

Outokumpu's response to Finnwatch report on the impacts of the company's value chain in Pará, Brazil

More than 9,000 suppliers

Outokumpu is not hiding its purchases or suppliers. As a stock exchange listed company, we report operations and activities according to our organisational structure, not by countries.

It is clear, however, that each of our 9,000 suppliers is important and we require them to comply with our high standards and requirements that we have established for our suppliers.

Vast majority (93%) of Outokumpu's suppliers are located in Finland, Germany, Sweden, the UK, the US, and Mexico.

Auditing top 20 suppliers first

Outokumpu's top 20 suppliers cover 80% of the total direct material spending. In 2019, six suppliers out of this group were located in countries with environmental, social and corporate governance (ESG) risks. Those suppliers were requested for a self-assessment and all of them replied. No ESG risk surfaced in the answers.

Outokumpu's policy is not to disclose information of its individual suppliers

The Brazilian company mentioned in the Finnwatch report supplies ferronickel, which is a necessary alloying element for manufacturing certain grades of stainless steel. Ferronickel, that Outokumpu is purchasing externally, makes up a part of nickel in the production of stainless steel. The use of ferronickel is being reduced by increasing the amount of recycled metal. Recycled metal makes up already more than 90% (2020: 92.5%) of Outokumpu's stainless steel production.

Outokumpu has not used any iron ore for production of stainless steel and is not intending to do so in the future. Therefore, we don't have a connection to the iron ore mines mentioned with large accidents in 2015 and 2019 in the Finnwatch report.

Regular monitoring of Outokumpu suppliers

We monitor our suppliers through self-assessment, screenings, and audits. Vast majority of the suppliers are also going through a monthly compliance screening in order to make sure that we comply with applicable regulations.

In 2019, 11 suppliers were invited for a self-assessment and 11 suppliers were audited on site. The suppliers audited on-site were partially the same suppliers who participated in the self-assessment. As a result, improvement opportunities and requirements were identified and communicated to the suppliers.

The supplier assessment is based on Outokumpu's supplier requirements and focused to evaluate suppliers' social and environmental responsibility, safety and quality management.

Outokumpu's ESG standards

Outokumpu follows the International ISO 26000 standard in its corporate social responsibility, and all sites are certified according to ISO 14001. These standards cover ESG criteria which includes environmental, social responsibility and good corporate governance aspects.

COVID-19 postponed further auditing

In 2020, we planned to audit the top 20 suppliers also under ESG criteria. They have already been audited against Outokumpu Code of Conduct, Outokumpu supplier requirements, ISO 9001, 14001, 45000 and IATF 16949.

Unfortunately, the spreading COVID-19 virus prevented visits at the suppliers, which is naturally out of our control.

Misconduct reporting channel exists

Outokumpu has a reporting channel for all kind of misconduct. Our SpeakUp channel, available on our website all over the world, covers also our suppliers' activities.

SpeakUp channel can be used confidentially and anonymously if allowed by the local laws and regulations.

Human rights commitments

Outokumpu endorses values of the United Nations Universal Declaration of Human Rights as is stated in Outokumpu's Ethic Statement. Outokumpu has been a member of the UN Global Compact since 2009.

Outokumpu has also joined the Responsible Steel initiative in 2019 which is a global multi-stakeholder standard and certification initiative for the steel industry. The initiative is developing an independent certification standard that helps the steel industry to communicate about carbon footprint and other sustainability aspects of their products and operations to customers and other stakeholders.

As you point out in the report, Outokumpu has not committed to UN Guiding Principles on Business and Human Rights and this needs to be assessed.

Suppliers' obligations to comply with Outokumpu standards

All Outokumpu suppliers will have to commit and comply with following requirements:

- Code of Conduct: All suppliers and subcontractors are expected to comply with our Code of Conduct or similar standards
- Supplier requirements: Suppliers need to act according to the applicable laws and regulations

- Quality management system: Suppliers need to maintain a quality management system
- Outokumpu's general terms and conditions
- Supply and production control: Suppliers need to clearly define, document and share their processes including material traceability

Recognized performance

Outokumpu is rated by several corporate responsibility indexes. Being rated by these research companies is a recognition of the fact that Outokumpu has succeeded in fulfilling certain criteria of having responsible operations. On the other hand, the independent indexes offer the chance to see which areas of corporate responsibility still have room for improvement.

Outokumpu is rated by Ecovadis with a platinum recognition level in 2020. This excellent result includes Outokumpu among the top 1% performers in steel industry evaluated by EcoVadis, a leading sustainability rating provider which assesses over 30,000 companies in respect to environment, labour and human rights, ethics and sustainable procurement.

In November 2020, Outokumpu received the 'Prime' label from ISS ESG sustainability rating. The label means that Outokumpu fulfils ISS ESG's demanding requirements regarding sustainability performance in the sector and serves as an indicator of the quality of the company's performance in the social and environmental spheres.

Outokumpu is one of the top-scoring companies in the steel industry. Outokumpu is the 6th among all the steel companies in the SAM Corporate Sustainability Assessment (CSA) – the leading global benchmark in the growing field of Sustainability Investing and Corporate Sustainability. Outokumpu is also included in SAM Sustainability Yearbook 2020, indicating a position within the top 15% sustainability performers in the industry.

In the Sustainability Yearbook 2021 S&P Global rated Outokumpu among the best 15% of companies in the industry.

In Carbon Disclosure Project's (CDP) assessment in 2020, Outokumpu received rating B for its performance in climate change actions. The rating is higher than Europe regional average of C, and higher than the Metal smelting, refining & forming sector average of D.

The next steps

Information received from our stakeholders, customers, suppliers and NGOs is always valuable in monitoring the quality of our suppliers' operations. In the light of the information received from any of these groups, we will review the activities of reported suppliers.

We will assess the inclusion of the UN Guiding Principles on Business and Human Rights in Outokumpu's general terms and requirements for its suppliers. This is a considerable project in a company which is operating globally in countries with a variety of legislation and regulation.

In addition, we will continue supplier auditing as soon as COVID-19 situation allows.