



Sustainable Financing Framework



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1. Sustainability at Arion Bank

1.1 Rationale for Sustainable Finance

Arion Bank and its subsidiaries provide comprehensive financial services to the people of Iceland. Arion Bank's role is to help people and businesses who want to achieve success in Iceland and the Arctic by offering smart and reliable financial solutions which enhance financial health and create sustainable value. Arion Bank places great importance on developing long-term relationships with its clients and is a market leader as a provider of cutting-edge and modern banking services.

Globally and at home we are faced with increasingly important challenges, including environmental pollution, the responsible use of natural resources and climate change, all of which are threatening the well-being of the global community and demand immediate action. At Arion Bank, we recognize our obligation to care about the earth's natural resources and to preserve the environment for future generations.

Operating in Iceland puts us in a unique position. Iceland is well equipped to become a global leader in environmental and climate issues. 99.9% of our electricity comes from renewable sources and we are a leading nation when it comes to harnessing geothermal energy since most of our houses are heated by hot water. The Icelandic seafood industry largely uses sustainable stocks

which have been MSC certified, and the industry has greatly reduced its consumption of fossil fuels.

Arion Bank has **adopted a risk policy on sustainability which is approved by the Board of Directors and reviewed annually.** This policy states that the Bank seeks to ensure that its operations and services do not have a negative impact on people or the environment. It also states that the Bank supports Iceland's climate action plan whose goal is to meet the obligations of the Paris Climate Agreement and to support the global effort to transition to a net zero carbon economy. Key performance indicators relating to ESG issues are part of risk report to the Board and the Bank's risk appetite connected to these issues has been defined.

As a financial institution, we are conscious we play a vital role to support the transition through financing and investment products. We want to be part of the necessary change to create a sustainable future and align our business practices accordingly. This is why we have published our first sustainability policies on lending to different sectors of the economy. The Bank has published sector policies for seafood, agriculture, industry, energy and production as well as Sustainability Policy for the Arctic. These policies enable us to better support and motivate our customers on their journey towards a sustainable future.

While we support customers to transition, our ambition is for the asset side of the balance-sheet to become increasingly 'greener' which in turn allows us to issue sustainable liabilities. In fact, this Framework is aimed at both, allowing us to issue sustainable liabilities, as well as



originating as many new loans as possible in accordance with the Eligibility Criteria.

In 2020 we announced the launch of a new green deposit account, the first Icelandic bank to offer such an account. Green deposits are designed for individuals, NGOs and companies wanting to contribute towards a greener future. We also offer our retail customers green mortgages and green car loans. Additionally, over the past few years, the Bank has taken significant steps towards diversifying its funding options, issuing green bonds in euros and Icelandic króna. Such instruments have been issued in accordance with Arion Bank's inaugural Green Financing Framework, first published in 2021. In line with best practice, Arion Bank has updated its Framework in June 2024, and we intend to update the Framework on a regular basis to reflect **enhancements in our responsible banking strategy** as well as in market guidelines. Additionally, we have **included Social Eligible Categories** in this Framework to establish and deepen our social strategy on the asset and liability side of the balance sheet.

1.2 Sustainability at Arion Bank

Our sustainability policy bears the title ***Together we make good things happen*** and indicates that we intend to act as a role model by promoting responsible and profitable business practices, which consider the environment, the economy, and the society in which the Bank operates.

The Executive Committee of the Bank has approved six of the UN Sustainable Development Goals (UN SDGs)¹ on which the Bank intends to focus. These goals are number 5 on Gender Equality; number 7 on Affordable and Clean Energy; number 8 on Decent Work and Economic Growth; number 9 on Industry, Innovation, and Infrastructure; number 12 on Responsible Consumption and Production; and number 13 on Climate Action. The Bank's operations, including action on gender equality, our policy and targets on environmental and climate issues, support for innovation and the business sector, digital services, and active participation in the development of the economy, closely align with these UN SDGs.

Arion Bank engages in extensive partnerships in the field of sustainability and social responsibility, both in Iceland and abroad, and is a signatory to numerous treaties and declarations. For example, the Bank is a signatory to the UN Global Compact, the UN Principles for Responsible Investment, UNEP FI and the United Nations Environment Program Finance Initiative. In 2019 the Bank became a signatory to the Principles for Responsible Banking (PRB) which is a framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals (the 'UN SDGs') and the Paris Climate Agreement. At the end of 2023, the Bank became a signatory to the Science Based Targets initiative (SBTi) and the UN-convened Net-Zero Banking Alliance, a global group of banks committed to financing ambitious climate action.

Arion Bank has adopted an environment and climate policy which is aligned with such principles, and the Bank supports Iceland's ambitious plans to have net zero emissions by 2040, and the Bank aims to be net zero itself the same year.

Arion Bank's environment and climate targets until 2030:

- ▶ Reduction of greenhouse gas emissions from own activities (Scopes 1 & 2) by 80% calculated from 2015 and remaining emissions will be carbon offset.
- ▶ Continuous efforts to get a more accurate picture of emissions from acquired goods and services (Scope 3) in the Bank's activities.
- ▶ Percentage of sustainable lending will be at least 20% of the Bank's total loan book.
- ▶ Aim for reductions in financed emissions in the sectors which have the most impact (Scope 3) in line with the net zero target by 2040. The latest targets are published annually in the Bank's report on financed emissions.
- ▶ Targets on financed emissions should be validated by SBTi

¹ Available [here](#).



At Arion Bank we aim to ensure that sustainability is part of the Bank's day-to-day activities, our decision-making, and processes. Our **Code of Ethics**² is the cornerstone of responsible decision-making at Arion Bank.

In terms of societal and governance progress, the Bank refers to its equality and human rights policy and action plan. At the end of 2022 the Board of Directors approved an updated bonus scheme for permanent employees which is based on clear targets and subject to strict requirements from the FSA. Since 2023 both financial and non-financial indicators have been incorporated into the scheme. Non-financial indicators are linked to factors such as customer satisfaction, know-your-customer, learning and development, and equality.

Further information on sustainability at Arion Bank can be found in the Annual and Sustainability Report which is published every February.

Sustainability Committee

Arion Bank has a sustainability committee and the management of risk in connection with ESG factors was defined as part of the Bank's risk management system. The CEO is the chairman of the committee, whose role is to monitor the Bank's performance in connection with its policy and commitment on sustainability and to ensure that ESG factors are considered in decisions and plans made by the Bank. A green financing committee and equality committee are sub-committees of this committee.

Key performance indicators relating to ESG issues are part of the risk report to the Board and the Bank's risk appetite connected to these issues has been defined.

The Sustainable Financing Committee we established and which we describe in Section 2 of this Framework works within the context of our sustainability governance structure.

² Available [here](#).



1.3 Our Commitments, Certifications, Ratings and Participation in Sustainability



PRINCIPLES FOR
RESPONSIBLE
BANKING



UNEP FI and Principles for
Responsible Banking

Forum for climate action
and green solutions –
Green by Iceland

United Nations Principles
for Responsible Investment

Festa – Sustainability
centre



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

BUSINESS AMBITION FOR 1.5°C ➤



Science Based Target
initiative

Net Zero Banking Alliance



Ministry of Welfare's equal
pay symbol

Iceland Sustainable
Investment Forum

Morningstar Sustainalytics
ESG rating

City of Reykjavik and
Festa's Declaration on
Climate Change
Excellence in corporate
governance



UN Women/UN Global
Compact Empowerment
Principles

ESG reporting guide
for Nasdaq

UN Global Compact, the
UN's initiative on
sustainability



Reitun – Icelandic
ratings company

Partnership for Carbon
Accounting Financials

UN Sustainable
Development Goals



2. Sustainable Financing Framework

Our Sustainable Financing Framework (the '**Framework**') is based on the latest versions of the Green Bond Principles 2021 (with June 2022 Appendix)³, the Social Bond Principles 2023⁴, the Sustainability Bond Guidelines 2021⁵ published by the International Capital Markets Association (ICMA) and the Green Loan Principles⁶ as well as the Social Loan Principles⁷ 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 ICMA⁸.

This 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 Green⁹, Social or Sustainable Format.

Instruments issued in accordance with this Framework can be of any seniority or subordination, including own funds instruments, but in any case,

are expected to rank *pari passu* with any other conventional instrument of similar status and subordination.

Arion Bank is aware of the developments related to the EU Taxonomy, a classification system to define sustainable economic activity of the EU. In addition, the EU Regulator has been working on the EU Green Bond Standard ('EU GBS'), a voluntary standard for any type of listed bond issued by a European or international issuer, meeting the requirements laid out in the EuGB Regulation. This Framework has been benchmarked, to the extent possible and on a best effort basis, to the EU Taxonomy. Arion Bank intends to be transparent on the extent to which its Green Eligible Categories and Eligibility Criteria are supporting the EU Taxonomy. The Framework consists of the following core components, which will be described in more detail below:

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

³ Available [here](#).

⁴ Available [here](#).

⁵ Available [here](#).

⁶ Available [here](#).

⁷ Available [here](#).

⁸ The Guidance is a result of collaboration between the Asian Development Bank (ADB), International Capital Market Association

(ICMA), International Finance Corporation (IFC), United Nations Environment Programme – Finance Initiative (UNEP FI), and United Nations Global Compact (UNGC).

⁹ In accordance with the ICMA Handbook, Blue Bonds are a subset of Green Bonds and therefore the 'Blue' label is contemplated under this Framework.



2.1 Use of Proceeds

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 (together '**Eligible 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 categories described in the table below ('**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 requirements¹⁰.

Arion Bank strives to reach the full allocation of proceeds within 24 months after each issuance.

¹⁰ Sustainable fisheries that have a 90% or higher proportion of their catch from MSC species have been categorized as eligible under the respective Category.



ICMA & LMA ¹¹	Definition	Eligibility Criteria	UN SDG mapping
1. Environmentally sustainable management of living natural resources and land use	1.1 Sustainable marine value chains (fishery, land-based aquaculture, marine food chain) and Marine ecosystem management	<p>Eligible Assets related to sustainable marine fisheries, land-based sustainable aquaculture operations, seafood supply chain, protection, conservation, and restoration of marine ecosystems</p> <ul style="list-style-type: none"> - Sustainable fishery in Iceland¹² certified by at least one of the following certification schemes: <ul style="list-style-type: none"> o Marine Stewardship Council (MSC)¹³ o Icelandic Sustainable Fisheries (ISF)¹⁴ <p>For further clarity, the following exclusions apply¹⁵:</p> <ul style="list-style-type: none"> ✗ Species on the International Union for Conservation of Nature (IUCN) Red List for Endangered, Threatened, or Protected Species (ETP) ✗ Lack of compliance with local, national, or international laws and regulations ✗ Destructive and illegal fishing practices ✗ Lack of bycatch avoidance/mitigation measures in accordance with the legislation - Land-based only sustainable aquaculture in Iceland certified by at least one of the following certification schemes: <ul style="list-style-type: none"> o Aquaculture Stewardship Council (ASC)¹⁶ o AquaGAP standard¹⁷ <p>For further clarity, the following exclusions apply as defined in accordance with the legislation:</p> <ul style="list-style-type: none"> ✗ Farm siting illegal or impacting on key ecological areas ✗ Use of harmful chemicals <p>For both sustainable fishery and aquaculture, in addition to the certification scheme(s), the Bank:</p> <ul style="list-style-type: none"> ✓ Applies its Sustainability Policy on Seafood¹⁸ ✓ Engages with <i>all</i> relevant borrowers on their feed sourcing policies and encourages the adoption of standards like ProTerra or Round Table on Responsible Soy ✓ Encourages the disclosure of key non-financial criteria relevant to the operations of <u>each borrower</u> to assess scope and impact of such aspects on a case-by-case basis and to evaluate inclusion in the eligible pool - Sustainable marine food chain¹⁹, only if meeting the stringent requirement of <u>carbon negative production</u> technologies and platforms for microalgae production in Iceland, aimed at supporting the marine food chain as well as base for protein-rich and Omega 3 products for people, including supplements and protein drops-in for meat substitutes. The issuer will conduct an assessment to understand potential risk associated with the project prior to inclusion in the eligible pool and will ensure criteria are continuously met, as suggested by the ICMA Blue Bond Guidelines - Marine ecosystem management, conservation, and restoration, such as projects <u>specifically</u> for management, conservation, 	 

¹¹Green or Social Eligible Category.

¹²Defined as fishing, processing, preserving, storing, transporting, marketing, and selling fish and fish products.

¹³Further information available [here](#).

¹⁴Further information available [here](#).

¹⁵If the borrower implements remedial action, and the loan meets the eligibility criteria, it can be included within the eligible pool.

¹⁶Further information available [here](#).

¹⁷Further information available [here](#).

¹⁸Mostly relevant for sustainable fisheries.

¹⁹Striving for production processes that minimize fresh water and land footprint and that are better than industry average. The use of pesticides or antibiotic is not allowed.



1.2 Sustainable forestry and agriculture

Eligible Assets related to **certified forest carbon projects, sustainable forestry, agriculture, or horticulture**, including investments in the areas of sustainable forest management and the **promotion of measures to reduce, verify and validate GHG emissions in the respective sectors**

and restoration of the health of coastal²⁰ and marine ecosystems. This includes algae, both sea-based and land-based, and seagrass protection

- Sustainable forestry and certified specific forest carbon projects, including acquisition, maintenance, and management of:
 - o Forests certified either by the Forest Stewardship Council (FSC)²¹ or the Programme for Endorsement of Forest Certification (PEFC)²²
 - o Forests certified with Verra VCS²³ approval or Gold Standard²⁴ carbon certificate
 - o Forest certified via the Icelandic Skógarkolefni scheme²⁵ or equivalent scheme in terms of stringency of the requirements
- Sustainable agriculture including specific loans for:
 - o New / improved drainage²⁶, soil carbon sequestration²⁷
 - o Greenhouses using renewable energy for heating and grow lights
- Cross-sectoral measures to reduce, verify and validate GHG emissions, such as:
 - o Promotion of the use of renewable technologies (such as geothermally heated greenhouses or electricity from renewable sources²⁸)
 - o Projects in line with governmental initiatives and Iceland's commitments in the Paris Agreement to reduce GHG emissions in the agriculture sector. Projects need to have received external verification and/or proof of alignment with scenario consistent with a 1.5° scenario



Eligible Assets related to **renewable energy power and manufacture & utilization of biogas**

Renewable energy power assets eligible meeting the life-cycle emissions threshold of 100g CO₂e / kWh:

- Geothermal power:
 - o Projects located in the HS Orka's Resource Park are automatically eligible²⁹
- Hydropower³⁰:
 - o Run-of-river plant with no artificial reservoir is automatically eligible
 - ✓ **As an additional criterion**, for any hydropower facility independently from its size, we additionally screen for controversies and the impact on the local environment before assets are included in the eligible pool³¹
- Wind, Solar and Ocean power



²⁰ Projects must be within the marine environment or within 100 km of the coast.

²¹ Further information available [here](#).

²² Further information available [here](#).

²³ Further information available [here](#).

²⁴ Further information available [here](#).

²⁵ Further information available [here](#).

²⁶ Aimed at reducing water quality problems. Improved drainage can boost crop yields and reduce variability from year to year, providing a more stable source of food for consumers and predictable profits for farmers.

²⁷ Soil carbon sequestration, also known as "carbon farming" or "regenerative agriculture," includes various ways of managing land, especially farmland, so that soils absorb and hold more carbon. Arion Bank intends to assess the potential externalities of such environmental practices prior to financing, such as saturation and reversibility.

²⁸ Meeting the criteria of Substantial Contribution (SB) defined in the EU Taxonomy Delegated Acts for Climate Change Mitigation.

²⁹ Built around HS Orka's geothermal power plants, the Resource Park is a leading cluster for green and sustainable businesses. Additional information is available [here](#).

³⁰ Excluding large hydropower plants (having an energy capacity >1000MW).

³¹ In Iceland, all projects need to be accepted in "The Master Plan for Nature Protection and Energy Utilization". The plan has different categories, one is the protection category – see here: <https://www.ramma.is/english/general-information/terms-and-definitions/>.



3. Clean transportation

Eligible Assets related to **sustainable passenger and freight transport**, including vessels and related **sustainable infrastructure**

- Manufacture/utilization of biogas: meeting criteria as set out in the **Nordic Swan Ecolabel** for 'liquid and gaseous fuels' criteria document apply, requiring among others that biogas must be made from 100% renewable materials and that it must reduce GHG emissions in the entire production chain by 70% compared with the corresponding fossil fuels (reference value of 83.8g CO₂e /MJ applies). Renewable raw materials from palm oil, soybean oils and sugar cane are explicitly excluded

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

- Public passenger transport, passenger cars, motorbikes, and light commercial vehicles:
 - Eligible if zero direct tailpipe CO₂ emissions or if tailpipe emission intensity lower than 50g CO₂/km (WLTP) until 31 December 2025³²
 - For vessels designed and equipped for passenger water transport: Eligible if zero direct tailpipe CO₂ emissions³³ or, until 31 December 2025, hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for their normal operation at sea and in ports
- Freight transport and vessels for port operations, if not dedicated to transport of fossil fuel:
 - Rail, road or water transport vehicles with zero direct tailpipe CO₂ emissions
 - Low-emission freight, including vessels, with specific direct CO₂ emissions of less than 50% of the reference CO₂ emissions of all vehicles in the same sub-group to which the freight type belongs³⁴
 - Sea and costal freight water transport: Eligible if zero direct tailpipe CO₂ emissions³⁵ or, until 31 December 2025, hybrid and dual fuel vessels derive at least 50% of their energy from zero direct (tailpipe) CO₂ emission fuels or plug-in power for their normal operation at sea and in ports
 - Investments and/or expenditures directly related to the procurement of green fuels, including green methanol³⁶ and green hydrogen³⁷



³² The activity complies with the following criteria (a) and (b): (a) for vehicles of category M1 and N1, both falling under the scope of Regulation (EC) No 715/2007: (i) until 31 December 2025, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are lower than 50 g CO₂/km (low- and zero-emission light-duty vehicles); (ii) from 1 January 2026, specific emissions of CO₂, as defined in Article 3(1), point (h), of Regulation (EU) 2019/631, are zero. (b) for vehicles of category L, the tailpipe CO₂ emissions equal to 0 g CO₂/km calculated in accordance with the emission test laid down in Regulation (EU) 168/2013.

³³ Where technologically and economically not feasible to comply with the criterion (vessels have zero direct CO₂ emissions), until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements applicable on 1 April 2022, if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources.

³⁴ Eligible until 31 December 2025. The Energy Efficiency Operational Indicator is defined as the ratio of mass of CO₂ emitted per unit of transport work. It is a representative value of the energy efficiency of the ship operation over a consistent period which represents the overall trading pattern of the vessel. Guidance on how to calculate this indicator is provided in the document MEPC.1/Circ. 684 from IMO.

³⁵ Where technologically and economically not feasible to comply with this criterion, until 31 December 2025, and only where it can be proved that the vessels are used exclusively for operating coastal and short sea services designed to enable modal shift of freight currently transported by land to sea, the vessels have direct (tailpipe) CO₂ emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI), 50% lower than the average reference CO₂ emissions value defined for heavy duty vehicles (vehicle sub group 5-LH) in accordance with Article 11 of Regulation 2019/1242. Where technologically and economically not feasible to comply with this criterion, until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10% below the EEDI requirements applicable on 1 April 2022 (247) if the vessels are able to run on zero direct (tailpipe) CO₂ emission fuels or on fuels from renewable sources. Energy Efficiency Design Index (version of 4.6.2021: <http://www.imo.org/fr/MediaCentre/HotTopics/GHG/Pages/EEDI.aspx>). EEDI requirements as agreed by the Marine Environment Protection Committee of the International Maritime Organization at its seventy-fifth session. Vessels that fall into the ship types set out in MARPOL Annex VI Regulation 2 but are not considered as new ships under that regulation may provide attained EEDI value calculated on a voluntary basis in line with MARPOL Annex VI Chapter 4 and have those calculations verified in line with MARPOL Annex VI, Chapter 2. Fuels that meet the technical screening criteria specified in sections 3.10 and 4.13 of the EUT Annex.

³⁶ Bio-methanol made from waste biomass that meets the minimum GHG reductions of 65% or E-methanol from biogenic CO₂ and hydrogen from electrolysis of water using renewable electricity that meets the minimum reductions of 70%. Food and feed crops are not used for the manufacture of Green Methanol.

³⁷ Hydrogen produced by electrolysis with 100% renewable energy.



4. Green buildings

Eligible Assets related to 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 (including industrial and logistics) or residential real estate sector

- Retrofitting of water passenger and freight transport, if not dedicated to transport of fossil fuel, if:
 - o The activity reduces fuel consumption of the vessel by at least 15% expressed in grams of fuel per deadweight tons per nautical mile for freight vessels, or per gross tonnage per nautical mile for passenger vessels, as demonstrated by computational fluid dynamics (CFD), tank tests or similar engineering calculations
 - o The activity enables the vessels to attain Energy Efficiency Existing Ships Index (EEXI) value at least 10% below the EEXI requirements applicable on 1 January 2023 and if the vessels are able to run on zero direct (tailpipe) emission fuels or on fuels from renewable sources (Fuels that meet the technical screening criteria specified in Sections 3.10. and 4.13. of this Annex), and have the ability to plug-in at berth and are equipped with plug-in power technology
 - o Specific measures for vessels for decarbonization and emissions reduction, energy efficiency, or improved ballast management
- Low carbon transport infrastructure:
 - o Infrastructure that is required for zero direct emissions transport (e.g., electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways, bicycle paths), including infrastructure dedicated to public passenger transport
 - o New low-carbon port infrastructure or retrofitting to port infrastructure for the sole purpose of enabling low carbon infrastructure for new generation efficient vessels³⁸

A. New construction or ownership of existing residential, commercial, or public buildings in Iceland. At least one the following three criteria applies:

- Environmental Certification: Required to have, or are designed and intended to receive (i) a design stage certification, (ii) a post-construction certification or (iii) an in-use certification³⁹ in any of the following **building certification schemes (or equivalent)** at the defined threshold levels or better:
 - o BREEAM "Very Good" or above⁴⁰
 - o LEED "Gold" or above
 - o Miljöbyggnad "Silver"
 - o Nordic Swan Ecolabel
 - o DGNB "Gold"
 - o Passive House
- Top 15% approach based on kgCO₂ /m² per year (life-cycle assessment on embodied emissions): Ownership and acquisition of new or existing buildings, built prior or after 31 December 2020, belonging to the top 15% most energy efficient buildings in Iceland from a life-cycle perspective which is taking into account the building material used (embodied emissions) and the operational demand of the use stage for (i) residential or (ii) commercial buildings, compared to the respective Icelandic (i) residential or (ii) commercial building stock, as



³⁸ The activity complies with one or more of the following criteria: (a) the infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO₂ emissions: electricity charging, hydrogen-based refuelling; (b) the infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth; (c) the infrastructure is dedicated to the performance of the port's own operations with zero direct (tailpipe) CO₂ emissions; (d) the infrastructure and installations are dedicated to transhipping freight between the modes: terminal infrastructure and superstructures for loading, unloading and transhipment of goods. The infrastructure is not dedicated to the transport or storage of fossil fuels.

³⁹ BREEAM certified Land under development is eligible under this Framework.

⁴⁰ BREEAM in-use and BREEAM Refurbishment and Fit Out are eligible, as long as meeting the minimum criterion.



5. Energy efficiency

Eligible Assets related to the construction, implementation, maintenance and operation of facilities, infrastructure or appliances that **reduce the use of energy**

defined by an expert consultant and/or defined in public sources, where the methodology is made available to investors.

- ✓ For residential buildings specifically, Arion Bank has engaged a **local engineering consultant to develop a robust methodology for selecting green buildings**
- ✓ A similar methodology may be defined for commercial buildings
- Buildings meeting the Nearly Zero Energy Building (nZEB) – 10% definition: Construction of new buildings (built as of 1 January 2021) meeting the definition of nZEB – 10% in terms of primary energy demand (PED) and/or operational demand of the use stage, if the definition is available in the Icelandic context

B. Refurbishment of existing buildings⁴¹:

- Renovations:
 - Renovated buildings, that have been refurbished and have achieved a reduction in energy use (kWh/heated m²/year) of at least 30%⁴²
 - The building renovation complies with the applicable requirements for major renovations⁴³
 - Individual measures such as addition of insulation to external walls/roofs, replacement of windows or doors, installation of efficient LED lighting, installation, maintenance, repair and upgrade of heat pumps contributing to the targets for renewable energy in heat and cool in accordance with Directive (EU) 2018/2001 and the ancillary technical equipment

For this Eligible Category, decisions will be made on a case-by-case basis depending on the activity-specific background.

- Energy efficient assets: Projects from renewable sources or combined sources with life-cycle emissions threshold of 100g CO₂e / kWh:
 - Transmission and distribution infrastructure or equipment of electricity, including smart grid solutions⁴⁴
 - Energy storage facilities that store electricity of thermal energy and return it in the form of electricity, heating or cooling
- District heating/cooling distribution: Construction and operation of pipelines and associated infrastructure using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat
- Energy efficiency projects and low-carbon technologies:
 - Energy efficient projects, including machinery in industrial or manufacturing processes, products/appliances where the new technology is delivering a clear and measurable energy saving and/or carbon emission reduction of at least 30% compared to



⁴¹ Built prior 31 December 2020.

⁴² The 30% improvement results from an actual reduction in energy use, it is measurable and can be achieved through a succession of measures within a maximum of three years.

⁴³ As set in the applicable national and regional building regulations for 'major renovation' implementing Directive 2010/31/EU.

⁴⁴ The transmission and distribution infrastructure or equipment is in an electricity system that complies with at least one of the following criteria: a) does not apply because Iceland is not part the interconnected European system; b) more than 67 % of newly enabled generation capacity in the system is below the generation threshold value of 100 g CO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; c) the average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 g CO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period. Infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 g CO₂e/kWh measured on a life cycle basis is not compliant.



6. Sustainable waste and wastewater management

Eligible Assets related to technologies, processes and associated infrastructure supporting **waste prevention, waste reduction, waste recycling as well as wastewater management**

the status prior to the upgrade or competing technology, and meters that help track/monitor energy efficiency and/or carbon emission reduction

- Permanent carbon capture, usage and storage (CCUS) solutions that play a role to reduce emissions in 'hard-to-abate' industries, to produce low-carbon electricity and hydrogen, etc. Projects that do not store CO₂ permanently are excluded and CCUS solutions on existing infrastructure are meant to be financed
- Data-driven solutions for GHG emission reduction & efficient data centres:
 - Development and implementation of digital products and services, based on Internet of Things (IoT), Big data or Artificial Intelligence (AI), which aims at reducing emissions and saving energy or natural resources⁴⁵
 - Cloud and analytics products and solutions with emission factor <100g CO₂e/kWh and power-usage effectiveness (PUE under 1.5)
 - For data centres, the activity has implemented all relevant practices under the 'expected practices' according to the European Code of Conduct on Data Centre Energy Efficiency⁴⁶, which have been verified

For this Eligible Category, decisions will be made on a case-by-case basis depending on the activity-specific background.

- Waste and wastewater management solutions:
 - Waste management solutions such as waste prevention, separate collection sorting, treatment and processing of all types of waste with the purpose to reuse and minimize the amount of waste to landfill.

Where relevant and on a best effort basis:

- ✓ **Arion Bank intends** for all separately collected and transported waste that is segregated at source to be prepared for reuse or recycling operations
- ✓ **Arion Bank intends** to monitor whether the projects comply with the additional criteria of the EU Taxonomy for collection and transport of non-hazardous waste, however compliance is not mandatory and on a best effort basis
- ✓ In relation to material recovery for non-hazardous waste, Arion Bank will select projects converting at least 50%, in terms of weight, of the processed separately collected non-hazardous waste into secondary raw materials that are suitable for the substitution of virgin materials in production processes
- Sustainable wastewater management and related infrastructure
 - ✓ **Arion Bank intends** to consider the energy source for operating the waste-water plants when deciding on eligibility. A minimum of 50% of energy sources need to be compliant with the EU Taxonomy criteria for Substantial Contribution



⁴⁵ The ICT solutions are predominantly used for the provision of data and analytics enabling GHG emission reductions. Where an alternative solution/technology is already available on the market, the ICT solution demonstrates substantial life-cycle GHG emission savings compared to the best performing alternative solution/technology. Life-cycle GHG emissions and net emissions are calculated using Recommendation 2013/179/EU or, alternatively, using ETSI ES 203 199 (311), ISO 14067:2018 (312) or ISO 14064-2:2019 (313). Quantified life-cycle GHG emission reductions are verified by an independent third party which transparently assesses how the standard criteria, including those for critical review, have been followed when the value was derived.

⁴⁶ or in CEN-CENELEC document CLC TR50600-99-1 'Data centre facilities and infrastructures - Part 99-1: Recommended practices for energy management' (308). Where an expected practice is not considered relevant due to physical, logistical, planning or other constraints, an explanation of why the expected practice is not applicable or practical is provided. Alternative best practices from the European Code of Conduct on Data Centre Energy Efficiency or other equivalent sources may be identified as direct replacements if they result in similar energy savings. The global warming potential (GWP) of refrigerants used in the data centre cooling system does not exceed 675.



7. Circular economy adapted products, production	<p>Eligible Assets related to the design and introduction of reusable, recyclable and refurbished materials, components and products, circular tools and services</p> <p>For this Eligible Category, decisions will be made on a case-by-case basis depending on the activity-specific background.</p> <ul style="list-style-type: none"> - Solutions and technologies aimed at achieving circularity benefits, such as: <ul style="list-style-type: none"> o Additive manufacturing/3D printing to increase the easy-to-repair degree and the materials o Financing of investments solely aimed at the re-use of materials, such as textiles (second-hand shops) 	
8. Affordable Housing	<p>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</p> <ul style="list-style-type: none"> - Support to accredited and/or registered housing bodies in Iceland: loans dedicated to housing associations and organizations that meets accredited or registered affordable housing definition⁴⁷ in accordance with Icelandic Law, based on income, number of children and vulnerability factors - Support to first-time buyers in Iceland: loans dedicated to first-time buyers in Iceland, via specific lending scheme <ul style="list-style-type: none"> ✓ Target group includes tenants meeting the criteria in Icelandic Regulation based on its affordable housing definition and first-time buyers 	
9. Education (Access to essential services)	<p>Eligible Assets related to increasing access to quality and accessible education and vocational training and to quality, safe and affordable student accommodation</p> <ul style="list-style-type: none"> - Support to quality and accessible education & vocational training in Iceland: <ul style="list-style-type: none"> o Loans dedicated to the financing of education provision such as schools, universities, education facilities and vocational training centers and language centers for immigrant people o Loans to student housing organizations, in campus and close to campus ✓ Target group includes students and adults benefitting from vocational training (immigrants) 	
10. Healthcare (Access to Essential Services)	<p>Eligible Assets related to increasing access to quality, timely and accessible healthcare, including for elderly and people with specific health conditions</p> <ul style="list-style-type: none"> - Support to quality and accessible healthcare, elderly care and serviced buildings in Iceland: <ul style="list-style-type: none"> o Loans dedicated to the financing of healthcare facilities such as hospitals and primary care facilities, including facilities to treat specific physical and/or learning and cognitive deficit conditions, and rehabilitation services for drugs and alcohol related conditions o Loans for serviced buildings for the elderly, targeting solely loans for serviced buildings for tenants who are at least 60 years old in accordance with the Icelandic Regulation⁴⁸ - Support to 'pure players' in healthcare: Loans to 'pure players' in the healthcare space that meet a clear definition in terms of business and revenue thresholds⁴⁹ <ul style="list-style-type: none"> ✓ Target group includes the general public, individuals with specific physical and/or mental conditions, including cognitive deficit(s), elderly people, individuals in need of rehabilitation services 	

⁴⁷ 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 ISK 4,749,000 for each individual or ISK 6,649,000 for couples. An additional ISK 1,187,000 shall be added for each child or youth below 20 years of age who belongs to the household. See further requirements in Icelandic law and regulations regarding affordable housing: <https://www.althingi.is/lagas/nuna/2016052.html> <https://www.reglugerdir.is/reglugerdir/etfir-raduneytum/veitferdarraduneyti/nr/0555-2016>.

⁴⁸ Based on Icelandic Law on mandatory pensions and pension fund operations, available [here](#).

⁴⁹ Companies meeting the "pure play" definition based on 90% of companies' annual revenues being related to products and services in the healthcare field. Eligible products and services are defined as: products and services in the medical and healthcare field such as development of healthcare technology and medical specialty, diagnostic and emergency services, automation solutions to the healthcare sectors. This also includes production of medical equipment for hospitals and care-homes and well as for private customers (such as customised wheelchairs, adaptive seating systems, and other mobility solutions for individuals diagnosed with permanent or long-term loss of mobility). The remaining 10% of revenues need to pass the Exclusion List.



11. Employment generation and alleviate unemployment

Eligible Assets 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**

Loans to micro, small and medium-sized enterprises (SMEs), meeting the EU definition of SMEs⁵⁰ if meeting one of the following criteria:

- SMEs owned are majority owned by women: the SME must be female owned (must have majority ownership, > 50%)
- SMEs owned are majority owned by first generation immigrants: the SME must be first generation immigrant owned (must have majority ownership, > 50%)

- ✓ **Target group** includes female and first-generation immigrant SME owners

Loans to micro, small and medium-sized enterprises (SMEs), meeting the EU definition of SMEs⁵¹ if meeting one of the following criteria:

- SMEs negatively impacted by the consequences of socioeconomic, political and natural disaster crises: the loan should be part of a specific effort to financially support the borrower after the negative aftermath of a socio-economic, political and/or natural disaster crises

- ✓ **Target group** includes SMEs negatively impacted by crises. Arion Bank will carefully report on the type of crises and intended impacts of it on SMEs at issuance and/or in its Allocation and Impact Report



Exclusions

As Eligible Assets under this Framework, Arion Bank explicitly excludes unfunded and non-performing exposures, as well as loans to businesses or projects in the following areas:

- Fossil fuel related energy generation and related infrastructure
- Environmentally negative resource extraction (such as rare earth elements, metals or fossil fuels)
- Nuclear and nuclear related technologies
- Weapons, alcohol, tobacco, gambling, and adult entertainment
- Deforestation and degradation of forests
- Operations which practice shark finning or trade in shark fin products
- Operations which practice drift net fishing or deep-sea bottom trawling where prohibited
- Fishing with the use of explosives or cyanide
- Illegal unreported and unregulated fishing, or use of vessels known to have conducted such unreported and unregulated fishing
- Any lending takes into account negative impacts per sector as outlined in Arion's Sustainability Sector Policies

If and when Arion Bank defines and/or updates an Exclusion List, it will automatically apply to this Framework as well.

⁵⁰ Defined as enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.

⁵¹ See prior footnote.



2.2 Process for Project Evaluation and Selection

Arion Bank has established a multi-step process to identify Eligible Assets in Green and Social Asset Categories which ultimately shall be included in the Bank's common Green and Social Asset Pool(s). The process is governed by a Sustainable Financing Committee that has been established and is responsible for:

- ▶ Approving the inclusion of pre-selected Eligible Assets in the Bank's Green and Social Asset Pools (the Committee has full discretion to object the inclusion of any asset)
- ▶ Monitoring and managing the Green and Social Asset Pools and corresponding Green and Social Financing Instruments quarterly
- ▶ Observing developments in the principles and standards relating to Green and Social Financing instruments as well as developing market conventions and approving updates to this Framework accordingly
- ▶ Driving forward changes with regards to loan documentation and/or policies in connection with the asset identification process under this Framework

The Sustainable Financing Committee consists of representatives from the Sustainability Office, Treasury, Investor Relations, relevant business units and the Bank's risk function and shall vote unanimously. The Sustainable Financing Committee may allow permanent or temporary observers and invite internal and external experts, although none of these constituents will be present at a Sustainable Financing Committee vote. Arion Bank's screening and selection process is described in the graph below and additionally supplemented by its Group Responsible Financing Policy.

- 1 Respective business units pre-screen assets based on Eligibility Criteria of this Framework which have been reviewed by a reputable Second Party Opinion Provider.
- 2 Sustainable Financing Committee conducts quarterly review of pre-selected assets to review and confirm final compliance with all requirements of this Framework.
- 3 External reviewer evaluates the Green and Social Asset Pool annually prior to the publication of the Green and Social Financing Report. The Sustainable Financing Committee will then vote on any issues raised by the reviewer (if any), which can lead to the exclusion of the respective assets from the Green and Social Asset Pool.
- 4 The reviewed Sustainable Financing Report stating the allocation at the cut-off date will be published annually on Arion Bank's website.

ESG in the Credit Process

The Project Evaluation and Selection Process is part of the regular credit process in which the client, project or asset is approved for financing by Arion Bank. All loans go through the ordinary credit process, which includes a Know-Your-Customer (KYC) procedure, sustainability risk assessment, credit risk analysis, and finally a credit decision in accordance with our governance process. Only assets approved in the regular credit process can be eligible for Sustainable Financing Instruments.

The sustainability risk assessment is based on the Bank's sustainability policy framework and is guided by sector guidelines that get developed over time.

Following the work related to the publication of the inaugural Green Financing Framework in 2021, we also decided to make certain changes to our lending practices. With immediate effect, we have increased our client engagement by asking for more in-depth information from companies that qualify for a green loan. For example, we encourage our



borrowers to disclose further information, on a best effort basis:

- ▶ Development in oil consumption from fishing vessels
- ▶ If 90% of the fish has MSC certification
- ▶ Feed sourcing policies
- ▶ Yearly PUE for data centres

2.3 Management of Proceeds

Arion Bank will manage the proceeds of any Sustainable Financing Instrument on a portfolio basis. An equivalent amount to the net proceeds of any Sustainable Financing Instrument outstanding will be allocated to the Arion Bank's Green Asset Pool, selected in accordance with the Eligibility Criteria and evaluation and selection process presented above.

Arion Bank will strive, at any point in time, to maintain a Sustainable Asset Pool that matches or exceeds the total net proceeds of all Sustainable Financing Instruments outstanding.

The Bank tracks the proceeds of its Sustainable Financing Instruments via its internal Register, which is reviewed on quarterly basis by the Sustainable Financing Framework. If an asset no longer meets the Eligibility Criteria and/or it matures, it shall be excluded from the Asset Pool. New assets, meeting the Eligibility Criteria, will be included once approved by the Sustainable Financing Committee.

Unallocated net proceeds from Green Financing Instruments will be held in Arion Bank's Treasury Liquidity Portfolio, in cash or other short term and liquid instruments, at the discretion of the Bank.

2.4 Reporting

Arion Bank will publish a Sustainable Financing Report for as long as there is any Sustainable Financing Instrument outstanding. The report will be made available on our Investor Relations website [here](#) on an annual basis. Arion Bank will show the allocation and impact of the Sustainable Financing Instruments to the Asset Portfolio for each Eligible

Asset Categories and on an aggregated basis for all of the Arion's Sustainable Financing Instruments. Below we highlight the key elements to be included in the reporting, on a best effort basis:

Allocation reporting

- ▶ Size of the Eligible Green and Social Asset Portfolio, per Eligible Category
- ▶ Number of loans to Eligible Assets
- ▶ Total amount of outstanding Sustainable Financing Instruments and the share of proceeds used for financing vs. re-financing purposes
- ▶ Any shortfall or amount of assets unallocated
- ▶ Amount of Covered Bonds outstanding and size of respective part within the Asset Pool (if any)
- ▶ The proportion of the Eligible Green Asset Portfolio that is aligned with the EU Taxonomy on a best effort basis. Arion Bank will elaborate in relation to compliance with Substantial Contribution to the Environmental Objective(s), Do No Significant Harm (DNSH) and Minimum Social Safeguards (MSS)

Impact reporting

On a best effort basis and subject to feasibility and data availability, the impact reporting will focus on the information as laid out in the table in the appendix of this Framework. Arion Bank will provide full transparency on the methodology used and the respective assumptions.



2.5 External Review

Arion Bank has obtained an independent second-party opinion ('SPO') from ISS-ESG to confirm the validity of its Sustainable Financing Framework prior to the issuance of its first instrument under this Framework. The independent SPO is published on our Investor Relations website and is also available on the website of the External Reviewer.

To ensure sustained compliance of all issued bonds with the methodology set out in this Framework, Arion Bank will appoint an independent verifier to produce, on an annual basis, starting one year after the first issuance under this Framework, a verification report on the allocation of the proceeds⁵².



⁵² Limited assurance.



Appendix: Impact Reporting Table

ICMA / LMA Eligible Category	Environmental and/or Social Benefit	Output and Impact indicators (exemplary only)
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none">Conservation of biodiversityClimate change mitigationGreenhouse Gas (GHG) emissions reductionRegeneration of natural resources	<p>Sustainable marine value chains (fisheries, land-based aquaculture, marine food chain)</p> <ul style="list-style-type: none">Number / revenue of certified products sold (by certification scheme)Depending on data availability (by fish type)<ul style="list-style-type: none">Annual emissions avoided (in CO₂e)Revenue from certified fisheriesSustainably harvested fish as percentage of total supply chainDescription of projects <p>Marine ecosystem management</p> <ul style="list-style-type: none">Coastal or marine area under improved management, conservation, or restoration (ha)Increase in area of fragile and sensitive habitat/ecosystem (%) <p>Sustainable forestry & agriculture:</p> <ul style="list-style-type: none">Number of certified enterprises / revenues of certified productsArea (hectares) transformed or reclaimed
Renewable energy		<ul style="list-style-type: none">Installed capacity (MW)Annual production of renewable energy (MWh)Annual emissions avoided (in CO₂e)
Clean transportation	<ul style="list-style-type: none">Climate change mitigationGreenhouse Gas (GHG) emissions reductionPollution reduction	<ul style="list-style-type: none">Number of vehiclesNumber of passengers / amounts of freightType of vehiclesType of infrastructureAnnual emissions avoided (in CO₂e)
Energy efficiency		<ul style="list-style-type: none">Amount of energy saved (MW)Annual emissions avoided (in CO₂e)
Green buildings		<ul style="list-style-type: none">Number of projects being financedNumber of LEDs, smart meter grids or any other energy saving applications installedAnnual amount of energy saved (MW)Annual emissions avoided (in CO₂e)
Circular economy adapted products, production, technologies and processes	<ul style="list-style-type: none">Energy efficiencyEco-efficient and/or circular economy adapted products, production technologies and processesClimate change adaptation	<ul style="list-style-type: none">Amount of fully recyclable goods produced (tons)Amount of fully compostable goods produced (tons)Amount of recovered materials thanks to product redesign, new business models and/or reverse logistics (tons)
Sustainable waste and water management	<ul style="list-style-type: none">Climate change mitigationRegeneration of natural resourcesWaste and water avoidance	<ul style="list-style-type: none">Description of projectsQuantity of recycled waste (tonnes per year)If available, annual emissions avoided (in CO₂e)Quantity of treated wastewater and/or supplied freshwater (cubic meters per year)Qualitative improvements in freshwater supply and/or wastewater treatment



Affordable Housing	<ul style="list-style-type: none">Increased percentage of residents meeting specific needs and conditions	<ul style="list-style-type: none">Number of housing associations/organizationsNumber of affordable dwellings coveredEstimated number of residents benefitting
Access to essential services - Education	<ul style="list-style-type: none">Increase access to education, vocational training for target population and student housing	<ul style="list-style-type: none">Number of schools and facilities covered (per type)Estimated number of students benefitting from educationEstimated number of student residences benefittingEstimated number of adult students benefitting from vocational training and language classes
Access to essential services - Healthcare	<ul style="list-style-type: none">Increase access to quality and timely healthcare services & serviced buildings	<ul style="list-style-type: none">Number of hospitals coveredNumber of residential care facilities coveredEstimated number of bedsEstimated number of patients benefittingNumber of serviced buildings coveredNumber of residents
Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	<ul style="list-style-type: none">Increasing or retaining jobsSupporting SMEs & micro-finance	<ul style="list-style-type: none">Number of SMEsEstimated number of jobs created and/or retained



Disclaimer

This document does not constitute an offer, or an invitation to offer, or a recommendation to purchase or subscribe Sustainable Financing Instruments as described in this Framework. Sustainable Financing Instruments in the form of (Covered) Bonds will be offered and described in a prospectus (as supplemented and amended from time to time and including, if applicable, a final terms document, the '**Prospectus**') prepared prior to or in conjunction with an issuance of Sustainable Financing Instruments. Before entering into any transaction concerning Sustainable Financing Instruments (a '**Transaction**') any investor is expected to have read the Prospectus or other documentation provided by Arion Bank in this context of the Transaction, including but not limited to loan document or master agreement or general terms of business as they related to the Transaction in Sustainable Financing Instruments (the '**Documentation**'), and having taken steps to ensure that he or she understands the Transaction and has made an independent assessment of the appropriateness of the Transaction in the light of his or her own objectives and circumstances, including the possible risks and benefits of entering into such Transaction. Any potential investor should also consider seeking advice from her or his own advisers in making this assessment.

The Documentation relating to any specific tranche of Sustainable Financing Instruments may provide that it will be Arion Bank's intention to apply the proceeds from an offer of those Sustainable Financing Instruments specifically to finance or refinance both loans to and investments in corporations, assets, projects and/or activities that promote climate-friendly, energy-efficient and other environmental purposes ('**Eligible Assets**' as described in this Framework).

Prospective investors should have regard to the information set out in the Documentation and the Framework regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Sustainable Financing Instruments together with any other investigation such investor deems necessary. In particular no assurance is given by Arion Bank that the use of such proceeds for any Eligible Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or sustainability impact of any projects or uses, the subject of or related to, any Eligible Assets. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or "social" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or "social" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Assets will meet any or all investor expectations regarding such "green", "sustainable" or "social" or other equivalently labelled performance objectives or that any adverse environmental and/or social impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Assets. Also the criteria for what constitutes an Eligible Asset may be changed from time to time.

Section 2, the Framework, describes the principles Arion Bank intends to adhere to in issuing Sustainable Financing Instruments; no assurance or representation is given that Arion Bank will continue to adhere to such principles as they may evolve. Further, the Framework takes into account the latest reports and publications by the EU Taxonomy and the EU GBS. Since there has not been full visibility on all aspects of the newly emerging regulatory environment concerning the EU GBS at the time of publication of this Framework, EUGBS is reflected on a best effort basis only and no assurance or representation is given that any Green Financing Instruments issued as described in this Framework will, at any time, be compliant with EU Taxonomy and/or the EU GBS.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by Arion Bank) which may be made available in connection with the issue of any Sustainable Financing Instruments and in particular with any Eligible Assets to fulfil any environmental, sustainability and/or other criteria ('**Sustainable Evaluation**'). Any such Sustainable Evaluation may not address risks that may affect the value of Sustainable Financing Instruments or any Eligible Asset. For the avoidance of doubt, any such Sustainable Evaluation is not, nor shall be deemed to be, incorporated in and/or form part of the Documentation. Such Sustainable Evaluation provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in Sustainable Financing Instruments including without limitation market price, marketability, investor preference or suitability of any security. Such Sustainable Evaluation is a statement of opinion, not a statement of fact. Any such Sustainable Evaluation is not, nor should be deemed to be, a recommendation by Arion Bank or any other person to buy, sell or hold any Sustainable Financing Instruments. Any such Sustainable Evaluation is only current as of the date that opinion was initially issued and may be updated, suspended or withdrawn by the relevant provider(s) at any time. Prospective investors must determine for themselves the relevance of any such Sustainable Evaluation and/or the information contained therein and/or the provider of such Sustainable Evaluation for the purpose of any investment in Sustainable Financing Instruments.

Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Holders of Sustainable Financing Instruments will have no recourse against the provider(s) of any Sustainable Evaluation.

While it is the intention of Arion Bank to apply the proceeds of any Sustainable Financing Instruments so specified for Eligible Assets in, or substantially in, the manner described in the Documentation, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Assets will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule or at all or with the results or outcome (whether or not related to the environment) as originally expected by Arion Bank and that accordingly such proceeds will be totally or partially disbursed for such Eligible Assets. Any such event or failure by Arion Bank or any failure by Arion Bank to provide any reporting or obtain any opinion will not constitute an event of default under the Sustainable Financing Instruments.