



United Nations Global Compact Communications on Progress 2015

General

Period covered by Ensto's Communication on Progress (COP)
From October 22nd, 2014 to October 22nd, 2015

Full support for the UN Global Compact

Ensto joined the UN Global Compact in 2013 and we have committed ourselves to following the ten guiding principles of the initiative in all our business strategy, daily activities and operations as well as in company culture. Through our participation in the UN Global Compact, we are continually learning how to strengthen existing, or develop new, internal practices and policies. Consequently, we report our progress on an annual basis.

Statement of continued support by the Chief Executive Officer (CEO)

To our stakeholders:

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

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

Sincerely yours,

Timo Luukkainen
President and CEO
Ensto Group



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1 HUMAN RIGHTS PRINCIPLES

- *Principle 1*
Businesses should support and respect the protection of internationally proclaimed human rights;
- *Principle 2*
Make sure that they are not complicit in human rights abuses

1.1 Assessment, Policy and Goals

Description of the relevance of human rights for the company (i.e. human rights risk-assessment)

Description of policies, public commitments and company goals on Human Right

At the same time as Ensto endeavors to live up to our long-term strategy for profitable growth, we are also committed to develop and maintain a healthy business by offering unique new products planned with future of our society and our planet in mind, by honoring our social, environmental and financial responsibility and conducting business in an ethical way. This means that [Ensto's values](#) are embedded in our [Ethical Principles](#), in all policies (our main policies are Authorization Policy, Employee Code of Conduct, Corporate Governance, [Environmental Policy](#), [Safety and Health Policy](#) and [Quality Policy](#)) and sustainability and business ethics are integral parts of our business plans and decision-making processes.

The [Ethical Principles of Ensto](#) are based on trust, accepted practices, our values and the fact that we in our operations comply with the principles of the UN Declaration of Human Rights, the Rights of the Child and the Declaration of the United Nations International Labor Organization as well as national laws and regulations.

Human Rights principles in our supply chain

In purchasing this means specifically that the suppliers shall be treated equally, without discrimination and purchasing decisions shall be based on open and clear criteria.

We select our major suppliers and subcontractors on their ability to meet our [Ethical Principles](#). The ethical code for purchasing is described in the "Ensto Purchasing Policy" and the aspects for human rights are integrated to Supplier Qualification Questionnaire. The Supplier Code of Conduct is one part of Supplier Quality Requirements manual and shared with all our suppliers. This manual has been published in 2013 and the up-dating process is ongoing.

We are actively working with our suppliers to ensure that we are not using minerals from "conflict regions" as defined in section 1502 of the Dodd-Frank act Section 1502. With this act we help to fight against human rights violations in Democratic Republic of the Congo (DRC) and surrounding countries.



1.2 Implementation

Description of concrete actions to implement Human Rights policies, reduce Human Rights risks and respond to Human Rights violations.

Knowing the Code of Conduct belongs to the list of professional responsibilities of every Employee of Ensto and is introduced to Ensto employees by Ensto's managers and through other internal communication channels. Code of Conduct and policies introduction is one important part of employee's orientation program.

Our values, ethical principles and policies are available in our intranet and translated to local languages in our main locations. New policies and the changes in existing ones are introduced to all of our personnel by Managing Directors of our country organizations.

Managing Directors of Ensto's companies in different countries are responsible for compliance with the local laws and regulations and following Human Rights. Applicable local laws and regulations are gathered to the register and made available in intranet. The main laws and regulations related to the labor relations, health and safety and human capital are also available on noticeboards in our premises.

The responsibilities and the process of personnel and managers to notice and notify in the event of non-compliance or violation of the Human Rights is set with the Employee Code of Conduct.

Regularly meetings and consultations are ongoing locally with local labor unions.

Implementation of Human Rights Principles in our supply chain

We are evaluating our potential new suppliers in accordance with the suppliers' approval process and our current suppliers (over 50KEUR) on criteria of quality, operational efficiency, cost, occupational health & safety and social and environmental responsibility. Also human rights related criteria – such as conflict minerals - are important part of the evaluation process. To our current suppliers these evaluations are conducted annually.

1.3 Measurement of outcomes

Description of how the company monitors and evaluates performance.

We are executing regular internal audits and management reviews to monitor our performance in issues related to human rights.

Our manufacturing units and plants are audited regularly by clients and certification companies. Audit results and findings are presented for Ensto management and action plans are created and complied.



Measurement of Human Rights Principles in our supply chain

To ensure that Ensto Supplier Code of Conduct and other supplier requirements are followed we are using supplier score card method for supplier evaluation. It is based on the quality performance of suppliers' products and services. This score card evaluation is done for our suppliers annually. We are not accepting suppliers that are not meeting our requirements regarding Human Rights Principles.

2 LABOR PRINCIPLES

- *Principle 3*
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- *Principle 4*
The elimination of all forms of forced and compulsory labor;
- *Principle 5*
The effective abolition of child labor; and
- *Principle 6*
The elimination of discrimination in respect of employment and occupation

2.1 Assessment, Policy and Goals

Description of the relevance of labor rights for the company (i.e. labor rights-related risks and opportunities).

Description of written policies, public commitments and company goals on labor rights.

We comply or exceed all legal and other regulatory requirements, ensuring that our daily work contributes to build a fair society with social responsibility. To maintain the compliance the legal compliance procedure has been set with "Managing Legal Compliance and Other Requirements" document.

Regularly meetings and consultations are ongoing with local labor unions.

Labor Principles in our supply chain

The principles of no forced or compulsory labor and no child labor are included in Ensto suppliers Code of Conduct. This Code of Conduct plays an important role in our suppliers' assessment processes.



2.2 Implementation

Description of concrete actions taken by your company to implement labor policies, reduce labor risks and respond to labor violations.

Main principles are set with [Safety and Health Policy](#). On top of following local safety and health laws and regulations we have also established additional safety practice which is included to the 5S standard and audit at Ensto Operation plants. We continuously develop our processes and methods to improve health and safety conditions of our employees (Safety War Room practice in our factories, recording of safety risk findings, planning and follow up of taken actions in our reporting tool Look!).

There are Safety War Room notice cards available in various places in our premises to enable anyone to inform about possible safety risk.

Ensto provides needed safety trainings continuously for employees and keeps records on those.

To prevent occupational diseases Ensto provides and organizes occupational health care services for its employees according to local requirements. Occupational health care services include physiotherapist's services to advice employees about ergonomics (especially postures and work movements) where possible. Ensto supports healthy and active lifestyle with activity clubs and events for personnel.

In addition to the local collective unions and local cooperation bodies and forums, the Ensto Council convenes at least once a year. The Ensto Council's role is to provide an opportunity for overseas units' employee representatives to express their views on various issues as well as to act as a Group-wide discussion and information forum.

All Ensto offices and sites (company or location) are entitled to send their representatives to the Ensto Council's meetings. Each office elects its representative members for the meeting for a three-year period in a manner agreed on at each office. Employee representatives may propose issues to be taken up for discussion at the meeting and invite experts to the meetings.

Implementation of Labor Principles in our supply chain

Labor principles are covered in Ensto's Supplier Code of Conduct and they play an important role in suppliers evaluation and approval processes.

Our suppliers are monitored annually and they shall ensure that their operations are performed in a manner that is appropriate, as it applies to their ethical, legal, environmental, and social responsibilities. The following basic requirements reg. labor principles are listed in our Supplier Code of Conduct:

- Compliance with Local Laws and Regulations
- Compliance with Environmental, Health, and Safety Laws
- Product Safety



- Non-Discrimination
- Labor
- Child Labor
- Forced/Indentured Labor
- Work Hours/Days
- Wages and Benefits
- Ethics

2.3 Measurement of outcomes

Description of how the company monitors and evaluates performance.

Ensto's recruitment criteria include only those needed to succeed in concrete job - education, experience, skills and competences. Also adhering to Ensto's values and ethical principles is expected from every new employee.

Factors like one's gender, ethnicity or age have no weight in our decisions reg. recruiting.

Employee Engagement Survey (IMO) is conducted every second year, it measures topics related to equal opportunities, company culture as well as occupational health and safety.

The compliance of our [Safety and Health policy](#) is monitored regularly by managements of Ensto locations and at least once in year by Ensto top management in management reviews. During external audits, like customer audits and certification companies' audits health and safety issues are also monitored.

Measurement of Labor Principles in our supply chain

To ensure that Ensto Supplier Code of Conduct and other supplier requirements are followed we are using supplier score card method for supplier evaluation. It is based on the quality performance of suppliers' products and services. This score card evaluation is done for our suppliers annually. We are not accepting suppliers that are not meeting our requirements regarding Labor Principles.

Approximately 50 supplier's audits conducted during reporting period. No violations to labor rights were reported during audits.



3 ENVIRONMENTAL PRINCIPLES

- *Principle 7*
Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and
- *Principle 9*
Encourage the development and diffusion of environmentally friendly technologies

3.1 Assessment, Policy and Goals

Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities).

Description of policies, public commitments and company goals on environmental protection.

One of Ensto's main policies is [Environmental Policy](#). We are known for delivering products and solutions that are advanced, highly energy-efficient, reliable and with a long lifetime and a low lifecycle impact on environment. We place sustainable development at the heart of our strategy for continual improvement and innovation. We concentrate our efforts in the areas that account for most of our environmental impact to more effectively enhance our overall performance; namely the use of raw materials, the consumption of electricity and the generation of non-recyclable waste.

We comply or exceed all legal and other regulatory requirements, ensuring that our daily work contributes to build a fair and environmentally sustainable society. We integrate our environmental principles in our processes by establishing programs and guidance, and by training our employees about environmental matters and responsibilities. We strive to continually improve our environmental performance by monitoring, auditing and reviewing the entire management system. We openly share our environmental performance with all our stakeholders, and encourage them to collaborate and support our efforts.

Ensto Finland Porvoo and Mikkeli factories are committed to reduce 9% in energy consumption by 2016 (compared to 2009). Operation units are making yearly environmental programs which include defined goals for strategic themes like energy efficiency and environmental impact reduction. Environmental goals describe the long-term environmental efforts, which shall guide all our actions.

Our environmental goals are:

- Reducing energy consumption and consumption of the other natural resources in our own facilities and operations.
- Increasing environmental awareness of our customers,



- Continuous improvement of environmental awareness and competence of the Ensto people.
- Preventing the generation of waste and increasing the recycling of waste

Environmental Principles in our supply chain

We expect our suppliers and partners to respect our environmental values when engaging in business activities.

3.2 Implementation

Description of concrete actions to implement environmental policies, reduce environmental risks and respond to environmental incidents.

Ensto Operations environmental aspects are evaluated regularly. Significant aspects introduction and risks avoiding is important part of employees training program. Based on risk evaluation results Environmental programs are created and goals and targets are defined. Program is followed regularly by managements of Ensto locations and in annual Management Reviews.

Our Environmental policy is public and available for all Ensto employees in Ensto intranet and for clients and suppliers on Ensto webpage.

This year we have introduced "Health and Safety War Room". Important part of HSE War room is to register all health and safety and environmental accidences or potential accidences and risks. Procedure how to respond to environmental incidents is described and audited regularly.

We are monitoring our energy consumption (direct and indirect) and we are reporting it annually. We are also monitoring and reporting annually our water consumption as well as waste disposal and management. We offer recycling stations in our facilities as well as collection points for hazardous waste for employees' personal use. Target is to raise employees' environmental impact awareness and improve their waste management skills.

Implementation of Environmental Principles in our supply chain

Environmental principles are covered in Ensto's Supplier Code of Conduct and they play an important role in suppliers evaluation and approval processes.

Our suppliers are monitored annually and they shall ensure that their operations are performed in a manner that is appropriate, as it applies to their ethical, legal, environmental, and social responsibilities. In our Supplier Code of Conduct it is stated we comply local environmental laws and regulations.



3.3 Measurement of outcomes

Description of how the company monitors and evaluates environmental performance.

We have included our environmental as well as health and safety performance figures to our company widely used reporting system LOOK.

Information related to environmental and health and safety incidents and findings are collected from HSE WarRoom. Environmental key performance indicators like; water use, electricity, heating and waste management measured, are reported monthly and they can be followed on plant level in our internal reporting system.

Since 2010 we are regularly reporting our direct and indirect energy consumption. In our environmental reporting we have concentrated on tracking the most relevant sources of direct and indirect emissions – fuel and energy consumption as well as water consumption and waste disposal.

Environmental program is followed regularly by managements of Ensto locations and at least once in year by Ensto top management in management reviews. During external audits, like customer audits and certification companies' audits, both environmental issues as well as health and safety issues are monitored.

Measurement of Environmental Principles in our supply chain

To ensure that Ensto Supplier Code of Conduct and other supplier requirements are followed we are using supplier score card method for supplier evaluation. It is based on the quality performance of suppliers' products and services. This score card evaluation is done for our suppliers annually. We are not accepting suppliers that are not meeting our requirements regarding Environmental Principles.



4 ANTI-CORRUPTION PRINCIPLES

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

4.1 Assessment, Policy and Goals

Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment).

Description of policies, public commitments and company goals on anti-corruption.

At the same time as we at Ensto aim to live up to our long-term strategy of profitable growth, we are also committed to developing and maintaining a healthy business by offering unique new products designed with the future of our society and planet in mind. We do so, by honoring our social, environmental and financial responsibility and by conducting business in an ethical way. This means that Ensto's values are embedded in the Employee Code of Conduct and that sustainability along with business ethics are integral parts of our business plans and decision-making processes.

The Ensto Employee Code of Conduct, approved by Ensto Oy's Board of Directors, outlines the proper practices and provides guidance to help employees recognize and deal with ethical issues. The Code applies to all Ensto Group employees in their daily work concerning their responsibilities towards their country, the shareholders, the colleagues and the environment.

Responsibilities in the event of non-compliance are outlined with the Employee Code of Conduct.

Anti-corruption Principles in our supply chain

The principles of anti-corruption are included in Ensto suppliers Code of Conduct. This Code of Conduct plays an important role in our suppliers' assessment processes.

4.2 Implementation

Description of concrete actions to implement anti-corruption policies, reduce anti-corruption risks and respond to incidents.

Each employee should notify either his/her supervisor in advance if there is a question as to the applicability of a particular policy or procedure.

Employees who learn of, or suspect that a violation of the Code has occurred, or is likely to occur, should report the violation to the nearest manager, or if there is reason to believe that this will be ineffective, to one of Ensto's Managers. All information will be taken seriously and investigated where appropriate. Employees who report violations or suspected violations in good faith will not be subject to retaliation of any



kind. Reported violations will be investigated and addressed promptly and will be treated confidentially to the extent possible.

It is the responsibility of each Ensto manager to report any case of fraud or other wrongful conduct to a member of Ensto's Management Team. In the case of non-compliance with the Code, there will be prompt disciplinary consequences ranging up to and including dismissal.

Implementation of Anti-corruption Principles in our supply chain

Our suppliers are monitored annually and they shall ensure that their operations are performed in a manner that is appropriate, as it applies to their ethical and legal, responsibilities. The following basic requirements reg. Anti-corruption Principles are listed in our Supplier Code of Conduct:

- Compliance with Local Laws and Regulations
- Ethics

4.3 Measurement of outcomes

Description of how the company monitors and evaluates anti-corruption performance.

Non-compliance cases are handled by Ensto's Management.

Measurement of Anti-corruption Principles in our supply chain

To ensure that Ensto Supplier Code of Conduct and other supplier requirements are followed we are using supplier score card method for supplier evaluation. It is based on the quality performance of suppliers' products and services. This score card evaluation is done for our suppliers annually. We are not accepting suppliers that are not meeting our requirements regarding Anti-Corruption Principles.