S&P Global
Ratings

Powered by Shades of Green

An S&P Global Second Party Opinion (SPO) includes S&P Global Ratings' opinion on whether the documentation of a sustainable finance instrument, framework, or program, or a financing transaction aligns with certain third-party published sustainable finance principles. Certain SPOs may also provide our opinion on how the issuer's most material sustainability factors are addressed by the financing. An SPO provides a point-in-time opinion, reflecting the information provided to us at the time the SPO was created and published, and is not surveilled. We assume no obligation to update or supplement the SPO to reflect any facts or circumstances that may come to our attention in the future. An SPO is not a credit rating, and does not consider credit quality or factor into our credit ratings. See Analytical Approach: Second Party Opinions.

Second Party Opinion

# Reykjavik Energy's Green Financing Framework

**Oct. 30, 2024**


Primary contact

**Maria Ortiz de Mendivil**
Madrid
+34 687007348
Maria.omendivil
@spglobal.com


**Location:** Iceland **Sector:** Power utilities

## Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

See Alignment Assessment for more detail.

| EU Taxonomy | Fully aligned | Partially aligned | Not aligned |
|---|---|---|---|

**Dark green**

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our Shades of Green Analytical Approach >

## Strengths

**Most of the framework's project categories are Dark green.** Through its energy projects, Reykjavik Energy (RE) ensures Iceland has one of the cleanest electricity grids (99.97% from renewable sources). These facilitate economy electrification and decarbonizing challenging sectors like transportation. Eligible projects also support other environmental objectives such as sustainable water and wastewater management, and pollution prevention and control.

**All activities covered by the EU Taxonomy meet the technical screening criteria for substantial contribution to climate change mitigation.** They also meet the do no significant harm criteria to the other environmental objectives. Additionally, RE's procedures meet the minimum safeguards.

**The issuer has a strong decarbonization strategy.** The projects will help RE and its subsidiaries achieve net-zero operations by 2030. We positively note that RE has policies and procedures to mitigate emissions from the design phase to the operation of assets.

## Weaknesses

No weaknesses to report.

## Areas to watch

**RE's wastewater operations currently lack a process to sustainably manage waste products from its operations.** Sludge and other solids are currently being landfilled or combusted. We note several initiatives are underway to manage these waste products. These initiatives have not yet been finalized, leaving the ultimate use of biodegradable waste and sand undetermined.

**The extraction processes for essential minerals required for electric vehicles (EVs) and electric charging stations could lead to environmental and social risks in the value chain.** We think RE could mitigate upstream risks in EV and battery purchasing through its procurement policies. This said, we do not expect these categories to receive a substantial share of proceeds raised under the framework.

## Eligible Green Projects Assessment Summary

Eligible projects under issuer's green finance framework are assessed based on their environmental benefits and risks, using the Shades of Green methodology.

| | |
|---|---|
| **Electricity distribution (renewable energy)** | **Dark green** |
| The expansion, enhancement, or maintenance of electric distribution systems to meet increased electricity demand. | |
| The maintenance of network components that serve existing and future demand for electricity. | |
| **Geothermal district heating (renewable energy)** | **Dark green** |
| The increased production of low temperature geothermal water for space heating, including the drilling of new wells and the procurement and installation of new production equipment. | |
| The expansion or maintenance of district heating network components such as, but not limited to, pipes, pumps, or hot water tanks. | |
| **Energy production (renewable energy)** | **Dark green** |
| The development, construction, operation, and maintenance of current energy production facilities, including geothermal power stations and hydropower plants. | |
| The construction and operation of new energy production facilities. | |
| **Wastewater collection and treatment (sustainable water and wastewater management)** | **Dark green** |
| The development, construction, operation, and maintenance of infrastructure for the efficient collection and treatment of wastewater. | |
| Infrastructure upgrades and investments in advanced treatment technologies. | |
| **Water supply (sustainable water and wastewater management)** | **Dark green** |
| The development, construction, installation, and maintenance of infrastructure for the efficient delivery and management of water supply. | |
| Advanced monitoring systems and technology upgrades. | |
| **Carbon capture and storage (pollution prevention and control)** | **Dark green** |

| | |
|---|---|
| The development, construction, installation, and maintenance of projects to sequester and mineralize carbon dioxide (CO2) and anthropogenic emissions from the air or from industrial activities. | |
| **Energy transition of RE's vehicle fleet (clean transportation)** | **Dark green** |
| The procurement, integration, and operation of emission-free vehicles. | |
| **Charging stations (clean transportation)** | **Dark green** |
| The development, construction, installation, and maintenance of home charging stations, public charging stations, and rapid charging stations for electric vehicles. | |
| **Optic fiber network (energy efficiency)** | **Light green** |
| The development, installation, expansion, and maintenance of optical fiber networks. | |

See Analysis Of Eligible Projects for more detail.

## EU Taxonomy Summary

| Technical screening criteria | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Substantial contribution | | Do no significant harm (DNSH) | | | | | | Minimum safeguards | Overall alignment |
| | | Climate mitigation | Climate adaptation | Sustainable water | Circular economy | Pollution prevention | Biodiversity protection | | |
| **4.3 Electricity generation from wind power - NACE code: D35.11, F42.22** | | | | | | | | ✓ | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | ✓ | NA | ✓ | | ✓ |
| **4.4 Electricity generation from ocean energy technologies - NACE code: D35.11, F42.22** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| **4.5 Electricity generation from hydropower - NACE code: D35.11, F42.22** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | NA | ✓ | | ✓ |
| **4.6 Electricity generation from geothermal energy- NACE code: D35.11, F42.22** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **4.9 Transmission and distribution of electricity- NACE code: D35.12, D35.13** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | NA | ✓ | ✓ | ✓ | | ✓ |
| **4.15 District heating/cooling distribution- NACE code: D35.30** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **4.18 Cogeneration of heat/cool and power from geothermal energy- NACE code: D35.11, D35.30** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **4.22 Production of heat/cool from geothermal energy - NACE code: D35.30** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **5.1 Construction, extension, and operation of water collection, treatment, and supply systems - NACE code: E36.00, F42.99** | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | NA | ✓ | | ✓ |
| **5.3 Construction, extension, and operation of wastewater collection and treatment - NACE code: E37.00, F42.99** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **5.12 Underground permanent geological storage of carbon dioxide - NACE code: E39.00** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **6.5 Transport by motorbikes, passenger cars, and light commercial vehicles - NACE code: H49.32, H49.39, N77.11** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | NA | ✓ | ✓ | NA | | ✓ |
| **6.15 Infrastructure enabling low-carbon road transport and public transport - NACE code: F42.11, F42.13, M71.12, M71.20** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |

See EU Taxonomy Alignment for more detail. Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = –

# Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Company Description

Reykjavik Energy (RE), headquartered in Reykjavik, Iceland, is the second-largest energy provider in the country and largest utility services provider, servicing about two-thirds of the population with electricity and hot water for heating. RE also provides additional services through its subsidiaries ON Power (energy generation, with two geothermal plants and one small hydro plant), Veitur Utilities (utilities and distribution, and sewage systems), Ljósleiðarinn (the fiber network), and Carbfix (carbon capture and storage). Reykjavik Energy (RE) is a partnership of three municipalities: The City of Reykjavík (~93.5%), The Township of Akranes (~5.5%), and The Municipality of Borgarbyggð (~1%).

Green instruments issued under the framework can include bonds, loans, and commercial papers, and may be issued by RE (the parent company) or individual subsidiaries, all fully controlled by RE.

## Material Sustainability Factors

### Climate transition risks

Power generation is the largest direct source of greenhouse gas emissions globally, making this sector highly susceptible to the growing public, political, legal, and regulatory pressure to accelerate climate goals. Public awareness of the urgency for climate action has reached a turning point. In turn, policymakers and regulators are more often pushing for faster transition to lower-carbon energy, especially as these technologies become more mature and cost competitive. Over the past decade, we have seen multibillion dollar impairments for most polluting assets, reflecting their weaker economics as taxes increase and they are displaced by new, cleaner technologies. In addition, more stringent decarbonization rules may sometimes restrict their license to operate. The number of countries announcing pledges to achieve net-zero emissions over the coming decades continues to grow. With no direct emissions, renewable energy technologies have a vital role to play in reducing emissions associated with power and heat, which will be vital for limiting the global temperature rise to 1.5 degrees Celsius (1.5 C). Iceland is a global leader

in renewable electricity, with a noteworthy 99.97% of its electricity generated from low-carbon sources in 2023. Hydropower contributes approximately 70% of this mix, while geothermal energy accounts for almost 30%.

### Physical climate risks

Given their fixed assets, generators and utility networks are more exposed to physical climate risks than other sectors. More frequent and severe weather events, including wildfires, hurricanes, and storms can result in power outages for large populations of users. Since water is often a significant resource for hydro and fossil-fuel based power plants, exposure to flooding, drought, or warmer temperatures can also harm operations. In turn, these dynamics, coupled with regulatory pressure to preserve security of supply, are driving energy providers to enhance the resilience of assets. Physical climate risks generally involve significant financial losses for operators due to repairs, but more importantly from exposure to extreme power price spikes or claims due to business disruption. We expect these dynamics to continue but vary regionally depending on regulatory responses. In addition, the networks with extensive service territories are at high risk from physical climate events, leading to service disruptions for large populations. This can increase stakeholder materiality and result in higher costs and leverage for utilities. Integrated energy companies have typically maintained resilient operations through extreme weather events. However, the sector is not immune to disruptions given its long-distance, asset-heavy nature, resulting in higher exposure to physical climate risks compared to other sectors. In addition, the sector is exposed to disruptions along its value chain, which can affect its service offerings and pricing.

### Pollution

Globally, high quantities of untreated wastewater are released into the environment. This can contaminate water bodies, making pollution a material stakeholder concern for water utilities, who also manage toxic pollution from agricultural runoff and industrial discharge in water basins. Contaminated water and poor sanitation systems contribute to long-term health conditions, and when severe, these customer health and safety events can undermine public trust. The mismanagement of waste collection and treatment can lead to adverse health impacts for nearby communities, as well as other disruptions such as unpleasant odors. As a result, facilities located in populated areas tend to be opposed.

### Biodiversity and resource use

Generally, a lack of biodiversity considerations in energy and wastewater utility infrastructure development can lead to habitat loss and disruptions to species, which undermines biodiversity and ecosystem services. In most jurisdictions, local regulations mandate that new projects undergo environmental impact assessments (EIAs) to identify biodiversity risks and place mitigation measures to avoid or minimize potential harm, including ensuring sufficient soil cover quality. To manage Iceland's exceptional weather conditions, 99.9% of RE's grids are underground. The construction and operation of underground infrastructure for electricity transmission and geothermal energy generation can pose various risks to biodiversity and land use, including habitat degradation, soil disturbance, and water quality, among others.

### Access and affordability

The affordability and reliability of networks are under pressure from climate-related risks, making it a more significant issue for stakeholders. Energy and water are essential services supporting human health and well-being and global economic development. Service disruptions or steep price increases are likely to be amplified by the energy transition and physical climate risks. These dynamics can affect households' purchasing power and the competitive strengths of local industries, making it highly material for stakeholders. For water utilities, pollution in source water can also affect the availability and useability of supply. However, the industry is highly reliable, and we expect this will continue given that water utilities use long-term integrated resource planning. Moreover, while utility bills are rising, they tend to rise at a rate lower than inflation. Additionally, regulators continue to allow utilities to use mechanisms to mitigate volatility and offer income assistance programs, which underpins rate rises having a more moderate impact.

## Issuer And Context Analysis

**The framework's project categories target RE's most significant sustainability factors.**
Investments in renewable energy generation and distribution, water supply and wastewater management, carbon capture and storage, clean transportation, and energy efficiency address climate transition risks, which are the most material risks for the company and the power

generation sector. Furthermore, we believe physical climate risks, biodiversity and resource use, and pollution prevention and control are relevant to most of the project categories listed in the framework.

**Projects under the framework will help RE and its subsidiaries achieve net-zero operations by 2030 and net-zero emissions in its supply chain by 2040, exceeding Iceland's national targets.** RE intends to reduce greenhouse gas emissions by 90% in scopes 1 and 2, and by 40% in scope 3 by 2030, compared to the baseline in 2016. Furthermore, scope 3 emissions will be reduced by 90% by 2040 compared to the same baseline. The 2030 targets were validated as being in line with the 1.5 C scenario by the Science Based Targets initiative (SBTi) in 2023. RE has already taken significant steps toward achieving its climate goals. For instance, by employing carbon capture and storage (CCS) technology at Hellisheidi Geothermal Power Plant and the Nesjavellir Geothermal Power Plant, these facilities will become carbon neutral in 2025 and 2030, respectively. Additionally, RE plans to reduce emissions from its vehicle fleet, encourage sustainable procurement, and promote energy transition in its operations. Any remaining emissions (mostly from car fleet and flights) will be offset in 2030 using certified offsetting schemes. For the last two years, RE has purchased certified credits through the UN carbon offset platform and expects to continue doing so in the future.

**The group tackles physical climate risks by developing measures to strengthen the resilience of utility systems and power plants, enabling them to adapt to climate change.** RE identifies and evaluates the impact that climate change has on its operations. Measures have been implemented to accommodate extreme precipitation, quick thaws, more frequent fluctuations in temperature, and rising sea levels.

**Measures are taken to reduce unfiltered wastewater discharge into the sea, which remains a significant environmental concern in Iceland, particularly in rural and coastal areas.** These include the development of systematic leak detections and extensive investments in the pipe system to divert surface water from the wastewater system. In 2023, the accumulated duration of discharge of untreated wastewater via combined sewer overflows ranged from 0% to 7%. Currently, a long-term plan is being developed to keep infiltration of extraneous water from the wastewater system. While minor non-conformities occurred in 2023 both in the capital and in West Iceland, we understand these were promptly addressed in conjunction with the Icelandic Health Authorities.

**RE carries out nature-based projects to restore and improve soil and vegetation cover and enhance biodiversity.** The company undertakes land reclamation and afforestation on its own land with the aim of restoring and improving biodiversity. An additional goal aims to increase the carbon sinks and sequester carbon in vegetation and soil. The land reclamation areas cover about 595 hectares, and the afforestation areas about 985 hectares.

# Alignment Assessment

This section provides an analysis of the framework's alignment to the Green Bond and Loan principles.

## Alignment With Principles

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

### ✓ Use of proceeds

We assess all the framework's green project categories as having a green shade, and the issuer commits to allocating an amount equal to the net proceeds of the green instruments issued under the framework exclusively to finance or refinance eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds. Eligible projects relate to renewable energy generation and distribution, water supply and wastewater management, sustainable management of living natural resources and land use, clean transportation, pollution prevention and control, and energy efficiency.

### ✓ Process for project evaluation and selection

RE's executive management committee will be responsible for reviewing the sustainability registry with eligible projects and validating and categorizing the listed assets. Evaluation and selection of eligible green assets will be overseen by the sustainability and environmental department and the finance department. All eligible green assets are subject to robust environmental impact assessment processes. In evaluating and selecting eligible assets and allocating the proceeds, the sustainability and environmental and finance departments will also consider aspects such as human and labor rights and the avoidance of significant harm to the other environmental objectives as defined in the EU Taxonomy, international and local environmental and social standards, and with local laws and regulations. The framework excludes funding activities related to fossil energy generation or use, nuclear energy generation, research and/or development within weapons and defense, environmentally negative resource extraction (such as rare-earth elements or fossil fuels), gambling, and tobacco.

### ✓ Management of proceeds

Reykjavik Energy has established a sustainability registry to monitor the allocation of net proceeds to projects that meet the framework's criteria. RE intends to fully allocate the proceeds from any financing within 36 months from the funding date and strives to achieve an allocation level that matches or exceeds the balance of net proceeds from its outstanding instruments. Unallocated net proceeds may temporarily be invested in cash, cash equivalents, or other liquid marketable instruments.

### ✓ Reporting

RE will provide an annual allocation and impact report to its investors and other stakeholders as a part of its annual report until net proceeds are fully allocated. The report will be publicly available.

The allocation of financing to eligible assets will be categorized by project categories to maintain consistency and measure the impact indicators. The reporting will be conducted in line with best market practice and international guidelines and protocols, both at an aggregated level and on a portfolio basis, and will include:

- Allocation between subsidiaries.
- Types of financing instruments.
- Balance of unallocated proceeds.

- New versus refinancing ratio.
- Activity category allocation.

This will include impact indicators for each asset category, and a detailed description of the methodologies behind the impact calculation.

We view as positive that RE commits to annually receiving limited assurance on the allocation and impact of the net proceeds.

# Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

The issuer expects the majority of proceeds (>60%) will be allocated to financing new projects, while the remaining proceeds will be directed toward refinancing existing projects.


Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our Shades of Green Analytical Approach >

## Overall Shades of Green assessment

Based on the project category shades of green detailed below, and consideration of environmental ambitions reflected in Reykjavik Energy's Green Financing Framework, we assess the framework Dark green.

## Green project categories

**Electricity distribution (renewable energy)**

| Assessment | Description |
|---|---|
| Dark green | Projects directly associated with meeting electricity demand. These projects will typically arise from:<br>• Expansion, enhancement, or maintenance of electric distribution system to meet increased electricity demand.<br>• Maintenance of network components that serve existing and future demand for electricity. |

**Analytical considerations**

- Transmission and distribution grids need to be modernized and expanded to facilitate the electrification and decarbonization of the economy through the integration of rising shares of renewable energy. Investment in strengthening electricity grids, coupled with energy efficiency measures, can boost reliability and flexibility, while offering feasible medium- to-long-term solutions with both mitigation and adaptation benefits. We view this solution as Dark green considering the necessity of electrifying the economy to achieve a low-carbon and climate-resilient future.
- Through this project category the issuer will invest in the expansion, enhancement, and maintenance of electric distribution systems to meet the increased electricity demand in Iceland. This increase is due to the energy transition from fossil fuels to electric solutions in the transportation sector (e.g. vehicles or ships) and in industrial processes. According to the Environmental Energy Agency, in 2021 the transportation sector was responsible for 56% of total energy-related carbon dioxide emissions in Iceland, and industrial processes for about 5%. We view positively that the network serves current and growing communities, households and businesses, and that proceeds will not be dedicated to greenhouse gas emission-intensive companies in accordance with RE's policies.
- The electricity grid in Iceland is predominantly powered by renewable sources (99.97% in 2023). Hydropower contributes approximately 70% of this, while geothermal energy accounts for almost 30%. According to the latest publication by Iceland's Environmental Agency, the average emission factor of Iceland's electricity grid is calculated at 8.5 grams of carbon dioxide per kilowatt-hour (gCO2/kWh), significantly below the EU's taxonomy threshold of 100 gCO2/kWh.
- To manage Iceland's exceptional weather conditions, 99.9% of RE's grids are underground. The construction and operation of underground infrastructure for electricity transmission can pose various risks to biodiversity and land use, including habitat disturbance, soil disturbance, and water quality impacts, among others. We view positively that the framework states that all eligible green projects are subject to robust environmental impact assessment processes. Through these, the issuer identifies

potential risks and implements measures to address them, such as the installation and maintenance of infrastructure to deliver smart grid applications. These measure the energy consumption of customers at regular intervals, providing insights into how electricity and hot water use is distributed over the day, allowing customers to better control and reduce their usage. Furthermore, we view positively that RE assesses biodiversity-sensitive areas affected by its operations, evaluating pressures such as habitat fragmentation, invasive species, and identifying possible mitigation actions.

- While underground lines are protected from wind, wildfires, and tree branches, they are vulnerable to earthquakes and flooding. With respect to physical climate risks, the issuer identifies and evaluates the impact of climate change on its operations. For more information on how the entity addresses physical climate risks to its operations please see the Issuer Sustainability Context.

**Geothermal district heating (renewable energy)**

| Assessment | Description |
|---|---|
| Dark green | Projects directly associated with meeting hot water demand. These projects will typically arise from:<br>• Increased production of low-temperature geothermal water used directly for space heating. This includes the drilling of new wells and the procurement and installation of new production equipment.<br>• The expansion or maintenance of district heating network components, including but not limited to pipes, pumps, or hot water tanks. |

**Analytical considerations**

- Renewable energy is a key element in global efforts to limit global warming to well below 2 C, provided the impacts on the local environment are sufficiently mitigated. As such, we view the production of geothermal energy as Dark green.
- Managing geothermal energy from high temperature fields results in some greenhouse gas emissions due to the chemical composition of the geothermal steam that stems from the cooling of magma. However, the emissions are minimal compared to those from conventional power production, with the current geothermal power plants emission intensity ranging from 3.4-17.1 gCO2 equivalent per kilowatt-hour of electricity generated (eq/kWhe) and 1.01-15.8 gCO2eq per kilowatt-hour of thermal energy produced (kWht) depending on the site and use of CCS. In 2023, the overall emission intensity of RE's energy production was 7.3 g CO2/kWh, and the company intends to achieve carbon neutrality in 2030, which we view positively. Additionally, approximately 99% of the energy used in RE's operations originates in renewable sources.
- This category includes the drilling of new wells, as well as the procurement and installation of new production equipment. Proceeds may also be used to expand and maintain district heating components such as pipes, pumps, and hot water tanks. RE has confirmed that no generators or fossil fuel components will be financed under the framework.
- Improperly managed geothermal plants can lead to the release of harmful gases, such as hydrogen sulfide, which can have unpleasant odors and health impacts. There is also the risk of contaminating groundwater with chemicals used during geothermal energy extraction. Additionally, geothermal systems commonly rely on hydrofluorocarbon refrigerants, which are potent greenhouse gases, or antifreeze solution, which can be toxic. Leakage may contribute to climate warming and groundwater pollution. We view positively that RE is phasing out the use of hydrofluorocarbons from devices such as driers used in pumping stations and replacing its use with more sustainable options. Additionally, all projects are subject to robust environmental impact assessment processes. Through these, the issuer identifies potential physical risks and implements measures to address them, including trace testing to map the flow of reinjected effluent from the Nesjavellir power plant and earthquake monitoring at the Hellisheidi power plant.
- With respect to physical climate risks, the issuer identifies and evaluates the impact of climate change on its operations, such as permafrost thawing related landslides, or rising sea levels and flood risk, and implements measures to mitigate these.

**Energy production (renewable energy)**

| Assessment | Description |
|---|---|
| Dark green | EU Taxonomy-aligned projects are directly associated with the production and sales of energy (including power production and combined heat and power production) from renewable energy sources emitting below 100 gCO2/kWh. These projects typically arise from:<br>• Expenses supporting the development, construction, operation, and maintenance of current energy production facilities, including geothermal power stations and hydropower plants.<br>• An increase in installed energy production capacity through the construction and operation of new energy production facilities. |

**Analytical considerations**

- We assess the issuer's investments in wind, ocean energy, geothermal, and hydropower as Dark green since these projects support the modelled pathways that limit global warming to well below 2 C. These pathways imply that almost all electricity is supplied from zero- or low-carbon sources by 2050. As stated above, the electricity grid in Iceland is predominantly powered by renewable sources (99.97% in 2023). Hydropower contributes approximately 70% of this, while geothermal energy accounts for almost 30%. In 2023, RE has been responsible for approximately 12% of the total electricity produced in Iceland.
- Reykjavik Energy produces renewable energy, electricity, and hot water for district heating from geothermal and hydropower electricity. About 12% of the electricity and a little under 1% of the hot water production are used for the company's own operations. As stated above, approximately 99% of the energy used in RE's operations originates in renewable sources. Fossil fuels, particularly diesel and methane, are used during the construction activities and RE's operations (accounting for about 1% of its overall energy usage).
- On Power owns and runs three power plants in Iceland: the geothermal steam plants in Hellisheidi and Nesjavellir and the hydropower Station in Andakíl, Borgarfjörður. On Power produces electricity and generates hot water through these plants, which is then sold to Veitur Utilities. We understand that the issuer may finance the construction of new geothermal, wind (excluding offshore), and ocean energy plants in Iceland under this framework. It states that there are no hydropower plants expected to be built.
- Additionally, we note that RE has set clear goals to reduce scope 1, 2, and 3 emissions and has a strategy to tackle and reduce embodied emissions from its assets, which includes the use of an internal carbon price applied to project design, procurement decisions, and more. All new projects will be subject to robust environmental impact assessment processes to ensure risks--including those related to biodiversity--are identified and properly mitigated.
- With respect to physical climate risks, the issuer identifies and evaluates the impact of climate change on its operations and commits to continue doing so for future projects.

**Wastewater collection and treatment (sustainable water and wastewater management)**

| Assessment | Description |
|---|---|
| Dark green | Projects that are directly associated with Veitur Utilities' wastewater collection and treatment. These projects will typically arise from:<br>• Expenses supporting the development, construction, operation, and maintenance of infrastructure for the efficient collection and treatment of wastewater.<br>• Enhancing the reliability and sustainability of wastewater management through advanced treatment technologies and infrastructure upgrades. |

- Contributing to environmental protection by reducing pollutants released into the environment, improving water quality, and ensuring compliance with regulatory standards.
- Promoting the circular economy by recovering resources, such as energy and nutrients, from treated wastewater for reuse.

**Analytical considerations**

- Financing the development, construction, operation, and maintenance of wastewater management projects are of great environmental significance from a pollution prevention and control perspective. Wastewater management and treatment are also important from a climate perspective since they help to reduce emissions and improve resiliency.
- Veitur Utilities manages the infrastructure and operation of wastewater systems in Reykjavík, as well as in other regions of Iceland, serving approximately 60% of the Icelandic population. It adheres to EU standards for wastewater treatment, which we view as in line with market practice.
- The electricity used to power the system comes from the Icelandic electricity grid (8.54 gCO2eq/kWh). Since wastewater assets are essential infrastructure, the sewage utility has a fossil fuel-powered backup power system that is rarely used. in this regard, we view positively that RE's wastewater management processes are designed to maximize the use of gravity and minimize the use of energy. Additionally, we note that RE has set clear goals to reduce scope 1, 2, and 3 emissions and has a strategy to tackle and reduce embodied emissions from its assets. This includes the use of an internal carbon price that is applied to project design, procurement decisions, and other relevant areas.
- To mitigate and prevent pollution from wastewater treatment along the pipelines, all new collection systems are designed to separate sewage from run-off. This said, we view as a limitation that waste products such as sludge and other solids are either landfilled or combusted. However, we note several initiatives are underway to explore alternative pathways for managing these waste products. These initiatives have not yet been finalized, leaving the ultimate use of biodegradable waste and sand undetermined.
- All projects are subject to robust environmental impact assessment processes. Through these, the issuer identifies potential risks and implements measures to address them. With respect to physical climate risks, the issuer identifies and evaluates the possible impacts of climate change on its operations. The group's wastewater utilities monitor sea-level and extreme precipitation forecasts as well as flood damage risks to the drainage system. The company has identified adaptation measures and integrates them into the design of infrastructure.

**Water supply (sustainable water and wastewater management)**

| Assessment | Description |
|---|---|
| Dark green | Projects directly associated with Veitur Utilities' water supply network. These projects will typically arise from:<br>• Expenses supporting the development, construction, installation, and maintenance of infrastructure for the efficient delivery and management of water supply.<br>• Enhancing the reliability and sustainability of water supply through advanced monitoring systems and technology upgrades.<br>• Contributing to environmental sustainability by reducing water loss, improving water quality, and ensuring the resilience of the water supply network to meet current and future demand. |

**Analytical considerations**

- Financing the development, construction, operation, and maintenance of sustainable water projects can result in environmental benefits in terms of water consumption and water security and are needed to achieve the 2050 Paris Agreement objectives. Water supply systems, particularly when pumping it long distances or uphill is an energy intensive process. In this regard, we view positively that the electricity used to power the system comes from the Icelandic electricity

grid which is virtually entirely composed of renewable energy (hydropower and geothermal), and that the systems are designed to minimize the energy use. Hence, we assign a Dark Green shade to this project category.

- Veitur Utilities' distribution systems serve the capital area and the Western and Southern parts of Iceland (about 45% of the Icelandic population).
- Water conservation areas are monitored with regards to, among other things, the transport of oil, petrol, and other hazardous chemicals. According to the issuer, this is done because areas like Heiðmörk, are next to the main highway, and thus subject to risks of debris and spillage from passing vehicles. Accidents and incidents are monitored and addressed to ensure safe drinking water for the Reykjavik population.
- Water conservation initiatives do not include construction of stormwater ponds or reservoirs according to the issuer. While stormwater quality is generally significantly less hazardous than sewage, floodwater can be highly toxic.
- Additionally, we view positively that Veitur Utilities manages and works to reduce water loss throughout its distribution systems. To this end, the company has installed pressure meters to monitor water loss. The estimated losses were 11% in 2021 that were reduced to 4% in 2022. Like for its wastewater collection systems, water utility systems are designed to maximize the use of gravity and hence minimize energy use, and the electricity used to power the system comes from the Icelandic electricity grid (8.54 gCO2eq/kWh).
- All projects are subject to robust environmental impact assessment processes. With respect to physical climate risks, the issuer identifies and evaluates the impact of climate change on its operations, including changes in precipitation patterns, fluvial and pluvial flooding, rising sea levels, and identifying adaptation measures.

**Carbon capture and storage (pollution prevention and control)**

| Assessment | Description |
|---|---|
| Dark green | Projects that are directly associated with CCS. These projects will typically arise from:<br>• Expenses supporting the development, construction, installation, and maintenance of projects to sequester and mineralize carbon dioxide and anthropogenic emissions.<br>• Emissions are either captured directly from the air or from industrial activities, such as geothermal power plants or other challenging sectors. Carbfix focuses on the sequestration of the captured carbon dioxide. |

**Analytical considerations**

- CCS will be necessary to limit global warming to well below 2 C, particularly for challenging sectors since it seeks to prevent carbon dioxide release that cannot be mitigated or avoided into the atmosphere. We assess the issuer's carbon capture and storage project as Dark green because it is expected to be a necessary technology to achieve an LCCR future. CCS involves the removal and permanent storage of emissions from challenging or difficult-to-reduce processes. We note however the importance of adequate leakage monitoring and detection systems, as well as the need to comprehensively assess projects' life cycle emissions.
- Existing assets are located at the Hellisheiði geothermal powerplant, with a scaled-up CCS facility (Silverstone) under construction, also at Hellisheiði. At the Nesjavellir power plant, a pilot facility is under operation. Furthermore, the issuer plans to build a new terminal project in Straumsvík (the Coda terminal). RE intends to achieve carbon neutrality by employing CCS technology at Hellisheiði. At Nesjavellir, the facility is able to capture 95% of the carbon dioxide from the plant and sequester it in rock. In 2023, the capture and sequestration of carbon dioxide from Hellisheiði and Nesjavellir power plants was about 25% and 9% of the total emissions, respectively. We view positively that the issuer excludes the capture of carbon from activities focused on fossil energy generation or use.
- Through Carbfix technology, carbon dioxide--both from the geothermal power plants and from direct air capture--is dissolved in water before interacting with reactive rock formations, such as basalts, to form stable minerals that provide a permanent and safe carbon sink. We view positively the objective to permanently store the captured CO2 in appropriate geological formations instead of using the sequestered carbon, which would lead to the downstream release of emissions and contribute to the lock-in of carbon dioxide emissions from challenging industries.

- While a formal threshold for carbon capture efficiency has not been defined by the issuer, it states that its carbon storage activity is in line with EU's 2009/31/EC directive. Additionally, RE has informed us that geological storage of carbon dioxide should have a permanence of 1,000 years at minimum and a negligible leakage rate of less than 0.1% per year.
- CCS technology requires considerable energy. In this regard, we view positively that the CCS facilities at Hellisheiði are directly connected to and receive energy from the Hellisheiði geothermal powerplant. The CCS facility at Straumsvík is planned to receive electricity from the Icelandic electrical grid, which is virtually entirely composed of renewable energy. We view positively that RE calculates life cycle emissions for CCS technology and that its climate inventory is certified according to ISO 14064-1. The issuer considers embodied emissions in construction materials and is actively looking for ways to source more sustainable materials (particularly steel) and reduce its emissions to meet its climate targets.
- Regarding Coda's the water use, the water will be sourced from a large underground stream that flows toward the sea. All the water will be returned to the ground at the same location but at greater depth. RE will carry out a specific water impact assessment to ensure risks are properly addressed and managed. In 2024, Carbfix started pilot injections using seawater instead of freshwater to dissolve carbon dioxide, thus expanding the applicability of the technology to water scarce regions, coastal and offshore areas.
- Additional risks may include the leakage of carbon during the transportation phase, as well as additional environmental impacts (including seismic activity risks and groundwater mixing) and additional impacts to water, air, or land. RE meets Iceland's requirement to have an EIA conducted before starting any CCS project. Additionally, we view positively that an independent seismic risk assessment was carried out during the preparation phase for the injection activities, which concluded that the probability of experiencing felt seismicity as a result of the injection is low, especially due to the shallow nature of the injection operations. RE is considering ways to reduce emissions during the transportation phase. Currently, carbon dioxide and hydrogen sulfide are transported via pipelines from the power plants to injection wells in the vicinity. Possible emission reductions involve the use of more sustainable materials for the pipeline. The transportation of carbon dioxide in the Coda terminal will be transported from its hub in Europe to Iceland in specially designed ships that are planned to run on methanol.

**Energy transition of RE's vehicle fleet (clean transportation)**

| Assessment | Description |
|---|---|
| **Dark green** | Projects that are directly associated with the electrification of RE's vehicle fleet. These projects will typically arise from:<br>• Expenses supporting the procurement, integration, and operation of emission-free vehicles within the company's transportation fleet. |

**Analytical considerations**

- According to the IPCC's sixth assessment report, the transport sector accounted for 23% of global energy-related carbon dioxide emissions in 2019 and, of direct transport emissions, 69% came from road vehicles. The issuer intends to fund the acquisition of emissions-free vehicles within the company's transportation fleet. We view this solution as Dark green considering that electrification of transportation modes is critical to decarbonizing the economy.
- RE plans to exclusively purchase zero tailpipe vehicles. These include full battery electric vehicles (BEV) and fuel cell electric vehicles (FCEV). We think this transition from fossil-fueled vehicles to emission-free alternatives will reduce RE's carbon footprint. Currently, 33% of RE's current vehicle fleet is composed of electric, hydrogen and methane (from captured landfill gas) powered vehicles; and 9% hybrid vehicles. The issuer plans to have its entire vehicle fleet emission-free by the end of 2028, which we view positively.
- EV's value chains faces some upstream risks from the mining of essential minerals for battery manufacturing. The extraction processes for these materials can lead to environmental harm, water pollution, labor exploitation, and community conflicts.
- We note the actual emissions reduction that the vehicles can provide is dependent on the electricity source of the charging station (i.e., if the charging stations are connected to the local grid, the reductions depend on the local grid's profile). In this regard, we note the stations receive electricity from the Icelandic electrical grid (which consists of virtually 100% renewable electricity).

**Charging stations (clean transportation)**

| Assessment | Description |
|---|---|
| Dark green | Projects that are directly associated with the installation and operation of On Power's charging station infrastructure. These projects will typically arise from:<br>• Expenses supporting the development, construction, installation, and maintenance of home charging stations, public charging stations, and rapid charging stations for electric vehicles.<br>• Enhancing accessibility and convenience for EV users through a robust network of charging options, supporting the transition from fossil fuels to electric solutions.<br>• Contributing to the reduction of carbon emissions by facilitating the widespread adoption of electric vehicles with reliable and efficient charging infrastructure. |

**Analytical considerations**

- We view this solution as Dark green considering that electrification of transportation modes is critical to decarbonizing the economy, and this requires significant expansion of low-carbon transport specific infrastructure, such as charging stations.
- The development and installation of charging infrastructure can support Iceland's goal to achieve carbon neutrality by 2040, and to cut greenhouse gas emissions by 40% by 2030 under the Paris Agreement. We note the actual emissions reduction that the vehicles can provide depends on the electricity source of the charging station (i.e., if the charging stations are connected to the local grid, the reductions depend on the local grid's profile), as well as on the type of EV using the asset. In this regard, we view positively that Iceland's local grid is one of the cleanest in the world, with the average emission factor calculated at 8.5 gCO2/kWh, significantly below the EU's taxonomy threshold of 100 gCO2/kWh.
- The construction of charging stations faces some upstream risks from the mining of essential minerals like copper or aluminum for cabling. The extraction processes for these materials can lead to environmental harm, water pollution, labor exploitation, and community conflicts. RE informs us that all cables are bought from domestic suppliers, however the company does not have a process to ensure social and environmental risks are properly addressed in the supply chain, which is a limitation, in our view.
- All projects are subject to robust environmental impact assessment processes. With respect to physical climate risks, the issuer identifies and evaluates the impact of climate change on its operations.

**Optic fiber network (energy efficiency)**

| Assessment | Description |
|---|---|
| Light green | Projects that are directly associated with the development, installation, expansion, and maintenance of optical fiber networks. These projects will typically arise from:<br>• Installation of new fiber optic cables: laying down new optical fiber cables to expand network reach in urban, suburban, and rural areas, including trenching, ducting, and cabling activities.<br>• Upgrading existing networks: replacing old copper networks with new fiber optic cables to improve data transmission efficiency and reduce energy consumption. |

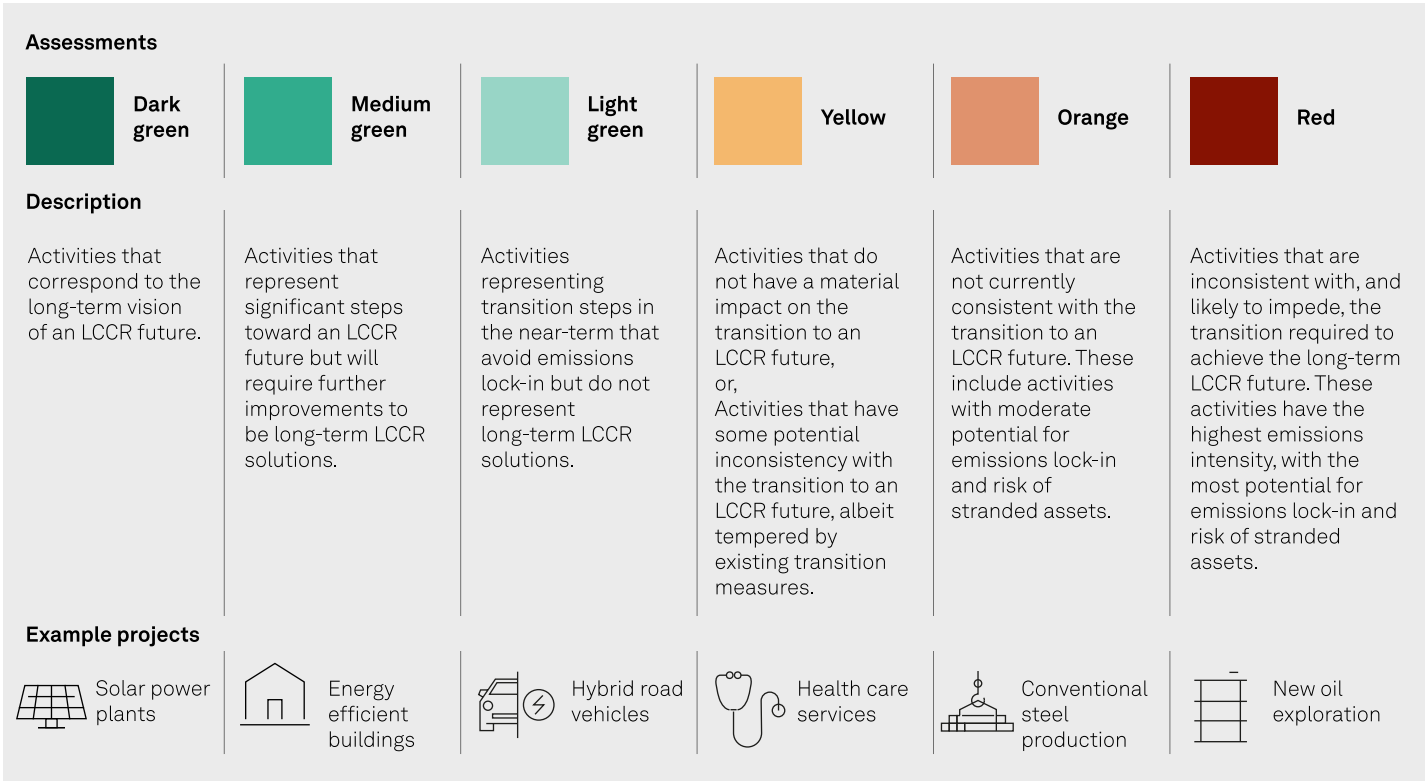
**Analytical considerations**

- Digital solutions are expected to enable technology for climate mitigation and adaptation strategies. However, the extent to which digitalization can provide material climate benefits is still disputed and is difficult to quantify, mainly resulting from the

potential parallel increase in energy-intensive end uses (streaming, artificial intelligence, virtual reality, among others) and rebound effects. The expansion of fiber optic systems adds infrastructure, which increases greenhouse gas emissions and results in an overall net gain in energy use. However, we note virtually all electricity in Iceland comes from renewable sources, which partly mitigates these risks. Also, it enables the adoption of smart grids necessary for managing and integrating renewable energy sources, remote working, and other energy saving innovations, which contribute to reducing emissions across different sectors. As such, we shade this category Light green.

- Fiber optic cables are among the most energy efficient technology for broadband access networks. Fiber relies on fewer intermediate devices and amplifiers than other technologies, which facilitates energy efficiency. Furthermore, we view positively that fiber optics use fewer raw materials, have a longer lifespan, and require less maintenance than copper. They also cause less environmental disruption during installation.
- This said, the installation of new fiber optic cables still entails some environmental impacts that require attention. These may include land disturbance and vegetation clearing required for the digging of trenches to lay the cables, which may have negative impacts on wildlife. Additionally, the operation of machinery during the installation process can lead to spills and leaks of fuel which could pollute soil and water. RE's initiatives to mitigate disruption of land is to cooperate with other parties that are installing infrastructure to only excavate the trench once, instead of multiple times.
- All projects are subject to robust environmental impact assessment processes. With respect to physical climate risks, the issuer identifies and evaluates the impact of climate change on its operations.

## S&P Global Ratings' Shades of Green




Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

# EU Taxonomy Alignment

In our EU Taxonomy Assessment, we opine on whether an eligible project to be financed aligns with the EU Taxonomy in cases when the economic activity is covered by Technical Screening Criteria (TSC), which is incorporated into European law via delegated acts. (see "Analytical Approach: Second Party Opinions: Use Of Proceeds," published July 27, 2023).

| EU taxonomy | Fully aligned | Partially aligned | Not aligned |
|---|---|---|---|

In our opinion, the framework, published on Oct. 30, 2024, is partially aligned with the EU Taxonomy.

- All eligible economic activities that RE has identified as in line with the EU Taxonomy are aligned with the substantial contribution criteria (SCC) for climate change mitigation.
- All economic activities that RE has identified as in line with the EU Taxonomy are aligned with the applicable do no significant harm requirements under the EU Taxonomy regulation.
- RE's procedures are aligned with the EU Taxonomy requirements for minimum safeguards.
- The framework includes projects that are directly associated with the development, installation, expansion, and maintenance of optical fiber networks. These projects are not currently covered by the EU Taxonomy's SCC. As such, we view the framework as partially aligned with the EU Taxonomy.

## EU Taxonomy Summary

| Technical screening criteria | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Substantial contribution | | Do no significant harm (DNSH) | | | | | | Minimum safeguards | Overall alignment |
| | | Climate mitigation | Climate adaptation | Sustainable water | Circular economy | Pollution prevention | Biodiversity protection | | |
| **4.3 Electricity generation from wind power - NACE code: D35.11, F42.22** | | | | | | | | ✓ | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | ✓ | NA | ✓ | | ✓ |
| **4.4 Electricity generation from ocean energy technologies - NACE code: D35.11, F42.22** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ |
| **4.5 Electricity generation from hydropower - NACE code: D35.11, F42.22** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | NA | ✓ | | ✓ |
| **4.6 Electricity generation from geothermal energy- NACE code: D35.11, F42.22** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **4.9 Transmission and distribution of electricity- NACE code: D35.12, D35.13** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | NA | ✓ | ✓ | ✓ | | ✓ |
| **4.15 District heating/cooling distribution- NACE code: D35.30** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |
| **4.18 Cogeneration of heat/cool and power from geothermal energy- NACE code: D35.11, D35.30** | | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | | ✓ |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **4.22 Production of heat/cool from geothermal energy - NACE code: D35.30** | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | ✓ |
| **5.1 Construction, extension and operation of water collection, treatment, and supply systems - NACE code: E36.00, F42.99** | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | NA | ✓ | ✓ |
| **5.3 Construction, extension, and operation of wastewater collection and treatment - NACE code: E37.00, F42.99** | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | ✓ |
| **5.12 Underground permanent geological storage of carbon dioxide - NACE code: E39.00** | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | NA | ✓ | ✓ | ✓ |
| **6.5 Transport by motorbikes, passenger cars, and light commercial vehicles - NACE code: H49.32, H49.39, N77.11** | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | NA | ✓ | ✓ | NA | ✓ |
| **6.15 Infrastructure enabling low-carbon road transport and public transport - NACE code: F42.11, F42.13, M71.12, M71.20** | | | | | | | | |
| ✓ | Climate Mitigation | NA | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Aligned = ✓ Not aligned = ✗ Not covered by the technical screening criteria = —

# Detailed analysis

## Minimum safeguards

**Analytical focus**

Our assessment is focused on how the issuer meets the four core topics of the minimum safeguards following the Platform on Sustainable Finance's recommendations:

- Human rights, including workers' rights;
- Bribery/corruption;
- Taxation: and
- Fair competition

**Opinion**

Aligned

Not aligned

**Rationale**

**We consider the issuer is aligned with the EU Taxonomy requirements for minimum safeguards.**

RE has several environmental, social, and governance risk policies in place that include all its operating subsidiaries. In the framework, the issuer commits to aligning with all components of EU Taxonomy when carrying out activities.

RE adheres to Icelandic labor laws and integrates human rights, including workers' rights in its procurement process. The company has recently developed a human rights due diligence (HRDD) process to ensure human rights risks are properly addressed throughout its value chain and in line with the EU Taxonomy requirements. The identification and assessment of risks is conducted by RE's human risk working group regularly, based on severity, scope, and RE's ability to influence outcomes. RE monitors human rights risks to its own workforce, workers in the value chain, communities, and consumers and end users. To mitigate identified risks, immediate actions are taken to halt or modify any activity causing adverse human rights impacts. RE secures collaboration with suppliers and partners to mitigate human rights risks in its value chain through measures such as training, policy adjustments, and operational changes. Additionally, the issuer continuously monitors the effectiveness of the HRDD measures and commits to communicating progress internally and externally. Transparent reporting on HRDD will be made available as part of RE's annual financial statements. Finally, RE has made a commitment to provide accessible channels for all stakeholders to raise concerns about human rights issues.

RE treats governance and compliance topics as critical elements of oversight. The responsibility for overseeing governance and compliance falls

under senior management through a dedicated audit committee within the company. RE's COC is regularly reviewed by the board covering anticorruption and bribery topics. Half of RE's employees have signed this code, and any violations of it must be reported to the supervisor or internal auditor and overseen by the board. In 2023, there were no issues reported on these topics. Furthermore, the COC for suppliers integrates corruption issues, and violation of these results in contract termination.

RE informed us its tax strategy complies with Icelandic laws and International Financial Reporting Standards. The chief financial officer, along with the audit committee, ensures the alignment of the company's tax strategy with the OECD standards during the tax payment. Furthermore, the company is committed to not engaging in any tax erosion activities, such as artificial profit shifting, tax heavens, and tax avoidance.

RE's business operations comply with the competition act of Iceland, and the company ensures that its employees and senior management receive training on company policies covering competition laws and regulations.

Finally, following the external sources' European Commission's Platform on Sustainable Finance recommendations on minimum safeguards and the issuer's confirmation, we have found no evidence of the issuer being convicted on any of the four minimum safeguards topics.

| **Economic activity:** | **4.3 Electricity generation from wind power** | |
|---|---|---|
| **NACE code:** | **D35.11, F42.22** | |
| **Analytical focus** | **Opinion** | **Rationale** |
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria (TSC). | Aligned<br>Not aligned | **We consider the issuer's activity of electricity generation from wind power to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**<br>RE may finance projects directly associated with the development, expansion, construction, maintenance, acquisition, and/or operation of electricity generation from wind power, which can substantially contribute to climate change mitigation, in our view. |
| Our assessment is focused on how the activity meets the **do not significantly harm (DNSH)** other EU objectives' technical screening criteria (TSC). | Aligned<br>Not aligned | **We consider this issuer's activity of electricity generation from wind power to be aligned with the DNSH TSC for all the applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, circular economy, and biodiversity efforts. Pollution prevention and water are not applicable for this eligible economic activity, since the issuer confirmed that no offshore wind project is expected to be part of the financing.<br>While the issuer has no projects planned under this category yet, it has confirmed that all future activities related to the generation of electricity from wind power will meet the DNSH requirements for climate adaptation, circular economy, and biodiversity. For climate adaptation, RE has developed a climate risk and vulnerability assessment to evaluate in detail |

| | | |
|---|---|---|
| | | the physical risks of climate change at existing and new facilities. The analysis is informed by global warming scenario analysis, ranging from the Representative Concentration Pathway (RCP) 8.5 to RCP 2.6, and covers all time horizons up to 2050. Based on the identified materiality of the risks, RE commits to implementing necessary adaptation measures at existing and new facilities, including those related to wind energy generation.<br>For DNSH on circular economy, the issuer confirms it will align with the criteria for all future projects.<br>We note the law in Iceland requires an environmental impact assessment in line with Directive 2011/92/EU334 to be carried out for all new projects. |
| **Economic activity:** | **4.4 Electricity generation from ocean energy technologies** | |
| **NACE code:** | **D35.11, F42.22** | |
| **Analytical focus** | **Opinion** | **Rationale** |
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of electricity generation from ocean energy technologies to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**<br>RE aims to finance projects directly associated with the development, expansion, construction, maintenance, acquisition, and/or operation of electricity generation from ocean energy which can substantially contribute to climate change mitigation, in our view. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of electricity generation from ocean energy technologies to be aligned with the DNSH TSC for all the applicable EU objectives.**<br>RE has no specific projects in the pipeline associated with this category to this date. Regarding how RE aims to address DNSH criteria for climate adaptation, please refer to the DNSH rationale described in the activity "4.3 from wind power". Based on the identified materiality of the risks, RE commits to implementing necessary adaptation measures at existing and new facilities, including those related to ocean energy generation.<br>For the remaining objectives, RE commits to meeting all related criteria for all new projects associated with the electricity generation from ocean energy. |
| **Economic activity:** | **4.5 Electricity generation from hydropower** | |
| **NACE code:** | **D35.11, F42.22** | |
| **Analytical focus** | **Opinion** | **Rationale** |

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of electricity generation from hydropower to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**<br>RE aims to finance the expansion, construction, maintenance, and/or operation of electricity generation from hydropower, which can substantially contribute to climate change mitigation, in our view. RE does not expect to build new hydropower plants under the financing. In this regard, it commits to focusing its investments on the Andakílsá Hydropower Station in Iceland, whose life cycle greenhouse gas emissions are lower than 100 gCO2e/kWh, complying with the requirements of the EU Taxonomy's TSC for electricity generation from hydropower. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of electricity generation from hydropower to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, and biodiversity efforts. Circular economy and pollution prevention are not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 Electricity generation from wind power". Based on the identified materiality of the risks, which include more frequent and extreme temperature fluctuations, RE is working to improve the prediction model for longer forecast periods, among other adaption solutions. Currently, the model predicts three days ahead.<br>For DNSH on water, we conclude that the issuer aligns with the criteria. The issuer informed us that the investments will be directed to the expansion and operation of the Andakílsá Hydropower Station, for which On Power is in the process of renewing its operating license. Iceland has implemented the requirements of EU Directive 2000/60/EC into national legislation. Articles 4 and 11 of the directive emphasize mitigation measures aimed at reducing environmental impacts on water from refurbishment activities on existing hydropower plants. The issuer confirmed that the monitoring and mitigation activities are performed in line with the requirements of the directive and local law, so that the quality of water and biodiversity in check points downstream and upstream of the water bodies is assessed regularly. Additionally, to avoid potential harm, the necessary preventive technical measures have been implemented in the hydropower plant, the issuer confirmed. Since RE does not expect to build new hydropower plants, we consider the remaining TSC requirements on construction of new hydropower plants as not applicable. |

| **Economic activity:** | **4.6 Electricity generation from geothermal energy** | |
|---|---|---|
| **NACE code:** | **D35.11, F42.22** | |
| **Analytical focus** | **Opinion** | **Rationale** |

Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria.

Aligned

Not aligned

**We consider the issuer's activity of electricity generation from geothermal energy to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**

RE aims to finance projects directly associated with the development, expansion, construction, maintenance, acquisition, and/or operation of electricity generation from geothermal energy, which can substantially contribute to climate change mitigation, in our view. RE's current geothermal powerplants emission intensity range from 3.4-17.1 gCO2eq/kWhe and 1.01-15.8 gCO2eq/kWht depending on the site and use of CCS. In 2023, the overall emission intensity of RE's energy production was 7.3 g CO2/kWh, much lower than the EU Taxonomy threshold of 100gCO2eq/kWh and the company intends to achieve carbon neutrality in 2030, which we view positively.

Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria.

Aligned

Not aligned

**We consider the issuer's activity of electricity generation from geothermal energy to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**

According to the TSC, this activity must not harm climate adaptation, water, pollution prevention and biodiversity efforts. Circular economy is not applicable for this eligible economic activity.

Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power". Based on the identified materiality of the risks, which include variable wind loads, RE is working rebuild and strengthen the cooling tower siding, among other adaptation measures. For DNSH on water, we conclude that the issuer aligns with the criteria since Iceland has implemented the requirements of the EU Directive 2000/60/EC into national legislation and RE carries our EIA for all its new and existing projects. The issuer confirmed that the monitoring and mitigation activities are performed in line with the requirements of the directive and local law, so that the quality of water and biodiversity in check points downstream and upstream of the water bodies is assessed regularly.

For the DNSH on pollution prevention the company has developed and implemented the Sulfix/Carbfix method to reduce H2S emissions in line with EU Directives 2004/107/EC and 2008/50/EC.

| **Economic activity:** | **4.9 Transmission and distribution of electricity** | |
|---|---|---|
| **NACE code:** | **D35.12, D35.13** | |
| **Analytical focus** | **Opinion** | **Rationale** |

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of transmission and distribution of electricity to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**<br>RE aims to finance projects directly associated with the expansion, enhancement, or maintenance of electric distribution system to meet increased electricity demand. Virtually all the electricity in Iceland is produced from renewable energy sources, resulting in an emissions rate much lower than 100 gCO2/kWh. The issuer confirms that infrastructure dedicated to a grid with a higher emissions intensity than 100 gCO2/kWh will not be financed. Veitur constructs and installs equipment such as electric substations where the main objective is increased use of renewable electricity and is working to install smart meters that will help control the system more efficiently. Additionally, Veitur is currently evaluating the construction/installation of equipment to allow for exchange of renewable electricity between users, which could be financed through the framework. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of transmission and distribution of electricity to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, circular economy, pollution prevention, and biodiversity efforts. Water is not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power". Based on the identified materiality of the risks, which include more frequent and extreme temperature fluctuations, RE will place thermally conductive soil around underground cables in new developments, among other adaptation measures.<br>To meet the DNSH criteria for the circular economy objective, the issuer informed us that it has a contract with Íslenska Gámafélagið to manage its waste and ensure maximal reuse or recycling at end of life in accordance with the waste hierarchy.<br>To meet the DNSH criteria for pollution prevention, RE confirms that activities do not use polychlorinated biphenyls. The remaining criteria is not applicable since the issuer does not construct overhead lines (99.99% of its lines are underground). |

| **Economic activity:** | **4.15 District heating/cooling distribution** | |
|---|---|---|
| **NACE code:** | **D35.30** | |
| **Analytical focus** | **Opinion** | **Rationale** |

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of district heating/cooling distribution to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**<br>RE aims to finance projects directly associated with the increased production of low-temperature geothermal water used for space heating. This includes the drilling of new wells and as well as the procurement and installation of new production equipment. The issuer also plans to invest in the expansion or maintenance of district heating network components, such as but not limited to pipes, pumps, or hot water tanks. The issuer has confirmed that for the construction, operation, and refurbishment of pipelines and associated infrastructure for distributing heating and cooling, the system complies with the definition and criteria set in article 2, point 41, of Directive 2012/27/EU. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of district heating/cooling distribution to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity efforts. Circular economy is not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power". Based on the identified materiality of the risks, RE has increased the monitoring of water levels and weather changes.<br>Regarding how RE aims to address DNSH criteria for water, please refer to the DNSH rationale described in the activity "4.6 Electricity generation from geothermal energy".<br>Regarding the pollution prevention criteria, the issuer confirms that any equipment used is covered by Directive 2009/125/EC (including fans, pumps, and compressors) comply, where relevant, with the top-class requirements of the energy label, and otherwise comply with implementing regulations under that directive and represent the best available technology. |

| **Economic activity:** | **4.18 Cogeneration of heat/cool and power from geothermal energy** | |
|---|---|---|
| **NACE code:** | **D35.11, D35.30** | |
| **Analytical focus** | **Opinion** | **Rationale** |
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of cogeneration of heat/cool and power from geothermal energy to be aligned with the TSC for substantial contribution to the EU' s climate mitigation objective.**<br>RE aims to finance projects directly associated with the generation of heat/cool and power from geothermal energy emitting below 100 gCO2/kWh. In line with the criteria, RE has published and verified a certified climate account in accordance with ISO 14064-1:2018, demonstrating life cycle carbon dioxide emissions are below the threshold. |

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of cogeneration of heat/cool and power from geothermal energy to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity efforts. Circular economy is not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power." Based on the identified materiality of the risks, RE has increased the monitoring of water levels and weather changes.<br>Regarding how RE aims to address DNSH criteria for water, please refer to the DNSH rationale described in the activity "4.6 Electricity generation from geothermal energy."<br>For the DNSH on pollution prevention the company has developed and implemented the Sulfix/Carbfix method to reduce hydrogen sulfide emissions in line with Directives 2004/107/EC and 2008/50/EC. |

| **Economic activity:** | **4.22 Production of heat/cool from geothermal energy** | |
|---|---|---|
| **NACE code:** | **D35.30** | |
| **Analytical focus** | **Opinion** | **Rationale** |
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of production of heat/cool from geothermal energy to be aligned with the TSC for substantial contribution to the EU's climate mitigation objective.**<br>RE aims to finance projects directly associated with the generation of heat/cool from geothermal energy emitting below 100 gCO2/kWh**.** In line with the criteria, RE has published and verified a certified climate account in accordance with ISO 14064-1:2018, demonstrating life cycle carbon dioxide emissions are below the threshold. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of production of heat/cool from geothermal energy to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity efforts. Circular economy is not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power." Based on the identified materiality of the risks, RE has increased the monitoring of water levels and weather changes.<br>Regarding how RE aims to address DNSH criteria for water, please refer to the DNSH rationale described in the activity "4.6 Electricity generation from geothermal energy." |

For the DNSH on pollution prevention, the company has developed and implemented the Sulfix/Carbfix method to reduce hydrogen sulfide emissions in line with Directives 2004/107/EC and 2008/50/EC.

| **Economic activity:** | **5.1 Construction, extension, and operation of water collection, treatment, and supply systems** | |
|---|---|---|
| **NACE code:** | **E36.00, F42.99** | |
| **Analytical focus** | **Opinion** | **Rationale** |
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of construction, extension and operation of water collection, treatment, and supply systems to be aligned with the TSC for substantial contribution to the EU' s circular economy objective.**<br>RE aims to finance projects directly associated with the development, construction, installation, and maintenance of wastewater utility systems with a net average energy consumption for abstraction and treatment equal to or below 0.5 kWh per cubic meter water supplied, in line with the TSC. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of construction, extension, and operation of water collection, treatment, and supply systems to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, and biodiversity efforts. Circular economy and pollution prevention are not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power." Based on the identified materiality of the risks, which include more frequent and extreme droughts, RE is planning to work on strategic projects regarding the future of reservoir issues in relation to climate stress, among others.<br>RE addresses the water and biodiversity DNSH requirements for this activity through its EIAs, which cover both water and biodiversity risks. |

| **Economic activity:** | **5.3 Construction, extension and operation of wastewater collection and treatment** | |
|---|---|---|
| **NACE code:** | **E37.00, F42.99** | |
| **Analytical focus** | **Opinion** | **Rationale** |

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of construction, extension, and operation of wastewater collection and treatment to be aligned with the TSC for substantial contribution to the EU's circular economy objective.**<br>RE aims to finance projects directly associated with development, construction, operation, and maintenance of Veitur Utilities' wastewater collection and treatment plant. The financing also focuses on the activities that enhance sustainable wastewater management systems.<br>To meet this substantial contribution criteria, the company's energy consumption should be below 20 kWh/population equivalent (PE). RE has confirmed that its electricity consumption at wastewater treatment plant is below 10 million kWh, serving 550,000 people. This results in an energy consumption of 18 kWh/PE, adhering to the TSC. We understand RE will implement source control measures to reduce net energy consumption of wastewater treatment plants and annually report on its wastewater emissions in its climate account reports, in line with the requirements. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of construction, extension, and operation of wastewater collection and treatment to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity efforts. Circular economy is not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation and biodiversity, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power." Based on the identified materiality of the risks, which include flooding resulting from increased precipitation and/or rising sea levels, RE is working to increase efficiency in pumping stations, among others.<br>Regarding how RE aims to address DNSH criteria for water, please refer to the DNSH rationale described in the activity "4.6 Electricity generation from geothermal energy."<br>To meet pollution prevention DNSH, RE's financing activities will adhere to national standards for wastewater discharge and use sewage sludge in accordance with Directive 86/278/EEC (237). We understand that to prevent and mitigate the overflow of storm water from its wastewater collection systems, the issuer has implemented rainwater collection systems and nature-based solutions for its existing and new plants. |

| | |
|---|---|
| **Economic activity:** | **5.12 Underground permanent geological storage of carbon dioxide** |
| **NACE code:** | **E39.00** |

| **Analytical focus** | **Opinion** | **Rationale** |
|---|---|---|

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of underground permanent geological storage of carbon dioxide to be aligned with the TSC for substantial contribution to the EU's circular economy objective.**<br>RE aims to finance activities directly associated with development, construction, installation, and maintenance of projects to sequester and mineralize carbon dioxide and anthropogenic emissions. To meet the substantial contribution requirements, during the preparation phase of injection activities, RE has conducted independent seismic risk assessments for its Hellisheiði and Nesjavellir power plants. The issuer confirmed they have implemented leak detection systems to prevent carbon dioxide leakage during operation, and monitoring plans will be verified by the competent national authorities. Furthermore, RE confirms that all financed activity complies with Directive 2009/31/EC. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of underground permanent geological storage of carbon dioxide to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, water, pollution prevention, and biodiversity efforts. Circular economy is not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power". Based on the identified materiality of the risks, which include landslides and avalanches, RE is working to map risk areas, create coverage by compiling intersections with steep slopes and structures/pipes/cables, and implement defenses, among others.<br>To address the water and biodiversity DNSH requirements, RE conducted EIAs at its Hellisheiði and Nesjavellir power stations, covering both water and biodiversity risks.<br>To meet pollution prevention DNSH, the RE confirmed its financed activity will comply with Directive 2009/31/EC. |

| **Economic activity:** | **6.5 Transport by motorbikes, passenger cars, and light commercial vehicles** |
|---|---|
| **NACE code:** | **H49.32, H49.39, N77.11** |

| **Analytical focus** | **Opinion** | **Rationale** |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of transport by motorbikes, passenger cars, and light commercial vehicles to be aligned with the TSC for substantial contribution to the EU's circular economy objective.**<br>RE confirms it will invest only in zero tailpipe vehicles, including full BEV and FCEV exceeding the TSC, which allows the purchase of vehicles with emissions lower than 50 gCO2/km until Dec. 31, 2025. |

| | | |
|---|---|---|
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of transport by motorbikes, passenger cars, and light commercial vehicles to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>According to the TSC, this activity must not harm climate adaptation, circular economy, and pollution prevention efforts. The water and biodiversity DNSH are not applicable for this eligible economic activity.<br>Regarding how RE aims to address DNSH criteria for climate adaptation, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power." Based on the identified materiality of the risks, RE commits to implementing necessary adaptation measures for all projects.<br>To meet the DNSH criteria for the circular economy objective, RE confirms that at least 85% of the weight of M1 and N1 vehicles will be recyclable or reusable, and 95% will be recoverable. The issuer informed us the end-of-life management is not applicable since the purchased vehicles will be resold. To manage operational waste, RE has partnered with waste management companies.<br>RE confirms that its purchased vehicles will meet all the regulatory standards specified in the pollution prevention DNSH, ensuring compliance with the requirements. |

| **Economic activity:** | **6.15 Infrastructure enabling low-carbon road transport and public transport** |
|---|---|
| **NACE code:** | **F42.11, F42.13, M71.12, M71.20** |

| **Analytical focus** | **Opinion** | **Rationale** |
|---|---|---|
| Our assessment is focused on how the activity meets the **substantial contribution** technical screening criteria. | Aligned<br>Not aligned | **We consider the issuer's activity of infrastructure enabling low-carbon road transport and public transport to be aligned with the TSC for substantial contribution to the EU' s circular economy objective.**<br>The criteria included in the framework matches the TSC set out in the EU Taxonomy. RE is looking to finance construction, development, installation, and maintenance of home and public charging stations to serve vehicles with zero tailpipe carbon dioxide emissions. As such, the company confirmed these infrastructures will not be dedicated to the transport or storage of fossil fuels. |
| Our assessment is focused on how the activity meets the **do not significantly harm** other EU objectives' technical screening criteria. | Aligned<br>Not aligned | **We consider this issuer's activity of infrastructure enabling low-carbon road transport and public transport to be aligned with the DNSH TSC for all the remaining and applicable EU objectives.**<br>In our view, this activity meets the DNSH requirements for climate adaptation and does not harm water, pollution prevention, circular economy, and biodiversity efforts (please refer to the commission notice C/2023/267 [CM C/2023/267], which states that activities can qualify as taxonomy aligned when they do not give rise to any potential issues with DNSH criteria).<br>Regarding how RE aims to address DNSH criteria for climate adaptation, please refer to the DNSH rationale described in the activity "4.3 electricity generation from wind power." Based on the identified materiality of the |

risks, RE commits to implementing necessary adaptation measures for all projects.

The company confirmed that the financed activities do not have any adverse impact on the water resources, thereby complying with the DNSH criteria for water.

To meet the DNSH criteria for the circular economy, RE has partnered with waste management companies to effectively handle the construction and demolition of waste generated on its construction sites. This ensures that the waste is properly prepared for reuse, recycling, and other forms of material recovery.

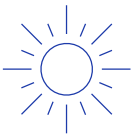
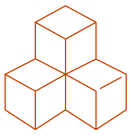
To meet the DNSH criteria for the pollution prevention objective, measures need to be taken to reduce noise, dust, and pollutant emissions during construction and maintenance works, and relevant noise and vibrations from the use of the infrastructure need to be mitigated by introducing open trenches, wall barriers, or other mitigation measures. We note, the issuer rewards points for using zero-emissions equipment such as hydrogen, B100 biodiesel, or B100 HVO in its tender contracts. However, the issuer does not have a concrete measure to reduce noise pollution, so given the small-scale nature of the project, this DNSH is not considered as relevant.

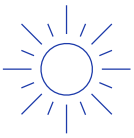
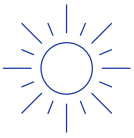
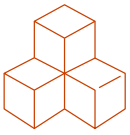
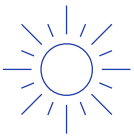
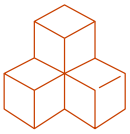
Regarding the DNSH criteria for biodiversity, is not relevant since the constructions are taking place on brownfield sites.

# Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

| Use of proceeds | SDGs |
|---|---|
| Electricity distribution (renewable energy) |  **7. Affordable and clean energy***  **9. Industry, innovation, and infrastructure***  **13. Climate action** |
| Geothermal district heating (renewable energy) |  **7. Affordable and clean energy***  **9. Industry, innovation, and infrastructure***  **13. Climate action** |
| Energy production (renewable energy) |  **7. Affordable and clean energy***  **9. Industry, innovation, and infrastructure***  **13. Climate action** |
| Waste water collection and treatment (sustainable water and wastewater management) |  **6. Clean water and sanitation***  **9. Industry, innovation, and infrastructure**  **11. Sustainable cities and communities***  **13. Climate action**  **14. Life below water** |

| | | | | |
|---|---|---|---|---|
| Water supply (sustainable water and wastewater management) |  **6. Clean water and sanitation*** |  **11. Sustainable cities and communities*** |  **14. Life below water** | |
| Carbon capture and storage (pollution prevention and control) |  **9. Industry, innovation, and infrastructure** |  **13. Climate action** | | |
| Energy transition of RE's vehicle fleet (clean transportation) |  **7. Affordable and clean energy** |  **11. Sustainable cities and communities*** |  **13. Climate action** | |
| Charging stations (clean transportation) |  **7. Affordable and clean energy** |  **9. Industry, innovation, and infrastructure** |  **13. Climate action** | |
| Optic fiber network (energy efficiency) |  **7. Affordable and clean energy*** |  **9. Industry, innovation, and infrastructure** |  **12. Responsible consumption and production** |  **13. Climate action** |

*The eligible project categories link to these SDGs in the ICMA mapping.

# Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

# Analytical Contacts

Primary contact

**Maria Ortiz de Mendivil**
Madrid
+43 687 007 348
Maria.omendivil
@spglobal.com

Secondary contacts

**Rafael Heim**
Paris
+33 634 39 72 53
Rafael.heim
@spglobal.com

**Catherine Rothacker**
Oslo
Catherine.rothacker
@spglobal.com

**Luisina Berberian**
Madrid
+34 91 788 7200
Luisina.berberian
@spglobal.com

Research contributor

**Sreenidhi M K**
Pune