



GREEN BOND

Investor Letter
and Impact Report

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University Properties of Finland Ltd (SYK)



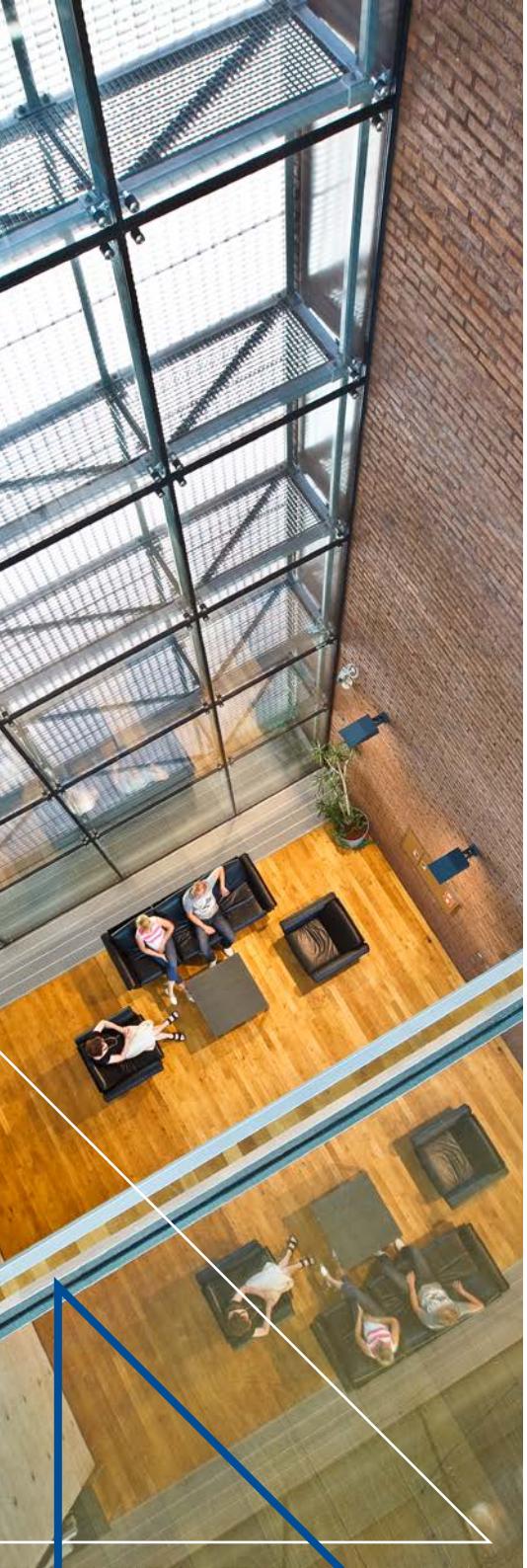
A nationwide campus developer that owns, develops and leases properties including related services on higher education campuses outside the Helsinki metropolitan area. Our mission is to create campuses with great appeal and opportunities to fuel regional growth by combining science, business and vibrant urbanity.

We produce and provide cost-efficient facilities to our customers to suit their needs. Our customers include universities, higher education institutions and research institutes as well as businesses. Our revenue in 2018 totalled EUR 159 million and our customer base is growing.

More information: www.sykoy.fi/en/



Hämeenlinna, Joensuu, Jyväskylä, Kuopio, Lappeenranta, Oulu, Rauma, Rovaniemi, Savonlinna, Tampere, Turku, Vaasa



Our operations are guided by responsibility and the principles of sustainable development

- Sustainability vision of SYK "Our campuses will be the most responsible campuses in Europe by 2030"

FOR US RESPONSIBILITY MEANS:

ECOLOGICAL SUSTAINABILITY

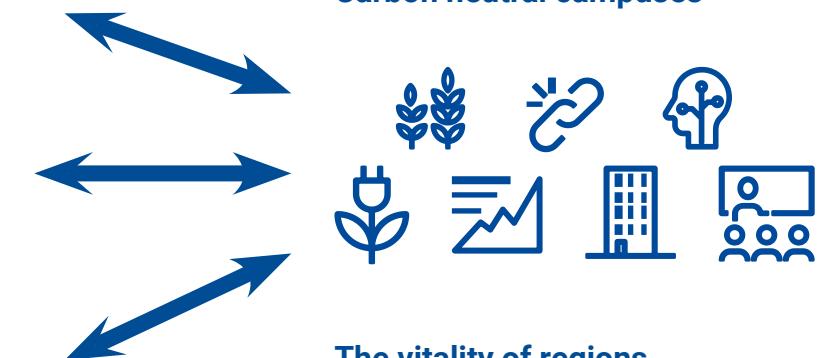
- Combating climate change
- Protecting biodiversity
- Renewable and intelligent energy solutions

FINANCIAL SUSTAINABILITY

- Sharing economy and smart resource utilization
- Circular economy creating value
- Strong economy enables responsible operations

SOCIAL SUSTAINABILITY

- Everyone's right of learning
- Life-long learning
- Multicultural campuses
- Preserving the cultural heritage
- Active stakeholder interaction



Carbon neutral campuses



The vitality of regions

We publish an integrated financial and responsibility report and we report on our operations in accordance with the GRI Standards.
<https://vuosikertomus.sykoy.fi/2018/en/GRI-index>

Eligible projects under the Green Bond framework of SYK



New properties or major renovation of properties that have or will have a BREEAM certification with certification level of at least **Very Good** and an energy use that is **at least 15% lower** than that required by the Finnish national building code



Existing buildings with BREEAM In-use certification (two parts out of three: Asset and Building Management) with a certification level of at least **Very Good**



Energy efficiency projects leading to a **reduction of energy use of at least 25%**



Technical solutions utilizing **renewable energy** of solar, geothermal or wind power to satisfy the energy needs of properties



Clean transportation infrastructure for electric vehicles



Green Bond Framework of SYK is reviewed by CICERO



°CICERO
Medium Green



SYK's first Green Bond issue in November 2018

- At the beginning of November 2018, University Properties of Finland Ltd became the first company in the Finnish property industry to issue a Green Bond.
- The EUR 100 million fixed-rate bond has a maturity of five years and is not secured by real estate.
- University Properties of Finland Ltd is committed to using the funds raised by the bond issue on environmentally progressive projects and to report on the status of the projects annually.
- Green finance plays a significant role in the management of SYK's financing and the achievement of goals related to ecologically sustainable development.
- The use of green financing supports the development of our operations with regard to our reporting and projects, for example.

The advantages in brief:

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

Green Bond Committee of SYK



- Eligible projects for Green Bond funding are selected by Green Bond Committee of SYK, consisting of employees of SYK
 - Chief Financial Officer (Anssi Koski)
 - Director of Project Management (Aki Havia)
 - Environmental Engineer (Ari-Pekka Lassila)
 - At an early stage, the committee selected controller Suvi Lehikoinen as a member of the committee. Suvi strengthens committee's accounting skills.
- The Green Bond Committee approves Eligible Projects in consensus (i.e. all members have a veto)



Anssi Koski,
MSc (Admin),
eMBA, Deputy CEO, CFO



Aki Havia,
MSc (Tech),
Director, Project Mgmt



Ari-Pekka Lassila,
MSc (Tech),
Environmental Engineer



Suvi Lehikoinen,
BBA, Controller

Projects financed with the Green Bond proceeds

SYK seeks to promote sustainable development from the perspectives of eco-friendliness, economy and social sustainability. The company develops properties to make them increasingly energy-efficient and ecological. In its investments, it focuses on finding environmentally friendly and long-term solutions as well as the versatility of buildings. Sustainable development is also highlighted in our green financing projects:



Medisiina D, Turku, Finland

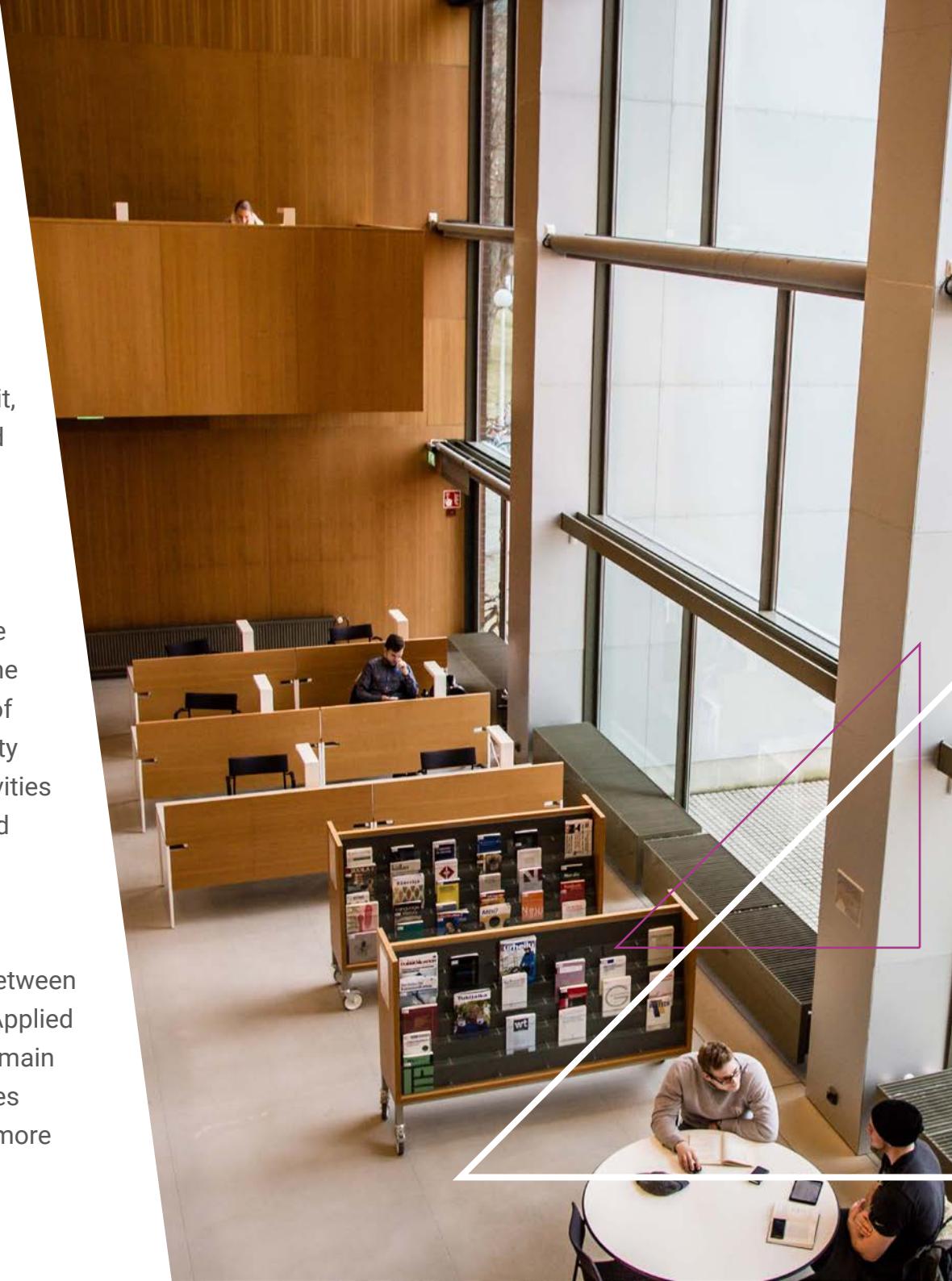
A multi-user building and hub of medical development that serves the needs of the Hospital District of Southwest Finland, the University of Turku and Turku University of Applied Sciences. In addition to each of the three having premises of their own in the building, there are shared information, restaurant, teaching and meeting spaces as well as some shared laboratory facilities. Equipment supply premises have been consolidated in a single unit, compared to 15 locations previously. Shared use reduces the need for space and resources and creates cost savings.

Aurum building, Turku, Finland

Aurum's main users will be the Faculty of Science and Engineering of Åbo Akademi University and the Department of Chemistry of the University of Turku. Other users include the Biodiversity Unit and the Library of the University of Turku. The new Aurum building is part of the Scientia Aboensis cooperation between Åbo Akademi University and the University of Turku. The spatial solutions support joint activities and shared services. This contributes to a high rate of utilisation and the economical use of space.

Verso project, Lappeenranta, Finland

The objective in Lappeenranta is the increased sharing of space between Lappeenranta University of Technology and Saimaa University of Applied Sciences. The Verso project will involve upgrading the university's main building and two laboratories, adding more premises for businesses and modernising building services. Efficiency will be improved by more streamlined operations and higher rates of utilisation.





Medisiina D, Turku, Finland

Name and location of the project: Medisiina D, Turku, Finland

Total costs of the project: 72 million euros.

Timetable: Project ready in 13th of March 2018

Building area: 25 318 m²

Project category of Green Bond: New properties or major renovation of properties that have or will have a BREEAM certification with certification level of at least Very Good and an energy use that is at least 15% lower than that required by the Finnish national building code

BREEAM-certification info:

- Minimum requirement:** At least a grade of Very Good (>55%)
- Project feature:** Very Good 65,8 %
- Documentary evidence:** Medisiina D BREEAM Certification Design Stage

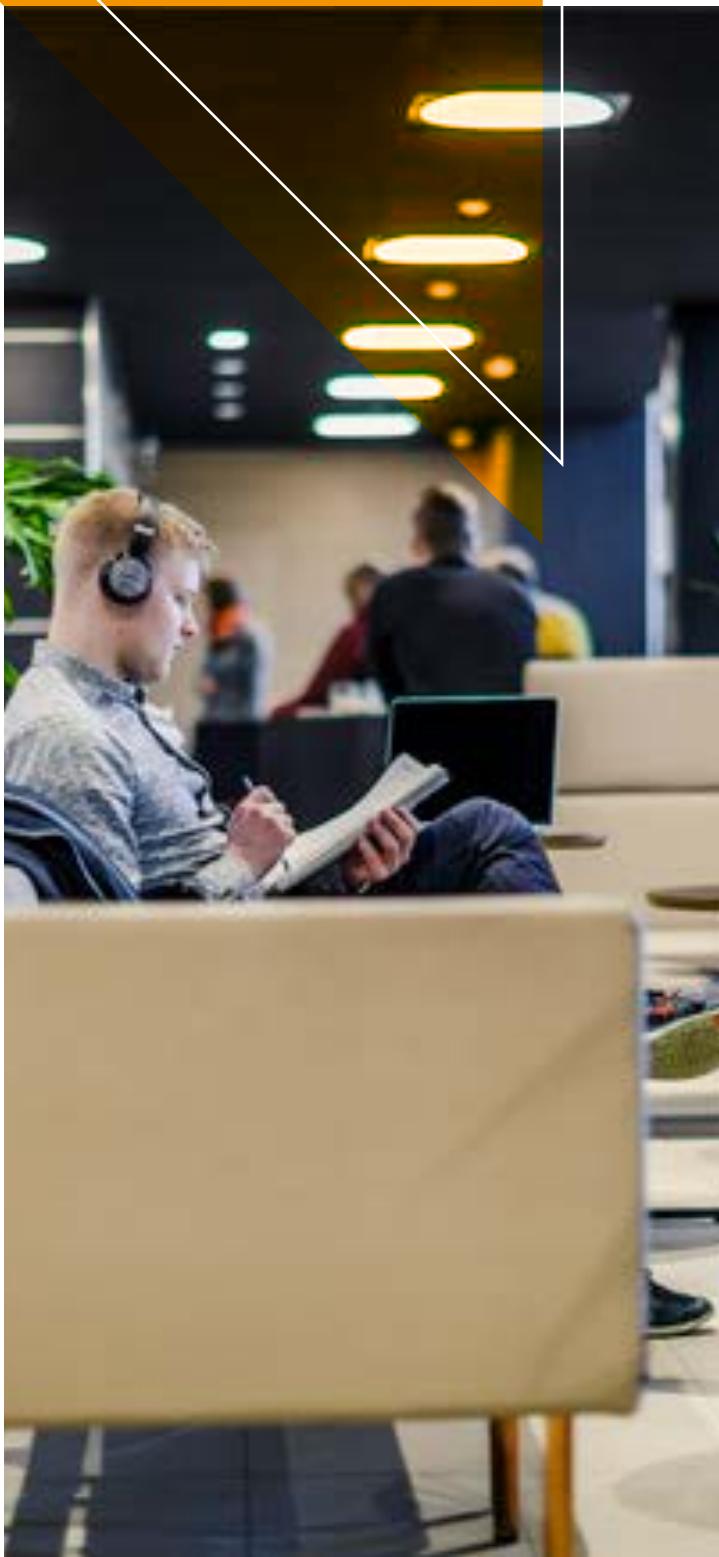
Energy Efficiency info:

- Minimum requirement:** At least 15 % more energy efficient than required.
- Project feature:** 16 % more energy efficient than required by Finnish building code
- Calculated energy consumption per year:** heating 65 kWh/m², electricity 53 kWh/m², district cooling 15 kWh/m²
- Impact on emissions per year:** 105 tonnes less CO₂* than baseline solution**
- Documentary evidence:** Medisiina D Energy Calculation Report 2nd of March 2018

Other environmental benefits: This new building carries out a close urban structure: it was built in close connection with the old buildings to the former car parking and has an inner access to the central hospital.

* National Finnish emission factors are used for heat, electricity and district cooling

** Baseline solution refers to minimum energy efficiency solution required by Finnish building code



Verso, Lappeenranta, Finland

Name and location of the project: Verso, Lappeenranta, Finland

Total costs of the project: 40 million euros.

Timetable: Project ready in 29th of October 2018

Building area: appr. 18 180 m²

Project category of Green Bond: New properties or major renovation of properties that have or will have a BREEAM certification with certification level of at least Very Good and an energy use that is at least 15% lower than that required by the Finnish national building code

BREEAM-certification info:

- Minimum requirement:** At least a grade of Very Good (>55%)
- Project feature:** Very Good 59,8 %
- Documentary evidence:** Verso LUT BREEAM Certification Design Stage 10th of January 2018

Energy Efficiency info:

- Minimum requirement:** At least 15 % more energy efficient than required.
- Project feature:** 27 % more energy efficient than required by Finnish building code.
- Calculated energy consumption per year:** heating 85 kWh/m², electricity 30 kWh/m²
- Impact on emissions per year:** 137 tonnes less CO₂* than baseline solution**
- Documentary evidence:** Verso LUT Energy Certification 7th of March 2016

Other environmental benefits: Air to water heat pumps were installed during the renovation to generate heating energy for the building. Also a field of PV-panels were installed on the roofs.

* National Finnish emission factors are used for heat, electricity and district cooling

** Baseline solution refers to minimum energy efficiency solution required by Finnish building code



Aurum-building, Turku, Finland

Name and location of the project: Aurum, Turku, Finland

Total costs of the project: 80 million euros.

Timetable: Project will be ready in Spring 2021

Building area: appr. 21 000 m²

Project category of Green Bond: New properties or major renovation of properties that have or will have a BREEAM certification with certification level of at least Very Good and an energy use that is at least 15% lower than that required by the Finnish national building code

BREEAM-certification info:

- Minimum requirement:** At least a grade of Very Good (>55%)
- Project feature:** Excellent 72,4 %*
- Documentary evidence:** Aurum BREEAM Initial Report 20th of June 2017

Energy Efficiency info:

- Minimum requirement:** At least 15 % more energy efficient than required.
- Project feature:** 36 % more energy efficient than required by Finnish building code
- Calculated energy consumption per year:** heating 18 kWh/m², electricity 55 kWh/m², district cooling 8 kWh/m²
- Impact on emissions per year:** 151 tonnes less CO₂ ** than baseline solution***
- Documentary evidence:** Aurum Energy Report for Construction Permission 19th of March 2018

Other environmental benefits: Geothermal Heating System + district heating covering power peaks. District cooling. PV-panels.
Centralization of different functions. Joint building of two different universities.

* Estimation based on the BREEAM Initial report and credits that will most probably be achieved.

** National Finnish emission factors are used for heat, electricity and district cooling

*** Baseline solution refers to minimum energy efficiency solution required by Finnish building code



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Allocation of green bond proceeds to approved eligible projects

Green Bond EUR 100 million issued 2.11.2018

	Project	Location	Project status	Project finalized	Total estimated projects costs, EURm	Allocated proceeds 31.12.2018, EURm		
New projects*	Medisiina D	Turku, Finland	In use	13 Mar 2018	72	36		
	Verso-project	Lappeenranta, Finland	In use	29 Oct 2018	40	40		
	Aurum building	Turku, Finland	Under construction	-	80	7		
Total					192	83		
Total new projects						83		
Total allocated proceeds 31.12.2018						83		

*New projects are defined as projects that have been finalized or acquired within one year before the time of approval by SYK's Green Bond Committee and forward.



Independent Assurance Report to the Management of University Properties of Finland Ltd.

Introduction

We have been engaged by the Management of University Properties of Finland Ltd. – Suomen Yliopistokiinteistöt Oy (hereafter “SYK”) to provide limited assurance on the whole content of SYK’s Green Bond Investor Letter and Impact Report, dated 5 April 2019 (hereafter “Investor Report”).

Management's responsibilities

The Management of SYK is responsible for the preparation and presentation of the Investor Report in accordance with the applicable criteria, namely SYK’s Green Bond Framework. The Management of SYK is also responsible for producing an Investor Report that is free from material misstatement.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. The scope of our assignment is the contents of the Investor Report including both the use of proceeds and environmental disclosures. Our assignment is limited to the historical information presented in the Investor Report and does not encompass earlier periods or future-oriented tasks. We conducted our assurance engagement on the Investor Report in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board IAASB. The Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Investor Report is free from material misstatement, whether due to fraud or error.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our assurance is based on the criteria defined above, determined by the management of SYK. Further, we believe that the evidence we have obtained during the assurance engagement is suitable for providing us the basis for our conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in accordance with the criteria, namely SYK’s Green Bond Framework.

Helsinki, 3 April 2019

KPMG OY AB

Assi Lintula
Authorized Public Accountant

Tomas Otterström
Partner, Advisory



Meet the Green Bond Committee of SYK

We truly appreciate and value
Your interest in SYK and we are
happy to assist you if you would
like to have any further information:

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