



Communication On Progress 2020

Metso Corporation

6.3.2020

CEO statement of continued support

Metso's role is more important today than ever. Climate change and electrification are transforming the world, which requires more metals and construction materials. This is an opportunity for us, because driving sustainable solutions defines us as a company. Through our products, solutions and expertise, we can have a significant positive impact on our customer industries where the processes are typically very energy and water-intensive.

We launched a climate program including science-based targets last year. The program takes into account all our relevant carbon dioxide emission categories, and we have set targets for our suppliers, production, transportation, product use and research and development. Additionally, we offset the emissions of business flights and reduce emissions originating from our own activities where possible.

Being in the industries we are, safety is at the top of our priority list. Our long-term safety target is zero work-related incidents and we aim at reaching a Lost Time Incident Frequency (LTIF) level of less than 1 by the end of 2021. This year's result indicates that we are going in the right direction with our LTIF level of 1.7. However, despite positive development, safety requires constant focus. As part of our responsible business actions in 2019 we updated our all-employee code of conduct training. The completion rate was 99.2% within the given timeframe, signaling strong commitment from our personnel.

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.

Human rights are part of Metso's Code of Conduct. We review human rights-related topics in our own and our suppliers' operations. In 2019, we assessed two of our units in China and India. Based on the results, follow-up plans will be prepared, and the assessments will be expanded to other sites in 2020.

Human rights in our supply chain

We have developed a Supplier Code of Conduct that sets the standards for our suppliers and forms the basis for supplier cooperation. 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.

We aim to improve the sustainability performance of our suppliers through supplier audits and by monitoring the corrective actions. In 2019, we conducted 123 supplier sustainability audits. 82 percent of the corrective actions from year 2019 had been implemented. Human rights topics are covered by Metso's supplier sustainability audits. We have also developed a supplier sustainability scorecard that allows close tracking of suppliers' sustainability performance.

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 sets the standard for the conduct of all our employees as well as our suppliers, business partners and other stakeholders. 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. Code of Conduct training is carried out every second year. In 2019, we organized Code of Conduct training to all employees and achieved a participation rate of 99.2%.

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 and the right to collective bargaining for all our employees. 37% of Metso employees were covered by bargaining agreements in 2019. The percentage varied widely between regions; it was highest in Europe 76% 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.

Enhancing environmental performance

By auditing our own operations and following the implementation of corrective actions, we work to prevent environmental hazards. In 2019, our environmental audits focused on, for example, chemical safety and the handling of hazardous waste.

One of our highest priorities is preventing chemical-related environmental hazards. To improve awareness and the correct use of chemicals, we acquired an online management system of chemical safety data sheets in 2019.

In waste reduction, we have reached the set targets. We have improved in, for example, sorting and reuse of packing materials and pallets. Over half of the waste generated at Metso's production sites is recycled.

We continue working towards the water, waste and energy efficiency goals we have set for our operations:

- Energy saving target: 20% reduction by 2020
- Water consumption: 15% reduction in water use by 2020
- Waste reduction: 15% reduction of landfill waste by 2020
- Zero environmental hazards

In 2019, we improved our energy efficiency at production sites by, for example, investing in new welding machines and melting furnaces. We also decreased water consumption by reusing and recycling process water.

We will continue identifying environmental impacts through assessments and by defining site-specific targets and action plans. We will also raise the environmental awareness of our employees through training.

We launched a group-wide energy efficiency program to find new opportunities to decrease energy consumption at our locations. A total of 84,700 MWh (17%) of energy has been saved since 2010. These actions have reduced CO₂ emissions by 25,300 tCO₂.

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.

In 2019, we launched a climate program including science-based targets. The program takes into account all our relevant carbon dioxide emission categories, and we have set targets for our suppliers, production, transportation, product use and research and development. For instance, 1,101,388 tons CO₂ emissions were avoided through Metso's technology in 2019.

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.

Sustainability is a fundamental part of our research and development work. In 2019, 91% of our R&D projects had set sustainability targets. 56% of our R&D projects had set safety innovation targets and 73% environmental efficiency targets. The environmental efficiency projects were further divided into targets related to process efficiency (53%), emissions/waste reduction (45%) and materials efficiency (53%).

Circular economy in our customers' value chain

There is a growing demand for environmental efficiency in our customer industries. In our customers' value chain, Metso processes natural resources into a form that allows them to be used as components for the elements of modern life, such as computers, mobile phones, infrastructure and buildings.

Once at the end of their life cycle, Metso offers solutions for the recycling of metals, waste and building materials. For Metso, circular economy also means designing equipment and solutions that are long-lasting and easy to service. With our customized life cycle services, we can improve the operation and extend the life cycle of our customers' equipment.

Services

Services is at the core of our business and in 2019, 54% 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 also includes non-financial misconduct. In 2019, Metso received 11 reports of suspected financial misconduct and 35 reports of suspected non-financial misconduct via its Whistleblower channel. In addition to the Whistleblower reports, 10 reports were investigated after they had been submitted directly to Internal Audit. All cases were investigated, and none had significant financial implications on Metso.

Metso has an audit framework in place to support risk management by ensuring compliance and continuous business development. In 2019, a total of 190 compliance-related audits were conducted at Metso premises and for Metso suppliers.

Internal Audits were conducted in 23 Metso's units in 2019 covering approximately 44% of Metso's annual sales in 2019.