



Communication On Progress

Metso Group

9.3.2016

CEO statement of continued support

Metso has systematically developed its business on the basis of sustainability principles for a long time. Today our technologies provide efficiency for our customers' processes, we seek to lower the environmental impact of our operations, we participate in local community development, and we try to ensure the safety of our partners' employees and our own.

I am pleased to confirm that Metso Group 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 sharing this information with our stakeholders using our primary channels of communication.

Yours sincerely,



Matti Kähkönen
President and CEO
Metso Group

Human Rights

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

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

Ongoing performance

Our policies and commitment create the foundation for our approach in respecting the rights of the people that are employed in our value chain and in the communities around our businesses. We have already integrated human rights in Metso values, assessments, processes and procedures. Metso's Code of Conduct defines our company values and practices. Our values and the Code of Conduct are the basis in training our employees to ensure ethical practices throughout our operations.

Our Code of Conduct also sets the foundation for our risk assessment process. To identify and manage human rights effectively, the Code of Conduct is an integral part of our risk assessment. Based on a risk management evaluation we conduct risk audits and execute an enforcement process to improve our practices. Our anonymous whistleblower channel is primarily intended for financial misconduct cases but in practice it is also available for other types of misconduct. Metso's Internal Audit visits all Metso locations regularly and is responsible for reporting any human rights offences it finds.

We want to promote equal opportunities and diversity among our employees. Our policy on equal opportunities and diversity describes our commitment to this, and Metso has an ongoing process to integrate these values in our employee relations and business practices.

Prioritizing safety is fundamental in our sustainable business development. A healthy and safe working environment is guaranteed to all of our employees, customers and partners.

Metso has zero-tolerance of any breach of rules. We have a global anti-corruption policy to describe our commitment to fight against corruption and bribery. Additionally, we have an anti-corruption training program for employees to increase awareness and transparency to prevent cases of malpractice.

Supply chain human rights are a globally recognized challenge and something that Metso takes very seriously. Metso has a global network of more than 7,000 suppliers, and we have to make sure that they commit to the same high standards that we have set for ourselves.

Deepening our knowledge on human rights

Metso is working to avoid causing or contributing to adverse human rights impacts that are directly or indirectly associated with our operations. Our ambition to respect human rights in our operations sharpens our focus on creating enhanced Metso-wide operating principles and a sustainability culture.

In 2016 we will assess our global performance against the United Nations' Guiding Principles for Business and Human Rights. Our aim is to deepen our knowledge about potential human rights impacts and to achieve a strong commitment to human rights across our value chain and thereby achieve sustainable growth.

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.

Metso support and respect human rights as expressed in the International Bill of Human Rights and the fundamental rights stated by the International Labor Organization (ILO). We accept the basic labor rights stated by the ILO: freedom of association, the effective recognition of the right to collective bargaining, the abolition of forced labor, and equality of opportunity and treatment.

The Code of Conduct encompasses issues, responsibilities and practices supporting Metso's sustainability and success, and provides us and our stakeholders with commonly accepted guidelines and perspectives for future decisions. The Code of Conduct also describes our company culture, commonly accepted practices, and our commitment to compliance with laws and regulations. Metso's Code of Conduct is available on our website and is translated into 11 languages.

In addition to the Code of Conduct, Metso also has other policies and guidelines to support our sustainable business practices. These include, for example, Metso's Anti-corruption Policy to describe our zero-tolerance approach to bribery and corruption. Our Health, Safety and Environment (HSE) Policy defines our commitment to responsible management of HSE in Principles our own operations and in stakeholder collaboration. We want to provide equal opportunities and diversity at the workplace, as described in our Equal Opportunity and Diversity Policy.

The Metso HR management team drafts policies, principles and guidelines related to people management and is responsible for monitoring them in accordance with the governance model. The HR organizations are responsible for implementing the policies, principles and guidelines, and for supporting country-specific compliance.

Metso supports the freedom of association for all our employees and the right to collective bargaining. 51% of Metso employees are covered by bargaining agreements in 2015. The percentage varies widely between regions; it is highest in Europe (89%) and lowest in North America (7%) and China (7%).

In our sustainability management we comply with several international standards, such as quality management standard ISO 9001, environmental management standard ISO 14001 and health and safety management standard OHSAS 18001, and many of our business units have gained certification to these standards. 26% of all our operations are covered by ISO 14001 certification, 22% by OHSAS 18001 certification and 66% by ISO 9001 certification. The coverage is calculated by the number of employees working in certified facilities.

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
Assessment, Policy and Goals

Sustainable use of resources underpins the long-term success of our business. A global operating environment brings opportunities and risks that we must recognize throughout our value chain. By increasing the eco-efficiency of our production, we are able to reduce our overall environmental footprint and achieve cost savings.

Recent development actions

Various development projects were launched at our locations globally in 2015. A global environmental training program was rolled out to improve our employees' environmental awareness. The training supports our global network of HSE personnel in their proactive efforts related to environmental risk observations.

To help our sites improve their environmental efficiency, we focused on defining their environmental status by mapping potential risks and opportunities at each site. Additionally, we launched waste and water audit tools to support efforts to reduce water consumption and waste generation and thus achieve savings. The audit tools include best practices for water and waste management.

Our audits track the development of health, safety and environment-related issues at Metso. The focus of the internal HSE audit function in 2015 was on environmental issues in which improvements were needed. Based on the findings of the audits, the corrective actions are launched and will be followed.

Future focus areas

Developing our environmental efficiency is a continuous process. In 2016 we will continue to map risks and opportunities and launch action plans to improve our responsible use of resources. Understanding how we manage, use and dispose of water, waste and wastewater globally is a basic default. We have Metso wide targets to reduce water usage by 15% and waste by 15% by 2020. A comprehensive water and waste audit will be done in 2016 by each location to raise awareness on eco-efficiency and to identify new efficiency opportunities. After the audits we focus on creating site-specific action plans to support the achievement of our ultimate 2020 targets. In 2016 we have a site specific targets for CO2 emissions, water and energy usage and waste recycling.

Creating a sustainability culture at our production sites is important, but we also need to observe sustainable actions in our offices. In early 2016 we will launch a global HSE program to improve environmental awareness and safety at offices.

Metso's emissions reductions and energy efficiency

We measure our energy usage and direct (scope 1) and indirect (scope 2) emissions for each of our business units and at the Group level. Metso strives for continuous reductions in energy use to minimize our environmental footprint. We set Group-wide targets in 2009 to reduce the energy consumption and

the carbon dioxide emissions of our own production by 15% by 2015 and by 20% by 2020 compared to our business volume. In 2010 we launched a Group-wide energy efficiency program to find new opportunities to decrease energy consumption at our locations.

In 2015, Metso achieved a total of 3,100 MWh (900 tCO₂) energy savings from its own production. Since the beginning of the program, 12.5%, i.e. a total of 46,400 MWh of energy has been saved through a wide range of actions around the world. These actions have reduced CO₂ emissions by 12.5% (15,600 tCO₂). Despite our efforts to lower our emissions, our actions were not enough and we fell short of our energy consumption and CO₂ emissions reduction target. We reached our target to reduce energy consumption by 15% in the production units that have been part of our operations for the full period of the energy efficiency program. The reduction was smaller in units that have joined Metso after 2010.

Environmental impacts of our value chain

Metso's aim is to minimize environmental impacts throughout the value chain, which is also supported by calculation of indirect emissions from our value chain (scope 3). It is essential that we increase our understanding of our total environmental impact and to work with our suppliers to mitigate the impacts. We assess our scope 3 emissions annually.

Our understanding of scope 3 calculations is based on an analysis started in 2013. Since then, we have increased our ability to better manage the environmental impacts of our value chain. In the future, we will also focus on the environmental impacts of our supply chain and on improving our reporting of our scope 3 emissions in an effort to minimize our environmental footprint.

Business travel

One of the activities included in scope 3 emissions is business travel. Metso strives to reduce its need for internal travel by providing and investing in alternative methods to organize meetings remotely, for instance by providing video conferencing equipment, web and telephone conferences.

We aim to support environmentally friendly options in our travel decisions whenever it is also economically feasible. Metso's travel policy is the foundation for our approach to mitigate our CO₂ emissions from business travel. Metso currently monitors and reports CO₂ emissions stemming from business travel in Finland, Sweden, North America and China, which totaled approximately 10,200 tCO₂ in 2015 and accounted for 45% of Metso's workforce. In other countries in which Metso operates, business travel data is monitored, although not systematically.

Sustainable Technology

Development to provide customers with the best and most suitable technologies. We work closely with our customers to solve their challenges, and we bring sustainable solutions to help them improve their performance. Our capability to provide our customers with leading technologies is the bedrock for sustainable growth.

Services

Services is at the core of our business, and 63% of our net sales in 2015 came from services. We bring added value by solving our customers' challenges with our people, knowledge and solutions.

We drive our customers' growth through improved plant availability, reliability and safety, while reducing costs by increasing resource efficiency and minimizing environmental impacts. As an example, Metso's Life-Cycle Services solution can include streamlined start-up, wear parts optimization, efficient shutdown management and effective day-to-day maintenance.

Research and development

Based on conducted Life Cycle Analysis (LCA), the total environmental impacts of our products are generated when the products are in use. Because most of our products have a very long life cycle, we concentrate on developing sustainable solutions that reduce customers' resource needs and mitigate their environmental impacts.

Anti-corruption

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

Metso has consistently had a zero-tolerance approach to bribery and corruption. Metso's Anti-Bribery Policy contains guidelines, standards and procedures intended to ensure that Metso and those acting on its behalf understand and comply with applicable anti-corruption laws in all interactions with Metso's customers, prospective customers and others.

As part of Metso's Anti-Bribery Policy, we have conducted a comprehensive training program for our employees, including management, procurement and sales. The training program includes an anti-bribery compliance section with an introduction to Metso's basic principles and themes related to agents and consultants, an overview on giving and receiving gifts, entertainment and hospitality, facilitation payments, and what to do in case of conflicts of interest. We also have an anonymous whistleblower channel to report financial misconduct cases.

Risk management audits conducted in 2015 cover six units, covering about 20% of the 25 units included in the program. This covers more than 80% of Metso's net sales during the 5 year period.

