

SATO GREEN FINANCE FRAMEWORK REPORT 2022

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SATO IN BRIEF

SATO is one of Finland's leading rental housing providers. Our goal is to build thriving and vibrant cities, pleasant homes and diverse living environments that will last for generations. We offer our residents homes in cities, along good public transport routes, and we develop services to make their daily lives easier.

We own, build, buy and renovate urban homes to ensure safe, carefree and pleasant living for our customers. We enable sustainable housing for our residents and encourage them to make sustainable choices in their daily lives.

We own close to 25,000 SATOhomes in Finland's largest growth centres Helsinki metropolitan area, Tampere and Turku. As a major housing provider, we bear responsibility for urban development and the environmental impacts of housing. We invest in rental apartments that meet our residents' needs and are near good public transport connections. We grow profitably and we increase the value of our assets through investments, divestments and repairs.

As of December 31, 2022, the fair value of SATO's investment properties was roughly EUR 5 billion, and net sales were EUR 291 million.

45,000

residents at the end
of the year

325

SATO employees at the
end of the year

25,000

SATOhomes



SUSTAINABILITY PROGRAMME

The foundation of SATO's sustainability work comprises of the Group's strategy, sustainability programme and objectives stemming from UN's Sustainable Development Goals. Our sustainability reporting for 2022 is guided by SATO's sustainability programme for 2019–2022.

SATO's main environmental goals for 2019–2022 included:

- Reduction in specific emissions caused by operations of 18.5% from the 2018 level by 2022
- Reduction in specific consumption of energy of 9.0% from the 2015 level by 2022
- Reduction in specific consumption of water of 6.0% from the 2018 level by 2022
- The allocation of new investments along public transport routes

For these periods respectively, we have been able to reduce specific consumption of energy by 13.3%, and specific consumption of water by 2.4%. We have not been able to reduce specific emissions caused by operations: they have increased by 3.3%. The locations of new construction investments and the preliminary contracts that we have concluded on development sites were in line with our allocation objectives. The sites are located along rail traffic routes and/or in major regional or municipal centres.

In 2022, SATO launched its new sustainability programme for 2023–2026. The programme is based on an updated materiality analysis, and it will steer the priorities of our sustainability reporting over the next years. SATO's vision for the programme period is to be a forerunner in sustainable rental housing. The spearheads of our programme are sustainable housing, our communities' wellbeing, and financial profitability in a sustainable manner.

OUR REPORTING PRINCIPLES

SATO reports in accordance with the Global Reporting Initiative (GRI) and participates annually in the Global Real Estate Sustainability Benchmark (GRESB).

In 2020, SATO committed to reporting on risks and opportunities related to climate change in accordance with the TCFD (Task Force on Climate-Related Financial Disclosure) framework. During the year 2021, we conducted an extensive assessment of the risks and opportunities arising from climate change for SATO's entire supply chain. At the same time, we carried out a scenario analysis to look into how the two- and four-degree scenarios affect society and how SATO should prepare for these changes. [Read more from our sustainability report.](#)



INTRODUCTION TO THE GREEN FINANCE FRAMEWORK

ELIGIBLE PROJECTS UNDER THE GREEN FINANCE FRAMEWORK OF SATO

- 1** All new construction and existing buildings that either have received or have the objective to receive an energy performance certificate (EPC) of class A, or an EPC of class B that have an energy consumption of below or equal to 82 kWh/sq.m./year (E figure)
- 2** All new construction and existing buildings that either have received or have the objective to receive one of the certifications mentioned in SATO's Green Finance Framework, and have an energy consumption (E figure) that is 15% or lower than required by the Finnish National Building Code
- 3** Major renovations resulting in reduced energy consumption of at least 30%
- 4** Energy retrofits such as the usage of LED lighting, low-flow water fixtures and toilets, improvements in ventilation systems and isolation
- 5** Investments enabling clean transportation such as charging stations for electric vehicles
- 6** Improved waste management
- 7** Onsite renewables energy (incl. solar panels), installations of geothermal energy

[Read more](#)



INFORMATION ON THE GREEN BOND ISSUED 2020

THE FIRST GREEN BOND

- SATO Corporation ("SATO") issued a EUR 350 million senior unsecured green bond under its EMTN programme on 24 September 2020. This was SATO's first green bond.
- The bond was offered to European investors. The unsecured bond has a maturity of over seven years and will bear an annual fixed coupon of 1.375 per cent.
- The net cash proceeds will be used for financing and/or refinancing of Eligible Green Assets as per SATO's Green Finance Framework.
- SATO is among the first Finnish companies to issue a green bond.
- Sustainability is an essential element in our strategy, and we promote sustainable development through our activities.

ADVANTAGES

- Diversification of the capital structure
- Lower costs of capital
- Reputation and brand of the parties involved
- The positive impact of sustainability on competitiveness



USE OF PROCEED REPORTING

ELIGIBLE GREEN ASSETS

New constructions, EUR million



- Completed (fair value) 626
- Under construction (investment cost) 249
- In planning phase (investment cost) 363

Renovations, EUR million



- Completed (investment cost) 100
- Under construction (investment cost) 81
- In planning phase (investment cost) 157

Total amount of Green Finance Instruments issued, EUR 350 million



MEMBERS OF GREEN FINANCE COMMITTEE

The selection of Eligible Green Assets is managed by a Green Finance Committee ("GFC") consisting of the CFO, Treasurer and Sustainability Manager. All decisions are made in consensus, and that applies to the selection process of Eligible Assets as well. The Sustainability Manager has a veto in all decisions with regard to the selection of Eligible Green Assets.



MARKKU HONKASALO
CFO



HENRY LINDQVIST
Group Treasurer



SUSANNA KARI GONZÁLEZ
Sustainability Manager

IMPACT REPORT: SATO'S ENVIRONMENTAL IMPACTS

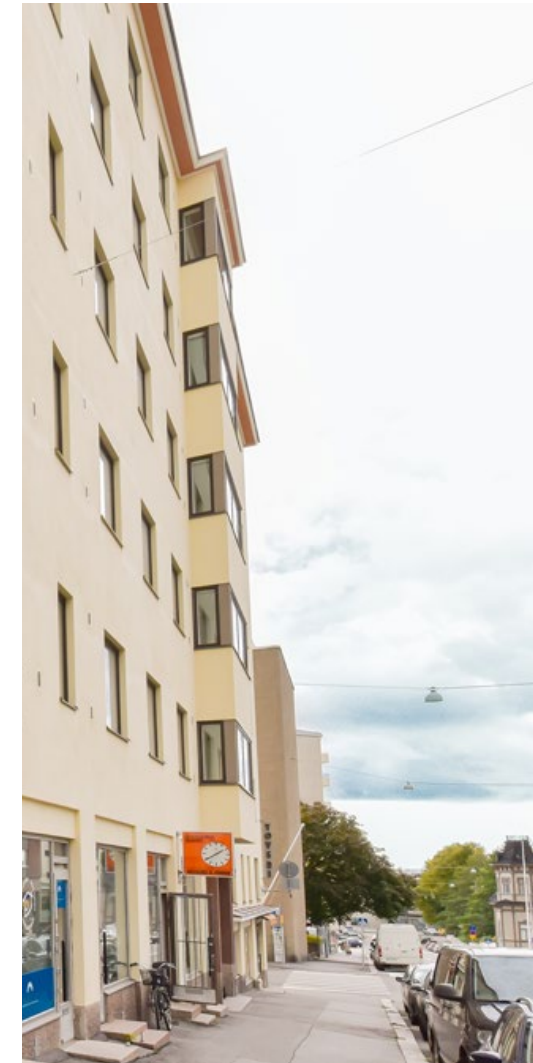
Our most significant climate impacts arise from the energy consumption during living, construction, and renovation. Enabling our residents to make sustainable housing and day-to-day choices are an important part of our sustainability efforts. We want to provide our residents with homes that last over generations, and we take care of our buildings in accordance with life-cycle principles.

In 2022, the specific energy consumption of SATO's buildings decreased by 4.1 per cent, specific water consumption was down by 2.0 per cent and specific greenhouse gas emissions decreased by 9.3 per cent in comparison to 2021. The rated consumption of electricity increased by 7.1 per cent.

At every new building and renovation site, we look into the possibility of geothermal heating. The use of renewable energy in heating significantly reduces the in-use emissions of homes. At the end of the reporting year, SATO had 17 buildings that are carbon neutral in terms of electricity and heating.

Legislation governing the energy efficiency of residential buildings of more than two storeys requires an E figure of 90 or less for new buildings. In 2022, the E figure for SATO's completed apartment buildings of more than two residential storeys was 69 on average. All the buildings that were completed during the reporting year were in energy efficiency class A.

In the reporting year, we conducted water saving pilot projects and provided our residents with guidance in sensible water consumption. During the pilot project, water consumption fell in altogether six buildings. During the year, we also tested consumption-based water invoicing in 565 apartments and offered the residents in these buildings the opportunity to monitor their water consumption. We also continued to encourage and guide our residents to actively recycle their waste, as their actions directly affect SATO's total emission reductions.



NAME AND LOCATION OF THE PROJECT:

Kilvoituksentie 1, Espoo

TIMETABLE:

29.11.2016

BUILDING AREA:

3,845 m²

PROJECT CATEGORY OF GREEN BOND:

Green and energy-efficient
buildings



ENERGY EFFICIENCY INFORMATION:

- **Energy Performance Certificate (EPC):** A
- **Energy consumption (E figure):** 71
- **Project feature:**
21% more energy efficient than
required by Finnish building code
- **Specific energy consumption in 2022:**
13.5 kWh/m³
- **Specific greenhouse gas emissions in 2022:**
0 kg CO₂e/m²
- **Specific water consumption in 2022:**
357 l/m³
- **Heating source:**
Geothermal heating
- **Renewable energy production:**
Solar panels

NAME AND LOCATION OF THE PROJECT:

Runoratsunkatu 5, Espoo

TIMETABLE:

25.06.2018

BUILDING AREA:

8,831 m²

PROJECT CATEGORY OF GREEN BOND:

Green and energy-efficient
buildings



ENERGY EFFICIENCY INFORMATION:

- **Energy Performance Certificate (EPC):** B
- **Energy consumption (E figure):** 80
- **Project feature:**
11% more energy efficient than
required by Finnish building code
- **Specific energy consumption in 2022:**
23.7 kWh/m³
- **Specific greenhouse gas emissions in 2022:**
17.8 kg CO₂e/m²
- **Specific water consumption in 2022:**
285 l/m³
- **Heating source:**
District heating
- **Renewable energy production:**
Solar panels

SATO GREEN BOND ASSETS

Name of property/ project	City	Status	Green Finance Framework category	Building year	Total fair value EURm (at the end of quarter)	Amount allocated to the green bond	Building material	Heating source	Energy Performance Certificate (EPC)	Energy use (E figure)	Energy use – % below new building requirements	Specific greenhouse gas emissions kg CO ₂ e/m ²	Specific energy consumption (kWh/m ³)	Specific water consumption (l/m ³)
KOy Espoon Kilvoituksentie 1	ESPOO	Completed	1. Green and energy-efficient buildings	2016	11.7	6.9	Concrete	Geotherm + solar power	A	71	21%	0	13.5	357
KOy Turun Gränsbackankuja 3	TURKU	Completed	1. Green and energy-efficient buildings	2016	9.0	5.2	Concrete	District heating	B	80	11%	17.3	25.8	374
KOy Tampereen Tuiskunkatu 7	TAMPERE	Completed	1. Green and energy-efficient buildings	2017	11.2	6.3	Concrete	District heating	B	82	9%	13.7	28.2	364
KOy Espoon Merituulentie 38	ESPOO	Completed	1. Green and energy-efficient buildings	2017	29.9	19.9	Concrete	District heating	B	78	14%	16.4	25.4	353
KOy Tampereen Hannulanpolku 10	TAMPERE	Completed	1. Green and energy-efficient buildings	2017	11.3	6.4	Concrete	District heating	B	82	8%	8.9	22.9	294
KOy Kauniaisten Ratapolku 6	KAUNIAINEN	Completed	1. Green and energy-efficient buildings	2017	13.0	7.7	Concrete	District heating	B	79	12%	20.6	32.7	322
KOy Vantaan Orvokkikuja 1b	VANTAA	Completed	1. Green and energy-efficient buildings	2018	15.4	10.2	Concrete	District heating	B	77	14%	18.9	26.0	322
KOy Helsingin Gadolininkatu 1	HELSINKI	Completed	1. Green and energy-efficient buildings	2018	28.3	20.2	Concrete	District heating	B	82	9%	18.3	26.1	294
KOy Espoon Runoratsunkatu 5	ESPOO	Completed	1. Green and energy-efficient buildings	2018	33.6	21.2	Concrete	District heating + solar power	B	80	11%	17.8	23.7	285
As Oy Vantaan Talvikkitie 38	VANTAA	Completed	1. Green and energy-efficient buildings	2018	38.2	23.2	Concrete	District heating	B	82	9%	23.2	28.1	359
As Oy Helsingin Laivalahdenkaari 1	HELSINKI	Completed	1. Green and energy-efficient buildings	2019	45.6	31.7	Concrete	District heating	B	82	8%	33.9	32.3	270

Name of property/ project	City	Status	Green Finance Framework category	Building year	Total fair value EURm (at the end of quarter)	Amount allocated to the green bond	Building material	Heating source	Energy Performance Certificate (EPC)	Energy use (E figure)	Energy use – % below new building requirements	Specific greenhouse gas emissions kg CO ₂ e/m ²	Specific energy consumption (kWh/m ³)	Specific water consumption (l/m ³)
Raivosuonmäki 7	VANTAA	Completed	1. Green and energy-efficient buildings	2019	31.2	21.9	Concrete	District heating	B	82	9%	19.8	28.7	372
KOy Vantaan Varikkokaarre 2	VANTAA	Completed	1. Green and energy-efficient buildings	2019	11.0	7.7	Concrete	District heating	B	82	9%	19.4	30.2	352
KOy Helsingin Capellan puistotie 21	HELSINKI	Completed	1. Green and energy-efficient buildings	2020	35.1	23.8	Concrete	District heating	B	77	14%	23.3	33.1	326
KOy Helsingin Atlantinkatu 12	HELSINKI	Completed	1. Green and energy-efficient buildings	2020	59.9	39.0	Concrete	District heating	B	81	10%	21.7	30.0	447
Raivosuonmäki 9	VANTAA	Completed	1. Green and energy-efficient buildings	2020	38.2	27.0	Concrete	District heating	B	81	10%	18.2	26.4	399
KOy Helsingin Amiraalinkatu 2	HELSINKI	Completed	1. Green and energy-efficient buildings	2020	21.0	10.5	Concrete	District heating	B	81	10%	20.5	30.8	298
KOy Espoon Majurinkatu 3	ESPOO	Completed	1. Green and energy-efficient buildings	2020	25.1	16.4	Concrete	District heating	B	82	9%	16.3	23.6	262
KOy Helsingin Kaarenjalka 5 a	HELSINKI	Completed	1. Green and energy-efficient buildings	2020	14.1	9.6	Concrete	District heating	B	80	12%	19.2	28.7	452
As Oy Helsingin Keinulaudantie 7a	HELSINKI	Completed	1. Green and energy-efficient buildings	2020	14.7	10.2	Concrete	District heating	B	80	11%	18.6	23.7	389
KOy Helsingin Ida Aalbergintie 1b	HELSINKI	Completed	1. Green and energy-efficient buildings	2020	27.8	17.8	Concrete	District heating	B	78	13%	23,3	30,9	390
Humisevanportti 2 (IRIS)	ESPOO	Completed	1. Green and energy-efficient buildings	2021	12.2	12.2	Concrete	District heating	B	81	10%	20,8	28,1	279

INDEPENDENT ASSURANCE REPORT TO THE MANAGEMENT OF SATO CORPORATION

We have been engaged by the Management of Sato Corporation (hereafter “Sato”) to provide limited assurance on the use of proceeds and the following impact disclosures: Energy Performance Certificate (EPC), Energy use (E figure), Specific greenhouse gas emissions kg CO₂e/m², Specific energy consumption (kWh/m³), Specific water consumption (l/m³) (together the Use of Proceeds and Impact Disclosures) in the Sato Green Bond Report 2022 dated March 2023 (hereafter “Report”).

MANAGEMENT'S RESPONSIBILITIES

The Management of SATO is responsible for the preparation and presentation of the Report in accordance with the reporting criteria, i.e. SATO's Green Finance Framework. The Management is also responsible for producing a Report 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 the Use of Proceeds and Impact Disclosures in the Report.

Our assignment is limited to the historical information presented in the Report and does not encompass earlier periods or future-oriented tasks. We conducted our assurance engagement on the Report 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. This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Report 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 Report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, 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 Report;
- Assessed the application of SATO's Green Finance Framework reporting principles in the presentation of the Report;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Report;
- Reviewed the presented Report and assessed its quality and reporting boundary definitions and;

- Assessed the Report'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 Corporate Sustainability Information subject to the assurance engagement is not prepared, in all material respects, in accordance with SATO's Green Finance Framework.

Helsinki, 28 February 2023
KPMG Oy Ab

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