Enterprise Risk Management Policy

M-LP006/ Rev 1/ 23.10.2024

Metso

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Purpose and objective

The purpose of Metso's Enterprise Risk Management (ERM) policy is to provide a framework for managing risks throughout Metso's operations and to set Metso's objectives for and commitment to risk management. Enterprise Risk Management as a concept is an umbrella, which covers all risk considerations and risk management activities. The purpose of ERM is to enforce harmonized risk management approach for all relevant risk areas within Metso. Implementation of the integrated approach provides holistic view on different risks and related treatment actions.

Enterprise Risk Management aims to support achievement of the set Metso objectives and to ensure that Metso coordinates proactively risk management activities so that actual and potential factors affecting Metso's objectives (such as growth, profitability and sustainability) are identified, prioritized and managed. Potential factors may include negative factors (downside risk) as well as the risks associated with opportunities (upside risk).

The objective of this policy is to:

1) Define objectives and establish common principles for Enterprise Risk Management.

2) Define key concepts for Enterprise Risk Management.

3) Increase risk-awareness of Metso employees.

Scope and interfaces

Enterprise Risk Management is an integral part of all Metso operations. Risk considerations are present in all processes and decision-making ranging from strategy setting and annual planning to projects and daily activities. Basis for ERM is the culture of risk transparency, risk awareness and open dialogue regarding potential risks.

This policy together with ***Enterprise Risk Management Process Directive*** sets out the overall guidelines for Enterprise Risk Management in all Metso operations.

Enterprise Risk Management process

Metso's Enterprise Risk Management process follows the ISO 31000 Standard. The process provides a logical and systematic method of establishing the context, identifying, analyzing, evaluating, treating, monitoring, and communicating risks.

Metso's corporate level risk management process is based on a bottom-up approach, where initial risk identification, assessment and treatment are performed in business areas, business lines, market areas and functions. In addition, risk management in projects is vital part of Metso's risk management, and those risks shall be managed as defined in project risk management related guidelines and aggregated to a business/entity level risk view. To ensure holistic and aggregated view of risks, coordination and communication between different parts of the organization is required.

More detailed guidance and requirements for the Enterprise Risk Management process are set in a separate *Enterprise Risk Management Process Directive.*

Risk management approach and definitions

Risk is defined as anything which might have an impact on Metso's ability to meet its business objectives. Enterprise Risk Management does not mean full avoidance of risk issues. Metso needs to protect the existing assets and ensure future growth of the business. However, risk management involves both the attempt to avoid or minimize negative events and the need to exploit opportunities. In Metso's risk model, risks are classified into business environment, strategic, financial, and operational and sustainability risks:

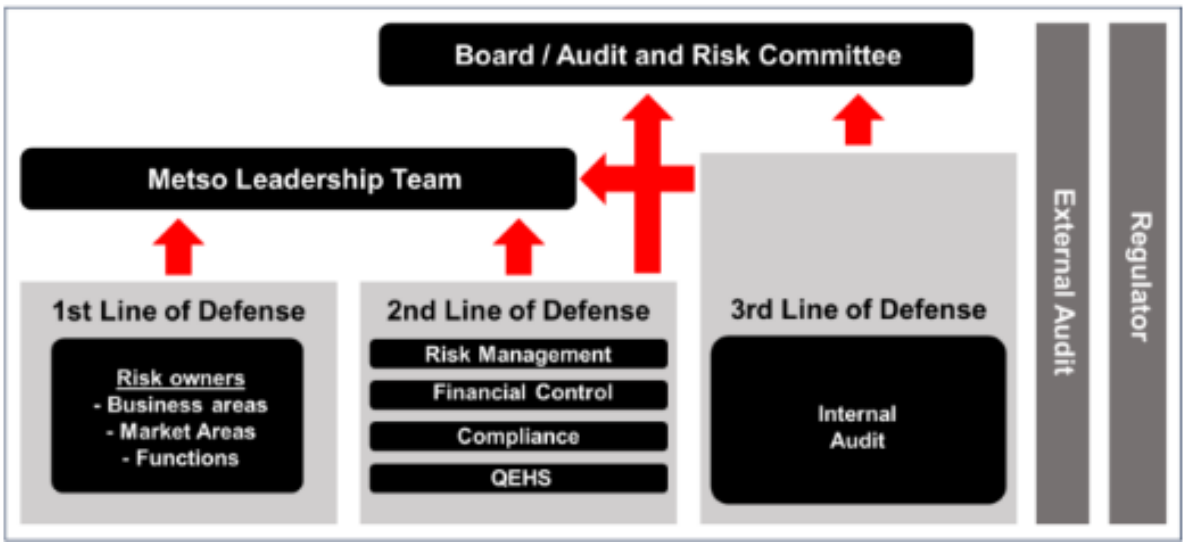
- Business environment risks result from events such as geopolitical changes, different stakeholders' actions, as well as economic and regulatory developments.
- Strategic risks result from the company's decisions and actions on strategic matters such as product and service portfolio, major investments, and mergers, acquisitions and divestments.
- Financial risks include e.g. liquidity, credit and currency risks, as well as disruptions in financial markets.
- Operational and sustainability risks are related to areas such as supply chain, projects, legal and compliance, information technology, and safety, security and sustainability risks.

A more detailed description of all risk categories can be found in the Metso *Enterprise Risk Management Process Directive*

Enterprise risk management governance model

Metso's Enterprise Risk Management is coordinated by the Compliance and Risk Management function led by the Head of Compliance and Risk Management. The function has reporting line to the Metso's General Counsel. In addition, Risk Management has direct access to the CEO and Metso Leadership team, Board of Directors and its Audit and Risk Committee.

Metso's overall risk management governance structure is based on a *Three Lines of Defense model.*



Three Lines of Defense (ref. *The Institute of Internal Auditors*).

Whereas the Risk Management function (among other 2nd line functions) defines the risk management framework, sets the requirements and provides support, the risk ownership is in the business, functions and projects. Following table summarizes the enterprise risk management related roles and responsibilities at Metso.

Metso Board of Directors / Audit and Risk Committee	The Metso Board of Directors approves Enterprise Risk Management Policy and ensures adequacy of the planning, information and control systems for risk management. The Board's Audit and Risk Committee reviews, monitors and assesses risk management procedures and policies.
CEO and Metso Leadership Team	The CEO together with support of Metso Leadership Team ensures the allocation of necessary resources for risk management and that the framework for managing risks is appropriate. It confirms the annual risk management program and integration to the strategy process.
Business and functions	The management of Metso's business areas, business lines, market areas and functions is operatively accountable for the implementation of the Enterprise Risk Management Policy and the annual risk management program, including responding to and managing risks related to the respective businesses and objectives as part of their daily activities. Business Areas and Business Lines, Market areas and Functions are responsible for compliance with this policy.
Risk Management function	The Risk Management function is responsible for supporting and enforcing the implementation of the Enterprise Risk Management policy and the annual risk management program and to develop related common processes, practices, instructions and tools to be applied throughout Metso. In addition, the function supports Metso's businesses in daily risk management operations. Risk Management function has a central role in gathering, aggregating and reporting of risk data.
Internal audit	The responsibility of the Internal Audit function is to provide independent assurance on and contribute to the development of the effectiveness of Metso governance, risk and internal control environment and to report these matters to the relevant management, CFO, CEO and Audit and Risk Committee. Internal Audit is responsible for periodic and independent confirmation that enterprise risk management procedures are implemented and operating effectively.

Performance measurement and reporting

Risk management evaluations at Metso are conducted on a regular basis to monitor risk management performance in its major units globally. Metso's Internal Audit assesses on a regular basis the efficiency and appropriateness of risk management operations as part of Internal Audit's annual program. Externally, risk management performance is annually monitored by the Board's Audit and Risk Committee and Metso's independent financial auditor.

The Risk Management function periodically delivers relevant information to the Board's Audit and Risk Committee, Metso Leadership Team and Metso's independent financial auditor. In addition, the function reports the results of risk assessments to Metso's business management.

Consolidated results of the annual risk assessments are published also online in the context of Metso's Annual report.

Review and development

The Compliance and Risk Management function reviews and updates the Enterprise Risk Management Policy and related processes and practices annually in accordance with governance and business needs

Metso is a frontrunner in sustainable technologies, end-to-end solutions and services for the aggregates, minerals processing and metals refining industries globally. We improve our customers' energy and water efficiency, increase their productivity, and reduce environmental risks with our product and service expertise. **We are the partner for positive change.**

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