



UK MODERN SLAVERY ACT TRANSPARENCY STATEMENT

This statement, published in accordance with section 54 of the UK Modern Slavery Act 2015, outlines the steps Metsä Group has taken during the financial year 2016 to ensure that slavery and human trafficking is not taking place in our supply chain or in any part of our business. Slavery, forced or compulsory labour, child labour, servitude and human trafficking (Modern Slavery) are global and growing issues for which no industry is immune to. Metsä Group is committed to social and environmental responsibility and zero tolerance towards any form of Modern Slavery. The concrete actions taken to ensure that we can live up to this commitment should be viewed in the light of our larger efforts to encourage supply chain transparency, accountability and sustainability.

Our business

The Metsä Group is a forerunner in sustainable bioeconomy utilising renewable wood from sustainably managed northern forests. Our business operations cover the entire value chain for wood. Metsä Group focuses on wood supply and forestry services (Metsä Forest), wood products (Metsä Wood), pulp (Metsä Fibre), fresh fibre paperboards (Metsä Board) and tissue and cooking papers (Metsä Tissue).

Metsäliitto Cooperative is the parent company of Metsä Group. It is owned by approximately 104,000 Finnish forest owners. Metsä Group consists of Metsäliitto Cooperative, its two businesses Metsä Wood and Metsä Forest, and its subsidiaries Metsä Tissue, Metsä Board and Metsä Fibre. Metsä Group operates internationally in some 30 countries and has manufacturing facilities in seven countries, including the UK. Metsä Group's sales

totalled EUR 4.7 billion in 2016, and it employs approximately 9,300 people.

Code of Conduct and Sustainability Principles – our own operations and the supply chain

Metsä Group is committed to operate in compliance with its Code of Conduct and Sustainability Principles. Metsä Group has been since 2003 a signatory to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, environment and anti-corruption. Metsä Group's Sustainability Principles are based on these widely accepted guidelines. We also acknowledge the UN Sustainable Development Goals (SDGs) and work to develop our operations in close link to them. We report annually our progress in this area in Metsä Group's Sustainability Report.

Metsä Group purchasing is a cross-organisational function. Procuring wood, Metsä Group's main raw material, is the core business of Metsä Forest and excluded from the scope of the Group purchasing. Metsä Group purchasing is responsible for the sourcing of other direct and indirect materials as well as of services. In 2016 we had over 20,000 active suppliers out of which less than 200 are defined as key vendors.

Purchasing at Metsä Group is managed responsibly based on our Code of Conduct for Suppliers which provides common ethical guidance which we expect all our suppliers to commit to. The Code of Conduct for Suppliers sets the minimum requirements for our

suppliers in terms of compliance with applicable legislation, ethical business, sustainability and has since 2015 also included a clause forbidding Modern Slavery in any form. Further, our Code of Conduct for Suppliers emphasises the respect for human rights as well as actions against corruption and bribery.

Our operations in the UK

Metsä Group companies sell in the UK tissue products, cooking papers, paperboard, pulp and timber products originating from our European manufacturing sites. Wood is the main raw material used in our production. In order to ensure that all the wood used for manufacturing purposes originates from sustainable sources and suppliers, all of our production sites are third party chain of custody certified (PEFC™ and/or FSC®). This ensures full traceability of our main raw material, wood and our products. These forest certification schemes also have strict requirements for labour conditions.

In addition to products manufactured by Metsä Group, Metsä Wood UK also sells timber and timber products sourced from Europe, Asia and South America. Metsä Wood UK has visibility of its supply chain from all its direct suppliers through its third party verified PEFC and FSC chain of custody systems.

Processes and actions to prevent modern slavery in our supply chain

We expect all of our suppliers to commit to the Metsä Group Code of Conduct for Suppliers, a common ethical guidance launched in 2011. As of October 2015, our Code of Conduct for Suppliers has been strengthened to include an express prohibition of Modern Slavery. We continuously assess and aim to develop our methods of detecting human rights violations in our supply chain. Metsä Group is committed to investigate and to apply appropriate remedial actions with respect to any suspected Modern Slavery related violation.

Metsä Group continuously develops its supplier selection, performance and auditing processes. Our target is to have all suppliers committed to Metsä Group Code of Conduct for Suppliers criteria and to ensure that any sub-suppliers commit to the same. By the end of 2016, 81% of our total spend was covered by the Metsä Group Code of Conduct for Suppliers and it was included in 515 new or renewed supplier contracts made during 2016.

Our logistics chain has been identified as an area where raised attention needs to be paid to manage Modern Slavery risk exposure. In order to gain deeper insight into our main logistic flows, including Modern Slavery risk mitigation, we have set a new ambitious sustainability target to ensure the sustainability of all our main logistic flows by the end of 2017. As part of this assurance process, a sustainability questionnaire has been sent during 2016 to all of our significant logistics suppliers. The self-assessment questionnaire was answered by 441 suppliers. We are in a process of assessing the responses and planning actions to ensure that our suppliers meet the required criteria. In addition, our logistics chain auditing template requires our logistic suppliers to describe their processes to prevent human trafficking in their operations.

We understand that Modern Slavery risk is not static and that further risk mitigation activities as well as training are required in the years ahead. In addition to this annually published statement, further information will be available in Metsä Group's Sustainability Report.

Ownership and approval process

This statement has been approved by the Board of Directors of Metsäliitto Cooperative, the parent company of Metsä Group, and constitutes the Modern Slavery Act Transparency Statement for the relevant Group companies.



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