

RU Social Financing Framework

2021



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HÁSKÓLINN Í REYKJAVÍK
REYKJAVIK UNIVERSITY



Introduction

Reykjavik University (RU), established in 1998, is the second largest university in Iceland enrolling around 3,500 students annually and is located in the City of Reykjavík, Iceland's capital. RU has its roots in the School of Computer Studies which was founded in 1988. RU has seven academic departments, a preliminary study programme, and a continuing education programme. In 2021 RU was ranked in the range of 300-350 in the Times Higher Education ranking of the world's best universities, the highest in Iceland. It was also ranked no. 59 by the same institution among young universities and number one in terms of research influence.

RU's majority owner is The Icelandic Chamber of Commerce's educational fund, along with the Federation of Icelandic Industries and Confederation of Icelandic Enterprise. According to RU's statutes, dividend payments to owners are prohibited and all profits are to be re-invested in RU's operations.

RU's role is to create and disseminate knowledge to increase competitiveness and quality of life for individuals and society with ethics, sustainability, and responsibility as guiding principles. To support this mission, RU is an active participant in the United Nation's Principles for Responsible Management Education (PRME). PRME's mission is to transform management education and develop the responsible decision-makers of tomorrow to advance sustainable development. Similar to all universities in Iceland, RU is open to all students. RU's social objective is to provide access for all to higher education, including underserved and marginalized groups.

RU's funding structure is based on government support, like all other educational institutions in Iceland, as well as through tuition. Private universities receive annual contributions approved by the Icelandic Parliament both for education and research, making the funding structure a mix of public and private. Furthermore, the Government runs a student loan system (Menntasjóður namsmanna), which funds living expenses and tuition costs for Icelandic students whether they study at home or abroad.

Sustainability



RU has an important role to play in increasing access to higher education in Iceland. Through its commitment to PRME and its six principles, RU works to ensure that its role of disseminating knowledge is fulfilled sustainably, both socially and environmentally. RU's approach to sustainability is focused on its mission to provide access to higher education for all, to develop the capability of students and future generations, and to educate its student body in a way that reflects sustainable development.

RU places a strong focus on reducing inequalities, with the goal of making higher education accessible to all, regardless of their background. This reflects its main objective of ensuring equal status and opportunities for all students and employees, as stated in the University Equality Plan. RU's equality programme emphasizes that all individuals should have equal opportunities for education, development, research, and funding, regardless of age, gender, or nationality.

Universities historically have acted as centres for knowledge sharing and idea generation, and they continue to play this important role in society. Through research, knowledge, and the financial means they possess, universities can share and pass down knowledge, generate impact through technological innovation, address global challenges, change the physical landscape as landowners, build and foster international connections and talent, and improve lives.

RU embraces these responsibilities and has clearly stated its role "to create and disseminate knowledge in order to enhance the competitiveness and quality of life for individuals and society, guided by good ethics, sustainability, and responsibility." Furthermore, RU has a policy of open access to its research and runs several research centres, including the Sustainability Institute and Forum (SIF), which has the main purpose of fostering research and education in sustainable development, with a focus on the U.N.'s 17 Sustainable Development Goals (SDGs).



RU aims to fulfil this role by providing access to essential services (education) in an affordable way. Through the provision of facilities and equipment, RU can provide access to education for a greater student population and enhance the quality of RU's education. RU's buildings are designed and built with accessibility in mind, including for people with physical disabilities, and is easily accessible, by bus, bike, and by pedestrians in the centre of the City of Reykjavik. RU will ensure, as much as is possible, that it will adapt its accessibility focus to any fundamental infrastructure changes to the public transportation system in the City. By strengthening its distance teaching services, RU can further increase access to higher education for people with disabilities, people in remote areas in Iceland, and other who can benefit from such learning.

Through the mixed private/public funding structure and governmental student loans, RU can continue to provide an affordable education and further provide financial access through the implementation of affordable housing for students.

It is RU's policy to offer support for all students to ensure the greatest likelihood of study completion and graduation on time and support student's well-being. This includes study counselling, psychological support, study support, reading facilities, group work rooms, and access to direct interaction with teachers, departments, and other staff. All student support is provided at no cost for students.

To further support students and to maximize RU's social impact, RU will use the UN SDGs as a guiding light, focusing on SDG4: Quality education, SDG10: Reduced inequality, SDG11: Sustainable cities and communities, and SDG17: Partnership for the goals. RU has identified the undereducated, unemployed, and students with disabilities, as underserved groups which it has and will continue to foster and make its educational programmes accessible to.

As part of RU's objective to increase access to higher education, it has strong focus on supporting the undereducated. RU was one of the first bodies in Iceland to offer preliminary study programmes for those who do not qualify to start a university education. With successful completion of the programme, students are qualified for university education, not limited to RU. Students in the programme are eligible for governmental student loans.

RU's objective to assist the unemployed is rooted in flexibility, as has been seen when unemployment in the society increases. During the Covid-19 pandemic, RU took part in an initiative to secure activity of the student body during the summer break by offering summer courses, both for those continuing their studies as well as those seeking to jump-start a university education. Further, RU offered over 150 summer research positions for students and hired employees through the Directorate of Labour's initiative to decrease unemployment.

Through studying at RU, students gain access to affordable student housing which has been built by RU in order to provide its students proper housing. All student housing is built according to Parliament Law on Public Housing which sets clear criteria of income thresholds for those eligible for public housing, ensuring low-income accessibility. RU has further prioritised a certain number of housing units for people with disabilities, those from outside the Capital region, and foreign students, further increasing diversity. RU's allocation rules for student housing provides students in difficult social situations an opportunity to apply for priority access.

RU has a policy on extended support for student with disabilities. This includes students with physical disabilities, learning disabilities, neuropsychological deficits, psychological problems, and long-term illnesses. RU's facilities are designed with the access of students with different disabilities in mind and RU takes an individual approach to each group to support them. The goal of this work is to ensure that those who have disabilities can enter and complete a higher education.

Establishing this Social Financing Framework will allow RU to align its financial capacity to this vision of increasing social equity and improving lives through access to education and research. Through the use of debt instruments, RU sees an opportunity to transparently provide these social impacts both to its constituents and stakeholders, as well as to investors, particularly those interested in ESG investments. RU aims to find investors who align with these values, and this framework will provide the financial flexibility to support these commitments fiscally.



Reykjavik University is founded on the principle of serving society at large with education and research that strengthens and improves living standards.

When it comes to offering education, this means reaching as large and diverse of a group as is possible for the University, as that is what serves society best. Our reputation for strong student support, quality teaching and accessible facilities go a long way to attract students, but the university also identifies target groups that need more encouragement and more support, so as to enlarge and diversify programs. The University also works with the government and municipalities to ensure financial support, affordable housing and what else is needed to ensure that everyone who has the necessary educational foundation can study at the University.

When it comes to the subject of education and research, the University puts great emphasis on having impact on society and driving it towards a better future. Sustainability and responsibility thus play key roles in education and research at the University.

Ari Kristinn Jónsson, President

Social Financing Framework



RU has designed this Social Financing Framework¹ to issue debt financing, including but not limited to bonds and loans (together referred to as Social Instruments) to finance Eligible Projects (as defined in this Framework).² The Social Instruments shall refer to this Framework. This aligns with the shareholders' and the management's vision to further contribute towards sustainable development at a local and global level.

This Framework may, from time to time, be updated in order to comply with future changes to social financing guidelines and taxonomies as well as to general sustainability financing market practices and/or changes in RU's own operation.

Use of proceeds

An amount equal to the net proceeds of the Social Instruments will be used to finance or refinance Eligible Projects, both capital expenditures (CAPEX) and operating expenditures (OPEX), in whole or in part, as described below. RU intends to allocate proceeds from financing instruments within 36 months from any issuance.

Net proceeds can finance both existing and new Eligible Projects. New financing refers to Eligible Projects initiated in the same year as financing has taken place and disbursed to said project. Refinancing refers to Eligible Projects initiated in the previous calendar year or earlier of financing under this Framework.

Exclusion criteria: net proceeds will not be placed in projects or in entities with a business plan focused on fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, or tobacco.

Any investment in RU's buildings, both new buildings and any refurbishments to existing buildings (both education buildings and student housing) are intended to go further than existing building regulations, with accessibility in mind for the mentally and physically disabled. The Icelandic electricity and heating grid is operated using 99.9% renewable sources. For future buildings, RU will consider environmental certifications, e.g. BREEAM and BREEAM-in-use.

¹ This Framework has been aligned with the Social Bond Principles (2021) and the Social Loan Principles (2021).

² This may also include issuance of such Social Instruments by specific SPVs (Special Purpose Vehicles) and/or entities/organizations affiliated to or controlled by RU.

Eligible Project categories & impact indicators

Social Bond Principles Project Categories	Project examples	Impact indicator	UN SDGs and sub-indicators
<p>Access to essential services – Education</p> <p>Buildings including classrooms and laboratories, along with all facilities, equipment, administration, and operations in service of students or staff.</p>	<p>New buildings with state-of-the-art accessibility considerations.</p> <p>Support network to ensure that the needs of students with either physical or learning disabilities.</p>	<ul style="list-style-type: none"> - Students reached - School dropout rate - Percentage of students with special educational needs in regular classrooms 	 <p>4.4 Increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p>  <p>10.3 Ensure equality opportunity and reduce inequalities of outcome.</p>
<p>Socioeconomic advancement and empowerment</p> <p>Activities including research, education, service, civic and international engagement activities that advances one or more of the UN SDGs and/or target populations.</p>	<p>Programmes that provide undereducated people access to higher education.</p> <p>Summer research programs for the unemployed, and research programs dedicated to advancing the UN Sustainable Development goals.</p> <p>Student counselling and career centre, and psychological services.</p>	<ul style="list-style-type: none"> - Number of research projects supporting one or more of the UN SDG's - Youth unemployment rate - Percentage of population aged 25-64 who have completed their tertiary education 	 <p>4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development.</p>  <p>17.8 Enhance the global partnership for sustainable development.</p>
<p>Affordable housing</p> <p>Student housing projects including all facilities, administration, and operations in service of the renters.</p>	<p>New student apartments in walking distance from RU with state-of-the-art accessibility considerations and low rent.</p>	<ul style="list-style-type: none"> - Number of dwellings - Disabled people with access to well-equipped dwellings - Rental costs compared to the national/regional rent index 	 <p>11.1 Ensure universal access to quality housing.</p>  <p>10.2 Empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other statuses.</p> <p>10.3 Ensure equality opportunity and reduce inequalities of outcome.</p>

Governance: project evaluation and selection

RU's President is responsible for sustainability, both education-wise and in its general operation. RU's Executive Committee (Committee) will be responsible for review, evaluation and selection of potential Eligible Projects based on the Social Financing Framework. The Committee will review a Social Registry, the purpose of which is to record Social Financing activities and Eligible Projects, and validate the Projects listed in it. The Committee will also review the annual reporting and has the ultimate responsibility of the Framework

The Committee consists of the President, COO, and Deans and Department Chairs. Other parties recognized as subject matter experts, internal or external, may be consulted. The Executive Committee will discuss the Framework, progress, the Sustainability registry, and other related topics when required but at least annually. Any future updates of this Framework must be approved by the Committee.

In evaluating and selecting potential Eligible Projects and allocating Social Financing, the Executive Committee will also consider aspects such as human and labour rights and the avoidance of significant harm to other targeted populations as defined in the Social Bond Principles. In addition, it will assess environmental risks, such as climate change, pollution, and biodiversity, in order to identify mitigating actions as RU's intention is to align with environmental and social standards and best practices and go further than local laws and regulations, when feasible.

Management of proceeds

RU will establish a Social Registry for the purposes of recording Social Financing and only support the financing of Eligible Projects or to repay Social Bonds as well as serving as the basis for RU's Allocation and Impact Reporting. Internal budgeting and accounting systems will be used to identify project costs, which will then be marked against the Social Bonds' position in the Social Registry. The Social Registry will be reviewed at least annually. Projects no longer complying with the Eligible Project criteria and thresholds will be removed from the Social Registry.

RU strives to achieve a level of allocation for the Eligible Social Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Social Financing. Additional Eligible Social Projects will be added to the issuer's Eligible Social Project Portfolio to the required extent. Unallocated Social Bond net proceeds may temporarily be placed in cash, cash equivalents, or other liquid marketable instruments.



Reporting & Transparency

RU will provide reporting to its investors and other stakeholders in its Allocation and Impact Reporting annually in line with RU's general annual reporting cycle until Social Bond net proceeds are fully allocated. The reporting will be conducted in line with best market practice and international guidelines and protocols³ at an aggregated level and on a portfolio basis.

Allocation reporting

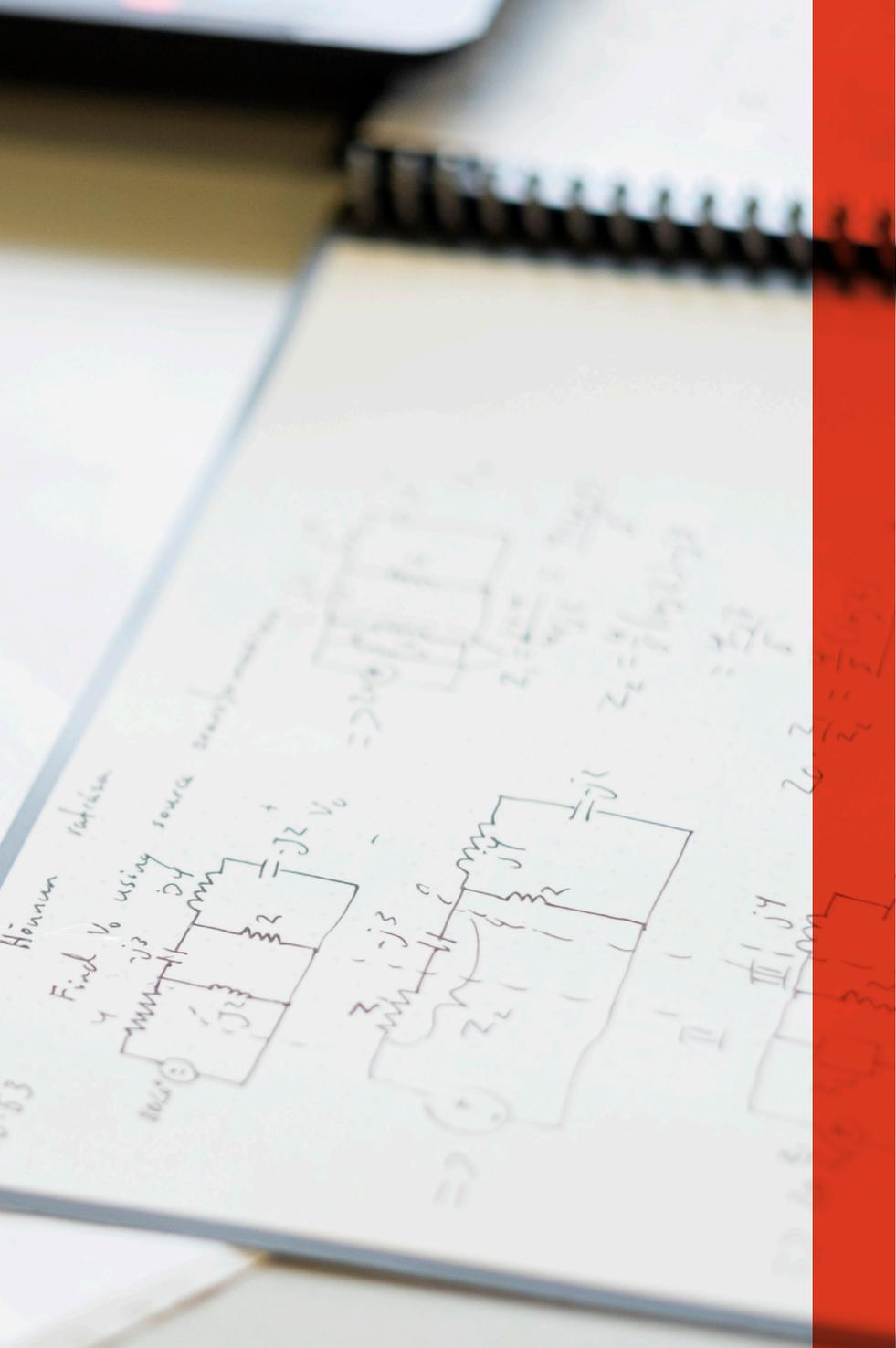
- Summary of Social financing activities
- Types of Social Instruments
- Outstanding amounts of individual Social Instruments
- Balance of unallocated proceeds
- New vs. refinancing ratio
- Allocation to Eligible Project Categories
- An example list of projects financed

Impact reporting⁴

- Methodologies for individual project categories and/or projects
- Social impacts, per the indicator table in the Eligible Project Category table

³ In alignment with ICMA's Working Towards a Harmonized Framework for Impact Reporting for Social Bonds (2020).

⁴ The impact assessment is provided subject to the availability of information and baseline data. This may also be subject to confidentiality agreements, competitive considerations, and other such factors, which may limit the scope of impact reporting.



Role of external parties

Second Party Opinion

To ensure alignment with international guidelines and best practices a pre-issuance independent external second-party opinion has been obtained on this Framework from S&P Global Ratings (formerly Standard & Poor's).

Post-issuance Allocation and Impact Reporting

RU intends to request an independent external party to provide limited assurance, verification, and/or consulting to prepare and/or assure, verify, or confirm its Allocation and Impact Reporting.

These documents will be publicly available on RU's website: [Háskólinn í Reykjavík](https://www.ru.is) (en.ru.is)

RU's strategies on academic strength, human resources, operations, and sustainability can be found on its website: [Strategies | Reykjavik University](https://www.ru.is) (ru.is)