



## Sustainability Risk Statement

This statement is issued pursuant to Article 3 of Regulation (EU) 2019/2088 of the European Parliament and Council (the SFDR Regulation), which was transposed into Icelandic law with the Act on Sustainability Disclosure in the Financial Services Sector and Classification System for Sustainable Investments No. 25/2023.

According to Article 3 of the SFDR Regulation, Íslandsbanki shall publish on its website information regarding its policy on how sustainability risk is integrated into its investment decision-making process and investment advice.

The purpose of the provision is to promote increased transparency and provide end investors with access to information on how financial market participants and financial advisors integrate sustainability risk, whether material or likely to be material, in their investment decision-making and advisory process.

## Sustainability Risk

Sustainability risk is defined in Article 2(22) of the SFDR Regulation as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment.

## Assessment of Sustainability Risk

The assessment of sustainability risk is carried out in parallel with an assessment of other financial risks and is conducted before an investment decision is made or advice is given. The factors considered in assessing sustainability risk may vary depending on the investment option, as the significance of sustainability risk, the time frame, and access to relevant information can differ across investment options.

Íslandsbanki assesses the sustainability risk of investments using an exposure method. This method entails evaluating investment risks in terms of their sustainability risk, i.e., the significance of environmental risk, social risk, and governance risk, the extent of the impact, how easily the impact can be reversed, and the probability of the risk materialising. This risk assessment allows investors to better understand the performance and risk of investments concerning sustainability risk before making an investment decision.

The Bank uses data and information from companies in which it invests, alongside external data providers and relevant provisions of the Bank's sustainability policy.

## Integration of Sustainability Risk in the Investment Decision-Making Process

Íslandsbanki has entered into an asset management outsourcing agreement with Iceland Funds, a subsidiary of the Bank. This means that Iceland Funds undertakes certain tasks for Íslandsbanki concerning the management of client portfolios, including portfolios in private banking services, in accordance with client agreements with Íslandsbanki. The Iceland Funds policy on how sustainability risk is integrated into the investment decision-making process can be found [here](#).

Íslandsbanki is responsible for the client relationship relating to the outsourced service and regularly monitors the management of client portfolios by Iceland Funds.



## Integration of Sustainability Risk in Investment Advice

When providing investment advice, Íslandsbanki obtains information about the client's preferences related to sustainability. Clients with preferences regarding sustainability are provided with recommendations on investment options based on, inter alia, the sustainability risk of the investments according to the aforementioned sustainability risk assessment. Sustainability risk is thus, along with other risk factors, evaluated against the client's investment objectives before reaching a decision on the investment.

The assessment of sustainability risk is accordingly integrated into a comprehensive assessment of the investment's risk, alongside traditional investment risk (e.g., market risk, liquidity risk, interest rate risk, or solvency risk). On this basis, conditions for better-informed investment decisions with long-term interests in mind are facilitated.

Although the exposure risk assessment provides investors with information about the sustainability risk associated with the investment, it may not always offer a complete view of financial risk in all cases. As sustainability information and data on issuers of financial instruments become more accessible, Íslandsbanki will explore methods to integrate sustainability risk into investment advice in a more comprehensive manner.

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