

# Second-Party Opinion

Reviewed by:

MORNINGSTAR

SUSTAINALYTICS



## Second-Party Opinion

# Kojamo Green Finance Framework

## Evaluation Summary

Sustainalytics is of the opinion that the Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green and Energy-Efficient Buildings, Renewable Energy, Clean Transportation and Waste Management – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 11.



**PROJECT EVALUATION AND SELECTION** Kojamo has established the Green Finance Committee, which is responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee comprises representatives from the Company's top management, and the treasury, sustainability and investment management departments. In addition, sustainability experts at Kojamo's Ownership and Investing unit identify and evaluate potential projects and recommend them to the committee for approval. The Company has processes in place to identify and mitigate common environmental and social risks potentially associated with the eligible green projects. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Kojamo's Green Finance Committee and its sustainability manager will be responsible for the management and allocation of net proceeds and will track the proceeds using a Green Register. Kojamo intends to allocate all proceeds within 12 months of issuance. Pending full allocation, proceeds will be managed by Kojamo's treasury and temporarily placed in the Company's liquidity reserves subject to the Framework's exclusionary criteria. This is in line with market practice.



**REPORTING** Kojamo commits to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, Kojamo intends to report on relevant impact metrics. Sustainalytics views Kojamo's allocation and impact reporting as aligned with market practice.

**Evaluation date** February 21, 2024

**Issuer Location** Helsinki, Finland

## Report Sections

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## Introduction

Kojamo plc ("Kojamo" or the "Company") is a private residential real estate investor headquartered in Helsinki, Finland, with 40,619 apartments with a fair value of the investment properties totaling EUR 8.0 billion.<sup>1</sup> Kojamo offers rental apartments and housing services in Finland. As of 2023, Kojamo reported a total revenue of EUR 442.2 million.<sup>2</sup>

Kojamo has developed the Kojamo Green Finance Framework dated February 2024 (the "Framework"), under which it intends to issue green debt instruments (including unsubordinated notes, subordinated notes, green hybrid bonds or green convertible bonds<sup>3</sup>, commercial papers, loans and revolving credit facilities) and use the proceeds to finance or refinance, in whole or in part, existing or future projects intended to improve the energy efficiency and reduce the greenhouse gas emissions of its operations and business portfolio. The Framework defines eligibility criteria in four areas:

1. Green and Energy-Efficient Buildings
2. Renewable Energy
3. Clean Transportation
4. Waste Management

Kojamo engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>4</sup> and the Green Loan Principles 2023 (GLP).<sup>5</sup> The Framework will be available in a separate document.<sup>6</sup>

### Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>7</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Kojamo's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Kojamo representatives have confirmed that: (1) they understand it is the sole responsibility of Kojamo to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that 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 that Framework.

<sup>1</sup> Information provided to Sustainalytics by Kojamo, valid as of 31 December 2023.

<sup>2</sup> Kojamo, "Board of Directors' Report and Financial Statement", (2023), at: <https://kojamo.fi/wp-content/uploads/2024/02/board-of-directors-report-and-financial-statements-2023.pdf>

<sup>3</sup> For standard convertible bonds, once the conversion occurs, Sustainalytics' SPO will be no longer valid for the assessed securities falling under this asset class. For mandatory convertible bonds, for this SPO to be valid, issuers must allocate all the whole proceeds prior to the conversion date.

<sup>4</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>5</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>6</sup> The Green Finance Framework is available at: <https://kojamo.fi/en/investors/financial-information/financing-and-bonds/green-financing/>

<sup>7</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.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Kojamo.

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 impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

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 Kojamo has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## **Sustainalytics' Opinion**

### **Section 1: Sustainalytics' Opinion on the Green Finance Framework**

Sustainalytics is of the opinion that the Kojamo Green Finance Framework is credible, impactful and aligned with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories, Green and Energy-Efficient Buildings, Renewable Energy, Clean Transportation and Waste Management, are aligned with those recognized by the GBP and GLP.
  - Kojamo has defined a look-back period of three years for refinancing opex, which Sustainalytics considers to be in line with the market practice.
  - Under the Green Buildings category, Kojamo may finance or refinance the construction, acquisition, expansion, upgrade and modification of residential buildings in Finland in accordance with the following criteria:
    - New buildings built after 31 December 2020:
      - Buildings designed after 31 December 2020 that have obtained an energy performance certificate (EPC) A or B and an energy performance value (E-value) up to 80 kWh/m<sup>2</sup>.
      - Buildings designed on or before 31 December 2020 that have obtained an EPC A or B and an E-value up to 82 kWh/m<sup>2</sup>.
    - Existing buildings built before 31 December 2020:
      - Buildings that have obtained an EPC A or B and an E-value up to 82 kWh/m<sup>2</sup>.
      - Buildings in the top 15% of the most energy-efficient buildings at the national or regional level based on primary energy demand (PED).
    - Renovations that lead to at least a 30% reduction in energy usage (kWh/m<sup>2</sup>/year) compared to pre-renovation levels.
    - Installation of energy-efficient technologies, including energy management systems, AI systems, improved thermal insulation, heat exchangers, heat pumps, new windows with low U-value, energy-efficient lighting, ventilation systems, water efficiency measures.
    - Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems, and Kojamo has confirmed that refrigerants used for heat pumps will have a global warming potential (GWP) below 10, which is in line with the EU Taxonomy. Kojamo has communicated that such projects will have in place robust refrigerant leak control, detection and monitoring, while ensuring recovery and reclamation of refrigerant leakage.
    - For all expenditures under this category, Kojamo has confirmed that technologies designed or intended for processes that are primarily driven or powered by fossil fuels are excluded.

- Sustainalytics encourages Kojamo to report on estimated or achieved energy efficiency gains, when feasible.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Renewable Energy category, Kojamo may finance or refinance renewable energy facilities, including supporting infrastructure, in new and existing buildings or as standalone investments in accordance with the following criteria:
  - Photovoltaic systems and solar thermal heating projects.
  - Geothermal energy projects where the life cycle GHG emissions from the generation of electricity are lower than 100 gCO<sub>2</sub>e/kWh.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, Kojamo may finance or refinance supporting infrastructure for electric and hybrid vehicles, such as charging stations.
  - Kojamo has confirmed that it will not finance new roads nor parking infrastructure.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Waste Management category, Kojamo may finance or refinance systems and technologies for the management and sorting of waste in Kojamo's property portfolio.
  - Sustainalytics notes that as per Finland's Waste Act, residential buildings in Finland are not required to collect e-waste.<sup>8</sup>
  - Kojamo has confirmed that: i) waste will be segregated at source; and ii) plastic recycling will be limited to mechanical recycling and exclude the use of chemical recycling.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Project Evaluation and Selection:
  - Kojamo has established the Green Finance Committee (the "Committee"), which is responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The Committee comprises representatives from the Company's top management, and the treasury, sustainability and investment management departments. In addition, sustainability experts at Kojamo's Ownership and Investing unit identify and evaluate potential projects and recommend them to the Committee for approval.
  - The Company has processes in place to identify and mitigate common environmental and social risks potentially associated with the eligible green projects.
  - Based on the established process for project selection and risk management system, Sustainalytics considers the process to be in line with market practice.
- Management of Proceeds:
  - The Committee will be responsible for the management and allocation of net proceeds and will track proceeds using a Green Register. Kojamo's sustainability manager has veto power in the allocation process.
  - Kojamo intends to allocate all proceeds within 12 months of issuance. Pending full allocation, proceeds will be managed by Kojamo's treasury and temporarily placed in the Company's liquidity reserves in accordance with the Framework's exclusionary criteria.
  - Kojamo has communicated to Sustainalytics that instruments issued under the Framework may include multi-tranche loan facilities. The Company intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
  - Based on the presence of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Kojamo commits to report on the allocation of proceeds and the corresponding impacts on its website on an annual basis until full allocation.
  - Allocation reporting may include a summary of the green debt development, outstanding amount of the green debt issued, balance of the green projects in the green register, total

<sup>8</sup> Finland Ministry of the Environment, "Waste Act", (2022), at: [https://finlex.fi/fi/laki/kaannokset/2011/en20110646\\_20220494.pdf](https://finlex.fi/fi/laki/kaannokset/2011/en20110646_20220494.pdf)

- proportion of the green debt net proceeds used to finance and refinance green projects, total aggregated proportion of green debt net proceeds used per green project category.
- Impact reporting may include EPC levels (A or B), E-values, annual energy-efficient measures (in MWh) and share of renewable energy of annual energy consumption.
  - Kojamo has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
  - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Kojamo Green Finance Framework aligns with the four core components of the GBP and GLP.

## Section 2: Sustainability Strategy of Kojamo

### Contribution to Kojamo's sustainability strategy

Sustainalytics is of the opinion that Kojamo demonstrates a commitment to sustainability by integrating sustainability perspectives into its business operations and strengthening stakeholder engagement.<sup>9</sup> In 2020, the Company launched a sustainability programme with four strategic focus areas and related targets for 2020-2023. One of the focus areas is to foster the development of sustainable cities. Kojamo also identified specific targets to reach and monitor its objectives regarding: i) energy efficiency, ii) circular economy, iii) sustainable development of the living environment, and iv) environmental responsibility of its own operations.<sup>10</sup> Kojamo has communicated to Sustainalytics that it is currently updating its sustainability programme, expected to be completed by 2024. The Company will continue to monitor its current targets and indicators.

Kojamo has committed to having a carbon-neutral portfolio in terms of energy consumption by 2030. Regarding its energy efficiency targets, it aims to: i) increase the efficiency of its energy consumption by 7.5% by 2025 compared to the 2016 baseline; ii) reduce energy consumption by 3% annually; iii) achieve a relative improvement in energy efficiency of at least 30% in all renovation projects; iv) achieve a 5% reduction in water consumption by 2030 using a 2019 baseline; and v) control and enhance the temperature of the properties in its portfolio. Regarding circular economy, Kojamo has committed to reduce its water consumption by 5% by 2030 and strengthen its waste management system by sorting and recycling more than 70% of the waste generated in construction yearly. Kojamo also has a strategy of investing in Finland's growth centres, which are strategically situated to contribute in the sustainable development of the living environment.<sup>11</sup>

In addition to the targets above, Kojamo has been part of the Net Zero Carbon Buildings Commitment of the World Green Building Council since 2020, through which it has committed to reporting on third-party-verified scope 1 and 2 emissions, as well as on energy, water and waste consumption across its portfolio in its annual report. The Company has also committed to procure 100% fossil fuel-free electricity and promote the use of carbon-neutral district heating in its homes.<sup>12,13,14</sup>

Sustainalytics is of the opinion that the Kojamo Green Finance Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities. Nevertheless, Sustainalytics encourages the Company to continue to report on the progress of its current targets and indicators of its sustainability programme.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues related to: i) land use and biodiversity; ii) emissions, effluents and waste generated in construction; iii) community relations; vi) occupational health and safety (OHS); and v) business ethics.

<sup>9</sup> Kojamo, "Annual Report", (2020), at: <https://kojamo.fi/wp-content/uploads/2021/03/Kojamo-Annual-Report-2020-2.pdf>

<sup>10</sup> Kojamo, "Annual Report", (2022), at: <https://kojamo.fi/en/annual-report-2022/>

<sup>11</sup> Ibid.

<sup>12</sup> World Green Building Council, "The Net Zero Carbon Buildings Commitment", at: <https://worldgbc.org/thecommitment/>

<sup>13</sup> Kojamo, "Annual Report", (2022), at: <https://kojamo.fi/en/annual-report-2022/>

<sup>14</sup> World Green Building Council, "Kojamo Plc", at: [https://kojamo.fi/wp-content/uploads/2020/12/Kojamo-Qyi-Indesign-Profile\\_Final.pdf](https://kojamo.fi/wp-content/uploads/2020/12/Kojamo-Qyi-Indesign-Profile_Final.pdf)

Sustainalytics is of the opinion that Kojamo is able to manage or mitigate potential risks through implementation of the following:

- Regarding land use and biodiversity protection, Kojamo follows the Finnish Land Use and Building Act (132/1999; 895/1999; 222/2003), which establishes national guidelines for environmentally sustainable land use planning and construction.<sup>15</sup> At the municipality level, Kojamo's construction activities follow local master plans and local detailed plans that guide land use according to local conditions, townscape and landscape, and good building practices.<sup>16</sup> Projects in the EU must also adhere to the EU Habitats Directive<sup>17</sup> and the EU Birds Directive,<sup>18</sup> which require EU Member States to conserve flora and fauna, with a special focus on threatened and endemic species. Such EU directives also require Member States to report on the conservation status of habitats and species and to impose compensation measures concerning projects that have a negative impact on protected areas.
- To address issues related to emissions, effluents and waste from the eligible projects, Kojamo adheres to the Finnish Waste Act (494/2022), which requires residential properties in urban areas to provide facilities to separate the collection of biowaste and small metal waste.<sup>19,20</sup> Regarding construction waste, the Waste Act requires that at least 70% of construction or demolishing waste must be separated and prepared for recycling and reuse.<sup>21</sup> Kojamo also assesses the sustainability performance of its prospective partners and requires its contractors to disclose the recycling rate of the construction sites.<sup>22</sup>
- With respect to community relations, the Land Use and Building Act establishes guidelines for local participation in relation to prospective construction plans.<sup>23</sup> As per the act, citizens and companies in the neighbourhood are notified of the construction plans and they may comment on or appeal against a planned construction in case it may have significant impacts on the surroundings.<sup>24</sup> The Company also offers the digital My Lumo service, through which residents may contact a property manager or customer service directly. Additionally, Kojamo conducts customer satisfaction and sustainability surveys among its residents on annual basis.<sup>25</sup>
- Regarding OHS risks, Kojamo follows the Finnish OHS legislative framework, including the Occupational Safety and Health Act (738/2002)<sup>26</sup> and the Occupational Healthcare Act (1383/2001; 555/2021),<sup>27</sup> which require all companies in Finland to provide occupational healthcare and regular health examinations for employees working in high-risk environments.<sup>28</sup> In line with this legislation, Kojamo has in place a four-year occupational healthcare action plan, which outlines the Company's strategy to maintain and improve OHS in the workplace. The action plan defines job-specific health risks, specific recommendations to mitigate risks, available resources for employees, and roles and responsibilities. The Company also has a customer service safety plan for employees who work in customer-facing roles. Furthermore, Kojamo has an OHS organization and OHS well-being committee, comprised of staff representatives, the employer and an occupational healthcare provider.<sup>29</sup>
- With respect to business ethics, Kojamo's Code of Conduct outlines the Company's procedures to prevent, detect, manage and mitigate unethical business practices related to bribery, hospitality, competition and conflicts of interest.<sup>30</sup> Kojamo's employees may report on any misconduct to their line manager, the line manager's manager, the HR unit or the internal audit function. Additionally, Kojamo has in place an anonymous whistleblower tool available for internal and external stakeholders.<sup>31</sup> In addition, Kojamo's Supplier Code of Conduct requires all its suppliers to adhere to

<sup>15</sup> Finland Ministry of Environment, "Land Use and Building Act (amendment 222/2003 included)", (1999), at: <https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132>

<sup>16</sup> Ibid.

<sup>17</sup> European Commission, "Biodiversity strategy for 2030", at: [https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030\\_en](https://environment.ec.europa.eu/strategy/biodiversity-strategy-2030_en)

<sup>18</sup> European Parliament, "Directive 2009/147/EC of the European Parliament and of the Council", (2009), at: <https://eur-lex.europa.eu/eli/dir/2009/147/oj>

<sup>19</sup> Finland Ministry of the Environment, "Waste Act", (2022), at: [https://finlex.fi/fi/laki/kaannokset/2011/en20110646\\_20220494.pdf](https://finlex.fi/fi/laki/kaannokset/2011/en20110646_20220494.pdf)

<sup>20</sup> Finland Ministry of Environment, "Jätelaki ja asetus – mikä muuttui, miten toimin?", at: <https://ym.fi/jatteen/jatelaki>

<sup>21</sup> Ibid.

<sup>22</sup> Kojamo, "Annual Report", (2022), at: <https://kojamo.fi/en/annual-report-2022/>

<sup>23</sup> Finland Ministry of Environment, "Land Use and Building Act (amendment 222/2003 included)", (1999), at: <https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132>

<sup>24</sup> Ibid.

<sup>25</sup> Kojamo has shared this information with Sustainalytics confidentially.

<sup>26</sup> Occupational Safety and Health Act (738/2002), at: [https://www.finlex.fi/en/laki/kaannokset/2001/en20011383\\_20210555.pdf](https://www.finlex.fi/en/laki/kaannokset/2001/en20011383_20210555.pdf)

<sup>27</sup> Finland Ministry of Social Affairs and Health, "Occupational Healthcare Act (1383/2001; amendments up to 555/2021 included)", at: <https://www.finlex.fi/en/laki/kaannokset/2001/en20011383.pdf>

<sup>28</sup> European Union, "OSH system at national level – Finland", at: <https://oshwiki.osha.europa.eu/en/themes/osh-system-national-level-finland#:~:text=Social%20dialogue%20at%20enterprise%20level,the%20employees%20or%20their%20representatives>.

<sup>29</sup> Kojamo, "Annual Report", (2022), at: [https://kojamo.fi/wp-content/uploads/2023/03/kojamo\\_vsk\\_2022\\_en\\_suojattu.pdf](https://kojamo.fi/wp-content/uploads/2023/03/kojamo_vsk_2022_en_suojattu.pdf)

<sup>30</sup> Kojamo, "Kojamo plc's Code of Conduct", (2023), at: <https://kojamo.fi/en/sustainability/a-responsible-corporate-citizen/kojamo-code-of-conduct/>

<sup>31</sup> Kojamo, "Whistleblowing", at: <https://kojamo.fi/en/sustainability/a-responsible-corporate-citizen/whistleblowing/>

Finland's Contractor's Liability Act<sup>32</sup> and join in on annual co-operation meetings, where they discuss compliance with the code of conduct and topical sustainability matters.<sup>33</sup> Additionally, Kojamo requires all its partners to join the Reliable Partner service maintained by Vastuu Group Oy, which gathers and manages the suppliers' liability data and certifies the Company in case of full compliance.<sup>34</sup>

- Sustainalytics notes that the eligible projects financed under the Framework will be located in Finland, which is recognized as a Designated Country under the Equator Principles,<sup>35</sup> indicating the presence of robust environmental and social governance systems, legislation and institutional capacity for protecting the environment and communities, including stakeholder engagement.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Kojamo has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of green buildings in the EU and Finland

The buildings sector was responsible for 40% of total energy consumption in the EU and 36% of its GHG emissions in 2020.<sup>36</sup> The EU has committed to reducing GHG emissions by 55% by 2030 compared to 1990.<sup>37</sup> To achieve its target, the EU would need to reduce GHG emissions from buildings by 60%, final energy consumption by 14% and energy consumption from heating and cooling by 18% by 2030 compared to 2015 levels.<sup>38</sup> Given that more than 85% of the EU's building stock was built before 2001, renovations to improve buildings' energy efficiency are expected to play a significant role in decarbonizing the sector.<sup>39</sup> Renovating existing buildings could reduce the EU's total energy consumption by an estimated 5-6% and lower its total GHG emissions by 5%.<sup>40</sup>

Buildings and construction accounted for one-third of Finland's total GHG emissions in 2022.<sup>41</sup> Nearly 80% of buildings in the country were built before 2000 and lack heat recovery systems.<sup>42</sup> Space heating was the second-largest consumer of energy in Finland in 2021.<sup>43</sup> Finland's Ministry of Economic Affairs and Employment recognized that improving energy efficiency is key in decarbonizing the buildings sector and established a long-term renovation strategy in 2020 to increase the renovation rate of buildings and retrofits and reduce CO<sub>2</sub> emissions from buildings by 90% between 2020 and 2050.<sup>44</sup> These initiatives are expected to reduce emissions from Finland's buildings sector by 20% in the same period.<sup>45</sup> In terms of new constructions,

<sup>32</sup> Occupational Safety and Health Administration in Finland, "Contractor's obligations and liability", at: <https://tyosuojelu.fi/en/grey-economy/contractor-s-obligations-and-liability>

<sup>33</sup> Kojamo, "Kojamo plc's Code of Conduct for Suppliers", (2023), at: <https://kojamo.fi/en/sustainability/a-responsible-corporate-citizen/supplier-code-of-conduct/>

<sup>34</sup> Vastuu Group, "Reliable Partner", at: <https://www.vastuugroup.fi/en/our-services/reliable-partner>

<sup>35</sup> Equator Principles, "About the Equator Principles", at: <https://equator-principles.com/about-the-equator-principles/>

<sup>36</sup> European Commission, "In focus: Energy efficiency in buildings", (2020), at: [https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17\\_en](https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en)

<sup>37</sup> European Commission, "Stepping Up Europe's 2030 climate ambition", (2020), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0562>

<sup>38</sup> European Commission, "A Renovation Wave for Europe – greening our buildings, creating jobs, improving lives", (2020), at: [https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF)

<sup>39</sup> Ibid.

<sup>40</sup> European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), at: <https://op.europa.eu/en/publication-detail/-/publication/97d6a4ca-5847-11ea-8b81-01aa75ed71a1/language-en/format-PDF/source-119528141>

<sup>41</sup> Finland Ministry of Economic Affairs and Employment, "Carbon neutral Finland 2035 – national climate and energy strategy", (2022), at: [https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164323/TEM\\_2022\\_55.pdf?sequence=4&isAllowed=y](https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/164323/TEM_2022_55.pdf?sequence=4&isAllowed=y)

<sup>42</sup> Hirvonen, J. et al. (2021), "Emissions and power demand in optimal energy retrofit scenarios of the Finnish buildings stock by 2050", Sustainable Cities and Society, at: <https://www.sciencedirect.com/science/article/pii/S2210670721001840>

<sup>43</sup> Motiva, "Final Consumption of Energy", at: [https://www.motiva.fi/en/solutions/energy\\_use\\_in\\_finland/final\\_consumption\\_of\\_energy](https://www.motiva.fi/en/solutions/energy_use_in_finland/final_consumption_of_energy)  
<https://www.statista.com/statistics/940468/electricity-heating-consumption-buildings-type-finland/>

<sup>44</sup> Finland Ministry of Economic Affairs and Employment, "Long-term renovation strategy 2020-2050: Finland", (2020), at: [https://energy.ec.europa.eu/document/download/58721db6-4127-4a14-9d59-b6ea055a58db\\_en?filename=fi\\_2020\\_ltrs\\_en.pdf](https://energy.ec.europa.eu/document/download/58721db6-4127-4a14-9d59-b6ea055a58db_en?filename=fi_2020_ltrs_en.pdf)

<sup>45</sup> Ibid.

buildings in Finland are required to be nearly zero energy, in line with the Energy Performance Buildings Directive.<sup>46</sup> In addition, Finland has committed to achieving carbon neutrality by 2035.

Based on the above, Sustainalytics is of the opinion that Kojamo's financing of green buildings in Finland will contribute to the country's decarbonization efforts and support the EU in achieving its climate targets.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Green Finance Framework are expected to help advance the following SDGs and targets:

| Use of Proceeds Category             | SDG                                    | SDG target                                                                                                                                                                                                                                                                                                |
|--------------------------------------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Green and Energy Efficient Buildings | 11. Sustainable cities and communities | 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries                                                                                                                         |
| Renewable Energy                     | 7. Affordable and Clean Energy         | 7.2 Increase substantially the share of renewable energy in the global energy mix.                                                                                                                                                                                                                        |
| Clean Transportation                 | 11. Sustainable Cities and Communities | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons |
| Waste Management                     | 11. Sustainable Cities and Communities | 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management                                                                                                                                 |

### Conclusion

Kojamo has developed the Green Finance Framework, under which it may issue green debt instruments (including unsubordinated notes, subordinated notes, green hybrid bonds or green convertible bonds, commercial papers, loans and revolving credit facilities), and use the proceeds to finance existing or future projects intended to improve the energy efficiency and reduce the greenhouse gas emissions of its operations and business portfolio. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Green Finance Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Green Finance Framework is aligned with the overall sustainability strategy of Kojamo and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Additionally, Sustainalytics is of the opinion that Kojamo has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Kojamo plc is well positioned to issue green debt instruments and that the Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

<sup>46</sup> Finland Ministry of the Environment, "Medium-term Climate Change Policy Plan", (2022), at: [https://api.hankeikkuna.fi/asiakirjat/11131553-2171-402c-b1ac-482e99430154/ea6b32ed-6089-4915-a6a3-4158263b7b25/JULKAISU\\_20220714114542.pdf](https://api.hankeikkuna.fi/asiakirjat/11131553-2171-402c-b1ac-482e99430154/ea6b32ed-6089-4915-a6a3-4158263b7b25/JULKAISU_20220714114542.pdf)

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