

Second-Party Opinion

Landsvirkjun Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Landsvirkjun Green Finance Framework aligns with the four core components of the ICMA Green Bond Principles 2018 and LMA Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Renewable Energy, is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7: Affordable and Clean Energy.



PROJECT EVALUATION / SELECTION Landsvirkjun's internal process in evaluating and selecting projects is overseen by the Environmental and Treasury departments. Together, these departments are responsible for screening potential projects against the Framework's criteria to ensure eligibility. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Landsvirkjun's processes for management of proceeds is handled by the Treasury department. Proceeds will be allocated using a balance sheet approach. In the event proceeds remain unallocated, they will be temporarily held or invested in accordance with the Treasury's liquidity policy. This is in line with market practice.



REPORTING Landsvirkjun intends to report allocation proceeds on its website, on an annual basis, or until the maturity of all outstanding Green Finance Instruments. Allocation reporting will include the total amount of allocated proceeds, the remaining balance of unallocated proceeds, if any, and for Eligible Green Assets, the amount of additions, the amount sold and disposed and the amount of depreciation during the year. In addition, Landsvirkjun is committed to reporting on relevant impact metrics. Sustainalytics views Landsvirkjun's allocation and impact reporting as aligned with market practice.

Evaluation date	June 30, 2020
Issuer Location	Reykjavík, Iceland

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Introduction

Landsvirkjun (“Landsvirkjun”, or the “Company”) is Iceland’s largest electricity generator and one of the largest producers of renewable energy in Europe. The company operates 18 power stations: 15 hydropower stations and three geothermal power stations, as well as two wind turbines.

Landsvirkjun has developed the Landsvirkjun Green Finance Framework (the “Framework”) under which it intends to issue green finance instruments and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future renewable energy projects in Iceland that promote the sustainable, responsible and efficient use of Icelandic natural resources to produce renewable energy. The Framework defines eligibility criteria in the following area:

1. Renewable Energy

Landsvirkjun engaged Sustainalytics to review the Landsvirkjun Green Finance Framework, dated September 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the ICMA Green Bond Principles 2018 (GBP)¹ and the LMA Green Loan Principles 2020 (GLP).² This Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the ICMA Green Bond Principles 2018 and LMA Green Loan Principles 2020;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Landsvirkjun’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Landsvirkjun representatives have confirmed (1) they understand it is the sole responsibility of Landsvirkjun to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Landsvirkjun.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with green finance instrument proceeds but does not measure the actual

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association and are available at https://www.lma.eu.com/application/files/1815/8866/8537/Green_Loan_Principles_V03.pdf

³ The Landsvirkjun Green Finance Framework is available on Landsvirkjun’s website: www.landsvirkjun.com.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the green finance instrument proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Landsvirkjun has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Landsvirkjun Green Finance Framework

Sustainalytics is of the opinion that the Landsvirkjun Green Finance Framework aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Landsvirkjun's Green Financing Framework:

- Use of Proceeds:
 - The eligible category, Renewable Energy, is among those recognized by the GBP and GLP. Landsvirkjun will finance the assets on its balance sheet contributing to renewable energy generation in Iceland. Sustainalytics acknowledges the importance of increasing renewable generation capacity and considers these projects will contribute to the transition towards a low-carbon economy.
 - Landsvirkjun's generation portfolio is composed of geothermal, hydro and wind power. As per the Framework's eligibility criteria, only hydropower facilities and geothermal plants with a lifecycle emissions intensity <100gCO₂/kWh will be eligible. Sustainalytics notes that the Issuer has committed to ensuring that rigorous environmental and social assessments are carried out to identify any risks that may be associated with hydro projects. Other activities financed may include development costs, intangible assets (e.g. water and land rights, operational software, etc.) as well as other assets on the balance sheet that support the company's production of renewable energy.
- Project Evaluation and Selection:
 - Landsvirkjun's project evaluation and selection process will be overseen by the Environmental and Treasury departments. Together, these departments will be responsible for ensuring that potential projects are screened for eligibility against the Framework criteria before being considered for financing. Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Landsvirkjun's Treasury department will be responsible for the management of proceeds. Proceeds will be allocated and tracked based on the values of Eligible Green Assets on the balance sheet. In the event any proceeds remain unallocated, Landsvirkjun will temporarily hold and/or invest, at its own discretion, in its treasury liquidity portfolio, in cash or other short term liquid instruments, or to pay back a portion of its outstanding indebtedness.
 - Based on the above, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Landsvirkjun will provide impact and allocation reporting on its website on an annual basis, or until the maturity of all outstanding green finance instruments. Landsvirkjun will provide aggregated reporting on its assets and outstanding finance instruments. Allocation reporting will include the total amount of allocated proceeds and, the remaining balance, if any, of unallocated proceeds and for Eligible Green Assets, the amount of additions, amount sold and disposed and amount of depreciation during the year. Impact reporting will include, where feasible, the total renewable electricity generation capacity (MW), the total expected electricity

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- output (GWh) and the CO₂ emissions avoided.⁵ Sustainalytics positively notes that Landsvirkjun intends to verify allocation reporting with a third-party, which is viewed as a best practice.
- Based on the above, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the Landsvirkjun Green Finance Framework aligns to the four core components of the GBP 2018 and GLP 2020. For detailed information please refer to Appendix 1: Green Finance Programme External Review Form.

Section 2: Sustainability Performance of Landsvirkjun

Contribution of framework to Landsvirkjun's sustainability strategy

Landsvirkjun places great emphasis on sustainable use of renewable energy sources.⁶ It has established an Environmental Policy based on the following five pillars: 1) use natural resources more efficiently, 2) carbon neutral operations, 3) operate in harmony with nature and the appearance of land, 4) stakeholder engagement, and 5) operations without environmental incidents.⁷

The Company demonstrates its commitment to sustainability by the clear and ambitious goals for climate action, for which it has developed an action plan.⁸ The goals set on the plan are: 1) to reach carbon neutrality by 2025, and 2) to further reduce carbon emissions, which coupled with carbon sequestration initiatives, will result in net negative carbon footprint beyond 2025.⁸ The Company is on track to achieve the targets as 100% of its energy output originates from renewable sources in eighteen power stations (15 hydropower 3 geothermal stations and 2 wind turbines), and the Company focuses on revegetation, reforestation, and restoration of degraded wetlands and damaged lands with an emphasis on carbon sequestration.⁹

Sustainalytics is of the opinion that the Landsvirkjun Green Finance Framework is aligned with the Company's overall sustainability strategy, and that the allocation of proceeds raised by green financing instruments will further the Company's action on its key environmental priorities.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics acknowledges that the Framework will be directed towards portions of the balance sheet that support renewable energy generation, having a positive environmental impact. However, Sustainalytics is aware that such eligible projects could have unintended negative environmental and social externalities. Some key environmental and social risks associated with the eligible projects, could include, occupational health and safety, land use change and biodiversity issues.

Sustainalytics is of the opinion that these risks will be mitigated through Landsvirkjun's activities to mitigate sustainability risks, including the following:

- Landsvirkjun recognizes risk assessment is an essential part of its operation. The Landsvirkjun Board of Directors has set out a comprehensive risk management strategy that includes assessing risks related to construction, operations, environment, and planning.¹⁰
- The Company follows an internal annual plan for regular communication with communities close to its power stations holding open meetings and events¹¹ to facilitate stakeholder engagement.¹²
- The Company has instituted the following internal policies to improve efficiency in the utilisation of natural resources and to reduce any impact on the environment: 1) Ecosystem Restoration Policy, 2) Hydropower Sustainability Assessment Protocol, and Life Cycle Analyses (LCA).⁷
- Landsvirkjun must comply with national regulations⁷ regarding Environmental Impact Assessment¹³ for geothermal projects,¹⁴ and in general, for all power plants.

⁵ The avoided CO₂ emissions (in tons of CO₂) by generating electricity using green and renewable energy, on a balance sheet basis and pro-rata basis proportional to the amount of outstanding Green Finance Instruments.

⁶ Landsvirkjun, "About Us", at: <https://www.landsvirkjun.com/company>

⁷ Landsvirkjun, "Environmental Policy", at: <https://www.landsvirkjun.com/sustainability/environment>

⁸ Landsvirkjun, "Carbon Neutrality", at: <https://www.landsvirkjun.com/sustainability/carbon-neutrality>

⁹ Landsvirkjun, "Annual Report 2019 – Energy Production", at: <https://annualreport2019.landsvirkjun.com/company/energy-production>

¹⁰ Landsvirkjun, "Risk Management", at: <https://www.landsvirkjun.com/finance/riskmanagement>

¹¹ Landsvirkjun, "Open communication and knowledge dissemination", at: <https://annualreport2019.landsvirkjun.com/society/communication#banner-5709>

¹² Landsvirkjun, "Our Social Responsibility", at: <https://www.landsvirkjun.com/sustainability/our-social-responsibility>

¹³ Parliament of Iceland, "Environmental Impact Assessment Act", (2000), at: <https://www.althingi.is/lagas/nuna/2000106.html>

¹⁴ ISOR, "Environmental Impact Assessment", at: <https://en.isor.is/environmental-impact-assessments>

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- The Company has obtained the following certifications: 1) ISO 14001 Environmental Management,¹⁵ and 2) ISO 45001 Occupational Health and Safety Management.^{16,17}
- Iceland is classified as a “Designated Country” under the Equator Principles, implying the presence of robust environment and social governance systems, legislation, and institutional capacity for protecting the environment and communities.¹⁸

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that Landsvirkjun has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and GLP. Sustainalytics has analysed below where the impact is specifically relevant in the local context.

Importance of renewable energy for Iceland’s Climate Strategy

As of 2018, Iceland’s energy supply is mostly (82%) provided by renewable energy sources, with geothermal (64%) being the primary source, followed by hydropower (18%) and fossil fuels (18%), wind energy has been a smaller player since 2013.¹⁹ Geothermal energy provides heating to 90% of buildings in the country,²⁰ while almost 100% of electricity supply is from renewables, hydropower (70%) and geothermal (30%).²¹ Furthermore, Iceland aims to limit emissions of greenhouse gases and enhance carbon sequestration to mitigate climate change under the Kyoto Protocol and Paris Agreement commitments.²² In 2018, Iceland announced a new Climate Action Plan, with a set of 34 actions directed at cutting net emissions to meet its Paris Agreement targets for 2030 and reach the government’s ambitious aim to make Iceland carbon neutral before 2040.²³

In this context, Landsvirkjun is a major player in the achievement of Iceland’s commitments to energy and climate goals. The Company supplies 80% of energy to power-intensive industries, and is the main supplier of electricity.²⁴ Landsvirkjun’s total electricity generation (13,958 GWh) in 2019 represented 72% of Iceland’s total electricity generation, mainly from hydropower (92%), followed by geothermal (7.75%), and wind (0.05%).²⁵ Landsvirkjun’s contribution alone to renewable energy generation and emissions mitigation will represent a total of 3.6% of Iceland’s commitment to the Paris Agreement.

Sustainalytics believes that Landsvirkjun’s renewable energy projects will decrease Iceland’s use of fossil fuels for energy generation and will continue to meet total electricity demand from renewable sources. Sustainalytics views the eligible projects as impactful.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green finance instrument advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and clean energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix

¹⁵ ISO, “Environmental Management”, at: <https://www.iso.org/iso-14001-environmental-management.html>

¹⁶ ISO, “Occupational Health and Safety Management”, at: <https://www.iso.org/iso-45001-occupational-health-and-safety.html>

¹⁷ Landsvirkjun, “Certifications”, at: <https://www.landsvirkjun.com/company/certifications>

¹⁸ The Equator Principles, “Designated Countries”, at: <https://equator-principles.com/designated-countries/>

¹⁹ Orkustofnun, “OS-2019-T003-02: Primary Energy Use in Iceland 1940-2018”, (2019) at: <https://orkustofnun.is/gogn/Talnaefni/OS-2019-T003-02.pdf>

²⁰ Orkustofnun, “Orkustofnun (2019). OS-2019-T012-01: Space heating by energy source”, (2019), at: <https://orkustofnun.is/gogn/Talnaefni/OS-2019-T012-01.pdf>

²¹ Orkustofnun, “Orkustofnun (2019). OS-2019-T015-01: Development of electricity production in Iceland (2018)”, (2019), at: <https://orkustofnun.is/gogn/Talnaefni/OS-2019-T015-01.pdf>

²² Government of Iceland, “Climate Change”, at: <https://www.government.is/topics/environment-climate-and-nature-protection/climate-change/#:~:text=Iceland%20has%20commitments%20to%20mitigate.is%20in%20many%20ways%20unusual.>

²³ Government of Iceland, “Iceland’s Climate Action Plan for 2018-2030”, (2018), at: <https://www.government.is/lisalib/getfile.aspx?itemid=5b3c6c45-f326-11e8-942f-005056bc4d74>

²⁴ Landsvirkjun, “Energy Products”, at: <https://www.landsvirkjun.com/products-services/energyproducts>

²⁵ Landsvirkjun, “Climate Accounts 2019”, (2019), at: <https://annualreport2019.landsvirkjun.com/media/climate-accounts-2019.pdf>

Conclusion

Landsvirkjun has developed the Landsvirkjun Green Finance Framework under which it will issue green finance instruments and the use of proceeds to finance the green portions of its balance sheet that support renewable energy generation. Sustainalytics considers that assets funded by the green finance instruments proceeds will provide positive environmental impact.

The Landsvirkjun Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Landsvirkjun Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 7. Additionally, Sustainalytics is of the opinion that Landsvirkjun has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Landsvirkjun is well-positioned to issue green finance instruments and that the Landsvirkjun Green Finance Framework is robust, transparent, and in alignment with the four core components of the ICMA Green Bond Principles 2018 and LMA Green Loan Principles 2020.

Appendices

Appendix 1: Green Finance Programme - External Review Form

Section 1. Basic Information

Issuer name: Landsvirkjun National Power Company of Iceland

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Landsvirkjun Green Finance Framework

Review provider's name: Sustainalytics

Completion date of this form: June 26, 2020

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible category for the use of proceeds Renewable Energy is aligned with those recognized by the ICMA Green Bond Principles 2018. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7: Affordable and Clean Energy.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other <i>(please specify)</i> : |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Landsvirkjun's internal process in evaluating and selecting projects is overseen by the Environmental and Treasury departments. Together, these departments are responsible for screening potential projects against the Framework's criteria to ensure eligibility. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for green finance instruments proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Landsvirkjun's processes for management of proceeds is handled by the Treasury department. Proceeds will be allocated using a balance sheet approach. In the event proceeds remain unallocated, they will be temporarily held or invested in accordance with the Treasury's liquidity policy. This is in line with market practice.

Tracking of proceeds:

- Green finance instruments proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Landsvirkjun intends to report allocation proceeds on its website, on an annual basis, or until the maturity of all outstanding Green Finance Instruments. Allocation reporting will include the total amount of allocated proceeds, the remaining balance of unallocated proceeds, if any, and for Eligible Green Assets, the amount of additions, the amount sold and disposed and the amount of depreciation during the year. In addition, Landsvirkjun is committed to reporting on relevant impact metrics. Sustainalytics views Landsvirkjun's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project basis
- Linkage to individual bond(s) Other (please specify): Balance sheet approach

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify): Balance sheet approach

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify):

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Landsvirkjun intends to report allocation proceeds on its website, on an annual basis, or until the maturity of all outstanding Green Finance Instruments. Allocation reporting will include, the total amount of allocated proceeds, the remaining balance of unallocated proceeds, if any, and for Eligible Green Assets, the amount of additions, the amount sold and disposed and the amount of depreciation during the year. In addition, Landsvirkjun is committed to reporting on relevant impact metrics. Sustainalytics views Landsvirkjun's allocation and impact reporting as aligned with market practice.

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- Consultancy (incl. 2nd opinion) Certification

- Verification / Audit
 Rating
- Other (*please specify*):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

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