

Reykjavík Social Housing Social Bond Impact Report 2019

Introduction	2
Social Impacts	2
Affordable Housing	3
Methodology	4
Impact Assurance Review	4



ISK 462 m

Estimated savings for inhabitants
attributed to the Social Bond



Rent cost compared **61%**
to regional average

448 affordable housing
allocated to the
Social Bond



Introduction

Be it a small family or a disabled person; everyone has the right to housing. Reykjavík Social Housing (RSH or Félagsbústadir) 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 as a whole by increasing levels of equality.

In 2019, RSH issued Iceland's first Social Bond. Its sole purpose was to finance affordable housing. The net proceeds from the bond have been allocated either to the construction of new housing, purchasing of existing housing, or refinancing of existing loans. This issuance has helped RSH on its course to increase its housing by 600 units during the period 2018 to 2022.

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 playing its part for increased equality.

Sigrún Árnadóttir, CEO

Kristín Gudmundsdóttir, CFO

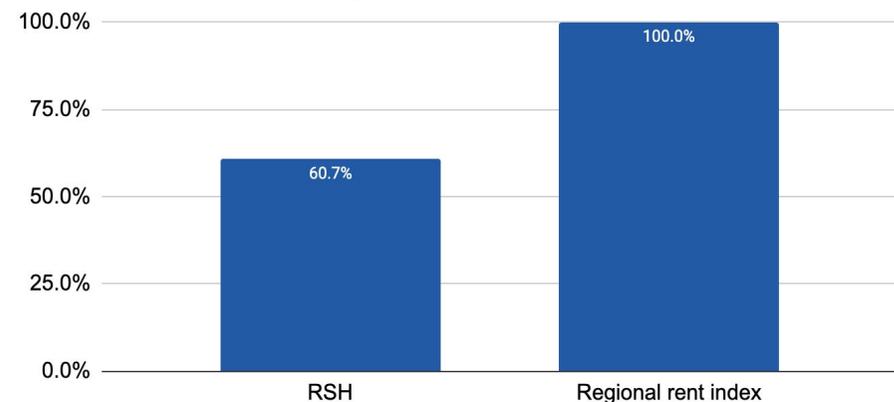
Social Impacts

RSH provides its tenants with considerably lower rent compared to the market average in the region around Reykjavík. In 2019 the rental costs compared to the regional rent index was calculated to be 60.7%. 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 229,000 per year or approximately ISK 680,000 per household.

The number of people in disadvantaged groups in Iceland is considerable and difficult to quantify in detail. However, RSH managed to serve 226 applications or 19.7% of its waiting list, a ratio it remains committed to increasing. RSH's number of housing units was approximately 2,800 at year-end 2019.

RSH rental costs compared to the national/regional rent index



Affordable Housing

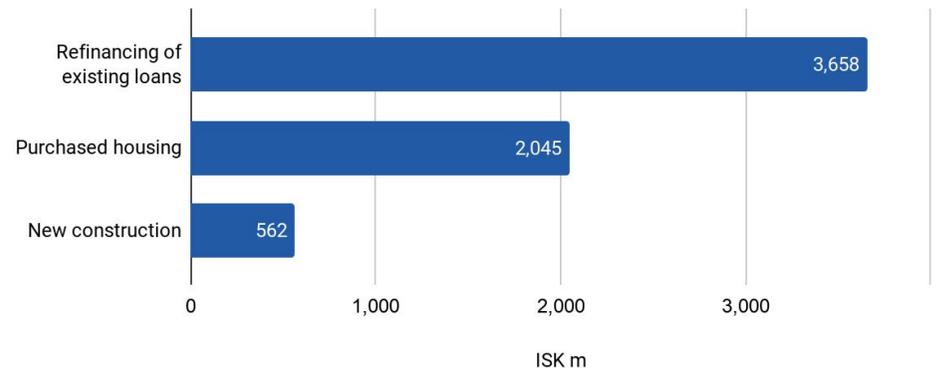
The net proceeds from the Social Bond issuance were used to finance both new and existing Eligible Projects, i.e. affordable housing. Affordable housing is intended to serve the housing needs of Targeted Social Groups, including low-income and socially vulnerable individuals and families, elderly people, individuals with disabilities, and a qualified segment of the homeless individuals.

Affordable housing can level the playing field for numerous people helping decrease poverty, increase equality and contributing to the sustainable development of cities and communities.

In the tables on the right, a breakdown of the use of net proceeds can be found.

Number of housing	Total housing financed by the Social Bond		
	Refinanced ¹	New housing	
	448	408	40

Financing (ISK m)	Total allocation	2019 allocation	Refinancing	New financing	Refinancing ratio
		6,265	6,265	5,449	816



"Sustainalytics is of the opinion that the Félagsbústaðir Social Bond Framework is credible and impactful..."

[Sustainalytics SPO](#)
13 February 2019

¹ In RSH's Social Bond Framework, new financing is defined as proceeds allocated to Eligible Projects initiated up to 12 months prior to a Social Bond issued with reference to this Framework. For simplification purposes, new financing is here defined as housing taken into use and/or bought in December 2018 and later.

Methodology

The average rent per square meter (m²) was weighted based on the share of apartment segment size from Iceland statistics and the rent for regional apartments. The same was conducted for RSH's rent per m² based on its database. The share of underserved tenants is estimated by using Velstat data, where the waiting list is the average 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 2019.

The financial impact is estimated using the following method: an indexed housing is created, using weighted average sizes of RSH's housing. The average apartment is expected to house 2.97 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 persons they house. The financial impact/habitant/year is approximately ISK 229,000 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 guidelines.²

Impact Assurance Review³

CIRCULAR Solutions was appointed by Reykjavik Social Housing (RSH) to conduct this Annual Impact Assurance Review. This review details (1) the compliance of the funded projects to the Eligible Projects criteria, and (2) the reported social factors, i.e. the social impact from the funded projects.

All projects funded by the proceeds of bond issuances in 2019, by RSH under its Social Bond Framework comply with the Eligible Project criteria detailed in the Framework. The funded projects comply with the Affordable Housing project category listed in the Framework.

Based on the methodologies mentioned, the funded projects demonstrate a positive social impact, e.g. lower rental costs for vulnerable groups, increased housing offerings, and positive financial impacts (based on the given methodology).

Bjarni Herrera Thorisson, CEO
Dr. Hafthór Aegir Sigurjónsson

CIRCULAR

CIRCULAR Solutions ehf.
www.circularsolutions.is
www.circularbonds.com

² Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (June 2019)

³ *Disclaimer by CIRCULAR:* CIRCULAR is an independent and leading provider of green bond and sustainability consulting in Iceland. RSH was responsible for providing CIRCULAR accurate documentation and information relating to the details of the funded projects. CIRCULAR made all efforts to ensure the highest quality and rigour during its assurance process. CIRCULAR will not accept any form of liability and/or any liability for damage arising from the use and/or decisions, financial or otherwise, based on the information provided in this document.



Grant Thornton

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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 2019.

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 2019.

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 2019 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 2019.

Reykjavík, 14. April 2020

On behalf of Grant Thornton endurskoðun ehf



Sturla Jónsson

State Authorized Public Accountant