



Tornator Oyj

Green Finance

Investor Letter 2023



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Executive Summary

Tornator took the first steps in Green Financing in August 2019 by publishing its first Green Finance Framework which received the 'greenest' rating, 'dark green', by the CICERO shades of Green. Framework was updated in 2023 and the contents remained essentially unchanged, as did the rating provided by CICERO Shades of Green. This new Green Finance Framework continues to allow Tornator to issue different types of Green Financing instruments: bonds, loans and commercial paper.

Outstanding Green Finance transactions in the end of 2023 have taken place in 2020, 2021 and 2023. In 2023 there were 2 new Green Finance transactions, both Green Bonds with nominal value of EUR 50 million. At the end of 2023, EUR 850 million of the total outstanding debt of EUR 950 million is Green. In addition to Green Bonds totaling EUR 450 million, we have Green bank loans totaling EUR 400 million. These green debt transactions have been issued in several tranches and they mature in different years between 2025 and 2035. Nominal amount of outstanding commercial paper is EUR 100 million but they have not been issued as Green

Through these Green Finance transactions, Tornator has aligned financing activities 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 760,000 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 2021-2023 that promote sustainability even further:

- Biodiversity and Climate programs for 2021-2030 were launched in 2021
- 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
- In 2023 Tornator joined the UN Global Compact corporate responsibility initiative and performed a double materiality assessment



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 published its first Green Finance Framework in 2019 and an updated framework in 2023. The changes incorporated to the updated framework were not essential, but rather refining and improvement types of details and additions of examples of Tornator's actions in supporting biodiversity, mitigating climate change, etc. 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. Annual 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:

- Environmentally responsible and socially beneficial management of natural systems including, but not limited to:
 - Sustainable forestry, where the forest land is certified in accordance with FSC and PEFC
 - Research and development projects with a positive environmental impact
- The conservation, preservation and/or restoration of nature and biodiversity, as well as natural habitat and ecosystems including, but not limited to, the following:
 - Reforestation and restoration of damaged habitats:
 - The conservation of forests and woodlands
 - Protection and preservation of biodiversity and natural ecosystems

Our 2023 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.



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 2023 Tornator's Green Finance Committee had three meetings in which the appropriate decisions regarding Green Finance reporting and new Green Finance transactions were made.

Use of proceeds and positive climate impact

In 2023, Tornator issued 2 new Green Bonds directed at selected investors. Both Green Bonds had a nominal value of EUR 50 million and thus the increase in total outstanding Green Finance instruments was EUR 100 million. Additional financing was acquired also by issuing normal commercial papers, not Green.

All of the Green proceeds withdrawn in the end of 2023 were allocated to investments in sustainable forestry, in practice in acquisitions of double certified forests in Finland. EUR 850 million green funds at the end of 2023 cover approximately 84 % of the EUR 1,011 million acquisition cost of Tornator's forests in Finland. Green Bonds cover approximately 45 % and Green bank loans cover approximately 40 %.

Tornator's forests in Finland:

- Approximately 683,000 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 760,000 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 2023 Forest growth was 3,7 million cubic meters which was approx. 10 % higher than annual cut of 3,3 million cubic meters. In 2022 growth was 3,6 and annual cut 3,4 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 m³/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 whose results are still valid in 2023. Both the Climate program and Supply chain climate effects are described in more detail later in this letter.

Forests owned and managed by Tornator capture more than four million tons of CO₂ each year which equals annual carbon emissions of more than 700 000 average EU citizens or 75 % of the annual emissions by passenger cars in Finland. 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. Because Tornator's Green funds are allocated only to Finnish forests, the effects presented below are calculated based on Finnish forests.

Allocated Climate Impact, Finnish forests

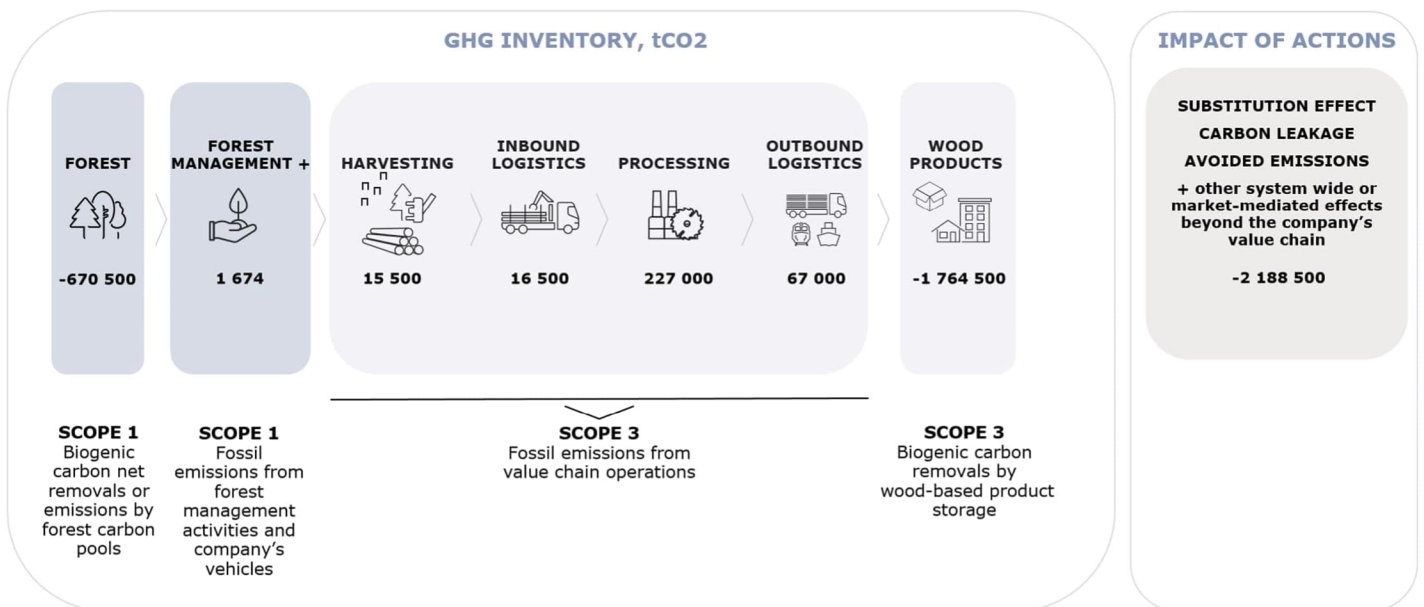
In the table below, portion of Finnish forests is calculated based on the acquisition cost of Finnish forests. For example, for the EUR 350 million Green bond, the table can be interpreted as follows: The total net growth of the Finnish forests financed through the green bonds was estimated at a volume (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 CO₂. This means that for every EUR 1 million invested in the bonds, around 4,600 tons of CO₂ has been absorbed and avoided.

Climate Impact allocated to transactions	Green Bond 2020, 350 M€	Green Bank loans, 400 M€	Green Bond 50 M€, July 2023	Green Bond 50 M€, Nov 2023	No Green allocation	Finland, total
Nominal amount, € million	350	400	50	50	161	1 011
Portion of Finnish forests' acquisition cost	35 %	40 %	5 %	5 %	16 %	100 %
Allocated hectares	277 780	316 540	16 987	16 987	54 705	683 000
Annual forest growth, m ³	1 333 000	1 519 000	67 620	67 620	217 759	3 205 000
Annual cut, m ³	1 178 970	1 360 350	82 309	82 309	265 061	2 969 000
Carbon Sequestration, tons of CO ₂	1 612 500	1 837 500	90 991	90 991	293 019	3 925 000

Climate impact of Tornator's value chain

In addition to carbon sequestration based on growth of our forests presented above, we improved our climate impact reporting in Spring 2023 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 give a true and fair view of the situation also in Spring 2024. In essence, the results 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:



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 2023. More information is available on our website: [Environment - Tornator](#)

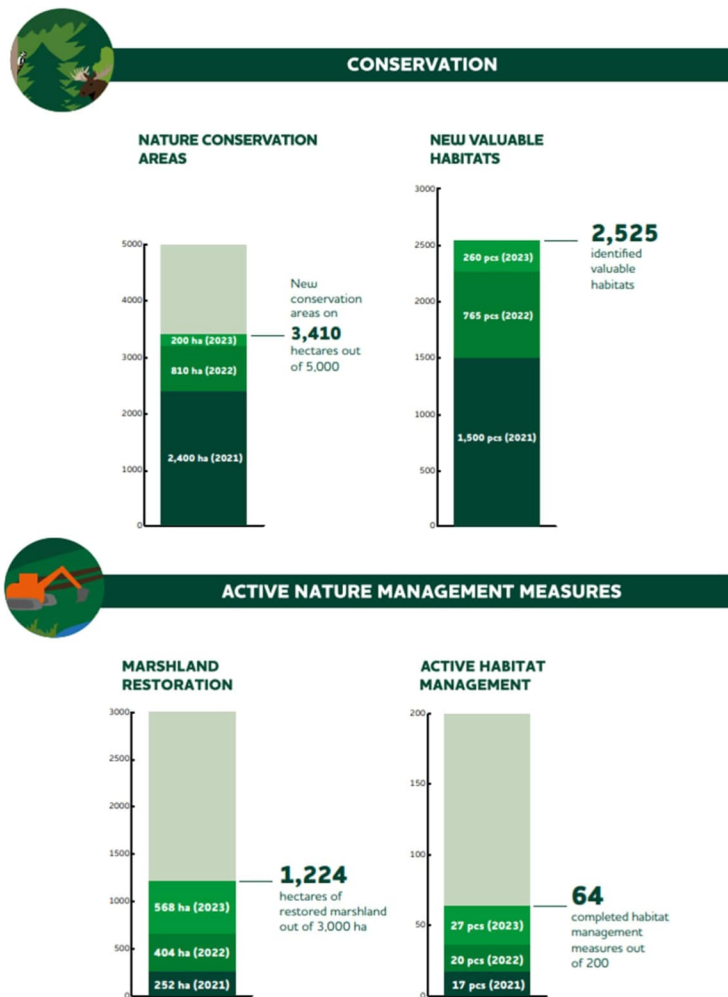
Biodiversity program

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.



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 cumulative key achievements at the end of 2023 were as follows:



More detailed report of the progress of the Biodiversity program in 2023 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.

Climate
2021 – 2030

In 2023 Tornator executed climate program largely according to the plan: measures to increase forest growth were performed, carbon emissions from soil were reduced and new wind and solar 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.



At the end of 2023 the main goals for the whole 2021-2030 period and cumulative key achievements were as follows:

SITUATION IN 2023 / GOAL FOR 2030

0.07 / 0.6 Mt CO₂/year
**SUBSTITUTION EFFECTS ENABLED BY WIND
AND SOLAR POWER PRODUCTION**

0.07 / 0.2 Mt CO₂/year
**SUBSTITUTION EFFECTS CORRESPONDING
TO FELLING VOLUMES**

4.5 / 5.1 Mt CO₂/year
**CARBON SEQUESTRATION IN THE
COMPANY'S FORESTS**

7,000 / 8,000 ha/year
FERTILISATION IN COMPANY FORESTS

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" or "Tornator") to perform a limited assurance engagement on selected information described below for the reporting period ended 31 December 2023, disclosed in Tornator Oyj Green Finance Investor Letter 2023 (hereinafter the Selected information).

Selected information

The selected information within the scope of assurance covers:

The scope of our work was limited to assurance over the information presented in the Tornator Oyj Green Finance Investor Letter 2023 on the disclosures on the allocations of the green finance proceeds for the reporting period ended 31 December 2023 disclosed under section "Use of proceeds and positive climate impact" on page 6 in accordance with Tornator Oyj's Green Finance Framework April 2023.

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 Oyj's Green Finance Framework April 2023.

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.

Practitioner's independence and quality management

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.

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 Oyj's Green Finance Framework April 2023.
- 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 Oyj's Green Finance Framework April 2023.
- Performing substantive testing to verify existence and accurate allocation of green finance proceeds per eligible green projects in accordance with Tornator Oyj's Green Finance Framework April 2023 as presented in the section "Use of proceeds and positive climate impact" page 6 in Tornator Oyj Green Finance Investor Letter 2023.
- 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 finance 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 finance proceeds. We permit this report to be disclosed in the Tornator Oyj Green Finance Investor Letter 2023 in respect of the 2023 reporting year, to assist Tornator Oyj in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information.

Limited assurance 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 Tornator Oyj's Selected information for the reporting period ended 31 December 2023 are not properly prepared, in all material respects, in accordance with the criteria set out in Tornator Oyj's Green Finance Framework April 2023.

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.

Helsinki 15 April 2024

PricewaterhouseCoopers Oy

Tiina Puukkoniemi
Partner, Authorised Public Accountant (KHT)
Sustainability Reporting & Assurance