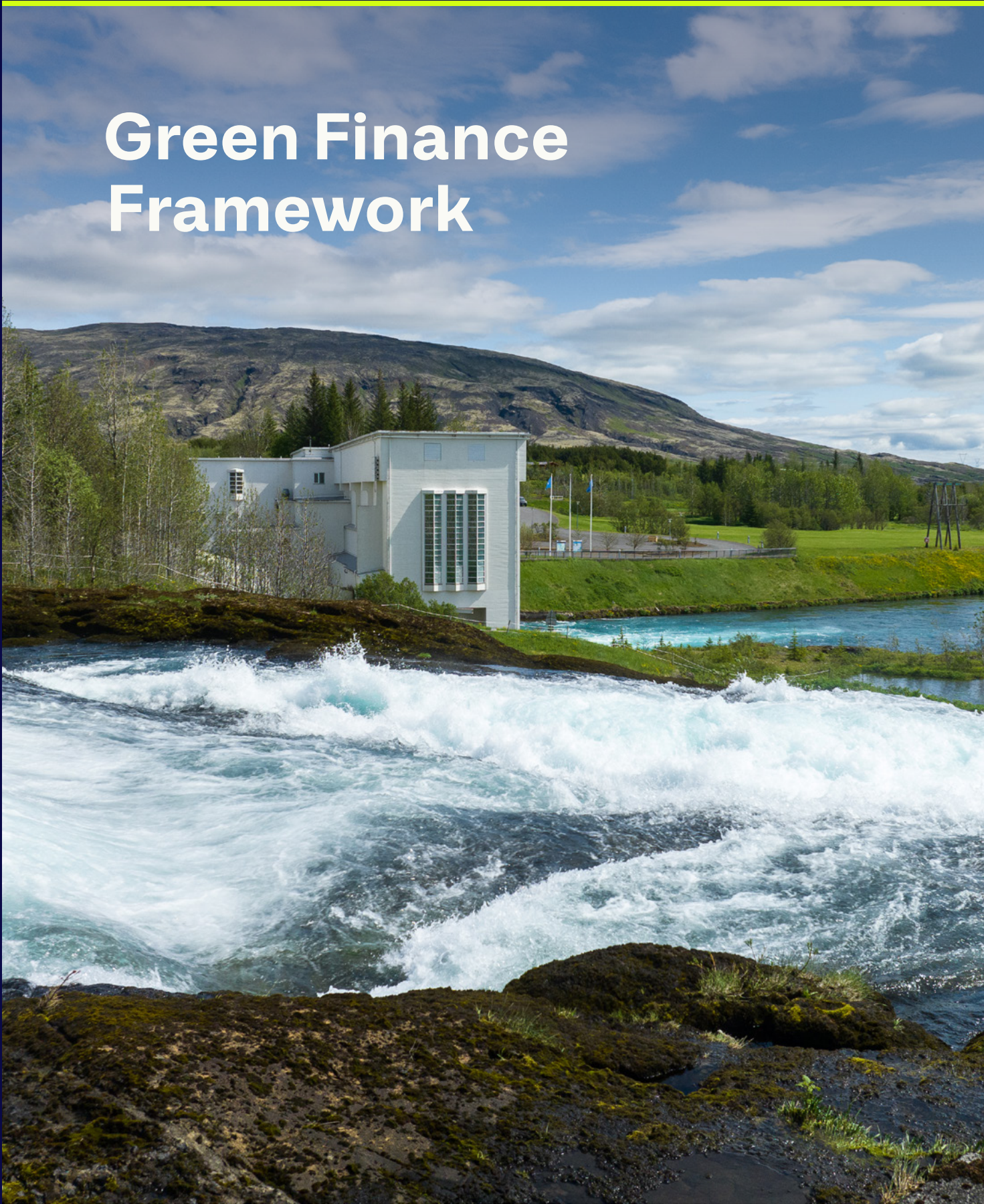


Green Finance Framework





Landsvirkjun Green Finance Framework

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Introduction

Company Profile

Landsvirkjun is Iceland's largest electricity producer and generates over 70% of the country's electricity, supplying power to industries, the service sector, and homes. Landsvirkjun is owned by the Icelandic State. The Company places great emphasis on sustainability and generates all its electricity from 100% renewable energy sources, including hydropower, geothermal energy, and wind power, in harmony with both the environment and society. As of 2025, Landsvirkjun operates fourteen hydropower stations, three geothermal power stations and two onshore wind turbines and produced 14.2 TWh of electricity in 2024.

Landsvirkjun most significant contribution to climate issues is its renewable energy and the resulting avoided emissions. Landsvirkjun takes pride in its efforts to combat climate change, and its carbon intensity ranks among the lowest in the world, at 3.3 g CO₂/kWh in 2024. For comparison, the EU Taxonomy considers energy generation with emissions below 100 g CO₂e/kWh to make a substantial contribution to climate change mitigation.



Our strategy

Renewable energy is essential for global climate action and Landsvirkjun is entrusted with Iceland's renewable energy sources and is committed to fulfilling this responsibility. Respect for nature and responsible utilization of natural resources is intrinsic to Landsvirkjun's role and reflects in its commitment to climate action. At Landsvirkjun, value creation and the pursuit of sustainability are the guiding principles behind all of the Company's operations.

Landsvirkjun's role is to maximize the value of the renewable energy resources it has been entrusted with in a sustainable, responsible, and efficient manner.

Landsvirkjun vision is a sustainable world, powered by renewable energy. This vision aligns with the global journey to transition from fossil fuels to green, renewable energy sources. Iceland's government is actively participating in the project and has set one of the most ambitious targets to date regarding climate change: Iceland will become carbon-neutral and free of oil and gasoline by 2040.

To bring our vision to life, we must meet the imminent energy demands driven by the energy transition and the increasing needs of society in the years to come. Currently, demand exceeds available supply, making it essential to harness the potential of our renewable energy sources.

Landsvirkjun strategic targets are:

Exemplary resource utilisation & energy production

Landsvirkjun utilises hydropower, geothermal energy, and wind energy, focusing on sustainability, efficiency, and safety. We demonstrate foresight and develop opportunities for increased energy production to fulfil the needs of the future.

Leading the way in climate and environmental affairs

Landsvirkjun respects the environment and plays a vital role in Iceland's transition to clean energy, contributing to global carbon neutrality.

Diverse business & exceptional customer service

Landsvirkjun works closely with its customers to increase value creation. Landsvirkjun contributes to create a greener future by using innovative measures and identifying new business opportunities.

A progressive & sought-after workplace

Landsvirkjun promotes team unity, job satisfaction, and positive workplace culture by supporting employee health, well-being, and equal rights.

Exceeding expectations in open communication & cooperation

Landsvirkjun emphasises open and active communication with all our stakeholders and works closely with local communities. Landsvirkjun takes pride in being a good neighbour.

Alignment of Green Finance with Strategic Priorities

Our commitment to green and sustainability-related financing aligns with our strategy and vision for a sustainable world powered by renewable energy. Landsvirkjun is committed to being a leader in climate and environmental issues. This commitment extends to the Company's finances as Landsvirkjun became Iceland's first green bond issuer in 2018, and guided by our sustainability policy, all financing since then has been green or sustainability linked. In 2024 about 27% of Landsvirkjun's funding was green or sustainability related.

Climate and Environmental Policy

Landsvirkjun contributes to a sustainable world through environmentally sustainable energy generation aligned with global goals to limit the temperature increase to 1.5°C above pre-industrial level.

The Company's Climate and Environmental Policy is focused on several critical areas:

- › Protect nature and the environment while responsibly utilising natural resources.
- › Safeguard biodiversity guided by an ecosystem-based approach.
- › Understand and minimise environmental impact and prevent incidents.
- › Actively participate in the global response to climate change and support Iceland's climate commitments
- › Reduce own emissions and respond to climate change induced risks and opportunities.

Further information on Climate and Environmental Policy as well as our Climate and Environmental Action Plan are available on our website:

landsvirkjun.com/climate-and-environmental-policy

Sustainability and UN SDG alignment

Landsvirkjun has followed its Corporate Social Responsibility Policy since 2012 and has published sustainability reports in accordance with the GRI standards since 2019.

These reports reflect the Company's comprehensive approach to growing sustainability into its operations. Landsvirkjun has also supported the UN Global Compact since 2013 and tracks progress in environmental issues, employee rights, human rights, and corruption prevention.

In addition, the Company actively supports the UN's Sustainable Development Goals, with particular focus on Goals 13, 7 and 5.



Governance

Management System

Landsvirkjun's management system supports the Company in fulfilling its obligations towards its customers, employees, and other stakeholders, as well as in developing company policy based on the values of sustainable development. The Management System includes Policies on e.g. Climate and Environment, Community Engagement, Human Resources & Equal Opportunities, Safety & Health and Competition.

The Management System is certified according to international standards for quality management, environmental management, security, health and safety and IT security. Landsvirkjun's electricity generation is certified as 100% renewable energy, a testimony to the Company's commitment to developing renewable energy resources and confirmation that Landsvirkjun fulfils the most stringent generation requirements.

Ethical Standards and Human Rights

Responsible business practices are a fundamental prerequisite for a strong economy. Landsvirkjun follows the law in every respect and works in accordance with a Competition Policy with the aim of ensuring that the company's activities are always in accordance with the provisions of the competition law. Landsvirkjun's employees work in accordance with a Code of Conduct that contains criteria for the behavior the company stands for, and the company has defined a Reprehensible Conduct Response Plan and set up a Whistleblower Channel that addresses objectionable behavior. Landsvirkjun makes similar requirements to its suppliers and sets them out in its Supplier Code of Conduct which is based on UN's Universal Declaration of Human Rights and the ten principles of the UN Global Compact. Landsvirkjun thus expects the company's suppliers to respect internationally recognized human rights and also to comply with Landsvirkjun's provisions on Chain Liability. The aim of such responsibility is to ensure that all those who work indirectly for Landsvirkjun enjoy rights and wages in accordance with the law and collective agreements.

Risk assessment in an ever-changing environment

Landsvirkjun follows a formal risk management process to identify and control the Company's financial and non-financial risks. The process aims to map key risk factors and take appropriate action to reduce the likelihood of undesirable events and their potential effects on image, finances, health and safety and the environment. Landsvirkjun uses a specialised risk management information system to store information on specific risk factors and mitigation measures.

Landsvirkjun takes climate change very seriously, fully recognizing its impact on operations and the measures the Company can take. An integral part of the Company's risk analysis involves evaluating how climate change will affect its operations. As part of its ongoing monitoring activities, Landsvirkjun analyses meteorological and market changes, monitors shifts in the legal and regulatory environment, assess technological developments and actively participates in discussion on climate change. This proactive approach ensures the predictability required to maintain safe operations in a rapidly changing world.

Landsvirkjun

Green Finance Framework

Landsvirkjun's Green Finance Framework ("the Framework") is based on the Green Bond Principles 2021 (including June 2022 Appendix), administered by the ICMA, and the Green Loan Principles 2023, administered by the LMA, APLMA and LSTA. The Framework is also aligned with the EU Taxonomy.

The Framework takes into account the core components of the Green Bond Principles and the Green Loan Principles being:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This Framework defines projects which are eligible for financing by proceeds of Green Finance Instruments issued by Landsvirkjun including, bonds, private placements, and loans. In addition, the Framework outlines the process used to select and report on eligible projects and the organization of the management of proceeds of Green Finance Instruments.

As both the Green Bond Principles, Green Loan Principles and the green financing market overall are evolving rapidly, this Green Finance Framework may be updated or expanded in the future. Any future updated versions of this Framework will either keep or improve the current levels of transparency and reporting disclosures.

EU taxonomy alignment

The EU Taxonomy is a classification system that aims to provide companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable. This alignment ensures that the Green Finance Framework supports projects that are considered environmentally sustainable, thereby promoting transparency and consistency in the green finance market.

Landsvirkjun has integrated the EU Taxonomy provisions into its operations and publishes sustainability information based on the taxonomy. Under this Framework, Landsvirkjun considers hydropower, geothermal and onshore wind activities as eligible expenditures provided they comply with the technical screening criteria for substantial contribution, the requirements of the Do No Significant Harm (DNSH), and the minimum social safeguards. This approach is based on the EU Taxonomy Regulation (EU) 2020/852 and the Delegated Acts on Climate Change Mitigation and Adaptation 2023.

Use of Proceeds

Within the ICMA Green Bond Principles 2021 categories, and the LMA Green Loan Principles 2023, Landsvirkjun's business activities are focused on the Eligible Green category of "Renewable Energy".

The proceeds from the issuance of each Green Finance Instrument will be used to finance a pool of eligible projects. Eligible projects can be assets or capital expenditures meeting the technical screening criteria of the EU taxonomy.

Expenditures shall qualify within a three-year lookback period prior to the date of issuance of any Green Finance Instrument.

ICMA Green Bond Principles category	Green Financing criteria	EU taxonomy activities	UNSDG alignment
Renewable Energy	Constructions, reconstructions and operations of hydro, geothermal, and wind power stations.	<p>4.5 Electricity generation from hydropower. The activity complies with either of the following criteria*:</p> <ul style="list-style-type: none"> the power density of the electricity generation is above 10 W/m² the life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 50g CO₂e/kWh <p>4.6 Electricity generation from geothermal energy. The activity complies with the following criteria:</p> <ul style="list-style-type: none"> the life-cycle GHG emissions from the generation of electricity from geothermal, are below 100g CO₂e/kWh <p>4.3 Electricity generation from onshore wind power.</p>	<p>13. Climate Action</p> <p>7. Affordable and Clean Energy</p>

* This framework exceeds the selected EU taxonomy criteria (power density above 5 W/m² or life-cycle emissions below 100g CO₂e/kWh) by adhering to the more rigorous Climate Bonds Initiative Hydropower Criteria.

Process for Project Evaluation and Selection

Every project at Landsvirkjun is directly or indirectly related to our primary activity, power generation from renewable sources of energy. As such, Landsvirkjun can be considered a pure-player, with the company's entire generation capacity based on renewable sources.

Proceeds from green financing will be used exclusively for projects that meet the criteria specified in "Use of Proceeds". Evaluation and selection of eligible green projects will be overseen by the Green Finance Committee which consist of representatives from the Environmental, Strategy Planning and Treasury departments. All eligible green projects are subject to robust environmental impact assessment processes. Landsvirkjun will leverage on the processes and methodology developed for the EU Taxonomy alignment reporting to select relevant eligible green projects that comply with the EU Taxonomy. Landsvirkjun ensures compliance with the "Do no significant harm" (DNSH) criteria and 'Minimum (Social) Safeguards' of the EU Taxonomy by adhering to the applicable environmental and social regulations in combination with the Company's policies and standards.

Risk management at Landsvirkjun is based on best practice methods and processes and takes into account statutory requirements under Icelandic and EU legislation as well as the integrated pollution prevention and control framework defined by the European Economic Area (EEA). This enables Landsvirkjun to identify and assess risks and effectively mitigate or base actions on them. Landsvirkjun complies with official national and international environmental (ISO 14001) and social standards. Regular compliance audits are a fundamental part of risk management at Landsvirkjun.



Management of Proceeds

Landsvirkjun will allocate proceeds from Green Finance Instruments to finance eligible green projects in accordance with the use of proceeds criteria and evaluation and selection process presented above.

Proceeds from Green Finance Instruments will be managed by Landsvirkjun's Treasury department, based on the values of eligible green projects on the balance sheet. Landsvirkjun will seek 100% allocation of the proceeds of issued Green Finance Instruments to its portfolio of eligible projects. Full allocation is expected at issuance or within a timeframe of 24 months after issuance of a given Green Finance Instrument. Any proceeds not allocated to eligible Green Projects will be included in Landsvirkjun Treasury liquidity portfolio, which focuses on money market securities and qualifies as cash and cash equivalents under IFRS.

Reporting

To keep investors informed about the progress of our Green Finance Projects, Landsvirkjun will publish an annual Green Finance Report, until maturity of all outstanding Green Finance Instruments. This report will detail the allocation of proceeds and include impact assessments for eligible projects funded through green financing. The report will be accessible on Landsvirkjun's website.

Landsvirkjun will continue to report the allocation and impact metrics of the four outstanding green bonds issued under the September 2020 Green Finance Framework on a balance sheet basis. Any bonds issued after this Framework update in 2025 will adopt a project-by-project reporting approach. As of end of September 2024, Landsvirkjun had a total balance sheet of USD 3,609 million, with USD 200 million allocated to the four bonds, ensuring ample capacity to avoid any overlap or double counting between the two reporting approaches.

Allocation Reporting

The allocation report will provide:

- › List of green financing and allocated amounts to eligible green projects
- › List of financed eligible green projects
- › The amount of unallocated proceeds

Impact Reporting

Landsvirkjun will align, on a best effort basis, the reporting with the approach described in "Green Bonds working towards a Harmonized Framework for Impact Reporting (June 2024)".

Where feasible and available, Landsvirkjun will provide impact reporting on a balance sheet basis and pro-rata basis proportional to the amount of outstanding Green Finance Instruments for the following metrics:

- › Total renewable energy generation capacity (in MW)
- › Annual renewable energy generation (in GWh);
- › Annual greenhouse gas emission avoided (in tons of CO₂e) by generating electricity using renewable energy
- › Additional capacity of renewable energy plant(s) constructed or rehabilitated in MW if available

External Review

Second Party Opinion (pre issuance)

This Landsvirkjun Green Finance Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion. The Second Party Opinion as well as the Green Finance Framework will be made available to the Green Bond investors on the Company's website, landsvirkjun.com

Verification (post issuance)

Landsvirkjun will provide verification from a third party on Allocation Reporting provided under this Green Finance Framework. The external verification is expected to form an integral part of the verification process of the annual Green Finance reporting.

