



Grant Thornton

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Independent Auditor's Assurance Report

To the City of Reykjavik's City Council and Green Bond holders

Assurance scope

The scope of our work was limited to verifying that the proceeds of the Green Bond issue were used for funding selected eligible projects as reported in the Annual Green Bond Impact Report for 2025.

Responsibilities of The City of Reykjavik

The net proceeds from the Green Bond issue is managed by the City of Reykjavik's Office of Finance. It is the responsibility of the Office of Finance to allocate the proceed to the eligible projects selected by a Selection Committee and approved by the City Council. Office of Finance is also responsible for preparation of the Annual Green Bond Impact Report which is free from material misstatements, whether due to fraud or error, in accordance with the Green Bond Framework from December 2025.

Responsibility of the auditor

Our responsibility is to express an assurance conclusion for the subject matter at hand and which is included in the Annual Green Bond Impact Report, based on the procedures we have performed and the evidence we have obtained.

We conducted our assurance engagement in accordance with *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial information* issued by the IAASB.

Our independence and quality control

We have complied with independence and other ethical requirements of the Code of Ethics for professional Accountants issued by the International Ethics Standards Boards for Accountants which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply *ISQM 1 International Standard on Quality Control* and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work performed

During our assurance engagement we reconciled the list of funded projects to the selected eligible projects. We performed assurance procedures on accounting transactions and capital movements in the Green Account. We have also reviewed the Annual Green Bond Impact Report for 2025 and performed assurance procedures on the completeness and accuracy of reported information as described on the Green Bond Framework.

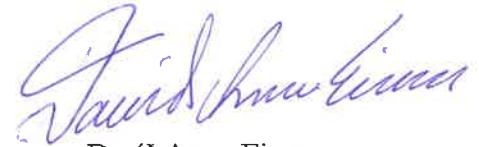
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Conclusion

Based on the assurance procedures we have performed and the evidence we have obtained, we conclude, in all material aspects, that the proceeds of the Green Bond issue has been used to fund the selected eligible projects as reported in the annual Green Bond Impact Report for 2025.

Reykjavík, 26 August 2026

On behalf of Grant Thornton endurskoðun ehf



Davíð Arnar Einarsson

State Authorized Public Accountant

City of Reykjavík

Green Bond Impact Report 2025

Green Financing Framework



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1 Introduction

Reykjavík is the capital of Iceland with approximately 147.000 inhabitants, comprising roughly 1/3 of Iceland's population and covering an area of approximately 273 km². The City of Reykjavík (Reykjavik) is responsible for the provision of public infrastructure for the capital area including education, roads and public transport, recreational and health facilities (swimming pools, museums, libraries, etc.), social welfare, and waste collection. Full-time equivalent employees in Reykjavik were on average 8.675 and the organisation's role is to be a good steward of public goods for the people of Reykjavik.

The future vision of Reykjavik is to become carbon neutral by the year 2040 and that adaptation to climate change will take place in an environmentally sound and human friendly manner. Reykjavik City supports the goal of the 2015 Paris agreement to maintain global warming within 1.5°C in various policies such as The Municipal Plan of Reykjavik 2040, the Green New Deal of Reykjavik City and the Biodiversity Policy.

Mobilization of finance helps the City of Reykjavík to achieve its ambitions of climate neutrality, lower greenhouse gas emissions, adaptation to climate change, circular economy, support of biodiversity and green areas.

1.1 The City of Reykjavík Green Bond Frameworks

In 2023 The City of Reykjavík published its second [Green Financing Framework](#). The framework was developed to be aligned with the International Capital Markets Association's (ICMA) Green Bond Principles (2021), Green Loan Principles (2018), the Climate Bond Initiative (v. 3.0), and the EU Green Bond Standard (2019) and, to the extent feasible, the EU Taxonomy.

1.1.1 Process for Project Evaluation and Selection and Use of Proceeds

Reykjavik's Treasury department oversees the initial screening of potential Green Projects, with analysis conducted by the Green Finance working group. These projects are then evaluated by the Department of Environment and Planning to ensure compliance with green criteria and regulatory requirements. The Green Finance working group reviews and compiles a proposal list, which is sent to the Selection Committee for approval before final consideration by the City Executive Council. Approved projects are added to the "green registry," and the Selection Committee convenes every six months to review projects, ensuring continued compliance and reallocating funds if necessary.

All projects and assets financed under the Framework will need to align with at least one of the Project Categories set out in the framework. Further information on categories for eligible projects can be found in chapter 2 Allocation Reporting.



Net proceeds can finance both existing and new Eligible Projects and Assets and Reykjavik intends to fully allocate the proceeds from any financing within 36 months of the date of funding.

1.1.2 Reporting

The Framework from 2023 supersedes the [Green Bond Framework established in 2018](#) but the Green Bond Impact Report 2025 fulfils the reporting obligations set out in both frameworks. The reporting is conducted in line with best market practice and international guidelines and protocols.



2 Allocation Reporting

In the year 2025 no new projects were financed; refinancing was therefore 100% of this year's allocation. Refinanced projects were three in total, in two different project categories; Clean transportation and energy efficiency.

Issuance date	17 December 2018	15 December 2020
Issuer	Reykjavíkurborg	Reykjavíkurborg
Financing instrument	Bond	Bond
ID	RVKG 48 1	RVKNG 40 1
Maturity date	21 October 2048	21 August 2040
Currency	ISK	ISK
Listing	Nasdaq Iceland	Nasdaq Iceland
Issuance FY25	0	0
Total issuance as of 2025/12/31	14.545.000.000 ISK	9.130.000.000 ISK
Unallocated proceeds as of 2025/12/31	1.104.255.603 ISK	0

2.1 Allocation overview

Distribution of Allocation in 2025 (350,8 ml. ISK)

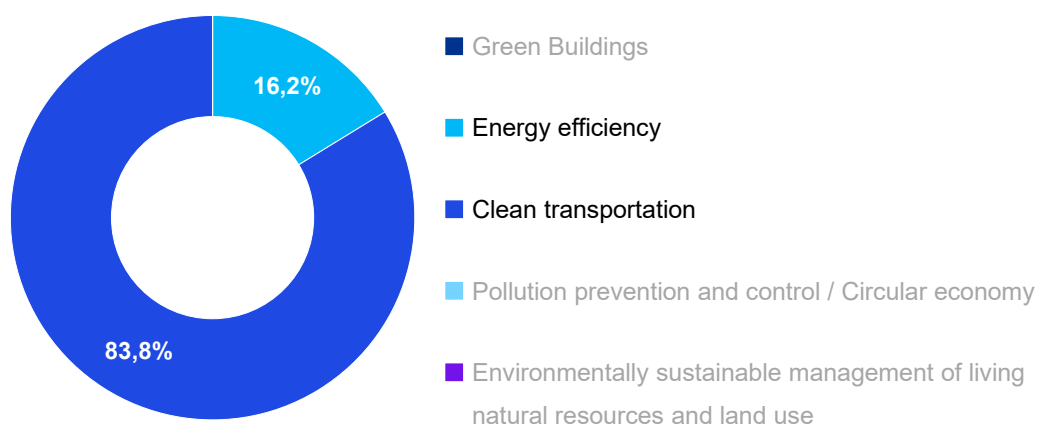




Table 1 - The total funding of eligible projects.

Project Categories	Description ¹	Project	Allocation 2025	Total Funding
Green buildings	Investments in new construction, acquisition of buildings, leasing, operations, renovation, and refurbishment of existing buildings.	Dalskóli, BREEAM Certified preschool, primary school and after-school program	-	5.562,0 ISKm
		Cultural Centre in Úlfarsbraut	-	1.109,1 ISKm
		Public Pool in Úlfarsbraut	-	1.324,9 ISKm
		Sports Centre in Úlfarsbraut	-	4.687,3 ISKm
		Miðborg Preshool	-	228,3 ISKm
		Sundhöll Reykjavík Pool	-	1.277,5 ISKm
		Grófarhús - Cultural and Community Building	-	61,3 ISKm
		Örfirisey District Depot	-	1.282,8 ISKm
Energy efficiency	Expenditures for energy efficient technologies, products, and installation.	Replacement of Reykjavík's street lights to LED lighting	57,0 ISKm	2.456,4 ISKm
Clean transportation	Investments in clean transportation; public, private, and related infrastructure.	Cycling and Walking Paths	279,0 ISKm	4.177,6 ISKm
		Biogas Powered Refuse-Collection Vehicles	-	606,1 ISKm
		Electric Vehicles	-	142,2 ISKm
		Charging Stations for Electric Vehicles	14,8 ISKm	422,6 ISKm
Pollution prevention and control/ Circular economy	Funding to facilitate waste reduction and management and purchasing of certified products and services.	Drop-off points	-	143,0 ISKm
		Sorpa - GAJA	-	875,1 ISKm

¹ For details please visit [The City of Reykjavík Green Financing Framework](#)



Project Categories	Description ¹	Project	Allocation 2025	Total Funding
Environmentally sustainable management of living natural resources and land use	Wetland reclamation and forestry and documentation and preservation of biodiversity in urban planning.	Wetland reclamation	-	54,9 ISKm
		Forestry	-	91,0 ISKm
		The Green Network	-	207,9 ISKm
Climate Change Adaptation	Mapping of climate change risks and funding of resilience infrastructure.	-	-	-
CO₂ sequestration	All expenses supporting the development, construction, installation, and maintenance of projects to sequester and/or mineralize GHG emissions connected to the local activities of the residents and business.	-	-	-
Information and communication	Expenditures on data center infrastructure and ICT solutions for data collection, storage, transmission, and analysis, exclusively supporting decision-making that enables GHG emission reductions.	-	-	-
Total			350,8 ISKm	24.709,9 ISKm



3 Impact Reporting

City of Reykjavík (“the Issuer”) appointed KPMG ehf. to provide environmental impact assessment for funded projects. KPMG advised on the methodology, reviewed necessary data from the issuer and calculated the final impact. KPMG’s engagement was not bound by any assurance standards, nor provided an opinion.

3.1 Methodology

Avoided greenhouse gas emissions, detailed in this report, are emissions that would have been emitted if the projects funded by Reykjavík’s green bonds would not have been initiated. Methodologies used for avoided greenhouse gas emissions impact calculations are based on relevant international guidelines and standards².

For the project categories ‘green buildings’ and ‘energy efficiency’, the avoided impact due to decreased electricity use is estimated based on Iceland’s electricity grid carbon intensity³ of 6,41 gCO₂e/kWh, and for Örfirisey District Depot avoided impact was also calculated from the life cycle assessment (LCA) report that was made for the building. The LCA results are compared to the baseline emissions⁴ provided by the Housing and Construction Authority of Iceland (HMS). A source from EFLA⁵ is used to estimate the baseline electricity usage of certified buildings. This allows for the calculation of electricity savings by comparing the baseline to the actual energy use of the building.

For the category ‘clean transportation’, a consequential life-cycle perspective approach was used. Fossil fuel vehicles are assumed to be replaced. For the cycling infrastructure, the cyclists are counted electronically in various locations around the city. These numbers were used to estimate the frequency of cyclists using the added infrastructure. Furthermore, within this category, the electricity consumption of EV charging stations is converted into estimated emission savings by comparing it to a fossil-fuel-based alternative. The electricity usage in kWh is estimated using primary data from 2022, adjusted for the increase in the number of electric vehicles in Iceland since then, based on data from the Icelandic Transport Authority⁶. Also included in this category are the electric vehicles owned by the City of Reykjavík. For these, an average annual distance travelled (in kilometres) is estimated using historical data.

In the category of ‘pollution prevention,’ the gas and composting plant GAJA plays a pivotal role. It estimates both the emission reduction potential from diverting waste from general disposal and the avoided emissions resulting from the use of methane, produced by GAJA, as a substitute for petrol.

² International Capital Market Association’s Green Bond Principles’ Handbook on Harmonized Framework for Impact Reporting (June 2024)

³ Icelandic Environment and Energy Agency December 2025 - Emission Factors (7th edition)
<https://uos.is/losunarstudlar>

⁴ <https://byggjumgraenniframtid.is/wp-content/uploads/2022/06/Vegvisir-ad-vistvaenni-mannvirkjagerd-l.-hluti.-Losun.pdf>

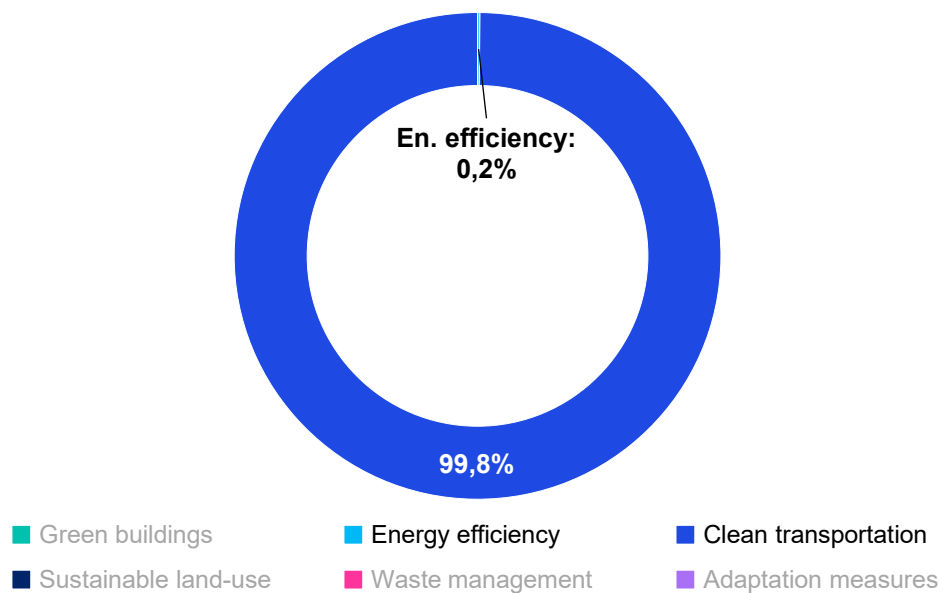
⁵ 100449-SKY-001-V03-Orkunotkun-honnud-og-maeld-Gogn-um-orkunotkun-bygginga-loka17202023_r2.pdf

⁶ <https://island.is/s/samgongustofa/samgongustofa-toelfraedi>



3.2 Results - Avoided Emissions from Projects allocated in reporting year (2025)

Distribution of 715 tCO₂e. avoided
(Financed in 2025)



3.2.1 Energy Efficiency



LED lighting

In 2016, Reykjavík began the preparation for replacing incandescent bulbs in its street lighting. Today only LED lights are used when renewing street lighting. In addition to being energy-efficient, LED lights are much more reliable and have a lower failure rate than traditional incandescent bulbs.

In 2025, 724 light bulbs were replaced by LED, resulting in energy savings of about **197,3 MWh**. The energy efficiency project category is estimated to have avoided about **1,1 tCO₂e** in 2025.



3.2.2 Clean Transportation



Cycling and Walking Paths

The City of Reykjavík has a comprehensive plan to increase the share of cyclists in the city. A part of this plan is to construct and improve cycling routes. Cycling facilities need to be designed in a way that encourages city residents to cycle to their work while also being able to enjoy the outdoors. Emphasis will continue to be placed on the construction of separate cycle paths. This improves the flow of cyclists and increases the safety of road users.

In 2025, the construction of 3,37 km of cycling and walking paths were financed with Green Bond proceeds resulting in estimated **557,6 tCO₂e** in avoided climate impact.

Charging Stations for Electric Vehicles

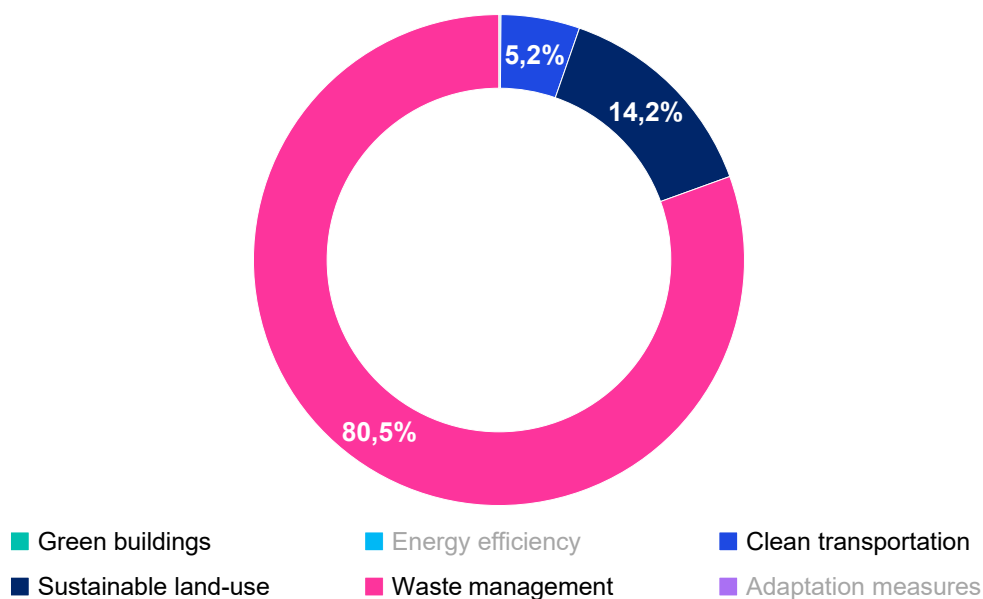
Charging stations for electric vehicles have been installed in various locations around Reykjavík. This infrastructure is crucial in order to minimize the population's dependence on vehicles using fossil fuel. An estimated 1.251 MWh of electricity was supplied through the charging stations in 2025, resulting in an estimated avoided climate impact of **156,8 tCO₂e** compared to the use of petrol (43,3%) & diesel (56,7%) vehicles⁷.

⁷ Statistics Iceland – Number of vehicles by weight and energy source 1995-2024 (data for 2025 not yet available): <https://statice.is/statistics/environment/transport/vehicles/>



3.3 Results – Expected Annual Avoided Emissions from Eligible Projects Included in the Report

Distribution of 4.141 tCO₂e. avoided
(previously financed)



3.3.1 Green Building



Úlfarsdalur

Dagur B. Eggertsson, former mayor of Reykjavík, and schoolchildren from Dalsskóli broke ground on a new structure in Úlfarsárdalur on October 1, 2015. The groundbreaking marked the beginning of construction on a cultural center, public library, swimming pool, and sports center, which benefit the residents of Grafarholt and Úlfarsárdalur. The construction period spanned about six years. Total size of all structures in Úlfarsárdalur is around 18 thousand m².

Total avoided climate impact in 2025 was **5,5 tCO₂e** from all buildings in Úlfarsbraut.

Dalskóli, preschool, primary school and after-school program in Úlfarsbraut

Dalskóli, a combined preschool, primary school and after-school program located in Úlfarsdalur, was first opened in 2016. The structure is designed and was built under the strict requirements of the BREEAM certification system, which encourages



environmentally friendly design of buildings as well as better environmental management during the construction and operational period of the building.

Cultural Centre in Úlfarsbraut

The Cultural Centre is open for everyone, where you can gain knowledge and entertainment. The library offers a diverse collection, in addition to users having access to computers, a recording studio, a workshop and a hall.

Public Pool in Úlfarsbraut

Dalslaug is Reykjavík's eighth public swimming pool, with Grafarvogslaug the last to open in 1998. The pool is well equipped with a 25-meter, six-lane outdoor pool, as well as hot tubs, a cold tub, a wading pool and a steam room. There is also an indoor pool that is well-suited for teaching and training.



Sports Centre in Úlfarsbraut

On November 12, 2019, young athletes in Fram, along with the former mayor, Dagur B. Eggertsson, broke ground on a new sports center in Úlfarsárdalur.

Sundhöll Reykjavík Pool – Extension

The extension to the pool was opened in December 2017 and achieved a BREEAM 'Very Good' certification in January 2019. Emphasis was placed on form and arrangement, ensuring that the extension complemented the older house. This approach allowed the main building to fully integrate the addition, creating a cohesive and unified whole.

Total avoided climate impact in 2025 was **-0,03 tCO₂e** (i.e. meaning the reference building had a lower energy consumption per m² compared to Sundhöll Reykjavík Pool).



Miðborg Preshool

Miðborg will accommodate 205 children aged 1 to 6 - and operate in 6 departments. The school is replacing two other buildings, the number of new places is estimated at 87. In addition, the building will house a family center. The aim is for the new Midborg preschool to open in 2027. The size of the preschool site will be 1,320 m² with additional 620 m² of playground space on the roof gardens on the 2nd and 3rd floors of the building.

This project is not yet in operation, and environmental benefits can therefore not be calculated or estimated.



Grófarhús - Cultural and Community Building

A new community library in Grófinn, friendly and welcoming, is scheduled to open its doors in 2031. The design process is well advanced and construction is scheduled to begin in 2027.

This project is not yet in operation, and environmental benefits can therefore not be calculated or estimated.



Örfirisey District Depot

The district depot in Örfirisey serves Vesturbær, Miðborg and Austurbær to Elliðaár. The depot is involved in various activities including maintenance and cleaning of streets, sidewalks, and pathways, maintenance of playgrounds and graffiti removal.

Total avoided climate impact in 2025 was **0,02 tCO_{2e}**, compared to the reference building's energy consumption per m². The embodied emissions savings associated with the construction-phase of the building are not included in this year's report, as it had been constructed and financed prior to 2025. However, the Life Cycle Assessment results indicate that **46,3 tCO_{2e}** of emissions were avoided during the construction phase of the building, compared to the baseline building emissions.

3.3.2 Clean Transportation



Biogas Powered Refuse-Collection Vehicles

All households are required to have containers for four categories. Residents can increase or decrease the number of bins at their home as needed. An increase in number of recycling bins has created a demand for more refuse-waste collection vehicles. All new collection vehicles are powered by biogas.

The City of Reykjavík's biogas powered refuse-collection vehicles saved estimated 68,8 thousand litres of diesel in 2025, estimated to have avoided about **186,2 tCO_{2e}** in 2025.

Electric vehicles

The City of Reykjavík has purchased 39 electric cars in total to be used in its own operation. Climate impact reduced/avoided compared to pre-investment was **28,4 tCO_{2e}** during the year 2025.



3.3.3 Pollution Prevention and Control / Circular Economy



Drop-off points

At the City of Reykjavík there is a strong focus on increasing waste sorting and recycling. Reykjavík's strategy is to have a recycling drop-off within walking distance for all city residents, and the neighborhood plan examines whether there's a need to add more stations or change locations. The plan tries to centrally locate recycling drop-offs in the neighborhood, in conjunction with city street redesigns or near service cores if possible. The impact of the project has not been measured yet.

Sorpa - Gas and Composting Plant (GAJA)

GAJA is gas and composting plant, operated by Sorpa bs. in Álfsnes. The facility recycles food scraps that have accumulated from homes and businesses in the capital area. The facility's role is to convert the food scraps into methane gas and compost, while also preventing large emissions of greenhouse gases into the atmosphere. The City of Reykjavík provided capital contribution for the project, about 16% of the total investments.

In 2025 the plant received 20.735 tons of biological waste. From this waste it produced 658.788 Nm³ of methane gas for commercial use, resulting in 20.398,3 tCO₂e compared to a baseline scenario in which the waste was disposed of and petrol was produced instead of methane. This results in about **3.334,5 tCO₂e** if allocated to the city's investment.

3.3.4 Environmentally Sustainable Management of Living Natural Resources and Land Use



Wetland reclamation

Wetland reclamation is an effective way of preventing emissions of greenhouse gases. The Icelandic government has defined wetland reclamation as one of the key actions to address climate change in order to meet the country's obligations towards the Paris Agreement. In 2019, the City of Reykjavík began reclaiming wetlands in Úlfarsárdalur. Since then, 30 hectares have been reclaimed, 0 in 2025.

The reduction of greenhouse gas emissions, because of this operation, will continue for the next several years. It is expected to have been **586,2 tCO₂e** in 2025.



Forestry

The City of Reykjavík's goals for enhancing carbon sequestration and green areas by 2030 include increased cultivation, utilization, and interconnection between green areas. Forestry and vegetation in the urban environment have increased, and residents can enjoy the positive effects of nature on mental and physical health. The impact of the project has not been measured yet.

Græna netið (e. ...the Green network)

Since 2016, the Reykjavík Department of Environment and Planning (USK) has been working on policy and planning for the Green Network, thus following the emphasis of the Reykjavík Municipal Plan 2010-2030 on a robust green network of outdoor recreation and nature areas in the city. The aim of the Green Network is to strengthen a continuous network of open spaces throughout the city that connects neighbourhoods, homes, and commercial areas. The impact of the project has not been measured yet.

3.3.5 Climate Change Adaptation



No funding has been allocated to the category.

3.3.6 CO₂ Sequestration



No funding has been allocated to the category.

3.3.7 Information and Communication

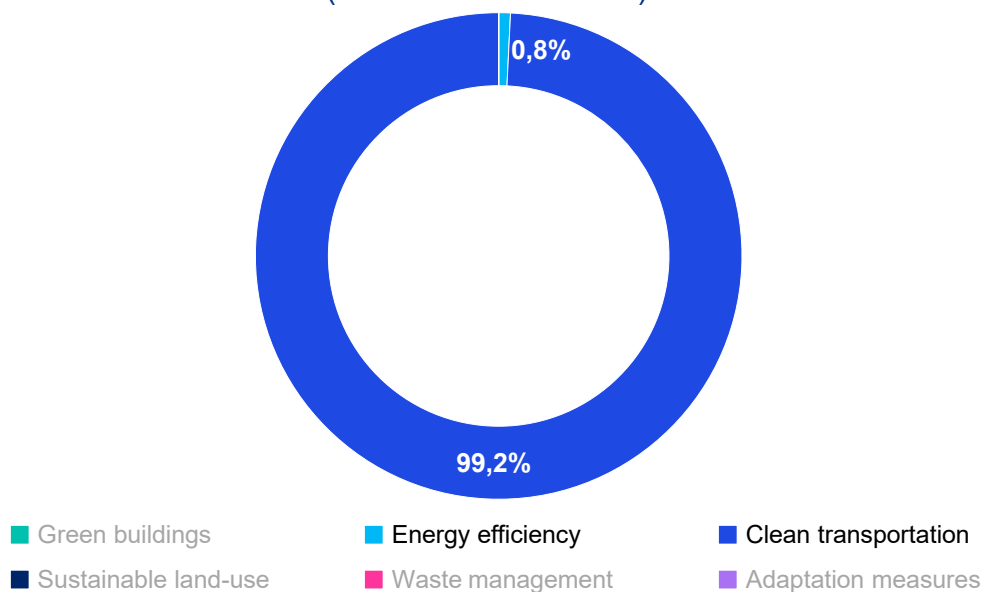
No funding has been allocated to the category.



3.4 Estimated Lifetime Results - Avoided Emissions from Previously Allocated Projects (Financed between 2016-2024)

In this sub-section, cumulative avoided emissions generated by assets financed in previous years and remaining operational over multiple years are presented. Only two project categories fit this description: (i) LED lighting, first introduced in 2017, and (ii) cycling and walking paths, which have been extended incrementally since 2016.

Distribution of 4.869 tCO₂e. avoided
(between 2016 - 2024)



3.4.1 Energy Efficiency



LED lighting

A total of 20.209 LED lights have been installed between 2016-2024, all of which are estimated to still be operational in 2025 based on the expected service life of LED street lights (60.000–80.000 hours)⁸. By 2025, the oldest LED lights are estimated to have accumulated 57.160 operating hours, which is still below the minimum expected service life of LED lights.

Thus, cumulative avoided emissions are estimated at **37,8 tCO₂e** in 2025 & an energy saving of **6.953 MWh**.

⁸ <https://iskraft.husa.is/lysingarbunadur/utilijos/gotuljos/led-gotuljos>



3.4.2 Clean Transportation



Cycling and Walking Paths

A total of 29,2 km of cycling and walking infrastructure had been added between 2016 – 2024. Thus, the total cumulative avoided emissions are estimated at **4.831,5 tCO₂e** in 2025.