

# Impact and Allocation Report 2021

Green Financing Framework

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# 1. Arion Bank's approach to sustainability

## 1.1 Executive summary for green financing

Outstanding amount of green finance

**57.2bn ISK**

Total committed green finance

**129.9bn ISK**

**785**

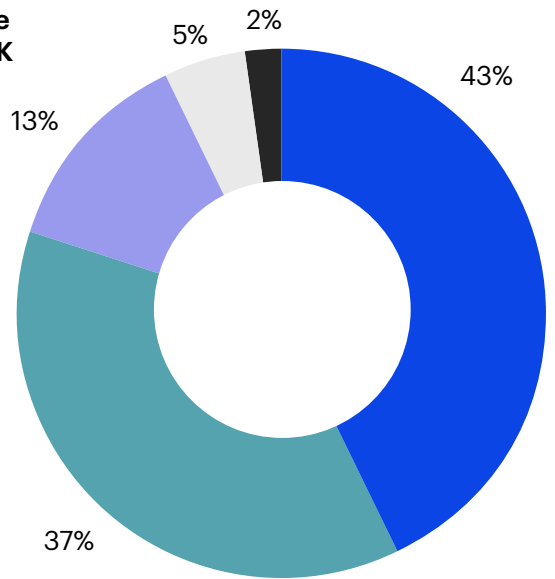
Clean transportation

**2,969**

Number of green projects

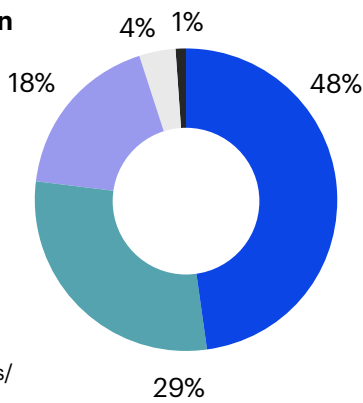
### Committed finance breakdown % in ISK

- Green buildings
- Sustainable fishery and aquaculture
- Energy efficiency
- Pollution prevention and control and wastewater management
- Clean transportation



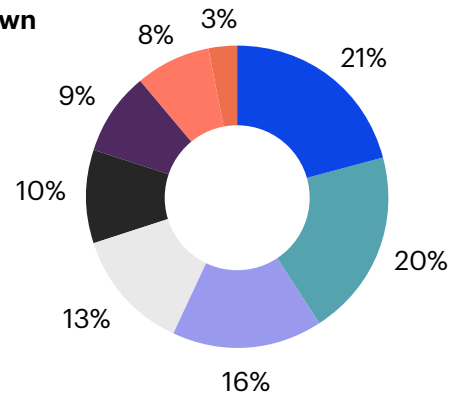
### Investor breakdown of green bonds issued in July by type

- Asset management
- Central Banks/ Official institutions
- Banks/Private banks
- Insurance companies/ Pension Funds
- Other



### Investor breakdown of green bonds issued in July by geography

- UK/Ire
- BeNeLux
- Germany/Austria/ Switzerland
- S. Europe
- Middle East
- Asia
- Nordics
- France



### Re-financed projects vs. new projects

- Re-financed projects
- New projects



**2,162**  
Number of green housing



**12.680<sub>tCO2</sub>**  
Annual CO2 emissions avoided



Annual emissions of greenhouse gases avoided with green financing corresponds to **36,228 return flight tickets from Copenhagen**





## 1.2 Arion Bank's sustainability journey

Climate change is one of the greatest challenges facing today's society as it affects every region, every country, and every citizen in the world. Arion Bank recognizes its obligation to respect the Earth's natural resources and to preserve the environment for future generations.

Banking and financial services as such have a rather limited direct climate impact, while their indirect impact, through balance sheet lending and investments, can be significant. This is where Arion Bank can make a difference and lead by example.

To reach the goals of the Paris Agreement to keep global warming below 2 degrees Celsius (and preferably 1.5 degrees), 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 and to adjust its asset portfolio to the new "green" business environment.

The Bank is committed to assisting the Government of Iceland to meet its obligations under the Paris Agreement and other domestic and international environment and climate goals, and to reaching the ambitious goal of a carbon neutral Iceland by the year 2040.

Arion Bank's goal is to reduce emissions of carbon dioxide and other GHG emissions from its activities by at least 55% by 2030 from the base year 2015, and to offset remaining GHG emissions.

Arion Bank is setting ambitious targets and will publish the results of progress in areas where it has the greatest impact, such as in procurement, own activities and the services the Bank provides to its customers. Read more about Arion Bank's sustainability commitments on the website, [Sustainability - Arion Bank](#).

## 2. Green financing

In June 2020, Arion Bank announced the launch of a new green deposit account, the first Icelandic Bank to offer such an account. As a further commitment to a sustainable future, Arion Bank established its [Green Financing Framework](#) in July 2021.

In 2021, a Sustainability Committee was established, and sustainability risk defined as part of the Bank's risk management. The committee's main role is to monitor the Bank's performance in relation to policies and commitments regarding sustainability and to ensure that ESG aspects are taken into account in the Bank's decisions and future plans. The CEO is the chairman of the Sustainability Committee.

In late 2021 the Sustainability Committee updated and approved a new and ambitious [environment and climate policy](#) and targets (see below). One key objective is for the Bank to focus its attention on financing projects related to sustainable development and green infrastructure.

Arion Bank's Green Financing Framework (the Framework) is based on the Green Bond Principles, published by the International Capital Markets Association (ICMA). Arion Bank has obtained an independent second party opinion from CICERO to confirm the validity and credibility of its Framework prior to the issuance of its first instrument under this Framework. CICERO rated Arion Bank's Green Finance Framework, Medium Green.

The Framework allowed the Bank to issue its inaugural green bond in July 2021, which was met with great interest from a wide range of international investors. Subsequently on December 16, the Bank completed its second green bond issue aimed towards domestic investors, and which was also received favorably in the market. At the end of 2021, a total of 2,969 projects were approved under the Green Financing Framework, including green housing and electric vehicles.

Total committed finance was ISK 129.9bn and the outstanding amount of green finance was ISK 57.2bn. The largest category of committed finance in 2021 was green buildings which represented 43% of the total portfolio. Other large categories of committed finance are sustainable fisheries and aquaculture and energy efficiency.





## 2.1 Goals for green financing

Arion Bank has set ambitious target, focusing on financing projects on sustainable development and green infrastructure.

- In 2022 we will set a target on green loans as a percentage of total loans up to 2030.
- In 2022 we will adopt a policy concerning those sectors which have the greatest impact on our loans, taking into account environmental and climate considerations.
- In 2022 we are going to start measuring the carbon footprint of our loan portfolio in accordance with PCAF. Once we have obtained a clear picture of the loan portfolio's carbon footprint, we will set ourselves a target on how to reduce the footprint up to 2030 in accordance with the objectives of the Paris Climate Agreement.
- The Bank's goal is to reduce emissions of carbon dioxide and other greenhouse gases from its activities by at least 55% by 2030 compared with 2015 and to carbon offset all these emissions.



## 2.2 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 a new debt instrument to its investors in the form of green bonds. Through these instruments, the Bank can, together with its investors, promote and support the long-term development of sustainable solutions by financing green projects.

In July 2021, Arion Bank issued its inaugural green bond, a 4-year senior unsecured bond for total value of €300m (ISK44bn). The bond issue was oversubscribed, as orders were received from over 70 investors with total demand at peak of over €600m. The green bond was sold at rates corresponding to a 0.80% margin over inter bank rates.

In December 2021, the Bank issued its second green bond in ISK, a 5-year bond with fixed interest. Again, there was great interest in the issuance, but this time from domestic investors. The second issuance was sold at 4.7% rates.

## 2.3 Green deposits

Green Deposits is a savings account designed for individuals, NGOs, municipalities and companies wanting to contribute towards a more sustainable future. Funds deposited into Green Deposits are invested in projects that are in line with the Bank's Green Deposit Framework, now included in the Green Financing Framework.

In 2021 the Bank's customers increased their deposits by ISK 3bn in the Green Deposits account. Initially Green Deposits were used to finance a selected part of green loans, such as electric vehicles, and which meet certain criteria regarding GHG emissions. However, the account rapidly became so popular, that it was necessary to expand the Green Deposits framework to cover more different types of green assets.

Green Bonds July 2021		Green Bond Dec 2021		Green Deposits	
Issuer	Arion Bank hf.	Issuer	Arion Bank hf.	Start date	23 June 2020
ISIN	XS2364754098	ISIN	IS0000033710	Distribution	21% individuals 79% institutions and companies
Type	Green Senior Unsecured	Type	Green Senior Unsecured	Amount 31 12 20	ISK 5.1bn
Size	EUR 300m (ISK 44bn)	Size	ISK 3.64bn	Amount 31 12 21	ISK 8.2bn
Tenor	4-year	Tenor	5-year		
Issue date	14 July 2021	Issue date	22 December 2021		
Maturity date	14 July 2025	Maturity date	22 December 2026		
Exp. Issue rating	BBB (S&P)	Exp. Issue rating	-		
Spread	MS+80bps	Spread	-		
Coupon	0.375% Fixed	Coupon	4.7% Fixed		
Listing	Luxembourg SE	Listing	Reykjavik		



### 3. Green Financing Framework

#### 3.1 Reporting methodology

The impact reporting is in line with the ICMA Green Bond Principles (2021) and the recommendations of the Nordic Public Sector Issuers Position Paper on Green Bonds Impact Reporting published in February 2020. The report seeks to communicate and inform about the impact of financed projects based on available data.

#### Key reporting principles

- Arion Bank reports on a portfolio basis, and in Icelandic króna (ISK).
- Currency rates are as per 31 December 2021
- 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 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 2021, taking into account new withdrawals and repayments
- Arion Bank uses a pro-rata allocation to each outstanding bond.
- Refinanced is defined as eligible projects launched before the year 2021 while financed projects / new projects are accounted for in the year 2021.
- The Bank is constantly reviewing its reporting methodology in line with the latest standards and is open to feedback regarding this.

#### 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 × average yearly EVs mileage × average GHG emissions from comparable fossil fuel vehicles, same year of build. EVs charged in Iceland are assumed to have zero emissions due to renewable energy.

##### 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 m<sup>2</sup> were calculated for the top 15% and lower 85% of buildings in Arion Bank's portfolio. Emissions avoided were calculated by taking the difference between the carbon footprint of the top 15%, if they had the same average emissions per m<sup>2</sup> as the lower 85% and the actual emissions (based on mean emissions per m<sup>2</sup>).

##### Pollution prevention

- Indicators used are the ratio of recycled material. All recyclables that end in waste-to-energy plants are not considered recycled.
- Avoided emissions are calculated from composted organic material as composting of organic material is not yet standard in Iceland. Other recyclables go through standard recycling processes.
- 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 2021.



### 3.2 UN SDGs

The UN Sustainable Development Goals (SDGs) are 17 goals with underlying targets, with the aim to achieve a better and sustainable future for all.

At the beginning of 2020, the executive committee of Arion Bank approved six SDGs which the Bank intends to focus on.

The Bank's operations and Green Financing Framework are closely aligned with these particular UN SDGs:

#### EU Taxonomy

The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities and is expected to be incorporated into Icelandic law in 2022.

Arion Bank intends to meet the criteria of EU Taxonomy and align them with its Green Financing Framework. This will help to create a transparent and secure environment for the Bank's green activities and protect investors and costumers from greenwashing. The EU taxonomy is still under development and is a living document. The Bank will thus continue to actively monitor changes and reflect them accordingly in its reporting.





### 3.3 Green Financing Framework

Arion Bank's Green Financing Framework consists of the following core components, 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

### Use of proceeds

Arion Bank strives to reach full allocation of proceeds within one year after each issuance. The net proceeds of any of its Green Financing Instruments will be used to finance or re-finance project loans, general corporate loans or any equity or own investments in tangible or intangible assets ('Eligible Assets') that support the transition to a low-carbon economy and the SDGs .

The loan or investment must fall into at least one of the categories ('Eligible Categories'). In the case of general corporate loans, at least 90% of the corporation's turnover must be attributable to Eligible Sectors and fulfill the respective requirements.

## Arion Bank's Green Financing Framework has seven project categories



### Sustainable fishery and aquaculture

Described as financing related to sustainable fishery/aquaculture, including investments in the areas of decarbonization

of offshore/onshore operations and supporting infrastructure as well as the protection of marine fauna, waste avoidance or the development of more selective fishing methods.



### Sustainable forestry and agriculture

Described as 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.



### Renewable energy

Described as financing related to renewable energy projects, including geothermal, wind, solar, hydropower (<10MW) and

biogas used for transport, heating and industrial purposes.



### Clean transportation

Described as financing related to equipment, technology and processes

towards clean transportation infrastructure, including but not limited to, stations and rolling stock for passengers/freight transportation (e.g. buses or EVs).



### Green buildings

Described as financing related to the construction of new buildings, operation of existing buildings or renovation of existing

buildings in the commercial or residential real estate sector. Buildings that meet certain certification standards or fall under Mannvit methodology are included.



### Energy efficiency

Described as financing related to the construction, implementation, maintenance and operation of facilities, infrastructure or

appliances that reduce the use of energy, including but not limited to, energy efficient data centers or lighting solutions.



### Pollution prevention and control and wastewater management

Described as financing related to technologies, processes and associated

infrastructure supporting waste prevention, waste reduction, waste recycling as well as wastewater management.



### 3.4 Process for project evaluation and selection

Arion Bank has established a robust process to identify Eligible Assets in Green Asset Categories which ultimately shall be included in its common Green Asset Pool:

1. A new loan is analyzed and marked green if applicable.
2. Business request established.
3. Green Financing Committee approves pre-selected Eligible Assets to the Bank's Green Asset Pool. If there is uncertainty, the matter is referred to the Sustainability Committee (SUCO).
  - 3a. SUCO reviews the matter and reports back to the Green Financing Committee. The loan is registered as Eligible Asset.
4. If the loan is not approved, the business manager is informed, and the loan is changed in the system.
5. The customer is informed about the situation and the case is closed.

The process is governed by a Green Financing Committee that has been established and which manages the internal process if existing loans are converted into Green Assets. The Committee consists of representatives from the Group Sustainability Office, Treasury, Investor Relations, relevant business units and the Bank's risk function, and shall vote unanimously.

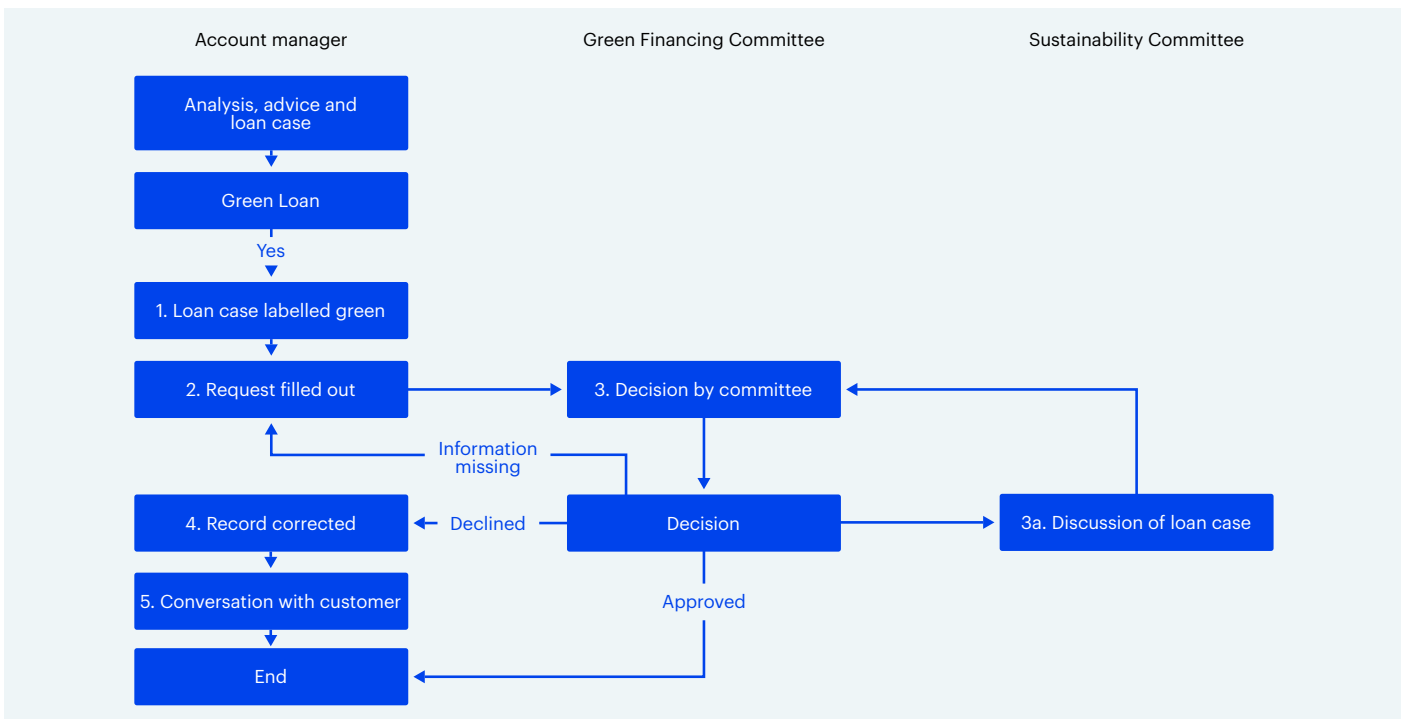
Overseeing the Green Financing Committee is the Sustainability Committee (SUCO) comprised of managing directors and the CEO, who chairs the committee.

### Management of proceeds

Arion Bank manages the proceeds of its Green Financing Instruments on a portfolio basis, with amounts corresponding to the net proceeds of any Green Financing Instrument outstanding, used to finance the Green Asset Pool. Net proceeds of instruments are placed in the Bank's general funding accounts.

In order to monitor the Green Asset Pool, the Bank has established an internal Register, which displays the technical mapping of all approved Eligible Assets by the Green Financing Committee. The Register is reviewed quarterly by the Committee and maturing exposures and assets that are sold, are excluded from the Pool.

The Bank's goal is to ensure that its Green Asset Pool remains larger than the total net proceeds of all Green Financing Instruments outstanding. As the Register is routinely monitored by employees, any potential shortfall in the Green Asset Pool should be detected in a reasonably short time frame and adjusted accordingly.



### 3.5 Allocation of Green Financing Framework

Arion Bank issued its first €300m (44bn ISK) Green Bond in July 2021 and in December, the Bank issued its second Green Bond ISK 3.6bn.

The Bank’s Green Deposits accounts were launched in June 2020 and have since then enjoyed considerable success, rising to ISK 8.2bn by end 2021.

As of end 2021, the outstanding amount of green finance (i.e. the amount of disbursed loans minus repayments) stood at ISK 57.2bn at end-2021 or 44% of the total committed finance (i.e. sum of outstanding amount and amount of unwithdrawn credit commitments) that was ISK 129.9 bn at end 2021.

Commitments have been made to 2,969 eligible projects, of which 82% of the amount has been disbursed. 42% were new projects while 58% were re-financings of previously granted loans.

## Green Financing

Green instruments issued  
**ISK 55.9bn**

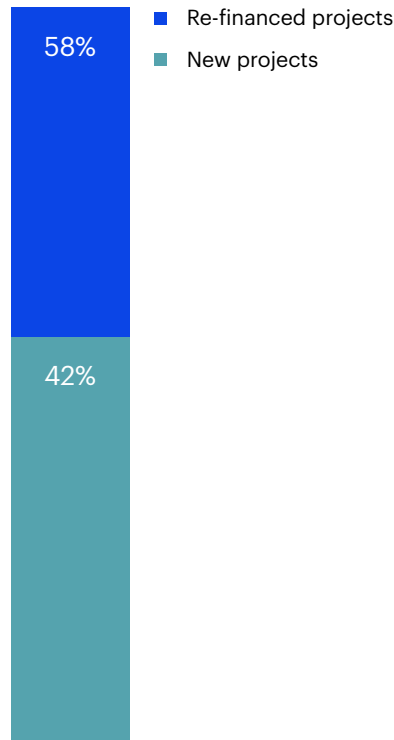
Outstanding amount for eligible projects  
**ISK 57.2bn**

Total committed finance  
**ISK 129.9bn**

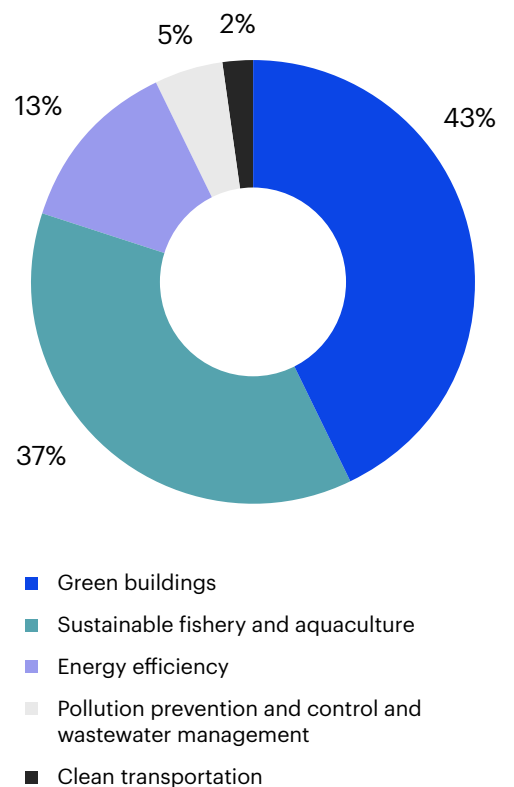
### Committed but not disbursed vs. disbursed
























### Re-financed projects vs. new projects



### Committed finance breakdown % in ISK



3.6 Impact of Green Financing Framework

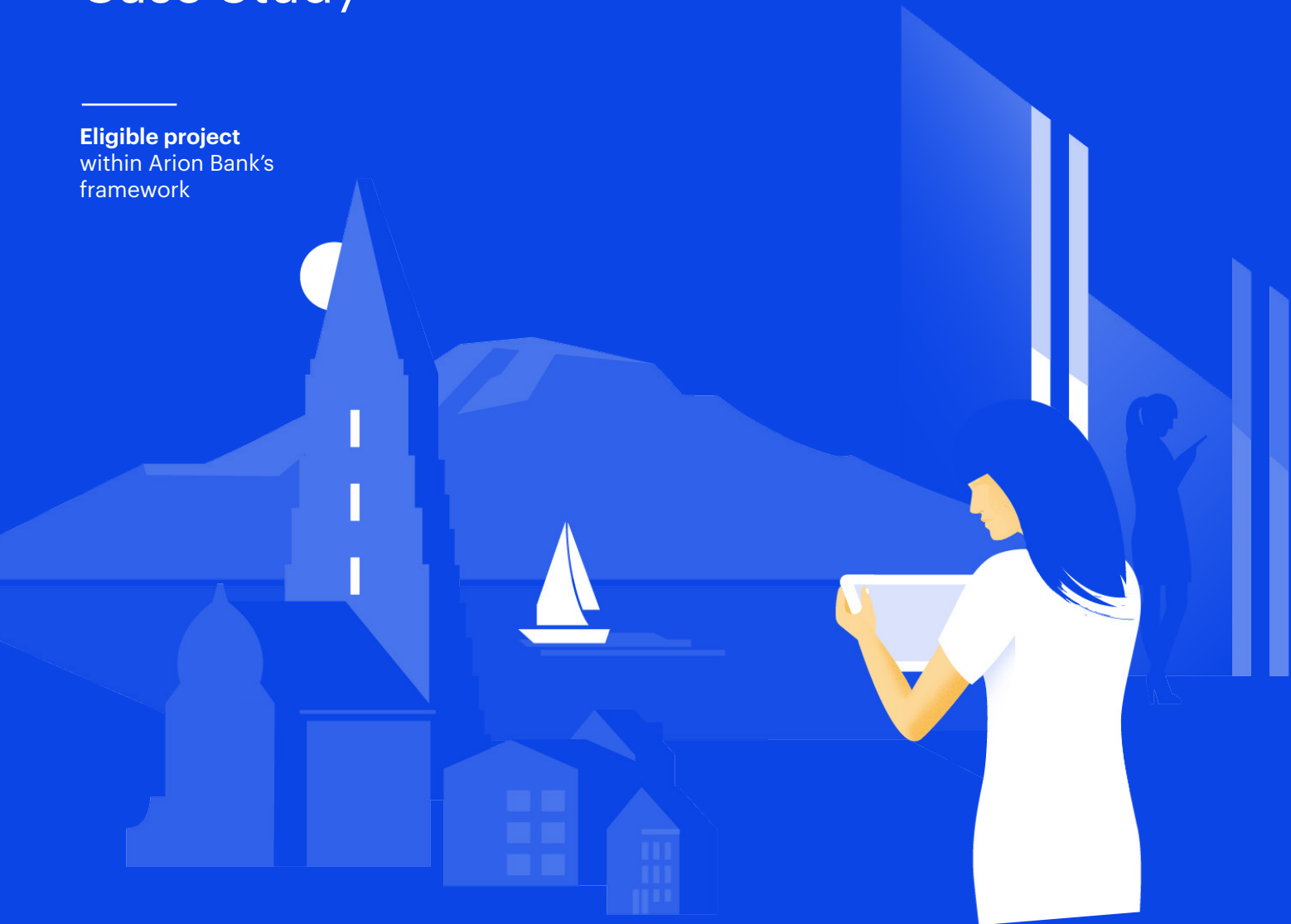
Project category	Disbursed amount 31 December 2021 in million ISK	Committed finance 31 December 2021 in million ISK	Annual emissions avoided (tons CO2e)	Certifications	Ratio of recycled material (%)	UN SDGs
Sustainable fishery and aquaculture	42,425	48,527		16 projects with over 90% of revenues MSC certified  2 projects with over 90% of revenues ASC certified		 
Sustainable forestry and agriculture	-		-			   
Renewable energy	-		-			 
Clean transportation	2,241	2,241	1,203			   
Green buildings	55,997	55,997	698			 
Energy efficiency	-	16,868	-			  
Pollution prevention and control and wastewater management	5,598	6,342	10,779		Two waste handling projects that are financed: Project 1: 69% Project 2: 37%	   
Total	106,261	129,975	12,680			
Thereof new loans in 2021	35,786	54,077				





# Energy efficiency Case Study

**Eligible project**  
within Arion Bank's  
framework



Norðurál, a subsidiary of Century Aluminum produces about 320,000 tons of aluminum annually at its Grundartangi smelter (in south-west Iceland) utilizing the country's vast renewable electricity sources.

Aluminum is used for various everyday products such as making cans and foil as well as for vehicles, airplanes, and such.

Until now, Norðurál has delivered aluminum ingots to its European customers, who have then re-melted the ingots to be further processed into products, using electricity that has a significantly larger carbon footprint than in Iceland.

By investing in a new production line, financed by Arion Bank, Norðurál will now produce about 150,000 tons of aluminum that will be cast into aluminum billets that do not need to be melted for further processing by the clients.

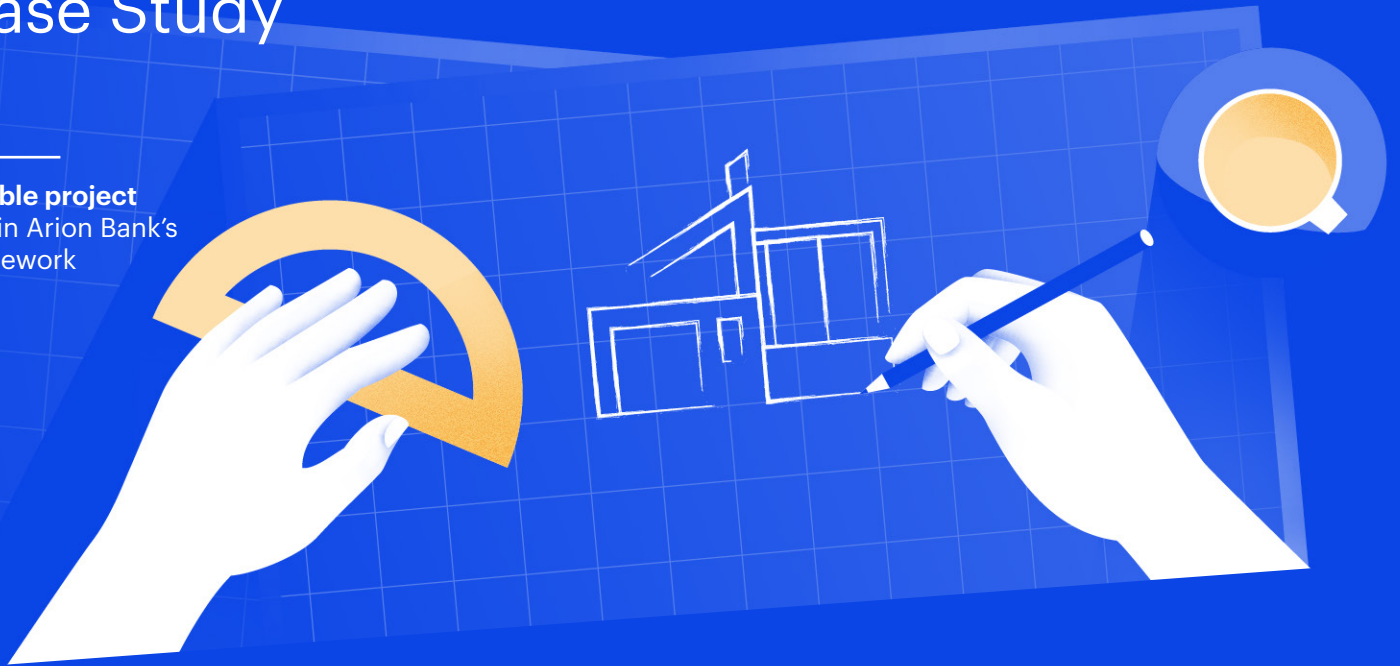
This new investment will save about 85,000 Mwh per year with increased energy efficiency estimated about 40%.



# Green buildings

## Case Study

Eligible project  
within Arion Bank's  
framework



When establishing its criteria for green buildings, Arion Bank teamed up with Mannvit to develop a [robust methodology](#) for its Green Financing Framework.

This was the first exercise of its kind in Iceland, as green building criteria had normally been tied to green building certification such as those offered by BREEAM, LEED and Nordic Swan.

The goal of the exercise was to reflect the unique situation of almost 100% renewable energy in Iceland and determine how this could be used to assess the sustainability of residential buildings in the Bank's mortgage pool.

Most of the buildings are in the Greater Reykjavik Area, with apartment buildings built between 1882-2021.

Going forward, the Bank intends to further develop this methodology. The Bank is also committed to increasing certified green buildings in its portfolio, as the Icelandic construction market becomes more focused on green housing projects.

The selection process is centered around the 100% renewable energy usage of buildings and as such, from a life-cycle perspective, embodied carbon emissions make up the bulk of the total GHG emissions, with all the following selection criteria needing to be met:

- Buildings are required to be among the top 15% carbon efficient buildings in Iceland from a life-cycle perspective which is taking into account the building material used and the operational energy demand of the use stage
  - Threshold: CO2 emissions  $\leq 6.76^* \text{ kgCO}_2 / \text{m}^2 / \text{year}$
- High energy intensity buildings with an energy use of  $>300 \text{ kWh/m}^2$  per year are excluded even though they might form part of the top 15% carbon efficient buildings in Iceland from a life-cycle perspective as described above
- Buildings are required to be in proximity to public transportation
  - Threshold: a maximum distance of 750 meters applies
- Buildings built in areas that do not require recycling are excluded

<sup>4</sup> Due to better quality of data the threshold has now been lowered from 6.84 to 6.76.



# Pollution prevention and control and wastewater management

## Case Study

Eligible project  
within Arion Bank's  
framework

Arion Bank is proud to be a partner of Pure North which is a revolutionary company in Hveragerði.

Pure North it is the only company in the country to fully recycle plastic thus uses renewable energy sources, primarily geothermal energy in doing so.

In the recycling process, dirty plastic waste is converted into plastic beads that are sold for the production of new plastic products in Iceland and abroad.

The goal of recycling is to turn plastic back into plastic and to complete the process leaving as little or no carbon footprint as possible, without chemicals used in the processing.

Besides having no negative impact on the environment, Pure North processing method is unique in the world.



# Clean transportation Case Study

**Eligible project**  
within Arion Bank's  
framework



Iceland as a country has set ambitious goals for climate neutrality in 2040 and the aim is to phase out fossil fuel usage in transport by then.

Icelanders have responded, with the ratio of electric vehicles (EVs) the second highest in the world (trailing only Norway).

Owning and operating an EV in Iceland makes perfect sense as the country benefits from 100% renewable energy.

Also, switching to EVs has economic benefits for consumers, thanks to a government subsidy for imports of EVs and due to relatively low charging costs in Iceland.

To foster this reassuring development, Arion Bank included in its Green Financing Framework exclusively zero tailpipe emission vehicles (including hydrogen, fuel cell, electric).

The action was positively reflected in Cicero's Second Party Opinion, which branded the category dark green. It is expected that this part of Arion's green portfolio will only continue to grow in the coming years due to government policy and consumer preferences.





# Sustainable fishery and aquaculture Case Study

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**Eligible project**  
within Arion Bank's  
framework



Arion Bank wants to support its customers to go even further on their sustainability journeys, primarily by helping them to decarbonize their operations and fleets.

Aquaculture is a fast-growing sector in Iceland, with several companies building up operations on land and sea all around Iceland. Arion's Framework exclusively includes sustainable aquaculture as certified by the Aquaculture Stewardship Council (ASC), which is a leading certification in the market.

The Bank also engages with clients from the industry regarding their feed sourcing policies and encourages the adoption of standards like ProTerra or Round Table on Responsible Soy.

Certification schemes and good management practices have been identified by the Climate Bonds Initiative working group on sustainable fisheries to be able to serve as a potential proxy for low emissions.

In addition, Arion Bank requires that it be provided with key non-financial criteria relevant to the operation of each client to assess the scope and impact of these aspects. For fisheries, this includes any potential information on the development of fossil fuel consumption related to equipment or vessels.



# Sustainable forestry and agriculture

Example of potential eligible projects



Climate change mitigation and the conservation of biodiversity are some of the biggest challenges facing today's societies.

Investing in sustainable forestry and agriculture is highly important for Arion Bank which is committed to helping Icelandic farmers build up new sustainable farming techniques.

These methods contribute to the fight against climate change yet preserve biodiversity.

Reclaiming wetlands is also paramount as research has demonstrated that drained trenches are responsible for 60% of total GHG emissions in Iceland.

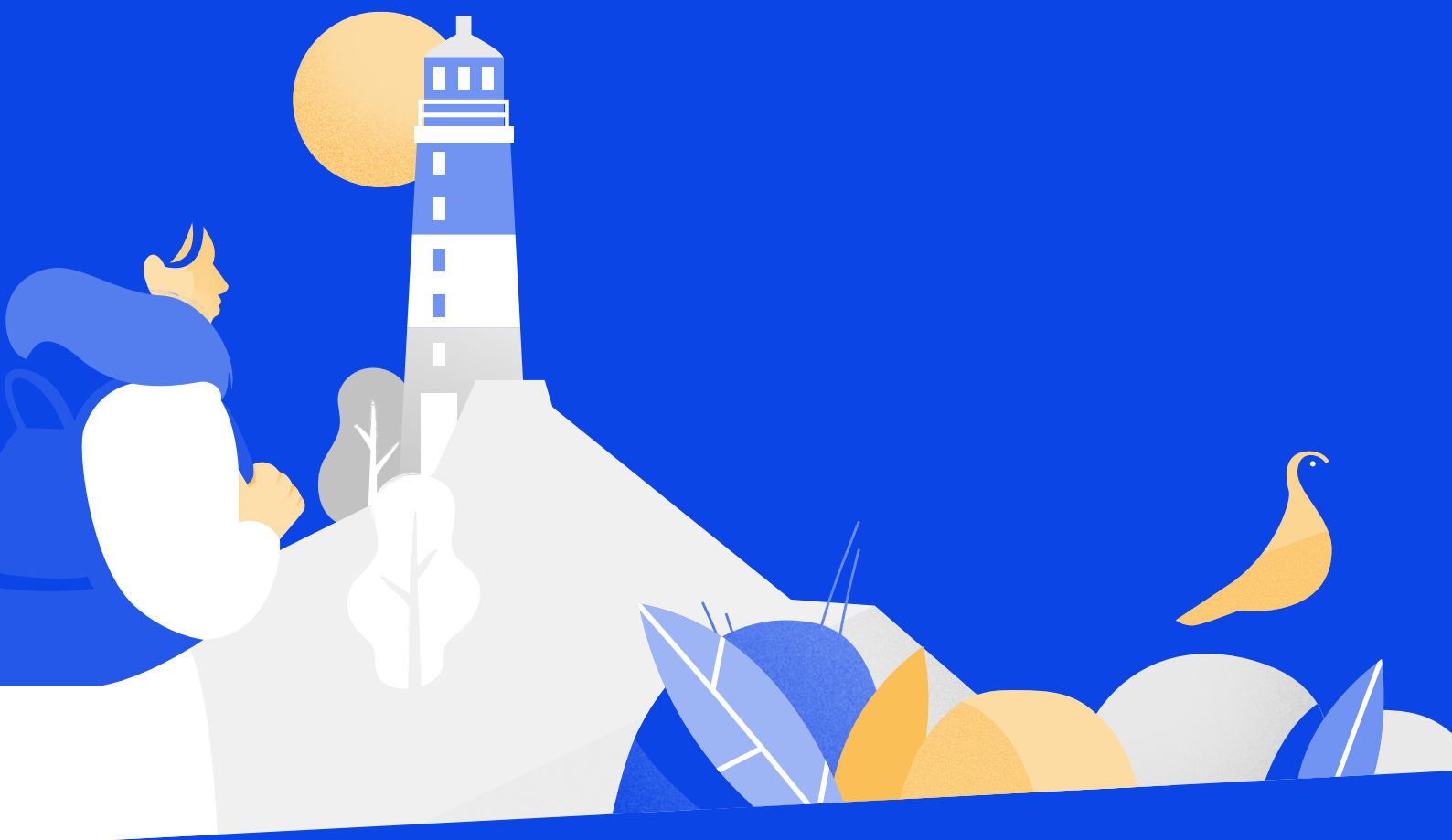
By creating projects related to sustainable forestry and reclaiming wetlands that are in line with international principles and standards, farmers can create a new revenue source, through certified and registered carbon credits.

Arion Bank is keen to fund this development. This way, the Bank can both strengthen the business models of Icelandic farmers and help them become "carbon farmers" as well as foster Iceland's climate goals as part of its Paris Agreement commitments.



# Renewable energy

Example of potential eligible projects



Iceland enjoys an abundance of renewable energy that has been harnessed through hydro and geothermal projects throughout the years.

Building on this foundation, Iceland is now embarking on a new and additional energy quest. In addition to the hydro and geothermal, wind power projects are in the pipeline in several parts of the country.

We at Arion Bank are keen to support the build-up of new clean energy source in Iceland.

The Bank seeks to engage with operators in the wind energy sector which follow a responsible strategy, minimizing adverse environmental impacts and operating in harmony with local societies and businesses.

Arion Bank is expecting to see projects in this field become part of its Green Financing Framework in 2022.





## 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 that Arion Bank's allocation of net proceeds from Green Financing Instruments are used to finance loans that meet the criteria of the Bank's Green financing framework, for the year 2021, as shown on pages 10-11 in the Impact & allocation report.

We express a conclusion providing limited assurance.

### **Management's responsibility**

The Management of Arion Bank 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 Control (ISQC) 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 whether amounts disbursed to green loans meet the eligible criteria according to the Banks Green Financing Framework (information presented on pages 10-11 in the Impact & Allocation report). 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 the loan portfolio classified as green loans according to the Green Financing Framework 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 personell at key functions in Arion Bank, inquiries regarding procedures and methods to ensure that selected loans meet the eligible criteria of the Green Financing Framework. We have assessed processes, systems and controls for gathering, consolidating and aggregating the data at Arion Bank, and performed analytical review procedures and tested data prepared against underlying documentation.



**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 Green Financing Instruments and its allocation to loans for the year 2021 under the criteria of the Green Financing Framework, is not prepared, in all material respects, in accordance with the Green Financing Framework.

Kópavogi, 16 February 2022

**Deloitte ehf.**



Gunnar Þorvarðarson

State-Authorised Public Accountant