



TORNATOR

Green Finance Framework

April 2023



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Background & Rationale

Tornator was established in 2002 when Stora Enso, one of the leading global bioproducts companies, decided to spin-off its Finnish forest assets. Tornator is a unique forestry company in Europe due to our extensive operations, ownership, and operating model. As a result of highly skilled and motivated forestry professionals and a clear purpose to always leave the forests in a better shape to the next generation, we have been able to substantially increase the growth of our forests since being established in 2002.

Business areas

Tornator is a leading sustainable forest management company which owns forests in Finland, Estonia and Romania. Our operating model is based on responsible use of forests as well as strong environmental expertise and utilisation of digital technologies. The core business includes sustainable forestry, forestland purchasing and silvicultural services. In addition to the key business areas, Tornator develops wind power projects with partners, sells high-quality waterfront building plots and soil resources and leases land for various purposes.

Tornator's main business is the production and sale of timber. The forests are managed sustainably with the aim of a good and steady yield, which enables us to provide customers with responsibly produced and certified wood. Maintaining a full respect for nature by using the right treatments at the right time is the key in our forest management practices and ensures that our forest assets remain diverse and in a good condition. In our real estate business area, we actively engage in developing wind power projects alongside our partners and lease land for different purposes, and in our services business area we provide silvicultural services and perform silvicultural work such as forest regeneration and tending of seedling stands for our service agreement customers.

Sustainability linked to financing

Sustainability plays a key role in our strategy and success, which is why we highlight corporate responsibility not only in our operational activities but also in our financing. In 2019, Tornator launched our first Green Finance Framework that was aimed at debt investors, providing them with assurance of Tornator's actions and goals on behalf of responsible and climate-friendly forestry. Since the publication of this framework, Tornator has issued bonds and loans in green format. Issuing green commercial paper would also have been possible. Tornator's vision includes being a forerunner in responsible forestry; the Green Finance Framework was a natural way of demonstrating the company's commitment to developing the relationship between forestry and the financial markets. Since 2019, we have updated our sustainability strategy and published both Climate and Biodiversity programs. Hence, it is time to update the Green Finance Framework to be aligned with the increased ambition in our sustainability work.

Approach to Sustainability

Sustainability Strategy

Tornator stands firmly at the forefront of change, leading the way to more sustainable forestry. Our self-development with a curious attitude, passion for forests, and partners who share our values guarantee prosperity for the forest sector, now and in the future. A long timespan calls for long-term action, and new mechanical and digital tools are needed in the changing operating environment.

The role of forestry in fighting climate change

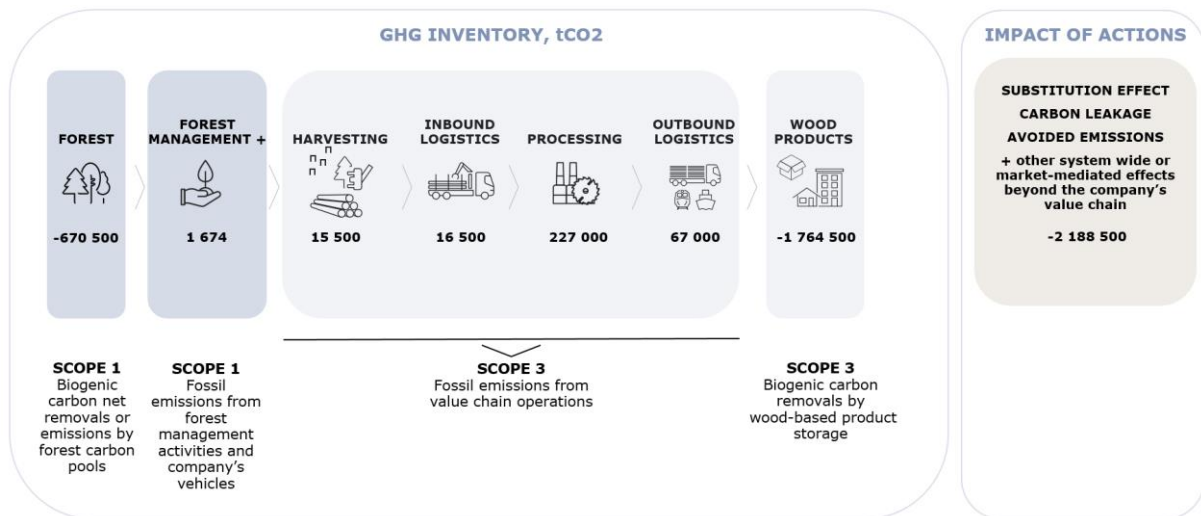
The role of forestry in fighting climate change means the positive climate impacts of our forests surpass the emissions from our own operations. Prerequisite for this positive impact is vigorous forests which effectively capture carbon dioxide (CO₂) from the atmosphere. The carbon sequestration capacity of one hectare of forest is about 6 tonnes of CO₂ per year, and we have calculated that the carbon sequestration capacity of our forests is more than 4 million tonnes of CO₂ per year. This is achieved through good forest management and sustainable forest utilisation. After final felling, the logging areas are always regenerated according to national regulations for sustainable forest management. When forestry is done responsibly, it does not cause deforestation and produces raw materials that are truly renewable and can replace non-renewable and harmful materials. That is why forests can provide sustainable solutions in the fight against climate change. Tornator is also committed to reforest treeless areas, like old peatlands, lands below electricity lines and non-productive fields to create new carbon sinks to help absorb more CO₂ from the atmosphere.

Global warming can be mitigated through efficient forest utilisation, through increasing the amount of wood-based products and bioenergy and helping to replace fossil raw materials and decrease the release of additional CO₂ into the atmosphere.

In practice the results of good forest management and sustainable forest utilisation is reflected in an analysis and report regarding climate effects of Tornator and its whole supply chain. This analysis and report was prepared for Tornator by AFRY in accordance with widely applied reporting which highlights the separate reporting categories and parallel systems. The results are presented below and they show that the climate impact of Tornator's operations is highly positive. Negative figure demonstrates carbon removals and positive figure demonstrates emissions. Forests absorb vast amount of carbon dioxide from the atmosphere which is stored in standing trees and wood products. In addition, there is a considerable positive substitution effect from wood-based products and a growing amount of avoided emissions by wind energy production. The positive climate impact is split between categories as follows:

- Direct scope 1 net removals: -0.7 Mt CO₂
- Indirect scope 3 net removals: -1.4 Mt CO₂
- In addition, substitution effects of wood-based products and avoided emissions through wind power production result in an additional positive climate impact of -2,2 Mt CO₂
- Tornator's scope 2 emissions (electricity) are considered minor resulting mainly from office usage and thus they have not been considered in the figures presented below.

Illustration of the positive climate impact of Tornator and its whole supply chain



Source: AFRY

Now that this new model for quantifying climate impact has been created, Tornator will use it as the basis for future climate impact reporting and make regular updates.

The limited amount of scope 1 emissions is also the reason why Tornator has not been active in adopting emission reduction targets, but our approach has been to maximize the positive climate impact. However, we have performed measures that aim at reducing direct emissions. These measures include e.g. :

- developing ICT systems to increase productivity and to reduce the need for traveling to forests
- increasing distance working allowing us to reduce commuting and close down offices to cut energy consumption

Sustainability strategy:









Tornator's vision "*The forerunner in responsible use of forests*" and mission "*Generating sustainable well-being from the forests*" show Tornator's commitment to sustainability. *Responsibility - for quality of work, the environment and relationships with stakeholders*, is also one of Tornator's core values, along with *Expertise - willingness to develop and improve* and *Partnership - ability and will to work together*. Alongside Stora Enso, Tornator's largest shareholders include the Finnish pension insurance companies who by nature have a long planning horizon. Sustainability and long-term thinking are at the core of Tornator's operations.

In addition to our actions to mitigate climate change, Tornator has a strong focus in protecting the biodiversity in our forests. As highlighted in the Biodiversity Program, Tornator actively promotes forest biodiversity through conservation, nature management in commercial forest and active habitat management. The biodiversity work aims to safeguard and increase the biodiversity of our forests, not only by improving the status of endangered species and habitats, but also by promoting ecosystem services, water protection, game management and mitigation of climate change.

Sustainability programs and goals:

Tornator's responsibility work is based on corporate values, which are reflected in the business strategy. Tornator's updated responsibility themes include being an expert in sustainable forestry, an attractive employer and a responsible partner.

In 2021, Tornator took significant steps in making positive climate and biodiversity actions concrete by publishing both a Biodiversity and a Climate Program for 2021– 2030. These will serve as the company's roadmap for sustainable forestry in the years to come and make reporting around these topics open and more transparent.

| Theme | Topic | Target | Indicator |
|--|---|--|---|
| An expert in sustainable forestry    | Sustainable utilisation of natural resources | Make cutting plans sustainably | Annual cut vs. growth |
| | Certified products | Comply with FSC and PEFC certification criteria | No major non-compliances |
| | Carbon capture and storage | Increase carbon sequestration by caring for the health and vigour of forests. Maintain carbon stores of forests with sustainable harvesting. | Maintenance of carbon capture and storage capacity |
| An attractive employer   | Employee satisfaction, health and safety | Satisfied employees, healthy and safe work environment | Result of the new employee well-being survey, number of accidents at work |
| | Employee and contractor training | Secure necessary expertise for the company | Days of training per person |
| A responsible partner    | Economic responsibility and profitability | Steady dividends and increasing forest value for shareholders | Return on equity at fair value |
| | Local economic impacts | High net value retained | Net value retained |
| | Responsible management of contractor and partner relationships | Monitor supplier's sustainability systematically | Completed supplier assessments |
| | Open communication and stakeholder relationships Identify sustainability themes important to | Identify sustainability themes important to the company and stakeholders | Updating of the materiality analysis (core/comprehensive) at three year's intervals in co-operation with stakeholders |

2021-2030 Climate program:

Forests play a bigger role in mitigating climate change than just acting as a carbon stock. Maintaining a continuous carbon flow and utilising renewable natural resources to replace fossil-based resources is essential for the climate. Tornator's climate program addresses both carbon sequestration and the role of forests in reducing fossil-based emissions. With the help of our climate program, we can take increasingly concrete action to reach our climate-related goals and monitor progress towards meeting them.

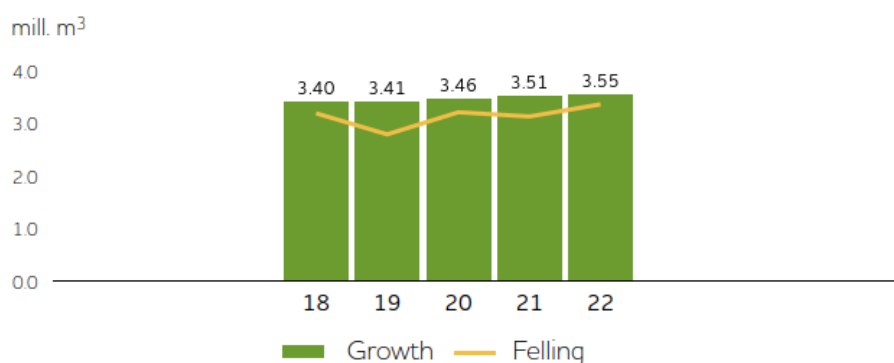
| Target: | Concrete measures: |
|---|--|
| Increase the carbon sequestration of growing stock by 20 per cent. | <ul style="list-style-type: none">• Fertilising forests• Using genetically improved seeds and seedlings• Proper targeting and timing of felling and management operations. |
| Increase the substitutability effects of forest use by 50 per cent. | <ul style="list-style-type: none">• Utilising renewable wood raw material or energy derived from wood to replace fossil fuels.• Increasing the growth capacity of the forests and taking full advantage of felling opportunities.• Promoting the use of wind-generated electricity and leasing land for the construction of wind farms to promote the replacing of fossil-based energy production. |

We participate in climate-conscious forestry by increasing the growth rate of growing stock, decreasing carbon emissions from soil, and enabling the use of both wind power and wood raw material – a renewable source of energy – to replace fossil fuels. The implementation of our actions to safeguard the environment and the achievement of our targets are monitored annually as part of our reporting on our corporate responsibility.

The goal of Tornator's Climate Program is to increase the growth of growing stock, and thus also carbon sequestration in the forests owned and managed by Tornator, by 20 per cent during the program period 2021–2030. Concrete measures to achieve the goal include fertilising forests, using genetically improved seeds and seedlings, and the proper targeting and timing of felling and management operations.

Tornator have an indisputable 20-year track record in increasing growth rate and wood volume of its forests. This is achieved by annually cutting less than growth. In 2022 there were major changes in the Finnish timber market as wood imports from Russia stopped and there was an urgent need for raw material. Tornator was able to contribute to increasing domestic wood supply by selling temporarily more wood than what was planned in the long-term harvesting plan. Increased wood sales is expected to continue in 2023 but after that Tornator will reduce annual fellings to a level that will compensate the additional fellings in 2022-2023 and balance the cumulative harvesting volume to be in line with the long-term harvesting plan.

GROWTH AND FELLING IN TORNATOR GROUP'S FORESTS



The other main goal of the Climate Program is to increase the substitution effects of forests by 50%. This means utilising renewable wood raw material from forests to replace fossil fuels. Increasing the growth capacity of forests will also expand the opportunities for felling. In line with the program, the aim is to make full use of these opportunities. The measures in the program also include the promotion of wind power generation on land owned by Tornator.

Although the company's operations do not produce significant greenhouse gas emissions and the carbon sequestration in forests exceeds the emissions of our own operations by a significant amount, we have performed measures to decrease the emissions from our own operations as well. Emissions from our own operations include forest management, staff travel, office electricity and heating. Tornator has minimized its emissions by investing in the development of digital applications that improve the productivity and decrease the need for commuting. Offering remote working opportunities has not only decreased the need for commuting but also energy consumption at the offices.

The results of Tornator's climate program are communicated in several ways, for instance in our annual Green Finance Investor letter.

2021-2030 Biodiversity program:

Tornator's Biodiversity Programme 2021-2030 sets out eight qualitative and quantitative goals for our work with biodiversity, with measures to achieve these goals divided into four themes. Measures under the Biodiversity Program improve the status of endangered forest species and habitats, as well as promote ecosystem services and water protection, game management and mitigation of climate change. The full program and annual reports regarding the execution of the program are available [on our website](#).

Theme 1 - Nature management of commercial forests

Nature management of commercial forests plays a key role in securing the viability of forest species populations as valuable conservation areas, concentrated in the northern parts of Finland, are surrounded by commercial forests. Different habitats are not sufficiently represented in the conservation areas, and key biotopes excluded from forest management are often small-scale. Ecologically sustainably managed commercial forests provide living space as well as spreading routes suitable for species between the conservation areas.

Tornator's measures to improve nature management of commercial forests:

- We will introduce protective thickets for forest species in forest management practices
- We ensure the continuity of deadwood in our forests
- During the program period, we will develop the peatland forestry towards more environmentally friendly methods by continuous coverage forestry and the use of a rotary tiller-like peat soil preparation machine
- During the program period, we will update our forest management guidelines to increase the amount of mixed stands

Theme 2 - Active habitat management

Habitat remediation and restoration are key tools for safeguarding biodiversity and improving the status of endangered species and habitats. Habitat management supports habitats whose natural values have declined, for example due to human activity, overgrowth due to fewer natural disturbances, or the spreading of invasive species. The aim of active measures is to promote the restoration of habitats towards their natural state and to restore the natural species to the site. Key sites for habitat management and restoration include mires, wooded habitats and water course restoration sites.

Tornator's measures to improve the condition of forest and aquatic habitats:

- We will restore 3,000 hectares of mire habitats
- We will take 200 active measures to improve forest and aquatic habitats
- Other improvement measures

Theme 3 - Conservation

To ensure the biodiversity of species and habitats, we must not only ensure the nature management of commercial forests but also protect valuable habitats excluded from forestry and habitats home to endangered species. Protected forests and mires include national parks, strict nature reserves, private conservation areas and areas protected to preserve biodiversity in commercial forests. The network of conservation areas must comprise a variety of different habitats and natural habitat types, and must be sufficient to meet the needs of various species so that they can find shelter and food, reproduce, and spread to new habitats if necessary. 5,000 ha Conservation target includes establishment of new private conservation areas on Tornator's land under the Nature Conservation Act, land area sales and swaps to the state for nature conservation purposes and strictly protected new valuable habitats under Forest Act and forest certification criteria.

Measures in Tornator's Biodiversity Program 2021–2030 for conservation:

- We will protect 5,000 hectares of valuable natural sites

Theme 4 - Biodiversity indicators

Measuring the benefits gained by nature management, habitat improvement and conservation to biodiversity is challenging for several reasons; Biodiversity covers multiple levels and manifestations, the changes in habitats and species are slow, measuring the number of species reliably and comprehensively is laborious and expensive, and indicators to directly indicate the status of endangered species or habitats are not available for individual forest owners. Therefore, we utilize indirect indicators through the development of structural features of forests indicating biodiversity and

protection, as well as the implementation of other active biodiversity measures. Tornator investigates the occurrence of species including in wind power planning, research projects, and planning of stands marked for harvesting. In addition, stakeholders provide Tornator with species observations based on notifications of forest use and public FSC conservation maps.

| Theme | Indicator | Target | KPI |
|--|--|---|---|
| Nature management of commercial forests | Biodiversity taken into consideration in forestry measures | The adverse effects on the environment in the measures are minimised and biodiversity is supported through nature management measures in accordance with the certifications | Overall score of nature management quality (TAPIO Silva Oy) |
| | Tree species | Increase the number of broad-leaved trees and aspens | The share of broadleaved trees of the total volume of tree stand + aspen (National Forest Inventory NFI and forest resources and remote sensing data) |
| | Deadwood | The volume of deadwood is increased various ways, including leaving alive retention trees, dead trees and artificial snags. | NFI and quality assessment of nature management |
| | Forest structure | Increase structural variation in forests | Volume of felling in continuous cover forestry |
| Nature management projects | Mire restoration | Maintain and increase the habitats of protected species and water protection | Area of mire restoration measures |
| | Active habitat management | Management measures to preserve the species typical of the site (non-mire habitats) | Number of forest and aquatic environment management projects |
| Conservation | Nature conservation areas | Development of the conservation area network | Development of the number of conservation areas (ha) |
| | Valuable habitats | Protection of valuable habitats | Development of the number of habitats (pcs) |

Our commitments and ratings

As a company, we are prepared to take significant steps towards even more sustainable forestry, because we stand alongside forests and forestry. All Tornator’s forests are compliant with both FSC® and PEFC™ certification criteria Double certification is an indication of Tornator’s commitment to responsible forestry and a testimony to ambitious work to strengthen biodiversity, and it helps secure a sustainable level of annual cut. When acquiring additional forest land Tornator will, if not already FSC or PEFC certified, take action to have the forest land FSC and PEFC certified in accordance with the latest standards.

As part of the Biodiversity Program, Tornator also participates in Stora Enso’s and Sveriges lantbruksuniversitet’s project “Development of Evidence based Key Performance Indicators (KPI’s) for biodiversity 2020–2025”. The long-term goal of the



project is to develop a pioneering, scientifically leading method for the comprehensive measurement of biodiversity and the impact of nature management and protection measures in forests.

Materiality

Tornator’s aim is to be an expert in sustainable forestry, an attractive employer, and a responsible partner. Ethical business is also at the core of our extensive stakeholder engagement work. Tornator’s focus areas related to these themes are based on a materiality analysis conducted in 2020, which identified the expectations of key stakeholders regarding corporate ethics. The analysis included stakeholder interviews and a survey.

The key themes were selected based on stakeholder feedback and business impact. Tornator’s key themes of responsible business are: Sustainable use of forest resources; Enhancing positive climate impacts; Promoting biodiversity; Forest certification; Financial responsibility and profitability; Openness and transparency of operations; Local economic, employment, and environmental impacts; Good governance throughout the chain; Job satisfaction, health, and safety; and Developing the skills of staff and contractors.



Issues relevant to responsible operations are reviewed in particular before the beginning of each new strategic period. The next analysis will be based on the EU’s Corporate Sustainability Reporting Directive’s requirement for dual impacts, i.e. the impacts of Tornator’s activities on the economy, the environment, and people, and the impacts of Tornator’s activities on society at large. Tornator is committed to pursuing the UN Sustainable Development Goals (SDGs) that are most relevant to its operations.

Tornator’s Priority Sustainable Development Goals

The United Nations Sustainable Development Goals, or SDGs, are 17 broad goals with many sub-targets, which aim to ensure a sustainable future for generations to come, eliminate poverty and hunger and promote peaceful and inclusive societies all by 2030. Tornator supports the United Nations Sustainable Development Goals (SDGs) and has identified six key goals regarding its own business and stakeholders. The selected SDGs are based on the materiality analysis prepared from stakeholder interviews as well as the company’s core business and its impacts on the world around it. Tornator’s mission, strategy and views of management were also taken into consideration when selecting the SDGs goals suitable for Tornator.



Governance

Tornator's governance principles are based on Corporate Governance Statement which adheres, where applicable, to the Corporate Governance Code that was issued by the Finnish Securities Market Association. The governance of Tornator Oyj is based on the Limited Liability Companies Act of Finland and Tornator Oyj's articles of association. The Annual General Meeting is the highest decision-making body in Tornator and the Board of Directors supervises Tornator's operations and management, deciding on significant matters concerning the company's strategy (including responsibility), investments, organisation, and finance. At the Group level, the coordination and guidance of corporate responsibility is the job of the CEO, assisted by the Management Group and the Corporate Social Responsibility Manager. The implementation of corporate responsibility is ensured by internal control of the various functions as well as through external and internal auditing.

Tornator's Board of Directors has approved the objectives and measures included in the Climate Program and the Biodiversity Program, both launched for 2021-2030 and will be provided with reports on the progress of the programs at least annually. The Management Group will monitor and coordinate the implementation of the program in the company's business processes. Tornator's commitment to Biodiversity program is reflected also in the Management Group's remuneration: 30 % of management's long-term incentive scheme is linked to the progression of the program. Information on the risks and opportunities related to climate change will be obtained via research results, by collecting the observations of the company's field organisation and by analysing the changes in the operating environment. The company will systematically monitor the quality of forest management and other measurable indicators related to carbon sequestration. Climate-related matters are also discussed in the annual Green Finance Investor letter. The company's Head of HR, Communications and Responsibility bears the overall responsibility for the TCFD reporting. Additionally, the impacts and quality of Tornator's forest management are monitored not only by the company itself, but also by an external evaluator and the authorities.

Tornator's Code of Conduct serves as a basis for business, environmental, human resource and stakeholder management as well as compliance with financial market regulations. The code applies to and is created to assist Tornator employees, directors and board members. We also require that our contractors, service providers and other contractual partners operate in accordance with this Code of Conduct.

Forest management principles

Tornator's forest management and the forest management plan are based on a 100-year planning horizon. The aim is to always leave the forest to the next generation in a better condition than it was. Tornator applies latest research data in determining and calculating long-term growth projections and a harvesting plan, in planning silviculture works and in e.g. assessing possible climate risks related to forestry. Tornator has identified that the frequency of natural disasters due to climate change pose an ever-greater risk to the forest assets. For Tornator, the size and geographic extent of its holdings, the good health and growth of its forests, and the measures required by the Act on Prevention of Forest Damage form an intrinsic risk management tool. In addition, Tornator has a Finnish forest insurance policy that covers damage in the case of a major disaster.

EU Taxonomy

Tornator's preliminary analysis shows that the majority of the company's business operations are taxonomy eligible and Tornator continues to examine taxonomy alignment and reports the results once they are completed.

Regarding terrestrial and aquatic biodiversity, the alignment with EU Taxonomy is not yet applicable, but as 'The protection and restoration of biodiversity and ecosystems' is one of the EU Taxonomy's six environmental objectives, as of the date of publishing this framework, the most relevant technical screening criteria for this category are likely to be established in the future. The GBP category 'Environmentally sustainable management of living natural resources and land use', is not yet aligned with EU Taxonomy.

Tornator will continue to follow regulatory developments around the EU Taxonomy and will report on the proportion of Green Financing that is allocated to Taxonomy-aligned activities in the Green Finance Investor Letter, when this information is available.

Framework structure

This Green Finance Framework ("the Framework") has been developed as an extension of Tornator's work with sustainability. Through this Framework Tornator may issue different securities including, but not limited to, Green Bonds, Loans or Commercial Paper. The structure of the Framework is developed in alignment with both the ICMA Green Bond Principles (GBP) 2021, as well as the LMA and APLMA Green Loan Principles (GLP) 2023.

The framework consists of the key core components for alignment with the Green Bond Principles and the key recommendations for heightened transparency.

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- External Review

It is Tornator's intention to follow the best practices, in relation to Green Bonds and Loans, as the market standards develop and as the EU classification of environmentally sustainable economic activities (EU Taxonomy) enter into force. Therefore, Tornator's Green Finance Framework may be amended and/or updated to reflect the changes in market practice. The second opinion, together with the Green Finance Framework, is publicly available on Tornator's website.

Exclusions

Green Bonds proceeds will not be allocated to projects for which the purpose of the project is fossil energy production, harmful resource extraction, or energy peat production. Some 500 hectares of Tornator forest holdings is leased for energy peat production, comprising less than 0,1% of Tornator's forest land. In international classifications peat is often classified as fossil fuel, although it is a clearly younger fuel than coal, lignite, natural gas and fuel oils refined from crude oil and not classified as fossil fuel in Finland (VTT, Statistics Finland). However, Tornator will not use the proceeds for energy peat production but for example, reforestation of disused peat production areas back to carbon sinks.



Green Finance Framework

The proceeds from Tornator's issuances of Green Finance Instruments will exclusively be used to finance Eligible Assets within Tornator, its subsidiaries, or any acquired entities. Proceeds will finance Eligible Assets according to this framework in part or in full that promote environmental and societal benefits as determined by Tornator and the sustainability policy. The proceeds raised based on this Green Finance Framework can be applied towards capital expenditures, R&D, and acquisitions, such as facilities, tools, processes and machines according to the eligibility criteria below. Information about the split between financed and refinanced assets will be included in the Green Finance Investor Letter.




Financed assets are defined as assets which have been, or will be, taken into operation on or after one year before the date such asset is approved by the Green Finance Committee. Refinanced assets are defined as those assets taken into operation one or more years before such assets were approved by the Green Bond Committee, provided that at the time of issuance they follow the eligibility criteria listed below. Asset acquisitions, capital expenditures and R&D costs will be allocated based on investment costs.

In addition to Green Finance Instruments issued by Tornator in the capital market, the company may have bilateral Green Loans provided by lending institutions. Green Loans taken by Tornator may be provided by lending institutions that finance these by issuing Green Bonds. Tornator will report the aggregate amount of Green Loans taken and specify each Eligible Asset that has been financed by a Green Loan in a separate section of the Green Finance Investor report.

Use of proceeds

Tornator will exclusively allocate the proceeds from the issuance of Green Finance instruments to finance a portfolio of Eligible Assets. “Eligible Assets” means a selected pool of assets that are funded, in whole or in part, by Tornator and that promote the transition to low carbon and climate resilient growth as determined by Tornator and in line with Tornator’s Sustainability policy and strategy. Tornator’s Sustainability policy takes into account both social and climate risks.

Eligible Asset Categories:

| Category | Eligible Green Assets and Projects | UN SDGs | EU environmental objective |
|---|--|---|---|
| Financing of environmentally sustainable management of living natural resources and land use | <p>Environmentally responsible and socially beneficial management of natural systems including, but not limited to:</p> <ul style="list-style-type: none"> • Sustainable forestry, where the forest land is certified in accordance with FSC and PEFC • Research and development projects with a positive environmental impact |  <p>SDGs: 15.1, 15.2, 15.A, 15.B</p> | The protection and restoration of biodiversity and ecosystems |
| Financing of terrestrial and aquatic biodiversity | <p>The conservation, preservation and/or restoration of nature and biodiversity, as well as natural habitat and ecosystems including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Reforestation and restoration of damaged habitats: <ul style="list-style-type: none"> ○ Reforestation (e.g. disused peat production areas, agricultural lands or power lines) ○ Restoration of mire habitats back to carbon storage ○ Improvements to forest and aquatic habitats • The conservation of forests and woodlands • Protection and preservation of biodiversity and natural ecosystems: <ul style="list-style-type: none"> ○ Investments to improve the protection of key biotopes and natural sites ○ Introduction of protective thickets for forest species in forest management practices ○ Nature management measures to ensure the volume of deadwood in commercial forests ○ Improvements to mixed stands to enhance biodiversity by increasing the number of species and individuals in the forest ○ Expenditures to improve water quality by ensuring water protection and restoring small waters |  <p>SDGs: 15.1, 15.2, 15.5, 15.A, 15.B</p>  <p>SDGs: 6.6</p> | The protection and restoration of biodiversity and ecosystems |

Selection and Evaluation of Eligible Projects

Eligible Assets are evaluated and selected by Tornator’s Green Finance Committee, which meets at least on an annual basis or when needed and is responsible for evaluating the compliance of proposed assets with the eligibility criteria outlined in the Use of Proceeds section, ensuring that the pool of Eligible Assets is aligned with the categories and criteria as specified in the Use of Proceeds section, replacing investments that no longer meet the eligibility criteria, and on a best effort basis, reviewing and updating the Green Finance Framework to reflect changes in Tornator’s strategy, technology, and market or regulatory developments.

The Green Finance Committee consists of the Chief Financial Officer, the Environmental Manager and the Head of Corporate and Social Responsibility. The Green Finance Committee approves Eligible Assets in consensus (i.e. all members have a veto). The Green Finance Committee will keep record of meetings held and decision made. The work is guided by the Code of Conduct, which takes into account social and environmental risks and impacts of the project or asset.

The Committee process for approving eligible assets for green funds is as follows:



Management of proceeds

Tornator has established this Green Finance Framework to issue green debt instruments, i.e. Green Bonds, Green Commercial Papers and to take up Green Loans, for which the proceeds will be entirely allocated to Eligible Assets that promote the transition to low carbon and climate resilient growth. The legal documentations for each Green Financing shall make reference to this Green Finance Framework.

Tornator will establish a Green Register for the purpose of monitoring Eligible Assets financed through Green Financing, as well as to provide an overview of the allocation of the proceeds from the Green Financing issued to the respective Eligible Assets. The value of the Eligible Assets detailed in the Green Register will at least equal the aggregate proceeds of all outstanding Green Financing. In the event that the total outstanding proceeds of Green Financing exceed the value of the Eligible Assets in the Green Register, proceeds yet to be allocated to Eligible Assets will be held in accordance with Tornator’s liquidity management policy and managed as such. For the sake of clarity, no funds will be allocated to assets defined as “Excluded” under this framework. The Green Register will form the basis for impact reporting.

If, for any reason, a financed Eligible Asset no longer meets the eligibility criteria, it will be removed from the pool of projects financed with proceeds from Tornator’s Green Finance sources.

Reporting

To enable investors to follow the development and provide insight to prioritised areas, Tornator will provide an annual Green Finance Investor Letter to investors including:

Allocation Reporting

- A list of all projects financed including allocated amount and a brief description
- Information about the division of the allocation of Green Finance proceeds between new projects and refinancing
- The amount of unallocated proceeds

Impact Reporting

Tornator recognises the importance of transparency and impact reporting. The ambition is to include information in the Green Finance Investor Letter about the environmental impact of the Eligible Assets financed under this Framework. The impact assessment will be provided with the reservation that not all related data can be covered and calculations will be done on a best effort basis. Key Performance Indicators may, when applicable, include:

| Category | Examples of impact indicators |
|--|---|
| New or existing investment in sustainable forestry | <ul style="list-style-type: none"> • Land area certified by FSC and PEFC • Forest growth • Portion of Finnish forests • Annual forest growth (m³) • Annual cut (m³) • Carbon sequestration (tonnes of CO₂) • Progress of Tornator's Climate program: substitution effects • Additional information of climate effects from Tornator's whole supply chain |
| Environmental preservation of nature | <ul style="list-style-type: none"> • Established conservation areas • Amount of broadleaved trees and aspens • The volume of deadwood • Structural variation in forests • Number of forest and aquatic environment management projects • The number of conservation areas (ha) and the number of habitats (pcs) |

External Review

Second party opinion (pre-issuance)

To secure alignment with national and international guidelines, Tornator has engaged an SPO to act as an external verifier of this Green Finance Framework and the Eligible Projects in accordance with the Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds.

Third-Party Review (post-issuance)

Tornator will appoint an external independent auditor to annually assure that the selection process for the financing of Eligible Projects and that the allocation of the proceeds of the Green Funds are done in accordance with Tornator Green Finance Framework.

Publicly Available Documents

The Green Finance Framework, the second party opinion, the third-party review, and the Investor letter will be publicly available on Tornator's website.