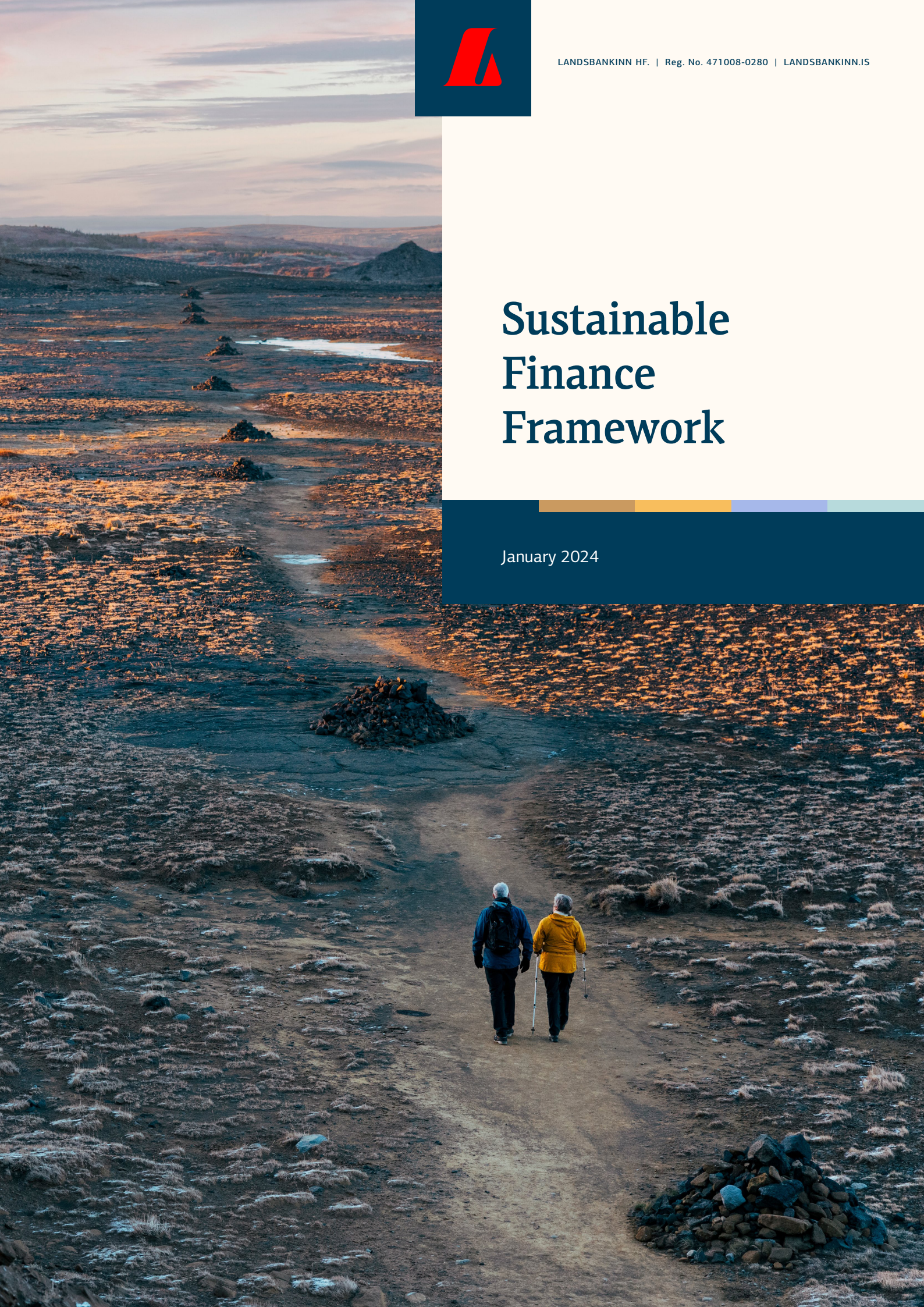




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Sustainable Finance Framework

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Landsbankinn

Landsbankinn (or the “Bank”) is a leading financial institution in Iceland, offering a comprehensive range of financial services to individuals, corporates and investors in Iceland. The Bank aims to be a dynamic force that operates in harmony with its environment and society.

Sustainability at Landsbankinn

Landsbankinn’s Sustainability Policy sets out the Bank’s sustainability aims and describes the methods of achieving them in its operation. The Bank’s approach to sustainability is intended to further the interests of the Bank, its customers, and society in general, for the future. Landsbankinn places great emphasis on diversity and ensures equal pay and equal job opportunities.

Landsbankinn has been an active participant of the UN Global Compact, a member of UN PRI, a founding member of the Iceland Sustainable Investment Forum (IcelandSIF), Festa - Centre for Sustainability, and the Principles for Responsible Banking. Landsbankinn publishes an annual sustainability report based on the principles of the Global Reporting Initiative (GRI).

In 2019, Landsbankinn joined the Partnership for Carbon Accounting Financials (PCAF), a global partnership of financial undertakings working together to develop and implement a harmonised approach to assess and disclose greenhouse gas (GHG) emissions. The carbon accounting method PCAF developed is intended to allow financial undertakings to measure and analyse both direct and indirect emissions from their credit and asset portfolios. The bulk of emissions from financial undertakings are indirect and Landsbankinn is devoted to understanding and reporting on indirect greenhouse gas emissions from its loan and investment portfolio. Landsbankinn published its initial PCAF report on indirect emissions in 2021. The second such report was published in 2023 with limited assurance from Deloitte, along with the Bank’s Annual and Sustainability Report.

In 2022, Landsbankinn became a partner of the Principles for Biodiversity Accounting Financials (PBAF). The next frontier for financial institutions

is to assess their impact on nature and biodiversity and the Bank aims to lead the field in this aspect of sustainability work as well.

Landsbankinn has committed to participating in the Science-Based Targets initiative (SBTi) and aims on setting targets for emission reductions in early 2024. Using SBTi methodology, the Bank will set scientific and measurable emission targets based on real data from its operation.

Landsbankinn is committed to adhering to the UN’s Sustainable Development Goals in its operation. Emphasis is placed on working to achieve four of the SDGs: Goal 5 on gender equality; goal 8 on decent work and economic growth; goal 9 on industry, innovation and infrastructure and goal 13 on climate action. The chosen SDGs all relate to the Bank’s activities, allowing the Bank to maximise the positive impact of its work on the environment and society.¹

Landsbankinn has received an ESG risk rating from Sustainalytics, where the Bank is considered to manage its low exposure to ESG risk well. For the past two rating periods, the Bank has achieved a rating of negligible risk of material financial impacts driven by ESG factors. Updated information is available on the Bank’s website.²

Landsbankinn’s environment

Landsbankinn operates in Iceland. The country is rich in renewable resources, mainly geothermal and hydro energy, which are almost the country’s sole source of domestic heating and electricity production. The carbon emission factor for the Icelandic electricity grid is among the lowest in the world. This means that indirect emissions (electricity and heat production) from domestic operations tend to be very low. Iceland is generally counted among the most developed nations in the Human Development Index. Gender equality was written into the Icelandic constitution in 1995 and equal pay legislation entered into force in 2018. Iceland’s sovereign ESG risk is considered to be low. Iceland’s anti-money laundering risk is also considered to be very low.³ These factors are a characteristic of Landsbankinn’s investments and loan portfolio.

¹ More information on the Bank’s approach to sustainability can be found under <https://www.landsbankinn.is/en/the-bank/csr> and <https://www.landsbankinn.is/uploads/documents/bankinn/sjalbbaerni/sustainability-policy-of-landsbankinn.pdf>

² <https://www.landsbankinn.is/uploads/documents/bankinn/credit-ratings/2023-05->

³ According to CountryRisk.io on 6 November 2023.

Human rights at Landsbankinn

Landsbankinn adheres to the principles of the UN Global Compact. We are mindful of equality, hu-

man rights and the diversity of the human spectrum at various levels in our operation, including in the hiring process, in marketing material and in deciding who represents the Bank.

Commitments and membership

Commitment	Year committed	
	UN Global Compact	2006
	Principles for Responsible Investment	2013
	Iceland Sustainable Investment Forum	2017 (founding member)
	Partnership for Carbon Accounting Financials	2019
	United Nations Environment Programme Finance Initiative	1992
	Festa – Centre for Sustainability	2011 (founding member)
	Principles for Responsible Banking	2019 (founding signatory)
	Task Force on Climate-related Financial Disclosures	2022
	Science Based Targets	2022 (committed)
	Partnership for Biodiversity Accounting Financials	2022

Landsbankinn's Sustainable Finance Framework

1. Background

The objective of the Sustainable Finance Framework (the "Framework") of Landsbankinn is to align its investments and loan operations with the EU Climate Goals and a sustainable, low-carbon economy, supporting the goals set in the Paris Agreement. In addition, the Bank aims to raise funds matching those it lends to its customers to achieve their goals in transforming their business in a climate and socially responsible manner, and to benefit from the various opportunities provided by the low-emission economy.

2. Purpose of the Framework

The purpose of the Framework is to have a single, robust methodology in place for all future sustainable funding options, including green, blue, social and sustainability bond issuances, and other funding options. The funding options can be in various forms, such as listed and non-listed, senior or subordinated bonds, secured or unsecured bonds, commercial paper and bilateral agreements. Landsbankinn intends to issue sustainable finance instruments from time to time under the Framework. The terms of relevant products will reference this document and any adjustments thereto.

The Framework determines the basis for identification, selection, verification and reporting on sustainable financing or refinancing, both lending and investment, which is eligible for financing by proceeds from sustainable finance instruments and the management of such proceeds.

The Framework shall in so far as possible align with the Green Bond Principles 2021 (including Appendix 1, June 2022) (GBP), the Social Bond Principles 2023 (SBP) and Sustainability Bond Guidance 2021 (SBG) of the International Capital Market Association (ICMA). In addition, it is Landsbankinn's ambition for the Framework to follow the EU's classification system for sustainable activities (also known as the EU Taxonomy) where practically possible and evaluate use of the future classification system for sustainable investments within the EU. The Framework follows the ICMA Guidance Handbook for bonds to finance the sustainable blue economy⁴

and the UN Blue Bond Reference Paper for Investments Accelerating Sustainable Ocean Business.⁵

The Framework consists of the following five core components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

In formulating the Framework, care was taken to reflect both the UN SDGs and the latest report on the European Union Green Bond Standards (EU GBS), published on 10.5.2023.⁶

Changes to the GBP, SBP or developments with regards to the EU GBS or EU Taxonomy may further expand or amend the Framework from time to time, aligning it with emerging standards or best practices, and maintaining applicability for future issuances. The updated Framework will either keep or improve the current levels of transparency and reporting, and will undergo external review by an eligible or accredited entity under the prevailing principles or standards.

3. Use of proceeds

An amount equal to the proceeds from sustainable finance instruments issued in line with the Framework is to be used for the financing or refinancing, in whole or in part, of eligible activities and assets (including loans, investments, expenditures and the Bank's own eligible operations) that meet the following eligibility criteria listed in the table below, all referred to as Eligible Activities and Assets.

Although Landsbankinn aims to align its methods with the EU Taxonomy criteria, there are still challenges. In its Framework, the Bank has identified categories where the criteria is aligned with the substantial contribution to climate mitigation criteria. In these cases, the EU Taxonomy category number is included (see also Appendix I). For other categories, no criteria is currently available. These categories are identified as To Be Determined ("TBD").

⁴ New Guidance on Blue-Themed Bonds to Help Unlock Finance for a Sustainable Ocean Economy » ICMA ([icmagroup.org](https://www.icmagroup.org))

⁵ United Nation Global Compact, Blue Bonds Reference Paper: <https://unglobalcompact.org/library/5741>

⁶ AG (europa.eu)



In case there is currently not enough information or data available to adhere to the EU substantial contribution to climate mitigation criteria, other criteria is used in line with the GBP and common market practice. These categories are identified as Not Applicable (“N.A.”). For a business or project which derives 90% or more of revenues from activities that align with the eligibility criteria, financing via general corporate purpose loans is considered to be eligible, as long as financing does not fund activities listed in the exclusions section.

A three-year look-back period⁷ preceding the year of issuance of the sustainable finance instrument for OPEX Eligible Activities and Assets is used but no look-back period for CAPEX Eligible Activities and Assets.

Proceeds can be used for the refinancing of Eligible Activities and Assets.

Allocation of net proceeds during the year of issuance of the sustainable finance instrument is considered new financing.

Detailed categorization of Eligible Activities and Assets, including relevant EU Taxonomy activities and NACE codes where they are aligned, and information on whether individual activities are considered eligible as a green, social and/or blue activity, is provided in Appendix I.

⁷ A three-year look-back period is chosen although there is no limitation in the (draft) EU Green Bond Standard.



Green and blue categories

Renewable energy



Ambient energy

EU Taxonomy activity: 4.16

Installation and operation of electrical heat pumps.

Bioenergy

EU Taxonomy activity: 4.8, 4.13, 4.20, 4.24.

Construction and operation of installations that produce:

- biogas or biofuels for use in transport and of bioliquids, such as biofuel preparation, pre-treatment and bio-refinery facilities.
- electricity, heat or both (CHP) exclusively from biomass, biogas or bioliquids. Excluding production from blending of renewable fuels with biogas or bioliquids.

GHG emission savings from the use of relevant bioenergy in the generation/production must be below relevant threshold values given by the EU Taxonomy Climate Delegate Act.

In the evaluation of all bioenergy projects supply chain sustainability is preferably verified through certification systems such as the International Sustainability & Carbon Certification (ISCC), Sustainable Biomass Partnership (SBP), Roundtable on Sustainable Biomass (RSB), Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC).

Geothermal energy

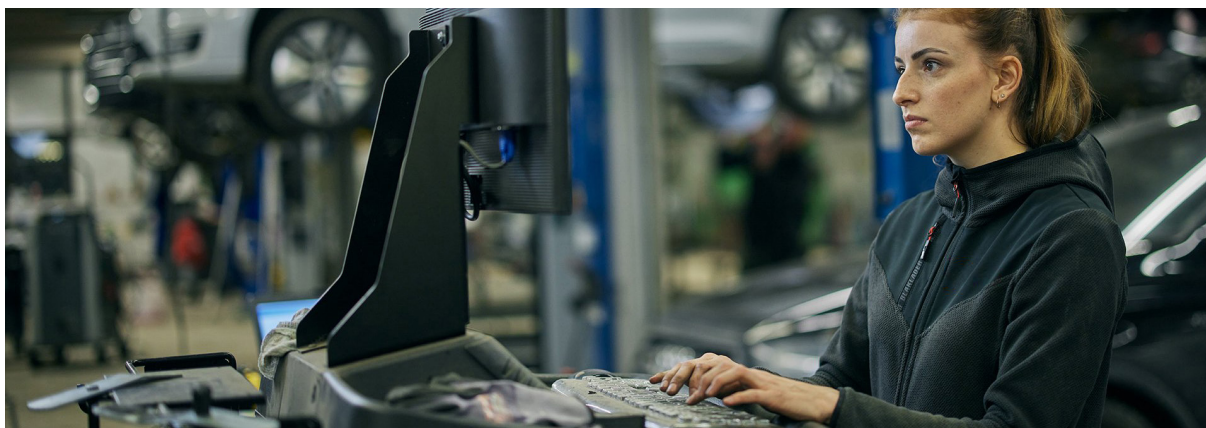
EU Taxonomy activity: 4.6, 4.18, 4.22.

Construction or operation of power plants and heating systems based on geothermal energy and with life cycle GHG emissions lower than 100 gCO₂e/kWh.

Hydropower

EU Taxonomy activity: 4.5

Construction or operation of facilities that produce electricity from hydropower where the generation complies with one of the following:



- a) the electricity generation facility is a run-of-river plant and does not have an artificial reservoir;
- b) the power density of the electricity generation facility is above 5 W/m²;
- c) the life cycle GHG emissions from the generation of electricity from hydropower are lower than 100 gCO₂e/kWh.

Ocean energy

EU Taxonomy activity: 4.4

Construction or operation of facilities that produce electricity from ocean energy.

Solar energy

EU Taxonomy activity: 4.1, 4.21.

Construction or operation of facilities that produce heat and/or electricity using solar photovoltaic (PV) technology.

Waste energy

EU Taxonomy activity: 4.25

Construction and operation of facilities that produce heat using waste heat.

Wind energy

EU Taxonomy activity: 4.3

Construction or operation of facilities that produce electricity from wind power.

Hydrogen

EU Taxonomy activity: 3.10

Manufacture of hydrogen and hydrogen-based synthetic fuels.

Energy storage

EU Taxonomy activity: 4.10, 4.11, 4.12.

Construction and operation of facilities that store electricity,⁸ hydrogen and thermal energy. This includes pumped hydropower storage, underground thermal energy storage and conversion of existing underground gas storage facilities to dedicated hydrogen-storage facilities.

Energy transmission

EU Taxonomy activity: 4.9, 4.14, 4.15.

Electricity transmission infrastructure, including (but not limited to):

- transmission of renewable electricity via new connection or expansion of existing connection.
- the average system grid emissions factor is below 100 gCO₂e/kWh or have more than two thirds of newly connected generation capacity below this threshold measured on life cycle basis over a rolling five-year period.
- smart grids, storage facilities, metering systems and other systems aiming to increase system security and reduce energy losses.

District heating infrastructure where the system uses at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat.

Construction or operation of transmission and distribution pipelines dedicated to the transport of hydrogen or other low-carbon gases, including conversion/repurposing of existing natural gas networks to 100% hydrogen. The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.

⁸ Battery storage is not considered under this category but is included in the subchapter Individual installations in the chapter Green buildings.

Clean transportation



Transportation

EU Taxonomy activity: 6.3, 6.4, 6.5, 6.6, 6.7, 6.9, 6.10, 6.11, 6.12, 6.18, 6.19, 6.20.

Zero direct (tailpipe) CO₂ emissions vehicles such as cars, buses, trucks and light commercial vehicles.

- Non-zero direct (tailpipe) CO₂ emissions vehicles in accordance with substantial criteria given by the EU Taxonomy Climate Delegated Act, except vehicles in categories M1, N1 and L (only zero direct (tailpipe) CO₂ emissions).

Zero direct (tailpipe) CO₂ emissions vessels for inland passenger water transport, inland and sea and coastal freight transport and vessels for port operations and auxiliary activities, such as tugboats, salvage vessels and ice-breakers.

- Until 31 December 2025, hybrid and dual fuel vessels derive at least 25% of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power.
- Where technologically and economically not feasible to comply with zero direct (tailpipe) CO₂ emissions until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022, if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources.

Zero direct (tailpipe) CO₂ emissions aircrafts for transport of passengers and goods, and renting and leasing of it, including aircraft parts and equipment.

Manufacture, repair, maintenance, overhaul, retrofitting, design, repurposing and upgrade,

purchase, financing, renting, leasing and operation of zero direct emissions (tailgate) emissions equipment and service of equipment and service activities incidental to air transportation, including ground service activities at airports and cargo handling.

Retrofit and upgrade of vessels designed and equipped for the transport of freight or passengers on sea or coastal and passenger transport on inland waters, and of vessels required for port operations and auxiliary activities.

- Until 31 December 2025, the retrofitting activity reduces fuel consumption of the vessel by at least 10% expressed in grams of fuel per deadweight tons per nautical mile, as demonstrated by computational fluid dynamics (CFD), tank tests or similar engineering calculations.

Personal mobility or transportation devices where the propulsion comes from the physical activity of the user, zero-emissions motor, or a mix of both. This includes bicycles in freight transport services.

Infrastructure

EU Taxonomy activity: 6.13, 6.15, 6.16, 6.17.

Construction, modernisation, maintenance and operation of infrastructure:

- for personal mobility, including the construction of roads, motorways bridges and tunnels and other infrastructure that is dedicated to pedestrians and bicycles, with or without electric assist.
- that is required for zero tailpipe CO₂ operation of zero-emissions road transport, as well as infrastructure dedicated to transshipment, and infrastructure required for operating urban transport.
- that is required for zero tailpipe CO₂ operation of vessels or the port's own operations, as well as infrastructure dedicated to transshipment.
- that is required for zero tailpipe CO₂ operation of aircraft or the airport's own operations, as well as for provision of fixed electrical ground power and preconditioned air to stationary aircraft.

Vehicles, vessels, aircrafts and infrastructure dedicated to the transport of fossil fuels are excluded.



Green buildings



New buildings and refurbishment

EU Taxonomy activity: Not applicable.

Construction of new, or refurbishment of public, residential and commercial buildings is required to achieve one of the following, or equivalent, certification:⁹

- LEED “Gold” or higher;
- BREEAM “Excellent” or higher;
- The Nordic Swan Ecolabel.

Acquisition and ownership of residential buildings

EU Taxonomy activity: 7.7

For residential buildings built on or before 31 December 2020, the building is within the top 15 % of the national building stock.

Since Iceland has not implemented Energy Performance Certificates (EPC) or defined Primary Energy Demand (PED), Landsbankinn has developed a robust methodology demonstrating a comparison of the performance of the selected energy-efficient residential buildings versus the national building stock. It takes into account the specific Icelandic background and establishes an eligibility threshold. The methodology is published in a separate document attached to the Framework.

Individual installations

EU Taxonomy activity: 7.3, 7.4, 7.5, 7.6.

Installation, maintenance and repair of:

- renewable energy technologies, on-site.
- instruments and devices for measuring, regulation and controlling energy performance of buildings.
- charging stations for electric vehicles in buildings and parking spaces attached to buildings.
- energy efficiency equipment.

Major renovation

EU Taxonomy activity: 7.2

Renovation of an existing building where:

- a) the total cost of the renovation relating to the building envelope or the technical building systems is higher than 25% of the value of the building, excluding the value of the land on which the building is situated; or
- b) more than 25% of the surface of the building envelope undergoes renovation.¹⁰

Alternatively, it leads to a reduction of primary energy demand (PED) of at least 30%, where PED calculations are based on Landsbankinn’s methodology (see the section on Acquisition and ownership of residential buildings above).

The building needs to meet the minimum national energy performance requirements in so far as that is technically, functionally and economically feasible.

⁹ Buildings may not be dedicated to extraction, storage, transport or manufacture of fossil fuels.

¹⁰ Directive 2010/31/EU states that EU member states choose either a) or b) but since Iceland is not a member state and has not implemented the Directive, both options are considered eligible.



Energy and emission efficient products, solutions and manufacturing



Data management and solutions

EU Taxonomy activity: 8.1, 8.2.

Energy efficient operation of data centres¹¹ and related infrastructure according to the latest version of the European Code of Conduct on Data Centre Energy Efficiency.¹²

Development or use of ICT solutions that are predominantly used for the provision of data and analytics enabling GHG emissions reduction, including the Internet of Things (IoT), 5G and artificial intelligence.

Upgrading communication networks

EU Taxonomy activity: To be determined.

Installation and operation of fibre and high-speed mobile networks intended to replace copper-based communication networks.

Energy efficiency of industrial processes

EU Taxonomy activity: To be determined.

Development, manufacture, distribution and/or installation of products or services that increase the energy efficiency of industrial processes.

Activities that produce or distribute fossil fuels are excluded.

¹¹ Data centres include the following equipment: ICT equipment and services; cooling; data centre power equipment; data centre power distribution equipment; data centre building; monitoring systems.

¹² Data Centres Code of Conduct



Environmentally sustainable management of living natural resources and land use



Agriculture

EU Taxonomy activity: To be determined.

Organic farming¹³ as certified in compliance with EU and national regulation, e.g. Tún or EU Organic.

Fishery and aquaculture

EU Taxonomy activity: To be determined.

Investments and expenditures related to catching, production and processing of Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC, fully certified) or Iceland Responsible Fisheries Certified fish products. Small companies catch-

ing species listed under “MSC Certified Fisheries”, using qualified methods, by Icelandic Sustainable Fisheries are eligible if >90% of revenue comes from such fishing activities.

Forests, forestry and wetlands

EU Taxonomy activity: Not applicable.

Forests certified by the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC), including acquisition, maintenance and management, and reclaim of natural wetlands.

Sustainable water and wastewater management



Water

EU Taxonomy activity: Not applicable.

Construction, extension, renewal and operation of water collection, treatment and supply systems including renewals for domestic and industrial needs.

Wastewater

EU Taxonomy activity: Not applicable.

Construction, extension, renewal and operation of centralised wastewater systems including collection and treatment.

Wastewater from fossil fuel operations is excluded.

¹³Livestock husbandry is excluded.



Pollution prevention and control



Waste management

EU Taxonomy activity: 5.5, 5.7, 5.8, 5.9, 5.10.

Separate collection and transportation of non-hazardous waste that is segregated at source and is intended for preparation for reuse or recycling operations.

Construction and operation of dedicated facilities for:

- the treatment of separately collected biowaste through composting (aerobic digestion) or anaerobic digestion with the resulting production and utilisation of compost or biogas and digestate and/or chemicals.
- the sorting and processing of at least 50%, in terms of weight, of separately collected non-hazardous waste streams into secondary raw materials involving mechanical reprocessing, except for backfilling purposes.
- waste-to-energy treatment that produces methane from organic waste from households.¹⁴

Installation and operation of infrastructure for landfill gas capture and utilisation in permanently closed landfills or landfill cells using new or supplementary dedicated technical facilities and equipment installed during or post landfill or landfill cell closure.

Remediation and decommissioning activities, such as decontamination of industrial plants or sites.

Activities that use fossil fuels are excluded.

Emissions management

EU Taxonomy activity: 5.11, 5.12.

Transport of captured CO₂ via all modes, including leak detection systems, construction and operation of pipelines, and permanent storage of captured CO₂ in appropriate underground geological formations.

¹⁴ Segregation of recyclables including plastics and metals from the feedstock will be ensured, before waste incineration.



Social categories

Access to essential services



EU Taxonomy activity: To be determined.

Construction, purchasing, maintenance, refurbishment or development of publicly accessible infrastructure, buildings, equipment or services for, but not limited to, schools, healthcare services, housing for elderly and kindergartens.

Affordable housing



EU Taxonomy activity: To be determined.

Construction, purchasing, maintenance or refurbishment of affordable or social housing for low-income groups.¹⁵

Employment generation, via SME financing in fragile areas



EU Taxonomy activity: To be determined.

Financing and lending to small and medium-sized enterprises (SMEs as defined by the European Commission) situated in fragile areas in Iceland.¹⁶

¹⁵Low-income groups as defined by Article 6 of Regulation No. 183/2020 (Ice. reglugerð um stofnframlög ríkis og sveitarfélaga, húsnæðissjálfsseignarstofnanir og almennar íbúðir).

¹⁶Fragile areas as defined by the Icelandic Regional Development Institute (Byggðastofnun) at the date of the publication of this Framework.

Exclusions

The following activities will not be eligible recipients of proceeds from the issuance of sustainable finance instruments: deforestation and degradation of forests, adult entertainment, manufacture of alcoholic beverages, activities directly related to nuclear or the fossil fuel industry (exploration, production or distribution), defence goods, gambling, military activities, predatory lending, tobacco products, conflict minerals, child labour and forced labour.

If a company is found in violation of national or international law or agreements ratified by Iceland, the Bank reserves the right to exclude it from its Eligible Activities and Assets pool.

Funds will not knowingly be invested in undertakings connected to greenhouse gas intensive projects that are inconsistent with the delivery of a low carbon, sustainable economy.

4. Process for financing evaluation and selection

All loans and investments linked to the Framework must comply with the Bank's internal processes and with applicable regulatory requirements. Landsbankinn's Credit Committee is responsible for final loan approval. Potential environmental, social and governance (ESG) risks are assessed. When assessing prospective Eligible Assets or Activities and their non-financial impacts, Landsbankinn may rely on analysis provided by external parties, in addition to its own assessment.

To avoid carbon lock-in of assets inconsistent with the objectives of this Framework (i.e. a sustainable, low carbon economy), the lock-in possibility and impact of assets (considering relevant impact categories throughout the asset's life-cycle impact) is specifically reviewed by the Bank's sustainability specialists for projects financed under the Framework.¹⁷

The financing/refinancing of non-performing loans and uncommitted transactions is not considered eligible.

Sustainable Finance Committee (SFC)

The Sustainable Finance Committee (SFC) consists of six members and is a subcommittee of the Risk & Finance Committee. The chair of the SFC is appointed by the Risk & Finance Committee and is currently the Bank's Head of Sustainability. The SFC additionally consists of representatives from Corporate Banking, Personal Banking, Risk Management, Finance and a sustainability specialist appointed by the chair of the SFC.

The SFC will review a portfolio of potentially Eligible Activities or Assets on an annual basis and minute its identification of Eligible Activities and Assets, allocation of net proceeds to Eligible Activities and Assets, and any material changes to the portfolio of Eligible Activities and Assets.

The SFC is responsible for:

- Identifying, evaluating and approving loans, investments and expenditures to be part of the pool of Eligible Activities and Assets (see section 3 in this document, "Use of proceeds").
- Managing the portfolio of eligible assets over the lifetime of the sustainable finance instruments to ensure that proceeds are used solely for the financing and refinancing of Eligible Activities and Assets as defined in section 3, "Use of Proceeds".
- Monitoring developments in the wider sustainable finance sector and updating the Bank's Framework and eligibility accordingly.

All activities or assets which are proposed for eligibility assessment will undergo an internal process with the SFC that includes a review and approval by the sustainability specialist of the SFC.

The SFC convenes as needed (no less frequently than once annually) to ensure alignment of financing with this Framework. The SFC will also document the evaluation and selection process to facilitate external verification (if required).

¹⁷ "The term 'carbon lock-in' refers to the tendency for certain carbon-intensive technological systems to persist over time, 'locking out' lower-carbon alternatives, and owing to a combination of linked technical, economic, and institutional factors. These technologies may be costly to build, but relatively inexpensive to operate and, over time, they reinforce political, market, and social factors that make it difficult to move away from, or 'unlock' them. As a result, by investing in assets prone to lock-in, planners and investors restrict future flexibility and increase the costs of achieving agreed climate protection goals." Erickson, P., Kartha, S., Lazarus, M., & Tempest, K. (2015). Assessing carbon lock-in. *Environmental Research Letters*, 10(8), 084023.



5. Management of proceeds

Landsbankinn's Risk & Finance Committee manages proceeds from issued sustainable finance instruments on a portfolio basis. As long as sustainable finance instruments are outstanding, the Bank aims to allocate an amount equivalent to the proceeds from these instruments towards its portfolio of Eligible Activities and Assets within 24 months of issuance.

The allocation of net proceeds from issued sustainable finance instruments to the portfolio will be reviewed and approved by the SFC no less frequently than on an annual basis until full allocation.

The Eligible Activities and Assets will be reviewed no less frequently than annually. In the case of divestment or if a project no longer meets the eligible assets criteria, the Bank will reallocate the funds to other Eligible Activities and Assets as soon as practically possible.

Pending full allocation of proceeds, Landsbankinn may temporarily invest the unused balance in line with its liquidity investment guidelines, until such balance is fully invested/reinvested in Eligible Activities and Assets.

6. Reporting and external review

Landsbankinn will publish an allocation report on an annual basis until full allocation is achieved on its website, either as a standalone document or as an appendix to other annual sustainability reports or its annual report, outlining the sustainability impact and allocation of proceeds from sustainable finance instruments issued under the Framework.

Allocation reporting

The allocation report shall provide the following information at a minimum:

- Overview and value of outstanding sustainable finance instruments
- Amounts allocated to eligible projects in each relevant eligibility category
- Remaining balance of unallocated net proceeds
- Amount and percentage of new financing and refinancing
- Share of taxonomy aligned financing

Impact reporting

Landsbankinn will provide an environmental and/or social impact report on a portfolio basis, subject to the availability of information and baseline data. The Bank will report the relevant impact metrics shown in the table below or other metrics which may provide deeper insights. Where possible and relevant, impact is reported according to ICMA's harmonized framework for impact reporting or best market practice. Impact assessment is provided with the provision that not all related data can be obtained and that calculations are therefore on a best-effort basis. Emphasis will be placed on avoided greenhouse gas emissions where data is available and scientific soundness confirmed.

Category	Subcategory	Metrics
Renewable energy	Renewable energy generation	Annual GHG emissions reduced/avoided in tCO ₂ e.
		Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy).
		Installed renewable energy capacity in MW.
	Energy transmission	Distance of transmission in km.
		Annual transmission of energy in MWh.
	Energy storage	Energy storage capacity in MW.
Clean transportation	Transportation	Distance transported in km or tkm.
		Annual GHG emissions reduced/avoided in tCO ₂ e.
		Total number of vehicles, vessels, aircrafts and/or personal mobility devices.
	Infrastructure	Number of units installed (if applicable).
		Annual GHG emissions reduced/avoided in tCO ₂ e.
		Total in kilometres of new or improved train lines/dedicated bus, BRT, LRT corridors bicycle lanes.
Green buildings	New buildings and refurbishment	Area (in m ²) of certified public or commercial space per each certification scheme.
	Acquisition and ownership of residential buildings	Annual GHG emissions avoided in CO ₂ e or tCO ₂ e.
	Major renovation	Annual reduction in energy use in MWh.
	Individual installations	Number of charging units installed.
Energy and emission efficient products, solutions and manufacturing	Data management and solutions	Annual GHG emissions reduced/avoided in tCO ₂ e.
	Energy efficiency of industrial processes.	Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings).
Environmentally sustainable management of living natural resources and land use	Agriculture	Amount of certified products produced shown on a per product and certification basis.
	Fishery	
	Forests, forestry and wetlands	Forest area in hectares.
		Forestry certification scheme (if applicable).
		Annual net carbon sequestration in tonnes (if available).
Sustainable water and wastewater management	Water	Annual absolute (gross) water use before and after the project in m ³ /a, reduction in water use in %.
	Wastewater	Qualitative improvements in freshwater supply and/or wastewater treatment.
		Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m ³ .
Pollution prevention and control	Waste management	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.
		Annual quantity of recycled material in tonnes.
		Area of remediated sites (if applicable).
	Emissions management	Annual GHG emissions reduced/avoided in tCO ₂ e.
		Distance of pipelines in km.
		Annual amount of CO ₂ stored in tCO ₂ e.
Access to essential services		Number of projects to increase essential services.
		Improved capacity or number of persons provided access to services.
Affordable housing		Number and/or area (in m ²) of social/affordable housing financed.
		Approximate number of people housed at year end.
Employment generation, via SME financing in fragile areas		Number of loans.
		Amount disbursed to SMEs in vulnerable areas.
		Number of employees supported.



External review

Landsbankinn will engage one or more external verifiers to provide pre-issuance and post-issuance verification.

Pre-issuance verification verifies alignment of each sustainable finance instrument with one or more of the appropriate market standards (such as the Green Bond Principles, EU Taxonomy, EU Green Bond Standard or any other similar standards, as applicable and as selected by the Bank).

Post-issuance verification reviews the relevant allocation report to determine whether proceeds from the issuance of sustainable finance instruments have been allocated in full towards Eligible Activities and Assets, and if unallocated proceeds have been correctly reported.

To supplement Landsbankinn's management of proceeds, an external auditor or other third party will verify the internal tracking and allocation of funds towards Eligible Activities and Assets.

Supporting documents

The Sustainable Finance Framework, the second-party opinion, the impact and allocations reports, and the annual report will be published on Landsbankinn's website, [[Sustainable finance framework - Landsbankinn.is](#)], along with other relevant documents.

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Prospective investors who are in any doubt as to their position should consult their professional advisers.

Appendix I

Category	Eligible activity	EU Taxonomy activity	NACE Codes	Green	Social	Blue
Renewable energy	Ambient energy	4.16 Installation and operation of electric heat pumps	D35.30 and F43.22	■		
	Bioenergy	4.8 Electricity generation from bioenergy	D35.11	■		
		4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids	D35.21	■		
		4.20 Cogeneration of heat/cool and power from bioenergy	D35.11 and D35.30	■		
		4.24 Production of heat/cool from bioenergy	D35.30	■		
	Geothermal energy	4.6 Electricity generation from geothermal energy	D35.11 and F42.22	■		
		4.18 Cogeneration of heat/cool and power from geothermal energy	D35.11 and D35.30	■		
		4.22 Production of heat/cool from geothermal energy	D35.30	■		
	Hydropower	4.5 Electricity generation from hydropower	D35.11 and F42.22	■		■
	Ocean energy	4.4 Electricity generation from ocean energy technologies	D35.11 and F42.22	■		■
	Solar energy	4.1 Electricity generation using solar photovoltaic technology	D35.11 and F42.22	■		
	Waste energy	4.25 Production of heat/cool using waste heat	D35.30	■		
	Wind energy	4.3 Electricity generation from wind power	D35.11 and F42.22	■		■
	Hydrogen	3.10 Manufacture of hydrogen	C20.11	■		
	Energy storage	4.10 Storage of electricity	no dedicated	■		
		4.11 Storage of thermal energy	no dedicated	■		
		4.12 Storage of hydrogen	no dedicated	■		
	Energy transmission	4.9 Transmission and distribution of electricity	D35.12 and D35.13	■		
		4.14 Transmission and distribution networks for renewable and low-carbon gases	D35.22, F42.21 and H49.50	■		
		4.15 District heating/cooling distribution	D35.30	■		

Clean transportation	Transportation	6.3 Urban and suburban transport, road passenger transport	H49.31, H49.3.9, N77.39 and N77.11	■		
		6.4 Operation of personal mobility devices, cycle logistics	N77.11 and N77.21	■		
		6.5 Transport by motorbikes, passenger cars and light commercial vehicles	H49.32, H49.39 and N77.11	■		
		6.6 Freight transport services by road	H49.4.1, H53.10, H53.20 and N77.12	■		
		6.7 Inland passenger water transport	H50.30	■		■
		6.9 Retrofitting of inland water passenger and freight transport	H50.4, H50.30 and C33.15	■		■
		6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	H50.2, H52.22 and N77.34	■		■
		6.11 Sea and coastal passenger water transport	H50.10, N77.21 and N77.34	■		■
		6.12 Retrofitting of sea and coastal freight and passenger water transport	H50.10, H50.2, H52.22, C33.15, N77.21 and N.77.34	■		■
		6.18. Leasing of aircraft	N77.35	■		
		6.19 Passenger and freight air transport	H51.1 and H51.21	■		
		6.20 Air transport ground handling operations	H52.23, H52.24 and H52.29	■		
	Infrastructure	6.13 Infrastructure for personal mobility, cycle logistics	F42.11, F42.12, F43.21, F71.1 and F71.20	■		
		6.15 Infrastructure enabling low-carbon road transport and public transport	F42.11, F42.13, F71.1 and F71.20	■		
		6.16 Infrastructure enabling low carbon water transport	F42.91, F71.1 and F71.20	■		■
		6.17 Low carbon airport infrastructure	F41.20 and F42.99	■		

Green buildings	New buildings and refurbishment	N.A.	N.A.	■		
	Acquisition and ownership of buildings (built before 31 December 2020)	7.7 Acquisition and ownership of buildings	L68	■		
	Acquisition and ownership of buildings (built after 31 December 2020)	N.A.	L68	■		
	Individual installations	7.3 Installation, maintenance and repair of energy efficiency equipment	F42, F43, M71, C16, C17, C22, C23, C25, C27, C28, S95.21, S95.22 and C33.12	■		
		7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	F42, F43, M71, C16, C17, C22, C23, C25, C27 and C28	■		
		7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings		■		
		7.6 Installation, maintenance and repair of renewable energy technologies		■		
	Major renovation	7.2 Renovation of existing buildings	F41 and F43	■		
Energy and emission efficient products, solutions and manufacturing	Data management and solutions	8.1 Data processing, hosting and related activities	J63.11	■		
		8.2 Data-driven solutions for GHG emissions reductions	J61, J62 and J63.11	■		
	Energy efficiency of industrial processes	TBD	TBD	■		
Environmentally sustainable management of living natural resources and land use	Agriculture	TBD	TBD	■		
	Fishery and aquaculture	TBD	TBD	■		■
	Forests, forestry and wetlands	N.A.	N.A.	■		
Sustainable water and wastewater management	Water	N.A.	N.A.	■		■
	Wastewater	N.A.	N.A.	■		■
Pollution prevention and control	Waste management	5.5 Collection and transport of non-hazardous waste in source segregated fractions	E38.11	■		
		5.7 Anaerobic digestion of bio-waste	E38.21 and F42.99	■		
		5.8 Composting of bio-waste		■		
		5.9 Material recovery from non-hazardous waste	E38.32 and F42.99	■		
		5.10 Landfill gas capture and utilisation	E38.21	■		
	Emissions management	5.11 Transport of CO ₂	F42.21 and H49.50	■		
		5.12 Underground permanent geological storage of CO ₂	E39.00	■		
Access to essential services	Access to essential services	TBD	TBD		■	
Affordable housing	Affordable housing	TBD	TBD		■	
Employment generation, via SME financing in fragile areas	Employment generation, via SME financing in fragile areas	TBD	TBD		■	