

Itella's principles of environmental accounting

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1 Introduction

All of the operations and countries of Itella Corporation were included in environmental accounting in 2012. After VR Transpoint's bulk cargo logistics and PT Logistiikka Oy (hereinafter "VR Transpoint") became part of Itella Logistics Finland's operations on October 1, 2012, Itella Group's reporting has taken into account the environmental impacts of VR Transpoint for October 1 – December 31, 2012.

Subcontracted transport outside of Finland and international subcontracted transport from Finland are not included in environmental accounting. However, air and road deliveries of international mail deliveries from Finland are included in the accounting. In addition, the calculations do not include postal agency outlets and Posti service outlets operating in other parties' premises.

The accounting includes direct carbon dioxide emissions, and no other greenhouse gases have been included as CO₂ equivalents, so the accounting does not represent an actual carbon footprint. For Itella Finland, nitrogen oxides, sulfur dioxide, carbon monoxide, hydrocarbon and particle emissions have been included as well as carbon dioxide emissions for own and outsourced transport.

2 Carbon dioxide emissions of own vehicles, EN16

In Finland, the approximately 4,000 vehicles managed by Itella drove a total of approximately 104 million kilometers in 2012, and were filled up with approximately 14.4 million liters of diesel, gasoline, or biogas. The figures include the number of vehicles transferred from VR Transpoint as of October 1 and the fuel consumption and kilometers of these vehicles for October 1 – December 31, 2012. In addition, there are a total of approximately 700 other vehicles, such as mopeds, scooters, motorcycles, ATVs, tractors, and forklifts and electric mopeds and electric bicycles.

A total of 14.4 million liters of fuels was consumed in Finland in 2012 (up 1.7 million liters compared with the previous year), up 13%, and 18.7 million liters in the Group as a whole (up 1.4 million liters), up 8%. The increased fuel consumption in Finland was primarily due to fuel consumption by vehicles transferred from VR Transpoint on October 1, 2012 (up 4.3 million liters).

A total of 104 million kilometers was driven in Finland by own vehicles (up 4.8 million km), up 4.8%. The increased distance travelled was mainly due to vehicles transferred from VR Transpoint.

Comparable fuel consumption decreased slightly compared to 2011, by 0.2%. Due to more efficient use of fuel, average consumption in liters per 100 km decreased by 0.7%.

VTT Technical Research Centre of Finland's LIISA calculation system has been used as the source of the calculation factors for carbon dioxide

emissions from fuel volumes. Its updated version takes into account the effects of the bio portions of fuels on CO₂ emissions.

The electricity used for charging electric cars and other electric vehicles is reported in connection with the properties' electricity consumption. Fuel consumption, distance travelled, average consumption, and emissions from vehicles are regularly monitored.

3 Direct and indirect energy consumption, EN3 and EN4

At the end of the year, Itella Group had a total of 1.8 million square meters of premises in use, of which 985,000 square meters is in Finland. In connection with the acquisition of VR Transport, the floor area of premises in Finland increased by a total of 120,000 square meters on October 1, 2012.

The properties are heated using natural gas and fuel oil in Russia, Latvia, Lithuania, and Poland. In Finland, the consumption of natural gas has been converted into heat energy, and it is reported in connection with energy consumption.

The electricity consumption of Itella properties in 2012 totaled 153 GWh (2011: 151 GWh), +1.1%, and consumption of heat 96 GWh (2011: 93 GWh), + 2.8%. The consumption of electricity in Posti shops and delivery points, post centers, delivery terminals, logistics warehouses and office properties in Finland amounted to 91 GWh in 2012 (2011: 91 GWh), +0.1% and heat consumption to 72 GWh (2011: 68 GWh), +5.9%. The consumption figures for 2012 include the energy consumption of properties transferred from VR Transport as of October 1, 2012. Excluding the effect of VR Transport, the change in electricity consumption in Finland was -2.5% (down 2.4 GWh) and heat consumption +2.1% (up 1.4 GWh). The reduction in the consumption of electricity means savings of more than 0.3 million euros.

Electricity was centrally obtained mainly from Savon Voima Oy in Finland during 2012. In some properties, consumption of electricity and heat is included in the rent or the lessor charges it according to estimated consumption. The large properties, covering 70% of total consumption, provide hourly electricity measurement data. The large properties include post centers, warehouses, and office buildings. Smaller sites are included in annual estimated charges (22%). With regard to sites for which no energy consumption data is available, the consumption data (8%) is estimated on the basis of leased floor area. The consumption figures per square meter used are 100 kWh/square meter for electricity and 119 kWh/square meter for heat. The information is based on average measurement data for corresponding sites. In other countries, energy consumption figures are obtained on the basis of invoices and electricity is procured from the local electricity supplier.

NordPool's most recent emission factor has been used in calculating electricity-related emissions for electricity procurement in Finland. In calculating the emission factor for Finnish electricity consumption, the acquisition of renewable energy certificates (RECS, the Renewable Energy Certificate System) has been taken into account. In 2012, 100% of electricity

procured directly by Itella has been certified green electricity, and it has not caused direct CO₂ emissions. By using green electricity, we have avoided 20,700 tons of carbon dioxide emissions. The emission factor for Finnish district heat is Finnish Energy Industries' Energy year 2012 District Heating.

Emission factors for electricity and heat production outside Finland are emission factors collected annually and used by the International Postal Corporation (IPC) (original source: International Energy Agency Data Services, 2011).

4 Subcontracted transport services, EN17

Emissions from transport services purchased by Itella are only reported for Finland. In 2012, subcontracted transport services amounted to almost 94 million kilometers. Subcontracted road transport services include cargo transport, road line hauls, area, pick-up and parcel transport and basic and early-morning delivery carried out using the carriers' own cars and taxis.

Invoicing provides information on the number of kilometers driven and the general type of the vehicle (size and fuel) for subcontracted transport in Finland. There are a lot of assumptions and uncertainties involved in compiling and calculating emissions from subcontracted services, and the volume of emissions from subcontracting can be influenced only indirectly. When acquiring transport services, Itella favors transportation companies which have signed the energy efficiency contract for the transportation sector and taken measures accordingly.

A minor share of subcontracted transport takes place in the form of railroad transport. Railroad transport does not cause emissions along the Helsinki–Oulu–Helsinki route used as it is serviced by trains using green electricity.

Some of Posti's domestic line hauls are carried out as air transport. Finnair calculates the emissions of mail and parcel transport transported by mail air transport and scheduled flights, mainly operated by Finnair. Finnair's tonne-per-kilometer figures are used for calculating the emissions of transport in Finland by other airlines.

Information on international mail and parcel transport from Finland is compiled by flight route, including stopovers, and the emissions are calculated using average emission figures per kilometer.

The accounting does not include subcontracted deliveries outside Finland. Boat and ship transport is not included even for subcontracted transport within Finland.

Business trips include trips by car, train and airplane. CO₂ emissions for business trips by air are mainly obtained centrally through the travel agency taking care of Itella Group's business travel. Figures for domestic and international trips by plane and train are included. The kilometer allowances paid for business trips in Finland provide data on business trips by car, and the resulting emissions have been calculated using average passenger car

emissions of 165 g of carbon dioxide per km. The fuel consumption of Itella's company cars is not included in the reporting in 2012 because no data on kilometers driven or volumes of fuel spent was available.

Company car procurement observes the ecological perspective. The maximum carbon emissions of Itella's company cars in 2012 were 160 g of carbon dioxide per km and, as of January 1, 2013, 150 g of carbon dioxide per km.

EUR 50 per month was the employer's monthly contribution to the taxable value of new company cars with an emission level of 110 g of carbon dioxide per km or less. None of the company cars acquired in 2012 exceeded the emission limits. Of the cars acquired during the year, as many as 43% had emissions of under 120 g of carbon dioxide per km and 16% had under 110 g of carbon dioxide per km.

Also, the personnel's daily commuting is not included in the accounting.

5 Other air emissions, EN20

Other air emissions, i.e. CO (carbon monoxide), HC (hydrocarbon), NO_x (nitrogen oxides), SO₂ (sulfur dioxide) and particles, are calculated and reported on the basis of kilometers and fuel consumption by Itella's own vehicles.

Emission accounting for non-carbon dioxide emissions and the specified factors are based on kilometers travelled, except for sulfur dioxide (SO₂), which is based on the amount of fuel consumed. The emission factors used are vehicle type-specific emission factors from VTT's Lipasto database.

6 Total amount of waste by waste fraction and method of processing, EN22

Itella aims to reduce the amount of waste and increase opportunities for sorting and recycling. Waste data is primarily collected in Finland only. In our large properties (post centers, warehouses, and large office buildings), collection of more detailed waste data is possible in accordance with the concluded waste management agreements. Sorting has been taken to a high degree in these properties, and the share of recyclable waste is close to 100% at certain sites since energy waste is considered recyclable waste. The average utilization rate at the large properties in Finnish functions is 91%.

At approximately 350 of the smaller properties, 92% of waste is recycled. In the rest of the smaller properties, waste management is the responsibility of the housing corporation or shopping center, and in this case, the amount of Itella's waste has been estimated on the basis of small properties. However, Itella aims to reduce the amount of landfill waste at these sites as well. Waste management is developed as part of a sustainable material economy with the aim of preventing the generation of waste, reuse of materials, and recycling.

Products with a long service life that are recyclable are preferred in purchases.

Practical recycling training for the entire staff is also essential. The well-planned, focused work has started to provide results: the amount of landfill waste from office buildings decreased by 24% in 2012 compared to the previous year.

The share of hazardous waste has not been reported separately as it plays a minor role in Itella's operations, with Itella's service providers being responsible for it with regard to their own operations (forklifts, sorting machine maintenance, property maintenance, etc.).

WEEE and furniture waste is collected in connection with Itella's customer agreement. Of this, WEEE waste is fully recycled.

Biowaste is separately collected at sites with a lot of employees or a staff canteen. Biowaste is not separately collected at small sites, unless this can be organized for a larger group of users via the housing corporation, for example.

7 Water and wastewater, EN8 (and EN21 in part)

Water consumption is monitored in Itella's own large properties on a property-specific basis, and changes in water consumption are reacted to swiftly. Water consumption is not substantial in Itella's business operations, and therefore it has not been reported for 2012. Itella's Finnish properties are connected to the municipal wastewater network.

8 Commitments

Itella joined the Climate Partners network, a joint project between businesses and the City of Helsinki, in fall 2012. The commitments specify how Itella aims to curb climate change in its operations. In its commitment, Itella has undertaken to reduce its greenhouse gas emissions by making its operations more efficient and offering better products and services to mitigate climate change.

In addition to the commitments, the Climate Partners network aims to strengthen companies' competitiveness, seek new business opportunities, and promote cooperation between the members of the network. Itella joined the Goods Transport and Logistics Energy Efficiency Agreement already in 2008. Besides reducing the emissions of vehicles, the agreement covers increasing the energy efficiency of buildings.

9 Objectives and measures

Itella's environmental program aims to reduce carbon dioxide emissions by 30% by 2020. This objective is proportioned to net sales relative to 2007. In monitoring the objectives, the actual emissions and net sales are calculated only from Finnish operations excluding business trips, international mail transport, Logistics service warehouses and VR Transport's business transferred on October 1.

10 Vehicles

Itella reduces the emissions of its vehicles with efficient route planning, the combination of transport, and training in economical driving. These measures effectively reduce fuel consumption. When renewing our vehicle fleet, we take matters related to the environment and energy efficiency into account besides costs, such as low emissions of the vehicles.

We adopted low-emission biogas instead of natural gas in late 2011. Itella has undertaken to increase the share of alternative fuel vehicles to 40% by 2020. Currently, alternative vehicles account for 13% of the entire fleet.

In October, Logistics introduced electric vans, the first in their size category in Finland. The number of natural gas vehicles will be increased considerably in 2013–2015. There have been no plans to increase the share of electric vehicles because alternatives suitable for delivery runs and wintertime use simply have not been found. In test projects with electric vehicles, the operating ranges have turned out to be insufficient in VTT's tests, for example. Almost 20% of vehicles used in mail delivery are replaced each year by vehicles with lower emissions.

Itella has introduced electric mopeds for mail delivery in different parts of Finland. Moreover, electric mopeds are almost totally silent, which is pleasant for work as well as for the environment. Our aim to increase the share of electric mopeds to 50% of our entire moped fleet by 2012 has been achieved. Mail delivery is carried using a variety of methods, such as by foot and bicycle or electric bicycle. Slightly over half of Posti's delivery routes, which total approximately 6,300, are served by car.

11 Properties

In Itella's properties, a study has shown that lighting accounts for a significant share of electricity consumption, followed by ventilation and cooling. Based on this result, the initial energy efficiency measures will focus on increasing the efficiency of lighting and HVAC systems and users' behavior. Energy savings realized as the result of measures carried out in Finland in 2012 amounted to 3.1% in large properties and 6.8% (temperature-adjusted) with regard to electricity and heating compared to consumption in 2011. The changes in energy consumption do not include the figures for VR Transpoint.

The figures for 2012 have slightly exceeded the set savings target. The energy efficiency targets set in Finland are savings of 2% in electricity and 3% in heat annually until 2015. In Russia, a property energy efficiency pilot project was launched in November. The pilot phase will provide country-specific energy efficiency potential, after which the objectives will be specified for each country.

The new 77,000-square-meter logistics center in Pennala, Orimattila, will be inaugurated in phases in 2013, and the property will be completed fully in summer 2013. At that time, there will be more than 100,000 square meters in

use in Pennala. Pennala is a cost-efficient and environmentally-friendly logistics center that utilizes geothermal heat, located in the center of Itella's shop and customer network, which will decrease the carbon dioxide emissions of our delivery transport, for example. Cost- and energy-efficient hybrid heating technology utilizing geothermal heat and natural gas was chosen for Pennala. The construction materials also reduce the consumption of energy.

A significant environmental accident related to our properties took place in July 2012 when a severe warehouse accident happened at Itella Logistics' Shushary warehouse in St. Petersburg when a major part of the shelf system fell over. The incident also damaged a significant amount of our customers' products, and it has required environmental protection and cleaning measures from us as well.

12 Carbon-neutral Itella Green

The carbon dioxide emissions of products and services are included in annual environmental accounting. Carbon dioxide emissions are reduced actively through internal measures. Climate projects are funded to offset the remaining emissions, reducing a corresponding amount of emissions elsewhere.

Products enter our usual mail processing, meaning that the service does not introduce any new work phases, for example. When customers use Itella Green products, they can cut carbon dioxide emissions in the processes of their supply chain and also communicate to their customers that their operations are environmentally sound.

13 Management systems

Itella is committed to continuous development of the quality and environmental responsibility of its operations ([Itella's quality and environmental policy](#)).

Itella identifies, evaluates, and controls areas of its operations that have an impact on the environment and has committed to complying with all relevant environmental legislation and standards. The environmental impacts of operations are increasingly taken into account by obtaining more environmental certificates (ISO 14001). Our goal is for the most significant business functions of the organization to be ISO14001-compliant.

The personnel's environmental awareness is promoted as part of the ISO 14001 management system, through training and orientation. Certified ISO 14001 environmental systems covered 74% (70%) of the entire Group at the end of 2012 relative to the number of personnel.

International management system standards are management tools for managing the organization. By certifying our operations, we can show our stakeholders that our operations meet the specified requirements.