



Íslandsbanki

Íslandsbanki hf.
Sustainability Statement

2021

Íslandsbanki hf.
Hagasmára 3, 201 Kópavogur
Reg. 4910080160

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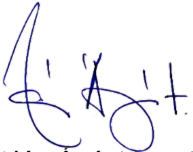
Klappir's statement

Íslandsbanki's 2021 sustainability statement reflects the ESG Reporting Guide 2.0 issued by Nasdaq in 2019. These guidelines are based on recommendations made in 2015 by the United Nations, the Sustainable Stock Exchange Initiative, and the World Federation of Exchange. Reference is also made to the GRI Standard (Global Reporting Initiative, GRI100-400) and its Reporting Principles (P1-10) of the United Nations Global Compact (UNGC).

Klappir has assisted with the sustainability statement. The statement is based on information which the Klappir sustainability platform has gathered throughout the year. The sustainability statement contains key information on environmental, social, and governance aspects in Íslandsbanki's operations. Klappir planned and conducted the work in accordance with the principles of the Greenhouse Gas Protocol standards (Relevance, Accuracy, Completeness, Consistency, Transparency).

Klappir has reviewed and assessed Íslandsbanki's data with accuracy and the best available information at this time, excluding the social and governance data. Klappir is not responsible for any investment decisions based on the information presented in this statement.

February 8 2022, Reykjavík



Jón Agúst Þorsteinsson Ph.D.
CEO, Klappir

Organizational and operational boundaries

About Íslandsbanki

Íslandsbanki's Sustainability Policy aims at making the Bank a model of exemplary operations in the Icelandic business community, based on internationally recognised environmental, social, and governance (ESG) criteria. The Bank aims to be a leader in the area of sustainable development and a catalyst for positive social action, moving Iceland forward by empowering its customers to succeed. To this end, the Bank intends to initiate broad collaboration on responsible business practices that both contribute to sustainable development in the Icelandic economy and support the Icelandic Government's Climate Action Plan, while also supporting the UN Sustainable Development Goals. Íslandsbanki is a universal bank and a leader in financial services in Iceland. Type of products and services include savings, lending, payment services and investment banking services. The bank has an asset management focused subsidiary. The Bank lends to companies and individuals with a 25- 40% market share across all domestic business segments. Loans to individuals constitute most of the lending in the banking portfolio (48%), followed by commerce and services (15%), seafood (11%), real estate (10%) and industrial and transport (8%) as of 4Q2021. 88% of loans to individuals are mortgages. Furthermore, Íslandsbanki has 37% market share in SME banking in Iceland.

Organizational Boundaries

The "Operational Control" methodology has been chosen to report on Íslandsbanki's emissions. According to the "Operational Control" methodology, companies should account for 100 percent of greenhouse gas emissions from operations under their control. They should not account for greenhouse gas emissions from operations that it has no control over, even though it has a vested interest in their operations.

Íslandsbanki's statement covers the parent company Íslandsbanki hf. Currently the fully owned subsidiaries Íslandssjóðir, Allianz and Íslandsbanki's newly opened development center in Poland are not included in the statement. The bank will work towards including emissions from the subsidiaries in the coming year.

Operational Boundaries

The following categories of each scope defined below are included in the bank's emissions for 2021. Although Íslandsbanki has started reporting on Finance Emissions (Scope 3 downstream emissions from products and services) the results are not included in this statement. Due to reliance on data from corporate customers the Finance emissions for 2021 will be published later in the year 2022. Further information on each category can be found in the Definitions chapter on page 19.

Scope 1

Mobile combustion

Scope 2

Electricity and heating

Scope 3 Upstream

3.1. Purchased goods and services

Including emissions from the purchasing of electronics and furniture from the bank's largest suppliers, emissions from printed paper, food for the bank's canteen, and electricity used for data centers.

3.2. Capital goods

Includes emissions from the purchasing of new cars in the year 2021. Íslandsbanki purchased four new cars, three electric and one hybrid.

3.3. Fuel and energy related activities

3.4. Upstream transportation and distribution

3.5. Waste generated in operations

3.6. Business travel

3.7. Employee commuting

Highlights

Greenhouse Gas Emissions: Íslandsbanki's Total emissions were 723.1 tCO₂e in 2021. Scope 1 and 2 emissions amounted to 110.9 tCO₂e. Total GHG emissions of comparable factors fell by 20% from 475 to 381 tCO₂e.

Increased scope since last statement: Íslandsbanki accounted for emissions from the following categories for the first time this year: Fuel and energy related emissions, electricity usage of data centers, cars purchased in the year, and food purchased for the bank's canteen. The total emissions from these factors amounted to 341 tCO₂e.

Carbon offset: Íslandsbanki has offset their operations in full with certified emissions reduction units from CDM while also contributing to voluntary compensation through the restoration of wetlands.

Energy usage: Íslandsbanki's total energy usage was 6,244,389 kwh in 2021. Energy usage includes electricity, hot water and fuel usage. Thereof, indirect energy usage from hot water and electricity consumption amounted to 6,022,618 kWh.

Waste management: Total emissions from waste generated in operations fell by 44%, mainly due to increase in percentage of waste recycled from 59% to 70%.

Largest emission source: The largest emission source of Íslandsbanki in the year 2021 were emissions from food purchased for the bank's canteen, totalling 249 tCO₂e.

Updates impacting 2020 figures: The emission factors for fuel were updated after the 2020 statement was published due to better information being available on the ratio of biofuels mixed with petrol and diesel. Emissions in scope 2 are updated every year as estimates are made for the end of the year for those branches which do not have automatic electricity and heating meters. Estimates are not made for foreclosed properties and thus late meter readings, if any, are added the following year. Due to the large changes in coefficients for electronic purchases due to higher data quality, the emissions of purchased electronics were updated. Emissions for paper purchased was also updated as more accurate information became available on the amount of paper printed in 2020. Emissions for employee commuting were updated with an updated employee count from Íslandsbanki for 2020.

Statement

Operational Parameters

Operational Parameters	Unit	2020	2021
Total Revenue	billion ISK	42.21	48.15
Total Equity	billion ISK	182.69	210.45
Number of full time equivalent employee	FTEs	745.0 [1]	731.0
Total space for own operation	m ²	17,294.0	16,791.0 [2]
Total space for own operation	m ³	60,800.0	59,743.0 [2]

GhG emission intensity	Unit	2020	2021
GhG emissions per megawatt-hour consumed	kgCO ₂ e/MWh	63.2	115.8
GhG emissions per full-time equivalent (FTEe) employee	kgCO ₂ e/FTEs	637.88	989.14
GhG emissions per unit of revenue	kgCO ₂ e/billion	11,258.7	15,016.9
GhG emissions per unit of equity	kgCO ₂ e/billion	2,601.2	3,435.8
GhG emissions per unit of space (m ²)	kgCO ₂ e/m ²	27.48	43.06
GhG emissions per unit of space (m ³)	kgCO ₂ e/m ³	7.82	12.10

Nasdaq: E2|UNGC: P7, P8|GRI: 305-4|SDG: 13|SASB: General Issue / GHG Emissions, Energy Management

Energy intensity	Unit	2020	2021
Energy per full-time equivalent (FTEe) employee	kWh/FTEs	10,088.1	8,542.3
Energy per unit of revenue	kWh/billion ISK	178,058	129,686
Energy per square meter	kWh/m ²	434.6	371.9
Energy per cubic meter	kWh/m ³	123.6	104.5

Nasdaq: E4|UNGC: P7, P8|GRI: 302-3|SDG: 12|SASB: General Issue / Energy Management

Waste intensity	Unit	2020	2021
Total waste per full-time equivalent (FTEe) employee	kg/FTEs	121.9	125.4
Total waste per unit of revenue	kg/billion ISK	2,152.4	1,904.1

Key performance indicators	Unit	2020	2021
Total GHG emissions of comparable factors	tCO ₂ e	475.2	382.5

Emissions

Carbon offset	Unit	2020	2021
Total emissions offset	tCO ₂ e	1,022.0	1,050.0
Emissions offset by wetland restoration	tCO ₂ e	500.0	300.0
Certified Emission Reduction units issued by the Clean Development Mechanism	tCO ₂ e	522.0	750.0

Greenhouse Gas Emissions	Unit	2020	2021
Scope 1	tCO ₂ e	68.8	54.2
Scope 2 (location-based)	tCO ₂ e	67.4	56.7
Scope 1 and 2	tCO ₂ e	136.2	110.9
Scope 3	tCO ₂ e	339.0	612.2
Total operational GhG emissions	tCO ₂ e	475.2	723.1

Nasdaq: E1|UNGC: P7|GRI: 305-1,305-2,305-3|SASB: General Issue / GHG Emissions|TCFD: Metrics & Targets

Scope 1 - Details	Unit	2020	2021
Total emissions	tCO ₂ e	68.8	54.2
Mobile fuel combustion	tCO ₂ e	68.8	54.2

Scope 2 - Details	Unit	2020	2021
Total emissions	tCO ₂ e	67.4	56.7
Electricity	tCO ₂ e	21.3	21.7
Heating	tCO ₂ e	46.1	35.1

Scope 3 - Upstream emissions	Unit	2020	2021
<i>Category 1: Purchased goods and services</i>			
Total emissions	tCO ₂ e	117.5	331.6
Non-production-related procurement	tCO ₂ e	117.5	331.6
Furniture	tCO ₂ e	13.8	16.0
Paper	tCO ₂ e	9.5	6.7
Electronic items	tCO ₂ e	94.2	56.9
Food for canteen	tCO ₂ e		248.6 [3]
Electricity usage in data centers	tCO ₂ e		3.4 [4]
<i>Category 2: Capital goods</i>			
Total emissions	tCO ₂ e		58.5
Vehicles	tCO ₂ e		58.5 [5]
<i>Category 3: Fuel- and energy-related activities</i>			
Total emissions	tCO ₂ e		30.2 [6]
Upstream emissions of purchased fuel	tCO ₂ e		13.9
Upstream emissions of purchased electricity	tCO ₂ e		0.7
Transmission and distribution (T&D) losses	tCO ₂ e		15.5
<i>Category 4: Upstream transportation and distribution</i>			
Total emissions	tCO ₂ e	1.9	1.8
Road transportation	tCO ₂ e	1.9	1.8
<i>Category 5: Waste generated in operations</i>			
Total emissions	tCO ₂ e	23.5	13.2
<i>Category 6: Business travel</i>			
Total emissions	tCO ₂ e	31.8	30.3
Air travel	tCO ₂ e	26.8	24.4
Car travel	tCO ₂ e	5.0	5.8
<i>Category 7: Employee commute</i>			
Total emissions	tCO ₂ e	164.3	146.7

Emission Sources

Energy consumption	Unit	2020	2021
Total energy consumption	kWh	7,515,656	6,244,389
Fossil fuels	kWh	280,351	221,771
Electricity	kWh	2,032,042	2,062,330 [7]
Heating	kWh	5,203,263	3,960,288
Direct energy consumption	kWh	280,351	221,771
Indirect energy consumption	kWh	7,235,305	6,022,618
Nasdaq: E3 UNGC: P7, P8 GRI: 302-1, 302-2 SDG: 12 SASB: General Issue / Energy Management			

Energy mix	Unit	2020	2021
Total energy consumption	kWh	7,515,656	6,244,389
Fossil fuel	%	3.7%	3.6%
Renewables	%	96.3%	96.4%
Nuclear	%	0.0%	0.0%
Nasdaq: E5 GRI: 302-1 SDG: 7 SASB: General Issue / Energy Management			

Fuel consumption	Unit	2020	2021
Total fuel consumption	kg	23,345	18,430
Petrol	kg	9,433	8,837
Diesel	kg	13,912	9,593

Water consumption	Unit	2020	2021
Total water consumption	m ³	177,011	157,982
Cold water	m ³	87,299.1	89,701.0
Hot water	m ³	89,711.4	68,280.8 [8]
Nasdaq: E6 GRI: 303-5 SDG: 6 SASB: General Issue / Water & Wastewater Management			

Electricity mix	Unit	2020	2021
Total electricity consumption	kWh	2,032,042	2,062,330
Fossil fuels	%	0.0%	0.0%
Renewables	%	100.0%	100.0%
Nuclear	%	0.0%	0.0%

Upstream transportation and distribution	Unit	2020	2021
Total transportation and distribution	tonne	30	21
Air transportation	tonne	0.0	0.0
Marine transportation	tonne	0.0	0.0
Ground transportation	tonne	30	21

Waste treatment	Unit	2020	2021
Total waste generation	kg	90,850	91,681
Sorted waste	kg	53,643	64,547
Unsorted waste	kg	37,207	27,134
Recycled waste	kg	53,638	64,175
Disposed waste	kg	37,211	27,506
Percentage of waste sorted	%	59.0%	70.4%
Percentage of waste recycled	%	59.0%	70.0%

Paper management	Unit	2020	2021
Total weight of printed papers	kg	10,369.7	7,506.6
Total amount of printed paper	pages	2,008,414	1,387,971
of which color print	pages	343,602	307,085
of which black/white print	pages	1,664,812	1,080,886
Duplex	pages	547,490	381,226

Environmental management

Environmental management	Unit	2020	2021
Does your company follow a formal Environmental Policy?	yes/no	Yes	Yes [9]
Does your company follow specific waste, water, energy, and/or recycling policies?	yes/no	No	No
Does your company use a recognized energy management system?	yes/no	No	No
Nasdaq: E7 GRI: 103-2 SASB: General Issue / Waste & Hazardous Materials Management			

Climate oversight	Unit	2020	2021
Does your Senior Management Team oversee and/or manage climate-related risks?	yes/no	Yes	Yes [10]
Does your Board of Directors oversee and/or manage climate-related risk?	yes/no	Yes	Yes [11]
Nasdaq: E8, E9 GRI: 102-19, 102-20, 102-29, 102-30, 102-31 SASB: General Issue / Business Model Resilience, Systematic Risk Management TCFD: Governance (Disclosure A/B)			

Climate risk mitigation	Unit	2020	2021
Total annual investment in climate-related infrastructure, resilience, and product development	billion ISK	0.06	0.07 [12]
Nasdaq: E10 UNGC: P9 SASB: General Issue / Physical Impacts of Climate Change, Business Model Resilience TCFD: Strategy (Disclosure A)			

Other environmental factors selected based on sector and internal materiality assessment	Unit	2020	2021
Are ESG factors considered in relation to lending and/or investments?	yes/no	Yes	Yes [13]
Are ESG factors considered in connection with the development of new and existing products?	yes/no	Yes	Yes [14]
Does the company offer employees regular education on ESG factors?	yes/no	Yes	Yes [15]
Has the company measured the carbon footprint from its loan and investment portfolios?	yes/no	No	Yes [16]
Has the company's board of directors approved and published targets for reduction of greenhouse gas emissions?	yes/no	Yes	Yes [17]
Does the company publish a discussion of sustainability risk and climate risk in compliance with international Task Force on Climate-related Financial Disclosures (TCFD) criteria?	yes/no	Yes	Yes [18]

Social

CEO Pay Ratio	Unit	2020	2021
CEO Salary & Bonus (X) to median FTE Salary	X:1	4.50	5.50
Does your company report this metric in regulatory filings?	yes/no	Yes	Yes
S1 UNGC: P6 GRI 102-38			

Gender Pay Ratio	Unit	2020	2021
Median total compensation for men (X) to median total compensation for women	X:1	1.27	1.30
Outcome of equal pay certification	%	1.10%	0.30%
S2 UNGC: P6 GRI: 405-2 SASB: General Issue / Employee Engagement, Diversity & Inclusion			

Employee Turnover	Unit	2020	2021
<i>Full-time Employees</i>			
Year-over-year change for full-time employees	%	6.6%	10.1%
Dismissal	%	1.8%	3.9%
Retirement	%	2.1%	2.3%
Job transition	%	2.6%	3.9%
Death	%		
<i>Part-time Employees</i>			
Year-over-year change for part-time employees	%	8.0%	1.3%
Dismissal	%		0.5%
Retirement	%		0.5%
Job transition	%	8.0%	0.3%
Death	%		
<i>Contractors and/or consultants</i>			
Year-over-year change for contractors and/or consultants	%	27.0%	
Dismissal	%	100.0%	
Retirement	%		
Job transition	%		
Death	%		
<i>Gender</i>			
Men	%	6.0%	12.2%
Women	%	7.0%	10.8%
<i>Age</i>			
<20	%	0.0%	0.0%
20-29	%	2.2%	16.3%
30-39	%	7.4%	11.0%
40-49	%	6.9%	9.6%
50-59	%	3.5%	4.5%
60-69	%	15.0%	22.8%
70+	%	0.0%	0.0%
S3 UNGC: P6 GRI: 401-1b SDG: 12 SASB: General Issue / Labor Practices			

Gender Diversity	Unit	2020	2021
<i>Enterprise Headcount</i>			
Percentage of women in enterprise	%	57%	57%
Women	no.	428.0	401.0
Men	no.	317.0	299.0
Other	no.		
<i>Entry- and Mid-level Positions</i>			
Percentage of women in entry- and mid-level position	%	59.0%	60.0%
Women	no.	384.0	358.0
Men	no.	269.0	251.0
Other	no.		
<i>Senior- and Executive-level Positions</i>			
Percentage of women in senior- and executive-level positions	%	48.0%	47.0%
Women	no.	44.0	43.0
Men	no.	48.0	48.0
Other	no.		
S4 UNGC: P6 GRI: 102-8, 405-1 SASB: General Issue / Employee Engagement, Diversity & Inclusion			

Temporary Worker Ratio	Unit	2020	2021
Full-time positions	no.	28.0	12.0
Total enterprise headcount held by part-time employees	%	9.8%	7.0%
Total enterprise headcount held by contractors and/or consultants	%		
S5 GRI: 102-8 UNGC: P6			

Non-Discrimination	Unit	2020	2021
Does your company follow a sexual harassment and/or non-discriminatory policy?	yes/no	Yes	Yes [19]
S6 UNGC: P6 GRI: 103-2 (see also: GRI 406: Non-Discrimination 2016) SASB: General Issue / Employee Engagement, Diversity & Inclusion			

Injury Rate	Unit	2020	2021
Total number of injuries and fatalities, relative to the total workforce	%	0.0%	0.0%
S7 GRI: 403-9 SDG: 3 SASB: General Issue / Employee Health & Safety			

Global Health & Safety	Unit	2020	2021
Does your Company publish and follow an occupational health and/or global health & safety policy	yes/no	Yes	Yes [20]
Total absence from work (X) to total working hours of all employees	X:1	0.030	0.020
Absence from work due to long-term illness (X) to total working hours of all employees	X:1	0.012	0.004
Absence from work due to short-term illness (X) to total working hours of all employees	X:1	0.018	0.013
S8 GRI: 103-2 (See also: GRI 403: Occupational Health & Safety 2018) SDG: 3 SASB: General Issue / Employee Health & Safety			

Child & Forced Labor	Unit	2020	2021
Does your company follow a child labor policy?	yes/no	Yes	Yes [21]
Does your company follow a forced labor policy?	yes/no	Yes	Yes
If yes, do your child and/or forced labor policy cover suppliers and vendors?	yes/no	Yes	Yes [22]
S9 GRI: 103-2 (See also: GRI 408: Child Labor 2016, GRI 409: Forced or Compulsory Labor, and GRI 414: Supplier Social Assessment 2016) UNGC: P4, P5 SDG: 8 SASB: General Issue / Labor Practices			

Human Rights	Unit	2020	2021
Does your company publish and follow a human rights policy?	yes/no	Yes	Yes [23]
If yes, does your human rights policy cover suppliers and vendors?	yes/no	Yes	Yes [24]
S10 GRI: 103-2 (See also: GRI 412: Human Rights Assessment 2016 & GRI 414: Supplier Social Assessment 2016) UNGC: P1, P2 SDG: 4, 10, 16 SASB: General Issue / Human Rights & Community Relations			

Other social factors selected based on sector and internal materiality assessment	Unit	2020	2021
Does the company have procedures for detection and disclosure that are presented effectively to employees?	yes/no	Yes	Yes [25]
Are the company and its products accessible to marginalised groups, small companies, or communities?	yes/no	Yes	Yes [26]
Does the company offer sustainable loans that support the Government's social objectives?	yes/no	Yes	Yes [27]
Are managers assigned responsibility for ethical marketing and reputational risk?	yes/no	Yes	Yes [28]
Is there a plan for human resource development that includes targets for recruitment, staff development, and turnover?	yes/no	Yes	Yes [29]
Has the company board of directors approved and published equal rights objectives?	yes/no	Yes	Yes [30]

Governance

Board Diversity	Unit	2020	2021
Total board seats occupied by women (as compared to men)	%	57.0%	43.0% [31]
Committee chairs occupied by women (as compared to men)	%	67.0%	67.0% [32]
G1 GRI 405-1 SDG: 10 SASB: General Issue / Employee Engagement, Diversity & Inclusion (See also: SASB Industry Standards)			

Board Independence	Unit	2020	2021
Does the company prohibit CEO from serving as board chair?	yes/no	Yes	Yes [33]
Total board seats occupied by independents	%	100%	100% [34]
G2 GRI: 102-23, 102-22			

Incentivized Pay	Unit	2020	2021
Are executives formally incentivized to perform on sustainability	yes/no	No	No [35]
G3 GRI: 102-35			

Collective Bargaining	Unit	2020	2021
Total enterprise headcount covered by collective bargaining agreements (X) to the total employee population	%	100.0	100.0
G4 UNGC: P3 SDG: 8 GRI: 102-41 SASB: General Issue / Labor Practices (See also: SASB Industry Standards)			

Supplier Code of Conduct	Unit	2020	2021
Are your vendors or suppliers required to follow a Code of Conduct	yes/no	No	Yes [36]
If yes, what percentage of your suppliers have formally certified their compliance with the code	%	0.0%	46.0%
G5 UNGC: P2, P3, P4, P8 GRI: 102-16, 103-2 (See also: GRI 308: Supplier Environmental Assessment 2016 & GRI 414: Supplier Social Assessment 2016 SDG: 12 SASB General Issue / Supply Chain Management (See also: SASB Industry Standards)			

Ethics & Anti-Corruption	Unit	2020	2021
Does your company follow an Ethics and/or Anti-Corruption policy?	yes/no	Yes	Yes [37]
If yes, what percentage of your workforce has formally certified its compliance with the policy?	%	99.0%	98.0%
G6 UNGC: P10 SDG: 16 GRI: 102-16, 103-2 (See also: GRI 205: Anti-Corruption 2016)			

Data Privacy	Unit	2020	2021
Does your company follow a Data Privacy policy?	yes/no	Yes	Yes [38]
Has your company taken steps to comply with GDPR rules?	yes/no	Yes	Yes
G7 GRI: 418 Customer Privacy 2016 SASB: General Issue / Customer Privacy, Data Security (See also: SASB Industry Standards)			

ESG Reporting	Unit	2020	2021
Does your company publish a sustainability report?	yes/no	Yes	Yes [39]
Is sustainability data included in your regulatory filings?	yes/no	Yes	Yes
G8 UNGC: P8			

Disclosure Practices	Unit	2020	2021
Does your company provide sustainability data to sustainability reporting frameworks?	yes/no	Yes	Yes [40]
Does your company focus on specific UN Sustainable Development Goals (SDGs)?	yes/no	Yes	Yes [41]
Does your company set targets and report progress on the UN SDGs?	yes/no	Yes	Yes [42]
G9 UNGC: P8			

External Assurance	Unit	2020	2021
Are your sustainability disclosures assured or validated by a third party?	yes/no	Yes	Yes [43]
G10 UNGC: P8 GRI: 102-56			

Other corporate governance factors selected based on sector and internal materiality assessment	Unit	2020	2021
Has the company examined ESG risk in connection with unlikely major occurrences?	yes/no	Yes	Yes [44]
Has the company examined long-term risk in connection with ESG factors?	yes/no	Yes	Yes [45]
Does the company enforce a competition law plan?	yes/no	Yes	Yes [46]
Does the company enforce a policy on conflicts of interests?	yes/no	Yes	Yes [47]
Does the company enforce a policy on handling of complaints?	yes/no	Yes	Yes [48]
What obligations or accords has the company undertaken in connection with ESG issues?	yes/no	Yes	Yes [49]

Methodology

The calculation methods, constants, and the statement are based on the Greenhouse Gas (GHG) Protocol, which is a standardized methodology used to calculate the environmental footprint of both companies and organizations. Klappir is committed to sourcing the highest quality emission factors available.

Direct & Indirect GHG Emissions

The GHG Protocol divides emissions into three scopes to effectively set boundaries between direct and indirect emissions:

- Scope 1 accounts for direct GHG emissions from a company's operations. Direct emissions occur from sources that are owned or controlled by the company.
- Scope 2 accounts for indirect GHG emissions relating to electricity consumption, heating, and cooling. Emissions of this type do not occur within organizational boundaries of the company and are therefore considered to be indirect.
- Scope 3 accounts for indirect GHG emissions from Íslandsbanki's value chain.

CO₂ equivalents

The GHG emissions are reported in tonnes CO₂ equivalents (tCO₂e). CO₂ equivalents is a quantity that describes, for a given mixture and amount of GHG, the amount of CO₂ that would have the same global warming potential (GWP), i.e. the ability of a gas to trap heat in the atmosphere when measured over the timescale of 100 years. Methane (CH₄) does for example have a global warming potential of about 25 CO₂e and nitrous oxide (N₂O) of around 298 CO₂e. The statement therefore reports all greenhouse gas emissions in tonnes CO₂e.

Definitions

Emission Intensity

Emission intensity figures are based on combined Scope 1, Scope 2, and Scope 3. Emission intensity is calculated by dividing GHG emissions by a selected operational parameter unit, and is reported as tCO₂e per unit (such as tCO₂e per revenue unit). Emission intensity indicators are used to measure and compare the company's emissions relative to its operational scale.

Direct & Indirect Energy Consumption

The total energy consumption measures all energy consumed by the company, including fuels for the company's vehicles (Scope 1) and energy from electricity and hot water (Scope 2). The energy consumption is reported by source in kilowatt-hours (kWh).

Energy Intensity

Energy intensity is calculated by dividing the total energy consumption by a selected operational parameter unit, and is reported as kWh per unit (such as kWh per full-time equivalent employee (FTEe)). Energy intensity indicators are used to measure the efficiency of energy usage and compare the company's energy consumption relative to its operational scale.

Waste Intensity

Waste intensity indicates how much waste (in kilograms) is generated in relation to a selected operational parameter. This metric can help the company estimate whether waste increases or decreases according to the changes in operational parameters.

Scope 2 (location-based)

Scope 2 includes the emissions from electricity and water purchased from the grid.

Purchased Goods and Services

Includes upstream (cradle-to-gate) emissions from the production of products and services purchased or acquired by the reporting company in the reporting year.

Capital Goods

Includes all upstream (cradle-to-gate) emissions from the production of capital goods purchased or acquired in the reporting year.

Fuel- and Energy Related Emissions

Includes emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in scope 1 or scope 2.

Upstream Transportation and Distribution

Transportation and distribution of products purchased in the reporting year, between a company. Third party transportation and distribution services purchased by the reporting company in the reporting year, including inbound logistics, outbound logistics and third-party transportation and distribution between a company's own facilities.

Waste Generated in Operations

Emissions from third-party disposal and treatment of waste in the reporting year.

Business Travel

Emissions from the transportation of employees for business related activities in the reporting year.

Employee Commuting

Emissions from the transportation of employees between their homes and their worksites.

Notes

- [1] FTE number for 2020 has been corrected from last years report.
- [2] The branch in Vestmannaeyjar moved to a new and smaller location.
- [3] Food for canteen was included in the 2021 measurements for the first time.
- [4] Electricity usage in data centers was included in the 2021 measurements for the first time.
- [5] Purchasing of vehicles was included in the 2021 measurements for the first time.
- [6] Fuel- and energy-related activities were included in the 2021 measurements for the first time.
- [7] Electricity usage is based on actual readings of meter readings in HQ and branches. 1% of the electricity use is estimated based on last years usage as actual data could not be provided at the time of this report.
- [8] Hot water usage is based on actual readings of meter readings in HQ and branches. 23% of the hot water use is estimated based on last years usage as actual data could not be provided at the time of this report.
- [9] See the Bank's Sustainability Strategy, Chapter 2 on environmental issues:
<https://www.islandsbanki.is/en/product/about/policy-on-sustainability-en>
- [10] The CEO is responsible for executing the strategy and has appointed a Sustainability Committee as a main building block of the governance structure. The Committee is the formal forum for discussions on all issues related to sustainability risk, sustainable procurement, and business opportunities related to sustainability. The Committee is independent from credit committees and needs to approve proposals for sustainable loans and investments before they are included in the Sustainable Financing Framework. The committee is chaired by the CEO and manned by the CFO, Head of Sustainability, senior representatives from business departments and Risk Management.
- [11] The Board of Directors has approved the Sustainability Policy and sets the Bank's strategy and risk appetite in terms of sustainability risk. The Board is regularly updated on corporate sustainability matters and the usage of the Bank's Sustainable Financing Framework. The Corporate Governance, Compensation, and Human Resource subcommittee of the Board assists the Board in fulfilling its oversight responsibilities concerning sustainability. The monthly Risk Dashboard includes a section on current sustainability risk and the Bank's ICAAP methodology mandates a separate chapter on possible future sustainability risk, both at the Board-level.
- [12] Investments in climate risk mitigation include electric vehicles, charging stations for electric vehicles, relevant advisory services and software, carbon offset, membership fees, etc.
- [13] Yes. Sustainability risk is being integrated into the lending process. As of year-end 2021 24% of credit risk exposure (excluding individual banking and small enterprises which are out of scope) has been assessed with regards to ESG risk (See further details in the Pillar 3 risk report).
- [14] Yes. Sustainability risk is considered as part of the formal product approval process.
- [15] At least 27 diverse sustainability related educational events were offered to staff members in 2021, that is on average one even every 2 weeks.

- [16] The bank has issued a report on finance emissions in 2019 and 2020. Results for 2021 are due later in 2022 once corporate customer emission disclosures are available.
- [17] The Bank's objective is to shrink the carbon footprint from its operations by 50% between 2019 and 2024. For further information, see: <https://www.islandsbanki.is/en/product/about/policy-onsustainability-en>
- [18] Yes, as part of the Pillar 3 risk report.
- [19] Íslandsbanki's human resources policy stresses equal opportunity and working systematically to combat discrimination, sexual harassment, and bullying:
<https://www.islandsbanki.is/en/product/about/human-resources-strategy>
- [20] Íslandsbanki cares about its employees' well-being and supports their health in a number of ways, in line with its human resources policy. The policy discusses the importance of an encouraging work environment, among other topics:
<https://www.islandsbanki.is/en/product/about/human-resources-strategy>
- [21] Íslandsbanki's Sustainability Strategy states that the Bank will not do business with any party that is connected in any way with child labour or forced labour:
<https://www.islandsbanki.is/en/product/about/policy-on-sustainability-en>
- [22] Íslandsbanki's Suppliers' Code of Conduct states that the Bank refuses to conduct business with entities that violate human rights including slavery, forced labor or child labor.
- [23] The Bank's Sustainability policy states that the Bank emphasises respect for human rights and that it does not conduct business related to any human rights violations, such as discrimination based on gender, religion or race, inequality in the labour market as well as slavery and child labour. See the Sustainability Strategy:
<https://www.islandsbanki.is/en/product/about/policyonsustainability-en>
- [24] The Suppliers' Code of Conduct emphasises compliance with regulatory requirements and international human rights agreements:
https://cdn.islandsbanki.is/image/upload/v1/documents/islandsbanki_suppliers_code_of_conduct.pdf
- [25] Yes. Mechanisms for anonymous reporting of inappropriate conduct are available to all employees. See also: <https://www.islandsbanki.is/en/article/reporting-alleged-misconduct>
- [26] Yes. Various factors such as equal rights and accessibility are considered. Furthermore, the Bank stresses that its offices and branches must be accessible to marginalised groups, small companies, and communities.
- [27] Yes. Íslandsbanki was the first bank to publish a Sustainable Financing Framework in 2019.
https://cdn.islandsbanki.is/image/upload/v1/documents/ISB_Sustainable_Financing_Framework.pdf
- [28] Managers are responsible for ethical marketing and reputational risk, and there is targeted annual management training covering a large number of these and related factors.
- [29] The Bank has in place a plan for human resource development that includes targets for recruitment, staff development, and turnover.
- [30] Yes. The Bank aims to have a gender ratio of 40% or better in its management teams and to increase the number of women in its investment banking and IT departments. For further information, see: <https://www.islandsbanki.is/en/product/about/policy-on-sustainability-en>
- [31] Since 2017, the gender ratio has been as equal as is possible in a seven-member board, with three women and four men, or vice versa.
- [32] Women chaired two of three committees at the end of 2021.
- [33] According to Article 18 of the Board Protocols, the CEO is not authorised to chair the Board without the express authorisation of the Board.

- [34] All members of Íslandsbanki's Board of Directors are independents.
- [35] According to Article 7 of the Bank's employment terms policy, the Bank does not authorise bonus payments.
- [36] The Suppliers' Code of Conduct is set by the Executive Committee:
https://cdn.islandsbanki.is/image/upload/v1/documents/islandsbanki_suppliers_code_of_conduct.pdf
- [37] Íslandsbanki has adopted a code of conduct for its employees and Board, and the Sustainability Strategy places emphasis on these matters: See <https://www.islandsbanki.is/en/product/about/code-of-conduct> and <https://www.islandsbanki.is/en/product/about/policy-on-sustainability-en> Furthermore, the Bank has adopted a policy on combating money laundering.
- [38] Personal data protection and security of personal information are important aspects of Íslandsbanki's activities, and the Bank takes the associated obligations seriously. For further information, see the Bank's website: <https://www.islandsbanki.is/en/article/dataprotection>
- [39] Íslandsbanki publishes an integrated Annual and Sustainability report each year.
- [40] Íslandsbanki submits information on sustainability to the UN Global Compact and UNEP FI, among others.
- [41] Íslandsbanki places particular emphasis on supporting four of the UN Sustainable Development Goals: #4 — Quality Education; #5 — Gender Equality; #9 — Industry, innovation, and Infrastructure; and #13 — Climate Action.
- [42] Íslandsbanki has set sustainability targets for the period through 2025 and linked them to the UN Global Goals; see: <https://www.islandsbanki.is/en/product/about/policy-on-sustainability-en>
- [43] Yes, auditing firm Ernst & Young was engaged to review and confirm the Bank's environmental information disclosure for 2021 for the first time.
- [44] Yes, as part of internal stress tests.
- [45] Yes. For further information, see the Pillar 3 report for 2021.
- [46] Yes; see: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>
- [47] Yes; see: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>
- [48] Yes; see: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>
- [49] UN Global Compact, UN Principles for Responsible Banking, NZBA, TCFD, PCAF, UN Principles for Responsible Investments (Iceland Funds), Nordic CEOs for a Sustainable Future, CFO Taskforce for the SDGs, and targets set by Festa and the City of Reykjavik in 2015, Iceland SIF: <https://www.islandsbanki.is/en/product/about/cooperation-on-sustainability>