

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Financing Framework

Arion Bank

26 June 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Sustainable Financing Instruments

Relevant standards

- Green Bond Principles, Social Bond Principles, as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)
- Sustainability Bond Guidelines, as administered by the ICMA (as of June 2021)
- Green Loan and Social Loan Principles as administered by LMA (as of February 2023)
- Guidance on Bonds to Finance the Sustainable Blue Economy, as administered by ICMA (as of September 2023)
- EU Taxonomy Climate Delegated Act (as of June 2021)

Scope of verification

- Arion Bank Sustainable Financing Framework (as of June 1, 2024)
- Arion Bank selection criteria (as of June 1, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Arion Bank (“the Issuer” or “the Bank”) commissioned ISS-Corporate to assist with its Sustainable Financing Instruments by assessing four core elements to determine the sustainability quality of the instruments:

1. Arion Bank’s Sustainable Financing Framework (as of June 1, 2024 – benchmarked against the International Capital Market Association's (ICMA) GBP, SBP, SBG and the Loan Market Association (LMA) SLP and GLP.
2. The selection criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project categories against the EU Taxonomy on a best-efforts basis¹ – whether the nominated project categories satisfy the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation.
4. Consistency of Sustainable Financing Instruments with Arion Bank’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a “best efforts basis”.

ARION BANK'S OVERVIEW

It operates through the following segments: Markets & Stefmir, Retail Banking, Corporate & Investment Banking, Treasury, Vördur, Other Subsidiaries, and Supporting Units. The Markets & Stefmir segment consists of asset management and capital markets. The Retail Banking provides retail customers with financial services including savings and loans, payment cards, pensions, insurance, securities, and funds. The Corporate & Investment Banking segment provides companies and investors with comprehensive financial services that meet the needs of each client, both in Iceland and internationally. The Vördur segment is involved in providing non-life and life insurance and has integrated services through both retail and corporate operations of the Bank including the Bank's digital channels. The Other Subsidiaries segment represents the operations of bank subsidiaries. The Supporting Units segment consists of bank's headquarters, which carry out support functions, such as the CEO office, Risk Management, Information Technology, Operations & Culture and Finance. The Treasury department is focused on the operations of bank's funding, liquidity, currency, and interest rate management and is a part of the Finance unit. The company was founded on October 18, 2008 and is headquartered in Reykjavík, Iceland.

ESG risks associated with Arion Bank's Industry

Arion Bank is classified in the Public and Regional Banks industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies² in this industry are: Business ethics, Labor standards and working conditions, Sustainable investment criteria, Customer and product responsibility, Sustainability impacts of lending and other financial services/products.

This report focuses on the sustainability credentials of the issuance. Part III of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

² Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
<p>Part 1: Alignment with GBP, SBP, SBG, GLP and SLP</p>	<p>The Issuer has defined a formal concept for its Sustainable Financing Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG) and the Loan Market Association (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP).</p>	<p>Aligned</p>
<p>Part 2: Sustainability quality of the Selection criteria</p>	<p>The Sustainable Financing Instruments will (re)finance eligible asset categories which include:</p> <p>Green categories: Sustainable Fishery in Iceland, Land based only sustainable aquaculture in Iceland, Sustainable marine food-chain, Marine ecosystem management, conservation and restoration, Sustainable forestry and agriculture, Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Pollution Prevention and Control and Wastewater Management and Circular economy adapted products, production technology and processes and services.</p> <p>Social categories: Affordable Housing, Education, Healthcare, SME Financing.</p> <p>Product and/or service-related use of proceeds categories⁴ individually contribute to one or more of the following SDGs:</p>	<p>Positive</p>

³ The evaluation is based on the Arion Bank's Sustainable Financing Framework (June 1, 2024 version).

⁴ Sustainable Fishery in Iceland, Land based only sustainable aquaculture in Iceland, Sustainable marine food-chain, Marine ecosystem management, conservation and restoration, Sustainable forestry and agriculture, Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Pollution Prevention and Control and Wastewater Management and Circular economy adapted products, production technology and processes and services.

	 <p>Process-related use of proceeds categories⁵ individually improve (i) the Issuer’s/Borrower’s operational impacts and (ii) mitigate potential negative externalities of the Issuer’s/Borrower’s sector on one or more of the following SDGs:</p>  <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	
<p>Part 3: Eligibility against the EU Taxonomy</p>	<p>The Arion Bank’s project characteristics, due diligence processes and policies have been assessed against the EU Taxonomy’s (Climate Delegated Act of June 2021) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation on a best-efforts basis⁶. The Do No Significant Harm Criteria and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Delegated Act were only implemented in Iceland on 1 June 2023, so that the Issuer was not yet able to gain the required information from the relevant companies as they have not started reporting on these aspects yet.</p>	<p>Eligible for assessing alignment at a later date</p>

⁵ Sustainable forestry and agriculture, Clean Transportation, Energy Efficiency and Circular economy adapted products, production technology and processes and services.

⁶ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

<p>Part 4:</p> <p>Consistency of Sustainable Financing Instruments with Arion Bank's Sustainability Strategy</p>	<p>The key sustainability objectives and the rationale for issuing Sustainable Financing Instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>
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SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA GREEN, SOCIAL BONDS PRINCIPLES AND SUSTAINABILITY BOND GUIDELINES AND LMA GREEN AND SOCIAL LOAN PRINCIPLES

This section evaluates the alignment of the Arion Bank’s Sustainable Financing Framework (as of June 1, 2024) with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.

GBP, SBP, SBG, GLP AND SLP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by Arion Bank’s Sustainable Financing Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the ICMA GBP, SBP, and SBG and the LMA GLP and SLP. Criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental and social benefits are described. The Issuer defines exclusion criteria for potentially harmful projects categories.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Arion Bank’s Sustainable Financing Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer and clearly show the intended benefit to the relevant population.</p> <p>The Issuer involves various stakeholders in this process and for identification of identifies green and social assets. The EU Taxonomy is taken into</p>

		consideration, where possible and on a best effort basis.
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by Arion Bank’s Sustainable Financing Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects throughout the entire life of the instruments, with no exceptions. The net proceeds are tracked in an appropriate manner. The net proceeds are managed on an aggregated basis for multiple Sustainable Financing Instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of maximum 24 months.</p>
4. Reporting	✓	<p>The allocation and impact reporting provided by Arion Bank’s Sustainable Financing Framework is aligned with the ICMA GBP, SBP, and SBG and the LMA GLP and SLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Arion Bank explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting and the information reported in the impact report. Furthermore, the Issuer defines the frequency, scope, and duration of the impact reporting, in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE SUSTAINABLE FINANCING INSTRUMENTS TO THE UN SDGs⁷

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Sustainable Financing Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:⁸

GREEN CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Sustainable fishery in Iceland ⁹	Contribution	

⁷ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁸ The review is limited to the examples of projects spelled out in the framework.

⁹ Defined as fishing, processing, preserving, storing, transporting, marketing, and selling fish and fish products.

certified by at least one of the following certification schemes:

- *Marine Stewardship Council (MSC)¹⁰*
- *Icelandic Sustainable Fisheries (ISF)¹¹*

For further clarity, the following exclusions apply¹²:

- *Species on the International Union for Conservation of Nature (IUCN) Red-list for Endangered, Threatened, or Protected Species (ETP);*
- *Lack of compliance with local, national, or international laws and regulations;*
- *Destructive and illegal fishing practices;*
- *Lack of bycatch avoidance/mitigation measures in accordance with the legislation.*

In addition to the certification scheme(s), the Bank:

- *Applies its Sustainability Policy on Seafood¹³;*
- *Engages with all relevant borrowers on their feed sourcing policies and encourages the adoption of standards like ProTerra or Round Table on Responsible Soy¹⁴;*
- *Encourages the disclosure of key non-financial criteria relevant to the operations of each borrower to assess scope and impact of such aspects on a case-by-case basis and to evaluate inclusion in the eligible pool.*

Land based only sustainable aquaculture in Iceland

Contribution



¹⁰ Further information available [here](#).

¹¹ Further information available [here](#).

¹² If the borrower implements remedial action, and the loan meets the eligibility criteria, it can be included within the eligible pool.

¹³ Mostly relevant for sustainable fisheries.

¹⁴ Related to fish farming.

certified by at least one of the following certification schemes:

- Aquaculture Stewardship Council (ASC).¹⁵
- AquaGAP standard.¹⁶

For further clarity, the following exclusions apply as defined in accordance with the legislation:

- Farm siting illegal or impacting on key ecological areas;
- Use of harmful chemicals.

In addition to the certification scheme(s), the Bank:

- Engages with all relevant borrowers on their feed sourcing policies and encourages the adoption of standards like ProTerra or Round Table on Responsible Soy;
- Encourages the disclosure of key non-financial criteria relevant to the operations of each borrower to assess scope and impact of such aspects on a case-by-case basis and to evaluate inclusion in the eligible pool.

Sustainable marine food-chain¹⁷

Only if meeting the stringent requirement of carbon negative production technologies and platforms for microalgae production in Iceland, aimed at supporting the marine food chain as well as base for protein-rich and Omega 3 products for people, including supplements and protein drops-in for meat substitutes.¹⁸

Contribution



¹⁵ Further information available [here](#).

¹⁶ Further information available [here](#).

¹⁷ Striving for production processes that minimize fresh water and land footprint and that are better than industry average. The use of pesticides or antibiotic is not allowed.

¹⁸ The issuer will conduct an assessment to understand potential risk associated with the project prior to inclusion in the eligible pool and will ensure criteria are continuously met, as suggested by the ICMA Blue Bond Guidelines.

Marine ecosystem management, conservation and restoration

such as projects specifically for management, conservation, and restoration of the health of coastal¹⁹ and marine ecosystems. This includes algae, both sea-based and land-based, and seagrass protection.

Sustainable forestry and agriculture

Sustainable forestry and certified forest carbon projects, including acquisition, maintenance and management of

- Forests certified either by the Forest Stewardship Council (FSC) or;
- the Programme for Endorsement of Forest Certification (PEFC).

Sustainable forestry and agriculture

Sustainable forestry and certified forest carbon projects, including acquisition, maintenance and management of:

- Forests certified with Verra VCS approval or Gold Standard carbon certificate;
- Forest certified via the Icelandic Skógarkolefni scheme or equivalent scheme in terms of stringency of the requirements.

Sustainable forestry and agriculture

Sustainable agriculture including expenditures for Soil carbon sequestration

Renewable energy

Renewable energy assets with life-cycle emissions threshold of 100g CO_{2e} / kWh:

- Geothermal power: Projects located in the HS Orksa's Resource Park are automatically eligible²⁰;
- Wind, Solar and Ocean power.

Contribution



Contribution



Contribution



Contribution



Contribution



¹⁹ Projects must be within the marine environment or within 100 km of the coast.

²⁰ Built around HS Orka's geothermal power plants, the Resource Park is a leading cluster for green and sustainable businesses. Additional information is available [here](#); the assessment has been made solely based on the project being a geothermal power plant, not in regard to the location of the plant.

Renewable energy

Renewable energy assets with life-cycle emissions threshold of 100g CO₂e / kWh:

- Hydropower²¹: Run-of-river plant with no artificial reservoir is automatically eligible;
- Manufacture/utilization of biogas: criteria as set out in the Nordic Swan Ecolabel for 'liquid and gaseous fuels' criteria document apply, requiring among others that biogas must be made from 100% renewable materials and that it must reduce GHG emissions in the entire production chain by 70% compared with the corresponding fossil fuels (reference value of 83.8g CO₂e /MJ applies). Renewable raw materials from palm oil, soybean oils and sugar cane are explicitly excluded.

Contribution



Clean transportation

Zero direct tailpipe CO₂ emission vehicles and related infrastructure (including hydrogen, fuel cell, electric) are automatically eligible, while specific criteria apply for non-zero tailpipe vehicles.

- Public passenger transport, passenger cars, motorbikes and light commercial vehicles:
 - Eligible if zero direct tailpipe CO₂ emissions or if tailpipe emission intensity lower than 50g CO₂/km (WLTP) until 31 December 2025²²;
 - For vessels designed and equipped for passenger water transport: Eligible if zero direct tailpipe CO₂ emissions or, until 31 December 2025, hybrid and

Contribution



²¹ Excluding large hydropower plants (having an energy capacity > 1000MW)

²² The activity complies with the following criteria (a) and (b): (a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50 g CO₂/km (low- and zero-emission light-duty vehicles); (ii) from 1 January 2026, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. (b) for vehicles of category L, the tailpipe CO₂ emissions equal to 0 g CO₂e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.

dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for their normal operation at sea and in ports.

- *Freight transport and vessels for port operations, as long as not dedicated to transport of fossil fuel:

 - *Rail, road or water transport vehicles with zero direct tailpipe CO₂ emissions;*
 - *Low-emission freight, including vessels, with specific direct CO₂ emissions of less than 50% of the reference CO₂ emissions of all vehicles in the same sub-group to which the freight type belong²³**
- *Sea and costal freight water transport: Eligible if zero direct tailpipe CO₂ emission²⁴ or, until 31 December 2025, hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for their normal operation at sea and in ports.*

²³ Eligible until 31st December 2025. The Energy Efficiency Operational Indicator is defined as the ratio of mass of CO₂ emitted per unit of transport work. It is a representative value of the energy efficiency of the ship operation over a consistent period which represents the overall trading pattern of the vessel. Guidance on how to calculate this indicator is provided in the document MEPC.1/Circ. 684 from IMO.

²⁴ Where technologically and economically not feasible to comply with this criterion, until 31 December 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels have direct (tailpipe) CO₂ emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50 % lower than the average reference CO₂ emissions value defined for heavy duty vehicles (vehicle sub group 5-LH) in accordance with Article 11 of Regulation 2019/1242. Where technologically and economically not feasible to comply with this criterion, until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements applicable on 1 April 2022 (247) if the vessels are able to run on zero direct (tailpipe) CO₂emission fuels or on fuels from renewable sources. Energy Efficiency Design Index (version of 4.6.2021: <http://www.imo.org/fr/MediaCentre/HotTopics/GHG/Pages/EEDI.aspx>). EEDI requirements as agreed by the Marine Environment Protection Committee of the International Maritime Organization on its seventy-fifth session. Vessels that fall into the ship types set out in MARPOL Annex VI Regulation 2, but are not considered as new ship under that regulation may provide attained EEDI value calculated on a voluntary basis in line with MARPOL Annex VI Chapter 4 and have those calculations verified in line with MARPOL Annex VI, Chapter 2. Fuels that meet the technical screening criteria specified in sections 3.10 and 4.13 of the EUT Annex.

Clean transportation

Zero direct tailpipe CO2 emission vehicles and related infrastructure (including hydrogen, fuel cell, electric) are automatically eligible, while specific criteria apply for non-zero tailpipe vehicles.

Low carbon transport infrastructure:

- *Infrastructure that is required for zero direct emissions transport (e.g., electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways, bicycle paths), including infrastructure dedicated to public passenger transport;*
- *New low-carbon port infrastructure or retrofitting to port infrastructure for the sole purpose of enabling low carbon infrastructure for new generation efficient vessels.²⁵*

Green Buildings²⁶

Construction or ownership of existing residential, commercial or public buildings in Iceland, justifying the following green buildings certifications²⁷:

- *BREEAM*
- *LEED*
- *Miljöbyggnad*
- *Nordic Swan Ecolabel*
- *DGNB*

Contribution



Contribution



²⁵ The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO₂ emissions: electricity charging, hydrogen-based refueling; (b) the infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth; (c) the infrastructure is dedicated to the performance of the port’s own operations with zero direct (tailpipe) CO₂ emissions; (d) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods. The infrastructure is not dedicated to the transport or storage of fossil fuels.

²⁶ The threshold levels are defined within the Sustainable Financing Framework.

²⁷ And/or equivalent level of green building certification. The review is limited to certifications spelled out in the Framework.

Green Buildings

Construction or ownership of existing residential, commercial or public buildings in Iceland, justifying the following green buildings certification:

- *Passive House*
- *Top 15% approach based on kgCO₂ /m₂ per year (life-cycle assessment on embodied emissions): ownership and acquisition of new or existing buildings, built prior or after 31st December 2020*
Acquisition or ownership of buildings belonging to the top 15% most energy efficient buildings in Iceland from a life-cycle perspective which is taking into account the building material used (embodied emissions) and the operational demand of the use stage for (i) residential or (ii) commercial buildings, compared to the respective Icelandic (i) residential or (ii) commercial building stock, as defined by an expert consultant and/or defined in public sources, where the methodology²⁸ is made available to investors.
- *Buildings meeting the Nearly Zero Energy Building (NZEB) – 10% definition: Construction of new buildings (built as of 1st January 2021) meeting the definition of NZEB – 10% in terms of primary energy demand (PED) and/or operational demand of the use stage, if the definition is available in the Icelandic context.*

Contribution



Green Buildings

Renovations:

Energy efficient retrofit or renovation of existing buildings, reducing energy use (kWh/heated m₂/year) by at least 30%²⁹

Contribution



²⁸ The methodology is available on Arion Bank’s website, <https://wwwv2.arionbanki.is/lisalib/getfile.aspx?itemid=0556d7f6-db4f-11eb-9254-d8d385659f64>

²⁹The initial primary energy demand and the estimated improvement is based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method, and validated through an Energy Performance Certificate. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account), and can be achieved through a succession of measures within a maximum of three years.

Green Buildings

Refurbishment of existing buildings:

- *Addition of insulation to external walls and roofs;*
- *Replacement of windows or doors;*
- *Installation of efficient LED lighting;*
- *installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment.*

Contribution



Energy Efficiency

Energy efficient assets:

Projects from renewable sources or combined sources with life cycle emissions threshold of 100g CO_{2e}/kWh:

- *Transmission and distribution infrastructure or equipment of electricity, including smart grid solutions.³⁰*
- *Energy Storage facilities that store electricity of thermal energy and return it in the form of electricity, heating or cooling.*

Contribution



Energy Efficiency

District heating/ cooling distribution: construction and operation of pipelines and associated infrastructure using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat.

Contribution



³⁰ The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: a) does not apply because Iceland is not part the interconnected European system; b) more than 67 % of newly enabled generation capacity in the system is below the generation threshold value of 100 g CO_{2e}/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 g CO_{2e}/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 g CO_{2e}/kWh measured on a life cycle basis is not compliant.

<p>Energy Efficiency</p> <p><i>Permanent carbon capture, usage and storage (CCUS) solutions that play a role to reduce emissions in 'hard-to-abate' industries, to produce low-carbon electricity and hydrogen</i></p>	<p>Contribution</p>		
<p>Energy Efficiency</p> <p><i>Development and implementation of digital products and services, based on Internet of Things (IoT), Big Data or Artificial Intelligence (AI), which aims at saving energy or natural resources.³¹</i></p>		<p>Contribution</p>	
<p>Energy Efficiency</p> <p><i>For data centres, the activity has implemented all relevant practices under the 'expected practices' according to the European Code of Conduct on Data Centre Energy Efficiency³², which have been verified.</i></p>		<p>Contribution</p>	
<p>Energy Efficiency</p> <p><i>Energy projects and technologies:</i></p> <ul style="list-style-type: none"> ▪ <i>Cloud and analytics products and solutions with emission factor <100 g CO₂e/kWh and power usage effectiveness (PUE under 1.5)</i> ▪ <i>For data centers specifically, a power usage effectiveness (PUE) less than 1.25</i> 		<p>Contribution</p>	
<p>Pollution prevention and control and Waste-Water Management</p> <p><i>Waste management solutions such as waste prevention, separate collection sorting, treatment and processing of all types of waste</i></p>		<p>Contribution</p>	

³¹ The ICT solutions are predominantly used for the provision of data and analytics enabling GHG emission reductions. 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. Life-cycle GHG emissions and net emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ETSI ES 203 199 (311), ISO 14067:2018 (312) or ISO 14064-2:2019 (313). 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.

³² or in CEN-CENELEC document CLC TR50600-99-1 'Data centre facilities and infrastructures - Part 99-1: Recommended practices for energy management' (308). Where an expected practice is not considered relevant due to physical, logistical, planning or other constraints, an explanation of why the expected practice is not applicable or practical is provided. Alternative best practices from the European Code of Conduct on Data Centre Energy Efficiency or other equivalent sources may be identified as direct replacements if they result in similar energy savings. The global warming potential (GWP) of refrigerants used in the data centre cooling system does not exceed 675.

with the purpose of re-use and minimize the amount of waste to landfill

Pollution prevention and control and Waste- Water Management

Sustainable wastewater management and related infrastructure

Arion Bank intends to consider the energy source for operating the waste-water plants when deciding on eligibility. At minimum 50% of energy sources need to be compliant with the EU Taxonomy criteria for Substantial Contribution

Contribution



Circular economy adapted products, production technology and processes

Additive manufacturing/3D printing to increase the easy-to-repair degree and the materials

Financing of investments solely aimed at the re-use of textiles (clothing second-hand shops)

Contribution



SOCIAL CATEGORIES

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Affordable Housing</p> <p><i>Loans dedicated to housing associations and organizations that meets accredited or registered affordable housing definition³³ in accordance with Icelandic Law, based on income, number of children and vulnerability factors.</i></p>	<p>Contribution</p>	
<p>Affordable Housing</p> <p><i>Loans dedicated to first-time buyers in Iceland.</i></p>	<p>Contribution</p>	

³³ For affordable housing definition, the framework refers to buildings for low income and vulnerable groups where the annual income of tenants at the start of the lease shall not be higher than 4.749.000 kr. for each individual or 6.649.000 kr. for couples. An additional 1.187.000 kr. shall be added for each child or youth below 20 years of age, that is part of the household. See further requirements in Icelandic law and regulations regarding affordable housing: <https://www.althingi.is/lagas/nuna/2016052.html> <https://www.reglugerdir.efrir-raduneytum/velferdarraduneyti/nr/0555-2016>.

Education

- Loans dedicated to the financing of education provision such as schools, universities, education facilities for immigrant people;
- Loans to student housing organizations.

Education

Loans dedicated to the financing of vocational training centers and language centers for immigrant people.

Healthcare

Loans dedicated to the construction of:

- Public healthcare facilities such as hospitals and primary care facilities, including facilities to treat specific physical and/ or learning and cognitive deficit conditions, and rehabilitation services for drugs and alcohol related conditions;
- Elderly care facilities, targeting solely loans for serviced buildings for tenants that are minimum 60 of age.

Target population: general public, individuals with specific physical and/ or mental conditions, including cognitive deficit(s), Elderly people, Individuals in need for rehabilitation services.

Healthcare

Loans dedicated to the operations of:

- Public healthcare facilities such as hospitals and primary care facilities, including facilities to treat specific physical and/ or learning and cognitive deficit conditions, and rehabilitation services for drugs and alcohol related conditions;
- Elderly care facilities, targeting solely loans for serviced buildings for tenants that are **minimum 60 of age.**

Target population: general public, individuals with specific physical and/ or

Contribution



Contribution



Contribution



Contribution



mental conditions, including cognitive deficit(s), Elderly people, Individuals in need for rehabilitation services.

Healthcare

Loans dedicated to the operations of: 'Pure players' in the healthcare space that meet a clear definition in terms of business and revenue thresholds.³⁴

Employment generation and alleviate unemployment

SMEs owned by women (must have majority ownership, >50%).
Target population: SMEs that are owned by women.

Employment generation and alleviate unemployment

SMEs owned by first generation immigrant (must have majority ownership, >50%).
Target population: SMEs that are owned by immigrants

Employment generation and alleviate unemployment

SMEs negatively impacted by the consequences of socioeconomic, political, and natural disaster crises.³⁵
Target population: SMEs affected by socioeconomic crises and natural disasters.

Contribution



Contribution



Contribution



Contribution



³⁴ Companies meeting the “pure-play” definition based on 90% of companies’ annual revenues being related to products and services in the healthcare field. Eligible products and services are defined as: products and services in the medical and healthcare field such as development of healthcare technology and medical specialty, diagnostic and emergency services, automation solutions to the healthcare sectors. This also includes production of medical equipment for hospitals and care-homes and well as for private customers (such as customized wheelchairs, adaptive seating systems, and other mobility solutions for individuals diagnosed with permanent or long-term loss of mobility).

³⁵ The Loan should be part of a specific effort to financially support the borrower after the negative aftermath of a socio-economic, political and natural disaster crises.

2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer. Arion Bank finances operations/processes in a variety of third-party sectors. For clarity, ISS-Corporate does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ³⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Sustainable forestry and agriculture</p> <p><i>Cross-sectoral measures to reduce GHG emissions</i></p> <ul style="list-style-type: none"> ▪ <i>Promotion of the use of renewable technologies (such as geothermally heated greenhouses or electricity from renewable sources³⁷).</i> 		
<p>Sustainable forestry and agriculture</p> <p><i>Sustainable agriculture including expenditures for new / improved drainage, soil carbon sequestration</i></p>		
<p>Sustainable forestry and agriculture</p> <p><i>Cross-sectoral measures to reduce GHG emissions:</i></p> <p><i>Projects in line with governmental initiatives and Iceland’s commitments in the Paris Agreement to reduce GHG emissions in the agriculture sector. Projects need to have received external verification and/or proof of alignment with scenario consistent with a 1.5° scenario</i></p>		

³⁶ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

³⁷ Meeting the criteria of Substantial Contribution (SB) defined in the EU Taxonomy Delegated Acts for Climate Change Mitigation.

Clean transportation

Retrofitting of water passenger and freight transport:

- *The activity reduces fuel consumption of the vessel by at least 15 % expressed in grams of fuel per deadweight tons per nautical mile for freight vessels, or per gross tonnage per nautical mile for passenger vessels, as demonstrated by computational fluid dynamics (CFD), tank tests or similar engineering calculations;*
- *The activity enables the vessels to attain Energy Efficiency Existing Ships Index (EEXI) value at least 10 % below the EEXI requirements applicable on 1 January 2023 and if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources (Fuels that meet the technical screening criteria specified in Sections 3.10. and 4.13. of this Annex.), and have the ability to plug-in at berth and are equipped with plug-in power technology.*



Specific measures for vessels for decarbonization and emissions reduction, energy efficiency, or improved ballast management.

Clean transportation

Zero direct tailpipe CO₂ emission vehicles and related infrastructure (including hydrogen, fuel cell, electric) are automatically eligible, while specific criteria apply for non-zero tailpipe vehicles.



Freight transport and vessels for port operations, as long as not dedicated to transport of fossil fuel:

Investments and/or expenditures directly related to the procurement of green fuels, including green methanol³⁸ and hydrogen³⁹

³⁸ Bio-methanol made from waste biomass that meet the minimum GHG reductions of 65% or E-methanol from biogenic CO₂. Food-and feed crops are not used for the manufacture of Green Methanol.

³⁹ Hydrogen from electrolysis of water using renewable electricity that meet the minimum reductions of 70%. Hydrogen produced by electrolysis with 100% renewable energy.

Energy Efficiency⁴⁰

Energy efficient projects, including machinery in industrial or manufacturing processes, products/appliances where the new technology is delivering a clear and measurable energy saving and/or carbon emission reduction of at least 30% compared to the status prior to the upgrade or competing technology, and meters that help track/monitor energy efficiency and/or carbon emission reduction.



Circular economy adapted products, production technology and processes

Additive manufacturing/3D printing to increase the easy-to-repair degree and the materials



Financing of investments solely aimed at the re-use of textiles (clothing second-hand shops)

⁴⁰ The energy efficiency projects financed under this framework could improve the energy efficiency of both manufacturing and/or non manufacturing sites

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE SELECTION CRITERIA

The table below evaluates the selection criteria against issuance specific KPIs. The entirety of the assets are and will be located in Iceland⁴¹.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

Arion Bank confirms their financing operations for eligible projects under this Framework will be located in Iceland. The total net exposure is 91% towards counterparties domiciled in Iceland.⁴²

The Bank has an internal credit risk policy in place covering all existing and future assets and projects financed under this Framework. Under this risk policy, all loans go through a Know-Your-Customer (KYC) procedure, a sustainability risk assessment, a credit risk analysis and a credit decision. In the loan process the information is provided on ESG topics, in particular regarding governance, social aspects (human rights, labor rights, freedom of associations), and environmental (acting in accordance with environmental legislation, environmental policy and governance around those). If the information is not provided financing is not granted. The sustainability risk assessment looks towards the Financial Institution’s Sustainability Policies, which are defined for the most carbon intensive sectors. So far, Arion Bank has defined Sustainability Policies on Seafood⁴³, for the Arctic⁴⁴ and on Industry, Energy and Manufacturing⁴⁵. These policies define the engagement process with the borrowers, aiming at carbon emission reduction. For entities with exposure higher than ISK 150m (EUR 3m), group exposure of ISK 300m (EUR 2m) and companies fulfilling the requirements listed in Article 66, d) in the Act on Annual Accounts 3/2006⁴⁶, Arion Bank has a further ESG risk assessment in the lending process, evaluating the risk for the Bank and if there are any controversies⁴⁷ on a case-by-case basis. Arion Bank has Credit Committees which are responsible for responding to any controversies coming up. This can result in further engagement or withdrawal from lending activities based on a case-by-case assessment.

⁴¹ While Arion Bank also lends outside of Iceland, this Framework (as of June 1, 2024) focusses on lending only within Iceland.

⁴² Pillar 3 Risk Disclosures 2022, page 43, <https://arsskyrsla2022.arionbanki.is/library/Files/ahaettuskysrsla/Pillar%203%20Risk%20Disclosures.pdf>

⁴³ Sustainability Policy on Seafood, <https://arsskyrsla2022.arionbanki.is/library/Files/Graen-fjarmal/Arion%20Bank's%20sustainability%20policy%20on%20seafood.pdf>.

⁴⁴ Arion Bank’s Sustainability Policy on the Arctic, https://www.arionbanki.is/themes/arionbanki/arionbanki/documents/05_Bankinn/Starfsemi/Sjalfbaerni/Arion%20Bank%e2%80%99s%20a0Sustainability%20Policy%20for%20the%20Arctic.pdf.

⁴⁵ Arion Bank’s Sustainability Policy on Industry, Energy and Manufacturing, https://www.arionbanki.is/themes/arionbanki/arionbanki/documents/05_Bankinn/Starfsemi/Sjalfbaerni/Policy%20on%20Industr y%20energy%20and%20manufacturing.pdf.

⁴⁶ The Act on Annual Accounts 3/2006 is implementing EEA Agreement: Annex XXII, Directive 78/660/EEC, Annex IX and XXII, Directive 86/635/EEC), Act 45/2005 (entered into force 30 May 2005 and EEA Agreement: Annex XXII, Directive 78/660/EEC, 83/349/EEC and Regulation 2002/2002/EC), <https://www.government.is/library/04-Legislation/L%3%B6g%20nr.%203-2006%20um%20%C3%A1rsreikninga%20-%20ensk%20%C3%BE%C3%BD%C3%B0ing.pdf>.

⁴⁷ The definition was shared with ISS as non-public information.

Assets and projects that are below the above mentioned threshold do not go through a further ESG risk assessment apart from the KYC process as described above.

ESG Guidelines into financing process for most sensitive sectors⁴⁸ financed under the Framework

ESG Guidelines into financing process for Forestry

Arion Bank confirms the absence of tailored environmental and social risk assessment for this category. However, the Bank has additional processes in place to ensure compliance with the eligibility criteria such as FSC, PEFC, Verra VSC, and Icelandic Skógarkolefni scheme.

ESG Guidelines into financing process for Agriculture, Fisheries and Aquaculture

Arion Bank confirms the absence of tailored environmental and social risk assessment for this category. However, the Bank has additional processes in place to ensure compliance with the eligibility criteria and intends to assess the potential externalities of sustainable agriculture practices like soil carbon sequestration before financing, such as saturation and reversibility.

ESG Guidelines into financing process for Fisheries and Aquaculture

For fisheries and aquaculture projects, the bank: 1) applies its Sustainability Policy on Seafood 2) engages with all relevant borrowers on their feed sourcing policies and encourages the adoption of standards like ProTerra or Round Table on Responsible Soy 3) encourages the disclosure of key non-financial criteria relevant to the operations of each borrower to assess scope and impact of such aspects on a case-by-case basis and to evaluate inclusion in the eligible pool. Arion Bank has defined specific exclusions for 'aquaculture', which includes fishing with the use of explosives or cyanide and operations which practice shark finning or trade in shark fin as well as products net fishing or deep-sea bottom trawling, if illegal. Additionally, Arion Bank asks for more in-depth information from companies that qualify for a green loan on topics such as: development in oil consumption from fishing vessels, revenue per fish type, feed sourcing policies, and yearly Power Usage Effectiveness (PUE).

As per Icelandic regulations on fishery⁴⁹, the Icelandic fisheries management system is limited by a quota which is allocated to vessels on the basis of catch shares aiming at addressing the concerns of excess harvesting capacity and inappropriate allocation of the resource.

Labor, Health and Safety



All assets financed will be located in Iceland which is an Equator Principles Designated Country, and high health and safety and labor standards are ensured by the relevant national legislation. Furthermore, Iceland has ratified

⁴⁸ The categorization of a sector as 'most sensitive' follows an evaluation of the number of controversies prevalent in the context of the financing operations of a financial institution.

⁴⁹ Icelandic Fisheries Management Act, <https://www.althingi.is/lagas/153c/2006116.html>.

all core International Labor Association's (ILO) core conventions, therefore all borrowers are obligated to comply with ILO requirements.

The Bank commits to construction financing having a charge-off authorization in loan agreements if it turns out that the borrower, or any of the borrower's subcontractors, does not operate in accordance with laws and regulations, including about the Icelandic labor market and does not respect the collective agreement-based rights of employees. Additionally, there is a general cancellation clause in loan agreements other than construction financing if the borrower is found to have violated laws, regulations and/or government orders in their activities.

Biodiversity and Community dialogue



Arion Bank's assets are located in Iceland, a Equator Principles (EP) Designated Country, indicating the presence of robust biodiversity conservation standards to mitigate environmental and social risks associated with the asset financed under the Framework. Furthermore, the Bank states that Icelandic legislation, in case of project development, requires a process for community engagement and rely on the community engagement policies of their customers. The Bank also excludes financing operations that practice drift net fishing or deep-sea bottom trawling where prohibited, fishing with the use of explosives or cyanide, and the Species on the International Union for Conservation of Nature (IUCN) Red-list for Endangered, Threatened, or Protected Species (ETP). Additionally, all hydropower and geothermal projects in Iceland must adhere to the country's Master Plan for Nature Protection and Energy Utilization, according to Icelandic law. Furthermore, in Iceland, all large-scale power stations⁵⁰ must undergo an Environmental Impact Assessment.

Inclusion



The Bank states that the activities financed under the category 'Access to Essential Services' will be accessible or subsidized healthcare and education for the target group including the general public, individuals with specific physical and/or mental conditions, including cognitive deficit(s), elderly people, individuals in need of rehabilitation services, and students and adults benefitting from vocational training (immigrants) respectively. This requirement is being checked when selecting the loan.



Arion Bank has policies ensuring that borrowers are not discriminated on the basis of race, sexual orientation, gender and other relevant categories in the

⁵⁰ Large-scale power stations are such with an installed capacity of 10 MW or more, or they have a thermal power capacity of 50 MW or more; <https://www.ramma.is/english/general-information/laws-and-regulations/the-master-plan-act/>.

access to credit. In Iceland, the Gender Equality Act No. 150/2020⁵¹ provides for prevention of discrimination based on gender and to maintain gender equality and equal opportunities for the genders in all spheres of society.

Data protection and information security



For outsourced data protection and security, Arion Bank ensures third parties have adequate information security measures in place besides the measures required by the Icelandic regulator. The procurement department identifies through a questionnaire how extensive information security measures are covered by the third party before cooperating with them. Furthermore, the Bank monitors and regularly reviews the companies. In addition, Arion Bank themselves conducts IT and cybersecurity risk assessments, it has a clear structure and responsibilities defined, training and awareness initiatives, as well as set targets and objectives. Their IT security management system is ISO27001 certified. The Bank has physical and technical safeguards and an information security incident management. Furthermore, the security management system undergoes audits.

Responsible treatment of customers with debt repayment problems



Arion Bank has policies in place ensuring that customers with debt repayment problems are treated responsibly. The Bank offers consolidation and refinancing of loans, temporary reductions in payment and freezing of monthly instalments, so that the payment is reduced to the interest of the capital. Arion Bank further offers lower payment burden during parental leave. All debt restructuring is offered under non-detrimental conditions. The Bank confirms that there are no hidden fees or special charges included in the debt restructuring process. All cost, including documentation cost, is published in the bank's cost register. Arion Bank has pre-emptive actions to prevent all client debt repayment problems. The Issuer has the possibility for clients with an unsecured home loan with variable or fixed interest rates to put a payment cap to their loan. Furthermore, the bank has a dedicated payment difficulties department handling cases. For corporates the Bank has regular meetings to review cases that are in arrears in order to try to act before further arrears occur and before collection occurs. The Issuer also has an internal debt counselling, which their clients can use to review the finances, assess the situation, and discuss ways to solve the financial problems. For mortgage sale and foreclosure, Arion Bank provides the client with several opportunities of contacting the Bank in case of arrears to get advice on possible remedies that could solve payment difficulties, such as refinancing or changing the terms of the loan. If the client responds, a team within the Bank helps to find a suitable solution. Arion Bank

⁵¹ Gender Equality Act No. 150/2020 in Iceland: <https://www.government.is/library/04-Legislation/Act%20on%20Equal%20Status%20and%20Equal%20Rights%20Irrespective%20of%20Gender.pdf>.

will examine all alternative options with the client before considering foreclosure as the last resort.

Sales practices



Arion Bank systematically ensures responsible sales practices by including ethical considerations in the calculation of bonus payments and by providing their employees on responsible sales practices. Furthermore, the Bank monitors responsible sales practices through customer surveys focusing on post-sale understanding of products and services. The Board requests that the regular CEO report would include the latest satisfaction measurements and the development of the Net Promoter Score and analyse trends and the main issues that can clear increase/decrease in individual measurements. The customer surveys are also taken into consideration for improving services⁵².

Responsible marketing



Arion Bank has policies in place systematically ensuring that assets financed under this framework provide for responsible marketing. The Bank commits to clear and correct pricing as well as to no hidden costs, to inform customers about the reasons leading to rejection of e.g. a loan or insurance application as well as non-use of small prints.

Exclusion criteria

The Issuer policies exclude loans to businesses or projects in the following areas: Fossil fuel related energy generation and related infrastructure; environmentally negative resource extraction (such as rare-earth elements, metals or fossil fuels); nuclear and nuclear related technologies; weapons, alcohol, tobacco, gambling, and adult entertainment; deforestation and degradation of forests; operations which practice shark finning or trade in shark fin products; operations which practice drift net fishing or deep-sea bottom trawling where prohibited; fishing with the use of explosives or cyanide and illegal unreported and unregulated fishing, or use of vessels known to have conducted such unreported and unregulated fishing. Updates in the exclusion list will automatically apply to Arion's Framework as well.

Arion Bank has a policy for the exclusion of entities and individuals under this Framework found to have engaged in prohibited conduct contained in their asset liability management. The Issuer checks this on a case-by-case basis to monitor controversies based on litigation.

⁵² <https://arsskyrsla.arionbanki.is/2023/english/our-sustainability/stakeholders/>.

PART III: ELIGIBILITY OF THE SELECTION CRITERIA AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

Arion Bank's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation Technical Screening Criteria requirements of the EU Taxonomy Climate Delegated Act⁵³ (June 2023), based on information provided by Arion Bank. Where Arion Bank's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

The Do No Significant Harm Criteria and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed, considering the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Delegated Act were only implemented in Iceland on 1 June 2023, so that the Issuer was not yet able to gain the relevant information from the required companies as they have not started reporting on these aspects yet.

Arion Bank's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 3.1 Manufacture of renewable energy technologies
- 4.4 Electricity generation from ocean energy technologies
- 4.6 Electricity generation from geothermal energy
- 4.11 Storage of thermal energy
- 4.15 District heating/cooling distribution
- 5.5 Collection and transport of non-hazardous waste in source segregated fractions
- 5.9 Material recovery from non-hazardous waste
- 6.1 Passenger interurban rail transport
- 6.2 Freight rail transport
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- 6.7 Inland passenger water transport
- 6.8 Inland freight water transport
- 6.9 Retrofitting of inland water passenger and freight transport
- 6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities

⁵³ Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

6.15 Infrastructure enabling low-carbon road transport and public transport

6.16 Infrastructure enabling low carbon water transport

7.1 Construction of new buildings

7.2 Renovation of existing buildings

7.7 Acquisition and ownership of buildings

8.1 Data processing, hosting and related activities

8.2 Data-driven solutions for GHG emissions reductions

All projects financed under the Sustainable Financing Framework are and will be located in Iceland.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

Assessment of the project categories against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation

SUSTAINABLE FINANCING FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁵⁴	ASSESSMENT AGAINST THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA (SC)
Renewable Energy	3.1 Manufacture of renewable energy technologies	The financing of activities is limited to the manufacturing of components for Wind, Solar and Ocean energy.	✓
Renewable Energy	4.3 Electricity generation from wind power	The electricity is being generated from using wind on-shore and off-shore technology.	✓
Renewable Energy	4.4 Electricity generation from ocean energy technologies	The electricity is being generated from using ocean energy technology.	✓
Renewable Energy	4.6 Electricity generation from geothermal energy	The life-cycle GHG emissions from the generation of electricity from geothermal energy will be lower than 100gCO ₂ e/kWh.	✓
Energy Efficiency	4.11 Storage of thermal energy	The activity stores thermal energy, including Underground Thermal Energy Storage (UTES) or Aquifer Thermal Energy Storage (ATES).	✓
Energy Efficiency	4.15 District heating/cooling distribution	The activity encompasses the construction and operation of pipelines and associated infrastructure using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat, in line with Article 2, point 41, of Directive 2012/27/EU.	✓

⁵⁴ This column is based on input provided by the Issuer.

Sustainable water, waste and wastewater management	5.5 Collection and transport of non-hazardous waste in source segregated fractions	Arion Bank does not fulfil all requirements for the collection and transport of non-hazardous waste in source segregated fractions. For waste management solutions Arion Bank commits to separately collect and transport waste that is segregated at source to be intended for preparation for reuse or recycling operations. However, the Bank intends to monitor whether the projects comply with the additional criteria of the EU Taxonomy for collection and transport of non-hazardous waste, however compliance is not mandatory and on a best effort basis.	
Sustainable water and wastewater management	5.9 Material recovery from non-hazardous waste	In relation to material recovery for non-hazardous waste, Arion Bank will select facilities that convert at least 50 %, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes.	
Clean Transportation	6.1 Passenger interurban rail transport	Trains and passenger coaches will be electrified, hence, will have zero direct (tailpipe) CO ₂ emissions.	
Clean Transportation	6.2 Freight rail transport	Rail transport vehicles will be electrified, hence, will have zero direct tailpipe CO ₂ emissions.	
Clean Transportation	6.5 Transport by motorbikes, passenger cars and light commercial vehicles	Arion commits to the activity complying with the following criteria (a) and (b): (a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, specific emissions of CO ₂ , as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50 g CO ₂ /km (low- and zero-emission light-duty vehicles); (ii) from 1 January 2026, specific emissions of CO ₂ , as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. (b) for vehicles of category L, the	

		tailpipe CO ₂ emissions equal to 0 g CO ₂ e/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.	
Clean Transportation	6.7 Inland passenger water transport	Arion commits to sea and costal freight water transport only being eligible to financing if they have zero direct tailpipe CO ₂ emissions or, until 31 December 2025, if hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO ₂ emission fuels or plug-in power for their normal operation at sea and in ports.	✓
Clean Transportation	6.8 Inland freight water transport	Arion Bank commits to low-emission freight, including vessels, having specific direct CO ₂ emissions of less than 50% of the reference CO ₂ emissions of all vehicles in the same sub-group to which the freight type belongs. ⁵⁵	✓
Clean Transportation	6.9 Retrofitting of inland water passenger and freight transport	Arion Bank commits to the activity reducing fuel consumption of the vessel by at least 15% expressed in grams of fuel per deadweight tons per nautical mile for freight vessels, or per gross tonnage per nautical mile for passenger vessels, as demonstrated by computational fluid dynamics (CFD), tank tests or similar engineering calculations. Arion Bank commits to the activity enabling the vessels to attain Energy Efficiency Existing Ships Index (EEXI) value at least 10% below the EEXI requirements applicable on 1 January 2023 and if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources (Fuels that meet the technical screening criteria specified in	✓

⁵⁵ Eligible until 31st December 2025. The Energy Efficiency Operational Indicator is defined as the ratio of mass of CO₂ emitted per unit of transport work. It is a representative value of the energy efficiency of the ship operation over a consistent period which represents the overall trading pattern of the vessel. Guidance on how to calculate this indicator is provided in the document MEPC.1/Circ. 684 from IMO.

		<p>Sections 3.10. and 4.13. of this Annex.), and have the ability to plug-in at berth and are equipped with plug-in power technology.</p> <p>Further, Arion Bank commits to financing going to specific measures for vessels for decarbonization and emissions reduction, energy efficiency, or improved ballast management.</p>	
Clean Transportation	6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	Arion Bank commits to sea and costal freight water transport to be eligible if they have zero direct tailpipe CO ₂ emission ⁵⁶ or, until 31 December 2025, hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO ₂ emission fuels or plug-in power for their normal operation at sea and in ports.	✓
Clean Transportation	6.15 Infrastructure enabling low-carbon road transport and public transport	Arion Bank commits to the financed infrastructure to be infrastructure that is required for zero direct emissions transport (e.g., electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways, bicycle paths), including infrastructure dedicated to public passenger transport.	✓
Clean Transportation	6.16 Infrastructure enabling low carbon water transport	Arion Bank will finance new low-carbon port infrastructure or retrofitting to port infrastructure for the sole purpose of enabling low carbon infrastructure for new generation efficient vessels. The activity will	✓

⁵⁶ Where technologically and economically not feasible to comply with this criterion, until 31 December 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels have direct (tailpipe) CO₂ emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50 % lower than the average reference CO₂ emissions value defined for heavy duty vehicles (vehicle sub group 5-LH) in accordance with Article 11 of Regulation 2019/1242. Where technologically and economically not feasible to comply with this criterion, until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements applicable on 1 April 2022 (247) if the vessels are able to run on zero direct (tailpipe) CO₂ emission fuels or on fuels from renewable sources. Energy Efficiency Design Index (version of 4.6.2021: <http://www.imo.org/fr/MediaCentre/HotTopics/GHG/Pages/EEDI.aspx>). EEDI requirements as agreed by the Marine Environment Protection Committee of the International Maritime Organization on its seventy-fifth session. Vessels that fall into the ship types set out in MARPOL Annex VI Regulation 2, but are not considered as new ship under that regulation may provide attained EEDI value calculated on a voluntary basis in line with MARPOL Annex VI Chapter 4 and have those calculations verified in line with MARPOL Annex VI, Chapter 2. Fuels that meet the technical screening criteria specified in sections 3.10 and 4.13 of the EUT Annex.

		<p>comply with one or more of the following criteria:</p> <p>(a) the infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO₂ emissions: electricity charging, hydrogen-based refuelling;</p> <p>(b) the infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth;</p> <p>(c) the infrastructure is dedicated to the performance of the port's own operations with zero direct (tailpipe) CO₂ emissions;</p> <p>(d) the infrastructure and installations are dedicated to transshipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transshipment of goods.</p> <p>The infrastructure is not dedicated to the transport or storage of fossil fuels.</p>	
<p>Green Buildings</p>	<p>7.1 Construction of new buildings</p>	<p>Arion Bank commits to financing the construction of new buildings for which:</p> <p>1. The Primary Energy Demand (PED)⁵⁷, defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p> <p>2. For buildings larger than 5000 m² ⁵⁸, upon completion, the building resulting</p>	<p style="text-align: right;">✓</p>

⁵⁷ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁵⁸ For residential buildings, the testing is made for a representative set of dwelling/apartment types.

		<p>from the construction undergoes testing for air-tightness and thermal integrity⁵⁹, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative; where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing.</p> <p>3. For buildings larger than 5000 m² ⁶⁰, the life-cycle Global Warming Potential (GWP)⁶¹ of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.</p>	
Green Buildings	7.2 Renovation of existing buildings	Arion Bank commits to finance renovation of buildings, that have been refurbished and have achieved a reduction in energy use (kWh/heated m ² /year) of at least 30% ⁶² or the building renovation complies with the applicable requirements for major renovations ⁶³ .	✓
Green Buildings	7.7 Acquisition and ownership of buildings	Arion Bank commits to New or existing buildings, built prior to 31 st December 2020, belonging to the Top 15% most energy efficient buildings in Iceland from a life-cycle perspective which is taking into	✓

⁵⁹ The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurisation method) or equivalent standards accepted by the respective building control body where the building is located.

⁶⁰ For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

⁶¹ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO₂e/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method). The scope of building elements and technical equipment is as defined in the Level(s) common EU framework for indicator 1.2. Where a national calculation tool exists, or is required for making disclosures or for obtaining building permits, the respective tool may be used to provide the required disclosure. Other calculation tools may be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework (version of [adoption date]: <https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents>), see indicator 1.2 user manual.

⁶² The 30% improvement results from an actual reduction in energy use, it is measurable and can be achieved through a succession of measures within a maximum of three years.

⁶³ As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU.

		account the building material used (embodied emissions) and the operational demand of the use stage for (i) residential or (ii) commercial buildings, compared to the respective Icelandic (i) residential or (ii) commercial building stock, as defined by an expert consultant and/or defined in public sources, where the methodology is made available to investors.	
Energy Efficiency	8.1 Data processing, hosting and related activities	For data centres, the activity needs to have implemented all relevant practices under the 'expected practices' according to the European Code of Conduct on Data Centre Energy Efficiency ⁶⁴ , which have been verified	✓
Energy Efficiency	8.2 Data-driven solutions for GHG emissions reductions	Arion Bank will finance the development and implementation of digital products and services, based on Internet of Things (IoT), Big data or Artificial Intelligence (AI), which aims at reducing emissions and saving energy or natural resources ⁶⁵ .	✓

⁶⁴ or in CEN-CENELEC document CLC TR50600-99-1 'Data centre facilities and infrastructures - Part 99-1: Recommended practices for energy management' (308). Where an expected practice is not considered relevant due to physical, logistical, planning or other constraints, an explanation of why the expected practice is not applicable or practical is provided. Alternative best practices from the European Code of Conduct on Data Centre Energy Efficiency or other equivalent sources may be identified as direct replacements if they result in similar energy savings. The global warming potential (GWP) of refrigerants used in the data centre cooling system does not exceed 675.

⁶⁵ The ICT solutions are predominantly used for the provision of data and analytics enabling GHG emission reductions. 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. Life-cycle GHG emissions and net emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ETSI ES 203 199 (311), ISO 14067:2018 (312) or ISO 14064-2:2019 (313). 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.

b) Do No Significant Harm Criteria and Minimum Safeguards

Regarding the policies and procedures to ensure that the project categories align with the relevant Do No Significant Harm Criteria and Minimum Safeguards requirements, Arion Bank will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators. Considering the Sustainable Finance Disclosure Regulation (SFDR) and the EU Taxonomy Delegated Act were only implemented in Iceland on 1 June 2023, so that the Issuer was not yet able to gain the relevant information from the relevant companies as they have not started reporting on these aspects yet.

PART IV: LINKING THE TRANSACTIONS TO ARION BANK'S ESG PROFILE

A. CONSISTENCY OF SUSTAINABLE FINANCING FRAMEWORK WITH ARION BANK'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
Strategic ESG topics	In 2020, the Executive Committee at Arion Bank defined 5 Sustainable Development Goals (SDGs), on which the Bank wants to focus as part of its sustainability strategy. These are the following goals: Gender Equality (5), Affordable and Clean Energy (7), Decent Work and Economic Growth (8), Industry, Innovation, and Infrastructure (9), Responsible Consumption and Production (12), and Climate Action (13).
ESG Goals/ Targets	For the Climate Action goal, the Issuer has for objective to reduce the emissions of GHGs from its activities (scope 1 and scope 2) by at least 65% by 2030 on a base year of 2015 and become net zero by 2040. ⁶⁶ In addition, Arion Bank aims to have 20% of its total loan portfolio dedicated to green and social lending by 2030. These targets are monitored on a yearly basis and are verified by the Science Based Target Initiative (SBTi). For the goal Gender Equality, Arion Bank commits to create a work environment in which its employees have equal opportunities irrespective of gender. For this purpose, one of Arion Bank's gender equality targets is to reduce the median value of total salary payments to men compared with total salary payments to women to below 1.3.
Action plan	Arion Bank has put in place multiple measures to guarantee it reaches its net zero target. The Bank has created a code of conduct for suppliers, ensuring that its suppliers work towards reducing their negative impact on the environment. ⁶⁷ Arion Bank also commits to no longer buy vehicles which do not run on 100% renewable energy. In addition, the Issuer continuously aims to increase the ratio of sorted waste to at least 90%.

⁶⁶ Arion Bank's sustainability policy, <https://www.arionbanki.is/english/about-us/organization/sustainability/>.

⁶⁷ Arion Bank's code of conduct for suppliers, <https://arsskyrsla2020.arionbanki.is/library/Files/Samfelag-og-umhverfi/sidareglur-birgja-EN.pdf>

	<p>In order to contribute to the SDG Responsible Consumption and Production, the Issuer has created a sustainability policy on seafood, to ensure it collaborates with seafood companies which have sustainable business model.⁶⁸ Arion Bank has also created sustainability policy on industry, manufacturing, energy and for the arctic region.</p> <p>Finally, for the goal Gender Equality, the Bank has implemented an equal pay policy, which prohibits any pay discrimination on the basis of gender.⁶⁹</p>
Climate Transition Strategy	<p>Within its ESG risk policy report, Arion Bank shares the estimated emissions at Arion Bank in 2022 from lending and investment, was approximately 153 ktCO_{2e}, excluding emissions from sovereign bonds. Emissions from the Bank's sovereign bonds total 149 ktCO_{2e}, and calculations for 2021 indicate a reduction of 88 ktCO_{2e} in this category. The Bank commits to reduce these emissions and aims for 2030, to have at least 20% of loans to customers falling under the Bank's Green Financing Framework.⁷⁰ In addition, the Bank aims to reduce emissions the carbon dioxide and other greenhouse gases from its activities (Scopes 1 and 2) by at least 80% by 2030 from the base year 2015 and to carbon offset all remaining emissions.</p>
Top three areas of breaches of international norms and ESG controversies in the industry⁷¹	Sexual harassment in the workplace, Financial market irregularities, Embezzlement.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer reports on its ESG performance and initiatives on a yearly basis. The report is prepared in accordance with the Global Reporting Initiative (GRI) standards.
Industry associations, Collective commitments	The Issuer is a signatory to the United Nations Environment Program Finance Initiative, the Partnership for Carbon

⁶⁸ Arion Bank's sustainability policy on seafood, <https://arsskyrsla2022.arionbanki.is/library/Files/Graen-fjarmal/Arion%20Bank%27s%20sustainability%20policy%20on%20seafood.pdf>

⁶⁹ Arion Bank's equal pay policy, <https://www.arionbanki.is/english/about-us/organization/human-resources/equality/>

⁷⁰ Arion Bank Pillar 3 Risk Disclosure 2023, p. 88,

<https://arsskyrsla.arionbanki.is/library/Files/ahaettuskyrsla/2023/Pillar%203%20Risk%20Disclosures%202023.pdf>.

⁷¹ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Public and Regional Banks industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

	Accounting Financials (PCAF), as well as a signatory to the Principles for Responsible Banking (PRB), the United Nations (UN) Global Compact, the UN Principles for Responsible Investment, The UN Women, and the Task Force on Climate-related financial disclosures (TCFD). Since December 2023, Arion Bank has also become a signatory to the Net-Zero Banking Alliance and the Science Based Targets Initiative (SBTi).
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>The Issuer has issued green financed instruments (bonds, loans, commercial paper, repurchase agreements, and deposits) in 2023. In line with its environmental commitments, Arion Bank has invested ISK 122.89m in sustainable fishery and aquaculture, clean transportation, green buildings, energy efficiency, and pollution prevention and control and wastewater management in 2023. And ISK 135.41m in the same green categories in 2022.⁷²</p>

Rationale for issuance

The issuance of green and social finance instruments aligns with Arion Bank’s goal to have at least 20% of loans to customers falling under the Bank’s Sustainable Financing Framework by 2030. In addition, most Arion Bank’s corporate loans are located in Iceland (more than 90%), hence the categories renewable energy, green buildings, energy efficiency and clean transportation directly supports Iceland’s goal of carbon neutrality by 2040. The other green categories (Sustainable fishery, aquaculture, and marine food chain; Marine ecosystem management, conservation and restoration; Sustainable forestry and agriculture) reflects the Issuer’s ambition to use responsibly and sustainably natural resources and preserve biodiversity.⁷³ Arion Bank has also included Social Eligible Categories in this Framework to establish and deepen its social strategy.

Opinion: *The key sustainability objectives and the rationale for issuing Green, Social and Sustainability Financing Instruments, including bonds, are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

⁷² Arion Bank’s Consolidated Financial Statements 2023, p. 79, <https://www.arionbanki.is/lisalib/getfile.aspx?itemid=d2fa10d3-c1d7-11ee-80e1-005056a47632>.

⁷³ Arion Bank’s Sustainability Policy on Seafood, <https://arsskyrsla2022.arionbanki.is/library/Files/Graen-fjarmal/Arion%20Bank%27s%20sustainability%20policy%20on%20seafood.pdf>

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
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ANNEX 1: Methodology

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.iss-corporate.com/file/publications/methodology/iss-corporate-green-social-and-sustainability-bond-loan-spo-methodology-summary.pdf>

EU Taxonomy

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

The evaluation shows if Arion Bank's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Arion Bank (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.

ANNEX 2: Quality Management Processes

SCOPE

Arion commissioned ISS-Corporate to compile a Sustainable Financing Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Financing Framework aligns with the GBP and SBP and to assess the sustainability credentials of its Sustainable Financing Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP)
- Social Bond Principles (SBP)
- EU Delegated Act (EU Taxonomy)

ISSUER'S RESPONSIBILITY

Arion Bank's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, 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.

This independent Second Party Opinion of the Sustainable Financing Instruments to be issued by Arion has been conducted based on a proprietary methodology and in line with the ICMA GBP and SBP.

The engagement with Arion took place from July 2023 to June 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior 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 this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

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.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

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