

The background of the entire page is a photograph of a renewable energy landscape. A large white wind turbine stands prominently in the center, its three blades reaching towards a bright blue sky with scattered white clouds. In the foreground, a field of green grass is dotted with small white flowers. Several rows of solar panels are visible, tilted at an angle to capture sunlight. A semi-transparent dark blue horizontal band serves as a backdrop for the main title text.

# **GREEN BOND INVESTOR LETTER REGARDING YEAR 2022**

**MARCH 2023**

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# Operating where the energy transition happens

Reka Industrial is the first public listed company in Finland in the electrical industrial sector who has issued a Green Bond to improve sustainability in its operations. Through the issuance of the Green Bond, Reka Industrial continues to provide best-in-class quality products but also to improve its operations to be more environmentally friendly. In October 2019, we published our 'Green bond framework'.

With our allocations of green bond proceeds, we will progress towards the **UN Sustainable Development Goals**

The Bonds are guaranteed by subsidiary Reka Cables Ltd.

The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

Reka Industrial's Green bond is listed in Luxembourg's stock exchange, ISIN XS2083219191.





# Allocated proceeds

The net proceeds of the bonds will be used for the financing of eligible expenditures as set out in the Green Bond Framework related to the enhancement of the environmental credentials of Reka Cables' portfolios of products; and the improvement of Reka Cables' environmental performance in respect to its production facilities and processes. Part of the Bonds can be used for refinancing as described in the contract terms.

The Green Bond issued by Reka Industrial intend to exclusively finance and/or refinance, in whole or in part, eligible capital expenditures (hereafter "CAPEX") and research and development (hereafter "R&D") expenditures related to the following categories of expenditures (hereafter "Eligible Categories"):

- (i) the enhancement of the environmental credentials of Reka Cables' portfolios of products
- (ii) the improvement of Reka Cables' environmental performance in respect to its production facilities and processes

The CAPEX and R&D expenditures that form part of the Eligible Categories are referred to as "Eligible Expenditures", following the below-stated "Eligibility Criteria":

## Eligibility Criteria

- (i) the enhancement of the environmental credentials of Reka Cables' portfolios of products
- Investments to foster the environmental qualities of Reka Cables' products.

These enhancements include the following:

- Rendering products fully recyclable ;
- Improving the durability of the products, and ;
- Making products more adapted to accommodating renewable energy.

These enhancements correspond respectively to the following GBPs categories:

- Circular Economy Adapted Products ;
- Pollution Prevention and Control, and ;
- Renewable Energy.

The categorization of Reka Cables' portfolios of products according to the environmental benefits they already possess and the intended improvements for each of the portfolios is provided in the Green Bond Framework.

The type of expenditures include CAPEX and R&D expenditures since 2017.

Any expenses related to products specifically geared towards accommodating fossil fuel energy are excluded.

- (ii) improvement of Reka Cables' environmental performance in respect to its production facilities and processes

## Expenditures in:

- Energy Efficiency: expenditures related to energy efficiency upgrades such as heating, ventilation and air conditioning system upgrades, and lighting retrofits ;
- Eco-Efficient and/or Circular Economy Adapted Products and Processes: expenditures related to efficient production technologies and processes ;
- Pollution Prevention and Control: expenditures related to the enhancement of recycling, material recovery and reuse.

The type of expenditures include CAPEX since 2017.

## Total amount allocated by bond

Funding of the bond took place in December 2019. By the end of 2022 EUR 6,833 thousand of the Bond was used to CAPEX and OPEX (R&D) in total.

EUR 567 thousand of the Bond was used for refinancing by the end of 2022.

As a result, total of EUR 7,400 thousand of the Bond was used by the end of 2022.

## Bond allocations to CAPEX and OPEX (R&D)

Eligible Categories	Eligibility Criteria	Eligible Expenditures	Cumulative used by end of 2022
The enhancement of the environmental credentials of Reka Cables' portfolios of products Investments to foster the environmental qualities of Reka Cables' products.	Improving the durability of the products	Improving the durability of the products	36
		New product development	36
	Making products more adapted to accommodating renewable energy	New machines for windpower cable production	2 989
		Line upgrades enabling production of windpower cables	1 051
		New product development	694
		Minimization of supply chain waste	579
	Rendering products fully recyclable	Improving recyclability of products	178
Improvement of Reka Cables' environmental performance in respect to its production facilities and processes	Energy Efficiency	Factory lightning modernization	519
		Enhancements of energy efficiency of production lines	65
	Pollution Prevention and Control	Reduction of CO2 in heating	197
		Material efficiency	489
<b>Total</b>			<b>6 833</b>



# Progress of targets

## Environmental targets

### No fossil energy production



#### No cables will be supplied to fossil energy production

Reka Cables will not supply cables to new power plant projects that use fossil fuels from 2023 onwards.

### Energy Efficiency



#### Overall improvement in energy efficiency

Reka Cables' overall improvement in energy efficiency by 2025 compared to the baseline 2017, in relation to the tons of cable produced.

### Green Energy



#### Green energy for production needs

Reka Cables' production plants will use green energy by 2021 at the latest.

CAPEX and OPEX (R&D) projects continued in 2022.

## Energy efficiency related measures

All production plants used by Reka Cables are heated with recycled energy and biomass.

All production facilities are lighted with newest technology LED lighting. Multiple projects were carried out to increase the energy efficiency of production process and supporting processes. The cumulative energy efficiency measures already made save in total of 1475 MWh/a in the cable production.

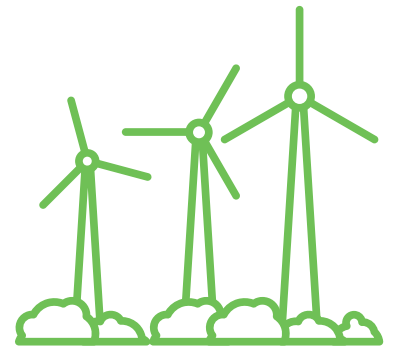
With these actions the total energy efficiency has been improved by 7,3 % compared to 2017.



## Measures of making products more adapted to accommodate renewable energy

Multiple allocations were made to upgrade processes to enable production of windpower cables. First complete production line investment was carried out. This investment increases the windpower cable production by almost 1000 km per year. The new production line is almost 30 % more energy efficient than the previous technology. Furthermore, multiple new products were developed for the renewable energy market.

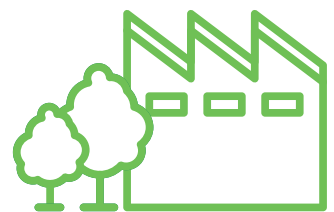
During 2022 further investments were made to increase production capacity for wind power cables.



## Measures regarding pollution prevention and control

Multiple measures were done to reduce scrap production in production. Single projects reduce scrap of certain process phase by 2 - 5 %. To reduce CO<sub>2</sub> emissions of heating, all production plants are now heated by certified district heating.

During 2022 all processes using natural gas were replaced with electrified systems.





# Green financing governance

## Process for Project Evaluation and Selection

Expenditures financed and/or refinanced through the Green Bond proceeds are evaluated and selected based on compliance with the Eligibility Criteria set in the Framework's Use of Proceeds section.

Expenditures are evaluated by Reka's Green Bond Committee, comprised of the Chief Financial Officer and members of the following departments: Corporate Social Responsibility, Finance and Project Management.

The Chief Financial Officer, who will chair the Green Bond Committee, is ultimately responsible for the Green Bond proceeds allocation decision.

Green Bond Committee has evaluation and selection meeting as often as needed. During 2022 Green Bond Committee had two meetings.

## Process for proceed allocations and output of projects reporting

Project Management is preparing yearly reporting regarding status of projects and their outputs.

Reporting is handled and yearly allocation confirmed by the Green Bond Committee. The approved reporting and confirmed allocations is included to the Green Bond Investor Letter.

## Assurance report of the independent Auditor

Reka Industrial engaged KPMG Oy Ab to perform an independent limited assurance on its Green Bond Investor Letter. The scope of this limited assurance was the total amount used for re-financing and allocated by the bond. Please see Appendix I for the limited assurance report.





## Appendix I

### Assurance report of the independent auditor



KPMG Oy Ab  
Töölönlahdenkatu 3 A  
PO Box 1037  
00101 Helsinki  
FINLAND

Telephone +358 20 760 3000  
www.kpmg.fi

#### **Independent Assurance Report to the Management of Reka Industrial Oyj**

This document is an English translation of the Finnish report

We have been engaged by the Management of Reka Industrial Oyj (hereafter "Reka Industrial") to provide limited assurance on the total amount used for re-financing and allocated by the bond, reported in Reka Industrial's Green Bond Investor Letter 2022 (hereafter "Investor Letter"), dated 1st March 2023.

#### *Management's responsibilities*

The Management of Reka Industrial is responsible for the preparation and presentation of the Investor Letter in accordance with the reporting criteria, i.e. Reka Industrial's *Green Bond Framework*, and the information and assertions contained within it. The Management is also responsible for producing an Investor Letter that is free from material misstatement.

#### *Our responsibilities*

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. The scope of our assignment is total amount used for re-financing and allocated by the bond reported in the Investor Letter. Our assignment is limited to the historical information presented in the Investor Letter and does not encompass earlier periods or future-oriented tasks. We conducted our assurance engagement on the Investor Letter in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board IAASB. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Investor Letter is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Management ISQM 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants, (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

#### *Procedures performed*

A limited assurance engagement on the Investor Letter consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Investor Letter, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed relevant staff responsible for providing the Investor Letter;



- Assessed the application of Reka Industrial's *Green Bond Framework* reporting principles in the presentation of the Investor Letter;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Investor Letter;
- Reviewed the presented Investor Letter and assessed its quality and reporting boundary definitions and;
- Assessed the Investor Letter's data accuracy and completeness through a review of the original documents and systems on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

#### *Inherent limitations*

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

#### *Conclusion*

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with Reka Industrial's *Green Bond Framework*.

Helsinki, 1st March 2023

KPMG Oy Ab

Jukka Rajala  
*Authorized Public Accountant*

Tomas Otterström  
*Partner, Advisory*









Reka Industrial Plc  
Kankurinkatu 4-6  
05800 Hyvinkää  
Finland

[www.rekaindustrial.fi](http://www.rekaindustrial.fi)