



Kojamo

Green Bond Second Opinion

March 11th, 2021

Kojamo plc (“Kojamo”) is Finland's largest private residential real estate company offering residential rental apartments and housing services in Finland's 7 biggest growth centres. The company has the mission to create better urban housing. Kojamo aims to grow by developing new properties, acquiring properties, and converting buildings used for other purposes into apartments within Finland.

Most proceeds will be allocated to financing apartment buildings in 7 growth areas in Finland including construction of new buildings, major renovation projects, as well as to refinancing existing buildings. The green finance framework includes also projects within the categories of renewable energy, clean transportation, and waste management. Under this framework, Kojamo can finance new development projects that have an energy intensity equivalent or below 80 kWh/m² (today's regulation in Finland require 90 kWh/m² for new residential buildings), and existing buildings having an EPC rating of A or B, with B equivalent or below 82kWh/m². Investors should be aware that large share of Kojamo's property stock is reliant on district heating, where more than a half depend on fossil fuels and peat in Finland. However, the company's energy is now around 20% produced with renewable sources and Kojamo has committed to increase this share to 100%, including for district heating by 2030.

Kojamo is working to reduce its emissions and consumption of energy by owning only assets that are net zero carbon in operation by 2030. This will be realized by increasing both energy efficiency of the properties and its own production of renewable energy, in addition to purchasing renewable energy. Kojamo also aims at reducing the portfolio energy intensity (kWh/m³) annually by 3%. The company is assessing climate risks as part of its corporate level risk assessment process and has created a Green Finance Committee for the selection of green projects. The issuer does not report according to TCFD nor use climate scenarios yet, but aims at doing so in the near future. Kojamo has started to calculate the life cycle assessments in 2020 for its new developments (but not yet for all its projects), including Scope 3 emissions coming from e.g., construction material. However, Kojamo is not yet systematically including LCA into their selection process.

Based on the overall assessment of the project types that will be financed by the green finance, governance, and transparency considerations, Kojamo green finance framework receives a **CICERO Medium Green** shading and a governance score of **Excellent**. The framework would benefit from climate risk reporting such as following TCFD recommendations, and from including higher energy efficiency ambition for new buildings. A systematic use of LCA could also be integrated in the selection process.

SHADES OF GREEN

Based on our review, we rate the Kojamo's green finance framework

CICERO Medium Green.

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Kojamo's framework to be **Excellent**.



GREEN BOND PRINCIPLES

Based on this review, this Framework is found alignment with the principles.





Contents

1	Terms and methodology _____	3
	Expressing concerns with 'Shades of Green'	3
2	Brief description of Kojamo's green finance framework and related policies _____	4
	Environmental Strategies and Policies	4
	Use of proceeds	5
	Selection	5
	Management of proceeds	6
	Reporting	6
3	Assessment of Kojamo's green finance framework and policies _____	7
	Overall shading	7
	Eligible projects under the Kojamo's green finance framework	7
	Background	9
	Governance Assessment	10
	Strengths	10
	Weaknesses	11
	Pitfalls	11
	Appendix 1: Referenced Documents List _____	12
	Appendix 2: About CICERO Shades of Green _____	14



1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated March 2021. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences, and email correspondence.

Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green



Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.

Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



2 Brief description of Kojamo's green finance framework and related policies

Kojamo plc ("Kojamo") is Finland's largest private residential real estate company with 35,802 apartments with a value of investment properties totaling EUR 6.9 billion. The real estate company is offering residential rental apartments and housing services in Finland's 7 biggest growth centres, in the Helsinki Metropolitan area, Tampere, Turku, Kuopio and Lahti regions and the cities of Oulu and Jyväskylä, with the mission to create better urban housing. Kojamo aims to grow by developing new properties, acquiring properties and converting buildings used for other purposes into apartments in Finland.

Environmental Strategies and Policies

Kojamo is committed to owning only assets that are net zero carbon in operation by the end of 2030, by reducing the energy consumption and increasing the energy efficiency of its properties, both with its own production of renewable energy (solar and geothermal) and with the purchasing of renewable energy. In 2020, Kojamo's emissions intensity represented 1,42 t CO₂/apartment and its total carbon footprint (Scope 2 emissions) represented 50,881 tonnes, where the main source of emissions come from district heating. The company states that it does not have Scope 1 emissions, and Scope 3 emissions are not yet calculated in the total emissions. However, Kojamo has informed us that it starts calculating emissions coming from construction material, the heating of water of property portfolio, the company business flights and the leased cars.

Kojamo will also enhance the efficiency of the company's energy consumption by 7.5% during the period of 2017-2025, using 2016 as the baseline (28,944 MWh/a in total), in accordance with the Finnish national voluntary energy efficiency agreement and its rental property action plan second phase (VAETS II). The company has informed us that they have already achieved of 73% of its 2025 VAETS target by the end of 2019.

Regarding Kojamo's property stock, the company intends to use only carbon neutral property energy (both for electricity and heating) in its whole property portfolio by 2030. Kojamo is now using district heating in 99.5% of its properties (79 of these properties are heated by carbon neutral district heating), and geothermal heating at 0.5% of its properties. Kojamo informed us that the company is buying 100% renewable electricity (hydro power) in the whole property portfolio for the common areas of the properties and aims at closer cooperation with the energy suppliers, verifying closely that their roadmap is aligned towards emissions reduction. Having a building energy intensity of 34,5 kWh/m³ in 2020, Kojamo also aims at reducing annually the portfolio energy intensity (kWh/m³) by 3%. New own development projects from 2021 onwards will have an energy performance level (E-value) equivalent or below 80 kWh/m², compared to the national regulation of 90 kWh/m² set as limit for E-value for residence blocks of flats¹. Kojamo also aims at controlling and optimizing the indoor temperatures and the energy efficiency of the property portfolio, mainly of the existing building portfolio, using AI solutions, based on temperatures and weather forecasts. For major renovation projects, Kojamo targets to improve its energy efficiency by at least 30%. Kojamo also plans to reduce the portfolio water consumption by 5% by the end of 2030 (compared to 2019 level). Kojamo also aims at achieving waste sorting and recycling rate above 70% for construction by the end of 2023 in both new development and major renovation projects. It also plans to improve the property stock waste recycling rate to 55% by 2023, both for both Kojamo's head office and the property stock.

Kojamo is working to address climate adaptation and mitigation in its strategies and policies. The company assesses climate risks as part of its corporate level risk assessment process, but does not use climate scenarios yet. In addition, Kojamo is committed to preventing and reducing the environmental impacts of its operations,

¹ <https://www.ym.fi/download/noname/%7BE12CDE2C-9C2B-4B84-8C81-851349E2880B%7D/140297>



throughout the calculation of the life cycle of its property portfolio since 2020, including the construction emissions as well as recycling in the calculation. The building materials are also consistent with the EU 305/2011 regulation related to CE marking, and wood-based buildings are deeper investigated and are considered as an option. The company is also committed to sustainability principles in all its purchasing, and its suppliers shall commit to the supplier code of conduct of the company, including environmental responsibility. However, the company is not doing GHG reporting on suppliers systematically yet. Kojamo has started to calculate the life cycle assessment in 2020 for its new developments, but not yet for all its projects. Kojamo also aims at more circular economy adapted models, including the waste sorting, the recovery of the construction sites and of existing buildings, the reparability of the buildings with long term maintenance plans and the sustainability factors related to the demolition of the building. Kojamo is further promoting sustainability related services such as ecological driving through its electric and hybrid cars sharing services offered to the residents by an external service provider. Access to public transport is also important for Kojamo as the company will continue to invest in the Helsinki Metropolitan area and other growth centres in Finland where good public transportations are available.

Kojamo also discloses its sustainability performance annually to Global Real Estate Sustainability Benchmark (GRESB) and reports in accordance with the GRI Standards and EPRA (European Public Real Estate Association) Sustainability Best Practices Recommendations Guidelines (EPRA sBPR). However, TFCFD recommendations are not yet included, but the company has anticipated this as a development area for the near future.

Use of proceeds

The net proceeds from the green debt will be used, in whole or in part, as investments undertaken by Kojamo that promote the transition towards a low-carbon and environmentally sustainable economy that are in accordance with the green project categories: green and energy efficient buildings, renewable energy, clean transportation, and waste management. Proceeds will mostly be allocated to the green and energy efficient buildings category and, in smaller amounts, to the categories of renewable energy, clean transportation, and waste management. Kojamo also informed us that the company has refinancing projects, but the majority of the proceeds is estimated to be used for financing.

Net proceeds will not be allocated to projects involving the production of fossil energy, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels), gambling or tobacco.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

Kojamo has designed and implemented a process to ensure that only projects aligned with the eligibility criteria are selected as eligible projects for potential green bond issuances. A Green Finance Committee (GFC) comprising key members from top management, treasury, sustainability and investment management, has been established for the implementation of this selection process and will convene at least annually. The following process will be used for the evaluation and selection of eligible green projects:

- (i) Sustainability experts within ownership and investing unit of Kojamo evaluate potential green projects, their compliance with the green project categories, and their environmental benefits;
- (ii) A list of potential green projects is presented to Kojamo's GFC. The GFC is solely responsible for the approval of the project as green, in line with the green project categories. External expertise can be requested if necessary but cannot take part in the final decision.



A life-cycle assessment will also be carried out for the selection and design process, including the carbon emissions of the supply chain. The location of the project will also be assessed prior to investment, regarding its access to services and public transport. Risks of flooding and damage to the biodiversity will also be considered in the final investment decisions.

A decision to allocate net proceeds will require a consensus and the decision will be taken internally by the GFC. Kojamo's sustainability manager will have veto power in the decision. The decisions made by the GFC will be documented and filed. The GFC holds the right to exclude any green project already funded by the net proceeds. If a green project is sold, or for other reasons loses its eligibility, funds will then follow the procedure under management of proceeds until reallocated to other eligible green projects.

Management of proceeds

CICERO Green finds the management of proceeds of Kojamo to be in accordance with the Green Bond Principles.

Kojamo will establish a Green Register to monitor that an amount equal to the net proceeds is allocated to green projects. The purpose of the Green Register is to ensure that net proceeds only support the financing of green projects or to repay green debt. The management of proceeds will be reviewed by an independent verifier appointed by Kojamo.

According to the company, it is unlikely that net proceeds will not be allocated once the green bond is issued. In the case of non-allocation, unallocated net proceeds will be disclosed and may temporarily be placed in the liquidity reserve and managed according to Kojamo's normal liquidity management guidelines that define the type of financial instruments that can be used. Temporary holdings will not be placed in entities with a business plan focused on fossil energy production, fossil fuel infrastructure, nuclear energy generation, weapons and defense, potentially environmentally harmful resource extraction, gambling or tobacco.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

Kojamo will annually and until maturity of the green bonds issued, provide investors with a report (Green Impact Report) describing the allocation of proceeds and the environmental impact of the green projects. The report will be published on its website together with the Green Finance Framework. The Green Finance Committee is expected to report on both allocation and aggregated impacts, as Kojamo can finance several smaller green projects in the same project category. Allocation reporting will include, e.g., a summary of green debt developments; the total proportion of green debt net proceeds used to finance new green projects and the proportion of green debt net proceeds used to refinance green projects; as well as the total aggregated proportion of green debt net proceeds used per green project category. The impact reporting aims to disclose the environmental impact of the green projects financed under its framework and will be based on a list of Key Performance Indicators (KPIs) provided for green project category and impact indicators for chosen building. The reporting is expected to be reviewed by an external auditor. In the event of outstanding green commercial paper, Kojamo will report quarterly on the value of green projects and the total amount of outstanding green debt.



3 Assessment of Kojamo’s green finance framework and policies


The framework and procedures for Kojamo’s green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Kojamo should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Kojamo’s green finance framework, we rate the framework **CICERO Medium Green**.

Eligible projects under the Kojamo’s green finance framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the “overall environmental profile” of a project should be assessed and that the selection process should be “well defined”.

Category	Eligible project types	Green Shading and some concerns
Green and energy efficient buildings 	i. New buildings and existing buildings: <ul style="list-style-type: none"> ✓ Construction of new buildings for which the design was initiated from 1 January 2021 onwards, with an Energy Performance Certificate (EPC) of class A or B and an energy performance value (E-value) equivalent or below 80 kWh/m². ✓ Construction of new buildings for which the design was initiated before 1 January 2021, with an EPC of class A or B and E-value equivalent or below 82 kWh/m². ✓ Existing buildings with an EPC of class A or B equivalent or below 82 kWh/m². ii. Existing buildings under major renovations: <ul style="list-style-type: none"> ✓ Energy efficient major renovations of existing buildings leading to substantial reduction in the energy usage (kWh/m²/year). 	Medium Green <ul style="list-style-type: none"> ✓ The main focus of financing will be attributed to this category, for new buildings and major renovations projects. ✓ Investors should be aware that the requirements for new buildings under category i. are only 10 percent better than today’s regulation (80 kWh/m² versus 90 kWh/m² in the regulations). ✓ The use of district heating can represent a pitfall as 53 percent of the district heat was produced with fossil fuels and peat in 2018 in Finland. However, Kojamo aims at having only carbon neutral district heating and zero emissions assets in 2030. ✓ 79 buildings of the total portfolio (approx. 700 buildings) are using carbon neutral district heating. Therefore, the company must significantly increase its share of properties using carbon neutral district



- ✓ A substantial reduction means at least 30% reduction in the energy usage (kWh/m²/year) compared to the pre-investment situation.
- ii. Energy efficiency:**
- ✓ Direct investments (e.g. material, installation and labour costs) for installing energy efficient technologies that aim to improve the energy performance of a whole building or of the respective area of the building, and/or reduce the building CO₂ emissions (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).
- ✓ heating in the coming years to reach its zero emissions by 2030 target.
- ✓ Life cycle assessments are starting to be carried by the company, but the company is not accounting for suppliers' emissions systematically yet.
- ✓ No external building certifications (e.g., Leed, BREAM) are integrated in the framework of the company. However, Environmental building certifications are very rare for residential buildings in Finland according to Kojamo.
- ✓ The energy efficiency criteria of 30 percent improvements for renovation projects is in line with the IEA recommendations for energy efficiency and represents a high level of ambition.
- ✓ Kojamo has confirmed that all new buildings need to have access to public transport facilities and services.
- ✓ The Finnish climate guide mentioned that increased rainfall, and snowfall being replaced by rainfall in winter, will probably increase river flows and floods in Finland. Therefore, the buildings could be increasingly exposed to physical climate risks in the future.

Renewable energy



- i. Solar energy:**
- ✓ Solar energy technologies, such as Photovoltaic systems (PV), concentrated solar power (CSP) and solar thermal facilities.
- ii. Geothermal energy:**
- ✓ Geothermal power plants and geothermal heating/cooling systems.
- ✓ Facilities should operate at lifecycle emissions lower than 100g CO₂e/kWh.
- iii. Storage facilities:**
- ✓ Facilities and technologies enabling the storage of energy.

Dark Green

- ✓ Renewable energy is part of a Dark Green Solution.
- ✓ No target for solar energy has been set, but the possibilities for solar panels are assessed in all new developments.
- ✓ Geothermal power plants can have local environmental impacts and its emissions could be higher than solar and wind powers' emissions.
- ✓ The Storage facilities would be used for renewable energy. No target has been set yet.



Clean Transportation



i. Infrastructure for electric vehicles:

- ✓ Infrastructure supporting electric and hybrid vehicles, such as charging stations.

Dark Green

- ✓ Well aligned with a low carbon transportation future.
- ✓ From 2021 onward, reservations for charging stations will be installed as part of all new development projects and major renovation projects. However, no specific targets and goals are set.

Waste Management



i. Waste management solutions:

- ✓ Systems and technologies contributing to an efficient management and sorting of waste, for the purpose of reducing, recycling and reusing of waste of Kojamo's property portfolio.

Dark Green

- ✓ Kojamo is aware of the local environmental impacts but does not systematically assess the life cycle of all its project, including the waste sorting, the recovery of the construction sites and of existing buildings, the reparability of the buildings and the sustainability factors related to the demolition of the buildings.

Table 1. Eligible project categories

Background

According to the International Energy Agency (IEA), the buildings and buildings construction sectors combined are responsible for 36% of global final energy consumption in 2018 and nearly 40% of total direct and indirect CO₂ emissions. Appliances (excluding heating, cooking and cooling appliances) are responsible for around 17% of final electricity use by buildings. Emissions from buildings are approximately half coming from materials/construction and half from energy use. The energy and emissions savings potential remain largely untapped because of continued use of less efficient technologies, lack of effective policies and weak investments in sustainable buildings. The IEA's Sustainable Development Scenario suggests 50% of new constructed building area in 2030 to be near zero emission – in addition to increased renewable heat sources up to 25% in 2030.² Energy efficient buildings are crucial important building blocks towards reaching the 2°C goal.

In Finland, a significant share of Finland's greenhouse gas emissions is produced by buildings, as they account for some 38 % of the final energy consumption of the country. The energy consumed in housing was around 65 TWh in 2019 (with indoor living space heating representing the main source of energy consumption on household (67%)), and nearly one-third of consumption was provided by district heat and one-fifth wood, followed by electricity and heat pump energy³. The share of fossil fuels in the district heating network in Finland has remained almost unchanged throughout the years but the use of peat increased by seven per cent, thus representing 53% of the district heat that was produced with fossil fuels and peat in 2018⁴.

As member of the EU, Finland is subject to the EU's climate targets of reducing collective EU greenhouse gas emissions by 40% by 2030 compared to 1990 levels, increasing the share of renewable energy to 32% and

² <http://www.iea.org/tcep>

³ [Statistics Finland - Energy consumption in households 2019](#)

⁴ [Statistics Finland - Production of electricity and heat 2018](#)

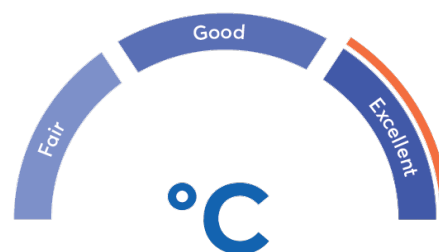


improving energy efficiency by at least 32.5%⁵. The European Green Deal aims for carbon neutrality by 2050⁶. Finland has developed the National Energy and Climate Plan (NECP) that outlines the actions and strategies that will enable Finland to attain the targets specified in the Government Programme and adopted in the EU for 2030, and to systematically set the course for achieving an 80% – 95% reduction in greenhouse gas emissions by 2050 in all sectors⁷. These strategies include measures such as phasing out the use of coal for energy, increasing the share of transport biofuels and renewable energy, and developing the electricity market. Climate change mitigation measures associated with the built environment are also considered in the Land Use and Building Act, and includes land use decisions, energy-efficient new construction and renovations, building maintenance, material efficiency and the utilization and promotion of renewable energy⁸. The National Decree of the Ministry of the Environment on the Energy Performance of New Buildings also sets minimum requirements for building energy performance⁹, setting the energy performance value (E-value) equivalent or below 90 kWh/m², corresponding to an EPC rating of an average of B. However, the current (2018) level of EPC ratings of the residential sector in Finland is D (39%) and E (28%) for older building. 1% of the total stock is level A and 11% level B¹⁰.

Governance Assessment

Four aspects are studied when assessing the Kojamo's governance procedures: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Kojamo has relevant climate goals with specific long- and short-term targets. It is Kojamo's ambition to reach net zero carbon in its operation by the end of 2030, based on a strategy of reduction and efficiency of energy consumption, combined with renewable energy, clean transportation, and waste management strategies. Kojamo has also informed us that they will publish a detailed roadmap in 2021 and that will include different means towards carbon neutrality (i.e. improved energy efficiency and reduced consumption, purchase of renewable electricity, purchase of renewable district heating and own renewable energy production). The company does not yet undertake scenario analysis – an important tool for climate risk analysis – but is assessing climate risks as part of its corporate level risk assessment process, covering both physical and transitional risks. In addition, Kojamo does not report in alignment with recommendations from the TCFD. However, the company has communicated that commitments in this area are likely to be further strengthened in the coming years. Kojamo has created a Green Finance Committee for the selection of green projects and Kojamo's sustainability manager will have veto power in the decision. The Green Finance Committee is expected to report on aggregated environmental impacts of the green projects financed under the framework.



The overall assessment of Kojamo's governance structure and processes gives it a rating of **Excellent**.

Strengths

Kojamo is working towards reducing its emissions and consumption of energy with short-term and long-term goals within some of its categories by 2030. Kojamo is focusing on efficient apartment buildings (the efficiency of the

⁵ https://ec.europa.eu/clima/policies/strategies/2030_en

⁶ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

⁷ National Energy and Climate Strategy of Finland for 2030 – Policies - IEA

⁸ https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/79247/TEMjul_12_2017_verkkojulkaisu.pdf?sequence=1&isAllowed=y

⁹ <https://www.ym.fi/download/noname/%7BE12CDE2C-9C2B-4B84-8C81-851349E2880B%7D/140297>

¹⁰ [Suomen-EPBD-2a-ilmoitus_final_10-03-2020-242AE19E_F497_4A38_8DF2_95556530BA53-156573.pdf \(ym.fi\)](https://www.ym.fi/download/noname/%7BE12CDE2C-9C2B-4B84-8C81-851349E2880B%7D/140297)



company's energy consumption will be enhanced by 7.5% during the period of 2017-2025, using 2016 as the baseline, and the portfolio energy intensity will be reduced annually by 3%) in the Finnish growth centres where good public transportations are available. This focus on energy efficiency and on access to public transport represents a significant strength of the framework.

The energy efficiency criteria of 30 percent improvements for major renovation projects is in line with the EIA recommendations for energy efficiency and represents a high level of ambition and a strength of Kojamo's framework. This also represents a strength from a climate perspective as it represents a greener solution to deep refurbishment compared to construction of new buildings.

Weaknesses

We find no material weaknesses in Kojamo's green finance framework.

Pitfalls

Investors should also be aware that Kojamo is purchasing (not included under this framework) and producing renewable electricity. However, most buildings financed under this framework are heated by district heating. In Finland, 53% of the district heat that was produced in 2018 used fossil fuels and peat, thus may constituting a pitfall of locking in fossil fuels if the utility companies do not transition quickly enough towards renewable energy. However, Kojamo is studying the decarbonization roadmaps of its main energy suppliers and is working with them to have zero emissions district heating in a 2030 perspective. Also, 79 buildings of the total portfolio of the company (approx. 700 buildings) are using carbon neutral district heating in 2021. The company must therefore significantly increase its share of properties using carbon neutral district heating in the coming years to reach its zero emissions by 2030 target.

As emissions associated with building materials/construction can be significant, the company is encouraged to systematically assess the life cycle of all its property portfolio, including all scope 3 emissions, performing GHG accounting on the suppliers, including for building materials, and further investigating certificate wood-based buildings. The framework would benefit from a systematic use of LCA in the selection process and reporting.

The issuer is working to address climate adaptation and mitigation in its strategies and policies, by assessing climate risks as part of its corporate level risk assessment process, covering both physical (particularly flooding and damage to the biodiversity) and transitional risks, without specific metrics given. However, the issuer has informed us that they do not report according to TCFD, nor use climate scenarios analysis for the climate risk assessment. According to the Finnish climate guide, increased rainfall, and snowfall being replaced by rainfall in winter, will probably increase river flows and floods¹¹. According to this guide a survey of major flooding carried out by regional environmental centres, Finland has property with a total value of at least EUR 550 million across all the flood risk areas. Developing projects with climate resilience in mind is therefore critical for this sector. The issuer would benefit from a more systematic inclusion of climate risk and scenarios into management systems and reporting.

¹¹<https://ilmasto-opas.fi/en/ilmastonmuutos/vaikutukset/-/artikkeli/51d0c5f5-349b-4ffa-9419-7a78d612c17e/suomen-talous.html>



Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Kajomo Green Finance Framework	Green Finance Framework dated 04.03.2021
2	Annual report 2020	https://kojamo.fi/annualreport2020
3	Kojamo plc's Board of Directors' Report and Financial Statements 2020	https://kojamo.fi/wp-content/uploads/2021/02/1374811.pdf
4	EPRA Sustainability Best Practises Recommendations – supplement indicating its Annual report 2019 link to EPRA sustainability reporting recommendations	https://kojamo.fi/wp-content/uploads/2020/03/EPRA-sBPR-supplement-2019.pdf
5	Sustainability Programme	https://kojamo.fi/en/sustainability/kojamo-sustainability-programme/
6	Code of Conduct	https://kojamo.fi/en/sustainability/a-responsible-corporate-citizen/kojamo-code-of-conduct/
7	Supplier Code of Conduct	https://kojamo.fi/en/sustainability/a-responsible-corporate-citizen/supplier-code-of-conduct/
8	Corporate Governance Statement 2019	https://kojamo.fi/wp-content/uploads/2020/02/Kojamo-Corporate-Governance-Statement-2019.pdf
9	Remuneration Statement 2019	https://kojamo.fi/wp-content/uploads/2020/02/Kojamo-Remuneration-Statement-2019.pdf



10	Kojamo interim report Q3/2020 where sustainability section included	https://kojamo.fi/wp-content/uploads/2020/11/Kojamo_plcs_Interim_Report_1_January-30_September_2020.pdf
11	Most recent press releases related to sustainability, within the past 6 months	https://kojamo.fi/en/news-releases/kojamo-the-best-implementer-of-equality-among-finnish-listed-companies/ https://kojamo.fi/en/news-releases/kojamo-signed-eur-75-million-revolving-credit-facility-linked-to-its-sustainability-targets/ https://kojamo.fi/en/news-releases/kojamo-aims-to-use-carbon-neutral-energy-in-its-properties-by-2030/ https://kojamo.fi/en/news-releases/kojamo-plc-kojamo-revised-its-code-of-conduct-for-employees-and-cooperation-partners/ https://kojamo.fi/en/news-releases/kojamo-earned-a-green-star-designation-in-its-first-gresb-sustainability-assessment/ https://kojamo.fi/en/news-releases/epra-awarded-kojamos-financial-statements-and-sustainability-report/



Appendix 2: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD).

