

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability Bond Framework Selection Criteria

Y-Foundation

17 September 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Sustainability Bonds
Relevant standards	<ul style="list-style-type: none">• International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG)
Scope of verification	<ul style="list-style-type: none">• Y-Foundation Sustainability Bond Framework (as of 15.09.2021)• Y-Foundation Selection Criteria (as of 15.09.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• Until material changes are made to the Framework

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Scope of work

Y-Foundation or “the issuer” commissioned ISS ESG to assist with its Sustainability Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Sustainability Bond link to Y-Foundation’s sustainability strategy – drawing on Y-Foundation’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Y-Foundation’s Sustainability Bond Framework (September 2021 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 1).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Sustainability Bond link to issuer's sustainability strategy</p>	<p>The Y-Foundation is a non-profit real estate company that offers affordable rental homes across 50 cities and municipalities in Finland.</p> <p>ISS ESG finds that the Use of Proceeds financed through this ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Sustainability Bonds is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBPs, SBPs and SBGs</p>	<p>The issuer has defined a formal concept for its Sustainability Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's GBPs, SBPs and SBGs.</p>	<p>Positive</p>
<p>Part 3:</p> <p>Sustainability quality of the Selection Criteria</p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Sustainability Bond Framework will finance eligible project categories which include: Green Buildings, Energy Efficiency Projects, Renewable energy projects, Circular economy and waste management, Affordable housing and socioeconomic empowerment.</p> <p>Those use of proceeds categories have a significant contribution to SDGs 1 'No poverty', SDG 7 'Sustainable Energy Use', SDG 11 'Sustainable Buildings and Cities', SDG 12 'Responsible Consumption' and SDG 13 'Climate action'. The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on the Y-Foundation's Sustainability Bond Framework (September 2021 version), on the analysed Selection Criteria as received on the 15.09.2021)

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABILITY BOND FRAMEWORK LINK TO Y-FOUNDATION'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF Y-FOUNDATION'S ESG PERFORMANCE

Industry classification: Real Estate

Key Issues of the industry:

1. Green building considerations
2. Climate protection, energy efficiency and renewables
3. Environmental and social aspects in site selection
4. Worker safety and accident prevention
5. Health and well-being of occupants

Indicative ESG risk and performance assessment:

Y Foundation is a non-profit real estate entity focused on managing, developing, and offering affordable rental apartments. Their property portfolio includes over 18,000 apartments in more than 50 cities and municipalities in Finland. As a company actively involved in developing the Housing First principle, Y Foundation's principal operation concerns the provision of rental homes to those experiencing or are under the threat of homelessness.

The company recognizes the significance of reducing their environmental impact and thus has adapted a target of carbon neutrality across their portfolio by 2035. The company also targets a 7.5% energy reduction by 2025. Moreover, energy consumption as well as GHG emissions and carbon footprint from new construction activities are also disclosed. Yet, overall GHG data and further quantitative targets to reduce emissions are not explicitly specified. Measures are implemented for the transition to carbon neutrality such as providing affordable low-carbon housing and offering a wide-range of solutions for tenants to reduce their carbon footprint. Part of their 2030 strategy also considers construction activities, as a company with development operations, including a plan to incorporate sustainability criteria for developments and acquisitions. A guideline for sustainable and responsible procurement has also been put into practice.

In order to address energy efficiency within the company's portfolio, the Leanheat system was deployed to automatically maintain indoor temperature which has been implemented in ~80% of the assets. A switch to geothermal heating from gas and oil has also been achieved across all properties that previously had the latter. Additional measures are also mentioned; however, it is uncertain whether these have already been implemented or are part of their future strategy. Overall, risks related to energy efficiency and green building considerations are generally addressed and single measures are present, yet comprehensive strategies for all industry environmental sustainability risks are not evident.

Health and safety of Y Foundation's employees is generally covered by comprehensive occupational health services, yet, no details are specified. The company also notes that sickness-related absences have decreased, and an accident rate is disclosed. To increase the tenants' environmental awareness, the company plans climate action during tenant activities and encourages recycling. There are some indications that health and safety aspects affecting contractors and suppliers are addressed.

Indicative product portfolio assessment:

Social impact of the product portfolio:

The company generates vast majority of their revenue from the renting of social and affordable housing in Finland.

Environmental impact of the product portfolio:

There is no evidence of the company's properties having relevant green building certifications² in 2021, and only an insignificant share of the company's assets have a positive environmental impact.

Controversy Assessment

Company Screening

The analyst in charge of producing this report conducted a high-level controversy assessment, based on publicly available information exclusively. There is no indication of Y-Foundation being involved in any of the below mentioned controversies.

Industry risks

Based on a review of controversies in the period of 1 January 2019 – 27 August 2021, the greatest risk reported against companies operating in the Real Estate Investment Trust industry relate to activities that may have adverse impacts on human rights and labour rights. This is closely followed by activities related to the business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect the right not to be subjected to torture / inhumane treatment, failure to respect the right to just and favourable conditions of work and failure to respect the right to safe and healthy working conditions. This is closely followed by the alleged failure to respect consumer health and safety, failure to pay fair share of taxes and accounting fraud.

² Other than Energy Performance Certificates which are implemented across all assets

B. CONSISTENCY OF SUSTAINABILITY BOND FRAMEWORK WITH Y-FOUNDATION'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Y-Foundation has selected three main goals to guide its corporate responsibility work from 2021. Y-Foundation is reducing the environmental impact of its operations towards achieving carbon-neutrality by 2035. Positive social impacts will be pursued by providing Y-Foundation tenants with the optimum conditions to succeed in housing (e.g. Y-Foundation Group's principles and solutions for tenants to reduce their carbon footprint) and Y-Foundation working to advance the government's goal of eradicating homelessness in Finland by 2027, as well as reducing homelessness abroad.

Carbon neutrality of Y-Foundation by 2035 will be pursued through emissions reduction rather than compensation. Emission reduction will focus on three categories of emissions:

- Construction, renovation and demolition: In new construction, Y-Foundation build Energy Class A residential properties that are implemented with a high level of material efficiency. This target is also in line with the proposal on the EU Taxonomy's Climate Delegated Act from April 2021. In Y-Foundation existing properties, Y-Foundation improves energy efficiency through renovations and upgrades focused on energy consumption. For properties that are demolished, Y-Foundation is committed to the sustainable demolition green deal agreement between the Ministry of the Environment and the Finnish Association of Building Owners and Construction Clients. This means that the recovery rate of non-hazardous construction and demolition waste will be at least 70 per cent from the end of 2020.
- Energy consumption in properties: Y-Foundation will change its heating agreements to renewable district heating or geothermal heating, depending on availability, by 2030. Y-Foundation will make use of solar power whenever possible. Y-Foundation will make use of smart solutions in improving energy efficiency.
- The Y-Foundation's own operations: Y-Foundation is committed to reducing the environmental impact of its operations. Y-Foundation prioritizes ecology, ethics and sustainable development in all of its procurement activities. Y-Foundation increases awareness among personnel through communications and training.

Rationale for issuance

Y-Foundation aims to develop social housing to the largest Finnish cities lacking affordable housing. Y-Foundation builds housing units where support services are easy to arrange, develops and build state-subsidized rental homes under M2-Kodit and also acquires rental dwellings by purchasing individual apartments from housing companies on the free market. Y-Foundation has developed a Sustainable Finance Framework to align its financing instruments with its main social and environmental strategy goals, unlocking the ability to issue various sustainable debt instruments to finance its activities.

Of the high-level objective, two key Environmental Objectives for Y-Foundation are Climate Mitigation and Climate Adaptation, of which Climate change mitigation will be the primary target within environmentally focused Sustainability Financing by Y-Foundation.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Sustainability Bond with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Real Estate sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green Buildings	✓	✓	Contribution to a material objective
Energy Efficiency	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Circular Economy & Waste Management	✓	✓	Contribution to a material objective
Affordable Housing	✓	✓	Contribution to a material objective
Socioeconomic Advancement and Empowerment	✓	-	Contribution to a non-material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are broadly consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing Sustainability Bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES, SOCIAL BOND PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES

1. Use of Proceeds

An amount corresponding to the net proceeds of any Green, Social or Sustainability Bonds issued by Y-Foundation will be used exclusively to finance or re-finance assets and projects that are eligible pursuant to the criteria contained in the Framework Sustainability Terms, including Exclusions and Allocation of Net Proceeds, and which have been evaluated and selected by Y-Foundation in accordance with the Sustainability Bond Framework.

An amount equal to the net proceeds is expected to be allocated to new and existing eligible projects and assets. The proportion of the net proceeds that has been allocated to new projects (defined as projects and assets less than 12 months old at the time of allocation) and assets is disclosed annually.

Both financing and refinancing of tangible assets (without age restriction) and operational expenditure (with up to 3 years lookback period before the issuance of any Green, Social or Sustainability Bond) such as maintenance costs related to Green Assets that increase the expected lifetime or the energy efficiency can qualify. The combined allocated amount to a specific Asset or Project, by one or several sources of financing with specified use of proceeds, may not exceed its value. Y-Foundation only operates in the Finnish market and the net proceeds will therefore be used exclusively to finance or refinance assets, investments and expenditure in Finland.

Eligible Green Projects applies to any of the following:

GREEN ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA
Green Buildings³	<p><u>Construction of New buildings</u></p> <ol style="list-style-type: none"> 1. Construction or development of residential properties that have met or will meet, during the first five years after bond issuance, one of the following criteria: <ul style="list-style-type: none"> ▪ Energy Performance Certificate label A ▪ E-Value of 81 kWh/sqm or below <p><u>Acquisition and Ownership</u></p> <ol style="list-style-type: none"> 1. Acquisition or ownership activities of residential properties built before 31.12.2020 that either have met or will meet, during the first five years after bond issuance, one of the following criteria: <ul style="list-style-type: none"> ▪ Energy Performance Certificate label A ▪ Belong to the top 15% of the most energy efficient buildings nationally when compared against stock of similar property type 2. Acquisition or ownership activities of residential properties built after 1.1.2021 that either have met or will meet, during the first five years after bond issuance, one of the following criteria:

³ Wood is the main source of raw material for the frame and envelope of the building

	<ul style="list-style-type: none"> ▪ Energy Performance Certificate label A ▪ E-Value of 81 kWh/sqm or below <p><u>Renovation of buildings</u></p> <ol style="list-style-type: none"> 1. Renovations of existing residential properties where the overall renovation measures lead into at least 30% improvement in the Primary Energy Demand during a maximum of 3-year period, as demonstrated through the renewed Energy Performance Certificate.
<p>Energy Efficiency & Renewable Energy</p>	<p><u>Energy efficiency investments</u> into existing building portfolio that can consist of individual measures leading into an improvement in energy efficiency. These individual measures can include, but are not limited to, replacing existing windows with more energy efficient windows, installation of energy efficient lighting sources, installation of low water and energy using kitchen or sanitary appliances.</p> <p><u>Renewable energy investments</u> in new and existing buildings, consisting of e.g. geothermal energy, solar panels and electric vehicle charging stations.</p>
<p>Circular Economy & Waste Management</p>	<p><u>Waste reduction, recycling and management</u> solutions and initiatives that do not present an additional burden for tenants and that aim at achieving at least 80% recycling rate for household waste by 2030, in accordance with Y-Foundation strategy. Waste reduction, recycling and management solutions can take place at all stages of Y-Foundation construction operations and building lifecycle, and for industrial waste the eligible projects must contribute to Y-Foundation commitment on maintaining above 70% recycling/recovery rate for non-hazardous waste.</p> <p><u>Circular economy</u> and sharing economy solutions and initiatives for tenants, such as car sharing services and circular economy solutions that contribute to providing Y-Foundation tenants with a wide range of solutions for reducing their carbon footprint.</p>
<p>Biodiversity</p>	<p><u>Biodiversity</u> through investments into projects with positive impacts on biodiversity and ecosystems in new and existing buildings, consisting of e.g. diversifying the range of habitats or vegetation structures available at site</p>

Eligible Social Projects applies to any of the following:

SOCIAL ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA	TARGET POPULATION
Affordable Housing	Construction, development, acquisition, ownership or renovation of properties designated to provide affordable housing for the most vulnerable population, such as homeless or unemployed persons. Housing First principle guides the overall work that Y-Foundation does. Buildings must provide low cost housing targeted for people that meet ARA's criteria in Finland ⁴	Homeless people and people who are threatened to remain homeless.
Socioeconomic Advancement and Empowerment	<ul style="list-style-type: none"> ▪ Eligible Projects may also receive support from the state of Finland, through e.g. STEA. Y-Foundation will only allocate proceeds from Social Finance to these projects for the share of expenses that are not covered through other forms of funding. ▪ Socioeconomic advancement and empowerment can take place through: <ul style="list-style-type: none"> • Y-Foundation's own projects or municipal and NGO cooperation on supporting employment possibilities, counselling services, apprenticeship opportunities or various training courses • - Dedicated projects for special purposes, such as Yksi meistä (One of Us) or Uuras employment programs, that aim at providing employment to Y-Foundation tenants while also increasing their employment opportunities, and that help providing successful housing while guiding tenants through different life situations by Y-Foundation's house counselling work. 	Projects aiming to support socioeconomic advancement for vulnerable and/or underserved population, homeless and jobless people.

Opinion: ISS ESG considers the Use of Proceeds description provided by Y-Foundation's Sustainability Bond Framework as aligned with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. Environmental and social benefits are described, and target population is clearly defined.

⁴ To be eligible for ARA (The Housing Finance and Development Center) housing, tenant must meet certain eligibility criteria. Criteria assesses applicant's i) housing need, ii) wealth and iii) income. More information available at <https://www.ara.fi/en-US>

2. Process for Project Evaluation and Selection

Projects and assets eligible for Sustainability Finance will be identified as part of the ongoing Y-Foundation's operations. Projects and assets identified will be evaluated by the Sustainability Finance Committee (SFC). The SFC has the following members:

- CEO
- CFO
- Real Estate Unit representatives
- Legal & Sustainability Unit representative
- Communications Unit representative

The SFC committee will evaluate the nominated projects and assets to ensure compliance with the Sustainability Terms. It will review information about the Projects and Assets and evaluates the overall environmental and social impact that can include life cycle considerations, potential rebound effects, suitability for social objectives and target population. The Projects and Assets must also be compliant with applicable national laws and regulations, as well as policies and guidelines at Y-Foundation. A decision to allocate net proceeds will require a consensus decision by the SFC. Decisions made by the committee will be documented. To ensure legitimacy in the process, an updated list of all Projects and Assets that meet the Sustainability Terms will be kept by Y-Foundation's finance department. If a Project or an Asset ceases to meet the Sustainability Terms, it will be removed from the list. The list will form the basis for annual impact and allocation reporting for any outstanding Sustainability Finance instrument.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Y-Foundation's Sustainability Bond Framework as aligned with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. A dedicated group, Y-Foundation's Sustainability Finance Committee, with clearly defined responsibilities, including project selection, is in place.

3. Management of Proceeds

An amount equal to the net proceeds of any issuance under the Sustainability Bond Framework will be tracked and monitored by Y-Foundation (the "Sustainability Portfolio"). Y-Foundation will include information about each Sustainability Financing in the Sustainability Portfolio together with information on relevant Green or Social Projects or Assets.

If an Eligible Green or Social Project or Asset no longer qualifies according to the Sustainability Terms or if the underlying Eligible Green or Social Project and Asset is divested, it will be removed from the Sustainability Portfolio. Funds may be reallocated to other Eligible Green or Social Projects and Assets at any time during the term of any Sustainability Financing, unless otherwise agreed in legal documentation.

The Y-Foundation finance department will keep a record of any change in the Sustainability Portfolio. Pending allocation of the net proceeds, including the unlikely event of there being no Eligible Green or Social Projects and/or Assets, the proceeds may be temporarily invested or utilized by finance department in accordance with Y-Foundation's financial policy. However, in such case the Exclusions will apply and unallocated proceeds may not be invested or utilized towards fossil based energy generation, nuclear energy generation, research and/or development within weapons and defence,

potentially environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, adult entertainment or tobacco.

Opinion: ISS ESG finds that Management of Proceeds proposed by Y-Foundation's Sustainability Bond Framework is well aligned with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The exclusion criteria are well defined.

4. Reporting

Y-Foundation will publish an annual report on its website that will detail the allocation of Sustainability Financing net proceeds and adherence to the Framework Sustainability Terms (the "Reporting"). The first such Reporting is expected to take place one year after the inaugural Sustainability Financing signing date. Thereafter, the timing of the Reporting may be aligned with the Annual Reporting cycle of Y-Foundation.

The Y-Foundation Reporting will contain information on the Green and Social Assets and Projects that have been financed with Sustainability Financing, a summary of Y-Foundation's activities in the past year as it pertains to Sustainability Financing as well as information, including examples, of the financed Green and Social Assets' and Projects' adherence to the relevant criteria. Where relevant, Y-Foundation will seek to align the reporting with the latest standards and practices as identified by ICMA and the guidelines in the Nordic Public Sector Issuer's Position Paper on Green Bond Impact Reporting. Similarly, Y-Foundation aims to follow reporting guidelines published in connection to the EU Taxonomy and will seek to align these reporting requirements to the extent feasible. The reporting will be done annually until maturity and until no sustainable finance instruments are outstanding

ALLOCATION REPORTING

- Y-Foundation will provide allocation reporting for each of the Use of Proceeds categories in the Framework. Emphasis will be placed on providing examples and allocation reporting in connection to single projects based on size.
- The sum of outstanding Sustainability Finance instruments and the sum of the Sustainability Portfolio balance, including any short-term investments or funds managed within Y-Foundation's liquidity portfolio.
- The proportion of net proceeds allocated to new investments, i.e projects and assets financed within 12 months from completion.
- All data shall be from the end of the previous financial year.

PERFORMANCE REPORTING

The Y-Foundation Reporting will also contain a set of asset and project level performance indicators. The reporting will strive to disclose the impact based on the Sustainability Financing's share of the total investment. For projects and assets that are not yet operational, Y-Foundation will strive to provide estimates of future performance levels. Given the number of project types in the use of proceeds categories, the reported Key Performance Indicators (KPI) for Green and Social Assets and Projects could differ from the indicators listed below. Y-Foundation will emphasize number of people being serviced through social projects as well as energy savings and greenhouse gas avoidance as the most relevant performance metrics for most asset and project types.

INDICATIVE KEY PERFORMANCE INDICATORS

GREEN BUILDINGS	AFFORDABLE HOUSING
<ul style="list-style-type: none"> ▪ Annual energy savings ▪ Avoided CO2 emissions ▪ Number of new constructions started that will meet the criteria for Green Buildings ▪ Number of acquired or refinanced properties ▪ Area (sqm) of Green Buildings ▪ Summary of possible energy efficiency measures taken 	<ul style="list-style-type: none"> ▪ Number of affordable homes provided during the reporting period ▪ Number of people or families housed through affordable housing ▪ Area (sqm) of affordable housing constructed, developed, acquired or refinanced ▪ Number of social projects started and operated per each category ▪ Number of people helped through social projects (other than affordable housing) ▪ Regional distribution of social projects and affordable housing units

Opinion: ISS ESG finds that the reporting proposed by Y-Foundation’s Sustainability Finance Framework is aligned with ICMA’s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. The impact metrics and indicators are clearly defined.

External review

Y-Foundation has obtained an independent opinion on the Sustainability Bond Framework, which is available on Y-Foundation’s website

An external auditor of Y-Foundation, or a similar party appointed by Y-Foundation with the relevant expertise and experience, will examine and report whether an amount equal to any Green, Social or Sustainability Bond net proceeds have been allocated to the Eligible Projects and Assets that Y-Foundation has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Y-Foundation’s website.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE SUSTAINABILITY BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the Sustainability Bond Selection Criteria and using a proprietary methodology, ISS ESG assessed the contribution of the Y-Foundation's Sustainability Finance Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Sustainability Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Residential Green Buildings <i>(Energy Performance Certificate label A, E-Value of 81 kWh/sqm or below, Renovations of existing residential properties where the overall renovation measures lead into at least 30% improvement in the Primary Energy Demand)</i>	Limited contribution⁵	
Energy Efficiency <i>(Eg. replacing existing windows with more energy efficient windows, installation of energy efficient lighting sources, installation of low water and energy using kitchen or sanitary appliances)</i>	Limited contribution	
Renewable energy investments <i>(electric vehicle charging stations)</i>	Limited contribution	
Renewable energy investments <i>in new and existing buildings, consisting of eg. geothermal energy, solar panels)</i>	Significant contribution	
Waste reduction, recycling and Management <i>(Industrial and Renovation waste)</i>	Significant contribution	
Waste reduction, recycling and Management <i>(energy provision from unspecified waste incineration)</i>	No Net Impact	
Biodiversity	No Net Impact	

⁵ This project category is assessed as having a limited contribution to SDG 7 and 13, beyond the SDGA proprietary methodology

<p>Affordable Housing⁶</p>	<p>Significant contribution</p>	
<p>Socio-economic Advancement and Empowerment⁷</p>	<p>No Net Impact⁸</p>	

⁶ This project category is assessed as having a significant contribution to SDG 1 and 11, beyond the SDGA proprietary methodology

⁷ This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology

⁸ Due to a lack of clarity on the precise activities that would be financed, the SDGA methodology has assessed a no net impact for the Project Category

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

Key performance indicators (KPIs) covering both Green and Social activities

ASSESSMENT AGAINST ISS ESG KPI

Biodiversity

- ✓ The issuer has ensured that potential impact on biodiversity from the financing under this framework has been mitigated and reduced as it is committed to align to the Finnish Land Use and Building Act⁹ that ensures new built projects are constructed with biodiversity protection measures in place.

Labour, health and Safety Standards

- ✓ All assets to be financed under this framework provide for high labour and health and safety for construction and maintenance work as aligned with the European Union mandatory social standards
- Limited information is available on the policies in place that provide for sustainable procurement regarding building materials (e.g recycled materials, third-party certification of wood-based materials).

Dialogue with Local Communities

- ✓ The Finnish law requires that the process of planning a new construction, includes presenting the plans to the neighbours who have the possibility to file grievances and/or ask additional details on the plans. If deemed relevant, a separate assessment can also be required to ensure the planned construction does not cause negative impacts on the surrounding environment. Communication on new projects takes place through Y-Foundation's website and social media. Company also maintains a website with up-to-date information on new projects. It is a working practice for the issuer; however, no policy exists.

Safety of Building users

- ✓ All assets provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems) as provided by the Finnish Environmental Ministry¹⁰ and other local laws^{11 12}

Key performance indicators (KPIs) specific to Green activities

Environmental aspects of charging stations

⁹ <https://www.finlex.fi/fi/laki/ajantasa/1999/19990132#L9>

¹⁰ <https://ym.fi/en/the-national-building-code-of-finland>

¹¹ <https://www.finlex.fi/fi/laki/alkup/2009/20090239>

¹² <https://tukes.edilex.fi/fi/lainsaadanto/20170848>

- ✓ All assets that will form the Green Asset Pool will provide for high environmental standards regarding take-back and recycling of charging stations at end-of-life stage as the assets will be located in Finland where the Waste from Electrical and Electronic Equipment (WEEE) and ROHS directive has been properly transposed.

Water Use minimization in buildings

- Local laws and regulations set out certain requirements and limitation on construction projects within eg. areas of high-water risk (such as ground water areas). However, limited information is available on Water Management System in place (e.g. water metering, high-efficiency fixtures and fittings, rainwater harvesting) and assets certified against ISO 140001, ISO 14046, ISO 46001

Circular Economy/Waste Management for Solar PV installations

- ✓ All assets that will form the Green Asset Pool will provide for high standards regarding the reduction or elimination of toxic substances within solar panels as the assets will be located in Finland where the Restriction of hazardous substances in electrical and electronic equipment (RoHS) directive has been transposed.

- ✓ All assets that will form the Green Asset Pool will provide for high environmental standards regarding take-back and recycling of solar modules at end-of-life stage as the assets will be located in Finland where the Waste from Electrical and Electronic Equipment (WEEE) has been properly transposed.

Environmental aspects of construction and operation for Geothermal Power

- ✓ The issuer complies with the Finnish Land Use and Building Act which ensures high environmental standards during the construction phase (e.g. noise mitigation, minimisation of environmental impact during construction work).
- ✓ The issuer complies with the Finnish Land Use and Building Act which provide for measures to avoid contamination of soil and groundwater (e.g. well casing, management of waste streams, measures for the disposal of flowback and production water).
- No or little information is available on the percentage of assets that provide for seismic monitoring.

Construction Standards

- ✓ 100% of the assets will be located in Finland where high labour and health and safety standards are in place (e.g. ILO core conventions).
- No information is available to confirm whether there are any policies/measures in place that provide for the sustainable procurement regarding building materials (e.g. recycled materials, third-party certification of wood-based materials).

Sustainability Labels

- The contemplated bond transaction will allocate financing towards projects that meet the EPC A level/ Nordic Eco Label or similar certification. However, limited information is available regarding sustainability labels that envelope the entire gamut of sustainable practices

Responsible Site selection for buildings

- ✓ The issuer will comply with the site selection policies set by the city/municipality which is regulated by the Finnish legislation to ensure exclusion of protected areas and sites of high environmental value
- Limited information is available on whether the assets will be located within a maximum of 1 km from one or more modalities of public transport.

Waste Management and Pollution prevention in construction sites

- All assets comply with Urakkaohjelma which focuses on environmental management of each construction site. However, there is limited information on whether relevant projects are covered by an environmental management system in line with relevant international standards (ISO 14001, EMAS or equivalent)

Key performance indicators (KPIs) specific to Social activities

Policy of facility for socioeconomic projects

- ✓ 100% of assets have in place policies relating to promoting inclusion and non-discriminatory access to services.

Quality management

- No or limited information is available regarding a system in place that systematically monitor the quality management of financed assets.

DISCLAIMER

1. Validity of the SPO: Until material changes are made to the Framework
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ANNEX 1: Methodology

ISS ESG Sustainability KPIs

The ISS ESG Sustainability Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Y-Foundation’s Sustainability Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Sustainability Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Sustainability Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Y-Foundation (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Y-Foundation’s Sustainability Bond contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Y-Foundation commissioned ISS ESG to compile a Sustainability Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability Bond Framework aligns with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and to assess the sustainability credentials of its Sustainability Bond, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines
- ISS ESG KPI set: - Macro Level KPIs
- Other relevant KPI

ISSUER'S RESPONSIBILITY

Y-Foundation's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability Bond to be issued by Y-Foundation based on ISS ESG methodology and in line with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

The engagement with Y-Foundation took place in September 2021

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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