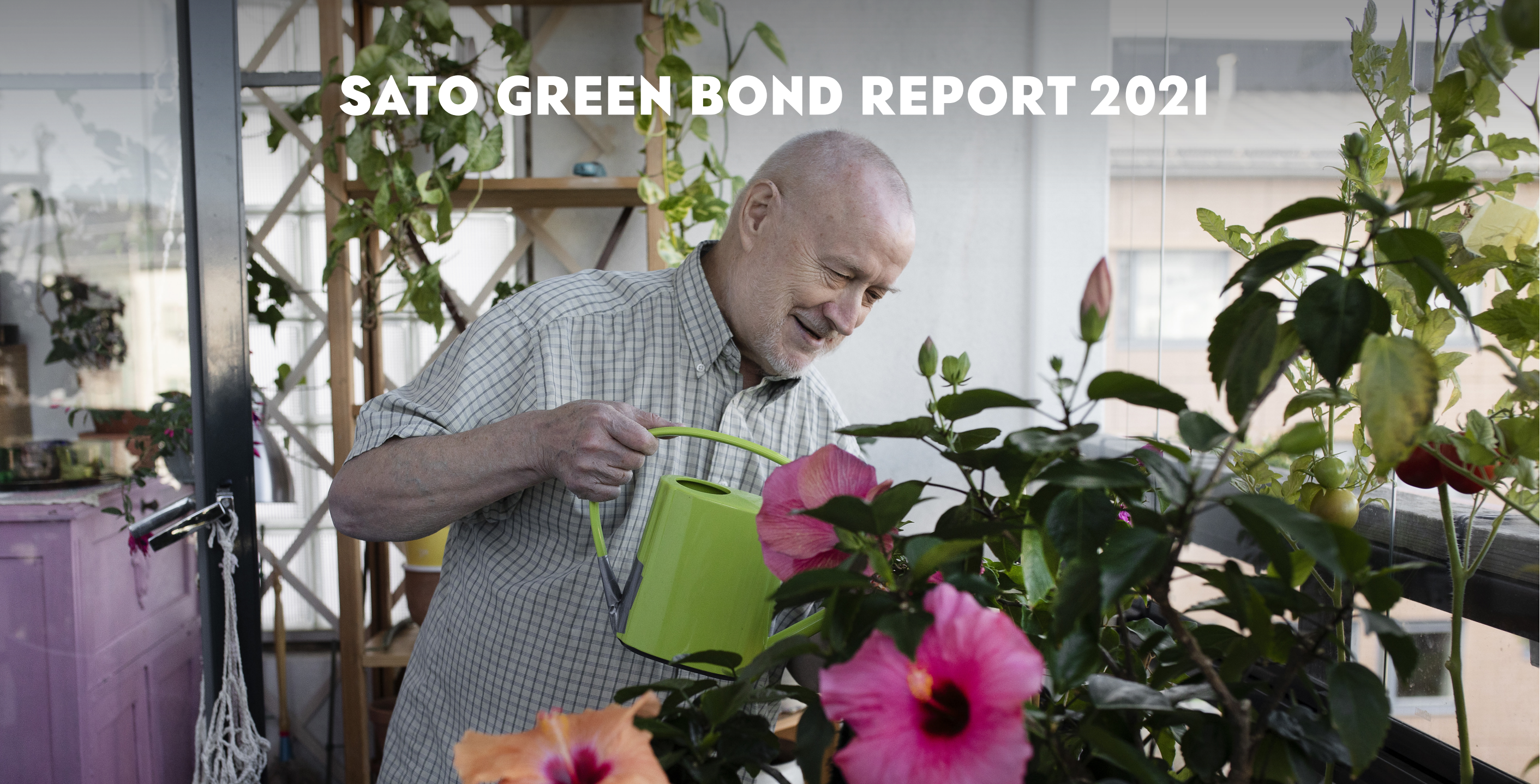


SATO GREEN BOND REPORT 2021



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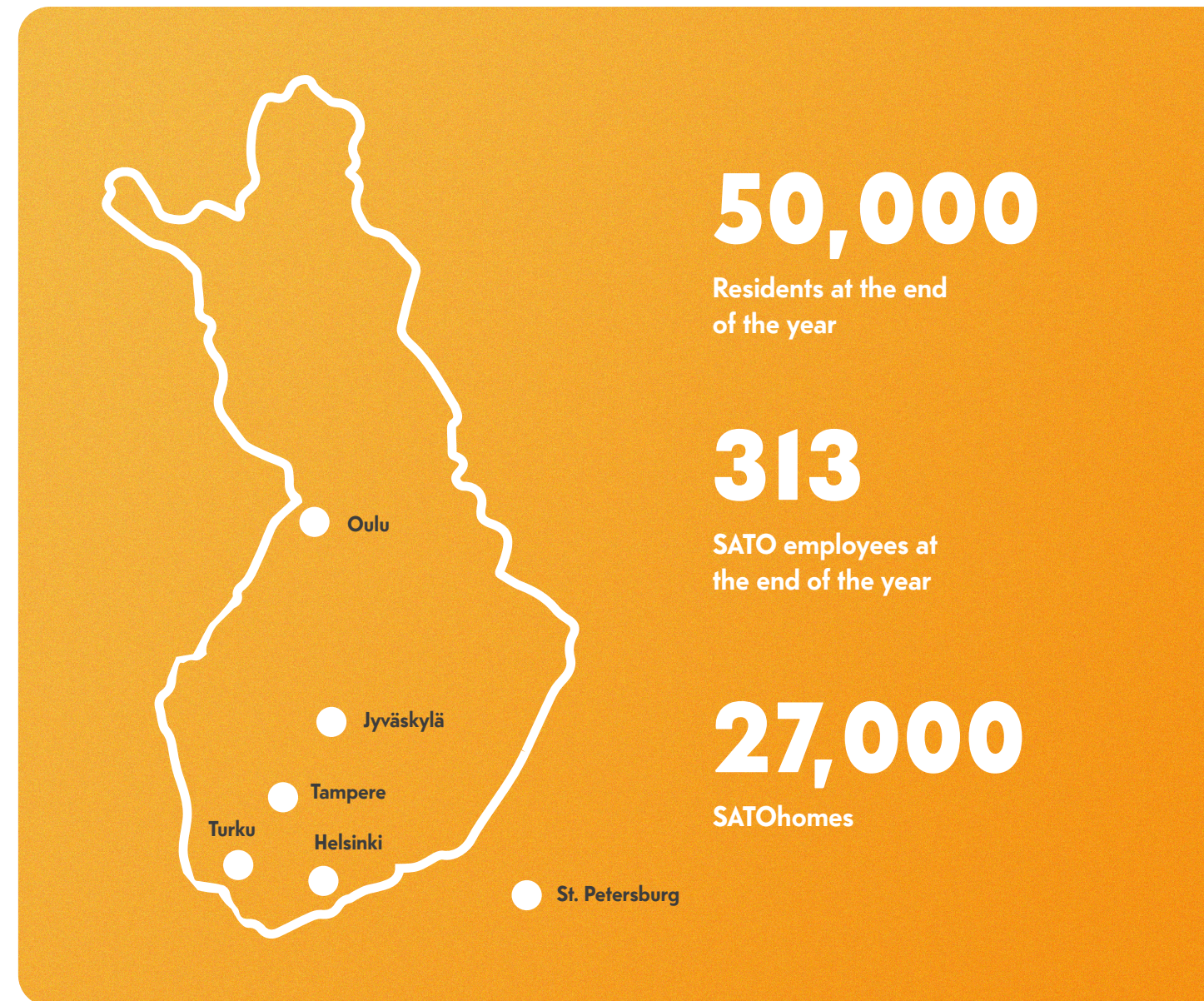


SATO IN BRIEF

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 27,000 SATOhomes in Finland's largest growth centres and in St. Petersburg. 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.



SUSTAINABILITY PROGRAM

The foundation of SATO's sustainability work comprises of the Group's strategy, sustainability policy and objectives stemming from UN's Sustainable Development Goals ("SDG"). Listed below are a few of SATO's current environmental goals. The goals are updated from time to time.

- Reduction in specific emissions caused by operations by 18.5% from the 2018 level by 2022
- Reduction in specific consumption of energy by 9% of the 2015 level by 2022
- Reduction in specific consumption of water by 6.0% of the 2018 level by 2022
- The allocation of new investments along public transport routes

SATO strives to lower the greenhouse emissions caused by its operations, aiming to be carbon neutral by 2030 on the account of the energy consumption of our properties.

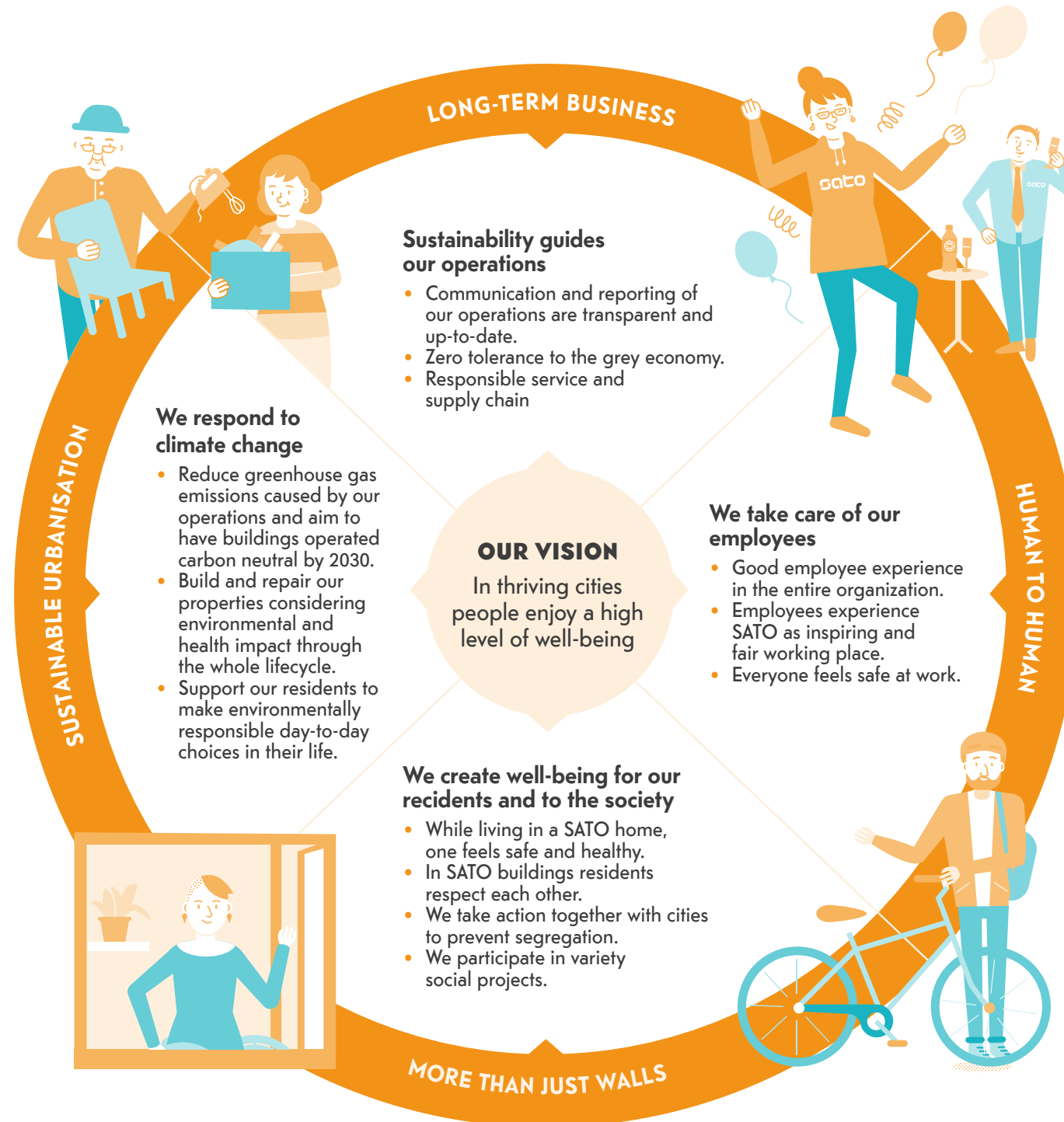
In 2020 SATO committed to reporting on risks and opportunities related to climate change in accordance with the TCFD (Task Force on Climate-Related Financial Disclosure) framework. During the year 2021, we conducted an extensive assessment of the risks and opportunities arising from climate change for 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](#)

THREE STARS IN GRESB

We participated in the Global Real Estate Sustainability Benchmark (GRESB) assessment for the seventh time. SATO received three stars on a scale of one to five. According to the assessment, SATO's strengths are sustainability reporting, risk management, resident satisfaction and community, stakeholder engagement and comprehensive monitoring, as well as transparent operating principles and reporting.



SATOs sustainability programme emphasises carbon-neutral cities and the well-being of residents and neighbourhoods.



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 or with the objective to receive an energy performance certificate (EPC) of class A, or an EPC of class B that have an energy consumption ("e-value") of below or equal to 82 kWh/sq.m./year
2. All new construction and existing buildings that either have or with the objective to receive one of the certifications mentioned in SATO's Green Finance Framework, and has an energy consumption ("e-value") 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 www.sato/framework.fi



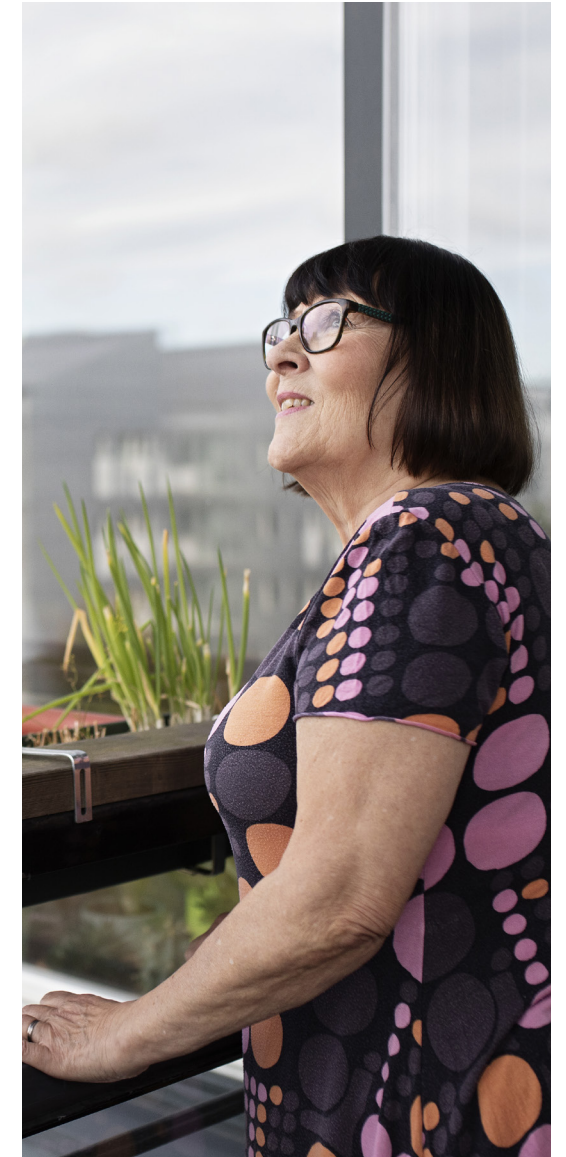
INFORMATION ON THE GREEN BOND ISSUED 2020 AND USE OF PROCEED REPORTING

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.

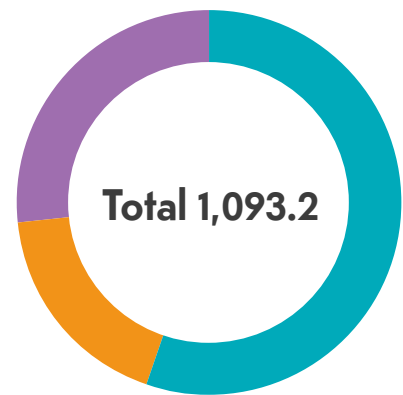
ADVANTAGES

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



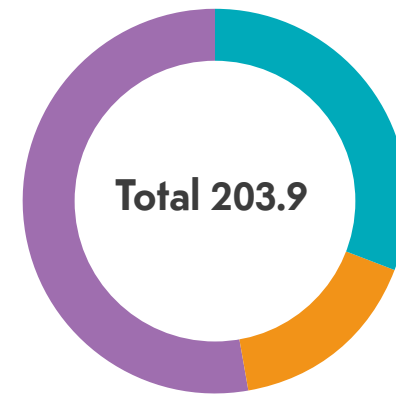
ELIGIBLE GREEN ASSETS

New constructions, EUR million



- Completed (fair value) 606
- Under construction (investment cost) 196
- In planning phase (investment cost) 291

Renovations, EUR million



- Completed (investment cost) 63
- Under construction (investment cost) 34
- In planning phase (investment cost) 107

Eligible Green Assets are defined in Use of Proceeds in SATO's
Green Finance Framework



*Total amounts
of Green Finance
Instruments
issued, EUR 350
million.*

*Total EUR 350 million
has been used to category
"green and energy efficient
building" projects.*

MEMBERS OF GREEN FINANCE COMMITTEE 2021

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



MARKKU HONKASALO
CFO



HENRY LINDQVIST
Group Treasurer



TIINA LEHTI
Sustainability Specialist



SATO'S ENVIRONMENTAL IMPACTS

Our most significant climate impacts arise from the energy consumption during living, the construction and the 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 the life-cycle principles.

In 2021, the specific energy consumption of all SATO's buildings increased by 0.7 per cent, specific water consumption decreased by 1.2 per cent and specific greenhouse gas emissions increased by 16.6 per cent in comparison with 2020. The rated consumption of electricity decreased by 0.5 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 seven properties that use geothermal heat as their heat source, and geothermal heating is under planning or construction for 22 properties.

During 2021, we replaced the heating systems of four properties with heating based on heat pumps.

Legislation governing the energy efficiency of residential buildings requires an energy efficiency figure of 90 for new buildings. SATO is committed to building markedly more energy-efficient buildings: we target an energy efficiency figure of 82 or lower for new buildings. The average for our completed buildings during the year under review was 80 and the average for housing starts during 2021 was 76.1. Additionally we aim for at least 30% improvement in energy efficiency in all our renovations.

We encouraged and guided our residents to actively recycle their waste, as their actions directly affect SATO's total emission reductions. At the end of 2021, we launched a six-month water-saving pilot in ten of our buildings. We advise and guide the residents on how to reduce water consumption and monitor the water consumption of these buildings on a monthly basis. In November, we gave water-saving tips to our residents, encouraging them to inform us of any leaky water fixtures.

80
AVERAGE
ENERGY EFFICIENCY
FIGURE 2020

7
PROPERTIES
WITH GEOTHERMAL
HEATING

30%
ENERGY SAVING
TARGET IN MAJOR
RENOVATIONS

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 INFO

- **Energy Performance Certificate (EPC):** A
- **Energy consumption ("e-value"):** 71
- **Project feature:** 21% more energy efficient than required by Finnish building code.
- **Specific energy consumption:** 14.8 kWh/m³
- **Specific greenhouse gas emissions in 2021:** 0 kg CO₂e/m²
- **Specific water consumption in 2021:** 341 l/m³
- **Heating source:** Geothermal heating

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 INFO

- **Energy Performance Certificate (EPC):** B
- **Energy consumption ("e-value"):** 80
- **Project feature:** 11% more energy efficient than required by Finnish building code.
- **Specific energy consumption:** 26.3 kWh/m³
- **Specific greenhouse gas emissions in 2021:** 16.9 kg CO₂e/m²
- **Specific water consumption in 2021:** 308 l/m³
- **Heating source:** Solar panels and district heating

SATO – GREEN BOND ASSETS

See [Sustainability concepts](#) for more information about how we calculated the figures.

| Name of property / project | City | Status | Green Finance Framework category | Building year | Building material | Heating source | Energy Performance Certificate (EPC) | Energy use / e-value | Energy use – % below new building requirements | Greenhouse gas emissions 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 | Concrete | Geotherm | A | 71 | 21% | 0 | 14.8 | 341 |
| KOy Turun Gränsbackankuja 3 | TURKU | Completed | 1. Green and energy efficient buildings | 2016 | Concrete | District heating | B | 80 | 11% | 14.4 | 25.6 | 373 |
| KOy Tampereen Tuiskunkatu 7 | TAMPERE | Completed | 1. Green and energy efficient buildings | 2017 | Concrete | District heating | B | 82 | 8% | 13.6 | 31.7 | 352 |
| KOy Espoon Merituulentie 38 | ESPOO | Completed | 1. Green and energy efficient buildings | 2017 | Concrete | District heating | B | 78 | 14% | 16.0 | 28.5 | 400 |
| KOy Tampereen Hannulanpolku 10 | TAMPERE | Completed | 1. Green and energy efficient buildings | 2017 | Concrete | District heating | B | 82 | 8% | 9.2 | 25.5 | 322 |
| KOy Kauniaisten Ratapolku 6 | KAUNIAINEN | Completed | 1. Green and energy efficient buildings | 2017 | Concrete | District heating | B | 79 | 13% | 18.3 | 33.2 | 342 |
| KOy Vantaan Orvokkikuja 1b | VANTAA | Completed | 1. Green and energy efficient buildings | 2018 | Concrete | District heating | B | 77 | 14% | 17.9 | 28.9 | 329 |
| KOy Helsingin Gadolininkatu 1 | HELSINKI | Completed | 1. Green and energy efficient buildings | 2018 | Concrete | District heating | B | 82 | 9% | 16.2 | 27.4 | 298 |
| KOy Espoon Runoratsunkatu 5 | ESPOO | Completed | 1. Green and energy efficient buildings | 2018 | Concrete | District heating + solar power | B | 80 | 11% | 16.9 | 26.3 | 308 |
| As Oy Vantaan Talvikkitie 38 | VANTAA | Completed | 1. Green and energy efficient buildings | 2018 | Concrete | District heating | B | 82 | 9% | 21.4 | 30.8 | 389 |
| As Oy Helsingin Laivalahdenkaari 1 | HELSINKI | Completed | 1. Green and energy efficient buildings | 2019 | Concrete | District heating | B | 82 | 8% | 28.0 | 32.3 | 284 |
| Raivosuonmäki 7 | VANTAA | Completed | 1. Green and energy efficient buildings | 2019 | Concrete | District heating | B | 82 | 9% | 20.2 | 33.1 | 367 |

| Name of property / project | City | Status | Green Finance Framework category | Building year | Building material | Heating source | Energy Performance Certificate (EPC) | Energy use / e-value | Energy use – % below new building requirements | Greenhouse gas emissions CO ₂ e / m ² | Specific energy consumption (kWh/m ³) | Specific water consumption (l / m ³) |
|-------------------------------------|----------|-----------|---|---------------|-------------------|------------------|--------------------------------------|----------------------|--|---|---|--|
| KOy Vantaan Varikkokaarre 2 | VANTAA | Completed | 1. Green and energy efficient buildings | 2019 | Concrete | District heating | B | 82 | 9% | 16.6 | 30.3 | 391 |
| KOy Helsingin Capellan puistotie 21 | HELSINKI | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 76 | 16% | 20.9 | 33.9 | 349 |
| KOy Helsingin Atlantinkatu 12 | HELSINKI | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 81 | 10% | 19.8 | 31.9 | 436 |
| Raivosuonmäki 9 | VANTAA | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 81 | 10% | 18.0 | 30.5 | 430 |
| KOy Helsingin Amiraalinkatu 2 | HELSINKI | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 81 | 10% | 20.5 | 35.0 | 324 |
| KOy Espoon Majurinkatu 3 | ESPOO | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 82 | 9% | 16.3 | 26.4 | 311 |
| KOy Helsingin Kaarenjalka 5 a | HELSINKI | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 80 | 12% | 17.4 | 30.3 | 334 |
| As Oy Helsingin Keinulaudantie 7a | HELSINKI | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 80 | 11% | 13.3 | 42.8 | 338 |
| KOy Helsingin Ida Aalbergintie 1b | HELSINKI | Completed | 1. Green and energy efficient buildings | 2020 | Concrete | District heating | B | 78 | 13% | 20.6 | 32.4 | 289 |

INDEPENDENT ASSURANCE REPORT TO THE MANAGEMENT OF SATO GROUP

We have been engaged by the Management of SATO Group (hereafter "SATO") to provide limited assurance on the use of proceeds and impact disclosures in the Sato Green Bond Report 2021 dated March 2022 (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 Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and 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 Code of Ethics for Professional Accountants issued

by the International Ethics Standards Board for Accountants IESBA, 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 information subject to the assurance engagement is not prepared, in all material respects, in accordance with SATO's *Green Finance Framework*.

Helsinki, 1 March 2022

KPMG Oy Ab

Tomas Otterström
Partner, Advisory

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