S&P Global
Ratings

Second Party Opinion

MuniFin Social Bond Framework

Aug. 15, 2025

Primary contact

Salaheddine Soumir
Paris
+ 3360-3748-108
salaheddine.soumir
@spglobal.com

Location: Finland **Sector:** International Public Finance

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

✓ Social Bond Principles, ICMA, 2025

See Alignment Assessment for more detail.

Strengths

MuniFin supports the growth of social investments by offering a margin discount to all eligible social finance projects. This encourages more frequent evaluation of social impacts and supports the integration of related considerations into public-sector investment decisions, contributing to the issuer's target of increasing the share of social financing to 8% by 2030 from 7% in 2024.

The financing aligns with MuniFin's mandate under Finland's 2023 health and social services reform, which empowers wellbeing services counties to invest in regional infrastructure. By funding the construction and renovation of public rehabilitation, sports, cultural, and educational facilities, the issuer supports accessibility and community inclusion. This contributes to the welfare of residents--particularly the elderly and those in remote municipalities--by improving opportunities for health, learning, recreation, and social engagement.

Weaknesses

No weaknesses to report.

Areas to watch

The social impact indicators MuniFin will disclose are largely outputs (for instance, the number of beneficiaries) rather than specific social outcomes (for instance, housing accessibility). This limits insight into project the effectiveness and impact, although this choice of indicators is not unusual for social instruments due to the complexity of measuring their impact. Still, we view positively that the issuer reports detailed project-by-project impact indicators at a stand-alone level, which enhances transparency.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Municipality Finance PLC (MuniFin) is one of Finland's largest credit institutions and the only one specialized in the financing and financial risk management of the municipal sector and state-subsidized housing. MuniFin is owned by Finnish municipalities, public sector pension provider Keva, and the State of Finland. Its customers include Finnish municipalities, joint municipal authorities, municipally controlled entities, and non-profit housing organizations. At year-end 2024, the majority of new long-term lending was directed to green and social projects, and MuniFin released its first financed emissions report, disclosing greenhouse gas emissions related to its loan and investment portfolios. Forty-nine percent of the long-term loan portfolio was lent to housing corporations, 42% to municipalities, joint municipal authorities and corporate entities under their control, and 10% to the wellbeing services counties sector.

Material Sustainability Factors

Social factors

Institutions providing financing services to public actors play a key role in socioeconomic development as this falls under government mandates. Depending on national and local circumstances, governments may prioritize economic advancement; poverty, hunger, or inequality reduction; improving access to essential services or infrastructure, clean water or sanitation; or other social goals.

Finland is a high-income economy with a human development index ranking of 0.948 as of 2023, placing it among the top 15 countries globally. The country's Gini index, which measures the degree of income inequality in a state, increased to 27.9 in 2022 from 22 in 1987. In addition to environmental targets, Finland's National Climate Act mentions climate justice and sustainable development as objectives. The act also aims to ensure that the indigenous Sámi people can maintain and develop their language and culture.

Climate transition risk

Policymakers have a key role in cutting greenhouse gas emissions to address climate change. While signatories to the 2015 Paris Agreement provide a broad basis for global action, many countries' climate pledges are falling significantly short of the reductions needed to reach net zero by 2050. A lack of policies to support climate pledges exacerbates the challenge, making it likely that the 1.5ºC warming scenario (from pre-industrial levels) could be exceeded in the near future given past emissions and current increasing emission trends. Current commitments are expected to result in broadly constant global emissions of about 60 gigatons of carbon dioxide equivalent annually, resulting in warming likely exceeding 3ºC by the end of the century.

Finland's Climate Change Act was updated in July 2022 with a legal obligation to reach carbon neutrality by 2035, one of the most ambitious national climate goals in Europe. By 2030, the Finnish government is targeting a reduction in emissions by 60% compared to 1990 levels. As an EU member, Finland is covered by ambitious European climate policies, including regulations on land use, which limit the risk of deforestation and illegal land use conversion. Achieving such ambitious goals will require addressing, at the local level, environmental issues relevant to many of the regions and municipalities that MuniFin lends to. These include reducing the carbon footprints of the sectors with high emissions, including the electricity and heat sectors which accounted for 35% of total energy-related carbon dioxide emissions in Finland in 2022, according to the International Energy Agency (IEA), and the transport sector, which accounted for 28%. To reach its targets, Finland will also need to address emissions released from its forests, which for the last few years did not act as a carbon sink but as a net greenhouse gas emissions source.

Physical climate risk

Physical climate risks can affect many economic activities and unabated greenhouse gas emissions will lead to more frequent and severe climate hazards, absent adaptation. While the physical impacts of climate change and extreme weather will continue to play out globally, the direct effects--including (but not limited to) rising sea levels and associated flooding, heat waves, and wildfires--are more localized. The indirect impacts of such events will affect different channels (such as the volume and pricing of traded goods and services), going beyond administrative borders and cascading through multiple sectors.

Over the past century, Finland has experienced a noticeable increase in average temperatures that are expected to rise faster than the global average in the coming decades, with a greater increase in winter than in summer. The country faces a range of intensifying weather events, notably flooding risks related to rising sea levels and increased precipitation. Given its extensive coastlines and low-lying land, the country is vulnerable in the long term to coastal inundation, particularly on its southern coast. As a result of climate change, Finland's forests also face heightened threats from heat waves, wildfires, droughts, and the proliferation of pests and diseases.

Other environmental factors

Institutions providing financing services to public actors play a key role in protecting biodiversity, and containing land, air, and water pollution, as these tasks fall under government mandates. Economic development goals can exert considerable pressure on natural ecosystems locally and for trading partners. Environmental factors are often intertwined, including with climate transition and physical climate risks.

Forests constitute over 70% of Finland’s land area, while inland waters, including lakes and ponds, account for nearly 10%. The country has ambitious policies to foster environmental protection and conservation and about 10% of the territory is protected, including national parks, nature reserves, and protected areas. Nonetheless, Finland remains exposed to environmental challenges such as biodiversity loss resulting from natural habitats degradation and climate change impacts, marine pollution, and eutrophication — the excessive enrichment of water bodies with nutrients from agricultural runoff, leading to algal blooms — , particularly in the Baltic Sea.

Issuer And Context Analysis

The social projects financed under this framework address key challenges faced by Finnish municipalities, particularly in ensuring equal access to essential services across regions. Investments in areas such as education, health care, social housing, and cultural or recreational infrastructure are intended to reduce disparities, strengthen inclusion, and support wellbeing. These project categories respond to structural social needs in Finland.

MuniFin aims to expand the social and green portions of its lending portfolio, with a particular emphasis on financing projects that contribute to social outcomes. The entity's social and environmental impact stems largely from the public-sector projects it supports, so increasing the share of social lending is a key part of its sustainability approach. We view as positive the issuer’s target to increase the proportion of social financing to 8% by 2030, up from 7% in 2024. The social projects financed--such as those in education, health care, housing, and wellbeing infrastructure--are in line with the responsibilities assigned to municipalities under Finnish legislation, including the Local Government Act, the Health Care Act, and the Basic Education Act. To support this effort, MuniFin offers interest margin discounts to eligible social projects and actively engages with public-sector clients to identify suitable investments. The issuer also integrates environmental, social, and governance (ESG) considerations, including social risk exposure, into its annual client risk assessments, which third-party data informs.

MuniFin’s risk management framework integrates environmental and social (E&S) considerations across its lending activities, guided by internal ESG risk policies and client assessments. Social risks are mitigated in part by the issuer’s exclusive focus on financing municipalities and affordable housing providers, which state guarantees support and operate under a public mandate to ensure equitable access to essential services. Accordingly, MuniFin's strategy cannot be extended to include higher-risk customers. In addition, the entity uses ESG questionnaires and external ESG scoring to evaluate client-level risks, helping to identify and monitor both environmental and social factors. Climate-related risks are addressed within this broader E&S framework. MuniFin assesses both transition and physical climate risks in line with national policy goals. In 2024, it published its first financed emissions report, based on the PCAF methodology adopted in 2022, and intends to report annually--a practice we view positively. Financed emissions represent approximately 99% of total emissions, and the issuer has taken steps to monitor and reduce them. Physical risk exposure is evaluated annually at the client level using climate scenarios, and while short-term risks are limited, we expect risks such as flooding to become more material. MuniFin reports limited exposure to high-risk zones, such as coastal areas.

The issuer's financed projects could also contribute to environmental objectives, such as water management and biodiversity conservation. While the primary goal of these investments is to deliver social outcomes, some project types--such as developing green public spaces, social housing, or municipal infrastructure--may also involve environmental risks, particularly in relation to land use, climate resilience, and resource efficiency. We think MuniFin’s internal assessment tools and strategies on these topics are nascent, in line with those of other financial institutions. The issuer informs us that it is developing an internal model for biodiversity risk assessment and that it is gradually integrating biodiversity considerations into its processes.

Alignment Assessment

This section provides an analysis of the framework's alignment to Social Bond principles.

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Social Bond Principles, ICMA, 2025

✓ Use of proceeds

All the framework's social project categories are considered aligned, and the issuer commits to allocate the net proceeds issued under the framework exclusively to eligible social projects. See the Analysis Of Eligible Projects section for more information on our analysis of the social benefits of the expected use of proceeds. MuniFin will allocate the net proceeds from instrument issued under the framework to finance or refinance eligible social projects in Finland. The entity offers a margin discount for all the social projects that meet framework's eligibility criteria and have a positive social impact, which we view as a strength.

✓ Process for project evaluation and selection

MuniFin's Sustainable Finance Team (SFT) is responsible to select and evaluate the project's eligibility criteria defined in the framework. SFT comprises sustainability experts within MuniFin and it also approves the project included in MuniFin's social project portfolio. The SFT has the sole authority to remove the financed project from the related portfolio if it no longer meets the social eligibility criteria or becomes controversial after approval.

Environmental and social risks are identified through double materiality analysis and ESG risks are assessed through MuniFin's overall risk and governance framework. Furthermore, the risk management function conducts an additional annual assessment for climate and environmental risks covering MuniFin's lending and investment portfolio.

✓ Management of proceeds

MuniFin's funding team is responsible for tracking the allocation of net proceeds from social bond issuance using a portfolio approach. Furthermore, the issuer ensures that the value of social finance always exceeds the value of social bonds outstanding. In case of unexpected events leading to unallocated social bond proceeds, for example due to early repayments on social loans, funds would be held in a liquidity reserve and managed in accordance with MuniFin's Sustainability Policy and Sustainable Investment Framework.

✓ Reporting

The issuer commits to disclosing the allocation and impact of proceeds annually in its Social Bond Impact Report until full allocation of the proceeds on its website. The allocation report will include a brief description of social projects along with the associated target population, total social bonds outstanding, a breakdown of social projects, and the amount of unallocated proceeds and contribution to the sustainable development goals. MuniFin will also report on the expected impact of eligible projects financed by social bonds. The impact reporting typically covers social outputs (the number of residents) rather than outcomes (increased access to supportive housing), providing indirect insight into project effectiveness.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

Over the three years following issuance, MuniFin anticipates that the “Housing for special groups and assisted living” category will receive the largest share of proceeds. The issuer expects the remaining proceeds to be allocated across other eligible social categories, including education, health care, and wellbeing and culture facilities.

MuniFin expects the majority of proceeds to finance new projects, with a smaller share for refinancing.

Social project categories

Housing for special groups and assisted living

Financing provided toward construction or renovation of housing and assisted living for special groups, including:

- Assisted living buildings, which can include health center services
- Care, service, and nursing homes
- Student housing
- Youth accommodation, including youth homes, children’s homes, substitute care, and child welfare institutional care

Analytical considerations

- This category is considered aligned with the Social Bond Principles, because we expect the eligible projects to generate clear social benefits by improving access to affordable and supported housing for vulnerable populations in Finland. Eligible projects under this category aim to increase access to affordable housing and reduce inequalities in the country by providing housing facilities and assisted living for special groups. The project category aims to benefit people with disabilities or mental health-related needs, aging populations, vulnerable youth, students, and those who have experienced homelessness. The target populations are defined in accordance with Varke, the Centre for State-Subsidised Housing Construction.
- The construction or renovation of houses tailored to the unique needs of special groups such as autistic people, mental health rehabilitees, and differently abled individuals will enhance safety, facilitate accessibility, and improve the quality of life. These houses can be equipped with health care services for residents promoting independent living within the community. Furthermore, providing housing facility along with assisted home care services for the aged population will lead to healthier aging, increased lifespans, enhanced safety, and reduced isolation. According to Statista, in Finland the population above 60 years accounts for 30% of the total (1.7 million out of 5.6 million), with a significant share of those living independently in 2024. Assisted living enhances safety, reducing risks of accidents and medical emergencies by offering home care services with 24-hours assistance for these population.
- The financed projects are expected to improve housing affordability for vulnerable groups through state-supported rental housing. In line with Varke, these apartments benefit from state subsidies and rent regulation to ensure affordability. Special group housing is reserved for individuals who meet specific eligibility criteria, and many units are tailored with services to meet residents’ needs.
- According to Ministry of Finland there were 3,806 homeless people living alone in 2024, among them about 1,010 long-term (about 0.0179% of the total population). Providing housing for homeless or vulnerable individuals will enhance dignity, autonomy, and quality of life for this group while contributing to safer, more cohesive urban environments. The financed projects will further support Finland’s Housing First program--a national initiative aiming to end homelessness by 2027 through immediate, unconditional access to permanent housing. The framework also includes investments in youth homes, children’s homes, substitute care, and child welfare institutions. These services are primarily intended to protect vulnerable children and young people from neglect, abuse, or family instability, rather than to address homelessness directly. Students are also

considered a relevant target population under the framework, as defined by VÄRKE, due to limited financial resources during studies and the challenges of accessing affordable housing in university cities. By offering supportive living environments and life skills training, such accommodations foster social inclusion, reduce isolation, and help remove barriers to education and employment. The inclusion of these facilities under the framework is justified by their contribution to child welfare and youth empowerment objectives.

- New buildings can generally be associated with environmental risks such as increased energy demand, material consumption, and emissions during construction and operation. MuniFin mitigates ESG risks by integrating ESG considerations into its risk management processes and by limiting its lending to municipalities and affordable housing organizations, which are subject to state guarantees. Its focus on green and social investments also contributes to reducing exposure to environmental and social risks. See the Issuer Sustainability Context (ISC) section for more details on risk identification and mitigation.

Health care

Financing provided toward construction or renovation of public health care facilities and acquiring medical equipment, all supported by public spending. This includes:

- Public hospitals, including primary health care, specialized medical care, and associated services.
- Public health centers, including primary health care, specialized medical care, and oral health care.
- Medical equipment needed to operate primary health care, specialized medical care, oral health care, and associated services.

Analytical considerations

- Eligible projects under this category aim to strengthen access to publicly funded health care services across Finland by financing the construction, renovation, and equipment of public hospitals and health centers. According to the OECD, the country's population is aging rapidly. By 2050, more than 30% of the population will be 65 or over compared with 23.6% currently--one of the highest ratios in the EU. In this context, investments in public hospitals, health centers, and medical equipment are essential to maintain service quality, equity, and system resilience. We consider this project category aligned with the Principles.
- The intended beneficiaries represent a large target population, in line with Finland’s universal health care model. Publicly funded hospitals and health centers provide essential services across the territory, aiming to ensure equal access regardless of income, location, or demographic profile. This broad targeting reflects the structure of Finland’s health system, in which municipalities are legally responsible for organizing primary and specialized care for all residents. Despite this universal coverage, studies by the OECD and the Finnish Institute for Health and Welfare have highlighted persistent regional differences in service availability and health, particularly in sparsely populated areas. Furthermore, the issuer states that a significant share of financed projects are in small or rural municipalities, where public service infrastructure is aging or inadequate. Expanding and upgrading public health care infrastructure is therefore necessary to ensure that the entire population, including those in remote or underserved regions, benefits from timely and high-quality care.
- The affordability aspect is addressed through Finland’s universal health care system, where services provided by public hospitals and health centers are either free or subject to capped user fees. This structure helps ensure that financial barriers do not prevent residents from accessing essential health care, in line with the principles of equal access and social equity embedded in national legislation.
- The issuer says it expects projects to contribute to multiple social objectives. First, they support equality by improving the availability and quality of health care services across regions and population groups, in line with the objectives in the Finnish Health Care Act, which emphasizes equal access to health services for all residents. Second, the projects are expected to support welfare by incorporating new technologies, improving working conditions for medical staff, and designing patient-friendly infrastructure, in line with the act's objectives. These elements are intended to contribute to better care outcomes and overall wellbeing. Third, by enhancing the capacity of specialized medical services, the projects aim to strengthen the health care system's reliability and resilience.
- Construction of health care facilities can generally be associated with environmental risks such as increased energy demand, material consumption, and emissions during construction and operation. MuniFin mitigates ESG risks by integrating related considerations into its risk management processes and by limiting its lending to municipalities and affordable housing

organizations, which are subject to state guarantees. Its focus on green and social investments also contributes to reducing exposure to environmental and social risks. See the ISC section for more details on risk identification and mitigation.

Wellbeing and culture

Financing provided toward construction or renovation of public wellbeing and culture facilities, all supported by public spending. This includes:

- Sports facilities, including sport centers, swimming halls, football fields, and ice rinks built or maintained publicly
- Culture facilities, including libraries, culture centers, museums, theaters, and multipurpose venues built or maintained publicly
- Open spaces, including parks and fields

Analytical considerations

- We consider this project category aligned with the Principles. Eligible projects under this category aim to enhance social inclusion and community wellbeing by improving access to publicly funded sports, cultural, and recreational infrastructure such as libraries, parks, and sports facilities. Finnish municipalities are responsible for providing wellbeing and cultural services, including public sports facilities, libraries, and green spaces, as part of their mandate to promote health and welfare. These services are publicly funded and play a growing role in supporting mental and physical wellbeing, social inclusion, and quality of life, particularly as the population ages and demand for accessible, community-based services increases.
- The projects target the general public, including all residents of the municipalities where the facilities are built or renovated. In Finland, wellbeing and cultural services are publicly provided and intended to be accessible to all, regardless of age, income, or background. While some sports facilities charge user fees, these are typically regulated and subsidized to ensure affordability, and many services such as libraries and parks remain free. Ensuring wide geographic coverage also helps address gaps in access in sparsely populated areas.
- MuniFin finances public institutions that offer free or discounted access to students, seniors, and low-income groups, enhancing affordability for these groups through targeted municipal subsidies.
- The financed projects are expected to contribute to multiple interconnected social objectives. By enhancing access to cultural and recreational infrastructure, the projects promote equality by enabling inclusive participation in sports, learning, and cultural activities regardless of socio-economic status. This includes museums and theaters, which also support access to public cultural programming. They also support communal wellbeing by fostering spaces for interaction, reducing social isolation, and encouraging active lifestyles. These objectives are aligned with the Finnish Local Government Act, which mandates municipalities to promote the health and wellbeing of their residents and provide services that support everyday life. In addition, the projects are expected to strengthen welfare, with positive impacts on both physical and mental health, reduced healthcare costs, and improved quality of life.
- Construction of wellbeing and culture facilities can generally be associated with environmental risks such as increased energy demand, material consumption, and emissions during construction and operation. MuniFin mitigates ESG risks by integrating ESG considerations into its risk management processes and by limiting its lending to municipalities and affordable housing organizations, which are subject to state guarantees. Its focus on green and social investments also contributes to reducing exposure to environmental and social risks. See the ISC section for more details on risk identification and mitigation.

Education

Financing provided towards construction or renovation of public education facilities as well as the acquisition of equipment, all supported by public spending. This includes:

- Public day care centres
- Public schools including primary and lower secondary schools, upper secondary schools and schools for vocational education and training

- Public schools for vocational higher education and training (universities of applied sciences); including campuses and educations centers
- Teaching equipment and non-teaching equipment needed to successfully operate day care centers, public schools, or higher education

Analytical considerations

- Eligible projects under this category aim to support equal access to education by financing the construction, renovation, and equipment of public day care centers, schools, and vocational or higher education institutions. Finland's education system is publicly funded and provides access to free education from early childhood through higher education. According to the OECD, Finland demonstrates relatively low performance disparities across schools and emphasizes equal opportunities in education. Municipalities are responsible for organizing early childhood and basic education, while vocational and higher education institutions receive public funding. Investments in infrastructure and equipment help maintain equitable access to adequate learning environments and support the education system. Affordability is ensured through the system's publicly funded nature, including free tuition for most students and access to state-supported financial aid. We consider this project category aligned with the Principles.
- The projects target students at all levels in publicly funded institutions. These facilities serve residents in the municipalities and regions where the schools and centers are located. In the context of access to essential services, the target population may include the general public, particularly when services such as early childhood education or vocational training are made universally available. As access to public education in Finland is universal and not income-based, all learners benefit from improved infrastructure and equipment, regardless of socioeconomic background or place of residence.
- The projects are expected to contribute to equality by improving access to safe, inclusive, and modern learning environments across municipalities. They are also intended to strengthen communal life, as schools and day care centers often function as local hubs that encourage interaction and a sense of belonging. These goals are consistent with Finland's Basic Education Act and the Local Government Act, which assign municipalities the responsibility to provide equitable access to education and promote the wellbeing of their residents. In addition, the projects aim to support regional vitality by sustaining or enhancing local education services. Upgraded facilities might also serve broader community needs by hosting evening or adult education activities by third-sector organizations.
- Construction of education facilities can generally be associated with environmental risks such as increased energy demand, material consumption, and emissions during construction and operation. MuniFin mitigates ESG risks by integrating ESG considerations into its risk management processes and limiting its lending to municipalities and affordable housing organizations, which are subject to state guarantees. Its focus on green and social investments also contributes to reducing exposure to environmental and social risks. See the ISC section for more details on risk identification and mitigation.

Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs		
Affordable Housing	**10. Reduced inequalities**	**11. Sustainable cities and communities***	
Access to essential services - Healthcare	**3. Good health and well-being***	**10. Reduced inequalities***	**11. Sustainable cities and communities**
Access to essential services - Wellbeing and culture	**3. Good health and well-being***	**10. Reduced inequalities***	**11. Sustainable cities and communities**
Access to essential services - Education	**4. Quality education***	**10. Reduced inequalities***	

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions, March 6, 2025
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, March 6, 2025

Analytical Contacts

Primary contact

Salaheddine Soumir
Paris
+ 3360-3748-108
salaheddine.soumir
@spglobal.com

Secondary contacts

Irina Velieva
Stockholm
+46 70-957-0731
irina.velieva
@spglobal.com

Maxime Chul
Paris
+33 6 10 45 00 98
maxime.chul
@spglobal.com

Didre Schneider
Frankfurt
+496-9339-99244
didre.schneider
@spglobal.com

Research contributor

Sreenidhi M K
Pune