



Green Finance Framework



AVAIN YHTIÖT
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1 Introduction

1.1 Avain Yhtiöt in brief

Avain Yhtiöt is a Finnish real estate investment company that specialises in the production, development and construction of apartments and housing services. Our construction value chain is unique – we own the entire value chain from land acquisition, housing design to construction and maintenance.

Our own land acquisition, construction and contractor organisation, in-house sales and leasing, property management and versatile services, combined with our own housing production, make our operations cost-effective, customer-friendly and agile. This unique value chain, combined with a diverse range of housing, gives us a significant competitive advantage.

The last addition to our value chain was made in 2022, when we founded Tenel Oy, which manufactures sustainable concrete elements. In the operation of the element factory, environmental aspects have been elevated to a central role. The location of the factory is central in terms of the availability of raw concrete, and the transport distances to the construction sites will be short.

Large number of solar panels are installed on the roof of the factory and pellets are used as the energy source for production. Concrete elements are let to dry without the use of extra heating energy. Air heat pumps act as part of the heating system as well. Concrete qualities that fit in to the Tenel's production are being developed, while prioritizing the environmental aspects, in collaboration with the concrete supplier. In addition, materials are allocated efficiently so that the material loss will be avoided. Possible loss will be recycled. Project planning can also be enhanced on behalf of the elements right from the start with the environmental aspects of mind.

Avain Yhtiöt's total revenue in 2021 was EUR 116 million and investments amounted to EUR 177.9 million, of which EUR 138.3 million concerned new construction and EUR 38.5 million modernisation investments. 906 new apartments were completed and the total number of apartments at the end of the year was 10,197.

1.2 Our sustainability program

Our sustainability work is informed by Avain Yhtiöt's strategy and sustainability program as well as the essential themes of our strategic work. The sustainability emphases were selected in accordance with the goals set in our 2021–2026 strategy.

We implement our sustainability goals based on four themes:

1: Responsibility for green economy

2: Responsibility for mitigating climate change

3: Responsibility for our employees, residents, and sustainable cities

4: Responsibility for communications and reporting

Responsible management of finances

Responsible financial management in Avain consists of several different components. Avain signed the tenth green loan agreement in September 2022. Green loan agreements enables the construction of more than six hundred new environmentally friendly (EPC level A) apartments for new residents. Company's tax footprint in 2021 was EUR 62 million and we have implemented several methods to prevent the grey economy. In addition to these, we ensure that the requirements of the green finance are met, we monitor and develop our operations in accordance with the EU taxonomy and manage our financing risks. In recent years, we have donated at least EUR 20,000 euros annually to charity.

Responsibility for mitigating climate change

“Our aim is to become carbon neutral by 2035 in terms of the CO2 emissions of the energy use of properties.”

Our unique value chain, from acquisition of the plot to property ownership and major renovations/ refurbishments enables environmentally friendly choices to be made at each stage. We focus on areas close to services and covered by good public transport connections. The energy consumption of our new constructions is below 82 kWh/m²/year. We aim to implement geothermal heating in all our new constructions and some of the new constructions include solar panels. In construction phase to promote circular economy, we reduce construction waste by waste sorting and recycling. Among other things, with the measures mentioned above and innovative property management, in addition to carbon neutrality, we are aiming for the following measurable goals in the future:

- Reduce water consumption by 35% by the year 2026, compared to the 2018 level
- Triple the use of renewable energy for heat production by 2026

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- Reduce district heating consumption by 15% by the year 2026, compared to the 2015 consumption level
 - We will cease to use oil and gas as our primary heat sources by 2030
 - We will switch to carbon neutral electricity by 2026

Our recent AI solutions to support our climate goals

- Artificial intelligence-controlled heating control system widely adopted
- Centralized energy management system (extensive measurement results for properties, analyzes and reports deviations and observations)
- Centralized remote management of home automation system E.g. pipe leakage, etc. This way corrective measures can be taken remotely
- Ventilation pilot - artificial intelligence-controlled exhaust ventilation system. Monitors heat, carbon dioxide content, etc. If necessary, increases efficiency
- Main water leak detection systems in properties
- Electronic locking management system in properties. Enables remote control and if the resident's key is lost, there is no need to serialize all the locks again.

Low-emission forms of energy

- The number of properties where geothermal heat is used is growing all the time, and opportunities for its use are being explored in all new construction projects
- Solar panels are installed in some of the new sites, and reservations are made for future sites to utilise solar energy
- The exhaust air heat pump recovers the heat and uses it to preheat the water
- Energy efficient buildings

Waste sorting

- Waste sorting has been made possible in our apartments. Properties have their own waste receptacles for each type of waste
- According to the waste sorting resident survey in 2022, more than 98% of the residents of Avain sort their waste

Emission-free transportation

- At the end of 2022, more than 1,000 slow or medium-speed charging stations for electric cars in the parking spaces of our buildings
- In new buildings and modernisation investments, we implement the option of charging electric cars for residents
- Shared cars available at some of our locations

Responsibility for our employees, residents, and sustainable cities

At Avain, we value the employee's importance to the company. Appreciation can be seen in every life in many different ways. The well-being of employees is promoted by offering extensive occupational health care, supporting hobbies and thru offering constant development opportunities and further training. Employee satisfaction is measured regularly, and measures are taken based on the results.

We strive to offer our residents safe and healthy living. We design diverse and communal residential areas without any form of segregation. Avain homes are reasonable priced and provide a high quality of life.



Responsibility for communications and reporting

We report on sustainability, constantly amending and improving it. We provide our stakeholders with valid information regarding the effects of our operations as well as our sustainability work

UN Sustainable development goals (SDGs)

Avain Yhtiöt aims to contribute to the sustainable development of society by considering and emphasizing the Sustainable Development Goals of UN (SDGs) in its daily operations. Sustainability work in Avain is linked to a total seven of the UN SDGs of which five can be applied to Green Finance Framework.



Poor and those in vulnerable situations – Reasonably priced living (affordable housing, social housing and care centers)



Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors



By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

Avain Green Finance Framework – UN SDG's



Ensure access to affordable, reliable, sustainable and modern energy for all



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Make cities and human settlements inclusive, safe, resilient and sustainable



Take urgent action to combat climate change and its impacts

2 Green Finance Framework of Avain Yhtiöt

Avain Yhtiöt is committed to address climate change through its daily operations. By designing, building, and maintaining sustainable and viable homes and neighborhoods, we are involved in tackling the challenges brought by climate change as well as societal challenges.

This framework defines investments eligible for financing with green debt instruments issued by Avain Yhtiöt and outlines the process to identify, select, report, and manage eligible green assets and green debt proceeds.

The framework is aligned with Green Bond Principles (GBP) in 2021 published by the international Capital Market Association (ICMA) and Green Loan Principles (GLP) in 2021 published by European Loan Market Association (LMA).

Green debt may be issued in form of unsubordinated loans, subordinated loans, hybrid securities, and commercial paper. This framework can also be used for loans from revolving credit agencies (RCF).

Depending on the instrument, green debt may be labeled as Green Bond, Green Loan, Green Commercial paper or Green RCF.

2.1 EU Taxonomy's energy efficiency criteria for real estate activities

2.1.1 New building (from 1 Jan 2021 onwards)

Primary energy demand (PED) of the building should be at least 10% below the national Nearly Zero Energy Building (NZEB) requirement which are explored in the relevant context. Buildings larger than 5,000 m² are subject to additional requirements, including testing for airtightness, thermal integrity and assessment of lifecycle Global Warming Potential (GWP).

2.1.2 Renovation of existing buildings

The building renovation complies with the applicable requirements for major renovations. Or the; renovation should lead to a reduction of primary energy demand (PED) of at least 30%.

2.1.3 Acquisitions and ownership of building (until 31 Dec 2020)

The building has an Energy Performance Certificate (EPC) at least class A or should qualifying in the top 15% of national or regional building stock in terms of primary energy performance (PED). For buildings that have been built after 31 Dec 2020, same criteria apply as for New buildings. Large non-residential buildings should be efficiently operated through energy performance monitoring and assessment.

2.1.4 Installation, maintenance, and repair

Energy efficiency equipment use, like energy efficient windows, doors and light sources, HVAC. Instruments and devices for measuring, regulation and controlling energy performance of buildings. Charging stations for electric vehicles in buildings and parking spaces attached to buildings. Renewable energy technologies like solar, heat pumps, wind, CHP, heat recovery.

3 Use of Proceeds












3.1 Allocation of green debt proceeds

The green debt net proceeds will be used to finance new or refinance existing, in whole or in part, Avain's investments called Green Assets that promote the transformation to environmentally sustainable economy. Eligibility criteria for investments to be Green Assets and therefore, added to Avain's Green Asset portfolio that consists of all the assets eligible for green debt financing or refinancing, are determined in the section. The new properties will be done in Finland's growth centres in accordance with Avain's strategy. The potentially refinanced energy efficient buildings have all been completed in 2020 or later.

3.2 Exclusions

Green debt net proceeds will not be allocated to Assets that involve the production of fossil fuel energy or nuclear energy generation, weapons and defense, gambling, tobacco, or environmentally harmful resource extraction.

3.3 Green Asset categories

Category	Description	Asset types	KPIs	SDGs
Green and energy efficient buildings	Category covers financing or refinancing of the construction, acquisition, expansion, and upgrade/modification of buildings that fulfill the defined criteria. If it is a new building that meets the criteria, the land acquisition costs can also be included.	<p>New buildings → Construction of new buildings for which the design was initiated from 1 January 2021 onwards Energy performance certificate of class A or B and E-value equal or below 80 kWh/m2 → Construction of new buildings for which the design was initiated before 1 January 2021 Energy performance certificate of class A or B and E-value equal or below 82 kWh/m2</p> <p>Existing buildings → Energy performance certificate of class A or B and E-value equal or below 82 kWh/m2</p> <p>Major renovations → Major renovations of existing building leading to substantial reduction in energy usage (kWh/m2/year). Substantial reduction means at least 30% reduction in energy usage (kWh/m2/year) The first rental properties were completed in 2015, so no major renovations are expected in the near future</p>	<p>New buildings → Energy Performance Certificate (EPC), levels A or B. → Energy performance reference values (E-values)</p> <p>Existing buildings → Energy Performance Certificate (EPC), levels A or B. → Energy performance reference values (E-values) → Annual energy intensity (kWh/m3) → Annual CO2 –emission intensity (kg CO2e/m3) → Annual water consumption intensity (l/person/day)</p> <p>Major renovations → Energy Performance Certificate (EPC), levels A or B. → Energy performance reference values (E-values) → Annual energy intensity (kWh/m3) → Annual avoided energy usage (kWh/m3) → Annual avoided CO2 emissions (kg CO2e/m3)</p>	   
Renewable energy	Category covers financing or refinancing of investments in renewable energy installations and in infrastructure related to them.	<p>Solar energy → Solar energy technologies such as photovoltaic systems (PV), concentrated solar power (CSP), and solar thermal facilities</p> <p>Geothermal energy/heat We do it whenever possible, taking into account the conditions and the terms of the land's handover</p>	<p>Solar energy → Share of renewable energy of annual energy consumption (%) → Annual generation of renewable energy (kWh/m3) → Annual avoided CO2 emissions (kg CO2e/m3)</p> <p>Geothermal energy/heat → Number of completed/under construction properties in which Geothermal heating is in use.</p>	  
Energy efficiency	Category covers financing or refinancing of investments that enhance the energy efficiency of Avain's new or existing properties.	<p>Other energy efficiency investments → Energy management systems, AI systems, improved thermal insulation, heat exchangers, heat pumps, new windows, energy efficient lighting, ventilation systems, water efficiency measures or costs for enabling renewable energy sources</p>	<p>Other energy efficiency investments → Annual avoided energy usage (kWh/m3) → Annual avoided CO2 emissions (kg CO2e/m3) → Annual avoided water consumption (l/m3)</p>	 
Clean transportation	Clean transportation. New buildings on areas close to services and covered by good public transport connections	<p>Clean transportation → Infrastructure supporting electric vehicles, such as charging stations</p>	<p>Clean transportation → Number of assets with charging stations installed → Increase in charging stations installed (%)</p>	 

4 Evaluation and selection process of Green Assets

Avain Yhtiöt has implemented a process to ensure that only assets in line with eligibility criteria stated in section 3.3 are selected as Green Assets for potential green debt issuances/financing. To ensure the functionality of this process Avain Yhtiöt established a Green Finance Committee (GFC).

4.1 Green Finance Committee (GFC)

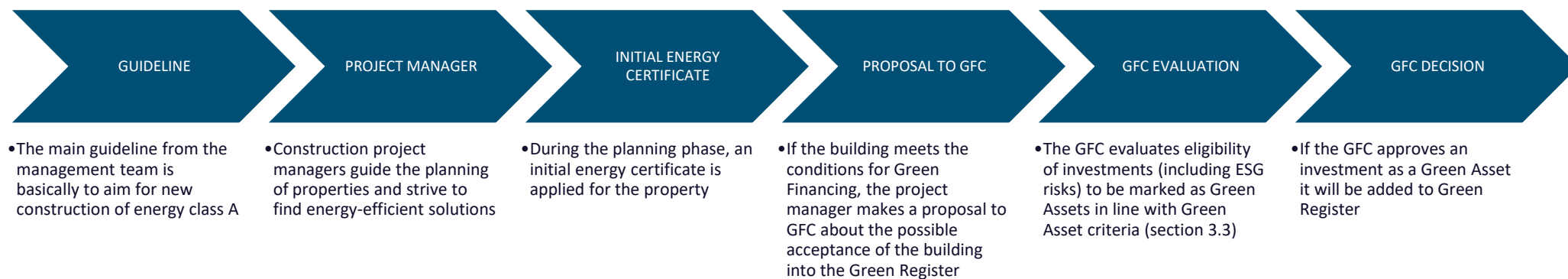
Avain have established a responsibility group in 2021. The working group consists of Avain group top management, including the manager responsible for each function, and its goal has been to define the basic pillars of Avain's responsibility and, to ensure the implementation of responsibility issues in the group. The responsibility working group is composed of the following people: Sales Director and Chair of responsibility group, Director of real estate management, Construction Director, Contractor Director and CFO. Alongside the responsibility working group, a green finance committee will be established to ensure that the conditions for green finance are met. It includes the group's CEO, CFO, Chair of responsibility group and Group Treasurer.

The GFC, composed mainly of Avain's executive team, is responsible for the approval of investment as a Green Asset in line with criteria presented in the section 3.2. Green Assets will then be marked into the Green Register. The GFC is responsible for keeping the Green Register up to date. A decision to allocate net proceeds will require a consensus by the GFC and the CEO has a veto power in the decision. The GFC will convene at least annually and the decisions the committee makes will be documented and filed.

4.2 Evaluation and selection process

The selection of Eligible Green Assets is managed by the Green Finance Committee described in section 4.1.

Evaluation and selection as a process diagram



5 Management of Proceeds

5.1 Green Register and green debt management

Green Assets and their corresponding green debt proceeds will be marked into the Green Register. The purpose of the Green Register is to monitor that green debt net proceeds will only be used to finance or refinance Green Assets or repay green debt. Information in the Green Register will serve as a basis for further reporting in section 6.

All green debt net proceeds will be managed on a portfolio level meaning that green debt instrument will not be linked directly to any pre-determined Green Asset, unless explicitly described in transaction-specific documentation, e.g in secured transactions.

5.2 Temporary holdings

Unallocated green debt net proceeds will be placed temporarily in the liquidity reserve or in the short-term money market and managed accordingly. Temporary holdings will not be placed in entities that has business plan focusing on excluded objects mentioned in section 3.2.

6 Reporting

Avain Yhtiöt will publish annually and until maturity of green debt, a Green Impact Report that provides information regarding

- 1) the allocation of green debt net proceeds and
- 2) the environmental impact of Green Assets financed under GFC

6.1 Allocation reporting

Allocation reporting consists of

- (i) The amount of green debt outstanding
- (ii) The balance of Green Assets in the Green Register (including any temporary investments and Green Debt repayments)
- (iii) The total proportion of Green Debt net proceeds used to finance or refinance new or existing Green Assets
- (iv) Green debt net proceeds allocated per Green Asset Category (section 3.3)
- (v) Amount of unallocated green debt net proceeds in the liquidity reserve or in short-term interest/money market

6.2 Impact reporting

The impact assessment is based on the Key Performance Indicators (KPIs) presented in the table in section 3.3. One or several applicable KPIs may be reported in each project category.

Avain Yhtiöt will provide the impact assessment on a best effort basis with the available data. In case of unavailability of data, Avain Yhtiöt will estimate the unavailable data in a best way possible and inform Green Assets where the estimates are used.

7 External review

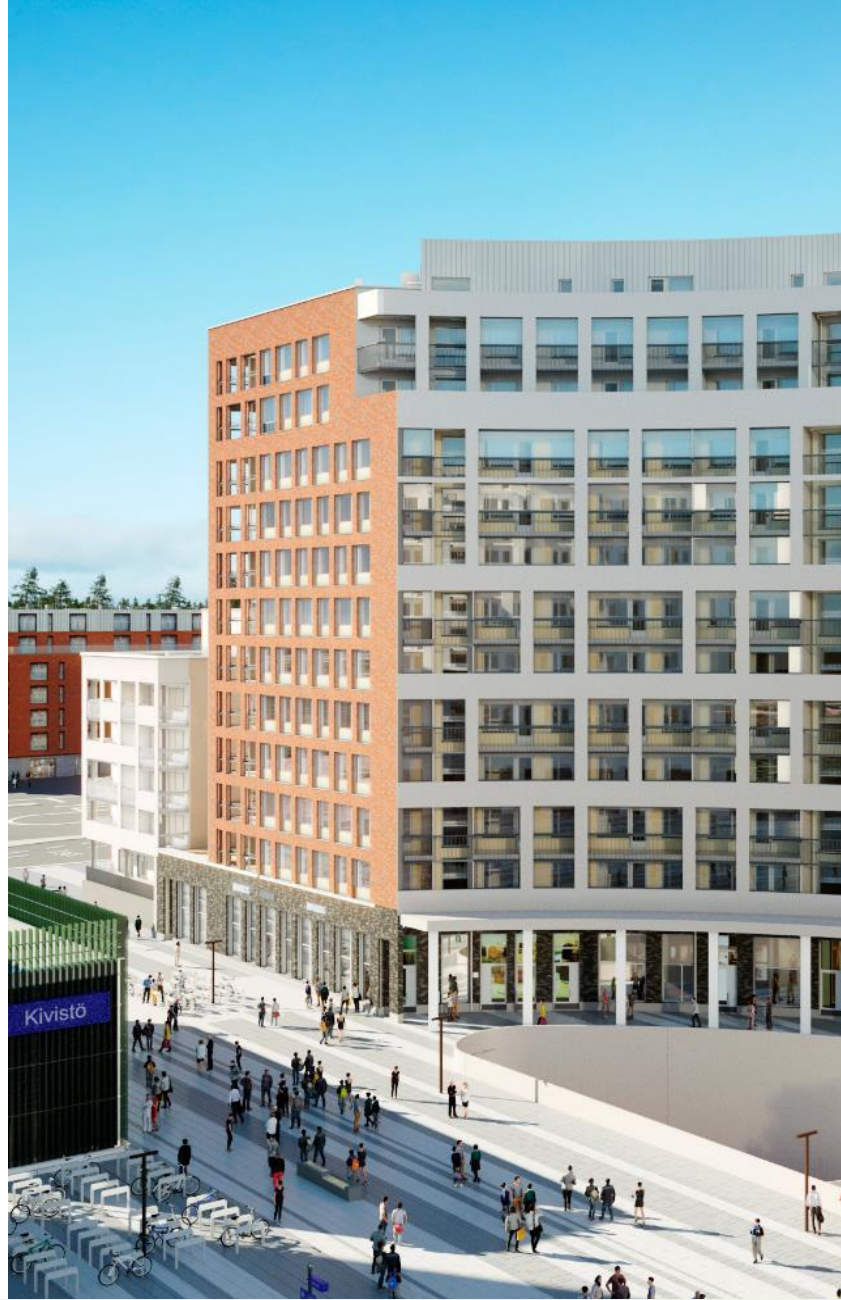
7.1 Second party opinion

Moody's has provided a second party opinion on this Framework verifying its credibility, impact, and alignment with ICMA Green Bond Principles (2021) and the Green Loan Principles (2021) published by the European Loan Market Association (LMA).

7.2 Publicly available documents

The following documents are available on Avain Yhtiöt's website once they have been published:

- Green Finance Framework
- Green Impact report
- Second party opinion



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