

July 2024



Green Finance Framework





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1. Introduction

This is Metsä Group

METSÄ GROUP is a Finnish based forest industry group with strong roots in the Finnish forests. Our cooperative background and business structure make Metsä Group's story unique. An active cooperative not only sets us apart from other players in the industry, but also creates a solid foundation for the long term development of our business and production facilities, while positioning us well to guarantee sustainable and responsible wood procurement for the needs of our entire Group.

Metsä Group promotes the bio and circular economy by processing renewable wood from northern forests into first class products for people's everyday use. Regenerative forestry, climate change mitigation, efficient use of resources as well as employee development and well being are all an integral part of Metsä Group's sustainable growth strategy and operational business. Ambitious sustainability targets guide the decision making and provide new business opportunities in a changing operating environment. Through our business areas, we focus on the growth sectors of the forest industry.



METSÄ GROUP

The parent company Metsäliitto Cooperative is composed of more than 90,000 Finnish forest owners.

Sales
6.1 billion

Personnel
9,500

Wood supply and forest services

Wood products

Pulp and sawn timber

Paperboard

Tissue and grease-proof papers

METSÄ FOREST

METSÄ WOOD

METSÄ FIBRE

METSÄ BOARD

METSÄ TISSUE

OWNERSHIP

Metsäliitto Cooperative
100%

Metsäliitto Cooperative
100%

Metsäliitto Cooperative
50.1%
Metsä Board 24.9%
Itochu Corporation 25.0%

Metsäliitto Cooperative
52% (69% of votes)
The company is listed
on Nasdaq Helsinki.

Metsäliitto Cooperative
100%

METSÄ SPRING Innovation company

Figures are FY2023

1. Introduction

Our business areas



Wood Supply and Forest Services

METSÄ FOREST is responsible for wood supply for Metsä Group's business areas. In addition, it provides and develops services to the members of Metsäliitto Cooperative, private forest owners in Finland. Metsä Forest has adopted regenerative forestry principles which improve forests' carbon storage, biodiversity and ability to adapt to climate change. In accordance with the principles, the state of forest nature is not only improved, but the improvement will also be demonstrated with measurements.



Wood Products Industry

METSÄ WOOD is one of Europe's leading manufacturers of engineered wood products. Metsä Wood refines the renewable northern wood into sustainable, material-efficient and high-quality products that store carbon for decades. The main products are Kerto® LVL, birch and spruce plywood and upgraded timber products, for the demanding needs of our construction, industrial, and distribution customers.



Pulp and Sawn Timber Industry

METSÄ FIBRE is globally a leading producer of softwood market pulp and a major sawn timber producer. The company also produces other bioproducts and bioenergy. The energy self-sufficiency rate of all Metsä Fibre's pulp and bioproduct mills totals 159%. In Finland, Metsä Fibre's share of electricity produced from renewable sources is around 8%. Metsä Fibre's new bioproduct mill in Kemi is world class in terms of material, environmental and energy efficiency.



Paperboard Industry

METSÄ BOARD is a leading European producer of premium fresh fibre paperboards, mainly for end-uses in consumer product packaging. Metsä Board's recyclable paperboards support the circular economy and help the customers to lower the carbon footprint of their packaging as well as reduce the use of plastic. Metsä Board's shares are listed in Nasdaq Helsinki. Company holds investment grade ratings from Moody's and S&P Global.



Tissue and Greaseproof Paper Business

METSÄ TISSUE manufactures hygiene products to households and professionals, and greaseproof paper for food preparation and packaging. The high-quality locally produced brands make daily life cleaner.



Metsä Group's innovation company

METSÄ SPRING is the venture capital arm of Metsä Group, which invests worldwide in promising startups. Aim is to build businesses that utilise Metsä Group's products and side streams as raw material, and benefit from an industrial company that seeks to promote the circular economy. Metsä Spring is an igniter of innovation in the field of wood-based circular bioeconomy with a vision of a thriving forest-based ecosystem that delivers the full value of sustainable grown Nordic wood and support the Metsä Group business operation in the long run.

1. Introduction

Materiality assessment

METSÄ GROUP follows the company's risk management process to identify sustainability-related impacts, risks and opportunities and to assess their materiality. Materiality assessment is based on double materiality and the key objective is to identify and assess the risks, threats and opportunities potentially significant to the implementation of our values and strategy and to the achievement of long-term targets, as well as to identify and assess the company's impacts on society and the environment. Metsä Group updated its materiality assessment of sustainability matters in phases during 2022–2023. At the end of the first phase, seven themes guiding sustainability work were determined. The themes were used as the basis for updating the strategic

2030 sustainability targets, which also guided Metsä Group's target-setting. The second phase of the materiality assessment was initiated in 2023, the goal being to include the classification of impacts, risks and opportunities in line with the EU's sustainability reporting standards and consider the directive's guidelines on the prioritisation of impacts, risks and opportunities in the materiality assessment. Based on the results of the materiality assessment, Metsä Group's key sustainability matters include climate change, biodiversity, the environmental impacts of products, and the occupational safety of our own workforce and value chain workers. Material sustainability topics, sub-topics and materiality are listed in Metsä Group's review in more detail.



Environment

- We safeguard biodiversity.
- We mitigate climate change.
- We decrease emissions.
- We use raw materials efficiently.
- We decrease the amount on waste.

Social

- We do the right thing.
- We promote safety and wellbeing at work.

Governance

- We promote ethical corporate culture.
- We know the origin of our raw materials.
- We favour responsible suppliers in our procurement.

1. Introduction

Sustainability targets for 2030

METSÄ GROUP's strategy is built on sustainability, which is embedded in everything we do. Metsä Group promotes the bio- and circular economy by processing renewable wood from sustainably managed northern forests into first-class products for people's everyday use. The foundations of sustainability are laid in our day-to-day operations. Metsä Group's seven sustainability themes, divided into three categories: Environment, Social and Governance, guide our sustainability work and are based on double materiality assessment. Each theme includes key actions and impacts, which are measured against 2030 sustainability targets. Our targets highlight our commitment to safeguarding natural biodiversity, mitigating climate change, and promoting the sustainable use of natural resources, healthy workplace communities and ethical operations.

The seven material sustainability themes and their impacts are the basis for the strategic 2030 sustainability targets. We have identified the SDGs that we have the most impact on, in order to better guide our efforts to contribute to achieving sustainability. Each target is aligned with at least one of the UN Sustainable Development Goals (SDGs).



1. Introduction



Category and theme	Target	2030
Environment		
1. Safeguarding biodiversity and the ecological sustainability of forest use	Retention trees on regeneration felling sites, %	100
	High biodiversity stumps on harvesting sites, %	100
	Spruce as the only tree species after young stand management, %	0
	Measures promoting biodiversity, number	10,000
2. Mitigating climate change and reducing emissions	Energy efficiency index, base year 2018	90
	Fossil-based carbon dioxide emissions (Scope 1 + Scope 2 market-based), t	0
	Fossil free raw materials and packaging materials, share of dry tonnes, %	100
	Amount of forest regeneration and young stand management from the 2018 level, %	+30
	Amount of forest fertilisation from the 2018 level, %	+50
	Share of continuous cover forestry in peatland forest regeneration, %	30
	Amount of carbon stored in wood products from the 2018 level, %	+30
3. Resource efficiency and sustainable production	Reduction in process water use per produced tonne from the 2018 level, %	-35
	Process waste delivered to landfills, t	0
Social Responsibility		
4. Respecting everyone and doing the right thing	Anonymous recruitment for vacancies open to all, %	100
	Women in management positions, %	>30
5. Promoting safety and wellbeing at work	Total recordable incident frequency, own employees (TRIF)	0
	Employee job satisfaction	AAA
Governance		
6. Innovation and open-minded cooperation and	Implementation of ethics barometer measures, %	100
7. The significance of forest-based bioeconomy to society	Traceability of raw materials, share of total purchases, %	100
	Share of certified wood, %	>90
	Suppliers' commitment to the Supplier Code of Conduct, share of total purchases, %	100
	Supplier assessments and audits of core suppliers, %	100
	Joint sustainability target with partner suppliers, %	100

1. Introduction

Sustainability themes

Sustainable and regenerative forest management

Our business is based on the sustainable management and use of forests. This means maintaining a good balance between the economic, social and ecological aspects of forest management and use. We want to ensure the wellbeing of people and forests through our operations. Metsä Group is committed to obtaining wood raw material from sustainably managed forests. We know the origin of the wood we use, and all the wood purchased by Metsä Group comes from either certified forests or forests that meet the requirements of controlled origin. In 2023, 93 per cent of all purchased wood was certified.

By adopting regenerative forestry principles, we aim to create a system of regenerative forestry measures that verifiably strengthens the state of Finnish nature as part of Metsä Group's wood supply and the forest services it provides. With our target of strengthening the state of nature, Metsä Group shows direction to the private sector and supports international and EU-level biodiversity targets, as well as biodiversity targets for Finnish nature. A tangible example of the practical implementation of regenerative forestry measures is the Metsä Group Plus service introduced in 2023. Metsä Group Plus is a forest management model designed for Metsäliitto Cooperative's owner-members. The model includes measures that safeguard and improve the state of forest nature more comprehensively than is required by current standard practices. One of the targets is to increase burnt retention tree groups, by doing this we increase habitats for fire dependent species.

We know the origin of the wood we use, and all the wood purchased by Metsä Group comes from either certified forests or forests that meet the requirements of controlled origin.



Climate change mitigation and adaptation

Metsä Group's plan for climate change mitigation and adaptation includes action plans for the climate impacts from production, the supply chain and products, as well as the carbon balance of forests.

- We are committed to transitioning to fully fossil free fuels at our production units, developing our production methods to support this transition and replacing purchased electricity and heat with fossil free alternatives.
- The value chain's greenhouse gas emissions are reduced through emissions reduction targets jointly set by Metsä Group and its suppliers. In addition, we encourage suppliers to set their own emission reduction targets to mitigate climate change.
- In 2023, Metsä Group adopted regenerative forestry principles. Principles include measures in wood supply and forest services with which the state of nature will begin to improve verifiably in Finland. Regenerative forestry practices will increase forests' carbon sequestration, biodiversity and ability to adapt to climate change.
- Many of our products mitigate climate change through a substitution effect by replacing materials produced from non-renewable raw materials. Replacing fossil-oil based raw material with a bio based alternatives increases the amount of carbon stored in products and promotes society's transition to a fossil free economy.

1. Introduction

Efficient use of natural resources

The wise use of resources steers our operations. We are committed to use raw materials, water and energy efficiently, as well as continuously develop our operations. The utilisation of industrial side streams is an important way to improve resource efficiency. The side streams generated in production processes are used primarily as raw material or energy. Metsä Group takes advantage of synergies between its production units and develops industrial cycles and the recyclability of products. The strategic sustainability targets include targets related to improvement in energy efficiency, decrease in process water use as well as zero tonnes of landfill waste.

Cooperation with smaller and industrial partners is key to creating efficient ecosystems as part of sustainable bioeconomy and circular economy. Resource efficiency and a broad network of partners enables us to make bioproducts for a variety of end uses such as wood products, pulp, board, papers, wood-based textiles, composite materials for the electronics industry.

Metsä Group promotes the circular economy by strengthening industrial symbioses and investing in cleaner process technology. The Äänekoski bioproduct mill and the Kemi bioproduct mill are based on a unique ecosystem concept and are thus examples of industrial symbiosis, in which a network of companies offers synergies in resource use.

Promoting safety and advancing employee engagement

Metsä Group develops a safe and accident-free working environment through a proactive approach aimed at avoiding incidents and accidents. Results of the safety work are actively monitored and analysed to help to determine the right measures to ensure and promote safety in the working environment. In addition to own personnel, safety management system covers the safety of Metsä Group's partners, i.e. service providers and other stakeholders. The promotion of workplace wellbeing is proactive, the goal being to identify threats to employees' work ability, initiate actions and maintain the employees' health throughout their careers.

Training focuses on the continuous development of professional competence, skills related to core processes as well as leadership skills. Everyone is provided with a personal development plan to support their development at both personal and team level. Metsä Group offers to its employees internal training and Metsä Group Academies to develop core competences in the field of sustainability, sales, procurement, finance and leadership.

Diversity, equality and inclusion (DEI) are promoted through the Metsä For All vision and measured according to set targets. Equality training, increasing the share of women in management positions and anonymised recruiting as main recruitment method are examples of practical measures to promote DEI across the operations.

The Äänekoski bioproduct mill and the Kemi bioproduct mill are based on a unique ecosystem concept and are thus examples of industrial symbiosis.



1. Introduction

Sustainability management

IN METSÄ GROUP'S parent company, Metsäliitto Cooperative, the highest administrative body to manage sustainability is the Board of Directors. The President & CEO is responsible for strategic sustainability in Metsä Group operations.

There is a Group-level process concerning sustainability management, which is overseen by the Sustainability Process Management Team. Its key task is to ensure that our sustainability objectives are visible in business area, process, and function plans. The Process Management Team follows progress against Metsä Group's strategic sustainability 2030 targets, and ensures consistency of sustainability work across Metsä Group, including concerning external commitments, as well as acts as a steering group for the implementation and functioning of the sustainability management process. It consists of business area representatives and function heads who are responsible for ensuring that the sustainability objectives are implemented in their organization.



Sustainability in remuneration

Sustainability targets are included in the annual bonus targets of each Metsä Group employee, to promote the continuous assessment and improvement of sustainability in operations. The remuneration of members of the Executive Management Team is related to Metsä Group's strategic sustainability targets.

EU taxonomy

Metsä Group has carried out its assessment of taxonomy eligibility and taxonomy alignment based on the EU Taxonomy Regulation, the Climate Delegated Act and the best interpretation of the currently available guidelines issued by the European Commission. Metsä Group's main businesses include wood supply and forest services, wood products, pulp, paperboard, and tissue and greaseproof papers. The Taxonomy's technical screening criteria do not currently cover Metsä Group's core business and products. For the 2023 financial period, Metsä Group disclosed its taxonomy eligible business activities in terms of all six environmental targets, as well as its taxonomy-aligned business activities in terms of climate change mitigation and adaptation. As a result, taxonomy-eligible economic activities account for only a minor share of the turnover, capex and opex. Details are included in Metsä Group's annual review.

Metsä Group considers that it fulfils the taxonomy's minimum social safeguards, which cover human rights, corruption and bribery, fair competition, and taxation. Each of these have been reviewed from two perspectives: the presence of relevant processes and the addressing of violations.

The remuneration of members of the Executive Management Team is related to Metsä Group's strategic sustainability targets.

1. Introduction

Commitments and external assessments

Metsä Group has performed to a high level in several ESG ratings and assessments made by external parties.

Commitments:

UN Global Compact

Metsä Group is committed to the United Nations Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, environment and anticorruption. Metsä Group's sustainability targets support the progress of the UN's Sustainable Development Goals. Out of the 17 goals, Metsä Group has selected eight goals that it can influence the most through its own actions.

Metsä Board has signed the UN Global Compact's CEO Water Mandate initiative, in which the company is committed to continuously improving its water responsibility and understanding and managing water risks.

Science Based Targets initiative

Metsä Board's greenhouse gas emissions reduction targets are validated by the Science Based Targets initiative (SBTi) and meet the strictest requirements of the Paris Agreement, which aims to limit global warming to 1.5 degrees Celsius compared to pre industrial levels.



External assessments:

All rating results are based on the status on 28 May 2024. Updated information regarding assessments can be found on company webpages.

CDP Disclosure

- Metsä Board has an 'A' score in Climate Change and Water Security assessments. In the sustainable use of forests Metsä Board's score was 'A-'
- Metsä Tissue has an 'A-' in the Climate Change assessments

Ecovadis: Metsä Board, Metsä Fibre and Metsä Tissue have the highest 'Platinum' level

ISS ESG Corporate Rating: Metsä Board holds a B- 'Prime' status

MSCI ESG Ratings: Metsä Board has a rating of 'AA' in the category of Containers & Packaging

Sustainalytics: Metsä Board has an overall ESG Risk Rating of 13.9 and is considered to be at low risk of experiencing material financial impacts from ESG factors

Ellen MacArthur Foundation's Circulytics® assessment: Metsä Group is a member of the global circular economy network of the Ellen MacArthur Foundation. Metsä Board has an overall score of A in the Circulytics® assessment

2. Green Finance Framework

2. Green Finance Framework

THIS GREEN FINANCE FRAMEWORK (“Framework”) replaces Metsä Group’s previous Green Finance Framework from 2019, and this Framework is done in alignment with both the Green Bond Principles (GBP) 2021 and the Green Loan Principles (GLP) 2023, published by the International Capital Markets Association (“ICMA”) and the Loan Market Association (“LMA”), respectively. The four core components of GBP and GLP Principles are:

- 1. Use of proceeds**
- 2. Process for project evaluation and selection**
- 3. Management of proceeds**
- 4. Reporting**

This Framework is applicable for each company in Metsä Group for issuance of debt instruments, including but not limited to bonds, commercial papers, bank 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 assets and expenditures with distinct environmental impacts, as described in this Framework (“Green Debt”).



2.1 Use of proceeds

An amount equal to the net proceeds of Green Debt issued by Metsä Group entities will be used to finance or re-finance, in part or in full, Green Assets and Expenditures that have been evaluated and selected by Metsä Group in accordance with this Framework.

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

When issuing Green Debt, each Metsä Group company or business area will individually define Green Assets and Expenditures based on this Framework.

The Green Assets and Expenditures must fall within one of the categories which are all described through a non-exhaustive list in the next pages.

2. Green Finance Framework

Green Assets and Expenditures

Renewable or fossil free energy

ICMA Green Project Category:

Renewable energy

Contribution to EU Environmental Objective:

Climate change mitigation

Metsä Group's energy production is largely based on bio-based renewable fuels, ensuring low emissions of fossil carbon dioxide into the atmosphere. These fuels are primarily based on side streams of our production. Metsä Group's pulp mills are among the largest producers of renewable energy in Finland, and we are consistently developing the production methods and utilisation of renewable energy. In annual basis, Metsä Group is self-sufficient in energy.

Use of Proceeds

Proceeds will be used to development, operation and maintenance of renewable energy produced from production side streams ie., second generation feedstock or from harvesting residues.

Examples of eligible uses are projects that

- increase the production or share of renewable or fossil free energy
- renew the equipment or process for renewable or fossil free energy production at mills

Sustainable Development Goals



Energy efficiency initiatives

ICMA Green Project Category:

Energy efficiency

Contribution to EU Environmental Objective:

Climate change mitigation

Resource and energy efficiency are the basis for our sustainable and economical production, and we are continuously looking for ways to improve energy efficiency across our operations. We use raw materials, energy and water as efficiently as possible.

Use of Proceeds

Proceeds will be used to energy efficiency improvements and processes to reduce energy consumption of Metsä Group production facilities.

Examples of eligible uses are projects that

- reduce energy consumption and increase energy self-sufficiency or improve specific energy consumption per production
- replace equipment with significantly more energy efficient solutions, contributing to Metsä Group's energy efficiency target
- develop or install energy recovery or closed loop (e.g., water systems) processes
- are "green field investments" for the production unit utilizing best available technology (BAT) compared to the earlier practices

Sustainable Development Goals



2. Green Finance Framework

Green Assets and Expenditures

Waste and side stream management and pollution control

ICMA Green Project Category:

Pollution prevention and control

Contribution to EU Environmental Objective:

Pollution prevention and control

Metsä Group is actively seeking opportunities to reduce emissions to air and water by deployment of new technology. One of strategic sustainability targets is to make use of all production side streams so that no landfill waste will be generated in our processes after 2030. We continuously improve recovery processes to avoid waste in production and actively investigate solutions for side stream utilisation.

Use of Proceeds

Proceeds will be used to improve environmental performance of Metsä Group's operations and improvement of the utilization of all resources.

Examples of eligible uses are projects that

- substantially prevent and/or decrease emissions to air
- substantially prevent and/or decrease emissions to water
- improve the utilization of industrial side streams and reduce the amount of landfill waste
- constructing carbon capture facilities

Sustainable Development Goals



Sustainable forest management

ICMA Green Project Category:

Environmentally sustainable management of living natural resources and land use

Contribution to EU Environmental Objective:

Climate change mitigation, Protection and restoration of biodiversity and ecosystems

By adopting regenerative forestry principles, Metsä Group aims to create a system of regenerative forestry measures that verifiably strengthen the state of Finnish nature as part of Metsä Group's wood supply and the forest services it provides. Strategic sustainability targets include several practical actions to enhance biodiversity and increase carbon sequestration of forests. Our goal is to work with forest owners to measurably improve the state of forest nature by 2030.

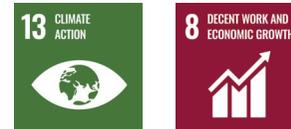
Use of Proceeds

Proceeds will be used to develop sustainable and regenerative forest management practices, including harvesting and regeneration as well as to improve biodiversity actions.

Examples of eligible uses are projects that

- improve sustainable forest management practices and safeguard biodiversity based on international sustainable forest management schemes, such as FSC® and/or PEFC
- increase the amount of carbon stored in forests
- increase diversity of tree species in forests e.g. through mixed cultivation of spruce and pine and increasing the share of birch in coniferous forests
- increase the diversity and amount of decaying wood and old trees
- protect valuable habitats by ensuring protection of key biotopes
- restore degraded ecosystems

Sustainable Development Goals



Metsä Group's license numbers are FSC®-C014476 and PEFC/02-31-03

2. Green Finance Framework

Green Assets and Expenditures

Sustainable water and wastewater management

ICMA Green Project Category:

Renewable energy

Contribution to EU Environmental Objective:

Climate change mitigation

Pulp, paperboard and paper production are water-intensive operations. We constantly strive to optimise water use in our processes, reducing also the use fresh water in our operations. We reduce the volume of wastewater and ensure that wastewater is treated efficiently, which help reduce impact on waterbodies. We also recognise that minimising the impact of the forest industry operations on water extends beyond the mills.

Use of Proceeds

Proceeds will be used to reduce of water use and management of wastewater for Metsä Group operations.

Examples of eligible uses are projects that

- substantially reduce the intake of water and the use of process water
- improve the recycling and reuse of process water
- use cooling water to heat raw water

Sustainable Development Goals



New circular bioeconomy solutions

ICMA Green Project Category:

Circular economy adapted products, production technologies and processes

Contribution to EU Environmental Objective:

Transition to a circular economy

Metsä Group promotes circular economy by strengthening industrial symbioses and investing in cleaner process technology. Collaboration with customers and partners is in the focus of all our operations. Metsä Group has strategic R&D programme in place to find new ways to utilize side streams. From a product perspective, the emphasis is on developing new fibre-based products and improving the properties of existing products to replace fossil-based materials.

Use of Proceeds

Proceeds will be used to R&D, equipment, processes and technology used in the manufacturing and exploring new bio-based products to be commercialized. These projects will increase substitution from fossil alternatives and non-renewable materials to bio-based materials.

Examples of eligible uses are projects that

- take ideas from the R&D to production and full commercialization
- development of fossil free, bio-based, recyclable bioproducts
- increase the amount of carbon stored in products
- improve material efficiency throughout products' value chain

Sustainable Development Goals



2. Green Finance Framework

2.2 Process for project evaluation and selection

METSÄ GROUP has designed and implemented a process to ensure that only assets and expenditures aligned with the criteria set out in this Framework will be selected as Green Assets and Expenditure for any Green Debt issuances. To oversee this, a Sustainable Funding Committee has been established with members from management, treasury, sustainability and investment management. Metsä Group's CFO is the chair of the committee. Sustainable Funding Committee will convene when necessary, but at least once a year, to validate and report Green Assets and Expenditures. The Sustainable Funding Committee will keep track of decisions made.

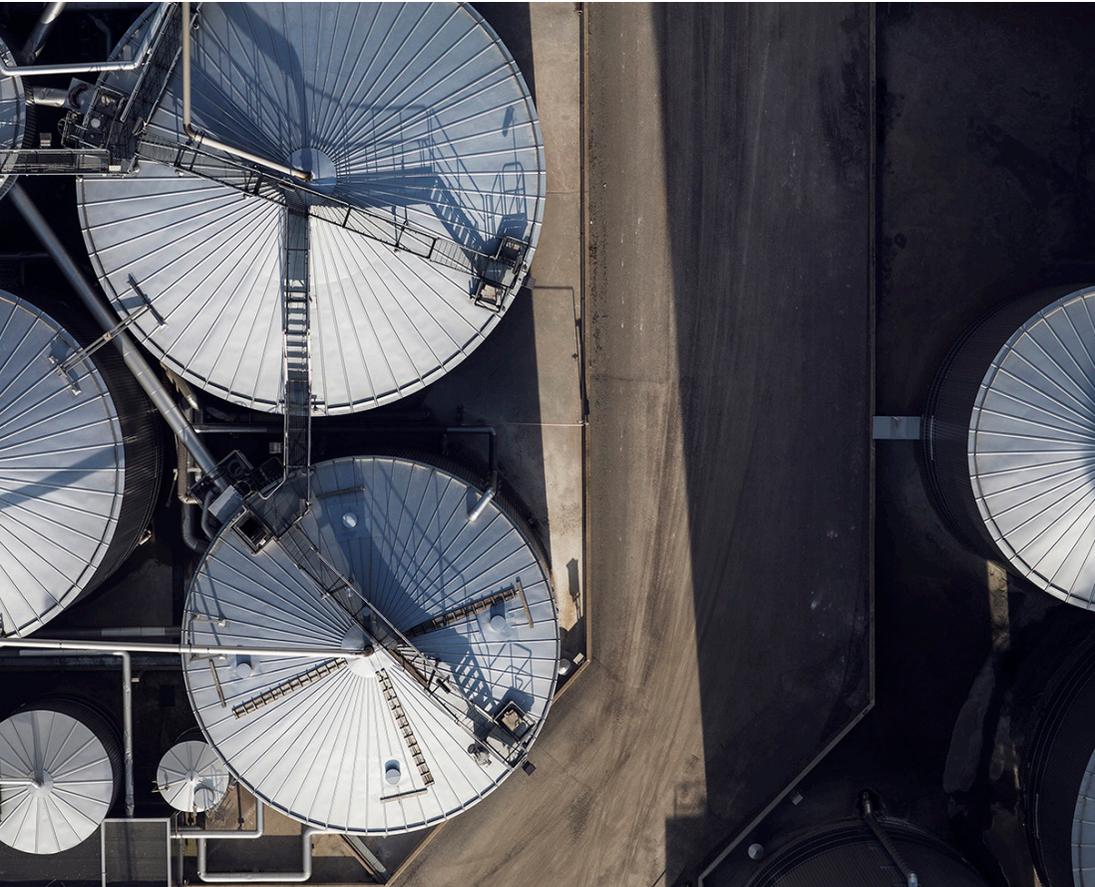
Metsä Group follows the below process when selecting and evaluating projects for the Eligible Assets and Expenditure.

1. Each Metsä Group company is responsible for the evaluation of its own investments and have them approved by their respective Group company internal decision-making order. Major investments are always decided by the Board of Directors of the respective Metsä Group company.
2. Each Group company makes the first evaluation of the projects' eligibility for Green Debt and proposes the projects to Metsä Group Sustainable Funding Committee
3. Metsä Group Sustainable Funding Committee finally reviews the eligibility of proposed investments and approves investments eligible to be (re-)financed with Green Debt.

Metsä Group applies its overall risk management process and policies when assessing and identifying environmental and social risks associated with Green Assets and Expenditures. The purpose is to ensure continuity of operations in the short and long term, while considering impacts to our stakeholders and surrounding environments. Metsä Group's risk management covers risks related to our entire value chain and broader sphere of influence. In our risk management, we rely on science-based information.

The assessment process of production units' environmental risks is also guided by the ISO 14001 and ISO 50001 management systems.





2.3 Management of proceeds

METSÄ GROUP has established a Green Funding Register for each company in relation to potential Green Debt issued by Metsä Group companies. The purpose of Green Funding Register is monitoring the Green Assets and Expenditure and the allocation of the amount equal to the net proceeds from any group company's Green Debt to Green Assets and Expenditure. The Metsä Group Treasury is responsible for the Green Funding Register.

Metsä Group companies will maintain a possibility to choose, at their own discretion, the most suitable allocation method for any Green Debt proceeds. Metsä Group shall state the chosen allocation method at the latest in connection to the first allocation and impact reporting of each Green Debt instrument. Metsä Group shall ensure full allocation of proceeds from any Green Debt within 36 months from the issuance date.

In case of portfolio allocation, Metsä Group companies will, over the duration of their outstanding Green Debt, build up and maintain an aggregate amount of Green Asset and Expenditure in the Green Funding Register that is at least equal to the aggregate net proceeds of all outstanding Green Debt of the Group. In case of bond-by-bond approach, Metsä Group companies will ensure proper earmarking of selected Green Assets and Expenditure that will be followed throughout the life of each Green Debt of the Group.

Temporary holdings

There may be periods when the net proceeds of Metsä Group's Green Debt are not fully allocated to Green Assets and Expenditures. Any such portion will be held in accordance with Metsä Group's normal liquidity management policy.

2. Green Finance Framework

2.4 Reporting

TO ENABLE INVESTORS, lenders, and other stakeholder to follow the development of the assets and expenditure (re-) financed by Green Debt, Metsä Group will annually publish a report on the allocation and impact of Green Debt issued under this Framework (“Green Debt Report”). The Green Debt Report will be published either as stand-alone document or it may be integrated into Metsä Group’s annual review, and in such case, report will clearly indicate the relevant section that pertains to Green Debt. In addition, the Group companies may publish own reports, when relevant. Metsä Group aims to align the reporting with the latest market practices, standards and guidelines as identified by ICMA. The impact report will, to the extent feasible, also include a section on methodology, baselines and assumptions used in impact calculations.

In case Metsä Group has Green Debt outstanding in a form of bank loans or bilateral financing facilities, it may report necessary annual details related to such loans directly to the lenders, as may be agreed in respective instruments’ final documentation.

Metsä Group will annually publish a report on the allocation and impact of Green Debt.



Allocation reporting

The allocation report will, to the extent feasible, include the following components:

1. For each Metsä Group company, allocation per each relevant use of proceeds category
2. Descriptions of selected Green Assets and Expenditure
3. Share of new financing versus refinancing
4. Share of unallocated proceeds (if any)
5. Types of temporary unallocated funds’ placement (if any)
6. Chosen allocation method (portfolio or bond-by-bond)

Impact reporting

Metsä Group will aim to report on the actual environmental impact of the investments financed by Green Debt. If actual impact for some reason is not observable due to e.g. construction phase, or unreasonably difficult to source, estimated or expected impact will be reported.

Metsä Group has developed relevant impact metrics for each Use of Proceeds category, as defined in this Framework. These impact metrics are examples and may change over time subject to providing relevant reporting of the impact. The relevant impact metrics are presented in the table next page.

2. Green Finance Framework



Use of Proceeds Category

Examples of relevant impact metrics

Renewable Energy

- Renewable energy generated in MWh
- Reduction of fossil-based energy in MWh

Energy Efficiency

- Reduced energy consumption as MWh in relation to production (in tonnes or m³)
- Reduced and/or avoided fossil CO₂ emissions

Pollution Prevention and Control

- Reduced emissions to air per production
- Reduced emissions to water per production
- Reduction of landfill waste per production

Sustainable Forest Management

- Share certified wood, % (incl. certificate information, such as FSC® and/or PEFC)

Sustainable Water Management

- Reduced amount of process water per production (m³/t)

New Circular Bioeconomy Solutions

- Externally validated lifecycle calculations
- Improvement in the environmental performance or carbon footprint compared to earlier technology in case of a new investment

3. External Review

3. External Review

Pre-issuance review

Metsä Group has engaged Sustainalytics to act as an external reviewer to provide verification of this Green Finance Framework in accordance with GBP and GLP. The Second Party Opinion and this Framework is publicly available on Metsä Group website www.metsagroup.com/gff.

Post-issuance review

Metsä Group will engage external auditor to provide post-issuance review for the allocation of proceeds at least at full allocation for each Green Debt instrument issued under this Framework, unless otherwise agreed jointly with financing counterparties. The review will be done at least on a limited assurance basis. Post-issuance review may be included in Metsä Group or Metsä Group companies' annual review, or it may be provided in connection with the Green Debt Report.





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