

February 2021



The Icelandic Red Cross Sustainability Fund

Sustainable Financing Framework





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Introduction

Icelandic Red Cross

The Icelandic Red Cross (IceRC), founded in 1924, is a member of the International Federation of Red Cross Red Crescent Societies (IFRC, www.ifrc.org), the world's largest volunteer-based humanitarian movement. The Red Cross Red Crescent Movement consists of the International Committee of the Red Cross, founded in 1863, the International Federation of the Red Cross Red Crescent, founded in 1919 and there are over 190 National Red Cross Red Crescent Societies around the world.

The Movement is neutral, and impartial, and provides protection and assistance to people affected by disasters and conflicts. As partners, the different members of the Movement support communities in becoming stronger and safer through a variety of development projects and humanitarian activities. The Movement also works in cooperation with governments, donors and other aid organisations to assist vulnerable people around the world.



IceRC is guided by its auxiliary role to the public authorities in the humanitarian field and the Seven Fundamental Principles of the Red Cross Red Crescent Movement: Humanity, Impartiality, Neutrality, Independence, Voluntary Service, Unity, and Universality. IceRC delivers its mandate in service of the most vulnerable, both domestically and internationally. Volunteers are central to the work of the Red Cross Red Crescent (RCRC) and to support development initiatives in communities all over the world. Up to 14 million volunteers participate with the RCRC each year.

Sustainability Fund

In order to better support its work, the IceRC has developed a new fundraising platform: *The Icelandic Red Cross Sustainability Fund*.

The key goal of IceRC's Sustainability Fund will be to raise funds for domestic and international projects that deliver both short and long-term humanitarian and developmental, environmental, and social benefits, which will help to accelerate the transition towards sustainability.

[Sustainability has been defined](#) by the United Nations (UN) as "meeting the needs of the present without compromising the ability of future generations to meet their own needs". In 2015 the UN General Assembly [defined 17 goals, for Sustainable Development \(SDGs\)](#). Another key goal of the fund is to facilitate support to the SDGs from both corporations, individual Donors, and the IceRC.

This pioneering and innovative fundraising initiative will enable IceRC to address a range of UN SDGs within the Red Cross Red Crescent global network, with emphasis on environmental and climate issues.

The Fund's Sustainable Financing Framework (hereafter referred to as "Framework") will be designed to demonstrate to Donors how they can contribute towards specific SDGs and Red Cross Red Crescent projects which deliver measurable and positive environmental and social impacts or results¹.

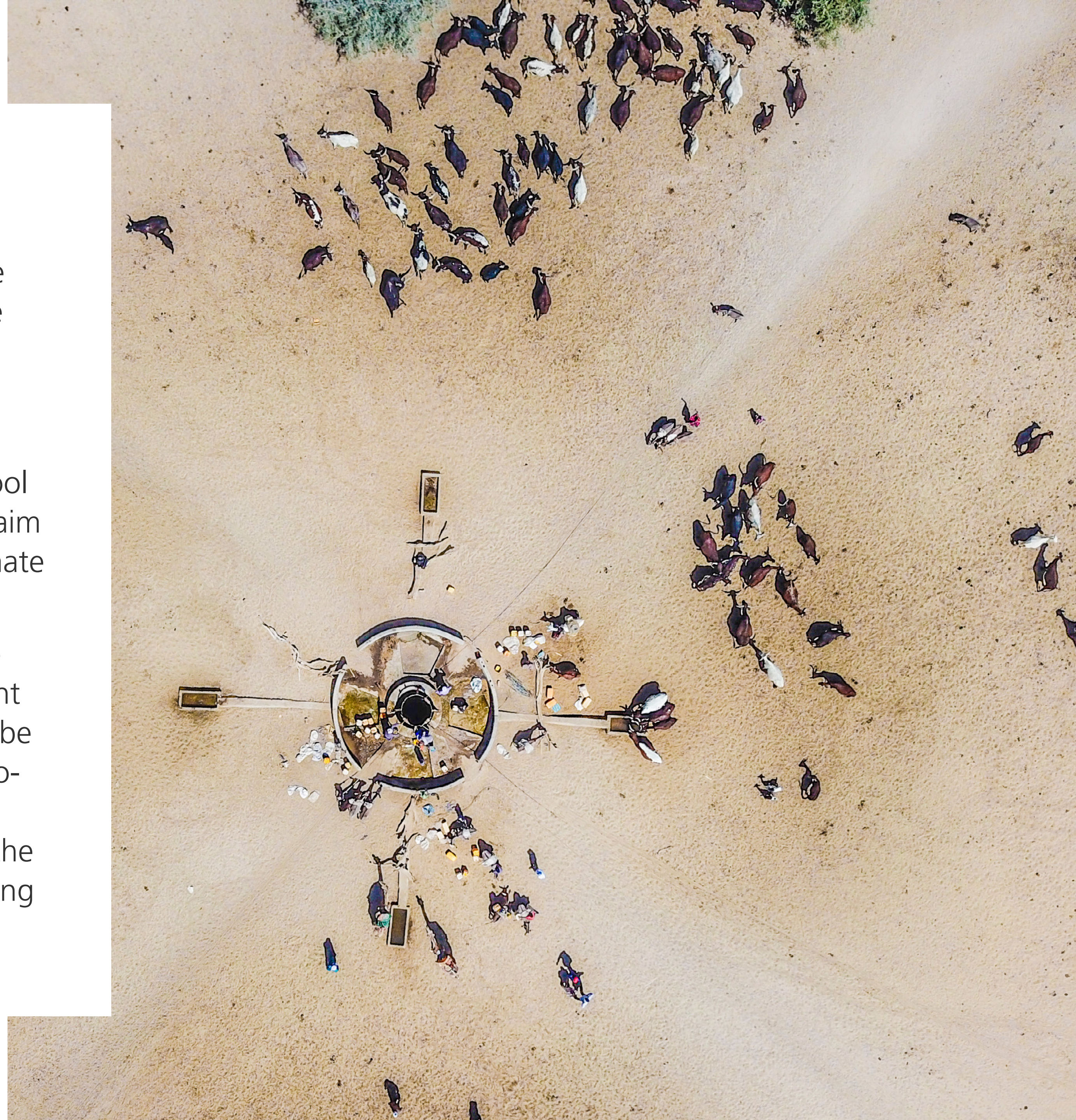
¹ The concepts "impact" and "results" are used interchangeably. The concept "impact" is predominantly used in the context of Sustainable Finance but "results" in the context of Humanitarian and related organisations. Both are intended to describe the same intended change from the Projects funded.

Sustainability and Sustainable Finance

IceRC is conscious of the importance of sustainability. Climate change, inequality, poverty, conflict, violence and injustice are all critical factors that need to be addressed in any nations', regions', municipalities', companies' and/or organisations' long-term prospects and their journeys towards sustainability.

The Icelandic Red Cross Sustainability Fund is an innovative tool linking the objectives of IceRC and the corporate sector. The aim is to raise funds for projects targeting environmental and climate issues, as well as the UN SDGs in general.

One of the core value propositions that the IceRC will be able to offer its donors will be strong governance and a transparent operating framework for the Sustainability Fund. Donors will be able to monitor and verify how their donations are directed towards social and environmental improvements and contributing to the achievement of the SDGs. In all IceRC operations, the vision and mission are rooted in influencing change and helping achieve a better and more sustainable future for all.



IceRC is committed to further integrate relevant Environmental, Social, and Governance (ESG) criteria into its operation to provide its stakeholders with further transparency into its sustainability journey. Those can be indicators to measure the impact on climate change, value chain, human capital developments, health and safety and business ethics. Furthermore, IceRC will issue a sustainability report for its own work for the year 2021.

The transition towards sustainability and a low carbon, resilient and environmentally sustainable economies and communities will require vast amounts of capital. By establishing this Sustainable Financing Framework, IceRC is committing to support the mobilization of funding from its donors to sustainable and environmentally beneficial projects as well as providing the measurable results of those projects annually highlighting how it contributes to the achievement of the SDGs.



As our global community faces increasing environmental and social challenges a need for the private, public, and humanitarian sectors to work together increases. This forces all sectors to have long-term strategies in mind and divert funds to projects which are more likely to make a difference.

A more concerted effort is the way forward and the Icelandic Red Cross is proud to lead the way with a novel sustainable fundraising framework, increasing transparency and reporting to stakeholders. This Framework and Fund help align the interest of the IceRC, the public, and the private sectors with the UN's Sustainable Development Goals as a guiding light.

The framework urges us to think about our projects in a broad perspective, how much impact we can have and how funding can best be spent to accelerate the transition towards sustainability, globally.”

Sustainable Financing

This Sustainable Financing Framework is based on robust international principles, guidelines, and protocols in the field of sustainable finance.² Furthermore, it is based on international markets' best practices.

IceRC is aware of the fact that sustainability and sustainable finance is a fast-developing field. IceRC will commit to keeping up to date and adjusting this Sustainable Financing Framework, as is relevant, according to the latest developments.

² The Framework was benchmarked to ICMA's Green Bond Principles (2018), Social Bond Principles (2020), Sustainability Bond Guidelines (2018), Climate Bonds Standard v. 3.0 and the EU Green Bond Standard.

Funding

Under this Sustainable Financing Framework IceRC intends to receive donations from its Donors (hereafter referred to as “Funding”) and mobilize them towards Eligible Projects (defined in Table 2 further below). Donors can be the Icelandic Government, municipalities, companies, other organisations, and individuals. Funding may also come from other external and internal sources. Any Funding documentation, such as contracts or declarations, under this Framework shall reference this Sustainable Financing Framework, as applicable.

The Eligible Projects are intended to contribute to the achievement of the mentioned SDGs. Explicit links between examples of existing Red Cross Red Crescent projects and the relevant SDGs have been made in the Table 2.

The IceRC has identified the SDGs that individual Eligible Pro-

jects support. The Projects are the most relevant for IceRC and its partners and are based on mandate, capacity and guided by the RCRC movement Seven Fundamental Principles. Some SDGs are significantly relevant for domestic projects only, while other SDGs may only be applicable for projects implemented internationally (See Table 1).

Donors may support Eligible Projects of the fund by directing funds by choosing A, B, or C ³:

- A. Direct grants towards **UN SDGs**: Donors can choose one SDG, several, or all SDG’s.
- B. Direct grants towards **Eligible International Projects**: Donors can choose one SDG, or all SDG’s of the available SDGs, except no. 12.
- C. Direct grants towards **Eligible Domestic Projects**: Donors can choose one SDG’s, or all SDG of the available SDGs, except no. 2, 6, 7, and 15.













³ IceRC may suggest other options to Donors instead of the preferred option if, for example, underlying projects are not in need of donations. This will be conducted in cooperation with each Donor.

Table 1: The SDGs relevant for the Sustainability Fund

UN SDG's












A. Choose SDG's:

Doner can choose one SDG, several or all SDG's

| | | | | | | | | | | | |
|--|--|--|---|---|--|---|---|---|---|--|--|
| <div>1NOPOVERTY</div> <div></div> | <div>2ZEROHUNGER</div> <div></div> | <div>3GOODHEALTHANDWELL-BEING</div> <div></div> | <div>4QUALITYEDUCATION</div> <div></div> | <div>5GENDEREQUALITY</div> <div></div> | <div>6CLEANWATERANDSANITATION</div> <div></div> | <div>7AFFORDABLEANDCLEANENERGY</div> <div></div> | <div>9INDUSTRY,INNOVATIONANDINFRASTRUCTURE</div> <div></div> | <div>12RESPONSIBLECONSUMPTIONANDPRODUCTION</div> <div></div> | <div>13CLIMATEACTION</div> <div></div> | <div>15LIFEONLAND</div> <div></div> | <div>16PEACE,JUSTICEANDSTRONGINSTITUTIONS</div> <div></div> |
|--|--|--|---|---|--|---|---|---|---|--|--|









B. Eligible International Projects:

Doner can choose any of the available SDG's, except no. 12.

| | | | | | | | | | | | |
|--|--|--|---|---|--|---|---|--|---|--|--|
| <div>1NOPOVERTY</div> <div></div> | <div>2ZEROHUNGER</div> <div></div> | <div>3GOODHEALTHANDWELL-BEING</div> <div></div> | <div>4QUALITYEDUCATION</div> <div></div> | <div>5GENDEREQUALITY</div> <div></div> | <div>6CLEANWATERANDSANITATION</div> <div></div> | <div>7AFFORDABLEANDCLEANENERGY</div> <div></div> | <div>9INDUSTRY,INNOVATIONANDINFRASTRUCTURE</div> <div></div> | | <div>13CLIMATEACTION</div> <div></div> | <div>15LIFEONLAND</div> <div></div> | <div>16PEACE,JUSTICEANDSTRONGINSTITUTIONS</div> <div></div> |
|--|--|--|---|---|--|---|---|--|---|--|--|

C. Eligible Domestic Projects:

Doner can choose any of the available SDG's, except no. 2, 6, 7, and 15.

| | | | | | | | | | | | |
|--|--|--|---|---|--|--|---|---|---|--|--|
| <div>1NOPOVERTY</div> <div></div> | | <div>3GOODHEALTHANDWELL-BEING</div> <div></div> | <div>4QUALITYEDUCATION</div> <div></div> | <div>5GENDEREQUALITY</div> <div></div> | | | <div>9INDUSTRY,INNOVATIONANDINFRASTRUCTURE</div> <div></div> | <div>12RESPONSIBLECONSUMPTIONANDPRODUCTION</div> <div></div> | <div>13CLIMATEACTION</div> <div></div> | | <div>16PEACE,JUSTICEANDSTRONGINSTITUTIONS</div> <div></div> |
|--|--|--|---|---|--|--|---|---|---|--|--|

Use of proceeds

The net proceeds of the Funding will be used to finance and/or refinance, in whole or in part, Eligible Projects (further defined below) based in Iceland or abroad.

In some Eligible Projects, part of the donated funds will be directed towards transportation of personnel, supplies and equipment, where there is a need to purchase fossil fuels, i.e. petrol and diesel. This is due to the nature of the Eligible Projects IceRC supports and due to geographical locations as well as the lack of access to the necessary infrastructure to, for example, replace diesel-powered vehicles with electric vehicles.

Furthermore, for some projects, a part of the donated funds will be directed towards necessary salaries of personnel to enable the environmental and/or social benefits to take place.

Financing and refinancing

Net proceeds can finance both existing and new Eligible Projects. New financing refers to Projects initiated in the same year as financing has taken place and disbursed to that project. Net proceeds can finance and/or refinance both capital expenditures (CAPEX) and operating expenditures (OPEX). For CAPEX, there is no lookback period in place. For OPEX, a lookback period of 36 months is in place.

Exclusions

Net proceeds will not be allocated to projects where the main purpose of the projects is fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, environmentally detrimental resource extraction (such as rare-earth elements or fossil fuels), gambling, tobacco, adult entertainment, predatory lending, and/or child and forced labour.

Eligible Projects

Eligible Projects can be one of the listed examples below and/or other Eligible Projects which can be defined to contribute to one or more of the mentioned SDGs and for which an impact can be calculated. The mentioned examples are based on projects implemented and/or supported by IceRC in the last five years or are intended in the near future. The exact projects may change over time as the situation evolves, and Eligible Projects will always be within the framework outlined below.

The target populations for the Eligible Projects are people living below the poverty line and/or underserved, excluded and/or marginalized, women and/or sexual and gender minorities, undereducated, migrants, those affected by armed conflict, natural disasters and other emergencies, and/or displaced persons.



Table 2: Eligible Projects to be funded by the Sustainability fund

| UN SDG | UN SDG targets ⁴ | Eligible Project examples | Potential project countries | Impact indicator examples ⁵ |
|---------------------------------|-----------------------------|---|-----------------------------|--|
| 1 No poverty | 1.1 | Climate education to prevent loss of income in Malawi. | Ghana | Number of communities who develop local disaster risk reduction strategies. |
| | 1.2 | Community-based disaster management in Sierra Leone. | Iceland | Number of people reached with income support. |
| | 1.5 | Veterinary services for herding households in Yemen. | Malawi | Number of volunteers in disaster preparedness team. |
| | | Mass care-centres and psychosocial support. | Palestine | Number of migrants, displaced and marginalized people reached with psychosocial support. |
| 2 Zero hunger | 2.1 | Through a mobile health clinic, therapeutic and preventive nutritional services in Somalia. | Sierra Leone | |
| | 2.2 | Improved agricultural practices in Malawi. | Somalia | Number of people receiving support to improve food security. |
| | | Food production support in South Sudan. | South Sudan | Number of children under five who receive nutritional support. |
| | | | Syria | |
| 3 Good health and well-being | 3.1 | Mobile health clinics offer health services in remote areas in Somalia and Malawi. | Uganda | Number of people reached with health-related services, including community-based health support. |
| | 3.2 | Prisoner’s health services in Syria. | Yemen | Number of hospitals and other healthcare facilities built/updated/ supported. |
| | 3.3 | Health awareness promotion to women in Sierra Leone. | | Number of calls to 1717 relating to mental health issues. |
| | 3.4 | Psychosocial support and empowerment, help lines, friendship programmes, and more in Iceland. | | Number of people reached through social isolation programs. |
| | 3.5 | | | |
| | 3.7 | | | |
| | 3.8 | | | |
| | 3.9 | | | |
| | | | | |

⁴ Information about each SDG, their targets, and actions can be found on: sdgs.un.org/goals

⁵ The indicators mentioned may vary as underlying project may change. Selected indicators for any project will be aligned with international protocols and guidelines, as mentioned in footnote no. 6.

Table 2: Eligible Projects to be funded by the Sustainability fund

| UN SDG | UN SDG targets ⁴ | Eligible Project examples | Potential project countries | Impact indicator examples ⁵ |
|---------------------------------|-----------------------------|---|-----------------------------|---|
| 4 Quality education | 4.1 | Vulnerable children provided with support to aid school attendance. in Malawi. | Ghana | Number of children under five participating in organized learning. |
| | 4.2 | | Iceland | Number or children who receive support to access primary or secondary education. |
| | 4.3 | Community based child care centres established in Malawi | Malawi | Number of education facilities and/or initiatives built or supported. |
| | 4.4 | Icelandic training and recreational fund for refugee children in Iceland. | Palestine | Number of migrants reached through language training |
| | 4.5 | | Sierra Leone | Number of children receiving grants from recreational fund. |
| 5 Gender equality | | | Somalia | |
| | 5.2 | Education support to vulnerable girls in Malawi. | South Sudan | Number of girls who receive support to access primary or secondary education. |
| | 5.3 | Access to survivor-centred services for victims of sexual and gender based violence in Somalia. | Syria | Number of victims of sexual or gender-based violence who access survivor centred services. |
| | 5.4 | Mother clubs and training in Sierra Leone. | Uganda | Number of women and girls reached with information about their rights and/or other empowerment tools. |
| | 5.5 | Awareness raising of protection needs in Uganda and relevant training for Red Cross volunteers and staff | Yemen | Number of volunteers, RCRC staff and other officials reached with capacity support related to violence against women and girls. |
| 6 Clean water and sanitation | 5.6 | 1717 helpline in Iceland. | | Number of trafficked people receiving psychosocial support and help. |
| | 6.1 | Access to safe drinking water through construction, rehabilitation and fencing of water points in Malawi. | | Number of boreholes drilled or rehabilitated. |
| | 6.2 | Provisions of chemicals, spare parts, expert advice and training operating and maintaining water treatment plants in Syria and Yemen. | | Number of people provided with access to safely managed drinking water. |
| | 6.a | Latrines and community water points constructed or rehabilitated in Sierra Leone. | | Number of people provided with access to safely managed sanitation services. |
| | | Installation of handwashing facilities in target health facilities and public spaces and distribution of sanitary packages in Uganda. | | Number of people reached with information on good sanitation and hygiene practices. |

Table 2: Eligible Projects to be funded by the Sustainability fund

| UN SDG | UN SDG targets ⁴ | Eligible Project examples | Potential project countries | Impact indicator examples ⁵ |
|---|-----------------------------|---|---|---|
| 7 Affordable and clean energy | 7.1 | Digital divide initiative in Ghana, Malawi, Sierra Leone, and South Sudan provides African Red Cross offices (HQ and branches) with reliable solar power. | Ghana Iceland Malawi | Number of Red Cross Red Crescent offices provided with access to affordable, reliable and modern energy services. |
| 9 Industry, innovation, and infrastructure | 9.1 | Mobile health clinics offer health services in remote areas in Somalia Community based child care centres established in Malawi. Water, waste-management, and electrical systems and other communal infrastructure repairs in Syria. Key public infrastructure repaired and maintained in Yemen. | Palestine Sierra Leone Somalia South Sudan Syria Uganda Yemen | Number of hospitals and other healthcare facilities built/updated/ supported. Number of education facilities and/or initiatives built or supported. Number of boreholes drilled or rehabilitated. |
| 12 Responsible consumption and production | 12.5 | Clothing collection, recycling and waste management in Iceland. | | Tonne of waste prevented, minimised, reused or recycled. Annual GHG emissions reduced/avoided in tonnes of CO2 equivalents. Number of people receiving non-food items and clothing vouchers. |
| 13 Climate action | 13.1 13.3 | Vulnerable communities provided with climate informed knowledge, tools and skills in Malawi. Community-based disaster management with disaster risk surveillance management tools in Sierra Leone. Disaster risk reduction, preparedness, and response in Iceland. | | Number of communities who develop local disaster risk reduction strategies. Number of people reached with information and education about climate change. |
| 15 Life on land | 15.2 15.3 | Community-led sustainable large-scale tree planting and care in Sub-Saharan Africa. Wonderbag, food cooking solutions that reduce need for firewood introduced in Uganda. | | Number of hectares of trees planted. Number of families using the Wonderbag. Annual GHG emissions reduced/avoided in tonnes of CO ₂ equivalents. |

Table 2: Eligible Projects to be funded by the Sustainability fund

| UN SDG | UN SDG targets ⁴ | Eligible Project examples | Potential project countries | Impact indicator examples ⁵ |
|---|-----------------------------|--|-----------------------------|---|
| 16 Peace, justice, and strong institutions | 16.1 | Child protection local bylaws, formulated or reviewed, disseminated and enforced with local authorities in Malawi. | Ghana | Number of national societies who develop and implement community engagement and accountability / Prevention and response to sexual exploitation and abuse strategies and/or action plans. |
| | 16.2 | | Iceland | |
| | 16.3 | Community engagement and accountability mechanisms established for the Red Crescent in Somalia. | Malawi | Number of victims of sexual or gender-based violence who access survivor centred services. |
| | 16.7 | In war torn states Dialogue with authorities and weapon bearers on their obligation – under IHL and other applicable law | Palestine | |
| | | 1717 helpline and migrants’ support in Iceland. | Sierra Leone | Number of refugees using family reunification services. |
| | | | Somalia | |
| | | | South Sudan | |
| | | | Syria | |
| | | | Uganda | |
| | | | Yemen | |

Governance: project evaluation and selection

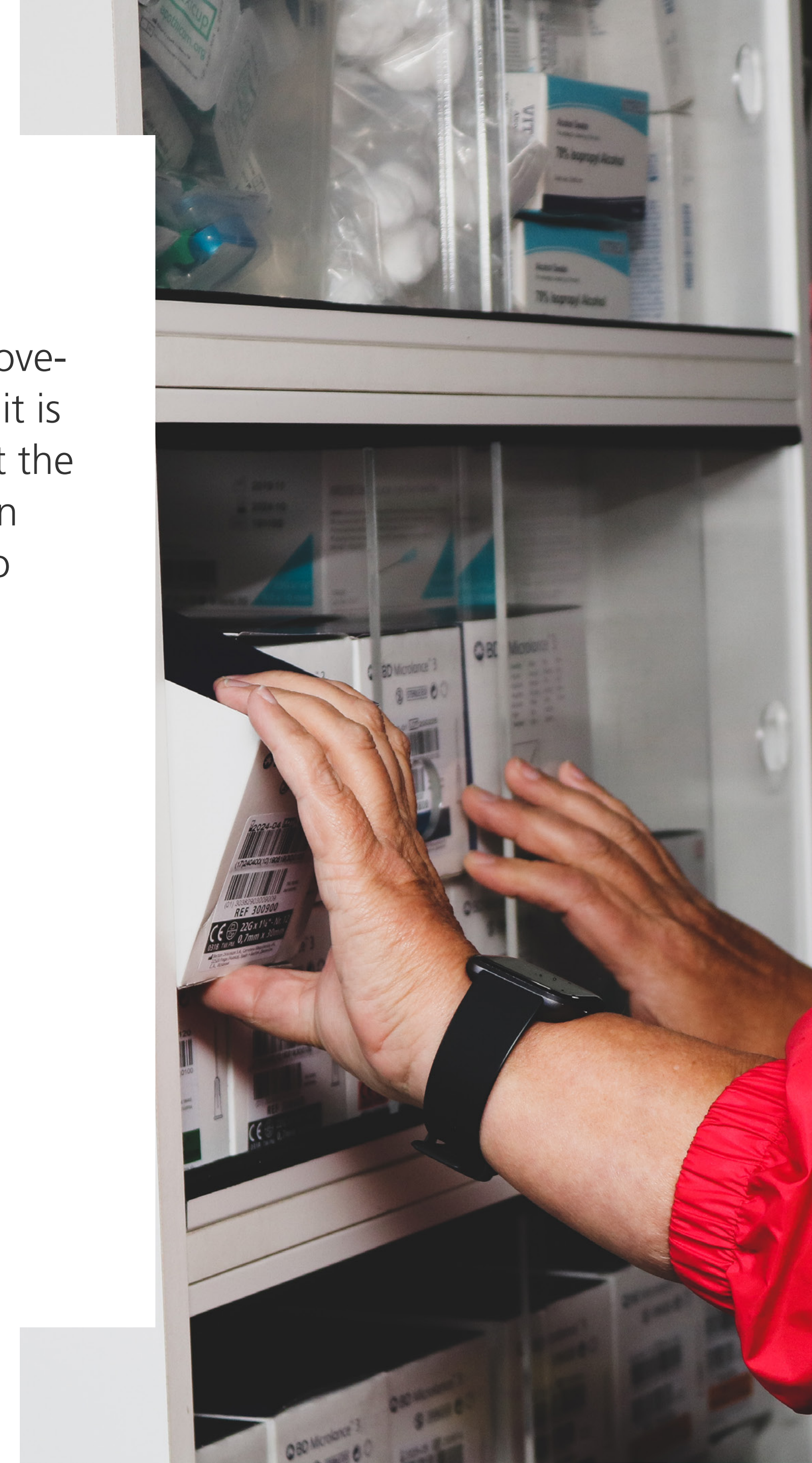
IceRC Secretary General is responsible for all of its sustainability activities and chairs the IceRC Sustainability Steering Committee (SSC). The SSC is responsible for the distribution of funds under this Sustainability Financing Framework according to decisions made by the SSC.

The SSC includes, in addition to IceRC Secretary General, IceRC's Director of Fundraising and Communication, Director of Domestic Department, Director of International Department and Director of Finance. The SSC meets at minimum, quarterly each year.

The SSC shall discuss and resolve financial requirements of Eligible Projects. The main

emphasis of the Red Cross Red Crescent movement is to bring assistance and help where it is most needed. After taking this into account the SCC can decide to reallocate funds between Eligible Projects. The SSC can also resolve to add or cut predefined Eligible Projects.

As with all distribution of funds to projects, the IceRC and its movement counterparties follow robust, standard processes and procedures which ensure compliance with applicable domestic and international rules and regulations.



Management of proceeds

IceRC will establish a Sustainability Registry for the purposes of recording the Fund's activities and only support the financing of Eligible Projects as well as serving as the basis for IceRC's Allocation and results reporting. Internal budgeting and accounting systems will be used to identify project costs, which will then be marked against the Fund's position in the Sustainability Registry. The Sustainability Registry will be reviewed at least quarterly. Projects no longer complying with the Eligible Project's criteria and thresholds will be removed from the Sustainability Registry.

IceRC strives to achieve a level of allocation for the Eligible Sustainability Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Sustainable

Financing. Additional Eligible Projects will be added to the issuer's Eligible Project Portfolio to the required extent. Unallocated net proceeds may temporarily be placed in cash, cash equivalents, or other liquid marketable instruments, preferably, green, social and/or sustainability instruments, which comply with the aforementioned exclusion criteria.

Funding is intended to be transferred directly from IceRC to Eligible Projects. However, in some cases, Funding may be transferred to other Red Cross Red Crescent bodies with the purpose of handling the final distribution of funds to the Eligible Projects. A robust tracking system is in place within the Red Cross Red Crescent for any movement of funds.



Reporting

IceRC will provide reporting to its Donors and other stakeholders in its Allocation and Impact reporting annually in line with IceRC’s general annual reporting cycle while the Fund is active. The reporting will be conducted in line with best market practice, international guidelines and protocols⁶ at an aggregated level and on a portfolio basis. The impact assessment is provided with the reservation that some data from some projects may not be gathered in time of reporting. Therefore, calculations of impacts will be on a best effort basis.

Allocation reporting

- Summary of Fund activities
- Balance of unallocated proceeds
- New vs. refinancing ratio
- Allocation to each UN SDG
- Geographical distribution of finances
- An example list of projects financed

Impact reporting⁷

- Methodologies for impact calculations for Eligible Projects
- Environmental and social impact calculations

⁶ This may include alignment with: International Capital Markets Association’s Handbook on Harmonized Framework for Impact Reporting (2020) and Nordic public sector green bond issuers’ Position Paper on Green Bonds Impact Reporting (2020) and the IFRC’s Project/programme monitoring and evaluation (M&E) guide (2011).

⁷ The impact assessment is provided subject to the availability of information and baseline data and that data for some project may not be gathered in time due to e.g. geographical locations of the projects. This may also be subject to confidentiality agreements, competitive considerations, and other such factors, which may limit the scope of impact reporting. Therefore, impact reporting will be on a best effort basis.



External review

External Opinion To ensure alignment with international guidelines and best practices in sustainable finance an external opinion has been provided in the Appendix to this Framework.

External review of Allocation and Impact reporting IceRC intends to request an independent external provider to provide external review on the Allocation and Impact reporting.

These documents will be publicly available on IceRC’s website:
www.raudikrossinn.is

Supporting Documents

[Annual report](#)

[Articles of association](#)

[Codes of conduct](#)

[Procedures on Annual financial statements and annual reports](#)

[Procedures on funding activities](#)

[Policies \(several\)](#)

[Procedures for the Red Cross Iceland](#)

[Legislation no. 115/2014 on the Red Cross](#)

[Legislation no. 119/2019 on the registration of humanitarian activities across borders](#)

Disclaimer

This Sustainability Financing Framework (hereinafter the document) has been prepared by Circular Solutions and IceRC and is intended to provide non-exhaustive, general information. The document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by IceRC and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by IceRC as to the fairness, accuracy, reasonableness or

completeness of such information. The document is provided for information purposes only and may be subsequently amended, superseded, or replaced. The document is not intended to be and should not be construed as providing legal or financial advice by IceRC or the Red Cross or Red Crescent movement. Nothing contained herein shall form the basis of any contract or commitment whatsoever and it has not been approved by any security regulatory authority.

Appendix 1: External opinion from CIRCULAR Solutions

IceRC's Sustainable Financing Framework

IceRC's vision and mission is rooted in influencing change and helping achieve a better and more sustainable future for all. IceRC has prioritized specific UN SDGs (United Nations Sustainable Development Goals) as a guiding light for its core operation. The Sustainability Fund is designed based on relevant best practice international standards and guidelines focused on bringing clarity on the movement of capital towards sustainable projects.

Proceeds from the Sustainability Fund will be used to finance projects supporting individual UN SDGs, including projects which focus on climate change adaptation and mitigation, reducing inequality, poverty, and injustice. These objectives are considered critical factors to be addressed in any nations', regions', municipalities', companies' and organisations' long-term prospects and their journeys towards sustainability.

IceRC's Sustainability Steering Committee (SSC) has in place a monitoring system to ensure that proceeds from the

Sustainability Fund accounts will only be used to fund Eligible Projects. Furthermore, the SSC has the role of supervising and reviewing the Sustainable Financing Framework (SFF) as well as updating its sustainability registry. IceRC will report on both Allocation and Impact of its Sustainability Funds' activities annually, using relevant indicators aligned with market standards on impact reporting.

Strengths, opportunities, and pitfalls

The SFF's alignment with relevant international standards and guidelines is beneficial. It is also in its favour that the SFF uses the UN SDGs to communicate the overall objectives of the projects as they are well known and easily understood. The SFF even goes further in connecting to UN SDGs sub-targets. The greatest strength of the framework is IceRC's commitment to annual reporting of Eligible Project's environmental and social impacts which are aligned with best practice which will be verified externally, highlighting excellent governance. The UN SDGs goals range over big topics and projects which may cause

a potential risk of unclarity on the effectiveness and materiality of the work conducted in each project.

Some pitfalls in the framework are that funding may be directed towards transportation of personnel, supplies, and equipment, requiring purchase of fossil fuels, i.e. gasoline and diesel. We suggest that IceRC does what it can to divert the funding away from fossil fuels, but we are aware that due to geographical locations as well as lack of access to the necessary infrastructure this will not always be possible.

IceRC acknowledges the complication of transferring funds from Iceland to projects abroad through several different Red Cross offices. However, such transfers are safeguarded by robust protocols. There is also a risk of not accessing relevant data for individual projects which may be located in remote areas.

External Opinion by CIRCULAR ^{8,9}

The impact of projects to be funded by IceRC's Sustainability Fund is potentially significant. Based on our assessment we find the SFF and its reporting mechanism to be in line with relevant international standards and guidelines. This SFF and the funding of its underlying Eligible Projects, therefore, have the potential to accelerate the transition to sustainability.

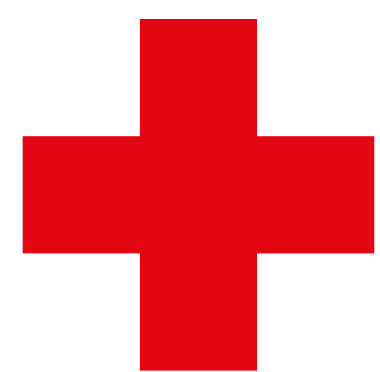
[CIRCULAR Solutions](#) provides services to organisations across the private, public, and humanitarian sectors with sustainability, ESG, and sustainable finance services, further helping accelerate the transition towards sustainability and a positive triple bottom line. Also, see more at [CIRCULAR Bonds](#).

Bjarni Herrera Thorisson, CEO

Hafthór Ægir Sigurjónsson, Engineer, PhD

⁸ This external assessment has a validity of three years from the date of publication.

⁹ Disclaimer by CIRCULAR: CIRCULAR is an independent and leading provider of green bond and sustainability consulting in Iceland. IceRC was responsible for providing CIRCULAR accurate documentation and information relating to the details of the Sustainability Fund and Eligible Projects. CIRCULAR made all efforts to ensure the highest quality and rigour during its assurance and opinion process, which also involved consulting. CIRCULAR will not accept any form of liability and/or any liability for damage arising from the use and/or decisions, financial or otherwise, based on the information provided in this document.



The Icelandic Red Cross Sustainability Fund

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