NORDIC INVESTMENT BANK

FINANCING THE FUTURE

NIB Sustainability-linked Loans financing Bond Framework

Framework for the issuance of NIB Sustainability-linked Loans financing Bonds – the underlying rationale and methodology for loan selection, and the governance of bond issuance, proceeds management and reporting

Sep 2025

Contents

Adopted by	President
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Implementation responsibility	Treasury & Finance, Sustainability & Mandate

1 Introduction

The Nordic Investment Bank (“**NIB**”) is an international financial institution owned by eight member countries: Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden.

NIB finances projects that promote productivity gains and environmental benefits for the Nordic and Baltic countries to support a prosperous and sustainable member region. NIB assesses whether the projects considered for financing support NIB’s vision through environmental and productivity mandates.

NIB introduced its NIB Environmental Bond (“**NEB**”) in 2011. Under the NIB Environmental Bond Framework[1] (“**NEB Framework**”), NIB issues use of proceeds (“**UoP**”) environmental bonds, the proceeds of which are used to finance selected projects that benefit the environment and support the transition to a low-carbon economy.

In addition to financing UoP loans that are earmarked for specific projects, NIB provides Sustainability-linked loans (“**SLLs**”) to support corporate sustainability transitions. As a transition pathway financing instrument, SLLs play an important role in supporting the transition to more sustainable practices, particularly by addressing Scope 3 emissions, which often represent the largest share of a company’s carbon footprint and arise from activities across their value chain.

Together, UoP loans and SLLs provide complementary approaches to supporting sustainability efforts, each addressing different aspects of the transition.

The SLLs are connected to key performance indicators (“**KPIs**”) and sustainability performance targets (“**SPTs**”) agreed with the borrowers. NIB’s transaction teams and in-house sustainability advisors work to identify ambitious, credible and material targets that can help improve the borrower’s sustainability performance. SLLs should be aligned with a corporate sustainability strategy and create financial incentives for NIB’s clients to accelerate their climate and sustainability efforts. By supporting clients in their transition to these targets, SLLs also support NIB in aligning its lending portfolio with the Paris Climate Agreement.

To finance or refinance a portfolio of SLLs (“**SLL Eligible Portfolio**”) with proceeds from specific bonds, NIB is introducing this Sustainability-linked Loans financing Bond Framework (“**NIB SLLB Framework**”), under which NIB can issue Sustainability-linked Loans financing Bonds (“**SLLBs**”).

This NIB SLLB Framework follows Approach 1 of the Guidelines for Sustainability-Linked Loans financing Bonds (“**SLLBG**”)[2] and is aligned with its four core components:

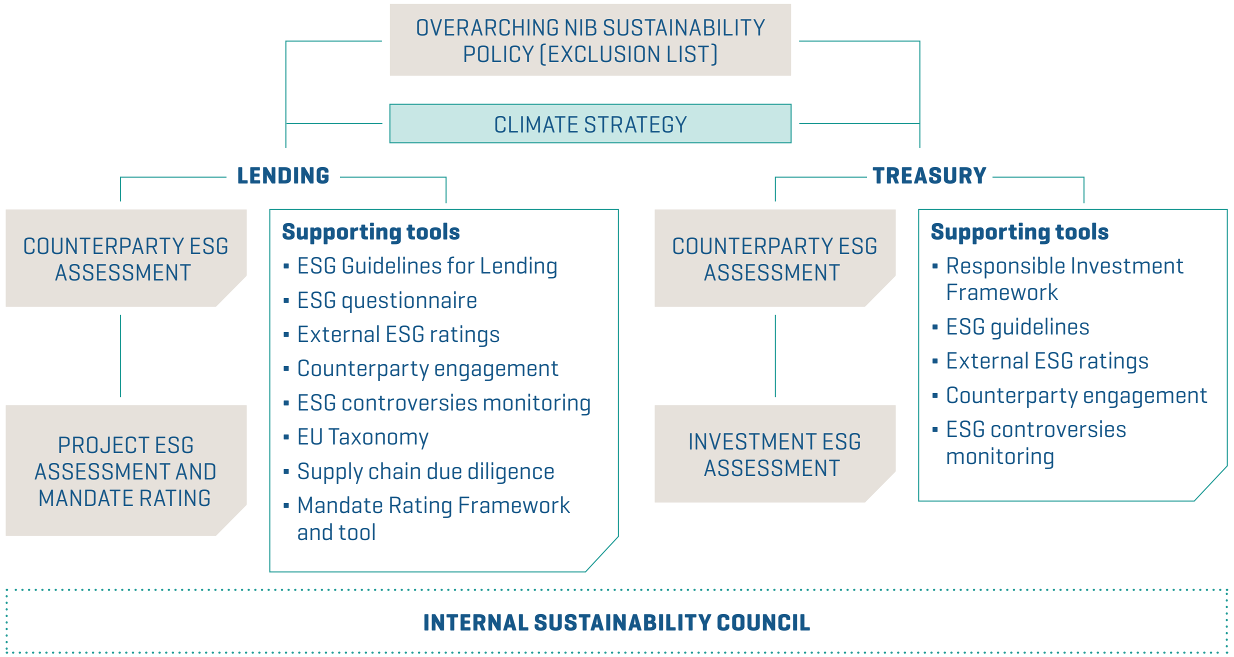
- Use of Proceeds
- Process for SLL Evaluation and Selection
- Management of Proceeds
- Reporting

[1] Framework for the undertaking of NIB Environmental Bond issuance – the underlying rationale and methodology for loan selection, and the governance of bond issuance, proceeds management and reporting dated August 2024 as amended or replaced from time to time.

[2] ICMA and Loan Market Association Sustainability-linked Loans financing Bond Guidelines dated 2025 as amended or replaced from time to time.

1.1 Sustainability at NIB

Sustainability and Environmental, Social and Governance ("**ESG**") factors are an integral part of NIB's operations.



Sustainability policy

NIB's Sustainability Policy[3] sets out the principles, commitments and framework for sustainability at NIB. Its purpose is to define how sustainability is considered in all NIB's business conduct, and in credit and investment decisions. The Sustainability Policy applies Bank-wide and to all NIB's operations. The Sustainability Policy includes an exclusion list in which NIB will not knowingly finance or invest, or include in the SLL Eligible Portfolio.

Climate strategy

NIB is committed to addressing the climate challenge in accordance with the Paris Climate Agreement and becoming a net-zero bank by 2050. NIB's Climate Strategy[4] operationalises the net-zero goal and sets out intermediate 2030 climate targets for NIB's lending and treasury portfolio and internal operations. NIB's targets and methodologies are set in accordance with and validated by the Science-Based Target initiative ("**SBTi**") to ensure they are based on the latest scientific evidence to limit global warming to 1.5 °C. NIB has endorsed the Taskforce on Climate Related Financial Disclosures ("**TCFD**") recommendations since 2019. NIB calculates financed emissions based on the Global GHG Accounting and Reporting Standard for the Financial Industry established by the Partnership for Carbon Accounting Financials ("**PCAF**"). NIB continues to enhance its capacity to manage climate-related risks and opportunities and has now adopted the International Sustainability Standards Board ("**ISSB**") standard to disclose and manage climate-related risks and opportunities.

Climate risk management primarily adopts a bottom-up approach, focusing on identifying and managing risks at the project and counterparty levels, while transitioning to a portfolio-level perspective. NIB's Climate Strategy sets out the action plan for integrating climate considerations into NIB's operations and all relevant borrowers and loans are assessed against NIB's 2030 climate targets. Where ESG or climate risks are or may become financially material, they are managed in accordance with the governance structure for risk management as set out in the Risk Management Policies[5].

Sustainability management and governance

The roles and responsibilities of the main bodies for NIB's lending, treasury and internal operations are described in NIB's Annual Report (Sustainability management section). A more detailed description of NIB's sustainability governance can be found in NIB's Sustainability Policy.

The governance of climate-related risks and opportunities and ESG risks in general are integrated into NIB's governance structure.

An ESG assessment is done at both a counterparty and project/investment level as a sustainability assessment (the latter only for UoP loans) with the aid of supporting tools like the ESG Guidelines for Lending Operations[6] and the Responsible Investment Framework[7] for treasury operations. The ESG assessment in lending operations gives more information about how a project financed by NIB supports the client's overall journey towards more sustainable operations. The review also helps identify material ESG risks.

[3] Policy adopted by the Board of Directors of the Nordic Investment Bank on 12 June 2025 with entry into force as of 12 July 2025 as amended or replaced from time to time.
[4] Climate strategy documented in the NIB Climate Strategy adopted by the Board of Directors of the Nordic Investment Bank on 31 October 2023 with entry into force as of 27 November 2023 as amended or replaced from time to time.
[5] Risk Management Policy adopted by the Board of Directors of the Nordic Investment Bank on 12 June 2025 with entry into force as of 16 June 2025 and Risk Appetite Statement adopted by the Board of Directors of the Nordic Investment Bank on 4 June 2024 with entry into force as of 7 June 2024 both as amended or replaced from time to time.
[6] Environmental, Social and Governance Guidelines for Lending adopted by the President and CEO of the Nordic Investment Bank on 11 May 2022 with entry into force as of 7 June 2022 as amended or replaced from time to time.
[7] Responsible Investment Framework adopted by the President and CEO of the Nordic Investment Bank on 26 September 2023 with entry into force as of 2 October 2025 as amended or replaced from time to time.

NIB recognises the importance of equal opportunities, inclusion, diversity and gender equality, human rights, labour rights and freedom, business ethics, and fraud and corruption prevention. Social factors are related but not limited to laws and regulations regarding human rights, health and safety, and fair market practices. NIB reviews its clients' performance and checks that minimum social safeguards are in place. The assessment (due diligence) also extends to the supply chain where relevant.

Supporting regulations, standards or frameworks for sustainability-related disclosure and reporting

NIB reports its impacts according to global frameworks and standards, including the Global Reporting Initiative, International Financial Reporting Standards ("**IFRS**") and Principles for Responsible Investments ("**PRI**"). NIB is consolidating its reporting towards IFRS Sustainability Disclosure Standards, developed by the ISSB. NIB is dedicated to international principles, standards and agreements, and actively participates in global partnerships and networks, including the Paris Climate Agreement, the UN Sustainable Development Goals, the EU Taxonomy, the Principles and the International Financial Institution Framework for a Harmonised Approach to GHG Accounting.

As stated in the Sustainability Policy, NIB draws on and bases its core sustainability principles on several international agreements, frameworks and conventions: the International Labour Organization; the UN Guiding Principles on Business and Human Rights; the UN Global Compact; and the OECD Guidelines for Multinational Enterprises.

For more on reporting, commitments and ESG ratings, please see NIB's ESG Library.

Sustainability-linked loans at NIB

SLLs incentivise borrowers to pursue ambitious sustainability performance objectives. The product is forward-looking and performance based and follows the Sustainability-linked Loan Principles ("**SLLP**").[8]

The core elements of SLLs	
Selection of KPIs	KPIs (circa 1–3) to address issues that are **core and material to the borrower's sustainability strategy**, such as: • **Climate targets:** Targets related to material greenhouse gas ("**GHG**") emissions or energy use. NIB actively promotes and requires its clients to include targets for Scope 3 emissions where relevant. • **Business-specific other sustainability targets:** Targets related to e.g. resource efficiency, nature protection or pollution reduction. (See section 2.2.1)
Calibration of SPTs	SPTs are: • **Material:** Relevant and essential to the borrower's business and sustainability strategy (e.g. covering material GHG emission scopes and other material topics). • **Ambitious:** Represent a material improvement beyond a "business-as-usual" trajectory (incl. science-based targets, borrower's own performance versus its peers and industry standards), as well as aligned with NIB's climate targets (where relevant). • **Credible:** Robust baseline data, credibly planned measures and timeline, also justified by borrower's performance track record, integrated into borrower's strategies and investment plans. (See section 2.2.1)
Loan characteristics	The loan's financial and/or structural characteristics (loan margin) vary depending on whether the selected KPIs reach the selected predefined SPTs. (See section 2.2.2)
Reporting	**Annual performance reporting** against set targets. (See section 2.2.3)
Verification	**Third-party performance verification** is required at measurement points ("**trigger dates**"). (See section 2.2.4)

NIB's SLLs aim to promote sustainability performance-driven lending and high-quality standards in the sustainable finance markets, as well as to complement NIB's loan offering, particularly for:

- Borrowers in hard-to-abate sectors, i.e. sectors where the climate transition is not readily straightforward due to a lack of technology or its high costs, or other decarbonisation-critical sectors, where the transition in corporate operations may be more relevant for delivering impact than financing specific assets; and
- Borrowers whose sustainability transition does not rely heavily on investment in fixed assets and for whom the material aspect is their value chain's sustainability performance; and
- Borrowers who want to improve their sustainability performance in other aspects or sectors material to them.

[8] Sustainability-linked Loan Principles dated 26 March 2025 issued by the Loan Syndications and Trading Association as amended or replaced from time to time.

2 Framework

2.1 Use of proceeds

2.1.1 Fundamentals

SLLBs are any type of bond instrument (i) where the proceeds or an equivalent amount are exclusively applied to finance or refinance, in part or in full, a portfolio of new and/or existing eligible SLLs aligned with the SLLP, and (ii) which are aligned with the four components in the SLLBG.

As outlined in the SLLBG, the SLLBs are not considered Green, Social, Sustainability or Sustainability-linked bonds ("**GSSS Bonds**"), but there are similarities, as illustrated below. SLLBs finance an SLL Eligible Portfolio adopting the UoP project financing structuring typical of GSSS Bonds.

To avoid double counting of assets under an SLLB, an eligible loan will not be included as an eligible green asset for UoP issued under the NEB Framework.

NIB allocates the proceeds from SLLBs only to the drawn portion of each eligible SLL.

NIB's approach to the SLLBs is similar to that of NEBs, as the figure below illustrates.

	UoP loan application	Mandate Rating Framework (Annex II)	Rating	NEB Framework	NEB eligible portfolio	Reporting
Green UoP financing (NEB)	Loan A Loan B Loan C ...	The assessment of projects' environmental and climate benefits	**Excellent** **Good** Moderate Marginal Neutral Negative	Projects' eligibility against a set of criteria within several categories (based on Green Bond Principles) Second party opinion	Loan A Loan B	Annual NEB financed projects' Impact Report Limited assurance

	SLL loan application	Mandate Rating Framework (Annex VI)	Rating	NIB SLLB Framework	SLL Eligible Portfolio	Reporting
Transition pathway financing (SLLB)	Loan A Loan B Loan C ...	Assessment of SLL KPIs and SPTs through criteria: • **Materiality** (incl., materiality impact & coverage) • **Ambitiousness** (incl. benchmarking, measurability & synergy with NIB's climate targets) • **Credibility** (incl. verification, data & integration into borrower's business)	**Excellent** **Good** Moderate Marginal Neutral Negative	SLL eligibility against **framework criteria** (based on SLLBG, Approach 1) Second party opinion	Loan A Loan B	Annual SLLB financed loans performance report Limited assurance

2.1.2 Eligibility criteria for SLLs financed under the NIB SLLB Framework

The following section outlines the eligibility criteria for SLLs to be included in the SLL Eligible Portfolio, mapped to the core components of the SLLPs. It also includes a list of the Core KPIs and accompanying ambition ranges for SPTs. These criteria and principles guide the selection and evaluation of SLLs financed under the NIB SLLB Framework, ensuring that the loans are aligned with NIB's sustainability goals and deliver significant climate-related benefits.

1) SLLP alignment

To increase transparency, all eligible SLLs should be aligned with the most recent SLLP readily available at the time of SLL agreement signed. Section 2.2 describes how NIB ensures SLL alignment with SLLP core components.

2) Single sustainability objective

The 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.

3) Core KPIs

Eligible SLLs selected for inclusion in the NIB SLL Eligible Portfolio must have at least one Core KPI. Core KPIs must be aligned with the single sustainability objective of the NIB SLLB Framework and be set according to the principles described below. Core KPI performance is verified on the trigger dates and disclosed in NIB's annual reporting. Only Core KPIs are used as grounds for potential disqualification from the SLL Eligible Portfolio (see section 2.2.5).

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

1. The reduction of emissions **covers material emission scopes that result in a significant or transformational impact**.
2. SPTs are **in line with the SBTi or equivalent science-based target-setting methodologies**.
3. SPTs are **aligned with the Paris Climate Agreement and follow a 1.5 °C pathway**. A 2 °C pathway can only be used as an exception if a sector-specific 1.5 °C pathway is not yet available.
4. SPTs **meet or exceed benchmarks** (i.e. SBTi or other target-setting initiatives, peer performance or industry standards).
5. SPTs **in line with NIB's Climate Strategy**.

NIB has defined the acceptable KPIs and related SPTs, and their selection principles in the following table. They concern GHG emissions reduction or avoidance and should cover a substantial share of the company's material emissions.

Core KPIs and their characteristics

Core KPIs	Coverage of Core SPTs
Scope 1 & 2 GHG emissions The KPI shall be used for borrowers where Scope 1 and 2 emissions represent the main share of GHG emissions (e.g. more than 50%). The KPI can also be used in addition to a Scope 3 KPI target when considering the total emission coverage.	• **Coverage:** At least **90% of Scope 1 & 2** emissions. • **Measurement:** Absolute or intensity-based targets.

Scope 3 GHG emissions
The KPI shall be used for borrowers if a company's Scope 3 emissions are 40% or more of total Scope 1, 2 and 3 emissions.
The KPI can also be used in addition to a Scope 1 & 2 KPI target when considering the total emission coverage.
	• **Coverage:**
	  • At least **40% of Scope 3** emissions for absolute or intensity targets.
	  • At least **60% of Scope 3** emissions for engagement-based targets.
	• **Measurement:** Intensity or absolute targets. In exceptional cases, engagement targets may also be accepted, depending on the borrower's business and ability to influence its value chain (Scope 3) emissions.

Other KPIs Any other KPIs aligned with the SBTi (or equivalent science-based target initiatives) sectoral pathway-setting methodologies, with the ultimate aim of reducing GHG emissions in Scope 1, 2 or 3.	• **Coverage:** The coverage of the CO_2-equivalent associated with the alternative KPI should follow the threshold as outlined above. • **Validation:** The KPI can be accepted only if it has been validated by the SBTi (or equivalent science-based target initiatives). These KPIs are transparently disclosed in NIB's annual reporting. • **Measurement:** Must follow the sectoral pathway-setting methodologies of the SBTi (or equivalent science-based target initiatives)

4) Secondary KPIs

SLLs may also have Secondary KPIs that address additional sustainability, social and productivity topics. These KPIs should be related to material aspects relevant to the borrower's operations: for example, water, waste and circularity, nature and biodiversity, pollution, supply chain, health and safety, or digitalisation. Additional climate-related KPIs that do not qualify as Core KPIs can also be included as Secondary KPIs.

By addressing multiple sustainability dimensions, SLLs with Secondary targets supports a more comprehensive transitional approach and provides even broader benefits to investors.

[9] Sustainability-linked Loan Principles: Selection of KPIs; Calibration of SPTs; Loan Characteristics; Reporting; Verification.

The use of Secondary KPIs is at NIB's discretion and is not limited by the NIB SLLB Framework. Secondary KPIs are not included in the potential disqualification assessment (see section 2.2.5), and their performance is reported separately from Core KPIs and disclosed in NIB's annual reporting.

5) Forward-looking performance assessment
At the time of inclusion in the SLL Eligible Portfolio, each SLL must have at least one remaining Core KPI trigger point.

6) Compliance with NIB's processes and policies
All eligible SLLs must comply with NIB's Sustainability Policy and not be included in NIB's exclusion list as detailed in the Sustainability Policy. Additionally, the counterparty is expected to demonstrate adequate ESG performance and should not jeopardise the achievement of NIB's climate targets. NIB's ESG approach is outlined in NIB's ESG Guidelines for Lending Operations.

7) Mandate rating eligibility
For an SLL to be included in the SLL Eligible Portfolio, it must receive a mandate rating of "Good" or "Excellent" in NIB's internal assessment. Details on NIB's mandate rating assessment are provided in section 2.3.1.

8) Sector eligibility
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.

NIB primarily engages with sectors facing significant climate challenges, helping accelerate their decarbonisation efforts. Through SLLs as transition financing, NIB supports companies in aligning their sustainability goals and implementing systemic change.

2.2 Process for selection and evaluation

2.2.1 Selection of KPIs, calibration of SPTs and mandate assessment

When assessing SLLs, the following aspects are considered:

- the ambition level of the SPTs; and
- the consistency of the SPTs with the borrower's overall sustainability objectives or sustainability strategy; and
- the benchmarking of SPTs; and
- how the borrower intends to reach the SPTs.

SLLs should aim to be ambitious, meaning they should represent a material improvement in the respective KPIs and go beyond a "business-as-usual" trajectory. In general, the target setting should be benchmarked against recognised standards as much as possible. This includes reference to science-based scenarios, a comparison with the borrower's peers and industry standards, and an evaluation of the borrower's own performance over time.

The climate targets used in NIB's SLLs should all be forward-looking and science based. The borrower's long-term ambition should be aligned with the Paris Climate Agreement and with the EU's goal of climate neutrality by 2050. Borrowers must set short- and mid-term targets for their transition trajectory to the long-term goal, explaining the scenario and methodology applied.[10]

NIB applies a comprehensive environmental mandate rating to SLLs. The scale of the rating is from "Excellent" to "Negative", and the assessment is based on three dimensions: materiality; ambitiousness; and the credibility of the KPIs and SPTs associated with the SLL:

- The **materiality** dimension consists of an identification and assessments of the most material and relevant topics of the borrower, including its main impacts (notably emissions and their scopes) and key business areas (such as operations, products, geographies).
- The **ambitiousness** dimension involves a comparison of the KPIs and SPTs against relevant benchmarks (i.e. science-based pathways, industry standards and/or peer performance), as well as their measurability (i.e. type of targets used) and the impact on NIB's own climate targets where applicable.
- The **credibility** dimension verifies that the data support the baseline and intended pathway of the targets (trajectory), as well as the alignment with the borrower's business or sustainability strategy. The past performance of the borrower in achieving its targets is also considered when assessing the credibility of the SLLs. The assessment gives NIB the confidence in the proposed actions and the associated realisation risk.

Mandate rating dimensions

MATERIALITY	AMBITIOUSNESS	CREDIBILITY
1. Material topics 2. Material impacts 3. Key business areas	1. Benchmark 2. Measurability 3. NIB's climate targets	1. Verification of targets 2. Data 3. Integration in the borrower's business

[10] On this basis, SPTs for an SLL should exclude the use of carbon offsets but not exclude borrowers from using Renewable Energy Certificates.

The SLL mandate rating incorporates all the elements stated above. The rating evaluates all three dimensions – materiality, ambitiousness and credibility – and aggregates each rating into a single, consolidated rating for the entire SLL. SLLs with an overall rating below "Good" are not included in the SLL Eligible Portfolio.

Ultimately, to achieve a "Good" rating, an SLL should fulfil the following criteria for KPIs and their associated SPTs:
- **Materiality:** Material topics are broadly covered. Material emission scopes or selected topics result in significant impact. Covers key business areas (operations, products or geographies).
- **Ambitiousness:** The ambitiousness level is in line with relevant benchmarks (i.e. the SBTi or other target-setting initiatives, peer targets or industry standards). The SLL has intensity and/or absolute targets. Exceptionally, for Scope 3 climate targets, engagement targets can be considered (in line with the SBTi or an equivalent reference). The targets are aligned with NIB's climate targets where such goals are set.
- **Credibility:** Climate targets are verified by the SBTi (or equivalent). The baseline and target projections are available and verified. Targets are linked to the borrower's business or sustainability strategy, and an action plan is in place.

For an SLL to be rated "Excellent", it needs to exceed the above-mentioned criteria.

A summary of NIB's Guidelines for Rating of SLLs is available in NIB's ESG Library.

Through interactions with the client, and in addition to the KPI and SPT setting, NIB gains a clear understanding of the relevant aspects, which are reflected in the loan agreement, including:
- the timelines for the target achievement, including the trigger dates for target observation;
- where relevant, the verified baseline and methodology;
- where relevant, in what situations pro-forma adjustments or recalculations of baselines and/or recalculation of KPIs and subsequent SPTs take place.

During the process, NIB also discusses with the borrower how it intends to reach SPTs and any other key factors that may impact the SLL structuring and/or its performance.

The governance structure related to SLLs and SLLBs is described in section 3.

2.2.2 Loan characteristics

During the loan agreement process, NIB agrees with the borrower on loan characteristics. The loan's financial and/or structural characteristics (loan margin) vary, depending on whether the selected KPIs have reached the predefined SPTs on the trigger date. The detailed terms for loan margin adjustments are described in the loan documentation between NIB and the borrower. Based on the performance on the trigger date(s), the margin is increased if the targets are not reached or decreased if the targets are met.

2.2.3 Reporting

NIB requires borrowers to report annually on KPIs and SPTs, providing up-to-date information on their performance.

2.2.4 Verification

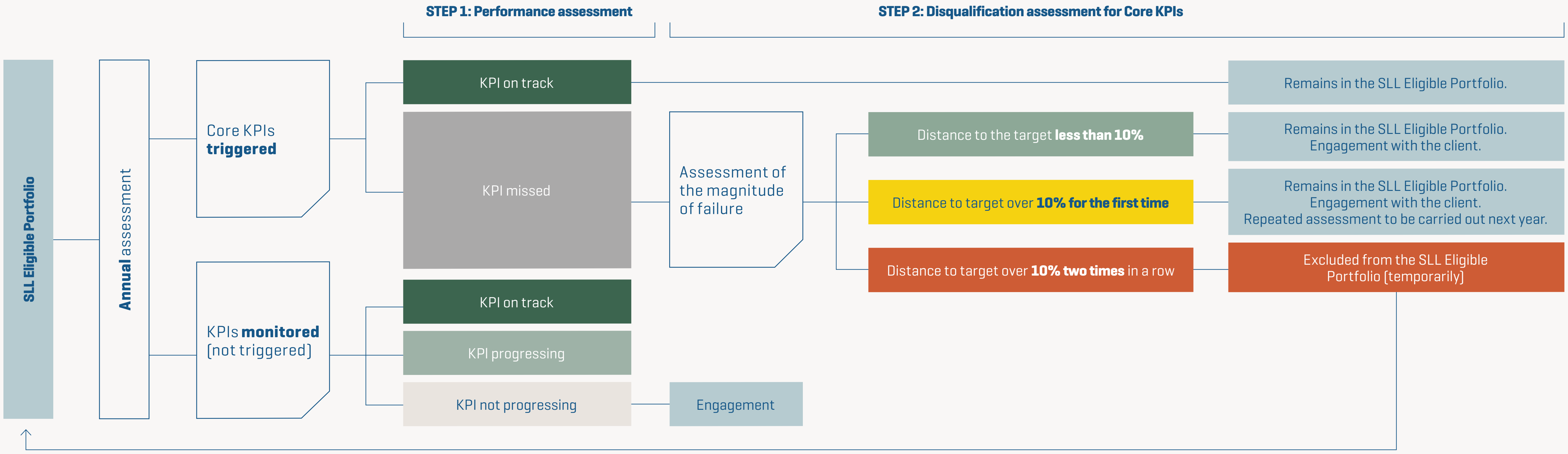
On trigger date(s), NIB requires external verification of the KPIs performance and the achievement of the SPTs. A trigger date is a predefined point in time specified in the loan documentation at which the borrower's performance against agreed KPIs and SPTs is assessed and externally verified.

If the borrower reports on the performance of the KPIs and the achievement of the SPTs in its annual or sustainability report, a minimum level of external verification is to be provided in the form of a limited assurance statement by a qualified third party. This assurance must cover both the KPIs and SPTs performances 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 the report lacks the limited assurance as a minimum, the borrower shall seek an independent external verification by a qualified third party. The borrower shall supply the verified documentation of its KPI and SPT performance to NIB within a reasonable timeframe following the trigger dates.

2.2.5 Performance assessment and disqualification of SLLs from SLL Eligible Portfolio

Appropriate monitoring of the performance and the disqualification assessment process for Core KPIs is a critical component of the NIB SLLB Framework. This process ensures that the loans remain aligned with NIB's sustainability goals, and that the borrowers are held accountable for their sustainability performance. The process is illustrated on the following page.



NIB performs annual performance monitoring of the KPIs. This involves a review of the progress made towards the Core and Secondary KPIs. The performance of each KPI is assessed to determine whether it is "on track", "progressing", "not progressing" or "missed" (the latter is used only for the Core KPIs on the trigger dates).

The trigger dates for NIB loans is normally set annually. If there is a strong rationale for a different frequency due to the nature of the loan and KPI in question, NIB can deviate from annual trigger dates.

Step 1: Performance assessment

In the first step, the performance of all KPIs towards the agreed SPTs is assessed. The KPIs are evaluated annually and categorised based on their progress:

- **KPI on track:** The agreed SPT value is reached on the trigger date, or the annual progress of the SPT is advancing as expected.
- **KPI progressing:** The SPT performance is progressing annually, but at a slower pace than anticipated.
- **KPI not progressing:** There is no measurable positive annual progress of SPT performance. For such KPIs, engagement with the borrower is initiated.
- **KPI missed** (only applicable for Core KPIs triggered): The agreed SPT value is not reached on the trigger date.

If the Core KPI is determined as "missed" on the trigger date, a disqualification review is initiated (Step 2 of the assessment process). Secondary KPIs are not included in the potential disqualification assessment, but their performance is monitored and reported separately from Core KPIs and disclosed in NIB's annual reporting.

Step 2: Disqualification assessment for Core KPIs

The disqualification assessment determines whether the loan remains in the SLL Eligible Portfolio, requires engagement with the borrower or is excluded based on the severity of its failure to meet the agreed targets. It evaluates the magnitude of the failure and takes it into account when determining the appropriate course of action. If the KPI is slightly behind the target, the loan remains in the SLL Eligible Portfolio with enhanced engagement with the borrower and monitoring. However, if the KPI is significantly off track, the loan may be temporarily excluded from the SLL Eligible Portfolio to ensure that only performing loans are included, and hence, maintaining the integrity of the SLL Eligible Portfolio. A loan can be reinstated to the SLL Eligible Portfolio once it shows proof of realignment with the originally agreed trajectory.

Assessment thresholds:

- **the distance from the target is less than 10%:** The loan remains in the SLL Eligible Portfolio, with borrower engagement if deemed necessary.
- **the distance from the target is over 10% on the first occurrence:** The loan remains in the SLL Eligible Portfolio, with borrower engagement and reassessment scheduled the following year.
- **the distance from the target is over 10% in two consecutive years:** The loan is temporarily excluded from the SLL Eligible Portfolio until reassessment.

If an SLL has more than one Core KPI, and any Core KPI demonstrates a performance distance from the target exceeding 10% on two consecutive occasions, the loan is disqualified from the SLL Eligible Portfolio.

NIB reserves the right to remove an SLL from the SLL Eligible Portfolio for any reasons beyond non-performance.

2.3 Management of proceeds

The proceeds of each SLLB, or an amount equivalent to the proceeds, are moved to a separate portfolio and attested to by NIB in a formal internal process linked to the NIB's lending and investment operations for eligible SLLs. As long as an SLLB is outstanding, the balance of the tracked proceeds is periodically adjusted to match allocations to eligible SLLs made during that period.

Any temporary placements for the balance of unallocated proceeds are managed within NIB's asset and liability management in accordance with NIB's Liquidity Policy[11] and remain subject to NIB's Sustainability Policy.

NIB's intention is for the total amount raised by SLLBs to remain below the aggregated size of the SLL Eligible Portfolio. To facilitate this and to account for the potential evolution of eligible SLLs, the aim is 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 SLLBs exceeds the SLL Eligible Portfolio, NIB commits to hold the funds in the Treasury and manage them in accordance with NIB's Liquidity Policy and remaining subject to NIB's Sustainability Policy.

2.4 Reporting

NIB reports annually on the SLLs in the SLL Eligible Portfolio, including the performance of the selected KPIs and progress towards the SPTs during the loan tenor. NIB publishes this information as part of its annual reporting on NIB's website at www.nib.int.

NIB's reporting consists of:

- the total amount of SLLBs issued by NIB and the total amount of the SLLs in the SLL Eligible Portfolio.
- information about the KPI categories represented in the SLL Eligible Portfolio.
- 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.
- performance monitoring information at the aggregated SLL Eligible Portfolio level, reported separately for Core KPIs and Secondary KPIs (subject to limitations regarding the disclosure of specific borrower names).
- information about the engagement and disqualifications (subject to limitations regarding the disclosure of specific borrower names).
- in addition, NIB can include case studies or examples of SLLs financed by SLLBs, or other SLLB-related information.

Post issuance, NIB's management of proceeds is supplemented using an external auditor or another qualified third party. This verifies internal tracking and allocation of funds from the SLLB proceeds to eligible SLLs.

[11] Liquidity Policy adopted by the Board of Directors of the Nordic Investment Bank on 26 February 2024 with entry into force as of 18 March 2024 as amended or replaced from time to time.

3 Governance

NIB's Sustainability and Mandate unit ("**SUM**") assesses the mandate fulfilment of all loans. The assessment focuses on evaluating the extent to which a loan contributes to benefiting the environment and fulfils SLL rating criteria. The SUM performs an SLL mandate rating assessment using NIB's Mandate Rating Framework[12] (section 2.2.2) and is therefore responsible for preselecting the loans suitable for inclusion in the SLL Eligible Portfolio.

In addition to the mandate assessment, all counterparties and projects (where applicable) also undergo a review of the ESG risks, as well as of their resilience to the effects of climate change, in accordance with NIB's Sustainability Policy. Additionally, the SUM provides expertise to the Lending department during the due diligence process and checks the annual performance of loans in the SLL Eligible Portfolio, and providing data for annual reporting. These assessments inform the Mandate, Credit, and Compliance Committee ("**MCC**") about decisions related to inclusion, disqualification or reinstatement of SLLs in the SLL Eligible Portfolio.

The MCC serves as the primary decision-making body for approving loans for inclusion in the SLL Eligible Portfolio. As part of the regular credit process, the MCC evaluates loan proposals to ensure compliance with both credit and sustainability requirements. It is also responsible for the decision regarding the disqualification and reinstatement of SLLs in the SLL Eligible Portfolio based on performance data and recommendations provided by the SUM.

The Lending department is the primary point of contact for clients. This includes engaging with clients during the initial transaction phase and maintaining ongoing communication throughout the loan term. The Lending department is responsible for collecting the data on SLL performance from borrowers and engaging with the borrowers to address any questions that arise. The Lending department works closely with the SUM to integrate sustainability expertise into these processes.

The Treasury department is responsible for the issuance of SLLBs and the oversight of the management of proceeds. Additionally, the Treasury department plays a key role in managing investor relationships.

4 Legal and credit rating

SLLBs can be issued under NIB's EMTN programme or as standalone issues. The offering materials for issuances of SLLBs indicate that the proceeds are to be used for financing selected SLLs which are considered to improve the sustainable performance of the borrower and consequently benefits the environment and productivity of NIB's member countries. The NIB SLLB Framework, the second party opinion and the Annual Report are for information only, are not incorporated by reference in the transaction documents and do not form part of the terms and conditions of the SLLBs.

SLLBs constitute direct and unsecured obligations of NIB ranking pari passu without any preference among themselves and equally with all other unsubordinated and unsecured indebtedness of NIB outstanding from time to time. Payment of the principal and interest on NIB SLLBs is made solely on the credit standing of NIB as a single institution and is not linked to the performance of the SLLs that are funded with SLLBs. SLLBs are therefore expected to carry the same credit ratings as all other outstanding bonds issued by NIB.

5 Second opinion

NIB has obtained a second-party opinion for its NIB SLLB Framework. The second-party opinion is published on NIB's ESG Library.

6 Documents and websites

NIB will in due time establish a dedicated website providing information about its SLLBs and SLL Eligible Portfolio. NIB publishes information about SLLBs and SLLs and progress in its Annual Report. Please also see ESG Library.

[12] Rating defined in the NIB Mandate Rating Framework last updated in June 2019 and as amended or replaced from time to time

NORDIC INVESTMENT BANK

FINANCING THE FUTURE

Jens Hellerup
Senior Director,
Head of Funding & Investor Relations
jens.hellerup@nib.int

Jukka Ahonen
Senior Director,
Head of Communications
jukka.ahonen@nib.int

Luca De Lorenzo
Vice President,
Head of Sustainability & Mandate
luca.delorenzo@nib.int