



Green Finance Framework

Toivo Group Oyj

May 2022



1. Introduction

1.1 About Toivo

Business concept and model

Toivo Group Oyj (“Toivo” or the “Company”) was founded in 2015 and is a real estate company focusing on real estate development and long-term property ownership of rental apartments. The Company currently operates only in Finland with business concentrated in Helsinki, Tampere, and Turku. Toivo has been listed in the Nasdaq Helsinki’s First North marketplace since June 2021.

Toivo’s main customer group is smaller households, with 1-2 people, a type of household that constitutes the largest market in Finland. By offering small and efficient apartments with affordable rents in attractive locations, Toivo has the right apartments for meeting the customer’s demand.

Toivo has a unique business model that covers the entire value chain, from in-house development and planning to construction and ultimately long-term ownership and management. The Company has a total track record of 444 apartments developed; of which 267 apartments have been developed and sold, and currently 177 apartments are owned by Toivo. At the end of 2021, 753 apartments were under construction and the fair value of the Company’s properties totalled EUR 98m. In addition, Toivo is growing rapidly and has a development pipeline of energy efficient residential properties with approximately 2000 apartments with a fair value of nearly EUR 430m.

Toivo's values

Toivo's values are built upon seven core topics listed below.

 <p>CUSTOMER Our whole value chain understands that customer experience must be better and more human. We aim to remove customer's problems and help them to succeed.</p>	 <p>RESPONSIBILITY We care about the environment and people. We make responsible choices. We make choices with a calculator in hand measuring their impact on the environment.</p>
 <p>LIABLE ECONOMY We use accurate income statement and clear reports to enable quick decision-making process. We control different risk elements by creating good agreements, by acting right, and by making correct choices.</p>	 <p>HUMBLE We do not build personal brands and we are careful in using power. We have open and honest conversations and we do not take different opinions personally. We work in teams where everyone are treated and listened to on an equal basis.</p>
 <p>ENTREPRENEURSHIP Everyone of our people bears responsibility and knows where they stand in the value chain. We are unformal but 100% reliable. We take up the challenges enthusiastically and try to learn something new continuously. We are tenacious to push our projects forward.</p>	 <p>BEAUTY We build the environment. We want to create beautiful buildings while taking care of the environment. We want to leave beautiful legacy for future generations.</p>
 <p>TRUST We trust each other and value diversity. We dare to challenge each others but respect individuals. By utilizing scenario thinking and requesting feedback all the time we seek the best possible solution.</p>	

1.2 Toivo's sustainability contribution

Toivo's overarching sustainability work is guided by the principles of "Toivo's Community", which Toivo strives to promote in its business. These sustainability principles are based on the UN Sustainable Development Goals, which Toivo adopted in 2019. The ten principles are:

 <p>Carbon neutral construction</p>	 <p>Fossil free living</p>	 <p>Energy from earth, air and sun</p>	 <p>Healthy, safe and happy living</p>	 <p>Wood construction (small housing)</p>
 <p>Circular economy</p>	 <p>Reducing inequality</p>	 <p>Reducing exclusion</p>	 <p>Local food production & elimination of waste</p>	 <p>Sharing and best-in-class services</p>

Toivo requires suppliers to commit to Toivo's company guidelines, which include e.g., a guide to prevent corruption, a guide to prevent tax evasion, a guide to hospitality and gift practices, and reporting abuse. In addition to the above, Toivo requires transparency from its partners regarding construction risk management and tax payments in accordance with Finnish law and collective agreements.

In addition, Toivo's suppliers must be part of a reliable partner system (Responsibility Group) or provide a thorough explanation, where Toivo can verify supplier reliability.

Sustainable property development method

By managing its construction process in a sustainable way and promoting environmentally friendly raw materials, Toivo has been able to decrease its environmental footprint remarkably. Also, through Nolla Cabins, which Toivo founded, the Company has further advanced its sustainability ambitions such as promoting wood construction and design as well as emission free travel.



Main elements of Toivo's property development method includes reduced life-cycle emissions compared to an average property development project in Finland and maximizing residential well-being & maximising customer satisfaction. In relation to life-cycle emissions, the choices that are made during the design stage of a project are estimated to cause over 75% of total project emissions – this is the area where Toivo places high focus on in each development project. Furthermore, significant design decisions among energy solutions, water distribution, use of materials and architecture are important selection criterion to minimize the total life-cycle emissions.

With regards to our property management, it is essential that our tenants are being taken care of. We strive to serve a personal experience with direct contact with our landlords and tenants. Our landlords operate as an in-house property manager with no extra cost for the tenants. We aim to lower living costs also through systematic tendering of eg. property cleaning, gardening and snow maintenance services. In addition, we are optimizing waste management and disposal frequency by waste bin monitoring.

Toivo's properties are designed on a site-by-site basis meeting the diverse needs of our future tenants driven by interaction and networking with the residential community. Tenant satisfaction is measured via multiple KPIs, including tenant turnover and experiences exceeding expectations.

Energy-efficient solutions for a low-carbon property portfolio

Toivo is working proactively to reduce its emissions throughout the value chain and continues developing reporting within. The ambition is to improve the energy efficiency across the portfolio. Toivo's real estate portfolio mainly consists of housing built over the past two years (2019-2021). Toivo's target is that all new properties have an energy performance certificate (EPC) A, with E Value of 72 kWh/sqm or below. The target can be achieved with careful planning of building projects, and eg. through installation of geothermal heating sources on building projects. In addition, Toivo also constructs and owns residential buildings that utilize wood as a main source of raw material for the shell of the building. These buildings can be energy class (EPC) B, meeting the national building code requirements while also acting as a carbon sink and advancing the national knowledge base on wooden construction methods. To help our customers in their everyday sustainable choices, Toivo also offers an exclusive car sharing service to its customers that aims at reducing personal usage of cars.

UN Sustainable Development Goals

Toivo as a property owner takes responsibility for the impacts of its operations and contributes to the sustainable development of society. The UN's 17 Sustainable Development Goals (“SDGs”) for achieving economic, social, and environmental development are well linked to Toivo's sustainability perspective and are manifested in a guiding sustainability policy and a code of conduct that includes both employees and suppliers.



EU Taxonomy

Toivo has started to explore what the EU Taxonomy will mean for the Company's activities. This includes evaluating its activities substantial contribution to environmental objectives and alignment with the technical screening criteria. The Company's preliminary assessment suggests that its activities contribute to the environmental objective: climate change mitigation, which is further highlighted in the eligibility criteria set out in the chapter 2. Toivo's new building projects are assessed to meet the technical screening criteria, as set out in the EU Taxonomy for substantial contribution to climate change mitigation in the area of “Construction of new buildings”. Further work is needed to fully assess the do no significant harm criteria and minimum safeguards. Toivo continues to explore its alignment with the EU Taxonomy on an ongoing basis and is aiming to publish voluntary information on an annual basis regarding its share of revenue, capital expenditure and operational expenditure that are eligible and/or aligned with the relevant technical screening criteria in the EU Taxonomy.

2. The Green Finance Framework

The establishment of this Green Finance Framework (the “Framework”) is a natural continuum of the Company's profile as sustainable enterprise and will enable Toivo to further focus on achieving positive environmental impact in its business operations through sustainable financing. While our sustainability contribution overarches all the elements of ESG, the focus of this Framework has been selected to focus on our environmental ambitions which lie in the core of our business – our properties. This Framework is aligned with the Green Bond Principles 2021 (“GBP”)¹ and Green Loan Principles 2021 (“GLP”)² as well as the current market practice. The four core components of the aforementioned Principles are:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

The Framework is applicable, but not limited to, for issuance of green debt instruments including green bonds, hybrid bonds, green commercial papers, green loans and other types of debt instruments where an amount equal to the net proceeds will be applied to finance or re-finance, in part or in full, new and/or existing expenditure and assets with clear environmental benefits, as defined in this Framework (“Green Financing”).

¹ Green Bond Principles published in June 2021 are Voluntary Process Guidelines for Issuing Green Bonds established by International Capital Markets Association (ICMA), <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

² Green Loan Principles published in February 2021 are voluntary process guidelines for issuing green loans established by Loan Markets Association (“LMA”), <https://www.lsta.org/content/green-loan-principles/>

In relation to the EU Taxonomy alignment, the Green Finance Committee will, on a best efforts basis, specifically ensure alignment of each Eligible Green Asset with the EU Taxonomy in the following areas (1) substantial contribution to at least one of the six environmental objectives, (2) do-no significant harm (DNSH) to other environmental objectives, (3) minimum safeguards and where developed (4) meeting the technical screening criteria (“TSC”).

2.1 Use of Proceeds

An amount equivalent to the net proceeds from Toivo’s Green Financing will be used to finance or re-finance, in part or in full, Eligible Green Assets and Expenditures (as defined in the following pages) providing distinct environmental benefits in accordance with the below defined eligibility criteria.

Financing and refinancing of tangible assets (with no specific age restriction) and operational expenditure (with up to two (2) year lookback period before the issuance of any Green Financing), such as maintenance costs related Green Assets that increase the lifetime of the asset, can qualify. The combined allocated amount to a specific Asset, by one or several sources of financing with specified Green use of proceeds, may not exceed its value.

Toivo currently only operates in Finland, and therefore the proceeds will primarily, but not exclusively, be applied to eligible Green Assets and Expenditures in Finland.

Eligible Green Assets and Expenditures under the Framework include:

Green & energy efficient buildings

Construction of new residential properties		
<p>All new constructions (defined as buildings completed after the publication of this Framework) that have, or will receive within 3 years from the date of being included in the Eligible Green Asset and Expenditure portfolio, one of the following:</p> <ul style="list-style-type: none"> • An energy performance certificate (EPC) of class A, or • An energy performance certificate demonstrating at least 10% lower energy demand than the national Near-Zero Energy Building (“NZEB”) criteria (Assessment will be done at the time of (re)financing and will be done based on publicly available data)³, or • Wood as the main construction material and are meeting the national building code requirements for energy efficiency, or • LEED certification at “Gold” or better level and energy efficiency of at least 15% better than national requirement, or • BREEAM certification at “Excellent” or better level and energy efficiency of at least 15% better than national requirement, or • Nordic Swan Ecolabel 		
		
Contribution towards EU Environmental Objective: Climate Change Mitigation		

³ Based on statistics made available by the national Housing Finance and Development Centre ARA <https://www.ara.fi/en-US>. Note that the threshold may change over time and the calculation is always done at the time of (re)financing to ensure eligibility criteria is fulfilled at issuance.

Acquisition and ownership of residential properties

Acquisition and/or ownership of existing buildings built before 31.12.2020 that have, or will receive within 3 years from the date of being included in the Eligible Green Asset and Expenditure portfolio, one of the following:

- An energy performance certificate (EPC) of class A, or
- Belong to top 15% of most energy efficient buildings nationally, when compared against similar building stock (Assessment will be done at the time of (re)financing and will be based on publicly available data)⁴
- Wood as the main construction material and are meeting the national building code requirements for energy efficiency, or
- LEED certification at “Gold” or better level and energy efficiency of at least 15% better than national requirement, or
- BREEAM certification at “Excellent” or better level and energy efficiency of at least 15% better than national requirement, or
- Nordic Swan Ecolabel

Acquisition and/or ownership of existing buildings built after 1.1.2021 that have, or will receive within 3 years from the date of being included in the Eligible Green Asset and Expenditure portfolio, one of the following:

- An energy performance certificate (EPC) of class A, or
- An energy performance certificate demonstrating at least 10% lower energy demand than the national Near-Zero Energy Building (“NZE”) criteria (Assessment will be done at the time of (re)financing and will be based on publicly available data), or
- An energy performance certificate demonstrating at least 10% lower energy demand than what is applicable for achieving an EPC label B for those building types that fall outside residential apartment building category, or
- Wood as the main construction material and are meeting the national building code requirements for energy efficiency, or
- LEED certification at “Gold” or better level and energy efficiency of at least 15% better than national requirement, or
- BREEAM certification at “Excellent” or better level and energy efficiency of at least 15% better than national requirement, or
- Nordic Swan Ecolabel



Contribution towards EU Environmental Objective: Climate Change Mitigation

Energy efficiency and major renovations

- Energy retrofits such as installation of solar thermal collectors, geothermal energy, converting to LED lighting, installing water saving taps, improvements in ventilation systems
 - For individual energy efficiency measures related to energy production, activity must meet the emission threshold of 100gCO₂/kWh or below
 - Other measures will be based on best available products/technologies in the market, and may be benchmarked against European energy performance classification system
- Major renovations resulting in reduced energy consumption of at least 30% in Primary Energy Demand (“PED”)



Contribution towards EU Environmental Objective: Climate Change Mitigation

⁴ Based on statistics made available by the national Housing Finance and Development Centre ARA <https://www.ara.fi/en-US>. Note that the threshold may change over time and the calculation is always done at the time of (re)financing to ensure eligibility criteria is fulfilled at issuance.

2.2 Selection and evaluation of eligible assets and expenditures

2.2.1 Selection of Eligible Assets and Expenditure

The evaluation and selection process for Eligible Green Assets and Expenditures is a key process in ensuring that an amount equal to the net proceeds from Green Financing is allocated to eligible assets and expenditures that meet the criteria in this Framework.

The selection of Eligible Green Assets and Expenditures is managed by a dedicated group, the Green Finance Committee (“GFC”). Members of the GFC consist of members from Toivo executive team, including CEO, CFO, Treasury and Construction Managers. Chairman of the committee is Toivo’s CEO. Toivo will make sure that sustainability expertise always resides within the GFC. All decisions are made in consensus, and that applies to the selection process of Eligible Green Assets and Expenditures as well. The GFC will meet at least once a year and will keep track of all decisions made.

A list of Eligible Green Assets and Expenditures is kept by the Finance Department and the CFO is responsible for keeping this list up to date.

The GFC will continuously exercise its professional judgement, discretion and sustainability expertise when identifying the Eligible Green Assets and Expenditures.

The GFC follows the below process when selecting and evaluating potentially Eligible Green Assets and Expenditures:

1. Investment board proposes a potential asset and/or expenditure to the GFC
2. The sustainability responsible evaluates that the proposal is aligned with the eligibility criteria defined in the Green Finance Framework and removes asset(s)/expenditure(s) that do not meet the criteria
3. GFC verifies the eligibility of the asset or expenditure
4. Eligible assets and expenditures are booked into the Green Financing Register, which is further specified in 2.3

2.2.3 Exclusions

The proceeds of Toivo’s Green Financing will not be used to finance fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco.

2.3 Management of Proceeds

Tracking of Green Financing net proceeds

Net proceeds from Toivo's Green Financing will be tracked through the use of a register where all issued amounts of green debt instruments will be monitored (the "Green Financing Register"). The purpose of the Green Financing Register is to ensure that an amount equal to the Green Financing net proceeds only support the financing or refinancing of Green Assets and Expenditures.

The Green Financing Register will contain the list of Eligible Green Assets and Expenditures mentioned in Section 2.1. Information available in the Register will in turn serve as basis for regular reporting described in Section 2.4.

All green debt instruments issued by Toivo will be managed on a portfolio level. This means that a green debt instrument will not be linked directly to any pre-determined Eligible Green Assets and Expenditures, unless explicitly described so within transaction-specific documentation, e.g. in secured transactions. The company will keep track and ensure there are sufficient Eligible Green Assets and Expenditures in the portfolio. Assets can, whenever needed, be removed or added to/from the Eligible Green Assets and Expenditures portfolio.

The list of Eligible Green Assets and Expenditures is monitored on a regular basis during the term of the green debt instruments to ensure that the proceeds are sufficiently allocated to Eligible Green Assets and Expenditures. This too is the responsibility of the GFC.

Temporary holdings

Any unallocated proceeds temporary held by Toivo will be placed in the liquidity reserve and managed accordingly by the Company.



2.4 Reporting

To enable investors, lenders, and other stakeholders to follow the development of the assets and expenditure funded by Green Financing, an annual investor report will be made available on the Company's website ("Green Finance Report"). First such report will be made available for investors approximately 12 months after the issuance of Toivo Group's inaugural bond transaction under this Framework. The Green Finance Report will include an allocation report and an impact report. The Green Finance Report will be published annually as long as there are Green Financing outstanding. However, in case Toivo has Green Financing outstanding in a form of bank loans, Toivo may report necessary annual details related to such bank loans directly to its lenders, as may be described in respective loan documentation.

Allocation reporting

- Total amount of Green Financing outstanding, focusing primarily on green bond amounts
- Share of proceeds used for financing and re-financing as well as share of proceeds used for categories described in Section 2.1
- Share of co-financing (if any)
- Share of unallocated proceeds (if any)
- Types of temporary unallocated funds placements (if any)
- Examples of the relevant Eligible Green Assets and Expenditures

Impact reporting

The impact report includes the environmental impact of the Green Eligible Assets and Expenditures financed under this Framework. The impact report may, to some extent, be aggregated due to large number of eligible Green Assets and depending on data availability, calculations will be made on a best effort basis. The impact report will include the below listed metrics, and the reporting will always include methodologies used.

Green buildings

- Information of the energy consumption (“E-value”) in kWh/sqm/year
- Energy performance certificate, if any
- Type of certification incl. level, if any (e.g. BREEAM Very Good)
- Estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO₂e)
- Estimated annual energy use avoided compared to national baseline or building regulation for similar property type (kWh/m²)

Energy efficiency

- Amount of energy saved per sqm
- Estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO₂e)

3. External review

To confirm the transparency and robustness of this Framework, Toivo has engaged Moody’s ESG Solutions to act as an external reviewer of this Green Finance Framework. Amongst other things, it confirms the alignment of this Framework with the Green Bond Principles set out in 2021 by ICMA and the Green Loan Principles set out in 2021 by LMA, LSTA, and APLMA. Moody’s ESG Solutions assessed the Framework to have an advanced contribution to sustainability while also being in alignment with the Green Loan and Bond Principles.

This Framework and the Second Party Opinion will both be publicly available on Toivo’s website.



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