



## Statement on the integration of sustainability risks in investment decisions and investment advice

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### Introduction

This statement is issued on the basis of Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council (*the SFDR-regulation*) which was transposed into Icelandic law through act no. 25/2023 on Sustainable Finance Disclosure and the EU taxonomy.

According to article 3 in the SFDR, Íslandsbanki shall describe information about its policies on the integration of sustainability risks in their investment decision-making process and investment advice on its website.

The purpose of the provision is to promote transparency and provide investors with access to information on how financial market participants and finance advisors integrate sustainability risk, that is material or likely to be so, into the investment decision-making and investment advisory processes.

### Sustainability risk

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

### Integrating sustainability risk into the investment decision-making process

Íslandsbanki offers discretionary portfolio management. Íslandsbanki has outsourced the management of discretionary portfolio management solutions to Íslandssjóðir hf., the Bank's subsidiary. On Íslandsbanki's behalf, Íslandssjóðir undertakes management of portfolios of the Bank's clients, including portfolios within Private Banking services, in accordance with the clients' contracts with Íslandsbanki.

Íslandsbanki is responsible for the business relationship of outsourced services and regularly monitors Íslandssjóðir's management of customers' portfolios.

### Integrating sustainability risk into investment advice

Íslandsbanki integrates sustainability risk into investment advice by taking into account the customer's sustainability aims and informing them of sustainability risk. With that, the assessment of sustainability risk falls into a comprehensive assessment of investment risk, alongside traditional investment risk (e.g. market risk, liquidity risk, interest rate risk or liquidity risk). On that basis, the prerequisites are created for well-thought-out investment decisions with long-term interests in mind.

Sustainability risk can be assessed and integrated into investment advice in several ways. Integration of sustainability risk into investment advice can differ depending on asset classes, types of investments and accessibility of information on the relevant financial instrument.

Íslandsbanki uses an exposure method to assess sustainability risk. Financial instruments are assessed by the significance of the risk in terms of environmental, social and governance factors, the exposure, the irremediability and likelihood of the risk materializing. This allows investors to better understand the progress and risk of investments in terms of sustainability, prior to investment decision being made. In this regard Íslandsbanki relies on information gathered directly from investee companies, external data providers, internal ESG assessments and responsible investment methodology in line with the Bank's Sustainability Policy.

Exposure method provides investors information on sustainability risk of a possible investment but does not necessarily provide a full overview of all financial risk related to an investment. As sustainability



information and data on issuers of financial instruments becomes more accessible and reliable, Íslandsbanki will regard methods for integrating sustainability risks in investment advice in a holistic manner.

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