Second-Party Opinion

Landsvirkjun
Green Finance Framework

Evaluation Summary

Sustainalytics is of the opinion that the Landsvirkjun Green Finance Framework is credible and impactful and aligned with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:

USE OF PROCEEDS The eligible category for the use of proceeds – Renewable Energy – is aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

PROJECT EVALUATION AND SELECTION Landsvirkjun's Green Finance Committee will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. Landsvirkjun has internal processes to address environmental and social risks associated with the eligible projects. Sustainalytics considers the project selection process to be in line with market practice.

MANAGEMENT OF PROCEEDS Landsvirkjun's Treasury department will oversee the management of proceeds and will track their allocation using an internal tracking system through a portfolio approach. Landsvirkjun intends to fully allocate the proceeds within 24 months from issuance. Pending full allocation, Landsvirkjun will temporarily invest the unallocated proceeds in its Treasury liquidity portfolio as cash and cash equivalents. This is in line with market practice.

REPORTING Landsvirkjun will report on the allocation of proceeds and corresponding impact on its website on an annual basis until maturity of the outstanding instruments. Allocation reporting will include a list of outstanding green financing instruments, the allocated amounts to eligible projects, a list of eligible projects financed and the amount of unallocated proceeds. Sustainalytics views Landsvirkjun's allocation and impact reporting as aligned with market practice.

Second-Party Opinion
Reviewed by:
MORNINGSTAR | SUSTAINALYTICS

Evaluation Date	February 6, 2025
Issuer Location	Reykjavik, Iceland

Report Sections

For inquiries, contact the Sustainable Finance Solutions project team:

Siga Wu (Amsterdam)
Project Manager
siga.wu@sustainalytics.com
(+31) 205 602 936

Stefan Spataru (Amsterdam)
Project Support

Layla Ng (Singapore)
Project Support

Enrico Tessadro (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Alignment with the EU Taxonomy

Sustainalytics has assessed the Framework for alignment with the EU Taxonomy's criteria for Substantial Contribution (SC) to its environmental objectives, Do No Significant Harm (DNSH) and Minimum Safeguards. The Framework's eligibility criteria (which map to three EU activities) align with the applicable SC and DNSH Criteria. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards. For more details, please see Section 1 and Appendix 1.

Introduction

Landsvirkjun (the "Company") is the national power company of Iceland, supplying more than 70% of the country's electricity. The Company produces electricity exclusively from renewable energy sources.[1] As of 2024, Landsvirkjun operates 14 hydropower stations, three geothermal stations and two wind turbines.[2] Established in 1965, the Company is headquartered in Reykjavik.

Landsvirkjun has developed the Landsvirkjun Green Finance Framework dated February 2025 (the "Framework") under which it intends to issue green bonds, including private placements[3] and loans, and use the proceeds to finance or refinance, in whole or in part, renewable energy generation projects in Iceland. The Framework defines eligibility criteria in the following area:

1. Renewable Energy

Landsvirkjun engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)[4] and the Green Loan Principles 2023 (GLP).[5] The Framework will be published in a separate document.[6]

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent[7] opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project 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 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds;
- Alignment of the use of proceeds criteria with the SC criteria, DNSH criteria and alignment with the Minimum Safeguards of the EU Taxonomy;
- 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 1.18 which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of Landsvirkjun to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Landsvirkjun representatives have confirmed that: (1) they understand it is the sole responsibility of Landsvirkjun to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) 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 it.

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

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides 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

[1] Landsvirkjun, "Fueling innovation with green energy", at: https://www.landsvirkjun.com/eworld
[2] Landsvirkjun, "Power stations", at: https://www.landsvirkjun.com/powerstations
[3] Landsvirkjun has confirmed to Sustainalytics that such private placements do not involve the sale of stock shares to investors.
[4] The Green Bond Principles are administered by the International Capital Market Association and are available at https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/.
[5] The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at https://www.lsta.org/content/green-loan-principles/
[6] The Landsvirkjun Green Finance Framework will be available on Landsvirkjun's website at: www.landsvirkjun.com
[7] 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.

projects 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 issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation 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 in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Landsvirkjun has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

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

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

- Use of Proceeds:
  - The eligible category, Renewable Energy, is aligned with those recognized by the GBP and GLP.
  - Landsvirkjun has defined a look-back period of three years for the refinancing of operating expenditures, which Sustainalytics considers to be in line with market practice.
  - Under the Renewable Energy category, Landsvirkjun may finance or refinance the construction, reconstruction and operation of the following:
    - Electricity generation from hydropower where: i) the power density is above 10 W/m^2; or ii) the life cycle GHG emissions are below 50 gCO_2/kWh. Landsvirkjun has confirmed to Sustainalytics that only new hydropower plants will be financed under the Framework and that all projects will undergo an environmental and social impact assessment confirming that there are no significant risks or controversies involving the project.
    - Electricity generation from geothermal energy with life cycle emissions lower than 100 gCO_2e/kWh.
    - Onshore wind power generation.
    - Sustainalytics considers investments under this category to be aligned with market practice.
- Project Evaluation and Selection:
  - Landsvirkjun's Green Finance Committee will be responsible for evaluating and selecting projects in line with the Framework's eligibility criteria. The committee consists of representatives from the Environmental, Strategy Planning and Treasury departments.
  - The Company has in place processes to identify and mitigate environmental and social risks potentially associated with the eligible projects. These processes adhere to Icelandic and EU regulations, European Economic Area (EEA)'s pollution prevention and control framework as well as international environmental and social standards. Additionally, the Company conducts regular compliance audits on the implementation of its risk management systems. Sustainalytics considers Landsvirkjun's environmental and social risk management systems to be adequate. For additional detail, see Section 2.
  - Based on the established process for project evaluation and selection and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Landsvirkjun's Treasury department will oversee the management of proceeds and will track their allocation through an internal tracking system based on a portfolio approach.
  - Landsvirkjun intends to fully allocate the proceeds within 24 months of issuance. Pending full allocation, proceeds will be temporarily invested in Landsvirkjun's Treasury liquidity portfolio as cash and cash equivalents under the International Financial Reporting Standards.

- Landsvirkjun may obtain multi-tranche loan facilities under the Framework. Landsvirkjun intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
- Based on the presence of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.

- Reporting:
  - Landsvirkjun will report on the allocation of proceeds and corresponding impact in a Green Finance Report, which will be published on its website on an annual basis until the maturity of the outstanding instruments.
  - Landsvirkjun has confirmed to Sustainalytics that for revolving credit facilities, allocation reporting will be conducted until loan maturity.
  - Allocation reporting will include: i) a list of green financing instruments; ii) the amount of proceeds allocated to eligible projects; iii) a list of eligible projects financed; and iv) the amount of unallocated proceeds.
  - Impact reporting may include metrics such as: i) total renewable energy generation capacity (in MW); ii) annual renewable energy generation (in GWh); iii) annual GHG emissions avoided (in tCO_2); and iv) additional capacity of renewable energy constructed or rehabilitated (in MW).
  - Landsvirkjun will obtain an external verification from a third party for the allocation reporting.
  - Based on the commitments to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Landsvirkjun Green Finance Framework aligns with the four core components of the GBP and GLP.

Alignment with the EU Taxonomy

Sustainalytics has assessed each of the Framework's eligible use of proceeds criteria against the relevant criteria in the EU Taxonomy. For SC and DNSH, please see Table 1. For Minimum Safeguards, please see below.

Table 1 provides an overview of the alignment of Landsvirkjun's Framework with the applicable SC criteria and DNSH criteria of the EU Taxonomy.

Table 1: Summary of Alignment of Framework Criteria with the EU Taxonomy

EU Taxonomy Activities corresponding to Framework Criterion	Alignment with Technical Screening Criteria		Alignment per EU Environmental Objective					
	SC	DNSH	Mitigation	Adaptation	Water	Circular Economy	Pollution	Eco-systems
4.5. Electricity generation from hydropower	■	■	■	■	■	–	–	■
4.6. Electricity generation from geothermal energy	■	■	■	■	■	–	■	–
4.3. Electricity generation from wind power	■	■	■	■	■	■	–	■

Legend	
Aligned	■
Partially aligned	◘
Not aligned	☒
Not applicable	–

Not assessed	*
Grey shading indicates the primary EU Environmental Objective	

Alignment with the EU Taxonomy's Minimum Safeguards

The EU Taxonomy recommends that companies have policies aligned with international and regional guidelines and regulations pertaining to human rights, labour rights, and combating bribery and corruption. Specifically, activities should be carried out in alignment with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Additionally, companies should be in compliance with the International Labour Organisation's (ILO) declaration on Fundamental Rights and Principles at Work.

Based on a consideration of the policies and management systems applicable to Framework criteria, as well as the regulatory context in which financing will occur, Sustainalytics is of the opinion that the EU Taxonomy's Minimum Safeguards requirements will be met.

Human and Labour Rights

Landsvirkjun has implemented the following policies and procedures regarding human and labour rights:

- Landsvirkjun follows international frameworks such as the UN Guiding Principles on Business and Human Rights,[8] the Universal Declaration of Human Rights and the Ten Principles of the UN Global Compact. These frameworks guide the Company's commitment to human rights and set mechanisms for grievances, transparency and accountability to address human and labour rights-related complaints; these mechanisms are reviewed regularly to meet stakeholder needs. Additionally, Landsvirkjun provides reporting channels for affected individuals, suppliers or employees.[9]
- Landsvirkjun's Supplier Code of Conduct[10] mandates compliance with internationally recognized human and labour rights standards, including the Universal Declaration of Human Rights and the UN Global Compact principles. Suppliers must comply with legal standards on child labour, forced labour and modern slavery. Suppliers are required to provide wages and benefits that meet or exceed legal minimums and respect collective agreements on working hours, overtime, rest, holidays and pensions. The code enforces non-discrimination and equal rights, prohibiting discrimination based on gender, race, religion, age, disability or other basis, and supports employees' rights to freedom of association and collective bargaining. In addition, suppliers shall provide safe and healthy working environments, and comply with legal safety standards, access to health and safety training, and the provision of necessary safety equipment. These requirements apply across all supplier operations, with provisions for addressing and reporting violations. Non-compliance or failure to address violations may result in contract termination.[11]
- Additionally, Landsvirkjun's internal policies, such as the 2016 Value Chain Rules mandate the Company to practice fair wages, safe working conditions and accident insurance for all employees, contractors and temporary staff. The Company further integrates human rights protections into its operations policies through the Code of Ethics and the Reprehensible Conduct Response Plan.[12]

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics evaluated the performance of Landsvirkjun in the area of human and labour rights and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures appropriately safeguard minimum standards on human rights in relation to the activities of the Framework.

Anti-bribery and anti-corruption

Landsvirkjun has implemented the following anti-bribery and anti-corruption policies and procedures:

- Landsvirkjun mandates suppliers to follow the Supplier Code of Conduct, aligning with the UN Global Compact, and comply with anti-corruption laws and regulations. They are prohibited from engaging in bribery, extortion or fraud, and from offering or accepting improper incentives,

[8] Landsvirkjun shared this information with Sustainalytics confidentially.
[9] Landsvirkjun, "Supplier Code of Conduct", (2023), at: https://www.landsvirkjun.com/api/get-pdf?id=f6c5c4d1-8102-4c4a-9710-ddedf8074879_STE-0008+Supplier+Code+of+Conduct.pdf&name=STE-0008%20Supplier%20Code%20of%20Conduct.pdf
[10] Ibid.
[11] Ibid.
[12] Landsvirkjun shared this information with Sustainalytics confidentially.

including cash, gifts, loans or services. Compliance is monitored through audits and violations may result in contract termination.[13]

- Landsvirkjun integrates anti-corruption measures into its quality management system and implements a response plan to address reprehensible conduct, including corruption.[14] Employees can report misconduct anonymously or named through designated channels, with an independent team evaluating reports. If internal whistleblowing is insufficient, disclosures to parties outside the Company are allowed. Regular reviews, including gap analyses under the EU Taxonomy Regulation, ensure alignment and improvement, with the Deputy CEO overseeing implementation and employee training.[15]

Based on the work of its research services and its ESG Risk Rating assessment, Sustainalytics evaluated the performance of Landsvirkjun in relation to anti-bribery and anti-corruption matters, and has not detected involvement in any relevant controversies that would suggest that the above policies are not adequate in addressing key risks.

Sustainalytics is of the opinion that these measures provide the minimum safeguards required for anti-bribery and anti-corruption matters in relation to the activities of the Framework.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Landsvirkjun's policies, guidelines and commitments are sufficient to demonstrate that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Section 2: Sustainability Strategy of Landsvirkjun

Contribution to Landsvirkjun's sustainability strategy

Landsvirkjun's corporate strategy focuses on climate and sustainability by optimizing resource use and energy production, and developing leadership in climate and environmental affairs.[16] In 2025, Landsvirkjun updated its Climate and Environmental Action Plan for 2030 with the following climate targets: i) keeping the carbon intensity of its electricity generation below 4 gCO_2e/kWh until 2030, 3 gCO_2e/kWh from 2030, 2 gCO_2e/kWh from 2040 and 1 gCO_2e/kWh from 2050; ii) achieving a 65% decrease in direct emissions by 2025 from a 2008 baseline; iii) achieving a 80% reduction in emissions from geothermal power production by 2030 from a 2008 baseline; iv) achieving a 60% reduction in emissions from the construction of new power plants by 2040 from a 2023 baseline; v) completely phasing out the purchase of fossil fuels by 2030; and vi) maintaining emissions from its operations (scope 1, 2 and 3) below 9.1 CO_2e/kWh.[17]

To achieve these targets, Landsvirkjun has prioritized actions to prevent new emissions, reduce current emissions and implement mitigation measures. These include planning parameters such as the development of an internal carbon price to account for the cost of carbon in Landsvirkjun's financial planning to incentivize financial decisions that favour low-carbon solutions, as well as the use of life cycle assessments to inform ways to minimize environmental impact. Additionally, Landsvirkjun has addressed emissions from its operations and value chain through the following initiatives: i) procurement of clean energy vehicles or, if unavailable, used vehicles; ii) enhancing energy efficiency through the reuse of geothermal fluids from geothermal power plants and utilization of waste heat from customers' operations; iii) minimizing emission leakages from geothermal power plants; iv) reusing materials and waste throughout its operations; and v) carbon sequestration through revegetation, wetlands reclamation and afforestation.[18,19] Despite a year-on-year increase of 16% in total emissions and 31% in geothermal emissions for the first half of 2024, Landsvirkjun reported a net carbon intensity of 3.1 gCO_2e/kWh and increased its carbon sequestration efforts by 2% in the first half of 2024.[20]

Landsvirkjun supports Iceland's 2040 carbon neutrality commitment through its renewable energy production and has set the following targets: i) generating 1.5 TWh of renewable energy from new power plants by 2027; and ii) increasing the power capacity and energy production of existing power plants by 220 GWh and 110 MW,

[13] Landsvirkjun, "Supplier Code of Conduct", (2023), at: https://www.landsvirkjun.com/api/get-pdf?id=f6c5c4d1-8102-4c4a-9710-ddedf8074879_STE-0008+Supplier+Code+of+Conduct.pdf&name=STE-0008%20Supplier%20Code%20of%20Conduct.pdf
[14] Landsvirkjun, "Response Plan for Reprehensible Conduct". Landsvirkjun has shared this document with Sustainalytics confidentially.
[15] Ibid.
[16] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtlJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[17] Ibid.
[18] Landsvirkjun, "Climate and Environmental Action Plan", at: https://www.landsvirkjun.com/climate-and-environmental-policy
[19] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtlJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[20] Ibid.

respectively.[21] In 2024, Landsvirkjun generated 14.2 TWh of energy from renewable energy sources, including 12,859 GWh from hydropower, 1,306 GWh from geothermal and 6.7 GWh from wind.[22] Landsvirkjun is also working on new renewable energy projects, including exploring the feasibility of hydrogen and methanol to support the energy transition.[23]

Sustainalytics is of the opinion that the Landsvirkjun Green Finance Framework is aligned with Landsvirkjun's overall sustainability strategy and initiatives, and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving: i) land use change and biodiversity issues associated with construction of renewable power stations; ii) emissions, effluents and waste generated in construction; iii) community relations; and iv) occupational health and safety.

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

- Landsvirkjun has a Risk Policy that outlines its approach to identify potential risks and minimize negative impacts for: i) innovation and business development; ii) investments in new power plants; and iii) conclusion of electricity contracts. This is implemented through its Risk Management and Assessment Process, which uses risk matrixes to classify the level of risk to implement appropriate mitigation measures. Monitoring plans and risk re-evaluations and reviews are then carried out to assess the effectiveness of mitigation measures.[24]
- For risks related to land use change and biodiversity issues, Landsvirkjun works with government authorities and other stakeholders to meet the environmental protection requirements of conservation areas.[25] The Company also monitors and assesses potential adverse impacts on endangered species in the Red List of the Iceland Institute of Natural History based on the IUCN Global Standard for Nature-based Solutions.[26,27] For habitats disrupted by construction or operations, Landsvirkjun seeks to implement mitigation measures, including aeolian deposition defences, riverbank erosion control and repairs and vegetation reclamation.[28]
- Regarding emissions, effluents and waste associated with construction, Landsvirkjun has a Climate and Environment Policy that outlines its commitment to minimize direct and indirect environmental impacts from its operations.[29] Landsvirkjun also has an environmental management system in line with ISO 14001.[30,31] In addition, the Company has several environmental quality policies that provide guidance on: i) identifying potential significant environmental impacts from its operations; ii) conducting environmental risk analyses; iii) preparing environmental plans covering the design, construction and operation stages of a project; and iv) assessing if any mitigation measures are required to reduce negative environmental impacts.[32]
- To address risks associated with community relations, Landsvirkjun has a Community Engagement Policy, which details its engagement approach to consult and collaborate with local communities and other stakeholders in all aspects of its operations.[33] Examples of community engagement

[21] Landsvirkjun, "Climate and Environmental Action Plan", at: https://www.landsvirkjun.com/climate-and-environmental-policy
[22] Landsvirkjun shared details of its renewable energy generation in 2024 with Sustainalytics confidentially.
[23] Ibid.
[24] Landsvirkjun shared details of its risk policy and processes with Sustainalytics confidentially.
[25] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtIJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[26] Ibid.
[27] IUCN, "IUCN Global Standard for Nature-based Solutions", at: https://iucn.org/our-work/topic/iucn-global-standard-nature-based-solutions
[28] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtIJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[29] Landsvirkjun, "Climate and Environment Policy", (2024), at: https://www.landsvirkjun.com/climate-and-environmental-policy
[30] Ibid.
[31] ISO, "ISO 14001 Environmental Management Systems – Requirements with guidance for use", (2015) at: https://www.iso.org/standard/60857.html
[32] Landsvirkjun shared details of its environmental quality documents with Sustainalytics confidentially.
[33] Landsvirkjun, "Community Engagement Policy", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=Ze8CcEmNsf2sHf0t_Landsvirkjun%27sCommunityEngagementPolicy.pdf&name=Landsvirkjun%27s%20Community%20Engagement%20Policy.pdf

channels include organizing open meetings and direct discussions, providing news and content about its activities and hosting visits to Landsvirkjun's power stations.[34]

- For risks related to occupational health and safety, Landsvirkjun has developed an occupational health and safety system aligned with ISO 45001.[35,36] The system follows Landsvirkjun's Occupational Health and Safety Policy, which relies on measures such as risk assessments, suggestion processing and incident root analyses to prevent incidents and accidents. Landsvirkjun also conducts regular safety training programmes for its employees, including fire and fall protection, first aid and hoisting.[37]

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

Section 3: Impact of Use of Proceeds

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

Importance of renewable energy in Iceland

In 2023, Iceland's energy supply was predominantly derived from renewable sources, with more than 89% of the nation's total primary energy consumption sourced from renewables.[38] In terms of electricity generation, hydropower accounted for approximately 70% of the total production in 2023, while geothermal contributed the remaining 30%. The household demand for electricity is met in full from renewable sources, which also supports most of the country's industrial energy demand. In 2022, renewable electricity represented 97.7% of the industrial energy final consumption in Iceland.[39]

Iceland aims to achieve carbon neutrality by 2040 and reduce GHG emissions by 40% by 2030 from a 1990 baseline, in alignment with the Paris Agreement.[40] Renewable sources are well integrated into the country's energy mix, but the Icelandic government is taking additional steps to achieve its ambitious climate targets through various initiatives, such as upgrading hydropower infrastructure to improve efficiency and exploring small-scale hydropower projects to support regional energy needs.[41] Additionally, projects such as CarbFix intend to advance carbon capture and storage technologies in geothermal energy generation by injecting CO_2 into basaltic formations for mineralization.[42] In addition, local innovations in geothermal efficiency include deep drilling geothermal systems to increase energy output.[43] Iceland is also diversifying its energy mix by incorporating wind power as a complement to hydropower and geothermal energy during variable demand. The integration of wind energy into the grid requires modernizing the existing infrastructure, which includes upgrading transmission and distribution systems to ensure reliability and flexibility.[44] These efforts are supported by Iceland's Climate Action Plan with ISK 7 billion (approximately EUR 48 million) from 2019 to 2023.[45] Iceland also leverages debt capital markets to finance renewable energy projects, exemplified by its first sovereign green bond issuance in 2024, raising EUR 750 million to support progress towards carbon neutrality.[46]

[34] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtlJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[35] Ibid.
[36] ISO, "ISO 45001:2018 Occupational health and safety management systems – Requirements with guidance for use", (2018), at: https://www.iso.org/standard/63787.html
[37] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtlJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[38] IEA, "Iceland", at: https://www.iea.org/countries/iceland
[39] IEA, "Iceland – Electricity", at: https://www.iea.org/countries/iceland/electricity
[40] Government of Iceland, "Iceland's Climate Action Plan for 2018-2030 – Summary", (2018), at: https://www.government.is/library/Files/Icelands%20new%20Climate%20Action%20Plan%20for%202018%202030.pdf
[41] Government of Iceland, "A Sustainable Energy Future – An Energy Policy to the year 2050", at: https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=e36477fd-3bc1-11eb-8129-005056bc8c60
[42] Delegation of the European Union to Iceland, "CarbFix: an innovative Icelandic climate solution supported by the European Union", (2021), at: https://www.eeas.europa.eu/delegations/iceland/carbfix-innovative-icelandic-climate-solution-supported-european-union_en
[43] Government of Iceland, "A Sustainable Energy Future – An Energy Policy to the year 2050", at: https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=e36477fd-3bc1-11eb-8129-005056bc8c60
[44] Government of Iceland, "A Sustainable Energy Future – An Energy Policy to the year 2050", at: https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=e36477fd-3bc1-11eb-8129-005056bc8c60
[45] Government of Iceland, "Iceland's Climate Action Plan for 2018-2030 – Summary", (2018), at: https://www.government.is/library/Files/Icelands%20new%20Climate%20Action%20Plan%20for%202018%202030.pdf
[46] BNP Paribas, "Republic of Iceland issues first ever green bond", at: https://cib.bnpparibas/republic-of-iceland-issues-first-ever-green-bond/

Based on the above, Sustainalytics is of the opinion that Landsvirkjun's investments in renewable energy have the potential to contribute in increasing Iceland's renewable energy output and more broadly to the country's efforts to meet its emissions reduction targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Landsvirkjun Green Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Conclusion

Landsvirkjun has developed the Landsvirkjun Green Finance Framework under which it intends to issue green bonds, including private placements and loans, and use the proceeds to finance hydropower, geothermal and wind power projects in Iceland. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Landsvirkjun Green Finance Framework is aligned with Landsvirkjun's sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7 and 9. Additionally, Sustainalytics considers that Landsvirkjun has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Sustainalytics has assessed the Framework for alignment with the EU Taxonomy. Sustainalytics mapped the criteria defined in the Framework's use of proceeds category to three activities in the EU Taxonomy and is of the opinion that all three activities are aligned with the applicable criteria for Substantial Contribution (SC) and Do No Significant Harm (DNSH). Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minimum Safeguards.

Based on the above, Sustainalytics is confident that Landsvirkjun is well positioned to issue green bonds, private placements and loans, and that the Landsvirkjun Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendices

Appendix 1: Approach to Assessing Alignment with the EU Taxonomy

Sustainalytics has assessed each of the eligible green use of proceeds criteria in the Framework against the criteria for the relevant activity in the EU Taxonomy. This appendix describes Sustainalytics' process and presents the outcome of its assessment of alignment with the Taxonomy's applicable technical screening criteria for substantial contribution (SC) to an environmental objective of the EU Taxonomy and the applicable "do no significant harm" (DNSH) criteria. Sustainalytics' assessment involves two steps:

1. Mapping Framework Criteria to Activities in the EU Taxonomy

The initial step in Sustainalytics' assessment process involves mapping each criterion in the Framework to a relevant and applicable activity in the EU Taxonomy. Note that each Framework criterion may be relevant and applicable to more than one activity in the EU Taxonomy and vice versa. Sustainalytics recognizes that some Framework criteria relate to projects that do not map well to a specific activity in the EU Taxonomy. In such cases, Sustainalytics has mapped to the activity that is most relevant with respect to the primary environmental objective established in the EU Taxonomy.

In some cases, the Framework criteria cannot be mapped to an activity in the EU Taxonomy, as some activities are not yet covered by the EU Taxonomy. In other cases, some categories which are traditionally included in green bonds and loans may not be associated with a specific EU Taxonomy activity. While recognizing that financing projects in these areas may still have environmental benefits, Sustainalytics has not assessed these criteria for alignment.

Table 2 below displays the outcome of Sustainalytics' mapping process for this report.

2. Determining Alignment with EU Taxonomy Criteria

The second step in Sustainalytics' process is to determine the alignment of each criterion with relevant criteria in the EU Taxonomy. Alignment with the SC criteria and the DNSH criteria is usually based on the specific criteria contained in the issuer's Framework, and may in many cases (especially DNSH criteria) also be based on management systems and processes or regulatory compliance. To assess alignment with the EU Taxonomy's Minimum Safeguards Sustainalytics has conducted an assessment of policies, management systems and processes applicable to the use of proceeds criteria, including the regulatory context in the geographical location of activities and projects. (See Section 1, above.)

Sustainalytics' detailed assessment of alignment is provided in Appendix 2.

Table 2: Framework mapping table

Framework Category	Framework Criterion (Eligible Use of Proceeds)	EU Taxonomy Activity	Corresponding NACE Code	Environmental Objective	Refer to Table
Renewable Energy	Electricity generation from hydropower	4.5. Electricity generation from hydropower	D35.11 and F42.22	Mitigation	Table 3
	Electricity generation from geothermal energy	4.6. Electricity generation from geothermal energy	D35.11 and F42.22		Table 4
	Electricity generation from wind power	4.3. Electricity generation from wind power	D35.11 and F42.22		Table 5

Appendix 2: Comprehensive EU Taxonomy Alignment Assessment

The tables below provide a detailed assessment of the alignment of the Framework criteria with the technical screening criteria for substantial contribution to an environmental objective and the DNSH for each relevant EU Taxonomy activity.

Table 3

Framework Activity assessed	Electricity generation from hydropower	
EU Taxonomy Activity	4.5. Electricity generation from hydropower	
Corresponding NACE Code	D35.11 and F42.22	
Applicable SC Criteria	***Alignment Assessment***	
Climate Change Mitigation	This activity must comply with the following criteria under the Framework: a) the power density of the facility is above 10 W/m^2; or ii) the life cycle GHG emissions are below 50 gCO_2/kWh. Sustainalytics notes that the EU Taxonomy's SC criteria for this activity stipulates a power density above 5 W/m^2 or life cycle GHG emissions below 100 gCO_2/kWh, and that the Framework criteria are more stringent than those required by the EU Taxonomy's SC. Landsvirkjun has communicated to Sustainalytics that the life cycle GHG emissions are calculated in accordance with ISO 14040:2006[47] and ISO 14044:2006,[48] and has confirmed to Sustainalytics that these are consistent with the requirements of ISO 14067:2018.[49] Based on the above, Sustainalytics considers the activity to be aligned with the SC criteria of the EU Taxonomy.	Aligned
Applicable DNSH Criteria	***Alignment Assessment***	
Climate Change Adaptation	Refer to the assessment in Appendix 3, Table 6	Aligned
Sustainable Use and Protection of Water and Marine Resources	1. The European Commission's Water Framework Directive (WFD) (2000/60/EC)[50] has been integrated into the EEA Agreement[51] and transposed into Icelandic law through the Water Management Act (36/2011).[52] The Icelandic River Basin Management Plan (RBMP), which is updated every six years, implements the WFD and the Water Management Act. Landsvirkjun has communicated to Sustainalytics that Iceland has not yet fully implemented the WFD, with full implementation anticipated by the conclusion of the second RBMP cycle in 2033.[53] The first	Aligned

[47] ISO, "ISO 14040:2006 Environmental management — Life cycle assessment — Principles and framework", at: https://www.iso.org/standard/37456.html
[48] ISO, "ISO 14044:2006 Environmental management — Life cycle assessment — Requirements and guidelines", at: https://www.iso.org/standard/38498.html
[49] ISO, "ISO 14067:2018 Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification", at: https://www.iso.org/standard/71206.html
[50] European Parliament, "Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy", at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32000L0060
[51] The European Economic Area (EEA) Agreement between the 27 EU Member States and Iceland, Liechtenstein and Norway allows these three countries to participate fully in the European Single Market even though they are not EU Members States; once integrated into the EEA Agreement, each piece of EU legislation is also binding on Iceland, Liechtenstein and Norway.
[52] FAOLEX, "Water Management Act (No. 36 of 2011)", at: https://www.fao.org/faolex/results/details/en/c/LEX-FAOC200077/
[53] Environment Agency of Iceland, "Icelandic River Basin Management Plan 2022 – 2027", (2023), at: https://ust.is/library/sida/haf-og-vatn/Icelandic%20RBMP%202022-2027_English%20summary_version%2023.1.2023.pdf. Reflected on page 5: "Certain aspects are not fully implemented for this water cycle e.g. data and information on hydrological elements and groundwater. Furthermore, data is lacking on transitional waters, and additional work is needed regarding fish as a biological element in inland water bodies. These will be addressed in more detail and implemented in the next water cycle."

	version of RBMP covering years 2022–2027 establishes foundational water management systems and ensures good water quality status.[54] To address this gap, Landsvirkjun has initiated efforts to study water bodies near its power stations, with independent agencies carrying out research to classify these water bodies. The Company has established a three-year working contract with the Icelandic Marine and Freshwater Research Institute to research 135 surface water bodies within its operating areas.[55] Reports have been drafted on 77 natural water bodies that are in good or very good condition, and the results of the analysis of 58 heavily modified and artificial water bodies are expected to be available in two years. The Company has further confirmed to Sustainalytics that these research and analyses will be conducted in full alignment with the WFD and the requirements set out in the EU Taxonomy. Additionally, based on the research results, the Company will implement mitigation measures in full alignment with the WFD and the EU Taxonomy requirements. For specific projects, Landsvirkjun has confirmed to Sustainalytics that projects financed under the Framework will comply with all ecological requirements in Article 4 of the WFD and will be assessed as part of the environmental impact assessment (EIA) and licensing process. 2. Landsvirkjun has communicated to Sustainalytics that only investments related to new assets will be financed under the Framework. 3. Landsvirkjun has communicated to Sustainalytics that all projects financed under the Framework will go through the licensing process and have an EIA demonstrating compliance with criteria 3.1-3.5. Based on the above, Sustainalytics considers the activity to be aligned with the applicable criteria.	
Protection and Restoration of Biodiversity and Ecosystems	Refer to the assessment in Appendix 3, Table 7	Aligned

Table 4

Framework Activity assessed	Electricity generation from geothermal energy
EU Taxonomy Activity	4.6. Electricity generation from geothermal energy
Corresponding NACE Code	D35.11 and F42.22
Applicable SC Criteria	***Alignment Assessment***

[54] Environment Agency of Iceland, "Icelandic River Basin Management Plan 2022 – 2027", (2023), at: https://ust.is/library/sida/haf-og-vatn/Icelandic%20RBMP%202022-2027_English%20summary_version%2023.1.2023.pdf
[55] Landsvirkjun shared the contract with Sustainalytics confidentially.

Climate Change Mitigation	Under the Framework, the life cycle GHG emissions from the generation of electricity from geothermal energy must be lower than 100 gCO_2e/kWh. Landsvirkjun has also confirmed to Sustainalytics that: i) the life cycle GHG emissions are calculated in accordance with ISO 14040:2006[56] and ISO 14044:2006,[57] and that these are consistent with the requirements of ISO 14067:2018;[58] and ii) quantified life cycle GHG emissions are verified by an independent third party. Based on the above, Sustainalytics considers the activity to be aligned with the SC criteria of the EU Taxonomy.	Aligned
Applicable DNSH Criteria	***Alignment Assessment***	
Climate Change Adaptation	Refer to the assessment in Appendix 3, Table 6	Aligned
Protection and Restoration of Biodiversity and Ecosystems	Refer to the assessment in Appendix 3, Table 7	Aligned
Sustainable Use and Protection of Water and Marine Resources	Refer to the assessment in Appendix 3, Table 8	Aligned
Pollution Prevention and Control	Landsvirkjun will finance expenditures under this activity in Iceland, where Directives 2004/107/EC and 2008/50/EC apply as integrated into the EEA Agreement.[59,60] Based on the above, Sustainalytics considers the activity to be aligned with the applicable criteria.	Aligned

Table 5

Framework Activity assessed	Electricity generation from wind power	
EU Taxonomy Activity	4.3. Electricity generation from wind power	
Corresponding NACE Code	D35.11 and F42.22	
Applicable SC Criteria	***Alignment Assessment***	
Climate Change Mitigation	The Framework criterion is electricity generation from onshore wind power.	Aligned
Applicable DNSH Criteria	***Alignment Assessment***	
Climate Change Adaptation	Refer to the assessment in Appendix 3, Table 6.	Aligned
Protection and Restoration of Biodiversity and Ecosystems	Refer to the assessment in Appendix 3, Table 7.	Aligned

[56] ISO, "ISO 14040:2006 Environmental management — Life cycle assessment — Principles and framework", at: https://www.iso.org/standard/37456.html
[57] ISO, "ISO 14044:2006 Environmental management — Life cycle assessment — Requirements and guidelines", at: https://www.iso.org/standard/38498.html
[58] ISO, "ISO 14067:2018 Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification", at: https://www.iso.org/standard/71206.html
[59] European Free Trade Association, "Factsheet - 32004L0107", at: https://www.efta.int/eea-lex/32004l0107#anchor-eu
[60] European Free Trade Association, "Factsheet -32008L0050", at: https://www.efta.int/eea-lex/32008l0050#anchor-eu

	Additionally, Landsvirkjun will only finance onshore wind power projects under the Framework. On this basis, Sustainalytics considers this activity to be aligned with the applicable criteria.	
Sustainable Use and Protection of Water and Marine Resources	Refer to the assessment in Appendix 3, Table 8.	Aligned
Transition to a Circular Economy	Landsvirkjun has communicated to Sustainalytics that it requires contractors and suppliers to prioritize sustainability throughout projects. Suppliers are required to provide data for life cycle analysis, including information on the amount of material usage, emissions and production processes of steel. Environmental product declarations (EPDs) for equipment in accordance with ISO 14025 or equivalent are also requested from suppliers. If EPDs are not available, additional data is required for products' life cycle analysis. Contractors are expected to address circularity within their value chains by dedicating resources to the blade recycling or upcycling plans, exploring end-of-life options for composite material waste such as engaging in research collaborations and pilot projects with institutes and universities. Contractors are also required to provide material passports for blades to facilitate recycling processes. Based on the above, Sustainalytics considers the activity to be aligned with the applicable criteria.	Aligned

Appendix 3: Criteria for "Do No Significant Harm" (DNSH) to Climate Change Adaptation, Protection and Restoration of Biodiversity and Ecosystems and Sustainable Use and Protection of Water and Marine Resources

Table 6

Criteria for Climate Change Adaptation	
Alignment	
Landsvirkjun has developed a risk assessment process to evaluate the likelihood and impact of physical and transition climate risks that may impact its operations over short-, medium- and long-term horizons. The climate risk assessment is overseen by Landsvirkjun's Executive Management and Strategic Planning Department and is done across business units and on an asset level.[61] Specifically for hydropower, Landsvirkjun assesses climate risks and vulnerabilities by: i) monitoring glacier changes within the watersheds of its projects; ii) employing hydrological modelling to analyse historical and current inflows; and iii) adopting climate scenario modelling to study the impacts of projected temperature increases, seasonal inflow variability, glacier melt and adjustments on water availability. These inflow and climate scenarios are updated every five years and account for the characteristics and scale of each project, including reservoir capacity, catchment area and potential exposure to extreme hydrological events. For wind power, Landsvirkjun considers exposure to potential flooding risks, as well as wind speed and conditions in relation to the expected energy yield of each project. Landsvirkjun's climate risk assessments consider future projections to account for the expected lifespans of its hydropower and wind projects at 65 years and 30 years, respectively. [62] For geothermal, Landsvirkjun has communicated that geothermal projects are evaluated as part of its general risk assessment, noting that the Icelandic Government's whitepaper on climate adaptation has assessed the impact of climate change on geothermal energy production to be immaterial.[63] Landsvirkjun manages its climate risks and opportunities using its Environmental Management System aligned with ISO 14001[64] and responds to climate risks by implementing relevant risk action plans and adaptation measures. Landsvirkjun has confirmed that such adaptation measures are implemented at the time of design and before the start of operations. The findings from Landsvirkjun's climate risk assessment and projections help to inform the infrastructure design of each project, accounting for physical climate risks such as flooding for both hydropower and wind power plants. For instance, wind turbines that are exposed to flooding are protected by dykes or elevated foundations. To minimize the risk of adverse effects from its adaptation measures, Landsvirkjun integrates risk assessments, EIAs and stakeholder engagement into its risk management process. [65] Furthermore, Landsvirkjun's activities follow the Icelandic Government's adaptation efforts by participating in the development of its whitepaper on climate change adaptation and aligning with its climate change adaptation policy.[66,67] Moving forward, Landsvirkjun plans to carry out a new climate-related risk and vulnerability assessment in 2025, in accordance with the EU Taxonomy Regulation.[68,69]	Aligned

[61] Landsvirkjun shared details of its climate risk assessment with Sustainalytics confidentially.
[62] Ibid.
[63] Government of Iceland, Ministry of Environment and Natural Resources, "Hvítbók um aðlögun að loftslagsbreytingum Drög að stefnu", (2021), at: https://www.stjornarradid.is/library/02-Rit--skyrslur-og-skrar/Hv%c3%adtb%c3%b3k%20um%20a%c3%b0l%c3%b6gun%20a%c3%b0%20loftslagsbreytingum.pdf
[64] ISO, "ISO 14001 Environmental Management Systems – Requirements with guidance for use", (2015) at: https://www.iso.org/standard/60857.html
[65] Landsvirkjun shared details of its climate risk assessment with Sustainalytics confidentially.
[66] Government of Iceland, Ministry of Environment and Natural Resources, "Hvítbók um aðlögun að loftslagsbreytingum Drög að stefnu", (2021), at: https://www.stjornarradid.is/library/02-Rit--skyrslur-og-skrar/Hv%c3%adtb%c3%b3k%20um%20a%c3%b0l%c3%b6gun%20a%c3%b0%20loftslagsbreytingum.pdf
[67] Government of Iceland, Ministry of Environment and Natural Resources, "Í ljósi loftslagsvár - Stefna um aðlögun að loftslagsbreytingum", (2021), at: https://www.stjornarradid.is/library/02-Rit--skyrslur-og-skrar/%C3%8D%20lj%C3%B3si%20loftslagsv%C3%A1r.pdf
[68] Landsvirkjun shared details of its climate risk assessment with Sustainalytics confidentially.
[69] European Union, "Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance)", (2020), at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32020R0852

Given the above, Sustainalytics considers the Framework to be aligned with the applicable DNSH criteria.	

Table 7

Criteria for Protection and Restoration of Biodiversity and Ecosystems	
Alignment	
Landsvirkjun's operations are in Iceland, which is part of the EEA EFTA. Sustainalytics notes that Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment has been integrated into the EEA Agreement and transposed into Icelandic legislation (No.111/2021).[70,71] Landsvirkjun has indicated compliance with Icelandic legislation No. 111/2021 and carries out EIAs in accordance with the Icelandic legislation when applying for operation permits for its projects under this Framework. As part of the EIA process, Landsvirkjun is required to implement the relevant mitigation and compensation measures during the construction of a power plant.[72] For sites or operations located in or near biodiversity-sensitive areas, Sustainalytics notes that the Birds and Habitats Directives (2009/147/EC and 92/43/EEC) have not been integrated into the EEA Agreement and have not been transposed into Icelandic legislation.[73] Landsvirkjun has instead confirmed that it demonstrates compliance with all local Icelandic legislations and regulations to conserve natural habitats and protect biodiversity. In particular, Landsvirkjun must follow the Icelandic Nature Conservation Act (No. 60/2013) that addresses the protection, enhancement and maintenance of biological, geological and habitat diversity.[74] Landsvirksjun also takes reference from the Nature Conservation Register in its biodiversity assessments, which is updated every five years and includes relevant information on nature conservation areas that are prioritized for protection or designation as nature reserves.[75] Given the above, Sustainalytics considers the Framework to be aligned with the applicable DNSH criteria.	Aligned

Table 8

Criteria for Sustainable Use and Protection of Water and Marine Resources
Alignment

[70] Government of Iceland, "Lög um umhverfismat framkvæmda og áætlana", (2021), at: https://faolex.fao.org/docs/pdf/i0063e209552.pdf
[71] European Free Trade Association, "Factsheet - 32011L0092", at: https://www.efta.int/eea-lex/32011l0092
[72] Landsvirkjun, "Annual Report 2023", (2024), at: https://www.landsvirkjun.com/api/get-pdf?id=ZfRe-3YkiKrtlJl9_LV_AnnualReport_2023.pdf&name=LV_AnnualReport_2023.pdf
[73] Environment Agency of Iceland, "Vernduð og viðkvæm svæði", at: https://ust.is/haf-og-vatn/stjorn-vatnamala/verndud-og-vidkvaem-svaedi/
[74] Government of Iceland, "Lög um náttúruvernd", (2013), at: https://faolex.fao.org/docs/pdf/ice199801.pdf
[75] Icelandic Institute of Natural History, "Náttúruminjaskrá", at: https://www.ni.is/en/resources/conservation

The Water Framework Directive (WFD) 2000/60/EC has been integrated into the EEA Agreement and transposed into Icelandic legislation as the Water Management Act (No. 36/2011).[76,77] Under the WFD, Iceland, as an EEA EFTA country, is required to protect and improve water quality in all waters so that a good ecological status is achieved by 2015, or at the latest, by 2027. The WFD also requires that management plans be prepared on a river basin basis and specifies a structured method for developing these plans.[78] The WFD is implemented in Iceland through the Icelandic RBMP, which represents Iceland's water management policy and is updated every six years. The first RBMP for 2022–2027 establishes foundational water management systems to ensure good water quality status through three areas: i) data mapping, delineation and characterization of water bodies; ii) monitoring; and iii) water condition and quality analysis. [79] However, Landsvirkjun has communicated to Sustainalytics that Iceland has not yet fully implemented the Water Framework Directive, with full implementation anticipated by the conclusion of the second RBMP cycle in 2033.[80] To address this gap, Landsvirkjun has established a three-year working contract with the Icelandic Marine and Freshwater Research Institute to research 135 surface water bodies within its operating areas. Reports have been drafted on 77 natural water bodies that are in good or very good condition, and results of the analysis of 58 heavily modified and artificial water bodies are expected to be available in two years. The Company has confirmed to Sustainalytics that these research and analyses will be conducted in full alignment with the WFD. Additionally, based on the research results, the Company will implement mitigation measures in full alignment with the WFD. Landsvirkjun has further communicated that it assesses the impact of its new projects on water bodies managed within the first RMBP cycle through EIAs submitted to relevant authorities. These assessments comply with Directive 2011/92/EU, which has been integrated into the EEA Agreement and transposed into Icelandic legislation (No.111/2021).[81,82] Landsvirkjun has also confirmed that its financed economic activities will not extend to marine waters. Given the above, Sustainalytics considers the Framework to be aligned with the applicable criteria.	Aligned

[76] Government of Iceland, "Lög um stjórn vatnamála", (2011), https://faolex.fao.org/docs/pdf/ice200077.pdf
[77] European Free Trade Association, "Factsheet - 32000L0060", at: https://www.efta.int/eea-lex/32000l0060
[78] European Commission, "Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy – National Transposition", at: https://eur-lex.europa.eu/legal-content/EN/NIM/?uri=CELEX:32000L0060
[79] Environment Agency of Iceland, "Icelandic River Basin Management Plan 2022 – 2027", (2023), at: https://ust.is/library/sida/haf-og-vatn/Icelandic%20RBMP%202022-2027_English%20summary_version%2023.1.2023.pdf
[80] Environment Agency of Iceland, "Icelandic River Basin Management Plan 2022 – 2027", (2023), at: https://ust.is/library/sida/haf-og-vatn/Icelandic%20RBMP%202022-2027_English%20summary_version%2023.1.2023.pdf
[81] Government of Iceland, "Lög um umhverfismat framkvæmda og áætlana", (2021), at: https://faolex.fao.org/docs/pdf/ice209552.pdf
[82] European Free Trade Association, "Factsheet - 32011L0092", at: https://www.efta.int/eea-lex/32011l0092

Disclaimer

The information, methodologies, data and opinions contained or reflected herein (the "Information") are proprietary to Sustainalytics and/or its third-party content providers and may be made available to third parties only in the form and format disclosed by Sustainalytics. The Information is not directed to, nor intended for distribution to or use by India-based clients and/or users, and the distribution of Information to India resident individuals and entities is not permitted.

The Information is provided for informational purposes only and (1) does not constitute an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy; (2) does not constitute investment advice nor recommends any particular investment, nor represents an expert opinion or negative assurance letter; (3) is not part of any offering and does not constitute an offer or indication to buy or sell securities, to select a project nor enter into any kind of business transaction; (4) is not an assessment of the economic performance, financial obligations nor creditworthiness of any entity; (5) is not a substitute for professional advice; (6) has not been submitted to, nor received approval from, any relevant regulatory or governmental authority. Past performance is no guarantee of future results.

The Information is based on information made available by third parties, is subject to continuous change and no warranty is made as to its completeness, accuracy, currency, nor the fitness of the Information for a particular purpose. The Information is provided "as is" and reflects Sustainalytics' opinion solely at the date of its publication.

Neither Sustainalytics nor its third-party content providers accept any liability in connection with the use of the Information or for actions of third parties with respect to the Information, in any manner whatsoever, to the extent permitted by applicable law.

Any reference to third party content providers' names is solely to acknowledge their ownership of information, methodologies, data and opinions contained or reflected within the Information and does not constitute a sponsorship or endorsement of the Information by such third-party content provider. For more information regarding third-party content providers visit http://www.sustainalytics.com/legal-disclaimers

Sustainalytics may receive compensation for its ratings, opinions and other services, from, among others, issuers, insurers, guarantors and/or underwriters of debt securities, or investors, via different business units. Sustainalytics maintains measures designed to safeguard the objectivity and independence of its opinions. For more information visit Governance Documents or contact compliance@sustainalytics.com.

This deliverable, in particular the images, text and graphics contained therein, and the layout and company logo of Sustainalytics are protected under copyright and trademark law. Any use thereof shall require express prior written consent. Use shall be deemed to refer in particular to the copying or duplication of the opinion wholly or in part, the distribution of the opinion, either free of charge or against payment, or the exploitation of this opinion in any other conceivable manner.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

About Morningstar Sustainalytics

Morningstar Sustainalytics is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds, which incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. For more information, visit www.sustainalytics.com.