

NELES



GRI
supplement
2021

Who are we?

Neles is one of the leading providers of mission-critical flow control solutions and services for process industries. With our global team of experts and innovative solutions, we help our customers to improve their process performance and ensure the safe flow of materials. Neles is listed on the Nasdaq Helsinki in Finland and had sales of about EUR 611 million in 2021. Neles employs about 2,950 people in approximately 40 countries.

GRI supplement 2021

This is the GRI Supplement for Neles' 2021 Annual Report. The GRI Supplement includes the independent practitioner's assurance report.

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About this GRI Supplement

Neles Corporation ("Neles") publishes its sustainability data annually. The quantitative data for 2021 contained in this supplement has been prepared in accordance with GRI Standards: Core option. Key performance indicators presented in this report are Metso's Valves Business Area from 2019 – June 30, 2020, and Neles Group's from July 1, 2020 – December 31, 2021.

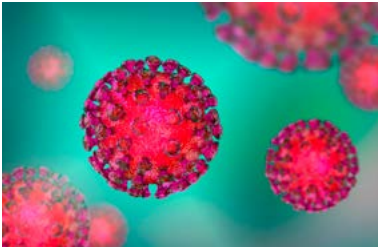
The scope of reporting is all Group companies of Neles Corporation ("Neles Group") unless otherwise stated. It excludes associated companies and joint ventures. Supplier-related information includes spending on local suppliers, supplier sustainability audits, the Lost Time Incident Frequency (LTIF) of contractors and supervised workers, and the CO₂ emissions of purchased goods and services. The sustainability data is presented at the Neles Group level unless otherwise stated.

The GRI reporting principles for defining report content and report quality, and the GRI 101 Foundation Standard have been taken into consideration in producing the sustainability-related content.

The sustainability data is presented in various sections of this report, and key figures are summarized in conjunction with the "GRI Content Index" and "key performance indicators."

DNV Business Assurance Finland Oy Ab, an independent third party, has provided limited assurance on the sustainability information disclosed in Neles' 2021 Annual Report. The scope of the assured information is indicated in the independent assurance report on pages 33–34 of this report.

Our year 2021



Dealing with COVID-19

The safety of our employees has been Neles' number one priority throughout the pandemic. Neles has complied with local laws and regulations regarding COVID-19 restrictions, social distancing, wearing masks, and advising on good hand hygiene practices. Our employees have worked remotely whenever possible and, if present in Neles' facilities, they have taken rapid antigen tests to prevent exposing colleagues to the coronavirus.

In some countries, such as India and Brazil, the pandemic escalated into a humanitarian crisis and affected our operations. In March 2021, as a result of multiple suspected and confirmed infections among Neles employees working in the Sorocaba plant, the local management took rapid safety measures and closed all operational activities for one week.

[More about Neles' humanitarian aid on page 17–18.](#)



Hitting safety records

Neles is constantly focused on work safety, and employees embrace safety culture every day. As a result, our production sites in India, South Korea, Brazil and Finland made record-breaking achievements in the field of occupational safety. In 2021 our teams in Vadodara, India, and in Sorocaba, Brazil celebrated a milestone of four accident-free years. Our operations in Ambernath, India, and in Vantaa, Finland hit 1,000 accident-free days, and Neles' plant in Chungju, South Korea achieved the remarkable milestone of seven accident-free years. These examples show that health and safety is our top priority and hitting all-time high safety records does not happen by coincidence.

[More about health and safety on page 21.](#)



Winner of the Responsible Summer Job 2021 campaign

Neles took first place in the Responsible Summer Job 2021 campaign that evaluated more than 500 summer job providers in Finland. Organized by Oikotie Työpaikat, the campaign selected the winning companies based on feedback collected from summer trainees. The employers were rated based on six principles of a good summer job experience: good application experience, meaningful work, introduction and guidance, fairness and equality, reasonable pay and written contract, and testimonial. Neles was a strong performer in all six areas of the principles of a good summer job experience. The candidates especially appreciated the application phase, as well as the introduction and guidance phase, which were rated the best in the category. Neles offers summer traineeships in several fields, both in manufacturing and offices.

[More about apprenticeships on page 17.](#)



Supporting environmental transparency by joining CDP

Neles reported its environmental data through the CDP global disclosure platform for the first time in 2021. Along with more than 13,000 companies and 1,100 cities, states, and regions worldwide, we shared the impact of our operations on climate change. The CDP reporting system measures and manages environmental impacts globally and tracks progress towards building a sustainable economy. Disclosing our environmental impact is part of our long-term commitment to environmentally responsible business practices. We believe that environmental transparency is vital in building sustainable business and creating a sustainable future for our planet.



Vantaa plant's rooftop gets equipped with solar panels

As part of our efforts to reduce CO₂ emissions, Neles installed a 900-kWp solar power system to the rooftop of the Vantaa plant. The 2,250 solar panels that were put into use in November 2021 produce more than 783,000 kWh of electricity annually. By using the electricity generated by the panels in our operations, we can reduce our carbon emissions by approximately 110 tons per year. This is in line with our commitment to reduce CO₂ emissions by 25% in our production by the year 2030.

[More about Environment on page 13–16.](#)

Sustainability and HSEQ targets

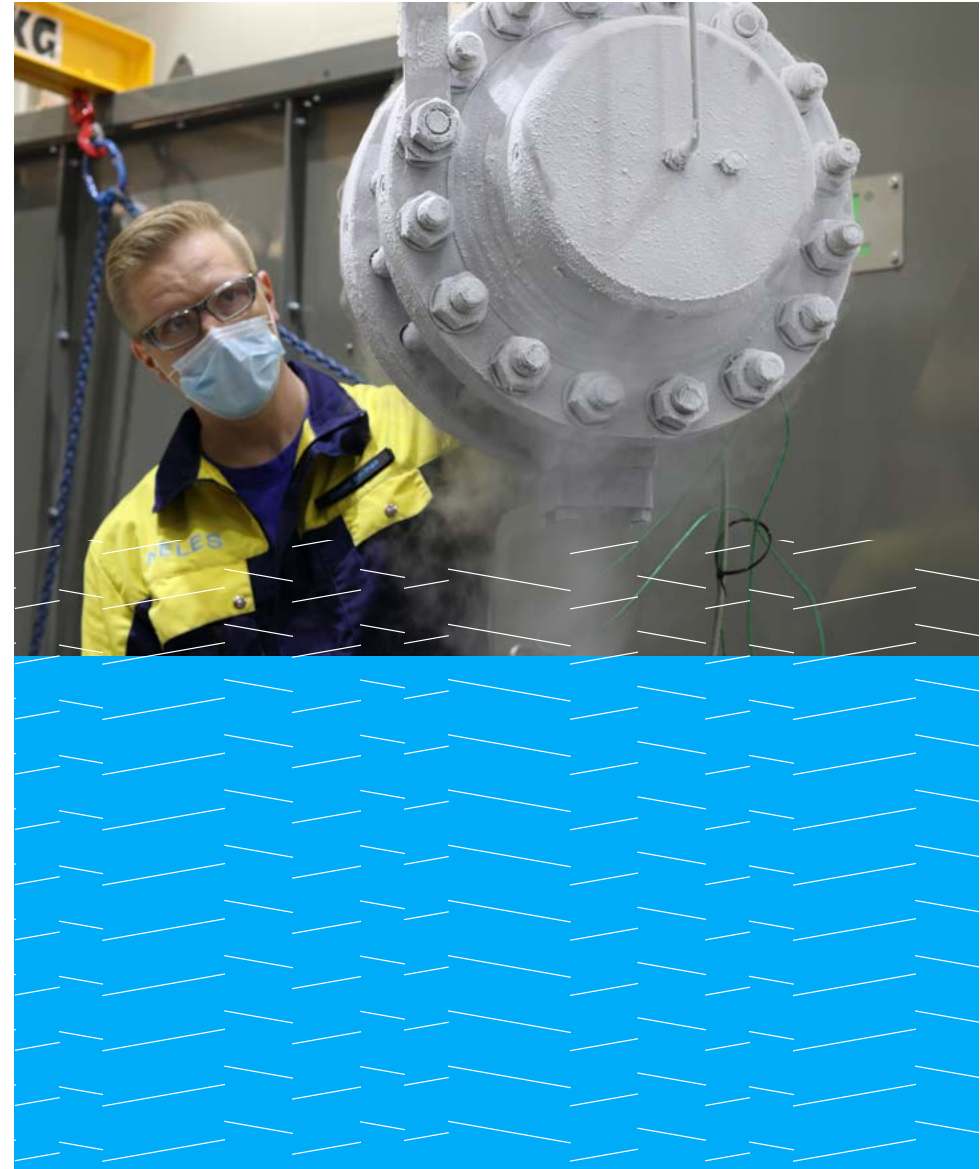
Topic	Target	Progress in 2021
HEALTH AND SAFETY		
Accident rate	Solid safety culture towards zero harm	LTIF remained at 1.3 (1.3 in 2020) and TRIF decreased to 3.7 (4.7 in 2020) Neles' plants in Vantaa and Ambarnath reached the milestone of 1,000 days without incidents leading to non-working days. Neles' Supply Center in Vadodara, India, and in Sorocaba, Brazil, hit the record of 4 years without accidents. Neles' plant in Chungju, South Korea, reached an all-time high safety record of 7 accident-free years.
Safety as part of everyday work life	Individual HSE target of 2 risk observations per employee, and manager target of one safety conversation every quarter	65% of employees completed the target of 2 or more risk observations (55% in 2020) 75% of managers conducted one safety conversation every quarter (compared to 73% in 2020).
	Regular HSE audits and corrective actions	74% of corrective actions were completed within 90 days of event occurrence to prevent the injuries from recurring. 9 production plants and 10 service locations were audited for HSE.
Training and awareness	8 hours of HSE training per employee	Meeting Neles' minimum safety standards and completing the safety training are mandatory for all employees.
R&D	Product safety always covered	Product safety included in 100% of R&D projects.
ENVIRONMENT		
Energy consumption	Reduction of energy consumption for each factory	12 TJ reduction in energy consumption in own operations since baseline 2019. Partly explained by factories closed due to the COVID-19 pandemic.
Reduction of water and waste	Reduction of water and waste for each factory	Since 2019, water consumption was reduced by 4%, and waste increased by 1%.
Reduction of emissions (2019 baseline)	Logistics: -20% CO ₂ by 2025 Production: -25% CO ₂ by 2030	Logistics: 18% reduction since 2019 baseline (4,879 tCO ₂) Production: 12% reduction since 2019 baseline (0.16 tCO ₂)
R&D	Sustainability targets for R&D	Sustainability targets included in 100% of R&D projects
SOCIETY AND PEOPLE		
Supplier assessments and audits	Sustainability assessments conducted on 95% of suppliers in higher risk areas by 2025	3 supplier sustainability audits conducted by an independent auditor, 18 supplier sustainability audits by Neles' own, internal assessment team
Supplier Code of Conduct	Top 90% of suppliers in terms of spend sign the Supplier Code of Conduct by 2025	56% of suppliers had signed the Supplier Code of Conduct by the end of 2021
Reduction of emissions	Top 20% of suppliers in terms of spend set emission targets by 2025	22% of our suppliers had set emission reduction targets in 2021
Code of Conduct	All employees trained biennially	By the end of December 2021, 87% of employees had taken the Neles Code of Conduct training within the past two years

Sustainability governance

Sustainability is fundamental to Neles' business and everyday work at all levels of the organization.

Neles' Board of Directors oversees the effectiveness of Neles' sustainability governance and the impact of the sustainability agenda. Neles' Executive Team acts as a sustainability committee that regularly monitors and ensures the implementation of the sustainability agenda and decides on corporate-level sustainability targets.

The Sustainability and HSEQ Management System Team drives the implementation of the sustainability agenda at the corporate level, in cooperation with the businesses and support functions. The Sustainability and HSEQ Management System Team manages Neles' material sustainability issues as well as coordinates the development of sustainability practices and communications and the implementation of corporate policies. The team provides input into sustainability-related training, risk management, and external reporting in cooperation with different corporate support functions and is also responsible for the proactive management of key stakeholders' expectations.



Creating value

Capitals



Our Mission

Providing market-leading expertise, products and services to add the most value to customers



What we do

Neles is a reliable partner offering sustainable solutions to its customer industries. We create value to our customers, shareholders and other stakeholders

Outputs

Direct

- Industrial valves, controllers, spare parts and related services

Indirect

- Solutions contributing in solving global environmental challenges
- Promoting circular economy and recycling e.g. through maintainable products and new by-products from out-of-waste flow

Benefits for customers

- Sustainable solutions to support customers in their sustainability work
- Innovation for productivity, energy efficiency and safety
- Solutions for complying with tightening regulations and legislation
- Optimized process efficiency

Our impact

Environmental

1,822 tCO₂ emissions
 -12% in production
 -18% in logistics

(baseline 2019)

Social

24.2 employee NPS
 7,284 risk observations
 1.3 LTIF

Economic value created *

Society

EUR 14 million

Shareholders

EUR 33 million

Employees

EUR 140 million

Suppliers

EUR 256 million

Customers

EUR 611 million

* Calculated according to GRI standards

Our approach to sustainability

This GRI Supplement presents Neles' most material sustainability themes defined in the materiality assessment conducted in 2021.

Our goal within the sustainability sphere is to be a reliable partner offering sustainable solutions. We prioritize safety and sustainability in everything we do to protect people, process performance, and the planet. We have set our long-term sustainability targets to respond to global megatrends, driving focus on sustainable business operations that affect all our stakeholders.

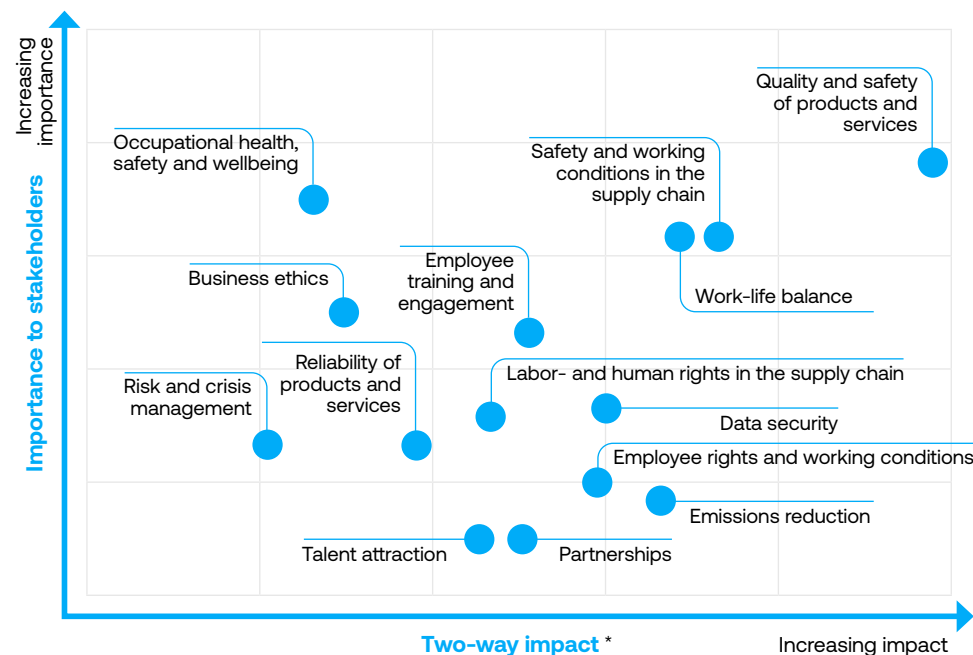
Materiality assessment

To find the right direction for our sustainability agenda and to focus on the expectations our stakeholders have, we conduct materiality assessments. We continuously consult our key stakeholders to evaluate the materiality of various environmental, social, and economic topics to our business.

The most recent materiality assessment was carried out in 2021 and resulted in a short list of 14 themes being identified as the most material. We intend to repeat the process regularly, as the global sustainability scene is constantly changing. As a new feature in this process, we implemented the double materiality approach, which is unique from past assessments. With this concept, we are not only exploring the impact that sustainable development has on our business, but also the impact that Neles has on stakeholders' social, environmental, or economic matters.

Neles' materiality assessment process invites all stakeholder groups to participate at different stages. Information about the importance and impact of themes is collected in a combination of qualitative and quantitative methods to comply with the GRI standard. Several of the 14 themes are central in our own operations and strongly connected to our supply chain or society. The themes are placed in a matrix describing the significance of each topic according to our business operations and stakeholders.

Our assessment reconfirmed that all topics in our current sustainability agenda continue to be material for the company. Three sustainability topics were identified as particularly relevant for Neles:



* Neles' impact on the issue; or the issue's impact on Neles

- Quality and safety of products and services**
 Product quality and safety are always a priority in our operations. We take seriously the impact quality and safety can have on the wellbeing of our customers, employees, and communities at large.
- Safety and working conditions in the supply chain**
 To ensure a safe working environment, we conduct supplier audits and ask all our suppliers to sign our Supplier Code of Conduct, which defines the expectation level Neles has for safety and working conditions in the upstream supply chain.
- Work-life balance**
 Work-life balance has become a critical topic for Neles' employees during the COVID-19 pandemic. Employees need to feel they can find a balance between the requirements of their work roles and their personal lives. Personal development discussions and one-on-one meetings with one's manager help in understanding individual needs and giving the right support in finding balance.

Our sustainability agenda

Neles' sustainability agenda with its action plans and targets are aligned with the United Nations Sustainable Development Goals (SDGs). The eight most relevant SDGs contributing to our sustainable productivity in line with our sustainability targets are:



Neles' sustainability agenda is embedded into everything we do and integrated into our HSEQ management system to ensure internal efficiency and consistency. We set our targets to drive for a brighter tomorrow in three focus areas: Health and safety, Environment, Society and People.



Neles' stakeholders

Continuous interaction with Neles' stakeholders is a key aspect of our approach to sustainability. Neles' stakeholders are entities or individuals that have an impact on the company's business or are affected by Neles' activities, products, and services. The focus areas and channels of communication vary by stakeholder needs.

Customers

Customer relationships are built on continuous interaction, extensive expertise, and long-term commitment. Neles' ambition is to create mutual business success and to be the best choice and a reliable partner in everything we do.

Employees

Employees and their knowledge, expertise, and skills are one of Neles' competitive advantages. Neles continuously develops managers' leadership skills and endorses employees' competence development.

Suppliers and subcontractors

Neles works closely with many suppliers and subcontractors. The cooperation is based on solid partnership and long-term collaboration. Neles is transparent in its supplier requirements and expects suppliers to act in compliance with the Supplier Code of Conduct by embracing the same ethical business principles as Neles does. Neles conducts internal supplier sustainability audits and third-party supplier audits for higher-risk areas.

Shareholders and investors

Neles is committed to long-term value creation for its shareholders. Neles has continued the development of sustainability communications for investors in different channels. Neles actively engages with investors and shareholders at events, and in meetings, calls, and digital channels.

More information about customers, employees, suppliers, and Neles' investor dialogue in 2021 is available in the Neles 2021 Annual Report and in the non-financial information.

Media

Neles provides clear and accurate information about its business. Neles communicates proactively and responsively in many channels.

Non-governmental organizations

As Neles operates globally and in various cultures, it supports only projects and partners with organizations that are commonly accepted and respected. All partnerships and activities must comply with Neles' Code of Conduct.

Local communities

Neles is a responsible corporate citizen and works closely with the local communities around its operating sites. Neles creates value by providing employment opportunities and supports local community projects for the common good.

Universities, vocational schools, and research centers

Neles considers cooperation with universities and research institutes important as well as a crucial element in innovations that benefit both Neles' customer industries and societies at large. Neles arranges cooperation projects, school visits, apprenticeship training, internships, and dissertation positions.

Key performance indicators

Location of operations (102-4)

10 largest countries by personnel

	2021	2020	2019
Finland	899	807	775
United States	472	470	520
India	455	427	412
China	358	360	370
Germany	178	186	183
Brazil	100	124	85
South Korea	64	66	77
South Africa	60	47	48
France	35	36	33
Russia	27	25	22

Information on employees and other workers (102-8)

2021	Female	Male	Total
By employment contract			
Permanent	571	2,079	2,650
Temporary	85	199	284
By employment type			
Full-time	619	2,233	2,852
Part-time	37	45	82
Total	656	2,278	2,934

2021	Permanent	Temporary	Total
By region			
Asia Pacific	272	209	481
EMEIA	1,756	74	1,830
North America	493	1	494
South and Central America	129	0	129
Total	2,650	284	2,934

GRI 201: ECONOMIC PERFORMANCE

Direct economic value generated and distributed (201-1)

EUR million	2021	2020	2019
Customers: Sales and other income	611	576	660
Suppliers: Operating costs	256	260	305
Employees: Wages and benefits	140	134	141
Public sector: Taxes	14	16	22
Creditors: Interest	5	6	2
Communities: Sponsorships and donations	0.06	0.03	0.05
Shareholders: Payments to providers of capital	33	44	36
Economic value retained	163	117	154

Income taxes¹⁾, largest countries

EUR million	2021	2020	2019 ²⁾
United States	4.6	8.2	26.4
Brazil	3.3	2.0	8.8
Finland	1.4	1.2	9.9
Germany	0.7	0.5	1.5
Chile	0.6	2.7	6.5
China	0.5	3.0	6.7
Singapore	0.4	0.3	0.4
France	0.3	0.0	3.5
Canada	0.3	0.6	3.6
Italy	0.2	0.3	0.2

¹⁾ Presented on an accrual basis.

²⁾ Includes the Metso Group before the partial demerger of Metso Oyj.

GRI 204: PROCUREMENT PRACTICES

Proportion of spending on local suppliers (204-1), EUR million

	2021	2020	2019
Brazil	69%	45%	37%
China	84%	85%	88%
Finland	62%	66%	63%
Germany	70%	73%	72%
India	94%	80%	
South Korea	83%	89%	93%
United States	56%	60%	58%

Definition of "local supplier": sourced from the same country as the plant location

Definition of "significant location of operation": the biggest countries for Neles' procurement

GRI 205: ANTI-CORRUPTION

Operations assessed for risks related to corruption (205-1)

Fraud, misconduct, and crime are relevant threats to Neles due to its global presence, various counterparties, and large number of business transactions. Systematic measures described in the Non-Financial Information section of Neles' 2021 Annual Report aim at preventing or mitigating the risks.

Environment

Minimizing the environmental load

We care about our environmental footprint throughout the product lifecycle. Our goal is to minimize the environmental impact of our own operations and to ensure the same of our suppliers and partners. Our ambition is to achieve zero harm for the environment.

Our operations are at a good level in terms of energy and water consumption and the amount of waste and emissions. Still, we are improving our environmental efficiency with focused actions at non-production sites and by leveraging circular economy opportunities. Our aim is to further reduce energy and water consumption and the amount of waste at each manufacturing location. We strive towards a 20% reduction of carbon dioxide emissions in logistics by 2025 and a 25% reduction in our production by 2030.

We have also set sustainability targets for all our research and development (R&D) projects to provide our customers with environmental compliance; the sustainability targets include, e.g., using sustainable materials and reducing process waste.



100% renewable energy at the headquarters and Vantaa Plant

In 2021, Neles facilities in Vantaa purchased only renewable electricity, and a rooftop solar power park installation was initiated. The solar panels are expected to generate 783,000 kWh electricity annually; the rest needed for production is purchased with renewable energy certificates.



Updated product design aiming at better sustainability and a longer life cycle

In 2021, we launched a new generation of two of our butterfly valves series Neles™ Neldisc™ and Jamesbury™ Wafer-Sphere™. The products have been designed and engineered with the objective to minimize emissions and reduce size, weight, and complexity. The compact and modular design ensures the best possible efficiency while using the smallest amount of raw materials possible. The valves help reduce fugitive CO₂ and other greenhouse gas emissions while delivering the best possible energy efficiency, thanks to clever innovations and the latest in manufacturing technologies.

In 2021, Neles operations had zero environmental incidents.

GRI 302: ENERGY

Energy consumption within the organization (302-1), TJ

	2021	2020	2019
Direct energy consumption by fuel			
Natural gas	13	27	32
Coal	0	0	0
Heavy fuel oil (HFO)	0	0	0
Diesel	1	1	0
Liquefied petroleum gas (LPG)	1	1	1
Indirect energy consumption			
Electricity	70	64	65
District heat	7	4	6
Steam	0	0	0
Total energy consumption	92	97	103

Energy consumed for cooling is included in electricity. The consumption figures are calculated based on invoicing. Standard conversion factors (SI) are used in the calculations.

Reduction of energy consumption (302-4), TJ

	2021	2020	2019
Total energy reduction	12	16	19

Reduction in energy consumption as a direct result of conservation and efficiency initiatives.

Reductions in energy consumption include electricity, heating, cooling, steam, and fuel since baseline 2019.

GRI 303: WATER

Water withdrawal by source (303-3), 1,000 m³

	2021	2020	2019
Surface water	0	0	0
Groundwater	0	0	0
Rainwater	0	0	0
Municipal water or other utilities	40	29	42
Total	40	29	42

Municipal water and other water utilities are reported by each unit, based on invoicing.

GRI 305: EMISSIONS

Direct (Scope 1) greenhouse gas emissions (305-1), tCO₂

	2021	2020	2019
Scope 1 emissions	1,419	1,614	1,883

GHG emissions reporting covers only CO₂.

Energy savings are calculated based on the reduction in energy consumption since baseline 2019.

The emissions are based on invoicing and converted from MWh to CO₂ emissions.

Standard conversion factors (SI) are used in the calculations.

The source for emission factors is IEA "Emissions Factors 2021".

Energy indirect (Scope 2) greenhouse gas emissions (305-2), tCO₂

	2021	2020	2019
Scope 2 emissions	7,550	8,444	8,335

GHG emissions reporting covers only CO₂.

Calculation is location-based. Market-based calculation is not presented. Energy savings are calculated based on the reduction in energy consumption since baseline 2019.

The resulting emissions are based on invoicing and converted from MWh to CO₂ emissions.

Standard conversion factors (SI) are used in the calculations. The source for emission factors is IEA "Emissions Factors 2021".

Other indirect (Scope 3) greenhouse gas emissions (305-3), tCO₂

	2021	2020	2019
Purchased goods and services	49,975	70,645	75,933
Upstream transportation	15,520	12,767	19,406
Downstream transportation	3,918	6,124	4,361

Based on the analysis of all Scope 3 emission categories, six emission categories were identified as significant: purchased goods and services; fuel- and energy-related emissions; upstream transportation and distribution; business travel; and downstream transportation and distribution. No quantitative information is available for the sixth relevant category: use of sold products.

Neles has assessed its indirect Scope 3 emissions based on the GHG Protocol's Corporate Value Chain Accounting and Reporting Standard. GHG emissions reporting covers only CO₂. Neles has no biogenic CO₂ emissions in its operations.

The Scope 3 emissions of purchased goods and services cover direct spend accounts for 76% of total spend. The analysis is based on the monetary value of purchased goods and services by supplier type and on the environmentally extended input-output matrices from EXIOBASE. The emission reduction of purchased goods and services is mainly caused by updated emission factors.

Upstream transportation emissions and downstream transportation emissions are collected from service providers. 75% is actual data and 25% is based on the analysis of the monetary value of transportation services by transportation mode and on the emission data provided by service providers. Coverage is 100%.

Reduction of greenhouse gas emissions (305-5), tCO₂

	2021	2020	2019
Reduction of emissions	1,822	2,086	2,560

The emissions reduction is calculated based on the reduction in energy consumption since baseline 2019, based on invoicing and conversion to CO₂ emissions.

GHG emissions reporting covers only CO₂. Neles has no biogenic CO₂ emissions in its operations.

The reported emissions are based on invoicing and are converted from MWh to CO₂ emissions.

Standard conversion factors (SI) are used in the calculations. The source for emission factors is the IEA "Emissions Factors 2021".

GRI 306: EFFLUENTS AND WASTE

Waste generation and significant waste-related impacts (306-1)

Neles is committed to finding new solutions to advance the circular economy. We have evaluated our environmental impacts and have integrated circular economy concepts into our business model. We provide our customers with long-lasting products, and we strive to continuously reduce our own environmental impact by actively developing new solutions, using recycled materials, and recovering production waste in our manufacturing processes.

Neles' most significant waste-related impacts are the generation of waste in the manufacturing operations in the form of packaging materials and scrap metals. Both hazardous and non-hazardous waste is generated from our operations. We also strive to expand the upstream of sourcing recycled materials. Downstream, the most significant waste generated is Neles' products and their packaging.

Our goal is to reduce our land fill waste to zero by 2030. In 2021, 47% of our waste was recycled or reused. Of waste directed to disposal over 70% is incinerated with energy recovery. Waste going to landfills is 1% of our total waste generated.

Every plant has set waste reduction targets and action plans to decrease waste volumes generated in production as well as to increase amounts of waste being recycled or reused. For example, our valve technology center in Vantaa, Finland, annually recycles hundreds of tons of wood waste: its wooden packaging boxes are recycled into particleboards instead of being incinerated for energy. The particleboard can be recycled at the end of its life cycle.

Developing our environmental efficiency is a continuous process. Understanding where, how, and why we generate waste globally is fundamental. Our goal is to minimize waste and maximize recycling and to create added value through smart solutions. We are actively looking for partners to co-create circular innovations linked to product development and supply chain efficiency. We have already implemented various recycling initiatives with our partners to make use of excess materials, such as used workwear or wooden packaging. We share best practices, research results, and ideas throughout the company, and we have several internal working groups focusing on the usage of waste and by-products.

Management of significant waste-related impacts (306-2)

Waste is managed as stated in our HSE policy and is included in Neles' HSEQ management system. Processes, documentation, and materials are held within the system, which covers all Neles employees and external workers. The HSEQ management system has been granted global multi-site certificates according to the ISO 9001, ISO 14001, and ISO 45001 standards, and it is audited through internal and external audits.

To manage identified waste-related impacts, Neles has implemented measures, such as a waste audit tool, to help manufacturing sites evaluate and improve their waste management. The tool supports waste reduction and efficiency. We also offer employee training. In 2021, a new waste sorting eLearning was produced in cooperation with the local waste disposal company in Vantaa, Finland.

Through partnerships, Neles explores opportunities to increase reusing and recycling. Neles' product packaging instructions recommend the recycling of packaging whenever possible and provide specifications on package sizes and types to avoid storing non-usable packaging material.

Waste that cannot be reused or recycled is directed to disposal. We are responsible for the ultimate disposal of our waste products, and therefore we choose our service providers with the utmost care and contractually stipulate disposal requirements. We generally work with licensed and regularly certified waste disposal companies. We conduct audits to verify their compliance with our disposal standards, especially when it comes to hazardous waste.

The disposal method is determined by information provided by the local waste disposal contractors. Process water is currently reported as incinerated non-hazardous waste, affecting recycling rates negatively and increasing waste amounts.

Waste generated (306-3), T

Category	Material	Waste generated	Reused or recycled waste	Waste directed to disposal
Hazardous	Chemical emulsions and fluids	521	96%	4%
	Paint waste and solid chemicals	12	0%	100%
	Chemical sludges	18	0%	100%
	Other	1	33%	67%
Total hazardous		552	499	53
Non-hazardous	Wood	1,297	55%	45%
	Mix waste	173	0%	100%
	Paper and cardboard	145	100%	0%
	Metal	787	100%	0%
	Oil and sludge	39	81%	19%
	Plastics	4	100%	0%
	Other	52	99%	1%
Total non-hazardous		2,496	1,732	764

Society and people

Making our mark in communities



Apprenticeship training creates future professionals by combining work and school

For over a decade, Neles together with Worcester Technical High School and Quinsigamond Community College (QCC) in Massachusetts, USA, have offered an employee educational program for students to educate themselves while getting paid for the work. The first student to work at the former Metso Automation while studying at QCC still works at Neles and has been promoted from laboratory technician to supervisor of application engineers.

Similarly, our plant in Vantaa, Finland, offers the opportunity for apprenticeship students to work in manufacturing and become employees after finishing school. In the apprenticeship at Neles, all aspects of a machinist's work are studied. All in all, the apprenticeship training to be a machinist takes about 1.5 years. The students have only two school days per month, and the rest of the learning happens at work under the guidance of experienced machinists.



Sharing knowledge and best practices in the Finnish Hydrogen Cluster

With the EU building a hydrogen economy, driven by a 55% decarbonization by 2030 and a net-zero carbon commitment by 2050, Finland set up a Hydrogen Cluster to enhance hydrogen research, innovation, and cooperation across industries. The companies involved in the cluster work together on topics related to hydrocarbon derivatives, fuels, gases, and chemicals, and more. Neles joined the Finnish Hydrogen Cluster to have an influence on the regulation and standards of the hydrogen industry, to enhance research and development of products that are compatible with the new regulation, and to develop new solutions together with our customers. Through partner networks and cooperation within the cluster, we can share hydrogen knowledge and best practices across industry sectors.



Helping local communities to cope with the COVID-19 pandemic

As the COVID-19 pandemic has hit India hardest and has escalated the situation there into a humanitarian crisis, Neles donated total of EUR 30,000 to international and local organizations to support their hands-on work. Neles helped Plan International in India to provide hygiene kits, protective gear, oxygen concentrators, and other medical equipment for local communities and health care centers in Greater Mumbai area. Neles cooperated also with UNICEF in Finland to deliver vaccinations and equipment to India.

Neles also supported the families of those colleagues who have suffered the most, through a dedicated trust fund focusing on their children's education. Along with day-to-day safety procedures in our own operations, Neles' local management in India has also taken a number of actions, including helping local hospitals with gathering oxygen and medicines.

Living by the Code

Neles cooperates actively with non-governmental organizations and local communities to build prosperity and wellbeing, to protect the environment, and to support science, research, and education. As we operate globally and in various cultures, we support only projects and partner with organizations that are commonly accepted and respected. Neles focuses on supporting the following themes in its programs, and all activities must comply with Neles' Code of Conduct:

- Environmental and safety
- Research, science, and education
- Social programs identified by local communities
- In 2021, Neles donated a total of EUR 61,000 to local communities all around the world.

External initiatives (102-12)

In 2021, Neles joined the global disclosure platform CDP and disclosed its climate change impacts. Neles is also a signatory member of the UN Global Compact and submitted its first Communication on Progress this year. Within the UN Global Compact program, we are committed to compliance with the UN Declaration of Human Rights and the UN Guiding Principles on Human Rights. We also support and operate according to the principles described in the OECD Guidelines for Multinational Enterprises and the International Labor Organization's (ILO) Declaration of Fundamental Principles and Rights at Work.

Membership in associations (102-13)

Neles is involved with various industry, trade, and expert organizations. On the national level in Finland, Neles is a member of the Federation of Finnish Technology Industries and the Confederation of Finnish Industries and is a participant in issue-specific working groups related to energy, competitiveness, training, and logistics. Neles is also a member of the International Chamber of Commerce (ICC).

Collective bargaining agreements (102-41)

Neles supports freedom of association and the right to collective bargaining for all our employees. 41% of Neles' employees were covered by bargaining agreements in 2021.

All employees are expected to work according to the Neles' Code of Conduct, which is a set of commonly accepted principles, and with integrity beyond what is mandated by laws and regulations. The Code of Conduct is the highest standard that outlines what good corporate citizenship means at Neles. It covers topics such as compliance with the laws and rules of society, fair employment practices, anti-corruption, and fair competition. It is available in eight languages and all employees are required to complete Code of Conduct training, either through classroom training or e-learning, every two years. The training is part of the onboarding of all new employees and is available to Neles' partners. In 2021, 87% of Neles' employees and partners had completed the training once within the past two years.

 **In 2021, the participation rate in Code of Conduct training was 87%.**

Learning and development

Learning and development at Neles consists of learning both in formal and informal settings. We conduct formal development programs and training on leadership, sales, products, wellbeing, and professional skills. In addition to classroom trainings, we offer a wide range of learning opportunities at Neles Learning, an online platform providing self-study courses and materials for continuous personal and professional growth and development.

Neles' HSE training framework is based on both local and global regulations, industry standards, and best practices. It covers requirements for employees, contractors, and customers. In 2021 Neles launched a new corporation-wide eLearning on Neles' Safety Standards. On a local level, a waste sorting training was launched in collaboration with the Waste Management partner of the Vantaa plant.

In addition to formal development and training programs, our employees are encouraged to discover their potential by exploiting learning opportunities in their job and with colleagues and managers. One of the most important tools for navigating an employee's career aspirations is the annual Performance and Development Discussions with one's own manager.

98% of our employees conducted annual performance and career development discussions.

Leadership development

Our extensive leadership development portfolio was running throughout 2021, offering leaders formal and informal ways to develop their skills. The portfolio consists of opportunities for on-the-job learning, together with others or through mentoring, coaching, work shadowing, and traditional classroom-based training. We believe that developing leadership skills to match with our leadership principles has a direct impact on employee engagement and wellbeing at work.

The employee engagement survey response rate was 83.4% in 2021 (75% in 2020.)

Employee engagement is measured annually in the Neles global employee survey, PeoplePulse. The survey also helps to identify development areas in teams. 83.4% of Neles employees responded to the survey in 2021. The results showed that Neles employees are committed to their jobs and understand the correlation to Neles' vision and strategy. In general, the employees feel they have the competence needed to master their responsibilities and that they contribute to the company's operations. Employees also feel that Neles has coped very well amid the pandemic.

Neles' employee net promoter score (eNPS) was 24.2 in 2021 (28.3 in 2020).

GRI 402: LABOR/MANAGEMENT RELATIONS

Minimum notice periods for operational changes

Notice periods and the period for the consultation process related to operational changes varies by country and region. The minimum notice periods are based on the local labor legislation of each country in which we operate.

Responsible procurement

Neles' responsible way of operating also extends to suppliers through the Supplier Code of Conduct to ensure quality and sustainability in our supply chain. Neles' Supplier Code of Conduct sets the standards that we expect our suppliers to follow. It covers areas such as health and safety, child and forced labor, human rights, anti-corruption, compliance with laws and regulations, environment, and climate change.

We audit our suppliers regularly and have set three long-term targets for supply chain responsibility:

By 2025, 90% of our suppliers in terms of spend have signed our Supplier Code of Conduct or published their own corresponding code. 56% of our suppliers have signed Neles' Code of Conduct or published their own code that corresponds with Neles'.

By 2025, 20% of our suppliers in terms of spend, have set emission reduction targets. The project of identifying which suppliers have set emission reduction targets is ongoing and on track. In December 2021, 22% of Neles' top suppliers in terms of spend had set one or more emission reduction targets.

We increase the amount of sustainability audits of our direct suppliers in high-risk areas annually by 20%. In 2021, 3 supplier sustainability audits were conducted by an external auditor. We carried out 18 supplier sustainability audits with the support of our own internal team.

In cooperation with our suppliers, we take part in developing their operations through knowledge sharing on, for example, setting occupational safety performance indicators, developing good chemical usage practices, and radiation measurement.

22% of our suppliers have set emission reduction targets.

GRI 401: EMPLOYMENT

Employment 2021

Category	Indicator	Number of new hires	% of total no. of new hires	New hire rate %
New hires by age group	<30	217	48%	56%
	30–50	218	48%	12%
	>50	20	4%	3%
New hires by gender	Female	118	26%	18%
	Male	337	74%	15%
New hires by region	Asia Pacific	107	24%	22%
	EMEIA	283	62%	15%
	North America	48	11%	10%
	South and Central America	17	4%	13%
Total new hires	Total	455	100%	16%

Category	Indicator	Number of leavers	% of total no. of leavers	Turnover rate %
Leavers by age group	<30	62	23%	16%
	30–50	187	70%	10%
	>50	18	7%	2%
Leavers by gender	Female	70	26%	11%
	Male	197	74%	9%
Leavers by region	Asia Pacific	91	34%	19%
	EMEIA	128	48%	7%
	North America	44	16%	9%
	South and Central America	4	1%	3%
Total leavers	Total	267	100%	9%

Total number and rate of new employee hires during the reporting period, by age group, gender, and region.

Total number and rate of employee turnover during the reporting period, by age group, gender, and region.

Health and safety

Building a solid safety culture towards zero harm

Neles prioritizes the health and safety of its customers, employees, and partners. Our goal is zero harm for everyone, and we aim to build a solid safety culture, where safety is embraced by everyone in their daily work. We continuously improve our way of working by

- Observing potential risks
- Reporting near misses and following up with corrective and preventive actions to avoid incidents
- Learning from colleagues by having safety conversations and sharing best practices
- Training employees on safety standards and providing self-study materials on safety excellence
- Regularly auditing main production sites

In 2021, 65% of Neles employees completed their risk observation target in their annual review target setting, and 75% of Neles managers met their safety conversations target set in their annual review.

We also care about how easy it is to install or service our equipment in the process pipeline. We take our safety approach further by innovating and developing solutions that are future proof, elevating the safety of our customer operations, and offering reliability. Product safety is always one of the main drivers in all our R&D projects.



Hitting a safety record of 1000 accident-free days at the Vantaa plant

In October 2021, a milestone was reached at the Vantaa plant: 1,000 days without lost time incidents. One thousand days without lost time incidents is a major achievement for the factory that delivers tens of thousands of valves, positioners, actuators, and valve assemblies every year. This achievement is the result of the good attitude and continued efforts of the factory's employees and the occupational safety and health representatives that strive for good occupational safety. Safety has been given one of the most important roles of our culture and everyday life.

The local occupational safety and health organization supports production workers throughout their work life – from inductions and onboarding to detailed safety trainings and work instructions. They provide guidance in various safety topics and are an active network in strengthening the safety culture at the factory. Safety is elevated into the spotlight every day through safety conversations and leading by example.

Safety success requires long-term dedication and continuous effort to observe, audit, communicate, and train safety standards. Safety conversations and risk observations are the most powerful tools to prevent incidents from happening.

With careful planning and quick problem-solving skills, we can overcome the challenges caused by the COVID-19 pandemic. Local committees set working instructions to follow the local government's recommendation and to ensure the safety of Neles employees.

GRI 403: OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety management system (403-1)

Neles' HSEQ management system is an integrated system for managing quality, health, safety, and environment. The HSEQ management system is audited by internal and external auditors. Neles' HSEQ management system has global multi-site certificates according to the ISO 9001, ISO 14001, and ISO 45001 standards.

Hazard identification, risk assessment, and incident investigation (403-2)

Risks relating to HSE performance are identified and assessed and then controlled in accordance with the severity of the hazard. Neles follows legal, contractual, and internal risk management requirements. The hazard identification and risk assessment process covers:

- Identification of health, safety, or environmental hazards
- Assessment of related risks
- Prevention of unwanted events related to a risk
- Prevention of reoccurrence through investigation
- Input for training, job descriptions, and work instructions to be able to perform work in a safe way
- A safe working environment and an environmentally friendly company

HSE impacts and risks are managed until they are eliminated, reduced, or controlled (based on the hierarchy of controls) to the point of being acceptable through the implementation of safe work systems before any work activities commence. Workers participate in and are informed about the management of HSE risks and impacts related to their work. HSE risk assessments are reviewed periodically, and whenever there are significant changes, after injuries, or when serious near misses have occurred.

Everyone working for Neles or in a workplace controlled by Neles is responsible for reporting without delay all incidents, observations of hazards, and hazardous situations to their manager and to our global reporting system HSE24. Managers are responsible for incident investigations, including root cause analysis and corrective actions, all of which are documented in the reporting system. Workers and their representatives participate in and support the investigation and corrective actions. HSE alerts are produced for all recordable and high-potential near misses and shared globally in monthly reporting.

All workers have the right to refuse unsafe work and will inform their manager or site contact immediately of all concerns.

Occupational health services (403-3)

Neles ensures employee access to qualified occupational health services through country-based approaches that also comply with local legal requirements and provide service in the local language.

Information on the available occupational health services is provided to employees during their onboarding. In Vantaa, these services are available at the location.

Worker participation, consultation, and communication on occupational health and safety (403-4)

As stated in Neles HSE policy, we facilitate the participation and consultation of our employees and partners in HSE activities and practices. The backbone of Neles' approach is in the joint management-worker safety committees in all locations with more than 30 employees. Following a global guideline, these committees meet at least once a year – and more often in production locations. The committees have elected worker representatives, establish annual budgets and action plans, and follow standard agenda items covering all aspects of the development, implementation, and evaluation of the local HSE management system.

In addition, Neles deploys a variety of other methods, including making HSE a routine agenda item in team meetings, townhalls, and one-on-one discussions, toolbox talk practices, management safety walks and safety conversations, elected worker safety representatives, employee surveys, employee participation in risk assessments and pre-task safety discussions, and the communication of HSE information on notice boards and the intranet.

Worker training on occupational health and safety (403-5)

Neles has designed its HSE training framework based on both local and global regulations, industry standards, and best practices as well the requirements of its employees, contractors, and customers. The training covered by the Neles HSE training framework ranges from basic safety awareness during onboarding to job-specific training. All HSE training is provided free of charge and during paid working hours. Training effectiveness is evaluated through competency tests during the training session. Job-specific HSE training requirements are defined in country- or location-based HSE training matrices reflective of local regulatory and industry requirements as well as Neles' minimum safety standards. Training on Neles' minimum safety standards and "safety excellence" training is mandatory for all employees and can be taken as a classroom training or self-study eLearning. Apart from these, specific training on risk observation and assessment, incident investigation, emergency preparedness including first aid, and training on standard operating procedures is covered locally through internal/external qualified trainers and through our HSE e-learning modules delivered through our learning management system.

Promotion of worker health (403-6)

Neles facilitates employee access to non-medical and healthcare services through a country-based approach utilizing a mix of mechanisms, such as preventive health checks, health insurance, company clinics, and financial contributions. Additionally, many local wellbeing initiatives for employee health are undertaken in terms of fitness challenges and health counseling. For workers who are not employees, the employer of those workers facilitates their access to these services.

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships (403-7)

A value chain perspective is embedded in Neles' global HSEQ management system and health and safety objectives, actions, and routines.

Workers covered by an occupational health and safety management system (GRI 403-8)

All employees and external workers are covered by Neles' HSEQ management system, an integrated system for managing quality, health, safety, and environment. The HSEQ management system is audited through internal and external audits. Neles' HSEQ management system has been granted global multi-site certificates according to the ISO 9001, ISO 14001, and ISO 45001 standards. 99% of employees are working at an ISO 9001-certified location, and 75% of employees are working at an ISO 14001 and ISO 45001-certified location. Additionally, our plants in Vantaa and Horgau have been granted ISO 50001 Energy Management System Certificates.

Work-related injuries (GRI 403-9)

Based on an analysis of injuries, near misses, and risk observations, Neles has identified nine main hazards that pose a risk of high-consequence injury and has defined them for each minimum safety standard. Neles' minimum safety standards include:

1. Lifting
2. Lock Out, Tag Out, Try Out (LOTOTO)
3. Working at heights
4. Operating tools, equipment, and machinery
5. Working with hazardous substances
6. Personal Protective Equipment (PPE)
7. Maintaining good order
8. Road travel
9. Confined spaces

These standards are designed to ensure that the hierarchy of controls is implemented in all operations to eliminate hazards and minimize risks. Neles' operations continuously implement injury prevention actions as part of annual improvement plans.

Neles' own employees

		2021	2020	2019
Fatalities	Number of fatalities	0.0	0.0	0.0

		2021	2020	2019
High-consequence injury rate				
By region	Asia Pacific	0.0	0.0	0.0
	EMEIA	0.0	0.0	0.0
	North America	0.0	0.0	0.0
	South and Central America	0.0	0.0	0.0
	Total	0.0	0.0	0.0

The high-consequence injury rate reflects the number of high-consequence injuries per million hours worked. High-consequence injuries exclude fatalities but include injuries from which the worker cannot recover or does not or is not expected to recover fully to pre-injury health status within six months.

Based on the history of high-consequence injuries, hazards that pose a risk of high-consequence injury include contact with moving machinery, handling of heavy objects, falls from heights, exposure to hot material, and road travel.

Actions taken to minimize related risks include observing installing protective shielding on machinery, designing improved lifting tools, installing railings on working platforms, training employees in safe working methods, and improved vehicle safety.

		2021	2020	2019
Lost time incident frequency				
By region	Asia Pacific	0.0	0.0	0.0
	EMEIA	1.2	1.5	1.9
	North America	3.2	2.0	1.9
	South and Central America	0.0	0.0	0.0
	Total	1.3	1.3	1.5

Lost time incident frequency (LTIF) reflects the number of injuries resulting in an absence of at least one workday per million hours worked.

		2021	2020	2019
Recordable injury rate				
By region	Asia Pacific	4.4	5.0	6.6
	EMEIA	3.9	4.0	4.5
	North America	3.2	7.2	4.9
	South and Central America	0.0	0.0	0.0
	Total	3.7	4.6	4.8

Includes lost time, restricted work, and medical treatment incidents.

		2021	2020	2019
Injury rate				
By region	Asia Pacific	18.9	30.8	31.8
	EMEIA	7.1	10.5	20.8
	North America	3.2	11.2	4.9
	South and Central America	0.0	0.0	4.4
	Total	8.1	13.8	19.3

Includes lost time, restricted work, medical treatment, and first-aid incidents.

Actions taken to minimize risks of hazards related to other than high-consequence injuries include introduction of safer tools, work methods, additional training, and improved personal protective equipment.

		2021	2020	2019
Types of Injury				
	Superficial injuries and open wounds	53%	84%	70%
	Dislocations, sprains, and strains	18%	2%	11%
	Burns, corrosions, scalds, and frostbite	0%	2%	3%
	Fractures	6%	2%	3%
	Concussion and internal injuries	6%	2%	1%
	Traumatic amputations	0%	0%	1%
	Acute poisonings and infections	0%	2%	2%
	Other specified types of injury	6%	0%	3%
	Unspecified	12%	7%	6%
	Total	100%	100%	100%

According to the International Labour Organization's (ILO) classification, % of total injuries.

		2021	2020	2019
Risk observation frequency				
By region	Asia Pacific	1,745	2,057	1,668
	EMEIA	1,236	1,251	1,151
	North America	1,241	1,059	1,276
	South and Central America	1,500	3,486	2,805
	Total	1,315	1,470	1,345

Non-Neles employees – contractors and supervised workers

		2021	2020	2019
Fatalities	Number of fatalities	0	0	0

		2021	2020	2019
High-consequence injury rate				
By region	Asia Pacific	0.0	0.0	0.0
	EMEIA	0.0	0.0	0.0
	North America	0.0	0.0	0.0
	South and Central America	0.0	0.0	0.0
	Total	0.0	0.0	0.0

The high-consequence injury rate reflects the number of high-consequence injuries per million hours worked.

High-consequence injuries exclude fatalities but include injuries from which the worker cannot recover, or does not or is not expected to recover fully to pre-injury health status within six months.

		2021	2020	2019
Lost time incident frequency				
By region	Asia Pacific	6.8	0.0	0.0
	EMEIA	0.0	0.0	0.0
	North America	0.0	0.0	0.0
	South and Central America	0.0	0.0	0.0
	Total	1.7	0.0	0.0

Lost time incident frequency (LTIF) reflects the number of injuries resulting in an absence of at least one workday per million hours worked.

		2021	2020	2019
Recordable injury rate				
By region	Asia Pacific	6.8	0.0	0.0
	EMEIA	0.0	3.3	2.0
	North America	0.0	69.7	0.0
	South and Central America	0.0	0.0	0.0
	Total	1.7	3.7	0.9

Includes lost time, restricted work, and medical treatment incidents.

		2021	2020	2019
Injury rate				
By region	Asia Pacific	6.8	0.0	0.0
	EMEIA	0.0	16.7	7.8
	North America	0.0	69.7	23.2
	South and Central America	0.0	0.0	0.0
	Total	1.7	11.1	4.3

Includes lost time, restricted work, medical treatment, and first-aid incidents.

		2021	2020	2019
Types of Injury	Superficial injuries and open wounds	100%	63%	73%
	Dislocations, sprains, and strains	0%	0%	0%
	Burns, corrosions, scalds, and frostbite	0%	13%	0%
	Fractures	0%	0%	13%
	Concussion and internal injuries	0%	0%	0%
	Traumatic amputations	0%	0%	0%
	Acute poisonings and infections	0%	0%	0%
	Other specified types of injury	0%	0%	0%
	Unspecified	0%	25%	13%
	Total	100%	100%	100%

According to the International Labour Organization's (ILO) classification, % of total injuries.

Data presented in the above tables covers all Neles operations, including employees and other workers whose work or workplace is controlled by Neles. Newly acquired operations are integrated into reporting within a year of the date acquired. Rates for employees have been calculated based on estimated hours worked. Rates for non-employee workers have been calculated based on monitored hours worked. Rates have been calculated per million hours worked.

Omissions: The number of injuries is not reported where a rate is used. Hours are not reported.

Work-related ill health (GRI 403-10)

Neles maintains up-to-date risk maps for all its operations to identify health hazards, implement necessary controls with the aim of preventing illness, and to continuously monitor health. Workers in production and service are at risk of:

- Skin disease caused by physical, chemical, or biological agents
- Hearing impairment caused by noise from equipment
- Diseases caused by vibration from using handheld equipment
- Musculoskeletal disorders from manual handling (lifting, pulling, pushing) and repetitive movements
- Respiratory diseases from dusts and chemical exposure

In 2021, local social insurance and workers' compensation authorities diagnosed seven cases of work-related musculoskeletal disorders from manual material handling and repetitive movements.

Number of fatalities as a result of work-related ill health (employees)

	2021	2020	2019
Employees	0	0	0
Total	0	0	0

GRI 404: TRAINING AND EDUCATION

Training and education (404-3)

Percentage of employees receiving regular performance and career development reviews: 98%

The completion rate includes employees who are expected to complete performance and career development reviews.

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY

Diversity of governance bodies and employees (405-1)

Diversity of governance bodies

	Indicator	2021	2020 H1	2020 H2	2019
Board of Directors	By gender				
	Female	33%	38%	14%	14%
	Male	67%	62%	86%	86%
	By age group				
	<30	0%	0%	0%	0%
	30-50	17%	25%	14%	14%
	>50	83%	75%	86%	86%
Executive Team	By gender				
	Female	23%	17%	10%	20%
	Male	77%	83%	90%	80%
	By age group				
	<30	0%	0%	0%	0%
	30-50	46%	50%	40%	40%
	>50	54%	50%	60%	60%

Diversity of employees

Indicator	2021		2020	
	White collar	Blue collar	White collar	Blue collar
Employee category				
By gender				
Female	19%	4%	19%	4%
Male	47%	31%	46%	31%
By age group				
<30	8%	5%	9%	5%
30–50	42%	20%	41%	21%
>50	15%	10%	14%	10%
Total	66%	34%	65%	35%

GRI 406: NON-DISCRIMINATION

Incidents of discrimination and corrective actions taken (406-1)

No incidents of discrimination were reported in 2021.

GRI 412: HUMAN RIGHTS ASSESSMENT

Employee training in human rights policies or procedures (412-2)

All employees must complete Code of Conduct training once every two years. The training is also mandatory for all new employees as part of their onboarding. Human rights are a significant part of the training. 87% of Neles employees have passed the Code of Conduct training within the past two years.

NELES INDICATORS

Neles indicator: Supplier sustainability audits

Number of Supplier sustainability audits

	2021	2020	2019
Total	21	12	10

In addition to three third-party supplier sustainability audits, Neles conducted 18 internal supplier sustainability audits in 2021.

Neles indicator: Sustainability targets set in R&D projects

R&D projects with sustainability targets

	2021	2020	2019
Total	100%	100%	80%

Since 2020, all our R&D projects have sustainability targets concerning environmental efficiency and product safety innovation. All active and closed projects in 2019–2021 are included.

Neles indicator: Community engagement

Support for non-profit organizations (EUR)

	2021	2020
Science, research, and education	1,000	9,000
Environmental protection and conservation		10,000
Health and social programs	57,500	10,000
Universities or foundations	1,400	
Natural disasters		
Other	1,500	3,000

Abbreviations

AR Annual Report 2021

GRI GRI Supplement

Abbreviations

UNGC United Nations Global Compact

SDG Sustainable Development Goals

KPI Key performance indicators section

General Disclosures

1. Organizational profile

Disclosure number	Disclosure title	Page number	Additional information	Assured	Cross-reference: UNGC SDG
102-1	Name of the organization	AR, Basic information, p. 34	Neles Corporation		
102-2	Activities, brands, products, and services	AR, Neles in brief, p. 4 AR, Basic information, p. 34			
102-3	Location of headquarters	AR, Basic information, p. 34	Vantaa, Finland		
102-4	Location of operations	AR, Personnel, p. 12 GRI, Key performance indicators, p. 11			
102-5	Ownership and legal form	AR, Regulatory framework, p. 93 AR, Shares, trading and shareholders, p. 20	Neles Corporation is a public company, and its shares are listed on the Nasdaq Helsinki		
102-6	Markets served	AR, Neles in brief, p. 4 GRI, Creating value, p. 7			
102-7	Scale of the organization	AR, Neles in brief, p. 4 AR, Non-financial information, p. 16 GRI, Creating value, p. 7			
102-8	Information on employees and other workers	GRI, Key performance indicators, p. 11 AR, Personnel, social matters, human rights, p. 17		x	UNGC Principle 6 SDG 8
102-9	Supply chain	AR, Creating value, p. 7 GRI, Responsible procurement, p. 20			
102-10	Significant changes to the organization and its supply chain	AR, Neles in brief, p. 4			
102-11	Precautionary principle or approach	AR, Main features of the internal control and risk management systems, p. 99			
102-12	External initiatives	GRI, External initiatives, p. 18			
102-13	Membership of associations	GRI, Membership in associations, p. 18			

2. Strategy

Disclosure number	Disclosure title	Page number	Additional information	Assured	Cross-reference: UNGC SDG
102-15	Key impacts, risks, and opportunities	AR, Short-term business risks and market uncertainties, p. 15 AR, Main features of the internal control and risk management systems, p. 99 AR, Non-financial information, p. 16 GRI, Creating value, p. 7			

3. Ethics and integrity

Disclosure number	Disclosure title	Page number	Additional information	Assured	Cross-reference: UNGC SDG
102-16	Values, principles, standards, and norms of behavior	AR, We deliver reliable performance, p. 2 AR, Non-financial information, p. 16 AR, Personnel, p. 12 GRI, Living by the code, p. 18			UNGC Principle 10 SDG 16
102-17	Mechanisms for advice and concerns about ethics	AR, Anti-corruption and bribery, p. 18 GRI, Living by the code, p. 18			UNGC Principle 10 SDG 16

4. Governance

Disclosure number	Disclosure title	Page number	Additional information	Assured	Cross-reference: UNGC SDG
102-18	Governance structure	AR, Governance structure, p. 93 GRI, Sustainability governance, p. 6			

5. Stakeholder engagement

Disclosure number	Disclosure title	Page number	Additional information	Assured	Cross-reference: UNGC SDG
102-40	List of stakeholder groups	GRI, Neles' stakeholders, p. 10			
102-41	Collective bargaining agreements	GRI, Making our mark in communities, p. 18		x	
102-42	Identifying and selecting stakeholders	GRI, Our approach to sustainability, p. 8 GRI, Neles' stakeholders, p. 10			
102-43	Approach to stakeholder engagement	GRI, Our approach to sustainability, p. 8 GRI, Neles' stakeholders, p. 10			
102-44	Key topics and concerns raised	GRI, Neles' stakeholders, p. 10			

6. Reporting practice

Disclosure number	Disclosure title	Page number	Additional information	Assured	Cross-reference: UNGC SDG
102-45	Entities included in the consolidated financial statements	AR, Basic information, p. 34	All Group companies are included in the reporting		
102-46	Defining report content and topic boundaries	GRI, About this GRI Supplement, p. 3 GRI, Materiality Assessment, p. 8			
102-47	List of material topics	GRI, Our approach to sustainability, p. 8 GRI, Management approach disclosures, p. 31–32			
102-48	Restatements of information		No restated figures		
102-49	Changes in reporting		No changes		
102-50	Reporting period		January 1, 2021 – December 31, 2021		
102-51	Date of most recent report		March 2020		
102-52	Reporting cycle		Annual		
102-53	Contact point for questions regarding the report		aniitta.seppanen@neles.com cecilia.mickos@neles.com		
102-54	Claims of reporting in accordance with the GRI Standards	GRI, About this GRI Supplement, p. 3	This report has been prepared in accordance with the GRI Standards: Core option		
102-55	GRI Content Index	GRI, GRI Content Index, p. 27–32			
102-56	External assurance	GRI, About this GRI Supplement, p. 3 GRI, Assurance Statement, p. 33–34	This report has been externally assured by DNV		

Topic-specific Disclosures

GRI 200: Economic Standard Series						
GRI Material Topic	Disclosure number	Disclosure title	Page number	Omissions/Additional information	Assured	Cross-reference: UNGC SDG
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	GRI, Key performance indicators, p. 11		x	SDG 2, 5, 7, 8, 9
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	GRI, Key performance indicators, p. 12		x	SDG 12
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	AR, Main features of the internal control and risk management systems, p. 99 GRI, Key performance indicators, p. 12		x	UNGC Principle 10 SDG 16
GRI 300 Environmental Standard Series						
GRI Material Topic	Disclosure number	Disclosure title	Page number	Omissions/Additional information	Assured	Cross-reference: UNGC SDG
GRI 302: Energy 2016	302-1	Energy consumption within the organization	GRI, Minimizing the environmental load, p. 13 GRI, Key performance indicators, p. 14		x	UNGC Principle 7 SDG 7, 8, 12, 13
	302-4	Reduction of energy consumption	GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 14		x	UNGC Principles 7, 9 SDG 7, 8, 12, 13
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource		Neles has no operations in water stress areas. Neles has set the goal of 20% reduction of water consumption at sites by 2030.		UNGC Principles 7, 9 SDG 6
	303-2	Management of water discharge-related impacts		Neles holds local discharge permits and complies with requirements. Water withdrawal in water stress areas is not material.		UNGC Principles 7, 9 SDG 6
	303-3	Water withdrawal by source	GRI, Minimizing the environmental load, p. 13 GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 14		x	UNGC Principles 7, 9 SDG 6
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	GRI, Minimizing the environmental load, p. 13 GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 14		x	UNGC Principle 7 SDG 3, 12, 13, 14, 15
	305-2	Energy indirect (Scope 2) GHG emissions	GRI, Minimizing the environmental load, p. 13 GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 14		x	UNGC Principle 7 SDG 3, 12, 13, 14, 15
	305-3	Other indirect (Scope 3) GHG emissions	GRI, Minimizing the environmental load, p. 13 GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 15		x	UNGC Principle 7 SDG 3, 12, 13, 14, 15
	305-5	Reduction of GHG emissions	GRI, Minimizing the environmental load, p. 13 GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 15		x	UNGC Principles 7, 9 SDG 13, 14, 15
GRI 306: Effluents and Waste 2016	306-1	Waste generation and significant waste-related impacts	GRI, Minimizing the environmental load, p. 13 GRI, Sustainability and HSEQ targets, p. 5 GRI, Key performance indicators, p. 16		x	UNGC Principle 7 SDG 3, 6, 12
	306-2	Management of significant waste-related impacts	GRI, Key performance indicators, p. 16		x	UNGC Principle 7 SDG 3, 6, 12
	306-3	Waste generated	GRI, Key performance indicators, p. 16		x	UNGC Principle 7 SDG 3, 6, 12, 14, 15

GRI 400: Social Standard Series

GRI Material Topic	Disclosure number	Disclosure title	Page number	Omissions/Additional information	Assured	Cross-reference: UNGC SDG
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	GRI, Key performance indicators, p. 20		x	UNGC Principles 3, 6 SDG 5, 8
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	GRI, Key performance indicators, p. 19		x	UNGC Principles 3, 6 SDG 8
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	GRI, Key performance indicators, p. 22		x	
	403-2	Hazard identification, risk assessment, and incident investigation	GRI, Key performance indicators, p. 22			
	403-3	Occupational health services	GRI, Key performance indicators, p. 22			
	403-4	Worker participation, consultation, and communication on occupational health and safety	GRI, Key performance indicators, p. 22			
	403-5	Worker training on occupational health and safety	GRI, Key performance indicators, p. 22			
	403-6	Promotion of worker health	GRI, Key performance indicators, p. 23			
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	GRI, Key performance indicators, p. 23			
	403-8	Workers covered by an occupational health and safety management system	GRI, Key performance indicators, p. 23			
	403-9	Work-related injuries	GRI, Key performance indicators, p. 23–25		x	UNGC Principle 6 SDG 3, 8
	403-10	Work-related ill health	GRI, Key performance indicators, p. 25			
GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	GRI, Key performance indicators, p. 25	Not reported by gender or employee category	x	UNGC Principle 6 SDG 5, 8
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	GRI, Key performance indicators, p. 25–26		x	UNGC Principle 6 SDG 5, 8
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	GRI, Key performance indicators, p. 26		x	UNGC Principles 1, 2, 6 SDG 5, 16
GRI 412: Human Rights Assessment	412-2	Employee training on human rights policies or procedures	AR, Personnel, social matters, human rights, p. 32 GRI, Society and people, p. 17–19 GRI, Key performance indicators, p. 26		x	UNGC Principle 1

Neles indicators

Material Topic	Disclosure title	Page number	Assured
Neles topic: Sustainability targets set in R&D projects	Percentage of R&D projects that include a sustainability target	GRI, Key performance indicators, p. 26	x
Neles topic: Sustainability supplier audits	Number of supplier sustainability audits	GRI, Key performance indicators, p. 26	x
Neles topic: Community engagement	Support for non-profit organizations (EUR)	GRI, Key performance indicators, p. 26	x

Management Approach Disclosures

Management Approach Disclosure

Economic	
	Description/Reference
GRI Material Topic	GRI 201: Economic performance 2016, GRI 204: Procurement Practices 2016, GRI 205: Anti-corruption 2016
Key topics for our management approach	Value creation, Sustainable productivity, R&D, Innovation, Customer engagement, Responsible business practices, Responsible procurement
Targets	GRI, Sustainability and HSEQ targets, p. 5 GRI, Responsible procurement, p. 20
Policies, processes, management model	Neles Code of Conduct, Supplier Code of Conduct, Anti-corruption Policy, Misconduct Policy, Intellectual Property Policy, Brand Policy, Tax Policy, Disclosure Policy, Quality Policy, Procurement Policy, Corporate Governance Statement
Monitoring the effectiveness of our approach – Specific actions and results	AR, Non-financial information, p. 16 GRI, Sustainability and HSEQ targets, p. 5 GRI, Creating value, p. 7
Disclosures	201-1, 204-1, Neles indicator: Supplier sustainability audits; Neles indicator: Sustainability targets set in R&D projects
Topic boundary	External impacts within our value chain, Neles indicator. Internal and external impacts within our value chain Relevant entities: customers, communities, authorities, suppliers, and NGOs

Environmental	
	Description/Reference
GRI Material Topic	GRI 302: Energy 2016, GRI 303: Water and Effluents 2018, GRI 305: Emissions 2016, GRI 306: Waste 2020
Key topics for our management approach	Environmental efficiency of Neles' operations
Targets	GRI, Sustainability and HSEQ targets, p. 5
Policies, processes, management model	AR, Non-financial information, p. 16 HSE Policy, Neles Code of Conduct, Supplier Code of Conduct
Monitoring the effectiveness of our approach – Specific actions and results	GRI, Sustainability and HSEQ targets, p. 5 GRI, Creating value, p. 7
Disclosures	302-1, 302-4, 302-5, 303-3, 305-1, 305-2, 305-3, 305-5, 306-1, 306-2, 306-3
Topic boundary	Internal impacts in our own operations, external impacts within our value chain, 302-5, 305-3. Relevant entities: customers, communities, authorities, suppliers, and NGOs

Labor practices and decent work	
	Description/Reference
GRI Material Topic	GRI 401: Employment 2016, GRI 402: Labor/Management Relations 2016, GRI 403: Occupational Health and Safety 2018, GRI 404: Training and Education 2016, GRI 405: Diversity and Equal Opportunity 2016, GRI 412: Human Rights Assessment 2016
Key topics for our management approach	Neles Code of Conduct, Human rights in the value chain, Safe working environment, Responsible procurement
Targets	GRI, Sustainability and HSEQ targets, p. 5 GRI, Creating value, p. 7
Policies, processes, management model	AR, Non-financial information, p. 16 GRI, Living by the code, p. 18 Neles Code of Conduct, HSE Policy, HSE Management, Supplier Code of Conduct, Neles' Minimum Safety Standards, Equal Opportunity and Diversity Policy
Monitoring the effectiveness of our approach – Specific actions and results	GRI, Learning and development, p. 19 GRI, Key performance indicators, p. 20, 22-26
Disclosures	401-1, 402-1, 403-9, 404-3, 405-1, 412-2, Neles indicator: Supplier sustainability audits
Topic boundary	Internal impacts Relevant external entities: suppliers, contractors, communities, government, NGOs, and customers

Human rights

	Description/Reference
GRI Material Topic	GRI 406: Non-discrimination 2016, GRI 412: Human Rights Assessment 2016
Key topics for our management approach	Neles Code of Conduct, Human rights in the value chain, Responsible procurement
Targets	GRI, Sustainability and HSEQ targets, p. 5 GRI, Creating value, p. 7
Policies, processes, management model	AR, Personnel, social matters, human rights, p. 17 GRI, Living by the code, p. 18 Neles Code of Conduct, Supplier Code of Conduct, Modern Slavery and Human Trafficking Statement
Monitoring the effectiveness of our approach – Specific actions and results	GRI, Key performance indicators, p. 26
Disclosures	412-2
Topic boundary	Internal impacts within our operations Relevant external entities: suppliers, contractors, communities, government, and NGOs

Society

	Description/Reference
GRI Material Topic	GRI 205: Anti-corruption 2016
Key topics for our management approach	Neles Code of Conduct, Anti-corruption
Targets	AR, Personnel, social matters, human rights, p. 17 AR, Anti-corruption and bribery, p. 18 GRI, Sustainability and HSEQ targets, p. 5 GRI, Living by the code, p. 18
Policies, processes, management model	Neles Code of Conduct, Anti-corruption Policy, Corporate Community Engagement, Sponsoring and Donations Policy
Monitoring the effectiveness of our approach – Specific actions and results	GRI, Key performance indicators, p. 11
Disclosures	205-1, Neles indicator: Supplier sustainability audits
Topic boundary	Internal impacts within our operations Relevant external entities: communities, employees, and government

Sustainable productivity

	Description/Reference
GRI Material Topic	
Key topics for our management approach	AR, Non-financial information, p. 16 GRI, Creating value, p. 7
Targets	AR, Non-financial information, p. 16 GRI, Sustainability and HSEQ targets, p. 5
Policies, processes, management model	AR, Personnel, social matters, human rights, p. 17 GRI, Living by the code, p. 18 Neles Code of Conduct, HSE Policy, HSE Management, Procurement Policy, Quality Policy
Monitoring the effectiveness of our approach – Specific actions and results	All new R&D projects have to set environmental efficiency and product safety innovation targets (if applicable)
Disclosures	Neles indicator: Sustainability targets set in R&D projects
Topic boundary	External impacts within our value chain. Relevant external entities: customers, suppliers

Independent Limited Assurance Report to the Management of Neles Corporation

Scope of Engagement

Neles Corporation (“Neles”) commissioned DNV Business Assurance Finland Oy Ab (“DNV”) to conduct a limited assurance engagement over selected sustainability disclosures presented in the GRI Supplement of Neles Annual Report 2021 (“Report”) for the period 1st January to 31st December 2021.

Selected Information

The scope and boundary of our work is restricted to the General and Topic-specific GRI disclosures (the “Selected Information”) specified in the “GRI Content Index”.

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used Global Reporting Initiative’s GRI Standards and Neles’ internal reporting instructions (the “Criteria”).

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on Neles’ website for the current reporting period.

Our conclusions

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria. We believe that the Report is in line with the “Core” requirements of the GRI Standards.

This conclusion relates only to the Selected Information and is to be read in the context of this Assurance Report, in particular with the inherent limitations explained below.

Standard and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements Other than Audits and Reviews of Historical Financial Information’ (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain limited assurance.

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 – Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less detailed than those undertaken during a reasonable assurance engagement, so the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so the risk of this conclusion being in error is reduced, but not completely eliminated.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. Our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with Neles’ management to obtain an understanding of the data management systems and processes used to generate, aggregate and report the Selected Information;
- Conducting three remote site audits to review processes and systems for preparing site-level data consolidated at Head Office. The site visit was conducted at:
 - Neles Ambernath Factory in India,
 - Neles Horgau Factory in Germany, and
 - Neles Vantaa Factory in Finland.

DNV was free to choose the sites on the basis of materiality;

- Reviewing data at source and following this through to consolidated Group data;
- Reviewing whether the evidence, measurements, and scope of the Selected Information is prepared in accordance with the Criteria;
- Reviewing the Report and narrative accompanying the Selected Information in the Report with regard to the Criteria; and
- Evaluation of the disclosed information in the Report for “in accordance – Core” reporting requirements of GRI Standards.

Inherent limitations

Our assurance relies on the premise that the data and information provided to us by Neles as part of our review procedures have been provided in good faith. Because of the selective nature (sampling) and other inherent limitations of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities may not have been detected. Energy use data utilized in GHG emissions calculations are subject to inherent limitations, given the nature and the methods used for determining such data. Finally, the selection of different but acceptable measurement techniques may result in materially different measurements.

DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Report.

Our competence, independence, and quality control

DNV’s established policies and procedures are designed to ensure that DNV GL, its personnel, and – where applicable – others subject to independence requirements (including personnel of other entities of DNV) maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals; the members of that team have not been involved in the development of any of the Criteria. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

Responsibilities of the Management of Neles and DNV

The Management of Neles has sole responsibility for:

- Preparing and presenting the Selected Information in accordance with the Criteria;
- Designing, implementing, and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to Neles in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

For and on behalf of DNV Business Assurance Finland OY/AB
Espoo, Finland

15th February 2022

Mikael Niskala

Lead Auditor
DNV – Business Assurance

Olli Miettinen

Principal Consultant and Reviewer
DNV– Business Assurance

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