



Impact and Allocation Report 2024

For Arion Bank's Sustainable Financing

June 2025



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Introduction

Arion Bank has financed green loans to retail and corporate customers under its green financing framework since 2021. The framework has been invaluable in issuing green bonds and raising green deposits and also augmenting the Bank's range of environmentally friendly products. In 2024, the Bank completed an extensive overhaul of the framework, and a new sustainable financing framework was published in August. Lending to projects in the circular economy is now incorporated into the framework, as are projects which have a particularly positive impact on society. The goal is for 20% of the Bank's total loans to be classified under the sustainable financing framework by 2030.

To reach the goals of the Paris Agreement to keep global warming below 1.5 degrees Celsius, massive amounts of capital will need to be directed towards projects and initiatives that reduce or eliminate greenhouse gas (GHG) emissions, support the transition from fossil-based fuels and diminish the adverse impact to the environment. Arion Bank's sustainability journey is about excelling in sustainability and climate-related initiatives in order to minimize its negative environmental impact.

The Bank is committed to helping Iceland meet its obligations under the Paris Agreement and other domestic and international environment and climate treaties. We support Iceland's ambitious plans to have net zero emissions by 2040, and the Bank is aiming to reach net-zero the same year.

We are setting ambitious targets and will publish the results of progress in areas where we have the greatest impact, such as buying, our own activities, lending and the Bank's own investments. Read more about Arion Bank's sustainability commitments in our Annual and Sustainability Report 2024.

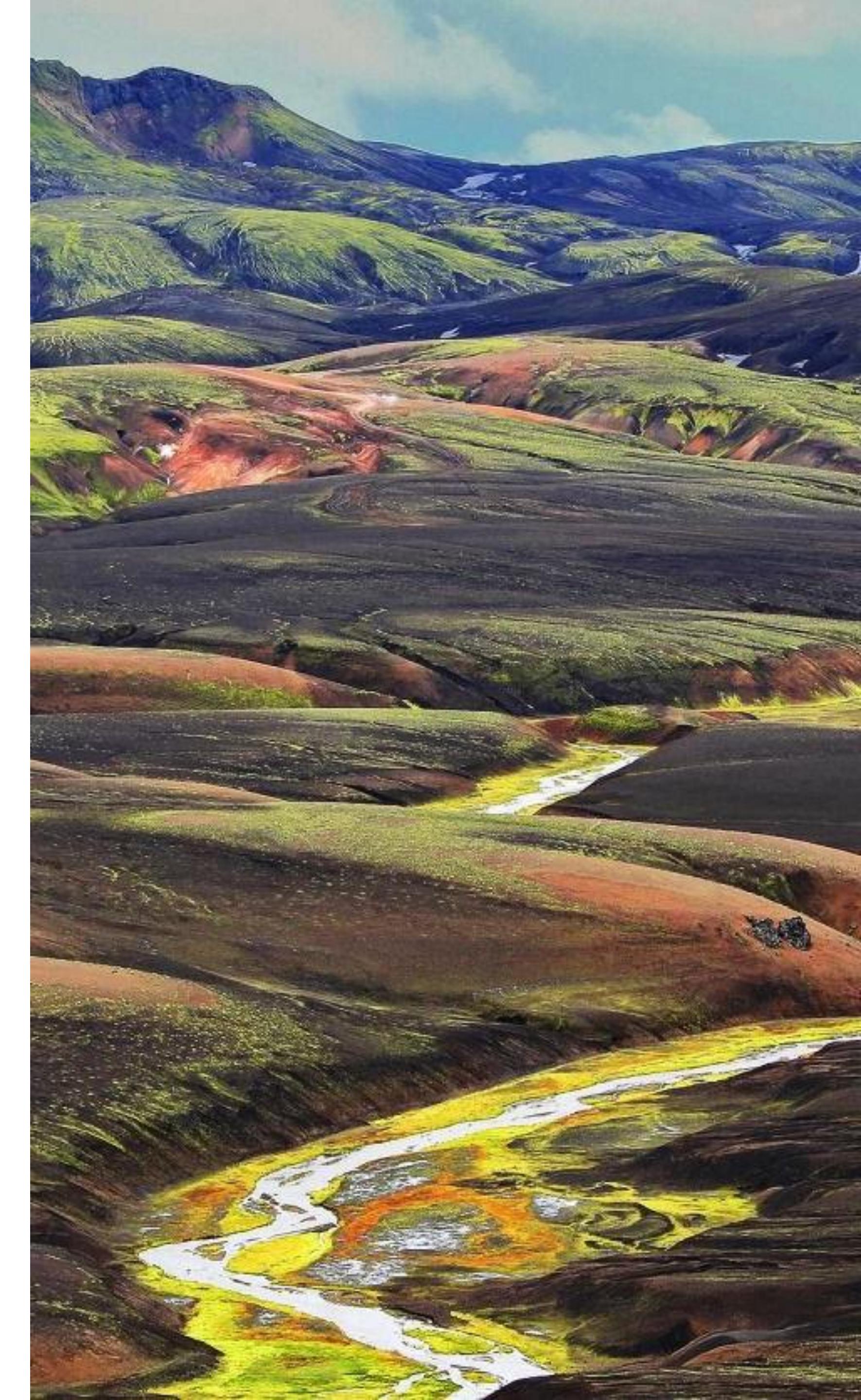
Sustainable finance for the future

Projects eligible for green loans include energy savings, the transition to greener transportation, green certified buildings, sustainable fisheries, and renewable energy. Projects eligible under the social categories aim at improving accessibility to housing, education, healthcare or promote job creation. The Bank has thereby pledged to use the proceeds it obtains on the credit markets through the financing framework for green loans and projects with a positive social impact to businesses and individuals as defined in the framework.

Arion Bank currently has four outstanding green bond issues, two of which were issued in 2024. We have yet to issue designated social or sustainable bonds and therefore all impacts presented in this report refer to projects under the green categories. We are looking forward to issuing sustainable bonds and will report on the positive societal impacts accordingly.

The framework has received a positive second-party opinion (SPO) from ISS Corporate, which evaluated the quality of the framework in terms of its contribution to the UN Sustainable Development Goals (SDGs) and the eligibility of projects according to the technical screening criteria of EU Taxonomy (assessment of substantial contribution to climate change mitigation). The review confirms that the framework is aligned with leading international standards, including ICMA and LMA standards in terms of use of proceeds, project evaluation, proceeds management, and reporting. The financed projects are positively aligned with the UN SDGs, contributing to climate mitigation, biodiversity protection, and social inclusion.

The SPO concludes that Arion Bank's framework is consistent with its sustainability strategy and demonstrates a high level of environmental and social ambition. Deutsche Bank acted as ESG Structurer for Arion Bank on the Sustainable Financing Framework.





Sustainable Financing Framework

Arion Bank's Sustainable Financing Framework

The framework is based on the latest versions of the Green Bond Principles 2021 (with June 2022 Appendix), the Social Bond Principles 2023, the Sustainability Bond Guidelines 2021 published by the International Capital Markets Association (ICMA) and the Green Loan Principles as well as the Social Loan Principles published by the Loan Market Association (LMA) in 2023. When defining criteria for eligible assets that may have an impact on the marine environment, we consider the Guidance for Blue Finance, released by ICMA.

The Framework describes the characteristics and process for the issuance of Arion Bank's 'Sustainable Financing Instruments', which include, but are not limited to (Covered) Bonds, Loans, Commercial Papers ('CPs'), Repurchase Agreements ('Repos') and Deposits in Green, Social or Sustainable Format.

The framework consists of the following core components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review, including post issuance verification.

[Arion Bank's Sustainable Financing Framework](#)

[Second party opinion from ISS Corporate](#)

Use of proceeds

Arion Bank strives to reach the full allocation of proceeds within 24 months after each issuance. An amount equivalent to the net proceeds of any Arion Bank Sustainable Financing Instruments will be used to finance or re-finance project finance loans, general corporate loans or any equity or own investments in tangible or intangible assets which support the transition to a low-carbon economy, social development and contribute to the SDGs.

To be eligible, the loan or investment must fall in at least one of the eligible categories. In the case of general corporate loans, at least 90% of the turnover of the corporation needs to be attributable to eligible sectors and fulfil the respective requirements. Sustainable fisheries that have a 90% or higher proportion of their catch from MSC certified species have been categorized as eligible under the respective category.

Updated methodology on green residential housing

An updated methodology for calculating which kind of housing classifies as green was established in connection with the Sustainable Financing Framework. The report was prepared by the engineering firm COWI on behalf of the Bank. COWI (formerly Mannvit) previously published the first report of this kind in Iceland in relation to Arion Bank's Green Financing Framework, and it was a vital contribution to the discourse on green buildings on the domestic property market.

[COWI's report on green mortgages](#)





Arion Bank's Sustainable Financing Framework has twelve project categories

Overview of each eligibility criteria



Sustainable marine value chains and marine ecosystem management

Described as financing related to sustainable marine fisheries, land-based sustainable aquaculture operations, seafood supply chain, protection, conservation, and restoration of marine ecosystems. Carbon negative microalgae production in Iceland is eligible if meeting stringent requirements.



Sustainable forestry and agriculture

Financing related to certified forest carbon projects, sustainable forestry, agriculture or horticulture, including investments in the areas of sustainable forest management and sustainable forestry assets or the promotion of measures to reduce GHG emissions in the respective sectors. Greenhouses using renewable energy for heating and grow lights fulfill this criteria.



Sustainable waste and wastewater management

Described as financing related to technologies, processes and associated infrastructure supporting waste prevention, waste reduction, waste recycling as well as sustainable wastewater management and related infrastructure.



Circular economy adapted products, production technologies and processes

Eligible assets related to the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services.



Renewable energy

Eligible assets related to renewable energy power (geothermal, hydro-, wind, solar and ocean power) and manufacture and utilization of biogas.



Clean transportation

Described as financing related to sustainable passenger and freight transport, including vessels and related sustainable infrastructure. Zero direct tailpipe CO₂ emission vehicles are automatically eligible while other vehicles with emission intensity under 50g CO₂/km are eligible until the end of 2025.



Affordable housing

Eligible assets related to supporting housing bodies, that enable the provision of affordable housing in accordance with accredited or registered affordable housing definitions and loans for first time buyers. Target group includes tenants meeting the criteria in Icelandic Regulation based on affordable housing definition and first-time buyers.



Education

Described as financing related to increasing access to quality and accessible education and vocational training and to quality, safe and affordable student housing. Target group includes students and adults benefitting from vocational training (immigrants).



Green buildings

Financing the construction of energy efficient new buildings, operation of existing buildings or renovation of existing buildings (with a minimum energy efficiency upgrade) in the commercial or residential real estate sector. Buildings that meet certain certification standards or fall under the green residential housing methodology by COWI are included.



Energy efficiency

Eligible assets include the construction, implementation, maintenance and operation of facilities, infrastructure or appliances that reduce the use of energy or GHG emissions. Data-driven solutions for GHG emission reduction and efficient data centres also fall under this category.



Healthcare

Described as financing related to increasing access to quality, timely and accessible healthcare, including for elderly and people with specific health conditions. Target group includes the general public, individuals with specific physical and/or mental conditions, including cognitive deficit(s), elderly people, and individuals in need of rehabilitation services.



Employment generation and alleviate unemployment

Described as financing aimed at employment generation, and programs designed to prevent and/or alleviate unemployment and inequality stemming from multiple sources including socio-economic crises, through the potential effect of SME financing and microfinance. Target group includes female and first-generation immigrant SME owners, and SMEs negatively impacted by crises.



Executive summary for green financing 2024

Total committed green finance

148.3 bn ISK

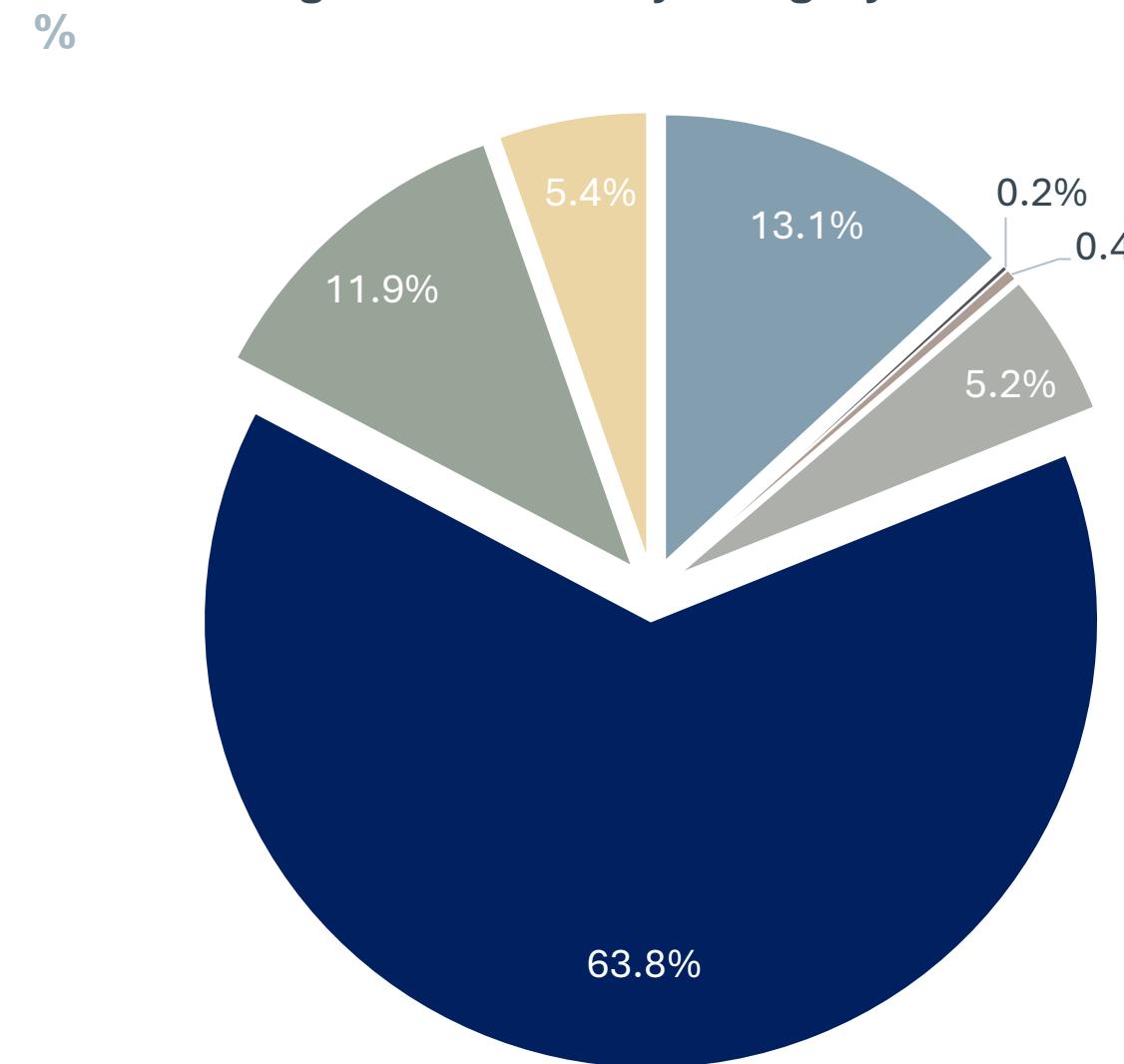
Outstanding amount of green finance

59.0 bn ISK

Number of green loans

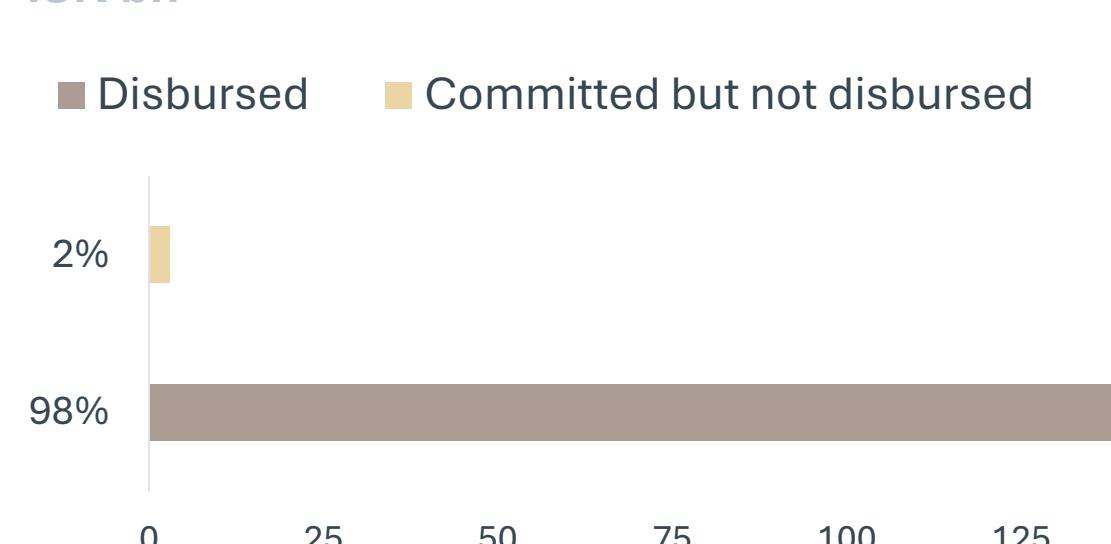
6,369

Committed green finance by category

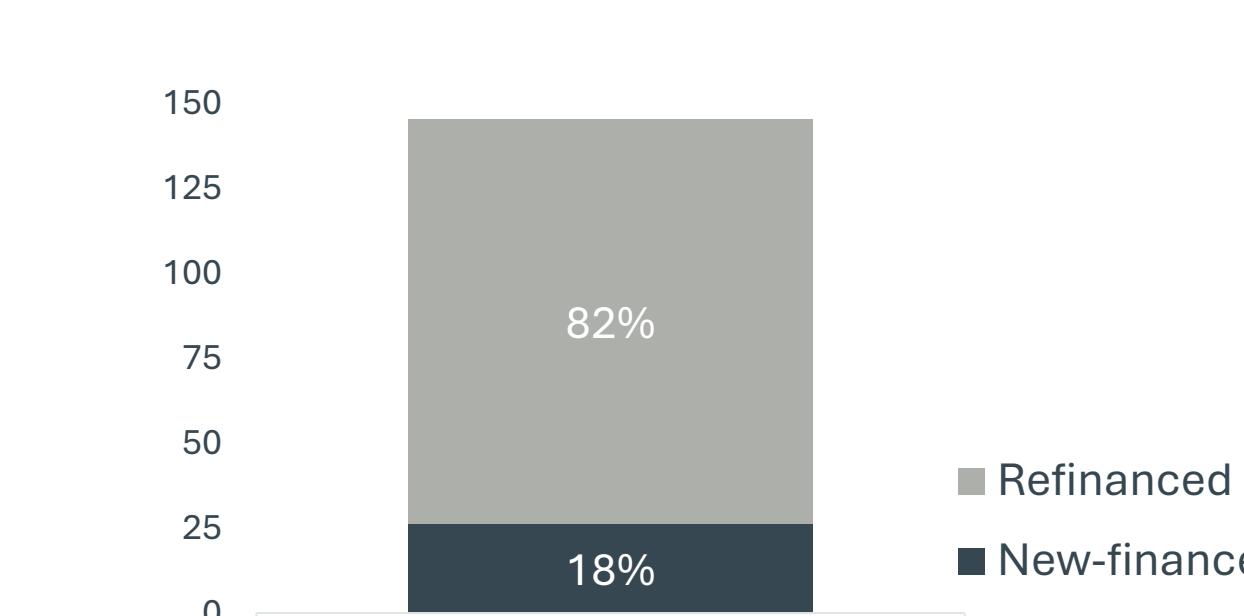


- Sustainable marine value chains and marine ecosystem management
- Sustainable forestry and agriculture
- Renewable energy
- Clean transportation
- Green buildings
- Energy efficiency
- Sustainable waste and wastewater management

Disbursed vs. committed but not disbursed

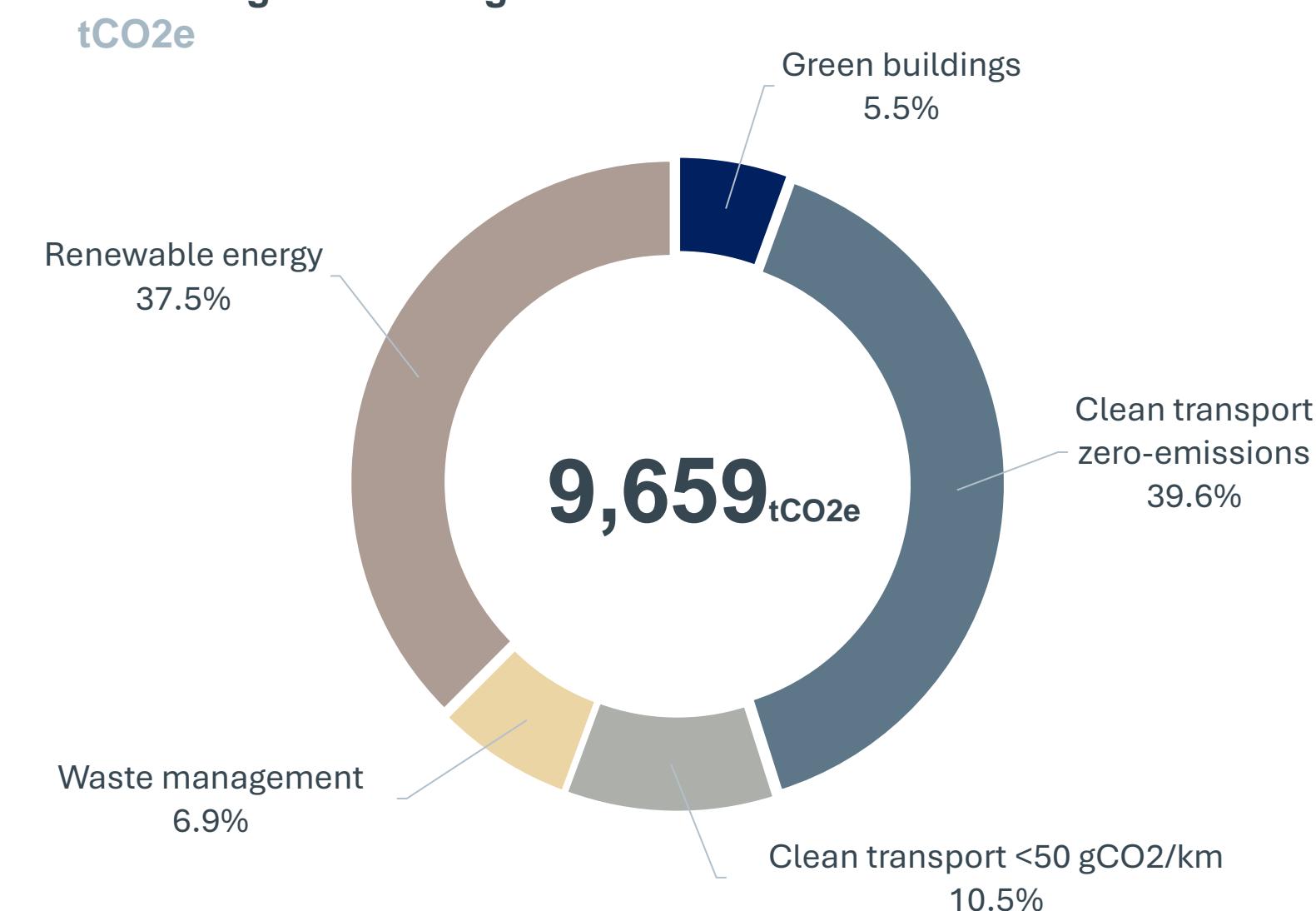


New finance vs. refinancing in 2024



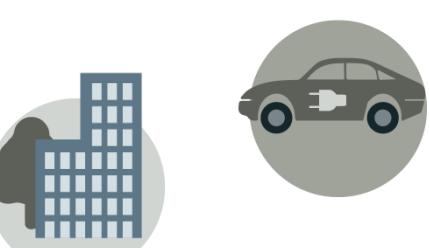
“New financing” is defined as the amount of Green Eligible Loans originated to the Eligible Portfolio in the reporting year and “refinancing” signifies Eligible Green Loans originated prior to that.

Avoided greenhouse gas emissions in 2024



Number of green vehicles

2,440



Number of green housing

2,349



Square meters of green housing

236,654 m²



Avoided GHG emissions equal

32,197

return flight tickets from Reykjavík to Copenhagen



Executive summary for green financing 2024

Total green instruments issued

89.3 bn ISK

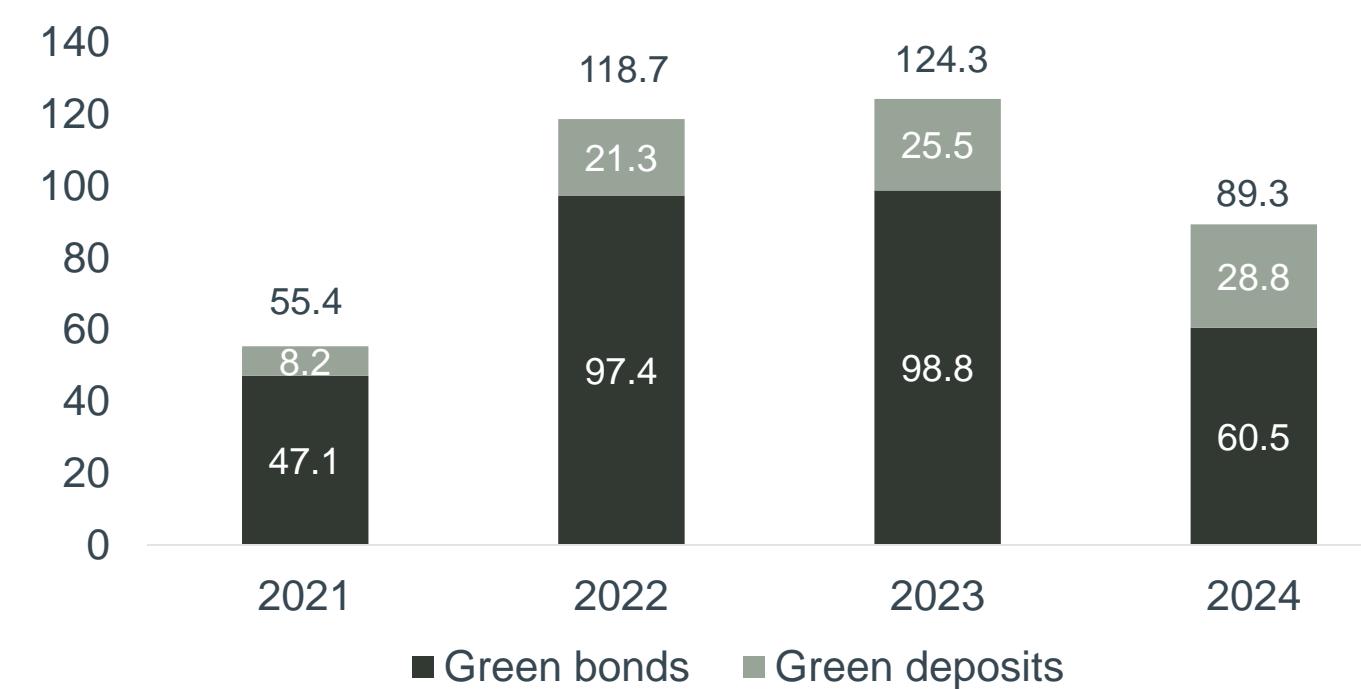
Green bonds issued in 2024

12.5 bn ISK

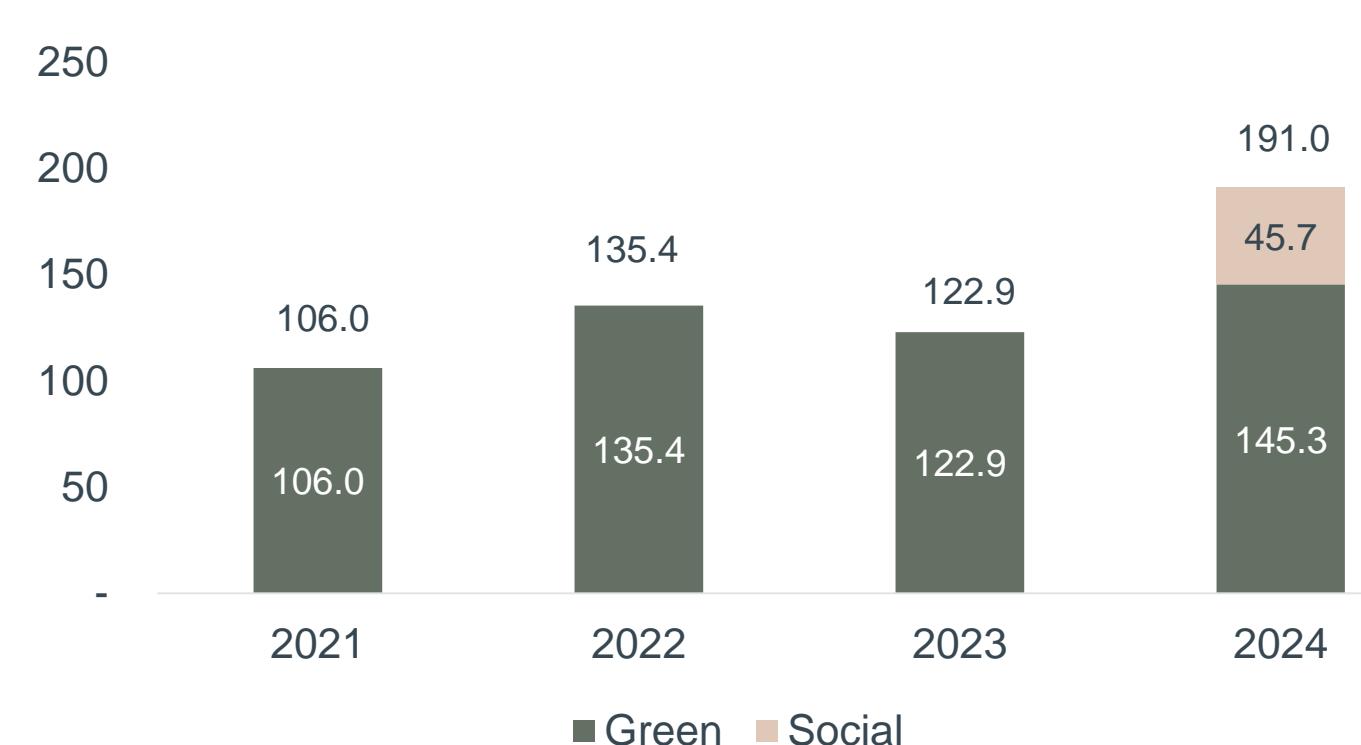
Green deposits at the end of 2024

28.8 bn ISK

Total bond issues and deposits
ISK bn



Total book value of sustainable lending
ISK bn

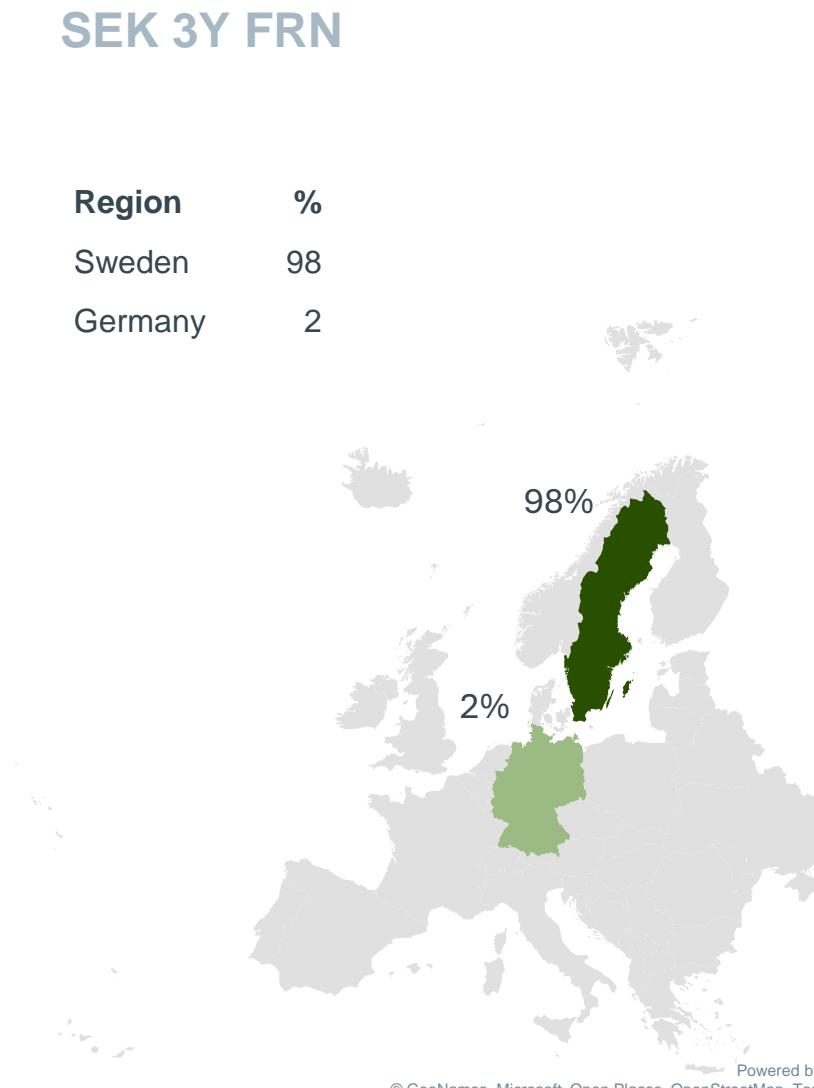


Investor breakdown of green bonds issued in October 2024

SEK 3Y FRN

Region

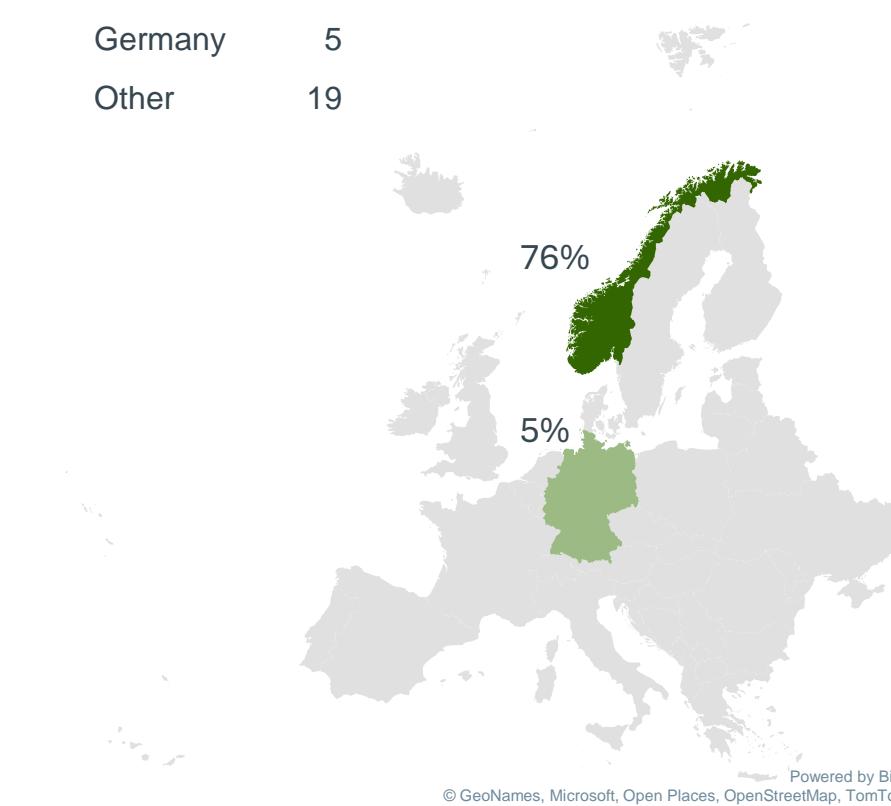
Region	%
Sweden	98
Germany	2



NOK 3Y FRN

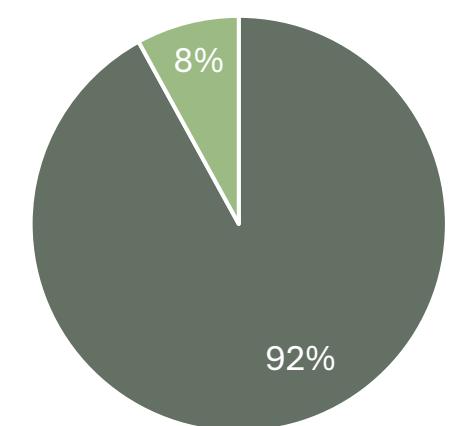
Region

Region	%
Norway	76
Germany	5
Other	19



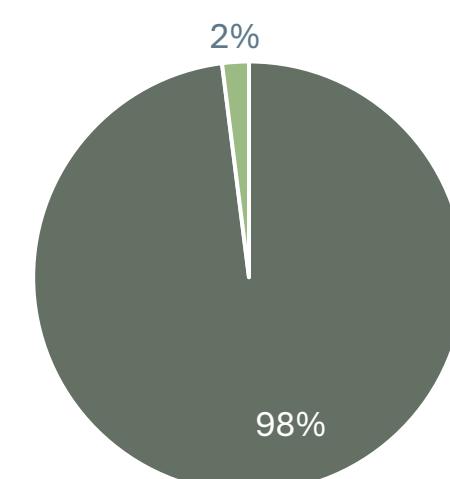
SEK 3Y FRN

Asset managers
Banks/Private banks



NOK 3Y FRN

Asset managers
Banks/Private banks



Green bond timeline

- Outstanding green issue
- Matured green issue

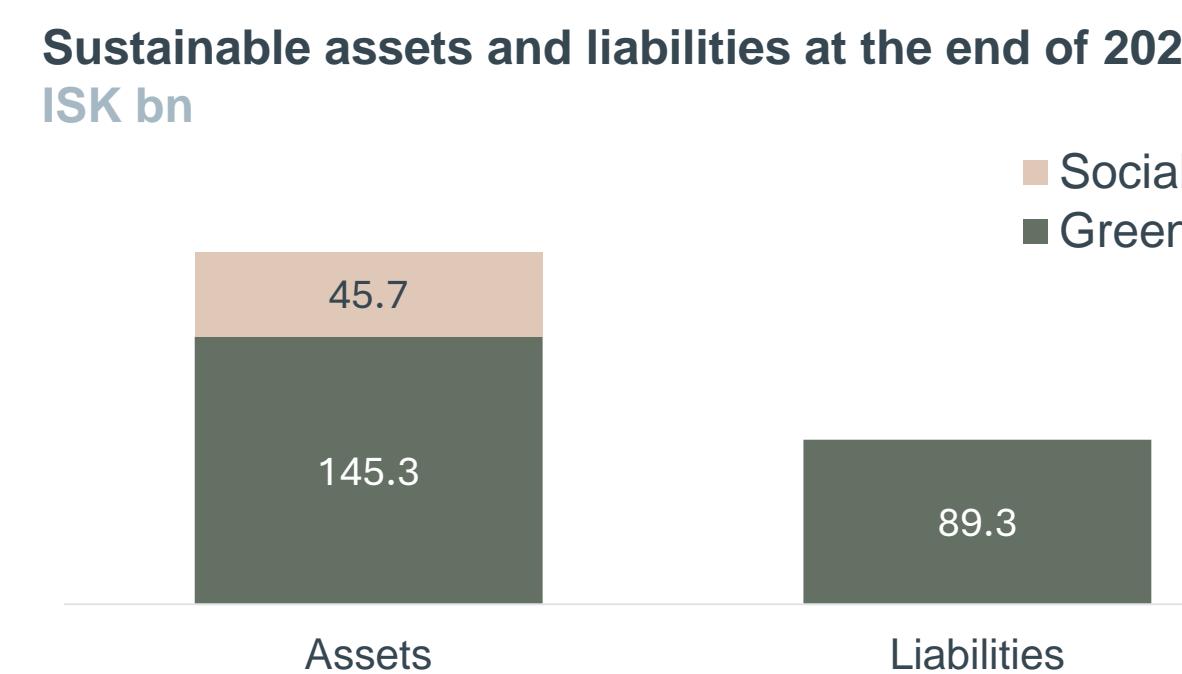
July 2021 EUR 300m
December 2021 ISK 5.76bn
January 2022 ISK 6.02bn
September 2022 EUR 300m
October 2024 SEK 500m
October 2024 NOK 500m



Green bonds

Arion Bank has over the years built up a constructive relationship with investors in the international and domestic debt markets. The Bank is proud to offer green bonds to its investors. Through these instruments, the Bank can, together with its investors, promote and support the long-term development of sustainable solutions by financing or refinancing green projects.

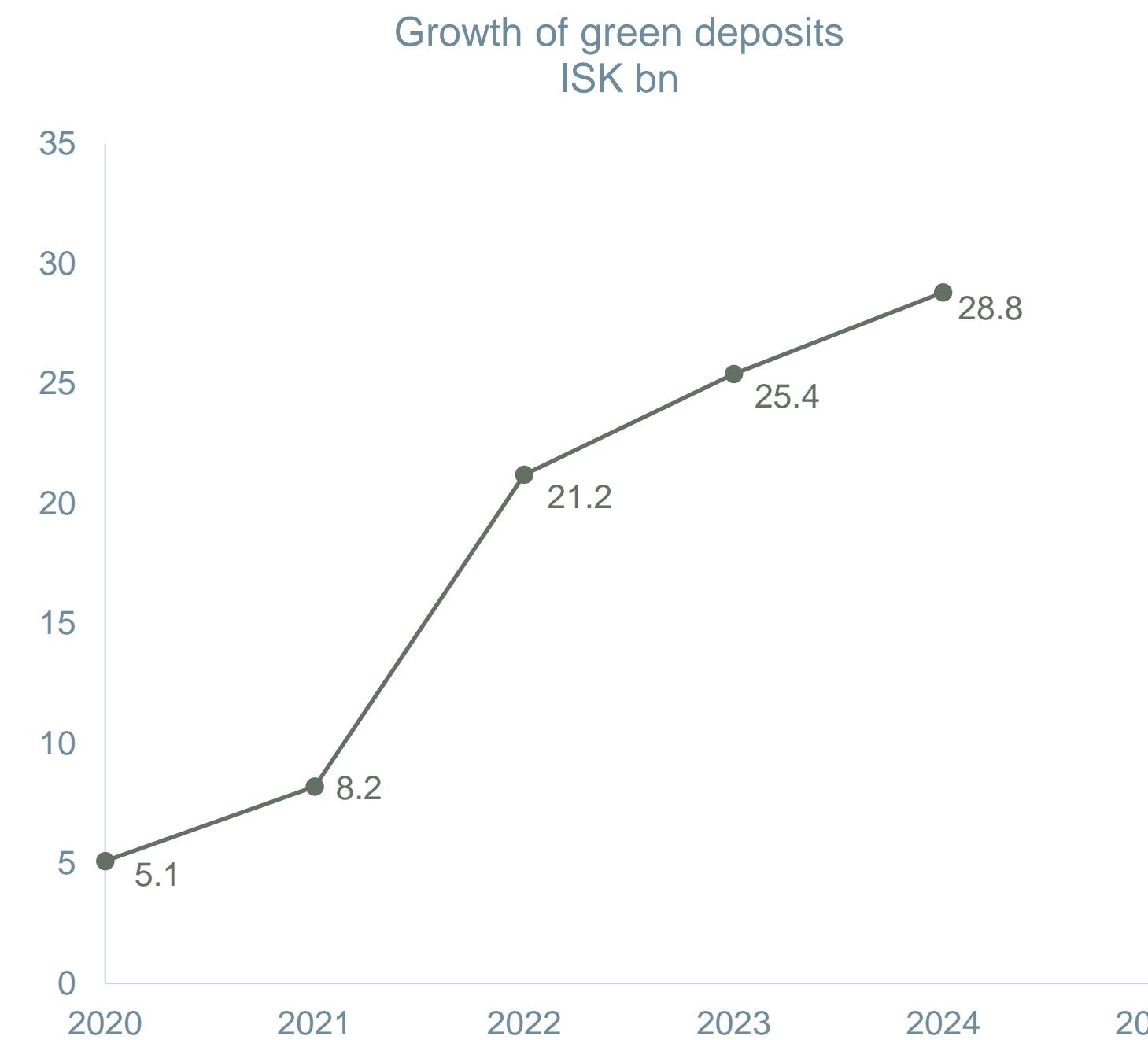
Since Arion Bank first established a green financing framework in 2021, the Bank has regularly issued green bonds, both domestically and internationally. In 2024, the Bank issued green bonds in Norwegian kroner and Swedish kronor based on the new sustainable financing framework. The Bank's liabilities in terms of sustainable financing in bonds and deposits amounted to ISK 89.3 billion at year-end. During the year two green issues matured which resulted in a substantial decrease in liabilities between years.



EUR Green Bond July 2021		ISK Green Bond Dec 2021		SEK Green Bond Oct 2024		NOK Green Bond Oct 2024	
Issuer	Arion Bank hf.	Issuer	Arion Bank hf.	Issuer	Arion Bank hf.	Issuer	Arion Bank hf.
ISIN	XS2364754098	ISIN	IS0000033710	ISIN	XS2915465012	ISIN	XS2915465442
Type	Green Senior Unsecured	Type	Green Senior Unsecured	Type	Green Senior Unsecured	Type	Green Senior Unsecured
Size	EUR 300m (ISK 44bn)	Size	ISK 5.76bn	Size	SEK 500m (ISK 6.3bn)	Size	NOK 500m (ISK 6.2bn)
Tenor	4-year	Tenor	5-year	Tenor	3-year	Tenor	3-year
Issue date	14 July 2021	Issue date	22 December 2021	Issue date	8 October 2024	Issue date	8 October 2024
Maturity date	14 July 2025	Maturity date	22 December 2026	Maturity date	20 October 2027	Maturity date	20 October 2027
Issue rating	BBB+ (S&P)	Issue rating	-	Issue rating	-	Issue rating	-
Spread	MS+80 bps	Spread	-	Spread	3m STIBOR + 120 bps	Spread	3m NIBOR + 120 bps
Coupon	0.375% Fixed	Coupon	4.7% Fixed	Coupon	Floating STIBOR + 120 bps	Coupon	Floating NIBOR + 120 bps
Listing	Luxembourg SE	Listing	Reykjavik	Listing	Luxembourg SE	Listing	Luxembourg SE
Sustainable assets at the end of 2024		191.0 bn ISK		Sustainable assets relative to liabilities		214%	
Potential for bond issues		101.7 bn ISK					



Green deposits



Green deposits						
Start date	Distribution 31.12.24	Amount 31.12.20	Amount 31.12.21	Amount 31.12.22	Amount 31.12.23	Amount 31.12.24
23 June 2020	46% individuals 54% institutions and companies	ISK 5.1bn	ISK 8.2bn	ISK 21.2bn	ISK 25.4bn	ISK 28.8 bn

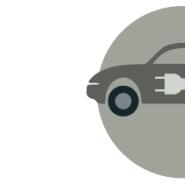
In 2020 Arion Bank became the first Icelandic bank to launch green savings, via the offering of Green Deposits. Initially, funds were used solely to finance green car loans, supporting the transition to sustainable energy in transport. Due to the popularity of Green Deposits the Bank broadened the scope and at the end of the year 2021 Green Deposits were incorporated into the Green Financing Framework.

Green Deposits is a savings account designed for individuals, NGOs and companies wanting to contribute towards a greener future. The deposits are used to fund projects under the sustainable financing framework. The account is a non-indexed demand account, which means savers can withdraw their money whenever they want.

Deposits have grown steadily and after a major increase from ISK 8.2 billion in 2021 to 21.2 billion in 2022, the growth has been around ISK 4 billion a year. At the end of 2024, green deposits amounted to almost ISK 29 billion. By investing in Green Deposits at Arion Bank our customers are making a positive contribution to the future.



Impact of our Green Financing in 2024



Project Category	Sustainable marine value chains	Sustainable forestry and agriculture	Renewable energy	Clean transportation	Green buildings	Energy efficiency	Sustainable waste and wastewater management	Circular economy	Total
Disbursed amount 31.12.2024 in million ISK	19,075	271	608	7,545	92,689	17,309	7,799	-	145,296
Committed finance 31.12.2024 in million ISK	19,998	271	608	7,545	94,302	17,309	8,246	-	148,278
Annual emission avoided (tons CO2e)			3,624	4,835	536		664		9,659

Certification	7 projects with MSC certification 1 project with ASC certification
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Installed capacity	5 MW	1,9 MW at electric charging points
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UN SDGs									
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Harvested MSC certified fish	37,074 tons	Green energy produced	19,662 MWh	Annual energy savings	11,802 MWh	Recycled material	131,938 tons
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Green buildings Case study

"I am of the opinion that certification represents a guarantee of the quality of the planning. When you have eco-certified planning, not only the environmental impact is examined. The certification process also requires designers and owners to consider all factors affecting the quality of planning. This leads to disciplined procedures and ensures that no other factors are neglected."

- Þorgerður Arna Einarsdóttir, CEO of Landey



Arnarland – BREEAM Communities

The Arnarland project is a new urban development located in Garðabær, a municipality in the Capital Region of Iceland. Arion Bank holds an ownership stake in the Arnarland site, where approximately 450 residential units and 36,000 m² of commercial and retail property, including a health and technology cluster, are being constructed. Emphasizing sustainable urban design, the development incorporates eco-friendly transportation options, accessible green spaces, and the integration of natural elements into the urban environment.

The residential areas are designed to integrate seamlessly with the existing neighborhoods of Garðabær and Kópavogur. Active frontages will be employed to promote public life in the streets and the design approach aims to harmonize with the surrounding topography and existing urban patterns, ensuring optimal sunlight exposure and visual corridors between buildings.

Emphasis is placed on integrating natural elements into urban planning to enhance residents' well-being and promote biodiversity. A central feature is the Green Corridor, a north-south green space that connects various recreational areas and incorporates blue-green infrastructure solutions, such as green roofs, rain gardens, and retention ponds. These measures aim to manage stormwater sustainably, reduce flood risks, and support diverse ecosystems.

Sustainable transportation is prioritized through the integration of diverse mobility options, including a planned stop for the Borgarlína rapid transit system. A connected network of pedestrian and cycling paths links key destinations and green areas, supported by secure bicycle storage. Most vehicle parking will be located in underground or adaptable structures to reduce surface traffic and promote environmentally friendly travel.

A significant feature is a proposed health cluster designed to accommodate a range of health-focused businesses and services. This cluster aims to serve both the local community and the broader region, highlighting accessibility and integrated urban living. Residential courtyards are designed as shared spaces for relaxation, socializing, and urban gardening, fostering a healthy and connected neighbourhood environment.

The Arnarland local plan demonstrates a commitment to sustainable development by aligning urban design with the comprehensive standards set forth by BREEAM Communities.





Green buildings

Case study

The BREEAM Communities standard provides a framework to support planners, local authorities, developers and investors to integrate and assess sustainable approach in the masterplanning of new communities and regeneration projects.

BREEAM Communities assesses masterplans based on more than 40 criteria across five categories; governance, social and economic well-being, resources and energy, land use and ecology and transport and movement. The aim is to ensure that the resulting built environment supports long-term resilience, inclusivity, and sustainability.

Each project is awarded a final rating along with the certificate and eligible assets under Arion Bank's Sustainable Financing Framework must hold a rating of "very good" or above.

Blikastaðaland – BREEAM Communities

Blikastaðaland is a land area located in Mosfellsbær, a municipality in the Capital Region of Iceland. The site is owned by Arion Bank and is currently undergoing a detailed local planning process aimed at developing a sustainable, mixed-use neighbourhood. The Blikastaðaland local plan is being developed in parallel with an environmental certification process under the internationally recognized BREEAM Communities framework. This certification system promotes sustainable urban growth by integrating environmental, social, and economic considerations into the planning process.

Nature-based approaches in urban planning serve as a strategic focus in the development of Blikastaðaland. The project places strong emphasis on the integration of built environment and nature, sustainable mobility, blue-green stormwater solutions, social and urban quality, and enhanced biodiversity. The planning process at the local level will elaborate on the framework set by the municipal master plan, particularly regarding urban form, ecological connections, development density and integration with the surrounding neighbourhood.

As part of the planning process, an environmental assessment will be conducted in accordance with Icelandic law. The assessment includes a systematic evaluation of key environmental factors such as land use and water protection, biodiversity, public health, visual appearance, cultural heritage, and transportation impacts.

A key objective is to ensure high-quality urban design that determines the number of housing units, estimated at 1,200–1,500 dwellings. Comprehensive mobility assessments and impact analyses will support reduced traffic loads and improved safety, especially for pedestrians and cyclists.

The spatial strategy complies with the vision and guiding principles of the Reykjavík Capital Area 2040 regional plan, especially its commitment to sustainable urban expansion, integrated transport systems including Borgarlína rapid transit system, and maximizing the use of existing infrastructure.





Sustainable marine food chain Case study

“Unlike open-pond systems that require significant land and water resources, our controlled photobioreactor system maximizes efficiency while reducing energy demand, further lowering the overall carbon footprint.”

- Kristinn Hafliðason, General Manager at VAXA Technologies Ltd.



VAXA Technologies - Algaculture

VAXA Technologies is a high-tech food production company with facilities located at Hellisheiði in Iceland, integrated with one of the world's largest geothermal plants. The production platform transforms the plant's waste outputs into sustainable resources for growing high-quality, pathogen-free, fresh microalgae used in protein-rich products and Omega 3 supplements. Leveraging waste heat, natural CO₂ emissions, and both hot and cold water from the plant results in carbon-negative operations.

Geothermal-powered production eliminates reliance on fossil fuel-based electricity, ensuring that the facility operates entirely on renewable Icelandic geothermal energy. Through unique management of culture and light in a sealed, indoor, bio-secured facility, the production process requires less than 1% of fresh water and land footprint, compared to industry standards.

Microalgae naturally absorbs atmospheric CO₂ during its growth cycle, and the cultivation process enhances CO₂ fixation efficiency, ensuring the algae removes more CO₂ than it emits. This biofixation process plays a crucial role in reducing greenhouse gas concentrations. The net carbon balance takes into account the GHG emissions of the cultivation process, stemming mainly from energy and fertilizer usage, but optimized nutrient inputs minimize the use of synthetic fertilizers, avoiding emissions associated with nitrogen-based compounds.

Microalgae is rich in protein, and unlike other plant-based sources such as soy, it contains a complete essential amino acid profile and is rich with phyco-nutrients. VAXA produces nutrition supplements, natural colorants, and protein drop-ins for meat substitutes from spirulina, a blue-green algae with recorded nutritional and potential therapeutic benefits.

Spirulina grown at VAXA's facilities achieve a carbon-negative footprint of -8.56 kg CO₂e per kilo of dry biomass.¹ That is substantially lower than the industry standard estimate of 68.34 kgCO₂e/kg.² The project is verified by 3rd party validation and verification body Earthood. The presence of unopposed Vitamin B12, alongside iron and essential amino acids, makes the spirulina a groundbreaking plant-based alternative to beef, offering nutritional values unmatched by any other biomass. By comparing the production process of a supplement with beef cattle farming, substantial emission reduction and resource saving on an equal nutritional bases are identified. In 2024, the total avoidance was 1,247,542.5 tCO₂e.

In addition, VAXA Technologies provides hatcheries and fisheries with a year-round supply of live microalgae that provide higher yields, improve the fish immune systems, and boost Omega-3 levels.

¹ Environmental Impacts of Large-Scale Spirulina (*Arthrospira platensis*) Production in Hellisheiði Geothermal Park Iceland: Life Cycle Assessment | Marine Biotechnology

² Carbon footprint of microalgae production in photobioreactor - ScienceDirect





Vetrarmýri – The Nordic Swan Ecolabel & BREEAM Communities

Vetrarmýri is a new residential district in Garðabær, being developed under the supervision of the development company Arnarhvoll. The neighbourhood is being planned in accordance with the BREEAM Communities standard, intended to reflect best practices in sustainable design, integrating green infrastructure, low-carbon transportation options, and biodiversity enhancement within the urban fabric. The development supports broader regional objectives for compact growth, efficient land use, and climate-resilient communities.

The Vetrarmýri plan design ensures connectivity through green corridors, pedestrian paths, and a bridge over the nearest highway, linking the site to surrounding neighbourhoods. Land use is diverse, with sports facilities, residential areas, commercial services, and office spaces strategically placed.

Parking is primarily located in underground garages or structured parking facilities, with minimum surface-level spaces, and provisions for electric vehicle charging will be made at all parking locations. Pathways are designed to meet safety and accessibility standards, with slope limitations, rest areas, and appropriate stair design. Tactile guidance and colour contrast will aid navigation for visually impaired users, ensuring inclusive access across public spaces.

The Swan Ecolabel is the official environmental label of the Nordic countries, covering the entire life cycle of products and services. The goal of Swan certification is to reduce environmental impacts, in this case, in buildings, and thus make it easier for consumers to choose more environmentally friendly options. The main benefits of Swan certification for buyers of such buildings are:

- Requirements for the selection of materials/products used in the construction.
- Sufficient daylight in each apartment.
- Cleaner indoor air with controlled ventilation in each apartment.
- Moisture prevention to ensure that building materials are properly handled and to prevent moisture damage.

The advantage of Arnarhvoll is to provide apartments under the provisions of the Swan Label, ensuring future apartment owners better living conditions, as well as a neighborhood that emphasizes people's well-being and a connection to nature.

"By choosing to invest in an apartment in a Swan-certified building located in a BREEAM-certified neighborhood, you are not only considering the environment but also the health of yourself and your family."

- Hildigunnur Þórarinsdóttir, Swan Ecolabel Coordinator at Arnarhvoll



Green buildings
Case study



Sustainable marine value chains and marine ecosystem management

Case study



Eligible assets under this category include sustainable fisheries in Iceland where at least 90% of the catch is certified by either the Marine Stewardship Council (MSC) or Icelandic Sustainable Fisheries (ISF). As assessed by the independent third-party ISS Corporate, this category contributes to sustainable development goal number 14, life below water.

Arion Bank wants to help its customers in the fishing industry to decarbonize their operations and fleets, while maintaining protection of the marine value chains and ecosystems. Furthermore, the criteria for green loans to fisheries incorporates exclusions related to adverse impacts on living natural resources.

Land-based only sustainable aquaculture in Iceland, certified by at least one of the Aquaculture Stewardship Council (ASC) or the AquaGAP standard is also eligible. Arion Bank engages with relevant borrowers operating in aquaculture on their feed sourcing policies to encourage the use of responsible soy and the adoption of standards like ProTerra.

In addition to the certification schemes, the Bank applies its Sustainability Policy on Seafood and 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.

Iceland operates a fisheries management system based on individual transferable quotas, introduced in 1984. This system was established to ensure the sustainable use of marine resources and to prevent overfishing. The quota is allocated to vessels based on catch shares aiming at addressing the concerns of excess harvesting capacity and inappropriate allocation of the resource.

The system is strictly monitored and enforced by government agencies, which oversee quota allocations, catch reporting, and compliance. This approach has helped maintain healthy fish stocks and has made Iceland a global leader in sustainable fisheries management.



Arion Bank's Exclusion List

In 2024, Arion Bank published an exclusion list of business activities which the Bank will not invest in (own investments), provide corporate advisory services to and/or finance loans to. Furthermore, the Bank will not engage in business with parties involved in activities that are illegal according to the laws and regulations of the country in which the activity takes place.

The exclusions apply to companies involved in the following activities:

- ▶ Activities that violate fundamental human rights, e.g. through slavery or forced labour.
- ▶ Controversial weapons production, i.e. landmines, cluster bombs, chemical weapons, biological weapons, and nuclear bombs.
- ▶ Companies whose main operations are based on the production of pornography or are directly connected to the production of such material.
- ▶ Companies involved in tobacco production.
- ▶ Companies generating income through gambling and/or betting, excluding activities which have been specifically licensed to do so.
- ▶ Oil exploration.
- ▶ Processing and/or extraction of fossil fuels for energy production, i.e. coal, peat, natural gas and oil.

[Exclusion List - Arion Bank.pdf](#)

Arion Bank's Sustainable Financing Framework and its Eligibility Criteria comply with the ESMA EU PAB exclusions.
Arion bank has no exposure towards companies excluded from the EU Paris Aligned Benchmarks:

Sector	Exposure ¹
Coal & lignite	0
Oil fuels	0
Gaseous fuels	0
Electricity producers ²	0

¹Of which exposures towards companies excluded from EU Paris Aligned Benchmarks (EU PAB) in accordance with points (d) to (g) of Article 12.1 and in accordance with Article 12.2 of Climate Benchmark Standards Regulation. Further information can be found in the Bank's Pillar 3 Risk Disclosures.

²Electricity producers include where electricity emits more than 100g CO₂e/kWh.





Reporting methodology

The impact reporting draws on [ICMA Harmonised Framework for Impact Reporting \(2023\)](#) and the recommendations of the [NPSI Position Paper on Green Bonds Impact Reporting](#). The report seeks to communicate and inform about the impact of financed projects based on available data.

The case studies selected for this report have been chosen for their ability to illustrate projects that meet the criteria for green classification under Arion Bank's Sustainable Financing Framework, demonstrating the environmental objectives and impact intended by the framework.

Calculation methodology

Clean transportation

- Annual impact is calculated based on the assumption that alternative fossil fuel vehicles are replaced by electric vehicles (EVs): number of vehicles in the fleet added each year \times average yearly EVs mileage \times average GHG emissions from comparable fossil fuel vehicles. EVs charged in Iceland are assumed to have zero emissions due to renewable energy (location based).
- For plug-in-hybrid EVs with emissions under 50gCO₂/km calculations are carried out under the assumption that the vehicles emit the maximum permissible values. Results therefore show the minimum avoided emissions in this category.

Green buildings

- Green buildings are defined as such if they are among the top 15% carbon efficient buildings in Iceland from a life-cycle perspective.
- Mean carbon emissions per m² were calculated for green residential buildings in Arion Bank's portfolio as well as non-green residential buildings. Emissions avoided were calculated by taking the difference between the carbon footprint of the green buildings if they had the same average emissions per m² as the non-green buildings and the actual emissions (based on mean emissions per m²).

Renewable energy

- The indicator used is the installed capacity in MW, and produced green energy in 2024 is also reported in MWh.
- Data on produced green energy in 2024 is also reported in MWh. All qualifying assets were operating and generating energy during the reporting period.
- Avoided emissions were defined as carbon emission savings by producing the energy amount in hydro-power and wind-power production respectively, as compared to baseline CO₂ emissions for electricity. The reference value used is the Combined Margin emission factor, based on IFI Harmonized Framework and set forth in Nordic Public Sector Issuers Position Paper on Green Bonds Impact Reporting, published in March 2024.

Pollution prevention

- Indicator used is the quantity of recycled material (tonnes per year).
- One loan was to a private recycling facility that specializes in the recycling of plastic waste. The customer had carried out an LCA where recycled plastics were compared to being shipped abroad and recycled in other European countries (2018). The results were used to assess the impact in 2024.

Key reporting principles

- Arion Bank reports on a portfolio basis, Icelandic króna (ISK).
- Currency rates are as per 31 December 2024.
- Reported impact is based on amounts disbursed and outstanding to a project.
- Projects that have not disbursed any funds are not calculated into impact reporting and the outstanding amount on these projects is reported as 0 ISK.
- The same applies to projects that are still in implementation and therefore have not any measurable impact.
- The impact evaluations in the report are based on expected environmental impact (ex-ante) from financed projects.
- Arion Bank uses ex-ante impact estimates based on information provided by customers and on information available to the Bank from official public data sources.
- The impact evaluation includes both qualitative and quantitative impacts.
- The reporting period ends on 31 December 2024, taking into account new withdrawals and repayments.
- Arion Bank uses a pro-rata allocation to each outstanding bond.
- The Bank is constantly reviewing its reporting methodology in line with the latest standards and is open to feedback regarding this.

Independent Auditor's Assurance Report

To the Management and the stakeholders of Arion Banki hf.

We have been engaged by Arion Banki hf. to provide limited assurance on the allocation of net proceeds from Sustainable Financing Instruments as disclosed in Arion's Impact and Allocation Report 2024. The allocation is made according to Arion's Sustainable Financing Framework from August 2024, which is based on the Green Bond Principles, the Social Bond Principles, the Guidance for Blue Finance and the Sustainability Bond Guidelines published by the International Capital Markets Association (ICMA) and the Green Loan Principles as well as Social Loan Principles published by the Loan Market Association (LMA).

Our engagement was performed in order to evaluate:

- If disbursed amount of net proceeds from Sustainable Financing Instruments are used to finance projects that meet the criteria of the Bank's Sustainable Financing Framework, as shown on page 10 in the Impact & Allocation Report.

We express a conclusion providing limited assurance.

Management's responsibility

The Management of Arion Banki is responsible for collecting, analysing, aggregating, and presenting the information in the report, ensuring that the information is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants (IESBA Code), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

Deloitte ehf. is subject to International Standard on Quality Management (ISQM) 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the allocation based on the Sustainable Financing Framework, presented in the Impact and Allocation report for 2024. We have conducted our work in accordance with ISAE 3000 (revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, to obtain limited assurance about our conclusion. In accordance with the standard, we have planned and performed our work to obtain limited assurance about whether Allocation information is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Considering the risk of material misstatement, we planned and performed our work to obtain all information and explanations necessary to support our conclusion.

We performed reviews of data, reviews of the underlying data processes as well as interviews with those responsible for producing the data. Our work has included interviews with key functions in Arion, inquiries regarding procedures and methods to ensure that the allocation of funding is in accordance with the guidelines within Arion's Sustainable Financing Framework. We have assessed processes for gathering, consolidating and aggregating the data at Arion, and performed analytical review procedures and tested data prepared against underlying documentation.

Deloitte.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Arion Bank's net proceeds from Sustainable Financing Instruments and its allocation to loans for the year 2024 under the criteria of the Sustainable Financing Framework, is not prepared, in all material respects, in accordance with the Sustainable Financing Framework.

Kópavogi, 12 June 2025

Deloitte ehf.

Gunnar Þorvarðarson

Gunnar Þorvarðarson
State-Authorised Public Accountant

