

2023 Social Bond Impact Report

About Reykjavík Social Housing

Be it a small family or a disabled person, everyone has the right to housing. Reykjavík Social Housing (RSH or Félagsbústaðir) owns, operates, and maintains affordable housing for individuals and families. By providing affordable housing, RSH improves the livelihood of thousands of people and improves society by increasing equality.

In 2019, RSH issued Iceland's first Social Bond with the sole purpose to finance affordable housing. The net proceeds from the Social Bonds have been allocated either to the construction of new housing, purchasing of existing housing, and refinancing of existing loans. The issuance of Social Bonds has helped RSH on its course to increase its housing by close to 700 units during the period 2018 to 2022. No bonds were issued in 2023.

This Social Bond issuance was among the first social issuances to be listed on a stock exchange in the Nordics. RSH is proud to be a pioneer and contribute to the region's sustainable development and play its part in increasing equality.

Financed project categories and project examples

Affordable Housing

No projects were funded by social bond issuances in the year 2023 and as such no affordable housing can be allocated to the Social bond. However, it is worth mentioning the impact of Félagsbústaðir as its sole focus in to provide affordable housing that is intended to serve the housing needs of Targeted Social Groups, including low-income and socially vulnerable individuals and families, elderly people, individuals with disabilities, and a qualified segment of the homeless individuals.

RSH continues to provide its tenants with considerably lower rent compared to the market average in Reykjavík. In 2023, the differential of rental costs compared to the regional rent index was 73%. This lower rent remains the critical factor in providing affordable housing and increasing equality.

Based on this comparison of rent and other factors, described in the Methodology chapter, the savings, per inhabitant, is estimated to be ISK 214,000 per year or approximately ISK 720,000 per household on average in 2023. The number of people in disadvantaged groups in Iceland is considerable and difficult to quantify in detail. However, RSH managed to serve 311 new applications or 30% of its waiting list, a ratio it remains committed to increasing. RSH's number of housing units was approximately 3,100 (including 64 staff facilities) at year-end 2023.

Methodology

The average rent per square meter (m²) was estimated by comparing the rent per square meter from RSH's database with average rent in the city using numbers from the Housing and Construction Institution (HMS). The share of underserved tenants is estimated by using Reykjavík Velstat data, where the waiting list is the average number of approved applications on the waiting list over the reported year. The amount of offering is calculated using data from RSH, which shows the number of offerings at the end of 2023.

To estimate the financial impact, a housing index was created using size category, according to the weighted average size of RSH housing. The average apartment is estimated to house 3.36 persons. The difference in rental prices for the Icelandic housing market and RSH's housing is multiplied by the number of funded buildings and the number of persons they house. The financial impact per habitant per year is approximately ISK 214,000 using this method. These results are in its nature indicative, and further statistical analysis is needed to estimate the range of impacts, as they can be higher or lower depending on other variables.

Methodologies were benchmarked to relevant international guidelines¹.

KPMG ehf. was appointed as an external advisor to help Félagsbústaðir prepare this report. It provided advise on setup, methodology, and calculations of impact. KPMG's engagement was not bound by any assurance standards, nor did it provide an opinion. The ultimate responsibility for this report and the accuracy of the information lies with Félagsbústaðir.

11 March 2024

¹ ICMA's Working Towards a Harmonized Framework for Impact Reporting for Social Bonds, June 2022



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Independent Auditor's Assurance Report

To the board of Félagsbústaðir hf (Reykjavík Social Housing or RSH) and its Social Bond holders.

Assurance scope

The scope of our work was limited to verifying that the proceeds of RSH's Social Bond issuances were used for funding of affordable housing as reported in RSH's Social Bond Impact Report 2023.

Responsibilities of RSH

The net proceeds from the Social Bond issuances is managed by RSH's Office of Finance. It is the responsibility of the Office of Finance to allocate the proceed to the financing of both new and existing Eligible Projects, i.e. affordable housing. The Office of Finance is also responsible for the preparation and data gathering for its Annual Social Bond Impact Report (impact report) and should ensure it is free from material misstatements, whether due to fraud or error, in accordance with the Reykjavik Social Housing - Social Bond Framework from February 2021.

Responsibility of the auditor

Our responsibility is to express an assurance conclusion for the subject matter at hand and which is included in the Impact Report, based on the procedures we have performed and the evidence we have obtained.

We conducted our assurance engagement in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the IASB.

Our independence and quality control

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

We apply *ISQC 1 International Standard on Quality Control* and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work performed

During our assurance engagement we reconciled the list of refinanced and new financed assets to assess the validity of the information. We performed assurance procedures on accounting transactions and capital movements. We have also reviewed RSH's Impact Report for 2023 and performed assurance procedures on the completeness and accuracy of reported information as described in RSH's Social Bond Framework.

Conclusion

Based on the assurance procedures we have performed and the evidence we have obtained, we conclude, in all material aspects, that the proceeds of RSH's Social Bond issuances has been used to fund Eligible Projects as reported in the Impact Report for 2023.

Reykjavík, 12. mars 2024

On behalf of Grant Thornton endurskoðun ehf



Sturla Jónsson

State Authorized Public Accountant