



**SUSTAINABILITY-LINKED  
LOAN FINANCING BOND  
2025**

Q&A

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## Abbreviations list

**GHG emissions:** greenhouse gas emissions

**KPI:** Key Performance Indicator

**NEBs:** NIB Environmental Bonds

**NIB SLLB Framework:** [NIB Sustainability-linked Loans financing Bond Framework](#)

**SLL:** Sustainability-Linked Loan

**SLLB:** Sustainability-Linked Loan Bond

**SLLBG:** ICMA [Guidelines for Sustainability-Linked Loans financing Bonds](#)

**SPT:** Sustainability performance target

**SBTi:** Science Based Targets Initiative

**UoP:** Use-of-Proceeds

## Rationale and approach

### 1. What is NIB's motivation for issuing SLLBs?

NIB views SLLBs as a valuable complement to our UoP green bonds, the NEBs ([NIB Environmental Bonds](#)), issued since 2011. While NEBs finance specific projects with direct environmental benefits, SLLBs aim to enhance the overall sustainability performance of borrowers through pre-defined, ambitious, material and credible KPIs.

As one of the first SLLB frameworks in the Nordic–Baltic region—developed by an IFI and aligned with SLLBG—this product sends a market signal and offers a reference point for future sustainability-linked bond and loan market developments.

SLLB structure offers greater flexibility by enabling financing of broader sustainability initiatives, including for asset-light borrowers and those in hard-to-abate sectors. Through SLLBs, NIB supports decarbonization and other key sustainability goals by incentivizing meaningful improvements in borrower performance.

Issuing SLLBs also allows NIB to showcase our engagement with borrowers on credible transition pathways, promote the role of Sustainability-Linked instruments, and encourage adoption by other issuers. We aim to demonstrate how SLLBs can credibly support clients in transition while boosting market confidence through transparent, material, and science-aligned targets.

For investors, SLLBs offer a means to actively participate in the sustainability transition. They align portfolios with long-term sustainable development goals and serve as an important tool in supporting the evolution of the transition finance market. As part of the broader Sustainability-Linked product suite, SLLBs represent a credible and measurable commitment to sustainable finance.

### 2. How does NIB SLLB Framework relate to NIB's issuing of NEBs?

NEBs are UoP bonds issued under a dedicated green bond framework, with proceeds exclusively allocated to financing specific environmental projects.

[NIB SLLB Framework](#) operates in parallel and complements NIB's sustainable bond offering. While NEBs support individual green investments, [NIB SLLB Framework](#) enables NIB to promote broader sustainability outcomes by linking financing to borrowers' overall sustainability performance and ambitious targets. Together, these instruments enhance NIB's ability to support the transition to a more sustainable and resilient Nordic–Baltic region.

### 3. Is NIB's SLLB Framework aligned with the Principles published by ICMA?

The [NIB SLLB Framework](#) is aligned with the SLLBG published by ICMA/The Principles (and as stated in the [Second Opinion](#) by the external second opinion provider, S&P Global ratings, NIB SLLB Framework is also conceptually aligned with the Green Bond Principles published by the ICMA/The Principles).

### 4. How frequently does NIB plan to issue SLLBs?

The frequency of SLLB issuance will depend on market conditions and the continued development of the sustainability-linked bond and loan market. In particular, it will be driven by the availability of eligible SLLs that meet NIB's requirements for credibility, materiality, and ambition. As the market

matures and borrower demand for sustainability-linked financing grows, NIB expects issuance activity to increase accordingly.

**5. When did NIB first start originating SLLs? What has been the growth rate of NIBs SLL portfolio in the past years?**

First SLL was signed in 2021. Currently our total SLL portfolio reaches 1.3 bn EUR.

**6. Does NIB have enough SLLs to back up SLLBs?**

The size of the SLL Eligible Portfolio should always exceed the total amount of outstanding SLLBs by at least 10%.

**7. Will certain sectors or activities be excluded from funding under NIB SLLB Framework?**

Non-eligible sectors are listed in [NIB's Sustainability Policy](#) exclusion list. In addition, borrowers operating within the defence sector are not considered eligible for inclusion in the SLL Eligible Portfolio.

**8. Do we consider SLLBs to be a 'transition' labelled product?**

While we will not use a specific 'transition label' for this product, the SLLB is a way for NIB to support the sustainable transition, which would not fit under our UoP NIB Environmental Bond framework.

**9. Would NIB consider financing defense related loans with SLLBs?**

NIB would not include defense-related loans in its SLL Eligible Portfolio, including dual use.

## Use of Proceeds

**10. What are the criteria for qualifying an SLL under the NIB SLLB Framework?**

[NIB SLLB Framework](#) establishes eight eligibility criteria that SLLs must meet to qualify for inclusion in the NIB SLL Eligible Portfolio:

1. **Alignment with the Sustainability-linked Loan Principles (SLLP):** SLLs must adhere to the SLLP.
2. **Sustainability Objective:** Each SLL must align with the single sustainability objective of "Reducing climate change impacts." This objective therefore has a direct impact on SGD 13, Climate action.
3. **Core KPI Requirement:** Eligible SLLs must include at least one Core KPI that meets the requirements outlined in NIB SLLB Framework.
4. **Optional Secondary KPIs:** SLLs may include secondary KPIs related to other material topics for the borrower; however, these are not mandatory.
5. **Forward-Looking Performance Assessment:** Each SLL must have at least one remaining trigger point for a Core KPI, ensuring a forward-looking performance evaluation.

6. **Compliance with NIB Policies:** All eligible SLLs must comply with [NIB's Sustainability Policy](#) and exclusion list. Additionally, the borrower must demonstrate adequate ESG performance and must not hinder NIB's ability to achieve its climate targets.
7. **Mandate Rating:** SLLs must achieve a mandate rating of "Good" or "Excellent" in NIB's internal assessment process.
8. **Sector Eligibility:** SLLs must not originate from sectors listed on [NIB's Sustainability Policy](#) exclusion list. Furthermore, borrowers operating in the defense sector are not eligible for inclusion in the SLL Eligible Portfolio.

#### 11. With SLLBG's approach 1, how does NIB ensure all eligible SLLs have ambitious targets and relevant KPIs?

The requirements for Core KPIs and their SPTs, along with NIB's mandate rating criteria (which only include SLLs rated "Good" or "Excellent"), ensure the eligibility and ambition of SLLs. NIB has developed a mandate rating approach for SLLs that incorporates these criteria, and it is explained in NIB's [Summary of Annex](#).

All SPTs for Core KPIs must meet the following cumulative ambition requirements:

- **Material Emission Reductions:** SPTs must address material emission scopes, resulting in significant or transformational impact.
- **Science-Based Alignment:** SPTs must align with the SBTi or equivalent methodologies.
- **Paris Agreement Compliance:** SPTs must align with a 1.5°C pathway. A 2°C pathway is allowed only if no sector-specific 1.5°C pathway is available.
- **Benchmarking:** SPTs must meet or exceed benchmarks, such as SBTi targets, peer performance, or industry standards.
- **Consistency with NIB's [Climate Strategy](#):** SPTs must align with NIB's climate objectives.

NIB has defined acceptable KPIs and SPTs for reducing or avoiding GHG emissions, ensuring they cover material emissions.

- **Scope 1 and 2 GHG emissions** KPIs are applicable for borrowers whose Scope 1 and 2 emissions constitute the majority of their total greenhouse gas emissions (e.g., more than 50%). These KPIs may also be used in addition to a Scope 3 KPI to ensure comprehensive emission coverage. The SPTs must cover at least 90% of Scope 1 and 2 emissions and can be measured using either absolute or intensity-based metrics.
- **Scope 3 GHG emissions** KPIs are applicable for borrowers whose Scope 3 emissions account for 40% or more of their total Scope 1, 2, and 3 emissions. These KPIs may also be used in addition to Scope 1 and 2 KPI to ensure total emission coverage. The SPTs must cover at least 40% of Scope 3 emissions for absolute or intensity-based targets, or at least 60% for engagement-based targets. Measurement can be based on intensity or absolute metrics, while engagement targets may be accepted in exceptional cases, depending on the borrower's ability to influence its value chain.
- Other KPIs may be accepted if they align with SBTi (or equivalent science-based methodologies) and are validated by recognized frameworks. These KPIs must transparently follow sectoral pathways and meet the outlined coverage thresholds.

## 12. To what extent are NIB's SLLBs aligned with Paris Agreement?

NIB only allocates proceeds from SLLBs to SLLs where the KPIs are aligned with 1.5-degree scenario and based on science-based trajectory. A 2°C pathway is allowed only if no sector-specific 1.5°C pathway is yet available.

An SLL that misses KPI (according to the section 2.2.5 Performance assessment and disqualification of SLLs from SLL Eligible Portfolio of [NIB's SLLB Framework](#)), will be removed from the SLL Eligible Portfolio. Therefore, NIB's SLLBs will only be allocated towards lending where the borrowers are progressing towards science-based 1.5-degree targets.

## 13. Does NIB include Revolving Credit Facilities in the SLLB?

No, NIB does not provide RCF lending.

## KPIs

## 14. What does NIB consider to be SBTi "equivalent science-based target-setting methodologies"?

We currently rely on SBTi. However, as a government-owned bank, we believe it is important to ensure fair competition and remain open to the possibility of other potential service providers entering the market. While we currently regard SBTi as the benchmark for setting science-based targets, we recognize that other standards may emerge in the future that could equally support the need for this type of verification. By not limiting the verification to a single provider, we uphold principles of fairness and inclusivity while maintaining the flexibility to adapt to evolving standards and methodologies.

## 15. In which cases does NIB accept intensity targets?

We accept both absolute and intensity-based targets for Scope 1, 2 or 3 emissions and rely on the Science-Based Targets initiative (SBTi) (or eq.) validation of these targets as the primary basis for our acceptance. If the SBTi (or eq.) has validated a target in intensity terms, we can apply it accordingly. However, when the agreed KPI is an intensity-based target, we require the borrower to provide baseline data and performance data in both intensity and absolute terms.

Additionally, our loan agreements explicitly state our right to request the relevant calculations of the agreed KPI as reported by the borrower. This ensures transparency and accountability in tracking and verifying performance against the agreed targets.

## 16. In which cases does NIB accept engagement targets for Scope 3?

Engagement targets may be considered depending on the borrower's business operations and their ability to influence emissions within their value chain (Scope 3).

In some cases, engagement targets serve as an interim step for companies working to address Scope 3 emissions, particularly when direct Scope 3 data is still under development. This often occurs when companies face challenges such as a large number of small suppliers with limited reporting capabilities or when reporting timelines are still evolving. In such scenarios, engagement targets can act as a practical starting point to drive progress.

A key factor in our evaluation of Scope 3 engagement targets is whether they are aligned with and verified under the SBTi. Another critical consideration is gaining a clear and comprehensive understanding of the company's Scope 3 emissions. During discussions with borrowers, we assess their business operations in detail, focusing on their ability to influence Scope 3 emissions. This includes evaluating the company's action plan to achieve its targets and its capacity to drive change, which may depend on the actions of supply chain partners. Our analysis also considers specific Scope 3 categories and the company's role and influence as a market player.

## Trigger dates

### 17. How does NIB decide on SLL trigger dates?

In line with the Sustainability-Linked Loan Principles (SLLP), our approach prioritizes annual SPTs, however according to the SLLB Guidelines it is not mandatory. We apply a tailored approach to each SLL, taking into account the nature of the loan, the sector-specific transition dynamics, and the action plan of the borrower. In sectors where the decarbonization pathway is non-linear or where the investment horizon does not align with annual milestones (especially regarding Scope 3 emissions), we seek rationale and might agree to define SPTs with alternative frequencies while maintaining credibility of the KPIs/SPTs.

Regardless of the target frequency, annual reporting on progress remains a standard requirement across all SLLs financed by NIB.

### 18. Is there a risk that loans with fewer trigger dates could functionally never be excluded from the asset pool? Which safeguards do you have in place to mitigate such a risk?

At the time of inclusion in the SLL Eligible Portfolio, each SLL must have at least one remaining Core KPI trigger point.

Regardless of the target frequency, annual reporting on progress remains a standard requirement across all SLLs financed by NIB.

In a hypothetical scenario where SPTs are regularly missed, NIB reserves the right to have corrective actions of the pool and exclude an SLL from the pool after considering the specific circumstances and the borrower's explanation. This approach aligns with the provisions outlined in the [NIB SLLB Framework](#).

### 19. What % of your existing SLLs have met/not met targets at previous trigger dates?

Progress follow-up by the end of 2024, NIB had signed 13 SLL agreements with 36 key performance indicators (KPIs), of which 21 are currently active and monitored. Out of the monitored KPIs, 71% were on track, i.e. had reached the planned levels. Ten per cent of the KPIs were progressing at a slower pace than anticipated with a linear progress assumption and 19% of the KPI's were missed (off-track) or not progressing.



<sup>1</sup> The data is based on the performance of monitored KPIs. The performance information were provided by the borrowers in 2024 regarding the progress in 2023 (where applicable).



The progress data for KPIs shows the challenge of achieving what are ambitious targets for some of the clients.

Compared to last year, we see that some borrowers have improved their performance and are now on track, while some targets are still not yet fulfilled. The Bank supports maintaining a high ambition level with some KPI potentially lagging and expects its clients to increase their efforts to achieve their targets in future years. NIB will continue to engage with its clients to intensify tangible actions for the targets and will further follow-up on progress.

When looking at the potential pool, NIB also has checked the past performance of the loan and might not decide to include the SLL in the pool, due to these reasons.

## **20. What is NIB's typical way of engaging with the borrower if they do not meet the KPI target at trigger date?**

When a borrower does not meet the KPI target at the trigger date, we initiate a dialogue to understand the underlying reasons. This includes reviewing the most recent data, discussing any contextual developments, and exploring corrective actions that can be taken. The aim is to ensure transparent dialogue and encourage borrowers' steps toward improvement.

## **External verification**

### **21. Are all borrowers using the SLL format required to obtain limited assurance or will you make exceptions? Any other verification/assurance formats allowed in addition to limited assurance?**

If the borrower reports on the performance of the KPIs and the achievement of the SPTs in its annual or sustainability report, the minimum level of external verification is that a limited assurance statement by a qualified third party is provided for the KPI and SPT performance and their calculation methodology. If the borrower does not report the performance of the KPIs and the achievement of the SPTs in its annual or sustainability report or reports them without the limited assurance as a minimum, the borrower shall seek an independent external verification by a qualified third party of its performance. The borrower shall supply the verified documentation of its performance to NIB within a reasonable time following the trigger dates. This refers to all borrowers, with no exceptions.

## **Process for SLL Evaluation and Selection**

### **22. Which share of NIB's total SLL portfolio do you expect to be in scope for funding under NIB SLLB Framework?**

Most of our SLLs align with [NIB SLLB Framework](#). However, we also facilitate SLLs that target other environmental priorities beyond climate-related goals. In some cases, SLLs may not fully align with the SLLB framework due to factors such as differing maturity timelines or other specific considerations.

### **23. Does NIB expect to expand the scope of KPIs eligible for funding in the future, i.e. to also include other sustainability objectives?**

[NIB SLLB Framework](#) is built around a single sustainability objective, which is “Reducing climate change impacts”. This ensures that all eligible SLLs are directly related to climate change mitigation and the reduction or avoidance of GHG emissions. These KPIs therefore give direct impact to SGD 13, Climate action.

Therefore, SLLB allows KPIs that relates to Scope 1, 2 and 3 emission reduction. However, NIB SLLB Framework allows for the inclusion of other climate-related KPIs, provided they align with SBTi target-setting methodologies.

While primarily a climate-focused framework, SLLs may also feature secondary KPIs that contribute to NIB’s environmental and productivity mandates, such as reducing water pollutants, improving connectivity, or enhancing resource efficiency.

## Management of Proceeds

### **24. Does NIB have a target to maintain a certain buffer in the SLL portfolio compared to outstanding SLLB volume?**

In accordance with [NIB SLLB framework](#), NIB aims for the size of the SLL Eligible Portfolio always to exceed the total amount of outstanding SLLBs by at least 10%. In the unlikely event that the amount of outstanding SLLs exceeds the SLL Eligible Portfolio, NIB commits to hold the funds in the Treasury and manage them in accordance with NIBs Liquidity Policy and remaining subject to [NIB’s Sustainability Policy](#).

### **25. Does NIB expect volatility in the SLLB Eligible Portfolio volume?**

It is important to recognize that progress toward sustainability targets may vary from year to year due to external factors, market conditions, or other unforeseen challenges. Therefore, it is important to allow for flexibility in how progress is assessed, ensuring that the evaluation process reflects the reality of achieving long-term sustainability goals. [NIB SLLB Framework](#) clearly explains the approach to performance assessment and disqualification and reinstatement of SLLs to the SLLB.

### **26. What is the average tenor of the current SLLB Eligible Portfolio? What is the average tenor of new SLLs?**

The eligible SLLs in the portfolio have had maturities ranging from 4-10 years at disbursement. Currently the average maturity of the portfolio is 6 – 7 years.

### **27. What is NIB’s outlook for the future growth of the SLLB Eligible Portfolio?**

Our approach to the growth of the SLLB Eligible Portfolio prioritizes strong portfolio and alignment with the needs and ambitions of our clients. Rather than pursuing volume for its own sake, we focus on identifying opportunities where SLLs can genuinely support the client’s sustainability goals and where we can set ambitious, credible and material KPIs of the SLLs, that meet SLLB eligibility criteria.

## Reporting

### **28. Does NIB intend to report on companies included in the SLLB?**

We will publish loan-level information about SLLs included in the SLL Eligible Portfolio, including but not limited to borrower and sector, country, year of origination, disbursement amounts, respective KPIs and SPTs, and alignment with the SBTi or other equivalent target-setting initiatives and Paris Climate Agreement trajectory.

Regarding the annual performance reporting, NIB will report on an aggregated SLL Eligible Portfolio level, reported separately for Core KPIs and Secondary KPIs (subject to limitations regarding the disclosure of specific borrower names).

### **29. Does NIB intend to measure the impact of SLLs, and if so - how?**

For SLLBs, the primary reporting focus is on progress toward the selected KPIs and SPTs, rather than the direct impact of any UoP bonds. This approach enables tracking the SLLB's contribution to a single sustainability objective, namely, climate change impact reduction.

Unlike UoP instruments, where proceeds are earmarked for specific projects or assets, SLLs are general-purpose loans that support a company's broader transition strategy. In this context, the issuer acts more as an enabler or facilitator of the outcomes achieved by the SLL borrowers. Since the impact is delivered through the changes in the borrowers' performance, not through direct project financing, it is more challenging for SLLBs to claim specific impacts.

### **30. Is there any risk of double counting if NIB is providing funding for the same company under both SLLB and NEBs?**

No, NIB has processes in place to ensure that there is no double counting.

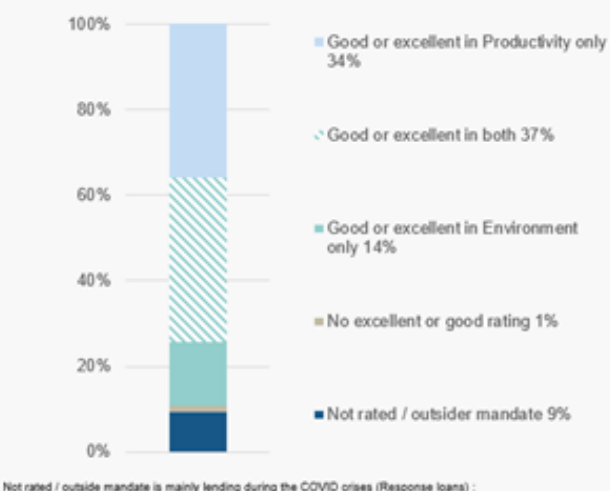
## NIB's operations

### **31. Does at least 20% of your operations promote the United Nations Sustainable Development Goals (UN SDGs)?**

NIB finances only projects that promote productivity gains and environmental benefits for the Nordic and Baltic countries in order to support a prosperous and sustainable Member Region. Before any financing is granted, NIB assesses how the projects fulfil our mandate. In addition, all loan projects undergo a sustainability and ESG review. NIB's exclusion list ensures that activities and projects that are not aligned with SDGs will not be financed. Below distribution showcases NIB's lending and how it corresponds to the mandate. More than 99% of loans have good or better mandate rating in 2024. Below also a mapping of NIB's mandate against SDGs, to highlight NIB's overall role in addressing sustainable growth, climate change, protection of marine environments, pollution prevention and productivity improvements.

As per the H1'25 report, NIB had EUR 44 bn assets, of which EUR 14.85 bn contributed to climate change mitigation. Though NIB no longer tracks aggregated contribution to the SDGs, according to the previous sentence >20% of the portfolio should contribute to the SDGs based on climate change mitigation alone.

### Mandate rating distribution outstanding lending



## Financing the future

NIB's mission is to finance projects that improve competitiveness and the environment. The mission allows the Bank to address future challenges such as sustainable growth, climate change, the protection of marine environments, pollution prevention and productivity improvements.

To improve the competitiveness of its member countries, the NIB-financed projects support productivity gains through:

- Technical progress and innovation
- Development of skills and human capital
- Improved infrastructure
- Improved market efficiency and business environment

In terms of the environment, NIB lends to projects that lead to:

- Pollution reduction
- Preventive measures
- Resource efficiency
- Climate change mitigation

#### NIB-financed projects and the UN SDGs

The seventeen UN Sustainable Development Goals (SDGs) set out a global roadmap for tackling economic, environmental and social challenges as part of the 2030 Agenda for sustainable development. The SDGs present a common framework for governments, business and civil society to enhance

the value of their innovations and investments, and to strengthen stakeholder relations.

In line with its mission, NIB has identified the SDGs to which its financed projects, business strategy and sustainability approach can contribute:

#### NIB-financed projects and the UN Sustainable Development Goals

