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ASSESSMENT
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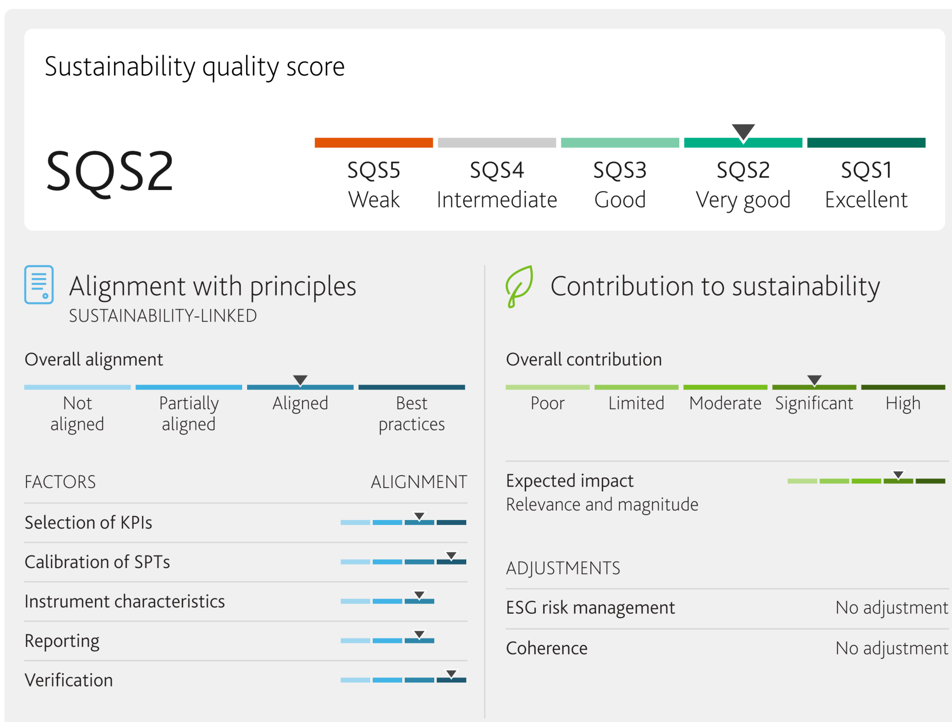
Fiskars Oyj Abp

Second Party Opinion – Sustainability-Linked Bond Framework Assigned SQS2 Sustainability Quality Score

Summary

We have assigned an SQS2 sustainability quality score (very good) to Fiskars Oyj Abp's (Fiskars Group) sustainability-linked bond framework dated November 2023. Fiskars Group has created this sustainability-linked bond framework to issue sustainability-linked instruments to finance general corporate purposes, and has selected two key performance indicators (KPIs) on greenhouse gas (GHG) emissions. The main feature of this type of financing is the variation in the instruments' financial characteristics, depending on whether or not the issuer achieves predefined sustainability performance targets (SPTs). The framework is aligned with the five core components of the International Capital Market Association's (ICMA) Sustainability-Linked Bond Principles (SLBP) 2023. The framework demonstrates a significant contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Fiskars Group's sustainability-linked bond framework, including its alignment with the ICMA's SLBP 2023. The company has selected two sustainability KPIs, as outlined in Appendix 2 of this report, namely: absolute GHG emissions (scope 1 and 2), and the percentage of suppliers by spend with set science-based targets.

Our assessment is based on the latest version of Fiskars Group's sustainability-linked bond framework, received on 3 November 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the document, and other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](), published in October 2022.

Issuer profile

Fiskars Oyj Abp (Fiskars Group) produces and supplies consumer goods for homes, gardens and outdoors, notably products such as tableware, glassware, cooking products, and gardening tools under brands including Fiskars, Georg Jensen, Royal Copenhagen, Iittala, Gerber, Waterford and Wedgwood. It was founded in 1649 and has its registered office in Helsinki, Finland. It operates two business areas in more than 100 countries. Wholesale is Fiskars Group's largest channel of sales, accounting for around 70% of sales. The group operates 350 own stores and employed around 6,600 people in 29 countries as of year-end 2022. The company's shares are traded on the Nasdaq Helsinki exchange.

In 2022, Fiskars Group updated its ESG strategy based on a materiality assessment conducted during the same year to link it more closely to the overall business strategy. The updated sustainability strategy includes five strategic KPIs (three environmental and two social KPIs) related to transition to a circular economy, GHG emissions reductions (both its own and those of its suppliers and value chain), and a safe and inclusive workplace. Two of the strategic KPIs are referenced in the sustainability-linked bond framework and thereby are linked to financial variations in the instruments issued under the framework. The company's GHG emissions reduction targets were validated by the Science-Based Targets initiative (SBTi) in 2020.

Strengths

» The defined KPIs incorporate a very relevant sustainability objective for the issuer and its sector (climate change mitigation), and together cover a significant majority of the issuer's GHG footprint.

» The definition of the KPIs, including their calculation methodology, is clear and allows for benchmarking against targets of comparable peers.

» The means for achievement of the defined SPTs are transparently disclosed and credible.

» Annual verification of the reporting will be conducted until maturity of any outstanding instruments.

Challenges

» KPI 2 is a supplier engagement KPI and therefore only an indirect proxy for scope 3 emissions reductions.

» Historical performance of KPI 2 is only available in published reports for two previous years because the KPI was introduced recently by the company.

Alignment with principles

Fiskars Group's sustainability-linked bond framework is aligned with the ICMA's SLBP 2023:

- ○ Green Bond Principles (GBP)
- ○ Social Bond Principles (SBP)
- ○ Green Loan Principles (GLP)
- ○ Social Loan Principles (SLP)
- ☑ Sustainability-Linked Bond Principles (SLBP)
- ○ Sustainability Linked Loan Principles (SLLP)

Selection of key performance indicators

Not aligned | Partially aligned | **Aligned** ▼ | Best practices

Definition – ALIGNED

Fiskars Group has clearly detailed the characteristics of the selected KPIs, including the units of measurement, the rationale and the process to select the individual KPIs, their calculation methodologies and the scope. These details will be disclosed in the framework. The company has selected two KPIs: absolute scope 1 and 2 GHG emissions, and the percentage of suppliers by spend with set science-based targets.

Measurability, verifiability and benchmark – ALIGNED

The KPIs are measurable and externally verifiable by independent auditors. The KPIs were previously disclosed, providing historical data dating back to 2017 on KPI 1 and to 2021 on KPI 2, with externally audited baselines where applicable. The definition of the KPIs relies on external references, namely the GHG Protocol, allowing them to be benchmarked. The calculation methodology is consistent and in case of any change in methodology, the issuer commits to conducting a post-issuance external review of the relevant changes, to confirm they are consistent with the initial level of ambition of the relevant SPTs.

Relevance and materiality – ALIGNED

The selected KPIs reflect relevant sustainability challenges for the company's sector, as well as a relevant, core and material issue for the issuer's sustainability and business strategy. KPI 1 addresses a relatively modest share of the company's overall carbon footprint (all scope 1 and 2 emissions, making up 24% of the footprint), but will only be used in conjunction with KPI 2, which covers the purchased goods and services portion of Fiskars Group's scope 3 emissions, accounting for 60% of its total footprint. In its Sustainability Report, "GHG emissions and other emissions to air, land and water" are identified as an important environmental topic for the company and its stakeholders. The level of relevance and the significance of the KPIs are analyzed in detail in the "Contribution to sustainability" section.

Best practices identified - selection of key performance indicators

» There is continuity or traceability, with independent verifiers, in case of a change in the methodology used to measure KPIs

» The KPI(s) definition(s) explicitly rely on external references, allowing them to be benchmarked

Calibration of sustainability performance targets

Not aligned | Partially aligned | Aligned | **Best practices** ▼

Consistency and ambition – BEST PRACTICES

The selected SPTs are derived directly from the issuer's sustainability strategy, which aims to reduce scope 1 and 2 emissions by 60% by 2030 from a 2017 baseline, and to reach 60% of suppliers by spend covering purchased goods and services to have science-based GHG emission reduction targets by 2024. The sustainability strategy has a further goal on GHG emissions — to reduce scope 3 emissions from transportation and distribution by 30% by 2030.

SPT 1 shows a modest slowdown in the reduction of relevant emissions compared with the historical values. However, this can be explained by the company's decarbonization efforts, notably the fact that easier measures were undertaken more quickly (such as switching to renewable electricity, substantially lowering scope 2 emissions under the market-based calculation approach), whereas the remaining reductions, notably scope 1 emissions, require larger, slower and more expensive measures such as factory retrofits. SPT 2 demonstrates a slight improvement in future performance compared with business as usual (BaU). On SPTs for the two KPIs, Fiskars Group performs at least above average compared with peers in its sector. The two KPIs were also informed by benchmarks and external references, notably the GHG Protocol and the SBTi. The level of ambition of the two SPTs is analyzed in detail in the "Contribution to sustainability" section.

The means for achieving the SPTs are disclosed in detail in the framework and in other company documentation, and are considered credible.

Disclosure – BEST PRACTICES
The timelines, baselines and trigger events for the two KPIs have been disclosed in the framework. For the purpose of any potential issuance of sustainability-linked instruments, the issuer has set several intermediate targets for KPI 1 (2025, 2026 and 2027) in addition to the final 2030 target, allowing sufficient visibility into its performance over time. The target for KPI 2 is for 2024 and therefore no intermediate targets are needed. The selected baselines for the two KPIs are relevant and reliable.

Best practices identified - calibration of sustainability performance targets

» Disclosure of the means for achieving the SPT(s) as well as their respective contribution in quantitative terms to the SPTs OR as well as any other key factors beyond the issuer/borrower's direct control that may affect the achievement of the SPT(s)

» The means for achieving the SPT(s) are credible

» Disclosure of the timeline, baseline and trigger events, including relevant intermediate targets

» The selected baselines are relevant and reliable

Instrument characteristics

Not aligned Partially aligned Aligned

Variation of structural characteristics – ALIGNED
Fiskars Group has confirmed that the instruments issued under this framework will be subject to variations in their financial characteristics, depending on the achievement of the selected KPIs and applicable SPTs at the relevant target observation dates.

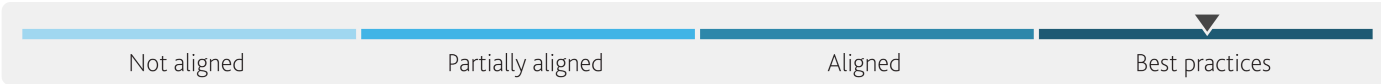
The relevant KPIs, SPTs, trigger events, coupon step-up or premium payment at maturity, as applicable, will be detailed for each instrument in the corresponding documentation. The issuer commits to always using KPI 1 in conjunction with KPI 2.

Reporting

Not aligned Partially aligned Aligned

Transparency of reporting – ALIGNED
The issuer has committed to reporting annually, and in the event of any significant changes, during the whole period relevant for assessing the SPTs and related trigger events, and until maturity of outstanding instruments. The intended scope and granularity of the reporting are clear and exhaustive, covering all the required and recommended elements, including information on the performance of the KPIs and any relevant information enabling investors to monitor the level of ambition of the SPTs. The reporting will be made publicly available as part of the company's annual Sustainability Report.

Verification



Verification process – BEST PRACTICES

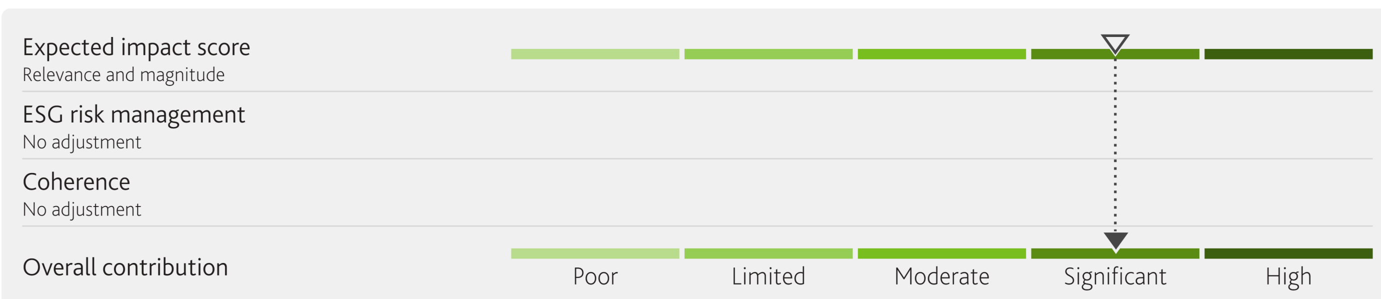
The performance of the KPIs against their SPTs will be externally verified by an independent reviewer. The verification will be done on an annual basis and in case of significant changes affecting the sustainability-linked instruments' financial characteristics until the last trigger event, and until maturity of all outstanding instruments. The verification report will be made publicly available on Fiskars Group's website.

Best practices identified - verification process

» Verification will be conducted until maturity of the bond or loan

Contribution to sustainability

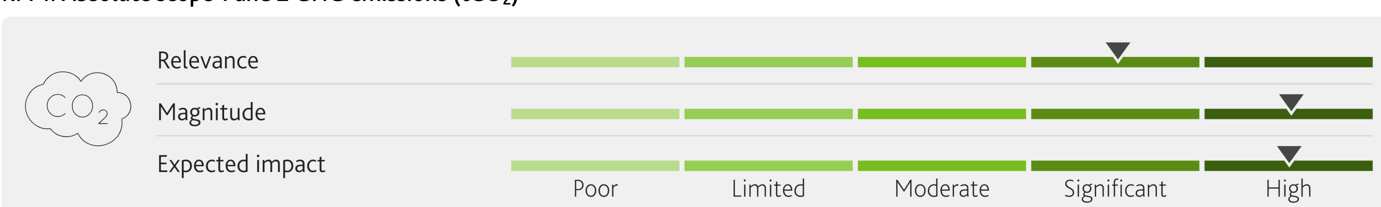
The framework demonstrates a significant overall contribution to sustainability.



Expected impact

The expected impact of the two KPIs and the associated SPTs on the sustainability objectives is significant. The KPIs were equally weighted. A detailed assessment is provided below:

KPI 1: Absolute scope 1 and 2 GHG emissions (tCO_2)



The relevance of KPI 1 is significant, based on our assessment of the importance of reducing GHG emissions for climate change mitigation, materiality of the issue addressed for the company and its sector and the coverage of the company's sustainability footprint.

First, we view climate change mitigation as a highly relevant topic for the issuer and its sector. Substantially reducing global GHG emissions aligns with the Paris Agreement's objectives to limit the global temperature increase in this century to 2°C while pursuing efforts to limit the increase even further to 1.5°C. Reducing GHG emissions and other emissions to air, land and water has been identified as a key environmental topic in the company's publicly communicated ESG strategy and is incorporated into its KPIs to measure its environmental performance. This has led to public sustainability commitments, which include quantified targets for GHG emissions reductions. Our relevance assessment is further supported by non-public assessments provided by the issuer. In addition, the

ICMA's illustrative KPI registry defines KPIs addressing scope 1, 2 and 3 emissions as “core” KPIs for the issuer's sector under the topic of climate change.

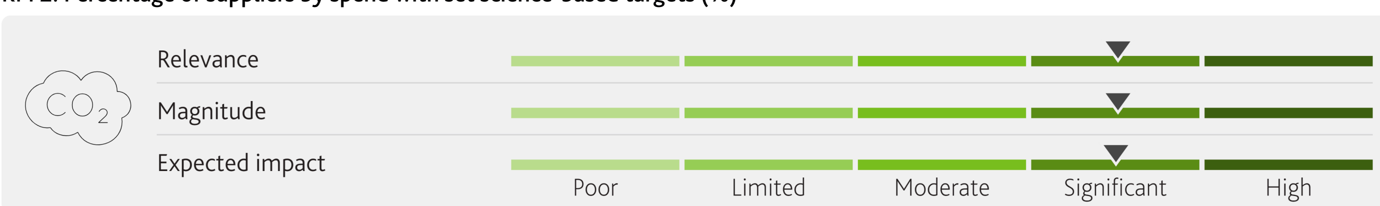
Second, although we positively factor in the issuer's commitment to always use KPIs 1 and 2 together, where applicable, our assessment of the KPI's coverage ultimately drives the relevance score of significant, as a higher relevance assessment would require a nearly full coverage of the issuer's GHG emissions footprint. The two KPIs together account for around 84% of the issuer's total carbon emissions (scope 1 and 2 emissions covered under KPI 1 account for 24% of the total, while scope 3 emissions from purchased goods and services account for around 60% of the total), which represents most of its sustainability footprint (total GHG emissions). Finally, we also consider the fact that the scope 2 portion of this KPI uses a market-based rather than a location-based calculation approach, that potentially inflates the effectiveness of mitigation measures.

We note that the commitment to use the two KPIs together is only applicable to instruments issued before the lapse of KPI 2's SPT (that is, year-end 2024), and that the coverage of the company's sustainability footprint addressed might materially decrease for issuances thereafter that only feature KPI 1, substantially limiting the relevance.

The magnitude of the SPTs linked to KPI 1, reflecting their ambition, is considered high based on the combination of three benchmarking approaches. First, we compare the defined SPTs with BaU performance. Since the baseline year 2017, the company has reduced scope 1 and market-based scope 2 emissions by 10.4% per year, largely by reducing scope 2 emissions by switching to renewable electricity. Now, the company is targeting reductions in scope 1 emissions, for instance, by retrofitting a glassmaking factory to use electric instead of natural gas furnaces. While on average the resulting annual reduction rates until 2030 are likely to be somewhat lower, they still indicate a continuation of the ambitious decarbonization efforts and lead to substantial absolute GHG emissions reductions.

In terms of international standards, the company's scope 1 and 2 GHG emissions reductions targets have been validated by the SBTi as compatible with a 1.5°C scenario, indicating adherence to stringent standards and an above-sector-average level of ambition linked to the defined SPTs. As regards peers, Fiskars Group is among the top performers in its peer group. Among peers with similar business models, SBTi validation and similar timelines for targeted absolute scope 1 and 2 emissions reductions, Fiskars Group's target of a 60% reduction by 2030 from 2017 is higher than that of many peers such as Firmenich (55% by 2030 from 2017), Stanley Black and Decker (42% by 2030 from 2015) or L'Oreal (25% reduction of scope 1, 2 and 3 emissions by 2030 from 2016). Some peers also include absolute scope 3 emissions in their GHG emissions reduction targets. For example, Pandora's target of a 50% reduction in absolute scope 1, 2 and 3 emissions by 2030 from a 2019 baseline is considered highly ambitious, but is not directly comparable with the Fiskars Group KPI 1 because of its broader scope.

KPI 2: Percentage of suppliers by spend with set science-based targets (%)



As a starting point, the relevance of KPI 2 is assessed in conjunction with the relevance of KPI 1, as the two KPIs will be used together wherever applicable and will cover the same topic, namely GHG emissions reductions across all scopes. (Please see the relevance assessment under KPI 1). Other factors considered for the KPI 2 relevance assessment, given its definition, are its indirect targeting of scope 3 emissions via supplier engagement (as opposed to a KPI directly targeting absolute scope 3 emissions) and the fact that it uses spend rather than emissions. These considerations, taken together, result in a significant relevance.

The magnitude of the SPTs linked to KPI 2, reflecting their ambition, is considered significant based on the combination of three benchmarking approaches. Comparing the defined SPTs with BaU performance, targeted performance over 2022-24 exceeds the BaU historical performance over 2020-22. While this supplier engagement KPI and the associated target have been reviewed by the SBTi, the institution does not provide temperature alignment for supplier engagement targets, making it difficult to ascertain whether or not the achieved reductions in emissions will be in line with the most stringent international standards such as a 1.5°C scenario. Still, the SBTi assessment indicates that Fiskars Group's KPI 2 is above the average for its sector.

Comparing the target with the SBTi database of other companies in the sector, we note that a substantial number of peers have chosen to more directly target scope 3 emissions. Among the 245 companies in the SBTi's consumer durable goods sector, more than 20 have set absolute scope 3 emissions reduction targets, which are generally assessed to be a more direct measure of the expected impact, and a number of Fiskars Group's peers have set supplier engagement targets by emission, which is assessed to be a generally more accurate proxy for reduced emissions in absolute terms than engagement targets by spend. Nonetheless, among directly comparable targets by spend, the issuer's is ambitious by virtue of its relatively broad coverage and the proximity of the deadline (target to be achieved by 2024). Overall, all these considerations together lead to a significant magnitude for the SPTs and therefore a significant expected impact for this KPI.

ESG risk management

We have not applied a negative adjustment for environmental, social and governance (ESG) risk management to the expected impact score. The KPIs defined in the framework are unlikely to lead to any associated environmental or social negative externalities. Fiskars Group seems to retain robust internal policies and procurement processes to address ESG-related issues.

Coherence

We have not applied a negative adjustment for coherence to the expected impact score because the company's strategy is well aligned with the targets under this framework.

Appendix 1 - Mapping the eligible categories to the United Nations' Sustainable Development Goals

The two defined KPIs included in Fiskars Group's framework are likely to contribute to three of the United Nations' (UN) Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	KPI1: Absolute scope 1 and 2 GHG emissions	7.3: Double the global rate of improvement in energy efficiency
GOAL 9: Industry, Innovation and Infrastructure	KPI1: Absolute scope 1 and 2 GHG emissions	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 13: Climate Action	KPI1: Absolute scope 1 and 2 GHG emissions KPI2: Percentage of suppliers by spend with set science-based targets	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

The UN SDGs mapping in this SPO considers the eligible project categories (or key performance indicators) and associated sustainability objectives/benefits documented in the issuer's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 2 - Summary of the KPIs in Fiskars Group's framework

KPI	SPTs	Sustainability Objectives	Unit
Absolute Scope 1 and 2 GHG emissions	60% reduction by 2030, compared to 2017 (intermediate targets: -48% in 2025, -50% in 2026, -52% in 2027)	Climate Change Mitigation	tCO_2eq
Suppliers by spend covering purchased goods and services (part of Scope 3 GHG emissions)	60% of suppliers by spend for purchased goods and services to have science-based targets by 2024	Climate Change Mitigation	%

Source: Fiskars Group Framework

Moody's assigns SPOs in alignment with the main tenets of the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the LSTA/LMA/APLMA Guidance for Green, Social and Sustainability-Linked Loans External Reviews, as applicable; Moody's practices may however diverge in some respects from the practices recommended in those documents. Moody's approach to assigning SPOs is described in its Assessment Framework, and is subject to the ethical and professional principles set forth in the Moody's Investors Service Code of Professional Conduct.

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