

# ANNUAL REPORT 2019



HANSEL 

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# From the Managing Director



## Responding to increased expectations

2019 was a special year for us. During the early part of the year, we prepared for a change that took place in September: our merger with KL-Kuntahankinnat. Due to the merger, our customers now include the entire Finnish public administration, and we have new public procurement experts as our colleagues. It was hard work, but we prepared for the change with care and are now prepared to respond to the resulting increased expectations.

The preparation of public procurement processes for our new customers was started a bit early in joint procurement. Despite being extremely busy, our experts have done a great job, for which I would like to thank them. In future, we will focus on offering agreements for just the products or services that most of our customers need and that can be easily adapted to joint procurement.

Legal practice has become stricter in terms of the reporting of acquisitions, for which reason we have required, since last summer, that our customers join a framework agreement in advance. The advance joining requires from our customers preparation and anticipation of their acquisitions in the long term, which can sometimes be extremely difficult. We assist them to the best of our abilities by offering information on the previous use of our agreements and explaining our future tendering processes as early on as possible.

Our becoming Finland's first service centre that serves all public organisations has clearly increased both our effectiveness and our responsibility for the development of public procurement. We have been pleased to see how interested our new customers are not only in joint

procurement but also our expert services. We have already launched several projects to assist our customers in their tendering processes or develop procurement as a whole or an aspect of procurement together with a customer.

The Government Programme took a strong stand on the increase of responsibility requirements in public procurement. We were eager to seize this challenge. As it happens, in 2019, we developed a new, more extensive responsibility analysis for joint procurement and effectiveness indicators for customer-specific tendering. With these, we can do our part to improve

*"Our becoming Finland's first service centre that serves all public organisations has clearly increased both our effectiveness and our responsibility."*

the responsibility of public procurement and support our customers in the achievement of their strategic goals.

Our growth also obligates us to fine-tune our operating methods. We have therefore established a compliance function to collect all our internal instructions in one place and monitor compliance with the instructions. Our code of ethics has been the backbone of our operations for a long time, and I promise that this will also be the case in the future. Being fair and equal under all circumstances is extremely important to us.

We can begin 2020 in a situation where this organisation is starting to achieve its new form. Thanks to a roadshow arranged last autumn, we have also acquainted ourselves with many of our new customers. We will continue with these fruitful encounters. Our customer forum, which was launched in January, will also support the cooperation. We still have the same old service promise: achieving successful procurement together!

Anssi Pihkala  
Managing Director

# Key indicators

Involved in procurement amounting to more than  
**€1,500,000,000**



Central procurement

**€900** million



Customer-specific tendering

**€600** million

## Central procurement TOP3



IT consulting

**€91** million



Occupational healthcare services

**€68** million



Data centre and capacity services

**€52** million

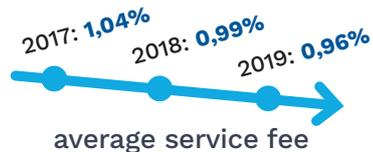
## Central procurement

**480**

contractual suppliers

**1,600**

joined customers



average service fee



**2,250**

days of tendering for customers



**116**

specialists



**750**

days of developing customers' procurement

# Hansel – a central purchasing body for the public administration



Hansel is a non-profit limited liability company, the purpose of which is to generate savings for public administration through efficient procurement operations. Hansel's customers include ministries and their subordinate departments, municipalities, joint municipal authorities, hospital districts, Kevo, parishes and all public law bodies governed by the state or a municipality.

Hansel's owners are the State of Finland and the Association of Finnish Local and Regional Authorities. The company's role and duties as a central purchasing body are specified in the Act on Public Contracts, the Act on a Limited Liability Company Called Hansel Oy and the State Procurement Strategy. The company operates under the ownership steering of the Ministry of Finance.

Hansel's operations are funded by service fees for joint procurement and the sales of expert services. The service fees are based on purchases made by the customers. The maximum fee is 1.50% of the contract value. The average service fee in 2019 was 0.96% (0.99% in 2018).

In 2019, Hansel's own acquisitions totalled €4.5 million. Hansel makes use of joint procurement in our procurement activities whenever possible. If a suitable framework agreement or dynamic purchasing system is not available, Hansel performs the procurement in accordance with processes determined by the company.

## Tax footprint

	2019	2018	2017	2016
Net sales, thousand euros	11,148	10,922	10,435	9,598
Profit, thousand euros	-838	-686	203	451
Balance sheet total, thousand euros	14,688	18,711	19,252	19,150
Taxes to be paid, thousand euros	4,111	3,589	3,691	3,501
Investments, thousand euros	34	175	114	74

## Organisation

Hansel's organisation consists of its personnel of 116 experts. The Board of Directors is named by the annual general meeting and chaired by Timo Laitinen, Director General of the State Treasury. There are five Board members. A personnel representative also attends the Board meetings. They have the right to attend the meetings and speak at the meetings. Members of the Board cannot be members of the company's operative management.

Hansel's Executive Committee is nominated by the Board based on a proposal by the Managing Director. In 2019, the Executive Committee consisted of six people (seven as of September), including **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). After the organisational change on 19 September 2019, the Executive Committee consisted of Anssi Pihkala, Susanna Närvänen, Eija Kontuniemi, Kirsi Koivusaari and Mikko Saavalainen, as well as **Raili Hilakari**, Deputy Managing Director (b. 1953) and **Maritta Mäkelä**, Account Director (b. 1965).

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 head office is in the main post office building in Helsinki. As of September, the company also has offices in Kuntatalo. Hansel has no international operations.

## Business operations

Hansel's business operations are divided into three segments: joint procurement, tendering services and procurement development services. Through responsibly run operations, the joint procurement unit promotes profitable public administration, high-quality public procurement and equal, non-discriminatory treatment of suppliers. Hansel's objective is to organise tendering processes in a manner that fosters efficient market operations and promotes competition.

Risks related to the company's operations are regularly surveyed with an external expert, using a risk matrix. The last risk survey was performed in May 2019. A total of 35 risks were identified. Four of them were deemed significant: changes in the competitive situation, changed

legal practice in relation to advance commitments and reporting of the scope of procurement, personnel availability issues and risks pertaining to the merger.

## 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 agreements is to establish the general terms governing procurement contracts, such as the object of procurement, prices, and responsibilities and obligations of the contracting parties. By using Hansel's agreements, customers can ensure that their procurement processes are compliant with applicable laws and the contractual terms secure their position, as well as facilitate the management of agreements and suppliers. During joint procurement, Hansel verifies the eligibility of suppliers. In addition, Hansel monitors that the suppliers meet their contractual and solvency obligations and social requirements during the agreement period.

Savings are generated when sufficiently large volumes of products and services are put out to tender, and the requirements of the maximum number of customers are met. Joint procurement generates considerable savings for public administration, through both procurement process costs and pricing.

## Tendering services

Tendering services are needed when a joint procurement

*"Our purpose is to generate savings for the public administration through efficient procurement operations."*

agreement is not available for a product or service to be acquired. Hansel's tendering consultants and lawyers have specific experience and knowledge of public procurement, tendering and contract law. By using our expert services, customers can ensure that their acquisitions are put out to tender in accordance with the valid rules, with the best contractual terms possible and by considering price, quality and responsibility aspects. This frees the customer's time for other duties, reduces the contracting authority's risks and promotes the distribution of best practices.

## Procurement development

Our development service aims to boost the effectiveness of our customers' procurement operations and improve their profitability. Development managers have a key role in customer assignments, but Hansel's entire expertise is at the customers' disposal. The development service can involve a specific problem in the customer's procurement operations, or the service can consist of a comprehensive analysis of procurement control, the procurement organisation or the implementation of procurement processes, change management and personnel training. The content of a development assignment is always customised on a case-by-case basis in accordance with the customer's wishes, and the assignment is realised in close cooperation with the customer.

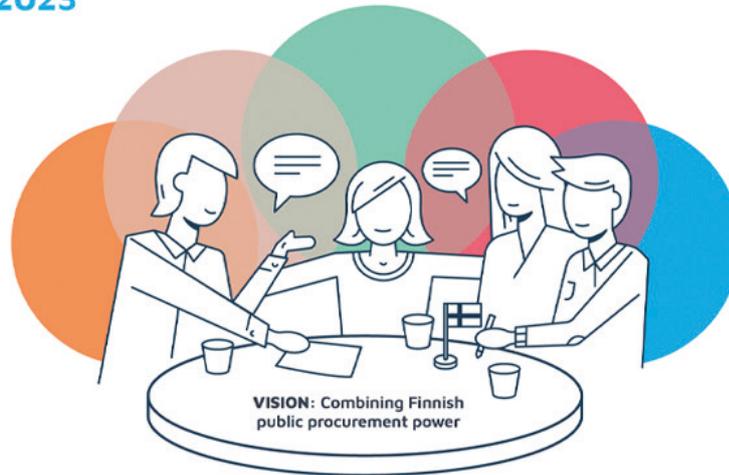
### Hansel's memberships in organisations:



- FiBS ry
- Finnish Association for Human Resource Management (HENRY)
- Helsinki Region Chamber of Commerce
- Julkisten hankintojen yhdistys Oy (Finnish Association of Public Procurement)
- Oy Nooan Arkki Ab (WWF Green Office)
- Service Sector Employers Palta
- ProCom – Viestinnän ammattilaiset ry (Finnish Association of Communications Professionals)
- Institute of Internal Auditors Finland
- Finnish Association of Purchasing and Logistics LOGY
- Finnish Business Travel Association
- Tieke tietoyhteiskunnan kehittämiskeskus ry (Information Society Development Centre)

# Combining Finnish public procurement power

## Integration strategy for 2019–2023



The merger of Hansel and KL-Kuntahankinnat was diligently prepared by nine integration teams. Each team focused on a specific aspect involving a specific service or support function, and there were representatives from both companies. On the basis of the work done by the teams, the companies' Executive Committees and Boards prepared an integration strategy for 2019–2023.

The most important goal for the next few years is creating standardised principles to serve the entire Finnish public administration and means to optimally benefit from the combination of the procurement powers. Strategic policies cover five priorities: excellent service experience; a comprehensive service portfolio; setting an example; competence and job satisfaction; as well as responsibility as the core.

### Excellent service experience

Hansel's service portfolio and clientele are both extensive. In order to meet our customers' requirements and develop our supplier cooperation, we must effectively utilise the opportunities provided by digitisation. Securing an excellent user experience is one of the key aspects in all of our online service development projects. We aim to renew the digital procurement ecosystem.

Our customers are closely involved in the development of our services, and we are engaged in systematic and open cooperation. To improve public procurement, we and our customers utilise the analysis services we provide. They assist in the management of procurement operations.

### Comprehensive service portfolio

Joint procurement is at the core of our service portfolio. Joint procurement covers all products and services with high demand for which the customers have similar requirements. We also conduct conscious experiments involving new areas, such as our recent dynamic purchasing system (DPS), which utilises artificial intelligence. We aim to significantly increase the utilisation rate of our agreements and boost the advance commitment of our customers to joint procurement projects.

Our tendering services support our customers in their own procurement projects. We also offer procurement development services to assist our customers and reform their operating methods. We will moderately increase the supply of these services.

### Setting an example

To ensure effective operations during the change, we must have efficient and clear core processes. We want to continuously renew ourselves, however, and we are making our operating models more flexible. We use digital operating models whenever possible.

High ethics and compliance under all circumstances are absolute requirements for our success in this industry. We have a compliance function, and ethical aspects have a major role in employee orientation.

### Competence and job satisfaction

Hansel has an extremely high level of public procurement expertise, and we want to be the most

attractive employer in the industry. We support cooperation between our experts and the sharing of information with a strong value base and an open and inclusive work culture.

A key aspect in terms of job satisfaction is the support we provide for the proper balance of work and leisure. Flexible means of working allow the employees to be efficient on their own terms. We lead by enabling and coaching.

**Responsibility as the core**

As a large contracting entity, we want to be a trailblazer in responsible and effective procurement.

Our operations boost the profitability of public administration, and we are continuously increasing the level of transparency in public procurement. Healthy competition and attractiveness of public procurement from the perspective of supplier companies are important for us.

We assess the responsibility of all our service areas, as well as our own operations. In addition to our financial, social and environmental responsibility goals, we also promote innovative procurement.



# Customers and suppliers trust Hansel



Hansel regularly monitors customer and supplier satisfaction. A customer satisfaction survey is performed annually and a supplier satisfaction survey is performed every other year. In 2019, a separate, more concise survey was sent to regional authority customers, because Hansel had served these customers for only four months (starting on 2 September 2019). Feedback is also collected separately for each framework agreement and customer project.

## Customers are satisfied with Hansel's services

The most recent customer satisfaction survey, which pertained to our work in 2019, was carried out in January 2020. The results were reviewed by the Executive Committee, and they will be utilised in the planning of development initiatives with the employees.

Overall customer satisfaction remained high despite the major changes in the operating environment. The practice applied to joining in agreements was changed in the summer, and KL-Kuntahankinnat and Hansel were merged in the autumn. The employees managed to retain their positive service attitude during these changes, and they responded well to the requirements of the new, more extensive clientele.

“The highest scores came from knowledge of the Act on Public Procurement and Concession Contracts and tendering, as well as a good service attitude.”

The highest scores came from knowledge of the Act on Public Procurement and Concession Contracts and tendering, a good service attitude and the operations of the contact persons. Development areas named by the customers included knowledge of customer requirements and benefits from joint procurement.

A total of 376 customers who did business with Hansel over the course of the year replied to the survey.

- The average score was 3.90 (4.00 in 2018)
- 78% of the respondents gave their customer experience an overall score of 3.50 or more (83%)
- 11% of the respondents gave their customer experience an overall score of 2.99 or less (6.5%)

The incentives paid to Hansel employees are linked to the customer satisfaction survey feedback from government agency customers. However, the separate survey to the regional authorities did not have an impact on this year's incentives.

*“The highest scores came from knowledge of the Act on Public Procurement and Concession Contracts and tendering, as well as a good service attitude.”*

### Suppliers are satisfied with the cooperation

The overall supplier satisfaction remained extremely high. A total of 124 people replied to the survey in January 2020. The response rate was 21%. The suppliers listed Hansel's strengths as operations of the contact persons, knowledge of the Act on Public Procurement and Concession Contracts and tendering practices, as well as the equality of Hansel's operations. Development

areas named by the suppliers included knowledge of procurement objects and fluency of the tendering process.

- The average score was 3.97 (4.00 in 2018)
- 82% of the respondents gave an overall score of 3.50 or more (83%)
- 8% of the respondents gave an overall score of 2.99 or less (8%)

Results of the supplier satisfaction survey influence the incentives paid to all Hansel employees who work with suppliers.

### Continuous feedback collection

In addition to more extensive surveys, Hansel collects feedback from its customers and contractual suppliers in connection with tendering projects and at the end of each joint procurement project. Feedback surveys are automatically sent to all the parties involved in a joint procurement tendering project or customer-specific tendering project. We also monitor the performance of joint procurement by sending a survey to the customers before the end of each agreement period.

We use the feedback to develop the cooperation, and collect development requests and ideas that can be taken into account when planning future services. The scores that measure overall satisfaction were as follows in 2019 (on a scale of 1–5):

- Customer satisfaction in joint procurement tendering: 3.7 (4.1 in 2018)
- Supplier satisfaction in joint procurement tendering: 4.0 (3.4)
- Customer satisfaction in customer-specific tendering: 4.6 (4.6)
- Customer satisfaction in concluded joint procurement projects: 3.6 (3.9)



# Compliance function secures reliability



Public procurement tendering and maintenance of procurement agreements form the core of Hansel's operations. For instance, the company's operations have a significant impact on the use of public funds. The operations require transparency, objectivity and impartiality. People trust Hansel, and in addition to compliance with legislation, operations worthy of this trust require high ethical standards.

To ensure the high level of ethics and compliance, Hansel established a compliance function in 2019. The establishment of the function was based on a risk analysis which aimed to identify the most significant risks inherent to Hansel's operations. When establishing the function, Hansel's code of ethics was renewed, disqualifications and instructions on publicity practices were reviewed, instructions on HR matters and financial administration were prepared and updated, and instructions on business operations and hospitality practices were updated.

## **Ethics are weighed every day**

All Hansel employees are obligated to ensure compliance with the company's high ethical standards.

Supervisors are obligated to ensure that the employees are familiar with the instructions and act accordingly. The management is obligated to set an example and verify that the business goals enable operations in compliance with the company's high ethical standards. A team was established for the function of supporting the work on ethics and compliance, verify the competence of supervisors and employees, and investigate any cases of professional negligence. In addition to reporting it to your supervisor, professional negligence can also be reported through an anonymous reporting channel.

During the establishment of the function, the employees were interviewed, a workshop was arranged for the supervisors and training events were arranged for all employees to review the significance of ethics and the general procedures. Furthermore, the updated instructions, roles and responsibilities have been reviewed at unit meetings. Business principles have been published in Hansel's online service to present the starting points of ethical operations to the stakeholders.

*"In addition to compliance with legislation,  
high ethical standards generate trust."*

# Busy year of joint procurement



A new era of joint procurement began in 2019. Due to new legal practice on public procurement, customers had to join a framework agreement before the publication of the procurement notice, as well as assess and report the value of the acquisitions they would make through the agreement. Furthermore, a legislative amendment that entered into force at the beginning of the year brought plenty of new customers to Hansel. This further increased the significance of a comprehensive survey of customer requirements and interaction with the market.

To allow its customers ample time to make a decision to join, Hansel published the tendering processes to be performed in 2019 and 2020 in its online service in June 2019.

Hansel launched seven new framework agreement tendering processes for the new customers: a procurement lifecycle service, food products, office supplies, cleaning supplies, an electricity and portfolio management service, leasing services and teleoperator services.

Despite the tight schedule and the changed operating models due to the new legal practice, the customers received the tendering processes well – 650 of our new customers joined the framework agreements. The total

value of the agreements is €150 million per year. Hansel also began two tendering processes aimed at the public administration as a whole (vehicle servicing and train travel services), as well as three tendering processes for government agency customers (recruitment services, VIRVE terminal devices and chartered vehicle services).

#### **Several new suppliers**

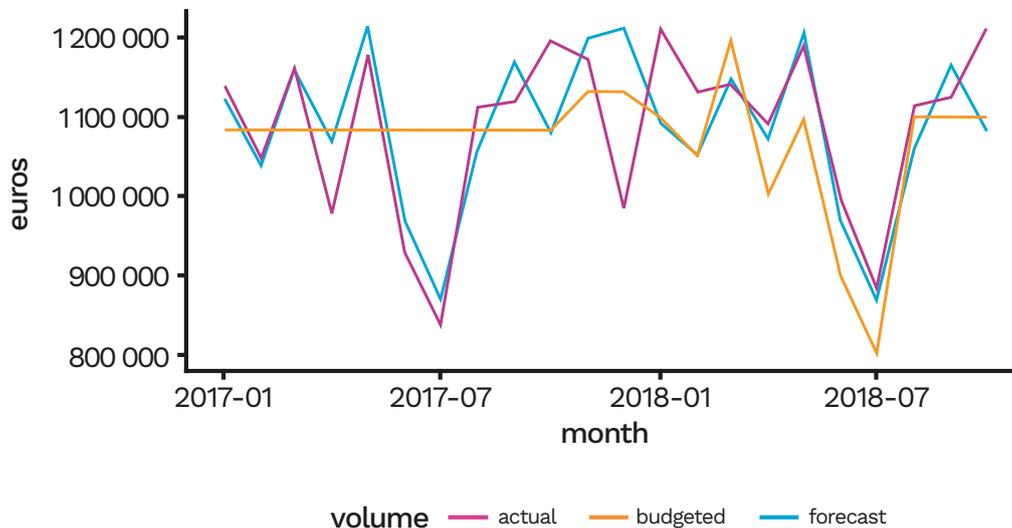
Furthermore, eight dynamic purchasing systems (DPS) for a range of products and services were launched over the course of the year. These included auditing services and internal audits, data communications, IT hardware, storage and backup devices, construction, heating, ventilation, air conditioning, electricity and automation supplies, office furniture, as well as software robotics and artificial intelligence.

The DPSs clearly increased the number of Hansel's contractual suppliers. There were a total of 478 suppliers at the end of the year, 223 of them (47%) SMEs. The suppliers had more than 4,300 subcontractors.

In addition to the joint procurement processes, a small-scale acquisition service for procurement remaining below the national threshold value of IT consulting, office furniture and iOS/MacOS hardware was launched over the course of the year.

*“The customers received the tendering processes well – 650 of our new customers joined the framework agreements.”*

# Financial administration prepared for increased volumes



Budgeting in Hansel is interesting and challenging. The figures are influenced by a variety of aspects which are difficult to anticipate. The budgeting process begins every autumn, and several experts use a great deal of their working hours on budgeting. The budgets have been fairly accurate in general, but despite all the effort, there has been plenty of room for improvement in category-specific figures and joint procurement figures, in particular.

We wanted to change this, which is why we tasked **Saara Kolari**, who is preparing her master's thesis at Aalto University, with investigating whether we could do better or at least reach an equally viable final result by using time series analytics, which could free up some time for other duties.

## History data going back more than ten years available

Analytics requires data, and that is something we have. Our joint procurement data as of 2008 is available in a format that is easy to utilise, because Hansel obligates its contractual suppliers to report the purchases of their customers monthly. A total of 26 of the largest joint procurement processes from 2017 were selected for the study. They covered approximately 85% of the total sales volume.

The modelling was done using ARIMA models, which anticipate the future values of the time series based on the previous values and error terms generated from forecasts. The models excellently account for seasonal variation, which is a significant component of Hansel's joint procurement. Usability of the models in the improvement of budgeting was assessed by comparing the forecasts generated by the model and the budgeted figures prepared by the Hansel experts with the actual joint procurement volumes in 2017 and 2018.

## Towards automated budgeting

The accuracy of the forecasts generated by the ARIMA models when compared to Hansel's previous budgeting model exceeded all expectations. The models' average errors were clearly lower than those of the budgeting model; the models succeeded in precisely modelling the behaviour of the joint procurement volume in up to 23 of the joint procurement processes. The final result was that Hansel's budgeting can be automated. Automation will improve the accuracy and naturally reduce the amount of manual labour. This was great news for Hansel's employees.

This was the starting point for the development of the budgeting process in Hansel's joint procurement,

which was used for the first time when preparing the 2020 budget. It is still too early to say how accurate the forecasts actually are, but at least many of the experts were of the opinion that the work was more pleasant in terms of the processes used.

This time, analysts did most of the work required to produce the base figures. The model was functioning excellently in some of the joint procurement processes, and there was no need for manual adjustments of the figures. On the other hand, the model was unable to generate a forecast in the case of joint procurement

processes for which proper history data was not available. The situation will naturally improve as more data is collected.

Requirements introduced due to the new legal practice will also facilitate budgeting, because the customers are obligated to provide a fairly exact estimate of their future procurement volume upon joining a joint procurement process. Combined with the ARIMA model, this data will most likely further improve Hansel's budgeting accuracy and – above all – will free up the experts' time for other duties.

*“The accuracy of the forecasts when compared to Hansel’s previous budgeting model exceeded all expectations.”*

# Development of joint procurement

## Joint procurement by category

Thousand euros	2019	2018	2017	2016	2015
<b>Category</b>					
Vehicle and logistics services	97,113	93,457	78,745	80,798	65,317
Specialist services	135,006	106,406	86,519	81,615	71,731
Food and restaurant services	25,779	25,199	21,461	18,772	18,648
Energy	82,381	87,199	99,528	108,574	114,270
Personnel and health care services	78,008	73,560	72,891	73,381	69,751
IT hardware	76,275	87,409	84,259	63,324	49,552
Furniture and office services	44,944	60,414	67,039	61,228	62,214
Data centre services and hardware	60,279	58,522	50,685	37,687	26,748
Travel and meeting services	97,917	87,324	81,674	79,164	76,576
Software	53,450	44,871	37,660	31,697	29,728
Cleaning services and supplies	39,232	36,132	31,350	28,386	23,671
Financial services	52,105	64,224	55,522	44,369	36,261
Data communications	32,156	45,732	39,954	36,575	34,786
Security technology and security services	25,028	24,764	19,193	24,963	17,323
Total	899,673	895,213	826,482	770,533	696,575

The joint procurement category system was changed due to the organisational change in the autumn of 2019. There are now 14 categories instead of 17. In reporting, data has been moved to the new categories in arrears.

## Framework agreements top 15

Thousand euros	2019
IT consulting	91,287
Occupational health care services	67,837
Data centre and capacity services	51,889
Microsoft	49,866
Accommodation and meeting services in Finland	43,004
Computers	42,062
Electricity	39,942
Hardware leasing services	38,264
Vehicles	37,931
Scheduled flights	32,664
Cleaning services	31,940
Fuels	30,431
Heavy vehicles	20,450
Management consulting services	19,299
Voice solutions	16,427
Others total	286,379
Total	899,673

# Procurement experts assist customers



Our customers receive assistance from the experts in minicompetitions during joint procurement and their own tendering. In addition to the tendering experts, our good service is guaranteed by our customer service team, which quickly answers customers' questions regarding any of our services.

## **Procurement support is skilled in tendering**

Each day, the ten experts in the procurement support unit review and comment on, free of charge, the materials of our customers' minicompetitions based on framework agreements. If the customer is short on resources or time, they can also purchase the entire minicompetition as a service subject to a charge, called MinikisaPlus. In 2019, we realised 75 MinikisaPlus tendering projects (compared to 53 in 2018), for which we charged a total of €170,000 (€159,000 in 2018).

As was expected, the addition of regional authorities to our clientele and the dynamic purchasing system (DPS) as a new operating model have increased the number of support requests we receive. In 2019, our customers were using a total of 12 DPSs. Most MinikisaPlus assignments were realised as competition based on a framework agreement in the scope of a DPS for occupational health care services 2018–2024.

We arranged several joint procurement project-based minicompetition clinics to support our customers over the course of the year. The clinics aim to assist customers both in realising successful minicompetitions themselves and in learning how to use the templates we have prepared. Due to the positive feedback we

received on the clinics, we will also continue arranging them in the future.

## **Experts involved in the tendering processes of customers**

In 2019, Hansel's experts were involved in the implementation of several large-scale customer-specific tendering processes. A total of 188 customer-specific tendering projects were implemented, corresponding to well over €600 million when measured by the value of the agreements. More than 1,700 person-days of expert assistance were provided in these projects. The volume increased by less than ten per cent from the previous year.

Objects of the customer-specific tendering projects range from extensive data systems to the procurement of specific hardware or services. Tendering service customer satisfaction remained high, as in the previous years (overall satisfaction 4.6/5).

## **Customer service is there to assist customers**

Our customer service team assists our customers and our contractual suppliers in any and all questions regarding our services. Chat has become our most popular service channel. The customer service received significantly more emails than in the previous year, while the number of telephone calls decreased. In the autumn of 2019, our customer service ensured that our regional authority customers were able to begin using our services smoothly. In practice, this meant assisting customers in registering on our online service and participation in customer surveys of regional authority organisations, for example.



# Regional authorities took an interest in procurement development



Demand for procurement development services remained high in 2019, resulting in net sales of €345,000 (€338,000 in 2018). A total of 23 development assignments were completed in 2019. The largest by value were for the city of Helsinki, the National Police Board of Finland and Traffic Management Finland Ltd.

The development assignments involved control and organisation of procurement, analyses of key indicators and current status, planning, contractual management and development of supplier cooperation, for example. Individual customer challenges are resolved through a project-natured approach, while more extensive and longer-term assignments are realised as procurement development services. In this service form, a development manager from Hansel works in the customer organisation for a predetermined period.

The procurement development unit was also actively involved in the operations of the Competence Centre for Sustainable and Innovative Public Procurement (KEINO). The total value of the work done for KEINO was €139,000. Hansel's developers were also involved in the implementation of an operational programme of the Ministry of Finance and the Association of Finnish Local and Regional Authorities called Effective Public Procurement (Vaikuttavat julkiset hankinnat) or Procurement Finland (Hankinta-Suomi).

## Study our customer cases

Traffic Management Finland: Building procurement together

National Police Board of Finland: A new direction for procurement of the police with Hansel's development services

## Indicators of the development unit



- Net sales EUR 345,000
- KEINO work EUR 139,000
- Procurement development in the municipal sector 149 person-days
- Procurement development in the state sector 246 person-days
- Current status analyses 9 pcs
- Procurement analyses 6 pcs
- Procurement development assignments total 23 pcs

# Advance joining in framework agreements



Due to a new national legal practice on procurement scope, Hansel had to change its practices on joining framework agreements in 2019. In their judgements on procurement, the Market Court and the Supreme Administrative Court have stated that the scope of procurement must be specified in great detail when arranging procurement agreements and framework agreement tendering.

The legal practice states that the contracting authorities that will be using the framework agreement as well as the value and volume of the contracting authorities' future acquisitions, up to the level of products and delivery points, must be reported during the tendering of a framework agreement. Hansel is of the opinion that the national legal practice requires reporting of the procurement scope at a significantly higher level than the Act on Public Procurement and Concession Contracts, the Public Procurement Directive or the legal practice of the Court of Justice of the European Union, which is based on the Public Procurement Directive.

## **More systematic procurement**

For the purpose of reporting the scope of procurement, Hansel introduced a new joining practice. Customers who will be using a framework agreement must, before publishing the framework agreement procurement notice, join the framework agreement and announce the value or volume of their future acquisitions so that the data can be included in the framework agreement tender documents. Framework agreements are only made available to customers who have joined them in advance.

The advance joining is challenging for the customers, especially in terms of the anticipation of their future acquisitions. Hansel strives to assist its customers in the assessment of the value and volume of their acquisitions by, for instance, providing information on the customer's previous acquisitions whenever such information is available. Benefits include more systematic procurement, greater interest of potential suppliers in framework agreement tendering and potentially a lower price level as a result.

*"Framework agreements are only made available to customers who have joined them in advance."*

# Changing legislation



A government proposal on an amendment of the Act on a Limited Liability Company Called Hansel Oy was submitted to Parliament in October 2019. The government proposed adding to Hansel's duties the maintenance and development of the procurement notice channel (Hilma), the processing and analysis of procurement data, and the opportunity to engage in international joint procurement. The government also proposed that all agencies and departments falling under the scope of the on-budget activities would have to surrender procurement and tendering data to Hansel. For the rest of Hansel's customers, the right to surrender corresponding data was proposed.

The proposal aimed at efficient, professional analysis of procurement data to promote transparency of administration and to improve the prerequisites for knowledge-based management. The purpose is for the procurement data to be available mainly through electronic systems, such as the purchase account system and tendering systems. The transfer of the maintenance and development responsibility for the procurement notice system to Hansel aimed at a technical reform of the outdated system, which would facilitate the submittal and monitoring of notices, as well as the preparation of statistics on procurement notices.

The government proposal was processed by the Parliament Commerce Committee and the Constitutional Law Committee in the autumn of 2019 and in February 2020.

The Act on Information Management in Public Administration entered into force on 1 January 2020. The Act includes regulations on, for instance, the arrangement of data management by the authorities, information security and the collection, retention and surrender of data. The Act on the Provision of Digital Services includes regulations on the availability of digital services. Both of the Acts include requirements that must be considered in the procurement of Hansel's authority customers.

The Act on Legal Proceedings in Administrative Matters (laki oikeudenkäynnistä hallintoasioissa) also entered into force on 1 January 2020. This Act regulates the processing of matters concerning public procurement in the Market Court and Supreme Administrative Court. Hansel hopes that the new Act will speed up the processing of complaints on public procurement despite the fact that it does not amend the previous legislation in any significant manner.

*"The proposal aimed at efficient, professional analysis of procurement data to promote transparency of administration."*

# Hansel toured Finland



Hansel's autumn roadshow visited 14 locations. The roadshow started on 25 September 2019 in Rovaniemi and ended on 4 December 2019 in Hämeenlinna. We met almost 400 customers to tell them about the merger of Hansel and KL-Kuntahankinnat and Hansel's services. We reviewed future joint procurement processes and offered them guidance on how to join and log into our online service.

We submitted a feedback survey to the participants after each event. On a scale of one to five, our average score was a whopping 4.4! Many of the customers already stated during the roadshow that it is important for Hansel to be visible to its customers all around the country and meet them face to face.

*"The presentations were great, and it was wonderful to see the people behind Hansel."*

The roadshow aimed to make Hansel more familiar as a procurement partner and speak to those gathered about the services we offer to all our customers. Many new customers discovered our services during the autumn and joined our framework agreements.

The roadshow participants included **Anssi Pihkala**, Managing Director, **Raili Hilakari**, Deputy Managing Director and **Maritta Mäkelä**, Account Director. At all the locations, they were supported by a joint procurement expert and account managers.

The experiences from the roadshow were positive, and we will surely arrange similar events in the future – let's see what the most topical issues are for the customers at that time!

## Customer forum

The customer forum is a new network consisting of representatives of Hansel's expanded clientele. Established in the autumn and consisting of twenty members, the team offers its views on the development of Hansel's operations, coaching and the sharing of good practices. The forum's first meeting took place in January 2020.



# Travel ABC event was full of information, joy and encounters



Travel ABC brought together experts and service providers of travel and meeting services on 12 March 2019. The themed day offered the customers a hefty package of information on joint procurement agreements in the industry and news from travel administration.

Almost 200 travel and event administration experts and a large number of contractual suppliers from all parts of Finland, and a couple also from abroad, attended the event.

In addition to getting to know the exhibitors, Travel ABC was centred around presenting development projects, networking and sharing good practices.

Event moderators were Hansel's Category Managers **Pia Degerholm** and **Minna Isoherranen**.

"We aimed to offer the participants information, inspiration and the opportunity to get to know the suppliers and their colleagues from other organisations. We succeeded in this endeavour. The customers praised the warm atmosphere of the event, which was deemed a result of the close cooperation between Hansel's travel and meeting services and a variety of parties," states Isoherranen.

Experts took the floor to speak about security, responsibility and digital development, among other subjects. Hansel's contractual travel agencies opened up mobile clinics at the event where the participants could familiarise themselves with the world of mobile booking.

## Effective workshops

In addition to listening to speeches, the participants were able to ponder responsibility matters and the development of travel, meeting and event administration in workshops led by Hansel's experts. The fast-paced workshops were popular, and discussions were lively.

**Mika Hänninen**, Hansel's Development Manager, led a workshop on meeting and event administration.

"The team was very energetic and there were lots of ideas and new ways of thinking," Hänninen praised the participants.

Discussion themes emphasised comprehensive support of event administration in the organisations, the sharing of viable practices and the transparency of operations. The possibility to utilise the opportunities provided by new technologies and networking were also deemed important.

Networking was also raised as one of the day's leading themes in other discussions, and cooperation has remained active after the springtime event.

"Travel ABC has a Yammer group where people discuss matters concerning joint procurement agreements and travel, meeting and event administration in a positive spirit. We arrange events on travel, meeting and event administration from time to time. The next meetings are already being planned," shares Isoherranen.

### Travel ABC event in figures



- 70 contractual suppliers
- 92 paper aeroplanes
- 70 balloons
- 3 workshops
- 4 mobile polls
- 5 YouTube videos
- Hundreds of travel and meeting service experts
- 1 Perttu Pölönen

# Operations of and changes in the joint procurement unit



The year 2019 was a year of great changes for Hansel. As of 2 September 2019, the company has been a central contracting authority for the entire public sector. At that time, the state sold 35% of Hansel's shares to the Association of Finnish Local and Regional Authorities, and the required amendments of the Act on a Limited Liability Company Called Hansel Oy took effect. Due to the reorganisation of the company and its ownership, employees of KL-Kuntahankinnat Oy, which was owned by the Association of Finnish Local and Regional Authorities, were transferred to Hansel Ltd as existing employees.

Hansel's goal is to generate savings for society by opening up public procurement of goods and services to competition and providing its customers with procurement expert services. The tasks and role of a central contracting authority are defined in legislation on public procurement and the Act on a Limited Liability Company Called Hansel Oy. The company's customers are also specified in the Act on a Limited Liability

Company Called Hansel Oy. They include ministries and their agencies, certain other government agencies and – as of the beginning of 2019 – municipalities, joint municipal authorities, parishes and other contracting authorities in the regional administration. Joint procurement produces major savings in prices, quality and process expenses.

Through responsibly run operations, a central contracting authority promotes high-quality procurement and equal, non-discriminatory treatment of suppliers during the tendering process. Hansel's objectives also include to promote open competition and organise tendering processes in a manner that fosters efficient market operations. Hansel's operations are funded by service fees for joint procurement and the 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 2019 was 0.96% (0.99% in 2018).

# Financial position and key figures

In 2019, acquisitions under Hansel's joint procurement agreements totalled €900 million (€895 million in 2018). Compared to the previous year, this represented growth of €4 million, or 0.5%. Measured in euros, growth was strongest in the expert services and travel and meeting services categories. The categories that declined most compared to the previous year were furniture and office services.

The company's net sales in 2019 totalled €11.1 million (€10.9 million in 2018). The net sales consisted of

service fees for joint procurement, totalling €8.7 million (€8.9 million in 2018), sales of expert services, totalling €2.1 million (€1.7) and other service fees and revenue, totalling €420,000 (€336,000). The loss for the 2019 accounting period was €770,000 (loss of €672,000 in 2018). The losses were planned and mostly related to decreased service fees, which the customers experience as decreased prices. The company was profitable in 2006–2017. In accordance with its articles of association, Hansel is a non-profit limited liability company. The financial position of the company is good.

## Key financial figures

	2019	2018	2017	2016	2015
Joint procurement, thousand euros	899,673	895,213	826,482	770,533	696,575
Net sales, thousand euros	11,148	10,922	10,435	9,598	9,072
Operating profit, thousand euros	-838	-686	203	451	388
and its share of the net sales, %	-7.5	-6.3	1.9	4.7	4.3
Result for the financial period, thousand euros	-770	-672	184	406	367
Balance sheet total, thousand euros	14,688	18,711	19,252	19,150	19,981
Equity, thousand euros	9,829	15,570	16,241	16,057	15,651
Equity ratio, %	66.9	83.2	84.4	83.8	78.3
Personnel at the end of the financial period, active input (person-years)	113	92	90	72	74

# Services



## Joint procurement

At the end of the year, Hansel had a total of 80 framework agreements and 12 dynamic purchasing systems (88 framework agreements and 4 dynamic purchasing systems in 2018). There were 478 contractual suppliers (403 in 2018).

Hansel's largest joint procurement framework agreement was for IT consulting services, which reached a procurement value of €91 million (€67 million in 2018). The second largest framework agreement was for occupational healthcare services, which was worth €68 million (€62 million in 2018). The third largest was for data centre and capacity services, reaching a value of €52 million (€48 million in 2018).

Measured in euros, the main users of Hansel's joint procurement 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 the Interior. Regional authority customers could not join the agreements that were launched before the merger, but they have been able to engage in joint procurement since 2 September 2019. A total of seven such joint procurement projects were started at the end of the year. Implementation of procurement based on these agreements will start in 2020.

To complement joint procurement, Hansel introduced for the entire public administration a small-scale acquisition service in 2019 for procurement remaining below the national threshold value. The first small-scale acquisition projects were for IT consulting, office furniture and iOS/MacOS hardware.

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 in full from the Hansel portfolio customers (see Note 5.3).

## Tendering services

The total value of tendering services sales in 2019 was €1.7 million (€1.3 million in 2018). There were 189 chargeable tendering projects in 2019 (161 in 2018), with a total value of some €614 million. In addition to these, the net sales include sales of simplified tendering processes outsourced to Hansel, amounting to €170,000.

## Procurement development services

The value of offered procurement development services was €345,000 (€338,000 in 2018). 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. The procurement development unit was also actively involved in the operations of the Competence Centre for Sustainable and Innovative Public Procurement (KEINO). In 2019, related income amounting to €189,000 was recorded in Hansel's other operating expenses.

# Review of events in 2019



The year 2019 was a year of change for Hansel in many respects. Preparation for the reorganisation of the company and its ownership took a great deal of time and required a host of preparatory actions. The Ministry of Finance and the Association of Finnish Local and Regional Authorities were of the opinion that a joint central contracting authority 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 a more extensive service portfolio.

The merger was realised on 2 September 2019, at which time 16 employees of KL-Kuntahankinnat became employees of Hansel. The composition of the Board of Directors was also changed, and the Managing Director of the Association of Finnish Local and Regional Authorities became Hansel's Deputy Managing Director. Hansel's Managing Director continued in his former position. Before the reorganisation of the company and its ownership, Hansel returned capital amounting to €4.5 million to the state.

Employer-employee negotiations were started in Hansel on 3 September 2019 and concluded with an accelerated schedule on 9 September 2019. The negotiations involved all the employees. Nobody was discharged, but the job descriptions of many employees and the organisational structure were changed. The composition of the Executive Committee was also changed. In August, the Board made a separate agreement with the Managing Director on a previously agreed supplementary pension. For this purpose, Hansel made a fund investment that will cover the pension liability.

To ensure a high level of ethics and compliance, Hansel established a compliance function in October 2019. The establishment of the function was based on a risk analysis which aimed to identify the most significant risks inherent to Hansel's operations. Hansel's Code of Ethics and other instructions pertaining to ethics were renewed in this connection. The organisation of the compliance function was specified, responsibilities were determined and a whistleblowing channel was established. Training on ethics and orientation to the practical procedures were offered to the employees.

In November, the Board approved an integration strategy that includes a vision on combining Finland's public procurement power. The cornerstones of the strategy include an excellent service experience and a comprehensive service portfolio, as well as acting as a trailblazer in responsible and effective procurement. Exemplary operations, strong values and an inclusive work culture are expected to make Hansel the most valued public procurement expert and therefore an attractive employer.

A customer forum was established at the end of the year to bring together representatives of Hansel's expanded clientele. Consisting of 20 people, the forum offers its views on the development of Hansel's operations and the sharing of good practices. The first customer forum meeting was arranged in January 2020.

Hansel visited 14 central cities and towns during its autumn roadshow. A total of 450 people from the new regional authority customer organisations and central government customer organisations attended the events. Each year, Hansel organises a variety of

customer and supplier events, and participates in stakeholder events.

A Government proposal (HE 47/2019) on an amendment of the Act on a Limited Liability Company Called Hansel Oy was submitted to Parliament in October 2019. It proposes further duties for Hansel, such as maintenance of the procurement notice system Hilma, as well as processing and analysis of procurement data. It also proposes that government agencies should submit procurement data to Hansel. The proposal has been discussed by the Parliament Commerce Committee and the Constitutional Law Committee, but the processing remains ongoing. A previous Government proposal (HE 63/2017) issued in 2017 fell through, because the regional government reform was not realised.

Opinions on a bill to amend the Act on Public Procurement and Concession Contracts were requested in the summer of 2019. The plan is to make some technical amendments to the Act on Public Procurement and Concession Contracts. However, a Government proposal on amending the Act on Public Procurement and Concession Contracts has yet to be submitted to Parliament.

The legal practice of the Supreme Administrative Court and the Market Court on the scope of framework agreement procurement has caused significant changes to Hansel's operations, because in accordance with the legal practice, the contracting authorities using the framework agreements and the value or volume of their future acquisitions during the agreement period must be specified in great detail when arranging framework agreement tendering processes. The changed practices have delayed tendering processes and caused a major administrative workload for the customers and Hansel.

Over the year, Hansel was involved in several projects, such as Procurement Finland (Hankinta-Suomi), an operational programme of the Ministry of Finance and the Association of Finnish Local and Regional Authorities, a project on the Competence Centre for Sustainable and Innovative Public Procurement (KEINO) by the Ministry of Economic Affairs and Employment, a project for the digitalisation of public procurement managed by the Ministry of Finance (Handi), the State Treasury's Tietokiri project and a working group on the black economy and public procurement managed by the Finnish Competition and Consumer Authority.

In 2019, Hansel realised a new Finnish public procurement notice channel (Hilma) based on an assignment from the Ministry of Finance. The Ministry

of Finance also funded the project. The new Hilma was launched on 2 January 2020. The company also completed other development projects, such as the renewal of a contractual supplier reporting service and the development of a tendering system and an ERP system.

At the end of 2019, Hansel had three claims regarding two tendering processes pending in the Market Court. In 2019, the company received two judgements of the Supreme Administrative Court: the claim was rejected in one and accepted in the other. Hansel also received four judgements of the Market Court in 2019. The processing of the principal claim was abandoned in all of them. Furthermore, the company received one judgement of the Helsinki Administrative Court in which the claim was rejected. Hansel has estimated that the probability of there being any financial consequences from the pending legal proceedings is low.

Hansel regularly monitors customer and supplier satisfaction. A customer satisfaction survey is performed annually and a supplier satisfaction survey every other year. The 2019 survey was realised in January 2020. Both customer and supplier satisfaction were at a high level. The average customer satisfaction score on a scale of 1–5 was 3.0 (3.94 in 2018) and the average supplier satisfaction score was 3.97 (4.00). Hansel also requests feedback on all its tendering service projects. In this field, the average customer satisfaction score was 4.6 (4.6).

Hansel follows the processing of public procurement matters in the European Union. Hansel is a member of a cooperation group for key central contracting authorities in the EU. Other members include the following central contracting authorities: SKI (Denmark), Kammarkollegiet and SKL Kommentus (Sweden), BBG (Austria), Consip (Italy) and ANCP (Portugal).

### **Sustainable development, environmental matters 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.

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

The company has launched collective agreement negotiations to bring the former KL-Kuntahankinnat

employees and the company's other employees under the scope of the same collective agreement as of 1 April 2020. The business operations have remained essentially unchanged after the closing of the financial year.

# Risks and risk management



Hansel's risks involve 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 contractual supplier's financial, technical and professional ability to provide the procured products or services is assessed during the tendering stage. The contractual 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 2018, Hansel employed 116 people (95 on 31 December 2017 and 94 on 31 December 2016). The average work input of the employees in 2019 was 101 (90 in 2018, 83 in 2017). The significant increase in the number of personnel is due to the reorganisation of the company and its ownership, and preparations for increased demand from regional authority customers. At the end of 2019, women accounted for 54% of all personnel and 71% of Executive Committee members. The average age of employees was 43. At the end of the accounting period, 99% of the employees had permanent employment contracts (99% in 2018 and 96% in 2017).

A total of 59% of the employees have a master's degree, 5% a bachelor's degree, 7% a master's degree from a university of applied sciences and 15% a bachelor's degree from a university of applied sciences. A total of 10% of the employees have completed secondary education and 3% 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.

A total of 33 new employees entered the company in 2019, of whom 16 transferred as existing employees from KL-Kuntahankinnat due to the merger and 17 were hired as new employees. Of the latter, three have fixed-term employment contracts. Ten employees left the company over the course of the year. Six of them resigned, two retired, the fixed-term employment contract of one ended and the employment contract of one was terminated during the trial period by common agreement. An exit interview is carried out with employees who leave the company, to receive feedback.

The wellbeing and working capacity of the employees is regularly surveyed (approximately every two years). No survey was performed in 2019. Hansel encourages its employees to develop their competence. In 2019, the average employee had three days of training. Training and discussion sessions are regularly arranged for supervisors in connection with their supervisory tasks.

# Outlook and goals for 2020



The company will continue with the implementation of the integration strategy that was approved in November 2019. The adoption of the new customers and a related major increase of the joint procurement volume are important parts of the strategy. The development of the business is expected to be favourable, although the company is expected to remain unprofitable until 2022.

# Board of Directors' proposal for the distribution of profit



The loss for the financial period totalled €770,028.84. 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.

## Board of Directors and auditors

At the Annual General Meeting of Hansel Ltd on 2 April 2019, the following members of the Board of Directors were elected:

- Timo Laitinen, Director General, State Treasury, chairperson
- Anna-Maija Karjalainen, Director General, Ministry of Finance, vice chairperson
- Rami Metsäpelto, Managing Director, Vessel Traffic Services Finland Oy, member
- Katariina Kempainen, professor, Aalto University, member
- Jukka Hämäläinen, Senior Legal Counsel, Hansel Ltd, member, employee representative

The Board convened with this composition nine times in 2019. On 2 September 2019, based on a decision by the shareholders, Rami Metsäpelto, Katariina Kempainen and Jukka Hämäläinen were released from their positions as Board members and Anna-Maija Karjalainen was released from her position as the vice chairperson. The shareholders decided that

as of 2 September 2019, the Board would consist of the following:

- Timo Laitinen, Director General, State Treasury, chairperson
- Timo Reina, Deputy Managing Director, Association of Finnish Local and Regional Authorities, vice chairperson
- Anna-Maija Karjalainen, Director General, Ministry of Finance, member
- Johanna Luukkonen, Mayor, town of Laitila, member
- Antti Laakso, Head of Procurement, Aalto University, member

Furthermore, a representative elected by the personnel, Minna Isoherranen, Category Manager, will attend all Board meetings as of 2 September 2019. She has the right to attend and speak at the meetings, but she is not a Board member. The Board convened with this new composition four times in 2019.

KPMG Oy Ab, Authorised Public Accountants, is the auditor, with Jorma Nurkkala, Authorised Public Accountant, Chartered Public Finance Auditor, as the principal auditor. Hansel's Managing Director is Anssi Pihkala, LL.M. The Deputy Managing Director as of 2 September 2019 is Raili Hilakari, LL.M.

# Profit and loss statement

	1 January – 31 December 2019	1 January – 31 December 2018
<b>Net sales</b>	<b>11,147,963.00</b>	<b>10,922,191.87</b>
Other income from business operations	1,156,492.65	388,392.13
Personnel expenses		
Salaries and fees	7,162,579.29	6,590,081.66
Indirect personnel expenses		
Pension expenses	1,245,237.35	1,192,440.90
Other indirect personnel expenses	212,997.25	227,103.46
Personnel expenses total	8,620,813.89	8,009,626.02
Depreciation, amortisation and impairment losses		
Depreciation according to plan	76,396.39	88,909.60
Other operating expenses	4,445,172.23	3,897,596.25
<b>Operating profit (loss)</b>	<b>-837,926.86</b>	<b>-685,547.87</b>
Financial income and expenses		
Other interest and financial income		
From others	69,175.47	15,580.16
Interest expenses and other financial expenses		
To others	-1,277.45	-1,883.96
Financial income and expenses total	67,898.02	13,696.20
<b>Profit (loss) before extraordinary items</b>	<b>-770,028.84</b>	<b>-671,851.67</b>
<b>Profit (loss) before appropriations and taxes</b>	<b>-770,028.84</b>	<b>-671,851.67</b>
Income taxes		
Taxes for the financial period	0.00	99.06
<b>Profit (loss) for the financial period</b>	<b>-770,028.84</b>	<b>-671,752.61</b>

# Balance sheet

ASSETS	31 December 2019	31 December 2018
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Intangible rights	46,596.25	50,820.76
	<b>46,596.25</b>	<b>50,820.76</b>
<b>Tangible assets</b>		
Machinery and equipment	170,999.13	209,297.34
	<b>170,999.13</b>	<b>209,297.34</b>
<b>Non-current assets total</b>	<b>217,595.38</b>	<b>260,118.10</b>
<b>Current assets</b>		
<b>Receivables</b>		
<b>Short-term receivables</b>		
Accounts receivable	2,551,182.40	322,853.29
Other receivables	9,845.53	12,078.72
Prepayments and accrued income	476,075.18	1,453,724.46
	<b>3,037,103.11</b>	<b>1,788,656.47</b>
<b>Investments</b>		
Other shares and similar rights of ownership	2,729,877.46	2,130,415.21
	<b>2,729,877.46</b>	<b>2,130,415.21</b>
<b>Cash and cash equivalents</b>	<b>8,703,095.22</b>	<b>14,531,896.17</b>
<b>Current assets total</b>	<b>14,470,075.79</b>	<b>18,450,967.85</b>
<b>ASSETS TOTAL</b>	<b>14,687,671.17</b>	<b>18,711,085.95</b>
<b>EQUITY AND LIABILITIES</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Shareholders' equity</b>		
Share capital	5,000,000.00	5,000,000.00
<b>Unrestricted equity</b>		
Unrestricted equity reserve	2,968,128.27	7,500,000.00
Retained earnings	2,631,123.75	3,741,324.36
Profit (loss) for the financial period	-770,028.84	-671,752.61
<b>Equity total</b>	<b>9,829,223.18</b>	<b>15,569,571.75</b>
<b>Reserve for contingencies</b>		
Other reserve for contingencies	438,448.00	0.00
<b>Liabilities</b>		
<b>Current liabilities</b>		
Advance payments received	252,667.07	6,264.54
Accounts payable	721,770.17	710,866.09
Other liabilities	696,204.90	507,241.99
Accruals and deferred income	2,749,357.85	1,917,141.58
	<b>4,419,999.99</b>	<b>3,141,514.20</b>
<b>Liabilities total</b>	<b>4,419,999.99</b>	<b>3,141,514.20</b>
<b>EQUITY AND LIABILITIES TOTAL</b>	<b>14,687,671.17</b>	<b>18,711,085.95</b>

# Cash flow statement

	1 January – 31 December 2019	1 January – 31 December 2018
<b>Cash flow from business operations:</b>		
Profit (loss) before extraordinary items (+/-)	-770,028.84	-671,752.61
Adjustments to operating profit (+/-):		
Depreciation according to plan	76,396.39	88,909.60
Financial income and expenses	-67,898.02	-13,696.20
Operating cash flow before change in working capital	-761,530.47	-596,539.21
Change in working capital:		
Increase/decrease in interest-free short-term receivables	-1,248,446.64	1,512,371.01
Increase/decrease in interest-free short-term liabilities	1,278,485.79	130,346.75
Cash flow from operating activities before financial items and taxes	-731,491.32	1,046,178.55
Interest and other financial expenses paid for operating activities	-1,277.45	-1,883.96
Interest received from operating activities	69,175.47	15,580.16
Direct taxes paid (-)	0.00	99.06
Cash flow before extraordinary items	-663,593.30	1,059,973.81
<b>Cash flow from business operations (A)</b>	<b>-663,593.30</b>	<b>1,059,973.81</b>
<b>Cash flow from investments:</b>		
Investments in tangible and intangible assets (-)	-33,873.67	-174,707.76
<b>Cash flow from investments (B)</b>	<b>-33,873.67</b>	<b>-174,707.76</b>
<b>Cash flow from financing activities:</b>		
Dividends paid and other distribution of profits (-)	-4,531,871.73	0.00
<b>Cash flow from financing activities (C)</b>	<b>-4,531,871.73</b>	<b>0.00</b>
<b>Change in cash and cash equivalents (A+B+C) Increase (+) / decrease (-)</b>	<b>-5,229,338.70</b>	<b>885,266.05</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>16,662,311.38</b>	<b>15,777,045.33</b>
<b>Cash and cash equivalents at the end of period</b>	<b>11,432,972.68</b>	<b>16,662,311.38</b>
	<b>-5,229,338.70</b>	<b>885,266.05</b>

# Notes to the financial statements

## 1. Basis of preparation for the financial statements

### 1.1 Valuation principles

Fixed assets are entered on the balance sheet at cost less planned depreciation. Reducing balance depreciation of 25% 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 2018 were also applied in 2019.

## 2. Notes to the profit and loss statement

	2019	2018
<b>2.1 Personnel expenses and average number of personnel</b>		
Salaries	-6,846,993.17	-6,279,828.41
Fees and remuneration of the Managing Director and the Board of Directors	-315,586.12	-310,253.25
Pension expenses	-1,245,237.35	-1,192,440.90
Other indirect personnel expenses	-212,997.25	-227,103.46
<b>Personnel expenses total</b>	<b>-8,620,813.89</b>	<b>-8,009,626.02</b>
Total monetary value of fringe benefits	-84,244.60	-84,123.39
<b>Number of employees</b>		
At the end of the financial period	116	95
On average during the financial period	101	90
<b>2.2 Depreciation</b>		
<b>Depreciation according to plan during the financial period</b>		
<b>Intangible assets</b>		
Software licenses	-19,396.87	-19,144.00
<b>Tangible assets</b>		
Machinery and equipment	-56,999.52	-69,765.60
<b>Depreciation during the financial period total</b>	<b>-76,396.39</b>	<b>-88,909.60</b>
<b>2.3 Other operating expenses</b>		
Subsidies received	202,502.01	282,871.85
Other operating expenses	953,990.64	105,520.28
	<b>1,156,492.65</b>	<b>388,392.13</b>

<b>2.4 Financial expenses</b>		
Administration expenses	-2,407,580.98	-2,140,346.41
Expenses from facilities	-723,548.88	-575,204.18
Telephone, data communications and office expenses	-985,492.82	-842,169.36
Marketing expenses	-78,929.58	-96,132.75
Travel expenses	-99,796.30	-100,414.06
PR expenses	-3,014.89	-1,786.15
Other operating expenses	-146,808.78	-141,543.34
<b>Other operating expenses total</b>	<b>-4,445,172.23</b>	<b>-3,897,596.25</b>
<b>2.5 Financial income and expenses</b>		
<b>Financial income</b>		
Interest income	144.65	651.47
Exchange rate gains	0.03	0.00
Other income from securities	69,030.79	14,928.69
<b>Financial income total</b>	<b>69,175.47</b>	<b>15,580.16</b>
<b>Financial expenses</b>		
Interest expenses	-540.75	-10.29
Exchange rate losses	-736.70	-449.52
Other expenses from securities	0.00	-1,424.15
<b>Financial expenses total</b>	<b>-1,277.45</b>	<b>-1,883.96</b>
<b>2.5 Auditors' fees</b>		
Audit fees	-19,598.05	-11,138.96
Other fees	-58,501.99	-119,142.18
<b>Auditors' fees total</b>	<b>-78,100.04</b>	<b>-130,281.14</b>
<b>3. Notes to assets on the balance sheet</b>	<b>2019</b>	<b>2018</b>
<b>3.1 Changes in non-current assets</b>		
<b>Intangible assets</b>		
Acquisition cost 1 Jan	483,130.22	483,130.22
Procured during financial period	15,172.36	0.00
Acquisition cost 31 Dec	498,302.58	483,130.22
Accumulated depreciation 1 Jan	-432,309.46	-413,165.46
Depreciation during the financial period	-19,396.87	-19,144.00
Accumulated depreciation 31 Dec	-451,706.33	-432,309.46
<b>Balance sheet value 31 Dec</b>	<b>46,596.25</b>	<b>50,820.76</b>
<b>Tangible assets</b>		
Acquisition cost 1 Jan	1,064,243.84	889,536.08
Procured during financial period	18,701.31	174,707.76
Acquisition cost 31 Dec	1,082,945.15	1,064,243.84
Accumulated depreciation 1 Jan	-854,946.50	-785,180.90
Depreciation during the financial period	-56,999.52	-69,765.60
Accumulated depreciation 31 Dec	-911,946.02	-854,946.50
<b>Balance sheet value 31 Dec</b>	<b>170,999.13</b>	<b>209,297.34</b>
The company does not have any depreciation difference.		

<b>3.3 Receivables</b>		
Travel advances	9,860.43	12,078.72
<b>Other receivables total</b>	<b>9,860.43</b>	<b>12,078.72</b>
<b>3.4 Prepayments and accrued income</b>		
Deferred expenses	476,075.18	1,400,273.46
Pension insurance payment receivables	0.00	53,451.00
<b>Deferred expenses total</b>	<b>476,075.18</b>	<b>1,453,724.46</b>
<b>3.5 Financial securities</b>	Book value	Book value
Other shares and similar rights of ownership		
Fund units	2,190,617.86	2,130,415.21
	<b>2,190,617.86</b>	<b>2,130,415.21</b>
	Market value	Market value
	2,426,694.70	2,264,887.28
	<b>2,426,694.70</b>	<b>2,264,887.28</b>
Pension investments	539,259.60	0.00
<b>Financial securities total book value</b>	<b>2,729,877.46</b>	<b>2,130,415.21</b>
<b>4. Notes to equity and liabilities of the balance sheet</b>	<b>2019</b>	<b>2018</b>
<b>4.1 Equity</b>		
<b>Restricted equity</b>		
Share capital 1 Jan	5,000,000.00	12,500,000.00
Reduction of share capital	0.00	-7,500,000.00
Share capital 31 Dec	5,000,000.00	5,000,000.00
<b>Restricted equity total</b>	<b>5,000,000.00</b>	<b>5,000,000.00</b>
<b>Unrestricted equity</b>		
Unrestricted equity reserve 1 Jan	7,500,000.00	0.00
Deduction from unrestricted equity reserve	-4,531,871.73	7,500,000.00
Unrestricted equity reserve 31 Dec	2,968,128.27	7,500,000.00
Retained profit/loss 1 Jan	3,069,571.75	3,741,324.36
Pension liabilities carried forward	-438,448.00	0.00
Retained profit/loss 31 Dec	2,631,123.75	3,741,324.36
Profit/loss for the financial period	-770,028.84	-671,752.61
<b>Unrestricted equity total</b>	<b>4,829,223.18</b>	<b>10,569,571.75</b>
<b>Equity total 31 Dec</b>	<b>9,829,223.18</b>	<b>15,569,571.75</b>
<b>Calculated distributable assets 31 Dec</b>		
Unrestricted equity reserve	2,968,128.27	7,500,000.00
Retained losses	2,631,123.75	3,741,324.36
Profit/loss for the period	-770,028.84	-671,752.61
<b>Distributable assets</b>	<b>4,829,223.18</b>	<b>10,569,571.75</b>
<b>Reserve for contingencies</b>		
Pension liabilities carried forward	438,448.00	0.00

#### 4.3 Current liabilities

##### Accruals and deferred income

Annual holiday pay and related social security contributions	1,336,432.54	1,007,486.56
Salary liabilities and related social security contributions	620,159.17	893,110.60
Mandatory employer's insurance payments	2,394.74	0.00
Other accrued expenses	790,371.40	16,544.42
<b>Accruals and deferred income total</b>	<b>2,749,357.85</b>	<b>1,917,141.58</b>

#### 5. Notes on collateral and contingent liabilities

##### 5.1 Transactions by related parties

Of the company's net sales, €2,055,440.21 (18.4%) comes from the sales of expert services to the government and regional government, or organisations outside the government/regional government but tied to them.

##### 5.2 Commitments and liabilities

###### Other own commitments

Rental liabilities, less than one year	767,934.96	745,568.04
Rental liabilities, more than one year	2,444,818.47	3,212,753.94
Leasing liabilities, less than one year	110,654.18	147,327.51
Leasing liabilities, more than one year	20,124.42	116,080.31
<b>Commitments and liabilities total</b>	<b>3,343,532.03</b>	<b>4,221,729.80</b>

###### Electricity derivatives

Market value	7,339,089.01	27,024,410.71
Value of hedged volume (underlying security)	68,287,366.57	61,136,425.43

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, there are 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 Minister of Finance nominates the members of the monitoring group for a two-year term.

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 2023.

##### 5.3 Pending legal proceedings

At the end of 2019, Hansel had three claims regarding two tendering processes pending in the Market Court. In 2019, the company received two judgements of the Supreme Administrative Court: the claim was rejected in one and accepted in the other. Hansel also received four judgements of the Market Court in 2019. The processing of the principal claim was abandoned in all of them. Furthermore, the company received one judgement of the Helsinki Administrative Court in which the claim was rejected.

# More effective procurement through cooperation



The estimated annual volume of public procurement in Finland is some €35 billion. As this is a significant amount of money, public procurement is considered one of the means to improve the sustainability of general government finances and promote social goals, such as

- Sustainable development
- Innovation
- Climate targets
- Social aspects
- Competence development
- Distribution of best practices
- Environmental aspects
- Social employment
- Status of domestic food
- Development of technology
- Life cycle economy
- Quality
- Responsibility
- Bilingualism

In September 2019, the Ministry of Finance launched the operational programme Effective Public Procurement (Vaikuttavat julkiset hankinnat) or Procurement Finland (Hankinta-Suomi) in collaboration with the Association of Finnish Local and Regional Authorities. The operational

programme focuses on the Procurement Finland forum, which consists of the strategic management of a variety of public organisations. They will prepare a Finnish public procurement strategy that will be published in the autumn of 2020. The programme's implementation stage will end at the end of 2023.

The operational programme's broader goals are:

- Better utilisation of procurement management as a strategic tool in the achievement of the organisations' goals.
- Promoting cooperation between the central government, the regional authorities and other purchasing bodies to share expertise and set common goals.
- Promoting cooperation between ministries to avoid silos in public procurement and ensure that actions in different administrative sectors can be coordinated as efficiently as possible.

Hansel is strongly involved in Procurement Finland: the company has representatives in the programme's steering group, caucus and preparation working group. In future, Hansel will support, through its services, the implementation of the national procurement strategy and the achievement of the programme's goals.

# A new direction for procurement of the police with Hansel's development services



The Technology Unit of the National Police Board needed to make its procurement process better and more efficient. Hansel was enlisted to support this goal. Jointly prepared guidelines enable both savings and a lighter workload.

The Technology Unit of the National Police Board handles facility, technology and material administration of the entire police organisation, which consists of 10,000 people. Procurement is a key part of the work. The Material Centre is responsible for most of the police's material administration procurement. Hansel was already a familiar partner for the police from joint procurement. A project on investigating the opportunities to centralise the police's procurement brought a whole new dimension to the cooperation.

"We reassessed the administrative and support functions of the police on our own for some years, but the process proved very arduous and did not lead to any concrete changes. When the idea of an investigation of the opportunity to centralise procurement was raised during a discussion on the development of our operations, we decided to utilise Hansel's expertise in this work, because we felt that it was a highly specific subject matter that required special expertise. Secondly, we wanted to involve a party from outside the police administration into the investigation. We were pleased with Hansel's positive service attitude right from

the very start," says **Jyrki Wasastjerna**, Director of Technology.

The Technology Unit of the National Police Board focuses on proactive planning in the long term.

"Our goal is to invest in the promotion of digitisation and other forward-looking solutions that will optimally support the operations of the police."

## **Research data instead of speculation**

The starting point for the project was forming an overall idea of procurement as a whole in the police, or to see the forest instead of the trees.

"We wanted to achieve a comprehensive idea of what kind of a whole procurement forms in all the police units around the country, what kind of volumes we are looking at, how much resources were are using in procurement, how procurement expertise is distributed around the country and whether there are any overlapping tasks. We also wanted to get the views of the different units on procurement development needs," Wasastjerna explains.

An agreement was signed with Hansel and the project was launched in December 2018. To achieve proper situational awareness, a development manager from Hansel performed a comprehensive round of

interviews and arranged almost a dozen workshops. The investigation was supported by means of surveys and a spend analysis, for example.

“The spend analysis was an eye-opener for us. I admired the way in which the Hansel development manager was able to compile a clear summary of the discussion – which was quite meandering at times what with the interviews and the workshops – to form an overall idea of the situation. The participants found the workshops useful, and even requested more workshops during the investigation process in addition to the ones that were initially agreed. As the investigation proceeded, it became clear that the units’ views of the challenges and centralisation were fairly consistent. This offered an excellent foundation for further action,” Wasastjerna says.

Data was also collected from the purchase account system of Rondo, supplier reports, the electronic tendering service Hanki and procurement notices. The Hansel development manager was tasked with not only collecting the massive body of data but also with analysing it.

“We could not have possibly completed such an extensive project without Hansel’s assistance and expertise. Noteworthy aspects include Hansel’s positive service attitude and Hansel’s expertise that allowed us to complete the large project,” Wasastjerna says.

### **Final result: a clear direction**

The final result of the investigation is not just on paper. In addition to the large volume of data, the project’s final report includes a large number of development proposals. In early 2020, the National Police Commissioner will make a decision on which of them will be implemented. Once the decision has been made, the desired changes will be implemented in a separate project in compliance with a strategy specified by the National Police Commissioner.

“The final report opened our eyes to a host of realities that should be changed. I believe that once the strategy is complete, we will be able to take a huge leap in the development of procurement,” Wasastjerna says.

“I can highly recommend a similar project, and above all a procurement analysis, to all government agencies involved in procurement operations – those, in particular, that need assistance in managing the whole and an idea of the actual status of their procurement processes. Assistance from an outside expert will allow you to see the ways in which the organisations can modernise their procurement to make it profitable and efficient, and to ensure that it corresponds to the requirements of the new decade.”

# Innovation partnership created a new way of learning



If you want innovative final results, you should realise some procurement projects in unconventional ways. A procurement project realised through an innovation partnership of the Finnish National Agency for Education created high-quality new learning materials on the circular economy and sustainable consumption.

The goal of the project, realised in cooperation by the Finnish National Agency for Education and the Finnish Innovation Fund Sitra, was to create learning materials on the circular economy and the opportunities it provides to pupils in years 3–6 of primary school.

“We did not have any specific idea of how the learning materials were to be realised. The goal was a solution of high pedagogical quality, and the digital format, for instance, was not a value in itself for us. We wanted a solution suited for varied teaching that would enable active learning in class and in other environments,” says **Juho Helminen**, a specialist from the Finnish National Agency for Education.

When the goals for the learning materials were being specified, there were some concerns that a traditional planning competition would not lead to the optimal final result.

“We were aware of the innovation partnership procurement method, but we did not dare to set out to realise an innovation partnership alone. We received a strong recommendation from within our own

organisation to use Hansel’s expertise in the tendering process, and Hansel assisted us in verifying that innovation partnership was the right approach for us.”

While conventional public procurement is a procedure aiming at awarding a contract for specific products or services, innovative procurement is about responding to a specific need. The procurement procedure challenges the participants to create something new: there must not be even a prototype of the offered solution on the market. Innovation partnership encourages close cooperation between the customer and the tenderers.

## **Complete teaching path**

Procurement of the teaching materials started with a negotiation phase in which the tenderers pitched their concepts to representatives of the Finnish National Agency for Education and Sitra and received feedback from them. Two tenderers were selected for the next phase on the basis of these negotiations. They prepared pilots consisting of two lessons based on their concepts. The pilots were tested in a real-life school environment to determine the actual performance of the teaching materials and the extent to which they support the teacher’s work. The winner was selected on the basis of the pilot results, and they continued the development of their learning materials into a ready-made product.

“The pitching and sample lessons were extremely interesting. The process introduced by Hansel and a

clear-cut deadline assisted the tenderers to understand our wishes and the operating method in an innovation partnership,” Helminen says.

The winner was not easy to choose, and the decision was made with great care. The winner uses a video-based method that focuses on a global approach and the pupils’ activation. The learning materials, called Kierroksia (“Rounds”), convinced the Finnish National Agency for Education and Sitra with their scope and the fact that they included readymade teaching paths for teachers of different types.

The learning materials will not be launched to a wider audience until the Swedish version is complete, but feedback on the Finnish version has been enthusiastic. As of late 2019, all primary schools have access to the materials free of charge.

“There is no doubt that innovation partnership was the best approach for the procurement of the learning materials. If you want a completely new type of solution and you don’t have any specific requirements, innovation partnership is the ultimate approach,” Juho Helminen concludes.

# Building procurement together



The starting point of the Traffic Management Finland Group, which was established in early 2019, was delicious: the management of the Group's procurement and procurement practices could be prepared from the very beginning. **Kalle Pinni**, the head of Hansel's Development Unit, was selected as the expert for this project.

The Group's procurement mainly consists of ICT systems for traffic management, consulting services and construction services and supplies related to control units. Almost all of the procurement processes are of a large scale. Hence, a strong procurement function was to be included as part of the Group administration.

The project was started with the preparation of a top-level package of procurement principles, management and organisation. It was included in the Group's Corporate Governance instructions.

"Once the organisation and the required personnel had been specified, we were able to begin recruiting the required procurement experts during the summer," shares **Mirva Hannukainen**, Legal Counsel, who is the head of the procurement team.

## Procurement training for all employees

The Group's shared procurement processes were determined in workshops. Daily assistance is provided by a team consisting of three procurement experts. Together with the procurement contact persons of the subsidiaries, they form the Group's Procurement Coordination Team, which meets once a month

to exchange information on current and future procurement projects and find joint procurement opportunities to achieve optimal efficiency. Procurement matters are reviewed once per quarter with the companies' managing directors.

"It is important to have agreed processes that everybody follows. However, teaching each step of the procurement process to people who will only rarely be involved in procurement would not be wise; instead, we emphasise the support provided by the in-house procurement experts," Mirva Hannukainen explains.

A development project was launched to prepare the Group's own training materials. Hannukainen and her team publish monthly procurement service announcements that focus on subject matters such as procurement planning, the preparation of an invitation to tender, the comparison of offers, the agreement period and the role of the person responsible for the agreement. The key target group are people who will have procurement duties in the near future.

"We have been praised for our systematic procurement and functional systems. We can achieve larger savings by means of well-managed procurement," Hannukainen says.

In addition to the development of the organisation's own operating models, instructions on supplier cooperation have been prepared. Hannukainen praises Hansel's Kalle Pinni for his good ideas and advice along the way. A host of practical policies, instructions and tools have been created.

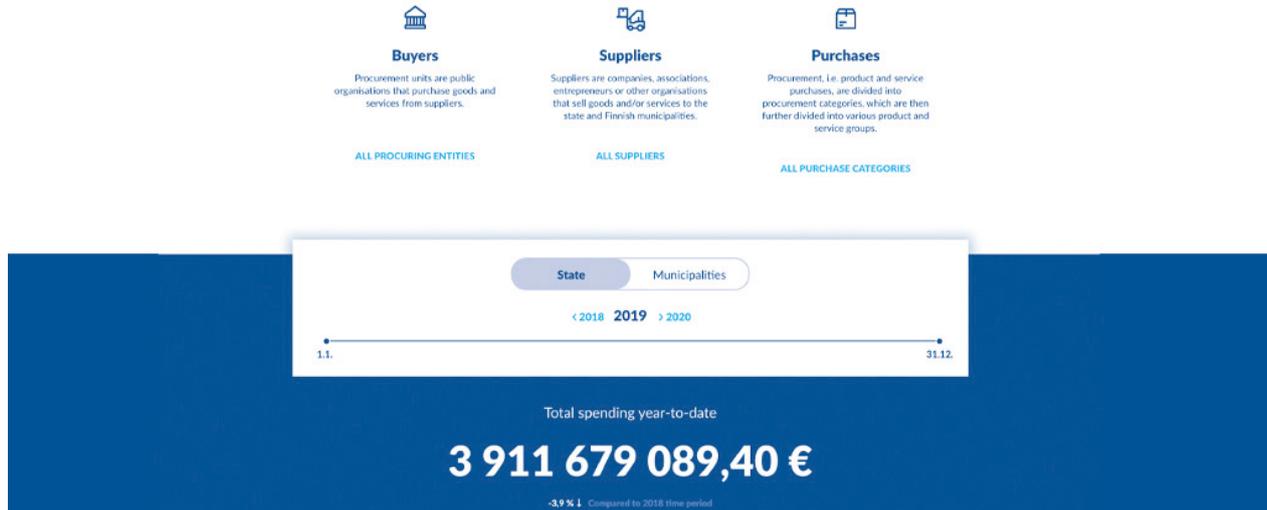
“The collaboration will continue as we start to consider how we can promote innovation in our procurement, for example.”

### Traffic Management Finland



Traffic Management Finland is a government-owned company with the special duty of handling the control of all modes of transport. The parent company and its subsidiaries for each mode of transport employ approximately 1,100 people at 43 locations in different parts of Finland. The parent company handles the Group’s basic administration, financial and personnel administration, legal matters, procurement, security matters, and ecosystem and general services.

# Tools for better management of procurement



Hansel aims to increase the transparency of administration and assist its customers in developing their procurement with a variety of tools. In 2019, three services were offered free of charge: Procurement Radar, Procurement Pulse and Explore Public Spending at Tutkihankintoja.fi. If a customer wishes to analyse data more thoroughly or if procurement development is required, Hansel's experts can help.

In August, we published a new electronic tool for procurement development. Procurement Radar is a tool that can be used to assess the maturity of an organisation's procurement. It assists in identifying key development areas and assessing good procurement practices from the perspectives of the different stakeholders and in relation to other organisations.

It is a self-assessment tool for public sector procurement. Procurement Radar consists of a short and a long survey, as well as reporting. Respondents include not only procurement experts but also other experts and the management of the organisation. Procurement Radar is offered completely free of charge for Hansel's customers through Hansel's online service.

## Procurement Pulse knows procurement

Introduced in 2018, Procurement Pulse collects the procurement data of an organisation into a whole that is easier to manage. The first regional authority customers were able to study the analyses provided by Procurement Pulse in the autumn of 2019.

Participants of the KEINO Academy, which focuses on the development of sustainable and innovative procurement management, studied their own procurement from a variety of perspectives. A carbon footprint indicator was piloted as a new indicator. It was more broadly taken into use at the beginning of 2020.

Procurement Pulse is a visualised service at the contracting authority level. It keeps track of, for example, what was purchased, from which supplier and when.

## Cities included in award-winning procurement data service

Purchase account data of the cities of Helsinki and Vantaa was published on Tutkihankintoja.fi in November. The Explore Public Spending service at Tutkihankintoja.fi is an easy-to-use online service open to anyone where acquisitions made with tax revenue can be studied from a variety of perspectives. When the service was launched in September 2017, it only included data for the central government. The introduction of the first cities further expands the transparency of the administrative sector.

When designing Tutkihankintoja.fi, special attention was paid to making the search feature easy to use and the site visually pleasing. These goals were reached even better than expected, and the Finnish pioneering online service that brings together public administration and citizens has been noticed around the world.

Procurement data was already publicly available before by virtue of the Act on the Openness of Government Activities, but a data request had to be submitted to a specific organisation in order to study the data. This impeded access to the information and consumed the resources of both the party requesting the data and the organisation receiving the request. The information is now available in a clear format in a single service.

# Hilma's resurgence



Development of a new version of the procurement notice service Hankintailmoitukset.fi started in earnest in 2019, and the renewed Hilma was opened to users on 2 January 2020. The service, which was previously only used to submit notices, assists tenderers in improving their ability to find the opportunities provided by the public sector and facilitates procurement work.

The total value of all the procurement projects listed in Hilma is some €35 billion. The service had to be renewed particularly due to the requirements of the suppliers participating in tendering: the procurement notice service no longer served them in the way they expected it to. The public procurement notice procedure will be changed in the next few years. Hilma's renewal was also based on these future requirements.

"The previous version of Hilma was outdated. It was difficult to use with a mobile device, for example," says **Timo Rantanen**, Electronic Procurement Development Manager.

The new Hankintailmoitukset.fi service provides the tenderers with a search feature. There is also an opportunity to save your searches. You can subscribe to notifications of procurement projects and add favourite notices so that you will be notified of any changes to them.

The administrative burden of parties submitting procurement notices was also lightened, as Hilma better supports the contracting authorities and any

parties who occasionally use the service. A new selection wizard assists in finding the correct form, which reduces the number of incorrect choices.

In the new version of Hilma, the procurement notices correspond to EU procurement notices, which means that the data can be better utilised in statistics and analyses. The new notice structure makes the work faster, as you can copy a previous notice as the template for a new one. This creates a continuum in the case of the publication of advance notices, procurement notices and contract award notices, for example.

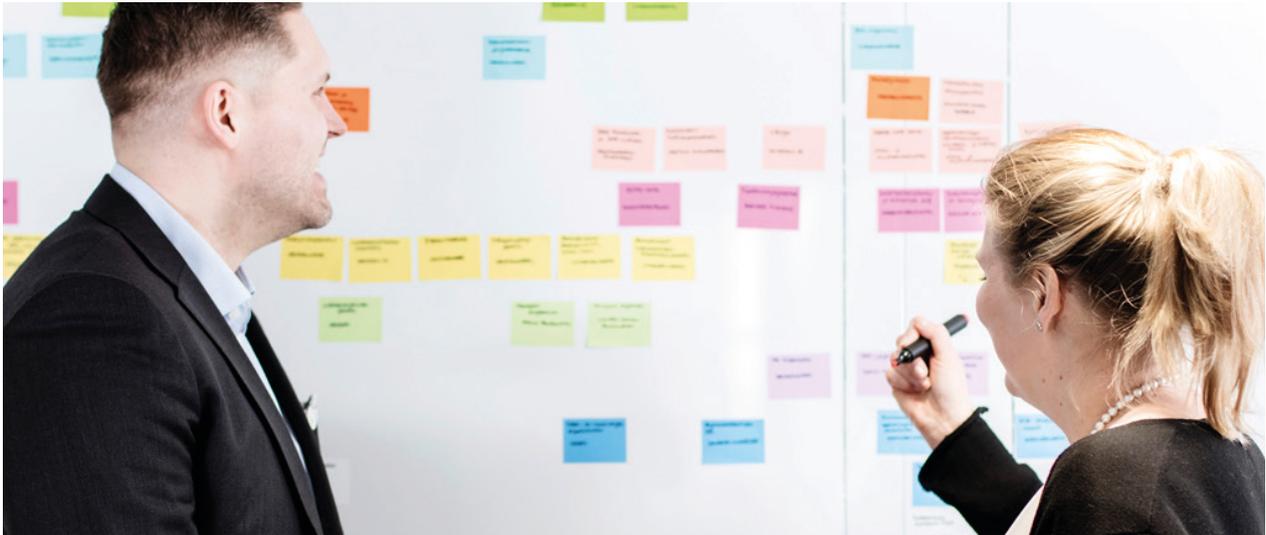
## **Hilma will be further developed**

Guidelines in the reform were increased transparency, a user-centred approach and continuous development. The development work was open: anybody could attend the development reviews and provide feedback.

"Before starting the reform, we interviewed hundreds of users and requested their development ideas. We will continue to arrange focus group events, carefully listen to user feedback and invest in the development of features that are important to the users," says **Tiina Luoma**, the service manager in charge of the Hilma reform.

Hansel is responsible for the management of the new version of Hankintailmoitukset.fi, and participants in the reform include the Ministry of Employment and the Economy, the Ministry of Finance, the Public Procurement Advisory Unit and several other parties.

# Corporate responsibility management



Responsibility is integrated in Hansel's strategy, and it is one of the main strategy themes. In the Executive Committee, corporate responsibility is included in the job description of the Director of Finance, 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 and customer relations. 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 in charge of responsibility-related working instructions and processes, such as the responsibility analysis that was introduced in 2019. Distribution of information regarding responsibility matters and providing internal support in tendering projects are important parts of corporate responsibility efforts. As a founding member, Hansel also has an important role in the Competence Centre for Sustainable and Innovative Public Procurement (the KEINO Competence Centre). Some corporate responsibility efforts are also carried out with joint procurement units in other countries and NGOs.

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 the Corporate Responsibility Report, which is published annually in Finnish, Swedish, and English, integrated into the Annual Report. With regard to corporate responsibility, the Annual Report presents key information for 2019 and provides information about interesting events and achievements related to corporate responsibility. The corporate responsibility report relating to events in 2018 was published on 2 April 2019. Reports are prepared in accordance with the principles set forth in the GRI Standards.

The reporting for 2019 complies with the previous reports up to 1 September 2019. After the merger that took place on 2 September 2019, the information applies to the new, larger Hansel.

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 Corporate Responsibility Team is in charge of responsibility-related working instructions and processes."*

The report has been put together by Hansel's communications department together with advertising agency SST. The entire Corporate Responsibility Team participates in the preparation of the report, and it is approved by the Executive Committee. The Responsibility Report is also submitted to the Board of Directors for information.

Photos: Lasse Lecklin, Aki Rask, Olli-Pekka Latvala and Hansel communications. All photos in the Annual Report feature Hansel's experts.

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Hansel's corporate responsibility report is available at [vuosikertomus2019.hansel.fi](http://vuosikertomus2019.hansel.fi) (in Swedish [arsberattelse2019.hansel.fi](http://arsberattelse2019.hansel.fi) and in English [annualreport2019.hansel.fi](http://annualreport2019.hansel.fi)). This report is being published exclusively online for the seventh time. The report was verified by KPMG Oy Ab, Authorised Public Accountants.

# Materiality assessment

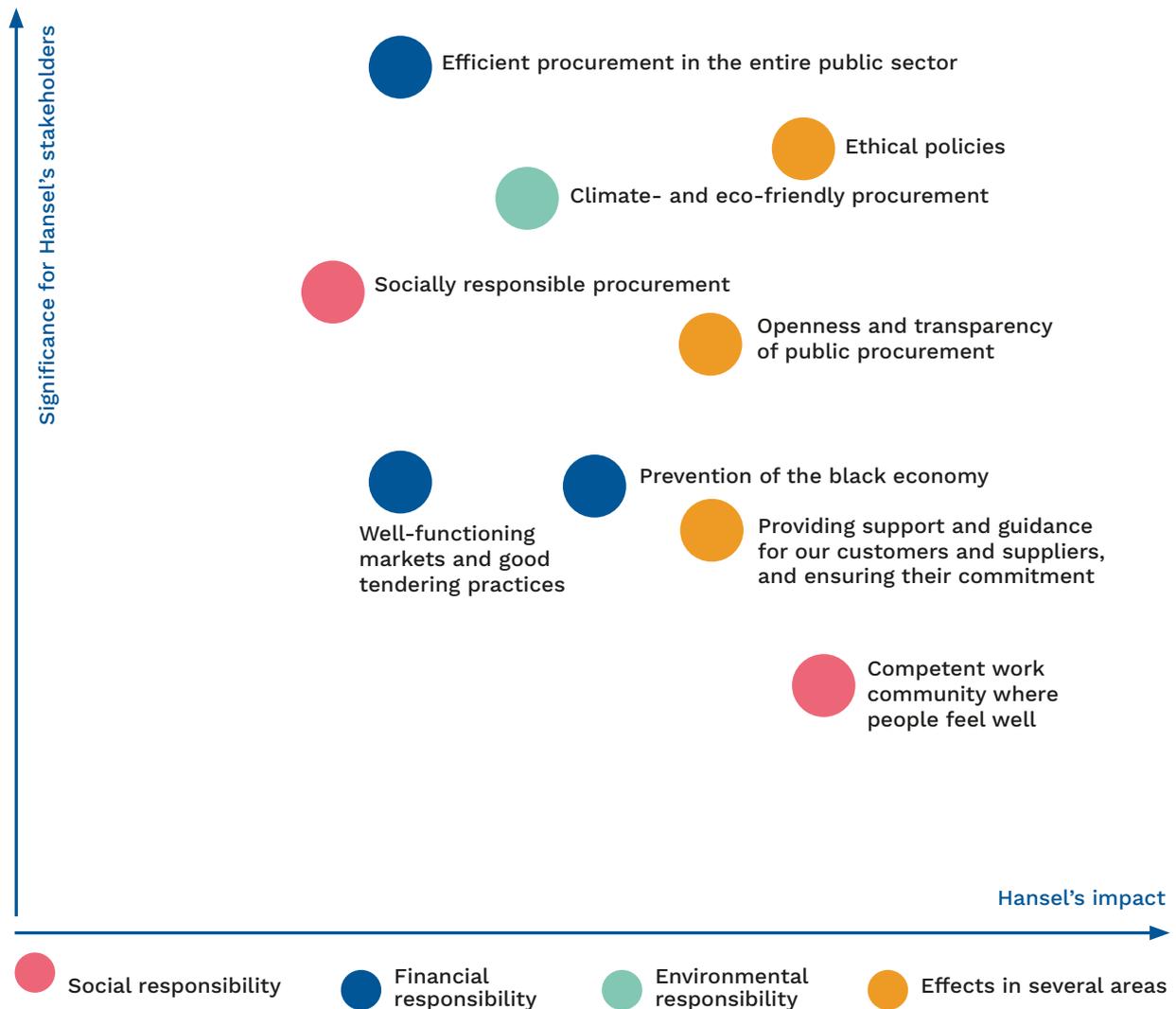
Our operating environment experienced a significant change in the autumn of 2019 due to reorganisation of the company and its ownership. We therefore felt that it was time to update the materiality matrix that guides our responsibility work. As an aid in this work, we used a third-party expert who facilitated our process and interviewed our stakeholders to determine the key aspects in the responsibility of procurement.

This work took place at an interesting time, as our regional authority customers had only recently begun to benefit from our services. Representatives of the regional authorities were included in the stakeholder interviews to voice their expectations. The increased

focus on responsibility could also be seen in the new Government Programme, which in part challenges us to develop our practices even more forcefully.

As the basis for this work, we compiled a long list of materiality aspects, and arranged workshops to trim the list down into the most significant responsibility themes. The responsibility working group submitted a proposal on a new materiality matrix to the company's Executive Committee, which approved it on 8 October 2019. A total of nine aspects were selected for the final materiality matrix.

## Hansel's materiality matrix



## Corporate responsibility management approach

Materiality theme	Material aspects	Limitations and impact	Management approach	Performance assessment
Efficient procurement in the entire public sector	Efficient use of public funds; price and process savings	Joint procurement volume benefit strongly influences the finances of internal customers	Category management carries the main responsibility, extensive internal instructions	Price and volume monitoring, savings calculations
Ethical policies	Compliance is absolutely necessary because of the nature of our operations	The actions of all the employees have direct impact	Compliance function established and compliance officer named	Compliance monitoring and reporting; event and gift list
Climate/environmentally friendly procurement	Procurement can have a positive impact on climate and environmental matters	through requirements specified for suppliers' products and services.	Corporate responsibility management and responsibility processes; new tool: responsibility analysis	Ecolabel; considering climate and the environment as comprehensively as possible in tendering; environmental matters considered, %
Openness and transparency of public procurement	Public funds must be used transparently	Systematic collection of joint procurement data; cooperation with customers to obtain their procurement data	Development of analytics services	Volume of procurement data; expansion of tutkihankintoja.fi service
Socially responsible procurement	High effectiveness of joint procurement and taking into account subcontracting chains in procurement	The effects can be seen in the operations of the contractual suppliers and their subcontractors	Code of Conduct appended to joint procurement agreements	Social responsibility label, %
Prevention of the black economy	Public funds are used through our agreements, which is why the prevention of the black economy is important	Hansel monitors the operations of its contractual suppliers	Financial responsibility processes and their monitoring	Financial responsibility label, %
Operation of the market and good tendering practices	Public procurement should be realised in accordance with the existing competitive conditions	Hansel's goal is to obtain several offers in each tendering process	Compliance with processes when preparing procurement	Number of offers/tendering; number of contractual suppliers and subcontractors; share of SMEs among suppliers
Providing support and guidance to customers and suppliers, and ensuring their commitment	Development of public procurement	Direct impact on the sharing of good practices and operating models	Extensive internal instructions	Customer and supplier satisfaction; number of participants in different events
Competent work community where people feel well	Strategic goal: becoming the most valued public procurement expert and an attractive employer	The company's operations and management method have a direct impact	HR processes	HR indicators, personnel satisfaction

# Our stakeholders

The expansion into a central purchasing body of the entire public administration also introduced us to new stakeholders. The Executive Committee updated our stakeholder analysis, which is also an important tool in the determination of the materiality matrix and the setting of our priorities in addressing our responsibilities.

## Analysis of 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>				
Contracting authorities	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, the 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
Customer forum	Opportunities to influence Hansel's operations	Important	Regular meetings	Managing Director and Deputy Managing Director
Customer networks of the categories	Opportunities to influence Hansel's operations	Important	Regular meetings	Category Manager
<b>Government service providers</b>				
Cooperation forum for government service providers	Synergies in other operations	Mutual coaching in various sectors	Management 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

Supplier relations				
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'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 (Hyry)	Smooth 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 maintaining contact as necessary	Managing Director
Avainta ry	AVAINTESS	Low impact	To be monitored	Deputy Managing Director
Ownership steering and legislation				
Ministry of Finance/owner	A well-managed, responsible and innovative company that generates savings for public administration procurement	High	Cooperation projects, such as Hankinta-Suomi, active expressing of views on possibilities for development and savings in procurement services	Managing Director
Association of Finnish Local and Regional Authorities/owner	A well-managed, responsible and innovative company that generates savings for public administration procurement	High	Cooperation projects, active interaction	Managing Director
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
Working group of the Ministry of Transport and Communications: working group preparing the implementation of a directive on green public vehicle procurement	Introducing expertise to the legislation project	Moderate impact	Working group work	Category Managers
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 their industries	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	A trailblazer of sustainable procurement	High impact, varying interest (legislation, EU)	Continuing with the cooperation	Corporate Responsibility Team
Finnish Environment Institute SYKE	Partner and expert in procurement; customer	Moderate impact	Continuing with the cooperation	Corporate Responsibility Team
Motiva	Exchange of information to promote sustainable procurement	Moderate impact	Continuing with 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	Continuing with 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
Regional purchasing bodies	Regular communication and representation of shared interests	Increasing significance	Continuing with the cooperation	Managing Director
<b>Other stakeholders</b>				
Contracting authorities in other EU member states	Closer cooperation and best practices, development ideas	Important	Continuing with the cooperation	Managing Director
European Commission	Development of public procurement	Increasing significance	Working groups, such as eCertis and EXEP	Managing Director
OECD	Development of public procurement	Moderate impact	Participation in networks	Managing Director
Finnish Competition and Consumer Authority (KKV)	Oversight of public procurement and compliance with the Competition Act, cooperation in legal matters, participation in the working group on the prevention of the black economy	Moderate impact	Regular meetings	Head of Legal Affairs
Media	Access to 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 participation in networks	Director of Finance
Competence Centre for Sustainable and Innovative Public Procurement (KEINO)	Important operator in 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

# Responsibility analysis expands perspectives



For more than ten years, we have been working on environmental matters. An ecolabel has been available for joint procurement that meets the environmental requirements since 2009. In late 2019, we introduced a broader responsibility analysis that covers the three components of responsibility: environmental, financial and social. This is an important milestone for us in increasing the effectiveness of procurement.

The responsibility analysis covers all elements of environmental, social and financial responsibility in detail. The tool reminds the party arranging the tendering of many factors that should be considered and requirements which can be included in the invitation to tender documents as mandatory requirements, contract award criteria or contractual terms, for example.

## **Towards the goal**

Identifying the harmful impact of a product or service and coming up with a positive goal are important in environmental matters. Furthermore, the party arranging the tendering must come up with initiatives to mitigate the harmful impact and facilitate development towards a positive goal. To fill out the form, you must familiarise yourself with the subject matter and determine what is

essential. The matter must also be revisited during the agreement period to consider, using suitable indicators, whether the desired effect was achieved.

The social responsibility component is also heavily present in our new responsibility analysis. A couple of years ago, we completed a collaboration project with Finnwatch to consider risks related to social responsibility in ICT procurement chains. Inspired by the project, we decided to include a broad range of social responsibility tools in our toolbox. The code of conduct for contractual suppliers, which was originally prepared for ICT procurement, is currently part of the agreement in any procurement project where high social responsibility risks have been identified. Oversight during the agreement period is also important, albeit challenging.

Furthermore, we have more actively considered employment through public procurement. This is a new aspect for us. We want to learn more about it, and we are therefore eager to hear more about the experiences of our regional authority customers who have already realised such projects. Accessibility and availability are also considered in any procurement projects to which they apply. The same applies to the principles of fair trade.

*"The responsibility analysis is an important milestone for us in increasing the effectiveness of procurement."*

### Four responsibility labels

We are highly experienced in the field of financial responsibility. We have carefully built our functional processes over the course of several years. We have automated the oversight of our suppliers during the agreement period in the case of some of the indicators. Furthermore, we perform oversight required by the Act on the Contractor's Obligations and Liability when Work is Contracted Out in the case of some of the joint procurement agreements.

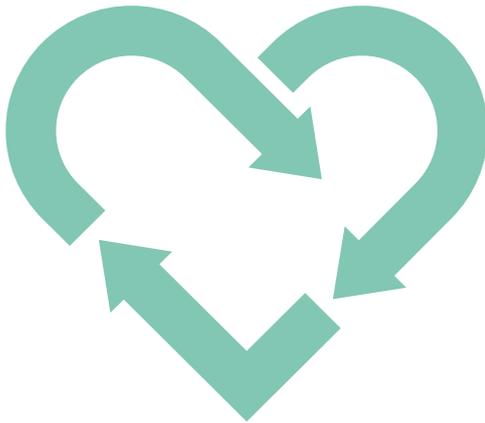
We have also included the innovation aspect in the responsibility analysis, because in many public procurement projects, promoting innovation is one of the goals. According to the Government Programme,

10% of public procurement should be innovative. If a procurement process increases the profitability, quality, sustainability or effectiveness of public services, it can be innovative in nature. We also want to promote and monitor this aspect, and our procurement projects can be labelled innovative.

The previous Hansel's ecolabel has thus been expanded to four labels, which can be awarded to our joint procurement projects:

- Ecolabel
- Social responsibility label
- Financial responsibility label
- Innovative procurement label

### ENVIRONMENTAL RESPONSIBILITY



### SOCIAL RESPONSIBILITY



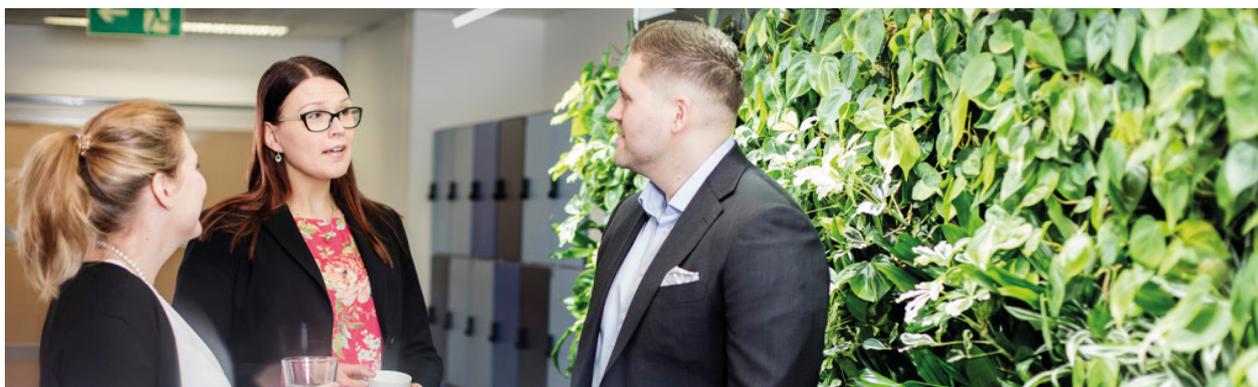
### FINANCIAL RESPONSIBILITY



### INNOVATIVE PROCUREMENT



# Hansel's green initiatives



Hansel is a member of the Green Office network, which consists of some 150 organisations in Finland. 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.

Sustainability 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.

New Green Office actions in 2019 included replacing old light fixtures in dark offices with LEDs and encouraging the employees to use sustainable transport by procuring shared city bike cards for the employees to use when going to meetings. Hansel rents facilities at the main post office building in Helsinki. The building received a LEED certificate in 2019.

## Environmental impact of Hansel's own operations

	2019	2018	2017	2016	2015
Direct impact, Hansel's own operations	CO <sub>2</sub> , thousand kilograms				
Consumption of paper	0.31	0.44	0.83	0.64	0.69
Road traffic divided by fuel consumption*	36.13	38.76	40.99	57.31	40.67
Emissions corresponding to the mileage allowances paid by the company	1.91	2.46	1.31	0.93	1.57
Other traffic (taxis)	0.59	0.61	0.63	0.88	0.78
Air traffic, passenger kilometres	25.05	45.31	37.37	38.77	34.31
Marine traffic, passenger kilometres	2.78	0.67	1.12	0.13	1.73
Rail traffic	0.04	0.02	0.02	0.00	0.12
Consumption of electricity**	0.00	0.00	10.44	11.08	13.73
<b>Direct impact total</b>	<b>66.81</b>	<b>88.27</b>	<b>92.71</b>	<b>109.74</b>	<b>93.60</b>

Emissions caused by the procurement of office equipment					
Mobile phones	2.98	2.87	2.87	2.40	2.93
Tablet computers	0.16	0.00	0.81	0.00	0.32
Laptops	0.51	4.20	15.56	0.00	0.00
LCD displays	0.23	5.57	63.88	2.62	0.66
LED televisions or displays	1.25	1.87	0.83	0.21	0.00
Multifunction devices	0.00	0.00	0.82	0.41	0.00
Printers	0.00	0.00	0.23	0.00	0.16
Furniture	0.49	12.54	9.90	1.43	1.12
<b>Emissions caused by the procurement of office equipment and furniture total</b>	<b>5.62</b>	<b>27.05</b>	<b>94.90</b>	<b>7.07</b>	<b>5.19</b>
<b>Direct impact total</b>	<b>72.43</b>	<b>115.32</b>	<b>187.61</b>	<b>116.81</b>	<b>98.79</b>
<b>Direct impact per person-year</b>	<b>0.65</b>	<b>1.28</b>	<b>2.26</b>	<b>1.60</b>	<b>1.35</b>

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

\*\*In 2019, 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.

# Ecolabels 2019

At Hansel, the investigation of environmental aspects begins during the planning of a tendering process. Hansel has been using the Hansel ecolabel for ten years. It is used to verify the environmental friendliness of joint procurement. See below for more information on the ecolabel and the joint procurement projects to which ecolabels have been granted.

Goals at which the consideration of environmental aspects aims:

- Reduction of energy consumption and improvement of energy efficiency
- Reduction of the use of harmful chemicals
- Reduction of greenhouse gas 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 been able to consider environmental aspects in relation to two or more criteria set by Hansel, it will be awarded Hansel's ecolabel. At the end of 2019, 64 (55 in 2018) of the total of 91 (88) currently valid joint procurement projects, or 70% (63%) of the projects, had been awarded the ecolabel.

If including environmental aspects is not possible or only one environmental aspect has been identified, this is documented in accordance with Hansel's internal guidelines. In some cases, environmental aspects cannot be taken into consideration due to the nature of the procurement project. For example, in some sectors, such as organisational and HR development services and other similar specialist services, environmental aspects are often difficult to take into account.

## 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 comparison criterion; or
- 5 in the contractual terms.

### Vehicle and logistics services

Vehicle accessory services 2018–2022		2		4	5
Car rental, mini-leasing, and car sharing services 2017–2019 (2021)		2	3		
Vehicles and related services 2017–2019 (2021)		2		4	
Moving transport services 2018–2020 (2022)	1		3		5
Construction, HVAC and automation supplies 2019–2023	1	2	3		5
Heavy vehicles 2017–2019 (2021)		2	3		5
Electricity and HVAC supplies 2015–2019		2	3		5
Tools and supplies 2015–2019		2	3		5

### Specialist services

IT consulting 2015–2019			3		5
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### Food and restaurant services

Food and non-food products 2015–2020	1	2	3	4	5
Restaurant services 2017–2021, facility user services		2	3		5

### Energy

Gases 2017–2019 (2021)			3		5
Fuels 2017–2019 (2021)		2	3		5
Procurement and open delivery of electricity 2018–2022		2	3		
Electricity cost-price hedging and related services 2018–2020 (2022)	1	2			

**Personnel and health care services**

Occupational health care services 2013–2018 3 4 5

**IT hardware**

Presentation technology equipment and related services 2016–2018 (2020) 2 3 5

Mobile devices and related services 2015–2017 (2019) 1 2 3 5

Rugged computers 2018–2020 (2022) 2 5

Desktop computers and laptops (PC/Windows) 2014–2016 2 3 5

Printing management services 2015–2019 2 3 5

Printing devices and related services 2017–2019 (2021) 2 5

Computers 2018–2020 (2022) 2 4 5

Computers iOS/MacOS 2018–2022 2 5

**Furniture and office services**

Distribution services for serial publications 2015–2019 2 3 5

Printing services 2014–2018 1 2 3

Printing services 2018–2022 2 3

Office and computer supplies 2016–2018 (2020) 2 3 5

Office furniture 2019 (temporary) 2 3 4 5

Office furniture 2019–2025 2 3 5

Distribution services for non-Finnish literature 2014–2018 2 3 4 5

**Data centre services and hardware**

Data centre and capacity services 2013–2019 1 3 4 5

Data centre network hardware 2015–2017 (2019) 2 3 5

Servers and integrated solutions with related services 2017–2021 2 4 5

Storage and backup devices and related services 2015–2017 (2019) 2 3 5

Storage and backup devices and related services 2019–2023 1 2 5

**Travel and meeting services**

Accommodation services in Brussels 2015–2016 (2018) 2 3 5

Maintenance flight services 2018–2021 2 3 5

Train travel services 2011–2019 1 5

Meeting services in Finland 2015–2017 (2018) 2 3 4

Meeting, event and recreational services in Finland 2019–2020 2 5

Accommodation services in Finland 2015–2016 (2018) 2 3 4

Accommodation services in Finland 2019–2020 (2022) 2 5

Long-term accommodation services in Finland 2018–2021 2 3

Ship travel services 2015–2018 3 5

Ship travel services 2018–2021 (2022) 3 5

Travel agency services 2016–2018 (2020) 3 5

Scheduled flight services 2017 (2018) 1 3 5

Scheduled flight services 2019–2020 (2021) 1 2 3 5

Charter flight services 2018–2021 2 3 5

Accommodation services outside of Finland 2019–2020 (2022) 2 5

**Software**

Electronic tendering solution 2015–2023 1 3

**Cleaning services and supplies**

Comprehensive services 2017–2021, facility user services 2 3 5

Cleaning services 2017–2021, facility user services 2 3 5

### Financial services

Leasing services 2013–2017		2	3	
Leasing services 2018–2022	1	2	3	5
Payment solution 2018–2023 (2024)	1	2		

### Data communications

WAN hardware 2015–2017 (2019)		2	3	5
LAN/WLAN hardware 2015–2017 (2019)		2	3	5
Data communications services 2014–2018	1	2		4
Data security hardware 2015–2017 (2019)		2	3	5
Video conferencing services 2017–2021	1	2		

### Security technology and security services

Security equipment 2017–2019 (2021)		2	3	5
Security services 2017–2021, facility user services		2	3	5

### Joint procurement projects where environmental aspects are considered

Category	Joint procurement in 2019, MEUR	Environment considered in 2017, MEUR	Environment considered in 2019, %	Environment considered in 2018, %	Environment considered in 2017, %
Vehicle and logistics services	97.1	83.0	86	92	100
Specialist services	135.0	87.1	65	67	76
Food and restaurant services	25.8	25.8	100	100	100
Energy	82.4	73.6	89	99	100
Personnel and health care services	78.0	57.6	74	85	83
IT hardware	76.3	68.3	90	99	98
Furniture and office services	44.9	44.8	100	100	100
Data centre services and hardware	60.3	60.3	100	100	100
Travel and meeting services	97.9	97.9	100	99	92
Software	53.4	0.4	1	1	1
Cleaning services and supplies	39.2	39.2	100	100	100
Financial services	52.1	38.3	73	85	96
Data communications	32.2	10.1	31	52	49
Security technology and security services	25.0	16.0	64	54	70
<b>Total</b>	<b>899.7</b>	<b>702.6</b>	<b>78</b>	<b>84</b>	<b>87</b>

The reporting of ecolabels was specified in the 2019 report from the main joint procurement level to the category level, which caused some minor adjustments to the previous years' figures.

The perspective was expanded at the end of 2019 to all the responsibility aspects, and a new, more extensive responsibility analysis was introduced. Two joint procurement projects had time to complete the responsibility analysis late in the year.

# Procurement matters



The goals of central purchasing bodies can vary a great deal when they are arranging tendering processes to acquire products or services. The underlying reason for the tendering may be, for instance, the expiration of an agreement or the need to find a new, innovative product or service to replace an outdated one. Setting clear goals, such as whether the goal is maximum savings or optimal quality, facilitates the creation of the terms and conditions and criteria for the tendering at the preparation stage.

The goals are the foundation and the indicators for the effectiveness of the tendering. Even if the prices slightly increase, the procurement process can be considered successful if the procurement goal was cutting the processing time by half, achieving better durability or a transfer to using products that save energy, for instance.

## Looking at the results

The success and effectiveness of a procurement process can often be determined only during the agreement period. Effectiveness comprises a variety of factors in addition to money. Measuring the added value generated by a tendering process is challenging.

In late 2019, Hansel launched a project where the goal is to collect further information on the effectiveness of customer-specific tendering processes. Indicators that can be monitored will be set at the beginning of the project for the effectiveness of each project.

The effectiveness indicators include:

1. Project responsibility
2. Innovativeness
3. Achieved cost savings
4. High quality of a procured product or service
5. Increased expertise

When the procurement process concludes, the effectiveness is assessed in relation to the set quantitative and qualitative goals.

The first results on the measuring of the effectiveness of customer-specific projects and the achieved results are expected by the end of 2020.

*“The goals create the foundation and indicators for effectiveness.”*

# Hansel employees act as responsibility ambassadors



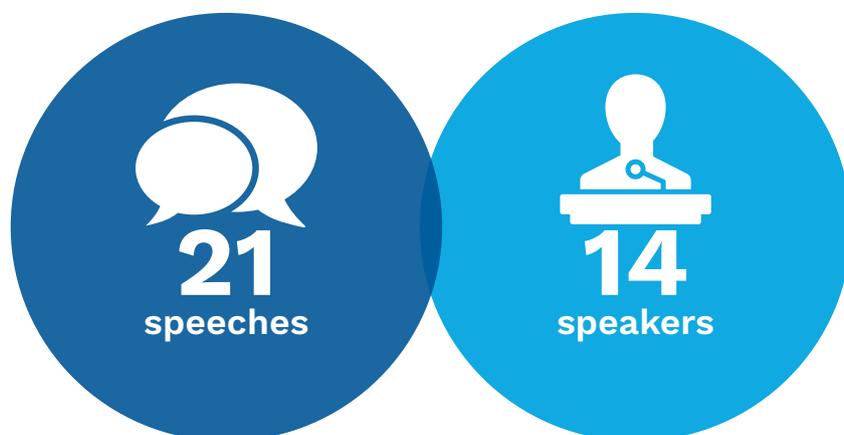
In accordance with our strategy, Hansel has Finland's best expertise in public procurement. We also want to be a trailblazer in responsible and effective procurement. Our experts therefore share their knowledge and viable practices by giving several lectures each year.

In 2019, Hansel employees visited HAUS Finnish Institute of Public Management Ltd., stakeholder events and our customer organisations, among others, to talk about data protection in procurement, analysis of procurement data, offers and agreements, as well as to provide examples of joint procurement.

The responsibility aspect has been strongly emphasised in the lectures of the Hansel employees. Information on the openness of administration and the procurement

data available at Tutkiahankintoja.fi has been provided in the European Parliament and in Finnish forums. A visitor lecture in Aalto University Executive Education focused on responsibility from the viewpoint of joint procurement. In addition, our energy consumption and energy market experts have talked about the responsible options provided by our agreements at discussion events of the industry.

Hansel's procurement experts have spoken during each module of the KEINO Academy. It is a six-month development programme arranged by the KEINO Competence Centre where representatives from 27 public administration organisations familiarise themselves with management of the effectiveness of procurement.



# Supporting functionality of the market in many ways



In accordance with the principles of the Act on Public Procurement and Concession Contracts, public procurement must be realised in accordance with the existing competitive conditions. The goals are retaining competition on the market and using public procurement to promote the creation of a more attractive and functional market. Due to the significant financial value and broad scope of joint procurement, special attention must be paid to the impact of the procurement on the market during the preparation of a joint procurement project.

Hansel carries out joint procurement tendering based on an extensive analysis of the customer requirements and the supplier market. A joint procurement project can be divided into parts by arranging separate tendering processes for different regions, product groups, service groups or competence areas so that companies of different sizes can participate.

## **Most of the agreements are divided**

A dynamic purchasing system (DPS) is also an efficient means of implementing procurement in a manner that allows SMEs to participate in the tendering competition

based on a framework agreement. In the case of a DPS, all tenderers that meet the requirements are selected, and all customers' procurements are realised through minicompetitions. As suppliers of 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 procurement agreements of Hansel's joint procurement has increased: the share was 71% in 2019 (64% in 2018). In most cases, a DPS is divided into parts based on product or service groups (39%).

The share of joint procurement projects realised at DPSs was 22% in 2019, compared to approximately one per cent in 2018. The share of regionally divided framework agreements somewhat decreased to 10% (14% in 2018). Due to the new tendering system, the share of non-divided joint procurement agreements decreased to 29% (36% in 2018).

*"SMEs and companies operating only in specific regions also have the opportunity to be selected as suppliers."*

# Pursuit of impact challenges parties arranging tendering



Impact investing is a new means of funding socially significant projects. It offers a new approach to public spending: recently achieved results guarantee funding. Hansel's tendering expertise was required in a project which sought for means to get the long-term unemployed back to work by means of a Social Impact Bond (SIB).

The Ministry of Economic Affairs and Employment had a clear goal: producing more effective services leading to employment while saving public funds. In the Employment-SIB, this goal was pursued with the help of a model where a project manager selected based on a negotiated procedure would be responsible for the achievement of the final goal.

"This is a highly demanding implementation method. The project was successful, because we were supported by Finland's best SIB advisors from the Finnish Innovation Fund Sitra and Hansel's tendering experts," sums up **Kimmo Ruth**, a labour market counsellor at the Ministry of Economic Affairs and Employment.

Preparation of the unorthodox project was led by **Timo Lindholm**, Chief Specialist. To support project planning, Sitra performed social benefit modelling and prepared a calculation on the impact of the employment of different people on general government finances. A bonus scheme based on employment results was also created.

## **The different perspectives will be adjusted to create a functional system.**

During several rounds of negotiations, a model that complies with the purchaser's requirements and is also sensible for the selected project manager and the investors and service providers selected by the project manager was sought. In a SIB project, the purchaser does not determine the means to achieve the goals; instead, the project manager is free to select the most efficient means to reach the desired final result.

During the negotiations, the system was edited in a manner which enables achievement of the goals specified in the invitation to tender. **Pekka Alahuhta**, Hansel's Senior Consultant, who was involved in the project, was praised for his prompt and competent way of managing the negotiations.

"Pekka planned the agenda of all the nine meetings and promptly ensured that everything went in accordance with the tendering rules," Kimmo Ruth explains.

*"We were supported by Finland's best SIB advisors from Sitra and Hansel's tendering experts."*

### A model to increase wellbeing

A similar implementation method had previously been tested in the integration and employment of immigrants. The lessons learned from that project were now used in a broader scale, as there were 60,000–80,000 potential customers or people who were long-term unemployed or in danger of becoming long-term unemployed.

“We paid special attention to ensuring that the selected customers are as motivated as possible. After an orientation period, the customers will be interviewed and the most suitable persons will be included in the scope of the services. This will assist the project manager and the supporting team to succeed,” Kimmo Ruth says.

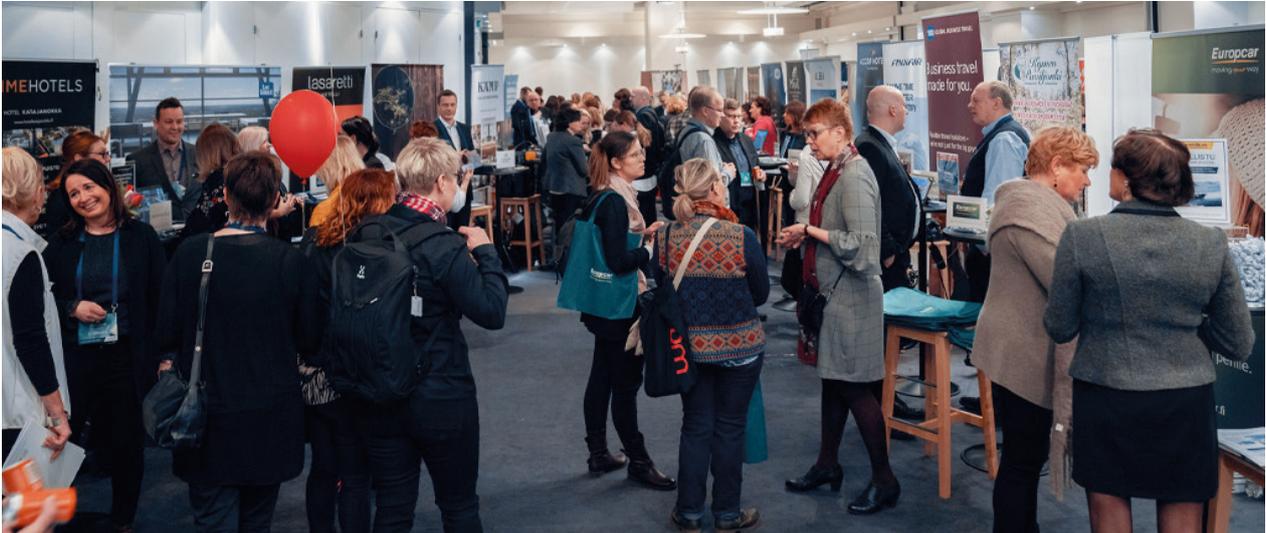
The Employment-SIB will offer customised services for up to 3,000 unemployed people in different parts of Finland over the course of five years. The goal is to create as long employment relationships as possible. The selected project manager is Epikus Oy (now FIM Private Equity Funds Ltd), which is part of the S-Group. It will bring together investors and service providers for the project, and keep in close contact with the TE Services and the Ministry of Economic Affairs and Employment during the agreement period.

### What is SIB?

SIB or Social Impact Bond is one form of pay-for-success financing, in which institutional and private parties invest in services that promote wellbeing and bear the financial risks during their implementation. Employment SIB is a project of the Ministry of Economic Affairs and Employment in 2019–2024, in which services that support employment receive funding from a specific SIB fund. The Ministry of Economic Affairs and Employment will only pay the fund’s performance bonuses if the specified employment goals are met. Performance bonuses will be paid if the total payroll of the unemployed people benefiting from the services exceeds the forecast of a control group.



# Active cooperation guarantees viable practices



In Hansel's joint procurement projects, the procurement value is usually considerable. Hence, social effectiveness of these procurement projects is significant, and goals other than those related to procurement quality and the limiting of costs are set for such projects.

Public procurement can influence sustainable development, functionality of the market, the status of SMEs, the safeguarding of regional vitality, and the promotion of innovation and employment, among other issues. Combining all of these goals in a procurement project is not always simple. For example, if the procurement involves consulting services, environmental responsibility does not have as large an impact as in the case of the procurement of vehicles.

## **Based on customer requirements and market knowledge**

An important tool in the planning of joint procurement is a comprehensive analysis of customer requirements and the supplier market. Active cooperation with customers during the agreement period and allowing customer working groups to participate in the preparation of the tendering aims to ensure that the agreement will be functional from the customer's standpoint. Meanwhile,

market surveys and interaction with the market ensure that the definition of the procurement object complies with the products and services on the market and that requirements on the prospective suppliers are set at the correct level.

Active cooperation with Hansel's customers and suppliers during the agreement period ensures good quality and development of the procured products, as well as compliance with the specified supplier requirements. Especially in the case of joint procurement projects for continuing services, the customer working group will continue its work throughout the agreement period so that the service level and the development of service quality can be influenced through collaboration.

Performance of suppliers and compliance with contractual obligations are monitored through supplier reporting, control room services and regular supplier meetings. At the supplier meetings, Hansel's category managers receive valuable new information on the development of the industry. They can take this information into account when planning new procurement processes.

*"The service level and the development of service quality can be influenced through collaboration."*

# Modern reporting solutions facilitate everyday life



Knowledge-based management may sound like an empty phrase, but it is vital in the world of procurement. We cannot serve our customers if we do not know what they need. Over the years, we have collected a massive pool of data on joint procurement. Now we use the data for a variety of purposes.

The most important source of data are reports from our suppliers. We are about to introduce a new system for Hansel's reporting services. We want more detailed data on the purchases made by our customers to manage procurement. We will drill down to the product level in the case of most of the procurement processes. We need specific information to know our customers and to be able to create procurement processes that suit their requirements.

## Diligent professionals

All of this requires modern technology and competent controllers and analysts. We have been using our BI solution for a long time, and it has become very popular

among our experts. Only having correct information in it is a matter of honour for us. If we cannot trust the data, it is useless to us.

The fact that a large number of reports has been generated in the system over the course of the year is a minor problem. New reports can be requested from the analysts at any time, but only rarely does somebody point out that a specific report has become useless. In 2020, we will clean up the reports while we transfer to a new version of BI.

Via our online service, our customers can view interesting information about their procurement processes, and we provide information on public procurement for anyone interested to see it in the Tutkihankintoja.fi service. At the end of 2019, we received good news: Helsinki and Vantaa joined the service. We will be happy to continue with the commissioning of the service with other towns and municipalities in 2020.

## Hansel involved in Tietokiri

Governmental organisations developed knowledge-based management through the Tietokiri project in 2017–2019. The goals were to develop tools, share good practices, promote openness of administration and share experiences. Hansel provided case descriptions and weekly figures on the management of procurement for the Tietokiri website and participated in event arrangements. Decisions will be better if they are based on an analysis of varied information of a high quality. Tietokiri's first phase focused on changing the operating culture and understanding the bigger picture. A continuation project to be realised in 2020–2021 will strengthen the operating models and boost the utilisation of the services offered.



#TIETOKIRI

# KEINO promotes sustainability



The network-based Competence Centre for Sustainable and Innovative Public Procurement (the KEINO Competence Centre) was established in 2019. KEINO supports and assists central purchasing bodies in the implementation and development of sustainable and innovative public procurement. Hansel and KL-Kuntahankinnat are founding members of the network. The network has been active throughout the year.

In addition to Hansel, the network includes Motiva Ltd., Business Finland Oy, the Association of Finnish Local and Regional Authorities, the Finnish Innovation Fund Sitra, the Finnish Environment Institute (Syke) and VTT Technical Research Centre of Finland. Hansel offers the network procurement process expertise and practical know-how on procurement development and sustainable and innovative procurement. In 2019, experts from all corners of Hansel, ranging from lawyers and development managers to consultants and analysts, participated in the KEINO work.

## **KEINO Academy**

KEINO aims to improve knowledge in sustainable and innovative procurement in the entire field of public procurement. The KEINO Academy was established to serve this goal. The KEINO Academy trains central purchasing bodies in ensuring that their procurement operations support the organisation's innovativeness and sustainability goals. A total of 27 trailblazing public authority organisations were selected for the popular training programme. In the KEINO Academy, the participants work on their development areas with the help of the KEINO network and peer learning.

Hansel acts as a trainer in strategic management and innovative procurement in the KEINO Academy.

## **Procurement Radar**

Procurement Radar, a procurement tool developed by Hansel, is being piloted in connection with the KEINO Academy. Procurement Radar supports and guides the operational procurement of contracting authorities on their path towards the goal specified in the organisation's strategy. With Procurement Radar, organisations can create procurement policies based on their strategy and prioritise their procurement categories. The tool, which is based on scenarios, allows the users to identify the interventions that are the most effective from the viewpoint of the organisation's strategy, and to determine related responsibilities and schedules.

## **Development teams and international cooperation**

In 2019, KEINO brought together central purchasing bodies faced with similar challenges involving sustainable and innovative procurement processes. Hansel facilitated the development teams' work on socially responsible procurement, procurement in the health care and social services sector, and modern, agile meeting and event administration. The development teams have become a popular forum for peer learning and sharing information.

International cooperation through KEINO was versatile in 2019. Benchmarking of international trailblazing organisations allowed Finnish public administration to benefit from their best practices. Furthermore, Hansel's experts participated in the boosting of regional expertise by supporting KEINO change agents who distribute information throughout Finland.

Hansel also expects the work through KEINO to be active, versatile and effective in 2020.

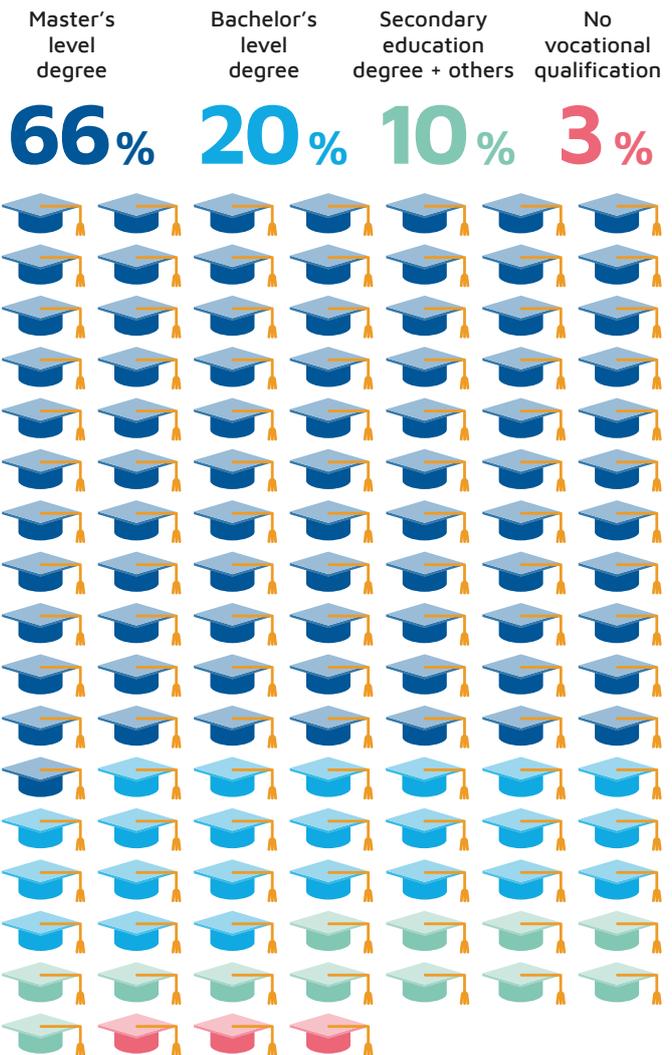
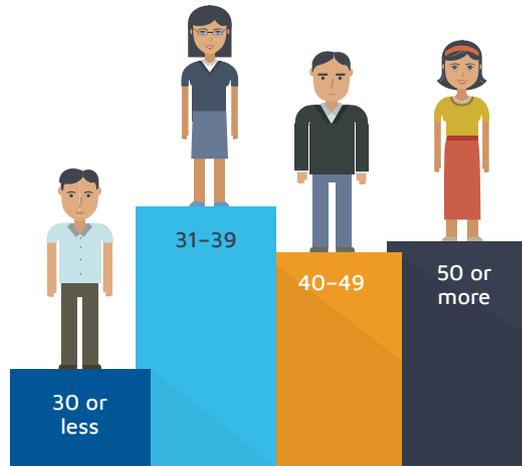
For more information, please visit [hankintakeino.fi](http://hankintakeino.fi).

# Merger brought new experts to Hansel

## Key personnel indicators 2019



**Employees by age**  
The average age of employees was 43



## Number of personnel

	2019	2018	2017	2016	2015
Number of personnel at the end of financial period (person-years)	113	92	90	72	74
Average number of personnel during the financial period (person-years)	101	90	83	73	73
Valid employment contracts on 31 December	116	95	94	75	76
Valid permanent employment contracts on 31 December	115	94	90	75	74
Valid fixed-term employment contracts on 31 December	1	1	4	0	2
Full-time fixed-term employment contracts on 31 December	1	0	3	0	0
Part-time fixed-term employment contracts on 31 December	0	1	1	0	2
Full-time employment contracts (fixed-term and permanent) on 31 December	114	92	91	73	74
Maternity/child-care leave on average	1	3	2	1	1
Permanent employment contracts on 31 December, %	99.1	98.9	95.7	100.0	97.4
Fixed-term employment contracts on 31 December, %	0.9	1.1	4.3	0.0	2.6

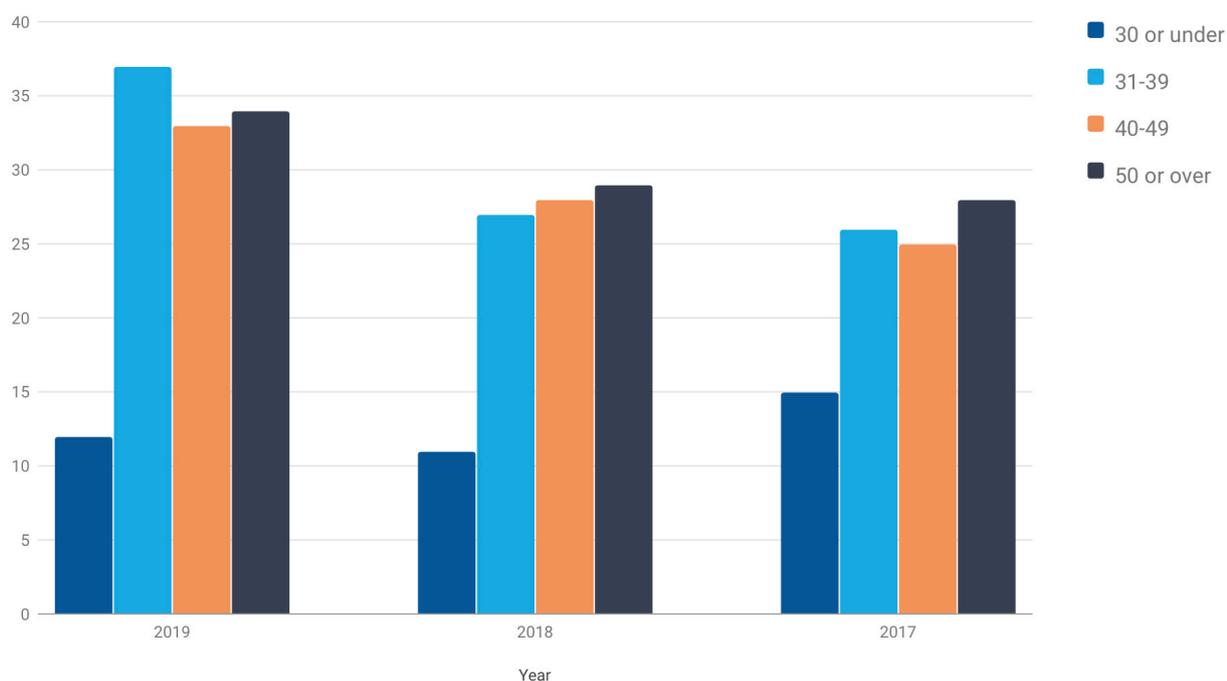
## Employees by gender

	2019	2018	2017	2016	2015
Male	53	43	45	36	38
Female	63	52	49	39	38

## Average duration of employment

Years of service	2019	2018	2017	2016	2015
40 or more	1	2	2	2	2
30-39	3	3	3	3	3
20-29	0	0	0	0	0
10-19	28	23	21	16	15
4-9	30	25	26	31	32
1-3	43	33	15	14	19
Less than a year	11	9	27	9	5
Number of employees total	116	95	94	75	76

## Employees by age



## Personnel turnover

	2019	2018	2017	2016	2015
New employment contracts*	33	12	28	10	8
of which fixed-term contracts	3	3	5	1	5
Terminated employment contracts	10	9	10	11	11
of which retired	2	0	1	0	3
Terminations of fixed-term employment contracts	1	4	1	2	4
Terminations during trial period	1	0	0	0	0
Resignations	6	5	8	9	3
Dismissals	0	0	0	0	1
Average turnover, %	18.5	11.1	20.2	14.0	12.5
Exit rate, %	8.6	9.5	10.6	14.7	14.5
Exit rate, resigned employees, %	5.2	5.3	8.5	12.0	3.9

\* New employment contracts include 16 former employees of KL-Kuntahankinnat who became Hansel's existing employees due to the merger on 2 September 2019.

## New employees

Male	Female	30 years of less	31–39 y	40–49 y	50–59 y	More than 60 years
42 %	58 %	24 %	39 %	18 %	15 %	3 %

## Sick leave and accidents

	2019	2018	2017	2016	2015
Number of accidents leading to sick leave annually	1	2	2	5	4
Number of accidents during working hours annually	0	2	2	1	1
Fatalities	0	0	0	0	0
Sick leaves, including caring for a sick child (days per person-year)	4.3	2.2	3.5	6.1	9.7
Sick leaves, excluding caring for a sick child (days per person-year)	3.9	1.8	3.1	5.0	8.6
Short-term sick leaves (1–3 days), excluding caring for a sick child (days per person-year)	2.9	1.8	2.1	2.6	3.0
Sick leaves total, excluding caring for a sick child (person-years)	1.7	0.7	1.1	1.6	2.7
Sick leave rate, including caring for a sick child (%)	1.8	1.0	1.5	2.6	4.1
Sick leave rate, excluding caring for a sick child (%)	1.6	0.8	1.3	2.1	3.6
Health care expenses (€/person/year)	582	305	351	465	657
Personnel recreation expenses (€/person/year)	296	407	260	397	314

## Degrees

	2019	2018	2017	2016	2015
Master's level degree, %	60	61	61	61	63
Bachelor's level degree, %	5	5	7	7	5
Master's degree from a university of applied sciences, %*	7	5	3	0	0
Bachelor's degree from a university of applied sciences, %	15	14	11	12	12
Secondary education degree + other degrees, %	10	10	13	13	15
No vocational qualification, %	3	5	5	7	5

## Education

	2019	2018	2017	2016	2015
Training days (days/person/year)**	3	3	5	5	5
Training days (days/person/year), supervisors	3	5	8	6	9
Training days (days/person/year), others	3	3	4	4	4
Training days (days/person/year), female	2	3	5	4	5
Training days (days/person/year), male	3	3	4	5	5
Training services purchased from third parties (€/person/year)	644	1,085	1,622	1,196	1,339

\* 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.

## Paid incentives (excluding social insurance payments)

	2019	2018	2017	2016	2015
EUR thousand	722	660	511	551	505

# Towards change



The merger of Hansel and KL-Kuntahankinnat took a little over a year to prepare, which allowed the employees plenty of time to get to know each other and the operations of the companies. In the summer of 2018, the HR Manager personally met all of the KL-Kuntahankinnat employees, and the entire team convened for the first time in August. The establishment of a Teams channel for discussion and exchange of information was also one of the first steps taken.

During the autumn of 2018, the KL-Kuntahankinnat employees visited the renewed working environment at the head office in the main post office building, and everybody attended a change and strategy workshop. There was a small break in the meetings after a Christmas party when a timeout was taken in the preparation of the merger and the change was postponed to September 2019. The Hansel employees continued to visit Kuntatalo to familiarise themselves with the different functions and the status of the merger was discussed at all of the personnel information events, however.

## **New speed in the summer of 2019**

As the merger approached, the KL-Kuntahankinnat and Hansel employees celebrated the start of the summer

holiday season with a shared lunch on 20 June 2019. In August 2019, it was time to meet to discuss the story of the new Hansel, as well as internal and stakeholder communications. There was another more informal meeting in the summer where the participants spent time together and discussed their own attitude towards the future with para-athlete Toni Piispanen.

The great deal finally came on Monday, 2 September, when the new Hansel employees arrived at the head office. They were warmly welcomed and offered information on their new tools and other practical matters as early as the first day. They were given survival packages including “power food”, such as Finnish Sisu drops, and a stress ball to get through any difficult moments.

Now that the joint life at Hansel has started, the change management will continue with value discussions and by offering supervisors tools to support the employees. Furthermore, the HR Manager interviewed all the new Hansel employees after a couple of months to find out how they are feeling.

## **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. Until 31 March 2020, the collective agreement of the employer organisation Avaintyöntajat Avainta ry (AVAINTESS) will apply to employees who transferred to Hansel from KL-Kuntahankinnat Oy. Negotiations on a new collective agreement for all the employees are ongoing with Palta and YTN. The agreement will apply to all Hansel's employees except the Managing Director. As specified in the collective agreement, personnel will be 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 employees are trade union members. The collective agreement and employment guidelines are available on the company's intranet.



# More expertise



We received new colleagues in early September when the KL-Kuntahankinta employees started their work at Hansel as existing employees. We already knew them from the merger preparations, and we were eagerly expecting to start working in the same office. The first months went by trying to learn the new practices and creating joint operating methods.

**Heidi Litmanen** is a procurement expert in the Procurement Support Unit. Her work is quite different from her previous assisting duties, and preparing the first tendering projects for customers is inspiring.

“Learning something completely new and assisting the customers in obtaining the products and services they need is interesting,” Litmanen mentions, summing up her new work duties.

## Lovely and competent people

The new Hansel employees say that the transfer to a larger organisation has changed their operating methods. They have fewer duties now that the same person is no longer responsible for the entire joint procurement agreement life cycle, but they can drill deeper into their own area of responsibility.

**Harri Ojala**, who is now a category manager in security technology and security services, has prepared his first preliminary reviews and will complete his first tendering processes in 2020. He says that it has been easy to adapt to the Hansel team.

“Discussions on, for instance, the markets of my industry with new colleagues and other new parties have been interesting. I’m also eagerly expecting the future

cooperation in framework agreement tendering project teams consisting of people with versatile expertise,” Ojala shares.

The newcomers praise the good team spirit and enthusiasm. All of them also agree that the head office is at a great location in the main post office building in Helsinki and that working in a modern multi-functional environment has assisted them in getting to know their colleagues and their operating methods.

## Hansel’s service portfolio is attractive

Tendering consultants are involved in customer-specific tendering and joint procurement tendering. **Antti Tuukkanen** has already completed his first projects, and is about to begin a joint procurement project.

“I have received excellent support from the competent lawyers in my projects. I’m currently studying the joint procurement work instructions,” says Tuukkanen, who has previously worked with tendering.

**Minna Halonen**, an account manager who has homes in two locations, is very pleased with the opportunity to work independently anywhere. She works with customer requirements and serves customers particularly in the provinces of Häme, Pirkanmaa and Ostrobothnia.

“I was heavily involved in the preparation of the merger. Now, I’m happy to visit the customers to consider solutions to facilitate and develop their procurement. I used to represent the customer organisations of KL-Kuntahankinnat, and I’m sure that my experience from both sides of the table will benefit me in the work with the customers,” Halonen says.

# Happy together



The Hansel Club supports the job satisfaction of Hansel employees by arranging recreational activities. Voluntary employees are in charge of the arrangements. The club aims to promote team spirit and the atmosphere at work by arranging shared leisure activities and hobbies.

The Hansel Club events are all about spending time with colleagues regardless of their unit and getting to know people with whom you do not work on a daily basis.

The club's budget was €30,000 in 2019, of which €29,900 was used. The club cost approximately €296 per employee.

The Hansel Club arranges the employee Christmas party and a summer event annually. The 2019 summer event at Villa Åkerblom in Espoo was for existing Hansel employees and the new employees – who were still employed by KL-Kuntahankinnat at the time. Athlete **Toni Piispanen** came to the event to tell his story of tenacity, courage and the importance of the right attitude when faced with changes.

The Hansel Club events in 2019:

- Alps Sölden
- Theatre Musta Laatikko
- Evening of pampering with natural cosmetics
- Corporate marathon relay
- Summer event
- Canoeing in the eastern archipelago
- Historical walk from Töölö to the beyond
- Trying out different sports: golf
- Theatre Lava-ammuntaa
- Christmas party

# Explaining procurement to children



Hansel celebrated the international Bring Your Child to Work Day on 22 November 2019. There was plenty of activity at the office when 15 children between the ages of 4 and 11 arrived. The day focused on conference room Hankinta, but the children were also familiarised with the broader working environment of their parents.

During “Hansel orienteering”, the children toured checkpoints in the office with a map, and the groups were able to answer almost all of the questions posed to them. They found out that the company’s Managing Director is Anssi Pihkala, there are 116 employees in total and that 20 of them are called category managers.

There was also a moment for art when the visitors made season’s greetings cards and drew Hansel’s joint

procurement categories on whiteboards. They were able to excellently illustrate IT hardware, travel and meeting services and cleaning services supplies, among others. They spent a long time pondering whether to include hoovers in the latter, but finally decided not to, because they cannot be used without an employee to operate them.

The most tricky question was what the Managing Director does. They rested their brains that were exhausted from all the tasks by taking a walk down the stairs. While doing this, they calculated that there are a total of 108 steps up to the fifth floor of the main post office building. Seeing a limousine was probably the highlight of the luncheon outing. At the end of the day, they watched a movie together, preparing for the weekend ahead.

*“Twenty Hansel employees are called Category Managers.”*

# GRI index

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

Background description of the organisation			
GRI indicator	GRI definition	Links	Hansel's materiality theme/ <i>Deficiencies in reporting</i>
102-1	Name of reporting organisation	<a href="#">Hansel – a central contracting authority for the public administration</a>	
102-2	Primary activities, brands, products and services	<a href="#">Hansel – a central contracting authority for the public administration</a>	
102-3	Location of the company's headquarters	<a href="#">Hansel – a central contracting authority for the public administration</a>	
102-4	Location of functions	<a href="#">Hansel – a central contracting authority for the public administration</a>	
102-5	Ownership and legal form	<a href="#">Hansel – a central contracting authority for the public administration</a>	
102-6	Markets served	<a href="#">Hansel – a central contracting authority for the public administration</a> <a href="#">Pursuit of impact challenges parties arranging tendering</a>	
102-7	Scale of the organisation	<a href="#">Merger brought new experts to Hansel</a> <a href="#">Financial position and key figures</a>	

102-8	Information on employees and other workers	<a href="#">Merger brought new experts to Hansel</a>	<i>The indicator is not applicable (points a and c): The gender distribution is specified for the total number of personnel only, which is relatively low. A more specific itemisation is thus not appropriate.</i>
102-9	Supply chain	<a href="#">Hansel – a central contracting authority for the public administration</a>	
102-10	Significant changes to the organisation and its supply chain	<a href="#">From the Managing Director Corporate responsibility management</a>	
102-11	Precautionary principle or approach	<a href="#">Responsibility analysis expands perspectives Ecolabels 2019</a>	<i>The indicator is not applicable: Hansel's operations do not have any direct environmental impact, because the company does not have any production operations. The responsibility analysis only deals with indirect impact.</i>
102-12	External initiatives	<a href="#">From the Managing Director More effective procurement through cooperation KEINO promotes sustainability</a>	
102-13	Memberships in associations and advocacy organisations	<a href="#">Hansel – a central contracting authority for the public administration</a>	
<b>Strategy</b>			
102-14	Managing Director's review	<a href="#">From the Managing Director Review of events in 2019</a>	
102-15	Key effects, risks and opportunities	<a href="#">Risks and risk management Materiality assessment</a>	
<b>Business ethics</b>			
102-16	Values and business principles	<a href="#">Combining Finnish public procurement power Compliance function secures reliability Business principles on our website</a>	Openness and transparency of public procurement Prevention of the black economy
102-17	Mechanisms for advice and concerns about ethics	<a href="#">Compliance function secures reliability</a>	Openness and transparency of public procurement Prevention of the black economy <i>The Compliance function was in operation only for three months. No notifications regarding ethics or corruption were submitted during that time.</i>

## Administration

102-18	Governance structure and management of corporate responsibility	<a href="#">Hansel – a central contracting authority for the public administration</a> <a href="#">Corporate responsibility management</a>	
102-19	Delegating authority	<a href="#">Corporate responsibility management</a>	
102-20	Corporate responsibility contact persons and reporting relations	<a href="#">Corporate responsibility management</a>	
102-24	Nominating and selecting the Board of Directors and the Executive Committee	<a href="#">Hansel – a central contracting authority for the public administration</a>	<i>The indicator is not applicable (point b): Hansel does not have a separate operating procedure for nominations. Instead, we follow the Government's ownership steering principles.</i>
102-32	Approval of the corporate responsibility report	<a href="#">Corporate responsibility management</a>	

## Stakeholder interaction

102-40	List of stakeholders	<a href="#">Our stakeholders</a>	
102-41	Collective bargaining agreements	<a href="#">Towards change</a>	
102-42	Identifying and selecting stakeholders	<a href="#">Our stakeholders</a>	
102-43	Stakeholder activities	<a href="#">Active cooperation guarantees viable practices</a> <a href="#">Hansel toured Finland</a>	Providing support and guidance to our customers and suppliers, and ensuring their commitment
102-44	Key topics and concerns raised through stakeholder engagement	<a href="#">From the Managing Director</a> <a href="#">Our stakeholders</a>	

## Reporting practices

102-45	Entities included in consolidated financial statements		<i>The indicator is not applicable: The company's financial statements cover all the operations. Hansel is not a group of companies.</i>
102-46	Defining report content and topic boundaries	<a href="#">Materiality assessment</a>	
102-47	List of material topics	<a href="#">Materiality assessment</a>	
102-48	Restatements of information	<a href="#">Corporate responsibility management</a>	

102-49	Changes in reporting	<a href="#">Corporate responsibility management</a> <a href="#">Materiality assessment</a>
102-50	Reporting period	<a href="#">Corporate responsibility management</a>
102-51	Date of most recent report	<a href="#">Corporate responsibility management</a>
102-52	Reporting cycle	<a href="#">Corporate responsibility management</a>
102-53	Contact point for request for additional information	<a href="#">Corporate responsibility management</a>
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">Corporate responsibility management</a>
102-55	GRI content index	<a href="#">GRI index</a>
102-56	External assurance	<a href="#">Independent assurance report</a>

### Management approach

103-1	Materiality topics and topic boundaries	<a href="#">Materiality assessment</a>
103-2	Management approach and its sectors	<a href="#">Corporate responsibility management</a> <a href="#">Materiality assessment</a>
103-3	Management approach performance assessment	<a href="#">Corporate responsibility management</a> <a href="#">Materiality assessment</a>

### Economic impact

201-1	Direct economic value generated and distributed	<a href="#">Combining Finnish public procurement power</a> <a href="#">Busy year of joint procurement</a> <a href="#">Procurement experts assist customers</a> <a href="#">Regional authorities took an interest in procurement development</a> <a href="#">Services</a> <a href="#">Profit and loss statement</a>	Efficient procurement in the entire public sector <i>Hansel boosts the performance of general government finances by opening up public procurement to competition through joint procurement agreements, as well as by assisting its customers in arranging their own tendering processes and in developing their procurement management.</i>
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<b>Indirect economic impact</b>			
203-2	Significant indirect economic impact	<a href="#">Combining Finnish public procurement power Supporting functionality of the market in many ways</a>	Efficient procurement in the entire public sector Functionality of the market and good tendering practices
<b>Anti-bribery and anti-corruption operations</b>			
205-2	Anti-corruption and anti-bribery training	<a href="#">Compliance function secures reliability</a>	Openness and transparency of public procurement Prevention of the black economy <i>Information not available: The orientation/training applies to all employees and is continuous. Annual indicators are therefore not used.</i>
<b>Suppliers' environmental assessments</b>			
308-1	Percentage share of new suppliers assessed with the environmental criteria	<a href="#">Ecolabels 2019</a>	Climate/environmentally friendly procurement <i>Hansel grants an ecolabel for a joint procurement project if specific criteria are met. We compare the share of joint procurement projects with ecolabels to all joint procurement projects.</i>
Hansel 1	Environmental aspects in joint procurement	<a href="#">Responsibility analysis expands perspectives Ecolabels 2019</a>	Climate/environmentally friendly procurement <i>The supply chains in the joint procurement projects realised by Hansel may change during the agreement period. We monitor compliance with environmental aspects separately for each joint procurement project (ecolabel).</i>
<b>Training</b>			
404-1	Training days	<a href="#">Merger brought new experts to Hansel</a>	A competent work community where people feel well

[Materiality assessment](#)

# Independent assurance report

This document is an English translation of the Finnish assurance 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 2019”, “Renewing procurement”, “Responsible procurement”, “Hansel as an employer” and “GRI” sections in Hansel’s Annual Report 2019 for the year ended Dec 31, 2019 (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 reporting criteria, i.e. *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 *GR/ Sustainability Reporting Standards*.

Helsinki, 2 April 2020

KPMG OY AB  
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Partner, CIA, Advisory

Niina Turri  
Senior Manager, Advisory