

## 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)

### **Commitment**

Outokumpu is the global leader in sustainable stainless steel. We are organized into three business areas – Europe, consisting of the two business lines Stainless Europe and Advanced Materials, Americas, and Ferrochrome. We employ some 8600 professionals in more than 20 countries, with 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 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 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. Human rights are addressed in several publicly available company documents: Outokumpu's [Human Rights Policy](#), [Code of Conduct](#), our [Corporate Responsibility Policy](#), [Supplier Code of Conduct](#), our [Supplier Requirements for Raw Materials](#) and our [Supplier Requirements for General Procurement](#).

Our [Human Rights Policy](#) was developed during spring 2022 and is publicly available at [www.outokumpu.com](http://www.outokumpu.com). At the end of 2021, we engaged external experts to help us identify human rights risks and impacts that we may cause, contribute to, or are linked to through our business relationships. This work included the identification of our salient human rights issues, which informed our human rights policy. Health & safety, equality, and anti-discrimination, working conditions, freedom of association, no tolerance for forced labour and child labour, indigenous rights, and the right to a clean and healthy environment are material topics to us and are highlighted in our human rights policy.

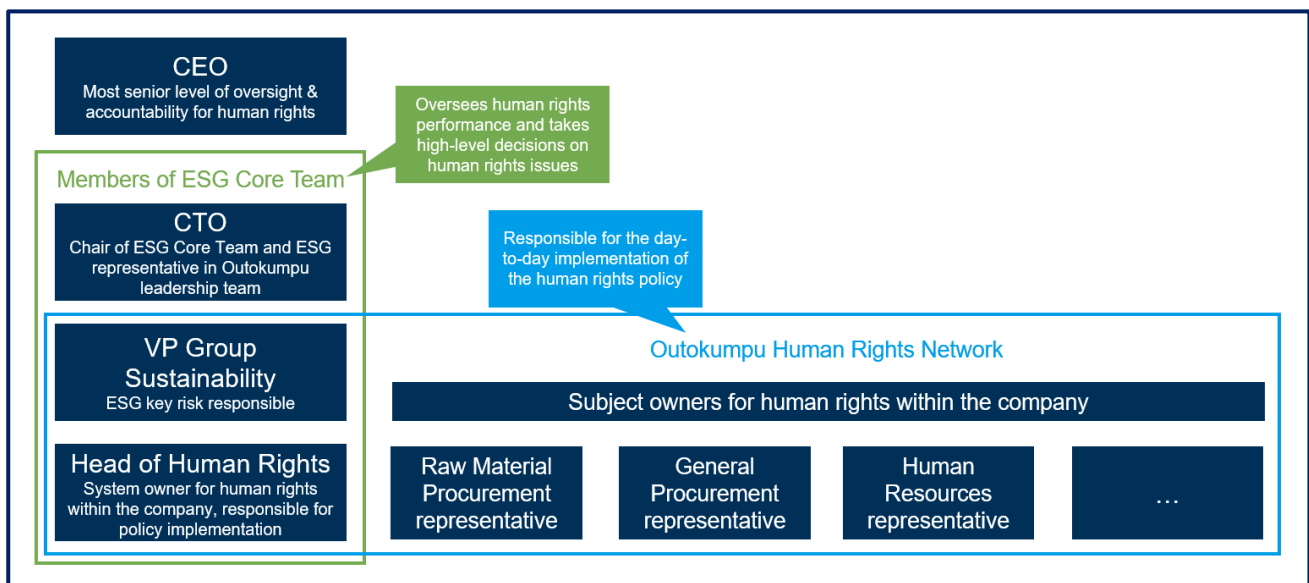
The identification of risks and impacts which informed the policy is based mainly on internal stakeholder consultation. External input was gained through the assessment of one of our suppliers in Brazil in November 2021 and the assessment of one of our suppliers in Guatemala in early 2022. As part of the assessments, we consulted groups of indigenous peoples, as well as associations, institutes, and NGO's. Those consultations are one reason why indigenous rights are highlighted in our policy although Outokumpu itself does not operate in close proximity to indigenous peoples. Extended consultation of external stakeholders to inform our human rights policy is planned for the future. The human rights policy was written by the Head of Human Rights, reviewed by the VP Sustainability and the Chief Technology Officer, and approved by the Chief Executive Officer.

Outokumpu is committed to respect and protect the human rights of everyone who may be affected by our activities or through our business relationships. We expect not only our own employees, but also business partners, including suppliers and sub-suppliers to respect and not infringe upon human rights. Therefore, *Human rights and dignity* is one of the four Ethical Principles described in our [Code of Conduct](#). Our suppliers are specifically addressed in our [Supplier Code of Conduct](#), which was developed during 2022 and which contains a reference to our human rights policy.

After our human rights policy was approved, it was published on our external website and in our intranet. The intranet is accessible for every Outokumpu employee, and the publication was accompanied by a video of the Head of Human Rights introducing human rights and our policy. During the course of 2022, 11 key persons were trained on human rights and our commitment, for example in raw materials and general procurement, logistics, internal audit, and product development. Information sharing and discussions about human rights in addition to formal training took place with many more persons, especially within the raw materials procurement team. Further internal communication and training on human rights and our policy is planned. During December 2022, our Supplier Code of Conduct and the Raw Material Supplier Requirements were sent to all direct raw material suppliers with the request to confirm adherence to those documents.

### ***Governance structure***

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 have been combined in one role, because many 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 on a high level on a regular basis. The role of the ESG core team is to oversee the functioning of the human rights "system" within the company: Outokumpu has chosen to apply a decentralized approach when it comes to the responsibility for specific human rights risks and impacts. This means, for example the human resources department is responsible for human rights issues related to employees and contract workers, procurement functions are responsible for human rights issues linked to suppliers, and so on. To achieve this decentralized responsibility for human rights, Outokumpu has started to build and educate a human rights network within the company. We recognize that education on human rights and human rights risk management of responsible persons in the different functions is necessary. This work started in 2022 with the procurement functions (group raw material procurement, general procurement in Europe and general procurement in the US), and with logistics. Internal audit and product development received an introduction training to human rights. Training and extension of the human rights network will continue in 2023.



*Human rights governance structure in Outokumpu*

### **Summary of learnings and development in 2022**

Whereas 2021 was a year of commitment, 2022 marked the start of our UNGP implementation journey:

During 2021, Outokumpu committed to the United Nations Guiding Principles on Business and Human Rights, and 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 developed and documented a method of integrating human rights risks into our enterprise risk management system. We added the highest risks to the system and defined mitigation actions to address them. We also developed KPI's to measure the effectiveness of our human rights risk management system, which were introduced to ESG Core Team in 2022 and will be taken to use in 2023.

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 Outokumpu human rights network was founded, and first trainings and workshops were held.

The Head of Human rights participated and presented our human rights work in external events. Discussions with both customers and suppliers on human rights and UNGP implementation took place, and Outokumpu's human rights work was subject to different assessments by external experts. This interaction with other persons and experts in the field of human rights provided valuable input to the knowledge and experience of Outokumpu's Head of Human Rights and with that to the human rights management processes in Outokumpu.

In addition to developing the structures for human rights management in Outokumpu, we had a specific focus on human rights in our raw material supply chain. In the beginning of 2021, NGO Finnwatch published a

report on Outokumpu and our supplier Vale and their impact on indigenous peoples close to their Onca Puma nickel mine in Brazil. Together with external experts, we assessed the supplier and went on a field trip to Brazil in November 2021. 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 to Guatemala in early 2022. These cases 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. During the course of 2022, the team developed and improved the raw material supply chain due diligence processes and visited 14 raw material suppliers on-site. More information about raw material supplier visits can be found here:

<https://www.outokumpu.com/en/sustainability/people-and-society/sustainable-supply-chain/site-visits>

Outokumpu has been involved in some labor-related disputes, for example in the US regarding a dispute over payment of wages, of which more information can be found in the Review by the Board of Directors. Even when Outokumpu is of the view that the claims asserted against it are without merit and is defending against them, we always investigate each issue and take necessary measures to improve our processes and mitigate any residual risks of these kinds of claims.

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

At the end of 2021 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. The final risk assessment included both process gaps as well as human rights risks, which we separated from each other later in 2022. The human rights risks themselves were separated into risks stemming from Outokumpu's own operations and risks within Outokumpu's supply chain. We also re-named some of the identified risks and re-evaluated their likelihood and severity. Those risks with a *very high* rating (based on severity and probability), are considered to be *salient*. As a result of the updated human rights risk assessment, we have identified the following most salient human rights issues:

Risks	Affected human rights	Right to equality & freedom from discrimination	Health & safety	Rights related to minorities	Right to rest and leisure	Right to environment	Freedom from slavery	Children's rights	Indigenous rights
<b>Risks stemming from Outokumpu's own operations</b>									
Climate change			!			!			
Discrimination, intimidation, and harassment within the workforce	!	!	!						
High work load					!				
<b>Risks stemming from Outokumpu's supply chain</b>									
Radioactive material in scrap			!		!				
Human trafficking in coke supply chain in Colombia	!	!	!	!			!	!	
Environmental pollution by nickel suppliers			!			!			!



Human right affected by risk



Human right not affected by risk

Climate change

Our operations 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.

Discrimination, intimidation, and harassment within the workforce (previously: workplace attractiveness)

As in every large organization with many employees, there is a risk that some of them misbehave and discriminate, intimidate, or harass their co-workers. Outokumpu is a stainless-steel producer with an own ferrochrome mine, which makes our business a traditionally male-dominated one. There is a risk that especially females and other minorities are subject to infringements on their right to equality and freedom from discrimination and their health & safety.

High workload (previously included in workplace attractiveness)

During the workshops, concerns were raised that high workloads are an issue in some white collar areas in Outokumpu, as well as a large amount of overtime registered in blue collar areas, which affect the right of the employees to rest and leisure.

Radioactive material in scrap

Outokumpu's main raw material is scrap. Significant efforts are made at both our scrap suppliers' and in our own operations to detect and isolate radioactive objects in the scrap. Despite the efforts, a risk remains that people are exposed to radioactivity when working with scrap, which could affect their health and safety. Improper handling and storage of scrap and/or identified radioactive parts can also pollute the environment.

### Human trafficking in coke supply chain in Colombia

Outokumpu sources metallurgical coke from different suppliers located in a region close to the Venezuelan boarder in Colombia. Due to the political and economic situation in Venezuela, people are searching for work in the neighbouring Colombia, which has its own political and economic challenges. The Venezuelan migrants in the border region are specifically vulnerable to be subject to human trafficking, which infringes on several human rights.

### Environmental pollution by nickel suppliers

This risk relates to the cases of Vale and the Xikrin community in Brazil raised by NGO Finnwatch in 2021 and to the case of Solway and the impact of its Guatemalan ferronickel mine and processing plant Fenix on the surrounding communities.

If Vale would pollute the environment around the Onca Puma mine, they would infringe upon the rights to health & safety and the right to a clean environment of the indigenous Xikrin people. The case also contains an element of insufficient FPIC (free, prior, and informed consent), which is one of the rights of indigenous peoples related to exploitation of their lands.

The case of Solway was raised by Swedish journalists at the end of 2021 and includes, among others, the allegation that Solway pollutes the environment around the Fenix mine. If that would be the case, they would infringe upon the rights to health & safety and the right to a clean environment of the indigenous Maya Q'eqchi people. The case contains more elements than the risk for environmental pollution, for example insufficient FPIC, road safety topics, and discrimination of indigenous communities.

### Changes on salient human rights risks since the previous report

In the previous versions of this report, "Supplier monitoring and on-site assessments" was mentioned as an area of risk. This topic has been moved into the section of process gaps. Insufficient supplier monitoring and on-site assessments can lead to insufficient identification of risks in our supply chain, but they do not pose a risk to human rights per se. More information on how the processes in procurement were improved can be found in our annual sustainability report in the section "Sustainable supply chain" and on our webpage: [www.outokumpu.com/en/sustainability/people-and-society/sustainable-supply-chain](http://www.outokumpu.com/en/sustainability/people-and-society/sustainable-supply-chain).

"Truck drivers working conditions" and "human trafficking in trucks" were also mentioned among the salient human rights risks in the previous report. The initial identification of these risks was made during the workshops held in December 2021, where no subject matter experts from the logistics department and the procurement function responsible for sub-contracting transportation services participated. In 2022, a full-day workshop was held with these subject matter experts, during which a re-evaluation of the risks was conducted. The risks are still part of our human rights risk assessment, but due to their reduced risk rank based on revised likelihood and severity, they are not anymore considered salient.

## **Addressing salient human rights risks**

### Climate change

Global megatrends such as population growth and accelerating mobility and urbanization have resulted in increased carbon emissions and climate change. Stainless steel can help to build solutions and infrastructure for a more sustainable world. Stainless steel produced by Outokumpu has the lowest total carbon footprint



in the industry, and we help our customers to reduce their carbon footprints. Key reasons for our low carbon footprint are our own ferrochrome, high recycled content, and the use of low carbon electricity.

In 2022, we launched a new product line, Circle Green, which has the smallest emission intensity in the world, up to 92% lower carbon footprint than the global average. During the year, we also published product-specific carbon footprints that help our customers to provide more sustainable solutions to the market.

We have committed to reducing our own emissions throughout our whole value chain. The keys to reducing our own carbon emissions are to increase our energy efficiency and the use of low carbon energy sources. We are also working closely with our suppliers and partners to reduce emissions.

We are committed to the Science Based Targets initiative's ambition of keeping global warming below 1.5°C and our new climate targets were approved by the initiative in 2021. Outokumpu's near-term science-based target is to reduce direct and indirect emissions as well as our supply chain emissions (scopes 1, 2 and 3) by 42% per tonne of stainless steel by 2030 from a 2016 base year.

This translates into a 30% CO<sub>2</sub> emission reduction compared to the 2020 level. This target follows the well-below 2°C scenario convergence criteria of the steel industry's decarbonization approach and the electricity decarbonization approach, where the specific emission reduction target is 95% by 2050.

The updated targets cover Outokumpu's value chain from raw materials to own production and delivery. In the long-term, Outokumpu is committed to reaching carbon neutrality in own operations by 2050.

Read more about how we are addressing climate change in our annual sustainability report in the section "Environment" and online: [www.outokumpu.com/sustainability/environment/protecting-the-climate](http://www.outokumpu.com/sustainability/environment/protecting-the-climate).

We also provide data on our carbon footprint on our webpage to support our customers in reducing their own footprints: <https://www.outokumpu.com/sustainability/reporting-and-data/sustainability-data>

#### *Discrimination, intimidation, and harassment within the workforce*

In 2022, we completed our first inclusion survey to understand what we can do better to ensure all employees feel welcome and that they are equally heard and have equal opportunities. According to the results, we have on average a high personal experience of inclusion. Our employees respect and support each other, and they feel that they can be themselves at work and that their work is meaningful. In addition, women and men perceive Outokumpu as equally inclusive. However, when looking at some employee groups, such as employees with disability or employees who identify with LGBTQ+ the experience of inclusion is more varied.

We have established global targets and a roadmap to strengthen diversity, equity, and inclusion. The core of our journey is to strengthen an inclusive working culture. Next year, we will be organizing trainings for all employees to understand how we can, with our everyday behaviour, foster a workplace where everyone feels welcome, safe, and respected regardless of their background.

#### *High workload*

A high workload was mentioned by some of the participants of the workshops when the human rights risk identification took place at the end of 2021. Another indicator of high workload was measured in the inclusion survey where 24 % of our employees replied that they feel burned out at work.

Managing workload has been increasingly difficult during covid-19 as many employees worked from home. In 2022, the focus in Outokumpu's human rights work lay on developing the governance structure and on



mitigating risks in the supply chain. Training on human rights and workshops with the human resources function on employee-related risks are planned for 2023.

#### Radioactive material in scrap

Both our suppliers and we ourselves make efforts to identify radioactive parts in scrap. For example, all incoming material has to pass through detection bridges and the cranes handling the material are equipped with detectors. Our suppliers which are sorting the scrap in their scrap yards train their employees regularly on identifying radioactive parts and protocols are in place how to proceed if radioactive parts are found.

In 2022, we improved our raw material supplier quality risk assessment methodology which includes safety aspects. Scrap is considered to be one of the raw materials with increased safety risks. The higher the risk identified in the regular assessment, the higher the likelihood for a discussion, visit, or on-site audit with focus on identification and handling of radioactive material in scrap. In the end of 2022, we had a meeting with one of our largest scrap suppliers in which radioactivity was an important topic. Outokumpu personnel shared best practices from our own operations with the supplier to enable them improving their detection capabilities.

#### Human trafficking in coke supply chain in Colombia

To get a better understanding of the risks in our coke supply chain in Colombia, we engaged external experts to support us in assessing the situation. The assessment included a field trip to Colombia during which we consulted external stakeholders, got to know the situation on the ground and visited our suppliers. As a result of the assessment, we got an overall understanding of where our suppliers are on their sustainability and human rights journey. There were no alarming findings, but it was clear that the suppliers are at different maturity levels, and for many, human rights had not been in focus yet.

Our partner prepared a report of the assessment which included recommendations for both Outokumpu and all five suppliers according to their maturity level. We have gone through the recommendations with the suppliers, and most were very motivated to start on the improvements. Therefore, as a next step, we will start the supplier development work and track the progress of their improvement, while we also implement the recommendations given by our partner to ourselves.

#### Environmental pollution by nickel suppliers

The case of Vale was already raised in the beginning of 2021, and during that year, we conducted a human rights impact assessment together with our external partner. The assessment included a field trip to Brazil at the end of 2021, during which we met with both external stakeholders such as the Xikrin indigenous people and the supplier. More information about the activities in 2021 can be found here:

<https://www.outokumpu.com/sustainability/people-and-society/sustainable-supply-chain/site-visits/onca-puma-brazil-2021>

One result of the assessment was that the company has robust policies and systems in place to manage the risk of direct environmental impacts. Nevertheless, as true for most industrial sites, environmental pollution is a risk that needs to be managed and we keep the risk among our supply chain related human rights risks. During 2022, we worked with Vale on risk indicators to monitor the situation long-term. Those do not only include indicators related to environmental pollution, but also others, for example related to community relations.





In late 2021, Outokumpu was contacted by Swedish journalists investigating nickel mining by the company Solway in Guatemala. The journalist claimed to have evidence that our sub-supplier was covering up pollution of a lake near their mine. There were also allegations of negative impacts on the local people and on lack of transparency.

We decided to conduct a human rights impact assessment together with an external partner. As part of the assessment, a field visit was completed in the beginning of March 2022, during which both internal as well as external stakeholders were involved. The purpose of the assessment was to investigate, identify and assess the human rights impacts of our sub-suppliers' operations on the affected communities, focusing on indigenous rights-holders. This included a review of the company's human rights risk management practices and their status of implementation to determine if Outokumpu can rely on those processes to fulfil its own due diligence responsibilities under the UN Guiding Principles for Business and Human Rights.

Based on the findings in the assessment, the suspension of purchases from the sub-supplier remained in place. The final report contained recommendations for the sub-supplier, and we stayed in regular contact with them to discuss the recommendations and monitor their implementation. We are committed to working with the sub-supplier in improving the situation for the local population and their welfare and safety.

Later in 2022, we conducted a third human rights impact assessment at a supplier in Colombia. In this case, the assessment was conducted as a result of our new internal risk management practices in raw materials procurement and not as a reaction to allegations from external stakeholders. The final report from the assessment is expected for early 2023.

*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 became 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.

### ***Stakeholder engagement***

Management of human rights issues requires the involvement of stakeholders. For us to be able to reach our vision to be the first choice in sustainable stainless steel, we maintain a dialogue with our stakeholders to understand what they expect from us. We conduct a regular materiality analyses to stay up-to-date on the expectations of our stakeholders. In 2022, we also participated in the Reputation & Trust survey in Finland to examine the general public's view on reputation.

Outokumpu's production sites are often located in relatively small towns where we are a significant member of those communities and, in many cases, one of the few big private-sector employers in the area. We recognize that our decisions might have a major impact on communities, our personnel and local suppliers and service providers. Our sites engage regularly with local community representatives especially on the topics of employment, environment, energy, or sponsoring. We also maintain continuous cooperation with local schools and universities, NGOs, our neighbours, and other companies. Ongoing permit processes are



one important topic that are discussed with local stakeholders. Based on these discussions with the neighbouring communities and with authorities, no significant negative impacts on local communities have been identified.

Non-governmental organizations are an important stakeholder group for Outokumpu: they provide us external views on expectations towards big companies like Outokumpu and our impact on the nature and society. For example, regarding the climate change, the dialogue has helped both sides to understand its urgency and related actions and policies. Another recurring topic are ongoing permit processes and other environmental issues. We are thankful for NGOs that they highlight any issues in our operating environment. Since a Finnish NGO Finnwatch assessed critically our supply chain sustainability monitoring and purchasing, we have continued the dialogue with them, and Finnwatch has thanked Outokumpu for the actions taken, such as human rights impact assessment and committing to the United Nations' guiding principles on business and human rights and calls for a further increasing the transparency of the supply chain.

When it comes to our supply chain are we keen on engaging external stakeholders around our suppliers' sites to hear their voices as well. Those include communities, NGO's, institutes, journalists, and anyone else who might be impacted by the supplier's activities. We have done so during the supplier visits in Brazil, Guatemala and Colombia and we intend to continue during future assessments as well. Continuous engagement after the field trips 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 UNGP make clear that if a company causes or contributes to adverse human rights impacts, it has a responsibility to provide or help provide remedy to those harmed and Outokumpu is committed to doing so. 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.

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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