

Reykjavík Social Housing Social Bond Impact Report 2021

Contents

2021 Social Bond Impact Report	2
About Reykjavík Social Housing	2
Financed project categories and project examples	2
Affordable Housing	2
Methodology	3



372 affordable housing allocated
to the Social bond

71.6%

Rent cost compared to
regional average



ISK 293 m Estimated savings for
inhabitants

32.4%

Of the waiting list were
served

2021 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.

Félagsbústaðir issued 7,924 ISK m in 2021, 91.3% of the amount was allocated to affordable housing before year end. 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 600 units during the period 2018 to 2022.

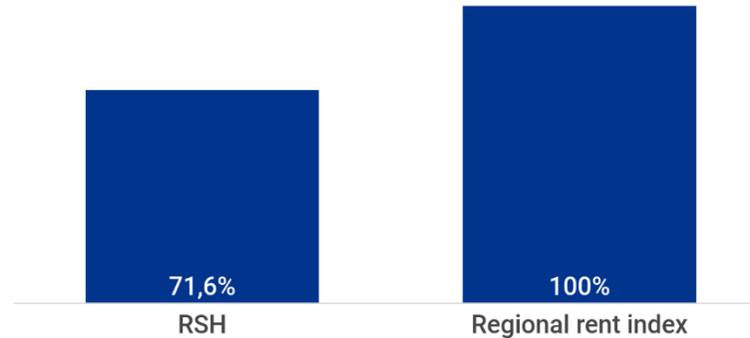
This Social Bond issuance was among the first social issuances to be listed on a stock exchange in the Nordics. RSH is proud to be a pioneer and contribute to the region's sustainable development and play its part in increasing equality.

Financed project categories and project examples

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.

RSH provides its tenants with considerably lower rent compared to the market average in Reykjavík. In 2021, the differential of rental costs compared to the regional rent index was 71.6%. 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 286,000 per year or approximately ISK 787,000 per household. The number of people in disadvantaged groups in Iceland is considerable and difficult to quantify in detail. However, RSH managed to serve 299 new applications or 32.4% of its waiting list, a ratio it remains committed to increasing. RSH's number of housing units was approximately 3,021 (including 39 staff facilities) at year-end 2021.

Number of housing	Total housing financed by the Social Bond		Refinanced		New housing	
		372	255		117	
Financing (ISK m)	Total 2021 allocation		Refinancing		New housing	
	7,231	4,158	3,073	52.5%		

Methodology

The average rent per square meter (m²) was estimated according to the weighted average rent for different apartment size segments in the region, using data from Iceland's registry office (newest data is for the year 2019). The same estimation was conducted for RSH's rent per m² based on its database. RSH's rent per m² was then adjusted to represent the same number of square meters as the

regional benchmark. 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 2021.

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 3.02 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 286,000 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 Félagarbústaðir 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 Félagarbústaðir.

13th of March 2022

¹ ICMA's Working Towards a Harmonized Framework for Impact Reporting for Social Bonds, June 2020

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 2021.

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 2021 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 2021.

Reykjavík, 17. mars 2022

On behalf of Grant Thornton endurskoðun ehf

Sturla Jónsson

State Authorized Public Accountant