

Nasdaq Social Bond Criteria

Nasdaq is proud to have launched the first Sustainable Bond Market in the world and to be a part of the transition towards more sustainable financial markets. The Nasdaq Sustainable Bond Market was launched in July of 2015 with a total volume of 740 million euro and has grown at an impressive pace ever since.

International standards define sustainable bonds as loans used to finance projects that bring clear environmental and social-economic benefits. Green Bonds are defined as loans used to finance environment friendly initiatives and Social Bonds are used to finance projects achieving positive socio-economic outcomes. This fact sheet describes Social Bonds and Nasdaq's criteria for listing them. Read our [green bond criteria](#) and [sustainable bond criteria](#) to learn more about other types of bonds that are eligible for the Sustainable Bond Market.

There are currently two sustainable bond segments at Nasdaq, one on the Nasdaq Stockholm main market and one on Nasdaq First North Bond Market. To be eligible to list on either market, issuers need to meet the relevant criteria which Nasdaq has developed in cooperation with Sustainalytics, a global leader in environmental, social and corporate governance (ESG) research.

The Social Bond Criteria are based on the Social Bond Principles, for which the International Capital Market Association acts as secretariat.

1. Use of Proceeds

The use of proceeds needs to go towards projects that deliver clear social benefits. Areas of eligible projects include, but are not limited to:

- Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation and transport)
- Access to essential services (e.g. health, education and vocational training, healthcare, financing and financial services)
- Affordable housing
- Employment

When issuing social bonds, it is also important to clearly communicate who will benefit from the funded projects. For that purpose, a target population should be identified and defined. Examples of target populations are:

- Living below the poverty line
- Undereducated
- Excluded and/or marginalized communities
- Unemployed

For further examples of eligible projects, we recommend issuers to consult the [SBP](#), our [website](#) or contact our listings team directly.

THE SOCIAL BOND PRINCIPLES

The Social Bond Principles (SBP) are voluntary process guidelines for issuing social bonds. The SBP outlines four core concepts of Social bond issuance:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

We recommend that issuers are transparent not only in which projects are financed but also in regards to the process of project selection and evaluation. Issuers should be transparent about why the financed projects have been chosen and how they benefit the identified target population. Furthermore, it is important that a social bond issuer sets up routines and systems to make sure that the proceeds are allocated to the intended projects.

2. Third Party Review

To be eligible to list on Nasdaq's Sustainable Bond Market, the social bond or social bond framework must be reviewed by an experienced third party. The third party review must receive an adequate outcome and be attached when applying to list with Nasdaq. There are four distinct types of third party reviews that are generally accepted when listing social bonds on Nasdaq:

- | | |
|----------------------|------------------|
| 1. Consultant Review | 3. Certification |
| 2. Verification | 4. Rating |

Reach out to our listings team or [consult the SBP](#) if you want to learn more about the acceptable types of third party reviews.

Nasdaq reserves the right to assess whether a third party reviewer is to be deemed experienced.

3. Reporting

A key element of all types of social bonds is the reporting of the funded projects. Detailed reporting not only assures your investors but highlights the good work your company is doing to promote a more sustainable world. Transparency is key and we recommend that our issuers follow the guidelines set out in the SBP where it is applicable.

There are many aspects of social reporting. Nasdaq's eligibility criteria focuses on the availability and frequency of satisfactory reports. Issuers are required to make annual reports regarding their social bonds publicly available until full allocation.* Nasdaq does not set rules for what to report. However issuers are urged to [consult the SBP](#) or other harmonized guidelines when designing the reports.

For further guidance, Nasdaq has created a voluntary ESG reporting guide to help exchange listed companies align their reporting with international standards. The guidelines can be found [here](#).

4. Exclusions

Nasdaq reserves the right to exclude or remove bonds from the Nasdaq Sustainable Bond Market if they fail to meet the above outlined criteria. A bond can be removed from the segment if:

- it becomes non-compliant with the use of proceed criteria
- it does not meet its reporting obligations
- it is involved in a controversy directly relating to the project / activities funded by the bond.

Furthermore, we do not allow bonds which proceeds are directed towards projects deemed to be unethical, controversial or in violation of the UN Global Compact Principles to be listed on the Sustainable Bond Market.

* If Nasdaq becomes aware that the issuer has failed to publish an annual report in accordance with the SBC, the issuer is given 2 months to produce a satisfactory report and submit it to Nasdaq.

KEY REPORTING ELEMENTS

- Allocation of proceeds until full allocation and descriptions of the projects financed.
- The percentage of proceeds allocated to financing and refinancing.
- Impact of the financed projects. Both materialized and estimated future impacts.
- Quantitative measures where it is possible.

QUESTIONS?

Please reach out to our listings team:

Axel Holm

E-mail: axel.holm@nasdaq.com
Tel: +46 73 449 6812

Ann-Charlotte Eliasson

E-mail: ann-charlotte.eliasson@nasdaq.com
Tel: +46 73 449 6892

Website: <http://business.nasdaq.com/list/listing-options/European-Markets/nordic-fixed-income/sustainable-bonds>