


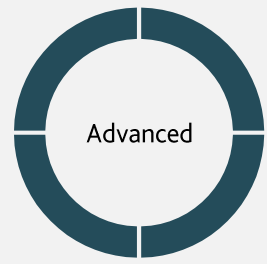
SECOND PARTY OPINION

on the sustainability of Toivo Group's Green Finance Framework

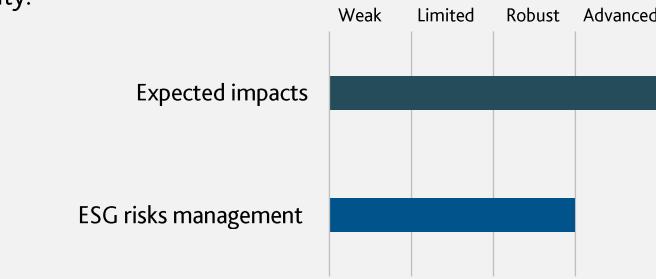
Moody's ESG Solutions considers that Toivo Group's Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP") and the LMA/APLMA/LSTA's Green Loan Principles 2021 ("GLP"). 

Framework

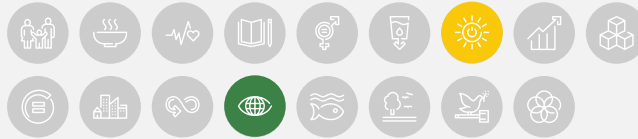
Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak



SDG Mapping



Characteristics of the Framework

Green Project Category	⇒ Green and energy efficient buildings
Project Locations	Finland and Sweden
Existence of Framework	Yes
Share of Refinancing	Estimated 100%
Look-back Period	Not defined for CapEx Less than 2 years for OpEx

Issuer

ESG Controversies

Number of Controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- Alcohol
- Animal welfare
- Cannabis
- Chemicals of concern
- Civilian firearms
- Fossil fuels industry
- Coal
- Gambling
- Genetic engineering
- High interest rate lending
- Human embryonic stem cells
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tobacco
- Unconventional oil and gas

Coherence

Coherent
Partially coherent
Not coherent

Moody's ESG Solutions considers that the Green Financing Framework is coherent with Toivo Group's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

Moody's ESG Solutions considers that Toivo Group's Green Financing Framework is aligned with the four core components of the GBP and GLP.

Use of Proceeds - aligned with the GBP and GLP

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Green Eligible Assets and Expenditures for all sub-categories.
- The Environmental Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Sub-Categories.
- The Expected Environmental Benefits are clear, relevant and measurable. They will be quantified for all Eligible Sub-Categories in the reporting.
- The Issuer has committed to transparently communicate to investors the estimated share of refinancing prior to each Instrument issuance. The look-back period for refinanced Eligible Categories may be greater than 3 years. The Issuer reports that there is no specific age restriction on the look-back period for Capital Expenditures, in line with market practices. For Operational Expenditures the look-back period will be less than three years. In addition, the Issuer has transparently communicated the estimated share of refinancing for the first issuance, which will be approximately 100%.

Evaluation and Selection - aligned with the GBP and GLP and Best Practices identified by Moody's ESG Solutions

- The Process for the Evaluation and Selection of Green Assets and Expenditures has been clearly defined and detailed by the Issuer. The process is well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of Eligible Sub-Categories). The roles and responsibilities are clear and include relevant internal expertise. The process is publicly disclosed in this SPO.
- Eligibility Criteria for asset and expenditure selection have been clearly defined by the Issuer, including relevant exclusion criteria, for all Eligible Sub-Categories.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Assets and Expenditures is publicly disclosed in this SPO. The process is considered robust: it combines monitoring, identification and corrective measures for all Eligible Sub-Categories (see detailed analysis on pages 18-21).

Management of Proceeds - aligned with the GBP and GLP and Best Practices identified by Moody's ESG Solutions

- The process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework.
- The allocation will be 24 months or less.
- Net proceeds of the Instrument will be placed in the General Treasury and tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- For as long as the Instrument is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Sub-Categories.
- The Issuer has provided information on the procedure that will be applied in case of Project divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Framework within 24 months.

Reporting - aligned with the GBP and GLP

- The Issuer has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments for the allocation reporting and until Green Debt Instruments maturity for the impact reporting. The report will be publicly available on the Issuer's website.
- The Issuer has committed to include in the reports relevant information related to the allocation of Green Debt Instruments proceeds and the expected sustainable benefits of the Eligible Sub-Categories. The Issuer has also committed to report on the material developments and controversies related to the Eligible Assets.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Sub-Categories will be publicly disclosed.
- The tracking and allocation of funds to Eligible Sub-Categories will be verified only internally by the Issuer. The reporting on the environmental benefits of the Eligible Sub-Categories will be verified internally by the Issuer.

Contact

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SCOPE

Moody's ESG Solutions was commissioned to provide an independent Second Party Opinion ("SPO") on the sustainability credentials and management of the Green Debt Instruments¹ to be issued by Toivo Group (the "Issuer") in compliance with the Green Financing Framework (the "Framework") created to govern their issuance(s).

Our opinion is established according to Moody's ESG Solutions' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA's Green Bond Principles ("GBP") - edited in June 2021 (referred to as the "GBP"), as well as the Loan Market Association, Asia Pacific Loan Market Association, Loan Syndications & Trading Association (LMA/APLMA/LSTA) Green Loan Principles (GLP) – edited in February 2021.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Green Debt Instrument's potential contribution to sustainability and its alignment with the four core components of the GBP and GLP 2021.
- Issuer²: we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from our exclusive ESG rating database, and (iii) information provided from the Issuer through documents.

We carried out our due diligence assessment from January 28, 2022 to February 25, 2022. We consider that we were provided access to all documents and interviewees we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹The "Green Debt Instruments" are to be considered as the instruments to be potentially issued, subject to the discretion of the Issuer which include green bonds, hybrid bonds, green commercial papers, green loans and other types of debt instruments. The name "Green Debt Instruments" has been decided by the Issuer: it does not imply any opinion from Moody's ESG Solutions.

²The Issuer is not part of our ESG performance rating universe.

³The 17 controversial activities screened by Moody's ESG Solutions are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We consider that the contemplated Framework is coherent with Toivo Group's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

According to the Global Alliance for Buildings and Construction (UN Environment Program)⁴, buildings and the building construction industry accounted for 36% of final energy use and 37% of energy and process-related CO₂ emissions in 2020, making it one of the most CO₂ emitting sectors. In the EU, buildings account for approximately 40% of energy consumption and for 36% of energy-related GHG emissions according to European Commission data⁵, representing the largest share across sectors in Europe. At present, about 35% of buildings in the EU are over 50 years old, and nearly 75% of the building stock is energy inefficient. However, 85-95% of today's buildings will still be in use in 2050⁶.

As a result, the environmental strategy, and the reduction of environmental impacts from both the construction process and continuing use of buildings are key issues for the construction sector. In particular, companies are expected to include energy-saving features in their buildings and improve energy efficiency throughout their operations. For existing buildings that will be standing for several decades to come, retrofitting to improve energy efficiency is a priority in the fight against climate change. Real estate actors should also rely on building energy codes and/or national/international certifications (such as LEED, BREEAM, GRESB, etc.) to improve the environmental performance of the buildings that they own and/or manage⁷. The buildings and construction sector should also play a role in promoting socio-economic development. The complexity and specificities of impacts in this sector call for specific measures to ensure the management of social and environment-related risks, namely biodiversity protection, environmental management systems, health and safety and the promotion of responsible relations with the communities where they operate.

Toivo Group operates as a real estate company that develops, plans, constructs, buys, manages, and rents out residential apartment buildings in Finland. The Issuer appears to acknowledge the importance of integrating sustainable solutions into the construction of new buildings, the retrofitting of old ones and building management in order to facilitate the transition to a low-carbon, sustainable world.

The Issuer has seven core business values including "Responsibility", which primarily refers to environmental stewardship. In addition, the Issuer has developed a set of sustainability principles based on the UN Sustainability Development Goals, which address different key issues for the industry including carbon-free construction, circular economy, energy from earth, air and sun, amongst others.

In particular, to address environmental impacts, Toivo Group seeks to use energy and natural resources in the most efficient way possible. The Issuer pays special attention to GHG emissions and energy usage, and recognises that a large share of emissions in its sector result from design decisions when buildings are being planned. It therefore emphasises the inclusion of energy efficient solutions in the residential buildings that it designs and constructs itself, such as through the use of geothermal energy. Toivo Group aims to improve the energy efficiency across its portfolio and has set a target for all new buildings it constructs to qualify for EU Energy Performance Certificates of "A", the highest possible category, and to have energy consumption of 72 kWh/sqm/year or below, unless they are constructed primarily of wood—itsself a carbon sink—in which case the buildings can also receive a "B" rating.

By creating a Framework to finance Green and Energy Efficient Buildings, the Issuer coherently aligns with its corporate strategy and addresses important sustainability issues of the sector.

⁴https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf

⁵ [Energy performance of buildings directive | Energy \(europa.eu\)](#)

⁶ [Renovation wave | Energy strategy \(europa.eu\)](#)

⁷ [Introduction | Energy \(europa.eu\)](#)

FRAMEWORK

The Issuer has described the main characteristics of the Green Debt Instruments within a formalised Green Debt Instruments within a formalised Green Financing Framework (the last updated version was provided to Moody's ESG Solutions on May 02, 2022) that covers the four core components of the GBP and GLP 2021. The Issuer has committed to make this document publicly accessible on its website, in line with good market practices.

Alignment with the Green Bond Principles and Green Loan Principles

Use of Proceeds



The net proceeds of the Green Debt Instruments will exclusively finance or refinance, in part or in full, assets and expenditures falling into one Green Eligible Assets and Expenditures Category ("Eligible Category") and three Green Eligible Assets and Expenditures Sub-Categories ("Eligible Sub-Categories"), as indicated in Table 1.

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Green Eligible Assets and Expenditures for all sub-categories.
- The Environmental Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Sub-Categories.
- The Expected Environmental Benefits are clear, relevant and measurable. They will be quantified for all Eligible Sub-Categories in the reporting.
- The Issuer has committed to transparently communicate to investors the estimated share of refinancing prior to each Instrument issuance. The look-back period for refinanced Eligible Categories may be greater than 3 years. The Issuer reports that there is no specific age restriction on the look-back period for Capital Expenditures, in line with market practices. For Operational Expenditures the look-back period will be less than two years. In addition, the Issuer has transparently communicated the estimated share of refinancing for the first issuance, which will be approximately 100%.

BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection) are clear and in line with international standards for all Sub-categories.
- ⇒ Relevant environmental benefits are identified and measurable for all Eligible Sub-categories.
- ⇒ The Issuer has committed to transparently communicate to investors the estimated share of refinancing prior to each Instrument issuance.

Table 1. Our analysis of the Eligible Category, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework:

- Nature of expenditures: Capital expenditures (CAPEX) and Operating expenditures (OPEX) related to the construction, acquisition and ownership of buildings, as well as to the acquisition of renewable energy assets, and improvement and maintenance costs related to green assets.
- Location of Eligible green expenditures and assets: Finland and Sweden⁸.

ELIGIBLE GREEN ASSETS AND EXPENDITURES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	ENVIRONMENTAL OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS ANALYSIS
Green and Energy Efficient Buildings	Construction of new residential properties	All new constructions (defined as buildings completed after the publication of the Green Financing 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: <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") criteria⁹, 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 	<u>Climate change mitigation</u> GHG emissions avoided or reduced Energy savings	The Eligible Sub-Category is clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Assets. The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards. The Expected Environmental Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.
	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: <ul style="list-style-type: none"> - 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 (An 	<u>Climate change mitigation</u> GHG emissions avoided or reduced Energy savings	The Eligible Sub-Category is clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Assets. The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards. The Expected Environmental Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.

⁸ Toivo Group reports that the proceeds will primarily, but not exclusively, be applied to eligible Green Assets and Expenditures in Finland. The Issuer confirmed in internal documents that in the future Eligible Assets and Expenditures may also be located in Sweden, although currently 100% of Eligible assets are located in Finland.

⁹ Based on statistics made available by the national Housing Finance and Development Centre ARA <https://www.ara.fi/en-US>. To be noted that the threshold may change over time. The Issuer reports that the calculation is always done at the time of (re)financing to ensure eligibility criteria is fulfilled at issuance.



ELIGIBLE GREEN ASSETS AND EXPENDITURES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	ENVIRONMENTAL OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS ANALYSIS
		<p>assessment will be done at the time of (re)financing and will be based on publicly available data)¹⁰</p> <ul style="list-style-type: none"> - 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 <p>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:</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 (An 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. 		

¹⁰ Based on statistics made available by the national Housing Finance and Development Centre ARA <https://www.ara.fi/en-US>. To be noted that the threshold may change over time. The Issuer reports that the calculation is always done at the time of (re)financing to ensure eligibility criteria is fulfilled at issuance.

ELIGIBLE GREEN ASSETS AND EXPENDITURES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	ENVIRONMENTAL OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS ANALYSIS
	Energy efficiency and major renovations	<ul style="list-style-type: none"> - Energy retrofits such as installation of solar thermal collectors, geothermal energy, converting to LED lighting, installing water saving taps, improvements in ventilation systems, heat pumps, extension of district heating and cooling systems (through geothermal energy assets, solely for the purpose of achieving an EPC class A). <ul style="list-style-type: none"> - 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") 	<p><u>Climate change mitigation</u></p> <p>GHG emissions avoided or reduced</p> <p>Energy savings</p>	<p>The Eligible Sub-Category is clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Assets.</p> <p>The Environmental Objective is clearly defined, it is relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, they are considered relevant, measurable, and will be quantified in the reporting.</p>

SDG Contribution

The Eligible Sub-Categories are likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE SUB-CATEGORIES	SDG	SDG TARGETS
Energy efficiency	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.
Green Buildings Energy Efficiency	 13 Climate Action	UN SDG 13 consists in taking urgent action to combat climate change (and its impacts).

Evaluation and Selection of Eligible Expenditures and Assets



- The Process for the Evaluation and Selection of Green Assets and Expenditures has been clearly defined and detailed by the Issuer. The process is well-structured in all the evaluation and selection steps (including the proposal, selection, validation and monitoring of Eligible Sub-Categories). The roles and responsibilities are clear and include relevant internal expertise. The process is publicly disclosed in this SPO.
- Eligibility Criteria for asset and expenditure selection have been clearly defined by the Issuer, including relevant exclusion criteria, for all Eligible Sub-Categories.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Assets and Expenditures is publicly disclosed in this SPO. The process is considered robust: it combines monitoring, identification and corrective measures for all Eligible Sub-Categories (see detailed analysis on pages 18-21).

Process for Project Evaluation and Selection

- For the purpose of the selection of the Green Assets and Expenditures, a Green Finance Committee ("the Committee") has been created. This Committee is composed of representatives of:
 - CEO (acting as the chairman)
 - CFO
 - Treasury
 - Construction managers

In addition, a Sustainability responsible provides support to the Committee, which ensures that sustainability expertise resides within the process for evaluation and selection.

- The Committee meets at least once a year and follows the below process:
 - Selecting the Eligible Green Assets and Expenditures to be included in the Green Debt Instruments based on a proposal of potential assets/or expenditures made by the Investment board.
 - The sustainability responsible evaluates that the proposal is aligned with the eligibility criteria defined in the Green Finance Framework and removes asset(s)/expenditures(s) that do not meet the criteria.
 - The Committee verifies the eligibility of the assets or expenditures.
 - Expenses are booked into the Green Financing Register.
 - 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 traceability and verification of the selection and evaluation of the Green Assets and Expenditures is ensured throughout the process:
 - The Issuer will monitor, at least bi-annually, the Eligible Green Assets and Expenditures portfolio during the lifetime of the throughout the maturity of each Instrument. The Committee will be responsible for replacing an Eligible Green Asset or Expenditure if it no longer meets the eligibility criteria. The Issuer also reports that mitigating actions may be taken to ensure that an asset regains its eligibility (e.g. through energy renovation).
 - Each Eligible Asset has a designated contact person (in-house property manager) who ensures the monitoring of ESG controversies and informs Toivo's property management/project development team in case any controversies are observed. The monitoring is conducted on an ongoing basis throughout each year, and will be conducted until as long as the eligible assets remains within Toivo's ownership. In case of controversies, the Issuer may either remove an asset from the Green Financing Register, or take remedial actions, for example engage in dialogue with contractors or sub-contractors to restore the status quo and mitigate any future similar controversies.

- The Issuer reports that the Committee will keep track of all decisions made in meeting minutes, filed within the Green Financing Register.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for all the Eligible Categories.

- The selection criteria is based on the definitions in the Eligible Categories defined Table 1 in the Use of Proceeds section.
- The Issuer also applies an exclusion criteria on financing activities that involve finance fossil fuel energy generation, nuclear energy generation, the weapons and defence industries, potentially environmentally negative resource extraction, and gambling or tobacco. Additionally, Toivo Group reports that it conducts an initial screening on the assets and projects to assess different environmental and social factors, which also enables the screening of controversies.

We consider that the exclusion criteria are relevant, since they cover the main issues in terms of environmental and social responsibility, in line with good market practices.

BEST PRACTICES

- ⇒ Eligibility and exclusion criteria for Asset and Expenditure selection are clearly defined and detailed for all of the Eligible Sub-Categories.
- ⇒ The Issuer reports that it will monitor compliance of selected and financed Assets and Expenditures with eligibility criteria specified in the Framework throughout the life of the Instrument and has provided details on the procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the financed Assets throughout the life of the Instrument and has provided details on the procedure in case a controversy is found.

Management of Proceeds



- The process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework.
- The allocation will be 24 months or less.
- Net proceeds of the Instrument will be placed in the General Treasury and tracked by the Issuer in an appropriate manner and attested to in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- For as long as the Instrument is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Sub-Categories.
- The Issuer has provided information on the procedure that will be applied in case of Project divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Framework within 24 months.

Management Process

- The net proceeds of the Green Debt Instruments will be credited to the Issuer's treasury liquidity reserve and will be managed in cash, and will be tracked through the use of a Green Financing Register where all issued amounts of green debt instruments will be monitored.
- Toivo Group has committed to keep track and ensure there are sufficient Eligible Green Assets and Expenditures in the portfolio, and will periodically adjust the balance of the tracked proceeds to match the allocation to eligible projects.
- The unallocated funds would be held within Toivo Group's liquidity reserve and managed accordingly by the company.
- In case of project postponement, the Issuer reports that the project is likely to remain in the Green Financing Register and commits to ensure that these assets will achieve their eligibility criteria within three years from being included in the Register. The Issuer aims to have all of its properties become eligible over time, hence, there may be a situation where the sum of assets in the register is significantly higher than outstanding amount of green debt, therefore, there will be no need for replacement. In case of divestment or sell of an asset, the Issuer will remove the Eligible Asset from the Green Financing Register, and replace it by another Eligible Asset within quarter, subject to project availability.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of Project divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the Framework.

Reporting



- The Issuer has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments for the allocation reporting, and until Green Debt Instruments maturity for the impact reporting. The report will be publicly available on the Issuer's website¹¹.
- The Issuer has committed to include in the reports relevant information related to the allocation of Green Debt Instruments proceeds and the expected sustainable benefits of the Eligible Sub-Categories. The Issuer has also committed to report on the material developments and controversies related to the Eligible Assets.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Sub-Categories will be publicly disclosed.
- The tracking and allocation of funds to Eligible Sub-Categories will be verified only internally by the Issuer. The reporting on the environmental benefits of the Eligible Sub-Categories will be verified internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear, relevant and exhaustive.

REPORTING INDICATORS
<ul style="list-style-type: none"> ⇒ 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 Eligible Sub-Categories ⇒ Share of unallocated proceeds (if any) ⇒ Examples of the relevant Eligible Green Assets and Expenditures ⇒ % of co-financing (if any) ⇒ Types of temporary unallocated funds placements (if any)

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear, relevant, and exhaustive.

ELIGIBLE SUB-CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Green Buildings	<ul style="list-style-type: none"> - 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) 	<ul style="list-style-type: none"> - Estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO₂e) (on a best effort basis) - Estimated annual energy use avoided compared to national baseline or building regulation for similar property type (kWh/m²)
Energy Efficiency		<ul style="list-style-type: none"> - Amount of energy saved per sqm - Estimated annual greenhouse gas emissions reduced or avoided for buildings (tCO₂e) (on a best effort basis)

¹¹ <https://investors.toivo.fi>

Areas for improvement include committing to an external verification of the tracking and allocation of funds to the Eligible Categories and an external verification of the indicators used to report on the environmental benefits of the Eligible Categories.

BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until Green Debt Instruments maturity.
- ⇒ The Issuer's report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Instrument proceeds and to the expected sustainable benefits of the Categories. The Issuer has also committed to report on material developments related to the Assets, including ESG controversies.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Sub-Categories
- ⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible Sub-Categories will be disclosed publicly.

CONTRIBUTION TO SUSTAINABILITY

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Green and Energy Efficient Buildings	ADVANCED	<p>Finland and Sweden are both fast-tracking the decarbonisation of their economies with 2035¹² and 2045¹³ net zero targets respectively. This said, buildings and building construction sectors combined are still responsible for almost 1/3 of total global energy consumption and nearly 15% of direct CO₂ emissions, according to the International Energy Agency¹⁴. This is coupled with the fastest-increasing end uses of energy in buildings – mainly for space cooling, appliances and electric plug loads – drives buildings sector electricity demand growth. Since 2010, rising demand for energy services in buildings has been globally outpacing energy efficiency and decarbonisation gains¹⁵. In addition, as arctic countries, Finland and Sweden face particularly rapid climate change impacts such as the rise of the Baltic Sea level, soil frost decrease and precipitation increase, as well as more frequent heatwaves¹⁶. Therefore, the reduction of the energy footprint of buildings is a key environmental issue for the real estate sector companies. Generally speaking, green buildings are beneficial to all stakeholders, including global ones (thanks to reduced GHG emissions from the use of these buildings rather than buildings which are not energy efficient). However, it is worth noting that although green buildings have a lower carbon footprint, the construction of efficient buildings is considered to have less of a positive impact than renovation, because construction have an absolute negative effect on energy consumption and land use. By definition, constructing buildings that were not previously there counterbalances the expected benefits expected from their energy efficiency. They reduce GHG emissions proportionally to the number of buildings in the portfolio but do not reduce them in absolute terms. In addition, inevitable emissions from the construction phase will occur. As far as acquisition is concerned, acquiring already energy efficient buildings does not contribute to the sector's transition (as opposed to acquiring less energy efficient buildings with the objectives of renovating them and upgrading their EPC class for example). It may, however, possibly compensate for the rest of the Issuer's building portfolio's emissions and bring up the average energy efficiency rate. It is also worth mentioning that at least for the first issuance, the Issuer has communicated that the refinancing share would be of 100%, thereby undermining these expenditures' sustainability impact. The Framework presents a wide range of criteria for buildings to be eligible for construction and acquisition: these criteria are not complementary, they are distinct from one another in that the building in question only has to meet one of these (and not all) in order to be eligible. This means that some buildings may have an EPC class A (EPCs take into account: the type of construction of the building – walls, roof, floors etc – whether parts of the building are used for different purposes; heating, cooling, ventilation and hot water systems used; and lighting)¹⁷ while others might be made mainly out of wood and meet the criteria of the national (Finnish) Building Code Requirements for Energy Efficiency, which includes additional criteria such as the electricity output of the solar panel and its utilisation in the building if the building has one, for example¹⁸. Similarly, another eligibility criterion is a LEED "Gold"/BREEAM "Excellent" certification coupled with</p>

¹² <https://sustainabledevelopment.un.org/partnership/?p=33186>

¹³ <https://www.government.se/495f60/contentassets/883ae8e123bc4e42aa8d59296ebe0478/the-swedish-climate-policy-framework.pdf>

¹⁴ <https://www.iea.org/reports/tracking-buildings-2021>

¹⁵ *ibid*

¹⁶ <https://ilmasto-opas.fi/en/ilmastonmuutos/suomen-muuttuva-ilmasto/-/artikkeli/74b167fc-384b-44ae-84aa-c585ec218b41/enunustettu-ilmastonmuutos-suomessa.html>

¹⁷ https://ec.europa.eu/energy/eu-buildings-factsheets-topics-tree/energy-performance-certificates_en

¹⁸ <https://ym.fi/en/the-national-building-code-of-finland>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		an energy efficiency of at least 15% better than the national requirement. The latter becomes less stringent for buildings for which wood is the main material: in that case they require to meet the national requirement only (and not go beyond it). While the reasoning behind these criteria seems coherent, it is challenging to benchmark them comprehensively and to conclusively assert that they are all equivalent to one another ¹⁹ . Assets related to the Acquisition and Ownership of green buildings and to Major Renovations are in line with the EU Taxonomy Climate Delegated Act, which is considered as one of the most stringent standards available. Additionally, the Issuer has also set maximum emissions thresholds linked to the Energy Efficiency Assets, in line with the most stringent market standards.
OVERALL ASSESSMENT	ADVANCED	

ESG Risks Identification and Management Systems in Place at Project Level

The identification and management of the environmental, social, and governance risks associated with the Eligible Projects are considered robust²⁰.

Environmental Impact Assessment (EIA)

The majority of Toivo Group's real estate assets are located in Finland (at the time of this SPO, the share is of 99% according to the Issuer). These follow the Finnish Building code²¹ along with the Land Use and Building Act²², which set the requirements regarding environmental impacts. In most residential constructions, no EIA is conducted as such: instead, the Issuer reports to take environmental impact considerations into account at the planning and building permit application phase. The Finnish Building code lists the necessary steps which need to be fulfilled for building companies to receive a permit. These criteria include (among others) noise mitigation, energy efficiency, fire safety and waste management. Aside from legal requirements, Toivo Group also specifies its own requirements for contractors and sub-contractors during construction works and includes these as binding clauses in their contracts.

Environmental Management System

Although Toivo Group does not rely on market certifications, it has its own proprietary environmental management system, which is aligned with Finnish construction law and regulation. For starters, the Issuer undertakes a worksite risk mapping which consists of 300+ questions and for the ten most significant risks, mitigating measures must be put in place. A person responsible for each of these significant risks must be subsequently nominated. The 300+ questions cover both general and specific risks. Specific risks fall under the ground preparation phase, the foundation and structural core phase, the structural and roof phase and the finalization phase. In addition, each stage of the construction process and worksite has a dedicated plan for social and environmental aspects linked to transporting materials, fire prevention and dust management plans (among others).

Eco-Design and GHG Emissions Avoidance

Toivo Group employs an eco-design approach focused on environmental impact and especially greenhouse gas emissions avoidance in the design phase of its buildings. The Issuer reports that an impact mapping is conducted on a project-specific basis to determine the measures that would have the greatest effect on life cycle emissions and energy usage for a given building, using proven technologies and at reasonable cost. Many of these measures relate to the choice of heating (e.g. geothermal) or means to recover waste heat, but the Issuer also uses sustainably sourced materials chosen on criteria such as durability and carbon-sink properties (as with wood). As a concrete example, in a design plan for one of its residential

¹⁹ For information: the EU commission has proposed to revise the energy of buildings directive (Dec 2021), making a step forward from NZEB to Zero-emission buildings (ZEB). This would be applied to all new buildings on Jan 1st, 2030. More details here: https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/nearly-zero-energy-buildings_en

²⁰ The "X" indicates the E&S risks that have been activated for each Eligible Category.

²¹ <https://ym.fi/en/the-national-building-code-of-finland>

²² <https://www.finlex.fi/fi/laki/kaannokset/1999/en19990132.pdf>

complexes forwarded by the Issuer, an impact mapping exercise considered 19 potential GHG emissions-reducing design choices ranging from recovery of waste heat from sewer systems to installation of EV charging points, and ranked these from "minor" to "significant". An area for improvement consists in setting decommissioning plans for energy efficiency assets such as for solar panels, ventilation systems, etc.

Biodiversity

Finnish law requires developers seeking building permission in areas designated as important for natural conservation reasons to seek an additional opinion from local Centres for Economic development, Transport and the Environment. It is worth noting that the Land Use and Building Act is currently being revamped²³ and has as its principal stated goals the achievement of a carbon neutral society, strengthening biodiversity, improving the quality of buildings and promoting digitalization²⁴. The fact that the content of the new Law is yet unknown, coupled with the absence of further information on the identification of biodiversity risks on Toivo Group's part does not allow us to assert that the Issuer's policies are comprehensive in this regard. An area for improvement would therefore be to formalise commitments linked to biodiversity local to the assets to be (re)financed by Toivo Group (e.g. how new projects may impact local water sources, the ecosystem both above and below ground, etc.).

Environmental Pollution/Industrial Accidents

The Risk Mapping and Analysis documents provided by the Issuer considered exhaustive on matters of environmental pollution and inconveniences. The Issuer disclosed a formalised example of how it addressed these risks during a former project, which included setting up a "dust management plan", rescheduling the works, and reorganising the site plan to mitigate the risk of too many construction vehicles simultaneously on site and worker exposure to dust. In addition, we wish to highlight that "environmental damage" is also one of the categories of "wrongdoing" covered by Toivo Group's Guide on Reporting Wrongdoing for its employees. There is a reporting procedure and contact persons in place that any employee can contact in case of a suspected instance of wrongdoing, including environmental damage or risk of an environmental or industrial accident at a worksite, and Toivo Group has a strict non-retaliation policy in place for concerns raised in good faith.

Water Consumption, Water Pollution and Wastewater Management

The Risk Mapping and Analysis document (mentioned under the "Environmental Pollution" section above) includes several water-related questions. It includes the general category "site conditions" (soil, water) which asks about whether the groundwater impedes construction and whether the building includes parts below groundwater level. In terms of specific measures on water efficiency, Toivo has water saving taps in residential properties and pressure relief valves that save water consumption, remotely readable water meters to catch faults immediately, and active monitoring per apartment. The Issuer also reports that residential properties are new and feature the latest technology available and use the latest standards to ensure water efficiency. During building processes, the Issuer actively monitors for correct wastewater installation; as an example, the Issuer provided an actual contract related to one of its assets which specifies that for internal and external storm drains and sewers, the SFS-EN 13508 standard would be followed to check for errors, such as excess sinkage of pipes.

Waste Management

Toivo Group develops worksite-specific environmental and waste management plans to address relevant risks through different measures. As an example, the Issuer disclosed an existing plan which specifies that waste management on a worksite involves evaluating the needed amounts of material and supplies as closely as possible, choosing larger bags and containers when ordering materials to reduce waste, identifying which construction waste products could potentially be re-used or recycled, supplying waste collection points near worksites, and generally monitoring the functionality of waste management. The plan further specifies which categories of waste do and not do qualify as wood waste; metallic waste, cement waste; mixed waste and hazardous waste.

Climate Change

The revamped Finnish Law on Land Use and Buildings will ensure that climate change mitigation and adaptation is taken into account in all building permissions, construction and maintenance of the existing building stock. Additionally, although not officially formalised, Toivo Group reports having a process for screening various aspects of sites, including risks on sea level.

²³ It was out for public consultation from September to December 2021.

²⁴ <https://ym.fi/en/land-use-and-building-act>

SOCIAL RISKS

Human and Labour Rights

Human and labour rights issues are addressed mostly under the “wrongdoing” section covered by Toivo Group’s Guide on Reporting Wrongdoing for its employees, as well as through contracts for labour rights issues regarding contractors at worksites. The Guide explicitly mentions “crimes, lack of fulfilment of a legal obligation, putting health and safety of an individual at risk” as types of wrongdoing that it covers. Toivo Group has a reporting procedure in place which bypasses usual lines of reporting for these sorts of instances, as well as a non-retaliation policy for concerns raised in good faith. In such cases, the Issuer commits to conducting a thorough investigation and taking remediating action. Toivo Group includes stipulations on worksite labour rights in its contracts with contractors, reserving the right to terminate a contract in case of non-presentation of a valid working permit for every worker, non-compliance with work conditions requirements and/or Finnish law, lack of disclosure of salary arrangements with workers upon Toivo Group’s request, and non-inclusion of these same conditions in any contracts with sub-contractors. Toivo Group’s building contracts are also governed by the “General Conditions for building contracts” of Finland, which were co-developed by the major labour unions of the construction sector.

Health and Safety

Local legislation applicable to Toivo Group sets out requirements to ensure health and safety of employees, contractors and visitors on construction sites. In addition, the Issuer includes health and safety requirements for each project. Toivo Group’s Health and Safety approach is rooted in its risk mapping exercise, which includes general categories such as “workplace safety” as well as specific questions under nearly every single category of “does X activity include worksite safety risk” where ‘X’ can be driving foundation piles, pumping concrete, installing wood frames, etc. The outcome of the risk mapping exercise is a dedicated health and safety plan for each worksite. These include fire prevention plans, directions for work involving open flames, dust management plans, worksite safety plans – among others. As for the health and safety of subcontractors, Toivo Group reports that the subcontractor must undertake to stamp all employees on site and everyone must follow safety instructions. If this is not done, the subcontractor will pay fines in the first stage, and in the second stage the subcontractor’s contract will be terminated. Additionally, the Issuer reports having an external supervisor to oversee its construction sites.

Local Stakeholders and Communities

Toivo Group reports that it follows the requirements and recommendations set out in national legislation. The Finnish Building Code and the Land Use and Building Act set requirements for companies to hear local communities and neighbours in connection to all projects. Local authorities are supervising and monitoring that each building permit application is subject to reviews and comments from nearby community members. The local authority will have the final say on each building permit application, and they will take into account comments and additional information provided for them by the community members. Toivo reports to encourage open dialogue, especially in larger projects by taking an even more active role in promoting open dialogue with local communities to ensure full support on each project. Additionally, although the construction phase of green buildings can arguably be an issue for local communities, Toivo Group has provided extensive information on how it handles this matter and the measures in place appear to be comprehensive – the Issuer both monitors these issues as they take place and identifies them ahead of project start. It follows Finnish regulation which is currently strict in this regard. Nonetheless, it is unclear how the Issuer monitors the growing concerns which may arise after the project has started and what kind of grievance mechanism it has in place to both register these and remediate them.

Procurement of Projects

The Issuer appears to incorporate a number of ESG requirements into its procurement contracts. Concerning social and workspace safety aspects, besides all subcontractors having to fulfil the Responsibility of the Group criteria, the Issuer’s procurement contracts may cover different conditions for the contractor in question. For example, the contractor must be classed as a “Reliable Partner” according to a Finnish quality assurance agency; it must prove that it has paid all legally applicable taxes; it must prove sufficient insurance; it must agree to abide by workplace safety standards; and it must prove that all workers are legally employed. Toivo Group reserves the right to impose financial sanctions and/or penalties in case of worksite safety breaches, up to and including the termination of a contract. As for environmental factors, Toivo Group includes language in its contracts to ensure that its contractors prevent and mitigate environmental pollution, and use responsible waste management practices, including for hazardous waste, which needs to be stored, handled and destroyed in a manner which abides by relevant laws and regulations. On particular worksites, the Issuer specifies that waste management is the responsibility of the contractor. Contracts also include stipulations on water and wastewater and certain green loan contracts also specify the water consumption of the buildings in question. Additionally, Toivo Group reports that its subcontractors have certifications related to the sustainable sourcing of wood including the CE certificate, the PEFC certificate, the ISPM-15 certificate, the FC-5: 2014 certification and the national assessment principles of the Finnish Ministry of the Environment.

GOVERNANCE RISKS

Business Ethics

Toivo Group reports to host internal training on its Bribery and Corruption policy. The latter includes third party due diligence, with particular emphasis on situations where a company may operate on behalf of Toivo Group. The enforcement of this policy is reportedly monitored on an ongoing basis and in case of any breaches, the management team takes actions, which may include additional training or termination of employment. The Issuer has separate guidelines on how to report potential wrong-doings. Moreover, contracts with contractors and sub-contractors systematically include clauses on bribery, money laundering, tax evasion, conflict of interests as outlined by the Issuer's internal policies, including its Bribery and Corruption Policy as well as a separate Policy on hospitality and gift-giving.

ISSUER

Management of ESG Controversies

As of May 2022, the review conducted by V.E did not reveal any recent ESG controversy involving Toivo Group.

Involvement in Controversial Activities

The Issuer appears not to be involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Moody's ESG Solutions.

METHODOLOGY

In our view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, we provide an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green Bond Principles and Green Loan Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by Moody's ESG Solutions according to the ICMA's Green Bond Principles - June 2021 ("GBP") and/or the Social Bond Principles - June 2021 ("SBP"), and the LMA/APLMA/LSTA's Green Loan Principles - February 2021 ("GLP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green Bonds and Loans standards. Moody's ESG Solutions evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by Moody's ESG Solutions on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by Moody's ESG Solutions on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by Moody's ESG Solutions on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

Our assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental objectives

The expected positive impact of activities on environmental objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental/social objective for the sector of the activity;²⁵
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the Issuer, its value chain, local and global stakeholders);
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) for environmental objectives only: the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Moody's ESG Solutions' ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of Stakeholder Related ESG Controversies

Moody's ESG Solutions defines a controversy as public information or contradictory opinions from reliable sources that incriminate or make allegations against an Issuer regarding how it handles ESG issues as defined in Moody's ESG Solutions' ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

We reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

We provide an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, our controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in Controversial Activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

²⁵ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

OUR ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of ESG risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of ESG risk management or an advanced expected impact combined with a limited level of assurance of ESG risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of ESG risk management; or a robust expected impact combined with a limited to weak level of assurance of ESG risk management; or an advance expected impact combined with a weak level of assurance of ESG risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of ESG risk management or a limited expected impact with a weak level of assurance of ESG risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green and/or Social Loan Principles.

STATEMENT ON MOODY'S ESG SOLUTIONS' INDEPENDENCE AND CONFLICT-OF-INTEREST POLICY

Transparency on the relation between MOODY'S ESG and the Issuer: MOODY'S ESG has not carried out any audit mission or consultancy activity for Toivo Group. No established relation (financial or commercial) exists between MOODY'S ESG and Toivo Group. Independence, transparency, quality and integrity requirements are all formalised within our Moody's Code of Conduct.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Instruments, based on the information which has been made available to MOODY'S ESG. MOODY'S ESG has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other tests to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by MOODY'S ESG neither focuses on the financial performance of the Instruments, nor on the effective allocation of its proceeds. MOODY'S ESG is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of MOODY'S ESG. MOODY'S ESG grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned issuance. The Issuer acknowledges and agrees that MOODY'S ESG reserves the right to publish the final version of the Second Party Opinion on MOODY'S ESG's website and on MOODY'S ESG's internal and external communication supporting documents.

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