



VALMET
GREEN FINANCE FRAMEWORK

February 2024

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Introduction

Introduction

About Valmet

Valmet (“Company”, “us”, “we”) is a leading global developer and supplier of process technologies, automation and services for the pulp, paper and energy industries. With our automation systems and flow control solutions, we serve an even wider base of process industries. At the heart of Valmet’s strategy is our commitment to moving our customers’ performance forward. Our vision is to become the global champion in serving its customers.

Our customer promise is ‘Forward’. This reflects our strong commitment to promoting our customers’ success and to developing innovative solutions for the future. For us, moving forward means renewal and that our business operations promote sustainable results. With our technology, our customers can manufacture sustainable products from renewable resources. Our technology enable already today carbon neutral production for our pulp, paper and energy industry customers who have access to carbon neutral energy.



Introduction

Sustainability at Valmet

Sustainability is fully integrated into Valmet's strategy and operations through the comprehensive Sustainability360° agenda. In 2022, we renewed the agenda to highlight the impact of Valmet's sustainability work in the entire value chain. The agenda covers our entire value chain including the supply chain, own operations and the use phase of our technologies at customer sites. The agenda is aligned with the Paris Climate Agreement's 1.5-degree pathway and Science-Based Targets initiative (SBTi) and the United Nations Sustainable Development Goals.

Valmet's guiding principles, transparent reporting and the comprehensive Sustainability360° agenda create a solid foundation for sustainable business operations. Sustainability is an integral part of our strategy and related Must-Wins that provide structure and focus for our strategic initiatives, decisions and performance indicators. Our Sustainability360° agenda has nine focus areas that are most material to our business and stakeholders within our value chain including systematic target setting, annual action plans and monitoring of progress.

The nine main material topics of the Agenda are grouped around three focus areas: Environment, Social and Governance. This Framework is focusing on the Environmental aspects which consist of Environmental efficiency, Climate and Circularity.



Introduction

Climate

Climate change and global warming drive companies to rapidly transform and reduce their carbon dioxide emissions. Valmet believes that technology plays a key role in mitigating climate change and global warming in the transition to a carbon neutral economy.

This is why we have created an ambitious climate program – Forward to a carbon neutral future – which continues our comprehensive sustainability work.

Our climate program includes ambitious CO₂ emission reduction targets and concrete actions for the whole value chain for 2030. We aim at reducing CO₂ emissions in our supply chain by 20% and in our own operations by 80% and to improve the energy efficiency of our current offering by 20%. The targets will be achieved without emission compensation. Our Climate Program has progressed well and the target to enable carbon neutral production for pulp and paper industry customers was achieved seven years ahead of schedule.

We work together with our suppliers and already 75 high-emitting suppliers have committed to reducing their emissions.

Targets by 2030 for the entire value chain

Supply Chain

-20%

CO₂ emission
reduction*

Own operations

-80%

CO₂ emission
reduction*

Use phase of Valmet's technologies

-20%

Further reduced energy
use of current
technologies*

100%

our technologies enable
carbon neutral production
for our pulp, paper and
energy customers

Introduction

Circularity

Circularity is a way to build a sustainable future for us, our stakeholders and society. Circular economy is a system in which the value of products, materials and other resources in the economy are maintained for as long as possible. The fundamental idea of circularity is embedded in our mission: Converting renewable resources into sustainable results.

Circularity is an integral part of our solutions for pulp, paper and energy production. We play a key role in enabling our customers to apply a circular economy to their operations. For several decades, Valmet has systematically developed circularity through its process technology, automation and services, in its own operations, and the supply chain. In our own operations, we are constantly improving our processes to increase resource efficiency and aim to maximize the use of recycled materials in our technology offering.

Environmental efficiency

We continuously enhance environmental efficiency in our own operations and together with our suppliers. The process technology, automation and flow control solutions and services we provide our customers with are designed to improve raw material, energy, water and chemical efficiency in the customers' production process. It is estimated that around 95% (excluding pulp mills) of the environmental impacts of Valmet's entire value chain are emitted when our solutions are being used for production.

We actively enhance environmental efficiency in our value chain: We do more with less. With our research and technology development work, we aim to ensure advanced and competitive offering of process technologies, automation and services for our current and future customers, enhance the efficiency of raw materials, water and energy, promote the use of renewable raw materials and reduce emissions.

- We enable our customers to apply circularity through longer circulation, closed cycles and by enabling the use of renewable and recycled raw materials in their production process.
- Our services extend the lifetime of machines and equipment we provide our customers.
- We constantly increase resource efficiency in our own processes and maximize the use of recycled materials in our technology.

Introduction

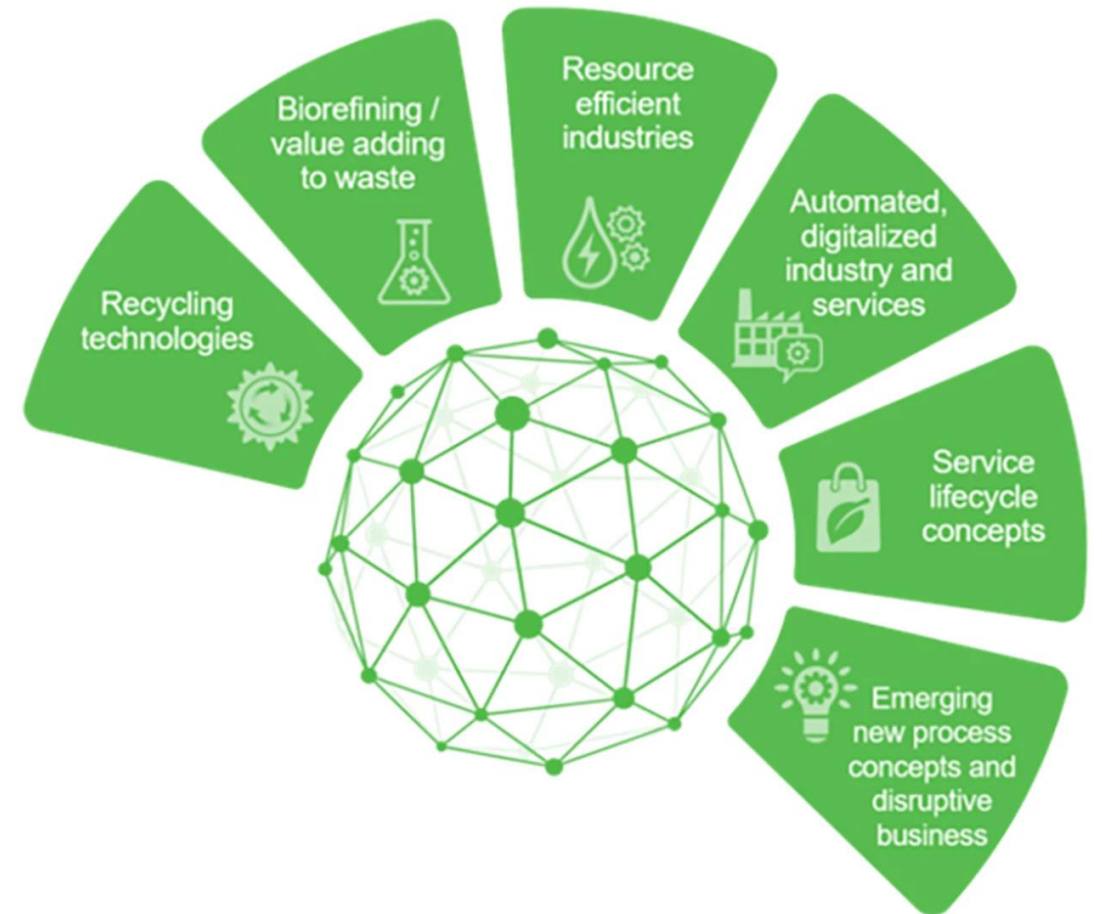
Valmet's R&D program Beyond Circularity

Valmet's Beyond Circularity is an R&D program in which Valmet and its ecosystem come together to innovate, renew and enable their customer industries in the shift to carbon neutrality and to facilitate the green transition.

The Beyond Circularity Program aims to develop process technologies, automation and services to create value by utilizing renewable and recycled materials, industrial side stream rejects and waste.

The program is implemented through seven streams: program management, recycling technologies; bio-refining/value adding to waste; resource-efficient industries; automated and digitalized industry and services; service life cycle concepts; emerging new process concepts; and disruptive business.

A new green transition ecosystem is being built as part of this program. Working together within the ecosystem will create value and business for the participants, expand competences to new areas, and encourage the best national and international partners to join. The core of the ecosystem is Valmet's unique triangular approach of technology, automation and services, enriched by the partners' interdisciplinary expertise. The ecosystem is expected to have more than 100 partners by 2025.



Introduction

Managing sustainability

Valmet has a strategic approach to sustainability, and our sustainability agenda and annual action plan progress are regularly discussed by the Board of Directors and Valmet's Executive Team. The Board of Directors have oversight on sustainability. The President and CEO oversees the progress of the targets set in our sustainability agenda, and our Board of Directors and Audit Committee review sustainability related topics regularly.

Our Executive Team determines on and monitors sustainability agenda and goals as well as all related policies. Our sustainability performance is reviewed annually by the Executive Team. The Senior Vice President, marketing, communications, sustainability and corporate relations is responsible for sustainability and is a member of Valmet's Executive Team and reports to the CEO.

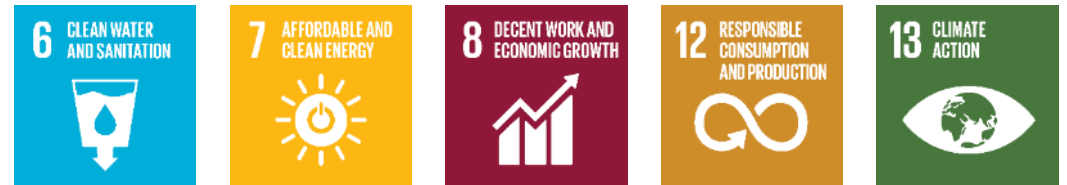
Our business lines and area organizations are responsible for ensuring that all the group-wide initiatives are implemented in order to meet our sustainability targets. They are responsible for reporting sustainability data to the Corporate Office and for assuring the accuracy of the data.

Sustainability work is the enabler of our business strategy and we have tied sustainability topic KPIs to remuneration. Individual performance targets may include targets for emission reductions or other key sustainability related topics. Sustainable supply chain targets are part of selected groups' performance targets in global procurement.

Sustainable Development Goals

We are a committed participant of the UN Global Compact (UNGC) and its Ten Principles on human rights, labor, environment and anti-corruption. Since 2014, we have reported on our sustainability performance annually in line with the UNGC's Communication of Progress process. Our reporting shows how we implement the ten principles and support broader UN goals.

We furthermore support the United Nations (UN) Sustainable Development Goals (SDGs). We have identified the SDGs on which we can have the most positive impact, or where we aim to minimize our negative impact. Our Sustainability360° agenda and related targets have been aligned with selected SDGs. We believe our business, products and solutions, strengthened by our ESG targets, can make a material difference to five of the UN's Sustainable Development Goals below.



Introduction

Valmet's global recognition on sustainability

- In Dow Jones Sustainability Index (DJSI) for the tenth consecutive year
- AAA rating in the MSCI ESG Ratings assessment
- A gold medal in the EcoVadis sustainability assessment
- Bronze Class distinction in S&P Global's annual Sustainability Yearbook
- A leadership level rating in CDP's climate program in 2023

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



**Sustainability Award
Bronze Class 2022**
S&P Global



MSCI
ESG RATINGS **AAA**
CCC B BB BBB A AA AAA





Green Finance Framework

Green Finance Framework

Overview of the Framework

Valmet's mission is to convert renewable resources into sustainable results. This means that our technology and services make it possible for our customers to manufacture sustainable products from renewable resources. This Green Finance Framework ("Framework") is established to support us on this mission.

The Framework is done in alignment with Green Loan Principles (GLP)¹ from 2023 and with the 2021 version of the Green Bond Principles (GBP)². In addition, we have taken into account market developments, voluntary standards and recent regulatory developments in the preparation of this Framework.

The four core components of Green Bond/Loan Principles are:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This Framework is applicable for issuance of green debt instruments, including but not limited to, green bonds, green commercial papers, green loans and other types of debt instruments where an amount equal to the net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing expenditures and assets with clear environmental benefits, as defined in this Framework ("Green Financing").

In relation to the EU Taxonomy, this Framework refers to the EU environmental objectives and, as at the time of publication of this Framework the full EU Taxonomy reporting is not yet in place, this document does not take the full technical screening criteria into account for all eligible activities. The Use of Proceeds section builds upon two primary objectives; transition to a circular economy and climate change mitigation. Our services advance circularity by extending products' lifetime and reduce environmental impacts through energy efficiency and reduction of emissions and raw material use.



1: The Green Loan Principles are published by the Loan Market Association ("LMA"), Asia Pacific Loan Market Association ("APLMA") and the Loan Syndications and Trading Association ("LSTA") respectively

2: The Green Bond Principles are published by the International Capital Markets Association ("ICMA")

Green Finance Framework

2.1 Use of Proceeds

General Principles

An amount equivalent to the net proceeds from our Green Financing will be used to finance or re-finance, in part or in full, Green Assets and Expenditures (as defined in the table on section 2.1 Use of Proceeds). The environmental objectives are 'transition to a circular economy' and 'climate change mitigation' through provision products and services that advance circularity by extending products' lifetime and increase environmental efficiency by, for example, reducing CO₂ emissions or material use and by offering production processes that enable carbon neutral production.

Financing and refinancing of tangible assets and capital expenditure (with no specific age restriction) and operational expenditure (with up to three (3) year lookback period before the issuance of any Green Financing), can qualify. The combined allocated amount to a specific asset or expenditure, by one or several sources of financing through eligible use of proceeds, may not exceed its value.

For the purpose of defining tangible assets, capital expenditures and operational expenditures, this Framework applies the accounting principles as described in Annex I of the Taxonomy Disclosures Delegated Act³, as may be amended from time to time.

We currently operate in in more than 40 countries. This Framework and listed Green Assets and Expenditures cover all of our operations.

³: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2178>



Green Finance Framework

2.1 Use of Proceeds – Green Assets and Expenditures

ICMA GBP Green Project Category:

Circular economy adapted products, production technologies and processes

Contribution towards European Union Environmental Objective:

Transition to a circular economy

Valmet provides services and solutions mainly for the pulp, board and paper, tissue and energy industries throughout the products' lifecycle to continuously improve process performance and reliability and extend the lifecycle of the products. Valmet's solutions include rebuilds, upgrades, conversions, and maintenance services for various types of paper machines and industrial processes, such as renewable energy plants.

Machine modernization and single section business is the process of upgrading and improving the performance and extending lifetime of machines and equipment by for example replacing old or obsolete parts, installing new technologies, optimizing process parameters, and enhancing quality and efficiency.

In order for the relevant expenditure or asset to be eligible, it must meet the below criteria:

- Capital and operating expenditures, including R&D, related to Valmet's services that extend the lifetime of Valmet's products by repairing, refurbishing or remanufacturing products that have already been used for their intended purpose by Valmet's customers
- Additionally, eligible expenditures must be classified as economic activities listed in the Annex II of Environmental Delegated Act⁴ of EU Taxonomy, such as 5.1 (Repair, refurbishment and remanufacturing) or 4.1 (Provision of IT/OT data-driven solutions). Activities must meet all Minimum Safeguards, and Technical Screening Criteria having been screened in line with the Taxonomy Regulation's⁵ reporting requirements applicable at the time of Green Financing transaction being issued.

UN SDGs



4: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

5: eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852

Green Finance Framework

2.1 Use of Proceeds – Green Assets and Expenditures

ICMA GBP Green Project Category:

Climate change mitigation

Contribution towards European Union Environmental Objective:

Climate change mitigation

We believe that technology plays a crucial role in mitigating climate change and global warming. Our technology and services enable our customers to manufacture sustainable products from renewable resources. Valmet's technologies enable 100% carbon neutral production for customers with access to fossil-free energy sources.

Our process technology, automation and services are designed to enhance environmental performance of our customers by improving for example raw material, energy, water and chemical efficiency. With our products customers can reduce energy and raw material usage, optimize quality and enhance environmental performance.

In order for the relevant expenditure or asset to be eligible, it must meet at least one of the below criteria:

1. Expenditure related to activities fully aligned with the Technical Screening Criteria defined in the Climate Delegated Act⁶ of EU Taxonomy, such as 3.1 (Manufacture of renewable energy technologies), 3.2 (Manufacture of equipment for the production and use of hydrogen), 3.6 (Manufacture of other low-carbon technologies)
 - Examples include, but are not limited to, lignin extraction technologies
2. R&D expenditures related to developing solutions enabling Valmet's customers' green transition
 - Examples include research and development activities that result in technologies or solutions being classified under category 1 or 3 of this section
3. Capital and operating expenditures related to developing and delivering technologies and solutions enabling Valmet's customers' green transition, including:
 - Expenditures related to technologies for biomass energy generation, such as:
 - Solutions for utilization of biomass residues and industrial side streams
 - Expenditures related to the technologies enabling reduction of GHG and other emissions in pulp, paper, board and tissue mills, such as:
 - Solutions for the whole process line from pulping to finishing and automation, including electrification of processes, heat recovery and emissions control
 - Solutions for fossil free pulp mills, including fossil free lime kilns
 - Expenditures related to the technologies enabling replacement of virgin fibers with recycled materials or more efficient use of raw materials in pulp, paper, board and tissue production, such as:
 - Solutions for stock preparation technologies for recycled fibers

UN SDGs



6: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139>

Green Finance Framework

2.1 Use of Proceeds

Do No Significant Harm

In relation to the use of proceeds of Green Financing, Valmet has procedures in place to ensure that our operations do not cause significant harm to relevant environmental objectives. Screening is conducted at an appropriate level for each environmental objective as listed in EU Taxonomy Regulation. Valmet's Group-level approach is in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and Valmet assesses climate risks as part of its groupwide risk management system. As TCFD has been merged with IFRS Foundation's International Sustainability Standards Board's (ISSB) new standards, Valmet will evaluate alignment with ISSB's standards.

Minimum Safeguards

Valmet is committed, through corporate social safeguards, to ensure that our operating instructions, company policies, and management system are following the UN Guiding Principles on Business and Human Rights, OECD Guidelines for multinational enterprises and the ILO Declaration on Fundamental Principles and Rights at Work.

Valmet ensures its compliance with the minimum safeguards as required in Article 18 of the Taxonomy Regulation through the Group-level policies and due diligence process and compliance with national labour legislation.



Green Finance Framework

2.2 Process for Project Evaluation and Selection

Selection of eligible Green Assets and Expenditures

The evaluation and selection process for eligible Green Assets and Expenditures is a key in ensuring that an amount equal to net proceeds from Green Financing is allocated to assets and expenditure that meet the criteria in this Framework.

To oversee the selection of eligible Green Assets and Expenditures, a Green Finance Committee has been established with members from financial management, treasury, technology and sustainability. All decisions are made in consensus; however, Valmet's Vice President, Sustainability holds veto right on decisions related to the definitions of eligible Green Assets and Expenditures. Green Finance Committee will convene when necessary, and at least once a year to validate and report eligible Green Assets and Expenditures and will keep track of all decisions made.

The Committee will continuously exercise its professional judgement, discretion and sustainability expertise when identifying and evaluating the Green Assets and Expenditures.

The Green Finance Committee holds following responsibilities:

- Any Green Finance Committee member may propose potential assets and/or expenditures to be evaluated in alignment with this Framework
- The Green Finance Committee confirms, with the help of other Valmet units where necessary, that proposed potential assets and/or expenses are eligible and aligned with the criteria in this Framework.
- If necessary, the Green Finance Committee may escalate decisions to Valmet's Executive Team
- The Green Finance Committee is responsible for the maintenance of this Framework



Green Finance Framework

2.3 Management of Proceeds

Approach to managing proceeds

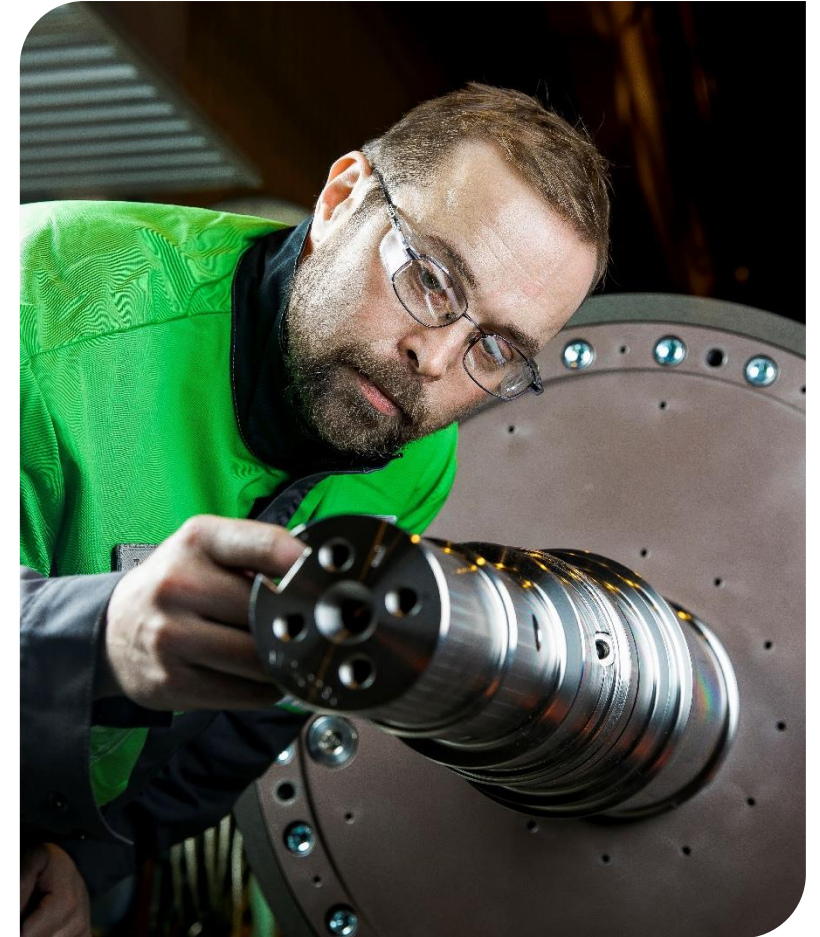
Amount equal to the net proceeds from Valmet's Green Financing will be tracked by Group Treasury using a register where all issued amounts of green debt instruments and underlying Green Assets and Expenditures will be monitored ("Green Debt Register"). The purpose of the Green Debt Register is to ensure that an amount equal to the Green Financing net proceeds only support the financing or refinancing of Green Assets and Expenditures.

Valmet will maintain a possibility to choose, at our own discretion, the most suitable allocation method for any Green Financing net proceeds. Commonly used approaches, as described in the Green Bond Principles, are based on a portfolio approach and gradual approach. Valmet will maintain high level of transparency in reporting to investors and will always state the chosen allocation method at the latest in connection to the first allocation and impact reporting of each Green Financing instrument. Valmet will ensure full allocation of proceeds at each individual Green Financing instrument's maturity or redemption/repayment at latest, in line with EU Green Bond Regulation's⁷ approach.

The list of Green Assets and Expenditures is monitored on a regular basis during the term of Green Financing to ensure that the proceeds are sufficiently allocated to eligible Green Assets and Expenditures. Assets and expenditures can, if deemed by Green Finance Committee to not fulfil eligibility criteria, be removed or added to/from the Green Debt Register.

Temporary holdings

There may be periods where the net proceeds of Green Financing have not yet been fully allocated to Green Assets and Expenditure. Any unallocated proceeds will be placed in the liquidity reserve and are managed in accordance with our liquidity management policy.



⁷ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302631

Green Finance Framework

2.4 Reporting

To enable investors, lenders, and other stakeholders to follow the development of the assets and expenditure (re-) financed by Green Financing, a dedicated or investor report will be made available on our website (“Green Finance Report”). First such report will, subject to the timing of inaugural Green Financing instrument issuance, cover either i) rolling 12-month period from issuance or ii) the ongoing financial year. The Green Finance Report will be published either as a stand-alone document or it may be integrated into our Annual Review or Financial Statements.

The Green Finance Report will include information about allocation and impact of proceeds. The Green Finance Report will be published annually as long as there are Green Financing outstanding or until full allocation of proceeds. Each Green Financing instrument will have at least one Green Finance Report available during its lifetime, and multiple Green Finance instruments may be combined in one Green Finance Report.

In case we have Green Financing outstanding in a form of bank loans or other bilateral facilities, we may report necessary annual details related to such loans directly to our lenders, as may be agreed in respective instruments’ final documentation.

Allocation Reporting

Information included in the allocation section shall include at least:

- Total amount (EUR and/or other currencies) of Green Financing outstanding during the reporting period
- Share of proceeds used for refinancing and financing
- Share of unallocated proceeds (if any)
- Chosen allocation method (portfolio or bond-by-bond)
- Distribution of allocated proceeds between each eligible category listed in this Framework

Impact Reporting

The impact report includes metrics related to the environmental impacts of our eligible Green Assets and Expenditures financed under this Framework.

Given the enabling nature of our products and services, the impact report is dependent on the data collected from end-customers, and calculations will be made on a best effort basis, potentially relying on estimates, with used methodologies always explained. The impact report will include at least one of the below listed metrics:

- Circular economy adapted products, production technologies and processes: EU Taxonomy reporting, Descriptions of selected projects in which life cycle of customers products have been extended, Descriptions of gained life cycle benefits
- Climate change mitigation: EU Taxonomy reporting, Environmental impacts through solutions provided, such as estimated CO2 emission reductions, energy efficiency improvements or reduction in raw material usage



External Review

External Review

Pre-issuance review

To confirm the transparency, robustness and alignment with market standards of this Framework, we have engaged ISS ESG to act as an external reviewer of this Green Finance Framework. Amongst other things, the independent Second Party Opinion by ISS ESG confirms the alignment of this Framework with the Green Bond Principles set out in 2021 by ICMA and the Green Loan Principles set out in 2023 by LMA, LSTA, and APLMA.

This Framework and the Second Party Opinion will both be publicly available under the investors section on Valmet's website.

Valmet shall acquire new Second Party Opinion in connection to any potential update to this Framework, and shall publish both updated documents on Valmet's website.

Post-issuance review

Allocation of proceeds shall be subject to an external auditor's review annually until full allocation or if material re-allocation is done for already allocated amounts.

We may publish external review in connection to the Green Finance Report or the external review may be included as a part of our Annual Review or Financial Statements.



