



# Sustainable Financing Framework



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## 1. Executive summary

Íslandsbanki is a universal bank and a leader in financial services in Iceland with a history of 145 years of servicing key industries. The Bank has a 25-40% market share across all domestic business segments. Íslandsbanki's Sustainability Policy aims at making the Bank a model of exemplary operations in the Icelandic business community and a catalyst for positive action, moving Iceland forward by empowering its customers to succeed.

This Sustainable Financing Framework follows ICMA's Green Bond Principles from 2018, Social Bond Principles from 2020, and the Sustainability Bond Guidelines from 2018. It is based on best practices in Europe and benchmarked with similar frameworks from financial institutions that have been leading the way in sustainability and sustainable finance activities.

Under this Framework, Íslandsbanki will use funding options from public and private, listed and non-listed instruments, referred to as "Sustainability Instruments". These Sustainability Instruments may be issued under the terms Green, Blue, Social and/or Sustainability Instruments.

An amount equal to the net proceeds of the Sustainability Instruments will be used for Eligible Assets which support the transition towards sustainability. These Eligible Assets must comply with at least one of the Project Categories, classified as either Green: for the environment; Blue: for sustainable fisheries; and Social: for supporting social initiatives.

The Bank has in place a Sustainability Steering Committee in which senior representatives from all business departments, Finance, Risk Management,

and the Sustainability Manager take part. Íslandsbanki uses its Sustainability Registry to keep track of Eligible Assets as well as a separate Registry for its Sustainability Instruments and will annually publish an Allocation and Impact Report. Sustainability Analytics has provided a second opinion to this Framework and an independent assurance provider will provide limited assurance on the report.

This Sustainable Financing Framework is Íslandsbanki's most ambitious sustainability undertaking to date, with the Bank looking forward to working with its customers and investors in creating a more sustainable business environment and society, thus supporting the Icelandic Climate Action Plan and the UN Sustainable Development Goals.

## 2. Introduction

Íslandsbanki is a universal bank and a leader in financial services in Iceland with a history of 145 years of servicing key industries. The Bank has a 25-40% market share across all domestic business segments.

Íslandsbanki's purpose is to move Iceland forward by empowering our customers to succeed. Driven by the vision to be #1 for service, Íslandsbanki's relationship banking business model is propelled by three business divisions that manage and build relationships with the Bank's customers.

Íslandsbanki has developed a wide range of online services such as the Íslandsbanki and Kass apps, enabling customers to do their banking anywhere and anytime. At the same time, the Bank continues to operate the most efficient branch network in Iceland through its strategically located 12 branches.

Íslandsbanki has a BBB/A-2 rating from S&P Global Ratings

### Sustainability and Sustainable Finance

Íslandsbanki will focus on integrating sustainability considerations into its

activities, in addition to its profit objectives. The Bank intends to initiate broad collaboration and increase awareness on responsible business practices that both contribute to sustainable development in the Icelandic economy, supporting the [Icelandic Government's Climate Action Plan](#), and supporting the [UN Sustainable Development Goals](#). The Bank has specifically selected UN SDGs no. 4, 5, 9, and 13 to guide its sustainability efforts.



Climate change is one of the greatest threats facing the planet and it poses major environmental, economic and societal risks worldwide. The necessary reduction of greenhouse gas emissions will require significant changes to global consumption, transport and energy production.

Íslandsbanki's [Sustainability Policy](#) aims at making the Bank a model of exemplary operations in the Icelandic business community and a catalyst for positive social action, moving Iceland forward by empowering its customers to succeed.

In its operations, the Bank considers not only its financial objectives relating to profit and efficiency, but also the [environmental, social, and governance \(ESG\) criteria](#) which takes into account material and industry-specific risk factors, or more specifically:

**Environmental criteria** with focus on how Íslandsbanki monitors both direct and indirect environmental and climate impact of its activities as well as its commitment to climate mitigation and adaptation.

**Social criteria** centre on how the Bank behaves towards employees, suppliers, customers, and the community in which it operates as well as its sustainability product offering.

**Governance criteria** centre on the Bank's Board and Directors' oversight of sustainability activities, internal control, risk management, reporting and the rights of shareholders.



At the same time Íslandsbanki seeks to set a positive precedent by taking immediate action, thereby gaining and maintaining customers' trust. As part of this, the Bank has defined seven main sustainability goals to be achieved in the year 2025, which are as follows:

1. Become carbon neutral in its operations
2. Offer its customers a wide range of sustainability products
3. Balance gender ratios in the Bank's operations
4. Create a working culture that celebrates diversity and inclusion
5. Work with suppliers and partners that champion sustainability
6. Assess and disclose sustainability risks and build a robust sustainability governance framework
7. Support four of the UN SDGs in the areas of education, gender equality, innovation and climate action

As part of its annual planning process, the Bank will set targets that are SMART, annually reviewed and re-evaluated, and disclosed in the Annual and Sustainability Report.

For example, annual targets will be set for increasing the % of loans that fall under the Sustainable Finance Framework, and reporting in line with TCFD recommendations and issuing a CDP report.

In the past, the Bank has been at the forefront in promoting equal rights in Iceland in its own operations and by supporting various initiatives and conferences in this field with active senior management participation from the Bank's side.

In addition, the Bank has operated a "Helping Hand" initiative where employees can annually spend one working day in supporting a charitable cause of its own choice, with some supporting developmental work in Africa with the Icelandic Red Cross.

The Bank recently announced that its employees would be working 1-2 days every week from home as part of its efforts to reduce carbon emissions from its employees' daily commute to work. The Bank is furthermore rapidly changing its vehicle fleet to EVs, while also supporting its employees in the EV transition.

In 2020, the Bank approved a new Code of Ethics for its Suppliers based on the ESG criteria. The Bank will annually engage with its largest suppliers to discuss their sustainability performance and find ways to improve.

The Bank has conducted an ESG risk assessment on 24 of its largest credit exposures and is working on incorporating this into its regular credit assessment procedures while also planning to include climate risk scenarios in its regular stress tests.

Since June 2020, Íslandsbanki has been offering its customers green loans for financing EVs and charging stations at more attractive rates than for regular vehicles.

Both with this Sustainable Financing Framework and through its subsidiary, Íslandssjóðir, which launched the first Green Bond fund in Iceland, Íslandsbanki intends to be a positive force in society and further bridge the gap between finance and sustainability.

Íslandsbanki considers it important to participate in international commitments and support domestic and international cooperative efforts in the area of sustainability. The Bank's major commitments in this area are:

- Nordic CEOs for a Sustainable Future
- United Nations Principles for Responsible Banking by the UNEP Finance Initiative
- United Nations Global Compact
- United Nations Principles for Responsible Investments (UN PRI) - (through its subsidiary Íslandssjóðir)
- Festa - Icelandic Centre for Corporate Social Responsibility
- IcelandSif - the Icelandic Sustainable Investment Forum
- Partnership for Carbon Accounting Financials
- Task Force on Climate-Related Financial Disclosures (to be included in the Bank's Pillar 3 Report for 2020)

Íslandsbanki received the Icelandic knowledge award for the year 2020, awarded by the association of business and economists graduated in Iceland. The Bank is said to be exemplary among Icelandic businesses when considering international standards in ESG affairs





**Hallgrímur Snorrason,  
Chairman of the Board**

*Íslandsbanki has over the years focused on establishing exemplary corporate governance and building a robust risk culture with good results. This Framework, which describes the Bank's sustainability governance and risk awareness, will help create an even stronger foundation for the Bank.*



**Birna Einarsdóttir, CEO**

*Climate change is the biggest threat to our future, and faced with a daunting task, it is imperative to mobilise the private sector in the global effort against global warming. We are thus delighted to launch this Framework which is Íslandsbanki's most important contribution to the acceleration towards sustainability in Iceland, while also supporting social rebuilding efforts following the COVID-19 pandemic.*



**Jón Guðni Ómarsson, CFO**

*The Framework not only provides us with a platform to engage with our customers in terms of sustainability product offering but also in terms of solidifying the Bank's funding base. With this Framework in place, we look forward to building a dialogue with our investors on the importance of financial institutions in mobilising capital towards a more sustainable society.*

### 3. Sustainable Financing

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 Sustainable Financing Framework, Íslandsbanki aims to support the mobilisation of capital to sustainable projects and operations.

This Framework is based on robust international principles, guidelines, and protocols. Furthermore, it is based on best practices in Europe and benchmarked with similar frameworks from financial institutions that are leading in sustainability. Íslandsbanki is, however, aware that sustainability and sustainable finance is a fast-developing field. This Sustainable Financing Framework may, therefore, be further updated or expanded to reflect this.

#### Funding

Under this Sustainable Financing Framework, Íslandsbanki intends to utilise funding options from public and private, listed and non-listed instruments, e.g. and not exhaustive, senior unsecured bonds, senior bonds (including private placements), covered bonds, subordinated

bonds, commercial paper, loan agreements, bilateral facilities and deposit accounts, all referred to as “Sustainability Instruments”. These Sustainability Instruments may be issued under the terms Green, Blue, Social and/or Sustainability Instruments. Any documentation for a Sustainability Instrument shall refer to this Sustainable Financing Framework.

#### Use of proceeds

An amount equal to the net proceeds of the Sustainability Instruments will be used to finance or refinance, in whole or in part, Sustainability Loans, Equity, and/or Projects, Investments and Expenditures located predominantly in Iceland, as determined by Íslandsbanki in accordance with the Project Categories as defined below, all referred to as “Eligible Assets”.

Íslandsbanki may require its customers to sign a letter or include references in documentation confirming the purpose of the financing and/or commit to providing information regarding the customers’ general operation and/or specific projects and/or activities funded under the framework, which will be needed for Íslandsbanki’s reporting and monitoring requirements.

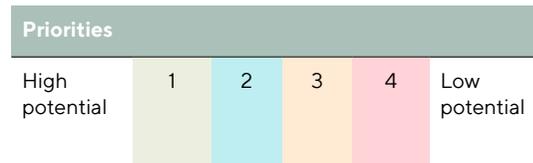
**Financing and refinancing.** Net proceeds can be used to finance both existing and new Eligible Assets. New Eligible Assets are defined for financing which have been disbursed the same year of issuance. It is likely that initially, net proceeds will be used largely to refinance existing Eligible Assets. However, Íslandsbanki will make efforts to grow its lending to new Eligible Assets with the aim of gradually increasing loans in its Sustainability Portfolio and will set and disclose targets in this regard, through its Annual Reporting.

**Exclusions.** No proceeds will be allocated to Eligible Assets that are used to finance fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, tobacco, adult entertainment and predatory lending.

**Pure play loans.** While Íslandsbanki aims to document an exact project or asset financed, in some cases certain “pure play” loans may be granted. A pure play company is defined as a company deriving over 90% of its revenue from the Project Categories defined below.

### Eligible Project Categories

Eligible Assets which support the transition towards sustainability must comply with at least one of the Project Categories as defined below.



Green Project categories	Priorities
1) Clean Transportation	1
2) Eco-efficient and circular economy adapted products, production technologies and processes	1
3) Energy efficiency	2
4) Pollution prevention and control	2
5) Renewable energy	2
6) Green buildings	3
7) Environmentally sustainable management of living natural resources and land use, and terrestrial biodiversity conservation	3
8) Sustainable waste management	4
9) Information & communications technology	4

Blue Project categories	Priorities
1) Eco-efficient and circular economy adapted products, production technologies and processes	1
2) Pollution prevention and control	2
3) Clean Transportation	3

Social Project categories	Priorities
1) Government defined company support	1
2) Affordable housing	2
3) Education and vocational training	2
4) Financial support for MSMEs	3
5) Equality and empowerment	3
6) Affordable basic infrastructure	3

## Green project: clean transportation

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
1. Clean Transportation	<ul style="list-style-type: none"> <li><b>Vehicles<sup>1</sup>:</b> any vehicle using electric, hydrogen, or biogas/landfill gas methane, vehicles. Dedicated vehicles solely using advanced biofuels<sup>2,3</sup> or renewable liquid and gaseous transport fuels of non-biological origin<sup>4</sup>.</li> <li><b>Infrastructure:</b> any construction, expansion, and improvements of infrastructure supporting below sub-categories</li> <li><b>Public transport<sup>5</sup>:</b> fully electrified or other low-carbon (biogas and hydrogen) busses, trains, trams, or ferries.</li> </ul>	<ol style="list-style-type: none"> <li>Number of clean vehicles and/or infrastructure deployed (categorized e.g. electric, plug in hybrid) per year.</li> <li>Estimated reduced/avoided GHG emissions (tonnes CO<sub>2</sub>e) per year. If possible based on availability of data collected by ÍSB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.1 Develop quality, reliable, sustainable and resilient infrastructure.</li> <li>11.2 Ensure universal access to quality transport.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 9.1 Support development of sustainable infrastructure.</li> <li>BA 13.2 Reduce operational emissions.</li> </ul>



Footnotes:

- Emit below the defined threshold of ≤50/34 gCO<sub>2</sub>/km (WLTP/NEDC) or ≤20 gCO<sub>2</sub>/tkm until 31 Dec 2025. From 2026 0/0 gCO<sub>2</sub>/km. Category L vehicles 0/0 gCO<sub>2</sub>/km.
- Only rapeseed oil that has a valid certification from any of the voluntary schemes approved by the EU commission for biofuels. [https://ec.europa.eu/energy/topics/renewable-energy/biofuels/voluntary-schemes\\_en](https://ec.europa.eu/energy/topics/renewable-energy/biofuels/voluntary-schemes_en)
- Other first generation biofuels are not eligible.
- As defined in Art. 2 (34) and Art. 2 (36) Directive (EU) 2018/2001 as well as certified low-ILUC biofuels are eligible.
- Emit below the defined threshold of ≤50 gCO<sub>2</sub>e/pkm.

## Green project: eco-efficient products+

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<p><b>2. Eco-efficient and circular economy adapted products, production technologies and processes</b></p>	<ul style="list-style-type: none"> <li>Loans to enterprises with selected sustainability certifications for products, services or processes.</li> <li>Companies must benefit from selected, or similar, sustainability certifications on products, services or processes:                             <ul style="list-style-type: none"> <li>Nordic Swan Ecolabel</li> <li>EU organic</li> <li>USDA Organic</li> <li>Canada Organic</li> <li>Rainforest alliance</li> <li>Fairtrade</li> </ul> </li> <li>If the ratio of certified products is 90% or higher based on revenue all loans to the company fall under this framework. <b>See 'pure player' definition in Framework.</b></li> </ul>	<ol style="list-style-type: none"> <li>Number of certified products sold (categorized e.g. Nordic Swan, EU Ecolabel) per year.</li> <li>Weighted average of certified products sold vs. non certified products per year.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</li> <li>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 13.3 Develop products with negligible emissions.</li> <li>12.2 Close material and energy loops.</li> </ul>



## Green project: energy efficiency

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>3. Energy efficiency</b>	<ul style="list-style-type: none"> <li>Facilities dedicated to manufacturing energy efficient components. Industrial processes cooling and space cooling with deep sea water. Production of Heat/cool using Waste Heat.</li> <li>Energy efficiency technologies, processes, or projects in industry leading to a reduction in energy use of at least 20% are eligible.</li> <li>Only electrically powered components, processes or projects are eligible, along with all clean fuels defined under the clean transportation category in this framework<sup>1</sup>.</li> </ul>	<ol style="list-style-type: none"> <li>Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) per year.</li> <li>Estimated reduced/avoided GHG emissions (tonnes CO<sub>2</sub>e) per year. If possible based on availability of data collected by ISB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.4 Upgrade and retrofit existing infrastructure to make industries sustainable.</li> <li>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</li> <li>7.3 Double the global rate of improvement in energy efficiency.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 9.3 Create innovation systems for sustainable development.</li> <li>BA 13.2 Reduce operational emissions.</li> </ul>



Footnotes:

1. Financing of heat pumps with high-GWP refrigerant(s) is excluded

## Green project: pollution prevention

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
	<p>Reduction of air emissions and greenhouse gas control, and soil remediation.</p> <p>Investments in direct capture<sup>1</sup> and storage<sup>2</sup> of CO<sub>2</sub> from the atmosphere to lower global atmospheric CO<sub>2</sub> concentration levels.</p>	<ol style="list-style-type: none"> <li>1. Absolute in tonnes or % reduction in local pollutants per year.</li> <li>2. Estimated reduced/avoided GHG emissions (tonnes CO<sub>2</sub>e) per year. If possible based on availability of data collected by ÍSB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>• 9.1 Develop quality, reliable, sustainable and resilient infrastructure.</li> <li>• 12.4 Achieve the environmentally sound management to reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>• BA 9.3 Create innovation systems for sustainable development.</li> <li>• BA 13.2 Reduce operational emissions.</li> <li>• BA 12.2 Close material and energy loops.</li> </ul>

### 4. Pollution prevention and control



Footnote

1: Only carbon not connected to specific emission source and direct emission from geothermal power plants and from the incineration of waste after separation.  
 2: The captured carbon is either mineralized or used to produce electrofuels with no fossil fuel inputs.

## Green project: renewable energy

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>5. Renewable energy</b>	<ul style="list-style-type: none"> <li>Electricity generation from wind turbines, solar, tidal and wave and existing hydropower plants or small (&lt;10 MW) greenfield hydropower.</li> <li>Medium-scale greenfield hydropower (typically up to 100 MW) may be included based on assessment of the environmental impacts (e.g. projects in already-exploited rivers with limited protection values).</li> <li>Electricity or heat generation or co-generation from geothermal installations and from bio-mass<sup>1,2,3</sup>.</li> <li>Infrastructure for the production or processing and use of gaseous and liquid biofuels<sup>1,2,3</sup>, e.g. investments in the development, design and manufacturing of renewable energy technologies.</li> <li>For bioenergy electricity generation 85% GHG emission reduction compared to fossil fuel baseline must be achieved. For all heat generation notional heat threshold of 30 gCO<sub>2</sub>e/kWh(th),</li> <li>For cogeneration of heat and electricity weighted average applies.</li> </ul>	<ol style="list-style-type: none"> <li>Capacity of renewable energy plant(s) constructed or rehabilitated in MW each year.</li> <li>Estimated reduced/avoided GHG emissions (tonnes CO<sub>2</sub>e) per year. If possible based on availability of data collected by ISB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.1 Develop quality, reliable, sustainable and resilient infrastructure.</li> <li>13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.</li> <li>7.2 Increase the share of renewable energy in the global energy mix.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 13.2 Reduce operational emissions.</li> <li>BA 9.1 Support development of sustainable infrastructure.</li> <li>BA 7.3 Deliver sustainable energy to new markets.</li> </ul>



Footnotes:

1: Only rapeseed oil that has a valid certification from any of the voluntary schemes approved by the EU commission for biofuels. [https://ec.europa.eu/energy/topics/renewable-energy/biofuels/voluntary-schemes\\_en](https://ec.europa.eu/energy/topics/renewable-energy/biofuels/voluntary-schemes_en)

2: Other first generation biofuels are not eligible.

3: As defined in Art. 2 (34) and Art. 2 (36) Directive (EU) 2018/2001 as well as certified low-ILUC biofuels are eligible.

## Green project: green buildings

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>6. Green bond: green buildings</b>	<p>New construction, acquisition of buildings, operations, renovation and refurbishment of existing buildings must achieve at least a 30% improvement in energy efficiency to be eligible or be certified or expected to be certified by the below certification schemes.</p> <ul style="list-style-type: none"> <li>• LEED "Gold",</li> <li>• BREEAM "Very Good" (also BREEAM in-use),</li> <li>• DGNB "Gold",</li> <li>• The Nordic Swan Ecolabel certification"</li> </ul> <p>Individual renovation measures, e.g. installation of renewables on-site, and buildings with professional, scientific and technical activities dedicated to manufacturing low carbon footprint products.</p>	<ol style="list-style-type: none"> <li>1. Number of qualified buildings (into categories e.g. local baseline, Nordic Swan Ecolabel and/or BREEAM certification, very good or higher or other certifications with similar goals) per year.</li> <li>2. Estimated reduced/avoided GHG emissions (tonnes CO2e) per year. If possible based on availability of data collected by ÍSB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>• 13.1 Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.</li> <li>• 11.3 Ensure inclusive and sustainable urbanisation, planning and management.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>• BA 9.1 Support development of sustainable infrastructure.</li> <li>• BA 13.3 Develop products with negligible emissions.</li> </ul>



## Green project: management of natural resources

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>7. Environmentally sustainable management of living natural resources and land use, and terrestrial biodiversity conservation</b>	<ul style="list-style-type: none"> <li>Projects or activities related to sustainable forestry or agriculture in the Nordic countries, including acquisition, maintenance and management of:</li> <li>Forests certified by Forest Stewardship Council (“FSC”) or Programme for the Endorsement of Forest Certification (“PEFC”)</li> <li>Land remediation, oasisification, reforestation and clean up.</li> <li>Sustainable agriculture in the Nordic countries comprised of: organic farming as certified in compliance with the EU and national regulation.</li> <li>Loans or investments to promote use of renewable technology in the agriculture sector (e.g. geothermally heated greenhouses).</li> <li>Aquatic biodiversity conservation, including the protection of coastal, marine and watershed environments.</li> </ul>	<ol style="list-style-type: none"> <li>Area (hectares) transformed or reclaimed</li> <li>Number of organic certified farms supported</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>11.4 Protect and safeguard cultural and natural heritage.</li> <li>15.2 Promote the implementation of sustainable land management.</li> <li>15.3 Combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 11.2 Protect cultural and natural heritage.</li> <li>BA 15.1 Protect natural ecosystems.</li> <li>BA 15.4 Value and respect natural capital.</li> </ul>



## Green project: waste management

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>8. Sustainable waste management</b>	<ul style="list-style-type: none"> <li>Waste management (excluding landfills) such as , separate collection sorting and processing for reclaiming and recycling, waste prevention, waste reduction, waste recycling and energy/emission-efficient waste to energy<sup>1</sup> (municipal waste to energy to include emission abatement technology).</li> <li>New installation and subsequent operation of a landfill gas capture and energetic utilization system (or extension and/ or retrofitting of an existing system) in permanently closed old landfills.</li> </ul>	<ol style="list-style-type: none"> <li>Waste which is prevented, minimized, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes per year.</li> <li>Estimated reduced/avoided GHG emissions (tonnes CO<sub>2</sub>e) per year. If possible based on availability of data collected by ÍSB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</li> <li>9.1 Develop quality, reliable, sustainable and resilient infrastructure.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 12.1 Adopt a circular business model.</li> <li>BA 13.2 Reduce operational emissions.</li> <li>BA 9.1 Support development of sustainable infrastructure.</li> </ul>



Footnote

1: In waste to energy projects all hazardous waste is separated before incineration

## Green project: information & communication technology

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<p><b>9. Information &amp; communications technology</b></p>	<ul style="list-style-type: none"> <li>Remote solutions for appliance power management, and load-balancing of renewables.</li> <li>In situ power management including automatic switching, energy monitoring &amp; data system.</li> <li>Development and/or use of ICT solutions that are exclusively aimed at collecting, transmitting, storing data and at its modelling and use when these activities are aimed at the provision of data and analytics for decision making (by the public and private sector) enabling GHG emission reductions.</li> <li>Data hubs, including data storage centres using renewable energy sources with guarantee of origin and the data centre must comply with the European Code of Conduct for Data Centre Energy Efficiency and have a PUE &lt;1.5.</li> <li>Hardware and manufacture of hardware with sustainability certifications.                             <ul style="list-style-type: none"> <li>- EU energy label class A or above</li> <li>- Energy star certification"</li> </ul> </li> </ul>	<ol style="list-style-type: none"> <li>Number of meters of piping/ conduit/cables laid, upgraded or replaced.</li> <li>Annual energy savings in MWh/ GWh (electricity) and GJ/TJ (other energy savings) per year.</li> <li>(for data hubs/centers) Estimated reduced/avoided GHG emissions (tonnes CO2e) per year. If possible based on availability of data collected by ISB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.1 Develop quality, reliable, sustainable and resilient infrastructure.</li> <li>9.4 Upgrade and retrofit existing infrastructure to make industries sustainable.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 9.1 Support development of sustainable infrastructure.</li> <li>BA 9.4 Upgrade and retrofit infrastructure.</li> </ul>



## Blue project: eco-efficient products+

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>1. Eco-efficient and circular economy adapted products, production technologies and processes</b>	Loans to enterprises with selected sustainability certifications for products, services or processes.	1. Number of certified products sold (into categories e.g. Marine Stewardship Council, Friends of the sea).	Focus targets: <ul style="list-style-type: none"> <li>14.4 Effectively regulate harvesting and end overfishing.</li> <li>13.3 Improve education, awareness-raising and human and institutional capacity.</li> <li>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</li> </ul> Special Business actions: <ul style="list-style-type: none"> <li>BA 14.4 Design solutions that value natural capital.</li> <li>BA 12.1 Adapt a circular business model.</li> <li>BA 13.3 Develop products with negligible emissions.</li> <li>BA 12.2 Close material and energy loops.</li> </ul>
	Companies must benefit from selected sustainability certifications, or similar, on products, services or processes: <ul style="list-style-type: none"> <li>Marine Stewardship Council (MSC), possibly through the Icelandic Sustainable Fisheries (ISF)</li> <li>Aquaculture Stewardship Council (ASC),</li> <li>Best Aquaculture Practices (BAP),</li> <li>Global G.A.P. - The Worldwide Standard for Good Agricultural Practices.</li> </ul> If the ratio of certified products is 90% or higher based on revenue all loans to the company fall under this framework. See 'pure player' definition in Framework.	2. Weighted average of certified products sold vs. non certified products.	



## Blue project: pollution prevention

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>2. Pollution prevention and control</b>	Reduction, control and response management of land- or marine based sources of marine pollution, and sources of marine pollution. Electrification of harbours and fishmeal plants.	<ol style="list-style-type: none"> <li>1. Absolute in tonnes or % reduction in local pollutants.</li> <li>2. Absolute in decibel or % reduction in underwater noise pollution.</li> <li>3. Estimated reduced/avoided GHG emissions (tonnes CO2e) per year. If possible based on availability of data collected by ÍSB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>• 9.1 Support the development of sustainable infrastructure.</li> <li>• 12.4 Achieve the environmentally sound management to reduce their release to air, water and soil.</li> <li>• 14.1 By 2025, prevent and significantly reduce marine pollution of all kinds.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>• BA 9.3 Create innovation systems for sustainable development.</li> <li>• BA 14.1 Protect ocean ecosystems.</li> <li>• BA 12.2 Close material and energy loops.</li> </ul>



## Blue project: clean transportation

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>3. Clean Transportation</b>	Ferries, transport vessels and fishing vessels that operate on 100% on hydrogen, biofuels <sup>1,2,3</sup> , electricity or ammonia.	<ol style="list-style-type: none"> <li>Number of clean vessels deployed (categorized e.g. electric, LNG).</li> <li>Estimated reduced/avoided GHG emissions (tonnes CO<sub>2</sub>e) per year. If possible based on availability of data collected by ÍSB from its customer.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.1 Develop quality, reliable, sustainable and resilient infrastructure.</li> <li>11.2 Ensure universal access to quality transport.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 9.1 Support development of sustainable infrastructure.</li> <li>BA 13.2 Reduce operational emissions.</li> </ul>



Footnotes:

- 1: Only rapeseed oil that has a valid certification from any of the voluntary schemes approved by the EU commission for biofuels. [https://ec.europa.eu/energy/topics/renewable-energy/biofuels/voluntary-schemes\\_en](https://ec.europa.eu/energy/topics/renewable-energy/biofuels/voluntary-schemes_en)
- 2: Other first generation biofuels are not eligible.
- 3: As defined in Art. 2 (34) and Art. 2 (36) Directive (EU) 2018/2001 as well as certified low-ILUC biofuels are eligible.

## Government defined company support COVID-19

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<p><b>1. Government defined company support</b></p> <p><b>COVID-19</b></p>	<p>Companies must have &lt;250 full time employees as defined by European Commission for SMEs.</p> <p>Loans defined as COVID-19 support loans as guaranteed by the Central Bank. Those support loans are operating loans intended for companies that had income in the range of ISK 9 to 1,200 million in 2019. Income over a 60-day period in the year 2020 must be a.m. 40% lower than in the same 60-day period in 2019 and wage costs must have amounted to a.m. 10% of operating expenses in 2019. The loans can amount to up to 10% of companies' income in 2019. It will be possible to apply for support loans until the end of 2020, but they are subject to various conditions.</p> <p>Loans defined as COVID-19 supplemental loans as guaranteed by the Central Bank. Those support loans are operating loans intended for companies that had 40% lower income than in the same period in 2019 and wage costs must have amounted to a.m. 25% of operating expenses in 2019.</p>	<ol style="list-style-type: none"> <li>Number of companies supported.</li> <li>Average loan size.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.3 Increase access of SMEs to financial services and markets.</li> <li>8.5 Achieve full and productive employment and decent work for all women and men.</li> <li>8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 1.1 Create secure and decent jobs.</li> <li>BA 8.3 Create decent formal-sector jobs.</li> <li>BA 8.4 Drive economic growth sustainably.</li> </ul>



## Social project: affordable housing

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>2. Affordable housing</b>	<p>Lending in the development or refurbishment of housing that meets accredited or registered affordable housing definitions<sup>1</sup>, or contributes to access for Targeted Social Groups:</p> <ul style="list-style-type: none"> <li>including low-income</li> <li>socially vulnerable individuals and families</li> <li>elderly people</li> <li>individuals with disabilities</li> <li>a qualified segment of the homeless individuals</li> </ul>	<p>1. Number of dwellings.</p>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services.</li> <li>10.3 Ensure equality opportunity.</li> <li>11.1 Ensure universal access to quality housing.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 1.4 Create good jobs that improve lives.</li> <li>BA 10.4 Target the needs of disadvantaged populations.</li> <li>BA 11.3 Support access to essential services.</li> </ul>



### Footnote

1: 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.reglugerd.is/reglugerdir/effir-raduneytum/velferdarraduneyti/nr/0555-2016>.

## Social project: education and vocational training

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>3. Education and vocational training</b>	<p>Construction and/or rehabilitation of early childhood education facilities, primary and secondary schools, technical colleges, vocational training centres, establishments of higher education or specialised learning and/or research and development centres.</p> <p>Programmes involving training for the unemployed and in favour of disadvantaged populations, for professional reconversion, for providing training in natural or ecological disaster prevention and preparedness for members of the civil protection forces or for training of magistrates, administrators, civil servants and government officials; Adaptation of training centres in order to facilitate their access to persons with reduced mobility.</p> <p>Education-related research and development programmes; Training programmes in favour of vulnerable groups; Training for specialised staff in the education and vocational training sectors; Programmes for student loans.</p>	<ol style="list-style-type: none"> <li>Students reached.</li> <li>Number of education facilities and/or initiatives.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>10.2 Empower and promote the social, economic and political inclusion of all.</li> <li>4.5 Increase the number of youth and adults who have relevant skills.</li> <li>4.7 Ensure that all learners acquire the knowledge and skills needed.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 4.3 Implement programmes to support education.</li> <li>BA 4.4 Improve education access.</li> <li>BA 11.3 Support access to essential services.</li> <li>BA 10.4 Target the needs of disadvantaged populations.</li> </ul>



## COVID-19: MSMEs

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>4. Financial support for MSMEs</b>  <b>COVID-19</b>	<p>Financing/refinancing of loans to customers or projects with geo-scoring of areas with high unemployment/low income/low job creation, with potential targeting of specific sectoral activity codes.</p> <p>Companies must have &lt;250 full time employees as defined by European Commission for SMEs, be located in an economically underperforming region of Iceland (bottom 30%) based on either gross added value per head or unemployment percentage<sup>1</sup></p>	<ol style="list-style-type: none"> <li>Number of companies supported.</li> <li>Average loan size.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>9.3 Increase access of SMEs to financial services and markets.</li> <li>8.5 Achieve full and productive employment and decent work for all women and men.</li> <li>8.9 Devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 1.1 Create secure and decent jobs.</li> <li>BA 8.3 Create decent formal-sector jobs.</li> <li>BA 8.4 Drive economic growth sustainably.</li> </ul>



## Footnote

1. As defined by Icelandic Law: <https://www.althingi.is/lagas/nuna/2006003.html>

## Social project: Equality, diversity and empowerment

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>5. Equality, diversity and empowerment</b>	<p>Lending/financing to a micro-, small- and medium-sized enterprise (SME) (annual turnover of less than €50 million ) where:</p> <p>Gender balanced management level (40/60 gender ratio at management level) is required for eligibility.</p> <p>Lending/financing to a micro- and small-sized enterprise (MSE) where at least one of the owners of the enterprise is a woman or part of a disadvantaged target group, or lending/financing to a non-MSE) where at least one third of the owners are women or from the disadvantaged target group<sup>1</sup>.</p>	<ol style="list-style-type: none"> <li>Number of loans to gender balanced companies</li> <li>Number of loans to women and/or disadvantaged target group.</li> </ol>	<p>Focus targets:</p> <ul style="list-style-type: none"> <li>5.5 Ensure women’s full and effective participation and equal opportunities for leadership.</li> <li>5.9 Adopt and strengthen sound policies and legislation for the promotion of gender equality.</li> <li>10.2 Empower and promote the social, economic and political inclusion of all.</li> </ul> <p>Special Business actions:</p> <ul style="list-style-type: none"> <li>BA 5.1 Prevent gender-based discrimination.</li> <li>BA 5.4 Promote gender equality.</li> <li>BA 10.3 Support equality of opportunity.</li> </ul>



Footnote:

1: As defined here: <https://eige.europa.eu/thesaurus/terms/1083>

## Social project: Affordable basic infrastructure

Project Category	Criteria & Threshold	Impact Indicators	UN SDG indicators
<b>6. Affordable basic infrastructure</b>	Fibre optic and cable networks. Supporting infrastructure such as internet exchange points outside of the capital region to improve access to internet.	1. Number of meters of piping/conduit/cables laid, upgraded or replaced.	Focus targets: <ul style="list-style-type: none"> <li>9.1 Develop quality, reliable, sustainable and resilient infrastructure</li> <li>9.2 Promote inclusive and sustainable industrialization</li> <li>11.3 Ensure inclusive and sustainable urbanisation, planning and management.</li> </ul> Special Business actions: <ul style="list-style-type: none"> <li>BA 9.1 Support development of sustainable infrastructure.</li> <li>BA 9.4 Upgrade and retrofit infrastructure.</li> <li>BA 11.3 Support access to essential services</li> </ul>
	Construction, operation or upgrading of basic infrastructure, such as clean drinking water, sewers, and sanitation	2. Number of dwelling provided access 3. Number of infrastructure projects to increase essential services.	
	Activities involving the development, expansion or acquisition of buildings, facilities, or equipment relating to infrastructure for hospitals, laboratories, clinics, healthcare and hospices that are broadly accessible to the whole public.		



### Governance: project evaluation and selection

As with all lending activities, all potential Sustainability Loans will undergo Íslandsbanki's robust standard credit process which is designed to ensure compliance with applicable domestic and international rules and regulations, Know-Your-Customer processes and the Bank's internal policies and guidelines, such as related to Credit, Anti-Money Laundering, Counter-Terrorist Financing and Sanctions policies. Moreover, potential Environmental, Social, and Governance (ESG) risks are assessed.

Íslandsbanki's CEO is responsible for all its Sustainability activities. The Bank's CFO is responsible for the management and funding activities of this Framework. The Managing Directors of Corporate and Investment, Business, and Personal Banking divisions are responsible for lending activities under this Sustainability Financing Framework. The Bank has in place a Sustainability Steering Committee which senior representatives from all business departments, Finance, Risk Management, and the Sustainability Manager take part in.

### Management of proceeds

**Tracking of net proceeds.** Íslandsbanki uses its Sustainability Registry, on a portfolio basis, to keep track of Eligible Assets as well as a separate Registry for its Sustainability Instruments. Íslandsbanki will strive, over time, to achieve a level of allocation for Eligible Assets which matches or exceeds the balance of net proceeds from its outstanding Sustainability Instruments.

The Sustainability Registries ensure that Sustainability net proceeds only support the financing of Sustainability Loans or to repay Sustainability Instruments.

**Temporary Holdings.** While any proceeds or Sustainability Instruments remain unallocated to Sustainability Loans, Íslandsbanki will temporarily hold or invest any unallocated net proceeds at its own discretion in its liquidity portfolios.

### Reporting

Íslandsbanki will annually provide the following Allocation and Impact Reporting published on its website [islandsbanki.is](http://islandsbanki.is) at a concurrent time as its Annual and Sustainability Report.

The Annual Allocation and Impact Report will be based on best market practices and will include, at least:

#### Allocation reporting

- A summary of general sustainable funding developments.
- Outstanding amounts of issued Sustainability Instruments.
- Total allocation to each Eligible Project Category, contributing to the balance of Eligible Assets in the Sustainability Registry.
- A new financing vs. refinancing ratio.

#### Impact

- Impact reporting as defined in the Eligible Project Category table.
- Energy production/savings and greenhouse gas savings are considered the most relevant and will be prioritised when possible.

The impact assessment is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis.

## 4. Second party opinion and assurance

### Second party opinion

Sustainalytics has provided a second opinion to this Framework verifying its credibility, impact and alignment with the International Capital Market Association's (ICMA) Green Bond Principles (2018), Social Bond Principles (2020), and Sustainability Bond Guidelines (2018). This Second party opinion can be found at [islandsbanki.is](https://islandsbanki.is).

### Assurance

An independent assurance provider will provide on an annual basis limited assurance that an amount equal to the Net proceeds has been allocated to Sustainable Loans.

## 5. Supporting Documents

Publicly available documents. The Sustainable Financing Framework, the second party opinion, the limited assurance, the impact assurance, and the Annual

Report will all be publicly available on Íslandsbanki's website: [islandsbanki.is](https://islandsbanki.is) along with other relevant documents.

<b>Name of Bank Policies</b>	<b>Date of approval</b>
<u><a href="#">Code of Conduct</a></u>	October 2, 2019
<u><a href="#">Compliance Policy</a></u>	October 2, 2019
<u><a href="#">Sustainability Policy</a></u>	December 18, 2019
<u><a href="#">Suppliers Code of Conduct</a></u>	June 9, 2020
<u><a href="#">Corporate Governance Statement</a></u>	February 12, 2020
<u><a href="#">AML Policy</a></u>	May 8, 2020
<u><a href="#">HR Policy</a></u>	October 6, 2020

## Disclaimer

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