

Green Financing Report 2024

Summary

- In 2022, HS Orka published the *Green Financing Framework* based on *ICMA Green Bond Principles* (2021) and *Green Loan Principles* (LMA/APLMA/LSTA, 2020).
- HS Orka's Green Financing Framework was assessed by the international rating agency CICERO, receiving an overall rating of “Dark Green” and confirmation that the framework complies with the aforementioned criteria.
- In 2024, HS Orka completed the refinancing of the company's debt and secured lines of credit for continued development. The refinancing is largely covered by the company's Green Financing Framework.
- HS Orka's total green financing at the end of 2024 amounted to ISK 31,523 million.
- Green financing accounted for approximately 94% of the company's outstanding debt financing at the end of 2024.
- HS Orka’s emissions intensity was 35 gCO2eq/kWh in 2024. The year-on-year increase is explained by the effects of seismic activity in Svartsengi. The impact is detailed in the environmental section of the sustainability report for 2024.
- Avoided GHG emissions in 2024 are estimated at 71,224 tCO2eq, taking into account European climate reference benchmarks.

Use of Proceeds 2024

HS Orka's green financing framework identifies the types of assets that the company’s green financing can support. Eligible assets are divided into four main categories with descriptions of the types of assets and projects that belong to each category. The four main categories are “Renewable energy”, “Clean transportation”, “Pollution prevention and control” and “Sustainable water and wastewater management”. The majority of HS Orka’s eligible assets fall under the category of "Renewable energy", which includes the company's assets in power plants and energy infrastructure.

- Eligible assets amounted to ISK 73,253 million at the end of 2024.
- The total amount of green financing amounted to ISK 31,523 million at the end of 2024.
- The ratio of green financing to assets eligible under the green financing framework was 43.0% at the end of 2024.
- The proportion of green financing allocated to assets eligible under the green financing framework is 100%.

The Appendix contains an external assurance report by our auditor, KPMG ehf., for this Green Financing Report 2024. It includes a confirmation that the presentation of eligible assets in the

Eligible assets - Green Financing Framework

Assets	Amount (ISK m)	Green financing	Issue date	End of loan period	Amount (ISK m)
Renewable energy, Clean transportation, Pollution prevention and control, Sustainable water and wastewater management	73,253	Green bonds	July 24	July 32	7,601
		Green bank loans	July 24	July 29	23,922

report is in line with HS Orka's green financing framework.

2024 Impact Assessment

Information in the 2024 Sustainability Report

HS Orka's sustainability report for 2024 includes information on the installed capacity of power plants, own energy consumption and other indicators related to HS Orka's main infrastructure and projects in the field of renewable energy production. Key information about the production of renewable energy and the installed capacity of power plants can be found in the section “Security of Power Supply and Related Infrastructure”. Further information on the operation of the company’s power plants and development projects can be found in the sections “Preventive Measures and Contingency Plans”, “Reinforcement of District Heating Utility” and “Development Projects”. Key information on own energy consumption and resource utilisation can be found in the sections “Own Energy Consumption” and “Resource Streams.”

Information on the development of key climate indicators can be found in the “Climate” section. HS Orka’s main indicators with regard to climate are for total emissions (tCO₂eq) and emissions intensity (gCO₂eq/kWh).

Life cycle assessments have been carried out for HS Orka's power plants in Svartsengi and Reykjanes and are available on the company's website. The life cycle assessments are based on ISO 14067:2018 and are reviewed and confirmed by an external party.

Additionally, the Green Financing Report provides information on avoided CO₂ emissions, a key indicator of environmental impact under HS Orka's Green Financing Framework.

Avoided GHG emissions

The methodology for calculating avoided emissions is based on international standards and guidelines.³

When avoided emissions are calculated, HS Orka's customers are divided into two categories, those operating within the framework of the EU's ETS emissions system, and other customers. The methodology only considers sale of electricity to customers within the ETS system, for estimated avoided emissions. The proportion of buyers in the ETS system for HS Orka’s electricity sales is assigned a reference value⁴ (191 gCO₂eq/kWh) for emissions in the European electricity market.

3 International Capital Market Association’s and Green Bond Principle’s Handbook on Harmonized Frameworks for Impact Reporting (June 2024)
4 NPSI Position Paper on Green Bonds Impact Reporting 2024

Key indicators - HS Orka's climate impact

	2024	EU Taxonomy Criteria for Environmental Sustainability*
Total emissions (tCO ₂ eq)	142,979**	
Emissions intensity (gCO ₂ eq/kWh)	35	100

*For significant contribution to the environmental objective “Climate change mitigation”
**Scope 1, 2, and 3. For details, see the 2024 Sustainability Report.

Calculations according to the methodology

Customers	Delivered electric power (MWh)	% of delivered electricity	Reference values for GHG emissions*	Emissions based on reference values (tCO ₂ eq)	HS Orka emissions (tCO ₂ eq)	Estimated avoided GHG emissions 2024 (tCO ₂ eq)
Within the EU ETS system	631,447	44.8%	191	120,606	22,101	98,506
Other customers	779,489	55.2%	0	0	27,282	- 27,282
Total	1,410,936	100.0%				71,224

*NPSI Position Paper 2024

In accordance to the methodology, the sale of electricity to other customers receives a reference value of 0 for emissions intensity, which means that HS Orka’s avoided emissions are lowered by the emissions associated with the production sold to those customers. The average combined

emissions factor for all HS Orka’s electricity sales is thus 85.5 gCO₂eq/kWh. The total avoided greenhouse gas emissions from HS Orka's renewable energy production are estimated at 71,224 tonnes of CO₂ in 2024.

Appendix 5: Auditor’s Limited Assurance Report - Green Finance

To the Board of Directors of HS Orka hf.

Conclusion

We have performed a limited assurance engagement on the allocation and impact of financing in the accompanying green finance report (report) which includes the financing of HS Orka hf.’s (company) liabilities in the year 2024. The financing is covered by the company’s Green Finance Framework published in July 2022. The Framework is presented in accordance with Green Bond Principles, published by International Market Association (ICMA) in 2021, and Green Loan Principles, published by Loan Market Association (LMA) in 2023.

Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the allocation and impacts of the financing covered in the report is, in all material respects, in accordance with HS Orka hf.’s green financing framework.

Basis for conclusion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Our responsibilities under those standards are further described in "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA).

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities for the Green Finance Report

The report is presented by the Board of Directors and the CEO of the company and they are responsible for the decision of presenting the report in accordance with the selected criteria. They are responsible for designing, implementing, and maintaining internal control relevant to the preparation of the report. Furthermore, they are responsible for gathering, analysing and presenting the information in the report and that the report is free from material misstatements, whether due to fraud or error. The Board of Directors and the CEO are responsible for the appropriate training of the employees involved in the processing and presentation of the report and that information systems used are appropriate.

Our responsibilities

We are responsible for providing independent limited assurance on the company’s green finance report. We are responsible for planning and performing the engagement to obtain limited assurance about whether the report is free from material misstatement, whether due to fraud or error. We are responsible for forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained and reporting our conclusion to the Board of Directors of HS Orka hf.

Work performed as the basis for our conclusion

We exercised professional judgment and maintained professional scepticism throughout the engagement. We designed and performed our procedures to obtain evidence about the report that is sufficient and appropriate to provide a basis for our conclusion. Our procedures selected depended on our understanding of the report and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. In carrying out our engagement, the procedures we performed primarily consisted of:

- Obtaining information from HS Orka hf. ‘s employees, in particular those responsible for the information presented in the report
 - Analyse and evaluate the information
 - Obtain confirmation of the information presented in the report, as appropriate
- Inquiries to management and other relevant employees to obtain understanding of HS Orka hf. ‘s process of preparing and reviewing the report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Reykjavík, 7th of March 2025

KPMG ehf.



Árni Claessen

endurskoðandi