



# Tornator Oyj

## Green Finance

### Investor Letter 2022



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## Executive Summary

Tornator took the first steps in Green Financing in August 2019 by publishing its Green Finance Framework which received the 'greenest' rating, 'dark green', by the CICERO shades of Green. The Framework allows Tornator to issue different types of Green Financing instruments: bonds, loans and commercial paper. CICERO's Second opinion regarding the 2019 Framework expired in the latter part of 2022 and as of March 2023 Tornator is in the process of updating the Green Finance Framework and acquiring a new second opinion.

Actual Green Finance transactions have taken place in 2020 and 2021. In 2022 there were no new Green transactions. At the end of 2022, EUR 750 million of the total outstanding debt of EUR 820 million is Green. In addition to a EUR 350 million Green Bond issued in October 2020, we have Green bank loans totaling EUR 400 million which have been issued in several tranches during 2020 and 2021. Nominal amount of issued commercial paper is EUR 70 million but they have not been issued as Green

Through these Green Finance transactions, Tornator has aligned financing activities more closely to its strategy and demonstrates commitment to sustainable forestry and climate responsibility. Responsible use of forests, consideration of environmental values and care for biodiversity are part of Tornator's everyday operations. Proceeds from Green Finance transactions have been used in accordance with our Green Finance Framework to finance new and existing investments in sustainable forestry.



## Tornator in Brief

Tornator is a leading European company, which specializes in sustainable forestry and owns approximately 740,000 hectares of forests in Finland, Estonia and Romania. Our operating model is based on responsible use of forests as well as strong environmental expertise and utilization of digital technologies. Our core activities are sustainable forestry, forestland purchasing and silvicultural services. In addition to our key business areas, we lease land for various purposes, promote building wind power on our land and sell high-quality waterfront plots and soil resources.

Tornator was established in 2002 when Stora Enso, one of the leading global bioproducts companies, decided to spin-off its Finnish forest assets. Tornator's vision "Tornator - the forerunner in responsible use of forests" and mission "Generating sustainable well-being from the forest" reflect the company's commitment to sustainable forestry. Alongside Stora Enso, Tornator's largest shareholders are Finnish pension insurance companies who by nature have a very long planning horizon. They will expect nothing less than following of a business plan of 100 years and above. Therefore, sustainability is part of Tornator's DNA.

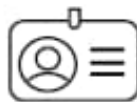
Tornator's responsibility work is based on corporate values, which are reflected in the business strategy. Tornator's updated responsibility themes include being an expert in sustainable forestry, an attractive employer and a responsible partner. By acting in a socially, economically and ecologically sustainable manner, Tornator also secures the continuity of profitable business for itself, its partners and society. Tornator has recognised six key goals, from the United Nations Sustainable Development Goals (SDGs), regarding its own business and stakeholders. It aims to promote these six goals within its operations. In addition, Tornator has introduced several additional actions in 2021 and 2022 that promote sustainability even further:

- Biodiversity and Climate programs for 2021-2030 were launched
- Study of the risks and opportunities of climate change for the company's business was also initiated in 2021, and the results were reported for the first time in accordance with the recommendations of the Task Force on Climate- Related Financial Disclosures
- In 2022, a report regarding climate effects of our whole supply chain was prepared by AFRY



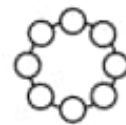
### AN EXPERT IN SUSTAINABLE FORESTRY

We protect valuable habitats, promote diversity and enhance positive climate impacts.



### AN ATTRACTIVE EMPLOYER

We strive for excellent management, the creation of well-being and continuous staff development.



### A RESPONSIBLE PARTNER

We are growing profitably and are a long-term partner for all our stakeholders.



## Green Financing

### Green Finance Framework

Tornator started the journey towards Green Financing in 2019 by publishing its Green Finance Framework. The Framework introduces Tornator as a company, Tornator's sustainable approach to forestry and different responsibility principles, both internal and external, followed by the company. The Framework also describes eligible assets and projects in which Tornator invests the green funds and the governance process supporting the evaluation, selection and approval of eligible assets. Green Finance reporting takes place in the form of this Green Finance Investor Letter.

Tornator's assets and operations are green by nature as the company's main business is growing forests and selling wood. Sustainability in forestry activities is supported through double certification: Tornator's forests are compliant with both FSC® and PEFC™ certification criteria.

FSC License codes:

Finland	FSC-C123368
Estonia	FSC-C132610
Romania	FSC-C132426

In addition to certification requirements, Tornator is involved in many other activities supporting well-being in a wide scale. By combining effective forestry with nature management in commercial forests, protecting valuable habitats and providing employment, Tornator ensures that environmental values, biodiversity and people's well-being are promoted throughout its sphere of influence. This happens in accordance with legislation and stakeholders' expectations. For Tornator, responsible use of forests means securing well-being for future generations.

Our Green Finance Framework has been mapped in accordance with United Nations' Sustainable Development Goals (SDGs), Green Bond principles, Green Loan principles and our own corporate responsibility principles. Thus, we can issue different types of debt instruments under the Framework.

Eligible asset categories include:

- New or existing investments in sustainable forestry:
  - FSC or PEFC certified sustainable forests
  - Investments in infrastructure needed for sustainable silviculture
  - Research and development projects with a positive environmental impact
- Environmental preservation of nature:
  - Biodiversity, e.g. drained mire restoration back to carbon storage
  - Investments in processes that improve resource efficiency
  - Reforestation (e.g. disused peat production areas, agricultural lands or power lines)

Our Green Finance Framework was reviewed and evaluated by CICERO who provided us with the overall shading of Dark Green for all eligible asset categories and Good governance assessment. CICERO's opinion expired in the latter part of year 2022 and as of March 2023 Tornator is in the process of updating the Green Finance Framework and acquiring a new second opinion.





## Green Finance Governance

Tornator's green funds are managed by Green Finance Committee, which consists of the Chief Financial Officer, the Environmental Manager and the Head of Corporate and Social Responsibility. The Committee approves eligible assets for green funds in consensus by using following process:



In 2022 Tornator's Green Finance Committee had one meeting in which the appropriate decisions regarding Green Finance reporting were made.

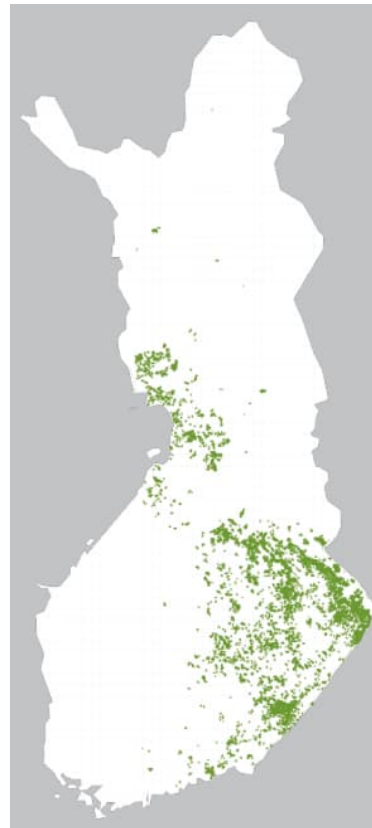
## Use of proceeds and positive climate impact

In 2022, Tornator had no new Green Finance transactions. Additional financing was acquired by issuing normal commercial papers, not Green.

All of the Green proceeds withdrawn in the end of 2022 were allocated to investments in new or existing double certified forests in Finland. EUR 750 million green funds at the end of 2022 cover approximately 84 % of the EUR 892 million acquisition cost of Tornator's forests in Finland. Green Bond covers approximately 39 % and Green bank loans cover approximately 45 %.

Tornator's forests in Finland:

- Approximately 661,000 hectares
- Located mainly in Eastern Finland
- Pine dominated, approximately:
  - 70 % of wood volume is pine
  - 20 % spruce
  - 10 % other species



## Positive Climate impact

Positive climate impact from Tornator's forests and activities come in different forms. Tornator owns approximately 740,000 hectares of forests in Finland, Estonia and Romania and views the sustainable use of forests as one solution for the mitigation of climate change. For Tornator, sustainable wood production means felling volumes that do not exceed forest growth. This will ensure that forests remain as carbon sinks. FSC and PEFC certifications verify that Tornator's felling volumes are sustainable:

- In 2022 Forest growth was 3,6 million cubic meters which was approx. 6 % higher than annual cut of 3,4 million cubic meters. In 2021 growth was 3,5 and annual cut 3,1 million cubic meters
- Tornator's annual cut provides responsibly managed, renewable raw material for different wood-based products which can be used e.g. to replace fossil-based products
- Level of average growth was maintained at the level of 5,4-5,5 m<sup>3</sup>/hectare/year.

Sustainable wood production results in positive development in carbon sequestration and storage. Healthy and sustainable forests are most efficient at sequestering carbon. The aim is to make full use of forests, whose vitality is ensured through regular forest management consisting of regeneration, tending of seedling stands and thinning. To make positive climate effects more visible, Tornator launched its Climate program for 2021-2030 in 2021. For 2022 Tornator published report for climate effects of our whole supply chain. Both are described in more detail later in this letter.

Forests owned and managed by Tornator capture more than four million tons of CO<sub>2</sub> each year which equals annual carbon emissions of more than 700 000 average EU citizens. This carbon sequestration is the net measure of carbon dioxide that is absorbed by trees in Tornator's forests as part of photosynthesis and stored as carbon in the tree biomass.

On a transaction level Tornator's positive climate impact measures can be presented as follows, Finnish forests only:

In the table below, portion of Finnish forests is calculated based on the acquisition cost of Finnish forests. For example, for the Green bond, the table can be interpreted as follows: The total net growth of the Finnish forests financed through the green bonds was estimated at a volume (over bark) of 1.3 million cubic meters for the past year. This corresponds to an annual carbon sequestration and substitution benefit of around 1.6 million tons of CO<sub>2</sub>. This means that for every EUR 1 million invested in the bonds, around 4,600 tons of CO<sub>2</sub> has been absorbed and avoided.

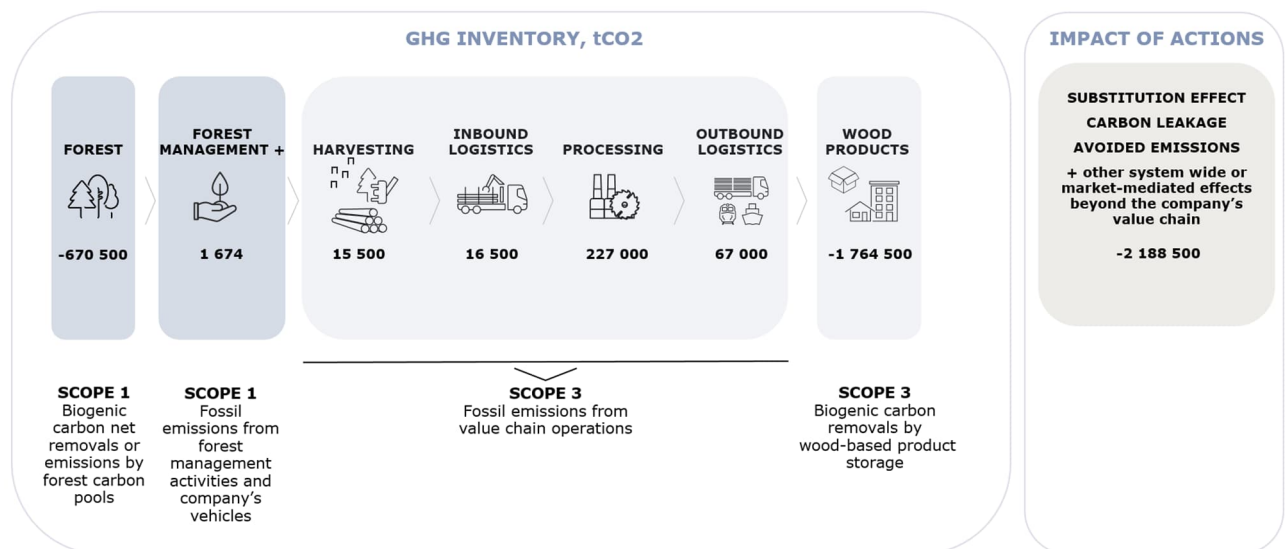
Climate Impact allocated to transactions	Green Bond	Green Bank loans	No Green allocation	Finland, total
Portion of Finnish forests	39 %	45 %	16 %	100 %
Total amount of debt, € million	350	400	70	820
Hectares (allocation based on debt amount)	277 780	316 540	66 680	661 000
Annual forest growth, m <sup>3</sup>	1 333 000	1 519 000	298 000	3 150 000
Annual cut, m <sup>3</sup>	1 178 970	1 360 350	483 680	3 023 000
Carbon Sequestration, tons of CO <sub>2</sub>	1 612 500	1 837 500	350 000	3 800 000



## Climate impact of Tornator's value chain

In addition to carbon sequestration based on growth of our forests presented above, we have improved our climate impact reporting by adding a report regarding climate effects of Tornator's 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 direct (scope 1) and indirect (scope 3) removals and emissions and Impact of actions.

The illustration of the recommended climate impact reporting framework highlights the separate reporting categories and parallel systems



Source: AFRY

## Biodiversity and Climate programs

In 2021 Tornator continued to make its sustainability actions more visible and concrete by launching biodiversity and climate programs for the period 2021-2030. Below you can find a summary of both programs and key actions in 2022. More information is available on our website: [Environment - Tornator](#)

### Biodiversity program

The goal of the Tornator's Biodiversity Program is to safeguard and increase the biodiversity of forests by introducing new measures, increasing the amount of active nature management and the protection of valuable areas, continuing with the effective stakeholder cooperation, as well as monitoring the biodiversity effects of the measures.

**Biodiversity**  
2021  2030



Measures under the Biodiversity Program not only improve the status of endangered forest species and habitats, but also promote ecosystem services and water protection, game management and mitigation of climate change.

Biodiversity program has three main goals and a number of other indicators. The main goals for the whole 2021-2030 period and key achievements at the end of 2022 were as follows

## ACHIEVEMENT BY 2022 / GOAL 2030

**3,210 / 5,000 ha**  
new private nature reserves and forestry areas sold to the state as protected areas

**37 / 200**  
completed forest and aquatic habitat management sites

**660 / 3,000 ha**  
restored mires

More detailed report of the progress of the Biodiversity program in 2022 is available at Tornator's website

### Climate program

The goal of our climate program to help combat climate change is to increase the carbon sequestration of growing stock by 20 per cent and the substitution effects of forest use by 50 per cent during the program period. 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.

In 2022 Tornator executed climate program according to the plan: measures to increase forest growth were performed, carbon emissions from soil were reduced and new wind power contracts were signed to enable building of renewable energy on Tornator's land in the coming years. The effects of these actions are not readily visible, but it takes time for forest growth rate to increase and wind parks to be built, but Tornator is on a good track also with the climate program.

**Climate**  
2021 – 2030



At the end of 2022 the main goals for the whole 2021-2030 period and key achievements were as follows:

ACHIEVEMENT BY 2022 / GOAL 2030

0.1 / 0.8 Mt CO<sub>2</sub>/per year

**Increasing carbon dioxide sequestration in growing stock by 20%**

- Use of genetically improved seeds and seedlings
- Fertilisation
- Acquisition of additional land
- Correct allocation of felling and forest management measures, and other measures to increase tree cover

0.15 / 0.8 Mt CO<sub>2</sub>/per year

**Increasing substitution effects by 50%**

- Increasing felling opportunities
- Enabling wind power generation

## Assurance report

Tornator requested PricewaterhouseCoopers Oy to perform an independent limited assurance on the selection process and allocation of Green Funds to eligible assets. PricewaterhouseCoopers' report can be found in Appendix 1 of this letter

## Independent practitioner's limited assurance report

To the Management of Tornator Oyj

We have been engaged by the Management of Tornator Oyj (hereinafter also the "Company") to perform a limited assurance engagement on selected information described below for the reporting period ended 31 December 2022, disclosed in Tornator Oyj Green Finance Investor Letter 2022 (hereinafter the Selected information).

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### Our conclusion

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 Company's Selected information for the reporting period ended 31 December 2022 are not properly prepared, in all material respects, in accordance with the criteria's set in Tornator Green Finance Framework.

When reading our limited assurance report, the inherent limitations to the accuracy and completeness of Selected information should be taken into consideration. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Tornator Oyj for our work, for this report, or for the conclusions that we have reached.

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### Selected information

The scope of our work was limited to assurance over the information presented in the Tornator Oyj Green Finance Investor Letter 2022 on disclosures on the allocations of the green bond proceeds as of 31 December 2022 disclosed on page 6.

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### Practitioner's independence, other ethical requirements and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PricewaterhouseCoopers Oy applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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### Management's responsibility

The Management of the Company is responsible for preparing the Selected information in accordance with the Reporting criteria as set out in Tornator Green Finance Framework.

The Management of the Company is also responsible for such internal control as the management determines is necessary to enable the preparation of the Selected information that is free from material misstatement, whether due to fraud or error.

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### Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". The Standard



requires that we plan and perform the engagement to obtain limited assurance about whether the Selected information is free from material misstatement.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other information in the Selected information. The procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the Selected information.

Our work consisted of, amongst others, the following procedures:

- Interviewing of employees of the Company with regards to whether the reporting has been prepared in accordance with the Tornator Green Finance Framework.
- Evaluating the design of the processes and internal controls for managing, recording, and reporting the Selected Information.
- Inspecting minutes of the Green Finance Committee to confirm that the allocation of proceeds to eligible green projects had been considered and approved according to the process described in the Tornator Green Finance Framework.
- Performing substantive testing to verify existence and accurate allocation of green bond proceeds per eligible green projects in accordance with Tornator Green Finance Framework as presented in the section "Use of proceeds and positive climate impact" in Tornator Oyj Green Finance Investor Letter 2022.
- Considering the disclosure and presentation of the Selected information.

This report, including our conclusions, has been prepared solely for the Management of Tornator Oyj and the green bond investors in accordance with the agreement between us, to assist the Management of Tornator Oyj in reporting on disclosures on the allocations of the green bond proceeds. We permit this report to be disclosed in the Tornator Oyj Green Finance Investor Letter 2022 in respect of the 2022 reporting year, to assist Tornator Oyj in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information.

Helsinki 6 April 2023

**PricewaterhouseCoopers Oy**

Tiina Puukkoniemi  
Partner, Authorised Public Accountant (KHT)  
ESG Reporting and Assurance