

## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Financing Framework

Klappir  
14 December 2021

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>• Green Instruments - funding options from public and private, listed and non-listed instruments, e.g. and not exhaustive, green bonds, green loans, green project finance, equity and any other financial instrument to which eligible assets or projects are allocated.</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>• International Capital Market Association's (ICMA) Green Bond Principles (GBPs), June 2021</li><li>• Loan Market Association's (LMA) Green Loan Principles (GLPs), May 2021</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>• Klappir Green Financing Framework (as of 12.12.2021)</li><li>• Klappir Selection Criteria (as of 12.12.2021)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>• Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>• For as long as no substantial changes are made to the eligible categories as listed in the Framework</li></ul>

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## Scope of work

Klappir (“the Issuer”) commissioned ISS ESG to assist with its Green Instruments by assessing three core elements to determine the sustainability quality of the instrument:

1. Green Instruments link to Klappir’s sustainability strategy – drawing on Klappir’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Klappir’s Green Financing Framework (12.12.2021 version) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs) and Green Loan Principles (GLPs) of the Loan Market Association (LMA).
3. The Selection Criteria – whether the projects contribute positively to the UN SDGs and are aligned with the EU Taxonomy Technical Screening Criteria (including the Climate Change Mitigation Criteria and Do No Significant Harm Criteria) (June 2021) and Minimum Social Safeguards requirements.



## ISS ESG SPO ASSESSMENT

### PART I: GREEN INSTRUMENTS LINK TO KLAPPİR'S SUSTAINABILITY STRATEGY

#### A. ASSESSMENT OF KLAPPİR'S ESG PERFORMANCE

**Methodological note: Please note that Klappir is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment conducted by the analyst in charge of the Software & Diversified IT Services sector based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.**

#### Industry classification:

Software & Diversified IT Services

#### Key Issues of the industry:

1. Employment security and employee wellbeing
2. Products and services with social and environmental benefits
3. Data protection and information security
4. Customer protection and digital inclusion
5. Energy management of data centers

#### Indicative ESG risk and performance assessment

Klappir is a provider of sustainability management solutions that aim to help businesses, municipalities, governments, and NGO's to collect data, and monitor, analyze and report their sustainability performance (ESG). Through its digital platform, Klappir offers a specialized solution that collects, processes, and discloses environmental, social and governance data across a company's value chain to facilitate sustainability accounting and reporting.

The company's digital platform also provides an interconnected system, where sustainability data can be shared with other users of the solution. Klappir defines the connected users as "Digital Ecosystem for Sustainability". Through the ecosystem the users can support each other in their work on improved sustainability performance.

Klappir faces sustainability challenges mainly related to the protection of information security. The company has implemented some measures such as technical and physical safeguards, conducts risk assessments and has security incident response procedures in place. In addition, the company requires third-party data processors to implement adequate measures to ensure information security as well. Yet, comprehensive measures to ensure security of its applications such as implementing a secure development lifecycle are not demonstrated. While the company has implemented monitoring systems to ensure availability, there is no indication of a comprehensive business continuity management system in place.

Regarding staff-related issues, Klappir has a policy covering non-discrimination and occupational health and safety, however, it is not publicly available, and thus cannot be assessed. Klappir reports on certain staff-related data such as gender distribution, but comprehensive measures to support work-life balance as well as to prevent and alleviate mental health issues of its employees are not demonstrated.

On the environmental side, Klappir mainly faces risks associated with responsible resource use and energy efficient management of data center operations. While Klappir does not use own data centers, there is no information available whether energy efficiency and renewable energy use are considered when selecting third-party operated data centers. Yet, Klappir has measures in place to reduce resource use and has implemented an environmental management system in its own operations. While the company collects and reports on eco-efficiency data such as greenhouse gas emissions, data on the Power Usage Effectiveness (PUE) of third-party data centers is not disclosed.

### **Indicative product portfolio assessment**

#### **Social impact of the product portfolio**

Klappir provides software solutions for collecting, structuring, and processing sustainability data. As such, Klappir's product portfolio does not include any products or services with significant direct impact on social sustainability objectives.

#### **Environmental impact of the product portfolio**

While Klappir provides software solutions to monitor and analyze sustainability data, there is no significant direct environmental impact on sustainability objectives from its products and services. However, the company's products can be purchased as cloud-based solutions. In general, cloud computing solutions compared to poorly-managed on-premise solutions can offer the potential for energy and resource savings. It is assumed that a major revenue share is based on these cloud-based products.

### **Controversy Assessment**

#### **Company Screening**

The analyst in charge of producing this report conducted a high-level controversy assessment, based on publicly available information exclusively. There is no indication of Klappir being involved in any of the below mentioned controversies.

#### **Industry risks**

Based on a review of controversies in the period of 1 January 2019 – 02 November 2021, the greatest risk reported against companies operating in Packaged Software industry relate to activities of labour rights and human rights. This is closely followed by activities related to business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to respect the right to just and favourable conditions of work, failure to respect consumers' right to privacy and failure to manage cybersecurity. This is closely followed by the alleged failure to respect consumer health and safety, workplace discrimination on the grounds of gender and anti-competitive behaviour.

## B. CONSISTENCY OF GREEN INSTRUMENTS WITH KLAPPİR'S SUSTAINABILITY STRATEGY

### *Key sustainability objectives and priorities defined by the issuer*

Klappir's mission to bring clarity to the world of sustainability. This has been done in close collaboration with its customers, through innovation and building cutting edge technology which is the backbone for Klappir's digital ecosystem for sustainability. The ecosystem and the product platform provide customers with access to a wide range of sustainability tools and data. The functioning of the ecosystem puts pressure on the whole value chain and encourages collaboration between different companies to improve their sustainability performance.

As such, the Klappir system gives customers an accurate overview of their greenhouse gas (GHG) emissions. Building on this strong foundation, customers can identify important emission zones to take action, set themselves ambitious reduction targets, propelling them in their green transformation process.

Klappir's vision is to lead the world in coordinated data-driven sustainability efforts. To achieve this, the company plans to continue to invest in innovation and technology to create the best sustainability platform available in the market and to help customers, businesses and societies to connect in a single platform, resulting in reduced overall GHG emissions for the whole planet.

Klappir intends to invest in broad collaboration between connecting parties in the ecosystem and strengthen Klappir's awareness to continue to expand the user base to scale up its contribution to global sustainability and to further bolster the company's support to the UN Sustainable Development Goals.

### *Rationale for issuance*

The Green Financing Framework is an important part of Klappir's sustainability strategy moving forward. This applies both to Klappir's internal operations, owners and the sustainable business environment and community that Klappir influences through its products and services.

The transition towards sustainability, a low carbon, resilient and environmentally friendly economy with reduced negative impacts on people and society, requires vast amounts of capital. By establishing this Green Financing Framework, Klappir aims to use the proceeds to help more customers to manage their sustainability efforts by facilitating their access to accurate, real-time sustainability data.

### *Contribution of Use of Proceeds categories to sustainability objectives and priorities*

ISS ESG mapped the Use of Proceeds categories financed under these Green Instruments with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Software & Diversified IT Services sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g. climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
R&D and innovation to further develop Klappir digital platform and software	✓	✓	Contribution to a material objective

**Opinion:** *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry. The rationale for issuing green bonds is clearly described by the issuer.*



## PART II: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES AND LMA'S GREEN LOAN PRINCIPLES

### 1. Use of Proceeds

#### FROM ISSUER'S FRAMEWORK

The net proceeds of Klappir's Green Financing instruments will be used to finance in whole or in part any Eligible Green Projects as defined below. In limited cases, proceeds may be used for refinancing purposes, but this is expected to be minimal. Disbursements to be financed include operating expenditures (Opex), capital expenditures (Capex), expenditures related to research and development (R&D) as well as expenditures for acquisitions of eligible projects or assets.

Eligible Green Projects include projects or assets in the following eligible categories:

- R&D and innovation to further develop the digital platform and ecosystem for sustainability. This includes projects, investments and expenditures under this Framework which support strengthening and expanding Klappir's digital platform and ecosystem for sustainability. The aforementioned contribute to more than 90% of Klappir's revenues.
- Typical exclusion filters include, but are not limited to material controversies, major concerns about impact on the environment or society, such as any fossil fuel or nuclear energy related initiatives.

In addition, specific selection criteria have been defined for prioritizing projects. It will be examined whether the projects contribute to the following criteria which are based on either Klappir's non-financial key performance indicators (KPIs) and targets and relevant UN Sustainable Development Goals (SDGs) as outlined in previous section:

1. Non-financial KPIs and targets of Klappir:
  - a. Significant effect on decrease in customers' scope 1 and 2 greenhouse gas (GHG) emissions per unit revenue
  - b. Encourages significant increase in carbon offsets among Klappir's customers
  - c. Considerable impact on reducing customers' scope 3 GHG emissions per unit revenue.

**Opinion:** ISS ESG considers the Use of Proceeds description provided by Klappir's Green Financing Framework as aligned with the ICMA's GBPs and LMA's GLPs. Environmental and social benefits of the nominated project category are defined. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.

### 2. Process for Project Evaluation and Selection

#### FROM ISSUER'S FRAMEWORK

Klappir's operations in relation to its digital platform and ecosystem for sustainability are overseen and managed by internal departments. In order to ensure a diligent project evaluation and selection process, we have set up a Green Financing Committee (the "Committee") with representatives,

consisting of among others, representatives from Executive Management, Finance and the Technical and Business departments.

The Committee and Klappir Executive Management meet quarterly to review its strategic roadmap, re-evaluate project priorities and evaluate and select new investment projects that qualify as Eligible Green Projects.

The Committee will ensure that the company complies with local laws and regulations, including any applicable regulatory environmental and social requirements. If required, the Committee will seek the assistance of external advisors in the area of green finance.

Projects to be allocated with proceeds from Green Financing can be submitted by the business units or be chosen by the Green Financing Committee directly. The final decision on the selection of Eligible Green Projects can only be taken unanimously. The Committee is responsible for verifying compliance of all projects with the eligibility criteria. Typical exclusion filters include but are not limited to material controversies, major concerns about impact on the environment or society.

**Opinion:** ISS ESG considers the Process for Project Evaluation and Selection description provided by Klappir's Green Financing Framework as aligned with the ICMA's GBPs and LMA's GLPs. A committee with representatives from across the business has been established, with specified responsibilities. There are regular meetings and a defined process for the project selection process.

### 3. Management of Proceeds

#### FROM ISSUER'S FRAMEWORK

The net proceeds will be managed by Klappir's Finance team, which will use them for the company's digital platform and ecosystem for sustainability as specified in the Use of Proceeds section. As long as Green Instruments are outstanding, an amount equivalent to the proceeds will be allocated to the digital platform and ecosystem for sustainability as described in this Framework on at least an annual basis.

On at least an annual basis, the Klappir Finance team will verify whether the digital platform and ecosystem for sustainability still meet the eligibility criteria. Pending the allocations to the digital platform, the net proceeds will be placed in the general funding accounts, and held as temporary cash or cash-like instruments within 24 months (full allocation period after issuance), and earmarked for allocation only.

Klappir has in place a register and has put internal systems in place to track outstanding proceeds of Green Financing Instruments internally, allowing for monitoring of allocated and to be allocated amounts. Prior to issuance of each Green Financing Instrument, the company will disclose which projects are to be refinanced, and to what extent proceeds are to finance future investments. Klappir intends to fully allocate the proceeds within 24 months after the issuance date of each Green Financing Instrument. Until full allocation, the Green Financing Committee will annually approve the amount of net proceeds that has been allocated to Eligible Green Projects.

Net proceeds of Green Financing instruments will be allocated in different ways:

- a. Refinancing of projects that qualify as Eligible Green Projects, defined as the company's digital platform and ecosystem for sustainability
- b. Investments into projects under development that qualify as Eligible Green Projects that fall under the digital platform and ecosystem for sustainability
- c. Unallocated proceeds: Investments in any form of cash, bank deposit or other form of available current financial assets.

**Opinion:** ISS ESG finds that Management of Proceeds proposed by Klappir's Green Financing Framework is aligned with the ICMA's GBPs and LMA's GLPs, as all the proceeds are to be directly allocated for as long as the green instruments are outstanding. The inclusion of the 24 month commitment for allocation of proceeds and temporary holdings as cash or cash like instruments is best market practice.

#### 4. Reporting

##### FROM ISSUER'S FRAMEWORK

Allocation of Proceeds Reporting, on at least an annual basis, and if necessary thereafter in case of material developments, Klappir will prepare a report and publish it to update the investors and lenders on the allocation of proceeds of issued Green instruments to general corporate purposes of the company. The allocation report provides information about:

- The total outstanding (in ISK) of Green instruments issued under the Framework
- The allocation of the proceeds of issued Green instruments to general corporate purposes (e.g. green turnover and investments)
- The amount of unallocated proceeds, if any
- Percentage of new financing and refinancing.

Impact Reporting, on an annual basis, Klappir will report on its sustainability initiatives and performance and impact of its operations via its Annual and Sustainability Report.

Amongst other information, the Report will provide information regarding the impact of customers using the software (subject to availability of data):

- Related GHG emissions avoidance, for scopes 1, 2 and 3 (in tCO<sub>2</sub>e)
- Energy savings from efficiency projects (in kWh)
- Water savings (L)
- Quantity of recycled material (in metric tonnes per year)
- CO<sub>2</sub> offsetting and type of offsetting (in tCO<sub>2</sub>e)
- Relationship with relevant UN SDGs.

**Opinion:** ISS ESG finds that the reporting proposed by Klappir's Green Financing Framework is aligned with the ICMA's GBPs and LMA's GLPs. The level, frequency and duration of the green instruments is clearly defined. Moreover, impact reporting is also made on an annual basis, providing relevant environmental data, which is publicly available on Klappir's website. This reporting will be conducted every year, throughout the lifetime of the bonds. This is particularly important as the eligibility of the

*projects financed is based on the environmental impacts achieved indirectly through the customers who use the software platform.*

## External review

### FROM ISSUER'S FRAMEWORK

To increase transparency, Klappir has obtained a Second Party Opinion (also known as pre-issuance verification) and is committed to obtaining post-issuance limited assurance on its Allocation of Proceeds Reporting.

Post-issuance assurance, On at least an annual basis until full allocation of the proceeds of issued Green instruments, an external party shall provide limited assurance of the Allocation of Proceeds Reporting when net proceeds from issued Green instruments have been allocated towards general corporate purposes. The limited assurance report shall be made publicly available on Klappir's website for all public Green Bond transactions.

## PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE


### A. CONTRIBUTION OF THE GREEN INSTRUMENTS TO THE UN SDGS

Based on the assessment of the sustainability quality of the Green Instruments selection criteria and using a proprietary methodology, ISS ESG assessed the contribution of the Klappir’s Green Instruments to the Sustainable Development Goals defined by the United Nations (UN SDGs)<sup>3</sup>.

This assessment is displayed on 5-point scale (see Annex 1 for methodology):



Each of the Green Instruments’ Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<b>R&amp;D and innovation to further develop Klappir digital platform and software</b>	<b>Significant Contribution</b>	

<sup>3</sup> This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the issuer has based its selection criteria with the technical screening criteria for a substantial contribution to Climate Change Mitigation of the EU Taxonomy Delegated Act (June 2021).


## B. ALIGNMENT OF THE ELIGIBLE GREEN PROJECT CATEGORIES WITH THE EU TAXONOMY

ISS ESG assessed the alignment of Klappir’s project selection process and company policies for the nominated Use of Proceeds project categories, with the relevant Climate Change Mitigation, Do Not Significant Harm Criteria (DNSH) and Minimum Social Safeguards requirements of the EU Taxonomy Climate Delegated Act<sup>4</sup> (June 2021), based on information provided by Klappir. Where Klappir’s projects and policies fully meet the Criteria requirements, a tick is shown in the table below, for the ISS ESG assessment against the Criteria requirements.

Klappir’s nominated project categories overlap with the following economic activities in the EU Taxonomy for Substantial Contribution to Climate Change Mitigation.

### 8.2 Data-driven solutions for GHG emissions reductions

#### B.1 8.2 Data-driven solutions for GHG emissions reductions


EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES <sup>5</sup>	ALIGNMENT
<b>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION – TECHNICAL SCREENING CRITERIA</b>		
<p>1. The ICT solutions are predominantly used for the provision of data and analytics enabling GHG emission reductions.</p> <p>2. Where an alternative solution/technology is already available on the market, the ICT solution demonstrates substantial life-cycle GHG emission savings compared to the best performing alternative solution/technology.</p> <p>Life-cycle GHG emissions and net emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ETSI ES 203 199, ISO 14067:2018 or ISO 14064-2:2019.</p> <p>Quantified life-cycle GHG emission reductions are verified by an independent third party which transparently assesses how the standard criteria, including those for critical review, have been followed when the value was derived.</p>	<p>Klappir’s software technology is unique in the market in that it creates an ecosystem for its users and automatically streams environmental data to its consumers (ex. heat and energy, flights, fuel etc.)</p> <p>Klappir’s customers and users of the software platform have confirmed that it enables them to better understand their GHG emissions profile and implement plans to reduce them.</p> <p>For example below are two functions provided on the platform:</p> <p>1. Calculation of Klappir’s customer performance in regards to the reduction of GHG is based on their</p>	

<sup>4</sup>[https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts\\_en](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en)

<sup>5</sup> This column is based on input provided by the issuer.

	<p>disclosed "Sustainability Statement". Only customers who disclose a Statement with verified data collection by Klappir are included as the Statement is generated from the Klappir software</p> <p>2. When customers of Klappir make their "Sustainability Statement " in the Klappir software, the GHG emission number is recognized by the Klappir software. Before disclosing their Statement, Klappir offers them to offset their emissions through the software. Klappir has a partner in Iceland "Icelandic Carbon Fund (Kolvidur)" that carries out the tree planting. Klappir keeps track of the customers offset in the software.</p> <p>The exact life cycle GHG emissions reductions that result from Klappir's software platform and related services are dependent on the emissions profile of Klappir's customers and therefore highly variable.</p>	
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**2. CLIMATE CHANGE ADAPATION – DO NO SIGNIFICANT HARM CRITERIA**

<p><b>I. Criteria</b></p> <p>The physical climate risks that are material to the activity have been identified from those listed in the table in Section II of this Appendix by performing a robust climate risk and vulnerability assessment with the following steps:</p> <p>(a) screening of the activity to identify which physical climate risks from the list in Section II of this Appendix may affect the performance of the economic activity during its expected lifetime;</p>	<p>Klappir's software platform is based on equipment located within Iceland and the United States. For the equipment located in Iceland, Klappir confirms that they are located in facilities for which physical climate risks are not significant, due to the prevailing climate in Iceland.</p>	<p style="text-align: center;"></p>
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(b) where the activity is assessed to be at risk from one or more of the physical climate risks listed in Section II of this Appendix, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;

(c) an assessment of adaptation solutions that can reduce the identified physical climate risk.

The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:

(a) for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;

(b) for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments.

The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports, scientific peer-reviewed publications, and open source or paying models.

For existing activities and new activities using existing physical assets, the economic operator implements physical and non-physical solutions ('adaptation solutions'), over a period of time of up to five years, that reduce the most important identified physical climate risks that are material to that activity. An adaptation plan for the implementation of those solutions is drawn up accordingly.


For new activities and existing activities using newly-built physical assets, the economic operator integrates the adaptation solutions that reduce the most important identified physical climate risks that are material to that activity at

For the IT infrastructure located in the US, they are owned by other companies and Klappir does not have access to additional information about them.

Overall, the software platform is not necessarily tied to a site-specific facility. In the event of increasing climate risks to physical sites, the software platform can readily be shifted to IT infrastructure in different facilities and locations.




<p>the time of design and construction and has implemented them before the start of operations.</p> <p>The adaptation solutions implemented do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities; are consistent with local, sectoral, regional or national adaptation strategies and plans; and consider the use of nature-based solutions or rely on blue or green infrastructure to the extent possible.</p> <p>II. Classification of climate-related hazards</p> <p><u>Temperature-related</u>   Chronic Changing temperature (air, freshwater, marine water); Heat stress; Temperature variability; Permafrost thawing   Acute_Heat wave, Cold wave/frost; Wildfire</p> <p><u>Wind-relate</u>   Chronic_Changing wind patterns   Acute_Cyclone, hurricane, typhoon; Storm (including blizzards, dust and sandstorms); Tornado</p> <p><u>Water-related</u>   Chronic_Changing precipitation patterns and types (rain, hail, snow/ice); Precipitation or hydrological variability; Ocean acidification; Saline intrusion; Sea level rise; Water stress   Acute_Drought; Heavy precipitation (rain, hail, snow/ice); Flood (coastal, fluvial, pluvial, ground water); Glacial lake outburst</p> <p><u>Solid mass-related</u>   Chronic_Coastal erosion; Soil degradation; Soil erosion; Solifluction   Acute_Avalanche; Landslide; Subsidence</p>		
<p><b>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</b></p>		
<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p><b>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</b></p>		
<p>The equipment used meets the requirements laid down in Directive 2009/125/EC for servers and data storage products.</p>	<p>Klappir’s software platform is based on equipment located within Iceland and the United</p>	

<p>The equipment used does not contain the restricted substances listed in Annex II to Directive 2011/65/EU of the European Parliament and of the Council, except where the concentration values by weight in homogeneous materials do not exceed the maximum values listed in that Annex.</p> <p>A waste management plan is in place and ensures maximal recycling at end of life of electrical and electronic equipment, including through contractual agreements with recycling partners, reflection in financial projections or official project documentation.</p> <p>At its end of life, the equipment undergoes preparation for reuse, recovery or recycling operations, or proper treatment, including the removal of all fluids and a selective treatment in accordance with Annex VII to Directive 2012/19/EU of the European Parliament and of the Council.</p>	<p>States. For the equipment located in Iceland, Klappir confirms that both of the two EU Directives are applied in Iceland and therefore the equipment meet comply with the Directives.</p> <p>For equipment directly owned by Klappir, the company confirms it has a waste management plan in place, including relevant recycling processes.</p> <p>For the IT infrastructure located in the US, they are owned by other companies and Klappir does not have access to additional information about them. Overall, the software platform is not necessarily tied to a site-specific facility.</p>	<p style="text-align: center;"></p>
<b>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A
<b>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</b>		
N/A	N/A	N/A

### Minimum Social Safeguards

ISS ESG assessed the alignment of the due diligence and selection processes in place with the EU Taxonomy Minimum Social Safeguards as described in Article 18 of the Taxonomy Regulation<sup>6</sup>. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

EU TAXONOMY REQUIREMENT	GREEN PROJECTS OWN PERFORMANCE AND SELECTION PROCESSES	ANALYSIS AGAINST REQUIREMENT
Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles	Klappir has publicly confirmed in its Sustainability Policy <sup>7</sup> that its working practices and policies incorporate with and comply with the OECD Guidelines	

<sup>6</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

<sup>7</sup> <https://www.klappir.com/sustainability-policy>

and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

for MNE, the UN Guiding Principles, as well as the principles in the Declaration of the ILO.

In addition, Iceland is an OECD country and therefore has a Contact Point<sup>8</sup> in charge of overseeing the implementation for the OECD guidelines.

<sup>8</sup> <https://mneguidelines.oecd.org/NCP%20Contact%20list%20-%20Website%202021.07.pdf>

## DISCLAIMER

1. Validity of the SPO: For as long as no substantial changes are made to the eligible categories as listed in the Framework
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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## ANNEX 1: Methodology

### EU Taxonomy

ISS ESG evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Financing Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021)

The evaluation shows to understand if Klappir's project categories are indicatively in line with the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Klappir (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Klappir's Green Instruments contributes to related SDGs.

## ANNEX 2: Quality management processes

### SCOPE

Klappir commissioned ISS ESG to compile a Green Instruments SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA's GBPs and LMA's GLPs and to assess the sustainability credentials of its Green Instruments, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles, June 2021
- LMA Green Loan Principles, May 2021
- EU Taxonomy Climate Delegated Act, June 2021

### ISSUER'S RESPONSIBILITY

Klappir's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green Instruments to be issued by Klappir based on ISS ESG methodology and in line with the ICMA's GBPs and LMA's GLPs.

The engagement with Klappir took place in November to December 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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