



# Statement on principal adverse impacts of investment decisions on sustainability factors

June 2024





### Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant:** Íslandsbanki hf., 549300PZMFIQR79Q0T97

#### Summary

Íslandsbanki hf. (549300PZMFIQR79Q0T97) does not consider principal adverse impacts of its investment decisions on sustainability factors at this time. The present statement is the statement on principal adverse impacts on sustainability factors of Íslandsbanki hf. which has delegated the portfolio management of discretionary portfolios and investment management to its subsidiary, Íslandssjóðir hf., and collectively referred to as “we”, “us” or “our”.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 June 2023 to 31 December 2023.

At this time, the specific sustainability factors covered by the principle adverse impact (PAI) are not considered. This is due to lack of data and lack of data quality. Íslandsbanki hopes that the implementation of Corporate Sustainability Reporting Directive<sup>1</sup> (CSRD) will increase the availability and quality of the necessary sustainability data and improve the transparency and reliability of Íslandsbanki’s PAI reporting. The data was gathered through data providers and directly from investees. Data gathering was prioritized by weights of investees in the portfolio. We will work to enhance data coverage and calculation capabilities to enable monitoring of the sustainability factors. We have discussed with our domestic data provider and relevant information for PAI statements will be available when CSRD has been taken into force in Iceland, until then we assess through the current vendors as well as going directly to available information on the respective investee company.

This statement also includes a description of actions taken, actions planned, and targets set to seek to reduce and mitigate the principal adverse impact of our investments. At this time Íslandsbanki does not have adequate data to consider the principle adverse impact on sustainability factors. Íslandsbanki’s aims are therefore to reach an adequate level of data availability and quality in to be able to set targets and consider principle adverse impact into its investment decision-making process.

<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>



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We assesses its investee companies based on sustainability factors, not principle adverse impact, to assess sustainability risk, in line with its commitment to responsible investing. Responsible investment practices include impact inesting, negative screening, proxy voting and attending annual general meetings.

### Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the SFDR are set out in Table 1 below. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the identified principal adverse impact. At this time, due to lack of data availability most of our targets include ambition to increase coverage and reliability of the data to be able to consider principal adverse impact - prior to us being able to set a target to avoid or reduce the identified principal adverse impact. We will report this information on an annual basis, subject to data availability and quality. Information on impact compared to the previous year will be initially reported by 30 June 2024, and thereafter on an annual basis.

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric	Impact 2023	Impact 2022 <sup>2</sup>	Explanation <sup>3</sup>	Actions taken, and actions planned and targets set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
Greenhouse gas emissions	1. GHG emissions [tCO <sub>2</sub> ]	Scope 1 GHG emissions	12.833 The coverage for this metrics are 91%.		Information on carbon footprint was gathered from data providers and directly from investees. Íslandsbanki aims to increase the coverage and hopes
		Scope 2 GHG emissions	920,2		

<sup>2</sup> Impact compared to previous year will be reported by 30 June 2025, and continuously on an annual basis, as information on previous year was not accessible.

<sup>3</sup> The difference in impact will be reported by 30 June 2025, and continuously on an annual basis, as there was no information on previous year.



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			The coverage for this metrics are 91%.			to be able to publish as well data quality.
		Scope 3 GHG emissions	87.149 The coverage for this metrics are 91%.			We emphasise climate action, and we have chosen to give particular support to SDG number 13. Íslandssjóðir have published the carbon footprint of their investments for 2021 and 2022, including asset management for Íslandsbanki. Data is gathered both directly from investee companies is used as well as proxys. We aim to increase the scope as information becomes more accessible.
		Total GHG emissions	100.902 The coverage for this metrics are 91%.			
2. Carbon footprint	Carbon footprint	75 The coverage for this metrics are 91%.			We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.	
3. GHG intensity of investee companies	GHG intensity of investee companies	284.179.177 <sup>4</sup> The coverage for this metrics are 91%.				
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1% The coverage of this metric is 96%.				The domestic market exposure is obtained by assessing if investee's are categorized into NACE code Rev 2 - fyrir domestic. For foreign investee's data is obtained through external data providers.  Oil extracted from oil sands (tar sands) are on our observation

<sup>4</sup> GHG intensity was gathered on a best effort basis. We aim to investigate this metric in future disclosure.



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						list. If assets on the observation list are over 5% in weight the relevant funds are specifically assessed and are sold if deemed unlikely to change.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 17% The coverage is 91%.			<p>We invest significant in the domestic Icelandic market, which has a high share of renewable energy consumption<sup>5</sup>.</p> <p>We are committed to decreasing negative environmental impact. We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A			<p>We are committed to decreasing negative environmental impact. We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.</p> <p>We have discussed with our data provider to include this metric when disclosures according to the CSRD regulation have been</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by	N/A			

<sup>5</sup> Based on location-based emissions.



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		investee companies per million EUR invested, expressed as a weighted average				published for the Icelandic market. For external markets we aim to find a better suited data provider to access this information.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A			
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Íslandsbanki assessed 35 domestic companies specifically in terms of violations. Non aroused suspicion of a violation.  Íslandsbanki has negative screening processes and no suspicion has been determined.			We adhere to UN Global Compact guidelines and the OECD Guidelines. We aim to have assessed all investee companies in the next publications and that the investee companies adhere to these principles and guidelines as well.  We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.
	11. Lack of processes and compliance mechanisms to	Share of investments in investee companies without policies to	Íslandsbanki assessed 35 domestic			We adhere to UN Global Compact guidelines and the OECD Guidelines. We aim to



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	monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprise	companies specifically in terms of violations. Non aroused suspicion of a violation.  Íslandsbanki has negative screening processes and no suspicion has been determined.			have assessed all investee companies in the next publishments and that the investee companies adhere to these principles and guidelines as well.  We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A			Íslandsbanki is fully committed to gender equality, and we have chosen to give particular support to SDG number 5, gender equality.  Íslandsbanki aims in its own operations to have the unadjusted gender pay gap to be 0. Íslandsbanki accepts that this won't be achieved over night and hopes others follow suit.  We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a	43%  Covers 97% of the portfolio.			Íslandsbanki is fully committed to gender equality, and we have chosen to give particular support



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		percentage of all board members				to SDG number 5, gender equality. Íslandsbanki aims to have no gender exceed 60% of the ratio of its board. Domestic companies with employees equal to or exceeding 50 should ensure that the ratio of any gender should not go below 40%. We apply this target to our domestic investee's as well. For foreign investments we aim to be able to set targets in the future.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	In the domestic assets we have no exposure. For the foreign assets we have no exposure according to the available data.			Controversial weapons are on our observation list. If assets on the observation list are over 5% in weight the relevant funds are specifically assessed and are sold if deemed unlikely to change
<b>Indicators applicable to investments in sovereigns and supranationals</b>						
<b>Adverse sustainability indicator</b>		<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environmental	15. GHG intensity	GHG intensity of investee countries	244.847.893 Covers 99% of the portfolio			We emphasise climate action, and we have chosen to give particular support to SDG number 13.





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						We will work to enhance data coverage and calculation capabilities to enable monitoring of this indicator as well as being able to set targets in the future.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0% Covers 99% of the portfolio			The basis of our investments in foreign markets is that the relevant investments are compliant to international law, general requirements and international agreements.

### Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The SFDR defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impact (PAI) is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. The SFDR includes a set of specific indicators that can be used to measure an issuer's or investee company's negative impact on sustainability factors, to enable identification of the principal adverse impact of investments by a financial market participant.

We have implemented certain safeguards to ensure that our investments meet minimum ESG standards, as to follow our responsible investment aims. When applicable, our ESG safeguards include application of exclusion lists and norm-based screening. By applying general screening criteria pre-investment, we aim to limit investing into companies with negative impact on sustainability factors. At this time, PAI indicators are not considered due to data availability and quality.



### **Selection of indicators**

Íslandsbanki's Sustainability Policy creates a comprehensive framework for its activities in the area of sustainability, including responsible investments. The policy identifies two core areas of interest, climate action, and diversity and inclusion. At this time, the relevant principle adverse indicators are not considered due to lack of data availability. We will work to enhance data coverage and calculation capabilities to enable monitoring of the principle adverse indicators.

### **Identification and assessment of PAI**

Principle adverse impact assessment is currently not integrated in our active ownership and engagement policies and processes. We do have active ownership and engagement in terms of sustainability but at this time we are unable to integrate principle adverse impact due to lack of data availability. We will strive towards integrating them when we have reached an adequate level of data availability and accessibility.

### **Governance in relation to policies**

The sustainability policy is set by the Board of Directors. The CEO is the owner of the policy and the Executive Board is responsible for the implementation and the Executive Directors ensure that relevant rules and procedures within their departments are in accordance with the policy. The day-to-day responsibility of ensuring compliance with our responsible investment aims, lies with the relevant investment departments, including our asset management team.

### **Data sources**

Our data gathering is sourced directly from investee companies and through three third-party data providers. We use a domestic third-party data provider for domestic investee companies and a foreign third-party data provider for foreign companies. We complement these data providers with direct search of available information for investee companies. We will work to enhance data coverage and calculation capabilities to enable monitoring of the sustainability factors.

More information about the external data sources used is available upon request.

### **Engagement policies**

We aim to create positive and significant impact on the environment and society as well as making financial gains. At this time we are unable to engage in terms of principle adverse impact as we lack data and data quality. We do engage with investee companies in terms



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of sustainability but are unable at this time to do so in terms of principle adverse impact. When we have achieved an adequate scope and data quality we will apply the same methodologies of engagement in terms of principle adverse impact.

On behalf of fund members, we believe it is important to use the right that comes with investments in individual companies for improvement. It is done in two ways on the domestic stock market. On the one hand, by exercising voting rights at shareholder meetings, and on the other hand, by talking to managers. In this way, we can have a positive impact on ESG factors, not specifically principle adverse impact indicators. Decisions about how active dialogue is used depend on the assessment of the companies at any given time, the size of the investment and the assessment of the impact we can have. If companies do not comply with repeated suggestions, exclusion is applied. If the active funds that we have invested in own shares in companies that are on Íslandssjóðir's observation list, we look at them separately. We send them questions twice a year to get justification for the ownership based on ESG factors, as well as to examine how active the fund is as a shareholder on behalf of fund members. If answers are deemed unsatisfactory, exclusion is applied. If assets on the observation list have a weight of more than 5%, the funds are taken into special consideration and sold if it is not likely that this situation will change.

### **References to international standards**

Our ambition is that the companies that we invest in comply with the international conventions and norms that we adhere to Principals of Responsible Investing, UN Global Compact, The OECD Principles of Corporate Governance, The OECD Guidelines for Multinational Enterprises Paris Agreement, The UN Guiding Principles on Business and Human Rights, The Children's Rights and Business Principles, The ILO conventions on labour standards, The Rio Declaration on Environment and Development, The UN Convention on Corruption and The Convention on Cluster Munition.

Íslandsbanki aims to be a leader in the area of sustainable development and a force for good in society. To this end, Íslandsbanki intends to initiate broad collaboration on responsible business practices that both contribute to sustainable development in the Icelandic economy and supporting the Paris Agreement and the SDGs. Íslandsbanki aims to improve data gathering and data quality procedures so as it is able to set relevant targets in line with the Paris Agreement.

### **Historical comparison**

A historical comparison of the period reported on with the previous reported period will be made as of 2024.