



Íslandsbanki

Íslandsbanki hf.
Sustainability Statement

2022

Íslandsbanki hf.
Reg. 4910080160

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Assessment Statement by Klappir Green Solutions hf.

Klappir Green Solutions hf. (Klappir) has assisted Íslandsbanki with its sustainability statement. The sustainability statement contains information on environment, social and governance.

Responsibility of the board of directors and CEO for the sustainability statement

The board of directors and CEO are responsible for reporting non-financial information, including information on environmental, social and governance matters, in accordance with Article 66 d of Act no. 3/2006 (Icelandic companies).

Confirmation by Klappir

We have planned and conducted our work in accordance with the principles of the Greenhouse Gas Protocol standards: Relevance, Accuracy, Completeness, Consistency and Transparency.

By signing below, I hereby confirm that the data provided by Íslandsbanki and its suppliers for the company's sustainability statement has been reviewed and assessed by Klappir's sustainability specialists. Information relating to social and governance matters was not reviewed by Klappir. Klappir is not responsible and bears no liability for any investment decisions made by any party based on the information presented in this statement.

Klappir Green Solutions hf.

The Sustainability Statement of Íslandsbanki is electronically signed by Klappir Green Solutions hf.

About Íslandsbanki and this Statement

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%), real estate (11%), seafood (9%), and industrial and transport (7%) as of year end 2022. 89% of loans to individuals are mortgages. Furthermore, Íslandsbanki has 36% market share in SME banking in Iceland.

Íslandsbanki's sustainability statement for the year 2022 reflects the ESG guidelines issued by Nasdaq Iceland and Nasdaq Nordic 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 the Ten Reporting Principles of the UN Global Compact.

Íslandsbanki uses the Klappir Sustainability Platform to ensure the traceability, transparency, and efficiency in data collection and processing and dissemination of environmental information.

Highlights

Greenhouse Gas Emissions: Íslandsbanki's total emissions were 919.5 (tCO₂e) in 2022. Scope 1 and 2 emissions amounted to 112.6 (tCO₂e). Total GHG emissions of comparable factors decreased by 11% compared to the base year of 2019, i.e. from 672.1 (tCO₂e) in 2019 to 597.0 (tCO₂e) in 2022.

Energy Usage: Íslandsbanki's total energy usage was 7,375,666 kwh in 2022. Energy usage includes electricity, hot water and fuel usage. Indirect energy usage from hot water and electricity consumption amounted to 7,206,570 kWh.

Main emissions: The largest emission source of Íslandsbanki's emissions in the year 2022 was emissions from food purchased for the bank's canteen, totalling 258.2 (tCO₂e).

Additions since last statement: Íslandsbanki accounted for emissions from the fully owned subsidiary ISB Software Development Center for the first time this year.

Carbon offset: Íslandsbanki has offset their operations in full with certified emissions reduction units from CDM. Íslandsbanki's total carbon offset measures amounted to 1000 (tCO₂e).

Updates impacting 2021 figures:

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.

2021 data was updated in the following scope 3 categories, as real data was used to replace estimates for the end of the year: 3.6. Business travel and 3.1 Purchased goods and services.

2021 data for 3.6. Business travel was also updated by importing flights from Íslandssjóðir that were missing in the previous report.

Statement

Operational Parameters

Operational Parameters	Unit	2020	2021	2022
Total Revenue	billion ISK	42.21	48.15	57.24
Total Equity	billion ISK	182.69	203.70	218.00
Number of full time equivalent employees	FTEs	808.0	794.0	772.0
Total space for own operation	m ²	17,294.0	16,791.0	16,791.0
Total space for own operation	m ³	60,800.0	59,743.0	59,743.0

GhG emission intensity	Unit	2020	2021	2022
GhG emissions per megawatt-hour consumed	kgCO ₂ e/MWh	62.62	109.66	124.49
GhG emissions per full-time equivalent (FTEe) employee	kgCO ₂ e/FTEs	589.07	914.38	1,190.8
GhG emissions per unit of revenue	kgCO ₂ e/billio	11,276.4	15,078.3	16,061.2
GhG emissions per unit of equity	kgCO ₂ e/billio	2,605.3	3,564.2	4,216.9
GhG emissions per unit of space (m ²)	kgCO ₂ e/m ²	27.52	43.24	54.75
GhG emissions per unit of space (m ³)	kgCO ₂ e/m ³	7.83	12.15	15.39

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

Energy intensity	Unit	2020	2021	2022
Energy per full-time equivalent (FTEe) employee	kWh/FTEs	9,406.3	8,338.3	9,565.6
Energy per unit of revenue	kWh/billion	180,063	137,499	129,021
Energy per square meter	kWh/m ²	439.5	394.3	439.8
Energy per cubic meter	kWh/m ³	125.0	110.8	123.6

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

Waste intensity	Unit	2020	2021	2022
Total waste per full-time equivalent (FTEe) employee	kg/FTEs	112.4	123.8	172.5
Total waste per unit of revenue	kg/billion ISK	2,152.4	2,040.7	2,326.7

Key performance indicators	Unit	2020	2021	2022
Total GHG emissions of comparable factors	tCO ₂ e	476.0	333.0 [0]	597.0 [1]

Emissions

Carbon offset	Unit	2020	2021	2022
Total emissions offset	tCO ₂ e	1,022.0	1,050.0	1,000.0
Of which verified carbon credits	tCO ₂ e	552.0	750.0	1,000.0 [2]
Of which non-verified offsetting projects	tCO ₂ e	500.0	300.0	0.0

Greenhouse Gas Emissions	Unit	2020	2021	2022
Scope 1	tCO ₂ e	68.8	54.2	41.4
Scope 2 (location-based)	tCO ₂ e	68.1	60.2	70.9
Scope 1 and 2	tCO ₂ e	137.0	114.4	112.3
Scope 3	tCO ₂ e	339.0	611.6	807.0
Total operational GhG emissions	tCO ₂ e	476.0	726.0	919.3

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	2022
Total emissions	tCO ₂ e	68.8	54.2	41.4
Mobile fuel combustion	tCO ₂ e	68.8	54.2	41.4

Scope 2 - Details	Unit	2020	2021	2022
Total emissions	tCO ₂ e	68.1	60.2	70.9
Electricity	tCO ₂ e	21.3	22.7	23.2
Heating	tCO ₂ e	46.8	37.5	47.8

Scope 3 - Upstream emissions	Unit	2020	2021	2022
<i>Category 1: Purchased goods and services</i>				
Total emissions	tCO ₂ e	117.5	328.9	384.1
Non-production-related procurement	tCO ₂ e	117.5	328.9	384.1
Furniture	tCO ₂ e	13.8	18.6 [3]	4.6
Paper	tCO ₂ e	9.5	6.7	5.2
Electronic items	tCO ₂ e	94.2	56.9	112.3 [4]
Food for canteen	tCO ₂ e		243.3 [5]	258.2 [6]
Electricity usage in data centers	tCO ₂ e		3.4	3.8
<i>Category 2: Capital goods</i>				
Total emissions	tCO ₂ e		58.5	[7]
Vehicles	tCO ₂ e		58.5	
<i>Category 3: Fuel- and energy-related activities</i>				
Total emissions	tCO ₂ e		30.1	31.0
Upstream emissions of purchased fuel	tCO ₂ e		13.9	10.5
Upstream emissions of purchased electricity	tCO ₂ e		0.7	0.1
Transmission and distribution (T&D) losses	tCO ₂ e		15.4	20.4
<i>Category 4: Upstream transportation and distribution</i>				
Total emissions	tCO ₂ e	1.9	1.8	0.1
Road transportation	tCO ₂ e	1.9	1.8	0.1
<i>Category 5: Waste generated in operations</i>				
Total emissions	tCO ₂ e	23.5	14.9	32.5
<i>Category 6: Business travel</i>				
Total emissions	tCO ₂ e	31.8	30.8	183.2
Air travel	tCO ₂ e	26.8	25.6	170.6
Car travel	tCO ₂ e	5.0	5.2 [8]	12.7 [9]
<i>Category 7: Employee commute</i>				
Total emissions	tCO ₂ e	164.3	146.7	176.1 [10]

Emission Sources

Energy consumption	Unit	2020	2021	2022
Total energy consumption	kWh	7,600,290	6,620,594	7,384,637
Fossil fuels	kWh	280,351	221,771	169,096
Electricity	kWh	2,032,042	2,165,281	1,817,221
Heating	kWh	5,287,896	4,233,541	5,398,319
Direct energy consumption	kWh	280,351	221,771	169,096
Indirect energy consumption	kWh	7,319,938	6,398,822	7,215,540

Nasdaq: E3|UNGC: P7, P8|GRI: 302-1, 302-2|SDG: 12|SASB: General Issue / Energy Management

Energy mix	Unit	2020	2021	2022
Total energy consumption	kWh	7,600,290	6,620,594	7,384,637
Fossil fuel	%	3.7%	3.3%	2.4%
Renewables	%	89.7%	96.7%	97.6%
Nuclear	%	0.0%	0.0%	0.0%

Nasdaq: E5|GRI: 302-1|SDG: 7|SASB: General Issue / Energy Management

Fuel consumption	Unit	2020	2021	2022
Total fuel consumption	kg	23,345	18,430	14,029
Petrol	kg	9,433	8,837	7,591
Diesel	kg	13,912	9,593	6,438

Water consumption	Unit	2020	2021	2022
Total water consumption	m ³	178,470	163,954	104,153
Cold water	m ³	87,299.1	90,961.5	11,078.5 [11]
Hot water	m ³	91,170.6	72,992.1	93,074.5 [12]

Nasdaq: E6|GRI: 303-5|SDG: 6|SASB: General Issue / Water & Wastewater Management

Electricity mix	Unit	2020	2021	2022
Total electricity consumption	kWh	2,032,042	2,165,281	1,817,221 [13]
Fossil fuels	%	0.0%	0.0%	0.3%
Renewables	%	100.0%	100.0%	99.7%
Nuclear	%	0.0%	0.0%	0.0%

Upstream transportation and distribution	Unit	2020	2021	2022
Total transportation and distribution	tonne	30.0	21.0	4.0
Air transportation	tonne	0.0	0.0	0.0
Marine transportation	tonne	0.0	0.0	0.0
Ground transportation	tonne	30	21	4

Waste treatment	Unit	2020	2021	2022
Total waste generation	kg	90,850	98,261	133,173 [14]
Sorted waste	kg	53,643	67,477	58,570
Unsorted waste	kg	37,207	30,784	74,603
Recycled waste	kg	53,638	67,105	62,890
Disposed waste	kg	37,211	31,156	70,283
Percentage of waste sorted	%	59.0%	68.7%	44.0%
Percentage of waste recycled	%	59.0%	68.3%	47.2%

Paper management	Unit	2020	2021	2022
Total weight of printed papers	kg	10,370	7,507	6,038
Total amount of printed paper	pages	2,008,414	1,387,971	1,066,247
of which color print	pages	343,602	307,085	272,384
of which black/white print	pages	1,664,812	1,080,886	793,863
Duplex	pages	547,490	381,226	257,222

Environmental management

Environmental management	Unit	2020	2021	2022
Does your company follow a formal Environmental Policy?	yes/no	Yes	Yes	Yes [15]
Does your company follow specific waste, water, energy, and/or recycling policies?	yes/no	No	No	Yes [16]
Does your company use a recognized energy management system?	yes/no	No	No	No

Nasdaq: E7|GRI: 103-2|SASB: General Issue / Waste & Hazardous Materials Management

Climate oversight	Unit	2020	2021	2022
Does your Senior Management Team oversee and/or manage climate-related risks?	yes/no	Yes	Yes	Yes [17]
Does your Board of Directors oversee and/or manage climate-related risk?	yes/no	Yes	Yes	Yes [18]

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	2022
Total annual investment in climate-related infrastructure, resilience, and product development	billion ISK	0.06	0.07	[19]

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	2022
Are ESG factors considered in relation to lending and/or investments?	yes/no	Yes	Yes	Yes [20]
Are ESG factors considered in connection with the development of new and existing products?	yes/no	Yes	Yes	Yes [21]
Does the company offer employees regular education on ESG factors?	yes/no	Yes	Yes	Yes [22]
Has the company measured the carbon footprint from its loan and investment portfolios?	yes/no	No	Yes	Yes [23]
Has the company's board of directors approved and published targets for reduction of greenhouse gas emissions?	yes/no	Yes	Yes	Yes [24]
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	Yes [25]

Social

CEO Pay Ratio	Unit	2020	2021	2022
CEO Salary & Bonus (X) to median FTE Salary	X:1	4.50	5.50	5.00
Does your company report this metric in regulatory filings?	yes/no	Yes	Yes	Yes

S1|UNGC: P6|GRI 102-38

Gender Pay Ratio	Unit	2020	2021	2022
Median total compensation for men (X) to median total compensation for women	X:1	1.27	1.30	1.36
Outcome of equal pay certification	%	1.10%	0.30%	0.20%

S2|UNGC: P6|GRI: 405-2 | SASB: General Issue / Employee Engagement, Diversity & Inclusion

Employee Turnover	Unit	2020	2021	2022
<i>Full-time Employees</i>				
Year-over-year change for full-time employees	%	6.6%	10.1%	9.8% [26]
Dismissal	%	1.8%	3.9%	1.5%
Retirement	%	2.1%	2.3%	0.7%
Job transition	%	2.6%	3.9%	7.7%
Death	%	12.0%		
<i>Part-time Employees</i>				
Year-over-year change for part-time employees	%	8.0%	1.3%	19.6%
Dismissal	%		0.5%	2.2%
Retirement	%	12.0%	0.5%	4.3%
Job transition	%	8.0%	0.3%	13.0%
Death	%			
<i>Contractors and/or consultants</i>				
Year-over-year change for contractors and/or consultants	%	27.0%		24.2%
Dismissal	%			
Retirement	%			
Job transition	%			24.2%
Death	%			
<i>Gender</i>				
Men	%	6.0%	12.2%	8.8%
Women	%	7.0%	10.8%	11.6%
<i>Age</i>				
<20	%	0.0%	0.0%	0.0%
20-29	%	2.2%	16.3%	20.8%
30-39	%	7.4%	11.0%	9.7%
40-49	%	6.9%	9.6%	11.5%
50-59	%	3.5%	4.5%	3.8%
60-69	%	15.0%	22.8%	9.2%
70+	%	0.0%		

S3|UNGC: P6|GRI: 401-1b|SDG: 12|SASB: General Issue / Labor Practices

Gender Diversity	Unit	2020	2021	2022
<i>Enterprise Headcount</i>				
Percentage of women in enterprise	%	57.0%	57.0%	57.5%
Women	no.	428	401	447
Men	no.	317	299	330
Other	no.			
<i>Entry- and Mid-level Positions</i>				
Percentage of women in entry- and mid-level position	%	59.0%	60.0%	59.1%
Women	no.	384	358	405
Men	no.	269	251	280
Other	no.			
<i>Senior- and Executive-level Positions</i>				
Percentage of women in senior- and executive-level positions	%	48.0%	47.0%	45.7%
Women	no.	44	43	42
Men	no.	48	48	50
Other	no.			

S4|UNGC: P6|GRI: 102-8, 405-1|SASB: General Issue / Employee Engagement, Diversity & Inclusion

Temporary Worker Ratio	Unit	2020	2021	2022
Full-time positions	no.	28.0	12.0	39.0
Total enterprise headcount held by part-time employees	%	9.8%	7.0%	5.7%
Total enterprise headcount held by contractors and/or consultants	%			4.1%

S5|GRI: 102-8|UNGC: P6

Non-Discrimination	Unit	2020	2021	2022
Does your company follow a sexual harassment and/or non-discriminatory policy?	yes/no	Yes	Yes	Yes [27]

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	2022
Total number of injuries and fatalities, relative to the total workforce	%	0.0%	0.0%	0.0%

S7|GRI: 403-9|SDG: 3|SASB: General Issue / Employee Health & Safety

Global Health & Safety	Unit	2020	2021	2022
Does your Company publish and follow an occupational health and/or global health & safety policy	yes/no	Yes	Yes	Yes [28]
Total absence from work (X) to total working hours of all employees	X:1	0.030	0.020	0.030
Absence from work due to long-term illness (X) to total working hours of all employees	X:1	0.012	0.004	0.020
Absence from work due to short-term illness (X) to total working hours of all employees	X:1	0.018	0.013	0.015

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	2022
Does your company follow a child labor policy?	yes/no	Yes	Yes	Yes [29]
Does your company follow a forced labor policy?	yes/no	Yes	Yes	Yes
If yes, do your child and/or forced labor policy cover suppliers and vendors?	yes/no	Yes	Yes	Yes

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	2022
Does your company publish and follow a human rights policy?	yes/no	Yes	Yes	Yes [30]
If yes, does your human rights policy cover suppliers and vendors?	yes/no	Yes	Yes	Yes [31]

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	2022
Does the company have procedures for detection and disclosure that are presented effectively to employees?	yes/no	Yes	Yes	Yes [32]
Are the company and its products accessible to marginalised groups, small companies, or communities?	yes/no	Yes	Yes	Yes [33]
Does the company offer sustainable loans that support the Government's social objectives?	yes/no	Yes	Yes	Yes [34]
Are managers assigned responsibility for ethical marketing and reputational risk?	yes/no	Yes	Yes	Yes [35]
Is there a plan for human resource development that includes targets for recruitment, staff development, and turnover?	yes/no	Yes	Yes	Yes [36]
Has the company board of directors approved and published equal rights objectives?	yes/no	Yes	Yes	Yes [37]

Governance

Board Diversity	Unit	2020	2021	2022
Total board seats occupied by women (as compared to men)	%	57.0%	43.0%	57.0% [38]
Committee chairs occupied by women (as compared to men)	%	67.0%	67.0%	67.0% [39]

G1|GRI 405-1|SDG: 10|SASB: General Issue / Employee Engagement, Diversity & Inclusion (See also: SASB Industry Standards)

Board Independence	Unit	2020	2021	2022
Does the company prohibit CEO from serving as board chair?	yes/no	Yes	Yes	Yes [40]
Total board seats occupied by independents	%	100%	100%	86% [41]

G2|GRI: 102-23, 102-22

Incentivized Pay	Unit	2020	2021	2022
Are executives formally incentivized to perform on sustainability	yes/no	No	No	No [42]

G3|GRI: 102-35

Collective Bargaining	Unit	2020	2021	2022
Total enterprise headcount covered by collective bargaining agreements (X) to the total employee population	%	100.0%	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	2022
Are your vendors or suppliers required to follow a Code of Conduct	yes/no	No	Yes	Yes [43]
If yes, what percentage of your suppliers have formally certified their compliance with the code	%	0.0%	46.0%	45.0% [44]

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	2022
Does your company follow an Ethics and/or Anti-Corruption policy?	yes/no	Yes	Yes	Yes [45]
If yes, what percentage of your workforce has formally certified its compliance with the policy?	%	99.0%	98.0%	99.0%

G6|UNGC: P10|SDG: 16|GRI: 102-16, 103-2 (See also: GRI 205: Anti-Corruption 2016)

Data Privacy	Unit	2020	2021	2022
Does your company follow a Data Privacy policy?	yes/no	Yes	Yes	Yes [46]
Has your company taken steps to comply with GDPR rules?	yes/no	Yes	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	2022
Does your organization publish a sustainability report?	yes/no	Yes	Yes	Yes [47]
Is sustainability data included in your regulatory filings?	yes/no	Yes	Yes	Yes

G8|UNGC: P8

Disclosure Practices	Unit	2020	2021	2022
Does your company provide sustainability data to sustainability reporting frameworks?	yes/no	Yes	Yes	Yes [48]
Does your company focus on specific UN Sustainable Development Goals (SDGs)?	yes/no	Yes	Yes	Yes [49]
Does your company set targets and report progress on the UN SDGs?	yes/no	Yes	Yes	Yes [50]

G9|UNGC: P8

External Assurance	Unit	2020	2021	2022
Are your sustainability disclosures assured or validated by a third party?	yes/no	Yes	Yes	Yes [51]

G10|UNGC: P8|GRI: 102-56

Other corporate governance factors selected based on sector and internal materiality assessment	Unit	2020	2021	2022
Has the company examined ESG risk in connection with unlikely major occurrences?	yes/no	Yes	Yes	Yes [52]
Has the company examined long-term risk in connection with ESG factors?	yes/no	Yes	Yes	Yes [53]
Does the company enforce a competition law plan?	yes/no	Yes	Yes	Yes [54]
Does the company enforce a policy on conflicts of interests?	yes/no	Yes	Yes	Yes [55]
Does the company enforce a policy on handling of complaints?	yes/no	Yes	Yes	Yes [56]
What obligations or accords has the company undertaken in connection with ESG issues?	yes/no	Yes	Yes	Yes [57]

Organizational and Operational Boundaries

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 following entities:

- Íslandsbanki hf. (including all branches)
- Íslandssjóðir hf
- ISB Software Development Center in Poland

The fully owned subsidiary Allianz Ísland hf. is not included in the environmental part of the statement.

Operational Boundaries

The following categories of each scope defined below are included in the bank's emissions for 2022.

Although Íslandsbanki has started reporting on Finance Emissions (Scope 3 downstream emissions from products and services) the results are not included in this statement.

Íslandsbanki has reported financed emissions (Scope 3.15 Investments) for Loan portfolio for 2019-2021 and from mutual funds managed by Iceland Funds for 2020-2021.

These results are not included in this statement but can be found in the [Road to Net Zero](#) report published in October 2022. Due to reliance on data from corporate customers the Finance emissions for 2022 will be published later in the year 2023.

Scope 1

Mobile combustion

Scope 2

Electricity

Heating

Scope 3

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

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

Definitions

Carbon credits

A carbon credit is a convertible and transferable instrument representing GHG emissions that have been reduced, avoided or removed through projects that are verified according to recognised quality standards. Carbon credits can be issued from projects within (sometimes referred to as insets) or outside the undertaking's value chain (sometimes referred to as offsets).

Non-verified offsetting projects

Non-verified offsetting projects are defined as offsetting projects that do not generate carbon credits in accordance with the definition above.

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 and indirect energy consumption

Total energy consumption includes all energy consumed by the company including combustion of fuels by the company (direct energy) and energy consumed through electricity and heating (indirect energy). The energy consumption is reported 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 is calculated by dividing the total amount of waste generated by a selected operational parameter unit, and is reported as kg per unit (such as kg per full-time equivalent employee (FTEe)).

Scope 2 (location-based)

Emissions in scope 2 (location-based) are indirect emissions from generation of consumed energy, where emissions from energy consumption is estimated based on the average emissions from generation onto the energy network.

Scope 2 (market-based)

Market-based scope 2 emissions reflect the emissions from the electricity that a company is purchasing (often spelled out in contracts or instruments) which may be different from the electricity that is generated locally.

Fugitive emissions

Emissions resulting from intentional or unintentional releases, e.g., equipment leaks from joints, seals, packing, and gaskets; methane emissions from coal mines and venting; hydrofluorocarbon (HFC) emissions during the use of refrigeration and air conditioning equipment; and methane leakages from gas transport.

Purchased goods and services

Extraction, production, and transportation of goods and services purchased or acquired by the reporting company in the reporting year, not otherwise included in Categories 2 - 8

Capital goods

Extraction, production, and transportation of capital goods purchased or acquired by the reporting company in the reporting year.

Fuel- and energy related activities

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.

Upstream leased assets

Operation of assets leased by the reporting company (lessee) in the reporting year and not included in scope 1 and scope 2 – reported by lessee.

Downstream transportation and distribution

Transportation and distribution of products sold by the reporting company in the reporting year between the reporting company's operations and the end consumer (if not paid for by the reporting company), including retail and storage (in vehicles and facilities not owned or controlled by the reporting company).

Processing of sold products

Processing of intermediate products sold in the reporting year by downstream companies (e.g., manufacturers)

Use of sold products

End use of goods and services sold by the reporting company in the reporting year.

End-of-life treatment of sold products

Waste disposal and treatment of products sold by the reporting company (in the reporting year) at the end of their life.

Downstream leased assets

Operation of assets owned by the reporting company (lessor) and leased to other entities in the reporting year, not included in scope 1 and scope 2 – reported by lessor.

Franchises

Operation of franchises in the reporting year, not included in scope 1 and scope 2 – reported by franchisor.

Investments

Operation of investments (including equity and debt investments and project finance) in the reporting year, not included in scope 1 or scope 2.

Energy management system

Energy management systems such as ISO 50001.

Notes

- [0] In 2021 emissions from the following categories were included for the first time: Fuel and energy related emissions, electricity usage of data centers, cars purchased in the year, and food purchased for the bank's canteen.
- [1] In 2022 emissions from the fully owned subsidiaries ISB Software Development Center were included for the first time.
- [2] Íslandsbanki has offset their operations in full with certified emissions reduction units purchased from the United Nations online platform for voluntary cancellation of certified emission reductions (CERs).
- [3] 2021 numbers for purchased furniture were updated, as data for the last month of the year was provided.
- [4] Purchased electronics are based on actual data from service providers. 1.38% of purchases are estimated based on previous purchases as actual data could not be provided at the time of this report. Large increase between 2021 and 2022 is mostly due to increased volumes but also higher (and more accurate) emission factors.
- [5] 2021 numbers for food for canteen was updated, as data for the last months of the year was provided.
- [6] Food for canteen is based on actual data from service providers. 8.33% of purchases are estimated based on previous usage as actual data could not be provided at the time of this report.
- [7] Capital goods includes cars purchased in the reporting year. No cars were purchased in 2022.
- [8] 2021 numbers for business travel for taxis and rental cars were updated, as estimates for one month were replaced with actual data.
- [9] Business travel for taxis and rental cars is based on actual data from service providers. 8.33% of usage is estimated based on previous usage as actual data could not be provided at the time of this report.
- [10] Due to an error in the form used for collecting responses in a survey on employee commute some adjustments had to be made to adjust average distance to work. After the adjustments were made distance to work was close to what it was in 2021. 45.34% of employee commute was estimated as the response ratio of the employee commute survey was 54.66%.
- [11] Cold water usage is based on actual readings of meter readings in HQ and branches. 74.6% of the cold water use is estimated based on last years usage as actual data could not be provided at the time of this report. Note that cold water usage has no effect on emissions. Large drop in cold water usage between 2021 and 2022 is mainly due to a foreclosed property that was sold during the time period.
- [12] Hot water usage is based on actual readings of meter readings in HQ and branches. 8.2% 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.
- [13] Electricity usage is based on actual readings of meter readings in HQ and branches. 6.7% of the electricity use is estimated based on last years usage as actual data could not be provided at the time of this report.

- [14] Waste generation is based on actual data from waste collectors. Most of the waste comes from Íslandsbanki's headquarters in Nordurturn (77%). As data on Íslandsbanki's amount and percentage of waste sorted in Nordurturn is not available, 52% of the waste generated in the building is allocated to Íslandsbanki. Smart scales are being installed to measure what comes from each company in the building and that system should be in place by Q2 2023. 1.4% of total waste generation was estimated, as actual data could not be provided.
- [15] See the Bank's Sustainability Strategy, Chapter 2 on environmental issues: <https://www.islandsbanki.is/en/product/about/policy-on-sustainability-en>.
- [16] The Bank aims to sort 90% of all waste by 2025. This is being implemented through better monitoring of waste from the head office, among other actions.
- [17] 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.
- [18] 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.
- [19] Investments in climate risk mitigation were not calculated in 2022 but included for example advisory services, membership fees, infrastructure, product development, marketing, events and carbon offsets.
- [20] Yes. Sustainability risk is being integrated into the lending process. As of year-end 2022 76% 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)
- [21] Yes. Sustainability risk is considered as part of the formal product approval process.
- [22] At least 30 diverse sustainability related educational events were offered to staff members in 2022, on average one event every 2 weeks
- [23] The bank has issued reports on financed emissions for 2019, 2020 and 2021. Results for 2022 are due later in 2023 once corporate customer emission disclosures are available.
- [24] The Bank's objective is to shrink the carbon footprint from its operations by 50% between 2019 and 2024 and achieving net-zero emissions including the financed emissions from the loan portfolio by 2040. See: https://cdn.islandsbanki.is/image/upload/documents/Road_to_net_zero_2022.pdf
- [25] Yes, as part of the Pillar 3 risk report
- [26] Note that number of women and men for 2022 are headcount while older numbers refer to FTEs

- [27] 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>
- [28] 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>
- [29] 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>
- [30] The Bank stresses respect for human rights and refusing to conduct business that is connected with any type of human rights violations; e.g., discrimination on the basis of gender, religion, or race; cf. the Sustainability Strategy:
<https://www.islandsbanki.is/en/product/about/policy-onsustainability-en>
- [31] 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
- [32] Mechanisms for anonymous reporting of inappropriate conduct are available to all employees. See also: <https://www.islandsbanki.is/en/article/reporting-alleged-misconduct>
- [33] 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
- [34] 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
- [35] 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.
- [36] The Bank has in place a plan for human resource development that includes targets for recruitment, staff development, and turnover.
- [37] 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>
- [38] 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.
- [39] Women chaired two of three committees at the end of 2022.
- [40] In accordance with the Act on limited companies No. 2/1995 and the companies Articles of association the CEO of the company cannot serve as board chair.
- [41] Six out of seven members of Íslandsbanki's Board of Directors are independents. Board member Herdís Gunnarsdóttir is not considered independent of the Bank and its major shareholders on account of her employment with the Icelandic Government which is a large shareholder of the Bank.
- [42] According to Article 8 of the Bank's employment terms policy, the Bank does not authorise bonus payments.

- [43] 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
- [44] For 2023 the objective is to review suppliers' code of conduct and increase share of purchasing from suppliers that have signed the code of conduct (or confirmed they have comparable rules) from 45% to >75%
- [45] 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.
- [46] 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>
- [47] Íslandsbanki publishes an integrated Annual and Sustainability report each year.
- [48] Íslandsbanki submits information on sustainability to CDP, the UN Global Compact and UNEP FI, among others.
- [49] 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.
- [50] 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>
- [51] Auditing firm Ernst & Young was engaged to review and provide limited assurance of the Bank's sustainability information disclosure for 2022.
- [52] As part of internal stress tests.
- [53] For further information, see the Pillar 3 report for 2022.
- [54] See: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>
- [55] See: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>
- [56] See: <https://www.islandsbanki.is/en/landing/about/strategy-and-policies>
- [57] 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>