

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Valmet

15 February 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Debt Instruments

Relevant standards

- Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles, as administered by the Loan Market Association (LMA) (as of February 2023)

Scope of verification

- Valmet Green Finance Framework (as of February 8, 2024)
- Valmet Assessment type (as of February 8, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

CONTENTS

SCOPE OF WORK.....	3
VALMET OVERVIEW	4
ASSESSMENT SUMMARY	5
SPO ASSESSMENT.....	7
PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)	7
PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA	10
A. CONTRIBUTION OF THE GREEN DEBT INSTRUMENTS TO THE UN SDGs	10
B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA	13
PART III: CONSISTENCY OF THE GREEN DEBT INSTRUMENTS WITH VALMET'S SUSTAINABILITY STRATEGY	17
ANNEX 1: METHODOLOGY	23
ANNEX 2: QUALITY MANAGEMENT PROCESSES.....	24
About this SPO.....	25

SCOPE OF WORK

Valmet Oyj (“the Issuer”, “the Company”, or “Valmet”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Debt Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Valmet’s Green Finance Framework (as of February 8, 2024) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP), and Loan Market Association’s (LMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of Green Debt Instruments with Valmet’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

VALMET OVERVIEW



Valmet Oyj develops and supplies process technologies, automation, and services for the pulp, paper, and energy industries in North America, South America, China, Europe, the Middle East, Africa, and Asia Pacific. The company's Process Technologies segment offers pulping process equipment, process islands and complete pulp mills, individual board, tissue and paper machine sections, complete production lines and machine rebuilds, boiler islands, power plants, heating plants, environmental solutions, and technologies for converting biomass to fuels, chemicals, and materials. Its Automation segment offers distributed control systems, quality management systems, analyzers and measurements, industrial applications, and automation services and industrial internet solutions, as well as valves, pumps, valve controls, actuators and limit switches, valve spare parts, and services and industrial internet solutions. The company's Services segment provides spare and process parts, workshop and roll services, fabrics, maintenance development and outsourcing, field service, process upgrades, and industrial internet solutions. It serves pulp, board and paper, energy and industrial gas, biomaterials and fuel, chemical, and mineral industries. Valmet Oyj was founded in 1750 and is based in Espoo, Finland.

ESG risks associated with the Issuer

Valmet is classified in the Industrial Machinery and Equipment industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies in this industry are environmental impact of products, resource-conserving production, product safety, and occupational health and safety.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part I:</p> <p>Alignment with GBP/GLP</p>	<p>The Issuer has defined a formal concept for its Green Debt Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP and GLP.</p> <p><i>* The project categories identified by Valmet are aligned with the GBP, except specific sub-criteria within the Climate Change Mitigation category, which are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green categories by investors.</i></p>	<p>Aligned*</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The Green Debt Instruments will (re)finance eligible asset categories which include:</p> <p>Circular Economy, and Climate Change Mitigation.</p> <p>Product and/or service-related use of proceeds categories² individually contribute to one or more of the following SDGs:</p> <div style="text-align: center;">   </div> <p>For certain criteria of Climate Change Mitigation,³ there is no evidence of an environmental contribution or an improvement on the Issuer and/or end users' potential negative externalities.</p> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p>Moderate</p>

¹ The evaluation is based on Valmet's Green Finance Framework (February 8, 2024 version), on the analysed Selection Criteria as received on February 8, 2024.

² Circular Economy, and Climate Change Mitigation.

³ Expenditures, including R&D, related to infrastructure that supports the generation of biomass energy; expenditures, including R&D, related to the reduction of GHG emissions through the development, manufacture, and delivery of technologies and solutions for customers' pulp, paper, and tissue mills with electrification or heat recovery and that enable the reduction of GHG emissions in Valmet's customers' pulp mills through solutions for fossil-free pulp mills, including fossil-free lime kilns.

<p>Part III:</p> <p>Consistency of Green Debt Instruments with Valmet's Sustainability Strategy</p>	<p>The key sustainability objectives and the rationale for issuing Green Debt Instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>
---	---	--

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)

This section evaluates the alignment of the Valmet’s Green Finance Framework (as of February 8, 2024) with the GBP and GLP.

GREEN BOND PRINCIPLES (GBP) AND GREEN LOAN PRINCIPLES (GLP)	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓ *</p>	<p>The Use of Proceeds description provided by Valmet’s Green Finance Framework is aligned* with the GBP and GLP.</p> <p>The Issuer’s green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p>The Issuer defines a look-back period of 3 years, which is in line with market practice.</p> <p><i>* The project categories identified by Valmet are aligned with the GBP, except specific sub-criteria within the Climate Change Mitigation category,⁴ which are assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green might vary depending on sector and geography, it is recognized that those categories might be considered as eligible green categories by investors.</i></p>

⁴ Expenditures, including R&D, related to infrastructure that supports the generation of biomass energy; expenditures, including R&D, related to the reduction of GHG emissions through the development, manufacture, and delivery of technologies and solutions for customers’ pulp, paper, and tissue mills with electrification or heat recovery and that enable the reduction of GHG emissions in Valmet’s customers’ pulp mills through solutions for fossil-free pulp mills, including fossil-free lime kilns.

<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Valmet’s Green Finance Framework is aligned with the GBP and GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>Valmet has established a Green Finance Committee (the “Committee”), which will be responsible for the evaluation and selection of eligible projects under the Framework. The Committee will be comprised of members from the Financial Management, Treasury and Sustainability departments. The Framework notes that the Company’s Vice President of Sustainability holds the right to veto any decisions related to the eligibility of the selected assets and expenditures.</p> <p>The Company uses a groupwide risk management system to assess and manage environmental and social risks associated with eligible projects.</p>
<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Valmet’s Green Finance Framework is aligned with the GBP and GLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach) and an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>

		<p>Valmet’s Group Treasury (the “Treasury”) in collaboration with Financial Control will be responsible for the management and allocation of net proceeds under the Framework. The Treasury will track the net proceeds from the Company’s Framework through a Green Debt Register.</p> <p>Valmet intends to achieve a full allocation of the proceeds at the maturity of each Green Financing instrument or upon redemption/ repayment at the latest. Pending allocation, unallocated proceeds will be placed in the Company’s liquidity reserve and managed in accordance with Valmet’s liquidity management policy.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Valmet’s Green Finance Framework is aligned with the GBP and GLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Valmet explains that the level of expected reporting will be at the project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The allocation reporting will include the total amount of proceeds allocated to eligible assets, proportion of proceeds used for financing and refinancing, proportion of unallocated proceeds, allocation method, and the distribution of allocated proceeds between each eligible category.</p> <p>In addition, the Company is committed to reporting on relevant impact metrics per eligible category, such as GHG emissions avoided, energy efficiency improvements, and the extension of the lifecycle of products.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA


A. CONTRIBUTION OF THE GREEN DEBT INSTRUMENTS TO THE UN SDGs⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale:



Each of the Green Debt Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁶	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Transition to a Circular Economy⁷</p> <p><i>Capital and operational expenditures, including Research and Development (R&D), related to the extension of the lifecycle of Valmet's products, namely equipment used in pulp, paper and tissue mills and related production machinery. The extension of the lifecycle of these products is facilitated through the reparation, refurbishment, or remanufacturing of equipment that has already been used by Valmet's customers.</i></p> <p><i>Examples of reparation, refurbishment and remanufacturing activities include reconditioning services for stock preparation and recycled fiber equipment, rotor maintenances, repair and reconditioning, retrofits of refiners, and take-back programs that provide customers with the option to send</i></p>	<p>Contribution</p>	

⁵ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁶ The criteria include examples of projects what were shared by the client with ISS-Corporate, providing additional context for the project categories.

⁷ The review is limited to the examples provided by the client.

back their equipment to Valmet for reconditioning in exchange for an updated unit.

The Framework notes that the expenditures will be screened in line with the EU Taxonomy's sections, for example, 5.1 (Repair, Refurbishment and Remanufacturing) or 4.1 (Provision of IT/OT Data-Driven Solutions). The eligible activities will meet all the Minimum Safeguards and Technical Screening Criteria (TSC) in line with the noted EU Taxonomy sections.

Climate Change Mitigation⁸

Expenditures, including R&D, related to activities that are fully in line with the EU Taxonomy's TSC, for example, 3.1 (Manufacture of Renewable Energy Technologies), 3.2 (Manufacture of Equipment for the Production and Use of Hydrogen), or 3.6 (Manufacture of Other Low-Carbon Technologies).

Examples of the technologies include the lignin extraction technologies

Contribution



Climate Change Mitigation

Expenditures, including R&D, related to infrastructure that supports the generation of biomass energy.

Expenditures include technologies such as boilers and gasifiers for biomass residues and industrial side streams.

No Net Impact⁹

Climate Change Mitigation

No Net Impact¹⁰

⁸ The review is limited to the examples of projects spelled out in the Framework.

⁹ Valmet states that the financing of technology and solutions, such as boilers and gasifiers, will enable its customers to generate renewable energy. Valmet has confirmed to ISS-Corporate that it does not have operational control over the potential materials that will be used by its customers in the combustion process to generate energy, which leads to uncertainty around the emissions intensity improvements in energy production, and the potential land-use impact of various biomass feedstocks that will be used. Therefore, according to ISS-Corporate methodology, the financing of this activity is considered as having no net impact on the SDGs.

¹⁰ Valmet states that the financing of technology and solutions, such as electrification of processes, will enable the reduction of GHG emissions in its customers' pulp, paper, and tissue mills, and wood powder firing systems and biomass gasifiers to replace fossil fuels as the energy source in lime kilns with renewables will enable the reduction of fossil fuels use in pulp and paper mills. Valmet has confirmed to ISS-Corporate that it does not have operational control over the energy source of the electrification processes, or over the types of feedstock that will be used to generate renewable energy, which leads to uncertainty around the emissions intensity improvements in energy production, and the potential land-use impact of various biomass feedstocks that will be used. Therefore, according to ISS-Corporate methodology, the financing of this activity is considered as having no net impact on the SDGs.

Expenditures, including R&D, related to the reduction of GHG emissions through the development, manufacture, and delivery of technologies and solutions for customers' pulp, paper, and tissue mills with electrification or heat recovery.

- *Examples of technologies and solutions include upgrading fossil-based heating and dryer systems to electric.*

Expenditures, including R&D, related to technologies and solutions that enable the reduction of GHG emissions in Valmet's customers' pulp mills through solutions for fossil-free pulp mills, including fossil-free lime kilns.

- *The financing of fossil-free lime kilns includes wood powder firing systems, and biomass gasifiers that will replace fossil fuels as the energy source in lime kilns with renewables.*

Climate Change Mitigation

Expenditures, including R&D, related to the reduction of GHG emissions through the development, manufacture, and delivery of technologies and solutions for customers' pulp, paper, tissue mills, including emissions control.

Valmet has confirmed to ISS-Corporate that these technologies yield emissions reduction of 10-50%

Climate Change Mitigation

Expenditures, including R&D, related to technologies that enable the replacement of virgin fibers with recycled materials, such as stock preparation technologies for recycled fibers. Financing may include technologies that enable the efficient use of raw materials in pulp, paper, board, and tissue production.

Examples of technologies include Old Corrugated Container (OCC) technologies such as drum pulpers, and refiners.

Contribution



Contribution



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. All of the expenditures are currently mostly located in Europe, however the expenditures may be allocated globally.

ASSESSMENT AGAINST KPIs

All categories

Labor Standards



Valmet has measures and policies in place systematically ensuring that expenditures financed under Valmet’s Framework provide for high labor standards for its own employees, contractors and suppliers in the supply chain.¹¹ The Company’s Code of Conduct is aligned with the principles established in the UN Global Compact, which includes principles for labor such as elimination of forced and compulsory labor, abolition of child labor, and elimination of discrimination in employment and occupation.¹²

Health and Safety Standards



The Issuer has policies in place systematically ensuring that expenditures financed under this Framework provide for high health and safety standards that apply to all employees, contractors, suppliers, and customers. Valmet has a Health, Safety, and Environment (HSE) Policy, which outlines measures such as guidelines to reduce incidents of workplace injuries, health and safety trainings, and health safety management systems.¹³ The Company has also established safety targets to ensure compliance with its HSE policy. Additionally, Valmet’s development and supply of process technologies, automation, and services for the pulp, paper, energy, and other process industries are ISO 45001 certified.¹⁴

On Site Safety



Valmet’s development and supply of process technologies, automation and services for the pulp, paper, energy, and other process industries are ISO 45001 certified.

¹¹ Valmet, “Code of Conduct”, at: https://www.valmet.com/globalassets/about-us/management/code-of-conduct/codeofconduct2020/valmet_coc_2020_english.pdf

¹² UN Global Compact, “The Ten Principles of the UN Global Compact”, at: <https://unglobalcompact.org/what-is-gc/mission/principles>

¹³ Valmet, “Health and Safety Policy”, at: https://www.valmet.com/globalassets/sustainability/documents/hse-policy/valmet_hse_policy_2022.pdf

¹⁴ Valmet, “Certificate of Approval to ISO Standards”, at: <https://www.valmet.com/globalassets/sustainability/documents/iso-certificates/20231222-valmet-iso9001-iso14001--iso45001-certificate.pdf>

Environmental aspects of construction (or production) and operation



The Issuer has measures in place systematically ensuring that expenditures financed under this Framework feature take back and recycling at end-of-life. Within its own operations, Valmet applies circularity criteria from the designing phase and sourcing of raw materials for its products to the disposal and end of the lifecycle of products. In addition, Valmet has included a clause in its Sustainable Supply Chain Management Policy, requesting its suppliers to reuse and increase the share of recycled materials in their operations. Valmet has also initiated take-back, exchange, and reconditioning programs to extend the life cycle of its products.



Valmet conducts new life cycle assessments (LCAs) for the process technologies, automation, and solutions it provides to its customers. The Company conducts project specific LCAs dependent upon the technologies/ solutions being purchased by its customers. Furthermore, the Company also has third party verified LCAs completed for taxonomy aligned technologies.

The LCAs are conducted to follow the ISO 14044 standards and disclose the impact (Global Warming Potential) in most of the cycle phases.



The Issuer has policies in place systematically ensuring that expenditures financed under this Framework fulfill the threshold defined by the European Directive on the Restriction of the use of certain hazardous substances in electrical and electronic equipment (RoHS Directive). Valmet has included a clause for its suppliers, which specifies the requirements to comply with the substance restrictions defined by the European Union's RoHS directive.

Climate Change Mitigation

Environmental aspects of construction (or production) and operation



The Issuer has measures in place systematically ensuring that expenditures financed under this Framework meet high environmental standards and requirements in the supply chain. Valmet does not require suppliers to be ISO 14001 certified or to have an EMAS in place. However, the supplier standard refers to the implementation of elements of an environmental management system (i.e., environmental awareness, environmental initiatives/programs, reports on CO₂ emissions). Valmet requires suppliers to monitor, report, and strive to reduce the CO₂ emissions of their operations and their value chain. In addition, suppliers must continually reduce hazardous substances in their products and ensure conflict-free sourcing. Valmet has also initiated a supplier Sustainability Engagement Program since 2018, to support them in their sustainability practices. Finally, Valmet regularly conducts audits to ensure that the suppliers are in compliance with the requirements of their Sustainable Supply Chain Policy.

Labour Standards



Valmet has a Sustainable Supply Chain policy (the “Policy”) in place systematically ensuring that expenditures financed under Valmet’s Framework that establishes minimum requirements for business ethics and legal compliance, human and labor rights, occupational health and safety, climate and environmental management, and products and services in the supply chain.¹⁵ The Policy includes 9 core conventions of the International Labor Organization (ILO) and complies with the principles of the UN Declaration of Human Rights to uphold labor standards in its supply chain.

Health and Safety Standards



The Issuer has measures in place to ensure that expenditures financed under this Framework provide for high health and safety standards in the supply chain. Valmet’s Policy sets minimum occupational health and safety requirements such as compliance with all applicable occupational health and safety laws, identification of work-related hazards, and training on hazard mitigation. Valmet also requires its suppliers to monitor, report, and strive to reduce CO₂ emissions in their operations Valmet’s development and supply of process technologies, automation, and services for the pulp, paper, energy, and other process industries are and value chain.¹⁶ Valmet has a systematic auditing Framework in place to ensure that the suppliers are in compliance with the requirements of the Policy.¹⁷

Circular Economy

Energy Efficiency



The Issuer has measures in place systematically ensuring that expenditures financed under this framework for which energy efficiency during operation is optimized. Valmet manages and improves the energy efficiency in its operations by replacing fossil fuels with renewables, purchasing CO₂-free electricity and district heat, and implementing efficiency improvements such as LED lighting upgrades, installation of motion sensors, improving building insulation, and new ventilation systems. The Company has also included environmental efficiency requirements in its real estate guidelines for new facilities and renovation. Valmet aims to have 80% of its employees working in ISO 14001:2015 certified locations by 2025.¹⁸

¹⁵ Valmet, “Valmet Sustainable Supply Chain Policy” at: https://www.valmet.com/globalassets/sustainability/documents/sustainable-supply-chain-policy-2022/valmets-sustainable-supply-chain-policy_2022.pdf

¹⁶ Valmet, “Annual review 2022”, (2022), at: <https://www.valmet.com/globalassets/investors/reports--presentations/annual-reports/2022/valmet-annual-review-2022.pdf>.

¹⁷ Ibid.

¹⁸ Valmet, “Environmental Efficiency”, at: <https://www.valmet.com/about-us/sustainability/environmental-efficiency/#environmentalprogram>

Environmental aspects of construction (or production) and operation

The Issuer has policies in place systematically ensuring that expenditures financed under this Framework provide for comprehensive environmental management system. Valmet's development and supply of process technologies, automation, and services for the pulp, paper, energy, and other process industries are ISO 14001 certified. In 2022, 78% of Valmet's employee were covered by the ISO 14001:2015 certification.¹⁹ Valmet's employees and external workers are covered by the Company's global management system (GMS), which is an integrated quality, health, safety and environmental management system. The GMS is certified as per ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. Valmet intends to have all production locations, and at least 90% of its workforce covered by the systems by 2025.²⁰

¹⁹ Valmet, "GRI Supplement 2022", at: <https://www.valmet.com/globalassets/investors/reports--presentations/annual-reports/2022/valmet-gri-supplement-2022.pdf#page=37>

²⁰ Ibid.

PART III: CONSISTENCY OF THE GREEN DEBT INSTRUMENTS WITH VALMET’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG Topics</p>	<p>The Issuer has created a Sustainability 360° Agenda, which has nine focus areas with systematic target setting, annual actions plan and monitoring of progress. The nine ESG focus areas are the following: Circularity; Climate; Environmental Efficiency; Engaged Workplace; Health and Safety, and Corporate Citizenship; Ethical Business Practices; Sustainable Supply Chain; and Transparent Reporting.²¹</p>
<p>ESG goals/ Targets</p>	<p>Valmet has developed the following environmental targets to further progress on its Sustainability 360° Agenda by 2030: ²²</p> <ul style="list-style-type: none"> ▪ 20% reduction of CO₂ emissions from supply chain ▪ 80% reduction of CO₂ emissions from own operations. ▪ 100% carbon-neutral production for its customers. ▪ 75% waste diversion from disposal from the Company’s operations. ▪ 20% reduction in water consumption in the Company’s operations. <p>The goals are publicly disclosed and the Issuer tracks and reports on the progress towards achieving those targets annually.</p>
<p>Action plan</p>	<p>The two strategies that underpin the achievement of Valmet’s environmental objectives include Circularity and Climate.²³</p> <p>With respect to Circularity, the Company aims to increase the use of renewable and recycled raw materials in its technological products. Furthermore, Valmet offers take-back, exchange, and reconditioning programs where it refurbishes equipment given back by its customers to extend the lifecycle of the equipment. The Company also uses recycled steel and</p>

²¹ Valmet, “Annual review 2022”, (2022), at: <https://www.valmet.com/globalassets/investors/reports--presentations/annual-reports/2022/valmet-annual-review-2022.pdf>.

²² Ibid.

²³ Ibid.

	<p>iron in its foundries, and the proportion of recycled steel and iron used was 68% in 2022. In 2022, Valmet launched a Beyond Circularity program to facilitate the development of research and innovation activities to develop process technologies, automation, and services that utilize renewable materials, and recycled waste.</p> <p>In regard to Climate, Valmet facilitates carbon-neutral pulp and energy production through biomass energy. This includes the modification of existing boilers or industrial kilns to gasify biomass and the provision of biomass feedstock. The Company is also striving to reduce its Scope 1 and 2 emissions by replacing fossil fuels energy sources with low-carbon fuels at its locations, and energy efficiency improvements, such as LED lighting, heat recovery systems, and energy audits.</p>
<p>Climate Transition Strategy</p>	<p>Valmet has established science-based targets that are verified by the SBTi and aligned with the Paris Climate Agreement 1.5-degree pathway.²⁴</p>
<p>ESG Risk and Sustainability Strategy Management</p>	<p>The Company has established a Risk Profile that categorizes risks into strategic risks, financial risks, operational risks, and hazard risks.²⁵ The Risk Profile also includes threats and opportunities associated with each particular risk, guidelines, and principles to mitigate the risk and what departments are responsible for the management of the risk. Examples of risks include occupational health and safety, leaks, spills, and natural events.</p> <p>With respect to supplier-side risk management, Valmet evaluates all suppliers through a sustainability risk assessment. If a supplier obtains poor results in the risk assessment, they are required to conduct supplier sustainability self-assessments. A sustainability audit is triggered if a supplier also achieves poor results in the self-assessment. In 2022, Valmet conducted 45 supplier sustainability audits with a certified third-party auditor.²⁶</p> <p>In addition, Valmet’s president and CEO oversees the progress of actions to reach Valmet’s targets set in the Sustainability360 Agenda.</p>

²⁴ Ibid.

²⁵ Valmet, “Valmet Risk Profile 2022”, at: <https://www.valmet.com/investors/sustainable-investment/tcfd/#Riskmanagement>

²⁶ Valmet, “Annual Review 2022”, (2022), at: <https://www.valmet.com/globalassets/investors/reports--presentations/annual-reports/2022/valmet-annual-review-2022.pdf>.

<p>Top three areas of breaches of international norms and ESG controversies in the industry²⁷</p>	<p>Strike Action, Layoffs, and Failure to prevent forced labor.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability Reporting</p>	<p>The Issuer reports on its ESG performance and initiatives on a yearly basis. The report is prepared according to the Global Reporting Initiative (GRI) guidelines.²⁸ The Company also reports in line with the EU Non-Financial Reporting Directive (NFRD) on selected sustainability indicators. Furthermore, Valmet discloses information on governance, strategy, risk management, metrics, and targets in line with the recommendations of the Task Force on Climate-Change Related Disclosures (TCFD).²⁹</p>
<p>Industry associations, Collective commitments</p>	<p>The Issuer is a signatory of the UN Global Compact.</p>
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>The Issuer has not previously issued sustainable finance instruments or published a sustainable financing framework.</p>

Rationale for issuance

The issuance of green debt instruments (green bonds, green loans and green commercial papers) directly supports two environmental objectives of Valmet’s Sustainability 360° Agenda: “transition to a circular economy” and “climate change mitigation”. The expenditures financed through Valmet’s Framework support Valmet’s initiatives to extend the lifecycle of its products through reparation, refurbishment or remanufacturing products of equipment and technology that is currently in use by Valmet’s customers. The proceeds will also support the reduction of GHG emissions in its customers production processes through the development of

²⁷ Based on a review of controversies identified by ISS ESG over 2 years, the top three issues that have been reported against companies within the Industrial machinery and Equipment industry are displayed above. Please note that this is not a company-specific assessment but areas that can be of particular relevance for companies within that industry.

²⁸ Valmet, “Valmet GRI Supplement 2022”, (2022), at: <https://www.valmet.com/globalassets/investors/reports--presentations/annual-reports/2022/valmet-gri-supplement-2022.pdf>.

²⁹ Valmet, “Valmet’s TCFD Report”, at: <https://www.valmet.com/investors/sustainable-investment/tcf/#Riskmanagement>

technologies that enable the production of renewable energy and energy efficiency improvements.

Opinion: *The key sustainability objectives and the rationale for issuing Green Debt Instruments are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS Corporate Solutions, Inc. ("ISS-Corporate"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
3. Second Party Opinions are based on data provided by the party to whom the Second Party Opinion is provided ("Recipient"). ISS-Corporate does not warrant that the information presented in this Second Party Opinion is complete, accurate or up to date. ISS-Corporate will not have any liability in connection with the use of these Second Party Opinions, or any information provided therein.
4. Statements of opinion and value judgments given by ISS-Corporate are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the Second Party Opinion is not an assessment of the economic profitability and creditworthiness of a financial instrument, but refers exclusively to the social and environmental criteria mentioned above. Statements of opinion and other judgments given by ISS-Corporate are based on the information provided by the Recipient during the preparation of the Second Party Opinion and may change in the future, depending on the development of market benchmarks, even if ISS-Corporate is requested by the Recipient to provide another Second Party Opinion on the same scope of work.
5. This Second Party Opinion, certain images, text, and graphics contained therein, and the layout and company logo of ISS-Corporate, are the property of ISS-Corporate (or its licensors) and are protected under copyright and trademark law. Any use of such ISS-Corporate property requires the express prior written consent of ISS-Corporate. The use shall be deemed to refer in particular to the copying or duplication of the Second Party Opinion wholly or in part, the distribution of the Second Party Opinion, either free of charge or against payment, or the exploitation of this Second Party Opinion in any other conceivable manner.

The Recipient that commissioned this Second Party Opinion may have purchased self-assessment tools and publications from ISS-Corporate or ISS-Corporate may have provided advisory or analytical services to the Recipient. If you are an institutional client of ISS, you may inquire about any Recipient's use of products and services from ISS-Corporate by emailing disclosure@issgovernance.com.

This Second Party Opinion has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS-Corporate exercised due care in compiling this Second Party Opinion, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

The parent company of Institutional Shareholder Services ("ISS"), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG ("DB") with the remainder owned by Genstar Capital ("Genstar") and ISS management. In April 2023, DB announced its intention to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become

the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

© 2024 | Institutional Shareholder Services Inc. and/or its affiliates

ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Valmet commissioned ISS-Corporate to compile a Green Debt Instrument SPO. The Second Party Opinion process includes verifying whether the Green Finance aligns with the GBP and GLP and to assess the sustainability credentials of its Green Debt Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP) and Green Loan Principles (GLP)

ISSUER'S RESPONSIBILITY

Valmet's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, 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.

This independent Second Party Opinion of the Green Debt Instruments to be issued by Valmet has been conducted based on a proprietary methodology and in line with the ICMA GBP and LMA GLP.

The engagement with Valmet took place from January 2024 to February 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group 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 this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

Project team

Project co-lead

Anchal Verma
Senior Associate
Sustainable Finance Research

Project co-lead

Andrea Torres
Senior Associate
Sustainable Finance Research

Project support

Clara Schouler
Analyst
Sustainable Finance Research

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance Research