



## **Reporting on Human Rights in accordance with the UNGP Reporting Framework and the Norwegian act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)**

### ***Governance for Human Rights in Outokumpu***

Outokumpu is the global leader in sustainable stainless steel. We are organized into four business areas – Europe, Americas, Ferrochrome and Long Products. We employ some 9,000 professionals in more than 30 countries, with the headquarters in Helsinki, Finland. We have our own chrome mine and ferrochrome production in Finland and stainless steel production takes place in Finland, Sweden, Germany, the UK, the US, and Mexico. More information can be found on our webpage: [www.outokumpu.com/en/about-outokumpu](http://www.outokumpu.com/en/about-outokumpu).

Outokumpu is committed to conduct its business with high integrity. We respect and promote human rights and conduct business in a safe, sustainable, and ethical manner. Human rights are addressed in several publicly available company documents: Outokumpu's [Human Rights Policy](#), [Code of Conduct](#), our [Corporate Responsibility Policy](#), and our [Supplier Requirements](#). A Supplier Code of Conduct is in preparation and expected to be published during 2022.

*Human rights and dignity* is one of our four Ethical Principles described in our Code of Conduct. Respecting human rights and working with dignity means that Outokumpu is committed to the United Nations Guiding Principles on Business and Human Rights (UNGPs) and fully honours internationally recognized human rights as set forth in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Outokumpu promotes diversity and condemns discrimination and intolerance of all kinds. Everyone should be treated equally, fairly and with dignity, irrespective of such characteristics as ethnic origin, nationality, religion, political views, gender, sexual orientation, disability, or age. Outokumpu complies with international labour treaties and condemns all forms of forced labour or use of child labour. There is a freedom of association at Outokumpu.

Outokumpu also expects its customers, suppliers, and subcontractors to respect internationally recognized human rights, and they must strive to avoid causing or contributing to adverse human rights impacts through their own activities and seek to prevent or mitigate adverse human rights impacts linked to their operations through business relationships.

The most senior level of oversight and accountability for human rights in Outokumpu has the CEO. Responsibilities are cascaded down via the Chief Technology Officer, who represents sustainability in the company's leadership team to the VP Group Sustainability who is responsible for the management of ESG risks within the company and further to the Head of Human Rights and Supplier Sustainability. Responsibilities related to human rights and supplier sustainability are combined in one role, because most of the identified high human rights risks are connected to Outokumpu's sourcing activities. The Chief Technology Officer, The VP Group Sustainability and the Head of Human Rights and Supplier Sustainability are part of the ESG core team, which discusses human rights risks on a regular basis.



### ***Learnings and development in 2021 and the first half of 2022***

In 2021, Outokumpu committed to the United Nations Guiding Principles on Business and Human Rights, which was one recommendation of Finnwatch in their report on Outokumpu and our Brazilian supplier Vale in the beginning of the year. Together with external experts, we assessed the supplier and went on a field trip to Brazil. A second case of potential human rights infringements at a supplier in Guatemala was brought to our attention towards the end of the year 2021, which resulted as well in an impact assessment including a field trip. This confirmed the urgent need for effective management of human rights risks in our raw materials supply chain. We increased the resources dedicated to supplier sustainability and since April 2022 the Supplier Sustainability Team is part of our Raw Material Procurement organization.

In December 2021 we started the implementation of the UNGP by conducting a human rights risk assessment to identify our potential and actual impacts on human rights and our most salient human rights issues. During the first half of 2022 we worked on integrating the risks into our enterprise risk management system and on defining mitigation actions for the most salient risks. We also developed and published our human rights policy and published our first report on human rights due diligence following the UNGP reporting framework. The policy and reports can be found on our webpage: [www.outokumpu.com/en/sustainability/people-and-society/impact-on-society-and-human-rights](http://www.outokumpu.com/en/sustainability/people-and-society/impact-on-society-and-human-rights)

### ***Identification of salient human rights issues***

We conducted four workshops with different internal stakeholder groups from across the organization in order to identify the most salient human rights risks. The workshops involved Human Resources, Operations, Safety, Ethics & Compliance, Internal Audit, Sustainability, General Procurement and Raw Material Procurement. The participants included both senior management as well as operative personnel. The workshops were facilitated and documented by external experts from Deloitte. Deloitte also reviewed a number of Outokumpu's public and internal documents, which was an input into the human rights risk assessment, too. In addition, the report of Finnwatch on Outokumpu's human rights due diligence and the views of the supplier and the indigenous community affected were considered when identifying our most salient human rights issues.

The identified human rights risks were rated based on their scale, reach and remediability to be able to make a prioritization based on their severity, as well as on their probability to occur. As a result of the human rights risk assessment, we have identified the following most salient human rights issues for us in Outokumpu:

Affected human rights:	Right to equality	Health & safety	Right to rest and leisure	Right to environment	Freedom from discrimination & other rights related to minorities	Freedom from slavery	Children's rights	Indigenous rights
Risks related to:								
Supplier monitoring and on-site assessments								
Truck driver's working conditions								
Human trafficking in trucks or other parts of the supply chain								
Workplace attractiveness								
Greenhouse gas emissions of our own and supplier's operations contribute to climate change								

Squares filled in dark grey mean that the risk on the left side of the matrix affects the human right on the top of the matrix. Light grey means that the risk does not affect the human right.

Supplier monitoring and on-site assessments

As can be seen, most of Outokumpu's salient human rights issues are linked to sourcing activities, which includes both the production of the materials purchased, as well as their transport. If supplier monitoring and on-site assessments are conducted insufficiently, all listed salient human rights are at risk. The case of Vale and the Xikrin community in Brazil raised by Finnwatch and the case of the supplier in Guatemala involve for example the rights of indigenous people and the right to environment. Another important area is the due diligence that our suppliers conduct on their suppliers and business partners. For example, if this due diligence is insufficient, there is a risk that sub-suppliers of our suppliers are involved in money laundering, terrorist funding or corruption, infringing the right to equality and our strict zero-tolerance policy for these types of misconduct.

Truck driver's working conditions

In our business, goods need to be transported. This is valid for the materials that we purchase, the materials that we sell, as well as transport between our own production sites. Truck driver's working conditions and the potential infringement of their right to equality and their right to rest and leisure are an issue that many companies, including Outokumpu, face.

Human trafficking in trucks or other parts of the supply chain

Not only truck driver's rights are an issue than many companies face, but also human trafficking in international truck transport is a topic that needs to be addressed. Human trafficking is a world-wide problem that comes in many shapes and sizes, harming adults and children in countries rich and poor alike. Therefore, also for us in Outokumpu it is important to pay attention to this risk, as also trucks that transport Outokumpu's raw materials and finished products could be misused for this purpose.



### Workplace attractiveness

Outokumpu is a stainless-steel producer with an own ferrochrome mine. Traditionally, the steel and mining industry is a male-dominated one. There is a risk that females or minorities may feel uncomfortable or fear that Outokumpu is not an attractive place to work at.

### Greenhouse gas emissions of our own and supplier's operations contribute to climate change

Both our own operations, as well as the operations of our supplier emit greenhouse gases, which contribute to global warming and climate change. Climate change and its increasing frequency of extreme weather events, natural disasters, raising sea levels, floods, heat waves, droughts, desertification, and water shortages threaten human rights, for example the right to life (health & safety), and the right to environment.

### **Addressing salient human rights issues**

2021 was a year about commitment and identification of risks, and 2022 is about integrating the findings and taking action. When we analysed the results of the human rights risk assessment, we found out that there were many actions already in place to prevent human rights infringements. One of the tasks in 2022 is therefore to go through the salient human rights risks and check for which ones there are already mitigation actions in place that need to be linked to the human rights risks. For those risks that are without or with insufficient mitigation actions, they need to be defined and implemented.

These are some areas where we already have mitigation actions in place:

For example, there are already ongoing activities related to diversity and *workplace attractiveness*. In the Americas, we have established diverse team networking groups exploring opportunities that promote equity and inclusion to strengthen our work environment. In 2022 we are setting the Outokumpu ambition on diversity, equity and inclusion and we have done an inclusion survey targeting all our employees to understand how diverse genders, cultures, and backgrounds are valued and respected at Outokumpu and are they given equal opportunities.

An area we have been focusing on for years is the one of *greenhouse gas emissions and climate change*. We have the lowest carbon footprint of the industry, more than 70 % less than the global industry average and we are committed to the Science Based Targets initiative to reduce CO<sub>2</sub> emissions even further. The share of recycled material in our stainless steel production is above 90 %. This reduces not only greenhouse gas emissions, but it also means that we need fewer virgin materials and save the resources of our planet. Read more about how we are protecting the climate [here](#).

During 2021 we had a special focus on our raw material sourcing activities, and a number of actions were taken to make our raw material supply chain more sustainable:

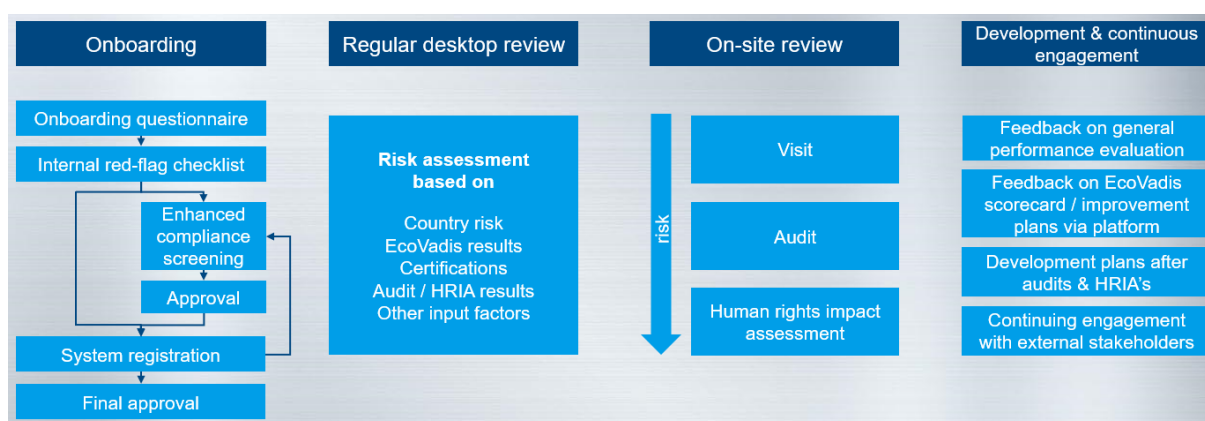
Sustainable sourcing actions taken in 2021	
<b>Commitment to the UNGP</b>	<ul style="list-style-type: none"> <li>• Commitment to the United Nations' Guiding Principles of Business and Human rights (UNGP)</li> <li>• Policy review to reflect this commitment</li> <li>• Renewed Code of Conduct and Supplier Requirements with emphasis on human rights</li> <li>• All personnel trained on the renewed Code of Conduct</li> </ul>
<b>Human rights/UNGP implementation</b>	<ul style="list-style-type: none"> <li>• Human rights risk assessment with Deloitte in accordance with the UNGP completed</li> <li>• Capacity building on human rights in procurement</li> <li>• Engagement of external experts for assessing suppliers' human rights impacts</li> <li>• Identification of high-risk suppliers for on-site assessment program with external experts</li> </ul>
<b>Supplier requirements and onboarding</b>	<ul style="list-style-type: none"> <li>• Renewed Supplier Requirements with emphasis on human rights</li> <li>• Amendment to the Supplier Requirements for raw material suppliers</li> <li>• Integration of sustainability into our raw material supplier evaluation</li> <li>• Review of raw material supplier onboarding process and intensified human rights due diligence</li> </ul>
<b>Supplier monitoring</b>	<ul style="list-style-type: none"> <li>• Increased resources in supplier sustainability</li> <li>• Development of incident management process</li> <li>• Engagement of sustainability platform EcoVadis to assess raw material suppliers</li> <li>• Supply chain mapping extended beyond tier 1 raw material suppliers</li> <li>• Collection of supplier-specific CO<sub>2</sub> emission intensities for selected raw materials started</li> <li>• Three on site-visits after the ease of travel restrictions in the autumn</li> <li>• Preparation for next human rights impact assessment including site visit in Guatemala</li> </ul>

In 2022, we continued to work on our human rights due diligence processes.

One example is the area of *Supplier monitoring and on-site assessments* that was identified as an area with salient risks. The review of the raw material supplier onboarding process is almost finished, and the new onboarding questionnaire puts a much higher focus on supply chain transparency and human rights. The review of the provided information follows a more stringent approach to identify potential risks and red flags in this early stage of a relationship with a new supplier. We are also investing into more modern technology to make it easier for our raw material suppliers to provide information and easier for us to analyse the information.

We had a workshop and several working sessions to improve the regular risk assessment of our existing raw material supplier database. We are going to use different input factors, such as country-based risk, EcoVadis rating, existing certifications and previous audit or impact assessment results as an input to determine the risk associated with each supplier. Based on the risk level, suppliers are subject to visits with sustainability focus, audits, or human rights impact assessments. Two key actions for the second half of 2022 are the enhancement of our audit framework with social aspects and auditor training for our own personnel to enable us to conduct more audits with higher focus on human rights. Human rights impact assessments will continue to be conducted together with external experts and we have planned several of them for 2022.

Both audits and human rights impact assessments result in development plans that we share and follow up with our raw material suppliers. As not all raw material suppliers are subject to audits and impact assessments each year, the feedback on the general performance evaluation (which now includes sustainability) and the feedback and improvement plans from the EcoVadis assessment play an important role in raw material supplier development as well.



*Raw material supply chain due diligence*

*Freedom from slavery* is a topic that is very present to us, not only because the United States enacted the Uyghur Forced Labor Prevention Act (UFLPA) on December 23, 2021. This law becomes effective on June 21, 2022. The UFLPA creates a rebuttable presumption that any goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in the Xinjiang Uyghur Autonomous Region (XUAR) of the People's Republic of China, or produced by certain entities, are made with forced labor. In the months since the enactment of the UFLPA, we have undertaken a screening of our supplier base to determine the risk of receiving goods or services from the Xinjiang Uyghur Autonomous Region. We are committed to ensuring our supply chain is free of forced labor and consistent with our Code of Conduct and will continue taking actions in keeping with those principles.



We have also started to take actions in the areas *human trafficking in trucks or other parts of the supply chain* and *truck driver's working conditions*:

We identified a risk for human trafficking and other human rights infringements in our metallurgical coke supply chain in Colombia, where we have several suppliers close to the Venezuelan border. Together with our external experts we are conducting an impact assessment on this specific part of our supply chain. The targets are to review potential impacts in this supply chain through desktop and field research including external stakeholder engagement and to meet and engage with our suppliers to evaluate the due diligences processes they have in place to identify and manage those impacts.

To gain a better understanding of the risk for human trafficking in trucks transporting our material and the risk to decent working conditions of truck drivers, we are planning to hold a workshop between our logistics department and our human rights responsible. The target of the workshop is capacity building on both sides to be able to further specify the risks and develop prevention and mitigation actions.

### **Stakeholder engagement**

Management of salient human rights issues requires the involvement of stakeholders. For example, for the case raised by NGO Finnwatch, stakeholder engagement took place during the visit to Brazil in late November 2021. The locally engaged stakeholders included the indigenous people themselves, their lawyer, representatives of their associations, an institute working with them, as well as the supplier. Finnwatch was engaged and kept up to date throughout the year, and Outokumpu's employees and investors were updated, for example through an ESG webcast in early December. The experience of travelling to the supplier's site and engaging with the local affected groups was extremely informative and the same approach was applied in the case of the allegations against the supplier in Guatemala.

Continuous engagement with external stakeholders is a challenge that needs to be further worked on. There are several aspects that make it difficult for us to stay in touch with rightsholders in our supplier chain, for example language barriers, limited access to communication technologies, and cultural barriers.

### **Access to remedy**

The UN Guiding Principles make clear that if a company causes or contributes to human rights infringements, it has a responsibility to provide or help provide remedy to those harmed. The same responsibility does not exist where impacts are linked to the company's operations, products, or services, but without cause or contribution by the company itself. Nevertheless, in Outokumpu we encourage everyone inside and outside the company to report potential and actual human rights infringements to us, even if we are not causing or contributing to them, but are linked to them through our operations, products, or services.

All stakeholders, both internal and external, can raise their concerns to Outokumpu in various ways, including through our SpeakUp Channel. SpeakUp is an externally operated channel enabling Outokumpu employees and external stakeholders to report breaches of the Outokumpu Code of Conduct or other misconduct. This can be done confidentially and anonymously, if allowed by the local laws and regulations. The Channel is available through our website and can be used in several different languages. The VP Sustainability and the Head of Human Rights and Supplier Sustainability can also be contacted directly via e-mail, their e-mail addresses are available on Outokumpu's webpage.





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