# Summary of Guidelines for Rating of Sustainability-linked Loans

## (an annex of NIB's Mandate Rating Framework)

Nordic Investment Bank (**NIB**) finances investment projects that drive productivity and environmental sustainability in the Nordic and Baltic regions, fostering long-term prosperity. To ensure alignment with its vision, NIB uses its Mandate Rating Framework[1] and annexed guidelines to evaluate how loans, including Sustainability-Linked Loans (**SLLs**), deliver productivity gains and environmental benefits.

## Purpose and scope

This document outlines the principles and criteria for designing, assessing and rating SLLs. It builds on established market standards such as the Sustainability-linked Loan Principles by the Loan Market Association and the Sustainability-linked Bond Principles by the Principles.[2] It also incorporates climate-related guidance from the Climate Transition Finance Handbook.[3]

SLLs incentivise borrowers to achieve ambitious sustainability goals by aligning loan terms such as margin with their performance against predefined key performance indicators (**KPIs**) and sustainability performance targets (**SPTs**). NIB's SLLs promote performance-driven lending and high standards in sustainable finance, complementing its loan offerings, particularly for:

- Borrowers whose sustainability transition does not rely primarily on investment in fixed assets and for whom the material aspect is their value chain's sustainability performance.
- Hard-to-abate sectors (e.g. construction, engineering, machinery) or decarbonisation-critical industries where operational transitions drive impact.
- Borrowers aiming to enhance sustainability in areas like circularity, water use, nature or social aspects.

SLLs are suitable for borrowers across sectors, but if a borrower's sustainability transition relies on a few large projects, a use-of-proceeds loan may be more appropriate.

## Designing SLLs

KPIs for SLLs must be material to the borrower's business and sustainability strategy and clearly justified. To assess the ambition of the SPTs, sound KPIs should be measurable, externally verifiable and possible to benchmark against credible sources. NIB typically prefers up to three KPIs to ensure credibility without overcomplicating the structure. Metrics for KPIs can be absolute reductions, intensity-based or based on supplier engagement targets, but should avoid reliance on economic conditions. Engagement and monetary targets are considered weaker and should be discouraged where possible. Exceptionally, for Scope 3 emissions, engagement targets can be considered if they are in line with the Science Based Targets initiative (SBTi) or an equivalent reference. Environmental, Social and Governance (ESG) ratings cannot be used directly as KPIs.

Borrowers must justify their proposed KPIs and SPTs, including the ambition level, alignment with their sustainability strategy, benchmarking approach and plans to achieve the targets.

SPTs should represent material improvements beyond a "business-as-usual" trajectory, be ambitious, forward-looking, with a clear scope, predefined timelines and alignment with the borrower's strategy. SPTs should be benchmarked against recognised standards such as science-based scenarios, industry norms and peer performance. They must use recent baseline data and cover relevant areas and geographies.

Climate-related SPTs must be science-based, align with a 1.5 °C pathway (or 2 °C pathway if a sectorial 1.5 °C pathway is still missing), the Paris Agreement and the EU's 2050 climate neutrality goal, with short- and mid-term targets supporting the long-term ambition. Offsetting is generally excluded.

KPIs and SPTs should be agreed with the borrower, with annual SPT plans recommended. Annual reporting on KPI performance and progress toward SPTs is mandatory. If not publicly disclosed, this information must be submitted directly to NIB.

Each SLL must include "trigger dates" (key points when SPT achievement is assessed and may affect loan terms) within the loan tenor, marking when SPT achievement is assessed and loan margin adjustments are activated.

External verification is required at trigger dates. Minimum verification includes limited assurance by a qualified third party. Full independent verification is required if public reporting is insufficient.

[1] NIB's Mandate Rating Framework dated 2019 as amended or replaced from time to time.
[2] Sustainability-Linked Loan Principles by the Loan Syndications and Trading association dated 2025 and and Sustainability-Linked Bond Principles by the Principles dated 2024 as amended or replaced from time to time.
[3] ICMA Climate Transition Finance Handbook dated 2023 as amended or replaced from time to time.

# Mandate assessment

### Environmental mandate rating of SLLs

SLLs are rated based on their contribution to sustainability objectives. The rating range is a six-notch system ("Negative", "Neutral", "Marginal", "Moderate", "Good" and "Excellent"), with progressively stricter requirements at each rating notch to ensure increasing rigour and ambition. The rating considers three key dimensions: materiality; ambition; credibility.

| Dimensions and sub-dimensions | | Key criteria | Rating range |
|---|---|---|---|
| **Materiality** | Materiality | Identification and assessment of the most material and relevant topics to the borrower. | Negative > Excellent<br>From no relevance or coverage to full alignment with core sustainability issues and transformational impact. |
| | Impacts | Key impacts (e.g. emissions and scopes) in which SLL would result. | |
| | Coverage | Coverage across business areas (e.g. operations, products, geographies). | |
| **Ambition** | Benchmark | Comparison of KPIs and SPTs against relevant benchmarks (e.g. scientific pathways, industry standards and peers). | Negative > Excellent<br>From business-as-usual or minimal ambition to targets that exceed benchmarks and drive sectoral transformation. |
| | Measurability | Measurability/type of targets (e.g. intensity, absolute, engagement, monetary, etc.). | |
| | NIB's climate targets | Synergy with NIB's climate strategy (where applicable). | |
| **Credibility** | Verification of targets | Verification of targets with science-based target initiatives or third parties. | Negative > Excellent<br>From lack of data or verification to robust, externally validated targets fully integrated into strategic planning. |
| | Data | Baseline data and target projection availability and verification. Past performance indicates confidence in proposed actions and realisation risk. | |
| | Integration into the borrower's business | KPIs and SPTs link to the borrower's strategy, actions and investment plans. | |

The Sustainability and Mandate unit analyst assesses all three dimensions and aggregates each rating into a single consolidated rating given to the entire SLL. The analyst is permitted to apply justified overrides if necessary. When further guidance is needed, the most significant KPI and materiality rating guide decisions.

### Productivity mandate rating of SLLs

Productivity mandate rating evaluates how sustainability targets affect the borrower's commercial performance and broader socioeconomic impact. The ratings range from "Neutral" to "Excellent", with higher ratings awarded to targets that drive innovation, efficiency and broader industry benefits.

| Impact category | Key criteria | Rating range |
|---|---|---|
| **Value added & operations** | Operational efficiency, cost savings and preparedness for regulation. | Neutral > Excellent<br>From no operational benefits to significant improvements passed on to other entities and combination with improvements in other impact categories. |
| **Product innovation** | The role of R&D and innovation in achieving targets. | Neutral > Excellent<br>From no innovation to breakthrough developments within member areas and combination with improvements in other impact categories. |
| **Process development & digitalisation** | Improvements in business processes and digital transformation. | Neutral > Excellent<br>From no process change to transformative digitalisation and supply chain innovation, and combination with improvements in other impact categories. |
| **Infrastructure services** | Infrastructure services and its impacts. | Neutral > Excellent<br>From no impact on infrastructure services to significant impacts and combination with improvements in other impact categories. |

### ESG assessment

Borrowers must demonstrate sound ESG practices. Entities with poor governance or low ESG performance are generally unsuitable for SLLs. The ESG assessment helps identify relevant KPIs and SPTs and ensures alignment with the borrower's sustainability strategy.