

Second-Party Opinion

Landsbankinn Sustainable Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Landsbankinn Sustainable Finance Framework is credible and impactful and aligns with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8, 9, 11, 12 and 15.



PROJECT EVALUATION / SELECTION Landsbankinn's internal process in evaluating and selecting projects is managed by the Sustainable Finance Committee ("SFC"). The SFC is responsible for (i) identification, evaluation, and approval of loans and investments, (ii) managing the eligible assets portfolio over the lifetime of sustainable finance instruments, (iii) monitoring prospective developments in the framework. The credit committee is responsible for final loan approval. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Landsbankinn's processes for management of proceeds is overseen by the SFC. Proceeds will be tracked and allocated using a portfolio approach. Should any proceeds remain unallocated, the Bank will temporarily invest the balance in line with its liquidity investment guidelines. The proceeds are expected to be allocated within 24 months of issuance. Sustainalytics considers this process to be in line with market best practice.



REPORTING Landsbankinn intends to report allocation proceeds on its website, on an annual basis, until full allocation. The allocation reporting will include details such as an overview and value of outstanding sustainable finance instruments, the amounts allocated to projects in each category, the remaining balance of unallocated proceeds, the amount and percentage of new financing and refinancing. The allocation report will be verified by external reviewers' post-issuance. In addition, Landsbankinn is committed to annually report on relevant impact indicators on its website and follow ICMA's harmonized framework. Sustainalytics views Landsbankinn's allocation and impact reporting process as aligned with market practice.

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Issuer Location	Reykjavik, Iceland

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¹ Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Sustainable Water and Wastewater Management, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Affordable Housing, Sustainable Infrastructure and Employment Generation

Introduction

Landsbankinn (“Landsbankinn”, or the “Bank”) is a financial institution headquartered in Reykjavik, Iceland. It offers a range of financial services to individuals, corporates and investors based in Iceland.

Landsbankinn has developed the Landsbankinn Sustainable Finance Framework (the “Framework”) under which it intends to issue a/multiple sustainability bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that support the transition towards a sustainable, low-carbon, and resilient economy, while placing emphasis on ensuring equal pay and equal opportunity. The Framework defines eligibility criteria in eleven areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
8. Green Buildings
9. Affordable Housing
10. Sustainable Infrastructure
11. Employment Generation

Landsbankinn engaged Sustainalytics to review the Landsbankinn Sustainable Finance Framework, dated January 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018 (SBG).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 Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- 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 1.6.1, 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 Landsbankinn’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. Landsbankinn representatives have confirmed (1) they understand it is the sole responsibility of Landsbankinn 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.

² The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Landsbankinn Sustainable Finance Framework is available on Landsbankinn’s website at: <https://www.landsbankinn.is/en>

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.

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

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 bond proceeds but does not measure the actual 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 bond 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 Landsbankinn has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Landsbankinn Sustainable Finance Framework

Sustainalytics is of the opinion that the Landsbankinn Sustainable Finance Framework is credible, impactful and aligns with the four core components of the Green Bond Principles 2018 (GBP) and Social Bond Principles 2020 (SBP) and Sustainability Bond Guidelines 2018 (SBG). Sustainalytics highlights the following elements of Landsbankinn's Sustainable Finance Framework:

- Use of Proceeds:
 - The eligible categories⁵ are aligned with those recognized by the GBP and SBP. Sustainalytics notes the financed projects and activities will take place in Iceland.
 - Within the Renewable Energy category, Landsbankinn may provide loans to finance or refinance projects with the following eligibility criteria:
 - Development, construction, and operation of facilities using renewable energy sources including solar, wind, ocean, hydropower,⁶ geothermal, hydrogen,⁷ bioenergy,⁸ and landfill gas capture.⁹ Sustainalytics notes that, for all projects, facilities must meet a carbon intensity threshold of less than 100gCO₂-e/kWh including life-cycle emissions. Additionally, Sustainalytics positively notes that for all renewable energy projects, Life Cycle Assessments (LCA) and environmental impact assessments (EIA) including social assessments will be conducted.
 - Sustainalytics views the establishment of direct emission thresholds as strengthening the framework.
 - Within the Energy Efficiency category, Landsbankinn may finance or refinance the following eligible projects:
 - Development, manufacture, distribution of products or services that increase the energy efficiency of industrial processes. The Bank intends to invest in/finance the installation of energy-efficient technologies/products or equipment that are not

⁵ Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Sustainable Water and Wastewater Management, Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes, Green Buildings, Affordable Housing, Sustainable Infrastructure

⁶ Sustainalytics notes that for any hydropower project >25 MW, third-party environmental and social risk assessments will be carried out and reviewed by the Icelandic National Planning Agency. Furthermore, assessments will be aligned with the Hydropower Sustainability Assessment Protocol, which can be found at: <https://www.hydrosustainability.org/assessment-protocol>

⁷ From non-fossil-fuel-based technologies.

⁸ Including biomass, biogas and biofuels produced from waste materials using residual agriculture waste or residual woody biomass from well-managed forests.

⁹ From decommissioned/non-operational landfills only.

- powered by fossil fuels. Sustainalytics positively notes that Landsbankinn intends to report on estimated and/or achieved energy efficiency savings, where feasible.
- Improvements in energy efficiency through reduction of heat losses or increased waste recovery. Including the installation of renewable-powered cogeneration plants and have emission intensity of <math><100\text{gCO}_2\text{-e/kWh}</math>.
 - Replacement of copper-based communication networks with installation and operation of fibre-optics and high-speed mobile networks.
 - Sustainalytics supports the efforts of the Bank to increase energy efficiency, reduce energy losses and replace inefficient or carbon intensive systems.
- Regarding Pollution Prevention and Control, the Bank may finance projects that support reduction of air emissions and environmental remediation, including direct capture of CO_2 from geothermal powerplants for permanent geological storage. Landsbankinn confirms that emission reduction projects will not use any fossil fuel inputs and a monitoring plan will be in place for mitigating CO_2 leakages from carbon capture projects. Sustainalytics notes the water-intensiveness of the process and encourages Landsbankinn to have a process in place to assess environmental risk. Examples of environmental remediation projects include reclamation of wetlands after draining for farming, which plays a role in Icelandic climate mitigation activities.¹⁰ The Bank may also finance projects that support waste prevention, reuse, sorting and recycling. Sustainalytics notes that recycling projects may include the recycling of e-waste and encourages Landsbankinn to ensure that any e-waste recycling projects have a robust waste management process in place. Sustainalytics supports efforts to reduce carbon emissions, reduce waste, and to promote environmental remediation.
 - Within the category of Environmentally Sustainable Management of Living Natural Resources and Land Use, Landsbankinn may provide general purpose financing to pure-play companies¹¹ that are certified to one of the following standards: Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC), or Icelandic Responsible Fisheries. Sustainalytics acknowledges that, although the GBP prefer project-based financing, the financing of pure play companies that derive more than 90% of their turnover from certified products and services can nonetheless contribute positively to promoting sustainable products and certification schemes. Additionally, the Bank may finance the acquisition, maintenance and operation of certified sustainable forestry operations or agriculture farms that are certified by the Forest Stewardship Council (FSC) or organic farming practices¹² that comply with EU and national regulation.¹³ Sustainalytics recognizes the abovementioned schemes as robust, credible certification schemes. For Sustainalytics' assessment of fishery and agriculture certification schemes, please refer to Appendix 1, and for the assessment on forestry certification scheme, please refer to Appendix 2.
 - Within the Clean Transportation category, Landsbankinn may finance fully electric private transportation and hybrid or fully electric public transportation such as buses, trams or ferries. Additionally, public transport vehicles that are not fully electric must comply with an emissions threshold of less than $75\text{gCO}_2/\text{t-km}$ and $<25\text{kg CO}_2/\text{t-km}$ for freight.¹⁴ Sustainalytics notes the emissions thresholds are aligned with market practice.
 - Under the Sustainable Water and Wastewater category, the Bank may finance or refinance projects that support development, construction, and operation of wastewater treatment. Sustainalytics notes that the water treatment will not include by-products from fossil-fuel operations.
 - Under the Eco-efficient and/or Circular Economy Adapted Products, Production Technologies, and Processes category, Landsbankinn may finance or refinance the following projects:
 - Development and production of products that have or intend to receive a credible industry-specific environmental certification such as Nordic Swan Ecolabel and its

¹⁰ Iceland Government, "Iceland's 2020 Climate Action Plan", (2020), at: <https://www.government.is/library/01-Ministries/Ministry-for-The-Environment/201004%20Umhverfisraduneytid%20Adgerdaaaetlun%20EN%20V2.pdf>

¹¹ Companies that are expected to derive >90% of revenue from sale of certified products.

¹² Animal Husbandry is not included in organic farming practices.

¹³ European Commission, "Legislation for the Organic Sector", at: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/legislation_en

¹⁴ Freight cannot be dedicated to fossil fuel transport.

- European counterpart, the EU Ecolabel. For Sustainalytics' assessment of the above-mentioned certifications, please refer to Appendix 3.
- Development of 5G or other high-speed mobile networks and Internet of Things (IoT) products and solutions. Sustainalytics notes that the main aim of IoT projects will be to reduce GHG emission and increase energy efficiency and that examples of such projects include financing of "dynamically controlled" infrastructure in industrial processes within the manufacturing and transport sectors.
 - Cloud analytics products and solutions, including renewable energy powered data centers with emission factor less than 100gCO₂e/kWh and power-usage effectiveness (PUE) under 1.5. Sustainalytics views positively the establishment of energy effectiveness thresholds by the Bank.
- Under the Green Buildings category, the Bank may finance or refinance the construction and/or refurbishment of public, commercial and private buildings that meet the following certification schemes: LEED ("Gold" or above), BREEAM ("Very Good" or above), or Nordic Swan Ecolabel. Sustainalytics recognizes that BREEAM Very Good is considered to be in line with market practice in some contexts, while in others BREEAM Excellent is preferred. In any case, Sustainalytics encourages the selection of BREEAM buildings that score high enough in the energy category to fulfill the requirements for BREEAM Excellent in that category. Sustainalytics recognizes these as credible, robust certification schemes and notes the minimum certification levels are aligned with market practice. For Sustainalytics' assessment of the certification schemes, please refer to Appendix 4.
 - In the Affordable Housing category, Landsbankinn may finance the construction, purchasing, maintenance or refurbishment of affordable housing projects that meet the accredited or registered affordable housing definitions,¹⁵ or that contribute to improved access to housing for low-income and socially vulnerable individuals as defined by the Act number 6 in regulation 183/2020.¹⁶ Sustainalytics positively notes the targeting of low-income populations for affordable housing.
 - Under the Sustainable Infrastructure category, Landsbankinn may finance or refinance electricity transmission, distribution,¹⁷ and storage of electricity supporting a trajectory to full decarbonization and linked to renewable energy sources where 67% of connected generation capacity is below 100gCO₂-e/kWh or annual emission factor of below 100gCO₂-e/kWh. Sustainalytics notes that grid connections of powerplants that are more than the carbon emission threshold are excluded. Eligible projects also include district heating distribution networks connected to renewable energy and infrastructure supporting, pedestrian mobility and low-carbon passenger transport such as bicycles and electric charging stations.
 - Under the category of Employment Generation, via SME financing, Landsbankinn will support financing and lending to small and medium-sized enterprises situated in fragile areas of Iceland,¹⁸ which are areas facing population decline of 15% over a 15-year period. Sustainalytics supports the Bank's efforts to increase employment through SME financing.
 - Landsbankinn will be refinancing eligible projects with a lookback period of 36 months preceding the issuance of sustainable finance instruments.
- Project Evaluation and Selection:
 - Landsbankinn's internal process in evaluating and selecting projects is managed by the Sustainable Finance Committee (SFC), which is comprised of representatives from Corporate Banking, Risk Management, Finance & Operations and convenes at least on an annual basis. A sustainability specialist, appointed by the head of the SFC, reviews the impact of potential projects. The SFC is responsible for (i) identification, evaluation, and approval of loans and investments, (ii) managing the eligible assets portfolio over the lifetime of sustainable finance instruments, (iii) monitoring prospective developments in the framework. The Credit Committee

¹⁵ The framework refers to buildings for low income and vulnerable groups where the annual income of tenants at the start of the lease shall not be higher than exceed ISK 6,420,000 (USD 50,300) for each individual, ISK 8,988,000 (USD 70,000) for couples. An additional ISK 1,605,000 (USD 12,500) shall be added for each child or youth below 20 years of age, that is part of the household.

¹⁶ Reglugerdasafn, "183/2020 Regulation of state and municipalities of state and municipalities, housing institutions and general apartments", (2020), at: <https://www.reglugerd.is/reglugerdir/eftir-raduneytum/velferdarraduneyti/nr/21841>

¹⁷ Distribution Networks will be primary powered by Renewable Energy (>90%)

¹⁸ Furthering Innovative Entrepreneurial Regions of Europe, "Fragile communities", (2015), at: https://epale.ec.europa.eu/sites/default/files/fragile_communities_short.pdf

- is responsible for final loan approval. All potential loans will undergo the Bank's internal processes with the SFC which includes a final review and approval by the sustainability specialist. The SFC will also document the evaluation and process in order to facilitate external verification, if needed.
- Based on the above-mentioned evaluation process and management of risks, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - Landsbankinn's process for management of proceeds is overseen by SFC. Proceeds will be tracked and allocated through a portfolio approach. The Bank will strive to ensure that all proceeds are fully allocated to its portfolio of eligible assets. Should any proceeds remain unallocated, the Bank will temporarily invest the balance in line with its liquidity investment guidelines until such balance is fully invested and/or reinvested. Allocation will be reviewed and approved by the SFC on an annual basis until full allocation and will review eligible assets on at least an annual basis to ensure continued eligibility. If an asset is deemed as no longer eligible, it will be removed from the eligible asset portfolio and replaced as soon as practically feasible. The proceeds are expected to be invested and/or reinvested into relevant eligible assets within 24 months of issuance.
 - Based on the Bank's tracking system and fund allocation within 24 months Sustainalytics considers this process to be in line with market best practice.
 - Reporting:
 - The Bank intends to report on the allocation of proceeds on its website, on an annual basis, until full allocation. The report will either be a standalone document or as an appendix to other annual sustainability reports of the Bank's annual report. The allocation reporting will include details such as an overview and value of outstanding sustainable finance instruments, the amounts allocated to projects in each category, the remaining balance of unallocated proceeds, the amount and percentage of new financing and refinancing. The allocation report will be verified by external reviewers' post-issuance. In addition, Landsbankinn is committed to annually report on relevant impact indicators on its website and follow ICMA's harmonized framework.
 - Based on these elements, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2018

Sustainalytics has determined that the Landsbankinn Sustainable Finance Framework aligns to the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020). For detailed information please refer to Appendix 5: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of Landsbankinn

Contribution of Framework to Landsbankinn's sustainability strategy

Sustainalytics is of the opinion that Landsbankinn demonstrates a strong commitment to sustainability with a focus on four key environmental and social areas: (i) responsible lending (ii) responsible investing (iii) carbon disclosure and (iv) gender equality. The Bank substantiates its support for sustainability through participation through international initiatives, such as the UN Global Compact Principles for Responsible Investment,¹⁹ Iceland Sustainable Investment Forum,²⁰ the Partnership for Carbon Accounting Financials (PCAF),²¹ the United Nations Environmental Program Finance Initiative²² and Festa Center for Sustainability.²³

To govern its credit activities, Landsbankinn has established guidelines for corporate social responsibility in its policy for responsible investment.²⁴ Sustainalytics notes that the Bank has a robust ESG report, aligning with GRI Standards and disclosing on various sustainability indicators, such as carbon emissions, which have decreased between 2018 and 2019.²⁵ Additionally, the Bank has established time bounds goals, such as

¹⁹ UN Global Compact, "Our Participants", (2020), at: [Landsbankinn | UN Global Compact](#)

²⁰ UN Principles of Responsible Investment, "Signatory Directory", at: [Landsbankinn hf. | Signatories | PRI \(unpri.org\)](#)

²¹ Partnership for Carbon Accounting Financials, "Financial Institutions Taking Action", (2021), at: [Financial institutions taking action | PCAF \(carbonaccountingfinancials.com\)](#)

²² UNEP Finance Initiative, "Members", at: [Our Members - United Nations Environment - Finance Initiative \(unepfi.org\)](#)

²³ Festa Center for Sustainability, "About", at: [Festa – Center for Sustainability - Festa \(samfelagsabyrgd.is\)](#)

²⁴ Landsbankinn, Landsbankinn Policy on Responsible Investment, (2018), at [PRI-stefna-Landsbankans-2018-ENSKA.pdf \(landsbankinn.is\)](#)

²⁵ Landsbankinn, Landsbankinn ESG Report, (2019), at: [About Landsbankinn - Landsbankinn's ESG Report for 2019](#)

publicly reporting on GHG emissions from the Bank's credit and asset portfolios within their ESG report by 2023.²⁵ Landsbankinn has been an active participant in working toward a Global Carbon Accounting Standard with PCAF to enable banks to assess and track emissions financed by loans and investments in a scientific and comparable manner. By financing and refinancing eligible projects under this Framework, Landsbankinn will work towards achieving its second goal; establishing and reporting the percentage of green loans in the Bank's credit portfolio by 2025. Landsbankinn's clear commitment to contributing to national climate goals and broader SDGs and demonstrates that eligible projects under this Framework will help the Issuer to contribute directly to responsible lending, responsible investing, and carbon disclosure.

Sustainalytics is of the opinion that the Landsbankinn Sustainable Finance Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the Green Bond Principles (2018) and Social Bond Principles (2020) to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects, could include biodiversity, community relations and occupational health and safety risks.

Sustainalytics is of the opinion that Landsbankinn is able to manage and/or mitigate potential risks through implementation of the following:

- Landsbankinn follows credit processes that align with domestic and international rules and regulations and internal policies such as Anti-Money Laundering, Counter Terrorist Financing and Sanctions.²⁶ Sustainability loans will be provided under these standard credit processes.
- Iceland is identified a "Designated Country" under the Equator Principles, implying the presence of robust environmental and social governance systems, legislation, and institutional capacity for protecting the environment and communities.²⁷
- According to Icelandic legislation, all hydropower and geothermal projects must follow the countries Master Plan for Nature Protection and Energy Utilization.²⁸ Furthermore, all large-scale power plants must undergo an Environmental Impact Assessment in Iceland.^{29 30 31}
- Icelandic Occupational Health and Safety Acts such as the Icelandic Act on Working Environment, Health and Safety in Workplaces No. 46/1980, ensure a safe working environment in accordance with the social and technical developments of society.³²

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Landsbankinn 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

All eleven use of proceeds categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused below where the impact is specifically relevant in the local context.

Importance of sustainable fisheries and sustainable aquaculture in Iceland

Iceland's rich marine resources are vital to economic prosperity, accounting for 7.3% of GDP in 2017 while simultaneously being a large contributor to environmental degradation.³³ Fisheries disturb or destroy ocean habitats and can lead to overfishing and extinction of species. Prior to the 1990s in Iceland, fish stocks were depleting at an unsustainable rate. The Icelandic Government introduced a comprehensive policy response

²⁶ Landsbankinn Risk and Capital Management (2019), at: [Landsbankinn-Pillar-III-Risk-Report-2019.pdf](#)

²⁷ Equator Principles, "Designated Countries", at: [Designated Countries – The Equator Principles \(equator-principles.com\)](#)

²⁸ Regulated and enforced by the Icelandic Act No. 48 from 2011

²⁹ Based on the Icelandic Act No. 106/2000, which is aligned with the European Directive 85/337/EEC

³⁰ Icelandic Parliament, "The Master Plan Act No. 48/2011", at: [The Master Plan Act | Rammaáætlun](#)

³¹ Icelandic Law on Environmental Impact Assessment 2000 106/2000: [Lög um mat á umhverfisáhrifum | Lög | Alþingi \(althingi.is\)](#)

³² International Labour Organization, "Iceland", at: [Iceland - Act on Working Environment, Health and Safety in Workplaces, No. 46/1980. \(ilo.org\)](#)

³³ Responsible Fisheries Iceland, "A nation with Fishing in it's genes", at: [Iceland Responsible Fisheries for the benefit of future generations | A nation with fishing in its genes](#)

called the individual transferable quotas (ITQ) system, via the Fisheries Act which gives fishers a permanent quota, providing an incentive for a long-term view on the management of resources and is regarded by the OECD as a success in terms of economic efficiency and responsible fishing.³⁴

Since the 1990s, fishing production has been the only sector in Iceland that has achieved substantial reduction in emissions, halving its emissions between the period of 1995 to 2015.³⁵ This reduction has been achieved through the use of fuel-efficient machinery and reduction in the numbers of ships in the fleet. Responsible fishing in Iceland has led to the stabilization and growth of cod spawning, which has begun to recover from the sharp decline of previous decades.³⁴

Furthermore, sustainable aquaculture is crucial to the future of global food supply and is regarded as one of the world's most efficient and sustainable methods to produce high-quality protein.³⁶ Growth in aquaculture in recent decades has been responsible for the continual increase in fish supply for human consumption while wild-catch fishery has depleted 90% of fish stocks to being fully exploited, overexploited or depleted.^{37,38} To further protect the marine ecosystem, certification standards such as Marine Stewardship Council, Aquaculture Stewardship Council and Best Aquaculture Practices are commonly engaged to provide regulations for fishers to meet to be considered sustainable in their operations.

There has been significant growth in aquaculture in Iceland in recent years, with 19 thousand tonnes of production in 2018, 1.8 thousand tonnes more than the previous year.³⁹ Promotion of sustainable and responsible fishing and aquaculture practices remains a priority for Iceland, thus Sustainalytics considers the financing of sustainable fisheries and aquaculture to be beneficial in achieving progress towards a sustainable marine ecosystem, when conducted in a well-managed way.

Impact of renewable energy in Iceland

Iceland has one of the highest proportional levels of renewable energy worldwide, obtaining 100% of its electricity and heat from renewable sources.⁴⁰ 73% of its electricity comes from hydropower and the remaining 27% from geothermal power.⁴⁰ Iceland is the world's largest green energy producer per capita, producing approximately 55,000 kWh per person per year, compared to the EU average which is less than 6,000 kWh.⁴⁰ While many countries are grappling with the issue of decarbonization, Iceland's transition away from fossil fuels can be considered a success story. Currently 9 out of 10 homes are heated with renewable energy through a new geothermal district-heating network.⁴¹

Historically Iceland has relied on fossil fuels, importing the largest share of the country's energy consumption until the early 1970s.⁴¹ Iceland could not rely on oil given price fluctuations and world energy market crisis, which inspired renewable energy development among local entrepreneurs. The Government of Iceland introduced funding and loans for geothermal research and drilling and provided cost recovery for failed projects. Today Iceland is considered a top location for geothermal technical assistance training and renewable energy education. Institutions such as the UN, universities and other industry contributors run geothermal training programmes to share the technical expertise in geothermal development. Developments in geothermal technologies such as CarbFix, which Landsbankinn may finance, whereby carbon is captured in water and turned into stone underground, providing a natural and permanent storage solution.⁴² Landsbankinn may finance such technologies, which would contribute to overall developments in geothermal technologies and the decarbonization of Iceland. Thus, Sustainalytics views financing for renewable energy projects as positively impactful.

Importance of Affordable Housing in Iceland

The problem of affordable and social housing shortages has reached a peak in Iceland. There is a shortage of residential housing in all areas of Iceland, due to a lack of apartments for low-income earners and lack of availability of homes for rent or purchase by first time homeowners.⁴³ The aftershocks of the 2008 financial crisis have resulted in imbalances in the housing market in Iceland, both through the collapse of the

³⁴ OECD Environment Policy Paper no.9, "Sustaining Iceland's fisheries through tradeable quotas", (2017), at: [Policy-Paper-Sustaining-Iceland-fisheries-through-tradeable-quotas.pdf \(oecd.org\)](https://www.oecd.org/env/policy-papers/policy-paper-sustaining-iceland-fisheries-through-tradeable-quotas.pdf)

³⁵ Statistics Iceland, Carbon dioxide emissions from air transport increases rapidly, (2018), at [Greenhouse gas emission accounts for the Icelandic economy, 1995-2016 - Statistics Iceland \(statice.is\)](https://www.statice.is/en/greenhouse-gas-emission-accounts-for-the-icelandic-economy-1995-2016)

³⁶ The World Ocean Initiative, "Fish feed of the future", (2020), [Fish feed of the future - World Ocean Initiative \(economist.com\)](https://www.economist.com/finance-and-economics/2020/07/20/fish-feed-of-the-future)

³⁷ The United Nations Conference on Trade and Development, "90% of fish stocks are used up" (2018), at: [90% of fish stocks are used up – fisheries subsidies must stop | UNCTAD](https://unctad.org/en/press-releases/90-of-fish-stocks-are-used-up-fisheries-subsidies-must-stop)

³⁸ United Nations Food and Agriculture Organization, "The State of World Fisheries and Aquaculture" (2018), at [i9540en.pdf \(fao.org\)](https://www.fao.org/3/i9540en.pdf)

³⁹ Statistics Iceland, "Aquaculture in Iceland" (2019), at: [Aquaculture in Iceland - Statistics Iceland \(statice.is\)](https://www.statice.is/en/aquaculture-in-iceland)

⁴⁰ Government of Iceland, "Energy", at [Government of Iceland | Energy](https://www.government.is/en/energy)

⁴¹ The UN, Iceland's Sustainable Energy story, at [Iceland's Sustainable Energy Story: A Model for the World? | United Nations](https://www.un.org/sustainabledevelopment/energy/iceland-sustainable-energy-story)

⁴² Carbfix, "How it works", at: [Carbfix](https://www.carbfix.com/)

⁴³ Iceland Review, "Nation-Wide Affordable Housing Shortage", (2019), at: [Nation-Wide Affordable Housing Shortage \(icelandreview.com\)](https://www.icelandreview.com/nation-wide-affordable-housing-shortage)

construction industry and lack of supply of new affordable housing.⁴⁴ Homelessness is on the rise in Iceland, whereby there has been a 168% increase in homelessness in Iceland between 2009 and 2017.⁴⁵ Based on Government estimates, approximately 8,000 homes are needed to address the affordable housing shortages in the country, while many new luxury apartments remain empty.⁴⁶

The Government of Iceland has introduced efforts to increase the supply of family residential housing and to stabilize the housing market.⁴⁴ Such measures include (i) the increase in housing subsidies; (ii) selling of government-owned land to city council for construction; (iii) deregulation of housing and planning standards to speed up new residential construction (iv) incentives to increase long-term rental housing; (v) incentives for buildings low-cost housing for students and disabled individuals and (vi) support to families purchasing their first home.⁴⁶ Landsbankinn's Framework aims to provide funding for affordable housing projects related to construction, purchase, maintenance, or refurbishment of affordable or social housing for low-income groups, as outlined by Icelandic regulation.⁴⁷ Based on this context, Sustainalytics is of the opinion that the financing of affordable housing projects in Iceland can contribute to the reduction in shortage of affordable homes and lead to positive social outcomes.

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 sustainability bond advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 Increase in the share of renewable energy in the global energy mix.
Energy Efficiency	7. Affordable and Clean Energy	7.3 Double the global rate of improvement in energy efficiency.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.3 Combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods.
Clean Transportation	11. Sustainable Cities and Communities	By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

⁴⁴ European Commission, European Social Policy Network, "Iceland: Efforts to increase supply of housing policy", (2017), at [ESPN - Flash Report 2017-59 - IS - July 2017 \(1\).pdf](#)

⁴⁵ OECD, "Homeless Population" (2020), at: [HC3-1-Homeless-population.pdf \(oecd.org\)](#)

⁴⁶ Global Property Guide, "Iceland Price History", (2019), at [Investment Analysis of Icelandic Real Estate Market \(globalpropertyguide.com\)](#)

⁴⁷ Act no. 6 in regulation 183/2020.

Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanisation, planning and management.
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure safe access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Sustainable Infrastructure	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure.
Employment Generation	8. Decent Work and Economic Growth	8.3 Promote development-orientated policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth micro-, small- and medium-sized enterprises, including through access to financial services.

Conclusion

Landsbankinn has developed the Landsbankinn Sustainable Finance Framework under which it will issue sustainability bonds and use the proceeds to finance sustainable fishing and aquaculture projects, renewable energy, affordable housing, energy efficiency improvements and eco-efficient and circular economy adapted products. Sustainalytics expects that the projects funded by the sustainability bond proceeds will provide positive environmental and social impact.

The Landsbankinn Sustainable 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 Landsbankinn Sustainable Finance Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 8, 9, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Landsbankinn 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 Landsbankinn is well-positioned to issue sustainability bonds and that that Landsbankinn Sustainable Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020) and Sustainability Bond Guidelines 2018 (SBG).

Appendices

Appendix 1: Sustainalytics' Assessment of the Fishery and Agriculture certification





	Marine Stewardship Council ⁴⁸	Aquaculture Stewardship Council ⁴⁹	EU Organic ⁵⁰	Iceland Responsible Fishing Framework
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	The Iceland Responsible Fishing Framework was founded to preserve fisheries management principles and is based on articles and criteria from the UN Food and Agriculture Organization (FAO).
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting Sustainable aquaculture practices.
Minimum standards	A minimum score must be met across each of the performance indicators. As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based. Certification may be granted with a "variance" to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	Certification is granted when all requirements of the standard are met.

⁴⁸ <https://www.msc.org/standards-and-certification/fisheries-standard>

⁴⁹ <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

⁵⁰ <https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming>

<p>Scope of certification or programme</p>	<p>The MSC standard consists of a fisheries standard and a chain of custody standard.</p> <p>The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.</p> <p>The Chain of Custody standard addresses certified spirchsing, product identification, seperation, traceability and records, and good management.</p>	<p>ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standars lay out minimum requirements regarding both environmental and social performance.</p> <p>Additionally, a Chain of Custody Standard is mandatory for all supply chain actors in order to ensure traceability.</p>	<p>The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).</p>	<p>The certification has two standards named Icelandic Responsible Fisheries Management Standard and Icelandic Responsible Fisheries Management Chain of Custody.</p> <p>The Icelandic Responsible Fisheries Management Standard assesses the management system and plan, minimizing environmental impact and management of sustainable fish stocks.</p> <p>The Icelandic Responsible Fisheries Management Chain of Custody standard addresses tracking/traceability of product through processing, distribution and marketing chain, as well as tracking of documentation and quality.</p>
<p>Verification of standards and risk mitigation</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.</p> <p>Certification is valid for up to five years.</p>	<p>Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.</p> <p>Major non-compliances must be remedied within three months.</p>	<p>Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.</p>	<p>Third-party bodies accredited to ISO/IEC Guide 17065:2021 will carry out assessments on compliance.</p> <p>A compliance assessment will be carried out every 5 years to evaluate certification status.</p>
<p>Third party expertise and multi-stakeholder process</p>	<p>Aligned with the UN Code of Conduct for Reponsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>Developed in line with United Nation’s Food and Agriculture Organization) UN FAO) and International Labour Organization (ILO) principles.</p> <p>Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL)</p>	<p>The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission’s typical legislative approach.</p>	<p>The Iceland Responsible Fishing Framework is based on the 1995 FAO Code of Conduct for Responsible Fisheries and on the FAO Guidelines for the Eco-labelling of Fish and Fishery Products from Marine Capture Fisheries adopted in 2005.</p>

		Codes of Good Practice.		
Performance display				
Qualitative considerations	<p>The MSC label is the most widely recognized sustainable fisheries label worldwide, and is generally accepted to have positive impacts on marine environments.</p> <p>Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.</p>	<p>Widely recognized, and modeled on the successful MSC certification.</p> <p>Some criticism has been focused on the ability to certify with a "variance", in which certain aspects of the standard can be interpreted or waived during the audit procedure.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.</p>	<p>The Iceland Responsible Fisheries Certification is used by fisheries with Icelandic vessels, and pelagic fisheries of shared stocks by Icelandic vessels in High seas.</p> <p>The certification is recognized by Global Seafood Sustainable Initiative (GSSI). While the certification contains guidelines on managing environmental risks, governmental and operational criteria, it does not mitigate risks associated with social elements.</p>

Appendix 2: Sustainalytics' Assessment of certification schemes for Forestry (FSC)

	Forest Stewardship Council (FSC) ⁵¹
Background	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations
Types of standards/benchmarks	<ul style="list-style-type: none"> • Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests) • Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible) • Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate) • Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)
Governance	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
Scope	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
Chain-of-Custody	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards • CoC standard includes procedures for tracking wood origin • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC


⁵¹ Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview/principles-criteria-v5.a-1112.pdf>

<p>Non-certified wood sources</p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ul style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation values are threatened by management activities, d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses, e. Wood from management units in which genetically modified trees are planted.
<p>Accreditation/verification</p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>
<p>Qualitative considerations</p>	<p>Sustainalytics views FSC as being robust, credible standard that is based on comprehensive principles and criteria that are aligned with ISO. The scheme has received praise for its contribution to sustainable forest management practices⁵² and has also faced criticism from civil society actors.⁵³ In certain instances, this standard goes above and beyond national regulation and is capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standard is similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by this scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>

⁵² FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

⁵³ Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>




Appendix 3: Eco-Efficient and Circular Economy Adapted certifications

	Nordic Swan Ecolabel / EU Ecolabel
Background	<p>The Nordic Swan Ecolabel was established by the Nordic Council of Ministers in 1989, serving as a voluntary ecolabelling system for the Nordic countries Norway, Sweden, Denmark, Iceland and Finland. This ecolabel is a tool that companies utilize in order to evaluate the sustainability of its products and works to reduce the environmental impact from production and consumption of goods.</p> <p>The EU Ecolabel is Europe's counterpart to the Nordic Swan. It is a Type 1 Ecolabel, just like the Nordic Swan Ecolabel, which means it is independent, works according to the life cycle perspective and with a holistic view when criteria are developed.</p>
Clear positive impact	Promotion of environmental requirements for a reduction of the environmental impact from production and consumption of goods.
Minimum standards	Nordic Swan Ecolabel certifies 60 different product groups – covering several hundred product types. For each product group there is specific criteria that sets strict environmental requirements in all relevant phases of a product's life cycle, and for chemicals used in ecolabelled products.
Scope of certification or programme	Nordic Swan Ecolabel addresses key factors such as the choice of raw, materials, use of hazardous chemicals, use of energy and resources, emissions to all kind of recipients, health aspects, noise and waste treatment associated with production, transport and final disposal. The product's lifespan and whether it can be repaired are also important, as is the extent to which it can be reused and recycled.
Verification of standards and risk mitigation	The organization that grants the ecolabel may carry out inspections without prior notice to ensure compliance with criteria.
Third party expertise and multi-stakeholder process	Experts from all Nordic countries contribute to the development of ideas for new or revised criteria. The revision takes place in close contact with businesses and other stakeholders with relevant knowledge, and by using available literature from academic institutions and experts.
Performance display	
Third-party verified	The national ecolabelling organisations responsible for administering the Nordic Ecolabel in each country
Qualitative considerations	The Nordic Swan Ecolabel has a strong presence in the Nordic countries. The Nordic Swan Ecolabel is one of the founders of the international network for ISO 14024 Type 1 ecolabels, GEN (Global Ecolabelling Network).

Appendix 4: Sustainalytics Assessment of Green Building Certifications

	LEED	BREEM	Nordic Swan
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Svanen is owned by "Ecolabelling Sweden", a Swedish state company responsible for both the Swan ecolabel and the EU Ecolabel. Svanen was first released in 1989 by the Nordic Council of Ministers.
Certification levels	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified
Areas of Assessment	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	General requirements Resource efficiency Indoor environment Chemicals and materials Construction Management Regulatory requirements Point-score requirements (including energy)
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ⁵⁴ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREAAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Points-based assessment. For apartment buildings at least 17 out of 44 possible points must be achieved. For small houses at least 16 out of 42 possible points must be achieved. For pre-school and school buildings at least 15 out of 39 possible points must be achieved.

⁵⁴ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

<p>Performance display</p>			
<p>Qualitative considerations</p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>	<p>Widely recognized within the region, strong assurance of quality.</p>

Appendix 5: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Landsbankinn
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	Landsbankinn Sustainable Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 18, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|--|--|
| <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 categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 6, 7, 8, 9, 11, 12 and 15

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" 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 checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" 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 (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Sustainable Infrastructure |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Landsbankinn's internal process in evaluating and selecting projects is managed by the Sustainable Finance Committee ("SFC"). The SFC is responsible for (i) identification, evaluation, and approval of loans and investments, (ii) managing the eligible assets portfolio over the lifetime of sustainable finance instruments, (iii) monitoring prospective developments in the framework. The credit committee is responsible for final loan approval.

Evaluation and selection

- | | |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Landsbankinn's processes for management of proceeds is overseen by the SFC. Proceeds will be tracked and allocated using a portfolio approach. Should any proceeds remain unallocated, the Bank will temporarily invest the balance in line with its liquidity investment guidelines. The proceeds are expected to be allocated within 24 months of issuance.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|--|--|
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

Landsbankinn intends to report allocation proceeds on its website, on an annual basis, until full allocation. The allocation reporting will include details such as an overview and value of outstanding sustainable finance instruments, the amounts allocated to projects in each category, the remaining balance of unallocated proceeds, the amount and percentage of new financing and refinancing. The allocation report will be verified by external reviewers' post-issuance. In addition, Landsbankinn is committed to annually report on relevant impact indicators on its website and follow ICMA's harmonized framework. This is aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input type="checkbox"/> Other ESG indicators (please specify): |

Project category	Metrics
Renewable energy	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided in tCO₂e Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Energy efficiency	<ul style="list-style-type: none"> Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) Annual GHG emissions reduced/avoided in tonnes of CO₂e
Pollution prevention and control	<ul style="list-style-type: none"> Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste) Waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes p.a.
Environmentally sustainable management of living resources and land use	<ul style="list-style-type: none"> Amount of certified products produced shown on a per product and certification basis
Clean transportation	<ul style="list-style-type: none"> Total in kilometres of new or improved train lines/dedicated bus, BRT, LRT corridors bicycle lanes Total number of financed zero-emission cars and/or other vehicles Annual GHG emissions reduced/avoided in tCO₂e p.a
Sustainable water and wastewater management	<ul style="list-style-type: none"> Annual absolute (gross) water use before and after the project in m³/a, reduction in water use in % Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³
Eco-efficient and/or circular economy adapted products, production technologies and processes	<ul style="list-style-type: none"> Tonnes of waste reduced Tonnes of secondary raw materials or compost produced
Green buildings	<ul style="list-style-type: none"> Area (in m²) of certified office or residential space per each certification scheme Annual GHG emissions reduced/avoided in tCO₂e
Affordable housing	<ul style="list-style-type: none"> Number and Area (in m²) of social / affordable housing financed. Approximate number of people housed at year end.
Sustainable infrastructure	<ul style="list-style-type: none"> Annual GHG emissions reduced/avoided in tCO₂e p.a
Employment generation, via SME financing in fragile areas	<ul style="list-style-type: none"> Number of loans Amount disbursed to SMEs in vulnerable areas Number of employees supported

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): Company website
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): The allocation report will be verified by external reviewers post-issuance

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.)

<https://www.landsbankinn.is/en>

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 REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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