

UN
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Principles for
Responsible Banking

Responsible Banking Progress Statement for PRB Signatories



Summary template

Íslandsbanki 2024

Principle 1: Alignment	Principle 2: Impact & Target Setting	Principle 3: Clients & Customers
<p>Íslandsbanki's strategy and aim is to make the Bank a model of exemplary operations in the Icelandic business community and a catalyst for positive social action, moving Iceland forward by empowering its customers to succeed. In 2024 financial health became a formal part of Íslandsbanki's policy, with the aim to promote financial health to our customers.</p> <p>The Bank has 31% market share within individual banking, 37% market share within business banking, 34% of the 300 largest corporates in Iceland and the bank's subsidiary IS Funds around 30% share within local funds for general investors.</p> <p>Íslandsbanki has for the past years worked with various national and international organizations. The Bank finds it important to take part in international commitments and to support the national cooperation forum in the field of sustainability. Íslandsbanki is a member of UN Global Compact, PCAF, TCFD, UN Principles for Responsible Investing (IS Funds), Festa Center for Sustainability, Iceland SIF, Net-Zero Banking Alliance (NZBA) and UN Principles for Responsible Banking (UN PRB). The Bank places emphasis on the following UN Development goals:</p> <ul style="list-style-type: none"> • 4 Quality Education • 5 Gender Equality • 9 Industry, Innovation and Infrastructure • 13 Climate Action 	<p>The carbon footprint and intermediate targets related to the Bank's net-zero ambition can be found in the Bank's Road to net zero report. The Bank's climate objectives are presented in accordance with the guidelines from the NZBA, with the aim of supporting the goals of the Paris Convention and Iceland's ambitious climate targets. The Bank was not able to publish a Science-Based Target (SBTi) like the Bank had aims of in 2024 as the SBTi's methodology for financials was published at the end of 2024.</p> <p>The carbon footprint of Íslandsbanki's balance sheet is estimated annually based on the PCAF methodology. The Bank has published goals for 64% of the loan portfolio and 78% of total emissions with baseline year 2019. The assessment covers 91.5% of loans to customers and 82.1% of the balance sheet.</p> <p>Íslandsbanki had several sustainability goals for 2024 related to climate change. One of them was to increase the share of ESG risk-assessed credit risk to a 100% but the Bank had assessed 93% by end of year. The Bank had aims of integrating sustainability risk into the Bank's risk model for corporate lending and thereby having sustainability risk affecting the pricing of the Bank's loans. The Bank aims to finish the integration in Q2 of 2025.</p> <p>The Bank's financed emissions show that the carbon footprint of the loan portfolio and assets</p>	<p>Íslandsbanki's purpose is to empower its customers to be a force for good, and to create value for the future in a sustainable way. Therefore, the Bank places emphasis on sustainability in dialogue with the Bank's customers. The Bank had 25 meetings with corporate customers with the purpose to discuss sustainability matters and net-zero aims.</p> <p>At the end of the year 2024, 93% of all credit risk had been assessed from the perspective of ESG risk factors, same as last year. This assessment is used to provide an overview of the most material sustainability related risks within the Bank's loan portfolio. Business- and credit managers use the assessment to engage with customers about sustainability risks and opportunities. Íslandsbanki has also published four sector guidelines that provide information and guidance on sustainability for various sectors. By engaging with customers on sustainability the Bank believes it provides them with good service as well as decreasing sustainability risk within its portfolio.</p> <p>The Bank updated its Sustainable funding framework in the beginning of 2024. At end of year 2024 the Bank's sustainable assets had grown by 23% and amounted to almost ISK 120 billion. Green loans were 81% of sustainable loans and social loans 19%.</p>

	<p>under management is significantly higher than the carbon footprint of the Bank's operations. Encouraging, educating and supporting our customers on their sustainability journey is therefore of the most importance and is the most impactful way we can contribute to action on climate change.</p> <p>The Bank analysed the percentage of women in boards and in executive management of SMEs within Iceland and its loan portfolio. The results are a part of the Bank's aims of developing an action plan for the empowerment of women in boards of companies.</p> <p>In 2024 the Bank set forth a plan to balance the ratio between men's average pay and women's average deliberately. The Bank will decrease the ratio by one percent annually in the next five years.</p>	
<p>Links & references 2024 Annual and Sustainability report, Page 42 – Towards a sustainable future Page 23 – Financial health Sustainability Policy</p>	<p>Links & references 2024 Annual and Sustainability report, Page 27 – 29 Persona, Business, Corporate and Investment Banking Page 44 – Double materiality assessment Page 49 – Financed emissions Page 50 – On the road to net-zero loan portfolio Page 51 – Carbon-neutral operations and Road to net zero 2022.pdf</p>	<p>Links & references 2024 Annual and Sustainability report, Page 43 – Sustainability milestones in 2024 Page 46 – Sustainable Financing Framework Page 58 – Cooperation and dialogue with customers Sustainable Funding Framework • Íslandsbanki Sector guidelines</p>

Principle 4: Stakeholders	Principle 5: Governance & Culture	Principle 6: Transparency & Accountability
<p>Íslandsbanki continuously engages with various stakeholders such as employees, customers and suppliers on sustainability topics.</p> <p>In 2024 Íslandsbanki continued working on the Corporate Sustainability Reporting Directive's (CSRD) double materiality assessment, engaging employees from all over the Bank in workshops and discussions.</p> <p>The Code of conduct for suppliers was updated in 2024 and the percentage of suppliers who had officially certified that they followed the suppliers code of conduct rose from 77% to 92%.</p> <p>Íslandsbanki engaged with customers on their own sustainability journey, discussing sustainability and net-zero aims.</p>	<p>Clearly defined sustainability-related roles and responsibilities ensure regular follow-up and strengthen the Bank's capacity to respond to challenges and opportunities associated with sustainability. The Board of Íslandsbanki approves the Bank's sustainability policy and targets and determines the Bank's sustainability-related risk appetite.</p> <p>The Board Corporate Governance and Human Resources Committee, a sub-committee of the Board, assists the Board in monitoring, discussing, and implementing the sustainability policy, including the implementation of the Sustainable Funding Framework and the formulation of sustainability targets, as well as monitoring compliance with the policy. The Board is updated regularly on sustainability developments, and key sustainability metrics are a part of its monthly risk dashboard.</p> <p>The CEO is the owner of the sustainability policy, and the Executive Committee is responsible for the implementation of sustainability targets and for ensuring that the relevant rules and procedures within their departments are in line with the policy.</p> <p>The Sustainability Committee is a formal forum for reviewing and discussing matters related to the Bank's sustainability strategy formulation and the Bank's commitments regarding sustainability.</p> <p>The Bank's Sustainability council was reestablished in 2024. It includes employees from various departments within the Bank. It held three meetings in 2024 to discuss sustainability matters, developments and opportunities.</p> <p>Sustainability is integrated in the Bank's role. Further, Íslandsbanki's strategy emphasizes financial health, as well as physical and mental health. The bank encourages its employees to contribute to</p>	<p>This year, selected disclosures in the Bank's Annual and Sustainability Report have been reviewed and received a limited assurance by KPMG ehf. The assurance also covers this publicly disclosed information on Íslandsbanki's PRB commitments.</p> <p>Íslandsbanki submitted measurements of the carbon footprint from the Bank's operations as well as its loan and asset portfolio for 2023 to the Climate Disclosure Project. Íslandsbanki's Pillar 3 report for 2024 contains a separate chapter on sustainability and climate risk based on international Task Force on Climate-related Financial Disclosures (TCFD) criteria for the 5th year in a row.</p> <p><u>Additional relevant reports:</u> Pillar 3 Sustainability statement Road-to-net-zero 2022 Sector guidelines Human resources strategy Sustainability Policy</p>

	<p>charitable causes. Employees can dedicate one workday per year to a good cause through the Bank's Helping Hand program. Íslandsbanki places strong emphasis on ensuring equality, diversity, and human rights by welcoming all customers and employees.</p> <p>To ensure sustainability awareness and knowledge within the Bank, the Bank hosts workshops and offers educational materials. In 2024 16 workshops and open educational meetings were held for employees. The Bank offers employees educational material online as well.</p>	
<p>Links & references 2024 Annual and Sustainability report, Page 43 – Sustainability milestones in 2024 Page 44 – Double materiality assessment Page 23 – Financial health Page 10 – CEO's address</p>	<p>Links & references 2024 Annual and Sustainability report, Page 22 – The bank's new strategy, Íslandsbanki's strategic lighthouse Page 43 – Sustainability milestones in 2024 Page 60 – Sound governance practices Page 61 – Sustainability-related governance structure Human Resources Strategy</p>	<p>Links & references Pillar 3 report 2024 Annual and Sustainability report Road to net zero 2022.pdf Sustainable Funding Framework • Íslandsbanki Sector guidelines Human Resources Strategy Sustainability Policy</p>