

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Finance Framework

Metso Outotec Oyj
7 June 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none"> ▪ Sustainability-Linked Financing Instruments
Relevant standard(s)	<ul style="list-style-type: none"> ▪ Sustainability-Linked Bond Principles (SLBPs), as administered by the International capital Market Association (ICMA) (as of June 2020) ▪ Sustainability-Linked Loan Principles (SLLPs), as administered by Loans Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and Loan Syndications and Trading Association (LSTA) (as of March 2022)
Scope of verification	<ul style="list-style-type: none"> ▪ Metso Outotec’s Sustainability-Linked Finance Framework (As of June 2, 2022)
Lifecycle	<ul style="list-style-type: none"> ▪ Pre-issuance verification
Validity	<ul style="list-style-type: none"> ▪ As long as Metso Outotec’s Sustainability-Linked Finance Framework and benchmarks for the Sustainability Performance Target(s) remain unchanged

CONTENTS

SCOPE OF WORK	3
METSO OUTOTEC BUSINESS OVERVIEW	3
ISS ESG SPO ASSESSMENT SUMMARY	4
ISS ESG SPO ASSESSMENT	7
PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA/APLMA/LSTA SUSTAINABILITY-LINKED LOAN PRINCIPLES	7
PART 2: KPI SELECTION & SPT CALIBRATION	8
PART 3: LINK TO METSO OUTOTEC'S SUSTAINABILITY STRATEGY	24
ANNEX 1: ISS ESG Corporate Rating	27
ANNEX 2: Methodology	29
ANNEX 3: Quality management processes	30
About ISS ESG SPO	31

SCOPE OF WORK

Metso Outotec (“the issuer” or “the company”) commissioned ISS ESG to assist with its Sustainability-Linked financial instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Metso Outotec’s Sustainability-Linked Finance Framework (as of June 2, 2022) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA), and the Sustainability-Linked Loan Principles, as published by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA).
2. The sustainability credibility of the Key Performance Indicators (KPIs) selected and Sustainability Performance Targets (SPTs) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and industry, and whether the associated targets are ambitious.
3. Sustainability-Linked Financing instruments’ link to Metso Outotec sustainability strategy – drawing on Metso Outotec’s overall sustainability profile and related objectives.

METSO OUTOTEC BUSINESS OVERVIEW

Metso Outotec Oyj manufactures and supplies equipment for the mining industry. It is a supplier of sustainable technologies, end-to-end solutions and services for the minerals processing, aggregates, and metals refining industries. The firm operates through the following segments: Aggregates, Minerals, and Metals segments. The Aggregates segment offers a range of equipment, aftermarket parts and services for quarries, aggregates contractors, and construction companies. The Minerals segment supplies a portfolio of process solutions, equipment and aftermarket services, as well as plant delivery capability for mining operations. The Metals segment provides sustainable solutions for processing virtually all types of ores and concentrates to refined metals.

The company was founded on December 31, 1990 and is headquartered in Helsinki, Finland.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
<p>Part 1:</p> <p>Alignment with the SLBP and SLLP</p>	<p>Aligned with ICMA Sustainability-Linked Bond Principles and the LMA/LSTA/APLMA Sustainability-Linked Loan Principles, except for limited evidence to comprehensively assess the level of ambition of SPT 3</p> <hr/> <p>The issuer has defined a formal framework for its Sustainability-Linked Financing Instruments regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPTs), Sustainability-Linked Financing Instruments' characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and the Sustainability-Linked Loan Principles (SLLP) administered by the LMA, APLMA and LSTA, except for limited evidence to comprehensively assess the level of ambition of SPT 3.</p> <p>The financial characteristics of the Sustainability-Linked Security are subject to change as outlined in the security-specific documentation. This may include, but is not limited to, margin adjustment, coupon adjustment or re-payment amount adjustment.</p>
<p>Part 2A:</p> <p>KPI selection and SPT calibration</p> <p>KPI 1: Reduction of absolute scope 1 and 2 carbon emissions (tCO₂)</p> <p>SPT 1: Reduce scope 1 & 2 emissions to net zero by 2030</p>	<p>KPI selection: Relevant and core to the issuer's business model and sustainability profile. The KPI is material to the company's direct operations but not to the whole Corporate Value Chain².</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer's past performance with limitations • Ambitious against issuer's industry peer group • In line with the Paris Climate Goals <hr/> <p>ISS ESG finds that the KPI selected is core, relevant, and moderately material to the issuer's business model and consistent with its sustainability strategy. The KPI is considered material to the company's direct operations as it covers 100% of scope 1 and 2 CO₂ emissions but not material to the whole corporate value chain as it does not cover scope 3 which represents 98.4% of the CO₂ emissions. It is appropriately measurable, quantifiable, externally verifiable, and benchmarkable. Metso Outotec states that in the short term they will use RECs and it is important to note that RECs do not significantly affect key processes because they are a transactional instrument. The KPI selected will be externally verified. It covers 100% of the company's direct operations that are responsible for 1.6 % of the company's total CO₂ emissions.</p> <p>ISS ESG finds that the SPT calibrated by Metso Outotec is not quantitatively ambitious but is qualitatively ambitious against the company's past performance, which reflects the efforts to reduce Scope 1 GHG emissions, requiring actions impacting Metso Outotec's activity directly. The SPT is ambitious compared to Heavy Trucks & Construction & Farm Machinery industry practices in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5° Celsius warming scenario according to SBTi. The benchmark selected by</p>

¹ ISS ESG's evaluation is based on the engagement conducted from April to June 2022, on Metso Outotec's Sustainability-Linked Finance Framework (02.06.2022 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 12.02.2022).

² This differentiation between direct operations and corporate value chain is in reference to the GHG Protocol consideration of Scope 1, 2 and 3 emissions.

the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company’s framework.

Part 2B: **KPI selection: Relevant, Core, Partially material, to issuer’s business model and sustainability profile**

KPI 2:
Spending on suppliers committed to Science-Based Targets

Sustainability Performance Target (SPT) calibration:

- **Ambitious against issuer’s past performance**
- **Limited information to assess the level of ambition against industry peer group**
- **Ambitious against Paris Climate Goals**

SPT 2: 30% of direct suppliers by spend covering purchased goods and services will have Science-Based Targets by 2025

ISS ESG finds that the KPI selected is core, relevant and partially material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers the ‘Purchased goods and services’ category of Scope 3 emissions, which makes up approximately 15.51% of Metso Outotec’s CO₂ emissions and 15.75% of the annual Scope 3 emissions.

ISS ESG finds that the SPT calibrated by Metso Outotec’s is qualitatively ambitious against the company’s past performance, and in line with the Paris Agreement and 1.5° Celsius warming scenario according to SBTi. However, there is limited information to assess the level of ambition against peers’ performance. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company’s framework.

Part 2C: **KPI selection: Relevant, Core, Moderately Material, to issuer’s business model and sustainability profile**

KPI 3: Annual increase in revenue from Planet Positive offering

Sustainability Performance Target (SPT) calibration:

- **Ambitious against issuer’s past performance with limitations**
- **Limited information to assess the level of ambition against industry peer group**
- **Limited information to assess the level of ambition against international targets**

SPT 3: Increase Planet Positive sales annually at a 3 percentage point rate above that of the overall portfolio

ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer’s business model and consistent with its sustainability strategy. By increasing the Planet Positive offering, the company can improve its own as well as the environmental impact of its customers. However, since the KPI measures a relative growth in sales of Planet Positive portfolio, the increase of the sustainable offering is contingent on overall sales growth. The KPI is appropriately measurable, quantifiable, externally verifiable, and externally verified. Since the KPI is unique to Metso Outotec, the comparability with peers or international targets is limited. It covers Metso Outotec’s Planet Positive portfolio, which currently represent 14% of the company’s total sales.

ISS ESG finds that SPT 3 cannot be calibrated against peers and international targets, as the methodology used to define the Planet Positive portfolio is proprietary and unique to the issuer. The SPT is ambitious against past performance with limitations. The Planet Positive concept is new for the company and the issuer explains that the strategy of benchmarking, designing and producing less polluting products and services started only in 2020, and the first

full measurement was done in 2021. Hence, the SPT goes beyond a business-as-usual trajectory. However, there is a lack of historical performance data. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

Consistent with Issuer's sustainability strategy

Part 3:

According to the ISS ESG Corporate Rating published 12.02.2022, the company currently shows a medium sustainability absolute performance.

Link to issuer's sustainability strategy

The KPIs selected by the issuer are related to climate change. Environmental impacts of products and services is considered as a key ESG issue faced by the issuer's industry. ISS ESG finds that the KPIs are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Sustainability-Linked financing instruments is clearly described by the issuer.

ISS ESG SPO ASSESSMENT

PART 1: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA/APLMA/LSTA SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes ISS ESG’s assessment of the alignment of the Metso Outotec’s Sustainability-Linked Finance Framework (as of June 2, 2022) with the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA), and the Sustainability-Linked Loan Principles, as published by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA).

SLB PRINCIPLES	ASSESSMENT	ISS ESG’S OPINION
1. Selection of KPIs		ISS ESG conducted a detailed analysis of the sustainability credibility of KPIs selection available in Part 2 of this report.
2. Calibration of SPTs		ISS ESG conducted a detailed analysis of the sustainability credibility of SPTs available in Part 2 of this report.
3. Sustainability-Linked Security Characteristics	✓	ISS ESG considers the Sustainability-Linked Security Characteristics description provided by the issuer as aligned with the SLBP and SLLP. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, which may include, but is not limited to, margin adjustment, coupon adjustment or re-payment amount adjustment.
4. Reporting	✓	ISS ESG considers the Reporting description provided by the issuer as aligned with the SLLP. This will be made available annually to investors and include valuable information, as described in the Framework.
5. External verification	✓	ISS ESG considers the Verification description provided by the issuer as aligned with the SLBP and the SLLP. ISS ESG provides an SPO through this report. The performance of the SPTs against the KPIs will be externally verified annually until the target is reached.

PART 2: KPI SELECTION & SPT CALIBRATION

1A.1 Selection of KPI 1

KPI 1 : Net scope 1 & 2 carbon emissions (tCO₂)

FROM ISSUER'S FRAMEWORK

KPI : Net scope 1 & 2 carbon emissions (tCO₂)

SPT: Reduce scope 1 & 2 emissions to net-zero by 2030

Rationale: Metso Outotec's aim is to substantially decrease the CO₂ emissions footprint of their operations and supply chain. One important way to drive emissions reductions is the implementation of energy-savings actions in their operations and their sites are actively finding ways to reduce their carbon footprint and increase their energy efficiency. Around 85% of the electricity consumption of their biggest locations already comes from renewable sources, which represents more than 90% of their total electricity consumption.

In 2020 Metso Outotec's carbon emission targets were verified by the Science-Based Targets initiative (SBTi) as aligned with the 1.5 degrees scenario. In 2021, they set a new carbon emissions reduction target for their operations that they plan to get reverified:

The target is a 50% reduction by 2024 and net-zero CO₂ emissions by 2030

Baseline performance and year: 122,868 (tCO₂) in 2019

Target performance and year: Net-zero scope 1 & 2 CO₂ emissions by 2030

Definition: Reduction of absolute scope 1 and 2 carbon emissions (tCO₂) from the entire value chain.

Scope: Market-based emissions are used for scope 2 emissions. Scope and calculations follow GHG Protocol. This KPI covers 100% of Metso Outotec's own operations of CO₂ emissions from fuel consumption (NG, LPG and Diesel - scope 1) and external energy (electricity, district heat and steam - scope 2). The company does not have other significant GHG sources in their operations.

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Heavy Trucks & Construction & Farm Machinery industry according to key ESG standards³ for reporting and ISS ESG assessment. Companies of this industry are highly energy-intensive, namely in the process of producing technologies and end-to-end solutions, as well as services and consumables, for the aggregates, minerals processing, and metals refining industries. Furthermore, the largest consumers of energy in the industrial sector are manufacturing, mining, construction, and agriculture.

ISS ESG finds that the scope 1 and 2 emissions reduction KPI selected by the issuer is:

- **Relevant** to Metso Outotec's business as its industry is highly CO₂ emitting given that energy is a critical input in industrial machinery manufacturing. Purchased electricity represents the largest share of energy expenditure in the industry, followed by purchased fuels. The Heavy

³ Key ESG Standards include SASB and TCFD, among others.

Trucks & Construction & Farm Machinery industry is also exposed to climate change mitigation solutions (e.g. eco- and energy-efficiency of production processes).

- **Core** to the issuer's business as scope 1 and 2 CO₂ emission reduction measures affect key processes and operations that are core to the business model of the issuer (e.g. the company will invest in on-site renewable energy, and energy efficiency improvements). Metso Outotec's strategy is to focus on investing in on-site renewable energy as the main scope 1 & 2 footprint reduction lever, however RECs are part of the strategy to reduce scope 2 CO₂ emissions once all other solutions have been exhausted. It is important to note that for consumables (the company's biggest "contributor" to emissions) they have set the offsetting limit of residual emissions to a maximum of 10% of the baseline emissions.
- **Moderately Material** to Metso Outotec's business model and sustainability profile if used individually on a financial instrument as a stand-alone KPI. However, integrated with KPI 2, the company is strengthening their decarbonization strategy by covering the direct operations and upstream emissions, which together account for approximately 19.6% of the company's emissions:
 - KPI 1 is material to the company's direct operations, because the KPI focuses on scope 1 and 2 emissions covering the entirety of the company's activities. However, scope 1 and 2 emissions only represent 1.6% of the emissions of Metso Outotec. Therefore, KPI 1 is deemed not material to the entire Corporate Value Chain of the company as per ISS ESG's methodology.
 - KPI 1 is focused on CO₂ emissions from fuel consumption (NG, LPG and Diesel - scope 1) and external energy (electricity, district heat and steam - scope 2) since the company does not have other significant GHG sources in their operation.

Consistency with overall company's sustainability strategy

Metso Outotec identifies sustainability as one of its top priorities and puts climate change at the heart of its sustainability strategy. The overarching commitment is to limit global warming to 1.5°C by setting science-based targets.

The company's sustainability agenda can be divided into two parts: handprint and footprint. The first one focuses on customers, by providing a sustainable offering and innovations to customers, who operate in the aggregates, mining and metals refining industries. The company aims to do so through, for example, R&D. With the second the company focuses on reducing the impact of its own operations on the environment, by implementing energy-saving measures or switching to renewable energy sources for its own-production activities.

Reducing their scope 1 and 2 emissions to net-zero will be one of the actions that fit within the footprint-pillar of Metso Outotec's sustainability strategy.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers scope 1 and 2 CO₂ emissions of all Metso Outotec's operations. Scope 1 and 2 represent 1.6 % of the company's total CO₂ emissions from fuel consumption (NG, LPG and Diesel - scope 1) and external energy (electricity, district heat and steam - scope 2). The company does not have other significant GHG sources in their operations.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable through internationally recognized standards such as the GHG protocol. Scope 1 & 2 GHG absolute emissions KPI is widely disclosed and standardized in the market. Additionally, Metso Outotec had historical data externally verified by DNV GL and will continue to do so going forward. The 2030 net-zero KPI includes the SBTi approved target of 50% scope 1 & 2 CO₂ reductions by 2030 and the issuer is planning to have the updated emission reduction targets re-approved through the Science Based Targets initiative.
- **Externally verified:** The data for the KPI selected has been verified by a qualified third-party from 2019 through 2021. The issuer commits to having the future data verified by an external reviewer as well.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement. Benchmarking of the SPT in relation to this KPI has been analyzed below.

Opinion on KPI 1: ISS ESG finds that the KPI selected is core, relevant, and moderately material to the issuer's business model and consistent with its sustainability strategy. The KPI is considered material to the company's direct operations as it covers 100% of scope 1 and 2 GHG emissions but not material to the whole corporate value chain as it does not cover scope 3 which represents 98.4% of the GHG emissions. It is appropriately measurable, quantifiable, externally verifiable, and benchmarkable. Metso Outotec states that in the short term they will use RECs and it is important to note that RECs do not significantly affect key processes because they are a transactional instrument. The KPI selected has been externally verified. It covers 100% of the company's direct operations that are responsible for 1.6% of the company's total CO₂ emissions.

1A.2 Calibration of SPT 1

SPT 1: Reduce scope 1 & 2 emissions to net-zero by 2030

FROM ISSUER'S FRAMEWORK⁴

Sustainability Performance Target: Reduce scope 1 & 2 emissions to net-zero by 2030

Sustainability Performance Target Trigger: The absolute scope 1 & 2 emissions for year-end of 2030.

Sustainability Performance Target Observation Date: December 31, 2030

Historical performance:

TCO ₂	2019	2020	2021
<i>Scope 1</i>	39,492	36,918	43,048
<i>Scope 2 (market-based)⁵</i>	83,376	7,995	9,168
<i>Scope 2 (location-based)</i>	78,520	70,463	91,879
<i>Total scope 1 and 2 emissions (tCO₂)⁶</i>	122,868	44,913	52,216

Rationale for target selection: Metso Outotec's aim is to decrease the CO₂ emissions footprint of their operations and supply chain.

In 2020 Metso Outotec's carbon emission targets were verified by the Science-Based Targets initiative (SBTi) as aligned with the 1.5 degrees scenario. In 2021, they set a new carbon emissions reduction target for their operations: The target is a 50% reduction by 2024 and net-zero CO₂ emissions by 2030.

Risks to the target: Metso Outotec expects the volume of its business to grow between now and 2030.

Ambition

Against company's past performance

Metso Outotec set an SPT to reduce its scope 1 and 2 emissions by 100% in an 11-year timeframe (2019-2030). Table 1 reflects the reduction pathways, in absolute terms and relative to the baseline, and the Compound Annual Growth Rate (CAGR).

TABLE 1.	2019 - BASELINE	2020	2021	2024	2030 – SPT 1
<i>Scope 1 and 2 emissions (tCO₂)</i>	122,868	44,913	52,216	26,108	12,286 ⁷

⁴ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

⁵ The large reduction in scope 2 emissions (market-based) is due to the fact that Metso Outotec started to buy Renewable Energy Certificates during 2020.

⁶ Market-based emissions are used for Scope 2 emissions

⁷ ISS ESG has used a proxy of 10% of baseline emissions as the maximum residual offset amount for emissions.

Year-on-Year change		-63.4%	16.3%	-50%	-52.9%
CAGR from 2019 - 2021			-34.8%		
CAGR from 2019 - 2030					-14.9%
CAGR from 2021 - 2030					-18.9%

Metso Outotec has committed to net-zero CO₂ emissions while capping the offsets at 10% of the baseline emissions. To ensure a benchmark with comparable data we used absolute projected emissions as a proxy, ISS ESG calculated a 90% absolute emissions reduction for 2030. As displayed in table 1, the SPT sets a reduction path to net-zero scope 1 and 2 emissions by 2030, including 10% of emissions that may be offset. For reference, between 2019 and 2021, the company’s scope 1 and 2 emissions decreased on average by 34.8% annually. Between 2019 and 2020 Metso Outotec had a 63.4% reduction in emissions due to starting to buy Renewable Energy Certificates (RECs) to reduce scope 2 emissions during 2020. RECs are a short-term strategy that does not significantly affect key processes, because they are a transactional instrument.

Quantitatively, the emissions reductions from 2021 to 2030 are lower than the reductions from 2019 to 2020, however, the remaining emissions that must be reduced are mostly scope 1 emissions.

Actions impacting Metso Outotec’s activity directly need to be taken to reduce the scope 1 emissions, hence, SPT 1 sets out an ambitious reduction path than was achieved historically by the company.

Therefore, ISS ESG considers SPT 1 not quantitatively ambitious, but it is qualitatively ambitious against the company’s past performance.

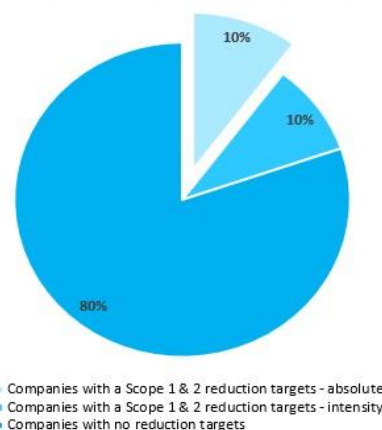
Against company’s sectorial peers

ISS ESG conducted a benchmarking of SPT 1 against the Heavy Trucks & Construction & Farm Machinery peer group of 137 listed companies, including Metso Outotec, derived from the ISS ESG Universe.

In terms of target set, Metso Outotec is one of 27 companies to have set scope 1 and 2 targets in its industry. 14 peers have set an absolute target (including Metso Outotec) and 13 peers have set an intensity target for their scope 1 and 2 emissions reductions. 110 peers have not set such a target.

Figure 1 shows the relative target setting in the peer group. As the SBTi prescribes the industry to set absolute targets, the issuer belongs to the top 10% tier of its industry in terms of existence of such targets. Therefore, ISS ESG considers SPT 1 set by Metso Outotec as ambitious compared to the sectorial peer group, in terms of target set and in having an SBTi target.

Figure 1. Scope 1 and 2 emission reduction targets by Heavy Trucks & Construction & Farm Machinery peer group



Source: ISS ESG Universe, December 2021

Against international targets

Metso Outotec has a Science-Based Targets initiative approved emission reduction target of cutting scope 1 and 2 emissions by 50% by 2030. This target has been confirmed by SBTi to be consistent with the reductions required to keep the global mean temperature increase to 1.5 degrees Celsius.

SPT 1 sets a target of net-zero scope 1 & 2 emissions by 2030 which is not SBTi approved, however, the issuer also plans to update their SBTi approved target to net-zero by 2030. The 2030 net-zero KPI includes their current SBTi approved target of 50% absolute scope 1 & 2 GHG reductions by 2030.

Therefore, ISS ESG finds that the SPT is in line with the Paris agreement since it includes their current SBTi approved target.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2019 and provided all yearly GHG emissions intensity data available since then. Historical data from before the baseline year is not provided since it is not comparable due to the merger of Outotec and Metso, so there is no consolidated group data available.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event, and the frequency of SPT measurement.

Supporting strategy and action plan

To reduce its scope 1 & 2 absolute GHG emissions by 2030, Metso Outotec could implement a set of investments in its operation to increase efficiency, and increase renewable energy use, including:

- Drive emissions reductions through the implementation of energy-savings actions in their operations and sites by actively finding ways to reduce their carbon footprint and increase their energy efficiency.
- Accelerating the shift towards electrification, moving to renewable energy sources, increasing usage of low carbon technologies. Around 85% of the electricity consumption of their biggest locations already comes from renewable sources, which represents more than 90% of their total electricity consumption.
- Where renewable energy is not a viable option, they will also manage their footprint by buying renewable energy certificates (RECs).
- Up to 10% of baseline emissions may be offset to address residual emissions, the split of offsets would be approximately 85% for scope 1 and 15% for scope 2.

Opinion on SPT 1: ISS ESG finds that the SPT calibrated by Metso Outotec is not quantitatively ambitious but is qualitatively ambitious against the company's past performance, which reflects the efforts to reduce Scope 1 GHG emission, requiring actions impacting Metso Outotec's activity directly. The SPT is ambitious compared to Heavy Trucks & Construction & Farm Machinery industry practices in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5° Celsius warming scenario according to SBTi. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

1B.1 Selection of KPI 2

KPI 2: Spending on suppliers signed up to Science-Based Targets

FROM ISSUER'S FRAMEWORK

KPI: Suppliers signed up for Science Based Targets initiative

SPT: 30% of direct suppliers by spend covering purchased goods and services, will have science-based targets by 2025

Rationale: Metso Outotec works with over 13,000 suppliers in more than 80 countries. The company works closely with many of its suppliers to develop their sustainability practices and processes. There are many benefits to ensuring a sustainable supply chain. Firstly, it's about risk management, protecting reputation and minimizing business disruptions that could lead to increased delivery times. In addition, it's also an opportunity to create efficiencies across the supply chain and better meet customer requirements. It's important for suppliers to understand that Metso Outotec expects them to improve their sustainability practices and processes. Alongside the broad 'responsible supplier' action plan that Metso Outotec has in place, Metso Outotec sees supplier emission reductions as a priority. The company started in 2020 to engage with its largest and most energy-intensive suppliers to review their CO₂ emissions targets. Specifically, Metso Outotec looks to involve its suppliers in the battle against climate change by aiming to increase the share of its expenditure with suppliers committed to Science-Based Targets, or equivalent CO₂ emissions reduction commitment.

Baseline performance and year: 2.2% in 2019

Target performance and year: 30% in 2025

Definition: Absolute increase in the percentage of suppliers committed to Science-Based Targets

Scope: This KPI covers 100% of Metso Outotec's direct suppliers.

Materiality and relevance

Climate change mitigation is considered as a key ESG issue faced by the Heavy Trucks & Construction & Farm Machinery industry according to key ESG standards⁸ for reporting and ISS ESG assessment. Companies of this industry are highly energy-intensive, namely in the process of producing technologies and end-to-end solutions, as well as services and consumables, for the aggregates, minerals processing, and metals refining industries. Furthermore, the largest consumers of energy in the industrial sector are manufacturing, mining, construction, and agriculture.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Metso Outotec's business as its industry is responsible for and exposed to the risks related to climate change. By addressing a portion of its Scope 3 emissions, the company can lower the environmental impact of its supply chain, specifically upstream.
- **Core** to the issuer's business as the issuer will need to dedicate effort to internal processes and operations. Metso Outotec started engaging with a small part of its numerous suppliers through outreach efforts and by raising awareness. Future engagement efforts will need to involve a larger share of the supplier base, thus requiring significant efforts. Metso Outotec

⁸ Key ESG Standards include SASB and TCFD, among others.

actions are: offering dedicated training, helping them calculate their CO₂ emissions, offering training and e-learnings, and accompanying them through the SBTi process. The company also aims to implement emissions-related requirements in their existing procurement policies and procedures. The issuer will consider switching its supplier base should these engagement efforts not lead to the desired results.

- **Partially material** to Metso Outotec's Scope 3 emissions⁹ as this KPI only covers the 'Purchased goods and services' category of Scope 3 emissions, which makes up approximately 15.75% of the company's annual Scope 3 emissions and 15.51% of total emissions. Only direct suppliers are covered. It does not cover the company's direct operations (Scope 1 and 2 emissions) nor the whole corporate value chain (other categories in Scope 3).

Consistency with overall company's sustainability strategy

Metso Outotec identifies sustainability as one of its top priorities and put climate change at the heart of its sustainability strategy. The overarching commitment is to limit global warming to 1.5°C by setting science-based targets.

The company's sustainability agenda can be divided in two parts: handprint and footprint. The first one focuses on customers, by providing a sustainable offering and innovations to customers, who operate in the aggregates, mining and metals refining industries. The company aims to do so through, for example, R&D. With the second the company focuses on reducing the impact of its own operations on the environment, by implementing energy-saving measures or switching to renewable energy sources for its own-production activities.

Supporting suppliers to reduce their carbon emissions (the second biggest source of emissions in Metso Outotec value chain) will be one of the actions that fit within the footprint-pillar of Metso Outotec's sustainability strategy.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter is transparently defined as it covers all direct suppliers of the company that are responsible for 15.51% of the company's total CO₂ emissions and 15.75% of the Metso Outotec's scope 3 emissions (in 2021).
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable. The company will rely on targets verified by the Science-Based Targets Initiative.
- **Externally verified:** Suppliers will have to verify their targets with the Science-Based Targets Initiative. The historical data on this KPI have been externally verified. The issuer commits to having the future data verified by an external reviewer as well.
- **Benchmarkable:** According to the latest SBTi's target validation criteria, companies can set suppliers engagement target to address emissions in the supply chain. This target require a

⁹ The emissions of Metso Outotec for the year 2021 per Scope of CO₂ emissions can be broken down as follows: Scope 1 and 2 represent 1.55% and Scope 3 represents 98.4%.

company's suppliers to set Science-Based Targets. Thus, the KPI can be benchmarked against peers and international targets.

Opinion on KPI 2: ISS ESG finds that the KPI selected is core, relevant and partially material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers the 'Purchased goods and services' category of Scope 3 emissions only, which makes up approximately 15.51% of Metso Outotec's CO₂ emissions and 15.75% of the annual Scope 3 emissions.

1B.2 Calibration of SPT 2

SPT 2: 30% of direct suppliers by spend covering purchased goods and services will have science-based targets by 2025

FROM ISSUER'S FRAMEWORK

Sustainability Performance Target: 30% of total spend on direct suppliers with a science-based target by 2025

Sustainability Performance Target Trigger: is calculated as follows: the annual (measured at 31st of December) suppliers spend with science-based targets, against the total supplier spend.

Sustainability Performance Target Observation Date: December 31, 2025

Historical performance:

	2019	2020	2021
Spend with suppliers having set Science-Based Targets	2.2%	2.5%	10.1%

Rationale for target selection: the target was selected to be in line with the SBTi requirements for Scope 3

Risks to the target: Suppliers to be involved in order to reach the target will become smaller in value spend with time. Thus, the company might have less leverage in convincing them to set SBTi-approved targets.

Ambition

Against company's past performance

Metso Outotec sets the SPT to achieve a share of at least 30% suppliers signed up for Science Based Targets initiative by 2025. The chosen baseline is 2019, when 2.2% of suppliers had a verified SBTi target.

TABLE 2.	2019 – BASELINE	2020	2021	2025 – SPT 2
Share of suppliers who signed up for Science Based Targets initiative	2.2%	2.5%	10.1%	30%
CAGR 2019 – 2021			114%	
CAGR 2019 – 2025				55%

As shown in Table 2, there was a steep increase between 2019 and 2021. This is due to the fact that in 2020 Metso Outotec started engagement efforts with its suppliers. In order to reach the 2025 goal, the annual increase in the share of suppliers signed up to SBTi should be an average of 55% per year (as calculated in the Compound Annual Growth Rate, CAGR).

Thus, while the trajectory cannot be considered ambitious against past performance from a quantitative point of view, ISS ESG considers that from a qualitative perspective SPT 2 can still be considered ambitious. With its initial outreach efforts, Metso Outotec was able to have some major suppliers signing up with the SBTi. This explains the steep increase in 2021. However, with time the suppliers to be involved to reach the target might become or smaller in value spend by Metso Outotec. Reaching less significant suppliers for the issuer might be more difficult to convince to set SBTi-approved targets, as the company will have less leverage.

Against company's industry peers

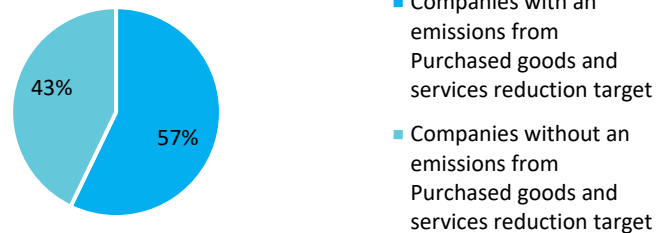
ISS ESG conducted a benchmarking of the SPT set by Metso Outotec against the peer group of 6 listed companies provided by the issuer. Addressing upstream emission by setting supplier engagement targets is part of the SBTi validation criteria¹⁰.

Among Metso Outotec's peers only one company has set a similar goal of having 30% of their procurement spending on suppliers with SBTi targets, although on a longer timeframe. Two other companies adopted a target to reduce by 50% the emissions of their suppliers by 2030 in both cases.

Consequently, Metso Outotec belongs to the top 57% tier. ISS ESG finds that there is limited information to assess the level of ambition of SPT 2 against peers' performance.

¹⁰ <https://sciencebasedtargets.org/blog/how-can-companies-address-their-scope-3-greenhouse-gas-emissions>

Figure 2. Emission reduction targets for
Purchased goods and service



Against international targets

Metso Outotec has set various goals to reduce its Scope 1, 2, and 3 emissions. As part of its initiatives to reduce Scope 3 emissions, Metso Outotec has committed to have 30% of its direct suppliers by spend covering purchased goods and services, with science-based targets by 2025. This goal, along with the others covering Scope 1 and 2, and other sources of Scope 3, has been verified by SBTi as in line with the objective of limiting average global temperature increases to 1.5 degrees Celsius. Given the SBTi verification, ISS ESG concludes that SPT 2 is in line with the Paris Agreement. The SBTi states that the preferred method for addressing scope 3 emissions is setting absolute targets in line with approved methods by the SBTi. Thus the Issuer could further strengthen its decarbonization roadmap by applying an absolute target for scope 3 emissions.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2019 and provided all yearly procurement spending on suppliers with SBTi targets since then.
- **Timeline:** Timeline: The issuer defined a precise timeline related to the SPT achievement, which will be measured annually, including the target observation dates, the trigger events and the frequency of SPTs measurements.

Supporting strategy and action plan

Metso Outotec plans to take the following actions to achieve SPT 2:

- Outreach efforts and awareness-raising with suppliers
- Offer dedicated training and support in the SBT setting process
- If needed, provide economic incentives (such as facilitating access to concessional finance for suppliers with SBTs) and re-evaluate and re-design existing procurement policies and procedures to implement emissions-related requirements into the standard processes
- Redirect spending toward suppliers with verified Science-Based Targets

Opinion on SPT 2: ISS ESG finds that the SPT calibrated by Metso Outotec's is qualitatively ambitious against the company's past performance, and in line with the Paris Agreement and 1.5° Celsius warming scenario according to SBTi. However, there is limited information to assess the level of

ambition against peers' performance. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

1B.1 Selection of KPI 3

KPI 3: Annual increase in revenue from Planet Positive offering

FROM ISSUER'S FRAMEWORK

KPI: Annual increase in revenue from Planet Positive offering

SPT: Increase Planet Positive sales annually at a 3 percentage point rate above that of the overall portfolio

Rationale: The biggest environmental impacts of Metso Outotec's products are generated when in use in customers' operations. Its Planet Positive products are more energy or water-efficient than the market standard, help its customers cut their CO2 emissions or achieve other sustainability priorities such as reducing pollution. Planet Positive services can improve customers' processes to achieve similar benefits. The Planet Positive qualification criteria have been set to ensure alignment with its customers achieving their own publicly stated climate change and other environmental targets.

Baseline performance and year: in 2021, Planet Positive portfolio represented 14% of total sales. No sales growth data is available.

Target performance and year: Overall sales growth % + 3.0 percentage points as an annual performance target. The target observation date will be determined in the final terms of a security.

Definition: Increasing the share of revenue derived from products and services classified as "Planet Positive", where this product and services offering is defined in detail in the appendix of the issuer's Framework.

Scope: The KPI covers all products and services that the issuer defines as "Planet Positive" according to their proprietary methodology, which is explained in the appendix of the Framework.

Materiality and relevance

Environmental impacts of products and services is considered as a key ESG issue faced by the Heavy Trucks & Construction & Farm Machinery products industry according to key ESG standards¹¹ for reporting and ISS ESG assessment. Industrial machinery can impact the environment in several ways, ranging from fuel consumption and associated GHG emissions to water use and soil damage.

ISS ESG finds that the Planet Positive sales KPI selected by the issuer is:

- **Relevant** to Metso Outotec's business as the KPI addresses a key issue for its industry. Shifting to a more environmentally beneficial portfolio is one of the indicators that could mitigate this

¹¹ Key ESG Standards include SASB and TCFD, among others.

issue. The KPI focuses on the impacts in the customer use phase, since that phase generates the biggest environmental impacts¹².

- **Core** to the issuer's business as it will require an overall shift of the company's portfolio towards a more sustainable offering for Metso Outotec's customers. The company will invest in R&D to improve and expand the Planet Positive product offering, as well as strive to increase their sales of these products and services through marketing efforts. The company expects to invest more in overall production capacity of the Planet Positive offering. By tying the KPI to the share of sales growth, the issuer is incentivized to ensure an attractive sustainable product and service offering, by simultaneously innovating to lower the environmental impact, while ensuring at least equal product performance.
- **Moderately material** to Metso Outotec from an ESG perspective as the KPI aims to increase the sales growth of Planet Positive sales above the overall sales growth. As such, the company seeks to steadily increase the share of their more sustainable offering, which represented 14% of total sales in 2021. By increasing this offering, which is benchmarked against competing alternatives in the market to deliver similar performance at a lower environmental impact (including energy efficiency, reduction in CO₂ emissions and water usage or pollution), the company can improve the environmental impact of its customers¹³. Indeed, the use of sold products is the emissions category with the most significant impact overall¹⁴. The Planet Positive label is based on the issuer's own methodology, as detailed in the Framework. To qualify for this label, the impact (for example water usage or energy use) of a product or service is measured and only when it fulfills at least one of the following threshold levels, which are relative to a market benchmark level of performance, will it be included in the Planet Positive portfolio. Such performance data is verified by a third-party. However, since the KPI measures a relative growth in sales of Planet Positive products, the increase of the sustainable product offering is contingent on overall sales growth.

Consistency with overall company's sustainability strategy

Metso Outotec identifies sustainability as one of its top priorities and put climate change at the heart of its sustainability strategy. The overarching commitment is to limit global warming to 1.5°C by setting science-based targets.

The company's sustainability agenda can be divided in two parts: handprint and footprint. The first one focuses on customers, by providing a sustainable offering and innovations to customers, who operate in the aggregates, mining and metals refining industries. The company aims to do so through, for example, R&D. With the second the company focuses on reducing the impact of its own operations on the environment, by implementing energy-saving measures or switching to renewable energy sources for its own-production activities.

Increasing the range and availability of the Planet Positive portfolio will be one of the actions that fit within the handprint-pillar of Metso Outotec's sustainability strategy.

¹² As per the company's reported data, the category 'Use of sold products' in Scope 3 emissions makes up approximately 79% of total emissions in 2021.

¹³ The 'use of sold products' category of Scope 3 emissions represented 2,669,000 tCO₂ in 2021, which corresponds to approximately 79% of the company's total GHG emissions (Scope 1, 2 and 3 combined, totaling at 3,372,216 tCO₂).

¹⁴ As per the company's reported data, the category 'Use of sold products' in Scope 3 emissions makes up approximately 79% of total emissions.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** The KPI scope and perimeter are clearly defined as per Metso Outotec's methodology¹⁵ for their Planet Positive portfolio, which currently represents 14% of the company's total sales.
- **Quantifiable/Externally verifiable:** The KPI selected is quantifiable and externally verifiable, as the company has defined a specific methodology for categorizing their portfolio as "Planet Positive", which includes quantified benchmark levels of performance (for example on energy efficiency and water usage).
- **Externally verified:** The current data on the performance level for this KPI has been externally verified and the issuer commits to having the future data verified by an external reviewer as well.
- **Benchmarkable:** The KPI is unique to Metso Outotec, as the company has defined its own set of criteria (using different sustainability benchmarks) to compile its Planet Positive portfolio. Therefore, the benchmarkability with peers or international targets is limited.

***Opinion on KPI 3:** ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer's business model and consistent with its sustainability strategy. By increasing the Planet Positive offering, the company can improve the environmental impact of its customers. However, since the KPI measures a relative growth in sales of Planet Positive portfolio, the increase of the sustainable offering is contingent on overall sales growth. The KPI is appropriately measurable, quantifiable, externally verifiable, and externally verified. Since the KPI is unique to Metso Outotec, the comparability with peers or international targets is limited. It covers Metso Outotec's Planet Positive portfolio, which currently represents 14% of the company's total sales.*

1B.2 Calibration of SPT 3

SPT 3: Increase Planet Positive sales annually at a 3-percentage point rate above that of the overall portfolio

FROM ISSUER'S FRAMEWORK

Sustainability Performance Target: Increase Planet Positive sales annually at a 3 percentage point rate above that of the overall portfolio

Sustainability Performance Target Trigger: is calculated as follows: the annual increase in Planet Positive sales above that of the overall portfolio

¹⁵ The issuer has defined a detailed methodology, which has been reviewed by ISS ESG. The Sustainability-linked Finance Framework includes a condensed version of the methodology in the annex. In short, the Planet Positive product offering knows a set of quantified benchmarks, including but not limited to energy efficiency and CO2 emission reductions, out of which at least one must be fulfilled.

Sustainability Performance Target Observation Date: December 31, 2025

Historical performance: Note that historical data is not available for 2019 and 2020 as this is a new KPI.

EURM	2019	2020	2021
Planet Positive Sales (including capital equipment and consumables)	n/a	n/a	592
Total Sales	4,030	3,897	4,236
Share of total sales	n/a	n/a	14.0%
Overall sales growth	-	-3.3%	+8.7%

Rationale for target selection: The issuer explains that the target was selected in order to strike a balance between achievability and reaching the long-term result, so that the majority of the portfolio will become Planet Positive.

Risks to the target:

- Broad market shift away from market leading / ESG distinctive products (e.g. as a result of industry downturn resulting in 'upfront price overall else' focus)
- Ineffective R&D to develop further Planet Positive offerings, or Marketing to turn these into sales
- In the long term, as Planet Positive becomes a larger part of the portfolio and more generally across the market represents expected level of performance, it might become increasing difficulty to differentiate these products against competing offerings

Ambition

Against company's past performance

The issuer sets SPT 3 to increase Planet Positive sales annually at a 3-percentage point rate above that of the overall portfolio. The target observation date is only to be defined in the final terms of the security. Still, the SPT will be the same regardless of the year being measured.

Metso Outotec only created its methodology to benchmark and identify the Planet Positive sales in 2021. Therefore, there is no historical data before this time.

The Planet Positive concept is new for the company. The issuer explains that the strategy of benchmarking, designing and producing less polluting products started only in 2020, and the first full measurement was done in 2021. Hence, the SPT goes beyond a business-as-usual trajectory. This also goes hand-in-hand with some other new initiatives, e.g., Metso Outotec included the Planet Positive sales performance as part of senior management's incentive schemes.

As such, ISS ESG concludes that SPT 3 is ambitious against past performance with limitations due to the lack of historical performance data.

Against company's industry peers

ISS ESG conducted a benchmarking of the SPT set by Metso Outotec against the peer group of 6 listed companies provided by the issuer.

The unique nature of SPT 3 limits direct comparison with targets set by peers. While some peers set targets that partially overlap with Metso Outotec's, such as having targets on circularity of products, no other peer uses the same methodology of the Issuer.

Therefore, ISS ESG concludes that there is limited information to assess the level of ambition of SPT 3 against industry peers.

Against international targets

In the absence of international targets on this SPT, which is unique to Metso Outotec, ISS ESG cannot conclude the level of ambition of SPT 3 against international targets.

Measurability & comparability

- **Historical data:** The SLBP and SLLP recommend having at least 3 years of historical data, however, the issuer has not provided historical data for the years 2019 and 2020, because this KPI was created and first calculated in 2021.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, which will be measured annually, including the target observation dates, the trigger events and the frequency of SPTs measurements.

Supporting strategy and action plan

Metso Outotec plans to take the following actions to achieve SPT 3:

- Increase the scope of the Planet Positive portfolio
- Invest in R&D projects
- Focused marketing

Opinion on SPT 3: ISS ESG finds that SPT 3 cannot be calibrated against peers and international targets, as the methodology used to define the Planet Positive portfolio is proprietary and unique to the issuer. The SPT is ambitious against past performance with limitations. The Planet Positive concept is new for the company and the issuer explains that the strategy of benchmarking, designing and producing less polluting products and services started only in 2020, and the first full measurement was done in 2021. Hence, the SPT goes beyond a business-as-usual trajectory. However, there is a lack of historical performance data. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.

PART 3: LINK TO METSO OUTOTEC'S SUSTAINABILITY STRATEGY

This section aims to provide an overall level of information on the ESG risks to which the issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the issuer and its sector

At issuer level

Leveraging ISS ESG's Corporate Rating methodology, ISS ESG assessed the current sustainability performance of the issuer to be medium. Please note that the consistency between the issuance subject to this report and the issuer's sustainability strategy is further detailed in Part 2 of the report.



At industry level

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE SECTOR
Environmental impacts of products
Resource-conserving production
Product safety
Occupational health and safety

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, ISS ESG assessed the contribution of the issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to the evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE ¹⁶	DIRECTION OF IMPACT	UN SDGS
Services to the coal industry	1%	OBSTRUCTION	 

¹⁶ Percentages presented in this table are not cumulative.

Breaches of international norms and ESG controversies

At issuer level

At the date of publication, ISS ESG has not identified any severe controversy in which the issuer would be involved.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Heavy Trucks & Construction & Farm Machinery industry are as follows: failure to respect consumer health and safety, failure to respect the right to just and favorable conditions of work, and failure to respect the right to life.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

DISCLAIMER

1. Validity of the SPO: For Metso Outotec's Sustainability-Linked Financing Instruments issuances as long as the Sustainability-Linked Finance Framework (02.06.2022), SPTs benchmarks (including data for KPI baseline) and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyze and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to standardized procedures to ensure consistent quality of responsibility research worldwide. In addition, we provide Second Party Opinion (SPO) on bonds based on data provided by the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Metso Outotec's 2022 ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

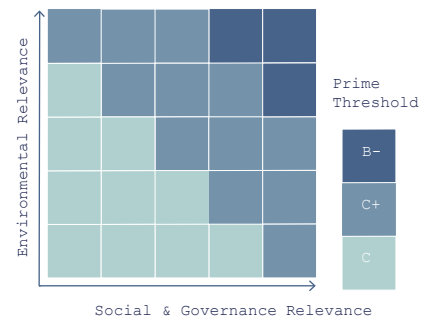
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from industries with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per industry, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles by ICMA, and the Sustainability-Linked Loan Principles administered by LMA/APLM/LSTA

ISS ESG reviewed the Sustainability-Linked Finance Framework of Metso Outotec, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA and the Sustainability-Linked Bond Principles administered by the LMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Metso Outotec's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks.

ISS ESG analysed the ambition of the SPT against Metso Outotec's own past performance (according to Metso Outotec's reported data), against Metso Outotec's industry peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Metso Outotec.

ANNEX 3: Quality management processes

SCOPE

Metso Outotec commissioned ISS ESG to compile a Sustainability-Linked Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Finance Framework aligns with the ICMA Sustainability-Linked Bond Principles and LMA/APLMA/LSTA Sustainability-Linked Loan Principles and to assess the sustainability credentials of its Sustainability-Linked financing instruments, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles
- LMA/APLMA/LSTA Sustainability-Linked Loan Principles

ISSUER'S RESPONSIBILITY

Metso Outotec's responsibility was to provide information and documentation on:

- Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Financing Instruments to be issued by Metso Outotec based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles and the LMA Sustainability-Linked Loan Principles.

The engagement with Metso Outotec took place from April to June 2022.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information about SPO services, please contact: SPOsales@isscorporatesolutions.com

For information about this specific Sustainability-Linked Financing Instruments SPO, please contact: SPOOperations@iss-esg.com

Project team

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