



Tornator Oyj

Green Finance

Investor Letter 2020



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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.

Actual Green Finance transactions took place in 2020. In March we agreed a EUR 350 million syndicated bank loan funding arrangement and in October we issued a EUR 350 million Green Bond and listed it on the Nasdaq Sustainable Bond Market at Nasdaq Helsinki as the first corporate Green Bond issuer. After these transactions, the majority of Tornator's debt financing is now 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 more than 700,000 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 and lease services. In addition to our key business areas, we lease land for various purposes, develop wind power projects and sell high-quality waterfront plots and soil resources.

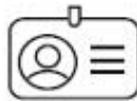
Tornator was established in 2002 when Stora Enso, one of the leading global bioproducts companies, decided to spin-off its Finnish forest assets. Tornator's vision "Tornator - the forerunner in responsible use of forests" and mission "Generating sustainable well-being from the forest" reflect the company's 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. In addition, 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.



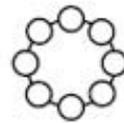
AN EXPERT IN SUSTAINABLE FORESTRY

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.



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 2020 Tornator's Green Finance Committee had two meetings in which the appropriate decisions regarding use of proceeds were made.

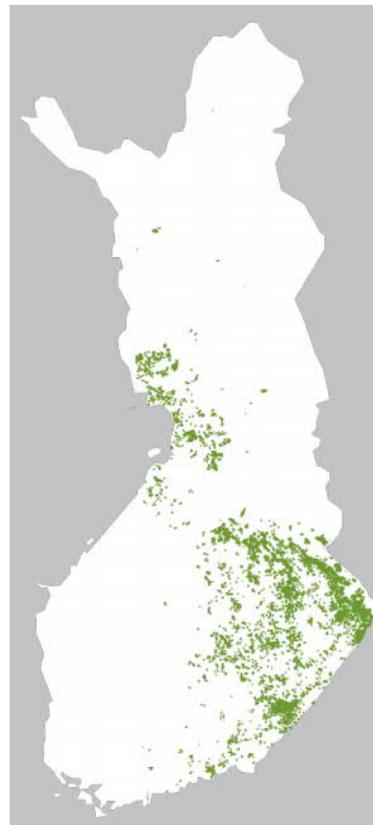
Use of proceeds

In 2020, Tornator agreed EUR 700 million in Green Financing of which EUR 600 million was withdrawn. Green Bond amounted to EUR 350 million and withdrawn bank loans totalled EUR 250 million. In addition, the bank loan agreement includes EUR 100 million revolving credit facility which was completely undrawn as of 31 December 2020.

All of the proceeds withdrawn in 2020 were allocated to investments in new or existing double certified forests in Finland. EUR 570 million was allocated to refinancing acquisitions of existing forests and EUR 30 million was allocated to financing acquisitions of new forests. EUR 600 million green funds at the end of 2020 cover approximately 78 % of the acquisition cost of Tornator's forests in Finland. Green Bond covers approximately 45 % and Bank loans cover approximately 32 %.

Tornator's forests in Finland:

- Approximately 640,000 hectares
- Located mainly in Eastern Finland
- Pine dominated:
 - 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 more than 700,000 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 2020 Forest growth was 3,5 million cubic meters which was approx. 10 % higher than annual cut of 3,2 million cubic meters. In 2019 growth was 3,4 and annual cut 2,8 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 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. Forests owned and managed by Tornator capture around four million tons of CO₂ each year which equals annual carbon emissions of 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. No Green allocation includes ordinary debt and equity financing. For example, for the Green bond, the table can be interpreted as follows: The total net growth of the properties financed through the green bonds was estimated at a volume (over bark) of 1.35 million cubic meters for the past year. This corresponds to an annual carbon sequestration and substitution benefit of around 1.665 million tons of CO₂. This means that for every EUR 1 million invested in the bonds, around 4,750 tons of CO₂ has been absorbed and avoided.

Climate Impact allocated to transactions	Green Bond	Green Bank loans	No Green allocation	Finland, total
Portion of Finnish forests	45 %	32 %	23 %	100 %
Total amount, € million	350	250	170	770
Hectares	288 000	204 800	147 200	640 000
Annual forest growth, m ³	1 350 000	960 000	690 000	3 000 000
Annual cut, m ³	1 215 000	864 000	621 000	2 700 000
Annual carbon Sequestration, tons of CO ₂	1 665 000	1 184 000	851 000	3 700 000



Other responsible forestry measures

In addition to maintaining and increasing carbon sinks and storage, Tornator is engaged in different types of activities aiming at enhancing ecological sustainability. These activities include e.g. nature management of commercial forests, restoration and conservation:

- 1500 hectares of new conservation areas were established in 2020
- 113 hectares of mires were restored in 2020
 - Aim of mire restoration is to restore mires with poor or disrupted nutrient cycles to their natural state, so that they function as carbon sinks in the future
- Prescribed burning was conducted on 85 hectares
 - Prescribed burning creates a habitat for many endangered species.



Photo: Taru Nissinen

- Tornator is committed to launch a separate biodiversity program during 2021. The program brings together the measures and targets we use to promote biodiversity, and metrics to gauge the effectiveness of such measures

Auditor's report

Tornator requested Deloitte Oy to perform an independent limited assurance on its Green Finance Investor Letter. Deloitte's report can be found in Appendix 1 of this letter

To the Board of Directors of Tornator Oyj

Independent Limited Assurance Report

We have been engaged by Tornator Oyj (business identity code 0162807-8, hereinafter also "the Company" or "Tornator") to provide a limited assurance on the Selected information described below and set out in Tornator Oyj's Green Finance Investor Letter, dated April 2021.

Selected information

The scope of our work was limited to assurance over the allocation of the green finance proceeds withdrawn in 2020 to the refinancing acquisitions of existing forests and acquisition of new forests ("Selected Information") as stated on the page six of the Green Finance Investor Letter 2020. We have not been engaged to provide assurance on any information relating to prior reporting periods or any other information in the Tornator's Green Finance Investor Letter 2020.

Management's responsibility

The Management of Tornator is responsible for the preparation of the Green Finance Investor Letter and Selected Information in accordance with the reporting criteria as set out in the Tornator's Green Finance Framework dated August 2019 (hereinafter also "the Reporting criteria"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Green Finance Investor Letter information and Selected Information that are free from material misstatement, whether due to fraud or error.

Assurance provider's responsibility

Our responsibility is to express a limited assurance conclusion on the Selected Investor Letter information based on our engagement. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000.

ISAE 3000 standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Selected information has not been prepared, in all material respects, in accordance with the Reporting criteria.

We did not perform any assurance procedures on the any other information, than disclosed as the Selected Information. Consequently, we draw no conclusion on the management estimates of the growth, harvesting nor environmental impacts. Our assurance report is made in accordance with the terms of our engagement with Tornator. We do not accept or assume responsibility to anyone other than Tornator for our work, for this assurance report, or for the conclusions we have reached.

A limited assurance engagement with respect to responsibility related data involves performing procedures to obtain evidence about the Selected Investor Letter information. The procedures performed depend on the practitioner's judgment, but their nature is different from, and their extent is less than, a reasonable assurance engagement. They do not include detailed testing of source data or the operating effectiveness of processes and internal controls, and consequently they do not enable us to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement.

Our procedures on this engagement included:

- Conducting interviews with management responsible for the collection and reporting of the Selected Information;
- Evaluated and updated our understanding of the design of the internal tracking method for managing, recording and reporting the Selected information;
- Review of the Green Finance Committee minutes for the period;
- Performed limited substantive testing procedures to verify the accuracy of green finance proceeds and accuracy of the allocation of green finance proceeds per eligible assets and
- Assessing the disclosure of the Selected Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Our independence and quality control

We have complied with Deloitte's independence policies which address and, in certain cases, exceed the requirements of the Code of Ethics for professional accountants issued by the International Ethics Standards Board for Accountants. We have maintained our independence and objectivity throughout the year, and there were no events or prohibited services provided, which could impair our independence and objectivity.

Deloitte Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that Selected Information on the Tornator's Green Finance Investor Letter 2020 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

Helsinki, April 13, 2021

Deloitte Oy



Marika Nevalainen
Authorized Public Accountant (KHT)