

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Huhtamaki
20 May 2022

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Bonds
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by ICMA (June 2020)
Lifecycle	Pre-issuance verification
Scope of verification	Sustainability-Linked Bond Framework (20.05.2022 version)
Validity	As long as Huhtamaki's Sustainability-Linked Securities Framework and benchmarks for the Sustainability Performance target(s) remain unchanged.

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SCOPE OF WORK

Huhtamaki Oyj (“Huhtamaki”) commissioned ISS ESG to assist with its Sustainability-Linked Bonds by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPIs selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and sector, and whether the associated targets are ambitious.
2. Huhtamaki’s Sustainability-Linked Bond Framework (20.05.2022) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association's (ICMA) in June 2020.
3. Sustainability-Linked Bonds link to Huhtamaki’s sustainability strategy – drawing on Huhtamaki’s overall sustainability profile and related objectives.

HUHTAMAKI’S BUSINESS OVERVIEW

Huhtamaki is a global food packaging company with headquarters in Espoo, Finland. Huhtamaki operates in 38 countries with 114 operating locations around the world¹ and employs 19,600 people.

The company manufactures sustainable packaging solutions for different purposes, including for food and beverages, pet food as well as personal and home care products. Their business model is to convert raw materials into safe, convenient, and fit-for-purpose food packaging for consumers, thereby supporting food availability and at the same time reducing food waste. Customers of Huhtamaki include retail stores, caterers, fast food restaurants, coffee shops and vending operators and sales are worldwide.



¹ Manufacturing in: USA, India, China, Russia, Thailand, South Africa, Australia, Brazil, UEA, Vietnam, New Zealand, Vietnam, Saudi Arabia, Egypt, Malaysia, Mexico, Turkey, Ireland, Italy, Finland, Netherlands, France, Spain, Czech, Germany, UK, Poland, and Ukraine. Sales only in: Hungary, Luxembourg, Philippines, Singapore, Hong Kong, Sweden, and Norway.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ²
<p>Part 1.1:</p> <p>KPI selection and SPT calibration</p>	<p>KPI selection: Relevant, Core, and Material to the company's direct operations but partially material to the whole Corporate Value Chain</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against issuer's past performance • Ambitious against issuer's sectorial peer group • Limited information to assess ambition against international targets <hr/> <p>The KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. The KPI is partially material to the company's whole Corporate Value Chain because renewable electricity addresses Scope 2 emissions, which only make up 15³% of the issuer's total GHG emissions, and material to the company's direct operations, because Scope 2 emissions make up 70% of the company's own GHG emissions (i.e. Scope 1 and 2). It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the operations and activities of Huhtamaki.</p> <p>KPI 1: Percentage of renewable electricity (%)</p> <p>The SPT calibrated by Huhtamaki is ambitious against the company's past performance and against peer performance in the Packaging sector. Huhtamaki is one of four companies out of 43 companies that set the target to use 100% renewable electricity by 2030. Taking into account that two other peers are more ambitious because they already attained this target, Huhtamaki ranks among the top 14% of the sectorial peer group. In the absence of an international target for companies on renewable energy, the level of ambition of the SPT against international targets is, with no fault of the company, limited. The target is set in a clear timeline and is supported by a strategy and action plan.</p> <p>SPT 1: 100% by 2030</p>
<p>Part 1.3:</p> <p>KPI selection and SPT calibration</p>	<p>KPI selection: Relevant, Core, and Material to the company's direct operations but moderately material to the whole Corporate Value Chain as the KPI does not include Scope 3 emissions</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Limited information to assess ambition against issuer's past performance • Ambitious against issuer's sectorial peer group • Ambitious against international targets <hr/> <p>The KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. The KPI is moderately material to the company's whole Corporate Value Chain because Scope 1 and 2 emissions make up only 20% of the issuer's total GHG emissions, but material to the company's direct operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. The baseline data has been externally verified. It covers 100% of the operations and activities of Huhtamaki.</p> <p>KPI 2: Reduction of absolute Scope 1 and 2 GHG emissions</p> <p>The SPT calibrated by Huhtamaki is ambitious against peer performance in the Packaging sector and against international targets. In terms of targets set, the majority of the peer group has not</p>

² ISS ESG's evaluation is based on the engagement conducted between October 2021 and March 2022, on Huhtamaki's Sustainability-Linked Bond Framework (20.05.2022 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 04.11.2021).

³ ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established practices for the issuer's sector.

SPT 2: reduction of 27.5% by 2030 from 2019 baseline set Science-Based Targets or commits to the SBTi to do so. Hence, Huhtamaki belongs to the top 23% of the peer group with those who have set targets that have been verified by the SBTi. Moreover, the fact that the SPT is SBTi-verified ensures that it is ambitious against the Paris Agreement. The SPT is not ambitious against the issuer's past performance, however, this assessment is limited due to the impact on demand during the Covid-year 2020. The target is set in a clear timeline and is supported by a strategy and action plan.

Part 2: Aligned with ICMA Sustainability-Linked Bond Principles

Alignment with the SLBP

The Issuer has defined a formal framework for its Sustainability-Linked Bonds regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPT), sustainability-linked securities characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA.

The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPTs, step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction. Significant or structural changes in methodology for the KPIs or to the Group and company structure, material acquisitions or disposals or any discovery of significant errors are covered by issuer.

Part 3: Consistent with Huhtamaki's sustainability strategy

Link to issuer's sustainability strategy

According to the ISS ESG Corporate Rating published 12.02.2022, the company currently shows a high sustainability performance against peers on key ESG issues faced by Packaging sector and obtains a Decile Rank relative to industry group of 3, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 14th out of 43 companies within its sector as of 16.02.2022.

The KPIs selected by the issuer on renewable energy and on Scope 1 and 2 GHG emissions are related the environmental impacts of production. Climate change has been defined as one of the key priorities of Huhtamaki in terms of sustainability strategy and ISS ESG finds that this is a material sustainability topic for the issuer. ISS ESG finds that this framework, and debt issuances under it, contribute to the issuer's sustainability strategy thanks to the KPIs' clear links to the key sustainability priorities of the issuer. The calibration of the SPTs shows that SPT 1 is ambitious against the issuer's past performance and sectorial peer group, and SPT 2 is ambitious against the issuer's sectorial peer group and against the Paris Climate Goals.

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

1A.1 KPI selection

KPI 1: Renewable energy

FROM ISSUER'S FRAMEWORK

- **KPI 1:** Percentage of renewable electricity (%) consumed by the company
- **SPT 1:** Increase the share of renewable electricity to 100% by 2030

Definition: Renewable energy sources include biomass, hydropower, geothermal power, wind energy, and solar energy turned into electricity

Methodology: total electricity consumption and its sources, i.e., the amount (GWh) that comes from renewable sources / total consumption (GWh)

Rationale: Renewable electricity became a key focus for Huhtamaki as part of its 2030 strategy. Historically the level of renewables has hovered around 2-4%. The company is aiming for a significant step-up over the next years, but the transition is expected to be slower in the beginning, with a faster ramp-up towards the 2030 deadline. Uptick in the early years is primarily due to on-site renewable installations and purchasing of renewable electricity from the grid. A significant increase will be visible near 2025 due to company-wide power purchase agreements amongst other initiatives.

Baseline and baseline year: 2% renewable energy in 2019

Historical performance:

	2019	2020	2021
Total electricity consumption (GWh)	1 181	1 094	1 175
Renewable electricity consumption (GWh)	18	42	212
Share of renewable electricity (%)	2 %	4 %	18 %

Scope: Electricity used in all manufacturing operations, globally

Materiality and relevance

The environmental impact of production is considered as a key ESG issue faced by the Packaging sector according to key ESG standards⁴ for reporting and ISS ESG assessment. Companies of this sector are energy-intensive, with energy used to power processing units, cogeneration plants, machinery, and non-manufacturing facilities. The impact on the environment, through the emission of greenhouse gases (GHG) depends on how this production is fueled.

More than half of Huhtamaki's production process relies on electricity. While the company recognizes the need to move away from fossil fuels (such as natural gas), it is their first priority to make sure this shift can be done with renewable energy. Electrifying the production without having a renewable electricity supply would actually increase the GHG emissions of the company. Hence, by

⁴ Key ESG Standards include SASB and TCFD, among others.

focusing on the renewable electricity, the company is lowering Scope 2 emissions in the short term and preparing for broader GHG emission reduction in the long term.

ISS ESG finds that the renewable electricity KPI selected by the issuer is:

- **Relevant** to Huhtamaki's business as environmental impacts of production⁵ production is a key performance issue for the Packaging sector. It is important to note, however, that this is KPI only covers a small portion of the most important issues in this sector. More broadly, the main issues are GHG emissions at large, waste reduction, responsible sourcing of raw materials and product safety, of which waste, supply chain and circular economy are broadly addressed by the issuer in their sustainability-linked loan.
- **Core** to the issuer's business as Huhtamaki commits to increasing the share of renewable electricity by engaging in Power Purchase Agreements (PPAs)⁶ and installing on-site solar panels can only be achieved by direct and significant effort of the company. PPAs will be the main lever for this KPI, as the company focuses on additionality, meaning that additional renewable energy is being added to the grid that would not have existed without the company's involvement. It should be noted that purchasing certificates (GO, RECs and IRECs) is also part of the strategy, which will not impact the company's key processes or operations. Such certificates are tradeable, marked-based instruments that represent the legal property rights to a certain amount of renewable electricity generation. Even though these are not the same as offsetting, they still do not require a significant effort for the company to achieve, as they are purely transactional. However, Huhtamaki estimates to only use certificates for 5-10% of their total demand for renewable energy.
- **Partially material** to Huhtamaki from an ESG perspective to the company's whole Corporate Value Chain because renewable electricity makes up the majority⁷ of Scope 2 emissions and those only make up 15% of the issuer's total GHG emissions. Still, the KPI is deemed material to the company's direct operations, because electricity makes up the majority of Scope 2 emissions⁸ and Scope 2 emissions make up 70% of the company's direct GHG emissions (e.g. Scope 1 and 2 combined). By increasing the share of renewable electricity in all their manufacturing operations globally, the company will significantly tackle a key ESG issues: environmental impacts of production. Moreover, renewables enable to directly decarbonize the production process.

Consistency with overall company's sustainability strategy

As a packaging company, Huhtamaki strives to make sustainable packaging that considers the full environmental, social and governance impacts of their products. On the one hand, packaging uses materials and creates waste. On the other hand, it keeps food and other products safe and prolongs their shelf life.

⁵ It should be noted that resource-efficiency here refers to energy conservation, waste of materials during or at the end-of-life of products are not included here.

⁶ PPAs are long-term contractual agreements where an independent power producer (IEP) with an existing or to be developed renewable electricity plant seeks out to create an agreement with a company to supply a standard quality of renewable electricity for the contractual period.

⁷ Scope 2 emissions are the indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. For Huhtamaki, their Scope 2 emissions stem from electricity (99%).

⁸ Per data provided by the issuer.

Huhtamaki's sustainability ambition for 2030 focuses on two topics: climate action and circularity. In order to mitigate climate change, the sustainability strategy outlines actions on GHG emission targets that were reviewed and validated by the Science-Based Targets initiative (SBTi), which includes one combined target for Scope 1 and 2 emissions and two targets for Scope 3 emissions. Increasing the renewable electricity share of the company will directly contribute to lowering Scope 2 emissions and decarbonizing the production process.

Overall, Huhtamaki is working towards carbon neutral production by 2030 by finding a balance between emissions and compensation, including off-setting, to achieve this net-zero target.

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

Measurability

- **Scope and perimeter:** The KPI selected covers electricity used in 100% of Huhtamaki's manufacturing operations, globally.
- **Quantifiable/Externally verifiable:** The KPI selected is measurable and quantifiable. The share of renewable electricity over total electricity consumption are also disclosed by several peers in the Packaging sector. Specifically, the issuer monitors total electricity consumption and its sources and for the KPI calculates the amount (in GWh) that comes from renewable sources as a share of total consumption (in GWh).
- **Externally verified:** The baseline and reported historical figures have been verified by a third-party verifier. Moreover, the issuer commits to have the data on this KPI externally verified on an annual basis until the SPT achievement in 2030.
- **Benchmarkable:** By selecting a KPI that is used by other peers in the market who also monitor the share of renewable electricity over total electricity consumption, the KPI is comparable with other companies and with international targets. Benchmarking of the SPT related to this KPI has been done in in section 2.

Opinion on KPI selection: *The KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. The KPI is partially material to the company's whole Corporate Value Chain because renewable electricity addresses Scope 2 emissions, which only make up 15% of the issuer's total GHG emissions, and material to the company's direct operations, because Scope 2 emissions make up 70% of the company's own GHG emissions (i.e. Scope 1 and 2). It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the operations and activities of Huhtamaki.*

1A.2 Calibration of SPT

SPT 1: Renewable energy

FROM ISSUER'S FRAMEWORK⁹

Sustainability Performance Target: increase the share of renewable electricity to 100% by 2030

Sustainability Performance Target Observation Date: the Target Observation Date(s) are the dates on which progress versus the SPT(s) will be measured, these will be further specified in the security specific documentation.

SPT 1 Trajectory for the increased share of renewable electricity

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
SPT 1 – reduction in %	20.0%	23.5%	25.0%	27%	40%	60%	80%	90%	100%

Strategy: The strategy to achieve SPT 1 includes the on-site means such as on-site generation and purchase of renewable electricity from the grid, as well as off-site means such as Power Purchase Agreements. In addition, other means such as participation in government programs such as programme running in Maine¹⁰ to incentivize local production are considered when applicable. Finally, the company can also purchase certificates (GO/REC/iREC) to increase the share. The company highlights that whenever possible, it will strive for additionality.

Factors that support the achievement of the target:

- Regulatory push to increase share of renewable electricity for power generators, e.g., EU fit for 55
- Company has a streamlined decision-making process and a central task force driving strategic projects

Risks to the target:

- Distributed footprint
 - Presence across countries where market maturity may be low
 - Volumes not high enough for corporate PPAs – may need to form alliances with other buyers
- Local legislation in some cases restrictive
- Demand for renewables > supply -> availability is not guaranteed

Ambition

Against company's past performance

Huhtamaki sets the SPT to increase the share of renewable electricity for the company's total electricity consumption to 100% by 2030. Renewable electricity became a key focus for Huhtamaki as part of the updated 2030 ambition.

The issuer provided data going back 3 years which shows a renewable electricity share fluctuating between 2-18%. The low share in 2019 can be explained by the fact that some of the sites that had

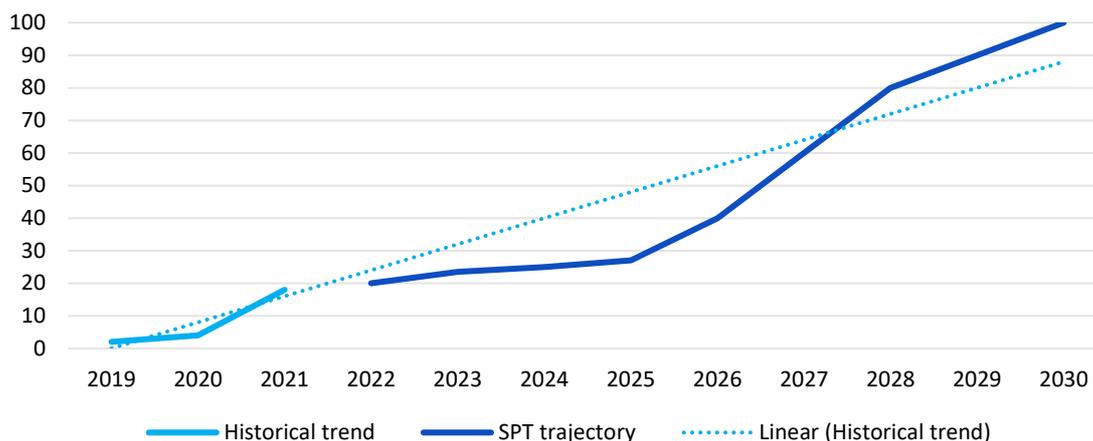
⁹ This information is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

¹⁰ For more information, see: <https://www.maine.gov/mpuc/regulated-utilities/electricity/renewable-programs>

previously used renewable electricity had stopped procuring it. From 2020, the variable started increasing. The Compound Annual Growth Rate (CAGR) for the target, i.e. from 2019-2030, is 42.7%.

The trajectory for the increased share of renewable electricity calibrated by the SPT provides a much steeper trend compared to past performance, as shown in Figure 1. Therefore, ISS ESG concludes that the SPT is ambitious against past performance.

Figure 1: Historical and future trajectory of renewable energy share

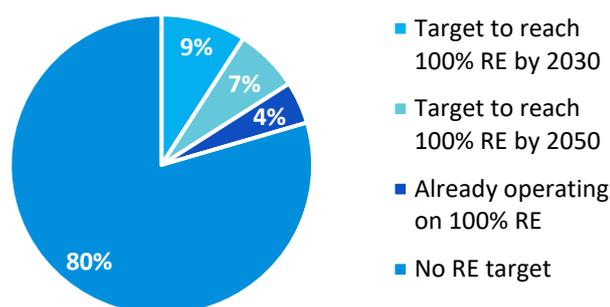


Against company’s sectorial peers

ISS ESG conducted a benchmarking of the SPT set by Huhtamaki against the Packaging peer group of 43 listed companies derived from the ISS ESG Universe, as per 25.10.2021.

In terms of targets set, Figure 2 shows the share of the peer group (including Huhtamaki) that have set renewable energy targets. There are two peers that are already operating on 100% renewable energy, hence they do not need to set this target anymore. There are four companies (including Huhtamaki) that set the target to use 100% renewable electricity by 2030, which is the same as the SPT. Hence, Huhtamaki is among the top 14% of the sectorial peer group.

Figure 2: Renewable Energy (RE) targets set by peer group



ISS ESG concludes that the SPT is ambitious against Huhtamaki’s sectorial peers.

Against international targets

The European Union has set a new binding renewable energy target, called the Renewable Energy Directive¹¹, for 2030 of at least 32% with a possible upward revision in 2023. The European Commission already proposed to raise the target for 2030 to 40%. While it is interesting to note this

¹¹ European Commission, July 2021, ‘Renewable energy directive’, https://ec.europa.eu/energy/topics/renewable-energy/directive-targets-and-rules/renewable-energy-directive_en#directive-2018-2001-eu

broad international target, it has been calibrated at member state level for the European Union and cannot be directly used to benchmark corporate entities. Therefore, due to the absence of a relevant international target, ISS ESG cannot conclude the level of ambition of the SPT against international targets.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data for the previous 3 years.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including yearly goals that make up the trajectory for the increased share in renewable energy.

Supporting strategy and action plan

In order to achieve the SPT on renewable electricity, Huhtamaki describes the following action points:

- On-site solar installations: by increasing the number of factories with such installations.
- Company-wide Power Purchase Agreements: this will be the main lever.
- Purchase of green electricity from the grid
- Certificates (such as GO, REC and IREC): these will only be used as a last resort in locations where the other options are not feasible.

Increasing the share of renewable electricity by engaging in Power Purchase Agreements (PPAs) will be the main lever and biggest priority for the issuer to achieve the SPT. PPAs are long-term contractual agreements where an independent power producer (IEP) with an existing or to be developed renewable electricity plant seeks out to create an agreement with a company to supply a standard quality of renewable electricity for the contractual period. By engaging in PPAs (rather than certificates such as REC) the company ensures additionality, i.e. that additional renewable energy is being added to the grid that would not have existed without the company's involvement.

Opinion on SPT calibration: *The SPT calibrated by Huhtamaki is ambitious against the company's past performance and against peer performance in the Packaging sector. Huhtamaki is one of four companies out of 43 companies that set the target to use 100% renewable electricity by 2030. Taking into account that two other peers are more ambitious because they already attained this target, Huhtamaki ranks among the top 14% of the sectorial peer group. In the absence of an international target for companies on renewable energy, the level of ambition of the SPT against international targets is, with no fault of the company, limited. The target is set in a clear timeline and is supported by a strategy and action plan.*

1B.1 KPI selection

KPI 2: Scope 1 and 2 GHG emissions

FROM ISSUER'S FRAMEWORK

- **KPI 2:** Reduction of absolute Scope 1 and 2 GHG emissions
- **SPT 2:** Reduction of absolute Scope 1 and Scope 2 CO₂ emissions by 27.5% by 2030 from 2019 baseline (SBTi verified)

Definition: Reduction in total scope 1 and 2 emissions as verified by the Science-Based Targets initiative. Unit of weight used is metric tonne (Mt).

Methodology: Emissions calculated using the market-based emissions methodology. For more information on this please refer to Chapter 4 "Scope 2 Accounting Methods" of the GHG Protocol Scope 2 Guidance.

Rationale: Huhtamaki aims to stay within its Science-Based Targets initiative commitment projections and thus will need to reduce their Scope 1 and 2 GHG emissions by 27.5% by 2030 (554 000 metric tonnes CO₂), from a 2019 baseline (764 000 metric tonnes CO₂e).

Baseline and baseline year: 764 000 t CO₂e in 2019

Historical performance:

	2019	2020	2021
Scope 1 emissions (Mt CO ₂ e)	220 000	216 000	221 000
Scope 2 emissions (Mt CO ₂ e)	544 000	493 000	484 000
Scope 1 + 2 emissions (Mt CO₂e)	764 000	709 000	705 000

	2019	2020	2021
Sales (€, M)	3 399	3 302	3 575
Emissions per € sold	224.8	214.7	197.2

Scope: Scope 1 being GHG emissions from Huhtamaki's own operations, and Scope 2 being indirect GHG emissions from consumption of purchased electricity and steam, heat and cooling used in Huhtamaki's own operations. Huhtamaki's definitions are aligned with the GHG Protocol. These emissions are modelled using the Absolute Contraction Approach (ACA) Well Below 2°C (WB2) scenario.

Materiality and relevance

The environmental impact of production is considered as a key ESG issue faced by the Packaging sector according to key ESG standards¹² for reporting and ISS ESG assessment. Companies of this sector are energy-intensive in their production processes and emit Greenhouse Gases (GHG) throughout their Corporate Value Chain.

Huhtamaki's direct impact on the environmental impact comes from their own operations, i.e. Scope 1, and from their consumption of purchased electricity, heat, steam and cooling used in their own operations, i.e. Scope 2. These emissions from own operations are in the direct control of the company. Furthermore, 80% of the company's GHG emissions arise from other parts in the value

¹² Key ESG Standards include SASB and TCFD, among others.

chain, notably (1) purchased goods and services and (2) product end-of-life. On the latter category, Huhtamaki only has indirect control.

ISS ESG finds that the Scope 1 and 2 GHG emission reduction KPI selected by the issuer is:

- **Relevant** to Huhtamaki's business as environmental impacts of production is a key issue for the Packaging sector.
- **Core** to the issuer's business as Scope 1 and 2 emissions reductions will impact key processes and operations, because Huhtamaki's strategy for this KPI is to focus on improving energy efficiency throughout their operations, of both primary and secondary energy.
- **Moderately material** to Huhtamaki from an ESG perspective, because Scope 1 and 2 emissions cover only approximately 20¹³% of the issuer's emissions (5% Scope 1; 15% Scope 2). Therefore, the KPI is deemed not fully material to the Corporate Value Chain of the company as per ISS ESG's methodology. At the same time, the KPI is considered material to the company's direct operations, because the KPI focuses on Scope 1 & 2 emissions covering 100% of activities by the company worldwide.
 - It is worth noting that Huhtamaki has also set Scope 3 emission targets, even though they are outside of the scope of this KPI. Scope 3 emissions account for 80% of their total GHG emissions. The Science-Based Targets initiative (SBTi) has validated two targets for Scope 3 emissions, in addition to the combined target set for Scope 1 and 2 emissions. Since these targets are SBTi-approved, they can be considered as being in line with the Paris Agreement.

Consistency with overall company's sustainability strategy

As a packaging company, Huhtamaki strives to make sustainable packaging that considers the full environmental, social and governance impacts of their products. On the one hand, packaging uses materials and creates waste. On the other hand, it keeps food and other products safe and prolongs their shelf life.

Huhtamaki's sustainability ambition for 2030 focuses on two topics: climate action and circularity. In order to mitigate climate change, the sustainability strategy outlines actions on GHG emission targets that were reviewed and validated by the Science-Based Targets initiative (SBTi), which includes one combined target for Scope 1 and 2 emissions and two targets for Scope 3 emissions. Increasing the renewable electricity share of the company will directly contribute to lowering Scope 2 emissions and decarbonizing the production process.

Overall, Huhtamaki is working towards carbon neutral production by 2030 by finding a balance between emissions and compensation, including off-setting, to achieve this net-zero target.

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

¹³ ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established practices for the issuer's sector.

Measurability

- **Scope and perimeter:** The KPI selected covers Scope 1 and 2 emissions of all their operational sites worldwide.
- **Quantifiable/Externally verifiable:** The KPI selected is measurable and quantifiable. Huhtamaki uses both the market-based and location-based methods to calculate their GHG emissions, but for target-setting purposes the company has chosen to use the market-based emissions methodology¹⁴. The KPI selected is externally verifiable thanks to the commonly accepted methodology used.
- **Externally verified:** The market-based scope emissions from 2019-2021 have received an external verification, which is included in the 2021 annual report. Moreover, the issuer commits to continue to have the data on this KPI externally verified on an annual basis until the SPT achievement in 2030.
- **Benchmarkable:** The KPI selected is commonly used in the market for target-setting purposes and therefore benchmarkable against peer performance and international targets.

Opinion on KPI selection: *The KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. The KPI is moderately material to the company's whole Corporate Value Chain because Scope 1 and 2 emissions make up only 20% of the issuer's total GHG emissions, but material to the company's direct operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. The baseline data has been externally verified. It covers 100% of the operations and activities of Huhtamaki.*

¹⁴ For more information on this please refer to Chapter 4 "Scope 2 Accounting Methods" of the [GHG Protocol Scope 2 Guidance](#).

1B.2 Calibration of SPT

SPT 2: Scope 1 and 2 GHG emissions

FROM ISSUER'S FRAMEWORK

Sustainability Performance Target: Reduction of absolute Scope 1 and Scope 2 CO₂ emissions by 27.5% by 2030 from 2019 baseline (SBTi verified)

Sustainability Performance Target Observation Date: the Target Observation Date(s) are the dates on which progress versus the SPT(s) will be measured, these will be further specified in the security specific documentation.

Baseline and baseline year: 764 000 t CO₂e in 2019

Trajectory of the SPT:

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030
SPT 2 – absolute emission target metric tonnes (Mt) CO ₂ e	707 000	688 000	669 000	650 000	631 000	611 000	592 000	573 000	554 000
SBTi Target – reduction in %	7.5 %	9.9 %	12.4 %	14.9 %	17.4 %	20.0 %	22.5 %	25.0 %	27.5 %

Methodology: Historically Huhtamaki has used a location-based method to calculate their CO₂e emissions, but in 2020 they started reporting using the market-based method. This is important as the company works towards their climate ambitions and particularly increasing the share of renewable electricity in their electricity mix. In order to stay in the Science-Based Targets initiative commitment projections, it requires Huhtamaki to reduce Scope 1 and 2 GHG emissions by 27.5% by 2030 (554 000 tCO₂ eqv.), from a 2019 baseline (764 000 tCO₂ eqv.).

Factors that support the achievement of the target:

- The company has a strategy to deliver on absolute emissions reductions
- As markets mature, more opportunities to reduce emissions will become available for corporates, e.g., more sourcing models for biofuels

Risks to the target:

- Company has very high growth ambitions (5% p.a.) and reduction is absolute terms -> significant effort required
- Today and in the near future, availability of more sustainable alternatives to primary energy are limited
- Delivery partially dependent on technology development

Ambition

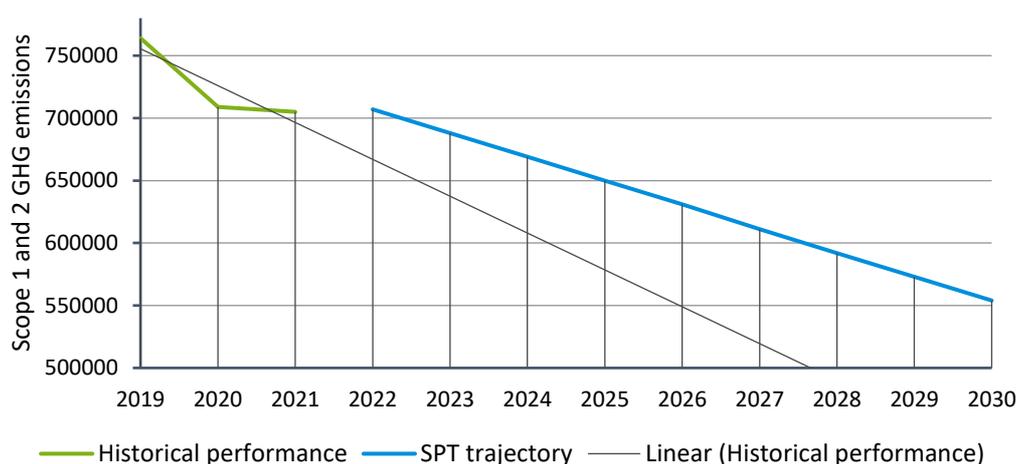
Against company's past performance

Huhtamaki has been calculating their GHG emissions according to the GHG Protocol guidelines, using both the market-based and location-based methods. For the SPT, the market-based method is used, because it reflects the company's efforts to reduce emissions by increasing share of renewable electricity and other low carbon sources. It should be noted that the benchmarkability of the SPT is limited by the fact that the data for the Covid-year 2020 is skewed due to a drop in demand for packaging.

Figure 3 shows the historical performance on the SPT as well as the projected trajectory of Scope 1 and 2 emissions reduction as calibrated by the SPT. The SPT trajectory is less steep than the projected linear trend based on the historical performance on the KPI.

Therefore, ISS ESG concludes that SPT 2 is not ambitious against historical performance, with limitations.

Figure 3: Historical and projected SPT 2 trajectory



Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT set by Huhtamaki against the Packaging peer group of 34 listed companies derived from the ISS ESG Universe, as per 25.10.2021.

In terms of targets set, Figure 4 (on the next page) shows the share of the peer group (including Huhtamaki) that have set Science-Based Targets (SBT) for their GHG emission reductions. The majority of the peer group has not set SBT or commit to the SBTi to do so. Huhtamaki belongs to the top 23% of the peer group with those who have set targets that have been verified by the SBTi.

ISS ESG concludes that Huhtamaki's target is ambitious against its sectorial peers.

Against international targets

Paris agreement

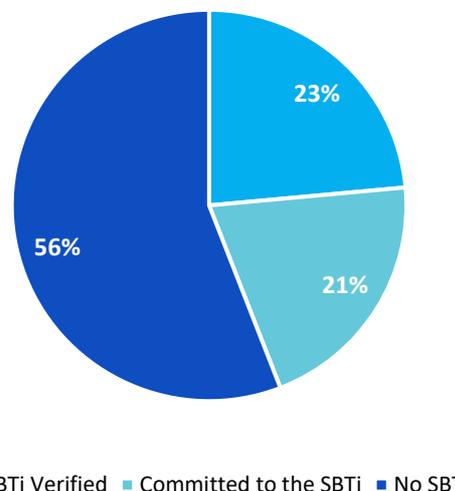
Huhtamaki's emissions reduction targets were reviewed and validated by the SBTi in August 2021 and can therefore be considered as science-based targets. The SPT covers Scope 1 and 2 and is set

line with the Paris Agreement with the objective of keeping global warming well below a 2°C scenario.

It is worth noting Huhtamaki’s SBTi approved targets go beyond the targets calibrated for this SPT. The company also sets targets to reduce Scope 3 emissions and commits that 70% of its suppliers will have science-based targets by 2026.

ISS ESG finds that the SPT is ambitious and in line with the Paris agreement. The benchmark selected by the issuer is provided by an independent third party based on a methodology established in the industry.

Figure 4: Science-Based Targets set by peer group (including Huhtamaki)



Measurability & comparability

- **Historical data:** The issuer provided relevant historical data on the SPT going back 3 years, as recommended by the SLBP.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement.

Supporting strategy and action plan

To reduce its Scope 1 and 2 GHG emissions Huhtamaki will focus on the following action points:

Scope 1:

- Improve energy efficiency: despite its business growth ambitions of 5% p. annum, the company strives for absolute emissions reductions through efficiency gains, including for example consistent focus from management to machine operators, energy treasure hunts, best practice sharing across sites, and targeted investments.
- Switch to alternative fuels, including biogas
- Electrification of systems
- Technology development

Scope 2:

- Improve energy efficiency
- Switch to renewable electricity
 - Power purchase agreements (PPA)¹⁵
 - On-site solar installations or other on-site generation

¹⁵ Corporate Power Purchase Agreements offer companies a way to make progress on renewable electricity commitments, as they provide scale and additionality. Whenever possible, Huhtamaki strives to ensure its renewable strategy is linked to additionality – i.e., there being more renewable electricity in the world as a result of direct involvement of Huhtamaki.

- Other means, e.g., creative local solutions: for example the governmental program run in Maine, where the local utility acts as a broker between corporate investors and local producers of renewables. With corporate-backed funding, small scale producers can obtain necessary bank loans to build new capacity.
- Purchase of green electricity from the grid
- Purchase of certificates: including GO, REC and IREC.

In doing so, Huhtamaki strives for decarbonization of their production process and direct operations.

Opinion on SPT calibration: *The SPT calibrated by Huhtamaki is ambitious against peer performance in the Packaging sector and against international targets. In terms of targets set, the majority of the peer group has not set Science-Based Targets or commits to the SBTi to do so. Hence, Huhtamaki belongs to the top 23% of the peer group with those who have set targets that have been verified by the SBTi. Moreover, the fact that the SPT is SBTi-verified ensures that it is ambitious against the Paris Agreement. The SPT is not ambitious against the issuer's past performance, however, this assessment is limited due to the impact on demand during the Covid-year 2020. The target is set in a clear timeline and is supported by a strategy and action plan.*

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

In their Sustainability-Linked Bond Framework, Huhtamaki has selected to focus on our climate commitments. While their sustainability strategy and ambitions are broader, the issuer selected solely climate focused KPIs due to i) the importance of climate and emissions for their stakeholders, ii) their ability to further emphasize the importance of the topic and drive change internally and iii) the complementary nature with their Sustainability-Linked Revolving Credit Facility.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Huhtamaki as aligned with the SLBPs. The issuer has created and committed to publicly disclose the framework in a comprehensive and credible manner.

2.1. Selection of KPIs

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

Opinion on KPI 1: The KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. The KPI is partially material to the company's whole Corporate Value Chain because renewable electricity addresses Scope 2 emissions, which only make up 1516% of the issuer's total GHG emissions, and material to the company's direct operations, because Scope 2 emissions make up 70% of the company's own GHG emissions (i.e. Scope 1 and 2). It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable. It covers 100% of the operations and activities of Huhtamaki.

Opinion on KPI 2: The KPI selected is relevant and core to the issuer's business model and consistent with its sustainability strategy. The KPI is moderately material to the company's whole Corporate Value Chain because Scope 1 and 2 emissions make up only 20% of the issuer's total GHG emissions, but material to the company's direct operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. The baseline data has been externally verified. It covers 100% of the operations and activities of Huhtamaki.

2.2. Calibration of Sustainability Performance Targets (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

Opinion on SPT 1: The SPT calibrated by Huhtamaki is ambitious against the company's past performance and against peer performance in the Packaging sector. Huhtamaki is one of four companies out of 43 companies that set the target to use 100% renewable electricity by 2030. Taking into account that two other peers are more ambitious because they already attained this target, Huhtamaki ranks among the top 14% of the sectorial peer group. In the absence of an international target for companies on renewable energy, the level of ambition of the SPT against international

¹⁶ ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established practices for the issuer's sector.

targets is, with no fault of the company, limited. The target is set in a clear timeline and is supported by a strategy and action plan.

Opinion on SPT 2: The SPT calibrated by Huhtamaki is ambitious against peer performance in the Packaging sector and against international targets. In terms of targets set, the majority of the peer group has not set Science-Based Targets or commits to the SBTi to do so. Hence, Huhtamaki belongs to the top 23% of the peer group with those who have set targets that have been verified by the SBTi. Moreover, the fact that the SPT is SBTi-verified ensures that it is ambitious against the Paris Agreement. The SPT is not ambitious against the issuer's past performance, however, this assessment is limited due to the impact on demand during the Covid-year 2020. The target is set in a clear timeline and is supported by a strategy and action plan.

2.3. Sustainability-Linked Securities Characteristics

FROM ISSUER'S FRAMEWORK

Characteristics outlined in the issuer's Framework are applicable to all Sustainability-Linked Securities issued under it. The financial characteristics of the security issued under the Framework will be impacted depending on the achievement of the SPTs indicated in the Framework. Huhtamaki may choose to include one or more KPIs and respective SPTs for each security to be issued.

Specific financial characteristics for each security will be detailed in the final terms of the respective security. Furthermore, characteristics specific to any single Sustainability-Linked Security issued under this Framework, such as the Target Observation Date(s)¹⁷, and the corresponding SPT(s) based on the SPT Trajectory, will be included in its security-specific documentation.

Trigger Events

Should Huhtamaki fail to provide due support for it having achieved the applicable SPT(s) (referring to sections 2.4 Reporting and 2.5 Verification for details) for the applicable Target Observation Date(s) as set out in the security specific documentation ("Trigger Event"), the financial characteristics of the Sustainability-Linked Security will change as outlined in the security specific documentation. This may include, but is not limited to, a pre-determined coupon adjustment or re-payment amount adjustment as will always be stated in security-specific documentation for each Sustainability-Linked Security.

For the avoidance of doubt, the Trigger Event is the result of an observation as to whether, or not, each of the KPIs individually have achieved their respective SPTs and is defined as any of the following events.

- A KPI included in a security issued under this Framework has not achieved the SPT on the Target Observation Date as stipulated by the security specific documentation, or
- The reporting for an individual Sustainability-Linked Security issued under this Framework does not meet the requirements as set out in the Reporting section 2.4 of this Framework and security specific documentation, or
- The verification (as per the Verification section 2.5 of this Framework and security specific documentation) of the SPTs has not been provided and made publicly available within the timeframe described in the section 2.5 Verification.

Fallback Mechanisms

The KPIs and SPTs set out in this Framework will remain applicable throughout the tenor of any security issued under the Framework, regardless of any changes to Huhtamaki's sustainability strategy. This includes

¹⁷ Target Observation Date(s) being the dates on which progress versus the SPT(s) will be measured and further specified in the security specific documentation

any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards.

Any significant or structural changes to the Group and/or company structure, methodology for calculating the Group's absolute greenhouse gas emissions, material acquisitions or disposals or any discovery of significant errors, which results in an increase or decrease to the value of the Scope 1 and 2 Emissions Amount by at least 5 per cent., may result in a recalculation of the Baseline of Scope 1 and 2 Emissions and the targets set for the absolute greenhouse gas emissions for the Scope 1 and 2 Emissions. Any recalculations of Baseline of Scope 1 and 2 Emissions and the targets set for the absolute greenhouse gas emissions for the Scope 1 and 2 Emissions should be reported in the Company's Annual Report and be verified by a qualified independent third party, with relevant expertise as described in section "Verification". Recalculated levels of CO2e emissions for KPI 2 shall be reported to Science Based Targets initiative.

Any new or updated Sustainability-Linked Bond Framework, in relation with any subsequent securities issuance, shall not have any implications on the Sustainability-Linked Securities issued under this Framework.

Opinion: ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Huhtamaki as aligned with the SLBPs. The issuer gives a detailed description of the potential variation of the financial characteristics. Significant or structural changes in methodology for the KPIs or to the Group and company structure, material acquisitions or disposals or any discovery of significant errors are covered by issuer.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

Reporting of the Sustainability-Linked Securities will be published publicly at least on an annual basis. Huhtamaki will ensure that it will publish, keep readily available and easily accessible up-to-date information on the performance of the selected KPI(s), including baselines. The actual KPI performance will be reported in Huhtamaki's Annual Report (the "Report"). KPI and SPT data, among other non-financial information in the Report, will be reviewed by a qualified independent third party, with relevant expertise as described in section "2.5 Verification". The Report will be published on Huhtamaki's web page no later than 120 days after the end of each financial year to ensure investors and other stakeholders have updated and adequate information about Huhtamaki's sustainability strategy and the progress on the KPIs towards the respective SPTs.

The Report, together with the external verification, will form the basis for evaluating the impact on respective security characteristics as outlined in the section "Bond Characteristics" as well as in the respective security specific documentation. These reports together will include relevant information needed to assess the potential need for variation of the security characteristics. The Annual Report may include the following items:

- The performance of the KPI, as per the relevant reporting period and when applicable, as per the Target Observation Date including the calculation methodology and baselines when relevant,
- Information about potential recalculations of baselines and respective SPT levels, alongside circumstances leading to any such recalculation,
- External verification related to the KPIs and SPTs,
- Information on any updates to Huhtamaki's sustainability strategy and/or governance with an impact on the KPI and SPT.

Where feasible and possible, Huhtamaki's Annual Report will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors, including M&A activities, behind the evolution of the performance on the KPI on an annual basis,
- Illustration of the positive sustainability impacts of the performance improvement
- Any re-assessments of the KPI and/or restatement of the SPT and/or proforma adjustments of baselines or KPI scope,
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

Notwithstanding the above, in situations where the financial characteristics of Huhtamaki's outstanding Sustainability-Linked Securities may need to be amended in less than 120 days from the end of the relevant financial year related to the Target Observation Date, Huhtamaki will undertake to make the Reporting related to the period including the Target Observation Date available in a shorter timeline, as shall be described in the security specific documentation. This can include, but is not limited to, a separate reporting outside of the Annual Report to be delivered to the holders of the Sustainability-Linked Security in question.

Opinion: ISS ESG considers the Reporting description provided by Huhtamaki as aligned with the SLBPs. This will be made publicly available annually and include valuable information, as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Huhtamaki will ensure an external and independent verification, in the form of a limited assurance, of the performance of the KPIs listed in this Framework, in their progression towards the respective SPTs, on an annual basis ("Verification Assurance Report"). The Verification Assurance Report shall be conducted by an external, independent third-party reviewer with relevant expertise and qualifications, such as an auditor or an environmental consultant. The Verification Assurance Report, either as part of Huhtamaki's Annual Report or being provided as a separate report, shall be made public no later than 120 days after the end of each of its financial year as outlined in section "2.3 Bond Characteristics" as well as specified in the security specific documentation. The Verification Assurance Report may, at the discretion of Huhtamaki, also include review of other non-financial information as may be subject to the agreed scope of work with the independent third-party performing the task.

Failure to provide the above-mentioned ex-post verification before the Reporting End Date¹⁸ shall result in an automatic adjustment in the financial characteristics as outlined in the security specific documentation.

Opinion: ISS ESG considers the Verification description provided by Huhtamaki as aligned with the SLBPs. The issuer plans on having all annual values of the SPT externally verified and published. This will outline the performance of the KPIs and their progression towards the respective SPTs.

¹⁸ Reporting End Date being the date falling 120 days after the end of the relevant financial year related to the Target Observation Date. Reporting End Date may have shorter timeframe, as defined in security specific documentation in situations where any changes to the financial characteristics after the Target Observation Date need to be completed in less than 120 days from the end of the relevant financial year. In such cases Huhtamaki may deliver the Verification Assurance Report as a separate report to the holders of the Sustainability-Linked Security in question.

PART 3: LINK TO HUHTAMAKI'S SUSTAINABILITY STRATEGY

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
HUHTAMAKI OYJ	PACKAGING	3	VERY HIGH

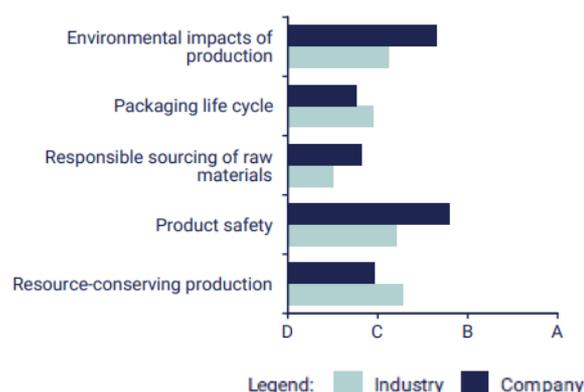
This means that the company currently shows a high sustainability performance against peers on key ESG issues faced by Packaging sector and obtains a Decile Rank relative to industry group of 3, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 16.02.2022, this Rating places Huhtamaki 14th out of 43 companies rated by ISS ESG in the Packaging sector.

Key challenges faced by companies in terms of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Key Issue Performance



Sustainability Opportunities

Huhtamaki is a producer of food and beverage packaging made of recycled fiber (27% of total material input in 2020) and paperboard (35%), as well as plastics (22%). By integrating recycling aspects into its product portfolio and sourcing certified sustainable fibers for its production, the company could increase the offering of sustainable packaging. In this context, the company is committed to increasing the recyclability of its products and is a member of relevant industry associations aiming to increase the recycling rates of its products. Moreover, Huhtamaki states that the majority of virgin fibers procured are PEFC or FSC certified. In 2020, 97% of of fiber raw materials excluding recycled fiber were either certified PEFC, FSC or SFI Chain of Custody.

Overall, the company's product portfolio includes several products based on recycled materials, which could contribute to the global sustainability challenge of resource scarcity. However, the company also offers to some extent single use plastic products which are harmful to the health of marine and terrestrial ecosystems.

Sustainability Risks

In order to address social risks, Huhtamaki has a certified hygiene and safety management system in place for the majority of its manufacturing sites.

Regarding environmental risk management, more than half the company's manufacturing sites have a certified environmental management system in place. In September 2021, the company has set a science-based approved target to reduce greenhouse gas emissions well below 2°C within its operations and its supply chain. In addition, risks related to environmental management in the supply chain seem to be managed on a general level. As for the environmental impacts from its products, the company conducts life cycle assessments (LCA) to understand the climate impact of its products. Yet, it remains unclear whether LCA studies cover the entire product portfolio of the company. Reasonable measures are demonstrated to increase the material efficiency of products as well as in production processes. In addition, some steps are taken to ensure sustainable wood/fiber procurement. However, there is no indication of actions to ban substances of concern in the products.

Governance opinion

The majority of the board members, including the chair of the board (Pekka Ala-Pietila, as at April 6, 2021), are considered to be independent. Besides, the company's nomination committee is independent, and the audit and remuneration committee are partly independent. Compensation is publicly disclosed for members of the executive management team as a whole and the CEO individually. The compensation includes long-term components, which could incentivize sustainable value creation.

Regarding the company's governance of sustainability, there is no evidence that a board committee dealing with sustainability issues has been set up. ESG targets are integrated into the remuneration of the company's executive management team. Yet, the targets are not publicly further specified. The company has published a code of conduct covering some important business ethics-related topics on a general level. To ensure compliance with the code, Huhtamaki has established some measures such as training and anonymous reporting channels.

Sustainability impact of products and services portfolio

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

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED % OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Products from relevant certified sustainable forestry	5%	CONTRIBUTION	

Products made from recycled materials	12%	CONTRIBUTION	
Single-use plastic products	20%	OBSTRUCTION	 

Breaches of international norms and ESG controversies

The company is not facing any controversy.

Contribution of KPIs to sustainability objectives and priorities

ISS ESG mapped the KPIs selected by the issuer for its Sustainability-linked Bonds with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Packaging sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector.

From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Renewable Energy	✓	✓	Contribution to a material objective
Scope 1 and 2 emissions	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the KPIs are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry.*

DISCLAIMER

1. Validity of the SPO: For Huhtamaki's Sustainability-Linked Bond issuances as long as the Sustainability-Linked Bond Framework (20.05.2022), SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Huhtamaki's 2020 ISS ESG Corporate Rating.

Methodology - Overview

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

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

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

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

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

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

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

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

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

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

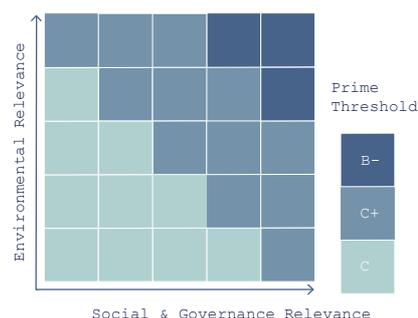
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

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

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

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

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



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

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

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

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

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

A+: the company shows excellent performance.

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

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

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

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

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

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

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

ANNEX 2: Methodology

ISS ESG Corporate Rating

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

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

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

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Bond Framework of Huhtamaki, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance. ISS ESG reviewed the alignment of the concept of the Huhtamaki's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPT against Huhtamaki's own past performance (according to Huhtamaki's reported data), against Huhtamaki's Packaging sectorial peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative) and the UN SDGs (according the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Huhtamaki.

ANNEX 3: Quality management processes

SCOPE

Huhtamaki commissioned ISS ESG to compile a Sustainability-Linked Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

ISSUER'S RESPONSIBILITY

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

- Sustainability-Linked Bond Framework

ISS ESG'S VERIFICATION PROCESS

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

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

The engagement with Huhtamaki took place from October 2021 to March 2022.

ISS ESG'S BUSINESS PRACTICES

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

About ISS ESG SPO

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

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

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

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

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