

# Second-Party Opinion

## Nokian Tyres Sustainability-Linked Bond Framework

### Second-Party Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



## Evaluation Summary

Sustainalytics is of the opinion that the Nokian Tyres Sustainability Linked-Bond Framework aligns with the Sustainability-Linked Bond Principles 2020. This assessment is based on the following:

- Selection of Key Performance Indicators** The Nokian Tyres Sustainability Linked-Bond Framework defines two KPIs: scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t) and scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t), (see Table 1). Sustainalytics considers both KPIs to be very strong based on their alignment with a material sustainability issue for Nokian Tyres, high scope of applicability and ability to be benchmarked against external science-based trajectories.
- Calibration of Sustainability Performance Targets** Sustainalytics considers the SPTs to be aligned with Nokian Tyres' sustainability strategy. Sustainalytics considers both SPTs to be ambitious based on a comparison with historical performance, targets established by peers and alignment with science-based trajectories.
- Bond Characteristics** Nokian Tyres will link the financial characteristics of the sustainability-linked bonds issued under the Framework to the achievement of the SPTs, namely an adjustment in the coupon rate or an increase in the redemption price of the bonds. This is aligned with the Sustainability-Linked Bond Principles 2020.
- Reporting** Nokian Tyres commits to report on its performance on the KPIs in a Sustainability-Linked Bond Progress Report which will be published on its website on an annual basis. Nokian Tyres commits to disclose relevant information that may affect the KPI, such as changes to the calculation methodology, the baselines or scope, or if there are significant changes in data due to improved data accessibility. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.
- Verification** Nokian Tyres commits to have external limited assurance conducted against each SPT for each KPI at least once a year, which is aligned with the Sustainability-Linked Bond Principles 2020.

<b>Evaluation Date</b>	May 26, 2023
<b>Issuer Location</b>	Nokia, Finland

The SPTs contribute to the following SDGs:



## Overview of KPIs and SPTs

KPI	Baseline	Strength of KPI	SPT	Ambitiousness of SPT
Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO <sub>2</sub> e/t)	2022	Very Strong	Reduce scope 1 and 2 GHG emissions intensity by 65% by 2030 from a 2022 baseline	Ambitious
Scope 3 GHG emissions intensity from product use (tCO <sub>2</sub> e/t)	2022	Very Strong	Reduce scope 3 GHG emissions intensity from product use by 20% by 2030 from a 2022 baseline	Ambitious

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## Scope of Work and Limitations

Nokian Tyres has engaged Sustainalytics to review the Nokian Tyres Sustainability Linked-Bond Framework dated May 2023 (the “Framework”) and provide an opinion on its alignment with the Sustainability-Linked Bond Principles 2020 (SLBP).<sup>1</sup>

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>2</sup> opinion on the alignment of the Framework with the SLBP, as administered by ICMA.

As part of this engagement, Sustainalytics exchanged information with various members of Nokian Tyres’ management team to understand the sustainability impact of their business processes and SPTs, as well as the reporting and verification processes of aspects of the Framework. Nokian Tyres’ representatives have confirmed that:

- (1) They understand it is the sole responsibility of issuer to ensure that the information provided is complete, accurate and up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with the Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Nokian Tyres. Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated SPTs of KPIs but does not measure KPI performance.<sup>3</sup> The measurement and reporting of the KPIs is the responsibility of the issuer. No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Nokian Tyres has made available to Sustainalytics for the purpose of this Second-Party Opinion.

The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written and aligned with the methodology to calculate the KPI performance outlined in the Second-Party Opinion up to 24 months or until one of the following occurs:

- (1) A material change to the external benchmarks<sup>4</sup> against which targets were set;
- (2) A material corporate action (such as a material M&A or change in business activity) which has a bearing on the achievement of the SPTs or the materiality of the KPIs.

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<sup>1</sup> The Sustainability-Linked Bond Principles were launched by ICMA in June 2020. They are administered by ICMA and are available at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf>

<sup>2</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>3</sup> Sustainalytics has provided an opinion based on the understanding that the financial characteristics of instruments issued under this Framework will be tied to the achievement of SPTs corresponding to each of the KPIs included in the Framework.

<sup>4</sup> Benchmarks refers to science-based benchmarks.

## Introduction

Nokian Tyres plc (“Nokian Tyres” or the “Company”) is a multinational tyre manufacturer headquartered in Nokia, Finland. The Company was founded in 1988 and dates back to 1898, when the Suomen Gummitehdas Oy, or Finnish Rubber Factory, was first established. The Company develops and manufactures tyres for passenger cars, trucks and heavy machinery, and specializes in winter tyres. The Company also operates a chain of service centres under the name Vianor that specializes in car maintenance and tyre services. Nokian Tyres had approximately 3,300 employees as of 31 December 2022.<sup>5</sup>

Nokian Tyres intends to issue sustainability-linked bonds which will have a coupon rate or redemption price tied to the achievement of sustainability performance targets for two KPIs: i) scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t); and ii) scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t).

Nokian Tyres has engaged Sustainalytics to review the Framework and provide an opinion on the alignment of the Framework with the SLBP. The Framework will be published in a separate document.<sup>6</sup>

Nokian has defined the following KPIs and SPTs:

**Table 1: KPI Definitions**

KPI	Definition
Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO <sub>2</sub> e/t)	<p>KPI 1 is defined as scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t). It is calculated by dividing the absolute scope 1 and 2 GHG emissions in tCO<sub>2</sub>e (market based when possible) for a given year by the total tonnes of tyre production.</p> <p>KPI 1 covers 100% of Nokian Tyres’ global scope 1 and 2 emissions.</p> <ul style="list-style-type: none"> <li>Scope 1 emissions include those generated from the sources and operations owned and controlled by the Company.</li> <li>Scope 2 emissions include emissions from purchased energy.</li> </ul> <p>Scope 1 emissions is calculated in accordance with the ISO 14064 standard and GHG protocol Corporate Accounting and Reporting Standard.<sup>7,8</sup></p> <p>Scope 2 emissions are calculated using a market-based method.</p>
Scope 3 GHG emissions intensity from product use (tCO <sub>2</sub> e/t)	<p>KPI 2 is defined as scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t). It is calculated by dividing the absolute scope 3 GHG emissions from the use of Company’s products in tCO<sub>2</sub>e for a given year by the total tonnes of tyre production.</p> <p>KPI 2 covers 100% of Nokian Tyres’ emissions arising from usage of its sold products.</p> <p>Scope 3 emissions are calculated in accordance with the ISO 14064 standard and GHG protocol Corporate Accounting and Reporting Standard.</p>

**Table 2: SPTs and Past Performance**

KPI	2015	2018	2020	2021	2022 (baseline)	SPT 2025	SPT 2026	SPT 2027	SPT 2030
KPI 1: Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO <sub>2</sub> e/t)	0.73	-	0.54	0.44	0.42	-25% (0.31)	-33% (0.28)	-41% (0.24)	-65% (0.146)

<sup>5</sup> Nokian Tyres, “Nokian Tyres in Brief”, at: <https://www.nokiantyres.com/company/about-us/>

<sup>6</sup> The Nokian Tyres Sustainability-Linked Bond Framework will be made available on: <https://www.nokiantyres.com/company/investors/financials/debt-and-financing/>

<sup>7</sup> ISO 14064-1:2018, at: <https://www.iso.org/standard/66453.html>

<sup>8</sup> GHG Protocol, “Corporate Standard”, at: <https://ghgprotocol.org/corporate-standard>

KPI 2: Scope 3 GHG emissions intensity from product use (tCO <sub>2</sub> e/t)	-	25.44	26.11	25.53	23.71	22.0 (-7%)	21.33 (-10%)	20.86 (-12%)	19.1 (-20%)
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## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Alignment of the Nokian Tyres Sustainability Linked-Bond Framework with the Sustainability-Linked Bond Principles

Sustainalytics is of the opinion that the Nokian Tyres Sustainability Linked-Bond Framework aligns with the five core components of the Sustainability-Linked Bond Principles 2020.



#### Selection of Key Performance Indicators

##### Relevance and Materiality of KPIs

In its assessment of materiality and relevance, Sustainalytics considers: i) whether an indicator speaks to a material impact of the issuer's business on environmental or social issues; and ii) to what extent the KPI is applicable.

Sustainalytics has assessed the relevance, materiality and combined scope of applicability of KPI 1, scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t); and KPI 2, scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t). Sustainalytics considers both KPI 1 and KPI 2 to be material and relevant given the following:

- Regarding KPI 1, Sustainalytics' Industry Reports on the Auto Components<sup>9</sup> industry identifies Carbon-Own Operations<sup>10</sup> as a material ESG issue. Additionally, the Sustainability Accounting Standards Board (SASB) identifies "Energy Management" as a material topic to track and disclose for the auto parts industry due to the substantial amount of energy consumed by auto parts manufacturers in production processes. The use of electricity and fossil fuels drives the primary direct and indirect emissions of GHGs for companies in the sector.<sup>11</sup>
- Regarding KPI 2, Sustainalytics' Industry Reports on the Auto Components<sup>12</sup> industry also identifies Carbon-Products & Services as a material ESG issue. In addition, SASB considers Product Design & Lifecycle Management as relevant material issues for Auto Parts Industry.<sup>13</sup>
- In terms of applicability, KPI 1 addresses 100% of Nokian Tyres' scope 1 and 2 emissions, which represented 1.4% of the Company's total emissions as of 2022. Additionally, KPI 2 addresses 100% of Nokian Tyres' scope 3 emissions from the use of its sold products, which represented 83% of the Company's total emissions in 2022. Sustainalytics notes that both KPIs collectively address 84.5% of Nokian Tyres' total scope 1, 2, and 3 GHG emissions as of 2022 and therefore, together represent a high scope of applicability.

##### KPI Characteristics

In its assessment of the KPI's characteristics, Sustainalytics considers: i) whether it uses a clear and consistent methodology; ii) whether it follows an externally recognized definition; iii) whether the KPI is a direct measure of

<sup>9</sup> Sustainalytics, "Industry Report – Auto Components", (2022)

<sup>10</sup> Carbon – Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of scope 3 GHG emissions.

<sup>11</sup> SASB, Auto Parts Industry standard, (2018), at: [https://www.sasb.org/wp-content/uploads/2018/11/Auto\\_Parts\\_Standard\\_2018.pdf](https://www.sasb.org/wp-content/uploads/2018/11/Auto_Parts_Standard_2018.pdf)

<sup>12</sup> Sustainalytics, "Industry Report – Auto Components", (2022)

<sup>13</sup> SASB, "Auto Parts" at: <https://www.sasb.org/standards/materiality-finder/find/?industry%5B0%5D=TR-AP>

the issuer's performance on the material environmental or social issue; and iv) if applicable, whether the methodology can be benchmarked against an external contextual benchmark.<sup>14</sup>

Sustainalytics considers Nokian Tyres' definition and methodology to calculate the performance of both KPIs to be clear and consistent with its historical disclosures. The methodology used to calculate scope 1 and scope 3 emissions is in accordance with the ISO 14064 standard and GHG Protocol Corporate Accounting and Reporting Standard.<sup>15, 16</sup> Additionally, the Company uses a market-based approach for calculating scope 2 emissions.

Sustainalytics views both KPIs to be directly linked to Nokian Tyres' performance on a material environmental issue as the KPIs measure Nokian Tyres' GHG emissions intensity as an output of its activities.

In addition, both KPIs enable benchmarking against Science-Based Targets initiative (SBTi) as a credible metric reference, provided that the same metric was employed for a former target validation by SBTi.<sup>17</sup>

### Overall Assessment

Sustainalytics considers KPI 1: scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t); and KPI 2: scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t) to be very strong given that they: i) are a direct measure of the Company's performance on a material environmental issue; ii) follow a clear and consistent calculation methodology that is externally defined; iii) together have a high scope of applicability; and iv) support benchmarking against external science-based trajectories.

KPIs	Strength of KPIs			
KPI 1: Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO <sub>2</sub> e/t)	Not Aligned	Adequate	Strong	Very strong
KPI 2: Scope 3 GHG emissions intensity from product use (tCO <sub>2</sub> e/t)	Not Aligned	Adequate	Strong	Very strong



## Calibration of Sustainability Performance Targets

### Alignment with Nokian Tyres' Sustainability Strategy

Nokian Tyres has set the following SPTs for its KPIs:

- SPT 1: Reduce scope 1 and 2 GHG emissions intensity by 65% by 2030 from a 2022 baseline.
- SPT 2: Reduce scope 3 GHG emissions intensity from product use by 20% by 2030 from a 2022 baseline.

Sustainalytics considers the SPTs to be aligned with Nokian Tyres' sustainability strategy. Please refer to Section 2 for an analysis of the credibility of Nokian Tyres' sustainability strategy.

Nokian Tyres has identified "actions to mitigate climate change" as a material topic and a strategic goal in line with its objectives to develop a low-carbon business model and reduce GHG emissions from its business activities.<sup>18</sup>

### Strategy to Achieve the SPTs

Nokian Tyres intends to achieve the SPTs through the following strategy:

<sup>14</sup> External contextual benchmarks provide guidance on alignment with ecological system boundaries. This criterion is not applied to social KPIs or impact areas for which such contextual benchmarks are not available.

<sup>15</sup> ISO 14064-1:2018, at: <https://www.iso.org/standard/66453.html>

<sup>16</sup> GHG Protocol, "Corporate Standard", at: <https://ghgprotocol.org/corporate-standard>

<sup>17</sup> Nokian Tyres, "Nokian Tyres is the first tyre company to have its ambitious greenhouse gas reduction targets approved, (2020), at: <https://www.nokiantyres.com/company/news-article/nokian-tyres-is-the-first-tyre-company-to-have-its-ambitious-greenhouse-gas-reduction-targets-approved/>

<sup>18</sup> Nokian Tyres, "Corporate Sustainability Report", (2022), at: <https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

SPT 1: Reduce scope 1 and 2 GHG emissions intensity by 65% by 2030 from a 2022 baseline (Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t))

- Increase the share of low or zero-emission energy - Nokian Tyres intends to increase the share of renewable energy in its operations by sourcing energy from biomass power plants near its Finnish factories and using solar energy at its factory in the US and the test track in Spain. The Company is also building a zero CO<sub>2</sub> emission factory in Romania which is expected to become operational in the first half of 2025.
- Energy efficiency initiatives. Nokian Tyres intends to reduce its emissions intensity in its operations by installing efficient machinery and improving the energy efficiency of its technologies. This includes installing heat recovery systems, LED lighting, pressurized air leakage detection systems and conducting energy efficiency audits,

SPT 2: Reduce scope 3 GHG emissions intensity from product use by 20% by 2030 from a 2022 baseline (Scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t))

- Nokian Tyres plans to implement steps to reduce the rolling resistance of its tyres in turn reducing fuel consumption of the vehicle. This includes selecting quality raw materials that reduce rolling resistance, technical improvements in tire construction, improvement in wet gripping of tyres and installing Nokian Tyres Intuitu tire pressure and temperature monitoring systems so that customers can monitor tyre pressure to reduce rolling resistance.
- Nokian Tyres aims to increase its portfolio in products dedicated to low-emission and electric vehicles to reduce their emissions from sold products.

#### **Ambitiousness, Baseline and Benchmarks**

To determine the ambitiousness of the SPTs, Sustainalytics considers: i) whether the SPTs go beyond a business-as-usual trajectory; ii) how the SPTs compare to targets set by peers; and iii) how the SPTs compare with science.<sup>19</sup>

Nokian Tyres has set the baselines for both SPTs in 2022 which is the most recent comparable data available.

**SPT 1:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with external science-based decarbonization pathways.

Regarding past performance, the Company achieved a reduction of 42% in its scope 1 and 2 GHG emissions intensity between 2015 and 2022, which represents an annual average reduction of 6% during this period. Sustainalytics notes that the achievement of the SPT in 2030 implies a reduction in scope 1 and 2 GHG emissions intensity of 65% relative to 2022 levels. This represents an average annual rate of reduction of 8% between 2022 and 2030. Therefore, Sustainalytics considers the SPT to represent a material improvement over the Company's past performance as it represents a higher rate of reduction in Nokian Tyres' scope 1 and 2 emissions intensity.

Analyzing the performance of four of Nokian Tyres' peers in the auto components industry, Sustainalytics notes that the target set by Nokian Tyres is higher than similar scope 1 and 2 emission reduction targets set by its peers. Therefore, Sustainalytics is of the opinion that the SPT is above peer performance.

Additionally, in 2020, Nokian Tyres established a target to reduce scope 1 and 2 GHG emissions intensity by 52% 2030 from a 2015 base year, which represents an annual average reduction of 3.5% during this period. Sustainalytics notes that this target has been validated by SBTi to be aligned with the well-below 2°C scenario. Sustainalytics further notes that SPT 1 in the Framework refers to a 65% reduction in scope 1 and 2 GHG emissions intensity by 2030 from a 2022 base year, which represents an annual average reduction of 8% during this period. Sustainalytics notes that since there are currently no external emission intensity trajectories available for this sector, Sustainalytics could not independently assess the SPT against the alignment with SBTi's decarbonization trajectories. However, as the updated target is significantly higher than the target validated as aligned with the well-below 2°C scenario by SBTi, Sustainalytics considers the SPT to at least be aligned with the well-below 2°C scenario. Additionally, Nokian Tyres has communicated to Sustainalytics that the updated targets for scope 1 and 2 are undergoing SBTi's validation process, and the process is expected to conclude by September 2023.

**SPT 2:** Sustainalytics was able to use the following benchmarks to assess ambitiousness: past performance, peer performance and alignment with external science-based decarbonization pathways.

<sup>19</sup> We refer here to contextual benchmarks that indicate the alignment of targets with ecosystem boundaries.

Regarding past performance, the Company achieved a reduction of 6.8% in its scope 3 GHG emissions intensity from product use between 2018 and 2022, which represents an annual average reduction of 1.7% during this period. Sustainalytics notes that the achievement of the SPT in 2030 implies a reduction in scope 3 GHG emissions intensity from product use of 20% relative to 2022 levels. This represents an average annual rate reduction of 2.4% between 2022 and 2030. Therefore, Sustainalytics considers the SPT to represent a material improvement over the Company's past performance as it represents a higher reduction rate in Nokian Tyres' scope 3 emissions intensity from product use.

Analyzing the performance of four of Nokian Tyres' peers in the auto components industry, Sustainalytics notes that the targets set by Nokian Tyres is higher than similar scope 3 emission reduction targets set by its peers. Therefore, Sustainalytics is of the opinion that SPT 2 is above peer performance.

Additionally, in 2020, Nokian Tyres established a target to reduce scope 3 GHG emissions intensity from product use by 25% 2030 from a 2018 base year, which represents an annual average reduction of 2% during this period. Sustainalytics notes that this target has been validated by SBTi to be aligned with the well-below 2°C scenario. Sustainalytics further notes that SPT 2 in the Framework refers to a 20% reduction in scope 3 GHG emissions intensity from product use by 2030 from a 2022 base year, which represents an annual average reduction of 2.4% during this period. Sustainalytics notes that since there are currently no external emission intensity trajectories available for this sector, Sustainalytics could not independently assess the SPT against the alignment with SBTi's decarbonization trajectories. However, as the updated target is in line with the target validated as aligned with the well-below 2°C scenario by SBTi, Sustainalytics considers SPT 2 to at least be aligned with the well-below 2°C scenario.

### Overall Assessment

Sustainalytics considers the SPTs to align with Nokian Tyres' sustainability strategy and both, SPT 1 and SPT 2, to be ambitious given that they: i) present a material improvement compared to the Company's past performance; ii) are above similar targets by peers; and iii) are at least aligned with SBTi's well-below 2°C scenario.

SPTs	Ambitiousness of SPTs			
<b>SPT 1: Reduce scope 1 and 2 GHG emissions intensity by 65% by 2030 from a 2022 baseline (tCO<sub>2</sub>e/t)</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious
<b>SPT 2: Reduce scope 3 GHG emissions intensity from product use by 20% by 2030 from a 2022 baseline (tCO<sub>2</sub>e/t)</b>	Not Aligned	Moderately Ambitious	Ambitious	Highly Ambitious



### Bond Characteristics

Nokian Tyres has disclosed that it will link the financial characteristics of the sustainability-linked bonds to the non-achievement of the SPTs. Nokian Tyres will incur a step-up in the coupon rate or an increase in the redemption price on the occurrence of a trigger event. A trigger event will occur if: i) the SPTs have not been achieved by the respective observation dates; ii) the reporting does not meet the requirements as set out in the Framework; and iii) verification of the SPT performance has not been provided and made public on or prior to the respective reporting end year.<sup>20</sup>

Nokian Tyres may recalculate and adjust the KPIs and baselines due to change in: i) the methodology of calculation of any KPI, ii) data due to better data accessibility/accuracy or data error, and iii) the structure of the Company due to acquisitions, demerger, merger or divestiture. Sustainalytics recognizes that the financial characteristics of the sustainability-linked bonds are aligned with the SLBP, but does not opine on the adequacy of the magnitude and structure of the financial penalty.

<sup>20</sup> Reporting End Date is the date in any given year falling 120 days after 31<sup>st</sup> December of that year.



### Reporting

Nokian Tyres commits to report on its performance on the KPIs on an annual basis and on the information related to achievement of the SPTs in their respective observation years in its Sustainability-Linked Bond Progress Report which will be published annually or before the reporting end date on the Company's website. Nokian Tyres further commits to disclose relevant information in the progress report that may enable investors to monitor the level of ambition of the SPTs and assess any required changes to the bonds' characteristics, which may include: i) the calculation methodology and baselines; ii) verification report outlining the performance of SPTs; and iii) information on any updates to Nokian Tyres' sustainability strategy or governance with an impact on the KPIs and SPTs. This is aligned with the SLBP.



### Verification

Nokian Tyres commits to have an external verifier provide limited assurance on the performance on for each KPI at least once a year before the reporting end date. The verification report, along with Nokian Tyres' Sustainability-Linked Bond Progress Report, will be published on the Company's website. The verification commitments are aligned with the SLBP.

## Section 2: Assessment of Nokian Tyres' Sustainability Strategy

### Credibility of Nokian Tyres' Sustainability Strategy

Nokian Tyres demonstrates a commitment to sustainability by focusing on the following as part of its Sustainability Roadmap: i) climate risks; ii) SBT actions plans and implementation; iii) energy efficiency; vi) sustainable materials; and v) product development.<sup>21</sup> The Company's sustainability governance is led by its senior vice president of supply operations, a member of Nokian Tyres' management team. Nokian Tyres has in place a sustainability steering group to supervise and monitor its sustainability operations. Additionally, the Company has established a GHG steering group to track the progress on its emissions reduction targets and strategies.<sup>22</sup> Moreover, Nokian Tyres conducts a materiality assessment once every three years through online surveys and interviews with relevant stakeholders to identify material topics and to understand stakeholders' expectations of its sustainability.<sup>23</sup> Through this assessment, in 2021, Nokian Tyres identified the following sustainability topics as material to the Company: i) environmentally sustainable raw materials; ii) actions to mitigate climate change; iii) safety and well-being at the Company; iv) promotion of human rights in all operations; and v) safety properties of tyres.<sup>24</sup> Further to these materiality assessments, in 2022, Nokian Tyres assessed its risk and opportunities in accordance with the recommendations of the Task Force on Climate-Related Disclosures.<sup>25</sup>

To support its decarbonization, in 2020, the Company set its emissions reduction targets in alignment with the SBTi decarbonization pathways, including reducing: i) scope 1 and 2 GHG emissions intensity per tonne of tyres by more than 50% by 2030 from a 2015 baseline; ii) scope 3 GHG emissions by 25% from raw materials production by 2030 from a 2018 baseline; iii) scope 3 GHG emissions from logistics by 25% by 2030 from a 2018 baseline; and iv) scope 3 emissions by 25% from product use by 2030 from a 2018 baseline.<sup>26</sup> Regarding energy efficiency, the Company has established a target to achieve 2.75 kWh per kg by 2030 as compared to 2,88 kWh per kg in 2022.

In terms of procuring sustainable materials, Nokian Tyres aims to increase the share of recycled or renewable materials in its tyres by 50% by 2030, aiming to add at least one new recycled or renewable raw material in its product line starting from 2023. The Company has designed a Green Step concept tyre that replaces 93% of fossil-based raw materials with recycled or renewable

<sup>21</sup> Nokian Tyres, "Corporate Sustainability Report (2022)", at: <https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Nokian Tyres, "Material topics - What people expect from us", at: <https://www.nokiantyres.com/company/sustainability/fundamentals/materiality-analysis-of-nokian-tyres/>

<sup>25</sup> Ibid.

<sup>26</sup> Nokian Tyres, "We Aim High", at: <https://www.nokiantyres.com/company/sustainability/fundamentals/our-targets-and-achievements/>

raw materials.<sup>27</sup> To focus on product development, Nokian Tyres aims to have all of its premium tyres reach rolling resistance classes A or B under the EU Tyre Labelling<sup>28</sup> by 2025 (excluding Nordic winter tyres which have an additional mark for braking on extreme ice and for use in extremely cold winter conditions).

Sustainalytics considers Nokian Tyres to have a strong sustainability strategy and is of the opinion that the sustainability-linked bonds issued under the Framework will further support Nokian Tyres' sustainability strategy.

### **Nokian Tyres' Environmental and Social Risk Management**

According to Sustainalytics' ESG Risk Rating, Nokian Tyres' ESG risk exposure is low and its management of ESG risks is assessed as strong.<sup>29</sup> Sustainalytics recognizes that Nokian Tyres' targets under the Framework are impactful. However, achieving the SPTs may bear environmental and social risks related to business ethics, human capital, carbon for products and services, and product governance.

Sustainalytics comments below on Nokian Tyres' ability to mitigate such potential risks.

- To address risks related to business ethics, Nokian Tyres has established a Code of Conduct in alignment with international principles such as the UN's Guiding Principles for Business and Human Rights, the International Labour Organization's (ILO)'s Declaration of Fundamental Principles and Rights at Work and the UN's Global Compact initiative.<sup>30</sup> The Code of Conduct outlines guiding principles for the Company's employees and third parties for matters related to anti-bribery, business integrity, equality, conflicts of interest, prevention of child labour and forced labour, among others. The Company also has in place a whistleblowing system for employees and third parties to report anonymously and confidentially on malpractices or violations to the code.<sup>31</sup> Additionally, Nokian Tyres has established a Supplier Code of Conduct which is consistent with the commitments laid out in the Ten Principles of the UN Global Compact, the Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work.<sup>32</sup> The Supplier Code of Conduct sets out guidelines for Nokian Tyres' suppliers including their employees and subcontractors to prevent risks related to corruption, bribery, forced labour, child labour, discrimination, land rights and freedom of association.<sup>33</sup>
- Regarding risks related to human capital, the Code of Conduct contains guidance on providing a safe working environment and minimum wages, preventing occupational health and safety hazards, and preventing child labour, forced labour and human trafficking. The Company has also developed a list of 16 Safety Management Standards on the safety of the work environment for each department and identifies aspects for further improvements.<sup>34</sup> Additionally, Nokian Tyres trains its employees on adhering to local requirements on occupational safety.<sup>35</sup> The Company also conducted a human rights assessment in 2017 based on the UN Guiding Principles Reporting Framework to assess risk to the Company's employees as to their rights to health, privacy, life, just and favourable conditions of work, which resulted in an action plan for these risks and a continuous project lead by the Company's Head of Global Safety. This project includes a Group-wide risk assessment tool to identify work related hazards in a centralized database.<sup>36</sup> The Company also requires its suppliers to conduct their operations in adherence to the Ten Principles of the UN Global Compact, the International Bill for Human Rights, the Universal Declaration of Human Rights and the ILO's Declaration on Fundamental Principles and Rights at Work.<sup>37,38</sup> Further, Nokian Tyres has informed Sustainalytics that to ensure adherence to these principles by its suppliers, the Company conducts audits or engages with its suppliers by itself or through authorized third-party, to assess their operations and selects suppliers based on the risk rating derived through such supplier risk assessment.

<sup>27</sup> Nokian Tyres, "Corporate Sustainability Report (2022)", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>28</sup> European Commission, "Tyres – Energy Labelling Requirements Apply to this Product", at: [https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/energy-efficient-products/tyres\\_en](https://commission.europa.eu/energy-climate-change-environment/standards-tools-and-labels/products-labelling-rules-and-requirements/energy-label-and-ecodesign/energy-efficient-products/tyres_en)

<sup>29</sup> Sustainalytics, "ESG Risk Rating: Nokian Renkaat Oyj"

<sup>30</sup> Nokian Tyres, "Nokian Tyres Code of Conduct", at: <https://www.nokiantyres.com/company/sustainability/code-of-conduct/>

<sup>31</sup> Ibid.

<sup>32</sup> Nokian Tyres, "Supplier Code of Conduct", at: <https://www.nokiantyres.com/company/sustainability/supplier-code-of-conduct/>

<sup>33</sup> Ibid.

<sup>34</sup> Nokina Tyres, "Safety is a Choice", at: <https://www.nokiantyres.com/company/sustainability/people/health-and-safety/>

<sup>35</sup> Nokian Tyres, "Corporate Sustainability Report 2022", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>36</sup> Nokian Tyres, "Corporate Sustainability Report 2022", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>37</sup> Ibid.

<sup>38</sup> Nokian Tyres, "Supplier Code of Conduct", at: <https://www.nokiantyres.com/company/sustainability/supplier-code-of-conduct/>

- To address risks related to carbon for products and services, the Company commits to developing products, functions and production facilities taking environmental impacts into account and reducing adverse effects on the environment.<sup>39</sup> Nokian Tyres has developed an Environmental, Safety and Quality Policy which requires compliance with environmental laws and regulations and takes into account issues related to biodiversity, deforestation, climate change and sustainable development in its operations.<sup>40</sup> An external auditor carries out annual audits to verify compliance with the Company's Environmental, Safety and Quality Policy and the ISO 14001 environmental management system.<sup>41</sup> Nokian Tyres has also set up tyre retreading units to retread tyres from trucks, buses and heavy machinery, thereby reducing CO<sub>2</sub> emissions by approximately 80% per tyre relative to the production of new tyres.<sup>42</sup> The Company has also become a member of the Finnish Tyre Recycling Ltd. and the US Tyre Manufacturers Association to support centralized collection and utilization of tyres at national level.<sup>43</sup> Nokian Tyres is also committed to replacing fossil-based materials with renewable or recycled raw materials, such as recycled carbon black, renewable oils, recycled rubber, etc.<sup>44</sup> Nokian Tyres has also developed a Sustainable Natural Rubber Policy in alignment with the Global Platform for Sustainable Natural Rubber,<sup>45</sup> a platform committed to improving the social, environmental and economic aspects of the global natural rubber value chain.<sup>46</sup>
- To address risks related to product governance, Nokian Tyres ensures that its products comply with national and international regulations on noise, chemicals, product testing, tyre making among others.<sup>47</sup> These include: UNECE E regulations,<sup>48</sup> Regulation EC/661/2009 of the European Commission,<sup>49</sup> the Technical Regulation on the Safety of Wheeled Vehicles of the Eurasian Union,<sup>50</sup> the Finnish regulation TRAFICOM/220809/03.04.03.00/2019,<sup>51</sup> the US NHTSA standards,<sup>52</sup> the China Compulsory Certificate requirements,<sup>53</sup> and the GSO Standards.<sup>54,55</sup> In addition, the Company uses chemical substances in its operations according to the EU's REACH Regulation,<sup>56,57</sup> which bans the use of that carcinogenic chemicals and substances of very high concern, and imposes requirements on the use of polycyclic aromatic hydrocarbons. Nokian Tyres also requires its suppliers to be ISO 9001 certified for the sake of identifying and addressing potential risks related to product quality, and favours suppliers with ISO 14001 certification for environmental management systems.<sup>58,59</sup> Moreover, the Company's production facilities obtain valid environmental as well as chemical handling and storage permits governed by the local laws, which are supervised by the respective authorities. Nokian Tyres also prepares annual environmental impact reports of its tyre factories to local authorities as per the applicable

<sup>39</sup> Nokian Tyres, "Nokian Tyres Code of Conduct", at: <https://www.nokiantyres.com/company/sustainability/code-of-conduct/>

<sup>40</sup> Nokian Tyres, "Environmental-, Safety- and Quality Policy", at: <https://www.nokiantyres.com/company/sustainability/commitment-to-quality-and-sustainability/>

<sup>41</sup> Nokian Tyres, "Corporate Sustainability Report 2022", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Global Platform for Sustainable Natural Rubber, "About GPSNR", at: <https://sustainablenaturalrubber.org/about-us/>

<sup>46</sup> Nokian Tyres, "Corporate Sustainability Report 2022", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>47</sup> Nokian Tyres, "Standards Guide Us" at: <https://www.nokiantyres.com/company/sustainability/products/labels-and-standards/>

<sup>48</sup> UNECE, "Addenda to the 1958 Agreement (Regulations 101-120)", at: <https://unece.org/transport/vehicle-regulations-wp29/standards/addenda-1958-agreement-regulations-101-120>

<sup>49</sup> Regulation EC/661/2009 General Safety Regulation, "REGULATION (EC) No 661/2009 of the European Parliament and of the Council of 13 July 2009", at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:200:0001:0024:en:PDF>

<sup>50</sup> Eurasian Union, "Technical Regulation CU TR 018/2011", at: <https://www.ccis-expertise.com/en/cu-tr-018-2011-on-safety-of-wheeled-vehicles>

<sup>51</sup> Finnish Transport and Communications Agency Traficom, "Regulation TRAFICOM/220809/03.04.03.00/2019", at: <https://www.traficom.fi/sites/default/files/media/regulation/Regulation%20Draft%20Technical%20requirements%20for%20and%20type%20approval%20of%20studded%20tyres%20for%20vehicles%20%202020.pdf>

<sup>52</sup> US National Highway Traffic Safety Administration, "49 CFR Parts 567, 571, 574, and 575", at:

<https://www.nhtsa.gov/sites/nhtsa.gov/files/fmvss/TireLabeling.pdf>

<sup>53</sup> MPR China Certification, "CCC: New Implementation Rules and GB-Standards for Tyres", at: <https://www.china-certification.com/en/ccc-new-implementation-rules-and-gb-standards-for-tyres/#>

<sup>54</sup> GCC Standardization Organization, "List of GSO Technical Regulations for Tyres", at: <https://www.gso.org.sa/wp-content/uploads/2021/12/GSO-Technical-Regulations-for-Tyres.pdf>

<sup>55</sup> Nokian Tyres, "Standards Guide Us" at: <https://www.nokiantyres.com/company/sustainability/products/labels-and-standards/>

<sup>56</sup> European Commission, "REACH Regulation", at: [https://environment.ec.europa.eu/topics/chemicals/reach-regulation\\_en](https://environment.ec.europa.eu/topics/chemicals/reach-regulation_en)

<sup>57</sup> Nokian Tyres, "Corporate Sustainability Report 2022", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>58</sup> Ibid.

<sup>59</sup> Nokian Tyres, "Raw Material Procurement", at: <https://www.nokiantyres.com/company/sustainability/sustainability-in-everyday-life/raw-material-procurement/>

laws and regulations of each country where it operates and records any complaints in an internal environment incident's register to take necessary corrective measures.<sup>60</sup>

In addition to the above, Sustainalytics has not found evidence of any major environmental and social controversies related to Nokian Tyres. Overall, Sustainalytics considers that Nokian Tyres has strong management programmes and policies to mitigate risks that could arise in achieving the SPTs.

## Section 3: Impact of the SPTs

Globally, the transportation sector accounted for 37% of total global CO<sub>2</sub> emissions in 2021, with post-pandemic rebound emissions growing by 8% as compared to 2020.<sup>61, 62</sup> Emissions from road vehicles accounted for approximately 75% of the total transport sector emissions in 2020, which in turn represented 15% of global CO<sub>2</sub> emissions.<sup>63</sup> According to the IEA, to achieve net zero emissions by 2050, emissions from the transport sector must be reduced by 20% by 2030 relative to 2021.<sup>64</sup> The automotive industry together with the auto components industry play an important role in achieving this target; the auto components industry consisting of the auto parts sub-industry (76% of the companies) and the tyres sub-industry (24% companies).<sup>65</sup> Additionally, tyres have a substantial negative environmental footprint at all phases of their life cycle.<sup>66</sup> For one, tyre production consumes high volumes of energy and raw materials.<sup>67</sup> During use, particle pollution from tyre wear is estimated to be 1,850 times higher than tailpipe emissions from cars.<sup>68</sup> In addition, rolling resistance affects vehicle energy use and consequently GHG emissions from vehicles,<sup>69</sup> which is estimated to account for approximately 82% of tyres' total life cycle CO<sub>2</sub> emissions.<sup>70</sup> At the end of life, one billion tyres are retired per year, accounting for approximately 2% of total waste material collected worldwide.<sup>71</sup> Sustainable management of end-of-life tyres has the potential to contribute to recovery of energy and materials, and minimize the procurement of virgin natural resources needed in tyre production, thereby reducing the emissions from the acquisition and transportation of raw materials for tyre production.<sup>72</sup>

Within the industry, tyre manufacturers worldwide have set targets to reduce their scope 1, 2 and 3 emissions and defined carbon footprint reduction initiatives aligned with the 1.5°C or 2°C Paris Agreement scenarios under the 2005 Tyre Industry Project of the World Business Council for Sustainable Development.<sup>73</sup> To achieve this, the TIP focuses on the use of low-carbon energy sources, and upgrade and retrofit to energy-efficient processes aimed at increasing resource-use efficiency and reducing energy consumption.<sup>74</sup>

In Europe, members of the European Tyre & Rubber Manufacturers Association, which account for 70% of global tyre sales, including Nokian Tyres, have committed to decarbonize their manufacturing facilities in the EU and optimize technologies to improve vehicle fuel efficiency, among other initiatives.<sup>75</sup> The association's Tyre and Road Wear Particles Platform launched in

<sup>60</sup> Nokian Tyres, "Corporate Sustainability Report 2022", at:

<https://nokiantyres.studio.crasman.fi/pub/web/attachments/publications/Nokian%20Tyres%20Corporate%20Sustainability%20Report%202022.pdf>

<sup>61</sup> IEA, "Transport - Improving the sustainability of passenger and freight transport", at: <https://www.iea.org/topics/transport>

<sup>62</sup> IEA, "Global Energy Review: CO<sub>2</sub> Emissions in 2020", (2021), at: <https://www.iea.org/articles/global-energy-review-co2-emissions-in-2020>

<sup>63</sup> Our World in Data, "Cars, planes, trains: where do CO<sub>2</sub> emissions from transport come from?", at: <https://ourworldindata.org/co2-emissions-from-transport>

<sup>64</sup> IEA, "Transport - Improving the sustainability of passenger and freight transport", at: <https://www.iea.org/topics/transport>

<sup>65</sup> Sustainalytics, "Auto Components Industry Report", (2022)

<sup>66</sup> Piotrowska, K., et al. (2019), "Assessment of the Environmental Impact of a Car Tire throughout Its Lifecycle Using the LCA Method", Environmental Science and Pollution Research International, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8519332/>

<sup>67</sup> Ibid.

<sup>68</sup> Emission Analytics, "Gaining traction, losing tread Pollution from tyre wear now 1,850 times worse than exhaust emissions", <https://www.emissionsanalytics.com/news/gaining-traction-losing-tread>

<sup>69</sup> US Department of Energy, "Alternative Fuel Data Center", at: <https://afdc.energy.gov/conservation/equipment.html>

<sup>70</sup> British Tyre Manufacturer's Association, "CO<sub>2</sub> Emissions", at: <https://btmauk.com/tyres-and-the-environment/co2-emissions/>

<sup>71</sup> Dabic-Miletic, S., et al. (2021), "End-of-life tyre management: a critical review", Environmental Science and Pollution Research International, at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8519332/>

<sup>72</sup> Ibid.

<sup>73</sup> WBCSD, "Environmental Key Performance Indicators for Tyre Manufacturing 2009-2020", (2021), at: <https://www.wbcd.org/download/file/13500>

<sup>74</sup> WBCSD, "Tyre Industry Project," Impact Pathways", at: [https://sustainabilitydriven.info/impact\\_pathways/develop-pathways-to-decarbonize-operations/](https://sustainabilitydriven.info/impact_pathways/develop-pathways-to-decarbonize-operations/)

<sup>75</sup> European Tyre & Rubber Manufacturers Association, "The European tyre industry will contribute to achieve the new EU climate goals", (2020), at: <https://www.etrma.org/wp-content/uploads/2020/09/20200917-ETRMA-STOU-Statement.pdf>

July 2018, for example, is one such initiative aimed at developing solutions to reduce microparticles from tyres, which are indicated as a source of an estimated 28% of all primary microplastics in the environment.<sup>76,77</sup>

Based on the above, Sustainalytics is of the opinion that Nokian Tyres' efforts to reduce its scope 1, 2 and 3 emissions intensity are expected to contribute in the reduction of overall GHG emissions from the transportation sector.

### Contribution to SDGs

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and form part of an agenda for achieving sustainable development by the year 2030. The sustainability-linked bonds issued under the Framework are expected to help advance the following SDG goals and targets:

KPI	SDG	SDG Target
Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO <sub>2</sub> e/t)	7. Affordable and clean energy	7.3 By 2030, double the global rate of improvement in energy efficiency
	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Scope 3 GHG emissions intensity from product use (tCO <sub>2</sub> e/t)	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

## Conclusion

Nokian Tyres intends to issue sustainability-linked bonds tying the coupon rate or the redemption price to the achievement of the following SPTs:

- (1) Reduce scope 1 and 2 GHG emissions intensity by 65% by 2030 from a 2022 baseline
- (2) Reduce scope 3 GHG emissions intensity from product use by 20% by 2030 from a 2022 baseline

Sustainalytics considers KPI 1 and KPI 2 to be very strong given that they: i) are a direct measure of the Company's performance on a material environmental issue; ii) follow a clear and consistent calculation methodology that is externally defined; iii) together have a high scope of applicability; and iv) support benchmarking against external science-based trajectories. Furthermore, Sustainalytics considers the SPTs to be ambitious given that they present a material improvement compared to the Company's past performance, are above similar targets established by peers and are aligned with SBTi's well-below 2°C scenario. Sustainalytics also considers the reporting and verification commitments to be aligned with the SLBP and market practice.

Based on the above, Sustainalytics considers the Nokian Tyres Sustainability-Linked Bond Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPTs to be impactful.

<sup>76</sup> Nokian Tyres, "Microplastics and Tyres", at: <https://www.nokiantyres.com/company/sustainability/environment/microplastics-and-tyres/>

<sup>77</sup> European Parliament, "Microplastics: sources, effects and solutions", (2018), at:

<https://www.europarl.europa.eu/news/en/headlines/society/20181116STO19217/microplastics-sources-effects-and-solutions>

## Appendix 1: Sustainability-Linked Bonds - External Review Form

### Section 1. Basic Information

**Issuer name:** Nokian Tyres

**Sustainability-Linked Bond ISIN:**

**Independent External Review provider's name for second party opinion pre-issuance (sections 2 & 3):** Sustainalytics

**Completion date of second party opinion pre-issuance:** May 26, 2023

**Independent External Review provider's name for post-issuance verification (section 4):**

**Completion date of post issuance verification:**

At the launch of the bond, the structure is:



a step-up structure



a variable redemption structure

### Section 2. Pre-Issuance Review

#### 2-1 SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> assessed all the following elements (complete review)    | <input type="checkbox"/> only some of them (partial review):                 |
| <input checked="" type="checkbox"/> Selection of Key Performance Indicators (KPIs)           | <input checked="" type="checkbox"/> Bond characteristics (acknowledgment of) |
| <input checked="" type="checkbox"/> Calibration of Sustainability Performance Targets (SPTs) | <input checked="" type="checkbox"/> Reporting                                |
| <input checked="" type="checkbox"/> Verification   |  |
| <input checked="" type="checkbox"/> and confirmed their alignment with the SLBP.             |  |

#### 2-2 ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Second Party Opinion | <input type="checkbox"/> Certification  |
| <input type="checkbox"/> Verification                    | <input type="checkbox"/> Scoring/Rating |

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

#### 2-3 EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Nokian Tyres intends to issue sustainability-linked bonds tying the coupon rate or the redemption price to the achievement of the following SPTs:

- (1) Reduce scope 1 and 2 GHG emissions intensity by 65% by 2030 from a 2022 baseline;

- (2) Reduce scope 3 GHG emissions intensity from product use by 20% by 2030 from a 2022 baseline;

Sustainalytics considers KPI 1: Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t) and KPI 2: Scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t) to be very strong given that they: i) are a direct measure of the Company's performance on a material environmental issue; ii) follow a clear and consistent calculation methodology that is externally defined; iii) together have a high scope of applicability; and iv) support benchmarking against external science-based trajectories. Furthermore, Sustainalytics considers the SPTs to be ambitious given that they present a material improvement compared to the Company's past performance, are above similar targets established by peers and are aligned with SBTi's well-below 2°C scenario.

Sustainalytics also considers the reporting and verification commitments to be aligned with the SLBP and market expectations.

Based on the above, Sustainalytics considers the Nokian Tyres Sustainability-Linked Bond Framework to be aligned with the five core components of the Sustainability-Linked Bond Principles 2020 and the prospective achievement of the SPTs to be impactful.

### Section 3. Detailed pre-issuance review

*Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.*

#### 3-1 SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

##### Overall comment on the section (if applicable):

Sustainalytics considers KPI 1: scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t); and KPI 2: scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t) to be very strong given that they: i) are a direct measure of the Company's performance on a material environmental issue; ii) follow a clear and consistent calculation methodology that is externally defined; iii) together have a high scope of applicability; and iv) they support benchmarking against external science-based trajectories.

##### List of selected KPIs:

- Scope 1 and 2 GHG emissions intensity per tonne of tyre production (tCO<sub>2</sub>e/t)
- Scope 3 GHG emissions intensity from product use (tCO<sub>2</sub>e/t)

##### Definition, Scope, and parameters

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Clear definition of each selected KPIs | <input checked="" type="checkbox"/> Clear calculation methodology |
| <input type="checkbox"/> Other (please specify):                           |   |

##### Relevance, robustness, and reliability of the selected KPIs

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials that the selected KPIs are relevant, core and material to the issuer's sustainability and business strategy. | <input checked="" type="checkbox"/> Evidence that the KPIs are externally verifiable |
| <input checked="" type="checkbox"/> Credentials that the KPIs are measurable or quantifiable on a consistent methodological basis                            | <input checked="" type="checkbox"/> Evidence that the KPIs can be benchmarked        |
|  | <input type="checkbox"/> Other (please specify):                                     |

#### 3-2 CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

##### Overall comment on the section (if applicable):

Sustainalytics considers the SPTs to align with Nokian Tyres' sustainability strategy and SPT 1 to be Ambitious given that it presents a material improvement compared to past performance, above peer performance, and aligned with SBTi's well-below 2°C scenario.

Sustainalytics considers Nokian Tyres' SPT 2 to be Ambitious given that it presents a material improvement compared to past performance, above peer performance, and aligned with SBTi's well-below 2°C scenario.

#### Rationale and level of ambition

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Evidence that the SPTs represent a material improvement                                  | <input checked="" type="checkbox"/> Credentials on the relevance and reliability of selected benchmarks and baselines |
| <input checked="" type="checkbox"/> Evidence that SPTs are consistent with the issuer's sustainability and business strategy | <input checked="" type="checkbox"/> Credentials that the SPTs are determined on a predefined timeline                 |
|  | <input type="checkbox"/> Other (please specify):  |

#### Benchmarking approach

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Issuer own performance   | <input checked="" type="checkbox"/> Issuer's peers |
| <input checked="" type="checkbox"/> reference to the science | <input type="checkbox"/> Other (please specify):   |

#### Additional disclosure

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> potential recalculations or adjustments description                       | <input checked="" type="checkbox"/> issuer's strategy to achieve description |
| <input checked="" type="checkbox"/> identification of key factors that may affect the achievement of the SPTs | <input type="checkbox"/> Other (please specify):                             |

### 3-3 BOND CHARACTERISTICS

#### Overall comment on the section (if applicable):

Nokian Tyres will link the financial characteristics of the sustainability-linked bond issued under the framework to the achievement of the SPTs, namely an adjustment in the coupon rate or an increase in the redemption price of the bond. This is aligned with the Sustainability-Linked Bond Principles 2020.

#### Financial impact:

- |  |
|--|
| <input checked="" type="checkbox"/> variation of the coupon          |
| <input checked="" type="checkbox"/> Increase in the redemption price |
| <input type="checkbox"/> Other (please specify):                     |

#### Structural characteristic:

- |  |
|--|
| <input type="checkbox"/> ...                     |
| <input type="checkbox"/> ...                     |
| <input type="checkbox"/> Other (please specify): |

### 3-4 REPORTING

**Overall comment on the section (if applicable):**

Nokian Tyres commits to report on an annual basis on its performance on the KPIs in its Sustainability-Linked Bond Progress Report which will be published on its website. Nokian Tyres commits to disclose relevant information that may affect the KPI, such as changes to the calculation methodology, the baselines or scope, or if there are significant changes in data due to improved data accessibility. The reporting commitments are aligned with the Sustainability-Linked Bond Principles 2020.

**Information reported:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> performance of the selected KPIs | <input checked="" type="checkbox"/> verification assurance report |
| <input checked="" type="checkbox"/> level of ambition of the SPTs    | <input type="checkbox"/> Other (please specify):                  |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |  |
|---|--|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                                |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify): Sustainability-Linked Bond Progress Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |  |

Where appropriate, please specify name and date of publication in the “useful links” section.

**Level of Assurance on Reporting**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance    |
|   | <input type="checkbox"/> Other (please specify): |

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)****Section 4. Post-issuance verification****Overall comment on the section (if applicable):****Information reported:**

- |  |   |
|--|---|
| <input type="checkbox"/> limited assurance | <input type="checkbox"/> reasonable assurance |
|--|---|

☐ Other (please specify):

**Frequency:**

☐ Annual

☐ Semi-annual

☐ Other (please specify):

**Material change:**

☐ Perimeter

☐ KPI methodology

☐ SPTs calibration

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