		
Machinery and equipment	209,297.34	104,355.1
	<b>209,297.34</b>	<b>104,355.1</b>
<b>Non-current assets total</b>	<b>260,118.10</b>	<b>174,319.9</b>
<b>Current assets</b>		
<b>Receivables</b>		
<b>Short-term receivables</b>		
Accounts receivable	322,853.29	3,147,578.3
Other receivables	12,078.72	16,902.0
Prepayments and accrued income	1,453,724.46	136,646.7
	<b>1,788,656.47</b>	<b>3,301,126.5</b>
<b>Investments</b>		
Other shares and similar rights of ownership	2,130,415.21	2,124,346.7
	<b>2,130,415.21</b>	<b>2,124,346.7</b>
<b>Cash and cash equivalents</b>	<b>14,531,896.17</b>	<b>13,652,698.5</b>
<b>Current assets total</b>	<b>18,450,967.85</b>	<b>19,078,171.8</b>
<b>ASSETS TOTAL</b>	<b>18,711,085.95</b>	<b>19,252,491.4</b>
<b>EQUITY AND LIABILITIES</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Shareholders' equity</b>		
Share capital	5,000,000.00	12,500,000.0
<b>Unrestricted equity</b>		
Unrestricted equity reserve	7,500,000.00	0.0
Retained earnings	3,741,324.36	3,557,033.8
Profit (loss) for the financial period	-671,752.61	184,290.8
<b>Equity total</b>	<b>15,569,571.75</b>	<b>16,241,324.3</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Advance payments received	6,264.54	0.0
Accounts payable	710,866.09	825,857.0
Other liabilities	507,241.99	504,046.4
Accruals and deferred income	1,917,141.58	1,681,263.8
	<b>3,141,514.20</b>	<b>3,011,167.4</b>
<b>Liabilities total</b>	<b>3,141,514.20</b>	<b>3,011,167.4</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>18,711,085.95</b>	<b>19,252,491.4</b>

# Cash flow statement

	1.1-31.12.2018	1.1-31.12.2017
<b>Kassaflödet i verksamheten:</b>		
Vinst (förlust) före extraordinära poster (+/-)	-671 752,61	221 029,4
Korrigeringar till rörelsevinsten (+/-):		
Avskrivningar enligt plan	88 909,60	52 361,2
Finansiella intäkter och utgifter	-13 696,20	-17 542,3
Kassaflöde före förändringar i rörelsekapital	-596 539,21	255 848,3
Förändringar i rörelsekapital:		
Ökning/minskning av kortfristiga räntefria fordringar	1 512 371,01	-21 634,3
Ökning/minskning av kortfristiga räntefria skulder	130 346,75	-81 668,0
Kassaflödet i verksamheten före finansiella poster och skatter	1 046 178,55	152 546,0
Betalda räntor och betalningar för rörelseverksamhetens övriga finansiella kostnader	-1 883,96	-1 291,1
Erhållna räntor från verksamheten	15 580,16	18 833,4
Betalda direkta skatter (-)	99,06	-36 738,9
Kassaflöde före extraordinära poster	1 059 973,81	133 349,3
<b>Kassaflödet i verksamheten (A)</b>	<b>1 059 973,81</b>	<b>133 349,3</b>
<b>Kassaflöde för investeringarnas del:</b>		
Investeringar i materiella och immateriella tillgångar (-)	-174 707,76	-113 572,9
<b>Kassaflöde för investeringarnas del (B)</b>	<b>-174 707,76</b>	<b>-113 572,9</b>
<b>Kassaflöde för finansieringens del:</b>		
Återbetalning av säkerheter	0,00	0,0
<b>Kassaflöde för finansieringens del (C)</b>	<b>0,00</b>	<b>0,0</b>
<b>Förändringar av likvida medel (A+B+C) ökning (+)/minskning(-)</b>	<b>885 266,05</b>	<b>19 776,4</b>
<b>Ingående likvida medel</b>	<b>15 777 045,33</b>	<b>15 757 268,8</b>
<b>Utgående likvida medel</b>	<b>16 662 311,38</b>	<b>15 777 045,3</b>
	<b>885 266,05</b>	<b>19 776,4</b>

# Notes to the financial statements

## 1. Basis of preparation for the financial statements

### 1.1 Valuation principles

Fixed assets are entered in the balance sheet at cost less planned depreciation. 25 per cent reducing balance depreciation is applied to machinery and equipment. Software licenses are amortised on a straight-line basis over five years. Other long-term expenses are amortised on a straight-line basis over five years.

### Foreign currency items

Foreign currency denominated assets and liabilities are recognised at the European Central Bank average exchange rate on the closing date of the financial period.

### 1.2 Comparability of accounts

The accounting principles that were applied in 2017 were also applied in 2018.

## 2. Notes to the profit and loss statement

<b>2.1 Personnel expenses and average number of personnel</b>	<b>2018</b>	<b>2017</b>
Salaries	-6,279,828.41	-5,558,198.78
Fees and remuneration of the Managing Director and the Board of Directors	-310,253.25	-310,365.70
Pension expenses	-1,192,440.90	-1,071,733.06
Other indirect personnel expenses	-227,103.46	-232,761.71
<b>Personnel expenses total</b>	<b>-8,009,626.02</b>	<b>-7,173,059.25</b>
Total monetary value of fringe benefits	-84,123.39	-84,561.16
<b>Number of employees</b>		
At the end of the financial period	95	94
On average during the financial period	90	83
<b>2.2 Depreciation</b>		
<b>Depreciation according to plan during the financial period</b>		
<b>Intangible assets</b>		
Software licenses	-19,144.00	-17,576.35
<b>Tangible assets</b>		
Machinery and equipment	-69,765.60	-34,784.88
<b>Depreciation during the financial period total</b>	<b>-88,909.60</b>	<b>-52,361.23</b>
<b>2.3 Other operating expenses</b>		
Subsidies received	282,871.85	0.00
Other operating expenses	105,520.28	179,100.00
	<b>388,392.13</b>	<b>179,100.00</b>
<b>2.4 Financial expenses</b>		
Administration expenses	-2,140,346.41	-1,651,327.06
Expenses from facilities	-575,204.18	-619,955.57
Telephone, data communications and office expenses	-842,169.36	-640,291.55
Marketing expenses	-96,132.75	-50,942.65
Travel expenses	-100,414.06	-79,181.91
PR expenses	-1,786.15	-3,011.86
Other operating expenses	-141,543.34	-140,963.30
<b>Other operating expenses total</b>	<b>-3,897,596.25</b>	<b>-3,185,673.90</b>

<b>2.5 Financial income and expenses</b>		
<b>Financial income</b>		
Interest income	651.47	129.48
Exchange rate gains	0.00	820.17
Other income from securities	14,928.69	17,063.65
<b>Financial income total</b>	<b>15,580.16</b>	<b>18,013.30</b>
<b>Financial expenses</b>		
Interest expenses	-10.29	-470.87
Exchange rate losses	-449.52	-0.09
Other expenses from investments	-1,424.15	0.00
<b>Financial expenses total</b>	<b>-1,883.96</b>	<b>-470.96</b>
<b>2.5 Auditors' fees</b>		
Audit fees	-11,138.96	-8,657.32
Other fees	-119,142.18	-36,150.79
<b>Auditors' fees total</b>	<b>-130,281.14</b>	<b>-44,808.11</b>
<b>3. Notes to assets on the balance sheet</b>	<b>2018</b>	<b>2017</b>
<b>3.1 Changes in non-current assets</b>		
<b>Intangible assets</b>		
Acquisition cost 1 Jan	483,130.22	449,193.46
Procured during financial period	0.00	33,936.76
Acquisition cost 31 Dec	483,130.22	483,130.22
Accumulated depreciation 1 Jan	-413,165.46	-395,589.11
Depreciation during the financial period	-19,144.00	-17,576.35
Accumulated depreciation 31 Dec	-432,309.46	-413,165.46
<b>Balance sheet value 31 Dec</b>	<b>50,820.76</b>	<b>69,964.76</b>
<b>Tangible assets</b>		
Acquisition cost 1 Jan	889,536.08	809,899.92
Procured during financial period	174,707.76	79,636.16
Acquisition cost 31 Dec	1,064,243.84	889,536.08
Accumulated depreciation 1 Jan	-785,180.90	-750,396.02
Depreciation during the financial period	-69,765.60	-34,784.88
Accumulated depreciation 31 Dec	-854,946.50	-785,180.90
<b>Balance sheet value 31 Dec</b>	<b>209,297.34</b>	<b>104,355.18</b>
The company does not have any depreciation difference.		

<b>3.3 Receivables</b>		
Travel advances	12,078.72	16,902.08
<b>Other receivables total</b>	<b>12,078.72</b>	<b>16,902.08</b>
<b>3.4 Prepayments and accrued income</b>		
Deferred expenses	1,400,273.46	136,646.12
Pension insurance payment receivables	53,451.00	0.00
<b>Deferred expenses total</b>	<b>1,453,724.46</b>	<b>136,646.12</b>
<b>3.5 Financial securities</b>	Book value	Book value
Other shares and similar rights of ownership		
Fund units	2,130,415.21	2,124,346.76
	<b>2,130,415.21</b>	<b>2,124,346.76</b>
	Market value	Market value
	2,264,887.28	2,310,964.70
	<b>2,264,87.28</b>	<b>2,310,964.70</b>
<b>4. Notes to equity and liabilities of the balance sheet</b>	<b>2018</b>	<b>2017</b>
<b>4.1 Equity</b>		
<b>Restricted equity</b>		
Share capital 1 Jan	12,500,000.00	12,500,000.00
Reduction of share capital	7,500,000.00	0.00
Share capital 31 Dec	5,000,000.00	12,500,000.00
<b>Restricted equity total</b>	<b>5,000,000.00</b>	<b>12,500,000.00</b>
<b>Unrestricted equity</b>		
Unrestricted equity reserve 1 Jan	0.00	0.00
Addition to unrestricted equity reserve	7,500,000.00	0.00
Unrestricted equity reserve 31 Dec	7,500,000.00	0.00
Retained profit/loss 1 Jan	3,741,324.36	3,557,033.83
Retained profit/loss 31 Dec	3,741,324.36	3,557,033.83
Profit/loss for the financial period	-671,752.61	184,290.53
<b>Unrestricted equity total</b>	<b>10,569,571.75</b>	<b>3,741,324.36</b>
<b>Equity total 31 Dec</b>	<b>15,569,571.75</b>	<b>16,241,324.36</b>
<b>Calculated distributable assets 31 Dec</b>		
<b>4.2 Current liabilities</b>		
<b>Accruals and deferred income</b>		
Annual holiday pay and related social security contributions	1,007,486.56	889,841.77
Salary liabilities and related social security contributions	893,110.60	751,803.00
Pension insurance contributions	0.00	9,294.00
Mandatory employer's insurance payments	0.00	2,464.73
Other accrued expenses	16,544.42	27,860.40
<b>Accruals and deferred income total</b>	<b>1,917,141.58</b>	<b>1,681,263.90</b>

## 5. Notes on collateral and contingent liabilities

### 5.1 Transactions by related parties

Of the company's net sales, €1,682,383.18 (15.4%) comes from the sales of expert services to the government or organisations outside the government but tied to it.

### 5.2 Commitments and liabilities

#### Other own commitments

Rental liabilities, less than one year	745,568.04	723,852.48
Rental liabilities, more than one year	3,212,753.94	0.00
Leasing liabilities, less than one year	147,327.51	130,033.74
Leasing liabilities, more than one year	116,080.31	201,556.08
<b>Commitments and liabilities total</b>	<b>4,221,729.80</b>	<b>1,055,442.30</b>
Electricity derivatives		
Market value	27,024,410.71	-3,025,636.20
Value of hedged volume (underlying security)	61,136,425.43	59,200,588.86

Government electricity procurement is handled centrally through Hansel's framework agreement and involves derivatives that hedge against changes in electricity prices, in accordance with the Government's electricity hedging strategy. Hansel is responsible for the management of this portfolio and is the counterparty to the derivative agreements on behalf of its customers. The counterparties used by Hansel are large operators in the field, and to reduce risks, Hansel distributes the portfolio between various counterparties. At present, Hansel has six potential counterparties. For Hansel, electricity derivatives trading is a pass-through item, and the related expenses and income are charged for in full from the Hansel portfolio customers. The market values of derivatives are not recorded on the balance sheet.

A monitoring group for electricity procurement, set up by the Ministry of Finance, supervises government electricity procurement and, if necessary, proposes improvements to the Ministry of Finance. The chair of the monitoring group is a representative of the Ministry of Finance, and the group reports to the management of the Ministry of Finance, as necessary. The two-year

term of the group ended on 31 December 2018. The Ministry of Finance will soon appoint a new monitoring group for the next two years.

The Ministry of Finance decides on the Government's hedging strategy for electricity procurement. According to this strategy, a portfolio manager chosen by Hansel through tendering decides on individual hedges and their scheduling. Hedges have been made accordingly until 2022.

### 5.3 Pending legal proceedings

At the end of 2018, Hansel had seven complaints regarding three tendering processes pending in the Market Court. Three of the complaints pending in the Market Court involve a procurement decision deleted because of a correction of a procurement process. At the end of 2018, Hansel had two complaints pending in the Supreme Administrative Court. Hansel is also involved in ongoing legal proceedings regarding the publicity of documents in the Administrative Court. In 2018, Hansel received two decisions of the Market Court where the related complaints were rejected.

# Planning improves management of procurement



Procurement planning is much more important than before. The approach to planning is more strategic, and the fact that high-quality planning also supports the organisation in the achievement of other goals is understood. Hansel's goal is to make government procurement units more systematic not only by developing procurement expertise, but also by offering electronic tools to support planning.

“Procurement planning is one of the most important factors that influence the success of an organisation's procurement. With a functional procurement planning process in place, the organisation will be able to plan and prioritise its future procurement needs and procurement experts will be able to anticipate their future workload,” summarises **Mika Hänninen**, development manager.

Hänninen works in Hansel's procurement development unit which offers customers the expertise and support they need to determine the current status of their procurement and to plan and implement their development actions.

## **Tendering calendar and procurement roadmap show the way**

Central government agencies annually upload their procurement plan data for the next few years to an electronic tendering calendar maintained by Hansel.

With the tendering calendar, which was launched in 2017 and is open to anyone, agencies interested in the same or similar tendering processes can cooperate and potential suppliers can obtain information about future tendering processes.

In the years to come, procurement planning will be closely connected to the Hilma service that is currently being renewed to ensure that single procurement needs included in the tendering calendar can be used as advance notices of future tendering processes. The practical implementation method was discussed with the different cooperation partners at Hilma workshops arranged by Hansel in 2018.

As one of the key development projects related to project planning, Hansel has been involved in the KEINO project, creating ideas for a concept that would allow creating a shared roadmap for all public sector procurement projects.

“The procurement roadmap is a tool for the strategic management of an organisation that visualises procurement projects, their goals and their appropriations during the years to come. It allows the organisation to discuss with its internal stakeholders how and why it should invest in procurement in the years to come,” Mika Hänninen explains.

The procurement roadmap also allows identifying procurement projects that are relevant for innovation or sustainability.

#### **Data available in several formats**

Hansel's selection of analysis tools was supplemented in April 2018 with Hankintapulssi, which offers organisations an opportunity to study data collected from procurement in more detail. Government procurement data service and Tutkihankintoja.fi, which were made available to the customers before, show group-level data, but Hankintapulssi allows you to drill down to the accounting office level.

Hankintapulssi collects purchase invoice data of the accounting offices and information on joint procurement in a format that is easy to handle. The

visualised service shows what was purchased, from which supplier and when. Hankintapulssi serves organisations included in the scope of the state budget, the procurement data of which is available in the Government procurement data service.

The analysis tools are continuously developed. The goal is to supplement Hankintapulssi with content on procurement planning and electronic tendering. The government procurement data service was also renewed in 2018 to better respond to the needs of the users. The reform standardised government procurement data service and Hankintapulssi in terms of appearance and user interface.

# Central government excels in knowledge-based management



Tietokiri project promotes the culture of knowledge-based management in central government. It was created based on a need to make better decisions in the more complex world where more information is generated every second. Government agencies have a great deal of responsibility for the generation of accurate information and for offering the opportunity to utilise it.

Decisions will be better if they are based on an analysis of versatile information of a high quality. Over the course of the year, Hansel's experts presented Hansel's analysis services at, for instance, the Valtio Expo event in May and at the opening event of Tietokiri in September. Furthermore, we published case studies, blogs and weekly key figures that highlighted interesting details regarding the central government knowledge base on the Tietokiri.fi website.

Hansel has determinedly developed the utilisation of procurement data over the past few years. The government procurement data service was the first to be completed. Inspired by it, a decision was made to create the Tutkihankintoja.fi service that offers the information to the general public easily and in a visual manner. The same documents were also added to the avoindata.fi service. The most recent addition to Hansel's analysis product family is Hankintapulssi, a service for Hansel's customers (a link to the article Planning improves management of procurement)

*Decisions will be better if they are based on an analysis of versatile information of a high quality.*

which provides more information on the procurement projects realised by the customer organisations.

“Electronic services are a good place to start the investigation of procurement data. If customers become interested in further utilisation of the existing data, we can make them comprehensive spend analyses and action proposals,” explains Tuula Risikko, development manager.

The most active participants to Tietokiri during its first year of operation were, in addition to Hansel, the State Treasury, which was tasked with the management of Tietokiri, HAUS, the National Land Survey of Finland, the Finnish Government Shared Services Centre for Finance and HR (Palkeet), Senate Properties and Vimana. The project aims at making the results of knowledge-based management more clearly visible and sharing tested tools and methods. Other goals are collecting a shared state governance knowledge base and offering analysis services and data visualisation to governmental organisations. Additional information: [www.tietokiri.fi](http://www.tietokiri.fi)

# Joint development by the EU member states



In June 2018, Hansel arranged a CPB Network event for European joint procurement bodies. The two-day event proved that the concerns and interests of the EU member states are fairly similar. The agenda included strategic management, digitisation of procurement, open data and customer-centred approach.

Public procurement in Europe is more and more professional, and transparency of the operations is emphasised. Hansel presented its groundbreaking Tutkihankintoja.fi service to the participants. Promotion of competition is one of the high priorities specified by the European Commission. Improvement of the opportunity of small and medium-sized enterprises to participate in procurement was discussed at length at the seminar in Helsinki.

“The Commission wishes that joint procurement bodies would cooperate to increase the quality of public procurement in Europe. Training for procurement experts is needed throughout the whole of Europe, and good practices need to be shared,” encouraged **Marzena Rogalska**, Head of Unit at the European Commission.

**Timo Rantanen**, a development manager at Hansel, talked about the establishment of the Finnish Competence Centre for Sustainable and Innovative Public Procurement (KEINO) and the ways in which innovation and green values are promoted in public procurement in Finland. Measuring the effectiveness of procurement is an interesting issue for all the EU member states.

## Joint procurement bodies were interested in the Remedies Directive

A European comparison on the duration of legal proceedings has been made, and Finland was unfortunately not among the top member states. Stakeholders are of the opinion that the Remedies Directive will improve openness, transparency and availability. The Directive has been justified by increased efficiency.

The joint procurement bodies have submitted a report to the Commission which emphasises special characteristics of joint procurement in relation to the Directive and describes challenges that the joint procurement bodies have encountered due to regulation. The joint procurement bodies are of the opinion that the goals of the Directive are good, but the best means of reaching them would be by reducing the processing times and sharing best legal practices between the member states.

The joint procurement bodies proposed reducing processing times by setting time limits for decisions and reducing the volume of documentation, limiting the stages in legal proceedings or mitigating the impact on joint procurement contracts. The report included detailed descriptions of the disadvantages caused by long processing times to joint procurement.

The CPB meeting culminated in a workshop on dynamic purchasing systems, where the exchange of experiences was lively and the participants received tips on how to resolve some challenging situations.

# Driving innovation and sustainable development



The network-based Competence Centre for Sustainable and Innovative Public Procurement (KEINO) was established in 2018. KEINO supports and assists contracting entities in the implementation and development of sustainable and innovative public procurement. The network's term will end in 2021.

In addition to Hansel, the network includes Motiva Ltd, Business Finland, KL-Kuntahankinnat Oy, the Association of Finnish Local and Regional Authorities, the Finnish Innovation Fund Sitra, Finnish Environment Institute (Syke) and VTT Technical Research Centre of Finland. Hansel offers to the network its competence on procurement in central government, the development of public procurement and the management of practical procurement processes. The network can use Hansel's comprehensive competencies ranging from analysts to consultants and development managers.

KEINO supports public procurement entities all the way from the preparation of the procurement to the contract procedure. The services have been divided into service packages offered to the contracting entities.

The service package for strategic management and measurement of procurement offers training to the management of the contracting entities and communicates information on how to measure effectiveness. The goal is to promote understanding

*The network can use Hansel's comprehensive competencies ranging from analysts to consultants and development managers.*

within the contracting entities on the significance of strategy and develop procurement into a systematically managed and strategically significant function of the organisation. In the service package, Hansel has participated in the preparation of surveys which map the starting level in the whole of Finland and the planning of a roadmap to support the contracting entities' strategy measures.

The customer groups facilitate interaction between contracting entities interested in the same themes related to sustainable and innovative public procurement. KEINO also promotes the introduction of Green Deal agreements between governmental organisations and service providers. Hansel has participated in the work of the development teams with its expert input. Hansel promotes the work of the development teams on social responsibility, the opportunity to apply the innovation partnership procurement method, as well as sustainable and innovative event management.

A service package on the development of procurement units' competencies was started with a competence survey in the procurement units, recruitment of change agents to be placed in different provinces and the planning of training courses. Competence development is also realised by means of offering consulting to procurement units and collecting example data. The work is supported by Hansel's strong training expertise. Through cooperation with educational establishments, KEINO's message will also reach future procurement experts.

KEINO's impact is not limited to Finland. In 2018, Hansel's experts spoke about KEINO at the EcoProcura 2018 conference in the Netherlands and a social

responsibility meeting in London. The opportunities provided by international cooperation will be especially pronounced during Finland's EU presidency.

A functional network is more than the sum of its parts. KEINO's member organisations are trailblazers in Finnish procurement. Hansel's work in the network aims at making procurement in central government and municipalities more sustainable and innovative. Due to the significance of public procurement and the procurement volume, KEINO's work systemically covers society as a whole, enabling better cooperation between governmental organisations, the private sector and customers now and in the future.

# Tendering opened doors to export market



Finnpilot Pilotage, which manages the provision of pilotage services and other duties related to the safety of water traffic and supporting duties in Finland, arranges competitive biddings for special products and services related to its operations. These products include pilot vessels, a variety of transport services and vessel maintenance services, among others. Hansel has been involved in the implementation of several of Finnpiilot's own tendering processes over the years.

One of the most recent procurement projects carried out by Finnpiilot had the slightly cryptic name of "Vessel telematics and analysis service". The procurement project started with the need to collect information on pilot vessels and their operation to further develop operating methods and boost the use of Finnpiilot's fleet. The core of the service is a system that collects positioning, machinery and other data from the vessels in almost real time and creates reports based on this data. The collected data can be used to assess tasks performed, use of the vessels, fuel consumption and a variety of factors that influence the occupational health and safety of the crews under different conditions and with different propulsion powers.

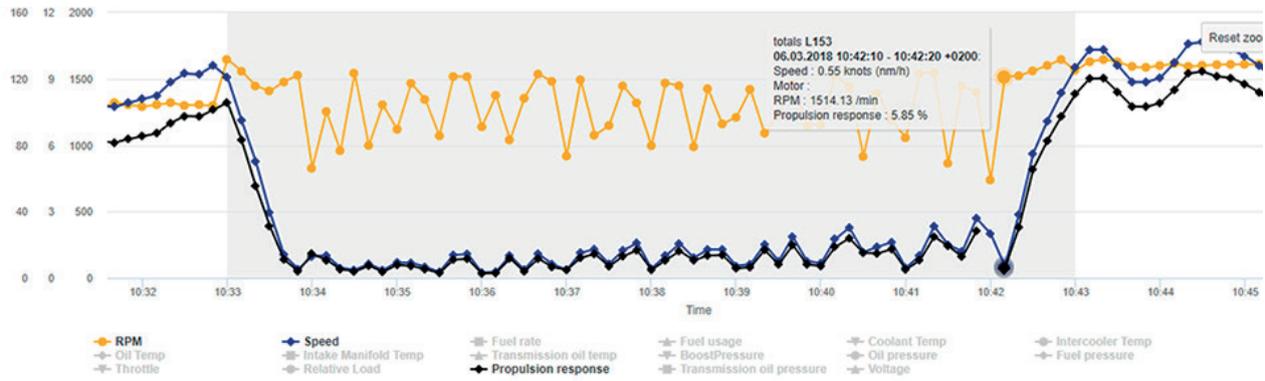
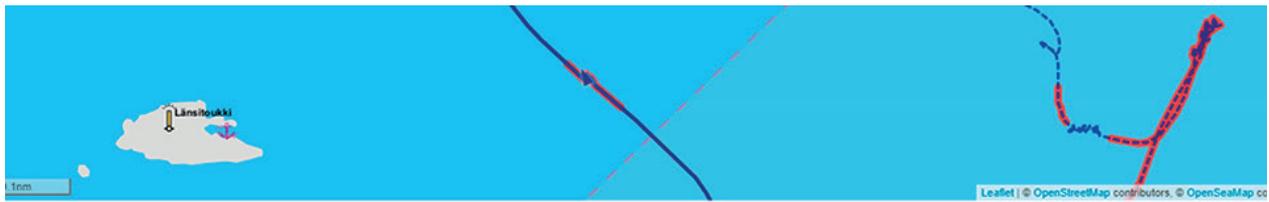
## **Everybody benefits from open development**

During a market survey before the procurement process, it was detected that there was no ready-made IoT-based fleet management system on the market that could be used for smaller vessels. Finnpiilot determined that creating a system of its

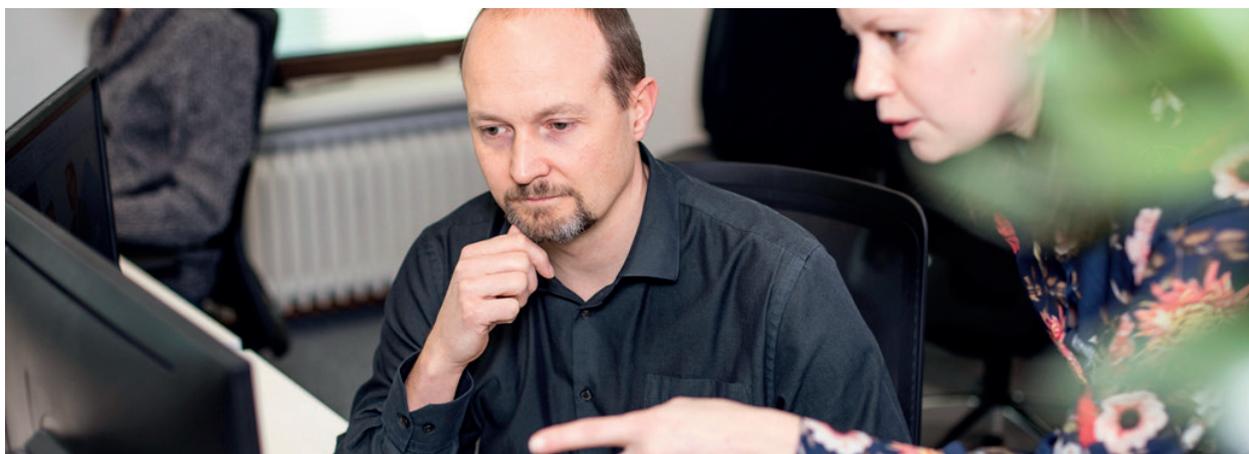
own would not be wise, as the company would not be able to commercialise the system due to competition neutrality issues. They wanted to use the procurement process to find a partner that would be ready to develop a fleet IoT system to be offered as SaaS.

Finnpiilot's fleet, consisting of several dozen vessels, would be a reference that the service provider could use when acquiring new customers. From the very start, the goal was to find a supplier that would be able to find an export market for its marine IoT service. This way, the needs, ideas and financial input of other customers would support development of the service and offer Finnpiilot new opportunities to develop the operation of its fleet. An open tendering process was arranged. The winner was a startup that had already received support from the Finnish Funding Agency for Technology (Tekes) for its fleet IoT development, which increased the export-centredness of its operations.

Most parts of the system were installed at the end of 2017, and the service has been taken into operational use. Finnpiilot is very satisfied with both Hansel's support in the realisation of the challenging procurement process and the new service that was obtained. The export potential of the service is considered to be fairly high. The procurement is a good example of what innovative thinking and a procurement process that supports innovation can achieve both for the procurement unit and a company that seeks new international business.



# Electronic tendering is now the norm



Handling all tendering processes that exceed the EU threshold value electronically has been mandatory as of October 2018 and handling all joint procurement tendering processes electronically has been mandatory as of October 2017. Hansel's joint procurement tendering was digitalised by the deadline, and the tendering processes of Hansel's customers can also be digitalised through the Hanki service.

The Government prepared for the entry into force of the Directive that requires the digitalisation of procurement well in advance: most of the commissioning projects that enable electronic tendering were completed in the Hanki service in 2016 and 2017. In 2018, a total of 16 new governmental organisations started using Hanki, which increased the total number of users to 96 organisations. Hansel invested a great deal in the organisation of commissioning projects and commissioning support over the course of the year.

The electronic operating model has been well received: almost 2,500 electronic tendering processes were completed in 2018, compared to 1,431 in 2017. Most of the electronic tendering processes (over 600) were procurement projects that exceed the threshold value specified in the Directive, but there were also a large number of national tendering processes (over 700) and small procurement projects (over 300).

If one of Hansel's customers only seldom carries out tendering, such as one tendering process per year or even fewer, using Hanki is not necessarily profitable

*A total of ca. €5 million has been saved by means of automatic checking of statutory information.*

for the organisation. Such customers can arrange their tendering electronically through Hansel's tendering services.

## **Strong development continues**

The Hanki service reduces the workload of a procurement unit by reducing the amount of routine work and making the tendering process more controlled.

"It clearly speeds up the opening and assessment of offers and the making of procurement decisions, for example. Furthermore, it is easier for tenderers to prepare their offers with the ready-made template. As invitations to tender and offers are in a structured format in the service, information that has been entered into the system can be reused as necessary," explains **Petteri Pohto**, electronic procurement service manager.

Electronic tendering also saves time with automatic checks of statutory information. Automation has made tendering processes smoother for both the procurement unit and the tenderers, as the

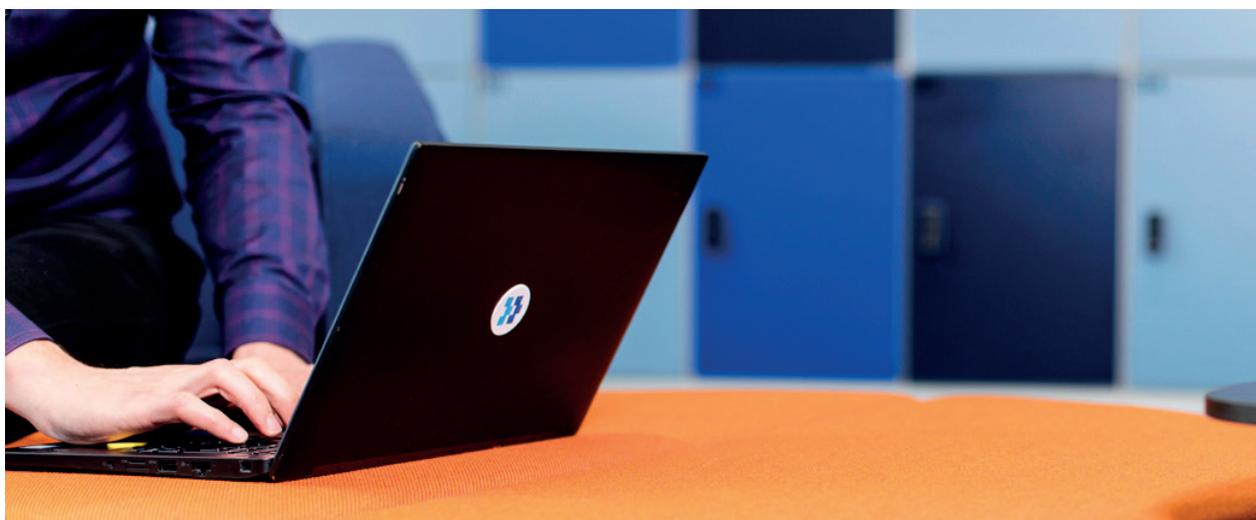
companies need not separately submit any of their information that is already included in official registers. The checks include the payment of taxes and social security contributions, for example. According to a calculation by the Ministry of Finance, ca. €5 million has been saved by checking the statutory information.

Hansel has also made major investments in further development of the electronic tendering system. In 2018, features to support framework agreements and mini-tendering was added to Hanki. They were well received. More than 200 mini-tendering

processes were completed on the basis of framework agreements of Hansel and other governmental organisations in 2018.

Features for the establishment, maintenance and use of dynamic purchasing systems have also been in active use in Hanki from the very beginning. Despite their novelty, governmental organisations already established more than twenty dynamic purchasing systems and completed some 70 internal tendering processes on the basis of them in 2018.

# Electronic signatures boost operations



In 2018, Hansel switched to the use of electronic signatures in joint procurement contracts and agreements on tendering services and procurement development services. Approximately 400 contracts and agreements were electronically signed (some 1,500 signatures total). The administrative burden of all the parties involved – customers, suppliers and Hansel – was clearly reduced.

The process of printing agreements, manually signing them and posting them has been almost completely eliminated. This has clearly speeded up the

enforcement of agreements. The signing process that used to take several days or, in some cases, several weeks has become a real-time process, and the electronically signed document is available to the both parties to use and archive without any delay.

The cost savings are also significant. It has been estimated that each electronically signed document saves up to €240 when compared to traditional manual signing. For us, this meant cost savings of some €96,000 last year.

# Renewing Hilma offers more versatile services



Hilma or the procurement notice service at [hankintailmoitukset.fi](http://hankintailmoitukset.fi) will be renewed to better serve the different user groups. The new Hilma will be introduced in early 2020. Hansel is responsible for the management of the project, and participants in the reform work include the Ministry of Employment and the Economy, the Ministry of Finance, the public procurement consulting unit and several other parties.

Hilma is an electronic notice channel where procurement units announce their public procurement projects. Companies use Hilma to receive real-time information on ongoing procurement procedures and advance notices on future procurement projects. All procurement projects that exceed the national and EU threshold value, as well as procurement projects that receive public funding are announced in Hilma.

Modernisation of the website to suit the current needs will support the market and facilitate the work on public procurement. Guidelines in the reform are increased openness, a user-centred approach and continuous development. Hilma, which is at present mainly a notice channel, will take tenderers, partners and parties who seldom need the service better into account.

“We will serve the market, in particular, by offering more information on future procurement projects. We want the new Hilma to make participation in tendering easier and hope that the reform will lead to more good offers from SMEs, for example,” says **Tiina Luoma**, the project manager in charge of the Hilma reform.

Like the current service, the new Hilma will be offered openly and free of charge to all procurement units. The service will also include the opportunity to subscribe to notifications about procurement projects that interest you, and the completion of contract award notices will be more fluent, for example.

#### **Aiming for a developing service**

Over the course of the year, the features of the user-based service were determined in close cooperation with the future users. A team consisting of procurement experts, such as representatives of procurement units and companies, was created to support the development of Hilma. Wishes were also mapped by means of online surveys.

“The team convened several times during the year, and it assisted in creating a solid foundation for the service that is based on the wishes and views of the future users of the service. Wireframe UI models and other user experience elements were created in close cooperation,” says **Timo Rantanen**, development manager.

The tendering process on the implementation of Hilma was completed in late 2018. The offer with the best price-quality ratio was by Innofactor Business Solutions Oy. The agreement to be signed with Innofactor consists of the delivery, commissioning, maintenance and further development of Hilma. Hilma will be renewed on the Microsoft Azure platform, primarily using the Platform as a Service model (PaaS). The service will be developed by using agile methods. In the future, open interfaces that enable versatile

utilisation of data will be added to Hilma. The open interfaces could allow introducing the data pool to the own systems of the involved organisations, for example.

“We must take EU-level development projects, such as the development of electronic procurement, the European Single Procurement Document (ESPD) and the renewal of the Tenders Electronic Daily service, in the development work,” says Timo Rantanen.

# Automation and artificial intelligence introduced to procurement



Hansel is an active participant in a cooperation group for the utilisation of artificial intelligence in central government and is also planning the introduction of automation to develop its own operations.

Government Shared Services Centre for Finance and HR (Palkeet) was the main controller of the central government AI network in 2018. Hansel was involved in the cooperation group, providing a procurement perspective. The network convened several times, discussing the status of Proof of Concept (POC) projects and examples of the practical application of AI. Interesting events were arranged in the offices of the Social Insurance Institution of Finland (Kela), the Finnish Tax Administration and the OP Group, for example. Ethics in the utilisation of AI and problems connected to the Finnish language will be the focus areas of the network in 2019.

One of the cooperation projects in which Hansel is involved is called Joint Service Point for Group Services. The project studies whether there is a

genuine need for a centralised, shared service point for the service providers of government agencies. The study will be completed during the first half of 2019. The implementation method will be specified later, provided that such a service point is considered necessary. Utilising robotisation is one option. A separate agreement on the schedule will be made in the cooperation group for service providers of government agencies.

In 2018, Hansel studied the opportunity to automate its customer support processes. The priority was to determine the benefits of the automation process for our customer service and the opportunity to offer the MiniKisaPlus service or the entire service process to our customers in a more rational and efficient manner with the help of modern software solutions. The final result is a road map that we will use to start our first experiments in the automation of our services in 2019.

# Target state

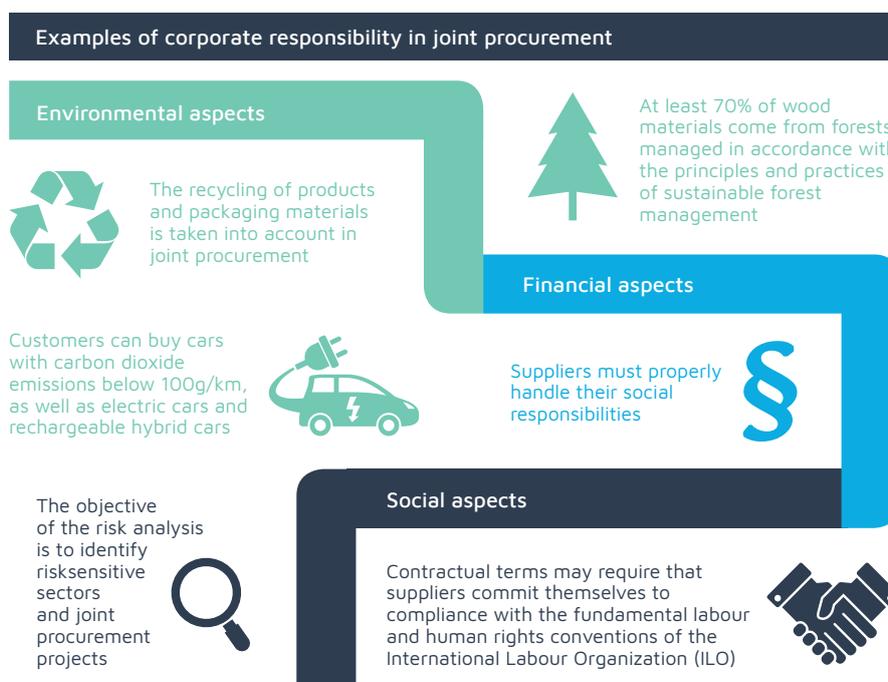


# Corporate responsibility management



Corporate responsibility is integrated in Hansel's strategy, and it is considered an enabling factor applying to all operations, in the same way as digitalisation, competence, innovation and efficiency. In the Executive Committee, corporate responsibility is included in the Director of Finance's job description, who chairs the Corporate Responsibility Team.

The Corporate Responsibility Team, which convenes regularly, consists of experts from various functions within the organisation, such as financial administration, the legal team, category management, procurement development, tendering process and communications. The basis for the corporate responsibility work is the company's strategy, which is implemented in the form of various projects and activities.



The Corporate Responsibility Team is also in charge of responsibility-related working instructions and processes. Preparation of a new way of considering responsibility in tendering, which is based on the final results, started in 2018. The operating model more comprehensively covers all of the three aspects of responsibility, and it will be included as part of the tendering process by the end of 2019.

Distribution of information regarding responsibility matters and providing internal support in tendering projects are important parts of corporate responsibility efforts. Team members participate in corporate responsibility related events and training sessions organised by various stakeholders. In addition, Hansel employees themselves provide training in various events focusing on responsible procurement.

Some corporate responsibility efforts are carried out with joint procurement units in other countries. Cooperation between the Nordic countries, in particular, has been strengthened by sharing information and exchanging experiences. Cooperation with NGOs has also been increased.

Priorities in Hansel's responsibility efforts are determined in the materiality matrix, which was updated for this report.

#### **Corporate responsibility reports at Hansel**

The results of our corporate responsibility efforts are presented in a Corporate Responsibility Report published annually in Finnish, Swedish, and English. Hansel's Corporate Responsibility Report has been integrated into the Annual Report. With regard to corporate responsibility, the Annual Report presents key information for 2018 and provides information about interesting events and achievements related to

corporate responsibility. The corporate responsibility report relating to events in 2017 was published on 19 April 2018. Reports are prepared in accordance with the principles set forth in the GRI Standards.

The report includes a table presenting the content of the report sorted by materiality themes, the GRI Standards used, as well as instructions on where the information can be found in the report. If a piece of information is not available, it is mentioned in the table alongside an explanation for the omission. Some pieces of information are included in the financial statements.

The report has been put together by Hansel's communications department together with advertising agency SST. Photos: Lasse Lecklin, Aki Rask, iStock. All pictures of the Annual Report feature Hansel's own experts.

For additional information, please contact Hansel's communication experts:

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Hansel's corporate responsibility report is available at vuosikertomus2018.hansel.fi (in Swedish arsberattelse2018.hansel.fi and in English annualreport2018.hansel.fi). The report is published only in online format for the sixth time in a row. The report was verified by KPMG Oy Ab.

# Materiality assessment



Hansel's corporate responsibility efforts and the related communications are based on a materiality matrix, which provides guidance in the application of the GRI Standards to the company's reports. A materiality assessment determines the topics that are to be covered in the corporate responsibility report.

The responsibility themes presented in the corporate responsibility report have been assessed in the materiality matrix with regard to their impact on the activities of the company and its stakeholders. This allows Hansel to focus on reporting the key themes within corporate responsibility. Although generating savings for the Government has not been specifically highlighted among our stakeholders, it is considered to be the most important area of our core business.

Several elements affect the content of the matrix. The United Nations' Sustainable Development Goals (SDG), trends in our operating environment, Hansel's strategy and values and the measures arising from them have been taken into account. Government guidelines and resolutions on Hansel have also affected the content of the matrix. The results of customer, supplier and employee satisfaction surveys, reports prepared by the Corporate Responsibility Team and feedback from customers and suppliers have also been taken into consideration.

The materiality matrix was significantly revised in autumn 2016 on the basis of a stakeholder survey. The revised matrix highlights Hansel's important role in promoting responsibility in the procurement process. In addition, national key projects, such as the Handi programme, influenced the definition of materiality. The materiality matrix was discussed by the Corporate

Responsibility Team and approved by the Executive Committee. The materiality matrix was updated again in 2018, because the operating environment had already changed.

Transparency, prevention of corruption and the black economy, which were previously separately processed, were combined into a single whole called Transparency and prevention of economic abuse. Basic employee rights, monitoring, oversight, the circular economy and cleantech were brought together under the heading of Responsibility in joint procurement. A motivating working community and new work are now the priority Good work community. The final changed sectors are the sharing of expertise and stakeholder cooperation, which are now jointly reported under the theme Sharing expertise. The other materiality factors have not changed.

The change was made because the financial responsibility factors share the same management practices, the three different responsibility perspectives are more strongly linked to tendering and position of the new working methods has been established. The materiality assessment will be repeated in 2019 once the merger of Hansel and KL-Kuntahankinnat has been completed and the operating environment has changed.

The topics presented in the materiality matrix have been linked to responsibility themes by using colour codes. By clicking on the different areas of the materiality matrix, you will be able to read how the responsibility themes are visible in everyday operations at Hansel.

## Hansel's materiality topics



## Stakeholders

Cooperation with various stakeholders is continuous. Stakeholder surveys have long traditions at Hansel. The table was originally prepared in a workshop for the Executive Committee, to be used as support in customer work. Later, its use was expanded to the development of all business operations. The stakeholder analysis is discussed by the Executive Committee once a year, and the network is updated as needed.

### Analysis of the major stakeholders with whom Hansel regularly works

Stakeholder	Expectations and requirements towards Hansel	Impact on Hansel's business	Cooperation and business strategy	Responsible party
<b>Customer relations</b>				
Procurement units	Affordable and high-quality acquisitions in terms of contractual terms and prices. Support for competitive tendering of both framework agreements and own procurement. Minimising risks related to purchasing and procurement. Making procurement easier for the organisation, need for support with the development of procurement has increased.	Very high	Operations are based on a customer relations plan, which is drawn up annually and wherein areas of focus and major customer relationship development activities are identified.	Customer relations team
<b>Government service providers</b>				
Cooperation forum for government service providers	Synergies in other operations	Mutual coaching in various sectors	Management's forum, communication and marketing cooperation, such as ValtioExpo	Managing Director, Chief Category Officer
Senate Properties	Support through successful acquisitions and the development of procurement	Cooperation has become deeper and more systematic	Close and regular cooperation, development services	Cooperation development manager
Government ICT Centre Valtori	Support through successful acquisitions and the development of procurement	High impact, important to maintain interest, key partner in the ICT sector	Expert services and cooperation in accordance with the Government procurement strategy: tendering expertise from Hansel, concepts for ICT services from Valtori	Customer relations team, category management, ICT team
HAUS Kehittämiskeskus Oy	Cooperation on training provided to Hansel's customers. Hansel employees as instructors on procurement services.	Development of the expertise of Hansel employees	Planning of training	Supervisors
Government Shared Services Centre for Finance and HR Palkeet	Support with business through successful acquisitions and the development of procurement	Increased	Cooperation projects, Handi programme and the Government's AI network	Director of Finance, Chief Category Officer
State Treasury	Support through successful acquisitions and the development of procurement	Increased impact. A significant operator in the development of the Government's financial and HR administration.	Cooperation projects, such as #Tietokiri	Director of Finance, Chief Category Officer
<b>Regional service centres</b>				
Maakuntien Tilakeskus Oy	Partner in regional procurement	Important	Operations about to begin; active dialogue	Account Manager, Chief Category Officer
Vimana Oy	Partner in regional procurement	Important	Operations about to begin; active dialogue	Account Manager, Chief Category Officer
Sotedigi Oy	Partner in regional procurement	Important	Operations about to begin; active dialogue	Account Manager, Chief Category Officer
<b>Supplier relations</b>				
Contractual suppliers	Profitable commercial activities with government organisations. Professional tendering processes coupled with non-discriminatory and fair treatment. Possibilities for additional sales.	Extremely significant impact as a provider of high-quality, responsible products.	Preparation of an action plan, coordination of cooperation with suppliers	Category management
Other suppliers	Desire for additional sales. Fair and non-discriminatory treatment, and verification of such treatment.	Minor impact	Communication on selection criteria, marketing of tendering processes	Category management, customer relations team

Employee relations and Board of Directors				
Employees	A good employer, balance between work and leisure	Very high	Continuous measures for enhancing wellbeing at work	Managing Director
Hansel Ltd's Board of Directors	Well-managed, successful company	High	Cooperation with the Board of Directors in accordance with the Limited Liability Companies Act	Managing Director, employee representative
Hansel's senior salaried employees (Hryy)	Efficient cooperation between employees and the employer	Very high	Regular meetings	Managing Director
Federation of Professional and Managerial Staff (YTN)	An active interpreter and developer of the collective agreement on the employee side	Low impact and interest	Employee representative's participation in training events and active contacts with the employee representative	Employee representative, HR manager
Service Sector Employers PALTA	An active interpreter and developer of the collective agreement on the employer side	Low impact and interest	Monitoring the situation and maintain contact as necessary	Managing Director
Ownership steering and legislation				
Owner	A well-run, responsible and innovative company that generates savings for state procurement	High	Cooperation projects, such as Handi, active expressing of views on possibilities for development and savings in procurement services	Managing Director
Department for Local Government (Ministry of Finance)	Regional government reform	Very high impact	Active cooperation	Chief Category Officer
Ministry of Finance's Public Governance Department, Corporate Services Policy Unit	Management responsibility and participation in cooperation projects, views of a procurement expert	Very high impact	Cooperation projects, such as Handi	Managing Director
Ministry of Employment and the Economy	Presenting the procurement perspective in support of legislative development	Very high	Participation in working groups, discussion and information events	Head of Legal Affairs
Business, organisations and corporate responsibility				
Industry organisations	Dialogue to support the development of contractual terms. Wants to ensure reasonable contractual terms in the industry	Moderate impact	Maintenance of cooperation (through regular meetings and representatives' inclusion in tendering processes)	Category management
Non-governmental organisations	Experiences and practical examples related to the industry	Increasing significance as corporate responsibility is emphasised to an increasing extent	Cooperation projects	Corporate Responsibility Team
Confederation of Finnish Industries EK	Impact on contractual terms, increasing members' awareness of public procurement	Moderate impact	Maintenance of cooperation, meetings as necessary	Managing Director
Federation of Finnish Enterprises	Want to especially promote the position of SMEs in Hansel's tendering processes	Moderate impact	Closer cooperation	Managing Director
Association of Public Procurement	Contacts and exchange of experiences with a network of industry experts	The role is being developed	Seeking an active role and close cooperation	Head of Legal Affairs
Ministry of the Environment	Pioneer of sustainable procurement	High impact, varying interest (legislation, EU)	Continue the cooperation	Corporate Responsibility Team
Finnish Environment Institute SYKE	Partner and expert in procurement; customer	Moderate impact	Continue the cooperation	Corporate Responsibility Team
Motiva	Exchange of information to promote sustainable procurement	Moderate impact	Continue the cooperation	Corporate Responsibility Team

Finnwatch	Partner and expert in responsibility matters, exchange of information to promote sustainable procurement	Moderate impact	Cooperation project	Category management, Corporate Responsibility Team
WWF	Partner and expert in responsibility matters, exchange of information to promote sustainable procurement	Moderate significance	Continue the cooperation	Corporate Responsibility Team
Finnish Association of Purchasing and Logistics (LOGY)	Network for operators in the field of procurement, promotion of public purchases	Moderate significance	Executive Committee for the Procurement Forum, Public Procurement Team, Corporate Responsibility Team	Chief Category Officer
Open Knowledge Finland	Partner and expert in the promotion of open information	Moderate significance	Cooperation as needed, such as the Tutkihankintoja.fi service and the availability of procurement information as open data	Director of Finance, Director of Digital Business
<b>Operators in the municipal sector</b>				
KL-Kuntahankinnat Oy	Participant in joint projects. Potential cooperation in the regional government reform	Important	Joint projects, such as eNest	Managing Director
Association of Finnish Local and Regional Authorities	Joint lobbying interests Potential cooperation in the regional government reform	Important	Continue the cooperation	Managing Director
Operators in the health care and social services region and service centres	Cooperation in the regional government reform	Increasing significance	Continue the cooperation	Chief Category Officer
<b>Other stakeholders</b>				
Procurement units in other EU countries	Closer cooperation and best practices, development ideas	Important	Continue the cooperation	Managing Director
European Commission	Development of public procurement	Increasing significance	Working groups, such as eCertis and EXEP	Managing Director
Media	Obtaining information related to public contracts	Moderate impact	Active service: offering stories and materials	Communications Manager
Aalto University School of Business	Partner and expert in public procurement	Moderate impact	Research projects and membership in networks	Director of Finance
Competence Centre for Sustainable and Innovative Public Procurement (KEINO)	An important operator within the network	Important	Operations about to begin, active participation in KEINO's work	Managing Director
HITKO, coordination group for data administration in the Ministry of Finance's administrative branch	Exchange of information, cooperation	Moderate impact	Regular meetings	Director of Digital Business
Working group for secure ICT procurement	Exchange of information regarding ICT matters related to data security	Moderate impact	Regular meetings	Account Manager

# Code of Ethics



The Code of Ethics provides the foundation for Hansel's practices and policies. The Code of Ethics has been approved by Hansel's Board of Directors, and its implementation is the responsibility of the Managing Director, who uses the management system as an aid in this work. The Code of Ethics applies to all employees. It is explained to all new employees as part of their induction process. Ethics are also discussed in relation to each employee's job description.

Managers and supervisors are obligated to ensure that

- everyone is treated equally and that work duties have been divided equally; and
- the work community is productive and efficient; and
- there is no discrimination, bullying or any other inappropriate behaviour in the work community; and
- occupational health and safety is taken seriously; and
- any problems are addressed.

Employees are obligated to ensure that

- work duties are taken care of without delay and appropriately; and
- the work community's work instructions are followed; and
- no conflicts of interest regarding work duties arise; any conflicts of interest must be reported to supervisors without delay; and
- the work community's rules are respected and everyone treats others with respect.

## Rules about cooperation with stakeholders:

1. Participation in training, social or cultural events or similar events organised by stakeholders is only allowed based on written permission from the employee's supervisor. However, those working with customers as part of their work duties do not need their supervisor's permission to take part in training organised by customers. When asking for permission, employees must specify whether the time is to be included in their working hours. Any travel and accommodation expenses will always be paid by Hansel.
2. Regular participation in events organised by the same supplier or other stakeholder is not allowed.
3. If personal gifts are offered, only regular business gifts or those in the same price range are acceptable. Any form of corruption or bribery is strictly prohibited.
4. During a tendering process, attendance in events organised by the companies participating in the tendering is usually not allowed, invitations to such events are not to be accepted and only season's greetings may be accepted as gifts.
5. Hansel has an event and gift list in which employees must enter details of events attended and gifts received when they are worth €15 or more. Such entries must be made without delay once permission for participation has been received or the gift has been received.
6. Our employees cannot use any information received in the course of their duties for the purpose of personal gain, nor can they disclose such information to any third party. We protect our suppliers' and customers' business secrets.

**Disqualification provisions and violations:**

The disqualification provisions specified in the Administrative Procedure Act (434/2003) are not directly applicable to Hansel, but the provisions in the Act and their interpretations do have a general bearing on procurement. Since the majority of Hansel's customers comply with the Administrative Procedure Act, we are also expected to abide by its principles. Hansel also applies recommendations of a report of the Public Service Code of Ethics Committee (3/2014), where applicable.

From Hansel's point of view, situations involving disqualification may arise, for example, when an employee changes jobs from a supplier to Hansel. We follow a principle that employees should not be tasked with any assignments related to their previous employer, their partners or competitors, immediately after assuming their new position. Permission must be obtained from the Chief Executive Officer for any outside employment.

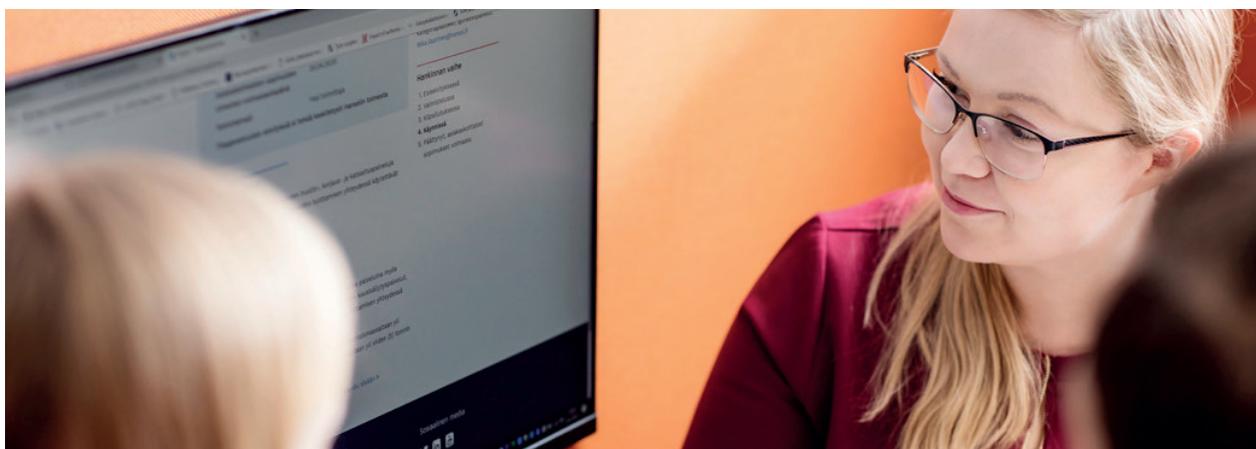
The most typical and most common situation involving disqualification arises when a next of kin of a Hansel expert or anyone in their immediate circle has a personal interest in a procurement process. If this is the case, the employee cannot be involved in the tendering process.

Hansel's experts give regular lectures at functions organised by the company's stakeholders. The company takes a positive stand to wide utilisation of Hansel employees' procurement expertise among stakeholders.

Hansel employees may witness situations that may constitute a breach of competition laws, such as price fixing, market sharing or abuse of a dominant market position. If Hansel experts suspect that competition laws have been breached, they must inform Hansel's Head of Legal Affairs.



# Preventing corruption



Requirements on impartiality, independence, transparency and equal treatment are strongly connected to the operations of Hansel. Some of the requirements are directly based on the Act on Public Procurement and Concession Contracts. We have created internal processes with our Code of Ethics, detailed work instructions and a project work model. Our employees are obligated to comply with these processes.

A tendering project is always completed by a team consisting of several people, and our employees are obligated to excuse themselves whenever there is any conflict of interest. We limit communication with the tenderers to a minimum when the tendering process is underway. We believe that centralising expertise in public procurement and creating established professional processes is the most efficient means of preventing corruption in its different forms.

One of the goals of the Act on Public Procurement and Concession Contracts is to promote efficient use of government funds. The Act annually regulates procurement amounting to more than €30 billion in Finland. The Act on Public Procurement and Concession Contracts (section 80) lists mandatory exclusion criteria, which means that if a tenderer is guilty of a criminal offence laid down in a regulation and has been convicted of the crime with a legally valid verdict, the tenderer must be excluded from the tendering process. Extracts from the criminal record are always checked in connection with tendering. The Act also lays down several discretionary exclusion criteria (section 81). Their application is a more complex matter.

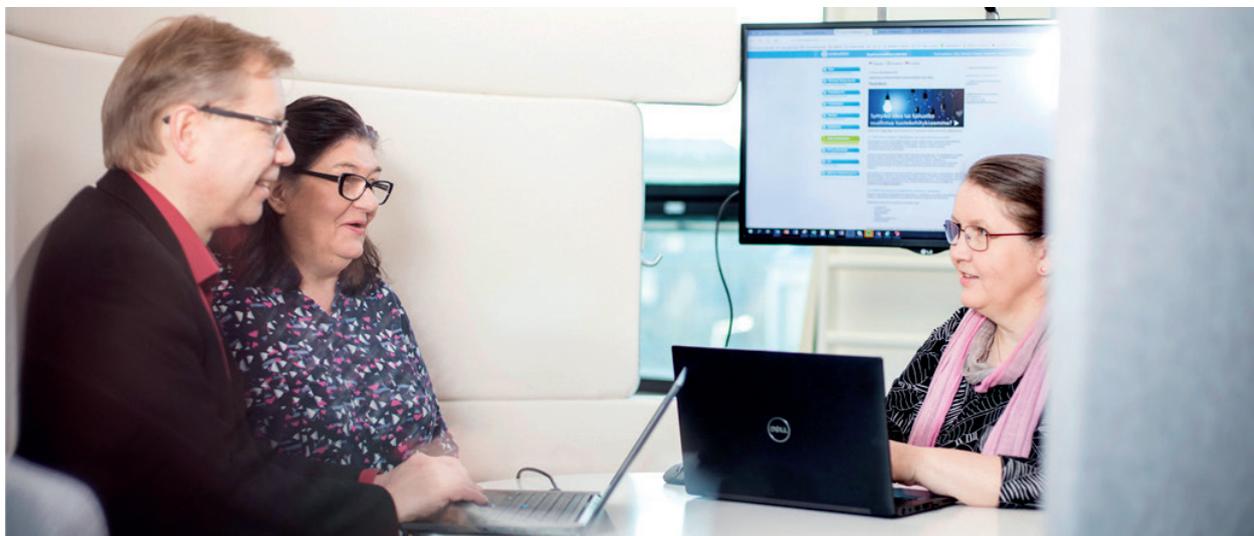
## *Hansel has invested in the promotion of transparency in procurement.*

Due to legislative amendments made in 2017, governmental procurement units now receive information they need to verify tenderers' compliance with requirements directly from statutory registers. Hansel uses an electronic tendering system where the retrieval of the statutory information from a variety of registers has been automated, except for the extracts from the criminal record. It is a shame that unethical or even illegal activities sometimes pop up also in the field of procurement, but more efficient oversight and inter-authority cooperation have made it easier to address.

Hansel has invested in the promotion of transparency in procurement by realising the Tutkihankintoja.fi service based on an assignment from the Ministry of Finance. The service makes purchase invoices related to government procurement available to citizens via an easy-to-use interface. The same documents are also available through the avoindata.fi service. The service also includes Hansel's own expenditure, and we hope that municipal organisations will join the service in the future. Our customers have access to even more detailed analyses about their own procurement through the Hankintapulssi service. For more information on Hankintapulssi, please see Planning improves management of procurement.

With its operations, Hansel has promoted the transfer to structural electronic invoicing in Finland. Hansel has, for instance, promoted new legislation on the subject matter. Electronic invoicing prevents the black economy: no fake e-invoices have been detected in Finland. Hansel has required e-invoices from its suppliers in all of its joint procurement contracts for some ten years now.

# Monitoring supplier finances



During the agreement period of the joint procurement contracts, Hansel will monitor specific financial and legal indicators of the suppliers and compliance with requirements laid down in the Act on the Contractor's Obligations and Liability when Work is Contracted Out in the case of procurement projects that are included in the scope of the said Act and that Hansel has decided to monitor. The customers are informed of this on Hansel's service website.

Hansel purchases oversight services from the market. The continuously monitored indicators are:

- Change of company name
- Change in company status
- Change of company form
- Notice of rectification regarding removal of a non-payment entry because payment has been made
- Notice of a new non-payment entry or the removal of an old entry
- Addition of a non-payment entry
- Change in prepayment register
- Loss of share capital
- Change in risk category
- Corporate reorganisation, such as a merger or acquisition

The monitoring service has functioned well, and Hansel has been able to anticipate suppliers' financial problems and other issues. Currently, the monitoring service includes 371 companies, including all of Hansel's Finnish contract suppliers. If the monitoring service issues an alert on deteriorated risk rating, for example, the category manager will contact the supplier to determine the reason for the change. A decision on the necessary actions will be made together.

Hansel has determined the joint procurement arrangements included in the scope of the Act on the Contractor's Obligations and Liability when Work is Contracted Out for which Hansel will perform a review as required by law. The actual verification process is partly bought as a service from Tilaajavastuu.fi, while Hansel performs some of the checks itself. In 2018, monitoring was performed on 16 framework agreements and 256 companies, of which 72 were framework agreement suppliers and the remainder were subcontractors for these suppliers.

# Extensive supplier base in joint procurement



Hansel carries out joint procurement tendering based on analysis of the customers' needs and the supplier market. The opportunity of different types of suppliers to be selected can be supported by setting the supplier requirements during tendering at the correct level.

By setting the applicability requirements, the procurement unit aims to ensure that the supplier will be capable of completing the procurement. The procurement unit can set requirements on the registration of candidates or tenderers, financial status or technical and professional competence. Net sales, risk rating and references are examples of typical requirements used.

The opportunity of companies of different sizes to participate in the tendering can also be secured by dividing the procurement into smaller parts. A joint procurement project can be divided into parts by arranging separate tendering processes for different regions, product groups, service groups or competence areas. A dynamic purchasing system can also be an efficient means of realising procurement in a manner that allows SMEs to participate in the joint procurement.

In the case of a DPS, all tenderers that meet the requirements will be selected and all procurements are realised through mini-tendering. As suppliers of

*The goal is to secure the opportunity of companies of different sizes to participate in joint procurement projects.*

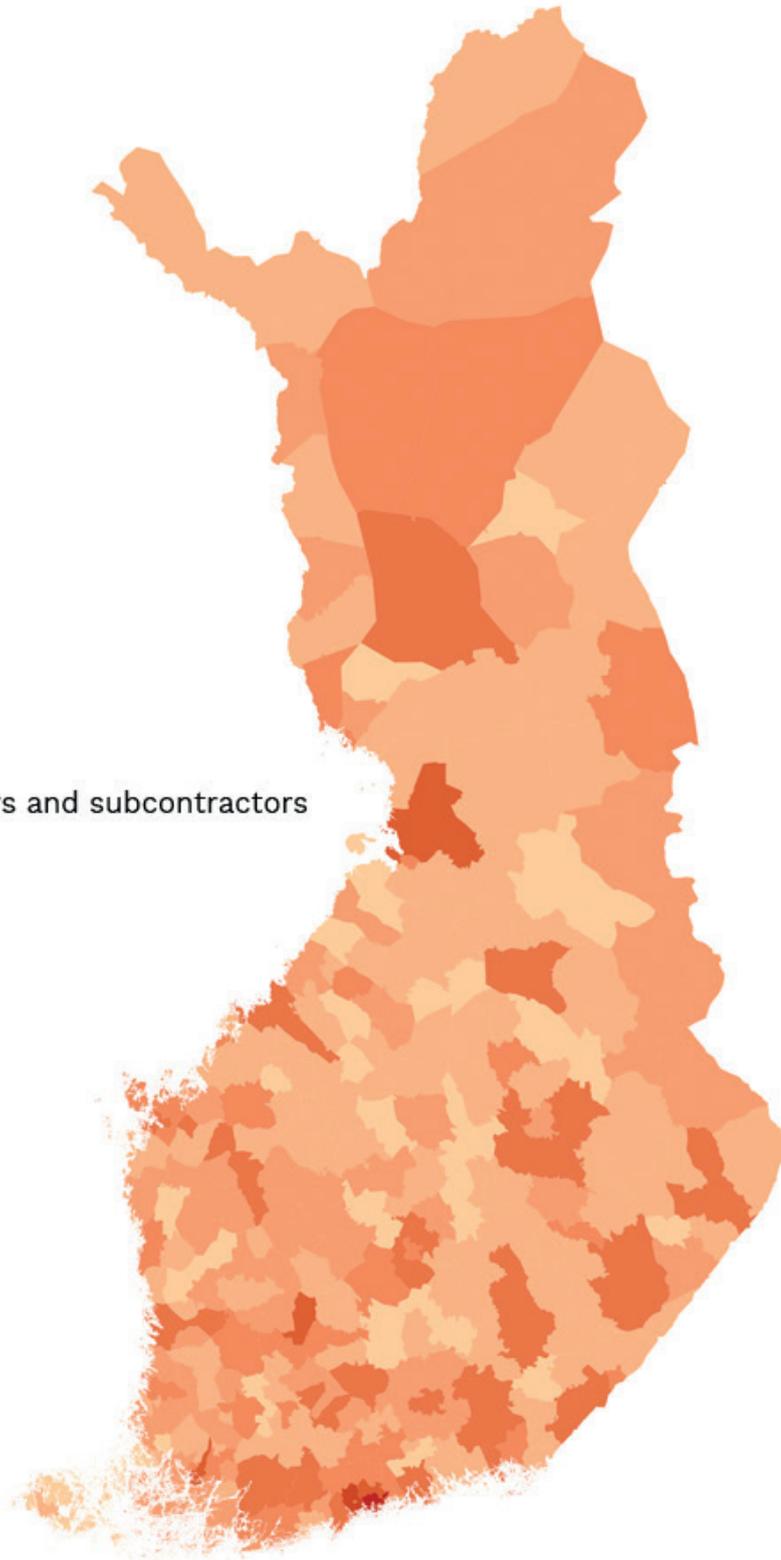
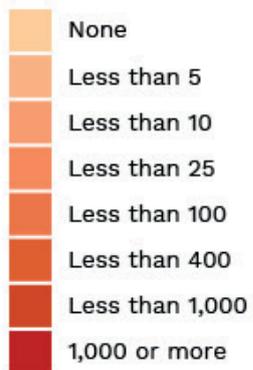
different sizes can be selected for the DPS, SMEs and companies operating only in specific regions also have the opportunity to be selected as suppliers.

The share of divided joint procurement contracts of Hansel's entire joint procurement in 2018 was 64%. The share of regionally divided framework agreements was 14%, the share of product and service group specific framework agreements was 39% and the share of framework agreements divided based on competence areas was 10%. In 2018, the share of joint procurement realised as new dynamic purchasing systems remained below one per cent of all the joint procurement contracts. This will change in 2019. The share of undivided joint procurement contracts was 36%.

In 2018, 42% of Hansel's suppliers and 87% of Hansel's subcontractors were SMEs.

At the end of the year, Hansel has a total of 27 non-Finnish suppliers.

Amount of suppliers and subcontractors



# Investigating auditing of responsibility



When arranging a tendering process, we extensively investigate responsibility issues and set requirements concerning them. A challenge is monitoring compliance with the requirements during the agreement period, however, especially in the case of environmental and social responsibility. We have automated the monitoring of financial responsibility during the agreement period.

In 2018, we studied the opportunity to realise social responsibility audits. Previously, we visited Sweden to see how our colleagues there have handled their responsibility auditing by outsourcing it to the private sector. The purpose of the investigation was to determine whether there are such private sector companies in Finland and, if so, whether they have responsibility audit expertise.

The investigation results were encouraging. There are several companies with experience of responsibility audits in Finland, and some of them also have several verification certificates. Some of the companies are Finnish and others are Finnish subsidiaries of foreign companies. Many of them have extensive networks that they can use to perform supply chain audits in high-risk countries.

*Several companies with experience from responsibility audits were found in Finland.*

The attitude of companies in the industry towards Hansel's survey was positive, and we received strong messages from some of them that the public sector should also start to carry out responsibility audits. We believe that in Finland, social responsibility audits are mainly carried out by large international private sector enterprises.

In 2017, Hansel used an extensive Code of Conduct procedure for contractual suppliers in its audits for the first time. It also enables the performance of responsibility audits. Furthermore, the contractual terms enable the sharing of audit results with other joint procurement units operating in the EU. Our plan is to start the first social responsibility audit pilot project by the end of 2019.

# Responsible materials and controlled working conditions



Special attention was paid to the promotion of the environmental, social and financial responsibility goals in a tendering process for office furniture in 2018.

The office furniture framework agreement offers customers a variety of furniture designed for public premises. The furniture is not only durable and of a high quality, but also environmentally friendly and responsibly manufactured.

*An appendix we prepared was an important tool in the improvement of the environmental friendliness of the products.*

“An appendix we prepared was an important tool in the improvement of the environmental friendliness of the products. Issues emphasised in the appendix included a reduction in the use of harmful chemicals, recycling of products and their packaging, as well as biodiversity,” says **Liisa Lehtomäki**, the development manager who determined the responsibility of office furniture.

All wood materials used in the furniture must be made from legally sourced timber. This is to secure biodiversity. The amount of chemicals is reduced by banning the use of some harmful chemicals in surface coating agents, foaming agents used in padding and glues, as well as by setting a maximum limit for formaldehyde emissions from wood panels. In turn,

recycling is supported by demanding a recycling service for old furniture from the suppliers and also demanding that they accept packaging materials.

## **Code of Conduct supports achievement of social responsibility goals**

Social responsibility was considered in the tendering process in a more comprehensive manner than before: the suppliers are obligated to ensure that the fabric used in upholstery is woven and electric motors of electric tables are assembled under appropriate conditions.

“In accordance with the Code of Conduct, the suppliers are obligated to ensure that the requirements of the eight basic conventions of the International Labour Organisation (ILO) are met if the textile factory or assembly plant is located in a country that has not enforced these conventions,” Liisa Lehtomäki says.

Compliance with the financial responsibility goals is an established part of Hansel’s framework agreement tendering. This means determining the suppliers’ risk rating and verifying compliance with obligations pertaining to taxes and pension contributions. Hansel also requests from the suppliers reports as laid down in the Act on the Contractor’s Obligations and Liability when Work is Contracted Out, because the delivery of office furniture includes services produced at the customer’s facilities. Compliance with all of the terms and conditions is monitored both in connection with the tendering process and during the agreement period on behalf of the customers.

# Accessible and responsible meeting venues made available



In 2018, Hansel arranged a tendering process on a framework agreement for its customers that offers meeting and event venues for meetings and other events in Finland.

The goal with the tendering process was to ensure that a sufficient number of meeting venues all around Finland would be available and that companies of all sizes and private entrepreneurs could participate in the tendering. A total of 85% of the selected suppliers, or 65 companies, are SMEs. The almost 200 meeting venues included in the centralised procurement contract are located all around Finland, and the meeting venue selection complies with the customers' needs in the whole of Finland.

## **Venues can be found through a new meeting reservation service**

Whenever possible, accessibility to public premises and the provided meeting and accommodation facilities is considered in the case of all the meeting venues included in the scope of the contract. Furthermore, completely accessible events in compliance with the Helppo liikkua (Easy to move) criteria by the Finnish Association of People with Physical Disabilities can be arranged at more than a hundred of the venues. The criteria take into account issues pertaining to transport connections, accessible access routes, furniture and lighting of the venue, among other issues.

Hansel's customers can book meeting venues through a meeting reservation service that was recently opened on Hansel's website, for example. They can also search for meeting venues where accessibility has been taken into account.

"From time to time, our customers arrange events with participants who have disabilities which hamper their movement or functional capacity. In such cases, accessibility must be considered already when planning the event. The new joint procurement contract better responds to our customers' needs in this respect," says Minna Isoherranen, a category manager who was involved in the preparation of the tendering process.

The minimum requirements on meeting venues also take into account environmental and social responsibility. The meeting venues measure and monitor the consumption of heat, electricity and water, as well as strive to reduce the wastage of food, for example. In terms of social responsibility, the meeting venues have committed to paying attention to equal treatment of employees, and harassment or any other form of inappropriate behaviour is not allowed in the work community.

# Hansel employees share their expertise



Several of Hansel's employees give regular lectures about public procurement at a variety of events. In 2018, such events took place at the following:

- Metropolia University of Applied Sciences
- HAUS
- Association of Finnish Lawyers
- Finnish Government
- Public Procurement Advisory Unit
- Aalto Executive Education
- OECD

## **Responsibility Morning: Procurement can be effective if you know what to require**

Hansel's first Responsibility Morning event was arranged in April 2018. Many customers were interested in the event, and more than 60 participants came to hear about social responsibility in the electronics industry. **Kirsi Koivusaari** from Hansel, **Anu Kultalahti** from Finnwatch, **Linda Piirto** from the Ministry of Economic Affairs and Employment and **Laura Kuistio** from the Finnish Transport Agency, among others, spoke about responsibility efforts at the event.

The United Nations Guiding Principles on Business and Human Rights (UNGPs) form the basis for corporate social responsibility. According to the UNGPs, governments are obligated to secure human rights and companies are obligated to respect human rights. Promotion of social responsibility is a continuous process with monitoring and reporting as its integral parts. The protection of human rights involves several

challenges, such as ensuring that human rights are followed in the entire supply chain or determining what is a sufficient salary based on the living expenses in each country, but we can succeed in these efforts if we share our best practices.

During the short history of social responsibility, the discussion has become clearly more varied. Agreeing as a united front is the most effective way of promoting responsibility, but organisations also need to create their own, clear practices for their responsibility efforts. Decisions must be made on who is responsible for the efforts, who will monitor compliance and how reporting will be handled. Social responsibility is not an issue that involves faraway countries only: it is also present in our daily work in Finland. Also in our work, human rights issues are linked to occupational health and safety, coping at work, diversity and customer privacy protection, for example.

## **Responsible electronics production**

**Tero Lehtisaari** spoke about a shared computer procurement responsibility project of Hansel and Finnwatch. Tools to promote social responsibility in public procurement were created and a tendering process for a computer framework agreement was arranged during the project period.

"The results were good, and they are available for anyone to read in Finnwatch's report called *Sanoista tekoihin* (From Words to Action). We hope that the results will be widely utilised. Now, we want to assist

our customers in determining their own responsibility-related quality criteria for their own simplified tendering processes,” Tero Lehtisaari hinted.

Suppliers of the computer framework agreement and representatives of Finnwatch and ethical trading association Eetti were able to describe their views on corporate social responsibility in a panel discussion led by Hansel’s **Kalle Hietaranta**.

The event was concluded by **Karolina Lehto** from Hansel telling how legislation encourages the promotion of responsibility. Requirements

for public procurement are included not only in procurement legislation, but also in environmental and energy efficiency legislation, for example. Responsibility must be considered from the very beginning of a procurement project, the selection of the procurement object, followed by the setting of supplier requirements and the description of the object of procurement. The procurement unit can clearly express its wishes to the tenderers in the criteria for comparison and the contractual terms, in particular.

# Hansel develops procurement as a member of the Finnish Association of Purchasing and Logistics



The Finnish Association of Purchasing and Logistics (LOGY) is Finland's largest logistics and procurement expert network. It promotes awareness of the procurement and logistics industry and the significance of procurement and logistics as key performance factors in business operations. Hansel is a member of the Executive Committee of LOGY.

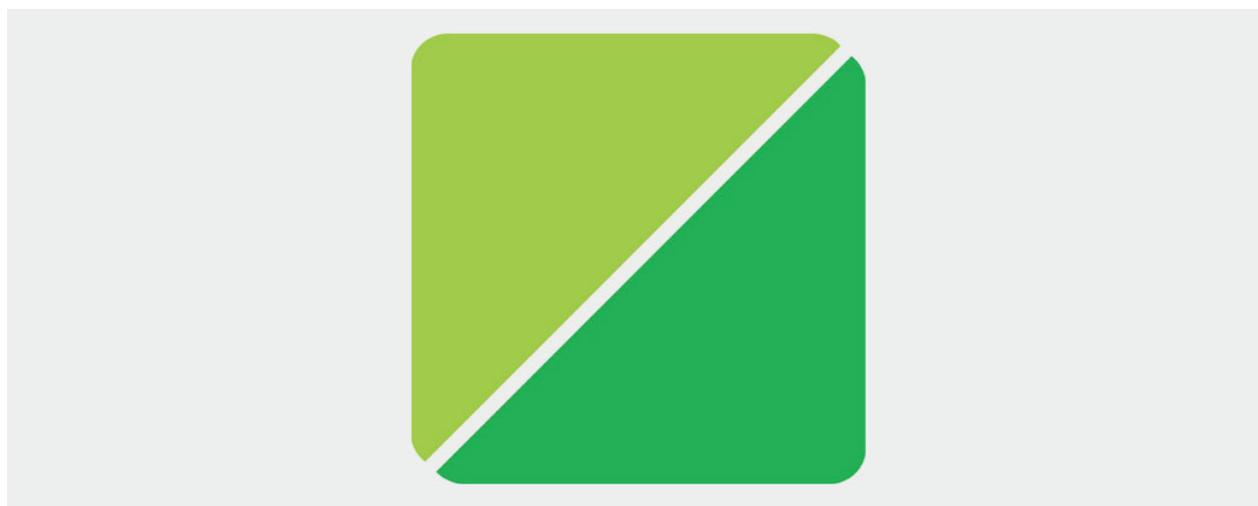
The procurement forum aims to influence the development of Finnish procurement expertise and promote competitiveness of its members. The purpose of the expert network is to raise procurement expertise in Finland to the top of the world. LOGY is also strongly involved in the development of training in the industry. It cooperates with several educational establishments and other parties that develop procurement expertise and practices in

Finland. The procurement forum offers its members an opportunity to form networks and acquire concrete solutions for the management of procurement and the development of their expertise. The procurement forum includes a public procurement workgroup in which Hansel is actively involved. The task of the public procurement workgroup is to promote public procurement in Finland to make it as efficient and fluent as possible.

LOGY cooperates with its sister organisations in Germany, Estonia and the Nordic countries and actively participates in the operations of the International Federation of Purchasing and Supply Management (IFPSM), the European Logistics Association (ELA) and the Council of Supply Chain Management Professionals (CSCMP), among others.

*The purpose of the expert network is to raise procurement expertise to the top of the world.*

# Ecolabel is a sign of a responsible framework agreement



Government resolution on the promotion of sustainable energy and environmental solutions in public procurement requires that environmental issues are taken into account in all public procurement.

At Hansel, the determination of environmental aspects begins during the planning of a tendering process. If including such aspects is not possible or only one environmental element is identified, this is documented in accordance with Hansel's internal guidelines.

Goals that the consideration of environmental aspects aims at:

- Reduction in energy consumption and improvement of energy efficiency
- Reduction of the use of harmful chemicals
- Reduction of greenhouse emissions (such as CO<sub>2</sub> emissions)
- Reduction of waste
- Reduction in the use of non-renewable natural resources and promotion of sensible use of renewable natural resources
- Preservation of biodiversity
- Promotion of environmentally friendly innovations
- Promotion of sustainable ways of life

If a framework agreement has included environmental aspects in relation to two or more criteria set by Hansel, it is awarded Hansel's own ecolabel. At the end of 2018, 55 of the 88 framework agreements that were in force (63%) had an ecolabel.

In some cases, environmental aspects cannot be taken into consideration due to the nature of the procurement. For example, in some sectors, such as organisational and HR development services and other similar framework agreements involving specialist services, environmental aspects are difficult to consider. A decision was made not to apply for an ecolabel for the framework agreement on refuelling at passenger traffic stations for the 2018–2021 period due to the nature of the products being procured.

Hansel will renew its operating model in 2019. Social responsibility will be considered more in tendering processes in addition to the environmental aspects, and assessments will be based on impact.

## In Hansel's framework agreements, environmental aspects are accounted for

- 1 in the determination of the procurement need; or
- 2 in the procurement requirement specifications; or
- 3 in the applicability requirements; or
- 4 as a criterion for comparison; or
- 5 in the contractual terms.

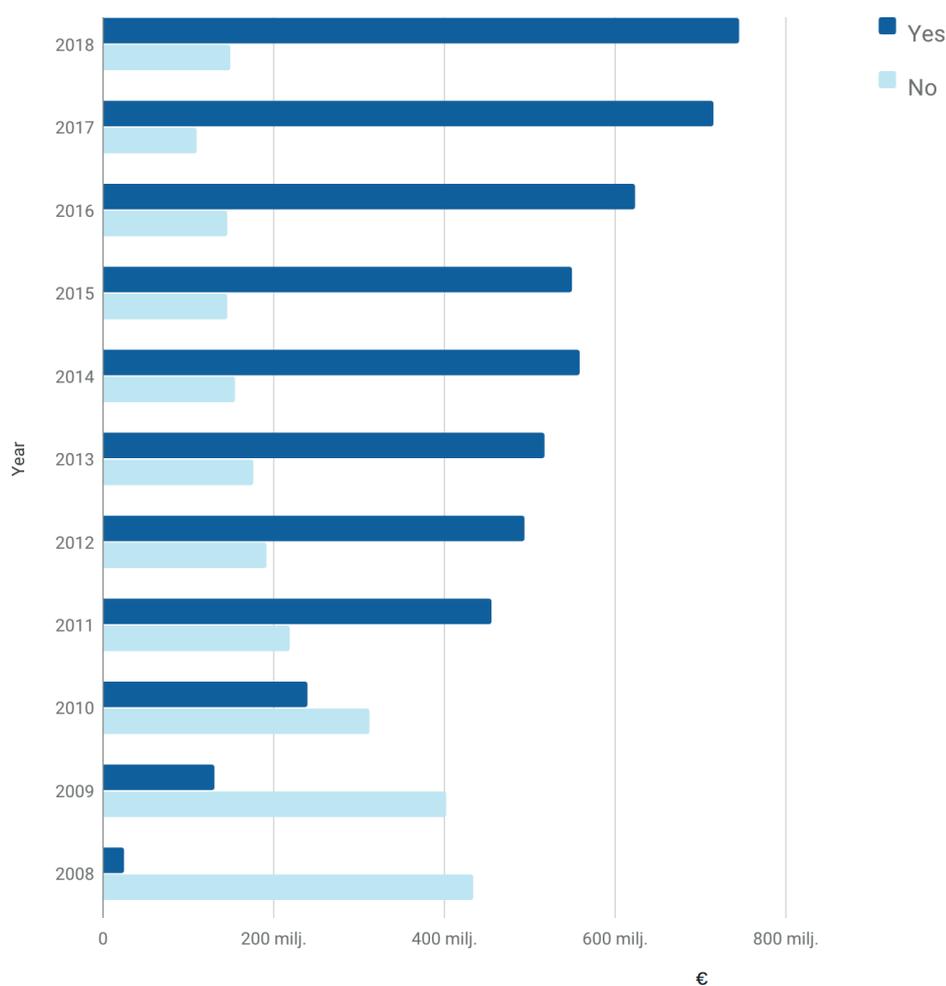
	1	2	3	4	5
<b>Consulting services</b>					
IT consulting services 2014–2018	1	2	3		5
IT consulting 2015–2019			3		5
<b>IT hardware</b>					
Desktop computers and laptops (PC/Windows) 2014–2016		2	3		5
Desktop computers and laptops (iOS/OS X) 2014–2016		2	3		5
Rugged computers for demanding ambient conditions 2014–2016		2	3		5
Mobile devices and related services 2015–2017	1	2	3		5
Printing management services 2015–2019		2	3		5
Printing devices and related services 2017–2019 (2021)		2			5
Presentation technology equipment and services 2016–2018		2	3		5
Rugged computers 2018–2020 (2022)		2			5
Computers 2018–2020		2		4	5
<b>Data centre services and hardware</b>					
Data centre and capacity services 2013–2019	1		3	4	5
Data centre network hardware 2015–2017		2	3		5
Servers and integrated solutions with related services 2017–2021		2		4	5
Storage and backup hardware and services 2015–2017		2	3		5
<b>Software</b>					
Electronic tendering solution 2015–2023	1		3		
<b>Data communications</b>					
Data communications services 2014–2018	1	2		4	
LAN/WLAN hardware 2015–2017		2	3		5
WAN hardware 2015–2017		2	3		5
Data security hardware 2015–2017		2	3		5
Video conferencing services 2017–2021	1	2			
<b>Personnel and health care services</b>					
Occupational health care services 2013–2018			3	4	5
<b>Accommodation and meeting services</b>					
Accommodation services in Finland 2015–2016		2	3	4	
Meeting services in Finland 2015–2017		2	3	4	
Accommodation services in Brussels 2015–2016		2	3		5
Ship travel services 2015–2018			3		5
Accommodation services in Finland 2019–2020 (2022)		2			5
Meeting, event and recreational services in Finland 2019–2020		2			5
Accommodation services outside of Finland 2019–2020 (2022)		2			5
Long-term accommodation services in Finland 2018–2021		2	3		
<b>Travel services</b>					
Train travel services 2011	1				5
Travel agency services 2016–2020			3		5
Maintenance flight services 2018–2021		2	3		5

Charter flight services 2018–2021	2	3	5
Ship travel services 2018–2021 (2022)		3	5
<b>Financial services</b>			
Payment solution 2013–2018	1	3	
Leasing services 2013–2017	2	3	
Leasing services 2018–2022	1	2	3
Payment solution 2018–2023 (2024)	1	2	
<b>Vehicle services</b>			
Working machinery 2014–2018	2	3	5
Vehicles and related services 2017–2019 (2021)	2		4
Car rental, mini-leasing, and car sharing services 2017–2019 (2021)	2	3	
Heavy vehicles 2017–2019 (2021)	2	3	5
Vehicle accessory services 2018–2022	2		4
<b>Energy</b>			
Gases 2017–2019 (2021)		3	5
Fuels 2017–2019 (2021)	2	3	5
Electricity 2013–2017	2	3	
Fuel purchases from service stations for commercial transport 2014–2018	2		5
Fuel purchases from service stations for passenger traffic 2014–2018	2		5
Electricity 2018–2022	2	3	
Electricity cost-price hedging and related services 2018–2020 (2022)	1	2	
<b>Consumable products and supplies</b>			
Tools and supplies 2015–2019	2	3	5
Electricity and HVAC supplies 2015–2019	2	3	5
Food and non-food products 2015–2020	1	2	3
<b>Office services</b>			
Printing services 2014–2018	1	2	3
Distribution services for Finnish literature 2014–2018	2	3	4
Distribution services for non-Finnish literature 2014–2018	2	3	4
Distribution services for serial publications 2015–2019	2	3	5
Office and computer supplies 2016–2020	2	3	5
Office furniture 2013–2018	2	3	5
Printing services 2018–2022	2	3	
Office furniture 2018 (temporary)	2	3	4
<b>Facility services</b>			
Cleaning services 2017–2021, facility user services	2	3	5
Security services 2017–2021, facility user services	2	3	5
Restaurant services 2017–2021, facility user services	2	3	5
Comprehensive services 2017–2021, facility user services	2	3	5
<b>Transport and logistics services</b>			
Chartered bus services 2014–2018	2	3	5
Moving transport services 2018–2020 (2022)	1	3	5
<b>Security technology</b>			
Security equipment 2017–2019 (2021)	2	3	5

### Joint procurement procedures that take into account environmental aspects

Category	Joint procurement in 2018, M€	Environment considered in 2017, M€	Environment considered in 2018, %	Environment considered in 2017, %	Environment considered in 2016, %
Vehicle services	72.2	63.4	88	97	100
Expert services	19.0	0.0	0	0	0
Energy	87.2	86.3	99	100	100
Personnel and health care services	73.6	62.2	85	83	83
IT hardware	87.4	86.2	99	98	99
Data centre services and hardware	58.5	58.5	100	100	100
Consulting services	87.4	71.2	82	91	46
Transport and logistics services	9.2	5.8	63	100	100
Consumable products and supplies	25.1	25.1	100	100	100
Accommodation and meeting services	32.9	32.9	100	100	100
Travel services	54.5	53.7	99	88	28
Software	44.9	0.4	1	1	54
Financial services	64.2	54.3	85	96	95
Data communications	45.7	23.7	52	49	42
Office services	60.4	60.4	100	100	100
Facility services	58.5	58.5	100	100	100
Security technology	14.4	3.1	21	49	79
<b>Total</b>	<b>895.2</b>	<b>745.6</b>	<b>83</b>	<b>87</b>	<b>81</b>

### Growth in environmental acquisitions since 2008



# Almost a hundred Hansel employees

## Personnel key indicators 2018

Male  
**43**

Female  
**52**

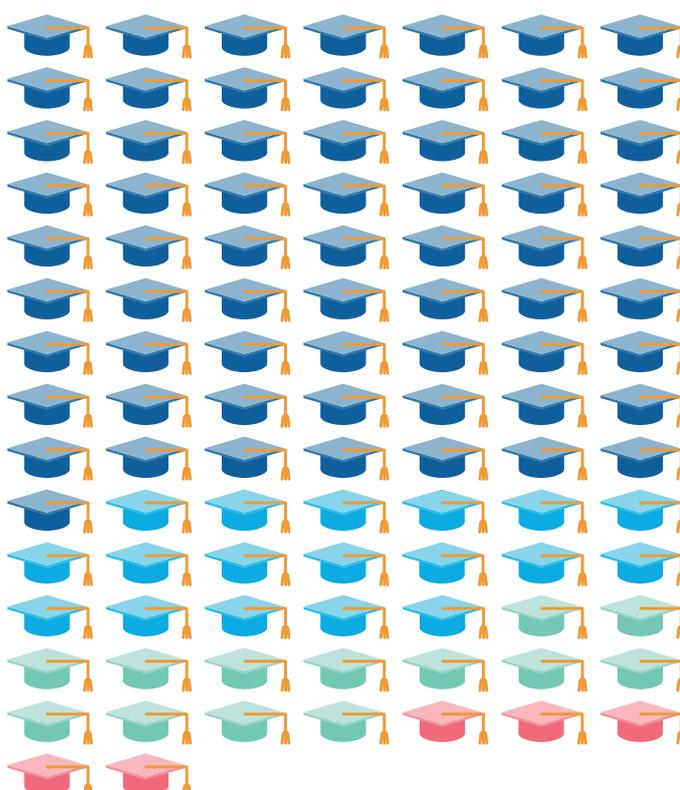


Master's level degree  
**66%**

Bachelor's level degree  
**19%**

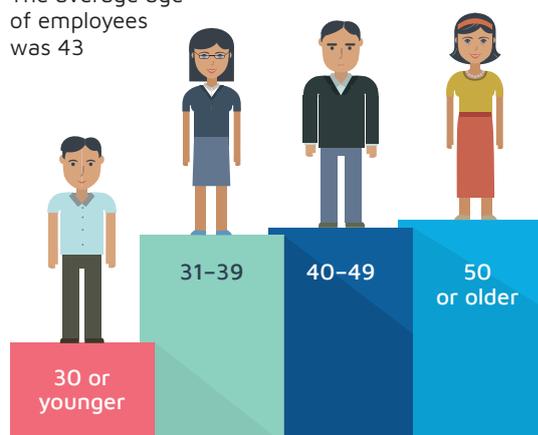
Secondary education degree + others  
**10%**

No vocational qualification  
**5%**



### Employees by age

The average age of employees was 43



Hansel's personnel continued to grow in 2018. At the end of the year, Hansel employed 95 people. Twelve new employees were recruited and nine people left the company over the course of the year. Five of the leaving employees resigned and in the case of four people, a fixed-term employment relationship ended. Hansel interviews all leaving employees to determine

their views of Hansel as an employer and any development needs, as well as to receive feedback.

For more specific information, please see the statistics that indicate five-year time series for selected indicators.

### Number of personnel

	2018	2017	2016	2015	2014
Number of personnel at the end of financial period (person-years)	92	90	72	74	77
Average number of personnel during the financial period (person-years)	90	83	73	73	75
Valid employment contracts on 31 December	95	94	75	76	80
Valid permanent employment contracts on 31 December	94	90	75	74	77
Valid fixed-term employment contracts on 31 December	1	4	0	2	3
Full-time fixed-term employment contracts on 31 December	0	3	0	0	2
Part-time fixed-term employment contracts on 31 December	1	1	0	2	1
Full-time employment contracts (fixed-term and permanent) on 31 December	92	91	73	74	79
Maternity/child-care leave on average	3	2	1	1	2
Permanent employment contracts on 31 December, %	98.9	95.7	100.0	97.4	96.2
Fixed-term employment contracts on 31 December, %	1.1	4.3	0.0	2.6	3.8

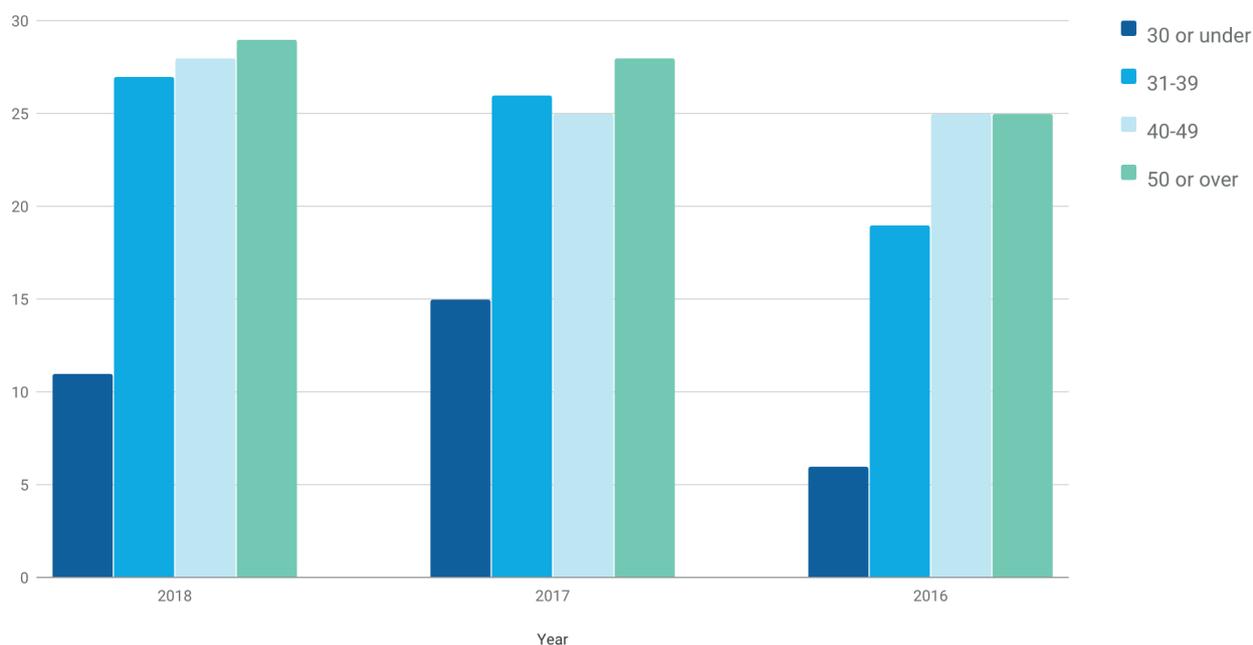
### Employees by gender

	2018	2017	2016	2015	2014
Male	43	45	36	38	34
Female	52	49	39	38	45

### Average duration of employment

Years of service	2018	2017	2016	2015	2014
40 or more	2	2	2	2	5
30-39	3	3	3	3	3
20-29	0	0	0	0	0
10-19	23	21	16	15	9
4-9	25	26	31	32	33
1-3	33	15	14	19	23
Less than a year	9	27	9	5	6
Number of employees total	95	94	75	76	79

## Employees by age



## Personnel turnover

	2018	2017	2016	2015	2014
New employment contracts	12	28	10	8	11
of which fixed-term contracts	3	5	1	5	6
Terminated employment contracts	9	10	11	11	10
of which retired	0	1	0	3	1
Termination of fixed-term employment contract	4	1	2	4	5
Resignations	5	8	9	3	4
Dismissals	0	0	0	1	0
Average turnover, %	11.1	20.2	14.0	12.5	13.1
Exit rate, %	9.5	10.6	14.7	14.5	12.5
Exit rate, resigned employees, %	5.3	8.5	12.0	3.9	5.0

## New employees

Male	Female	30 years of less	31-39 y	40-49 y	More than 50 years
25%	75%	33%	33%	17%	17%

## Sick leave and accidents

	2018	2017	2016	2015	2014
Number of accidents leading to sick leave annually	2	2	5	4	2
Number of accidents during working hours annually	2	2	1	1	1
Fatalities	0	0	0	0	0
Sick leaves, including caring for a sick child (days per person-year)	2.2	3.5	6.1	9.7	9.0
Sick leaves, excluding caring for a sick child (days per person-year)	1.8	3.1	5.0	8.6	7.6
Short-term sick leaves (1–3 days), excluding caring for a sick child (days per person-year)	1.8	2.1	2.6	3.0	2.5
Sick leaves total, excluding caring for a sick child (person-years)	0.7	1.1	1.6	2.7	2.4
Sick leave rate, including caring for a sick child (%)	1.0	1.5	2.6	4.1	3.8
Sick leave rate, excluding caring for a sick child (%)	0.8	1.3	2.1	3.6	3.4
Health care expenses (€/person/year)	305	351	465	657	721
Personnel recreation expenses (€/person/year)	407	260	397	314	456

## Education

	2018	2017	2016	2015	2014
Master's level degree, %	61	61	61	63	58
Bachelor's level degree, %	5	7	7	5	3
Master's degree from a university of applied sciences, %*	5	3	–	–	–
Bachelor's degree from a university of applied sciences, %	14	11	12	12	10
Secondary education degree + other degrees, %	10	13	13	15	19
No vocational qualification, %	5	5	7	5	10
Training days (days/person/year)**	3	5	5	5	4
Training days (days/person/year), supervisors	5	8	6	9	8
Training days (days/person/year), others	3	4	4	4	5
Training days (days/person/year), female	3	5	4	5	5
Training days (days/person/year), male	3	4	5	5	6
Training services purchased from third parties (€/person/year)	1,085	1,622	1,196	1,339	745

\* Master's degree from a university of applied sciences was added as of 2017; no distinction was made between degrees from universities and universities of applied sciences before that.

\*\* As of 2017, training days have been divided with the average number of employees (work input); previously full-time employment relationships on 31 December.

**Collective agreement and cooperation with employee associations**

Hansel's collective labour agreement was negotiated with Service Sector Employers (PALTA) and the Federation of Professional and Managerial Staff (YTN). The agreement is valid until further notice. The labour agreement applies to all of Hansel's personnel, except for the Managing Director. As specified in the collective agreement, personnel are represented by an employee representative and their deputy, selected from amongst the personnel.

Interests of the personnel are also promoted by a personnel association (Hanselin ylemmät toimihenkilöt ry), which is a member of YTN. Roughly half of Hansel's personnel are trade union members. The collective agreement and employment guidelines are available on the company's intranet.

# We recruited new top experts



Hansel welcomed twelve new employees in 2018. The most common job titles at Hansel are tendering consultant and category manager, but there are also experts in many other fields. **Jussi Ratsula** started as a lawyer in April, and **Anne Sores** started as a development manager and **Tiina Luoma** as a service manager in August. All of the new employees were interested in how things are done in Finland's largest procurement unit.

On the basis of the experiences gained during their first months at the company, Anne, Jussi and Tiina all state that the best thing about their work is working with an extensive network. They are all closely involved with the other Hansel employees and customers. As the owner of the Hilma project, supplier and stakeholder cooperation are also very important in Tiina's position.

## Bar held high

For Tiina, who has been involved in IT projects for a long time, the members of Hansel's digital services team were already familiar from the time she cooperated with them on a dynamic purchasing system of the Energy Authority and the Hanki service.

"We truly have a top team, and you can do your own work very freely," Tiina rejoices.

She was attracted to Hansel because of the opportunity to participate in the demanding reform of the widely known Hilma and a promise of the

utilisation of latest technologies.

Anne also praises the level of expertise available in-house.

"You always get help, no matter how difficult a question you have to tackle. As an enthusiastic developer of procurement, that is really a huge thing for me."

Anne is eager to assist customers even in challenging projects and for her, meeting new people every day is the best thing about her work.

## Work that is worthwhile

Jussi, who has been working with public procurement throughout his career, says that the quality of work is just as high as he expected it to be in Hansel. He has been working with separate tendering projects realised for customers.

"There is an open and energetic atmosphere and plenty of good, ready-made materials and operating models that you can use in your work," Jussi says.

All three start the year 2019 with great enthusiasm. Anne will be able to start work in earnest, as sales of the procurement as a service product to smaller agencies starts. Jussi will expand his job description to joint procurement tendering and Tiina has started work on the agile Scrum method with the team of coders working with the development of Hilma.

# Employees find Hansel to be a pleasant workplace



Job satisfaction is measured every 18 months. The results of the survey in the autumn of 2018 showed a clear improvement in job satisfaction. The employees praise the fact that supervisors are easy to approach and trust their teams. The employees also feel more strongly than before that their input is valued. Motivation towards one's work and a good and energetic feeling at work have clearly increased.

*The employees also feel more strongly than before that their input is valued.*

Management of change is an area that needs to be developed. The employees needed more communication and more participation in changes, especially in the case of the preparation of the merger of Hansel and KL-Kuntahankinnat. In addition, the need for all employees to also address difficult issues was emphasised.

## Remuneration

Hansel adheres to the guidelines on management and key employee rewards and incentives issued by the Cabinet Committee on Economic Policy. All permanent employees are included in the incentives system after a trial period. The goals for the incentives are set by the Board of Directors, and Hansel employees receive at most 15 per cent of their annual pay as an incentive. Members of the Executive Committee may receive a bonus equal to 30 per cent of their salary as compensation for exceptional performance.

In accordance with the Board of Directors' decision, performance-related pay in 2018 was based on customer satisfaction and personal performance. The financial statements for 2018 include a provision for incentives of €740,000, excluding social insurance payments. Incentives will be paid out in April 2019. Temporary personnel are not covered by the incentive scheme, although in other respects, their benefits are identical to those of permanent employees.

## Paid incentives (excluding social insurance payments)

	2018	2017	2016	2015	2014
EUR thousand	660	511	551	505	492

# Opportunities for versatile everyday life



Hansel strives for the work and leisure time of its employees to be as seamlessly integrated as possible, so that both support each other. Several of Hansel's employees utilised the flexible working methods in 2018. Many of them opted for family leave or part-time work, which made them feel that they had a good opportunity to reconcile their work with the rest of their lives.

A total of five employees took family leave in 2018. The flexibility also enables the development of competence, and one employee took a study leave over the course of the year.

**Sanna Viljamaa**, who has been a Hansel employee for several years, came back to meet new challenges after her maternity leave.

"I expressed a wish to do system and development tasks after my maternity leave, and in the summer of 2018, I was offered a position involving the commissioning and coordination of the Handi service. In addition to my new job description, I wanted to do part-time work at the beginning. I calculated how many hours I could work, and the duties were planned based on that. In the autumn of 2018, I familiarised myself with my new duties at home and only physically came to the office for meetings. The return to work after my maternity leave went better than I expected," Sanna Viljamaa says.

"I have been working full-time since the beginning of 2019. The position is new and I have plenty to learn, but the familiar working environment and colleagues

have supported the transfer back to full-time work. Hansel's flexible remote work practices are a great help to someone with children, as taking a remote work day saves you several hours. It has a huge impact on your mental wellbeing and coping at work."

## Room for your wishes

New parents were not the only ones who benefited from the opportunity to work flexibly. **Anne Majalampi** took a three-month unpaid leave from her procurement expert position, because she was needed elsewhere.

"One of my granddaughters went to school last autumn, and the other started third grade. As a grandmother, it was important to me to be able to help the family with their busy everyday life and spend more time with my grandchildren," Anne Majalampi says.

"The employer was very positive and encouraging about my wishes. I have been at Hansel for almost forty years, and the years have been full of interesting duties and a great work community. My previous longer break from work was in 1981, at which time I was on maternity leave. The opportunity to take care of my grandchildren for three months was very important to me and gave me a great deal of satisfaction."

**Tero Lehtisaari**, category manager, utilised a similar flexible working arrangement: he went to Washington D.C. for three months in the summer of 2018.

“My wife, who is a communications researcher, received a three-month scholarship to the Woodrow Wilson Center, and we went there as a family. We already had a similar experience in 2015, at which time I took a couple of months of child-care leave, while my wife worked as a researcher at the University of Oxford. These were great experiences; it’s true that travel is enlightening.”

“The employer’s attitude towards my absences has been accommodating and encouraging. I knew of the need for a longer leave already a year in advance, which meant that we could plan the work accordingly and schedule the times when I needed to be here. The reconciliation of work and the rest of my life has been very successful at Hansel,” Tero Lehtisaari says.

# LaaS came to Hansel



In the autumn of 2018, Hansel started a pilot project on Leadership as a Service (LaaS) together with Vincit Plc. LaaS is a tool similar to an online store to support self-management: you can order the services that you feel you currently need, such as services related to everyday work or wellbeing.

Employees working in category management and procurement development services participated in the pilot project, which ended at the turn of the year. The procurement development employees utilised the services very actively.

The pilot project users were most interested in services related to physical condition, time management and good sleep. They also used the service to find support for better management of the tools they use in their daily work. Based on the positive experiences of the pilot project users, a decision was made to expand the service to the entire company in 2019.

*The pilot project users were most interested in services related to physical condition, time management and good sleep.*

# Updated office serves better



The spring and autumn were a time of change at the Hansel office. A lot of work was done at the office while the employees were on summer holiday: the office was changed into a modern multi-functional environment. Meeting rooms were renovated in the autumn. The goal was to keep the working environment functional as the number of employees increases. The renovated facilities offer more options, peace and quiet, and comfort.

According to a preliminary study made before the renovation, Hansel's employees spend most of their working days in meetings with their colleagues, customers or suppliers. Hence, the reform focused on offering a sufficient number of internal and public meeting rooms to enable cooperation. The employees no longer have their own workstations and more space for meetings was added so that the employees can flexibly choose the location that best serves their current task.

"It's wonderful to be able to freely move about in the office, depending on with whom you're working," says **Kalle Pinni**. **Mika Hänninen** continues,

"People are more cheerful and open in the new office."

Hansel is included in the Green Office environmental management system of WWF. The renovation will also reduce the office's environmental impact in the long term. At present, the space utilisation efficiency is 17 m<sup>2</sup> per person, but the facilities will accommodate 40–50 new employees, which means that an efficiency of some 11 m<sup>2</sup> will be achieved. Due to the new lighting system that utilises LED lamps, the energy consumption level will decrease. Furthermore, the empty desk operating model will reduce the consumption of paper and improve the quality of indoor air, as there will no longer be piles of paper at people's workstations. More modern furniture was introduced in connection with the renovation. The old furniture was recycled.

## Recycling report included in Hansel's facility report

Pieces of furniture	210
Total, kg	3,568
Wood, kg	2,107
Metal, kg	1,338
Plastic, kg	27
Electronics, kg	100
Glass, kg	20
Others, kg	2

# GRI index

Hansel's Corporate Responsibility Report has been prepared in accordance with the Core option of the GRI Standard. The standards complied with are from 2016.

Background description of the organisation			
GRI indicator	GRI definition	Links	Deficiencies in reporting/additional information
102-1	Name of the organisation	Hansel Ltd	
102-2	Primary activities, brands, products and services	Hansel Ltd	
102-3	Location of the company's headquarters	Services and organisation	
102-4	Location of functions	Services and organisation	
102-5	Ownership and legal form	Hansel Ltd	
102-6	Markets served	Hansel Ltd	
102-7	Scale of the organisation	Services and organisation	
102-8	Information on employees and other workers	Almost a hundred Hansel employees	
102-9	Supply chain	Extensive supplier base in joint procurement	
102-10	Significant changes to the organisation and its supply chain	New joint procurement product serves customers in a new way	
102-11	Precautionary principle or approach	Corporate responsibility management	
102-12	External initiatives	Driving innovation and sustainable development	
102-13	Memberships in associations and advocacy organisations	Hansel Ltd	
Strategy			
102-14	From the Managing Director	From the Managing Director	
Business ethics			
102-16	Values and business principles	Strategy and vision Code of Ethics	
102-17	Mechanisms for advice and concerns about ethics	Code of Ethics	
Administration			
102-18	Governance structure and management of corporate responsibility	Services and organisation	
102-19	Delegating authority	Corporate responsibility management	
102-20	Corporate contact persons and reporting relations	Corporate responsibility management	
102-21	Consulting stakeholders and persons in charge	Driving innovation and sustainable	

102-22	Composition of the Board of Directors and its committees, and competences in corporate responsibility	Services and organisation	
102-23	Other managerial responsibilities of the Chair of the Board of Directors	Services and organisation	
102-24	Nominating and selecting the Board of Directors and the Executive Committee	Services and organisation	
102-25	Avoiding potential conflicts of interest	Code of Ethics	
102-26	Role of the Board of Directors and the Executive Committee in setting purpose, values and strategy and in the determination and monitoring of corporate responsibility goals	Services and organisation; Strategy and vision	
102-29	Role of the Board of Directors and the Executive Committee in the identification and management of corporate responsibility effects, risks and opportunities	Corporate responsibility management	
102-31	Frequency for reviews of corporate responsibility effects, risks and opportunities	Corporate responsibility management	
102-37	Stakeholders' involvement in remuneration	Employees find Hansel to be a pleasant workplace	
<b>Stakeholder cooperation</b>			
102-40	List of stakeholders	Materiality assessment	
102-41	Collective bargaining agreements	Almost a hundred Hansel employees	
102-42	Identifying and selecting stakeholders	Materiality assessment	
102-43	Stakeholder activities	Hansel employees share their expertise	
102-44	Key topics and concerns raised through stakeholder engagement	Materiality assessment	
<b>Reporting practices</b>			
102-45	Entities included in consolidated financial statements		The company's financial statements cover all the operations. Hansel is not a group of companies.
102-46	Defining report content and topic boundaries	Materiality assessment	
102-47	List of material topics	Materiality assessment	
102-48	Restatements of information	Materiality assessment	
102-49	Changes in reporting	Materiality assessment	
102-50	Reporting period	Corporate responsibility management	
102-51	Date of most recent report	Corporate responsibility	
102-52	Reporting cycle	Corporate responsibility management	
102-53	Contact point for request for additional information	Corporate responsibility management	

102-54	Claims of reporting in accordance with the GRI Standards	Corporate responsibility management
102-55	GRI content index	GRI content index
102-56	External assurance	Independent assurance report

### Hansel's materiality topics

GRI indicator	GRI definition	Links	Materiality topic/Deficiencies in reporting
103	Management approach	Corporate responsibility management	
103-1	Materiality topics and topic boundaries	Materiality assessment	
103-2	Management approach and its sectors	Materiality assessment	
103-3	Management approach performance assessment	Corporate responsibility management; Investigating auditing of responsibility	

### Economic performance

201-1	Direct economic value generated and distributed	Saving government funds; Preparation for merger of Hansel and KL-Kuntahankinnat	Savings for the government
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### Indirect economic impact

203-2	Significant indirect economic impact	Monitoring supplier finances	Preventing financial misconduct
203-2	Significant indirect economic impact	Driving innovation and sustainable development; Tendering opened doors to export market	Innovative public procurement
203-2	Significant indirect economic impact	Electronic tendering is now the norm; Electronic signatures boost operations; Planning improves management of procurement	Utilising digitalisation
203-2	Significant indirect economic impact	Active advocacy work nationally and at the EU level	Influencing regulation
203-2	Significant indirect economic impact	Hansel employees share their expertise; Hansel enables networking in	Sharing expertise

<b>Procurement practices</b>			
204-1	Proportion of spending on local suppliers	Extensive supplier base in joint procurement; Environmental issues mattered in taxi tendering	Functionality of market  Hansel does not calculate the share of suppliers but the share of framework agreements reached through regional tendering and the number of suppliers involved in them.
<b>Anti-corruption and anti-bribery efforts</b>			
205-1	Assessing risks related to bribery and corruption;	Preventing corruption; Code of Ethics	Preventing financial misconduct
205-2	Training about anti-corruption and anti-bribery policies and procedures		
<b>Suppliers' environmental assessments</b>			
308-1	Percentage share of new suppliers assessed with the environmental criteria	Ecolabel is a sign of a responsible framework agreement; Responsible materials and controlled working conditions; Accessible and responsible meeting venues made available; Hansel develops procurement as a member of the Finnish Association of Purchasing and Logistics	Responsibility in joint procurement
<b>Employment</b>			
401-1	Total number and share of new employees and employee turnover;	Almost a hundred Hansel employees;	Good work community
401-2	Fringe benefits for full-time employees	We recruited new top experts; Mahdollisuksia monenlaiseen arkeen; LaaS came to Hansel	
<b>Training</b>			
404-1	Training days	Almost a hundred Hansel employees	Sharing expertise

<b>Diversity and equality</b>			
405-1	Diversity in administrative bodies and personnel groups	Services and organisation; Board of Directors' proposal for the disposal of profit	Good work community
<b>Human rights screening</b>			
412-3	Number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Responsible materials and controlled working conditions; Accessible and responsible meeting venues made available; Investigating auditing of responsibility; Hansel develops procurement as a member of the Finnish Association of Purchasing and Logistics	Responsibility in joint procurement  Hansel is piloting a social responsibility code of conduct for its contracts and agreements. At present, the code of conduct has been introduced to two joint procurement contracts.
<b>Customer privacy protection</b>			
418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data	Better data security through a variety of means; Internal audit focused on GDPR practices	Data security
Own indicator: personnel satisfaction		Employees find Hansel to be a pleasant workplace	Good work community

Materiality assessment

# Independent assurance report

This document is an English translation of the Finnish report

## To the Management of Hansel Oy

We were engaged by the Management of Hansel Oy (hereafter "Hansel") to provide limited assurance on Hansel's corporate responsibility information presented in "Operations 2018", "Renewing procurement", "Responsible procurement", "Hansel as an employer" and "GRI" sections in Hansel's Annual Report 2018 for the year ended Dec 31, 2018 (hereafter "Corporate Responsibility Information").

## Management's responsibilities

The Management of Hansel is responsible for the preparation and presentation of the Corporate Responsibility Information in accordance with the GRI Sustainability Reporting Standards, and the information and assertions contained within it; for determining Hansel's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

## Our responsibilities

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

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

standards and applicable legal and regulatory requirements.

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

## Procedures performed

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

- Interviews with a member of Hansel's senior management, and relevant staff responsible for providing the information in the Corporate Responsibility Information;
- An assessment of the Corporate Responsibility Information's conformity with the principles of the GRI Sustainability Reporting Standards for defining content and reporting quality;
- An assessment of data management processes, information systems and working methods used to gather and consolidate the presented Corporate Responsibility Information, and a review of related internal documents;
- Testing of Corporate Responsibility Information accuracy and completeness through samples from original documents and information systems.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

**Inherent limitations**

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

**Conclusion**

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

Helsinki, 1 April 2019

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