



# Communication On Progress 2019

Metso Corporation

6.3.2019

## CEO statement of continued support

In 2018, we updated our sustainability agenda to validate our approach and to ensure that it is reflecting our dialogue with our varied stakeholders, including customers and shareholders. Metso's executive team arranged several workshops in which the most material themes and objectives were defined. The result was a new agenda with two focus areas: Responsible and trusted partner and Sustainable productivity.

As Metso's customers operate in industries that include mining, aggregates, recycling and oil and gas, we are directly influenced by the big global trends like climate change, urbanization, scarcity of natural resources and circular economy. We strive to be the responsible and trusted partner for our customers, offering ways to improve their productivity in a sustainable manner. This can mean considerable process improvements resulting in higher availability, but at the same time reduced emissions or lower energy and water consumption.

Both of the focus areas (responsible and trusted partner and sustainable productivity), consist of the most material topics, including actions and goals with respective KPIs. Goal-setting, particularly for the sustainable productivity category, will continue during 2019. When selecting development actions, we maintain an active dialogue with our stakeholders.

Metso's sustainability agenda and related action plans and targets are aligned with the UN Sustainable Development Goals (SDGs). We have mapped the SDGs most relevant to each of the topics in our sustainability agenda.

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,

Pekka Vauramo  
President and CEO  
Metso Corporation

## Human Rights

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

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

### Human rights in our operations

We respect human rights and support the execution of related global initiatives and policies. We also review human rights-related topics regularly and all our employees are entitled to be treated with respect, and no form of discrimination, harassment, or illegal threat is tolerated. We do not accept the use of compulsory, forced or child labor, nor do we tolerate slavery or human trafficking.

Metso's 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. Metso respects and supports the protection of internationally proclaimed human rights, such as those described in the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization's Declaration of Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption.

Managing human rights issues is incorporated into our employment practices and processes globally. Our Health, Safety and Environment (HSE) Policy defines our commitment to responsible management of HSE in our own operations and in dealings with third parties. All Metso employees have signed employment contracts that cover salaries and other terms of employment.

We continuously follow changes in local regulations and agreements, e.g. with regards to working hours and overtime. We regularly review external salary benchmarks and follow changes in local regulations to create global salary range references and ensure appropriate salary levels.

In 2018 we assessed how human rights are taken into consideration by external workforces at Metso's units and sites. We seek to ensure that external workers have written and signed contracts, age certificates are verified and working hours and overtime is tracked.

Training on human rights policies and procedures takes place through Metso's Code of Conduct training. The plan is for the 2019 training to have a special focus on human rights.

### Human rights in our supply chain

Respecting human rights is a requirement that we expect all our suppliers to follow. Metso has a vast global network of suppliers, and we strive to make sure that they commit to the same high standards that we have set for ourselves. For this purpose, we have established processes and tools to assess suppliers on how they ensure that all human rights are respected in their operations.

We monitor our global supplier network with established processes and tools to ensure that human rights are respected in our suppliers' operations and that they also follow standards similar to those stated in our Code of Conduct.

Human rights topics are covered by Metso's supplier sustainability audits. In 2018 we conducted 99 supplier sustainability audits for our higher-risk suppliers. To improve the sustainability performance of our suppliers, we agree on corrective action plans together with the supplier after each sustainability audit. Suppliers are required to provide evidence of the corrective actions that have been implemented and are subject to a re-audit, where necessary. By the end of 2018, 73 percent of the corrective actions from years 2017–2018 had been implemented.

## 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.

Metso's Code of Conduct creates a uniform foundation for all business transactions and work assignments. 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. Metso's renewed Code of Conduct was published in June 2017 to provide us with an updated framework that guides our behavior. 99.8 percent of Metso employees have taken the Code of Conduct training in a given timeline.

In addition to the Code of Conduct, Metso also has 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 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 is responsible for policies and guidelines for people management as well as their implementation within Metso.

Metso supports freedom of association for all our employees and the right to collective bargaining. 44 percent of Metso employees were covered by bargaining agreements in 2018. The percentage varied widely between regions; it is highest in Europe 84% and lowest in North America 2%.

## 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.

We improve our customers' productivity by bringing them solutions that are more sustainable, more efficient and safer. The importance of environmental efficiency is constantly growing, and our customers are looking for solutions that offer them productivity, efficiency and usage of fewer natural resources. We need to understand our customers' expectations and to see the level of our performance from their point of view.

### Environmental efficiency of our own operations

We emphasize water efficiency especially in water-scarce areas. That's why we have identified our most water-intensive units and new, unit-specific targets have been set to decrease their water usage. The water savings both during 2018 and since 2014 resulted from actions like recycling water when possible, utilizing rain and surface water, updating the sanitary facilities and taps, and regularly checking for leaks. We also save water through water maintenance programs, better work method trainings, changes in water processes and storage, and installation of wastewater treatment equipment and rain water collection.

In regards to waste, in 2018, we continued to further improve our performance. The targets have been reached, thanks to actions such as improved sorting and the re-use of received packing materials and pallets.

In 2018 we improved our energy efficiency by e.g. switching to LED lighting at several plants. We also installed timers to reduce excessive ventilation and improved the efficiency of heat treatment processes. In addition we revised our unit-level investment plans regarding energy savings and updated our internal plant energy targets for 2019.

In 2010, we launched a group-wide energy efficiency program to find new opportunities to decrease energy consumption at our locations. A total of 76,600 MWh (15%) of energy has been saved since 2010. These actions have reduced CO<sub>2</sub> emissions by 23,300 tCO<sub>2</sub>.

### Sustainable productivity for customer success

Metso's products and services help our customers to operate safely and at higher productivity and profitability while reducing their resource intensity.

The biggest threats and opportunities related to Metso and the environment and climate change are present at our customers' sites. With tightening legislation and scarcity of natural resources, our customers value the environmentally efficient and safe technology that we can provide.

Aspects of a circular economy are embedded in Metso's offering in the form of waste and metal recycling equipment as well as asphalt, construction and demolition waste crushing technologies. The recycling of metal and waste uses much less energy than producing something for the first time.

#### Innovating for sustainability

Metso's research and development (R&D) activities focus on solving customer challenges, such as global availability and cost of energy, water and raw materials. Our R&D projects have sustainability targets that are related to e.g. environmental efficiency, including energy and water savings, waste, material efficiency, reduction of CO2 emissions and safety.

Our aim is to define sustainability targets for each new R&D project. Achievement of the targets is monitored. Our R&D expenditure in 2018 was EUR 39 million (EUR 27 million in 2017).

In 2018, 86% of R&D projects have set environmental efficiency and/or product safety innovation targets.

#### Services

Services is at the core of our business and in 2018 56% of our sales came from service business. 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.

## Anti-corruption

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

#### Anti-corruption and bribery

Metso's Code of Conduct is the key corporate standard to be followed. It is Metso's commitment to integrity, including the preventing of corruption and bribery. This means respecting all applicable laws and regulations and aiming to share regulatory best practices as well as acting as a good corporate citizen.

Metso's Anti-Corruption Policy supports zero-tolerance for bribery and corruption, including facilitation payments. Metso requires in its third-party agreements that suppliers, business partners and other stakeholders also follow similar standards.

All Metso people have a responsibility for compliance. A range of internal controls are in place, and people are strongly encouraged to report any suspected wrongdoing or misconduct to their supervisors, to other management or, if necessary, directly to Internal Audit, e.g. using a whistleblower channel. All reports are treated as confidential and anonymous, and Metso commits to no negative repercussions for the reporting person.

The Whistleblower channel was expanded in 2018 to also include non-financial misconduct. In 2018, we received 10 reports of suspected financial misconduct and 17 reports of suspected non-financial misconduct via the Whistleblower channel. All were investigated, and none had financial implications.

Metso has an audit framework in place to support risk management by ensuring compliance and continuous business development. In total approximately 180 internal and external audits were performed in 2018.

Risk management audits were conducted in six units in 2018, covering about 20% of the 25 units included in the program. This covers more than 80% of Metso's sales during the five-year period.